



FOREWORD

Last year saw a number of significant changes that affected key activities of Národná banka Slovenska (NBS). After extensive preparatory work, banking supervision in the euro area underwent an overhaul towards the end of 2014, with a substantial reallocation of supervisory powers. As for the common monetary policy, path-breaking decisions were taken in response to monetary and economic developments. The field of payment services also experienced major adjustments.

The global economy grew in 2014 at the same pace as in the previous year. This encompassed an increase in growth across advanced economies caused by higher domestic demand and a slowdown in the emerging world. The euro area economy grew, but the average growth rate was low, reflecting in part geopolitical tensions.

In Slovakia, a fall in the positive contribution of external demand was offset by an increase in domestic demand. Annual GDP growth accelerated to 2.4%, based mainly on higher investment. The buoyancy of the domestic economy had a positive impact on the labour market. As employment increased, the unemployment rate came down.

The consumer price level in Slovakia fell in 2014, with the rise in domestic demand not sufficient to offset stronger downward pressures from the external environment. During most of 2014 the annual inflation rate was negative, and for the year as a whole consumer prices decreased by 0.1%. In the euro area, prices increased slightly on average, but towards the year-end they began to fall significantly.

In response to prolonged low inflation and with the aim of supporting the recovery in the euro area, the ECB's Governing Council decided in June 2014 to cut the interest rate on main refinancing operations to 0.15% and to introduce a negative rate of -0.10% on the deposit facility. In September the ECB cut the main refinancing rate to 0.05% and lowered the deposit facility rate to -0.20%.

At the same time, the ECB continued to use non-standard monetary policy measures. The Governing Council decided that both main refinancing operations and three-month longer-term refinancing operations would continue to be conducted as fixed rate tender procedures with full allotment for as long as necessary, and at least until the end of 2016. The ECB also announced further measures to enhance the functioning of the monetary policy transmission mechanism and support the provision of credit to the broad economy. These included targeted longer-term refinancing operations and an asset-backed securities purchase programme.

In the field of supervision, preparations for the transition to the Single Supervisory Mechanism (SSM) continued and were completed in 2014. The preparations included a comprehensive assessment of selected European banks, which confirmed that banks in Slovakia were stable and healthy. In November 2014 the SSM became operational, with the ECB assuming responsibility for the prudential supervision of the largest banks in the euro area. The ECB now directly supervises more than 120 significant banking groups. In addition, it sets and monitors standards for other banks that remain under the direct supervision of national competent authorities. In the case of Slovakia, the ECB supervises the three largest banks and three other banks as part of the supervision of foreign financial groups. The remaining banks continue to be supervised directly by NBS.

As regards payment systems, the most important change was the completion of the migration to the Single European Payments Area (SEPA). From February 2014, in 33 European countries, all euro credit transfers and direct debits payments are treated as domestic payments and the differentiation between national and cross-border payments ceases to exist. Last year NBS continued to ensure the smooth functioning of the SIPS retail payment system. The liabilities and claims of SIPS participants undergo final settlement in the TARGET2-SK system. In each of the two payment systems the total value of transactions executed in 2014 increased by a similar margin in compari-





son with the previous year (by 4.2% and 5.7%, respectively).

The cumulative net issuance of euro currency in Slovakia, i.e. the difference between the value of euro banknotes/coins that NBS has put into circulation and withdrawn from circulation since 1 January 2009 (when Slovakia adopted the euro), amounted to €9.5 billion by the end of 2014. As well as ordinary circulation coins, NBS issued a €2 commemorative coin, marking the 10th anniversary of the accession of the Slovak

Republic to the European Union, and three collector coins, including two silver coins and one gold coin.

For 2014, Národná banka Slovenska reported a profit of €102 million, with net interest income being the largest contributor to that result. The number of NBS employees was 1,029 at the end of 2014, slightly higher than at the end of the previous year. Most of the fresh recruitment was related to new supervisory tasks that NBS has assumed.

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