

Monetary aggregates, exchange rates, the Bank of Slovenia's interest rates					
Monetary aggregates ¹ , end-of-month stock*, % growth	2003			2004	
	Dec 03/ Dec 02	Φ Oct 03-Dec 03/ Φ Oct 02-Dec 02	April 04/ March 04	April 04/ April 03	Φ Feb 04-April 04/ Φ Feb 03-April 03
M1	10.6	10.8	2.7	14.8	13.6
M2	5.2	8.5	0.4	4.5	5.3
M3	4.9	7.2	0.9	6.3	6.1
End-of-month exchange rate, % rise	Dec 03/ Dec 02	Φ Jan 03-Dec 03/ Φ Jan 02-Dec 02	May 04/ April 04	May 04/ May 03	Φ June 03-May 04/ Φ June 02-May 03
EUR	2.8	3.3	0.1	2.3	2.8
USD	-15.0	-14.0	-1.8	-1.5	-10.3
Nominal interest rates, %	Dec 03	Jan-Dec 03	March 03	April 04	May 04
Overnight deposit	3.00	3.6	2.75	2.50	2.25
TBZ ² 60-d	6.00	6.9	5.25	4.75	4.50
TBZ ² 270-d	6.75	8.0	5.50	5.00	4.75
Temp. purchase of FX	3.00	3.7	2.50	2.25	2.00
BS ¹ refinancing rate	5.00	5.9	4.50	4.25	4.00

Source of data: the BS. Notes: *end-of-month stock (the average of daily stock levels published earlier), revised BS¹ data from October 2003; ¹national definition, ²tolar bills (60- and 270-days).

The Bank of Slovenia continued to cut its **interest rates**. At its early May session, the Governing Board of the BS again lowered interest rates on the key financial instruments: the Lombard interest rate was reduced by 0.5 of a percentage point and other interest rates by 0.25 of a percentage point. The fall in interest rates over December 2003 ranged from 0.75 of percentage point (overnight deposit facility) to 2.0 percentage points (270-day tolar bills). At the same time, the interest rates of the European Central Bank remained the same, while Slovenia's inflation fell by 1.1 percentage points in the first four months (see p. 6).

After slowing down in the first quarter, **growth in monetary aggregates** again increased in April. Year-on-year growth in the narrow aggregate M1, which was relatively stable in 2003, increased by about 50% in January and has remained at this level in the following months. Conversely, growth in the broad aggregates M2 and M3 slowed down in the second half of 2003 to about one-third of the previous rate of increase and maintained these levels in early 2004, which were half the growth rate of M1. Differences in dynamics were mainly due to changes in financial inflows from abroad: the structure of issuing money recorded a smaller share of net foreign currency assets (reducing the supply of M3), while the share of net domestic assets rose because of the increased lending activity of domestic banks (see p. 9). These trends slightly intensified in April.

In the first quarter, net foreign exchange supply in the spot and futures market maintained the relatively low level of the last quarter of 2003, totalling around EUR 26.4 million on average. Contributions to total net foreign exchange supply also remained unchanged: net supply was mainly generated by non-residents in both segments of the market, while the net supply of domestic enterprises and individuals was negligible.

The BS continued to gradually reduce the tolar's nominal depreciation. The euro's monthly nominal appreciation declined to 0.1%, while its annual appreciation slowed down to 2.3%. The tolar's real effective exchange rate (measured by the CPI) depreciated by 0.2% in April and by a total of 0.6% in the first four months.

Graph: **Changes in the Bank of Slovenia's monetary aggregates**

