

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

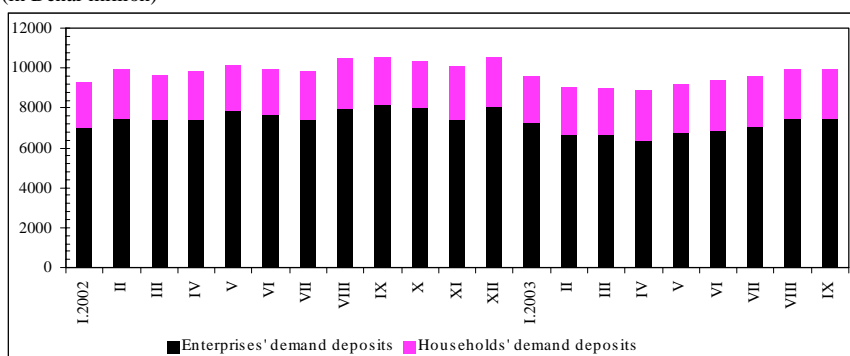
The higher level of transaction deposits (of the households, in particular) and the increase in the saving in the banking system given the minimum decline in the demand for currency in circulation, resulted in monthly growth rate of the monetary aggregates in September 2003.

In September 2003, the demand for currency in circulation registered minimum monthly fall (0.1%) and considerably more intensive annual fall (13.8%). On the other hand, the transaction deposits of the non-government sector (current and giro accounts) registered monthly fall of 0.3%, with the more evident increment being registered in the transaction deposits of the households (0.6%), relative to the minimum increase in the enterprises' transaction deposits (0.1%). Compared to the same month of the previous year, the total demand deposits went down by 4.3%, due to the lower level of enterprises' demand deposits (by 8.6%). In September, the structural share of the demand deposits of both the households and the enterprises in the total demand deposits remained almost unchanged compared to the previous month (20.8% and 63.1%, respectively). In line with such movements of the currency in circulation and the demand deposits, the money supply M1 registered slight monthly growth of 0.1%, while on annual basis it dropped by 9.5%.

Slight monthly increase in the monetary aggregate M1

Chart 17

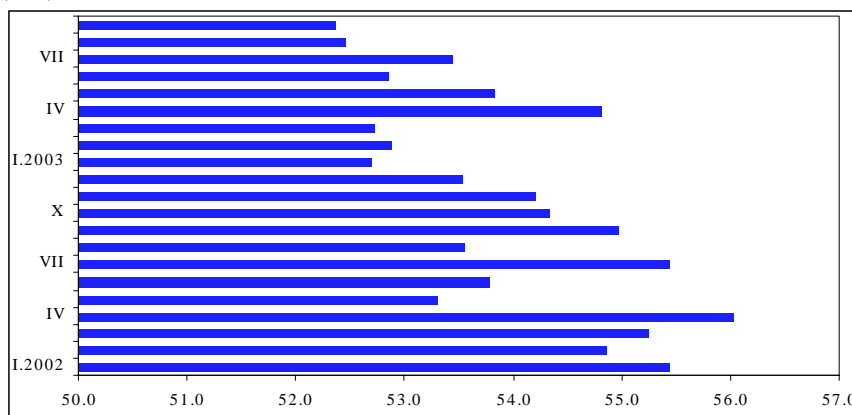
Demand deposits of enterprises and households
(in Denar million)



The slightly decreased demand for currency in circulation, given the moderate increase in the transaction deposits, resulted in almost unchanged structure of the money supply M1, with the share of the currency in circulation at the end of September 2003 equaling 52.4%. However, on annual basis, the share of the currency in circulation was lower by 2.6 percentage points. Thus, in September 2003, the money multiplier of the money supply M1 equaled 1.52 (1.58 in the preceding month).



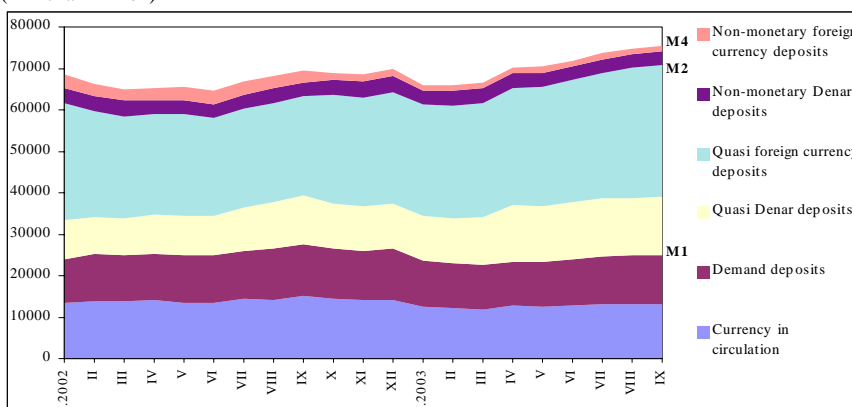
Chart 18
Share of currency in circulation (CC)
in the money supply M1
(in %)



Moderate monthly growth rates in the broader monetary aggregates M2 and M4

The further monthly increase in the broader monetary aggregates M2 and M4 continued in September 2003, when they registered moderate growth rates. Thus the increase in the short-term saving in domestic and foreign currency, resulted in an increase in the money supply M2 of 0.7% on monthly basis. The more intensive increment in the long-term deposit potential (primarily due to the substantial increase in the long-term foreign exchange deposits) resulted in a monthly increase in the monetary aggregate M4 of 1.0%. The more intensive increase in the reserve money relative to the growth in the banks' deposit potential, resulted in lower money multipliers of the money supply M2 and M4, which in September 2003 equaled 4.30 and 4.60, respectively (4.45 and 4.74, respectively in the previous month). Compared to the same month of the previous year, the monetary aggregates M2 and M4 were higher by 11.9% and 8.5%, respectively, as a result of the increment in the short-term banks' deposit potential.

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

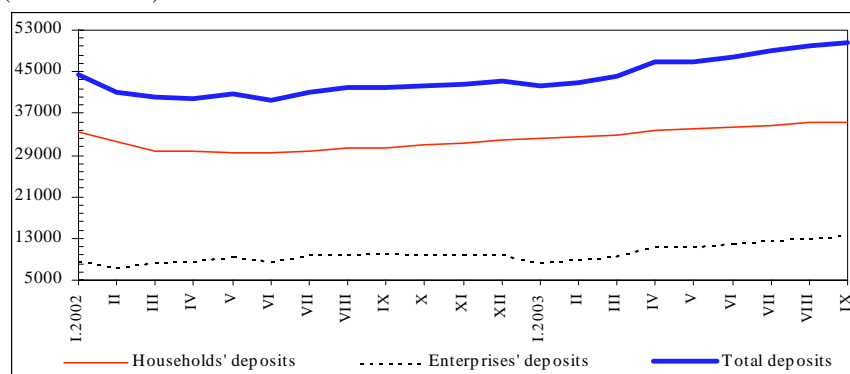




The permanent increase in the total deposits in the banking system continued in September 2003

The permanent monthly upward trend of the total deposit potential of the banking system, which is present since February 2003, continues in September this year. Thus the total deposits of the non-government sector⁸ picked up by 1.4% on monthly basis due to the increase in all types of deposits, analyzed by both maturity and currency of denomination. Analyzed by the maturity structure, more intensive growth was registered in the long-term deposits, primarily due to the significant increase in the enterprises' restricted deposits. Observed by the currency of denomination, the foreign exchange deposits register more intensive increment, which is solely due to the higher foreign exchange deposits of the enterprises. The analysis of the maturity structure of the total deposits indicates dominant share of the short-term deposits of 90.5% (relative to the preceding month it was by 0.3 percentage points lower). The structure of the currency of denomination remained almost unchanged compared to the previous month, with dominant share of the foreign exchange deposits (65.8%). On annual basis, the total deposit potential of the banks is by considerable 20.2% higher.

Chart 20
Deposit timeframes
(in Denar million)



Further increase in the total households' deposits...

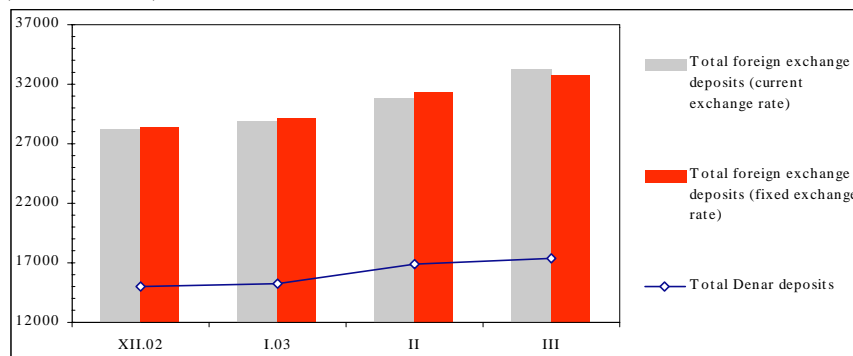
In September 2003, the households' deposits registered a monthly increase of 0.5%. The increase was particularly due to the growth in the Denar sight deposits. Analyzed by maturity, the short-term and the long-term deposits of the households increased by 0.5% and 0.9%, respectively. With respect to the currency of denomination, the Denar deposits picked up by 2.7% whereas the foreign exchange deposits went down by 0.2% on monthly basis. The further strengthening of the confidence in the banking system and the growing propensity of the households to save are confirmed by the acceleration of the annual growth rate of the total households' deposits, which in September reached 16.2%.

⁸ The total deposits of the non-government sector include short-term and long-term (Denar and foreign currency) deposits of the economic agents (excluding the demand deposits).



Chart 21

Quarterly dynamics of the Denar and the foreign exchange deposits
(in Denar million)

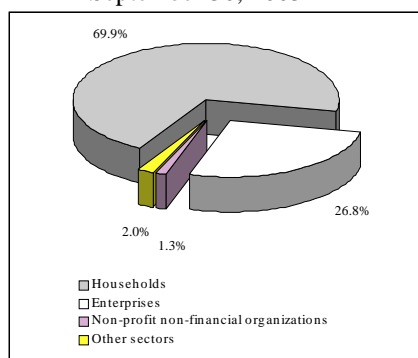


...and in the total enterprises' deposits

In September 2003, compared to the previous month, the enterprises' deposits were by 3.9% higher, with further intensification being registered in their annual growth rate (32.3%). With respect to the maturity structure, the monthly increase in the enterprises' short-term Denar deposits of 2.2% is primarily a result of the growth in the short-term foreign exchange deposits. Simultaneously, the increase in the long-term enterprises' deposits of 33.3% was primarily due to the movement of the restricted deposits in foreign exchange. In line with such movements, the enterprises' foreign exchange deposits went up by 9.4%, whereas the Denar deposits reduced by 0.7% on monthly basis.

Chart 22

Structure of deposits by sectors
September 30, 2003



September 30, 2002

