

Monthly Economic Report – October 2004

Stockmarkets

	Turnover in KM	% change on previous month Turnover in KM
Sarajevo (SASE)	12,769,373 (Oct.)	- 35.5
Banja Luka	10,241,296 (Sep.)	+87

Trade, exchange rates and budgets

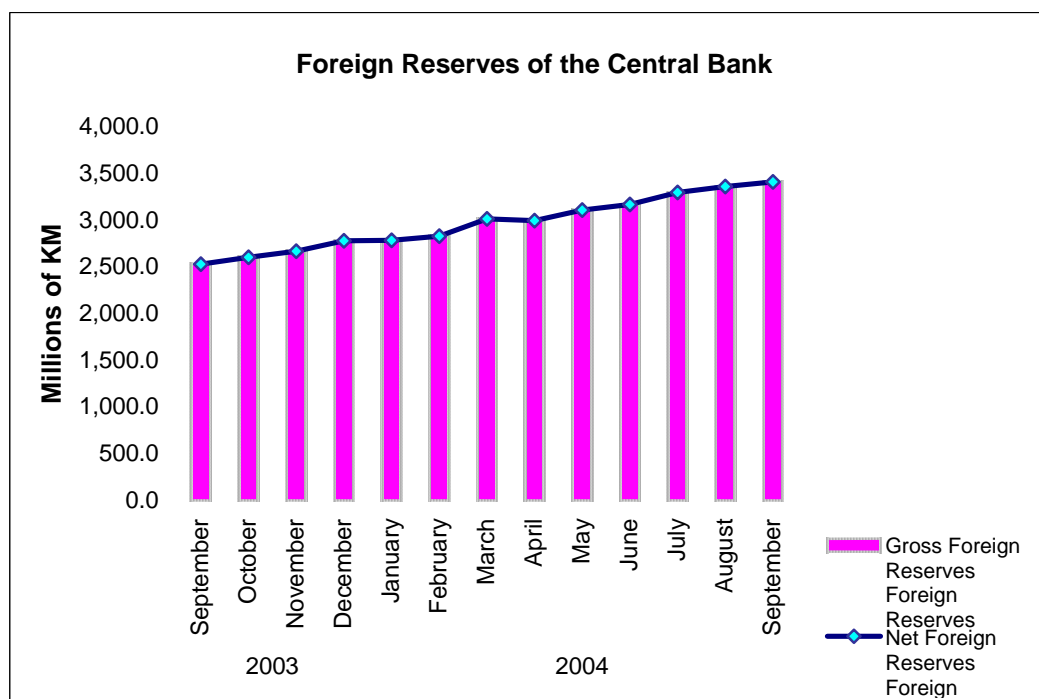
	Sep. 04 Import / Exports	% change on previous year Imports / Exports	Jan-Sep. Imports / Exports
‘000s of KM			
Trade performance	1,025,969 286,869	+ 15 +21.2	6,582,441 1,985,136

Prices and Earnings and Unemployment

Net Salaries:	FBiH	KM 535.85 (Aug. 04)
	RS	KM 423 (Sep.04)
BiH Consumer price index	0.6%	(as of year end 2003)
Unemployment	Latest	Previous month
FBiH	321.093 (Aug)	309,866 (Jul.)
RS	Figures not available	

Money and interest rates

Money supply (Sep. 04)	% change on year ago	Narrow (M ₁)	+19.19%
		Broad (M ₂)	+28.97%
Average Interest rates % p.a. (Sep. 04)	Bank Lending:	Short	9.99 Long 8.08
Rates Banks pay for deposits	Demand	0.85	Term 3.82



Million	Buying	Selling	Jan-Sep Balance
Demand for KM	251.8	213.2	+473

The BiH Money Supply has expanded at a steady rate over the past period, and at the same time, the Central Bank reserves have expanded in a reassuring fashion. These trends have also been accompanied by an expansion in the BiH banks' capital base. All of these trends have shown a sustained growth over the past year and it is thus reasonable to expect that these trends may well continue.

The KM continues to enjoy investor confidence. From January to October 2004, the Central Bank sold a net total of KM 473 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. Similarly, the increase in the Central Bank reserves means that the KM continues to enjoy a high degree of stability for time to come.

The Sarajevo Stock Exchange had a less than successful October – the value of turnover fell by more than 30% over the figure for September.

The Banja Luka Stock Exchange recorded a spectacular rise in turnover during the month of September. Total capitalization of the two markets, however, still remains modest.

BiH's Trade Figures show a significant rise in exports in the month of September. Nevertheless, the ever increasing growth rate of BiH exports may actually be indicating that the Free Trade Agreements that the BiH signed with the neighboring countries may actually be starting to show their positive effects.

Unemployment figures in the Federation remain stubbornly high. 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).*