



## 2.2.

**Monetary aggregates**

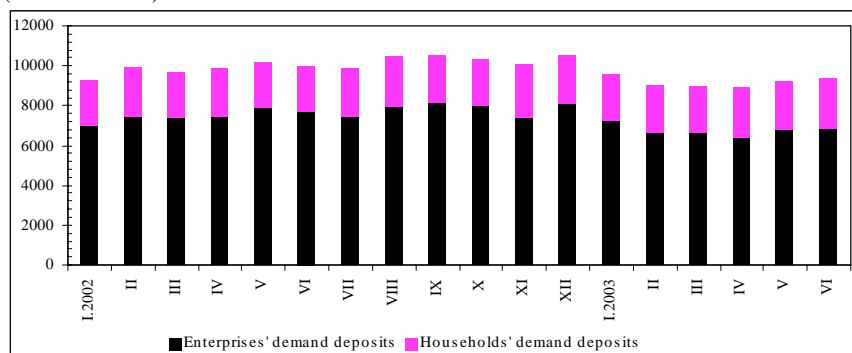
The moderate increase in the level of currency in circulation, the additional accumulation of funds on the transaction accounts, as well as the further intensification of the depositing of funds on a short run, resulted in substantial acceleration of the monthly dynamics of the monetary aggregates in June 2003.

*Accelerated monthly dynamics of the monetary aggregate M1*

The moderate monthly acceleration of the demand for currency in circulation (increase of 1.0%) is partially of seasonal nature and it is due to the higher needs for currency in circulation prior to the summer vacations. Compared to the same month of the preceding year, the currency in circulation is by 5.2% lower. In June 2003, the transaction deposits (current and giro accounts) registered considerable monthly increase of 5.1%, with simultaneous increase being registered in the demand deposits of the enterprises and of the households. After the intensive accumulation of funds in the previous month, in June 2003 the enterprises' demand deposits registered moderate monthly increase of 1.2%, with simultaneous higher amount of saving of the enterprises in the banking sector being registered. On annual basis, the enterprises' demand deposits fell by 10.5%. The households' demand deposits were higher by 3.8% on monthly basis, while on annual basis they are higher by considerable 9.9%. From the aspect of the structure, at the end of June 2003, the share of the demand deposits of enterprises and households equaled 60.3% and 22.3%, respectively. Such movements in the currency in circulation and the demand deposits resulted in a monthly increase in the money supply M1 of 2.9%, while on annual basis it is lower by 3.5%.

Chart 17

Demand deposits of enterprises and households  
(in Denar million)



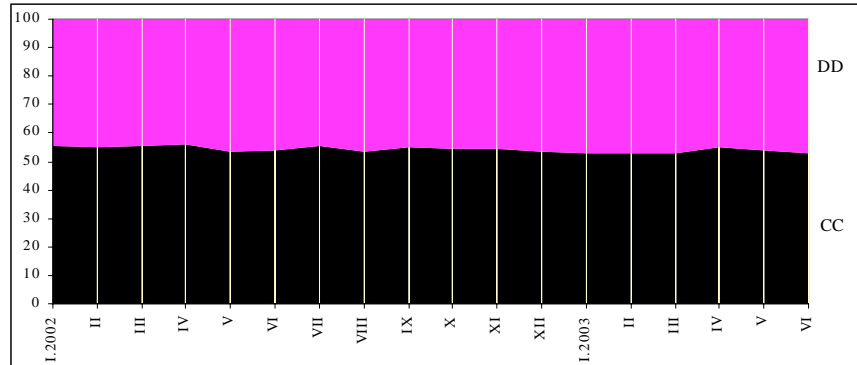
*The share of currency in circulation in the money supply M1 continues to decrease...*

*...with simultaneous increase being registered in the money multiplier*

At the end of June 2003, the share of currency in circulation in the money supply M1 equaled 52.8%, which is a decrease on monthly and annual basis of 1 percentage point. Given the more moderate increase in the level of currency in circulation, compared to the increase in the transaction deposits, in June 2003 the money multiplier of the money supply M1 was higher on monthly basis and equaled 1.53, (1.46 in the previous month).



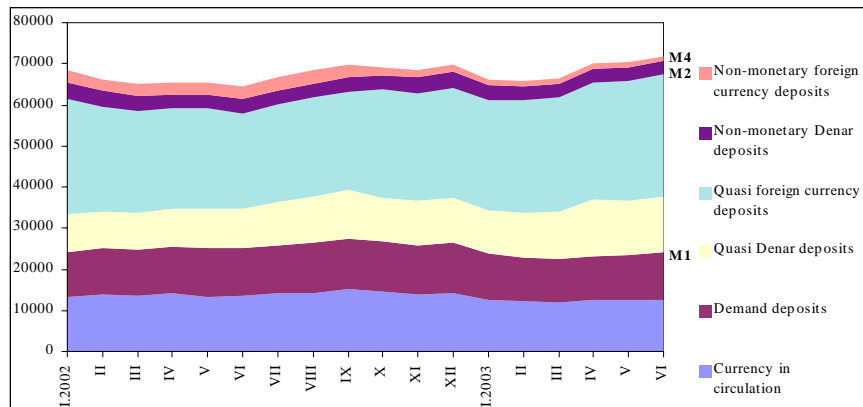
Chart 18  
Structural share of currency in circulation (CC)  
and demand deposits (DD) in the money supply M1  
(in %)



*Considerable influence of the short-term saving on the positive monthly change in the monetary aggregates M2 and M4*

In June 2003, the monthly change in the monetary aggregates M2 and M4 was under dominant influence of the higher amount of the transaction funds and the short-term saving. Thus the money supply M2 was higher by 2.5% on monthly basis, given the more intensive depositing of funds on a short run, in both domestic and foreign currency. In line with the lower level of the long-term deposits, primarily due to the fluctuations of the funds intended for transactions in the external payment operations, the monthly growth rate of the monetary aggregate M4 was more moderate and equaled 2.0%. The increased deposit base of the banks acted towards strengthening of the money multiplication process. Thus the money multipliers of the money supply M2 and M4 equaled 4.29 and 4.57 respectively, contrary to 4.11 and 4.40, respectively, in the previous month. On annual basis (June 2003 / June 2002) the monetary aggregates M2 and M4 are higher by 16.1% and 11.5%, respectively.

Chart 19  
Monetary aggregates and their components  
(in Denar million)



*Acceleration of the monthly growth rate of the deposits in the banking system...*

*...generated exclusively from the higher level of the short-term deposit potential*

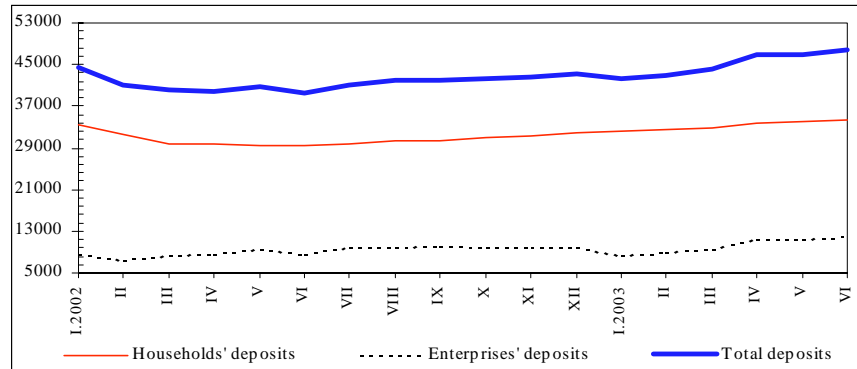
In June 2003, the total deposits of the non-government sector<sup>11</sup> registered monthly growth rate of 1.5%, thus continuing the three-month upward trend. The positive dynamics of the banks' deposit potential is generated from the considerable increase in the short-term deposits in domestic and foreign currency. The negative change in the long-term deposits in June 2003 was primarily due to the decrease in the foreign assets intended for payments based on the external payment operations instruments. Such movements resulted in an increment in the share of the short-term deposits in the structure of the total deposits of 0.7 percentage points, which at the end of June 2003 reached 90.6%.

<sup>11</sup> The total deposits of the non-government sector cover short-term and long-term (Denar and foreign currency) deposits of the economic agents (excluding the demand deposits).



From the aspect of the currency of denomination, the share of the foreign exchange deposits equaled 64.6%, and remained almost unchanged relative to the preceding month. The annual growth rate of the total deposits equaled 20.9% in June 2003.

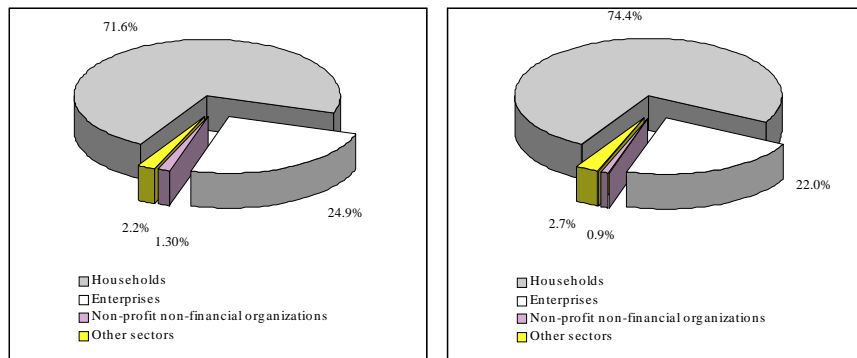
Chart 20  
Deposit timeframes  
(in Denar million)



Monthly and annual increase in the households' deposits...

The moderate dynamics of increase in the households' deposits continued in June 2003. Thus they were higher by moderate 0.4% on monthly basis. Same as in the previous month, the higher level of the households' deposits is entirely due to the preferences to save on a short run (the short-term households' deposits registered an increase of 0.6%, whereas the long-term deposits were by 1.8% lower). The most evident increase was registered in the sight deposits in foreign exchange. With respect to the currency of denomination, in June 2003, the households' Denar and foreign exchange deposits were higher by 0.3% and 0.5%, respectively. The annual growth rate of the households' deposits equaled 16.4% in June 2003.

Chart 21  
Structure of deposits by sectors  
June 30, 2003



...and in the enterprises' deposits

Conversely to the decrease in the precious month, in June 2003, the total deposits of the enterprises registered monthly increase of 4.8%. The positive dynamics of the enterprises' deposits is solely due to the increase in the short-term deposits (monthly increase of 6.8%). With respect to the currency of denomination, the enterprises' Denar deposits went up by 3.1%, with higher interest being registered in the time deposits with maturity of up till one month. The higher level of enterprises' foreign exchange deposits (monthly increase of 7.3%) was primarily due to the accumulation of foreign exchange funds on the enterprises' transaction accounts. Due to the negative monthly change in the deposits intended for transactions based on the external payment operations instruments, the long-term enterprises' deposits were by 19.4% lower on monthly basis. In June 2003, the enterprises' deposits were higher by 37.3% on



annual basis, reflecting, in particular, the provisions of the new Law on Foreign Exchange Operations for free handling with the foreign exchange funds by the legal entities.