



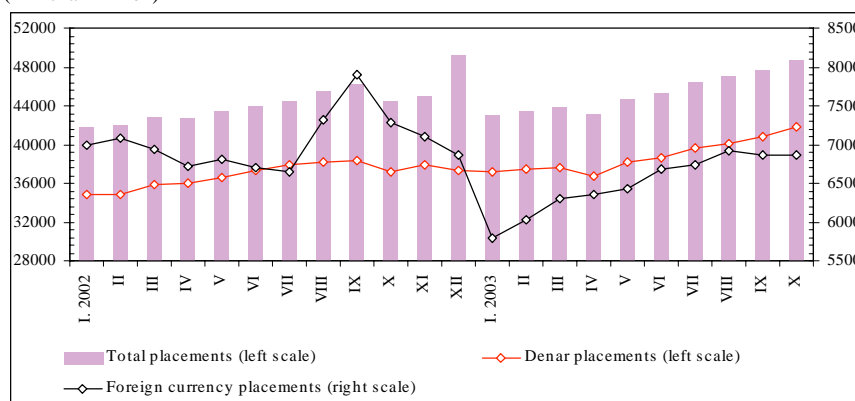
2.3.

Banks' placements and interest rates

Further increase in the bank's credits extended to the non-government sector

In October 2003, the banks' credit activity further accelerated. Thus the banks' total placements extended to the non-government sector went up by 2% on monthly basis. Given the unchanged level of placements extended in foreign currency, such dynamics of the total banks' placements is determined by the movement of the Denar placements (monthly increase of 2.4%). The higher amount of Denar credits is primarily due to the strengthened preference of the banks for lending on a long run, which is a signal for higher financial support to the economic growth through banking lending. Compared to the same month of the previous year, the banks' total placements are by 9.4% higher.

Chart 19
Banks' placements
(in Denar million)



Monthly increase in the banks' Denar placements of 2.4%...

In October 2003, the banks' Denar placements registered monthly growth of 2.4% given the stable economic environment, downward trend of interest rates, as well as diversified offer of banking credits. The positive monthly dynamics of the Denar placements is due to the simultaneous increase in the placements extended on both short and long run. From the aspect of short-term placements, in addition to the effect of the higher level of overdue claims, they also increased due to the moderate growth in the lending to enterprises and the intensified consumption lending to the households. Almost two thirds of the increment in the Denar placements is due to the accelerated long-term lending to both enterprises and households. Such movements resulted in movements in the maturity structure of the Denar placements directed towards decrease in the share of the short-term placements of 0.7 percentage points (at the end of October it equaled 63.9%). The sector-by-sector analysis indicated lower share of Denar credits extended to the enterprise sector by 0.7 percentage points (at the end of October it equaled 76.3%) at the expense of the share of placements to the households. On annual basis (October 2003 / October 2002), the banks' Denar placements went up by 12.3%.

...given the unchanged level of the total foreign exchange placements

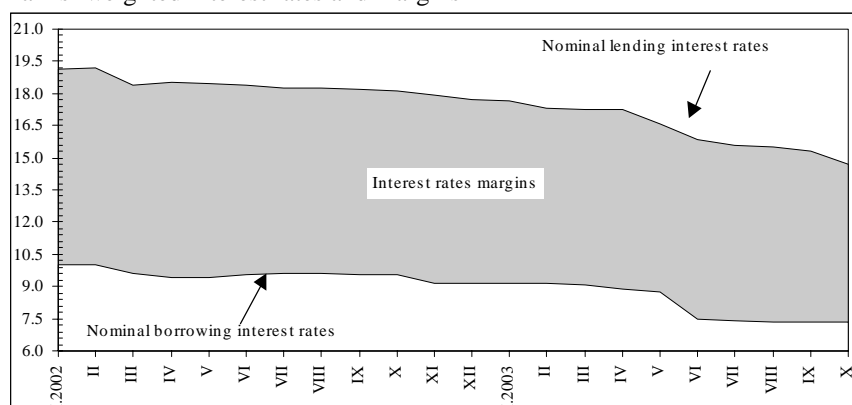
From the aspect of foreign exchange placements, the moderate increase in the short-term foreign exchange placements was almost solely offset with the lower level of foreign exchange placements extended on a long run, which on monthly basis resulted in unchanged level of the total banks' foreign exchange placements. With respect to the maturity structure, such movements resulted in monthly increase in the share of the short-term foreign exchange placements of 1 percentage point. In October 2003, 97.3% of the total foreign exchange placements were concentrated in the enterprise sector, with no substantial monthly changes being registered. On annual basis, the total banks' foreign exchange placements dropped by 5.6%. The dynamics of the foreign exchange



placements is partially affected by the fluctuations of the exchange rate of the Denar against the US Dollar⁵.

Chart 20

Banks' weighted interest rates and margins*



* Pertain to Denar credits and deposits.

Further adjustment of the banks' interest rate policy

In October 2003, the banks continued adjusting the interest rate policy as a response to the monetary policy layout and the stable environment. Thus notwithstanding the almost unchanged costs of the sources of financing (the average weighted interest rate on the three-month Denar deposit equaled 7.3%) the average weighted lending interest rate on the short-term Denar placements of the banks dropped by 0.6 percentage points and equaled 14.7% in October 2003. Thus the interest rate margin equaled 7.4 percentage points. In October 2003, the average weighted interest rate on the short-term foreign exchange placements remained unchanged and equaled 7.6%. With respect to the foreign exchange deposit interest rates, the interest rates on the three-month Euro deposits ranged from 1.4% to 4.4%, while the interest rates on the three-month US Dollar deposits ranged from 0.7% to 3.8% (p.a.).

⁵ In October 2003, the value of the Denar relative to the US Dollar appreciated on both monthly and annual basis by 2.6% and 16%, respectively (in line with the Euro-US Dollar exchange rate on the international markets).