

The Money Market – Household Savings

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Household savings in banks	SIT billion, nominal		Real growth rates, in %	
	31. December 2002	31. July 2003	31. Aug 2003/ 31. July 2003	31. Aug 2003/ 31. Aug 2002
Total savings	1,978.3	2,099.0	0.7	8.3
Tolar savings, total	1,159.7	1,260.2	0.7	11.8
Demand deposits	246.3	452.0	0.7	11.1
Short-term deposits	707.1	593.7	0.6	13.0
Long-term deposits	205.9	214.2	0.9	9.8
Foreign currency savings	818.6	838.9	0.7	4.2
Short-term, demand d.	721.8	756.2	1.2	7.2
Long-term deposits	96.8	82.7	-2.9	-16.7

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

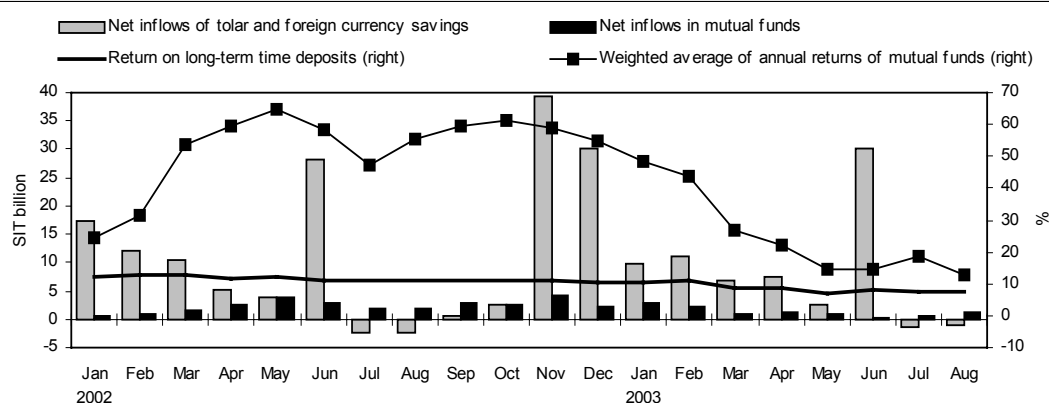
The **volume of household savings in banks** rose by 0.7% in real terms in **August** over June. In the first eight months, savings increased by 3.6% in real terms, 1.2 percentage points more than in the same period last year. Total **net flows** of tolar and foreign currency deposits amounted to SIT 74.8 billion in this period, 15.3% more than a year ago in real terms. Net inflows into **mutual funds** were slightly above this year's average in August, amounting to SIT 1.4 billion. They totalled SIT 10.3 billion in the first eight months, 35.3% less than in the same period last year in real terms. Mutual funds record an average monthly return of 4.9% in August, the highest this year thanks to positive trends seen in the Ljubljana Stock Exchange. The average annual weighted return (depending on the size of the mutual fund) was 13.1%. Mutual funds held a total of SIT 68.3 billion in assets at the end of August, SIT 4.6 billion more than a month ago, while the number of mutual funds climbed from 18 to 20.

After falling by 0.3% in July, household **tolar savings** in banks rose by 0.7% in real terms in August. In the first eight months, these savings increased by 4.8%, 0.8 of a percentage point less than in the same period last year. Sight deposits recorded the strongest growth, going up by 8.2% in real terms, other short-term deposits rose by an average of 4.1%, while long-term deposits edged up 0.4%. This weak growth in long-term savings was the result of quick falls in lending interest rates, which are so low that savers believe they no longer allow sufficient returns for the reduced liquidity of funds tied for a long term. **Net inflows of tolar deposits** totalled SIT 65.5 billion in the first eight months and were 15% lower than a year ago in real terms.

Foreign currency savings recorded above-average net inflows in July and August; they amounted to SIT 13.2 billion and added 1.4 percentage points to this year's 2.1% real growth. Sight deposits (representing 14.1% of total foreign currency savings) saw the highest growth rate of 15.3%, while long-term deposits (9.8%) dropped by 14.9% in real terms.

Deposit interest rates continued to decline in **August**. A fall of 0.5 of a percentage point was seen in nominal interest rates on deposits tied for 31 to 91 days, down to 5.4%, and interest rates on deposits tied for over a year, down to 7.3%, while interest rates on deposits tied for 181 days to one year dropped by 0.6 of a percentage point to 5.5%. Long-term interest rates on top of the tolar indexation clause (TOM) fell by 0.5 of a percentage point to 1.2%. In **September**, deposit interest rates remained roughly at August's level. The only changes involved the equaling of interest rates on deposits tied for 181 days to one year with those on deposits of shorter maturities (5.4%) and a 0.1 of a percentage point fall in long-term interest rates on top of the TOM. The latter, coupled with a 0.2 of a percentage point higher TOM (6.3%), led to a 0.1 of a percentage point rise in nominal interest rates on deposits tied for over a year. The **average interbank interest rate** rose by 0.6 of a percentage point to 5.5% in August because of the lower liquidity of the banking sector. Similar trends were seen in the SITIBORs of maturities of less than one month, while those of longer maturities stayed roughly the same as in July.

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



Source of data: BS, www.finance-on.net, author's calculations.