# The Money Market – Household Savings



| Household savings in banks | SIT billion, nominal | | Real growth rates, in % | |
|---|---|---|---|---|
| | 31. December 2002 | 31. December 2003 | 31. December 2003/ 30. November 2003 | 31. December 2003/ 31. December 2002 |
| **Total savings** | 1,978.3 | 2,138.5 | 1.5 | 5.2 |
| **Tolar savings, total** | 1,159.7 | 1,293.1 | 1.8 | 6.5 |
| Demand deposits | 403.0 | 466.3 | 2.7 | 10.5 |
| Short-term deposits | 550.4 | 608.2 | 1.1 | 5.6 |
| Long-term deposits | 205.9 | 218.3 | 2.0 | 1.3 |
| **Foreign currency savings** | 818.6 | 845.4 | 1.2 | 3.6 |
| Short-term, demand d. | 721.8 | 766.5 | 1.4 | 6.5 |
| Long-term deposits | 96.8 | 78.9 | -1.1 | -18.2 |

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

**December's household savings in banks** peaked in **2003** mainly due to seasonal factors. They climbed by 1.5% in real terms, 0.3 of a percentage point less than in December 2002. Year-on-year growth rates continued to slacken off. December's year-on-year growth was at an all-time low, 1.8 percentage points lower than at end-2002. Namely, rapid falls in deposit interest rates prompted households to seek alternative forms of saving. Further, the narrowing gap between interest rates on short- and long-term deposits led to some changes in the maturity structure: part of long-term savings moved towards short-term ones. **Net flows** of tolar and foreign currency deposits amounted to SIT 106.2 billion in 2003, 32.8% less than the year before in real terms. The increasingly low appeal of keeping savings in banks is confirmed by the low monthly net inflows of total household deposits. They represented just 3.9% of the registered household income in 2003 on average, 2.1 percentage points less than in 2002.

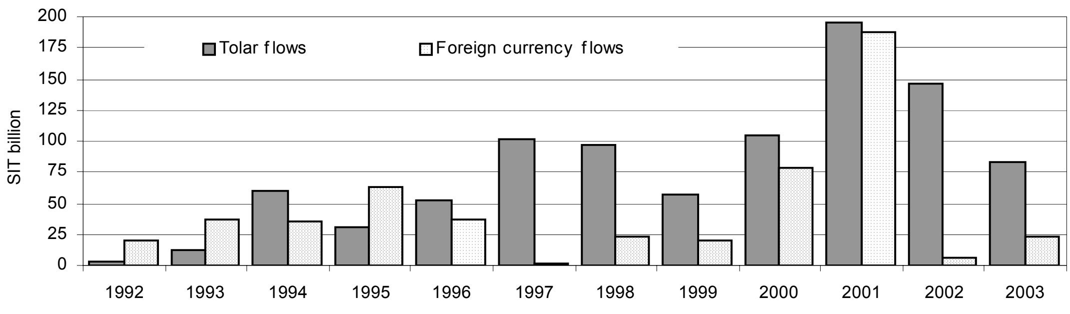
Household **tolar savings** increased by 6.5% in real terms in 2003, the least so far. They lagged behind the respective rise in 2002 by 6.1 percentage points. Going up by 9.7% in real terms, sight and short-term deposits tied for up to 90 days contributed about 5 percentage points to last year's growth. **Net inflows of tolar deposits** amounted to SIT 83 billion and were 46% lower than in 2002 in real terms. The biggest change was seen in long-term deposits: net inflows totalled SIT 0.2 billion (despite a net inflow of SIT 22.2 billion in the national housing savings scheme), equalling a mere 0.3% of the net inflows seen in 2002.

**Foreign currency savings** rose four times as fast as in 2002, going up by 3.6% in real terms. This was due to the low rise in 2002, when some foreign currency deposits were withdrawn after exchanging currencies for euros. Over half of this increase was due to last quarter's 1.9% real rise in foreign currency deposits.

January's inflow into **mutual funds** (SIT 5.2 billion) was the highest monthly inflow so far. Following the rise in the Ljubljana Stock Exchange indices, assets held by mutual funds first exceeded SIT 100 billion and totalled SIT 102.4 billion at the end of January, 76.3% more than a year ago. At the end of 2003, the assets of mutual funds equalled about 4.3% of household savings in banks (2.8% in 2002). January's average annual weighted return (depending on the size of a mutual fund) was 23.1%, 23.9 percentage points less than a year ago. The monthly return was 4.7%, the same as the annual return of short-term tolar time deposits with banks.

**Deposit interest rates** continued to decline gradually in February. Interest rates on deposits tied for 31 days to one year dropped by 0.1 of a percentage point to 4.7%. Interest rates on deposits tied for over one year rose by 0.1 of a percentage point to 6% as a result of the 0.3 of a percentage point rise in the tolar indexation clause (5.2%). The tolar indexation clause rose because January's inflation was published late so the calculation took the average monthly price rise in the last twelve months to December, while February's lower number of days was another factor. The **average interbank interest rate** rose by 0.6 of a percentage point to 5.3% in January as a result of the lower liquidity of the banking system.

Graph: **Net flows of household tolar and foreign currency deposits in banks**




Source of data: BS.