

The Money Market – Household Savings

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Household savings in banks	SIT billion, nominal		Real growth rates, in %	
	31. December 2003	31. March 2004	31. March 2004/ 29. February 2004	31. March 2004/ 31. March 2003
Total savings	2,138.5	2,167.3	-0.3	4.7
Tolar savings, total	1,293.1	1,300.0	-0.6	4.5
Demand deposits	466.3	481.1	0.3	11.3
Short-term deposits	608.2	616.5	0.4	3.3
Long-term deposits	218.3	202.0	-5.2	-6.2
Foreign currency savings	845.4	867.3	0.0	5.0
Short-term, demand d.	766.5	789.4	0.1	7.5
Long-term deposits	78.9	77.9	-1.3	-15.1

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

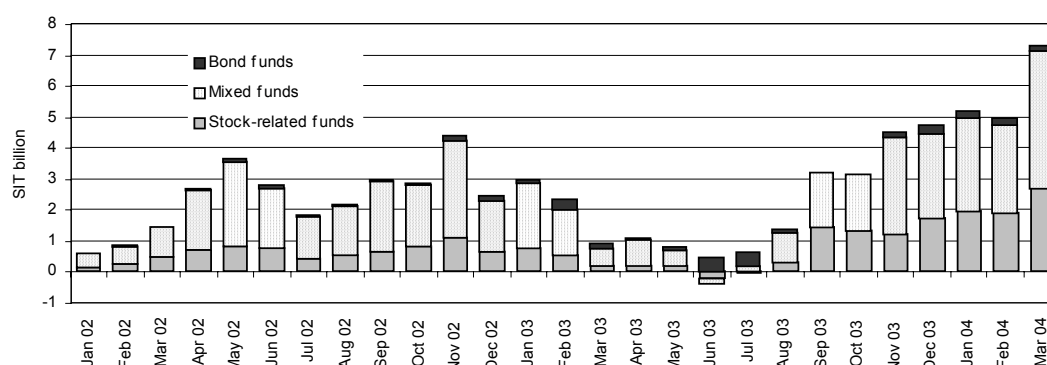
Household savings in banks rose by just 0.6% in **March** over December, 0.5 of a percentage point less than in the same period last year. Growth was underpinned by the 2.1% real rise in foreign currency savings, while tolar savings dropped by 0.6% in real terms. March's year-on-year growth was at an all-time low. The volume of short-term deposits continued to increase, while that of long-term deposits declined. Changes in the composition of savings were due to falls in deposits interest rates as well as uncertainty about Slovenia's entry to the ERM2.

As far as **tolar savings** are concerned, deposits tied for 91 to 180 days, representing 17.6% of total tolar savings, climbed the most in the first quarter (up 12% in real terms), while tolar deposits tied for 181 days to one year and those tied for over one year, representing 42.7% of total tolar savings, dropped by 6.4% and 8.5% in real terms, respectively. The volume of **foreign currency savings** climbed by 2.1% in real terms in the first quarter, 1.3 percentage points more than a year ago. A particularly strong increase was seen in sight deposits, going up by 8.5% in real terms.

Investments in **mutual funds** surged in the first quarter. In addition to direct investments, total growth was fuelled by a substantial rise in life insurance, which is linked to mutual fund points. Net inflows amounted to as much as SIT 17.5 billion in the first quarter, equalling about two-thirds of the net inflows seen in 2003. Almost 60% of net inflows went to mixed mutual funds which seek to balance investment among shares and bonds. Total assets of all mutual funds exceeded SIT 130 billion in **March**, rising by 40.2% from the end of 2003. They equalled 6% of household savings in banks at the end of March, double the percentage seen a year ago. Over 50% of all assets were invested in shares issued in Slovenia, about 17% of assets were invested in domestic bonds, while around 9% of assets were invested foreign securities (shares exclusively). The average annual weighted (depending on the size of the mutual fund) return climbed for the fifth month running and totalled 29.6% in March. The biggest return (34.5%) was recorded by stock-related mutual funds, mainly investing their assets in shares; they recorded a return of 9% in the first quarter of this year.

After stagnating in March, **short-term interest rates on time deposits** dropped by over half a percentage point in **April**. Interest rates on tolar deposits tied for 31 days to one year were about 4%. Interest rates on sight deposits dropped for the second time this year, down 0.1 of a percentage point to 0.7%. Interest rates on long-term deposits rose by 0.2 of a percentage point to 4.6% owing to April's higher tolar indexation clause (TOM). The **average interbank interest rate** fell by 0.2 of a percentage point to 5.7% in March because of the slight improvement in the banking system's liquidity.

Graph: Monthly inflow into mutual funds



Source of data: www.vzajemci.com, calculations by the IMAD.