

The Money Market – Household Savings

Household savings in banks	SIT billion, nominal		Real growth rates, in %	
	31. December 2002	31. May 2003	31. May 2003/30. April 2003	31. May 2003/31. May 2002
Total savings	1,978.6	2,038.1	0.2	8.2
Tolar savings, total	1,159.9	1,219.3	0.0	12.0
Demand deposits	246.6	285.3	7.6	30.2
Short-term deposits	707.1	724.3	-2.5	5.7
Long-term deposits	205.9	209.6	-0.9	13.8
Foreign currency savings	818.6	818.8	0.4	3.8
Short-term, demand d.	721.8	731.6	0.6	5.8
Long-term deposits	96.8	87.2	-1.5	-10.8

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

The volume of **household savings in banks** edged up 0.2% in **May** over April (the same as in April over March) and climbed by 1.4% year on year in the first five months in real terms (1 percentage point more than in the same period last year). Unlike in previous months, the volume of foreign currency savings increased slightly in May. In the first five months, **net flows** of tolar and foreign currency deposits totalled SIT 40.9 billion and were 5.8% higher than in the same period last year in real terms. Net inflows into **mutual funds** continued to decline. They totalled SIT 0.8 billion in May, the least since January 2002, and reached SIT 8.1 billion in the first five months, 17% less than in the same period last year in real terms. Mutual funds recorded an average loss of 2% this year, which was the main reason for putting investors off. The average annual weighted return (depending on the size of a mutual fund) was 14.3% in May, 7.5 percentage points less than in April. The assets of mutual funds totalled SIT 62.3 billion at the end of May, equalling about 3% of household savings in banks.

The volume of **tolar savings** increased by 1.9% in real terms in the first five months, 0.5 of a percentage point less than a year ago. In May, real growth in tolar savings stagnated over April and decelerated by 0.6 of a percentage point to 12% over May last year, resulting in the weakest growth since November 2000. In the first five months, the strongest growth was seen in sight deposits, going up by 12.2% in real terms. Growth in long-term tolar deposits slowed down to 13.8% as a result of the transfer of long-term savings deposits to long-term time deposits in May 2002 and a 1.4% real fall in long-term time deposits over December. This fall was mainly due to a rapid decline in interest rates. **Net inflows of tolar deposits** totalled SIT 37.8 billion in the first four months and were 27.5% lower than a year ago in real terms.

The volume of **foreign currency savings** increased by 0.9% in real terms in the first five months (the same period last year saw a fall of 1.9%). This modest growth was mainly due to a 9.1% real fall in long-term deposits, while short-term and sight deposits, representing 89.3% of total household foreign currency deposits, climbed for the seventh month running and were up 2.3% in real terms this year.

After falling moderately in May, **deposit interest rates** again dropped markedly in **June**. Interest rates on deposits tied for 31 days to one year fell by 0.5 of a percentage point over May and by up to 1.9 percentage points over December 2002. Interest rates on long-term deposits climbed by 1 percentage point to 8.2% because of the 1.5 percentage points rise in the tolar indexation clause (TOM) to 6.3%. Interest rates on top of the TOM fell by 0.5 of a percentage point to 1.8% (they were down 1.2 percentage points in the first six months as a whole). The new **Act Regulating the Prescribed Default Interest Rate** came into force on 28 June 2003, abolishing the TOM's role in determining default interest. Consequently, indexation is expected to be phased out for long-term claims and liabilities as well, which should further bring down long-term interest rates and reduce their volatility. Cuts in interest rates on instruments of the Bank of Slovenia, which follows the European Central Bank's interest rates policy, should also help bring interest rates down. The **average interbank interest rate** fell by 0.3 of a percentage point to 6.1% in May because of the improved liquidity of the banking sector, while the average SMOMs of a maturity of less than one month rose by 0.1 of a percentage point.

Graph: **Comparison of monthly net inflows of household deposits into banks and mutual funds, and their returns**

