

30TH ANNIVERSARY OF BANKA
SLOVENIJE

**WELCOME ADDRESS BY BOŠTJAN VASLE,
GOVERNOR OF BANKA SLOVENIJE,
AT THE CONFERENCE “THE ROAD ALREADY TRAVELLED
AND CONTEMPORARY CHALLENGES”**

Cankarjev dom, 11 May 2022

Check against Delivery

Madame President,

Dear guests,

Ladies and Gentlemen,

It is my great pleasure and privilege to welcome you at this conference, organised to celebrate two important milestones:

- The 30th anniversary of Banka Slovenije and
- The 15th anniversary of our membership in the Eurosystem.

Events like this are an excellent opportunity for a retrospect: what has been achieved and what challenges lie ahead.

Thirty years ago, the central bank of a newly established republic was formed. And we were not alone – in fact, it was a thrilling period, indeed a central banks’ “baby

boom” in this part of the world! Accordingly, I am delighted to welcome also dear colleagues from Central and Southeast Europe.

Ladies and Gentlemen,

Since day one, the mission of Banka Slovenije was to ensure price stability, helping to create a favourable environment for our country to progress further. Our goal was clear: soon to become not only a successful part of the European Union, but also a reliable member of its core – the euro area.

At the very start of monetary independence, our task was to introduce the new currency. We started the process by issuing payment notes and then the tolar as the first official currency of Republic of Slovenia.

After a decade of sustained improvement in the stability of the tolar, Banka Slovenije was granted with additional tasks, such as overseeing the functioning of payment systems in the country.

As Slovenia joined the European Union in 2004, Banka Slovenije also became a member of the European system of central banks. The following years were marked by our efforts to join the euro area, to adopt the euro as soon as possible. We succeeded just three years later, becoming the first euro area member after the big EU enlargement. Support and appreciation of the euro project is still well visible today: Slovenians are constantly among the biggest supporters of the euro in the monetary union.

The series of historical achievements was followed by financial and economic crisis. Slovenia was far from being spared. Revealed weaknesses of our banking system, accumulated over more than a decade, placed us in the middle of the storm.

With much effort, we managed to break through it and learn valuable lessons along the way.

The first one was related to banking supervision. It became part of the common interest, similarly to what monetary policy had been from the very outset, under the umbrella of a single supervisory mechanism. The second was related to macroprudential policy, which was designed to fill the gap between monetary policy and supervision policy. Like many other central banks, Banka Slovenije assumed a leading role in maintaining the stability of the financial system.

Today, monetary policy tasks, banking supervision, macroprudential policy – together with our resolution tasks – form four pillars of our mandate. We find some symbolism in that, since our facade is decorated with exactly four statues.

Ladies and Gentlemen,

The last three decades have been truly remarkable. It has been a demanding but magnificent journey, during which we became wiser, stronger and more confident about the future.

Unfortunately, our resilience was soon put to the test. Firstly, with a health crisis that dramatically challenged our societies, making us rethink the fundamentals of our economy and living habits. Secondly, with Russia's devastating military aggression against Ukraine the security crisis has added distresses to supply chains, energy and food security.

Taken together, these developments changed the environment we are operating in. After long period of low inflation, in some instances worryingly low, we are now faced with increasing price pressures. What started as a one-off shock, a side result of the pandemic and successful coping with it, is now becoming a more broad-based phenomenon.

And when the circumstances change, the policy response must follow. That is why we have already started with the process of normalisation of our policies. And here, drawing from my personal experience

- of past inflation episodes in Slovenia and other countries in this part of Europe,
- on how a shock can transform in a more widespread phenomenon,
- and how difficult it is to steer inflation expectations and dynamics,

I will remain supportive to further action. Even faster one, to avoid inflation to become more widespread.

Rising inflation is not the only challenge we are faced with. We are not isolated from and also not non-attentive to broader trends which are happening around us. What I have in mind are:

- accelerated digitization of our societies, among others of the financial sector,
- demographic change,
- and climate change.

These are the topics we are much involved with. It is not rarely that we take a very visible role when providing guidance on how to cope with them.

In the following sessions, there will be many opportunities for our distinguished guests to reflect on the past three decades and share their views on the challenges ahead of us.

But before that It is my great pleasure to give the floor to President Lagarde to share with us her thoughts.