



Macroeconomic Developments in the Republic of Macedonia in May 2003

After the moderate growth in the inflation rate in April, as a result of the changes in the enforcement of the value-added tax rates, which had a one-time effect on the general price level, in May they once again registered low monthly inflation rate of 0.6%. The average inflation rate remains at minimum level (0.2%), which is in line with the legally determined goal of the monetary policy – maintenance of the price stability. Given the higher demand for foreign exchange on the foreign exchange market, the NBRM maintained stable level of the exchange rate of the Denar against the Euro (Denar 61.36 per one Euro at the end of May) through appropriate interventions.

From the aspect of the real sector of the economy, the industrial output registered usual monthly fall in May, which had no unfavorable impact on the cumulative movements, due to the low comparison base from the previous year. Thus over the January – May 2003 period, the industrial output increased by 4.3%, which is an acceleration of the cumulative increase of 1.9 percentage points compared to the preceding month. Simultaneously, in May, the foreign trade registered a monthly increase of 6.4%, given the more significant increment in the imports (9.0%), compared to the exports (2.3%). On cumulative basis, the increase in the foreign trade reached 27.1%. Favorable tendencies were registered in the first five months of 2003, directed towards more considerable increase in the exports (30.1%) relative to the increment in the imports (25.4%).

The reduction in the NBRM interest rates in the previous month, and particularly the fixing of the interest rate on the CB bills at a level of 7% resulted in further decline in the interest rate on the Money Market, which reduced to 9.4% in May (fall of 1.2 percentage points). All that influenced the interest rate policy of the commercial banks whose average weighted Denar lending interest rate decreased by 0.7 percentage points, and reduced to 16.6%, whereas the average weighted Denar deposit interest rate remained almost unchanged compared to the previous month (8.7%). In line with such movements, the interest rate margin reduced at a level below 8 percentage points after almost three years.

The increase in the total banks' deposit potential (of 0.3%), given the drop in the reserve money (of 3.8%) strengthened the money multiplication process, increased the total placements (by 3.6%) and resulted in a moderate monthly increase in the monetary aggregates. Thus the money supply M1 rose by 0.8%, due to the increase in the enterprises' transaction deposits. The broader monetary aggregate M2 increased by 0.4%, solely due to the rise in the short-term foreign exchange deposits. The broadest monetary aggregate M4 is by 0.5% higher, due to the increase in the foreign exchange non-monetary deposits.

From the aspect of the maturity of the total deposit potential of the banks, an increase was registered in both the short-term and the long-term deposits, while from the aspect of the currency of denomination, an increment was registered in the foreign exchange deposits. The sector-by-sector analysis indicates an increase in the households' deposits, whereas the enterprises' deposits dropped. In May, no remarkable changes were registered in the total deposits structure.

In May, the IMF Mission visited the Republic of Macedonia. The primary goal of the visit was to make an overview of the achievements in the first quarter of 2003 in the context of the newly concluded Stand-by Arrangement. The perceptions of the Mission confirmed that the macroeconomic performances of the Republic of Macedonia are satisfactory and are within the framework of the previously agreed.

Republic of Macedonia – organizer and host of the Dutch Constituency Annual Meeting

The Annual Meeting of the Dutch Constituency in the International Monetary Fund (IMF) and the World Bank (WB) was held in Skopje, on May 17-18, 2003. Besides the Netherlands, which leads the group of 12 countries, the Dutch Constituency consists of Macedonia, Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Moldova, Romania and Ukraine. At the meeting, the Governors in the WB and the IMF of the aforementioned countries had an opportunity to convene. Also, the meeting was attended by distinguished officials of the IMF and the WB. The meetings of the Constituency create opportunities for exchange of opinions and discussions among the 12 countries regarding the IMF and the WB general and bilateral policies and programs, the adequacy of the support of the Executive Manager in meeting the needs of each country, as well as opportunities for informal bilateral meetings and discussions.