

The Money Market – Household Savings

Household savings in banks	SIT billion, nominal		Real growth rates, in %	
	31. December 2003	31. January 2004	31. January 2004/ 31. December 2003	31. January 2004/ 31. January 2003
Total savings	2,138.5	2,152.2	0.6	5.4
Tolar savings, total	1,293.1	1,296.9	-0.1	6.1
Demand deposits	466.3	468.5	0.1	13.0
Short-term deposits	608.2	610.3	-0.1	2.8
Long-term deposits	218.3	213.7	-2.5	-0.2
Foreign currency savings	845.4	855.3	1.4	4.5
Short-term, demand d.	766.5	777.1	1.6	7.4
Long-term deposits	78.9	78.2	-0.6	-17.3

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

Household savings in banks rose by 0.6% in real terms in **January**, 0.2 of a percentage point more than in the same period of the previous two years. This indicates that year-on-year growth rates increased as well. January's growth was underpinned by a relatively strong rise in foreign currency savings, which climbed by over 1% in real terms for the second month running. **Net flows of tolar and foreign currency deposits** amounted to SIT 3.3 billion, 27.6% less than in January 2003 in real terms and less than net inflows into mutual funds.

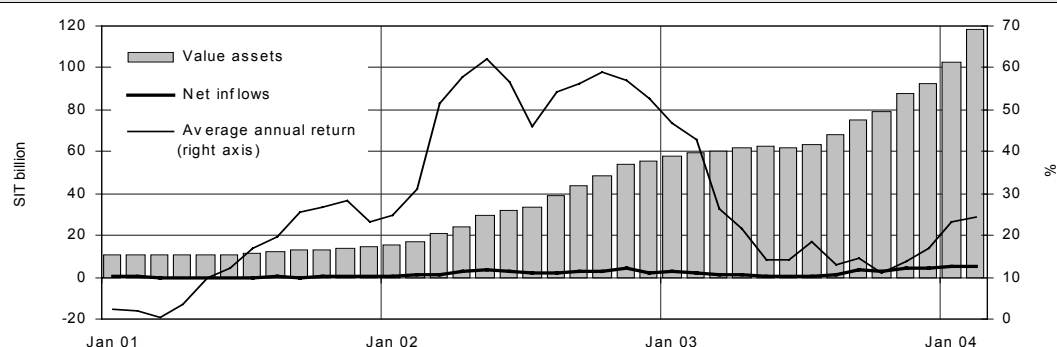
Household **tolar savings** fell by 0.1% in real terms in January over December. This weakened the already low year-on-year growth by another 0.4 of a percentage point. Of all tolar deposits, deposits tied for 91 to 180 days rose the most, going up by 3.7% month on month and 15.5% year on year in real terms. The rapid falls in long-term deposit interest rates are making long-term savings less attractive. These savings fell year on year in January in real terms for the first time after October 2000.

Foreign currency savings continued to rise in January. Sight and short-term time deposits, representing over 60% of total foreign currency deposits, climbed by 3.3% and 1.9% in real terms, respectively. Like in tolar savings, long-term foreign currency deposits are declining. According to estimates of the Bank of Slovenia, the volume of household foreign cash in banks continued to increase substantially, representing almost 50% of total household foreign currency deposits with banks compared to the 15.3% seen at the end of 2001.

Investment in **mutual funds** continued to strengthen. The assets of mutual funds totalled SIT 118.5 billion at the end of **February**, 27.7% more than at the end of 2003. This growth was due to a new mutual fund emerging from a transformed authorised investment company as well as high net inflows. Inflows exceeded SIT 5 billion for the second month running and totalled SIT 10.4 billion in the first two months, almost twice as high as in the same period last year in nominal terms. Assets held by mutual funds equalled about 5.4% of total household savings in banks. The average annual weighted (depending on the size of a mutual fund) return was 24.2% in February, 1.1 percentage point more than in January. This rise was mainly due to the 1.2% fall in return seen in February last year.

Short-term interest rates on time deposits stayed unchanged in **March** for the first time after October 2002: the interest rate on 31 day to one year tolar time deposits was 4.7%. Long-term interest rates fell by 1.6 percentage points compared to February to 4.4% and were lower than short-term interest rates for the first time. This fall was solely due to the lower tolar indexation clause (TOM), which dropped by 1.6 percentage points to 3.6%, the lowest level so far. Given the current inflation movements, the TOM is expected to be removed soon from indexation of long-term assets and liabilities. The **average interbank interest rate** climbed in February for the second month in a row to 5.7%.

Graph: Assets in mutual funds, net inflows and annual returns



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