

# The Money Market – Household Savings

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Household savings in banks	SIT billion, nominal		Real growth rates, in %	
	31. December 2002	31. October 2003	31. October 2003/ 30. September 2003	31. October 2003/ 31. October 2002
<b>Total savings</b>	1,978.3	2,097.5	0.1	8.3
<b>Tolar savings, total</b>	1,159.7	1,260.5	-0.4	11.2
Demand deposits	246.3	447.7	-2.0	13.2
Short-term deposits	707.1	597.5	0.9	11.2
Long-term deposits	205.9	215.1	-0.5	7.5
<b>Foreign currency savings</b>	818.6	837.0	0.7	4.9
Short-term, demand d.	721.8	755.9	0.7	7.9
Long-term deposits	96.8	81.2	0.5	-16.8

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

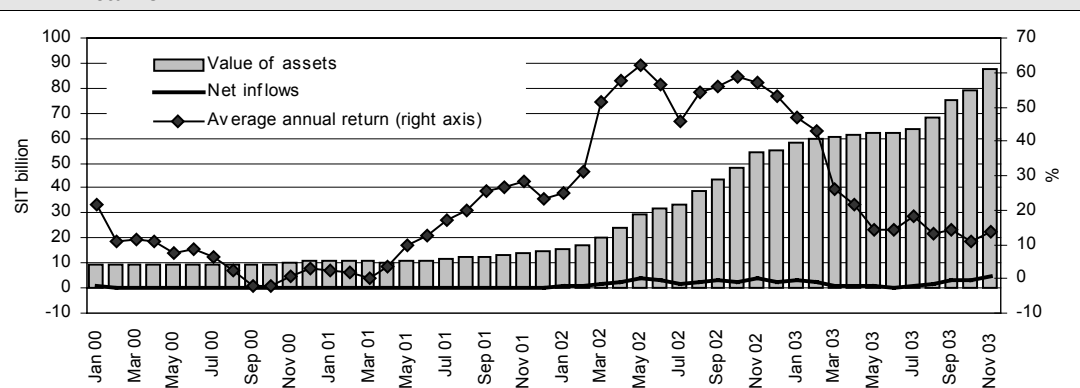
After falling by 0.3% in September, the **volume of household savings in banks** rose by 0.1% in real terms in October thanks to the rise in foreign currency savings, while tolar savings fell for the second month running. In the first ten months of 2003, household savings in banks climbed by 3.4% in real terms, 1.2 percentage points more than in the same period the year before. **Net flows of tolar and foreign currency deposits** amounted to SIT 69.6 billion, 8.5% more than the year before in real terms. **Net inflows to mutual funds** continued to increase; they totalled as much as SIT 4.5 billion in **November** and exceeded the amount of November 2002 by SIT 0.2 billion. Assets held by mutual funds amounted to SIT 87.5 billion at the end of November, 51% more than at the end of 2002 in real terms. This was the result of two factors: high net inflows, which totalled SIT 21.2 billion in the first eleven months of 2003, and the returns of mutual funds, which were 16.1% on average. Mutual funds recorded a 4.8% average monthly return in November. The average annual weighted return (depending on the size of the mutual fund) was 13.6%, 45.4 percentage points less than in the same period of 2002, but still 7.3 percentage points more than November's interest rates on long-term time deposits.

Household **tolar savings** in banks fell by 0.6% in real terms in September and October combined, which was the strongest consecutive fall since July and August 1999. Growth in tolar savings has been declining since the beginning of 2002. In the first ten months of 2003, tolar savings climbed by 4.2% in real terms, 1.3 percentage points less than the year before. **Net inflows of tolar deposits** totalled SIT 57.8 billion in this period and were 28% lower than the year before in real terms.

The **volume of foreign currency savings** increased by 2.3% in real terms in the first ten months of 2003 primarily thanks to 4.8% growth in short-term savings, which represented 90.3% of total foreign currency savings. **Net inflows of foreign currency deposits** totalled SIT 11.8 billion, representing 17% of total net inflows of household deposits in banks.

Low savings growth was partly the result of low **deposit interest rates**; they declined throughout 2003 and were so low at the end of the year that they did not allow savings to maintain their real value in particular cases. Compared to December 2002, the average interest rates on deposits tied for 31 to 90 days fell by 2.8 percentage points to 4.8%, interest rates on deposits tied for 91 to 180 days fell by 3.2 percentage points to 4.8%, and interest rates on deposits tied 181 days to one year dropped by 3.7 percentage points to 4.9%. The long-term interest rate fell by as many as 4.8 percentage points to 5.7%, following a 2.5 percentage points decline in the tolar indexation clause (TOM), which came in at 4.8% in December 2003. The sound bank liquidity continued to bring the **average interbank interest rate** down; it fell for the second month running in November to 5% and was 0.3 of a percentage point lower than the previous month. Similar movements were seen in the SITIBORs of all maturities.

Graph: Comparison of monthly net inflows of household bank deposits and mutual funds, and their returns



Source of data: www.finance-on.net, calculations by the IMAD.