

Monetary Developments	Slovenian Economic Mirror	IMAD
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Money supply aggregates, exchange rates, the Bank of Slovenia's interest rates					
Monetary aggregates, end-of-month stock*, % growth	2002			2003	
	Dec 2002/ Dec 2001	Φ Oct 02-Dec 02/ Φ Oct 01-Dec 01	Sept 2003/ Aug 2003	Sept 2003/ Sept 2002	Φ July 03-Sept 03/ Φ July 02-Sept 02
M1	11.1	15.4	1.3	11.5	12.3
M2	25.1	26.1	0.0	17.2	18.6
M3	18.4	21.4	0.1	9.8	13.0
End-of-month exchange rate, % rise	Dec 2002/ Dec 2001	Φ Jan 02-Dec 02/ Φ Jan 01-Dec 01	Dec 2003/ Nov 2003	Dec 2003/ Dec 2002	Φ Jan 03- Dec 03/ Φ Jan 02-Dec 02
EUR	4.0	4.1	0.2	2.8	3.3
USD	-11.9	-2.0	-4.7	-15.0	-14.0
Nominal interest rates, %	Dec 02	Jan-Dec 02	Apr-June 03	July-Sept 03	December 2003
Overnight deposit	4.0	4.0	4.0	3.8	3.0
Repo DBZ ¹ 7-d	9.3	10.1	7.9	7.1	6.7
Repo DBZ ¹ 60-d	10.7	10.7	-	-	-
TBZ ² 60-d	8.4	8.4	7.2	6.5	6.0
TBZ ² 270-d	9.7	9.7	7.7	6.6	6.6

Source of data: the BS. Notes: * end-of-month stock (the average of daily stock levels published earlier), revised BS' data from October 2003; ¹ foreign currency bills (7- and 60-days), ² tolar bills (60- and 270-days). N/A – not available; figures have not yet been issued.

The Bank of Slovenia continued to **cut its key interest rates** in the last two months of 2003. After lowering them by 0.25 to 0.5 of a percentage point in early November, the Governing Board of the Bank of Slovenia decided to cut interest rates by a further 0.25 of a percentage point at its meeting in early December. The interest rate on overnight deposit facilities was lowered to 3.0%, the interest rate on Lombard loans to 7.25%, and the interest rate on tolar bills to 6.75%. The interest rate on the temporary purchase of foreign exchange stayed unchanged at 3.0%, 1.5 percentage points lower than in early 2003, while the interest rate on swaps dropped by 2.25 percentage points to 5.0% in early December, following a 0.75 of a percentage point cut in the interest rate on the European Central Bank refinancing facility in the first eleven months.

The BS slowed the **tolar's nominal depreciation** down to an average monthly rate of 0.2% in the third quarter and this rate was also maintained in the last quarter. Year-on-year appreciation of the euro eased off to 2.8% at the end of December, 1.2 percentage points less than in December 2002. The US dollar's depreciation continued at the end of the year, amounting to 4.7% in December and 15% compared to December the year before. Since inflation dropped and the tolar's nominal depreciation against the euro eased off compared to the same period of 2002, movements in the tolar's real effective exchange rate were mainly influenced by the US dollar's faster depreciation. Against the background of these developments, the tolar's real effective exchange rate appreciated by 0.1% in November and by 3.2% in the first eleven months of 2003 (by 3.6% in the same period of 2002).

In the first eleven months of 2003, the spot **foreign exchange market** recorded an oversupply of foreign exchange, totalling SIT 33.3 billion in November alone, which mainly resulted from an oversupply of non-residents (SIT 31.9 billion). Like before, the futures market recorded excess demand for foreign exchange in November, totalling SIT 25.0 billion. In both segments of the market, the net supply of foreign exchange equalled SIT 8.3 billion. Relatively low net inflows of foreign exchange seen in the last few months of 2003 helped the BS to reduce the volume of temporary purchases of foreign exchange necessary for the process of moving towards the ERM2. In early November, the BS made a final purchase of about EUR 300 million from banks, the amount which the banks (with the lowest stock of swaps) had temporarily sold to the BS.

Graph: **Stock of swaps and tolar bills of the Bank of Slovenia**

