

COMMUNIQUE

At the request of the **Slovak** authorities, the ministers of the euro area Member States of the European Union, the President of the European Central Bank and the ministers and the central bank governors of Cyprus, Denmark, Estonia, Latvia, Lithuania, Malta, Slovenia and Slovakia have decided, by mutual agreement, following a common procedure involving the European Commission and after consultation of the Economic and Financial Committee, to include the Slovak koruna in the Exchange Rate Mechanism II (ERM II).

The central rate of the Slovak koruna is set at 1 euro = 38.4550 koruna.

The standard fluctuation band of plus or minus 15 percent will be observed around the central rate of the koruna.

The agreement on participation of the Slovak koruna in ERM II is based on a firm commitment by the Slovak authorities to promote wage developments that are kept in line with productivity growth, thereby contributing to achieving price stability in a sustainable manner, and to pursue sound fiscal policies which are essential for preserving macroeconomic stability, including low inflation, and for ensuring the sustainability of the convergence process. The Slovak government's medium term fiscal consolidation strategy requires a high degree of budgetary discipline and needs to be implemented decisively through measures of a permanent nature. Strict monitoring of budget execution will be required, aimed at a timely detection and correction of slippages. The authorities, together with the responsible EU bodies, will closely monitor macroeconomic developments. The authorities commit to strengthen the fiscal stance if warranted. They will remain vigilant concerning risks of strong domestic credit growth. Structural reforms aimed at further enhancing the economy's flexibility and adaptability will be implemented in a timely fashion so as to strengthen domestic adjustment mechanisms, reduce unemployment and maintain the overall competitiveness of the economy.

The compulsory intervention points in the exchange rate mechanism will be communicated by the ECB and the National Bank of Slovakia, in time for the opening of the foreign exchange markets on 28 November 2005.