

**National bank
of the Republic of Macedonia**

**Monthly
Report**

1 / 2004

March 2004

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Important economic events and amendments to the legal regulations in January 2004

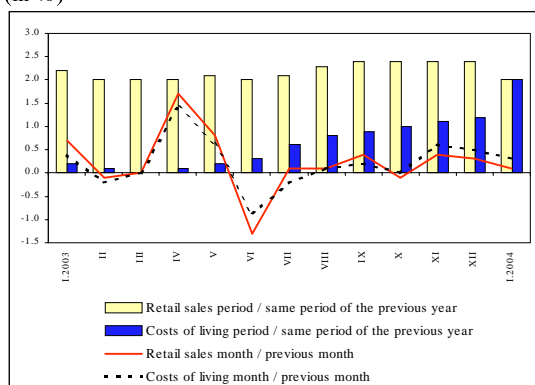
- ❖ *At the beginning of January 2004, the application of the new provisions for **trade liberalization** started, which derive from the liabilities assumed with the accession of the Republic of Macedonia to the World Trade Organization (WTO) and in line with the application of the Interim Agreement with the EU. The issue is the abolishment of the excise and reduction of the customs duties for import of goods originating from the EU (passenger vehicles, spirits, coffee, exotic fruits, furniture, fish, etc. – 3,000 products in total).*
- ❖ *On January 13, **the purchase of tobacco** from the last-year picking, which according to the initial assessment is in smaller quantities, but, at the same time, of a considerably better quality. Same as previously, the largest portion of the tobacco production will be intended for exports to West Europe, Ukraine, China, USA, Indonesia and Japan.*
- ❖ *On January 20, **the first treasury bills auction** (Government short-term securities with maturity of 3 months) was carried out, with the NBRM having a role of an agent for issuing the treasury bills. The amount of Denar 100 million was offered at the auction, with an average interest rate on the treasury bills of 7.53% being reached, with higher demand being registered relative to the offered amount.*
- ❖ *In January, the Government adopted a **Decision on ban on export of wheat and flour** (as a temporary measure, valid until June 30, 2004), in order to hinder the possible artificial increase in the prices given the lack of these products on the domestic and international (the European, in particular) market ("Official Gazette of the Republic of Macedonia" no. 2, dated January 20, 2004).*
- ❖ *On January 27, **the retail prices of oil derivatives went up** by 3.17% - average increase in the prices of all types of oil derivatives – ("Official Gazette of the Republic of Macedonia" no. 3/2004).*
- ❖ *On January 28, **Balkanska Banka AD Skopje** was renamed into **Universal Investment Bank (UNI Banka) AD Skopje**.*
- ❖ ***New investments:** at the end of January, the pharmaceutical company Alkaloid from Skopje officially promoted the new microbiological laboratory (investment in the amount of Euro 1.2 million).*



I. Economic Developments in the Republic of Macedonia

In January 2004, the trend of low and stable rate of inflation was maintained. Thus the monthly growth rate of the *costs of living* (used as a measure for the rate of inflation) equaled 0.3%. The main reason for the increase were the increased costs of food caused by the higher prices of agricultural products (in accordance with the seasonally increased prices of vegetables). In comparison with January 2003, the costs of living increased by 2.0%. An increase was registered in all categories in the structure of the index of the costs of living. Such an annual dynamics partially reflects the low comparison base registered in the previous year¹. Thus a significant increase was registered in the costs of hygiene and health (in accordance with the increased prices of products for intimate hygiene and remedies). Also, a significant increase was registered in the costs of housing (mainly the costs of fuel and lighting) due to the increase in the price of electricity for households since July 2003.

Chart 1
Costs of living and retail prices
(in %)



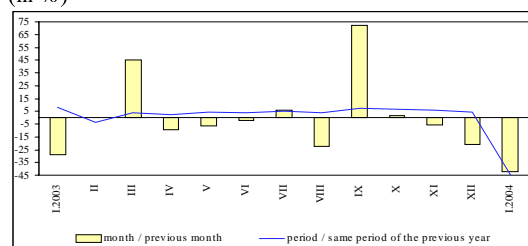
In January 2004, the retail prices registered minimal monthly increase. On annual basis, they were higher by 2.0% (due to the increased prices of agricultural products, non-food industrial products and beverages).

In January 2004, the prices of the producers of industrial products registered a decrease of 0.4%, which was caused by the decrease in the prices of the producers of non-durable consumption goods (in accordance with the decreased prices of the producers of food products and beverages). On

the other hand, the producers of energy increased their price by 0.8%, due to the higher price of oil derivatives. In comparison with the same month of the previous year, the prices of the producers of industrial products dropped by 1.8%. The negative annual dynamics of the prices of the producers of industrial products reflects the lower price of the producers of energy (in accordance with the decrease in the prices of the producers of oil derivatives).

In January 2004, the industrial output, as an indicator for the economic activity, registered monthly decrease of 42.0%. Although the decrease in the first month of the year is common (mainly influenced by a seasonal factor - reduced number of working days), analyzed since 1994, the monthly decrease was the most intensive in January 2004. All three industrial sectors registered slower industrial output. Thus the processing industry (the share of which in the total industrial output is the highest) registers a decrease of 45.5%. A reduced output was registered in 18 out of 20 branches of the processing industry (with the largest drop being recorded in the production of oil derivatives by 71.5%, partially due to the high comparison base registered in the previous month). Within the most important branch in the processing industry (production of food products and beverages), the decrease amounted to 55.9%. The negative monthly dynamics of the industrial output caused also a significant annual decrease of 44.8%. Analyzed by sectors, a reduced production was registered in all three sectors, with the most intensive decrease being recorded in the sector mining and quarrying (by 96.7%).

Chart 2
Industrial output
(in %)



The average net paid wage per worker in December 2003² equaled Denar 11,955 which is an increase in nominal and in real terms of 0.6% and 0.1%, respectively. On average, in 2003 the

¹ It is mainly due to the changes in the structure of the value added tax from April 2003, when the general rate of 19% decreased to 18% and certain categories of products and services started to be taxed from the privileged rate of 5% with the general rate of 18%.

² Last available data of the State Statistical Office.



mean net paid wage amounted to Denar 11,824 (nominal increase of 4.8% compared to 2002). In accordance with the registered average rate of inflation, the growth rate of the average wage in real terms equaled 3.6%. The analysis by activities shows that the highest nominal increase in the average wage was registered in services, with the highest average wage being paid in the sector financial intermediation.

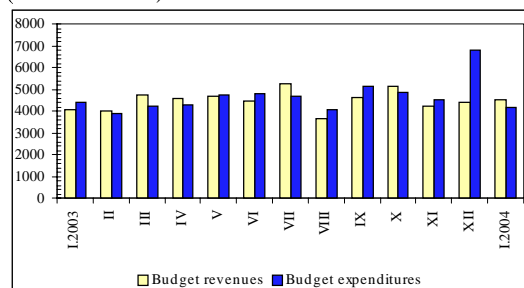
In January 2004, positive balance at the level of the central budget was registered. *The total budget revenues* were higher by 1.9% compared to the previous month, with an increase being registered in the tax, the non-tax and in the capital revenues. Despite the moderate monthly increase in the tax revenues of 0.3% (a revenue category with the highest structural share in the total revenues), significant changes were recorded in their components. Thus the revenues originating from the value added tax increased by 37.6%, which is mainly due to the low comparison base registered in December 2003, as well as to the payment of this tax on a quarterly basis by the small-size and the middle-size enterprises. Thus the structural share of this tax in the total revenues registered monthly increase of 12.5 percentage points. On the other hand, a significant decrease was registered in the revenues originating from the personal income tax, the profit tax and customs duties (of 42.1%, 38.3% and 33.7%, respectively). In comparison with the same month of the previous year, the total budget revenues were higher by 11.5%, with the increase being registered in all revenue categories. The revenue categories were higher by 9.2%, which is due to the increase in the revenues originating from the

personal income tax, the value added tax and customs duties.

Chart 3

Total revenues and expenditures of the central budget

(in Denar million)



In January 2004, *the total expenditures of the central budget* registered monthly decrease of 38.8%. The decrease is mainly due to the high comparison base registered in December 2003, when the highest monthly amount of realized budget expenditures in 2003 was registered. Current expenditures (the dominant share of which in the total budget expenditures equaled 97.4%) were lower by 29.2%. All categories of current expenditures registered a decrease, except the expenditures for the repayment of interests. The capital expenditures also registered an intensive decrease due to the high comparison base registered in the previous month (when the highest amount of capital expenditures for 2003 was recorded). On annual basis, the total budget expenditures decreased by 5.3%, given the simultaneous decrease in the current and the capital expenditures.

II. Monetary developments in the Republic of Macedonia

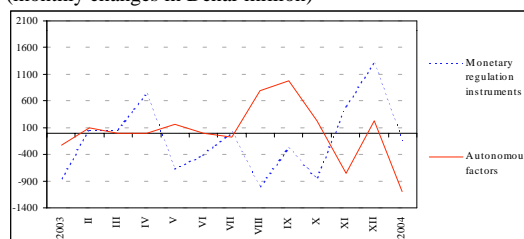
The NBRM direct interventions on the foreign exchange market and the simultaneous adequate application of the monetary regulation instruments, in January 2004 contributed to maintaining stable exchange rate and stable inflation rate. Thus the monetary regulation instruments were directed towards withdrawal of the liquidity from the banking system.

The liquidity of the banking system in January 2003 was relatively stable. Thus the average daily liquidity of the banks equaled Denar 3,828.7 million, which compared to the preceding month is an increase of Denar 51.7 million or 1.4%. Given the considerable withdrawal of liquidity through the foreign exchange transactions and the Government Denar deposits with the NBRM, the excess liquidity (over the compulsory reserve

requirement) fell by 15.1 percentage points, thus reducing to 14.3%.

Chart 4

Monetary regulation instruments and autonomous factors of liquidity creation and withdrawal* (monthly changes in Denar million)



*Positive change – liquidity creation, negative change – liquidity withdrawal



In order to overcome the discrepancy between the demand and the supply of foreign exchange, the NBRM intervened on the foreign exchange market by net sale of foreign exchange. Thus the foreign exchange transactions of the NBRM acted towards liquidity withdrawal.

In January 2004, the total Government Denar deposits with the NBRM were by 48.3% higher on monthly basis, thus acting towards liquidity

withdrawal. The considerable increase was due to the low comparison base of the previous month (due to the high payments in the last 10-day period of December). In January 2004, additional inflows were generated on the basis of issuing treasury bills (with treasury bills in the amount of Denar 100 million being sold at the first auction, with average interest rate of 7.53%).

Introduction of short-term securities on the Macedonian financial market

Treasury bills are short-term securities issued by the Government for financing the current budget deficit (overcoming the temporary liquidity problems due to the time incompliance of the public revenues and expenditures).

In January 2004, the first treasury bills were issued in the Republic of Macedonia. The delivery of this project arises from the need of extending the sources of financing the budget deficit, inducing the development of the financial markets in the Republic of Macedonia, as well as diversification of the securities portfolio. The issuer is the Government (Ministry of Finance), while the NBRM plays the role of Government Agent.

The treasury bills are issued in domestic currency, in dematerialised form, i.e. in the form of E-bills with maturity of 3 months. Their issuance and payment is made at a nominal value, while the sale is made at discounted value.

The treasury bills issuance covers initial (primary) sale of the bills by the issuer at auctions. The auctions are conducted through an E-system for conducting auctions, which is accessible only to the agent (NBRM), the issuer (the Government, Ministry of Finance) and the authorized direct participants. Direct authorized participants are the banks in the Republic of Macedonia, which may purchase and sell treasury bills for their account or for the account of the indirect participants (legal and natural persons) that concluded an Agreement on participation in the primary market of treasury bills. The treasury bills auctions are conducted on the basis of the interest rate tender principle (their layout may be based on the application of two types of tenders: multiple price auction and single price auction), according to previously set schedule of conduct, specified in the Calendar for issuance of treasury bills (besides the regular, there is a possibility of conducting extraordinary auctions, which are not included in the Calendar).

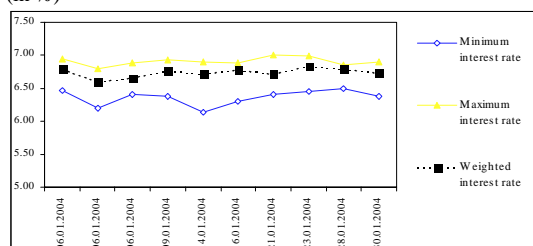
CALENDAR for issuance of treasury bills in the first half of 2004

Quarter	Month	Issue series	Auction date	Issue date	Payment date	Days of maturity
I	January	2004-1	20.01.2004	21.01.2004	21.04.2004	91
		2004-2	03.02.2004	04.02.2004	05.05.2004	91
	February	2004-3	17.02.2004	18.02.2004	19.05.2004	91
		2004-4	09.03.2004	10.03.2004	09.06.2004	91
	March	2004-5	23.03.2004	24.03.2004	23.06.2004	91
II	April	2004-6	06.04.2004	07.04.2004	07.07.2004	91
		2004-7	20.04.2004	21.04.2004	21.07.2004	91
	May	2004-8	04.05.2004	05.05.2004	04.08.2004	91
		2004-9	18.05.2004	19.05.2004	18.08.2004	91
	June	2004-10	08.06.2004	09.06.2004	09.09.2004	92
		2004-11	22.06.2004	23.06.2004	22.09.2004	91



In January 2004, the CB bills auctions (as a basic monetary regulation instrument) acted towards withdrawing the liquidity from the banking system. Thus Denar 127 million were withdrawn, and on January 31, 2004, the amount of CB bills reached Denar 4,506 million. Given the higher average supply relative to the demand, the average weighted interest rate on the CB bills reached 6.75% (monthly increase of 0.6 percentage points).

Chart 5
Interest rates on the CB bills auctions in January 2004
(in %)



The turnover on the institutionalised market went down by 7.9% on monthly basis (reducing to Denar 823 million), with an increase in the average weighted interest rate of 0.9 percentage points being registered (in January 2004, it equalled 6.7%). Such change in the interest rate on the Money Market corresponds with the dynamics of the interest rate on the CB bills. Significantly higher turnover was registered on the non-institutionalised money market, i.e. in the bilateral interbank trading (Denar 1,379 million).

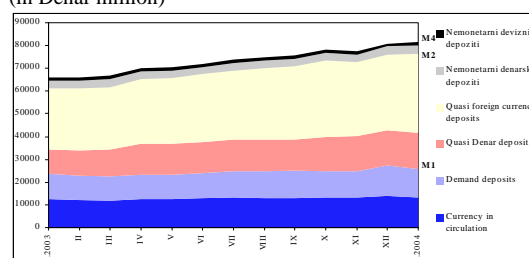
The stabilization of the demand for currency in circulation (after the excessive seasonal increase at the end of the year) resulted in a monthly fall in the currency in circulation of Denar 772 million, or 5.4%. From the aspect of the daily dynamics, the currency in circulation registered continuous downward trend in the first half of the month. In the second half of the month, more intensive daily increase was registered on January 19, 2004, due to the payment of the pensions and the social welfare. The average daily amount of currency in circulation picked up by Denar 446.4 million (or by 3.4%) in January and equalled Denar 13,422.6 million. Compared to the same month of the preceding year, the average amount of currency in circulation is by Denar 572.4 million or by 4.4% higher.

In line with the decline in the currency in circulation and the level of liquidity of the banking system at the end of the month, in January 2004, the reserve money registered a monthly fall of 10.9% and equalled Denar 16.254

million on January 31, 2004.

The monthly dynamics of the monetary aggregates was determined by the decline in the demand for currency in circulation and the transaction deposits due to seasonal factors, as well as from the further strengthening of the propensity of the economic entities to save within the banking system.

Chart 6
Components of the monetary aggregates
(in Denar million)



The lower level of currency in circulation (after the seasonal increase at the end of the preceding year) and the simultaneous decrease in the demand deposits (due to the high comparison base in December, when the enterprises accumulate larger amount of funds on the transaction accounts) resulted in monthly fall of the money supply M1 of 5.9%.

The more intensive decrease in the reserve money relative to the fall in the money supply M1 resulted in stronger money multiplication process (in January 2004, the money multiplier equalled 1.58, while in the preceding month it was 1.49).

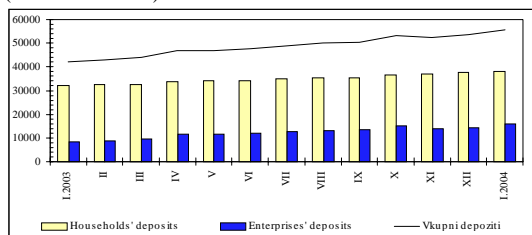
In January 2004, the monthly increase in the short-term Denar and foreign exchange savings (2.9% and 5.0%, respectively) was partially compensated with the intensive decrease in the currency in circulation and the demand deposits. Such movements resulted in moderate growth in the monetary aggregate M2 of 0.6%. Given the increase in the long-term deposit potential (of 2.5%, primarily as a result of the higher level of restricted deposits of the enterprises for payment based on instruments of the international payment operations), the broadest monetary aggregate M4 went up by 0.8% on monthly basis. The multipliers of the monetary aggregates M2 and M4 equalled 4.71 and 5.01, respectively, in January 2004 (4.17 and 4.43, respectively, in the preceding month).

The upward trend in the deposit potential of the banks continued in January 2004. Thus, the total deposits of the non-government sector compared



to the preceding month went up by 4.2%, with an increase being registered in all categories of deposits. Analysing by maturity, the short-term deposits still dominate (91.2%). With respect to the structure of the currency of denomination, the foreign exchange deposits accounted for 65% in January 2004. On annual basis, the total banks' deposit potential is higher by 32.1%.

Chart 7
Deposit timeframes
(in Denar million)

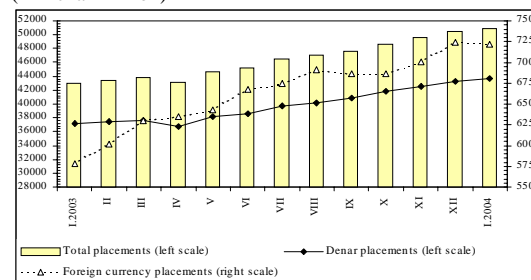


In January 2004, the total households' deposits registered a monthly increase of 1.8%, primarily due to the higher level of short-term deposits (higher foreign exchange sight deposits and foreign exchange deposits with up to three months of maturity). Higher propensity of the households to save in foreign exchange on a long run was registered, resulting in an increase in the households' long-term deposits of 0.8%. With respect to the currency of denomination, monthly growth was registered in the Denar and foreign exchange deposits of 1.6% and 1.9%, respectively. The annual growth rate of the total households' savings reached 19.0% in January 2004.

The enterprises' deposits were by 10.9% higher on monthly basis, primarily due to the increase in the foreign exchange and Denar deposits of the legal entities with up to one month of maturity. Thus the short-term and the long-term deposits of the enterprises picked up on monthly basis by 10.4% and 18.2%, respectively. Analysing by currency, the Denar deposits went up by 4.5%, while the foreign exchange deposits registered more intensive growth of 17.7%. On annual basis, the enterprises' total deposits register an increase of 86.0% (as a reflection of the effectuated legal opportunity for free handling of foreign exchange funds).

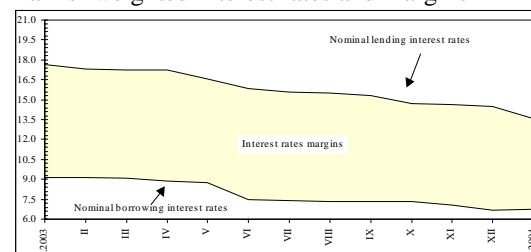
The continuous upward trend of the banks' placements to the private sector (since May 2003) continued in January 2004. Thus the banks further contribute to the acceleration of the economic activity.

Chart 8
Banks' placements
(in Denar million)



The total banks' placements to the private sector registered monthly growth of 1.0%, with divergent movements being registered in both Denar and foreign exchange credits. Thus, compared to the previous month, the Denar placements were by 1.2% higher, which is primary due to the higher level of the so called framework credits (negative balances on the current accounts of the households), as well as the growth in the long-term Denar lending to the enterprises. On the other hand, the foreign exchange placements dropped by 0.4% on monthly basis. The fall was due to the lower amount of short-term foreign exchange credits extended to enterprises on the basis of used foreign credits, as well as the lower amount of short-term credits for repayment of the due liabilities to non-residents. On annual basis, the total placements surged by considerable 18.6%. In the first month of the month, the banks' interest rate policy registered significant adjustment. Thus the average weighted lending interest rate of the banks equaled 13.6% (monthly fall of 1 percentage point). Thus the average weighted deposit interest rate (three-month Denar deposit) remained almost unchanged (6.7%). Such movements resulted in narrowing of the interest rate margin, thus reducing it to 6.8 percentage points.

Chart 9
Banks' weighted interest rates and margins*



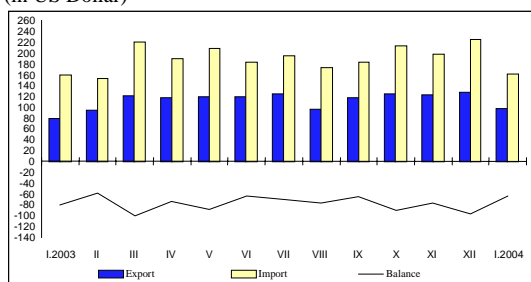
* Pertain to Denar credits and deposits.



III. Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia

In January 2004⁶, the foreign trade of the Republic of Macedonia, registered monthly decrease of 26.6% and equaled US Dollar 259.0 million. The negative monthly dynamics of the volume of the foreign trade is of a seasonal character (small intensity of the trade at the beginning of the year) with the decrease in the imports (28.1%) being more intensive relative to the decrease in the exports (24%). The foreign trade registered an increase on an annual basis. The exports registered significantly more dynamic annual increase than the imports, which resulted in reduced trade deficit (by US Dollar 16.8 million) and increased export - import coverage ratio by 11.2 percentage points (60.5%). The dominant share in the structure of the exports accounts for the categories "clothing and textile" (38.5%) and "iron and steel" (18.4%). Regarding the imports, the largest share accounts for the temporary import of products for further processing (19%) and the import of oil (17%). However, the reduced custom duties (since January 1, 2004) contributed to an increase in the import of vehicles (increase of 30.3% on a monthly basis).

Chart 10
Foreign trade of the Republic of Macedonia
(in US Dollar)



The analysis from the aspect of the foreign trade partners of the Republic of Macedonia shows that the dominant share in the total trade accounts for Germany, Serbia and Montenegro and Greece. These countries are also the main partners in the exports, while Germany Russia and Greece dominate the imports. The import of oil (88.5%) dominates the import from Russia, (US Dollar 19.5 million).

In January 2004, *the turnover on the foreign exchange market* equaled US Dollar 249.1 million, which is a monthly decrease of 23.7%. The reduced turnover is due to the high comparison base registered in the previous month (given the seasonally higher demand for foreign assets for the repayment of liabilities on the basis of import). During the month, part of the gap between the sold and the purchased foreign assets of the banks from the enterprises (higher sale) was covered through the NBRM interventions. Namely, the NBRM intervened on the market with a net sale of foreign assets, contributing to the stable Denar exchange rate. Thus, *the foreign exchange rate of the Denar relative to the Euro* remained unchanged on a monthly basis, and on January 31, 2004, Denar 61.29 were traded per one Euro. *Relative to the US Dollar*, the Denar depreciated by 0.2% (at the end of the month, Denar 49.16 were traded per one US Dollar).

The total trade turnover on *the exchange offices market* equaled US Dollar 95.4 million (monthly decrease of 28.7%), with higher demand than the supply of US Dollar 18.3 million being registered. The Denar depreciated relative to the Euro by minimal 0.1% and the average monthly Denar exchange rate equaled Denar 61.56 per one Euro. The foreign exchange rate of the Denar relative to the US Dollar appreciated by 2.7% (Denar 47.88 per one US Dollar).

At the end of January 2004, *the total foreign exchange potential* of the Republic of Macedonia equaled US Dollar 1,651.9 million, registering a decrease of 1%. The gross foreign reserves of the NBRM dropped by US Dollar 19 million and equaled US Dollar 884.4 million, while the total foreign assets with the commercial banks registered an increase of US Dollar 23 million, thus reaching US Dollar 756.7 million.

*The external debt of the Republic of Macedonia*⁷ based on long-term credits dropped on a monthly basis by US Dollar 3.2 million and on January 31, 2004 it equaled US Dollar 1,766.8 million. Taking into the consideration the higher amount of used credits relative to the total repayments, the decrease in the external debt is a result of the

⁶ Preliminary data of the Statistical Office of the Republic of Macedonia. The export of goods is presented on f.o.b. basis, while the import of goods is presented on c.i.f. basis

⁷ Preliminary NBRM data. These data refer to the external debt of the Republic of Macedonia based on used long-term credits



registered exchange rate differentials⁸ in the amount of US Dollar 6.3 million.

The used funds (US Dollar 28.7 million) almost completely originate from the multilateral creditors, with the FESAL II and FESAC II Arrangements concluded with the World Bank and the International Development Agency being completely used. Total amount of US Dollar 15.1 million were repaid to official creditors, while US Dollar 9.3 million were repaid to the private creditors. In January, the amount of the newly concluded credits with the private creditors equaled US Dollar 4.3 million.

⁸ Negative exchange rate differentials act towards an increase in the external debt



Appendix No.1

Economic Developments in the Republic of Macedonia

Table 1
Costs of living

	<u>I.2004</u> XII.2003	<u>I.2004</u> I.2003
	in %	
Costs of living	0.3	2.0
Food	0.6	0.7
Tobacco and beverages	-0.2	3.0
Clothing and footwear	0.0	3.0
Housing	0.1	4.3
Flat (rent, water, services)	0.1	2.2
Fuel and lighting	0.1	5.7
Hygiene	0.0	6.4
Culture and entertainment	-0.5	2.3
Transport, communications, services	-0.1	1.1
<i>Goods</i>	<i>0.4</i>	<i>1.6</i>
<i>Services</i>	<i>-0.4</i>	<i>4.5</i>

Source: State Statistical Office of the Republic of Macedonia

Table 2
Retail prices

	<u>I.2004</u> XII.2003	<u>I.2004</u> I.2003
	in %	
Retail prices	0.1	2.0
Agricultural products	1.7	3.8
Non-food industrial products	0.3	1.1
Processed food products	0.0	-0.9
Beverages	-0.1	4.3
<i>Goods</i>	<i>0.3</i>	<i>0.9</i>
<i>Services</i>	<i>-0.3</i>	<i>4.2</i>

Source: State Statistical Office of the Republic of Macedonia



Table 3
Prices of producers of industrial products

	<u>I.2004</u> XII.2003	<u>I.2004</u> I.2003
	in %	
Prices of producers of industrial products	-0.4	-1.8
Energy	0.8	-6.8
Intermediary goods (except Energy)	0.1	2.0
Capital goods	-0.4	-2.1
Durable consumer goods	0.0	0.0
Non durable consumer goods	-1.7	-2.7
<i>Mining and quarrying</i>	<i>0.0</i>	<i>0.6</i>
<i>Manufacturing industry</i>	<i>-0.5</i>	<i>-2.2</i>
Manufacture of food products and beverages	-2.2	-3.4
Manufacture of tobacco products	-0.2	-0.2
Manufacture of textiles	0.0	0.0
Manufacture of wearing apparel; dressing and dyeing of fur	0.0	0.0
Manufacture of coke, refined petroleum products and nuclear fuel	2.3	-17.5
Manufacture of chemicals and chemical products	0.0	0.0
Manufacture of other non-metallic mineral products	0.0	-0.7
Manufacture of basic metals	0.0	2.5
Manufacture of electrical machinery and apparatus n.e.c.	0.0	7.4
<i>Electricity, gas and water supply</i>	<i>0.0</i>	<i>0.0</i>

Source: State Statistical Office of the Republic of Macedonia



Table 4
Industrial output

	Structure in %	<u>I.2004</u> <u>XII.2003</u>	<u>I.2004</u> <u>I.2003</u>
		in %	
Total	100.0	-42.0	-44.8
Energy		-42.0	-7.4
Intermediary goods (except Energy)		-25.6	-58.9
Capital goods		-52.7	-47.1
Durable consumer goods		-42.9	-36.2
Non durable consumer goods		-51.9	-34.1
<i>Mining and quarrying</i>	3,2	-39.4	-96.7
<i>Manufacturing industry</i>	89,9	-45.5	-39.4
Manufacture of food products and beverages	24,9	-55.9	-29.7
Manufacture of tobacco products	5,0	-40.7	-17.9
Manufacture of textiles	4,3	-30.5	-22.5
Manufacture of wearing apparel; dressing and dyeing of fur	4,5	-37.5	-45.9
Manufacture of coke, refined petroleum products and nuclear fuel	7,0	-71.5	-19.8
Manufacture of chemicals and chemical products	7,2	20.6	23.2
Manufacture of other non-metallic mineral products	4,6	-62.8	-79.9
Manufacture of basic metals	16,4	-24.6	-62.5
Manufacture of electrical machinery and apparatus n.e.c.	4,0	-47.5	-54.0
<i>Electricity, gas and water supply</i>	6,9	-2.3	-2.7

Source: State Statistical Office of the Republic of Macedonia

Table 5
Average net wages

	XI.2003*	<u>XII.2003</u> <u>XI.2003</u>	<u>XII.2003</u> <u>XII.2002</u>	<u>I-XII.2003</u> <u>I-XII.2002</u>
	in denars	in %		
Nominal average net wage per worker	11,955	0.6	3.5	4.8
Costs of living		0.5	2.6	1.2
Real average net wage per worker		0.1	0.9	3.6
Nominal average net wage by sectors				
Agriculture	8,804	13.4	-0.9	-0.9
Industry	11,464	-2.0	6.1	3.0
Services	13,993	3.6	5.7	5.9

* Last available data

Source: State Statistical Office of the Republic of Macedonia



Table 6
Central Government Budget

	January 2004			
	in Denar million	Monthly changes in %	Annual changes in %	Structure in %
Total budget revenues	4,506	1.9	11.5	100.0
<i>Tax revenues:</i>	<i>4,118</i>	<i>0.3</i>	<i>9.2</i>	<i>91.4</i>
- personal income tax	505	-42.1	4.8	11.2
- profit tax	140	-38.3	-29.3	3.1
- value added tax	2,161	37.6	21.4	48.0
- excises	885	2.9	-3.4	19.6
- custom duties	349	-33.7	15.9	7.7
- other	78	52.9	-17.9	1.7
<i>Non-tax revenues:</i>	<i>331</i>	<i>27.8</i>	<i>49.1</i>	<i>7.3</i>
- inflows from state property dividends	68	-19.0	-21.8	1.5
- administrative taxes and fees	98	-31.9	7.7	2.2
- other administrative taxes	20	-9.1	11.1	0.4
- other non-tax revenues	145	15 times	4,6 times	3.2
<i>Capital revenues</i>	<i>57</i>	<i>21.3</i>	<i>23.9</i>	<i>1.3</i>
Total budget expenditures	4,149	-38.8	-5.3	100.0
<i>Current expenditures</i>	<i>4,041</i>	<i>-29.2</i>	<i>-4.5</i>	<i>97.4</i>
- wages and salaries	1,719	-3.5	4.2	41.4
- goods and services	470	-56.9	28.4	11.3
- transfers	1,549	-42.7	5.9	37.3
- interest	303	127.8	-41.7	7.3
<i>Capital expenditures</i>	<i>108</i>	<i>-89.9</i>	<i>-28.0</i>	<i>2.6</i>
Budget balance	357			
Financing	-357			
<i>Inflows</i>	<i>316</i>	<i>-88</i>	<i>*</i>	
<i>Outflows</i>	<i>673</i>	<i>84.9</i>	<i>*</i>	

* As a result of the incompatible comparison basis, it is impossible to make cumulative comparison of financing

Source: Ministry of Finance

Monetary developments in the Republic of Macedonia

Table 7
Reserve money

	31.01.2004	Monthly changes		Annual changes	
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
Reserve money	16,254	-1,998	-10.9	-1,921	-10.6
Currency in circulation	13,405	-772	-5.4	880	7.0
Banks liquidity	2,849	-1,226	-30.1	-114	-3.8

Source: National Bank of the Republic of Macedonia



Table 8
Reserve money creation and withdrawal

	31.01.2004
	(monthly changes, in Denar million)
Reserve money	-1,998
Currency in circulation	-772
Bank liquidity	-1,226
Reserve money creation	-2,030
Net foreign assets	-1,581
Net domestic assets	-322
CB' Bills auctions	-127
Reserve money withdrawal	32
Other	32

Source: National Bank of the Republic of Macedonia

Table 9
Money supply M1 and its components

	31.01.2004	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Money supply M1	25,653	-1,620	-5.9	1,884	7.9
Currency in circulation	13,405	-772	-5.4	880	7.0
Demand deposits	12,248	-848	-6.5	1,004	8.9
- Demand deposits of households	2,662	-50	-1.8	337	14.5
- Demand deposits of enterprises	7,784	-723	-8.5	521	7.2

Source: National Bank of the Republic of Macedonia

Table 10
Broader monetary aggregates and their components

	31.01.2004	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Money supply M1	25,653	-1,620	-5.9	1,884	7.9
Denar short - term deposits	16,026	458	2.9	5,519	52.5
Monetary aggregate M2 - denar component	41,679	-1,162	-2.7	7,403	21.6
Foreign currency short - term deposits	34,842	1,655	5.0	7,868	29.2
Monetary aggregate M2	76,521	493	0.6	15,271	24.9
Non - monetary deposits	4,906	121	2.5	176	3.7
- In Denar	3,474	-23	-0.7	0	0.0
- In foreign currency	1,432	144	11.2	176	14.0
Monetary aggregate M4	81,427	614	0.8	15,447	23.4

Source: National Bank of the Republic of Macedonia


Table 11

Total deposits of the non-government sector

	31.01.2004	monthly changes		annual changes		structure
	in Denar million	in Denar million	in %	in Denar million	in %	in %
Total deposits	55,774	2,234	4.2	13,563	32.1	
1. According to maturity						100.0
- short-term	50,868	2,113	4.3	13,387	35.7	91.2
- long-term	4,906	121	2.5	176	3.7	8.8
2. According to currency of denomination						100.0
- In denar	19,500	435	2.3	5,519	39.5	35.0
- In foreign currency	36,274	1799	5.2	8,044	28.5	65.0

Source: National Bank of the Republic of Macedonia

Table 12

Households and enterprises deposits

	31.01.2004	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Total households deposits	38,334	689	1.8	6,122	19.0
1. According to maturity					
- short-term	35,413	665	1.9	6,260	21.5
- long-term	2,921	24	0.8	-138	-4.5
2. According to currency of denomination					
- In denar	10,317	160	1.6	2,668	34.9
- In foreign currency	28,017	529	1.9	3,454	14.1
Total enterprises deposits	15,828	1,551	10.9	7,318	86.0
1. According to maturity					
- short-term	14,901	1,408	10.4	6,994	88.5
- long-term	927	143	18.2	324	53.7
2. According to currency of denomination					
- In denar	7,779	338	4.5	2,803	56.3
- In foreign currency	8,049	1,213	17.7	4,515	127.8

Source: National Bank of the Republic of Macedonia


Table 13

Banks' placements and overdue claims

	31.01.2004	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Total banks' placements	50,941	499	1.0	7,992	18.6
<i>Denar placements</i>	43,720	525	1.2	6,554	17.6
<i>Foreign currency placements</i>	7,221	-26	-0.4	1,438	24.9

Source: National Bank of the Republic of Macedonia

Table 14

Maturity and sector structure of Denar and foreign currency placements

	Share on 31.01.2004	Monthly change of share	Annual change of share
	(in %)	(in percentage points)	(in percentage points)
Denar placements	100.0		
maturity structure			
- short-term	62.8	-0.3	-6.8
- long-term	37.2	0.3	6.8
structure by sectors			
- enterprises	75.3	-0.3	-6.1
- households	24.6	0.3	6.6
- other	0.1	0.0	-0.5
Foreign currency placements	100.0		
maturity structure			
- short-term	45.4	0.8	2.4
- long-term	54.6	-0.8	-2.4
structure by sectors			
- enterprises	97.1	0.0	-0.4
- households	0.3	0.0	0.0
- other	2.6	0.0	0.4

Source: National Bank of the Republic of Macedonia

Table 15

Interest rates

	January 2004	Monthly changes	Annual changes
		in percentage points	
Average weighted interest rate on the CB bills auctions	6.75%	0,6	-8,01
Average weighted interest rate on the Money Market	6.67%	0,86	-8,53
Banks' weighted lending interest rates	13.55%	-0.98	-4,16
Banks' weighted deposit interest rates	6.72%	0,03	-2,45

**Financial Markets in the Republic of Macedonia****Table 16**

Report on trading in December 2003

<i>Securities</i>	Number of transactions	Value (in Denars)	Number of traded securities	Days of trading
Official market				
Official market - ordinary shares				
Toplifikacija Skopje	19	18,715,770	12,024	10
Komercijalna banka Skopje	38	8,878,792	3,930	11
Makpetrol Skopje	61	6,392,395	558	15
Alkaloid Skopje	104	4,552,736	2,395	14
Other	123	13,396,719	72,719	52
Official market - preferential shares				
Komercijalna banka Skopje	7	188,773	235	5
Official market - bonds				
R. Macedonia - foreign currency deposits	511	56,194,293	1,229,490	15
R. Macedonia - denationalization 01	9	1,920,633	40,566	5
R. Macedonia - denationalization 02	120	48,358,144	1,035,293	14
Total official market	992	158,598,255	2,397,210	
Unofficial market				
Unofficial market - ordinary shares				
Zito Polog Tetovo	1	8,044,800	5,028	1
Helmateks Skopje	1	5,567,840	30,260	1
BIM Sveti Nikole	1	3,571,200	1,488	1
Trgotekstil maloprodazba Skopje	2	2,876,400	23,970	2
Other	50	5,789,470	10,719	24
Total unofficial market	55	25,849,710	71,465	
Other securities				
Government-owned shares				
Convertible certificate for savings houses	14	1,065,175	4,796,332	3
Total other securities	14	1,065,175	4,796,332	
State market				
State - Non-cash payments - ordinary shares	2	67,739		
Total state market	2	67,739		
Total markets	1,063	185,580,879		

Source: Macedonian Stock Exchange



Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia

Table 17

Foreign trade of the Republic of Macedonia
(in US Dollar million)

	I.2004	I. 2004 XII. 2003	I. 2004 I. 2003		
	amount	amount	% amount	%	
Foreign trade	259.0	-93.8	-26.6	21.4	9.0
Exports	97.7	-30.8	-24.0	19.1	24.3
Imports	161.3	-63.0	-28.1	2.3	1.4
<i>Balance</i>	<i>-63.6</i>	<i>32.2</i>	<i>-33.6</i>	<i>16.8</i>	<i>-20.9</i>

Source: State Statistical Office of the Republic of Macedonia

Table 18

Ten most important trading partners of the Republic of Macedonia, I-XII.2003
(at current exchange rate)

	Foreign trade (in US Dollar million)	Share	Exports (in US Dollar million)	Share	Imports (in US Dollar million)	Share	Import-export coverage ratio
	I.2004						
Republic of MACEDONIA	259.0	100.0	97.7	100.0	161.3	100.0	60.6
<i>out of which:</i>							
Germany	48.3	18.6	27.2	27.8	21.1	13.1	128.9
Greece	26.6	10.3	11.2	11.5	15.4	9.5	72.7
Serbia and Montenegro	24.6	9.5	13.7	14.0	10.9	6.8	125.7
Russia	20.5	7.9	1.0	1.0	19.5	12.1	5.1
Bulgaria	14.5	5.6	1.9	1.9	12.6	7.8	15.1
Italy	13.0	5.0	5.7	5.8	7.3	4.5	78.1
USA	11.3	4.4	6.3	6.4	5.0	3.1	125.4
Turkey	9.8	3.8	4.2	4.3	5.6	3.5	75.0
Slovenia	9.3	3.6	1.2	1.2	8.1	5.0	14.8
Croatia	8.5	3.3	5.4	5.5	3.1	1.9	174.2
Total (10 largest trading partners)	186.4	72.0	77.8	79.6	108.6	67.3	71.6

Source: State Statistical Office of the Republic of Macedonia


Table 19

External debt of the Republic of Macedonia
(in US Dollar million)

	External debt		Credits used		Debt payments	
	31.12.2003	31.01.2004	31.12.2003	31.01.2004	31.12.2003	31.01.2004
Official creditors	1,198.25	1,201.77	38.63	28.31	10.80	15.06
out of which:						
Multilateral	925.74	941.74	32.21	28.31	4.25	5.29
MMF	68.35	68.32	5.92	-	1.44	-
IBRD	180.87	191.64	0.99	13.13	1.69	2.33
IFC	19.91	17.36	-	-	-	-
IDA	357.91	366.93	0.16	9.22	0.26	0.17
EIB	115.80	114.39	-	-	0.01	0.43
EUROFIMA	7.64	7.57	-	-	0.20	-
Council of EDB	17.39	17.23	-	-	0.09	-
EBRD	36.50	37.74	2.53	5.73	0.42	2.05
EU	112.46	111.46	22.38	-	0.13	0.29
IFAD	6.76	6.99	-	0.23	-	-
European Agency for Reconstruction	2.15	2.11	0.23	-	0.02	0.02
Bilateral	272.51	260.03	6.42	-	6.55	9.77
Paris club (rescheduled 1995)	178.22	156.96	-	-	0.02	9.31
Paris club (rescheduled 2000)	18.01	17.90	-	-	3.68	0.00
New credits	76.28	75.77	6.42	-	2.22	0.46
Non-rescheduled debt	-	9.40	-	-	0.62	-
Private creditors	571.73	565.06	1.18	0.39	18.68	9.26
out of which:						
London Club of Creditors	243.30	238.07	-	-	-	7.63
Other private creditors	328.43	326.99	1.18	0.39	18.68	3.41
Banks and financial institutions	211.26	208.88	0.74	-	16.00	2.45
Enterprises	117.17	118.11	0.44	0.39	2.68	1.17
TOTAL	1,769.98	1,766.83	39.80	28.70	29.48	24.33

Source: National Bank of the Republic of Macedonia

National Bank of the Republic of Macedonia Balance sheet

Table 20

NBRM Balance sheet on December 31, 2003
(in million Denars)

Assets	Amount	Liabilities	Amount
Foreign assets	44,301	Reserve money	16,254
Claims on Government	3,875	NBRM instruments	4,506
Claims on banks and other financial institutions	80	Restricted deposits	151
Other assets	3,667	Foreign liabilities	3,381
		Government deposits	13,903
		Capital accounts	7,887
		Other liabilities	5,841
Total	51,923	Total	51,923

Source: National Bank of the Republic of Macedonia



Appendix No.2

Economic Developments in the Republic of Macedonia

Chart 1

Average net wages

(changes in percent, on previous month)

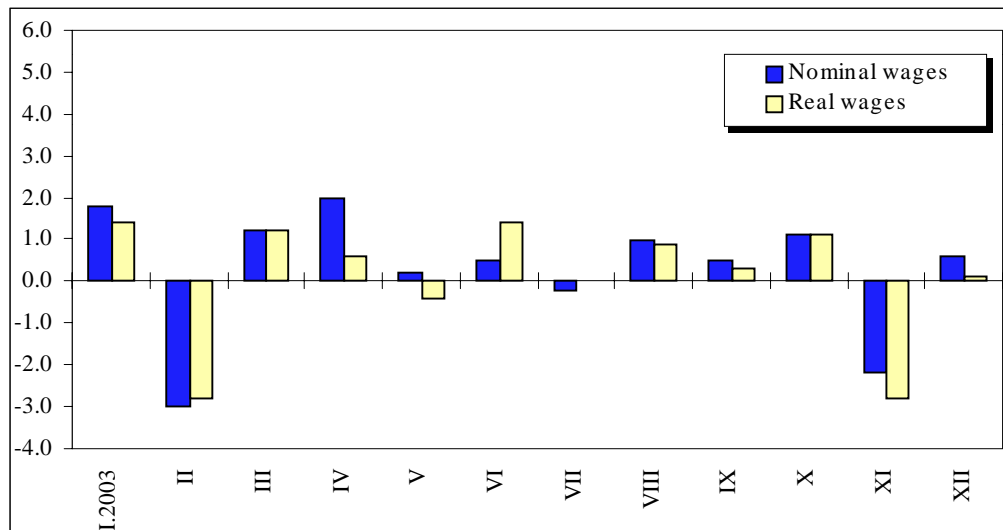


Chart 2

Total Central Government budget revenues

(in Denar million)

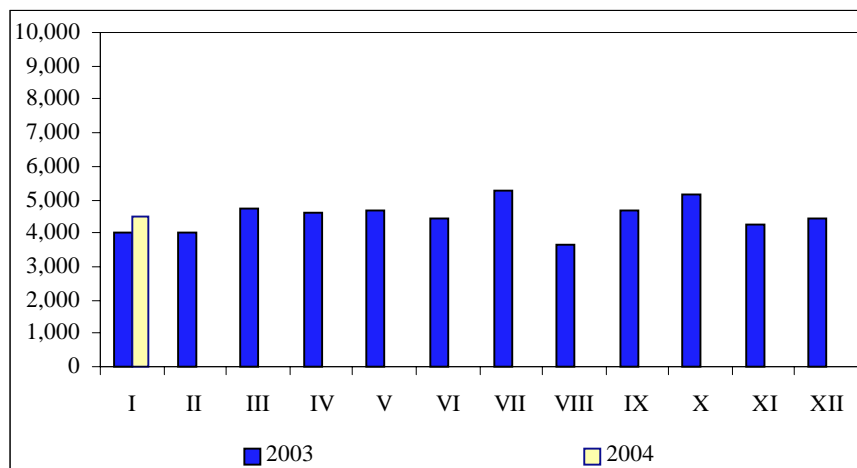
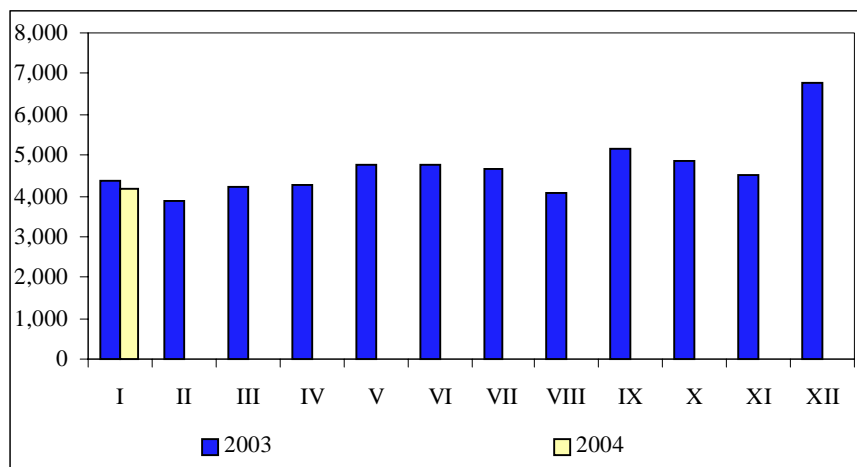




Chart 3

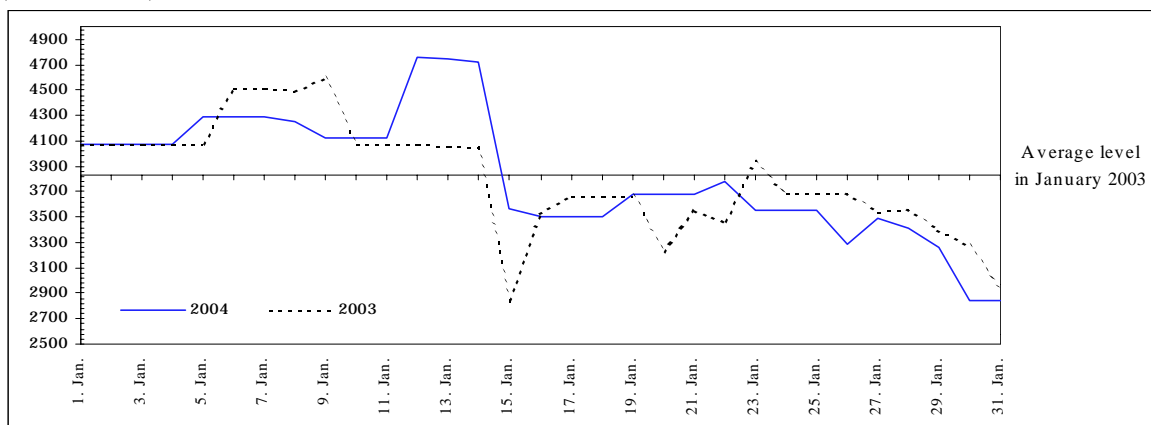
Total Central Government budget expenditures
(in Denar million)



Monetary developments in the Republic of Macedonia

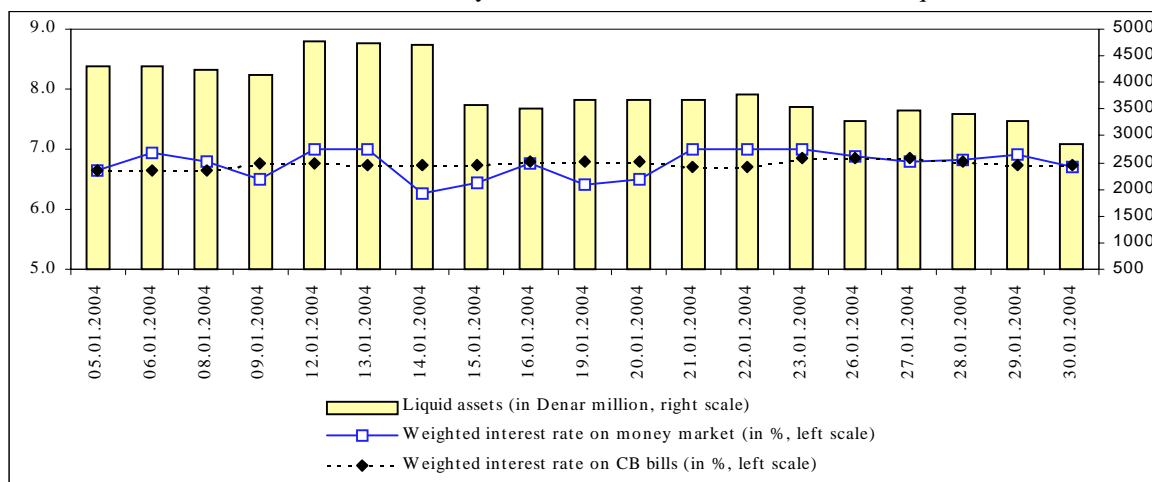
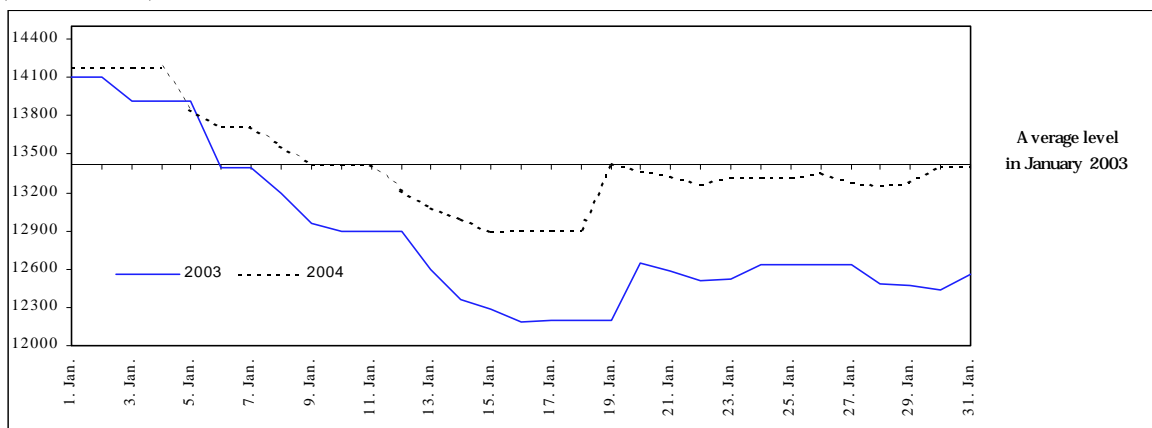
Chart 4

Daily dynamics of the liquidity of the banks
(in Denar million)



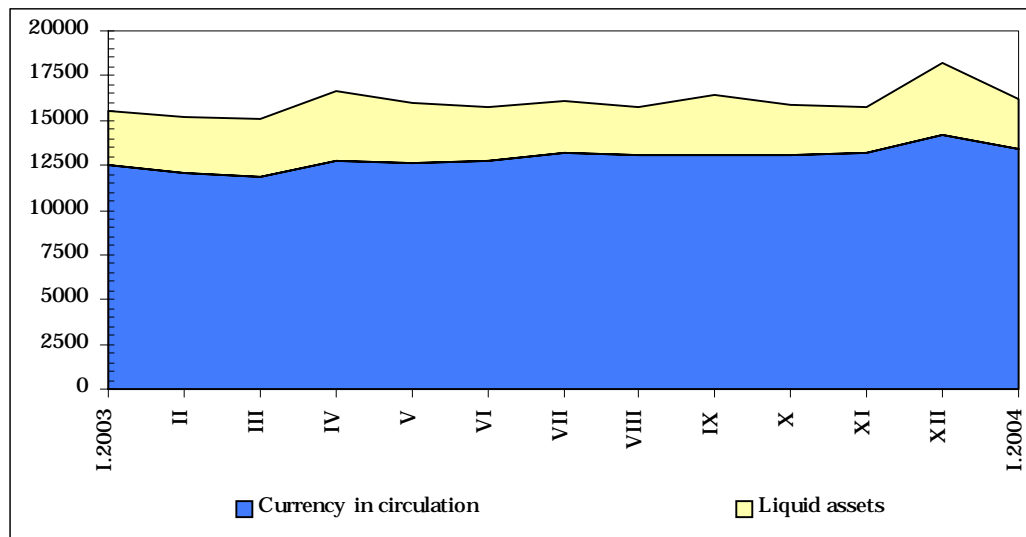
**Chart 5**

Movements of the interest rates on the Money Market, the CB bills auctions and the liquid funds of the banks

**Chart 6**Daily dynamics of the currency in circulation
(in Denar million)

**Chart 7****Reserve Money***

(in Denar million, end of period)



* The banks' liquid funds include the banks' account with the NBRM and the currency in circulation in the banks' vaults.

Chart 8**Demand deposits of enterprises and households**

(in Denar million)

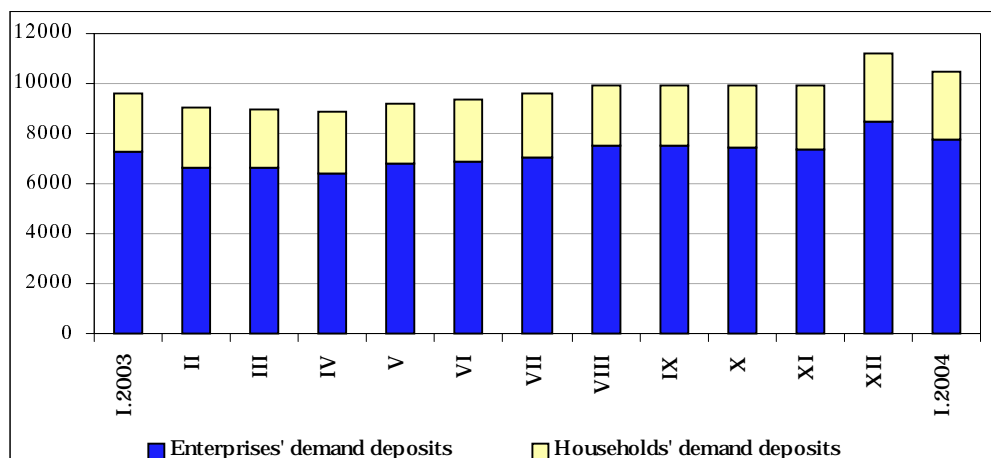
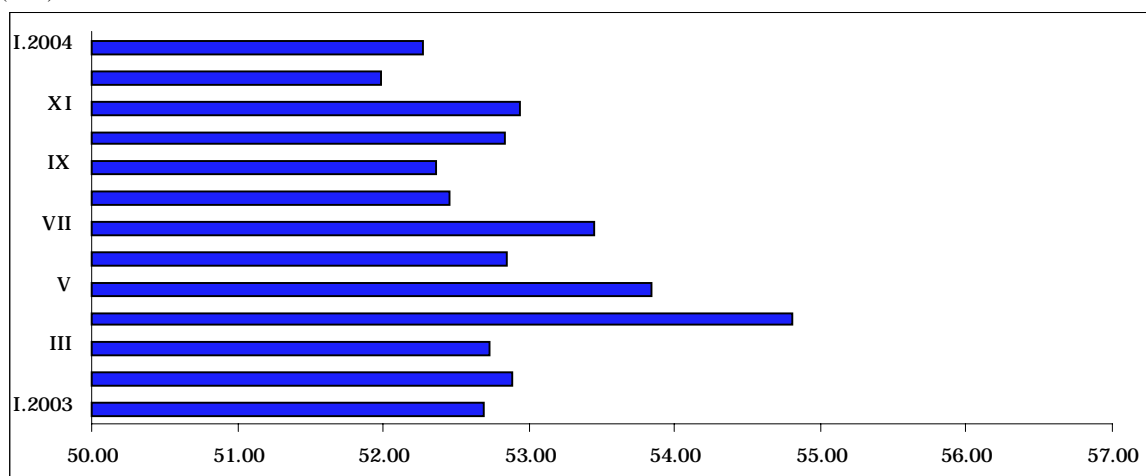




Chart 9

Share of currency in circulation (CC) in the money supply M1

(in %)

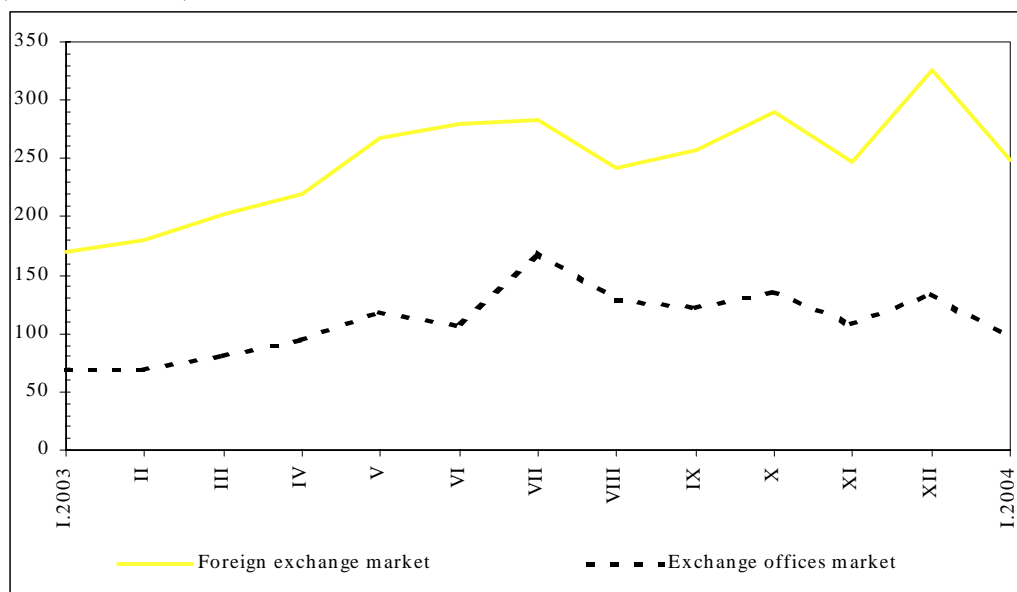


Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia

Chart 10

Movements in the total turnover on the foreign exchange and exchange offices market

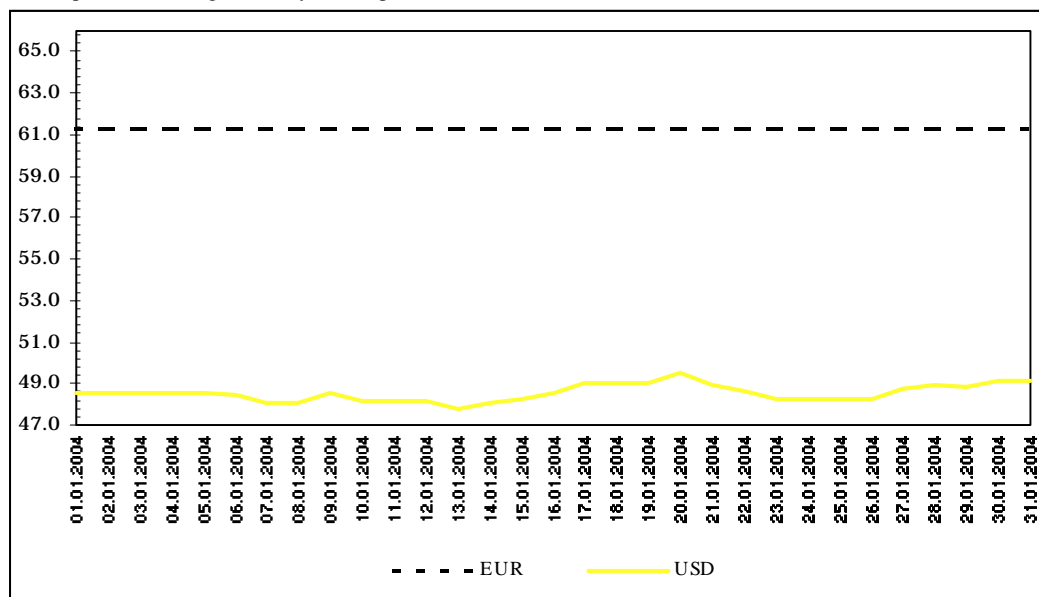
(in US Dollar million)



**Chart 11**

Daily middle exchange rate of the Denar at the exchange offices

(Denars per unit of foreign currency, end of period)

**Chart 12**

Foreign exchange potential of the Republic of Macedonia

(in US Dollar million)

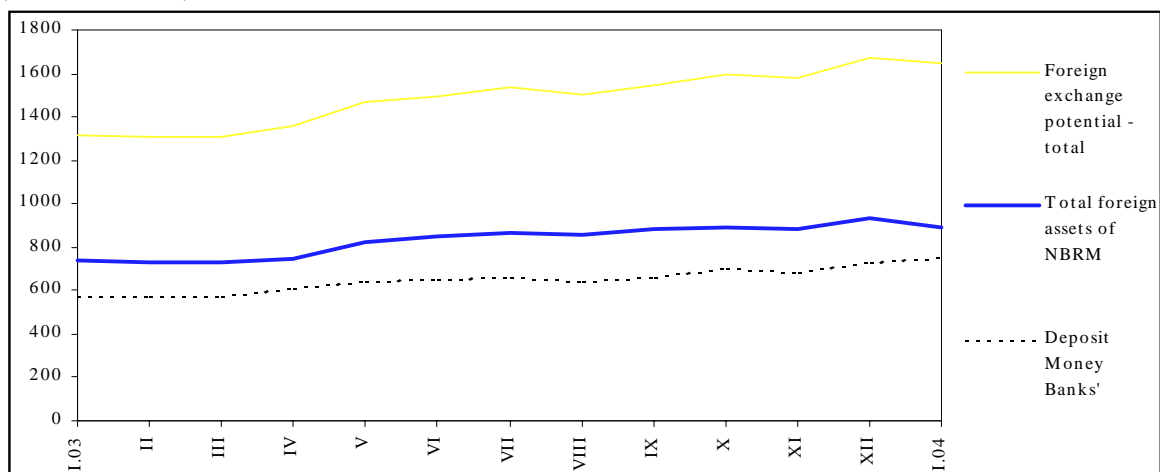




Chart 13

Used credits and serviced liabilities

(in US Dollar million)

