



Macroeconomic Developments in the Republic of Macedonia in November 2003

*I*n November 2003, the monetary policy in coordination with the fiscal policy, ensured offset of the movements on the foreign exchange market. The registered depreciation pressures on the Denar exchange rate due to the higher net-demand for foreign assets, were operatively absorbed through a NBRM intervention aimed at net-sale of foreign assets on the foreign exchange market, so that the Denar exchange rate remained almost unchanged. Conversely to such withdrawal of reserve money, the lower amount of sold CB bills and Government deposits acted towards reserve money creation. The maintained stability of the Denar exchange rate is aimed at preserving low and stable inflation rate, which in November equaled 0.6%. The average inflation rate, measured through the increase in the costs of living, over the past eleven months of 2003 equaled 1.1%.

From the aspect of the economic activity, the industrial output, as a major growth generator, was by 6.1% higher compared to the January – November 2002 period, on cumulative basis, primarily due to the higher output of food products, basic metals, oil derivatives and electricity. Simultaneously, the more dynamical growth of the exports (21.3%) than that of the imports (14.5%) on cumulative comparison base, as well as the higher share of capital goods and goods for further processing in the imports indicate higher economic activity in the Republic of Macedonia.

The monetary sector indicators, in particular the annual growth in the total deposits and the total banks' placements to the private sector (by 23.0% and 10.2%, respectively) as well as the reduction of the average weighted interest rate on the CB bills to 6.12% (after the reorientation to an "interest rate tender" in October), created prerequisites for further decrease in the NBRM interest rates. In November, the interest rate on the Lombard credits was reduced from 16.0% to 14.0%, while the interest rate on the banks' compulsory reserve went down from 5.0% to 4.0%. In November 2003, the average weighted interest rate on the short-term Denar credits of the commercial banks equaled 14.6%, while the average weighted interest rate on the three-month Denar deposits amounted to 7.1%. The average weighted interest rate on the Money Market equaled 7.3% in November 2003 (monthly drop of 0.6 percentage points) given the lower volume of trading with liquid funds on this market.

In November 2003, the increase in the currency in circulation and the households' demand deposits resulted in slight increase in the money supply M1 by 0.2%. The decrease in the enterprises' foreign exchange deposits, notwithstanding the both Denar and foreign exchange deposits of the households, was a reason for the monthly decrease in the monetary aggregate M2 of 0.7% and the monetary aggregate M4 of 0.8%. On annual basis, the monetary aggregates M2 and M4 registered significant increase of 15.6% and 13.0%, respectively, in line with the considerably higher level of the short-term Denar and foreign exchange savings.