

## The Money Market – Household Savings

Slovenian Economic Mirror

IMAD

No. 11/2003

p. 8

Household savings in banks	SIT billion, nominal		Real growth rates, in %	
	31. December 2002	31. August 2003	30. September 2003/ 31. August 2003	30. September 2003/ 30. September 2002
<b>Total savings</b>	1,978.3	2,097.2	-0.3	8.2
<b>Tolar savings, total</b>	1,159.7	1,261.4	-0.2	11.9
Demand deposits	246.3	449.4	-0.9	10.6
Short-term deposits	707.1	578.5	-2.8	10.5
Long-term deposits	205.9	233.3	8.6	18.0
<b>Foreign currency savings</b>	818.6	835.8	-0.4	3.9
Short-term, demand d.	721.8	754.6	-0.3	7.0
Long-term deposits	96.8	81.2	-1.8	-17.6

Sources of data: Monthly Bulletin of the BS, calculations by the IMAD.

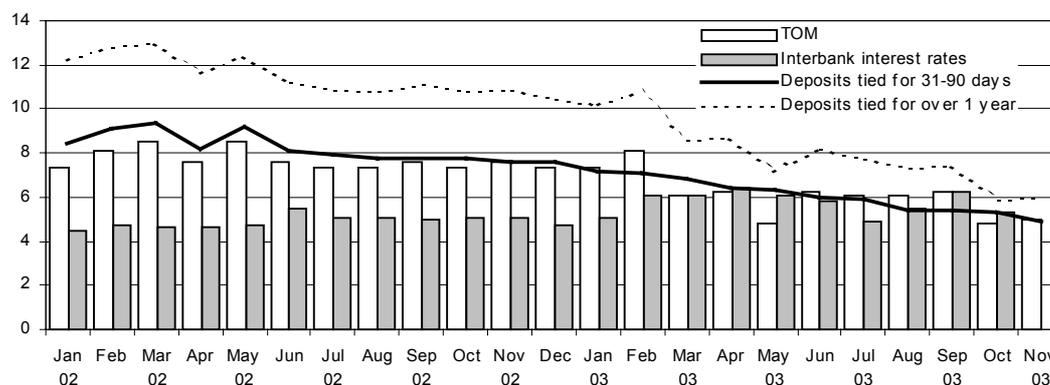
The **volume of household savings in banks** fell by 0.3% in real terms in **September** over August owing to seasonal factors. Further, savings first recorded a nominal fall after January 1992, down SIT 1.8 billion, because of a nominal fall in foreign currency deposits. In the first nine months, household tolar and foreign currency savings rose at a modest rate of 3.3% in real terms, just 1.1 percentage points more than in the same period last year when by far the lowest growth rates were recorded. Total **net flows** of tolar and foreign currency deposits amounted to SIT 72.1 billion in this period, 14.1% more than a year ago in real terms. After being modest in the first half of the year, net inflows into **mutual funds** began to accelerate thanks to positive developments on the Ljubljana Stock Exchange which continued in November; net inflows exceeded SIT 3 billion in October for the second month running. Assets held by mutual funds amounted to SIT 79.1 billion at the end of October, 35.6% more than at the end of 2002. The average annual weighted return (depending on the size of the mutual fund) was 11%, the least since May 2001.

The **volume of household tolar savings** in banks climbed by 4.6% in real terms in the first nine months, 0.7 of a percentage point less than in the same period last year. Unlike the preceding months, September saw an 8.6% real monthly rise in long-term tolar savings, which was very likely due to the transfer of deposits tied for 91 to 365 days to long-term deposits as the former recorded a 4.2% real fall at the same time. In this year as a whole, long-term deposits rose the most out of all tolar deposits, going up by 9% in real terms. **Net inflows of tolar deposits** totalled SIT 62.3 billion in the first nine months and were 19.7% lower than a year ago in real terms.

Household foreign currency savings were not as appealing as tolar savings because of the tolar's lower nominal depreciation against the euro and lower interest rates than in tolar savings. After rising slightly more in July and August, the volume of **household foreign currency savings** in banks fell by 0.4% in September over August, but it was still 1.6% higher in real terms than at the end of 2002 (the same period last year saw a 1.3% real fall). The biggest real rise of 16.3% was seen in sight deposits, representing 14.3% of total household foreign currency savings, while long-term time deposits recorded a 16.5% real fall.

Deposit interest rates have been declining since 2002 and dropped by an average of 2.9 percentage points in the first eleven months of this year. In November, a fall of 0.4 of a percentage point was seen in interest rates on deposits tied for 31 to 91 days, down to 4.9%, and interest rates on deposits tied for 181 days to one year, down to 5%, while interest rates on deposits tied for 91 to 180 days dropped by 0.5 of a percentage point to 4.9%. The long-term interest rate rose by 0.1 of a percentage point to 6% as a result of the 0.2 of a percentage point rise in the tolar indexation clause (TOM), now totalling 5%. The **average interbank interest rate** fell by 0.9 of a percentage point to 5.3% in October because of the improved liquidity of the banking system. The SITIBORs of maturities of less than one month also fell, down by an average of 0.3 of a percentage point, while those of longer maturities fell by an average of one-tenth of a percentage point.

Graph: **Movements of selected interest rates**



Source of data: BS, SORS.