

Monthly Economic Report - September 2004

Stockmarkets

	Turnover in KM	% change on previous month Turnover in KM
Sarajevo (SASE)	14,684,889 (Aug)	+ 24.29
Banja Luka	5,482,294 (Aug)	+12.10

Trade, exchange rates and budgets

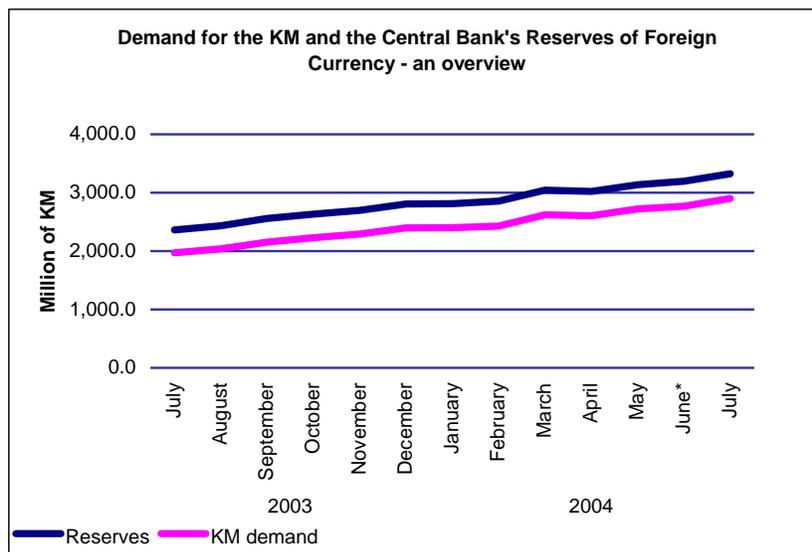
	Jul 04 Import / Exports	% change on previous year Imports / Exports	Jan-Jul Imports / Exports
'000s of KM			
Trade performance	913,464 270,535	+ 7.55 +9.15	5,597,762 1,690,776

Prices and Earnings and Unemployment

Net Salaries:	FBiH	KM 537.51 (Jun. 04)
	RS	KM 427 (Jun 04)
BiH Consumer price index	0.6%	(as of year end 2003)
Unemployment	Latest	Previous month
FBiH	Figures not available	311.619 (Jul)
RS	Figures not available	

Money and interest rates

Money supply (Jul 04)	% change on year ago	Narrow (M ₁)	+16.84%
		Broad (M ₂)	+21.31%
Average Interest rates % p.a. (Jul 04)		Bank Lending: Short	10.28 Long 8.90
Rates Banks pay for deposits		Demand	0.85 Term 3.58



Million	Buying	Selling	Jan-Jun Balance
Demand for KM	179.2	311.3	+503.1

The BiH Money Supply has expanded at a steady rate over the past period, and at the same time, KM bank deposits have expanded at a much higher rate than before. The KM continues to enjoy investor confidence and the cumulative year-on-year balance showing a steady increase in the quantity of money in BiH. This means that the holders of Euro and other foreign currencies, on balance, exchanged much more money into KM than the holders of KM exchanged into other currencies. Almost KM 3000 million came into the BiH economy between July 2003 and July 2004. This positive trend was thus accompanied by a concurrent rise in the level of foreign reserves of the Central Bank of BiH. Both trends show that capital is flowing into BiH. The fact that this increase in the money supply has already elicited the appropriate response from the Central Bank ([prompting it to raise the commercial banks' reserve requirements](#)) also means that the authorities are closely monitoring the situation and are quick to react so as to counter any potential threat to the BiH economy.

The Sarajevo Stock Exchange had a successful month in August – the value of turnover rose by more than 24 per cent thus almost offsetting the previous month's decline.

The Banja Luka Stock Exchange recorded a rise in turnover of more than 12 percent during the month of August. Total capitalization of the two markets remains, however, rather modest.

BiH's Trade Figures show a small rise in exports year-on-year – but the value of imports is still significantly larger than that of exports. However, the export *trend* appears to be fairly positive, even on a month-on-month basis.

Unemployment figures for the Federation were not available from the F BiH Institute of Statistics at the time of publication and neither was information on the average net salaries. The RS does not report monthly unemployment figures.

M₁: *Monetary aggregate M₁ comprises cash outside banks and demand deposits in domestic currency of all domestic institutional sectors (except for deposits of the central government).*

M₂: *Monetary aggregate M₂ consists of M₁ in addition to time and savings deposits in domestic currency, demand deposits in a foreign currency and time and savings deposits in a foreign currency of all domestic institutional sectors (except for deposits of the central government).*

Sources: Central Bank of BiH, Statistical Institutes of F BiH & RS