

**3.2.****Foreign exchange developments**

In June 2003, the turnover on the foreign exchange market increased by 4.5% on a monthly basis...

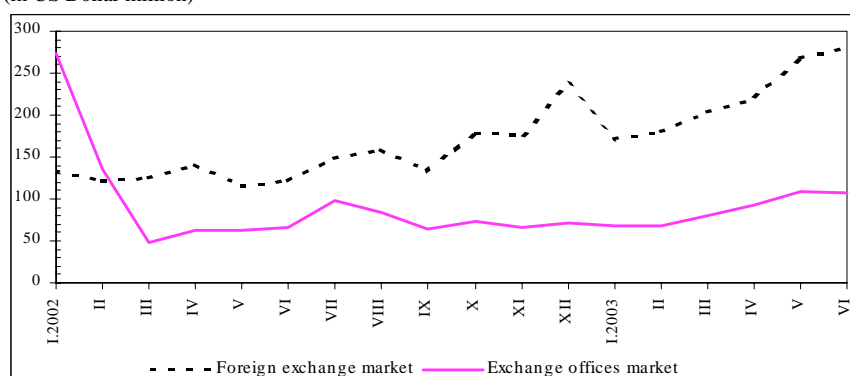
...with a moderate appreciation of the Denar exchange rate against the Euro...

...and a depreciation of the Denar against the US Dollar being registered

In June 2003, the turnover made on the foreign exchange market equaled US Dollar 280.1 million, which is a monthly increase of 4.5%. The transactions between the banks and the enterprises comprise 85.8% of the total turnover on the foreign exchange market. The commercial banks and the NBRM (to a smaller extent) completely met the demand for foreign exchange through net sale of foreign exchange on the foreign exchange market. At the end of June 2003, Denar 61.28 were traded per one Euro, which is a moderate appreciation of the Denar relative to the Euro on a monthly basis of 0.2%. In June 2003, depreciation of the Denar against the US Dollar on the foreign exchange market was registered. Thus, on June 30, 2003 Denar 53.69 were traded per one US Dollar, which is a monthly depreciation of the Denar of 3.4%. However, compared to June 2002, the exchange rate of the US Dollar against the Denar declined by 13.5%. In June 2003, the movements between the US Dollar and the Euro on the international foreign exchange markets, which determine the correlation between the Denar and the US Dollar, were mainly caused by the decrease in the referential interest rate of the European Central Bank, due to which the inflation in the European Union dropped below 2% for the first time after 11 months. This situation contributed for the weakening of the Euro in favor of the US Dollar, with simultaneous improvement of the expectations about the economic environment in the USA¹⁵.

Chart 26

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



Monthly decrease of 9.8% in the turnover of foreign exchange on the exchange offices market was registered

In June 2003, the turnover on the exchange offices market registered a decrease of 9.8%, thus reducing to US Dollar 106.5 million. The demand for and the supply of foreign exchange decreased by 6.7% and 13.7%, respectively, and the exchange offices made net purchase of foreign exchange in the amount of US Dollar 17.0 million. In June, 2003, the average exchange rate of the Denar against the Euro on the exchange offices market equaled Denar 61.50 per one Euro, which is a moderate depreciation of the Denar relative to the Euro of 0.2%. Relative to the US Dollar¹⁶, the movements on the exchange offices market follow the fluctuations registered on the foreign exchange market. Thus on the exchange offices market, the Denar registered a monthly depreciation of 3.4% against the US Dollar, and at the end of June 2003, Denar 52.95 per one US Dollar were traded.

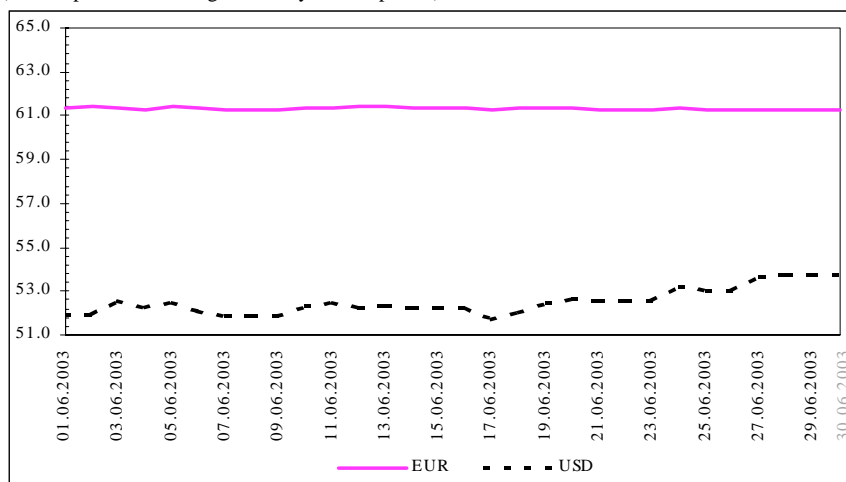
¹⁵ Source: Raiffeisenbank Austria.

¹⁶ The US Dollar exchange rate is taken from the exchange rate list for the exchange offices operations of the NBRM.



Chart 27

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

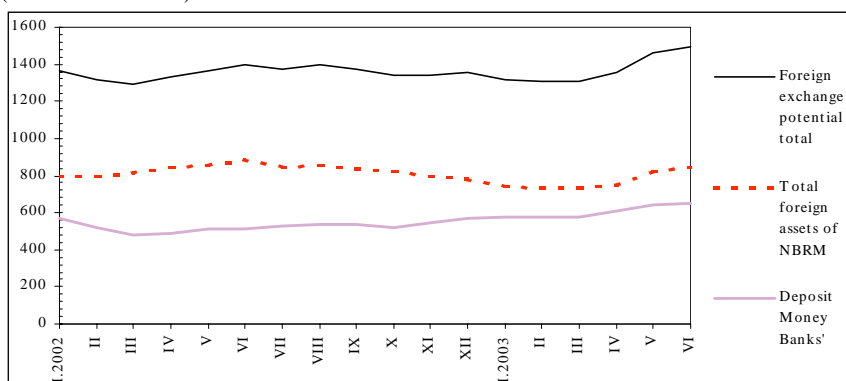


Increase in the gross foreign exchange reserves of the National Bank of the Republic of Macedonia was registered...

In June 2003, the total foreign exchange potential of the Republic of Macedonia registered an increase of US Dollar 30.2 million on a monthly basis, thus reaching US Dollar 1,496.8 million. The increase in the total foreign assets of the NBRM and of the commercial banks acted toward this direction. On June 30, 2003, the gross foreign exchange reserves of the NBRM registered a monthly increase of US Dollar 27.0 million, and equaled US Dollar 803.1 million. The main cause for the increase are the realized inflows from abroad.

Chart 28

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



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

In June 2003, the foreign assets with the deposit money banks increased by US Dollar 5.0 million on a monthly basis, given the increase in the foreign currency deposits of the economic agents.