

Monthly Economic Report – January 2005

Stockmarkets

| | Turnover in KM | % change on previous month Turnover in KM |
|------------------------|--------------------------|--|
| Sarajevo (SASE) | 54,132,256 (Dec.) | +47.91 |
| Banja Luka | 6,692,315 (Jan.) | - 60.05 |

Trade, exchange rates and budgets

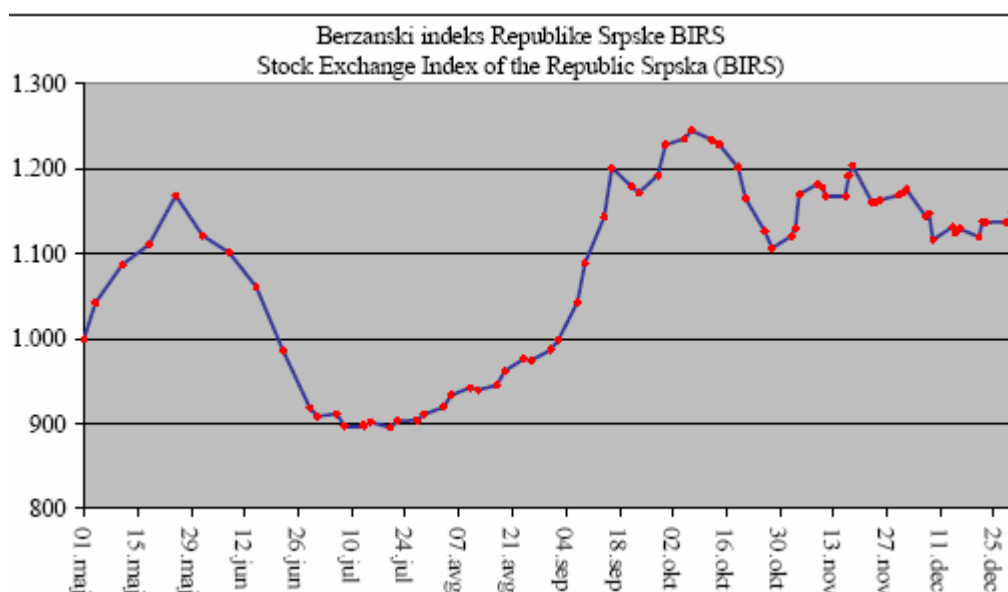
| | Jan. 05 Import / Exports | % change on previous year Imports / Exports | Jan-Dec. 04 Imports / Exports |
|--------------------------|-----------------------------|--|----------------------------------|
| ‘000s of KM | | | |
| Trade performance | 622,894 237,439 | + 19. 03 + 51.00 | 9,582,115 2,923,515 |

Prices and Earnings and Unemployment

| | | |
|---------------------------------|------------------------------|------------------------------|
| Net Salaries: | FBiH | KM 544.96 (Dec.04) |
| | RS | KM 431 (Jan.05) |
| BiH Consumer price index | 0.6% | (as of year end 2003) |
| Unemployment | Latest | Previous month |
| FBiH | 325,738 (Dec.) | 323,984 (Nov.) |
| RS | Figures not available | |

Money and interest rates

| | | | |
|---|----------------------|--------------------------|-------------------------------|
| Money supply (Oct. 04) | % change on year ago | Narrow (M ₁) | +10.53% |
| | | Broad (M ₂) | +18.23% |
| Average Interest rates % p.a. (Dec. 04) | Bank Lending: | Short | 10.00 Long 9.83 |
| Rates Banks pay for deposits | Demand | 0.79 | Term 3.98 |



| | | | |
|----------------------|--------------|--------------|-------------------|
| Million | Buying | Selling | Jan - Dec Balance |
| Demand for KM | 182.7 | 165.9 | +630.3 |

The BiH Money Supply has expanded steadily in the course of January 2005. As foreseen in the preceding editions of this monthly report, the momentum of this expansion has increased during 2004, and can therefore be expected to continue for some time. As noted before, a financial meltdown resulting from BiH's chronic trading deficits has not happened. Indeed, in the month of January, exports were 50 percent higher than they were at the same time last year. Hopefully, this momentum will be maintained throughout the current year.

The KM continues to enjoy investor confidence. However, in the month of January, trading in KM indicated that more KM were exchanged into other currencies by a margin of KM 16.9 million – a relatively insignificant figure considering the Bank's reserves.

The Sarajevo Stock Exchange had a successful December – the value of turnover rose by more than 47 per cent over the figure for November – January figures were not available at the time of going to print.

The Banja Luka Stock Exchange had a less successful trading month in January, with turnover falling by more than 60 percent.

The seasonal nature of the fluctuations in the two capital markets has, by now become quite evident – the most remarkable slowdowns taking place in August and January. However, as the figure indicates, the previous year saw a strong rally on the Banja Luka Stock Exchange, which after a trough in July/August, maintained a certain momentum. Thus, KM 100 invested in BIRS on 1 May 2004 would, six months later, have been worth KM 120.

BiH's Trade Figures show a significant rise in exports in the month of January – both relative and absolute. This accentuates a positive trend that began at the start of 2004 and may well continue into 2005. As exports have increased, imports, nevertheless, seem to have fallen too in January, but how much this would indicate a change in the long term trends previously observed remains to be seen.

Unemployment figures in the Federation **are high and apparently static.** 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, Breaux of Statistics of FBiH & RS, Banja Luka Stock Exchange