



## I. Economic Developments in the Republic of Macedonia

### Basic indicators for the economic developments

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		Amount	Month / previous month	Month / same month of the previous year	Period / same period of the previous year
in %					
Costs of living	VII.2003	-	-0.2	2.3	0.6
Retail prices	VII.2003	-	0.1	3.1	2.1
Prices of producers of industrial products	VII.2003	-	0.1	-1.0	0.1
Industrial output	VII.2003	- in denars	6.2	15.3	5.2
Nominal average net paid wage	VI.2003	11,860	0.5	5.7	6.7
Real average net paid wage	VI.2003	- in million denars	1.4	4.9	6.4
Budget revenues	VII.2003	5,779	11.6	-5.1	-6.7
Budget expenditures	VII.2003	5,200	-1.0	-31.1	-11.8

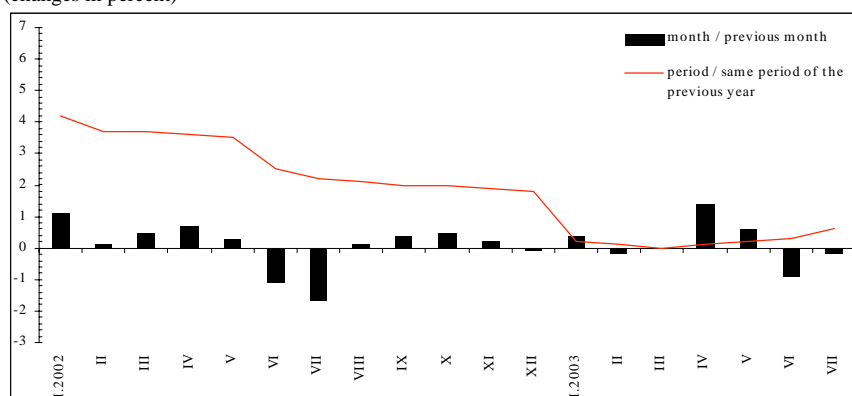
Source: State Statistical Office of the Republic of Macedonia and Ministry of Finance

**1.1.****Prices**

*In July 2003, common seasonal decrease in the costs of living (of 0.2% on a monthly basis) was registered...*

In July 2003, the deflation registered in the Macedonian economy in the previous month, continued. Thus in July the costs of living were lower by 0.2% on a monthly basis, which is their common seasonal dynamics registered also in the previous years. The monthly decrease is caused by the lower costs of food (by 1.7%), which is due to the seasonally reduced prices of the agricultural products. On the other hand, an increase in the costs of housing of 3.2% was recorded (due to the increased prices of electricity for households as a result of the implementation of a higher rate of the value added tax in this category), and the increased costs in the category tobacco and beverages of 1.1% due to the increased prices of the alcoholic and non-alcoholic beverages. The monthly rate of deflation did not influence the annual and the average rate of inflation, which in July 2003 equaled 2.3% and 0.6%, respectively (which are the highest rates registered since the beginning of 2003).

Chart 1  
Costs of living  
(changes in percent)

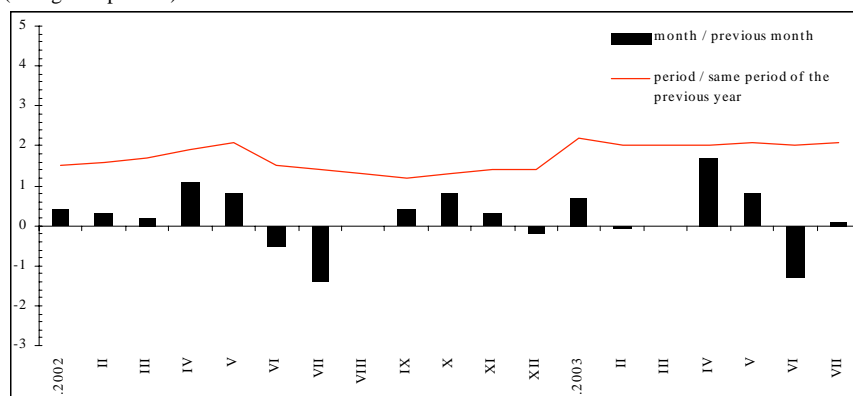


*... with a simultaneous minimal monthly increase in the retail prices of 0.1% being recorded*

The index of the costs of living and the index of the retail prices are developing in the same direction in most of the cases. However, in July 2003, the retail prices registered minimal monthly increase of 0.1%, contrary to the moderate monthly decrease in the costs of living. This is due to the increase in the prices of the non-food industrial products, beverages and industrial food products, which was neutralized to a large extent by the significant seasonal decrease in the prices of agricultural products. Thus the prices of the non-food industrial products registered an increase of 2.0% on a monthly basis, which is primarily due to the higher prices of electricity for households by 7.2%. The increase in the prices of beverages is caused by the higher prices of non-alcoholic beverages (by 2.4%) and alcoholic beverages (by 1.7%). On the other hand, the decrease in the prices of agricultural products of 13.6% is due to the seasonally lower prices of vegetables by 31.1%, contrary to the increase in the prices of fruits of 11.8%. The annual and the average rate of the retail prices increased by 3.1% and 2.1%, respectively, which is basically due to the higher increase in the prices of services, than the increase in the prices of goods.



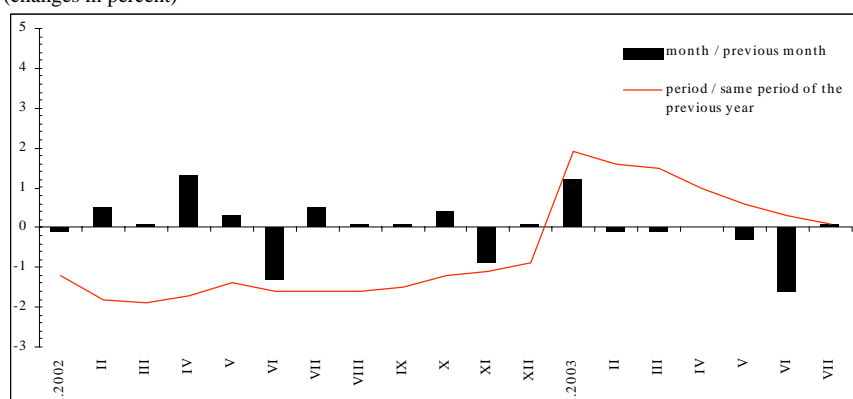
Chart 2  
Retail prices  
(changes in percent)



*In July 2003, minimal increase in the prices of the producers of industrial products of 0.1% on a monthly basis was registered...*

In July 2003, the prices of the producers of industrial products registered minimal monthly increase of 0.1%. Analyzed by use, only the prices of the producers of energy (an increase of 2.0%) and the prices of the producers of non-durable consumption goods (a decrease of 1.1%) registered changes on a monthly basis, having in mind the unchanged prices in the remaining groups of products. Observed by sectors, the prices in the processing industry increased by 0.1% on a monthly basis, while in the remaining two sectors they retained the level registered in the previous month. The increase in the prices in the processing industry is due to the increased prices of the producers of oil and oil derivatives by 5.9%, contrary to the decrease in the prices of the producers of tobacco products by 1.5%. In the remaining 16 branches of the processing industry, the prices of the producers preserved the level registered in the previous month.

Chart 3  
Prices of producers of industrial products  
(changes in percent)



*...while the average rate of increase gradually declines*

On annual basis, the prices of the producers of industrial products were lower by 1.0%, while on average they increased by 0.1%. The average rate of increase in the prices of the producers of industrial products in the first seven months of the year was influenced by the increase in the prices of the producers of energy, which are conditioned by the higher prices of the producers of oil derivatives and analyzed from the beginning of the year, it registered a gradual decline.