

The Money Market – Household Savings	Slovenian Economic Mirror	IMAD
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Household savings in banks	SIT billion, nominal		Real growth rates, in %		
	31 December 2003	30 June 2004	30 June 04/ 31 May 04	30 June 04/ 31 Dec 03	30 June 03/ 31 Dec 02
Total savings	2,138.5	2,199.2	0.5	0.9	2.7
Tolar savings, total	1,293.1	1,311.2	0.1	-1.4	4.4
Demand deposits	466.3	543.9	4.5	13.4	11.2
Short-term deposits	608.2	588.8	-0.5	-5.9	1.6
Long-term deposits	218.3	178.0	-9.7	-20.7	-1.3
Foreign currency savings	845.5	888.0	1.0	3.7	0.6
Short-term, demand d.	766.6	809.7	1.0	4.3	2.1
Long-term deposits	78.9	78.3	1.4	-2.0	-10.4

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

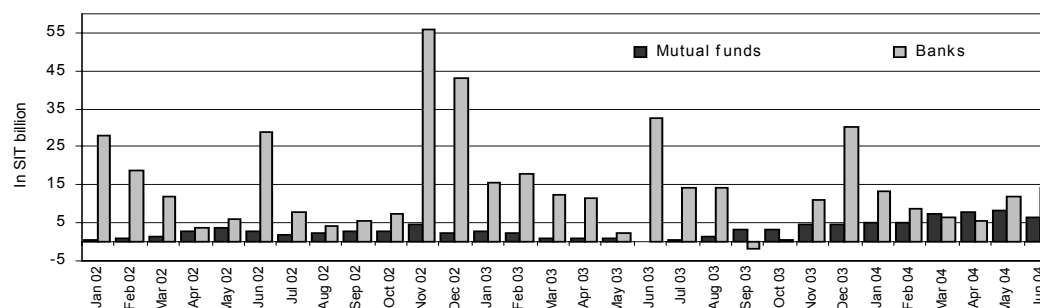
Real growth in **household savings** remained at an all-time low after it was unaffected by June's seasonal factors (holiday allowances), while growth may be additionally dampened by the ending of the First National Housing Savings Scheme in July. Further, the maturity of deposits decreased and the share of foreign currency deposits increased as they represented 40.4% of total household savings, 0.9 of a percentage point more than at the end of 2003.

After falling from February to May, the **volume of tolar savings** edged up by 0.1% in real terms in **June**. This was way below the average of the past few years (1992-2003) when tolar savings recorded over 3.5% real growth. June's increase was due to the 4.5% real rise in sight deposits and the 3.5% real rise in deposits tied for 31 to 90 days, which in total represented close to 60% of all household savings in banks, while other tolar deposits recorded real falls. Similar trends were seen in the first six months as a whole, when the volume of sight deposits and deposits tied for up to 90 days increased and deposits of long maturities dropped. The **volume of foreign currency savings** rose in real terms in June and, unlike in the preceding months, long-term deposits not only increased, but also recorded the biggest real growth after May 2001. Total **net flows** of tolar and foreign currency deposits amounted to SIT 60.7 billion in the first six months, 35.3% less than a year ago in real terms.

The growing interest to **invest in mutual funds** is reflected in their number, which is rising from month to month. Nine new mutual funds were established in less than one year (one was a transformation of an authorised investment company) and their total number rose to 27. While **net inflows** into mutual funds were SIT 2 billion less than in May, inflows remained high and totalled SIT 6.4 billion in June. Almost two-thirds of all inflows went to mixed mutual funds, while bond mutual funds, whose returns are relatively lower owing to a conservative investment policy (but still twice as high as the returns of bank deposits) took less than one-tenth of all net inflows. Inflows to mutual funds amounted to as much as SIT 40 billion in the first six months, almost five times more than in the same period last year. The assets of mutual funds exceeded SIT 150 billion in June and were about two-thirds higher than at the end of 2003. The annual weighted return of all mutual funds rose by 1.6 percentage points to 31.8% in June. Stock mutual funds continued to yield the highest returns, totalling 37.2% in the last twelve months.

Interest rates on sight deposits dropped for the third month in a row in **July**. They halved compared to the end of 2003 and came in at 0.5%. Interest rates on time deposits (both short- and long-term) also dropped, going down by 0.2 of a percentage point. Interest rates on short-term deposits tied for 31 days to one year were at about 3.5% and those on long-term deposits were at 4.4%, while the interest rate on top of the tolar indexation clause (TOM) was 0.8%. **Interbank interest rates** (SITIBOR) continued to fall and they dropped by about 0.3 of a percentage point in June to a level between 4.2% and 4.7%.

Graph: Net monthly inflows of household deposits in banks and mutual funds



Sources of data: BS, www.vzajemci.com, calculations by the IMAD.