



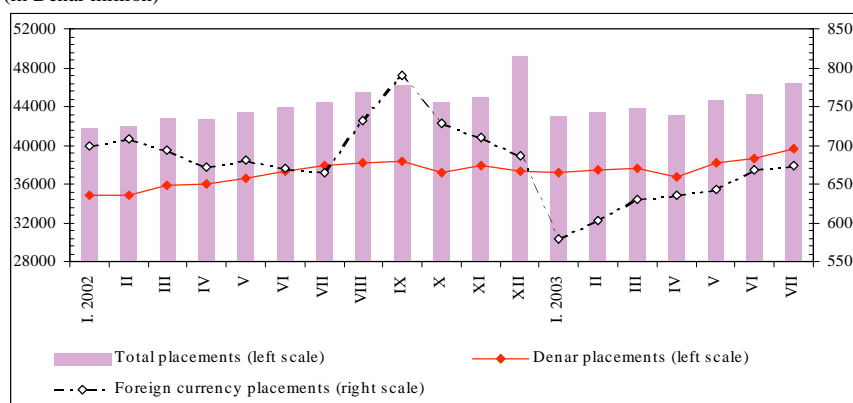
2.3.

Banks' placements and interest rates

Acceleration of the banks' credit activity in July 2003

The further increase in the banks' deposit potential, the higher interest in using banking credits given the diversified interest rates and usage conditions, as well as the higher degree of competitiveness in the banking system contribute to acceleration of the banks' credit activity. Additionally, in July 2003 a new bank started operating which is expected to contribute to the further increase in the degree of competitiveness in the banking system and higher credit support to the economy. In July 2003, the total banks' placements were higher on monthly basis by 2.6%, with increment being registered in both Denar and foreign exchange placements of 2.8% and 1.0%, respectively. Compared to the same month of the previous year, the banks' total placements are by 4.4%, primarily reflecting the lending in domestic currency.

Chart 19
Banks' placements
(in Denar million)



Monthly increase in the Denar placements of 2.8%...

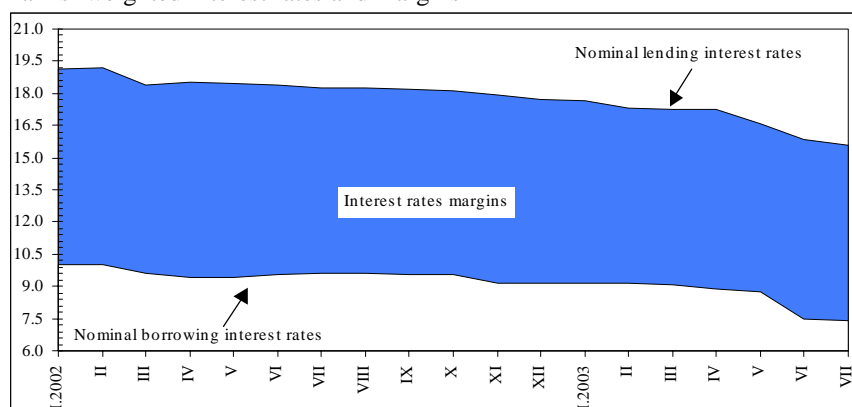
In July 2003, the total banks' Denar placements registered monthly and annual growth of 2.8% and 5.0%, respectively. Besides the moderate increase in the short-term lending to the households through framework credits, the short-term Denar credit were primarily allocated in the enterprise sector, which is more intensive promotion of the developmental role of the banks. Nevertheless, indirect multiple effects on the economic activity are expected of the further intensive long-term lending to the households for housing construction and for other purposes. From maturity structure, such changes in the Denar placements resulted in higher share of the long-term placements (increment of 0.3 percentage points on monthly basis), however the share of the short-term placements remains dominant (65.8%). The sector-by-sector analysis indicates that the enterprise sector accounts for 78.4%, while the share of the placements in the households sector reached 21.5% (decrease and increase of 0.8 percentage points, respectively).

...with simultaneous more moderate increment being registered in the foreign exchange placements

The monthly change in the banks' foreign exchange placements (increase of 1.0%) in July 2003, was solely due to the dynamics of the short-term foreign exchange placements (given the registered higher amount of doubtful and disputed claims). The foreign exchange placements extended on a long run registered no changes. Consequently, the movements in the maturity structure of the foreign exchange placements were in direction of increasing the share of the short-term placements (of 0.5 percentage points, thus reaching 45.9%). The enterprise sector still dominates the sector structure, constituting 96.9%. On annual basis (July 2003 / July 2002), the foreign exchange placements are by 1.4% higher.



Chart 20
Banks' weighted interest rates and margins*



* Pertain to Denar credits and deposits.

*Lower lending and deposit
banks' interest rates*

With respect to the interest rate policy, in July 2003 the banking sector continued to absorb the monetary signals, but with more moderate dynamics. Thus, the Denar short-term average weighted lending interest rate registered a decrease of 0.3 percentage points and equaled 15.6%. The lower average price of the credits is due to several factors: a. intensified lending of the banks in domestic currency; b. lower costs of the sources of funds. The average weighted deposit interest rate (three-month Denar deposit) in July 2003 equaled 7.4% and registered inconsiderable fall; c. the further adjustment of several banks to the changes in the monetary policy layout. In line with such movements, the interest rate margin narrowed by 0.2 percentage points, thus equaling 8.1 percentage points in July 2003. The average weighted interest rate of the short-term foreign exchange placements equaled 7.6% in July, which is by 0.3 percentage points lower compared to the previous month.