

Monetary aggregates, exchange rates, the Bank of Slovenia's interest rates					
Monetary aggregates ¹ , end-of-month stock*, % growth	2002			2003	
	Dec 2002/ Dec 2001	Φ Oct 02-Dec 02/ Φ Oct 01-Dec 01	Dec 2003/ Nov 2003	Dec 2003/ Dec 2002	Φ Oct 03-Dec 03/ Φ Oct 02-Dec 02
M1	6.4	16.1	1.6	11.1	10.7
M2	11.0	15.3	0.6	6.1	7.1
M3	10.6	14.9	0.7	6.4	7.1
End-of-month exchange rate, % rise	Dec 2002/ Dec 2001	Φ Jan 02-Dec 02/ Φ Jan 01-Dec 01	Dec 2003/ Nov 2003	Dec 2003/ Dec 2002	Φ Jan 03-Dec 03/ Φ Jan 02-Dec 02
EUR	4.0	4.1	0.2	2.8	3.3
USD	-11.9	-2.0	-4.7	-15.0	-14.0
Nominal interest rates, %	Dec 02	Jan-Dec 02	June 03	Sept 03	December 2003
Overnight deposit	4.00	4.00	4.00	3.30	3.00
TBZ ² 60-d	8.25	8.40	6.50	6.50	6.00
TBZ ² 270-d	9.50	9.70	7.50	7.50	6.75
Temp. purchase of FX	4.50	4.50	3.50	3.50	3.00
BS' refinancing rate	7.25	7.70	5.50	5.50	5.00

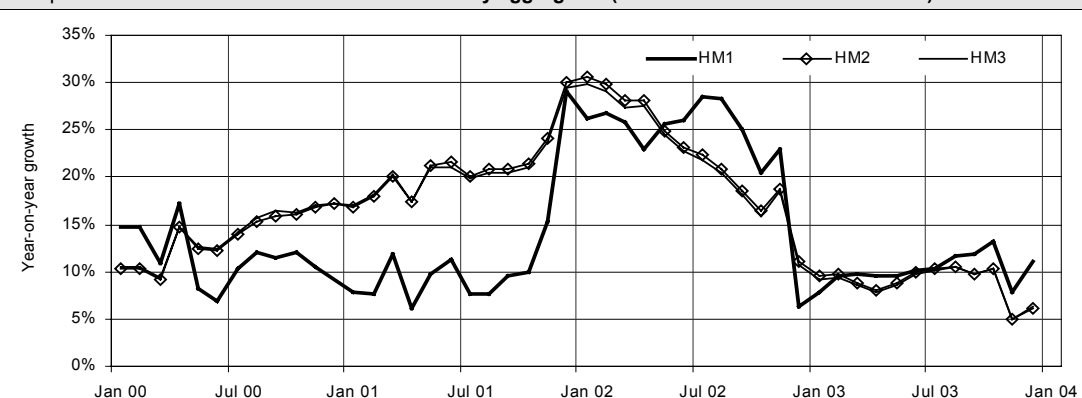
Source of data: the BS. Notes: *end-of-month stock (the average of daily stock levels published earlier), revised BS' data from October 2003; ¹European Central Bank's harmonised definition, ²tolar bills (60- and 270-days).

In 2003, the Bank of Slovenia began to release **monetary aggregate data** in line with the European Central Bank's harmonised definition (shown in the table and graph) in addition to data compiled in line with the national methodology. Data based on the ECB's definition are incompatible with the formal targets of monetary aggregate growth which the Bank of Slovenia previously used as reference values in conducting its monetary policy, however, they show changes between the growth of individual monetary aggregates for the previous years. In 2003, year-on-year growth in the narrow aggregate M1 accelerated by 4.7 percentage points, while growth in the broad monetary aggregates decelerated compared to 2002 mainly due to a reduced impact of one-off factors typical of the past few years.

Beginning in the last quarter of 2002, the Bank of Slovenia continued to **lower its interest rates** in 2003 partly as a response to cuts in the ECB's interest rates and partly as a response to declining inflation. After the last 0.25 of a percentage point cut in the key interest rates in December, the Lombard rate fell by a total of 3.25 percentage points in 2003, the interest rate on 60-day (270-day) tolar bills was down 2.25 (2.75) percentage points, the interest rate on repurchase facilities fell by 2.25 percentage points, and the interest rate on overnight deposits dropped by 1.5 percentage points. After keeping the interest rate on the temporary purchase of foreign exchange unchanged in 2002, the Bank of Slovenia cut this rate by 1.5 percentage points in 2003, while the refinancing rate was down 2.25 percentage points to 5.0% at the end of December, following the ECB's cut in the interest rate on refinancing facility.

The Bank of Slovenia slowed the **tolar's nominal depreciation** down to an average monthly rate of 0.2% in the third quarter of 2003 and this rate was also maintained in the last quarter. Year-on-year appreciation of the euro eased off to 2.8% at the end of December, 1.2 percentage points less than in December 2002. The US dollar's depreciation continued at the end of the year, amounting to 4.7% in December and 15% compared to December the year before. Since inflation dropped and the tolar's nominal depreciation against the euro eased off compared to 2002, movements in the tolar's real effective exchange rate were mainly influenced by the US dollar's faster depreciation. Against the background of these developments, the tolar's real effective exchange rate appreciated by 0.2% in December and by 3.4% in 2003 as a whole (by 3.8% in 2002).

Graph: **Growth in the Bank of Slovenia's monetary aggregates (the ECB's harmonised definition)**



Source of data: BS.