

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

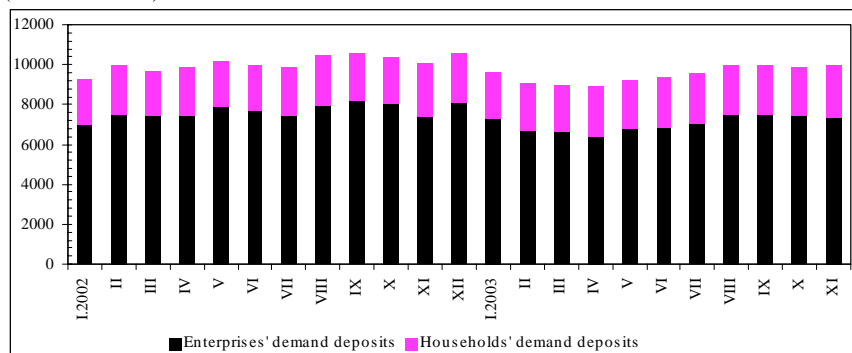
The movement of monetary aggregates in November 2003 was caused by the moderate increase in the demand for currency in circulation, the unchanged level of the transaction deposits, the increase in the Denar deposits and the fall in the foreign exchange deposits with the banks (caused by the decline in the foreign exchange deposits of the enterprises).

*Moderate monthly increase  
in the monetary aggregate  
M1*

In November 2003, the currency in circulation registered divergent movements on both monthly and annual comparison base (moderate monthly increase of 0.4% and annual fall of 5.9%). Simultaneously, the transaction deposits of the non-government sector (current and giro accounts) remained unchanged compared to the preceding month. The growth in the households' transaction deposits (3.3%) was offset by the fall in the enterprises' transaction deposits (0.8%). Compared to the same month of 2002, the total transaction deposits were lower by 0.9%, in line with the lower level of the households' transaction deposits (by 4.4%) and the enterprises' transaction deposits (by 0.9%). The unchanged level of the total non-government sector transaction deposits in November, given the divergent movements of their components, resulted in proportionate structural movements on monthly basis. Thus the share of the households' transaction deposits in the total transaction deposits was higher by 0.7 percentage points compared to the preceding month and equaled 21.9%, while the share of the enterprise transactions deposits was lower by 0.5 percentage points and equaled 62.8%. Considering the analyzed movements of the currency in circulation and the transaction deposits (demand deposits), as components of the money supply M1, this monetary aggregate in November 2003 registered moderate monthly growth of 0.2%, whereas on annual basis it dropped by 3.6%.

Chart 14

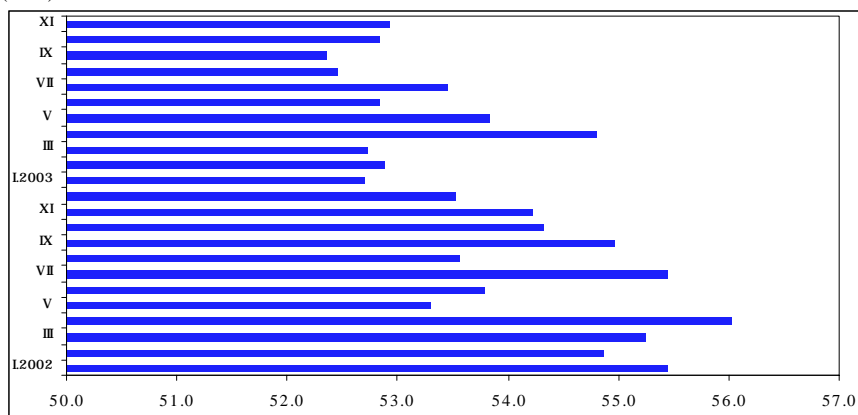
Demand deposits of enterprises and households  
(in Denar million)



The moderate monthly increase in the demand for currency in circulation, given the unchanged level of transaction deposits, resulted in almost unchanged structure of the money supply M1 compared to the previous month, so that the currency in circulation is still dominant (52.9%). On annual basis, favorable structural movements were registered in the direction of lower share of currency in circulation of 1.3 percentage points. With respect to the money multiplication, in November 2003, the money multiplier of the money supply M1 equaled 1.58 (1.56 in the preceding month).



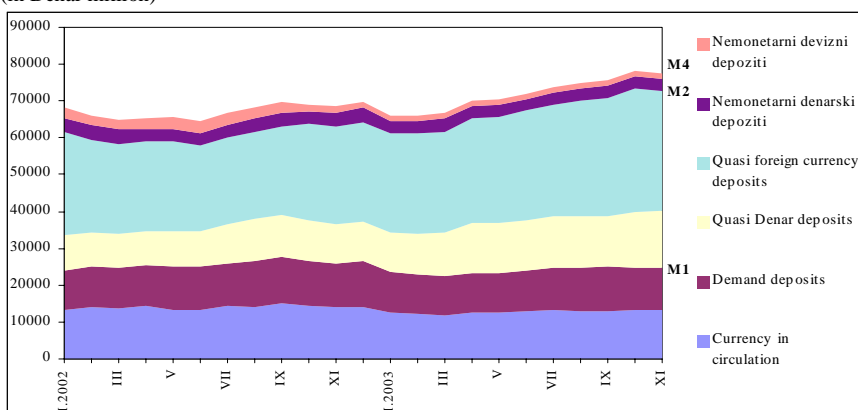
Chart 15  
Share of currency in circulation (CC)  
in the money supply M1  
(in %)



The several-month continuous increase in the broader monetary aggregates M2 and M4 was interrupted in November 2003, thus registering moderate monthly fall. Thus notwithstanding the increase in the short-term savings in domestic currency (by 1.4%), the fall in the short-term foreign exchange savings (of 2.4%) resulted in 0.7% decrease of the money supply M2 compared to the previous month. The fall in the long-term deposits (1.8%) due to the significant drop in the long-term foreign exchange deposits, resulted in monthly fall of 0.8% in the monetary aggregate M4. Given the drop in the deposit potential of the banks, with simultaneous fall in the reserve money, the money multiplication process remained almost unchanged in November. Thus, in November 2003, the money multipliers of the money supply M2 and M4 equaled 4.63 and 4.93, respectively (4.61 and 4.91, respectively, in the preceding month). On annual basis, the broader monetary aggregates M2 and M4 were higher by 15.6% and 13.0%, respectively, which is solely due to the increase in the short-term savings.

*Moderate monthly fall in the broader monetary aggregates M2 and M4*

Chart 16  
Monetary aggregates and their components  
(in Denar million)



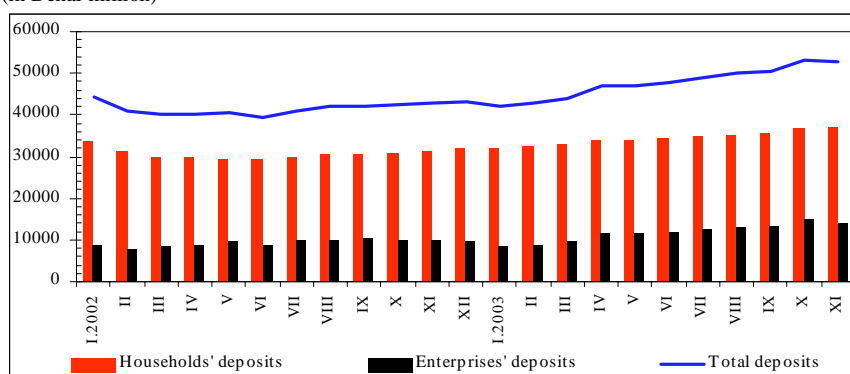


*Fall in the total banks' deposits of 1.3% in November 2003*

After the nine-month continuous increase, in November 2003, the total deposits of the non-government sector<sup>4</sup> went down on monthly basis (by 1.3%). Analyzing by maturity, the short-term deposits and the long-term deposits dropped by 1.2% and 1.8%, respectively, with their structure remaining almost unchanged compared to the preceding month, with dominant share of the short-term deposits (91.0%). With respect to the structure of the currency of denomination, the foreign exchange deposits fell down on monthly basis (2.6%), whereas the Denar deposits went up by 1.2%. Consequently, the foreign exchange deposits dropped by 0.9 percentage points and made up 64.4% of the total deposits. Nevertheless, in November 2003, compared to the same month of the previous year, the total banks' deposit potential is considerably higher (by 23.0%).

Chart 17

Non-government deposits within the banking system  
(in Denar million)



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

In November 2003, the total households' deposits registered a monthly increase of 0.9%, primarily due to the higher Denar time deposits with up to three months of maturity and the sight deposits in foreign exchange. With respect to the maturity and currency of denomination structure, more intensive growth was registered in the short-term and the households' Denar deposits (1.0% and 1.8%, respectively), unlike the increase in the long-term and the foreign exchange deposits. The steady increase in the households' deposits in 2003, in line with the growing propensity to save, the higher confidence in the banking system and the strengthened conscience of the households for the interest yield, resulted in high annual growth rate of the total households' deposits of 17.8% in November 2003.

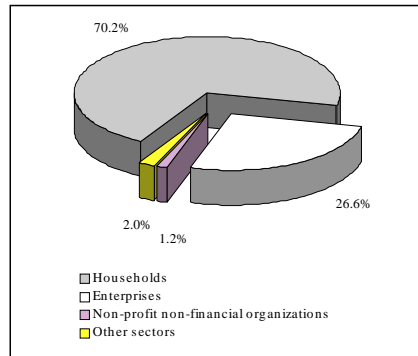
*...whereas the enterprises' deposits went down*

In November 2003, the enterprises' total deposits were by 6.8% lower on monthly basis, primarily due to the decrease in their short-term and foreign exchange deposits. November registered more evident decrease in the foreign exchange current accounts of the enterprises and the foreign exchange time deposits with up to one month of maturity (due to the one-time withdrawal of funds by a single client in a single bank). However, notwithstanding the declines on monthly basis, the enterprises' total deposits still register high annual growth (40.6%).

<sup>4</sup> 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 18  
Structure of deposits by sectors  
November 30, 2003



November 30, 2002

