

Radovan Jelašić: The National Bank of Serbia – accomplishing its objectives

Speech by Mr Radovan Jelašić, Governor of the National Bank of Serbia, on the occasion of consecration of the new office building of the National Bank of Serbia, Belgrade, 10 October 2006.

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Your Eminences, Reverend Bishops, esteemed guests and dear colleagues,

It is an honour for me to share with you all the joy of this historical moment of consecration of the new office building of the National Bank of Serbia. I hope that this will also mark a peaceful and blessed start of work in this beautiful building, after rather tumultuous two decades. I believe that this festive atmosphere may be a good time to remind ourselves once again of what our legal obligation to Serbian citizens is, with regard to preserving the stability of the national currency and building an efficient financial system.

The construction of this building began in the former Yugoslavia, and was completed in today's Serbia. No one believed it was possible to finish such building and put it into use in a short time. And yet, we did it. In only three years, we renovated and completed the work which had remained unfinished during the previous fifteen or so years. This is yet another proof that the National Bank of Serbia always accomplishes the objectives it sets. Similarly, our claim that we will succeed in transforming a completely ruined banking system into a sound and financially strong one, in which ownership has been transformed and which both citizens and economy will trust, was greeted by the same sort of disbelief. Today, new foreign currency savings in banks amount to more than EUR 3 billion, and in only eight months this year the sum of credits increased by around CSD 100 billion. Serbia's strength today is perhaps best illustrated by the fact that this year's foreign direct investments amounted to almost USD 4 billion, bringing us a strong dinar, which many of our fellow citizens still view with distrust, even after all this time.

A similar thing happened when the National Bank of Serbia was entrusted with insurance supervision and when it confirmed in practice that, just like in the banking sector, it will ensure the enactment of the necessary regulatory framework, control of participants in the insurance market, supervision of their operations, consumer protection and conditions for stable development of this sector.

Six months ago, when monthly inflation stood at over 1.5% and the National Bank of Serbia, despite this, asserted that it was possible for this year's inflation to be at the projected single-digit level, a host of "armchair critics" rushed to disprove this, proffering instead their own pessimistic forecasts of end-2006 inflation.

However, we have not allowed ourselves to be intimidated by such criticisms, and we never will. Instead, we pursued a responsible, restrictive monetary policy, and, as a result, managed to substantially topple inflation, so that at the end of the year it should attain the projected single-digit rate of growth.

Another important task facing the National Bank of Serbia is to completely restore public trust in the dinar and convince citizens that savings in the domestic currency represent the most profitable form of savings, that it is safest to perform financial transactions in dinars and that the purchasing power of the dinar is the best measure of their real standard. In other words, we need to get it across to the public that the time of constant "switching" from dinars to euros and vice versa is a bad reflex from the past, which today can only cause losses. The National Bank will be successful in this as well, since it has always accomplished all its objectives.

This new modern building incorporating state-of-the-art technological solutions has enabled the employees of the National Bank to step into the 21st century physically as well, providing them with a working environment that may earn them the envy of even their colleagues from countries more developed than Serbia. This however also means that in our work we need to observe the standards of these more developed countries, and that transition has brought with it yet another rule – we must do a good and responsible job before we get rewarded.

National Bank's activities in the part of the financial system coming under its legal remit, as well its efforts on its own transformation, have shown and proven that the central bank has been the engine of transition over the past several years. The banking sector is already practically in the European Union, as most of it comprises banks that have come from European Union countries. Our job, however, is

not over yet, and we in the National Bank are already working very intensively on tackling what should be the key economic challenge in the next phase of transition: we do not want to be alone in the European Union; we want the entire Serbia to enter it along with us. For us this is neither a political nor a pre-electoral platitude; rather than this, it is a responsible task, and I, as Governor, can promise that we will continue to change and improve our institution, and that we will spearhead and set an example for all European integration efforts.

Allow me once again to thank you all, because it is owing to your work that we are here today. I would also like to give special thanks to our Secretary General who was not satisfied with just a “provisional” occupancy permit, and, as a result, today we can number ourselves among the rare few in Belgrade that have been granted a final occupancy permit.