

Brussels, 27 June 2004

COMMUNIQUE

At the request of the **Slovenian** 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 Denmark and Slovenia 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 Slovenian tolar in the Exchange Rate Mechanism II (ERM II).

The central rate of the Slovenian tolar is set at 1 euro = 239.640 tolar.

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

The agreement on participation of the tolar in ERM II is based on a firm commitment by the Slovenian authorities to continue to take the necessary measures to lower inflation in a sustainable way: these include most notably measures aimed at further liberalising administered prices and advancing further with de-indexation, in particular of the wage and certain social transfer setting mechanisms. Continued vigilance will be needed so that domestic cost developments, in particular wages, are in line with productivity growth. The authorities, together with the responsible EU bodies, will closely monitor macroeconomic developments. Fiscal policy will have to play a central role in controlling demand-induced inflationary pressures and financial supervision will assist in containing 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 and to maintain the overall competitiveness of the economy.

The compulsory intervention points in the mechanism will be communicated by the ECB and the Bank of Slovenia, in time for the opening of the foreign exchange markets on 28 June 2004.