

The Money Market – Household Savings

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Household savings in banks	SIT billion, nominal		Real growth rates, in %	
	31. December 2002	30. June 2003	30. June 2003/ 31. May 2003	30. June 2003/ 30. June 2002
Total savings	1,978.3	2,070.7	0.9	7.2
Tolar savings, total	1,159.7	1,254.0	2.3	10.8
Demand deposits	246.3	333.5	16.3	36.1
Short-term deposits	707.1	709.8	-2.5	1.8
Long-term deposits	205.9	210.5	-0.1	11.2
Foreign currency savings	818.6	816.7	-0.9	2.9
Short-term, demand d.	721.8	730.7	-0.8	5.3
Long-term deposits	96.8	86.0	-2.1	-13.4

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

The volume of household savings in banks increased by 0.9% in real terms in June over May owing to seasonal factors (holiday allowances). This was the lowest growth seen in June since 1999 when savings climbed by just 0.7% owing to increased household spending prior to the introduction of the VAT. The average monthly growth seen in the first six months was 0.4%. Six-month cumulative growth was 2.3% in real terms, only 0.1 of a percentage point stronger than in the same period last year. Total **net flows** of tolar and foreign currency deposits amounted to SIT 64.2 billion in the first six months, 6.2% less than a year ago in real terms. Net inflows into **mutual funds** nearly levelled off in June, amounting to just SIT 0.1 billion, the least since September 2001. They totalled SIT 8.3 billion in the first six months, 35.3% less than in the same period last year in real terms. Net inflows were mainly seen in mutual funds that primarily invest in bonds, while funds investing in shares recorded net outflows. Mutual funds recorded an average loss of 2.5% this year, which was the main reason for putting investors off. The average annual weighted return (depending on the size of the mutual fund) was 14.3%, the same as in May. Mutual funds held a total of SIT 62.1 billion at the end of May, SIT 0.2 billion less than a month ago.

The **volume of households' tolar savings** in banks rose by 4.2% in real terms in the first six months (up 5.9% in the same period last year), which was the lowest six-month growth in the last 10 years. According to figures from the Bank of Slovenia, strong growth was seen in sight deposits, surging by 30.5% in real terms, which was very likely due to the introduction of transaction accounts, forcing many clients to change their savings accounts into transaction accounts. Long-term savings declined by 1.5% in real terms despite the regular monthly remittances to the National Housing Savings Scheme; this was mainly due to falls in deposit interest rates. **Net inflows of tolar deposits** totalled SIT 68.1 billion in the first six months and were 17.2% lower than a year ago in real terms.

After households' **foreign currency savings** recorded low inflows early in the year, they saw a net outflow of SIT 7 billion in June, which reduced their six-month year-on-year growth by 0.9 of a percentage point to 2.9%. This was largely the result of low interest rates (lower than those on tolar savings) and a slower depreciation of the tolar.

Deposit interest rates continued to fall in July, going down by an average of 0.2 of a percentage point. A fall of 0.1 of a percentage point was seen in interest rates on deposits tied for 30 days, down to 3.8%, a fall of 0.2 of a percentage point was seen in interest rates on deposits tied for 31 to 90 days, down to 5.8%, and interest rates on deposits tied for 91 to 180 days, down to 5.9%, while interest rates on deposits tied for over 181 days dropped by 0.3 of a percentage point to 6.1%. Nominal interest rates on deposits tied for over one year fell by 0.4 of a percentage point to 7.8% because of a lower tolar indexation clause (TOM, 6.1%), while the interest rate on top of the TOM dropped by 0.1 of a percentage point to 1.7%. The **average interbank interest rate** fell by 0.3 of a percentage point to 5.8% in June because of the improved liquidity of banks. Similar trends were seen in the SMOMs with maturities less than one month, while the SMOMs with longer maturities slid by an average of 0.7 of a percentage point. After a solid year and a half, the SMOM was replaced by a new interest rate called SITIBOR in mid-July, which reflects the actual interest rates used in interbank transactions. However, the institution of the SITIBOR as a reference interest rate is questionable, owing to the shallowness of the interbank market and Slovenia's integration into the EMU.

Graph: Net inflows of tolar and foreign currency deposits, and real year-on-year savings growth rates

