



3.2.

Foreign exchange developments

In May 2003, the turnover on the foreign exchange market increased by 22.0% on a monthly basis...

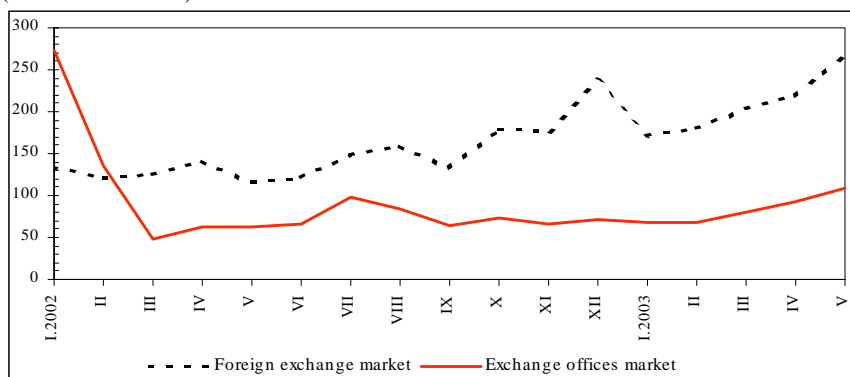
...with a moderate depreciation of the Denar exchange rate against the Euro...

...and an appreciation of the Denar against the US Dollar being registered

In May 2003, the highest turnover on the foreign exchange market since the beginning of the year was registered. The total value of the turnover made on the foreign exchange market equaled US Dollar 267.9 million, which is a monthly increase of 22.0%. The analysis of the structure of the turnover points to the dominant share of the transactions between the banks and the enterprises (86.1% of the total turnover on the foreign exchange market, i.e. a monthly decrease of 3.8 percentage points). Besides the commercial banks which acting as net sellers on the foreign exchange market mostly met the increased demand for foreign exchange, the NBRM's net sale transactions also acted towards harmonization of the supply and the demand on this market. At the end of May 2003, Denar 61.38 per one Euro were traded, which is a moderate depreciation of the Denar relative to the Euro on a monthly basis of 0.3%. In May 2003, the Denar appreciation against the US Dollar on the foreign exchange market continued. Thus, on May 31, 2003 Denar 51.92 were traded per one US Dollar, which is a monthly appreciation of the Denar of 7.0%. Compared to May 2002, the exchange rate of the US Dollar against the Denar declined by 20.1%, which is a reflection of movements of the US Dollar and the Euro on the international stock exchanges. Despite the strengthening of the financial markets and the increased productivity as significant indicators for the American economy, the increased unemployment, and generally, the reduced international demand, led to a decrease in the value of the US Dollar on the financial markets and pessimistic prognoses for the movement of the US Dollar until the end of the year.

Chart 22

Movements in the total turnover on the foreign exchange and exchange offices market
(in US Dollar million)



Increased turnover of foreign assets on the exchange offices market

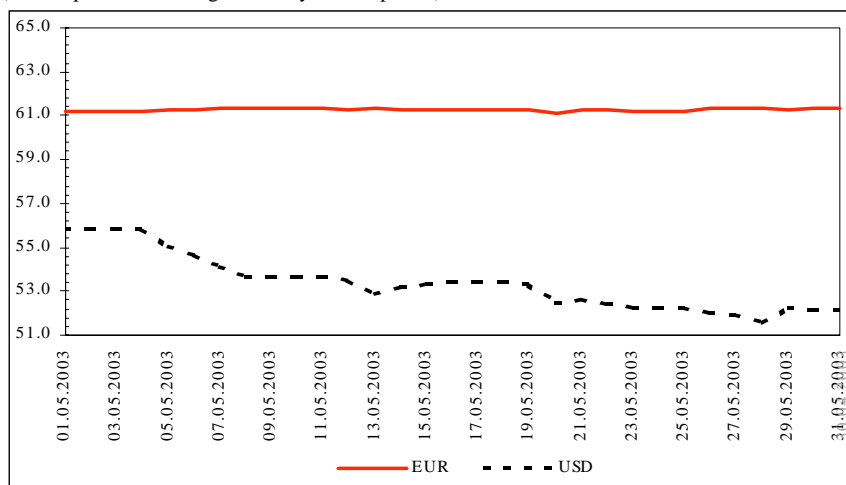
In May 2003, the turnover on the exchange offices market (where participation of natural persons is registered) increased by 17.0%, thus reaching US Dollar 109.6 million. The demand for foreign exchange increased by 23.6%, while the supply of foreign exchange increased by 12.4% on a monthly basis. In May 2003, net purchase of foreign exchange by the exchange offices in the amount of US Dollar 14.3 million was realized. On May 31, 2003, Denar 61.38 per one Euro were traded on the exchange offices market, which is a minimal depreciation of the Denar relative to the Euro of 0.1%. In accordance with the movements on the foreign exchange market on the exchange offices market, a monthly appreciation of the Denar (of 7.0%) relative to the US Dollar⁸ was registered. Thus, at the end of May 2003, Denar 51.21 per one US Dollar were traded.

⁸ The US Dollar exchange rate is taken from the exchange rate list for the exchange offices operations of the NBRM.



Chart 23

Daily middle exchange rate of the Denar at the exchange offices
(Denars per unit of foreign currency, end of period)

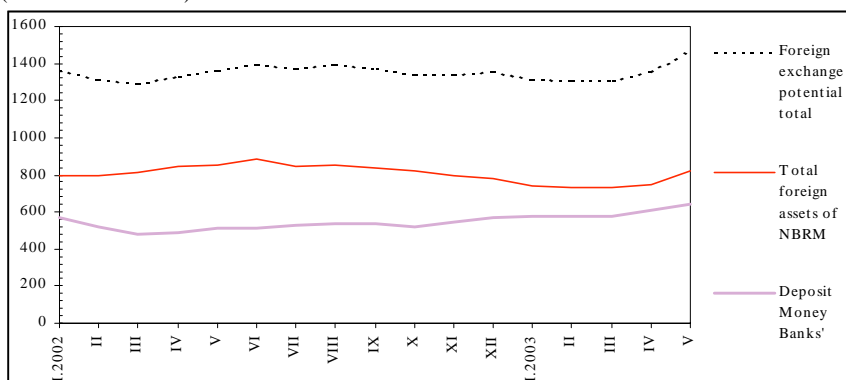


Increase in the gross foreign exchange reserves of the National Bank of the Republic of Macedonia was registered...

In May 2003, the total foreign exchange potential of the Republic of Macedonia registered an increase of US Dollar 104.0 million on a monthly basis, thus reaching US Dollar 1,462.1 million. The increase in the total foreign assets of the NBRM and the commercial banks also acted toward this direction. On May 31, 2003, the gross foreign exchange reserves of the NBRM registered an increase of US Dollar 70.5 million, and equaled US Dollar 771.6 million. The main cause for the increase are the realized inflows based on exchange rate differentials and inflows from abroad.

Chart 24

Foreign exchange potential of the Republic of Macedonia
(in US Dollar million)



... given the increase in the foreign assets with deposit money banks

In May 2003, the foreign assets with the deposit money banks increased by US Dollar 33.5 million on a monthly basis, given the increase in the foreign currency deposits of the economic agents with the banks of US Dollar 52.4 million, caused by the increase in the foreign currency deposits of the enterprises and households of US Dollar 11.1 million and US Dollar 31.7 million, respectively.