A central banker’s view on monetary policy during transition

The case of Slovenia

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Monetary policy during the transition period

Source: Bank of Slovenia, ECB.

- 60-days Tolar bills rate
- ECB - MRO rate
- Depreciation of SIT/EUR exchange rate

Period of participation in the ERM II

Pre-accession period

Accession to the EU

Period of participation in the ERM II

Adoption of the EURO

Source: Bank of Slovenia, ECB.
The Euro introduction in Slovenia - timeline

- **Pre-accession phase**
  - 1 May

- **Upon accession to the EU**
  - 28 June

- **The stage of participation in ERM II**

- **Adoption of the euro**
  - 1 January

Key dates:
- 2004
- 2005
- 2006
- 2007
As a member of the EMU, Slovenia benefited in particular from:

- credibility of common monetary policy (which helped contain inflationary pressures) and
- appropriate response to the common demand shock at the onset of the crisis.

However, economic recovery in Slovenia was postponed due to country-specific issues (increase in sovereign risk and indebtedness of private firms).

After recapitalisation of the banking sector, successful deleveraging of the private sector and structural adjustments in GDP and employment, Slovenian economy emerged stronger and more efficient than before. GDP growth strengthened and became broad based and well above the EA average.

Recent geopolitical tensions, growing uncertainty and the resulting maturing of the business cycle in the euro area, advocate for further accommodation.

As monetary policy approaches its limits, policy-mix could provide that stimulus.
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