

Monetary aggregates, exchange rates, the Bank of Slovenia's interest rates					
Monetary aggregates ¹ , end-of-month stock*, % growth	2003		2004		
	Dec 2003/ Dec 2002	Φ Oct 03-Dec 03/ Φ Oct 02-Dec 02	Mar 2004/ Feb 2004	Mar 2004/ Mar 2003	Φ Jan 04-Mar 04/ Φ Jan 03-Mar 03
M1	10.6	10.8	1.1	12.7	13.6
M2	5.2	8.5	-0.6	5.4	5.7
M3	4.9	7.2	0.0	6.0	6.0
End-of-month exchange rate, % rise	Dec 2003/ Dec 2002	Φ Jan 03-Dec 03/ Φ Jan 02-Dec 02	Apr 2004/ Mar 2004	Apr 2004/ Apr 2003	Φ May 03-Apr 04/ Φ May 02-Apr 03
EUR	2.8	3.3	0.2	2.4	2.9
USD	-15.0	-14.0	2.2	-4.7	-11.6
Nominal interest rates, %	Dec 2003	Jan-Dec 2003	Feb 2003	March 2003	April 2004
Overnight deposit	3.00	3.6	2.75	2.75	2.50
TBZ ² 60-d	6.00	6.9	5.50	5.25	4.75
TBZ ² 270-d	6.75	8.0	6.25	5.50	5.00
Temp. purchase of FX	3.00	3.7	2.50	2.50	2.25
BS' refinancing rate	5.00	5.9	4.50	4.50	4.25

Source of data: the BS. Notes: *end-of-month stock (the average of daily stock levels published earlier), revised BS' data from October 2003; ¹national definition, ²tolar bills (60- and 270-days).

The Bank of Slovenia continued to cut its interest rates in March and early April. At its April meeting, the Governing Board of the BS lowered the interest rate on 270-day tolar bills for the fifth time this year, down 0.5 of a percentage point and by a total of 1.75 percentage points this year. It lowered the Lombard rate on 60-day tolar bills for the fourth time this year, also by 0.5 of percentage point, so the rate is now 1.25 percentage points lower than in December. The interest rate on the foreign exchange swap was cut by 0.25 of a percentage point and the main refinancing rate was cut by the same rate. At the same time, interest rates of the European Central Bank remained the same, while Slovenia's inflation fell by 1.1 percentage points in the first quarter (see p. 7).

The BS continued to reduce gradually the tolar's nominal depreciation. In the first quarter, the euro's appreciation was lower than in the same period last year as well as lower than in the last quarter of 2003. Monthly appreciation rates ranged from 0.1% to 0.2%, while annual appreciation slowed down by 0.3 of a percentage point in the first quarter. Simultaneous falls in inflation and the tolar's nominal exchange rate contributed to no significant changes in the euro's real exchange rate. Conversely, changes in the tolar's real effective exchange rate were mainly due to volatility of the US dollar, the same as in 2003. Deflated by the consumer price index, the tolar's real effective exchange rate fell by 0.4% in March, while appreciating by 1.6% in the last twelve months. Provided that movements in the tolar's real effective exchange rate stay unchanged, the BS could help reduce inflation more before entering the ERM2 by slowing faster the tolar's depreciation against the euro, thereby significantly reducing the risk of extending the period in the exchange rate mechanism over two years.

In the first quarter, net foreign exchange supply in the spot and futures market maintained the relatively low level of the last quarter of 2003, totalling around one-third of the amount of the preceding six months. Net supply was mainly generated by non-residents in both segments of the market, while the net supply of domestic enterprises and individuals was negligible. This allowed the BS to make further outright purchases of foreign exchange which the banks had sold the BS on a temporary basis. The stock of swaps has therefore fallen gradually since August last year, down by SIT 133.1 billion in the first quarter of this year, however, off-balance assets of the BS still exceeded the volume of base money by about one-third at the end of March.

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

