



**The BiH Money Supply has expanded in the course of March 2005.** Although this change has occurred in line with the previous trend, it appears that the supply of money is growing more slowly than before. It is, however, still too early to say whether this slight reduction in its rate of growth indicates a new trend.

**Although the KM** continues to enjoy investor confidence the month of March saw slightly more KM exchanged into other currencies than other way around. Thus a net outflow of foreign currency worth KM 38 million was recorded for the period January – March. Nevertheless this is having no apparent effect on either the money supply or the Bank's reserves both of which remain plentiful - the latter being much larger than the entire supply of KM which they were supposed to cover.

**The Sarajevo Stock Exchange** had a successful March – the value of turnover rose by more than 1400 per cent over the figure for February.

**The Banja Luka Stock Exchange** had a successful month of March, with the value of its turnover rising by more than 280 per cent.

The remarkable increases in both markets' turnover values only highlights the already noted seasonal nature of the two capital markets in BiH. Thus, the January – March dips in trading volumes were followed by strong rallies that produced spectacular increases in trading volumes and, consequently, turnover valuations. Nevertheless, both markets' growth took place after a period of significant stagnation and, so, both markets grew from a low base. For this reason, turnover values recorded for March represent the markets' return to their previous form rather than a BiH stock exchange bubble. In these conditions, investor strategies favouring long-term rather than short-term growth appear to be more suited to activity in the BiH stock markets.

**BiH's Trade Figures** show a continued rise in exports in the month of March – both relative and absolute. This represents a continuation of the positive trend that began at the start of 2004. However, it should be noted that imports have maintained a steady rate of growth too, albeit at a lower rate than exports.

**Unemployment** figures in the Federation **are high and apparently static.** The RS does not report monthly unemployment figures.

**M<sub>1</sub>:** *Monetary aggregate M<sub>1</sub> comprises cash outside banks and demand deposits in domestic currency of all domestic institutional sectors (except for deposits of the central government).*

**M<sub>2</sub>:** *Monetary aggregate M<sub>2</sub> consists of M<sub>1</sub> 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 BiH, F BiH & RS, Sarajevo and Banja Luka Stock Exchanges