

**National bank  
of the Republic of Macedonia**

**Monthly  
Report**

**2 / 2004**

*April 2004*

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### **Important economic events and amendments to the legal regulations in February 2004**

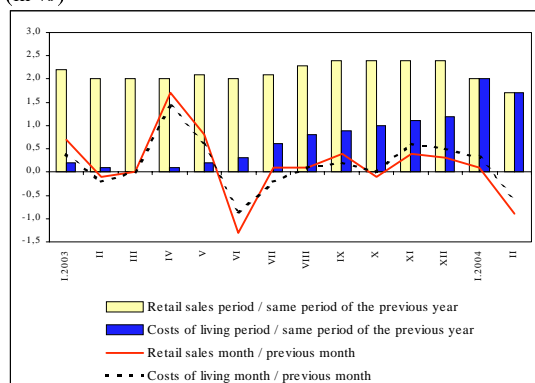
- ❖ *On February 10, **the retail sales prices of oil derivatives** reduced by 2.46% (on average, or by 1 Denar per litre for all types of oil derivatives), and the **production prices** dropped by 4.47% (“Official Gazette of the Republic of Macedonia” no. 5/2004).*
- ❖ *On February 13, the Parliament of the Republic of Macedonia adopted the **Declaration for submitting the application for membership of the Republic of Macedonia in the European Union** (“Official Gazette of the Republic of Macedonia” no. 7/2004).*
- ❖ *On February 14, the **Third issue of the denationalisation bonds** was brought out, in the total amount of Denar 47 million.*
- ❖ *In February, the NBRM **changed the layout of the CB bills auctions**. Thus the “volume tender” auction has been used since February 18 (with unrestricted amount and fixed interest rate), where CB bills with 7 days of maturity were introduced. The interest rate on CB bills with 7 and 28 days of maturity equalled 5% and 8%, respectively.*

## I. Economic Developments in the Republic of Macedonia

In February 2004, the monthly index of the *costs of living* shows monthly rate of deflation of 0.9% which is in line with the decrease in the retail prices of 0.6%. A decrease in the costs was registered in almost all categories (except the costs of housing which were higher by 0.5% and the costs of transportation and services, which remained on the level registered in the previous month). The largest monthly decrease was registered in the costs of food (of 1.6%), caused by the reduced prices of agricultural products, especially of the decrease in the prices of fruits and vegetables (of 5.8% and 1.5%, respectively). The costs of tobacco and beverages and the costs of clothes and footwear were lower by 0.9% (due to the reduced prices of alcoholic beverages, textile products and footwear).

On annual basis, the costs of living increased by 1.4% (given the annual increase in the retail prices of 1.5%). In the first two months of 2004, the average rate of inflation equaled 1.7%, which is identical to the average increase in the retail prices.

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



In February 2004, minimal decrease was also registered in the *prices of the producers of industrial products*. The drop is mainly caused by the lower prices of the producers of energy (in accord with the lower prices of the producers of oil derivatives) and of the non-durable consumption goods (given a decrease in the prices of the producers of food products and beverages). Observed on annual basis and on average, the prices of the producers of industrial products decreased by 1.8%.

After the significant monthly drop in January, the *industrial output* in February 2004

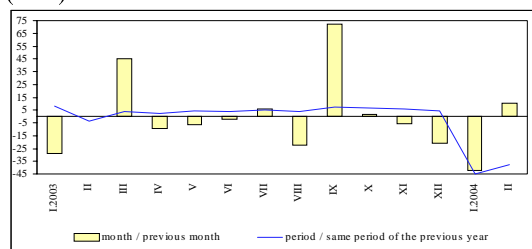
registered monthly increase of 10.5%. The increase is mainly due to the low comparison base registered in the previous month, which was characterized by a general decrease in the output (analyzed also according to the main groups of industrial products and according to the industrial sectors). Thus in February, an increased output was registered in the production of non-durable consumption goods and intermediary products except energy (groups of industrial products encompassing the largest share of the total output). Analyzed by sectors, monthly increase was registered in the sector "mining and quarrying" and in the processing industry, while the sector "supply of electricity, gas and water" continuously registers a reduced output. Namely, the output in the processing industry was higher by 12.9%, given the registered monthly increase in 15 out of total 22 industrial branches. However, despite the monthly increase (which basically means a recovery of the industrial activity after the significant decrease registered in January), the changes registered in February 2004 on annual and cumulative basis were negative and equaled 30.3% and 38.0%, respectively. A decrease was registered in all three sectors with the largest one being recorded in the sector "mining and quarrying" (of 75.2% and 93.1%, respectively). The cumulative decrease in the processing industry (the share of which in the total output equals almost 90%) is worrisome, taking into consideration the fact that it reflects the reduced output in almost all processing branches.

The *average net paid wage per worker* in January 2004<sup>1</sup> decreased by 0.7% and equaled Denar 11,870. Having in mind the low monthly inflation, the average wage registered a decrease of 1.0% in real terms. Analyzed by activities, an increase in the average wage in agriculture and industry was registered (19.0% and 6.5%, respectively), while the wages in services dropped by 2.3%.

<sup>1</sup> Last available data of the State Statistical Office



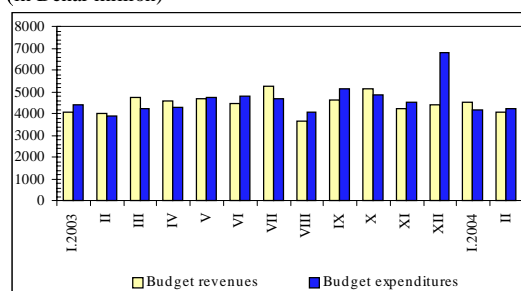
Chart 2  
Industrial output  
(in %)



In February 2004, the total revenues of the central budget registered monthly decline of 9.9%, with a decrease in the revenues being registered in all main categories. Thus the tax revenues (the most important revenue category) decreased by 6.0% as a result of the reduced revenues originating from the value added tax (VAT), the excises and revenues received on the basis of other taxes. Namely, the revenues received on the basis of the VAT were lower by 10.9%, which is mainly due to the high comparison base registered in the previous month in which the small-size and the middle-size enterprises made quarterly payment of this tax. On the other hand, increased collection relative to the previous month was registered in the profit tax (which caused an increase in the revenues originating from this tax by 2.1 times), and in the personal income tax (contributing these revenues to increase by 14.1%). On cumulative basis, the total budget revenues were higher by 6.6%, given the increased tax and capital revenues

and decreased non-tax revenues. Namely, the tax revenues registered an increase of 7.3%, which is due to the increased revenues originating from the VAT (by 31.5%, with which their structural share in the total revenue structure increased by 9 percentage points).

Chart 3  
Total revenues and expenditures of the central budget  
(in Denar million)



In February 2004, compared to the previous month the total budget expenditures registered monthly increase of 1.4%, with simultaneous increase being registered in the current and capital expenditures. Namely, the current expenditures (which are the largest expenditure category), registered an increase of 0.5%, caused by the increased costs of goods and services and transfers. Observed on cumulative basis, the total budget expenditures were higher by 1.3%, due to the higher current expenditures (by 4.4%).

## II. Monetary developments in the Republic of Macedonia

In accordance with the NBRM orientation for maintaining stable exchange rate and price stability, the layout of the monetary regulation instruments was changed in February 2004. In this month, the NBRM took active role on the foreign exchange market in order to overcome the difference between the supply and the demand for foreign exchange.

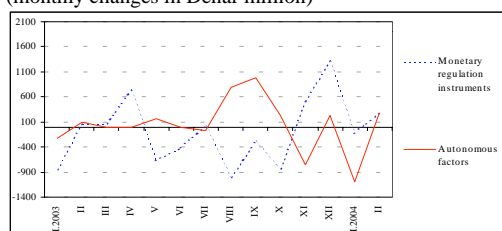
In February 2004, the average daily liquidity of the banks fell by Denar 447 million, or by 11.7% on monthly basis, and amounted to Denar 3,381.7 million. Given the lower average level of currency in circulation, purchase of foreign exchange on the foreign exchange market by the NBRM, as well as the lower interest in investing in CB bills, the lower liquidity reflects the accumulation of funds on the Government Treasury account. In

February 2004, the excess liquid funds (over the compulsory reserve requirement<sup>1</sup>) remained the same compared to the preceding month and equaled 19.3%.

<sup>1</sup> The period for maintaining (fulfilling) the banks' compulsory reserve requirement covers the period from the 11<sup>th</sup> in the current month to the 10<sup>th</sup> in the following month.



Chart 4  
Monetary regulation instruments and autonomous factors of liquidity creation and withdrawal\*  
(monthly changes in Denar million)



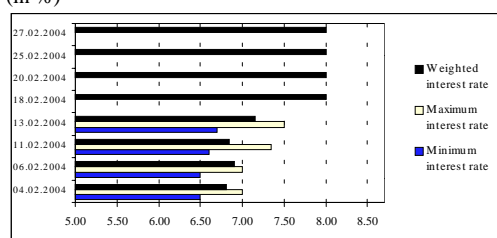
\*Positive change – liquidity creation, negative change – liquidity withdrawal

Unlike the four-month interventions by a net sale of foreign exchange, in February 2004, *the NBRM interventions were directed towards net purchase of foreign exchange*. Such change in the direction of the NBRM interventions was evident in the second half of the month.

*The Government Denar deposits with the NBRM* continued increasing with moderate pace (monthly increase of 7.6%), acting toward withdrawing liquidity from the banking system. Additional inflows in the amount of Denar 209 million were generated on the basis of the issued Treasury bills (in this month two auctions were conducted, and the average weighted interest rate equalled 7.35% and 7.49%, respectively).

At the end of February 2004, the level of *CB bills* equalled Denar 4,231 million, which is a creation of additional liquidity of Denar 275 million on monthly basis. With respect to the auction layout, in the second half of February, the “interest rate tender” auction switched to “volume tender” auction. At the same time, in addition to the CB bills with 28 days of maturity, CB bills with 7 days of maturity were introduced (with the interest rates on the CB bills with 28 and 7 days of maturity equalling 8% and 5%, respectively).

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



\*CB bills with 28 days of maturity

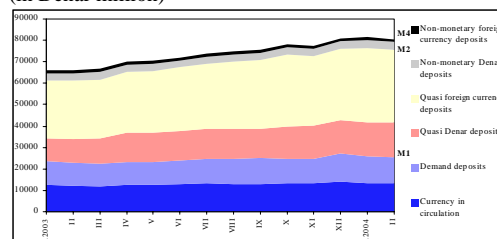
The *institutionalised money market* registered intensive activity. Thus, the total turnover was higher by 62.5% on monthly basis, reaching Denar 1,336.6 million. Thus given the higher supply relative to the demand for liquid funds, the average weighted interest rate was by 0.2 percentage points lower and equalled 6.5%. Given the higher interest of the banks in trading in liquid funds through the institutionalised money market, the bilateral trade of the banks registered moderate monthly decline (with the turnover within the bilateral trading being lower compared to the turnover on the institutionalised money market).

The demand for currency in circulation registered further decrease in February 2004. Thus the level of currency in circulation was lower by 234 million or by 1.7% on monthly basis. In this month, the movement of the currency in circulation partially diverged from the regular daily pace. The changed dynamics of the payment of wages to some employees in the education (unpaid full amount and change in the payment timeframes due to the strike of some employees in the education) proportionally affected the level of currency in circulation. The average daily amount of currency in circulation in February equalled Denar 12,983.1 million (monthly decrease of Denar 439.5 million, or 3.3%).

The higher level of liquidity in the banking system, given the lower demand for currency in circulation resulted in a monthly increase in *the reserve money* of 2%.

The lower demand for currency in circulation and the lower propensity to short-term foreign exchange savings were the basic determinants of the dynamics of *the monetary aggregates*. Thus, in February 2004, all monetary aggregates registered moderate monthly decline, with simultaneous maintenance of the positive annual dynamics.

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





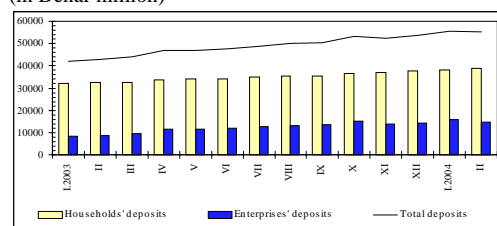
The further decrease in the demand for currency in circulation, with simultaneous inconsiderable monthly change in the total demand deposits of the private sector, in February 2004, resulted in a negative monthly dynamics of the money supply M1 (monthly fall of 0.7%). Simultaneously, the money multiplication process registered a slowdown, with the money multiplier of the money supply M1 equalling 1.54 (1.58 in the preceding month).

Notwithstanding the moderate increase in the level of the transaction deposits and the further strengthening of the propensity to short-term savings in domestic currency, the considerable fall in the short-term foreign exchange deposits generated lower level of monetary aggregate M2 (monthly decline of 1.1%). The relatively stable level of long-term deposit potential resulted in identical rate of monthly fall of the money supply M4 (1.1%). In accordance with the lower level of deposit potential, the money multiplication process also slowed down (the money multipliers of the money aggregates M2 and M4 equalled 4.56 and 4.86 in February 2004, while in the previous month they equalled 4.71 and 5.01)

In February 2004, the banks' deposit base moderately contracted (the total *deposit potential* was by 1.2% lower on monthly basis). The negative dynamics of the total deposits of the non-government sector<sup>2</sup> was primarily due to the decline in the short-term time foreign exchange deposits of the enterprises. Analysing by maturity, the short-term deposits dominate with a share of 91.1%. The analysis of the structure of currency of denomination indicates monthly decline in the share of the foreign exchange deposits, which still remains at a high level (64.3%). Compared to the same month of the preceding year, the total deposits are by 28.2% higher.

<sup>2</sup> The total deposits of the non-government sector include short-term and long-term (Denar and foreign currency) deposits of the economic agents (excluding the demand deposits).

Chart 7  
Deposit timeframes  
(in Denar million)

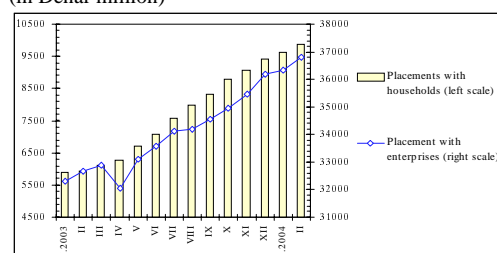


The moderate dynamics of increase in the total households' deposits continued in February 2004. Thus, compared to the preceding month, they were by 1.4% higher, with an increase being registered in all deposit categories. The preferences of the household to cumulate foreign assets of the sight deposits were evident. The positive monthly dynamics of the Denar deposits of the households is generated from the simultaneous higher level of the sight deposits and the short-term time Denar deposits. On annual basis (February 2004 / February 2003), the households' total deposits were by 19.2% higher.

In February 2004, the total enterprises' deposits were by 7.5% lower on monthly basis. Given the insignificantly lower level of the deposit in domestic currency, the enterprises' foreign exchange deposits are the main factor for the fall. Essential fall was registered in the short-term foreign exchange deposits with maturity of up to one month. The negative dynamics of the long-term deposits arises from the fall in the restricted deposits for payments based on the instruments of the international payment operations. Compared to the same month of the preceding year, the enterprises' total deposits are by 65% higher.

The upward trend of *the banks' total placements to the private sector* continued in February 2004, indicating the strengthening of the banks' role as a source of financing the activities of the private sector.

Chart 8  
Banks' placements  
(in Denar million)



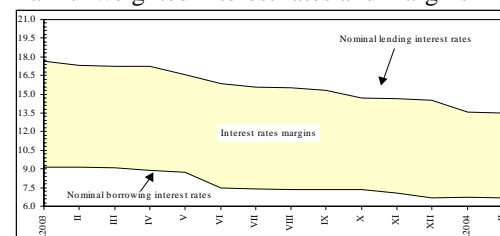


The monthly increase in the total banks' placements to the private sector equaled 1.8%, generated by the simultaneously higher level of placements in both domestic and foreign currency (by 1.5% and 3.8%, respectively). The monthly change in the Denar placements is generated by the intensified financing of the short-term needs of the enterprises for funds and from the further growth in the consumer lending on a long run for various purposes. The positive dynamics of the foreign exchange placements is primarily a result of the long-term lending to the enterprises in foreign exchange. In line with such movements, the annual growth rate of the total placements accelerated and equaled 19.2%. In February 2004, no considerable movements in the *banks' interest rate policy* were registered. Thus the average weighted deposit interest rate (on three-month Denar deposits) remained unchanged and equaled 6.7%. On the other hand, the average weighted lending interest rate (short-term Denar deposits) registered

inconsiderable monthly decline and equaled 13.5%<sup>3</sup>. Consequently, the interest rates margin remained at the level of 6.8 percentage points, signaling the need for further reduction of the financial intermediation costs.

Chart 9

Banks' weighted interest rates and margins\*



\* Pertain to Denar credits and deposits.

<sup>3</sup> In January 2004, the banks' average weighted lending interest rate equaled 13.55%, and in February 2004 it equaled 13.51%.

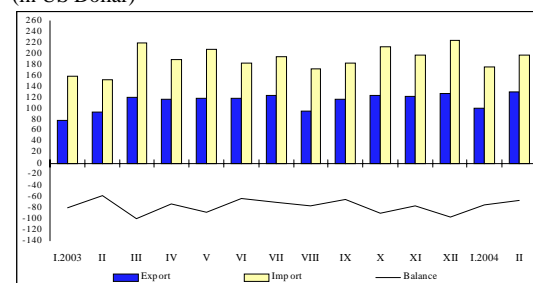
### III. Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia

After the seasonal decrease in January, a common increase in the *foreign trade*<sup>4</sup> of 18.1% was registered in February, reaching US Dollar 328.1 million. The registered monthly increase in the foreign trade is due to the simultaneous increase in the export (29.0%) and in the import of goods (11.9%). Identical movements were registered also on annual basis, i.e. the exports and imports increased by 38.2% and 29.6%, respectively, which resulted in relatively higher deficit (by 15.4% compared to the previous year). The improved performances of the textile industry, the favorable environment on the international markets for the placement of steel, as well as the placement of tobacco on international markets were the main factors for the more intensive export in February 2004. No significant changes were registered in the imports. Namely, the share of the import of products for further processing and the import of oil still dominate the imports.

<sup>4</sup> 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

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 does not indicate more significant changes in the first two months of 2004. The dominant share in the total trade (in the exports and in the imports) still accounts for Germany, Greece and Serbia and Montenegro. Among other countries, more significant share in the imports accounts for the import from Russia, mainly due to the import of oil.

In February 2004, the total turnover on the foreign exchange market equaled US Dollar 275.4 million, which is a monthly increase of US Dollar 26.3 million. The net sale of foreign exchange to enterprises by the banks was reduced by significant 50%. Such a reduction of the net outflow of foreign exchange from the banking





system, as well as the change in the placement of the monetary instruments contributed to a net purchase of foreign exchange by the NBRM and maintenance of a stable foreign exchange rate. Thus *the exchange rate of the Denar relative to the Euro* remained unchanged on a monthly basis, and on February 29, 2004, Denar 61.29 were traded per one Euro. *Relative to the US Dollar*, the Denar depreciated by 0.2%, thus so that at the end of the month, Denar 49.25 were traded per one US Dollar).

The total trade turnover on *the exchange offices market* equaled US Dollar 99.7 million, which is a monthly increase of US Dollar 4.3 million. The supply exceeded the demand by US Dollar 26.2 million. The Denar exchange rate against the Euro and the US Dollar<sup>5</sup> on the exchange offices market remained almost unchanged (the average monthly Denar exchange rate equaled Denar 61.53 per one Euro, while Denar 47.87 were traded per one US Dollar on average).

At the end of February 2004, *the total foreign exchange potential* of the Republic of Macedonia registered a monthly decrease of US Dollar 25.3 million and was reduced to US Dollar 1,623.1 million. The gross foreign reserves of the NBRM remained almost unchanged and equaled US Dollar 883.6 million. Thus the lower foreign exchange potential is due to the reduced foreign assets with the banks (by US Dollar 24.4 million), which is mainly caused by the lower amount of foreign exchange deposits of the enterprises.

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<sup>5</sup> The authentic data are taken from the exchange rate list for the exchange offices operations of the NBRM.

On February 29, 2004, *the external debt of the Republic of Macedonia*<sup>6</sup> based on long-term credits equaled US Dollar 1,767.9 million, which is a minimal increase of US Dollar 1 million.

The funds used on the basis of long-term credits equaled US Dollar 8.6 million and mostly originate from the official creditors (US Dollar 5.6 million), US Dollar 4.7 million of which are withdrawn from the multilateral creditors (the largest share of the funds are withdrawn from the World Bank and the International Development Agency), while US Dollar 0.9 million are withdrawn from the bilateral creditors. Total amount of US Dollar 10.2 million was repaid to official creditors, while US Dollar 2.8 million were repaid to the private creditors. In February, the amount of the newly concluded credits equaled US Dollar 10.2 million, US Dollar 9.9 of which refer to a credit concluded with the European Bank for Reconstruction and Development, while the remaining are credits concluded with international private enterprises.

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<sup>6</sup> Preliminary NBRM data. These data refer to the external debt of the Republic of Macedonia based on used long-term credits



## Appendix No.1

### Economic Developments in the Republic of Macedonia

**Table 1**  
Costs of living

	<u>II.2004</u> I.2004	<u>II.2004</u> II.2003 in %	<u>I-II.2004</u> I-II.2003
<b>Costs of living</b>	<b>-0.9</b>	<b>1.4</b>	<b>1.7</b>
Food	-1.6	-0.6	0.1
Tobacco and beverages	-0.9	1.9	2.5
Clothing and footwear	-0.9	2.1	2.6
Housing	0.5	4.8	4.5
Flat (rent, water, services)	0.6	2.8	2.5
Fuel and lighting	-0.1	5.6	5.6
Hygiene	-0.3	6.4	6.4
Culture and entertainment	-0.3	2.2	2.2
Transport, communications, services	0.0	1.2	1.1
<i>Goods</i>	<i>-1.1</i>	<i>0.7</i>	<i>1.2</i>
<i>Services</i>	<i>0.6</i>	<i>5.1</i>	<i>4.8</i>

Source: State Statistical Office of the Republic of Macedonia

**Table 2**  
Retail prices

	<u>II.2004</u> I.2004	<u>II.2004</u> II.2003 in %	<u>I-II.2004</u> I-II.2003
<b>Retail prices</b>	<b>-0.6</b>	<b>1.5</b>	<b>1.7</b>
Agricultural products	-2.4	2.0	2.9
Non-food industrial products	-0.3	0.9	1.0
Processed food products	-1.8	-2.4	-1.7
Beverages	-6.3	-2.7	0.8
<i>Goods</i>	<i>-1.1</i>	<i>0.0</i>	<i>0.5</i>
<i>Services</i>	<i>0.3</i>	<i>4.6</i>	<i>4.4</i>

Source: State Statistical Office of the Republic of Macedonia



**Table 3**  
Prices of producers of industrial products

	<u>II.2004</u> <u>I.2004</u>	<u>II.2004</u> <u>II.2003</u>	<u>I-II.2004</u> <u>I-II.2003</u>
	in %		
<b>Prices of producers of industrial products</b>	<b>-0.1</b>	<b>-1.8</b>	<b>-1.8</b>
Energy	-1.1	-7.8	-7.3
Intermediary goods (except Energy)	1.1	3.2	2.6
Capital goods	0.0	-1.8	-2.0
Durable consumer goods	0.0	0.0	0.0
Non durable consumer goods	-0.8	-3.3	-3.0
<i>Mining and quarrying</i>	<i>0.0</i>	<i>0.6</i>	<i>0.6</i>
<i>Manufacturing industry</i>	<i>-0.1</i>	<i>-2.2</i>	<i>-2.2</i>
Manufacture of food products and beverages	-0.8	-3.8	-3.6
Manufacture of tobacco products	0.0	-0.2	-0.2
Manufacture of textiles	0.0	0.0	0.0
Manufacture of wearing apparel; dressing and dyeing of fur	0.0	0.0	0.0
Manufacture of coke, refined petroleum products and nuclear fuel	-3.2	-20.2	-18.8
Manufacture of chemicals and chemical products	0.0	0.0	0.0
Manufacture of other non-metallic mineral products	0.2	-0.2	-0.5
Manufacture of basic metals	0.0	2.5	2.5
Manufacture of electrical machinery and apparatus n.e.c.	4.7	12.4	9.9
<i>Electricity, gas and water supply</i>	<i>0.0</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>II.2004</u> <u>I.2004</u>	<u>II.2004</u> <u>II.2004</u> in %	<u>I-II.2004</u> <u>I-II.2003</u>
<b>Total</b>	<b>100.0</b>	<b>10.5</b>	<b>-30.3</b>	<b>-38</b>
Energy		-6.6	26.0	6.2
Intermediary goods (except Energy)		6.1	-50.3	-54.8
Capital goods		-14.2	-65.9	-57.9
Durable consumer goods		-4.6	-45.9	-41.3
Non durable consumer goods		29.3	-5.0	-20.3
<i>Mining and quarrying</i>	3.2	44.8	-75.2	-93.1
<i>Manufacturing industry</i>	89.9	12.9	-31.3	-35.4
Manufacture of food products and beverages	24.9	15.0	5.5	-14.4
Manufacture of tobacco products	5.0	32.0	-18.1	-18.1
Manufacture of textiles	4.3	50.1	-62.5	-52.8
Manufacture of wearing apparel; dressing and dyeing of fur	4.5	83.6	-1.3	-23.5
Manufacture of coke, refined petroleum products and nuclear fuel	7.0	-5.6	240.3	27.5
Manufacture of chemicals and chemical products	7.2	-29.0	-43.8	-17.6
Manufacture of other non-metallic mineral products	4.6	70.4	-3.7	-59.9
Manufacture of basic metals	16.4	10.8	-56.1	-59.4
Manufacture of electrical machinery and apparatus n.e.c.	4.0	6.5	-68.5	-62.8
<i>Electricity, gas and water supply</i>	6.9	-6.6	-1.1	-1.9

Source: State Statistical Office of the Republic of Macedonia

**Table 5**  
Average net wages

	<u>I.2004*</u> in denars	<u>I.2004</u> <u>XII.2003</u> in %	<u>I.2004</u> <u>I.2003</u>
<b>Nominal average net wage per worker</b>	<b>11,870</b>	<b>-0.7</b>	<b>0.9</b>
Costs of living		0.3	2.0
<b>Real average net wage per worker</b>		<b>-1.0</b>	<b>-1.1</b>
<b>Nominal average net wage by sectors</b>			
Agriculture	10,479	19.0	-0.9
Industry	12,209	6.5	6.1
Services	13,877	-2.3	5.7

\* Last available data

Source: State Statistical Office of the Republic of Macedonia



**Table 6**  
Central Government Budget

	February 2004			January-February 2004		
	in Denar million	Monthly changes in %	Structure in %	in Denar million	Cumulative changes (2003/2002) in %	Structure in %
<b>Total budget revenues</b>	<b>4,058</b>	<b>-9.9</b>	<b>100.0</b>	<b>8,564</b>	<b>6.6</b>	<b>100.0</b>
<i>Tax revenues:</i>	3,869	-6.0	95.3	7,987	7.3	93.3
- personal income tax	576	14.1	14.2	1,081	1.2	12.6
- profit tax	300	114.3	7.4	440	-25.8	5.1
- value added tax	1,926	-10.9	47.5	4,087	31.5	47.7
- excises	634	-28.4	15.6	1,519	-7.7	17.7
- custom duties	380	8.9	9.4	729	-18.5	8.5
- other	53	-32.1	1.3	131	-0.8	1.5
<i>Non-tax revenues:</i>	147	-55.6	3.6	478	-7.5	5.6
- inflows from state property dividends	0	-	0.0	68	-34.6	0.8
- administrative taxes and fees	123	25.5	3.0	221	10.0	2.6
- other administrative taxes	20	0.0	0.5	40	33.3	0.5
- other non-tax revenues	4	-97.2	0.1	149	-18.1	1.7
<i>Capital revenues</i>	42	-26.3	1.0	99	32.0	1.2
<b>Total budget expenditures</b>	<b>4,209</b>	<b>1.4</b>	<b>100.0</b>	<b>8,358</b>	<b>1.3</b>	<b>100.0</b>
<i>Current expenditures</i>	4,062	0.5	96.5	8,103	4.4	96.9
- wages and salaries	1,655	-3.7	39.3	3,374	2.6	40.4
- goods and services	651	38.5	15.5	1,121	33.6	13.4
- transfers	1,634	5.5	38.8	3,183	13.4	38.1
- interest	94	-69.0	2.2	397	-33.3	4.7
<i>Capital expenditures</i>	147	36.1	3.5	255	-22.5	3.1
<b>Budget balance</b>	<b>-151</b>					
<b>Financing</b>	<b>151</b>					
<i>Inflows</i>	468	48	-	784	-39	-
<i>Outflows</i>	317	-52.9	-	990	-8	-

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

Source: Ministry of Finance

**Table 7**  
Total revenues and expenditures of the budget funds

	February, 2004				January - February, 2004			
	Total revenues		Total expenditures		Total revenues		Total expenditures	
	Amount	Monthly changes in %	Amount	Monthly changes in %	Amount	Cumulative changes in %	Amount	Cumulative changes in %
Social Funds	4,047	13.4	4,105	9.3	7,617	2.3	7,787	10.0
- pension and disability insurance	2,307	11.7	2,376	9.4	4,373	8.5	4,547	7.6
- health insurance	1,129	20.0	1,120	19.0	2,070	20.4	2,061	10.0
- employment	611	8.5	609	6.8	1,174	-31.9	1,179	20.2
Road Fund	108	-1.8	103	-1.9	218	7.6	208	-21.9

Source: National Bank of the Republic of Macedonia



# Monetary developments in the Republic of Macedonia

**Table 8**

Reserve money

	<b>29.02.2004</b>	<b>Monthly changes</b>		<b>Annual changes</b>	
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
Reserve money	16,577	323	2.0	1,380	9.1
Currency in circulation	13,171	-234	-1.7	1,078	8.9
Banks liquidity	3,406	557	19.6	302	9.7

Source: National Bank of the Republic of Macedonia

**Table 9**

Reserve money creation and withdrawal

	<b>29.02.2004</b>
	(monthly changes, in Denar million)
<b>Reserve money</b>	<b>323</b>
Currency in circulation	-234
Bank liquidity	557
<b>Reserve money creation</b>	<b>323</b>
Net foreign assets	5
Net domestic assets	24
CB' Bills auctions	275
Other	19

Source: National Bank of the Republic of Macedonia

**Table 10**

Money supply M1 and its components

	<b>29.02.2004</b>	<b>monthly changes</b>		<b>annual changes</b>	
	in Denar million	in Denar million	in %	in Denar million	in %
<b>Money supply M1</b>	25,463	-190	-0.7	2,595	11.3
<b>Currency in circulation</b>	13,171	-234	-1.7	1,078	8.9
<b>Demand deposits</b>	12,292	44	0.4	1,517	14.1
- Demand deposits of households	2,802	140	5.3	381	15.7
- Demand deposits of enterprises	7,745	-39	-0.5	1,098	16.5

Source: National Bank of the Republic of Macedonia


**Table 11**

Broader monetary aggregates and their components

	<b>29.02.2004</b> in Denar million	<b>monthly changes</b>		<b>annual changes</b>	
		in Denar million	in %	in Denar million	in %
<b>Money supply M1</b>	25,463	-190	-0.7	2,595	11.3
<b>Denar short - term deposits</b>	16,170	144	0.9	5,248	48.0
<b>Monetary aggregate M2 - denar component</b>	41,633	-46	-0.1	7,843	23.2
<b>Foreign currency short - term deposits</b>	34,037	-805	-2.3	6,750	24.7
<b>Monetary aggregate M2</b>	75,670	-851	-1.1	14,593	23.9
<b>Non - monetary deposits</b>	4,878	-28	-0.6	106	2.2
- In Denar	3,493	19	0.5	-12	-0.3
- In foreign currency	1,385	-47	-3.3	118	9.3
<b>Monetary aggregate M4</b>	80,548	-879	-1.1	14,699	22.3

Source: National Bank of the Republic of Macedonia

**Table 12**

Total deposits of the non-government sector

	<b>29.02.2004</b> in Denar million	<b>monthly changes</b>		<b>annual changes</b>		<b>structure</b>
		in Denar million	in %	in Denar million	in %	in %
<b>Total deposits</b>	55,085	-689	-1.2	12,104	28.2	
<b>1. According to maturity</b>						100.0
- short-term	50,207	-661	-1.3	11,998	31.4	91.1
- long-term	4,878	-28	-0.6	106	2.2	8.9
<b>2. According to currency of denomination</b>						100.0
- In denar	19,663	163	0.8	5,236	36.3	35.7
- In foreign currency	35,422	-852	-2.3	6,868	24.1	64.3

Source: National Bank of the Republic of Macedonia


**Table 13**

Households and enterprises deposits

	<b>29.02.2004</b>	<b>monthly changes</b>		<b>annual changes</b>	
	in Denar million	in Denar million	in %	in Denar million	in %
<b>Total households deposits</b>	38,870	536	1.4	6,262	19.2
<b>1. According to maturity</b>					
- short-term	35,903	490	1.4	6,377	21.6
- long-term	2,967	46	1.6	-115	-3.7
<b>2. According to currency of denomination</b>					
- In denar	10,502	185	1.8	2,813	36.6
- In foreign currency	28,368	351	1.3	3,449	13.8
<b>Total enterprises deposits</b>	14,633	-1,195	-7.5	5,762	65.0
<b>1. According to maturity</b>					
- short-term	13,788	-1,113	-7.5	5,539	67.1
- long-term	845	-82	-8.8	223	35.9
<b>2. According to currency of denomination</b>					
- In denar	7,765	-14	-0.2	2,379	44.2
- In foreign currency	6,868	-1,181	-14.7	3,383	97.1

Source: National Bank of the Republic of Macedonia

**Table 14**

Banks' placements and overdue claims

	<b>29.02.2004</b>	<b>monthly changes</b>		<b>annual changes</b>	
	in Denar million	in Denar million	in %	in Denar million	in %
<b>Total banks' placements</b>	51,761	934	1.8	8,323	19.2
<i>Denar placements</i>	44,269	663	1.5	6,852	18.3
<i>Foreign currency placements</i>	7,492	271	3.8	1,471	24.4

Source: National Bank of the Republic of Macedonia




**Table 15**

Maturity and sector structure of Denar and foreign currency placements

	Share on 29.02.2004 (in %)	Monthly change of share (in percentage points)	Annual change of share (in percentage points)
<b>Denar placements</b>	100.0		
maturity structure			
- short-term	62.8	0.0	-6.5
- long-term	37.2	0.0	6.5
structure by sectors			
- enterprises	74.9	-0.4	-6.4
- households	25.0	0.4	7.0
- other	0.1	0.0	-0.6
<b>Foreign currency placements</b>	100.0		
maturity structure			
- short-term	44.9	-0.5	1.3
- long-term	55.1	0.5	-1.3
structure by sectors			
- enterprises	97.0	-0.1	-0.6
- households	0.4	0.1	0.2
- other	2.6	0.1	0.4

Source: National Bank of the Republic of Macedonia

**Table 16**

Interest rates

	February 2004	Monthly changes	Annual changes
		in percentage points	
Average weighted interest rate on the CB bills auctions	7.50%	0.74	-6.0
Average weighted interest rate on the Money Market	6.48%	-0.19	-7.96
Banks' weighted lending interest rates	13.55%	0.04	-3.75
Banks' weighted deposit interest rates	6.68%	-0.04	-2.45



## Financial Markets in the Republic of Macedonia

**Table 17**  
Report on trading in February 2004

<i>Securities</i>	Number of transactions	Value (in Denars)	Number of traded securities	Days of trading
Official market				
Official market - ordinary shares				
Komercijalna banka Skopje	76	52,270,410	17,893	13
Makpetrol Skopje	85	11,430,162	874	14
Alkaloid Skopje	131	7,906,487	4,093	16
Granit Skopje	48	7,580,044	81,042	6
Other	209	44,637,925	60,364	100
Official market - preferential shares				
Komercijalna banka Skopje	31	2,942,228	3,628	13
Tetovska banka Tetovo	2	37,620	57	2
Official market - bonds				
R. Macedonia - foreign currency deposits	502	21,455,312	485,225	16
R. Macedonia - denationalization 01	19	1,274,465	29,539	5
R. Macedonia - denationalization 02	235	14,354,759	331,484	16
<b>Total official market</b>	<b>1,338</b>	<b>163,889,412</b>	<b>1,014,199</b>	
Unofficial market				
Unofficial market - ordinary shares				
Prokredit banka Skopje	1	76,610,000	250,000	1
Tabak osiguruvane i reosiguruvane Skopje	3	16,431,000	521	2
Gradski Trgovski Centar Skopje	13	7,578,200	4,056	9
Masinopromet Skopje	1	4,991,300	13,135	1
Other	39	14,433,256	25,713	23
Unofficial market - preferential shares				
Tutunska banka Skopje	1	1,083,456	648	1
<b>Total unofficial market</b>	<b>58</b>	<b>121,127,212</b>	<b>294,073</b>	
Other securities				
Government-owned shares				
Convertible certificate for savings houses	12	541,954	2,456,727	7
<b>Total other securities</b>	<b>12</b>	<b>541,954</b>	<b>2,456,727</b>	
State market	0	0		
<b>Total state market</b>	<b>0</b>	<b>0</b>		
<b>Total markets</b>	<b>1,408</b>	<b>285,558,578</b>		

Source: Macedonian Stock Exchange



## Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia

**Table 18**

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

	II.2004	II. 2004 I. 2004		II. 2004 II. 2004	
	amount	amount	%	amount	%
Foreign trade	328.1	50.3	18.1	81.2	32.9
Exports	130.9	29.4	29.0	36.2	38.2
Imports	197.3	20.9	11.9	45.1	29.6
<i>Balance</i>	<i>-66.4</i>	<i>8.5</i>	<i>-11.3</i>	<i>-8.9</i>	<i>15.4</i>

Source: State Statistical Office of the Republic of Macedonia

**Table 19**

Ten most important trading partners of the Republic of Macedonia, I-II.2004  
(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
	II.2004						
<b>Republic of MACEDONIA</b>	<b>605.9</b>	<b>100.0</b>	<b>232.3</b>	<b>100.0</b>	<b>373.6</b>	<b>100.0</b>	<b>62.2</b>
<i>out of which:</i>							
Germany	109.7	18.1	55.3	23.8	54.3	14.5	101.8
Greece	68.8	11.3	30.3	13.0	38.5	10.3	78.8
Serbia and Montenegro	62.6	10.3	34.4	14.8	28.2	7.5	122.0
Russia	47.2	7.8	2.6	1.1	44.5	11.9	5.9
Bulgaria	36.5	6.0	8.7	3.7	27.8	7.4	31.1
Italy	31.3	5.2	13.8	5.9	17.5	4.7	78.6
Slovenia	23.8	3.9	3.1	1.3	20.7	5.6	14.9
France	22.2	3.7	12.5	5.4	9.7	2.6	129.6
USA	20.1	3.3	11.1	4.8	9.1	2.4	122.2
Turkey	20.1	3.3	8.5	3.7	11.6	3.1	73.8
Total (10 largest trading partners)	442.2	73.0	180.3	77.6	261.9	70.1	68.8

Source: State Statistical Office of the Republic of Macedonia


**Table 20**

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

	External debt		Credits used		Debt payments	
	31.01.2004	29.02.2004	31.01.2004	29.02.2004	31.01.2004	29.02.2004
<b>Official creditors</b>	<b>1,195.41</b>	<b>1,193.61</b>	<b>22.67</b>	<b>5.61</b>	<b>19.93</b>	<b>10.21</b>
out of which:						
<b>Multilateral</b>	<b>935.44</b>	<b>933.95</b>	<b>22.67</b>	<b>4.74</b>	<b>5.29</b>	<b>8.53</b>
MMF	68.32	64.20	-	-	-	4.29
IBRD	191.64	192.62	13.13	2.50	2.33	2.49
IFC	17.36	16.90	-	-	-	0.55
IDA	366.92	367.76	9.22	1.08	0.17	0.44
EIB	114.39	115.12	-	0.51	0.43	-
EUROFIMA	7.57	7.58	-	-	-	-
Council of EDB	17.23	17.28	-	-	-	0.01
EBRD	32.15	31.81	0.09	0.11	2.05	0.56
EU	111.46	111.76	-	-	0.29	0.20
IFAD	6.99	7.51	0.23	0.54	-	-
European Agency for Reconstruction	1.41	1.41	-	-	0.02	-
<b>Bilateral</b>	<b>259.97</b>	<b>259.65</b>	<b>-</b>	<b>0.87</b>	<b>14.64</b>	<b>1.68</b>
Paris club (rescheduled 1995)	156.90	156.98	-	-	14.18	-
Paris club (rescheduled 2000)	17.90	17.91	-	-	0.00	-
New credits	75.77	75.33	-	0.87	0.46	1.68
Non-rescheduled debt	9.40	9.43	-	-	-	-
<b>Private creditors</b>	<b>571.55</b>	<b>574.32</b>	<b>1.32</b>	<b>3.01</b>	<b>9.57</b>	<b>2.84</b>
out of which:						
<b>London Club of Creditors</b>	<b>238.07</b>	<b>238.07</b>	<b>-</b>	<b>-</b>	<b>7.63</b>	<b>-</b>
<b>Other private creditors</b>	<b>333.48</b>	<b>336.25</b>	<b>1.32</b>	<b>3.01</b>	<b>1.94</b>	<b>3.41</b>
Banks and financial institutions	214.77	217.18	0.93	2.45	0.65	2.45
Enterprises	118.70	119.08	0.39	0.57	1.29	0.65
<b>TOTAL</b>	<b>1,766.96</b>	<b>1,767.93</b>	<b>23.99</b>	<b>8.62</b>	<b>29.50</b>	<b>13.06</b>

Source: National Bank of the Republic of Macedonia

## National Bank of the Republic of Macedonia Balance sheet

**Table 20**

NBRM Balance sheet on February 29, 2004  
(in million Denars)

<b>Assets</b>	<b>Amount</b>	<b>Liabilities</b>	<b>Amount</b>
Foreign assets	44,137	Reserve money	16,577
Claims on Government	3,799	NBRM instruments	4,231
Claims on banks and other financial institutions	78	Restricted deposits	127
Other assets	3,596	Foreign liabilities	3,212
		Government deposits	13,664
		Capital accounts	7,734
		Other liabilities	6,065
<b>Total</b>	<b>51,610</b>	<b>Total</b>	<b>51,610</b>

Source: National Bank of the Republic of Macedonia



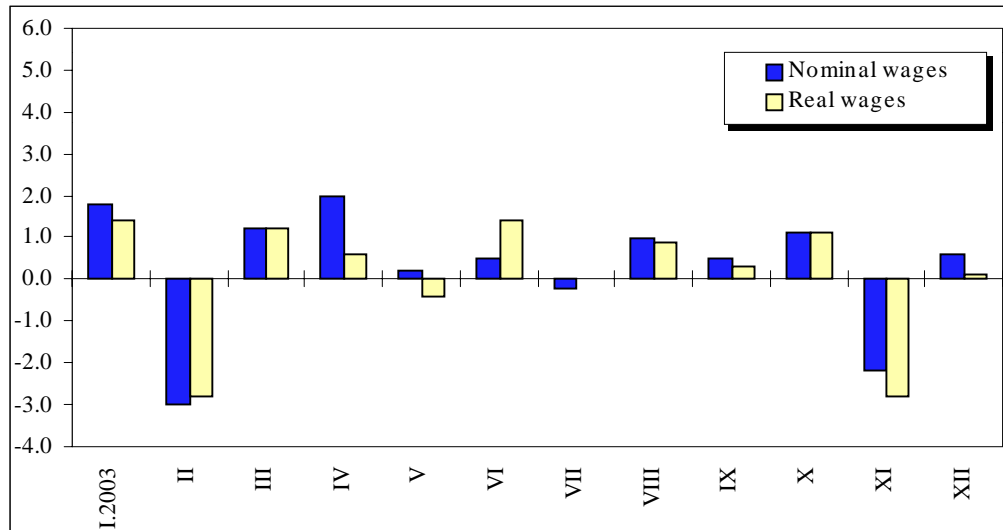
## Appendix No.2

### Economic Developments in the Republic of Macedonia

**Chart 1**

Average net wages

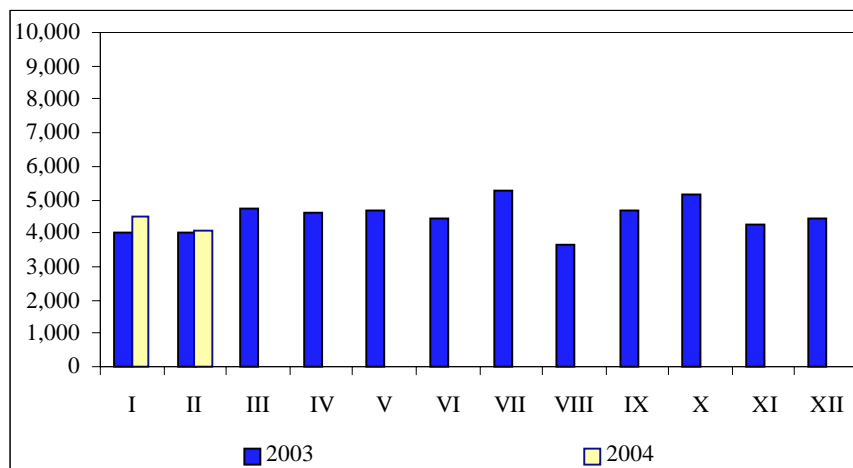
(changes in percent, on previous month)



**Chart 2**

Total Central Government budget revenues

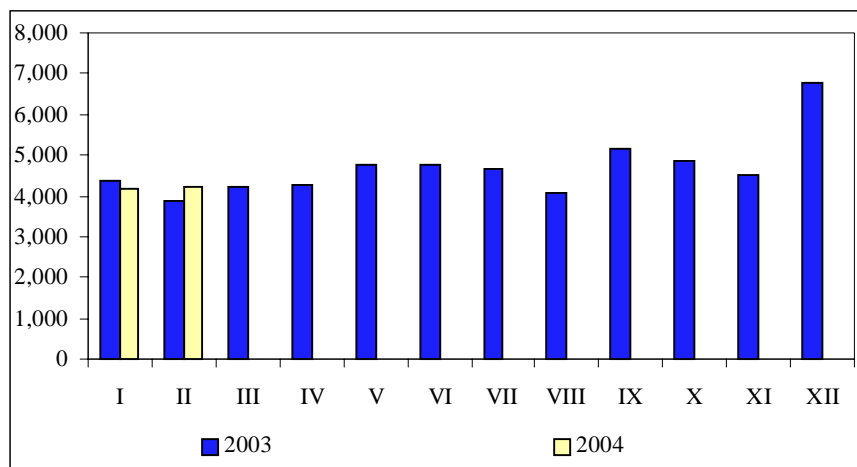
(in Denar million)





**Chart 3**

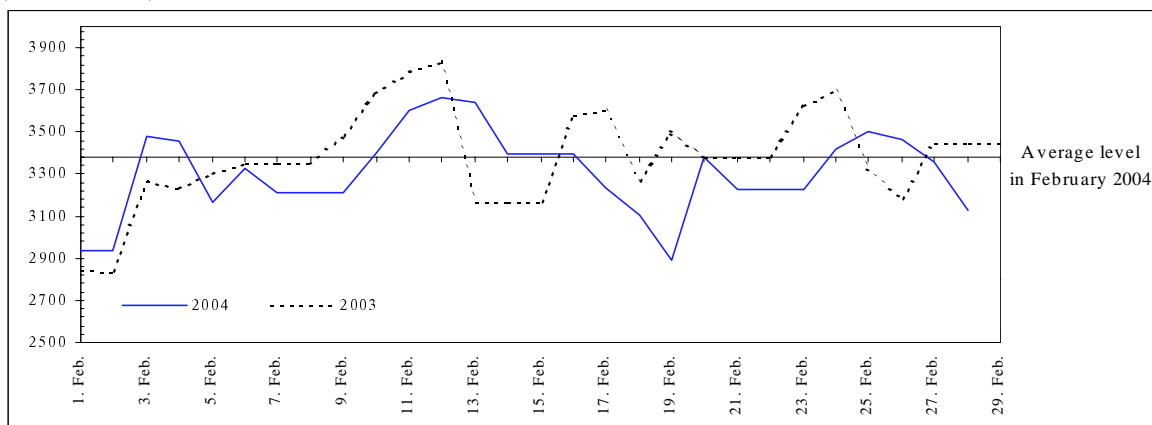
Total Central Government budget expenditures  
(in Denar million)



### Monetary developments in the Republic of Macedonia

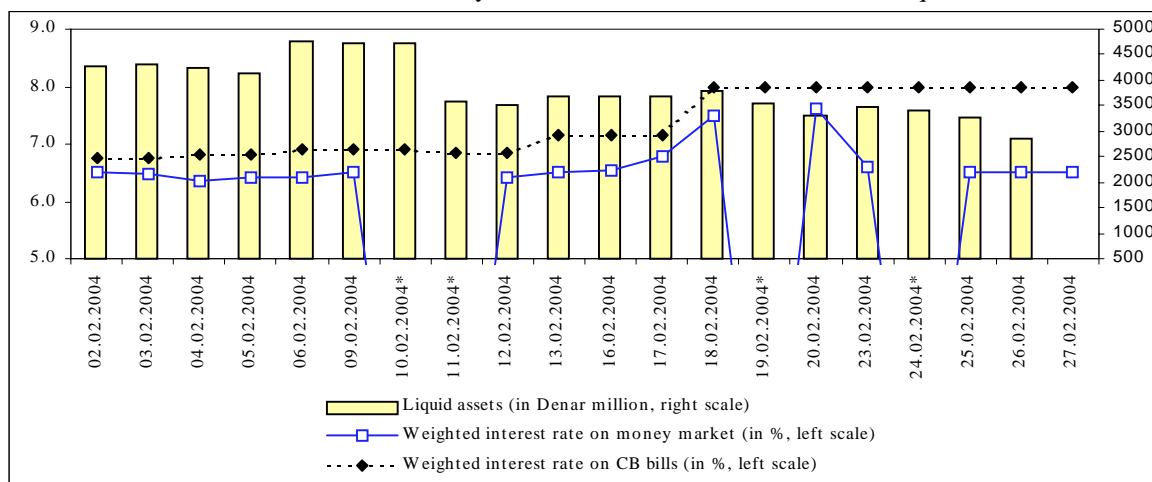
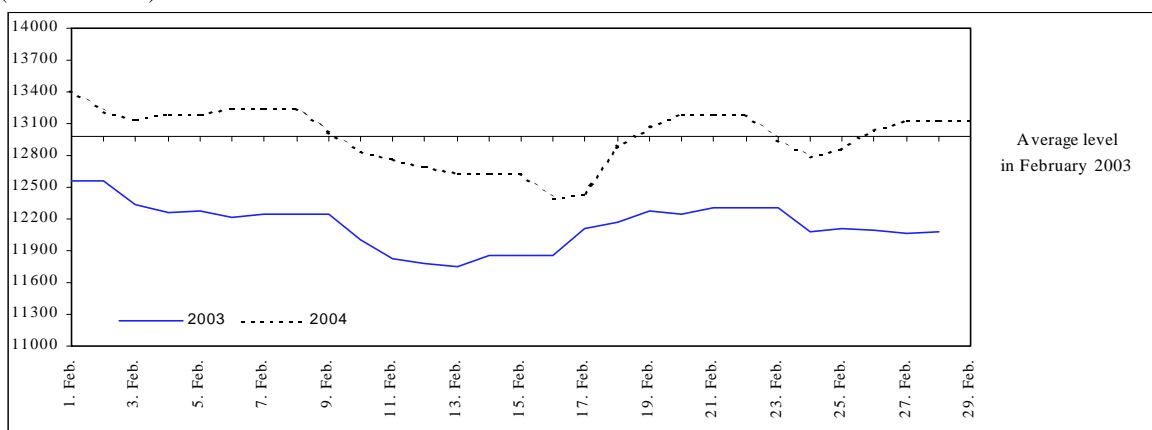
**Chart 4**

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



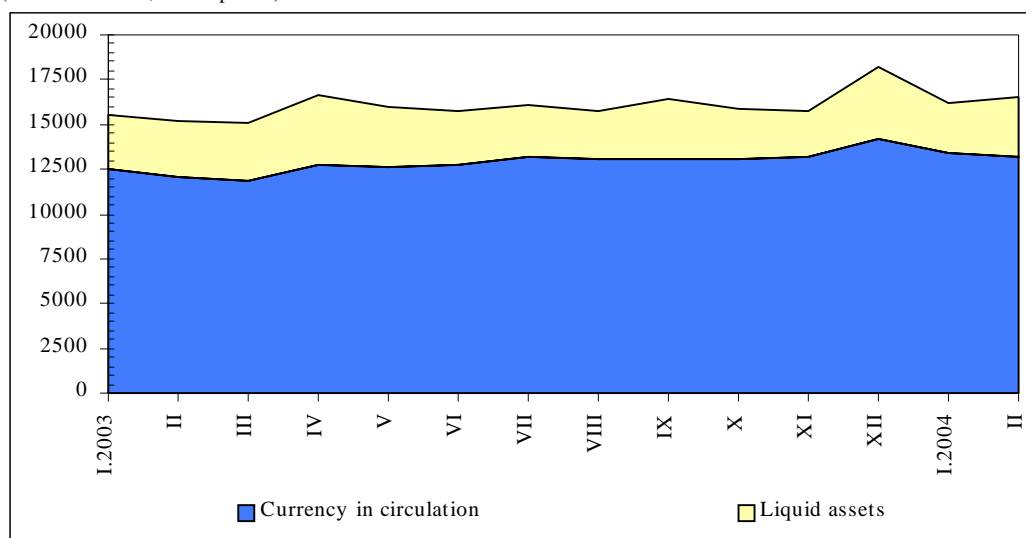
**Chart 5**

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\***

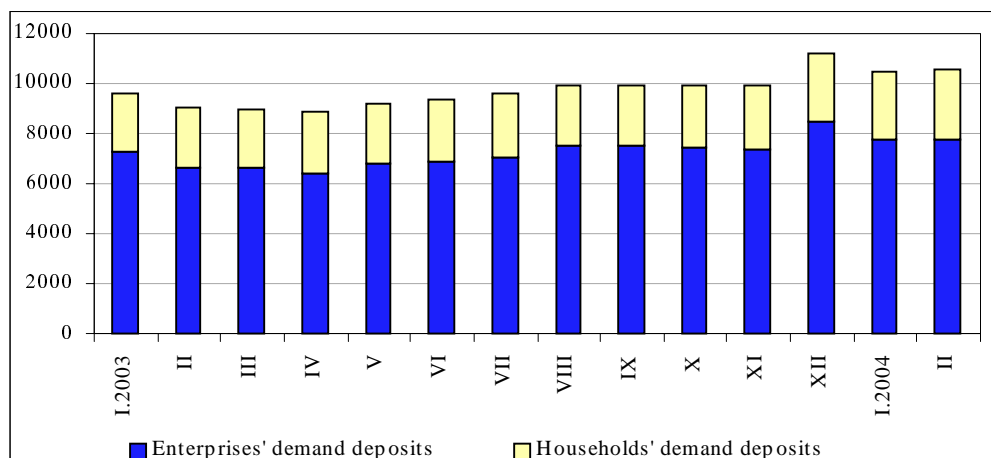
(in Denar million, end of period)



\* 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**

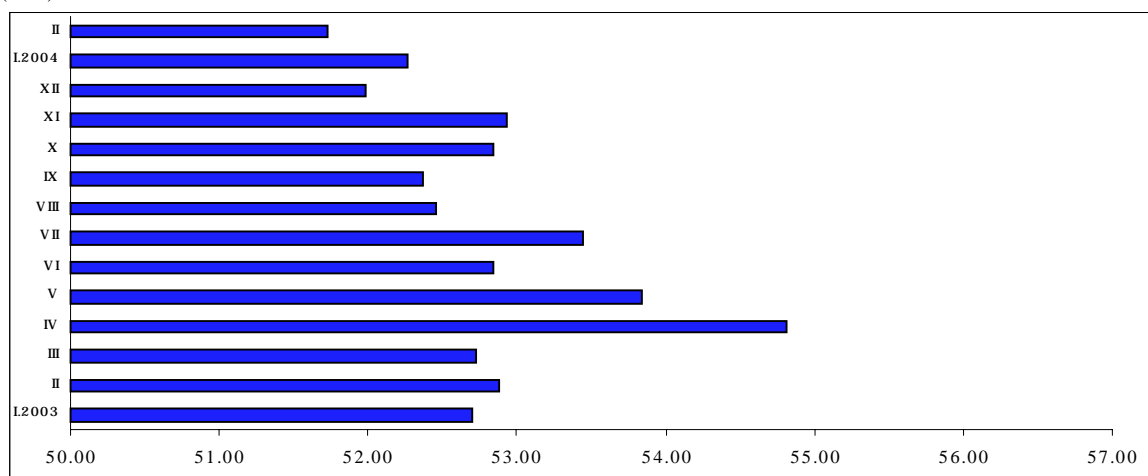
(in Denar million)



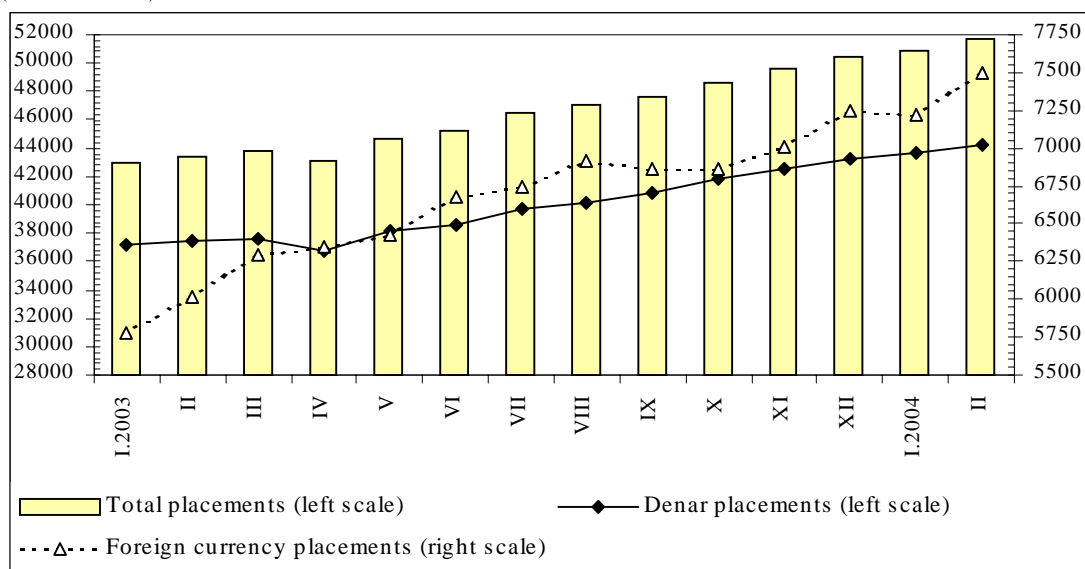


**Chart 9**

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

**Chart 10**

Bank's placements  
(in Denar million)

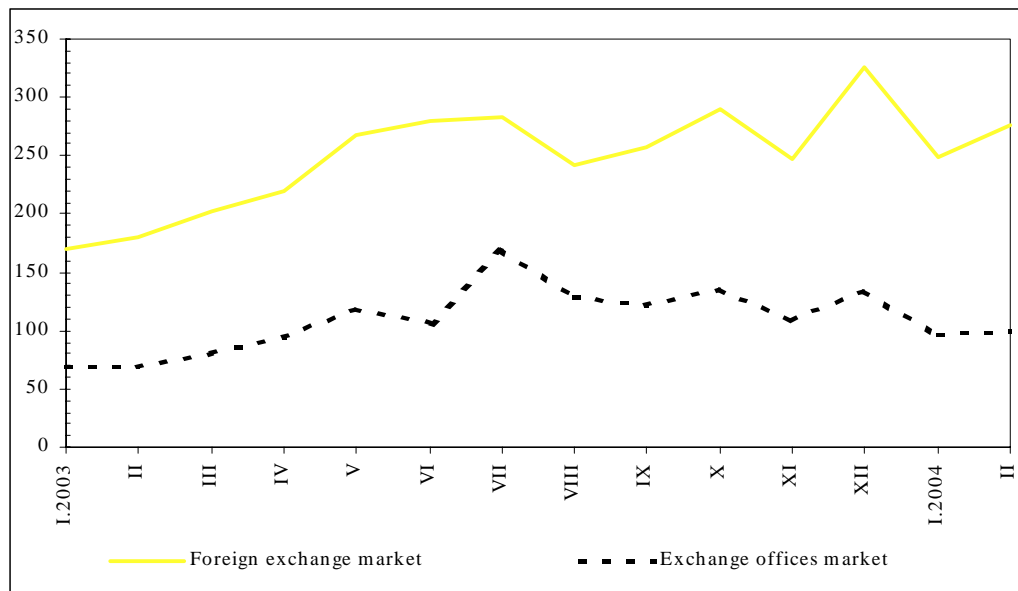




## Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia

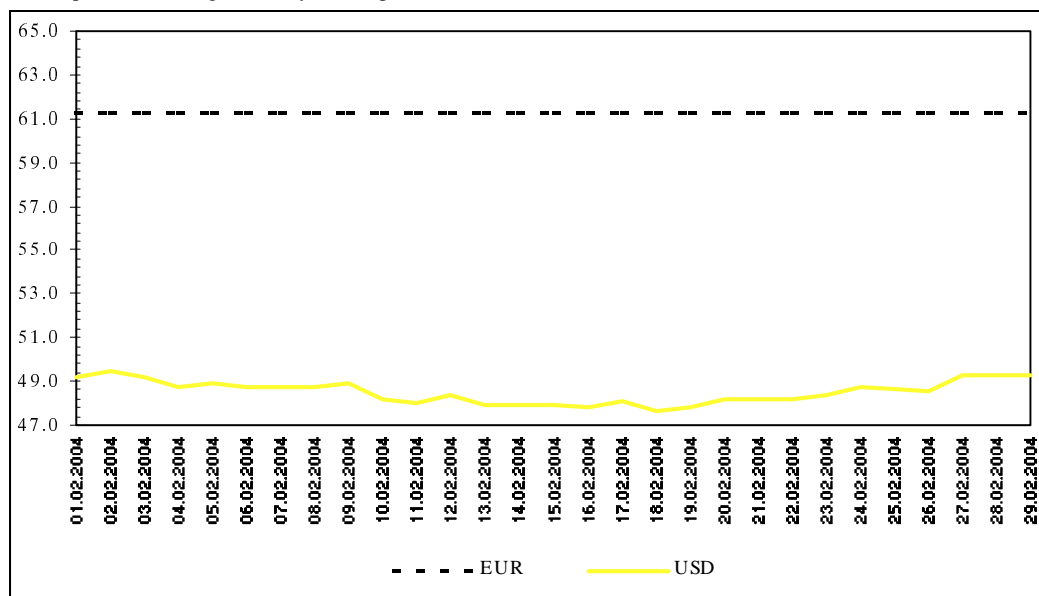
**Chart 11**

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



**Chart 12**

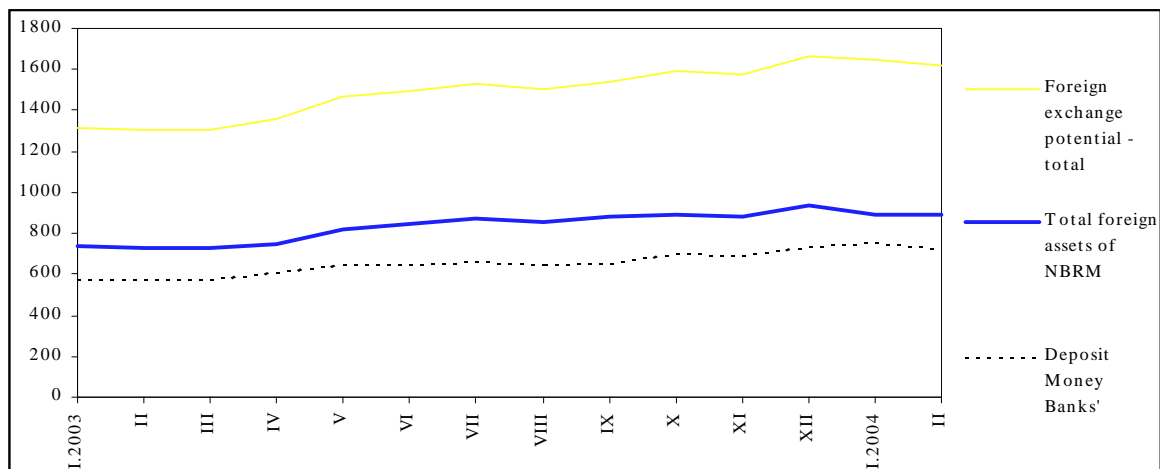
Daily middle exchange rate of the Denar at the exchange offices  
(Denars per unit of foreign currency, end of period)



**Chart 13**

Foreign exchange potential of the Republic of Macedonia

(in US Dollar million)

**Chart 14**

Used credits and serviced liabilities

(in US Dollar million)

