

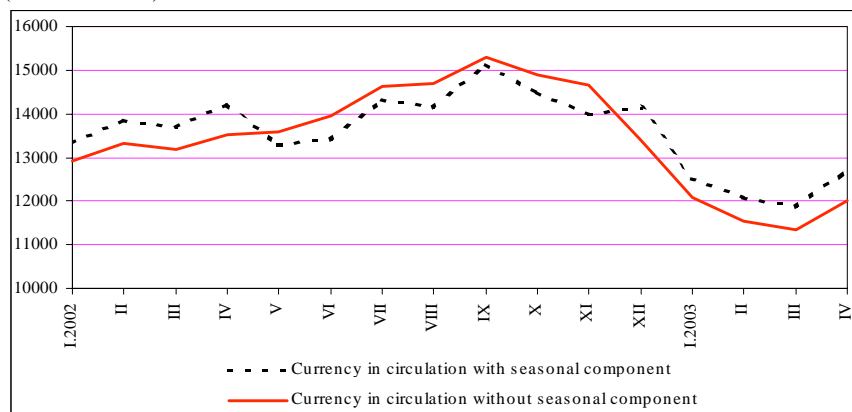
**2.2.****Monetary aggregates**

*Acceleration of the monetary growth in April 2003*

The intensification of the demand for currency in circulation due to seasonal factors (prior to the Easter and Labor's Day Holidays), the payment of the regular installment of the Government bonds for the old foreign exchange deposits, as well as the trend of strengthening the propensity to save, resulted in acceleration of the monetary growth in April 2003.

Chart 14

Currency in circulation with and without seasonal component  
(in Denar million)

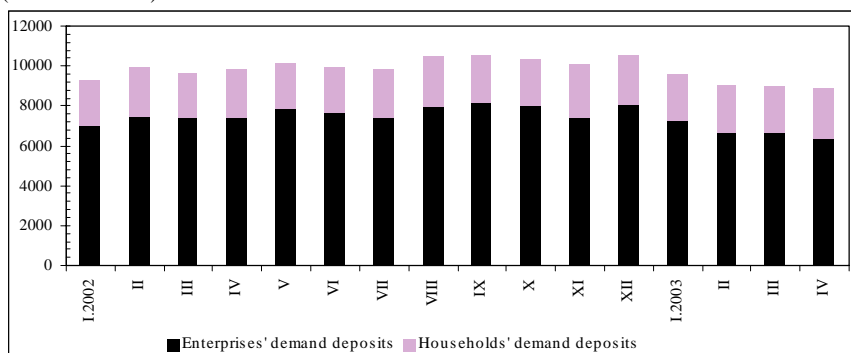


*The money supply M1 was higher by 3.2% on monthly basis*

In April 2003, the monetary aggregate M1 registered a monthly growth of 3.2%. The positive change was solely generated by the higher level of currency in circulation, taking into account the net outflow of demand deposits (current and gyro accounts). Thus, in April 2003, the currency in circulation registered monthly increase of 7.3%, whereas, compared to the same month of the previous year, its level was by 10.4% lower. The intensification of the demand for currency in circulation primarily reflects the effect of the seasonal factors, the Easter and Labor's Day Holidays. After the seasonal adjustment, the monthly increase in the currency in circulation equals 1.3% and partially reflects the inflows of households' funds on the basis of payment of the due installment for the Government bonds. In April 2003, the total demand deposits dropped on both monthly and annual basis by 1.4% and 5.9%, respectively. Given the monthly slowdown in the economic activity (according to the industrial output), as well as the further orientation of the enterprises to transfer the available funds into savings, in April 2003, the enterprises' demand deposits were lower by 4.1% on monthly basis (the fall on annual basis is more intensive and equals 14.2%). The households' demand deposits registered a monthly increase of 8.4%, which is by 4.9% higher compared to the same month of the previous year. The inflows on the households' transaction accounts are partially generated from the payment of the Government bonds. The share of the enterprises' demand deposits in the total demand deposits equals 60.7%, while the share of the households' demand deposits equals 24.3%.



Chart 15  
Demand deposits of enterprises and households  
(in Denar million)

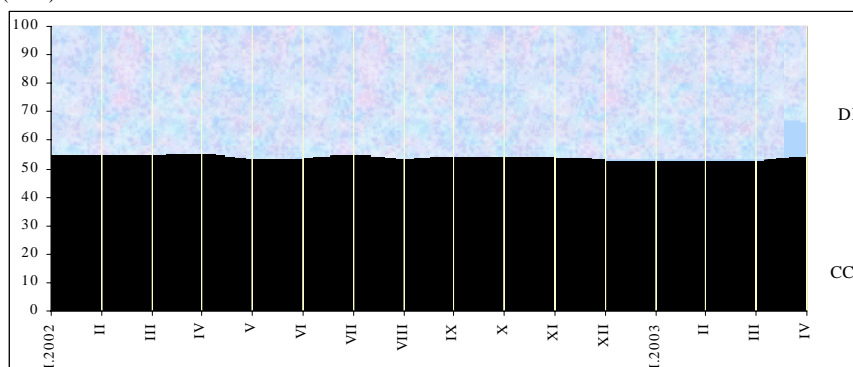


*Higher share of currency in circulation in the structure of the money supply M1...*

*...and lower money multiplier*

With respect to the structure, at the end of April 2003, the share of the currency in circulation in the money supply M1 equaled 54.8%, which is an increase of 2.1 percentage points on a monthly basis. Compared to the same month of the previous year, the share of currency in circulation in the monetary aggregate M1 was by 1.2 percentage points lower. In conformity with the intensified demand for currency in circulation, the money multiplier of the money supply M1 went down and in April 2003, equaled 1.40 (1.50 in the previous month).

Chart 16  
Structural share of currency in circulation (CC) and demand deposits (DD) in the money supply M1  
(in %)

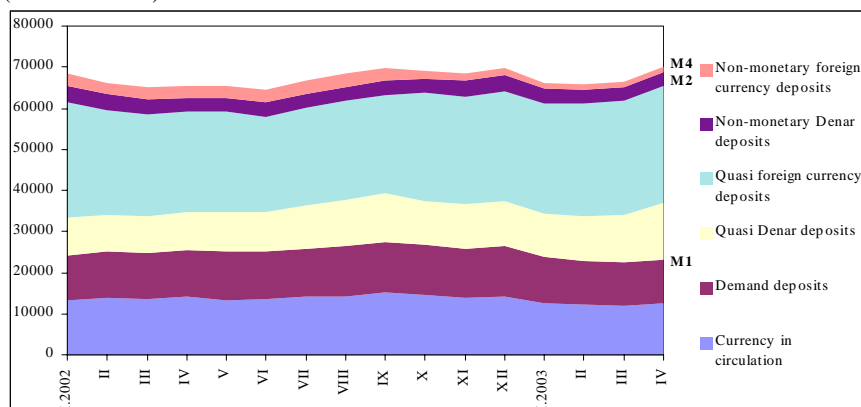


*The upward trend of the monetary aggregates M2 and M4 continues*

The upward trend of the monetary aggregates M2 and M4, which started in the preceding month, continued in April 2003 with more intensive dynamics. Thus the monthly growth rate of the money supply M2 equaled 6.0%, due to the influence of: a) the increase in the currency in circulation due to seasonal factors; b) the intensive growth in the sight deposits, primarily as a result of the inflows from the payment of the Government bonds and c) the further intensive depositing of funds on a short run. In line with the lower level of long-term Denar deposits, the growth rate of the money supply M4 was more moderate and equaled 5.3%. In April 2003, the money multipliers of the money supply M2 and M4 equaled 3.93 and 4.22, respectively (4.11 and 4.43, respectively, in the previous month). On annual basis (April 2003 / April 2002), the monetary aggregates M2 and M4 were higher by considerable 10.8% and 7.3%, respectively.



Chart 17

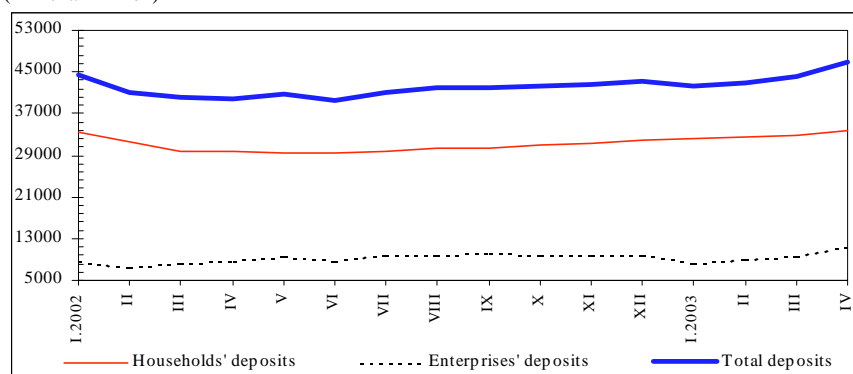
Monetary aggregates and their components  
(in Denar million)

*Increase in the total deposits in the banking system...*

*...generated from the short-term deposit potential*

The two-month upward trend of the total deposits of the non-government sector<sup>4</sup> continued in April 2003. Additionally, the monthly growth rate equaled 6.4%, with the comparison to the previous month indicating significant acceleration. Same as in the previous month, generator of the expansion of the banks' deposit base is the short-term deposit potential. Besides the further strengthening of the propensity to save on a short run, the increase in the households' sight deposits, primarily due to the inflows on the basis of paid due installment of the Government bonds (issued for assuming the liabilities for the frozen foreign exchange deposits), substantially contributed to the intensive upward dynamics. Such developments caused movements in the maturity structure of the deposits in direction of increase in the share of the short-term deposits (at the end of April 2003, it equaled 89.9%, which is by 0.9 percentage points higher relative to the previous month). The share of the foreign exchange deposits in the structure of the currency of denomination continued decreasing, and at the end of April 2003, it equaled 63.7% (monthly decrease of 1.7 percentage points). The positive monthly dynamics of the banks' deposit potential contributed to the significant acceleration of the annual growth rate, which in April 2003, equaled 17.3%.

Chart 18

Deposit timeframes  
(in Denar million)

*Further increase in the households' deposits...*

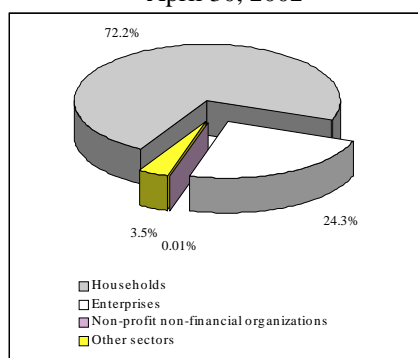
In April 2003, the households' total deposits were by 3.4% higher on monthly basis. The positive dynamics of the households' deposits was a result of the increased short-term time deposits in both domestic and foreign currency (increase of 4.7%), contrary to the drop in the level of the long-term time

<sup>4</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).

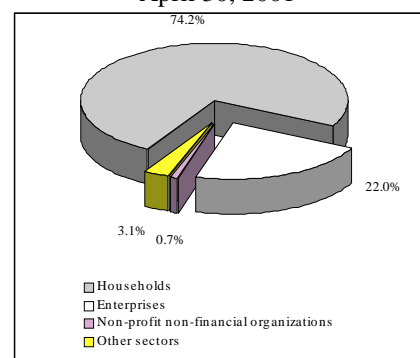


deposits. In addition, the rise in the households' short-term deposits was particularly due to the inflows on the basis of payment of the due installment of the Government bonds. At the same time, within the short-term time deposits a strengthened orientation towards depositing funds in domestic currency with a maturity of over six months is registered, in spite of the decrease in the interest rate income. Conversely to the relatively stable level of long-term savings deposits of the households for several months, in April 2003, they dropped (which corresponds with the interest rate policy of the banks in April 2003). On annual basis (April 2003 / April 2002) the total households' deposits were higher by considerable 14.3%.

Chart 19  
Structure of deposits by sectors  
April 30, 2002



April 30, 2001



*...and in the total  
enterprises' deposits*

The enterprise sector registered further accumulation of funds in the banking system in form of savings. Thus in April 2003, the total enterprises' deposits were by 17.2% higher on monthly basis. Considerable increase was registered in all types of deposits. From the aspect of the short-term deposits, an orientation towards sight deposits and time deposits with maturity of up to three months (in both domestic and foreign currency) was registered. The positive movements in the long-term deposits were due to the increase in the restricted deposits, intended for payments on the basis of international payment operations instruments. In line with such movements, the annual growth rate of the enterprises deposits was exceptionally high in April 2003 (29.7%).