



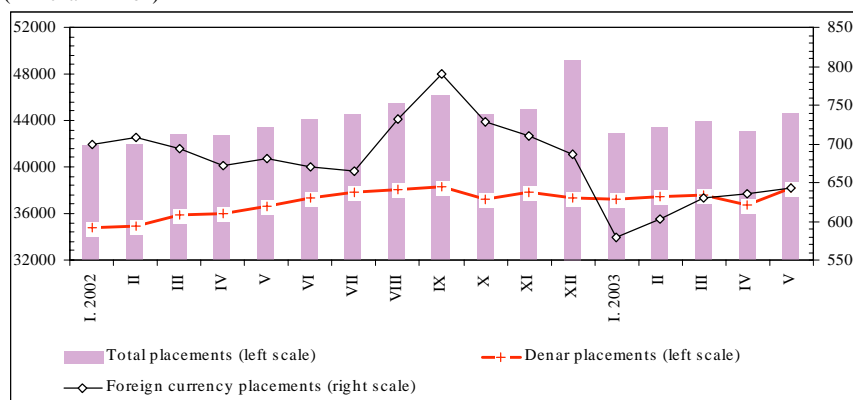
## 2.3.

## Banks' placements and interest rates

*In May 2003, the total banks' placements increased by 2.9% on annual basis*

In May 2003, the monthly growth rate of the banks' total placements to the non-government sector<sup>5</sup> equaled 3.6%. Considerable acceleration of the monthly dynamics was registered in the Denar placements (4.1%). Such movements are primarily due to the high increase in the overdue claims (partially due to certain changes of accounting nature<sup>6</sup>). The foreign exchange placements registered monthly growth rate of 1.3%. On annual basis (May 2003 / May 2002), the banks' total placements are by 2.9% higher.

Chart 18  
Banks' placements  
(in Denar million)



*More intensive growth in the Denar placements...*

In May 2003, the monthly growth in the banks' placements in domestic currency (4.1%) was under the prevailing influence of the changes in the overdue claims. Their increase is mainly due to the changes of accounting nature. However, in May 2003, the newly extended credits also went up. Moderate increment was registered in the credits extended to enterprises on a long run, as well as in the long-term lending to the households for housing and other purposes and increase in the framework credits (credits based on current accounts) for the households. The maturity structure of the Denar placements registered movements directed towards increase in the placements extended on a short run (monthly growth of 0.2 percentage points). The sector-by-sector analysis indicates that the share of the placements extended to the households sector rose by 0.6 percentage points, whereas the share of placements extended to the enterprises sector was lower by 0.2 percentage points on a monthly basis. On annual basis, the total Denar placements increased by 2.9%.

*...relative to the increment in the foreign exchange placements*

In May 2003, the banks' foreign exchange placements were higher by 1.3% on monthly basis. Unlike the decrease in the short-term lending to the enterprises on the basis of foreign credits and foreign credit lines, in May 2003 the long-term lending to the enterprises accelerated, while the overdue claims registered moderate increase. The movements in the maturity structure of the foreign exchange placements were directed towards an increase in the placements extended on a long run (increase of 1 percentage point). The sector structure of the foreign exchange placements remained almost unchanged. Thus the enterprise

<sup>5</sup> Since April 2003, the banks' placements have been shown in accordance with their accounting balance and all comparisons pertain to the accounting balance (so far the actual balance was presented, which differs from the accounting balance by the corrections made in the written-off claims and the re-recordings with the banks).

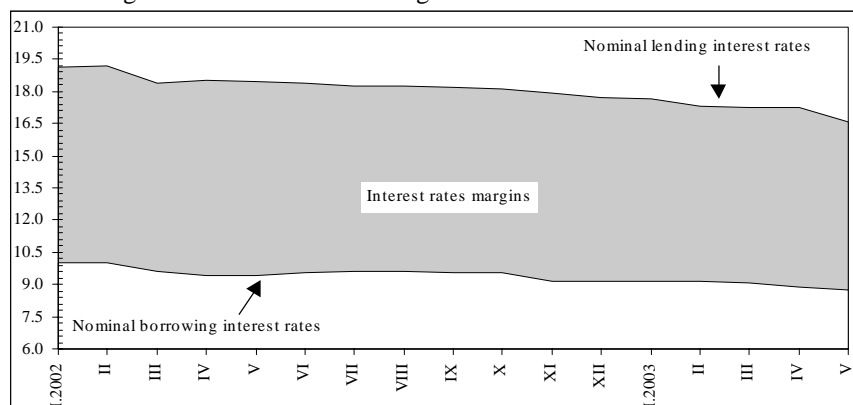
<sup>6</sup> Accounting re-recording was made in one bank in order to comply with the Decision on the supervisory standards for regulating the overdue claims of the banks and the savings houses.



sector further dominates with a share of 97.5%. Compared to the same month of the preceding year, the foreign exchange placements are by 5.5% lower.

Chart 19

Banks' weighted interest rates and margins\*



\* Pertain to Denar credits and deposits.

*Narrowing of the interest rate margins by 0.5 percentage points*

After the initial response of the interest rate on the Money Market to the changes in the monetary policy layout (setting the interest rate on the CB bills at a fixed level of 7% in mid-April 2003), certain responsiveness was also registered the interest rate policy of the banks. Thus, in May 2003, the short-term average weighted lending interest rate equaled 16.6% and was by 0.7 percentage points lower on a monthly basis. Such movements reflect the change in the interest rate policy layout of several banks. In May 2003, the average weighted deposit interest rate (pertains to three-month Denar deposit) equaled 8.7%, which is insignificantly lower compared to the previous month (by 0.1 percentage point). Such movements resulted in narrowing of the interest rate margins by 0.5 percentage points, equaling 7.9 percentage points in May 2003 (since August 2002, this is the first month in which a level of interest rate margins below 8 percentage points) was registered. In May 2003, the short-term interest rate on the foreign exchange placements was higher by 0.2 percentage points on monthly basis and equaled 7.9%.