



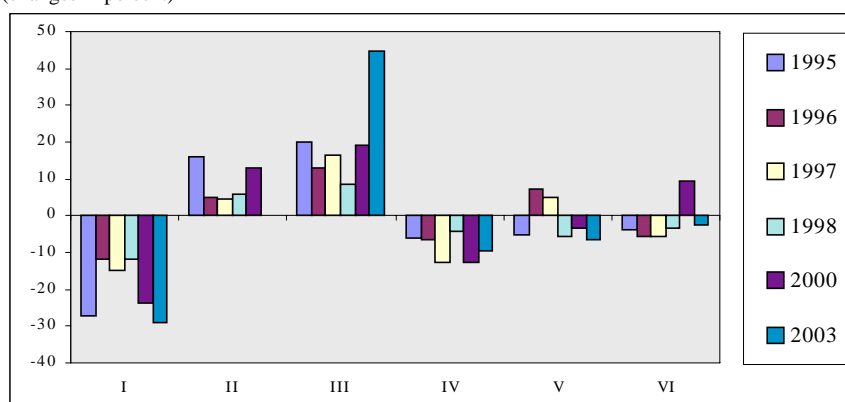
1.2.

Economic activity

In June 2003, the volume of the industrial output decreased by 2.4% on a monthly basis...

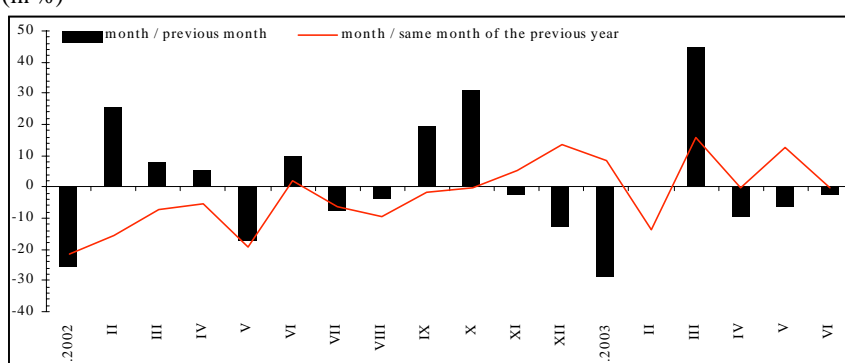
In June 2003, the volume of the industrial output registered a monthly decline of 2.4%. This decrease has seasonal character and it is common for this month of the year. Thus, the industrial output in 2003 follows again the usual dynamics, an exemption of which is only the Kosovo crisis period and the years in which the effect of the security crisis in the country was felt, when the monthly dynamics of the industrial output mostly deviated from the common movements.

Chart 4
Industrial output
(changes in percent)



In June 2003, the moderate monthly decrease in the industrial output was caused by the lower production of energy, capital goods and non-durable consumption goods, with a simultaneous increase in the production of durable consumption goods and intermediate goods (except energy) being registered. Analyzed by sectors, monthly decrease of 2.2% and 5.9%, respectively was registered in the sectors "processing" and "supply of electricity, gas and water", while the sector "mining and quarrying" registered an increase of 8.3%. The decline in the "processing" sector, comprising 89.9% of the total industrial output, is due to the lower production in five important industrial branches encompassing the largest part of the total output (47.6%). Among them, the largest decrease is registered in the production of oil derivatives (78.2%), which is due to the high comparison base recorded in the previous month. However, the other branches of the processing industry with higher importance, accounting for 30.3% of the total output, registered an increase in the production (production of tobacco products, textile products, basic metals and other non-metal minerals).

Chart 5
Dynamics of the industrial output
(in %)





...while on cumulative basis it increased by 3.5%

On annual basis, the volume of the industrial output remained almost unchanged (minimal decrease of 0.1%), while on average, it increased by 3.5% in the first half of 2003 compared to the same period of 2002. The reasons for the average increase are the enlarged production in the "processing" sector (mostly due to the high increase in the production of basic metals) and in the sector "supply of electricity, gas and water".

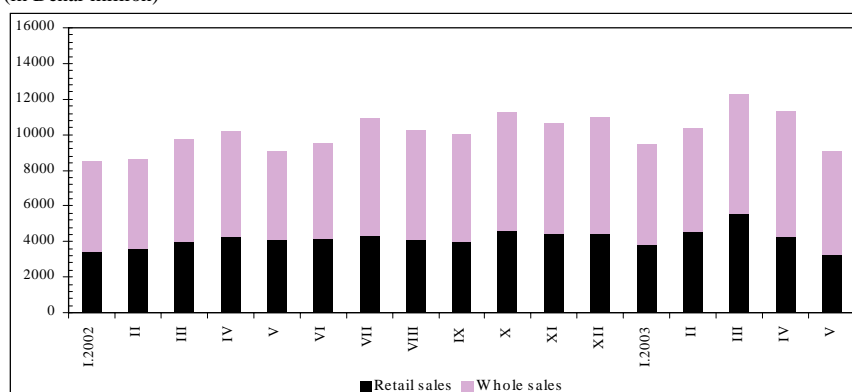
In May 2003, unfavorable movements in the realization and the purchase of agricultural products was registered

In May 2003², the sale of the agricultural products from the agricultural enterprises' and collectives' own production equaled Denar 205 million, which is by 44.9% less compared to the previous month. The severe monthly decrease registered this month is mainly due to the high comparison base in April, when the highest amount of sold agricultural products since the beginning of the year was registered. Observed from the cumulative aspect, the sale of the agricultural products in the first five months of 2003 equaled Denar 1,278 million, which is by 23.0% less in comparison with the same period of the previous year. Except the sale of grains and fish, all other categories registered cumulative decrease, with the most significant decline of 91.0% being recorded in the sale of the industrial plants. The total amount of the purchased agricultural products from the individual agricultural producers in May 2003, equaled Denar 172 million, which is a decrease of 30.5%, compared to the previous month. The decline is due to the reduced purchase of industrial plants (by 95.6%) and cattle (by 58.1%), having in mind that all other categories registered a monthly increase. On cumulative basis, in the January - May 2003 period, compared to the same period of 2002, the total value of the purchased agricultural products decreased by 23.8%.

Increase in the retail trade and the wholesale trade turnover on a cumulative basis was registered

In May 2003³, the total trade turnover registered a monthly decrease of 20.2%, in line with the decrease in the retail trade turnover (of 22.3% compared to April) and in the wholesale trade turnover (of 19.0%). In comparison with the same month of the previous year, a negative annual rate of 20.0% in the retail sale turnover was registered, while the wholesale trade turnover registered an annual increase of 16.6%, so the total turnover remained unchanged. In the January - May 2003 period, the growth rates of the retail sale and the wholesale trade turnover on cumulative basis equaled 1.8% and 21.9%, respectively.

Chart 6
Contracted and completed construction works
(in Denar million)



Increased activity in the construction works in May 2003 was registered

In May 2003⁴, the value of the contracted and completed construction works registered high monthly increase, which is an indicator of the increased construction activity in this month. Thus the value of the contracted construction works in May increased by 53.7%, which is partially due to the low comparison base registered in the previous month, when the lowest monthly amount of

² Last available data of the State Statistical Office.

³ Last available data of the State Statistical Office.

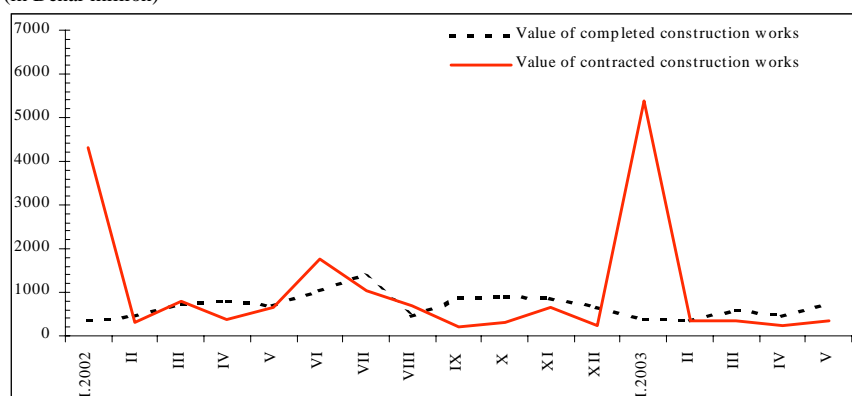
⁴ Last available data of the State Statistical Office.



contracted construction works since the beginning of 2003 was recorded. In comparison with the same month of the previous year, the value of the contracted construction works decreased almost by twice, while cumulatively, it registered an increase of 2.7% in the first five months of the year. Analyzed since the beginning of 2003, the completed construction works reached their highest value in May, registering an increase of 63.5% compared to the previous month. The high value of the completed construction works in May corresponds to the opening of the new facilities for production of beer and nonalcoholic beverages (an investment of the Skopje Brewery). On annual basis, the value of the completed construction works increased by 7.5%, while in the first five months of 2003, it decreased by 15.5% on cumulative basis.

Chart 7

Contracted and completed construction works
(in Denar million)



Increase in the Gross Domestic Product in the first quarter of 2003

The expectations for gradual revitalization of the economy and the intensification of the entire economic activity, on which the projection for accomplishing a real economic growth of the Macedonian economy of 3% in 2003 is based, were already proven in the first quarter of 2003, when an increase in the gross domestic product of 2.2%* in real terms, compared to the same quarter of 2002, was registered. Namely, the registered increase in the industrial output (after two years, the industrial output again registered positive movements in the first quarter of the year), the increased trade turnover and the increased foreign trade activity (with more intensive increase in the exports being registered), represent favorable macroeconomic environment for registering economic growth, having in mind the preserved price stability and the stable exchange rate of the domestic currency as a nominal anchor in the economy.

The increase in real terms registered in the gross domestic product in the first quarter of 2003 is due to the positive movements recorded in the sectors which mainly have a dominant share in the GDP, and which recorded exclusively negative tendencies in the same period of the previous year. Thus, the industrial sector (which in the first quarter of the previous year registered severe drop of 13.9%), registered an increase of 3.4%, while its share in the GDP increased by 0.3 percentage points and reached 22.2%. Although the value added in the agriculture increased by 1.6% (contrary to the decrease of 2.7% in the first quarter of 2002), the share of this sector in the GDP remained unchanged. In the first quarter of 2003, the trade activity and the sector "traffic, storage and communication" registered slower growth (4.8% and 1.7%, respectively) compared to the same period of 2002, when they were the main neutralizers of the negative movements in other sectors.



The analysis of the available data for the expenditure aggregates of the GDP in nominal values, points to their negative movements during the analyzed period. The most significant drop was registered in the investments in machines and equipment (26.3%) and the public consumption (11.9%). The export and the import of goods and services declined by 1.4% and 1.7%, respectively.

* Preliminary data of the State Statistical Office.