EUROPEAN UNION

Brussels, 16 March 2007

COMMUNIQUE

At the request of the Slovak authorities, the ministers of the euro-area Member States of the European Community, the European Central Bank and the ministers and the central bank governors of Cyprus, Denmark, Estonia, Latvia, Lithuania, Malta 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 adapt the central rate of the Slovak koruna in the Exchange Rate Mechanism II (ERM II).

The central rate of the Slovak koruna has been revalued by 8 ½ percent. The new central rate of the koruna is

1 euro = 35.4424 koruna

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

The revaluation of the central rate of the Slovak koruna is justified by underlying fundamentals. It will support the authorities in maintaining macroeconomic stability. The revaluation is based on a firm commitment by the authorities to pursue appropriate supportive policies, aimed in particular at achieving price stability in a sustainable manner and underpinning external competitiveness and economic resilience. These include: strengthening the fiscal adjustment path in structural terms, in line with the Council opinion adopted on 27 February 2007 on the updated convergence programme of Slovakia, in order to contribute to a balanced policy-mix aimed at containing inflationary risks and supporting the sustainability of the convergence process; the promotion of wage developments which reflect labour productivity growth, labour market conditions and competitiveness; and the continuous pursuit of structural reforms so as to raise productivity growth and improve the functioning of product, labour and financial markets. In addition, the Slovak authorities will be vigilant concerning risks of strong credit growth. The authorities, together with the responsible EU bodies, will closely monitor macroeconomic and exchange rate developments. The authorities commit to strengthen the policy stance as warranted.

This decision is without prejudice to the conclusions that will be reached by the Commission and the ECB in future convergence reports and to possible decisions of the Council pertaining to Article 122(2) of the Treaty.

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 19 March 2007.