

Monthly Economic Report – November 2004

Stockmarkets

	Turnover in KM	% change on previous month Turnover in KM
Sarajevo (SASE)	28,196,571 (Nov.)	+54.71
Banja Luka	9,998,336 (Nov.)	+62.33

Trade, exchange rates and budgets

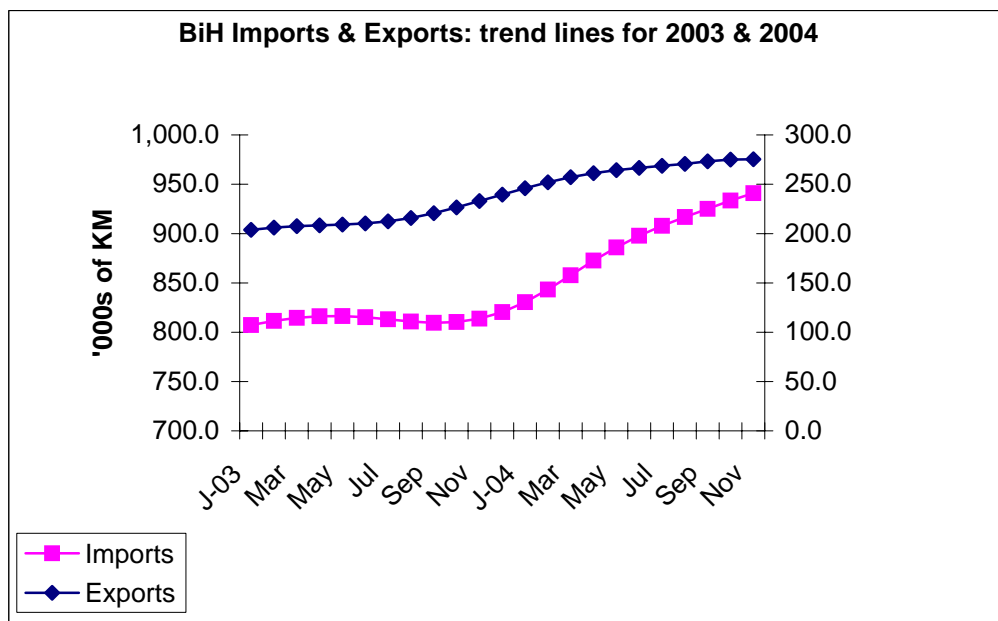
	Nov. 04 Import / Exports	% change on previous year Imports / Exports	Jan-Nov. 04 Imports / Exports
‘000s of KM			
Trade performance	958,087 270,004	+ 1.53 +19.2	8,579,566 2,590,311

Prices and Earnings and Unemployment

Net Salaries:	FBiH	KM 534.36 (Oct.04)
	RS	KM 433 (Oct.04)
BiH Consumer price index	0.6%	(as of year end 2003)
Unemployment	Latest	Previous month
FBiH	323,537 (Oct.)	321,093 (Aug.)
RS	Figures not available	

Money and interest rates

Money supply (Oct. 04)	% change on year ago	Narrow (M ₁)	+14.64%
		Broad (M ₂)	+18.53%
Average Interest rates % p.a. (Oct. 04)	Bank Lending:	Short	10.08 Long 9.00
Rates Banks pay for deposits	Demand	0.85	Term 4.07



Million	Buying	Selling	Jan-Sep Balance
Demand for KM	179.2	166.1	+459.8

The BiH Money Supply continues to expand steadily. Central Bank reserves have also expanded, as has the capital base of most BiH banks. The momentum of this multiple expansion has increased during 2004, and can therefore be expected to continue. However, a slight rise in average commercial interest rates in November suggests that credit dampening measures taken by the Central Bank earlier this year are beginning to work. The intent of these measures is to prevent an expansion in the money supply leading to inflation and/or excessive volatility in the banking sector as a result of unrestrained lending.

The KM continues to enjoy investor confidence. From January to November 2004, the Central Bank sold a net total of KM 459.8 million. This means that the holders of Euro and other foreign currencies, on balance, exchanged more money into KM than the holders of KM exchanged into other currencies.

The Sarajevo Stock Exchange had a successful November – the value of turnover rose by more than 50 per cent over the figure for October.

The Banja Luka Stock Exchange had an even more successful month, with turnover rising by more than 60 per cent.

The dramatic increase in the value of share trading at both stock markets appears to be a result of increased confidence among investors from BiH as well as the neighbouring countries. This may be fueled to some extent by speculative buying, but is also a reflection of the very positive performance of BiH privatization investment funds (PIFs) in the course 2004.

BiH's Trade Figures show a significant rise in exports in the month of November. This accentuates a positive trend that began at the start of 2004. As exports have increased, the imports, on the other hand, seem to be leveling off, as indicated by the trend line.

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

M₁: Monetary aggregate M_1 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 M_2 consists of M_1 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).