

Monetary aggregates, exchange rates, the Bank of Slovenia's interest rates, end of month values					
Monetary aggregates <sup>1</sup> , % growth	2003		2004		
	Dec 03/ Dec 02	Φ Oct 03-Dec 03/ Φ Oct 02-Dec 02	June 04/ May 04	June 04/ June 03	Φ Apr 04-June 04/ Φ Apr 03-June 03
M1	10.6	10.8	3.6	14.1	15.8
M2	5.2	8.5	-0.7	0.9	3.0
M3	4.9	7.2	0.7	4.8	5.6
Exchange rate, % rise	Dec 03/ Dec 02	Φ Jan 03-Dec 03/ Φ Jan 02-Dec 02	July 04/ June 04	July 04/ July 03	Φ Aug 03-July 04/ Φ Aug 02-July 03
EUR	2.8	3.3	0.3	2.3	2.7
USD	-15.0	-14.0	1.3	-2.8	-9.0
Nominal interest rates, %	Dec 03	Jan-Dec 03	March 04	June 04	July 04
Overnight deposit	3.00	3.6	2.75	2.25	2.25
TBZ <sup>2</sup> 60-d	6.00	6.9	5.25	4.00	4.00
TBZ <sup>2</sup> 270-d	6.75	8.0	5.50	4.25	4.25
Temp. purchase of FX	3.00	3.7	2.50	1.00	1.00
BS' refinancing rate	5.00	5.9	4.50	3.00	3.00

*Source of data:* Bank of Slovenia. *Notes:* <sup>1</sup>national definition, <sup>2</sup>tolar bills (60- and 270-day bills).

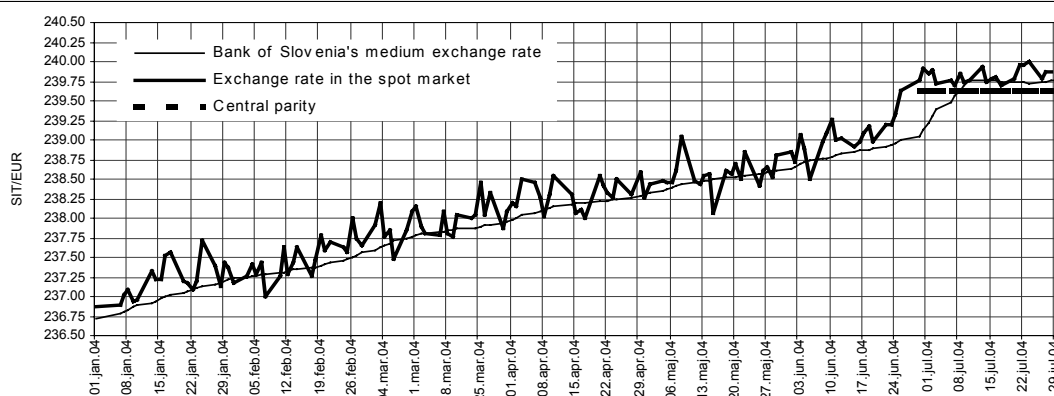
**Upon Slovenia's entry to the Exchange Rate Mechanism (ERM) II at the end of June, the central parity was set at SIT 239.64 for EUR 1.** The exchange rate on the spot foreign exchange market, which was below the central parity before entry, reached the central parity value at the beginning of July and fluctuated above the central parity until the end of the month. Even though the central bank must react only when fluctuation of the exchange rate around the central parity exceeds 15% in either direction, according to the rules of participation in the ERM II the Bank of Slovenia intervened in the foreign exchange market for the first time at the end of July in order to prevent depreciation of the tolar, thus preventing the value of the euro exceeding SIT 240. With the rapid approaching of the exchange rate towards the central parity, the Bank of Slovenia's medium exchange rate grew by 0.3% in July, exceeding the growth rate of the previous months of the year (0.2% in June), while its year-on-year rate remained at the June level (2.3%).

**Dynamics of monetary aggregates observed in the first quarter of the year continued into the second quarter.** After the year-on-year growth of the narrow aggregate M1 increased approximately by half in January, it fluctuated around this level in the following months, while the growth of both broad aggregates continued to ease. The difference in the dynamics of monetary aggregates was partly due to net capital outflows resulting in a smaller share of net foreign currency assets recorded in the structure of issuing money (reducing the supply of M3). In part, the differences can be attributed to banks' increased lending activity giving rise to the faster growth of M1.

**The relatively low net supply in the foreign exchange market recorded in the first quarter of the year remained unchanged in April and May.** The net foreign exchange supply in the spot and futures market totalled SIT 15.0 billion (SIT 18.8 billion in the first quarter).

In comparison to previous months, contributions to the total net foreign exchange supply also remained largely 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.

**Graph: Dynamics in the euro's nominal exchange rate**



Source of data: BS.