

**National bank  
of the Republic of Macedonia**

**Monthly  
Report**

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

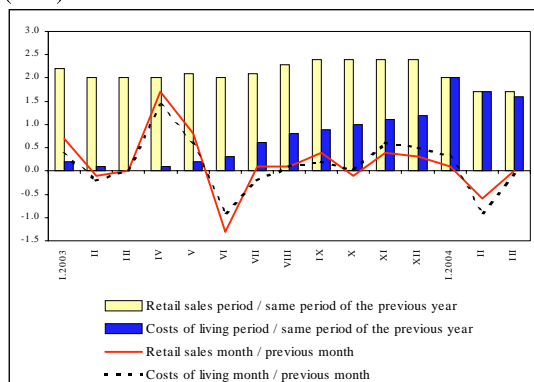
- ❖ *On March 1, the trade in **the third issue of denationalisation bonds** started on the official market of the Macedonian Stock Exchange.*
- ❖ *Three banks and one savings house signed agreements on **using Euro 6.6 million – funds from the credit line of the German KFW Bank**. End users of these credits are private enterprises which have no more than 100 employees, individual entrepreneurs primarily focused on production, agricultural processed goods, service and trade sector. The maximum amount of a single credit amounts to Euro 15 thousand, with maturity of up to three years. The interest rates depend on the use of the credit, the amount and the collateral.*
- ❖ *In the second decade of March 2004, the price of crude oil per barrel on the New York Stock Exchange reached its maximum in the last 13 years. The concern about the effect of the planned decline in the production of crude oil in the OPEC member states on the crude oil delivery to the US oil refineries led to upward trend of the prices. Thus on March 17, the price of 1 barrel of crude oil (delivered in April) reached US Dollar 38.18 per barrel, which is the highest level since 1990.*
- ❖ *On March 8, the Government **Program for Supporting Entrepreneurship and Creating Competitiveness in the Small Businesses in the Republic of Macedonia for 2004** entered into force. This program sets forth the use of a portion of the funds for supporting small-size and medium-size enterprises in the amount of Denar 40 million, provided from the Budget of the Republic of Macedonia.*
- ❖ *The Government of the Republic of Macedonia adopted a Decision on **increasing the prices of oil derivatives, which started to be applied since March 9** (in accordance with the increase in the price of the crude oil on the international markets). The prices of the oil derivatives of the refineries are higher by 8.85% on average, while the retail prices went up by 4.5%.*
- ❖ *Starting from March 17, 2004, the Macedonian firms that export to Italy will be allowed to insure the exports in this country through the **Macedonian Bank for Development Promotion**, which concluded an agreement with the Italian International Insurance Institute (SACE). The agreement allows exchange of information on the financial reliability of the Italian and the Macedonian firms, as well as insurance and reinsurance of the domestic and the Italian exporters of goods and services. At the same time, the agreement also allows insurance of the direct investments of the Italian firms in Macedonia.*
- ❖ *On March 22, the application of the Republic of Macedonia for EU membership was formally submitted in Dublin.*
- ❖ *The Government of the Republic of Macedonia adopted a Decision on **increasing retail prices of oil derivatives, which are higher by 2.24% on average**. The Decision started to be applied on March 23, 2004.*

## I. Economic Developments in the Republic of Macedonia

The divergent movements of the major categories of the *consumer prices* (decrease in the costs of food of 0.3% and increase in the costs of transportation and services of 0.9% due to the increase in the price of oil derivatives), resulted in a minimal rate of deflation of 0.1% in March 2004. The annual and the average rate of inflation (of 1.4% and 1.6%, respectively) were mainly caused by the increase in the costs of services (4.3%).

In March 2004, the *retail prices* retained the level registered in the previous month (given the unchanged prices of the agricultural products). Decrease was registered in the costs of industrial food products (0.5%) and beverages (0.6%), while the prices of the industrial non-food products increased by 0.5%. On annual basis and on average, the consumer prices increased by 1.5% and by 1.7%, respectively.

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

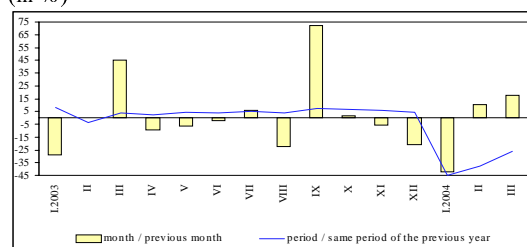


In March 2004, the *prices of the producers of industrial products* increased by 0.8% (on monthly basis), mainly as a result of the increased prices of the producers of energy (by 3.4% caused by the higher prices of the producers of oil derivatives). Observed on annual basis and on average, the prices of the producers of industrial products dropped by 0.9% and 1.5%, respectively, reflecting the decrease in the prices of the producers of energy and non-durable consumption products.

The positive monthly dynamics of the *industrial output* also continued in March 2004 (an increase of 17.5%). High monthly increase is registered in all main groups of industrial products and in all sectors of industry. Thus the industrial output in the sector "mining and quarrying" increased by

60.9%, in the processing industry by 17.4% and in the sector "supply of electricity, gas and water" by 13.3%. Within the processing industry (the share of which in the total output equals 89.9%), almost all branches registered an increased output. Despite the positive monthly dynamics, the annual and the average change in the industrial output are negative (a decrease of 32.9% and 26.1%, respectively). The average decrease is due to the reduced production in all industrial sectors, while the annual decrease is caused by the reduced production in the processing industry and in the sector "mining and quarrying".

Chart 2  
Industrial output  
(in %)



The sale of the agricultural products from the agricultural enterprises' and collectives' own production in February 2004<sup>1</sup> registered a monthly decline of 28.3%. The decrease originates from the significantly lower sale of fodder and roughage, poultry and eggs, alcoholic beverages, livestock, as well as of fruits and grapes. Observed on annual basis and on average, the sale of the agricultural products decreased by 48.8% and by 26.8%, respectively, given the significant drop in the sale of industrial plants.

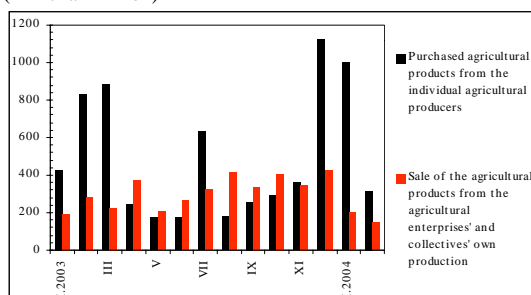
In February 2004<sup>2</sup>, the purchase of the agricultural products from the individual agricultural producers registered a significant monthly decrease of 68.7%. The decrease is mainly due to the lower purchase of industrial plants, leather and wool and other plants, while the purchase of other products registered an increase. On annual basis, the purchase registers a decline (62.6%), while the average change is positive and it equals 4.2%.

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

<sup>2</sup> Last available data of the State Statistical Office



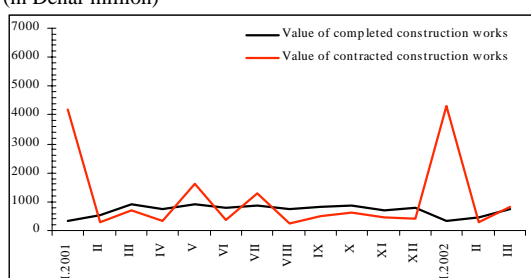
Chart 3  
Sale and purchase of agricultural products  
(in Denar million)



In February 2004<sup>3</sup>, the total trade turnover registered an increase on a monthly basis (11.3%), given the registered increase in the wholesale and retail sale trade turnover (17.4% and 2.5%, respectively). The intensification of the trade activity is registered on annual and on cumulative basis (growth rates of 22.1% and 19.9%, respectively), given the increased volume of trading in the retail sale and the wholesale.

In February 2004<sup>4</sup>, the value of the contracted construction works registered monthly decrease (mainly caused by the high comparison base), while the value of the completed construction works increased by 75%. Observed on annual basis and on average, the value of the contracted construction works was reduced, while the value of the completed construction works increased on annual and on average basis (43.2% and 5.3%, respectively).

Chart 4  
Contracted and completed construction works  
(in Denar million)

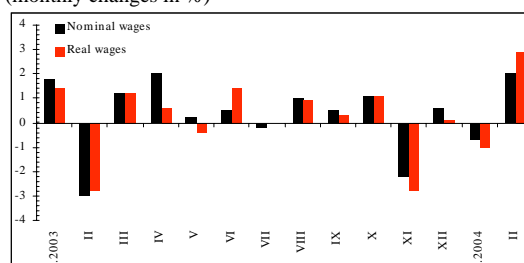


In February 2004<sup>5</sup>, the total number of employed persons in the Republic of Macedonia remained almost unchanged. In certain activities (in the processing industry, wholesale and retail sale, hotels and restaurants, and in education), the number of employed persons increased. The largest share in the total employment accounts for

the processing industry (31.3%) and education (10.5%). The wholesale and retail sale employ 7.5% of the total number of employees. Observed on annual basis and on average, the number of employed persons decreased by 3.9% and by 3.8%, respectively, given the registered decrease in the employment in almost all activities.

The nominal average net paid wage per worker in February 2004<sup>6</sup> equaled Denar 12,102, which is an increase in nominal and in real terms of 2% and 2.9%, respectively. Analyzed on annual basis and on average, the average nominal wage increased by 6.1% and by 3.5%, respectively, given the increase in the wages in agriculture, industry and in the sector "services".

Chart 5  
Average net wage per employee  
(monthly changes in %)



In February 2004<sup>7</sup>, the number of employees that did not receive wage represents 22.5% of the total number of employed persons (which is a decrease of 0.5 percentage points compared to the previous month).

The higher amount of public revenues, compared to the realized public expenditures in March 2004 resulted in a positive balance in the consolidated budget<sup>8</sup>. In March 2004, the public revenues in the Republic of Macedonia equaled Denar 8,233 million, which is an increase of 27.6% compared to the previous month. Amount of Denar 5,538 million are revenues of the central budget, which is an increase of 36.5% in comparison with the previous month (given the increase in the revenues in all main revenue categories). The non-tax revenues registered the highest increase, mainly as a result of the increased inflow originating from dividends. The high monthly amount of the non-tax revenues caused an increase of their structural share in the total revenue structure of 12.5 percentage points. The tax revenues (as the most important revenue category the share of which in the total revenue

<sup>3</sup> Last available data of the State Statistical Office

<sup>4</sup> Last available data of the State Statistical Office

<sup>5</sup> Last available data of the State Statistical Office

<sup>6</sup> Last available data of the State Statistical Office

<sup>7</sup> Last available data of the State Statistical Office

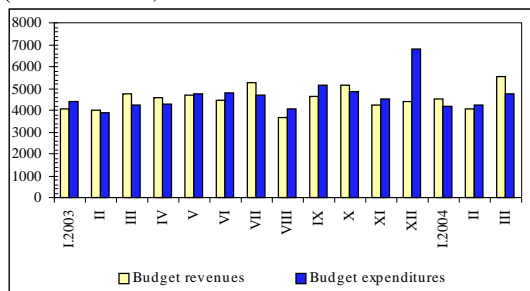
<sup>8</sup> Consolidated central budget and budget of the funds



structure equals 82.5%) registered monthly increase of 18.1%. Higher amount of revenues was registered in almost all taxes, with the highest increase being recorded in the revenues originating from the profit tax (72.7%). The capital revenues registered a significant monthly increase of 81%.

Chart 6

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



In March 2004, the public expenditures amounted to Denar 7,515 million, which is an increase of 12.2% on a monthly basis. Denar 4,741 represent expenditures of the central budget, which is by 12.6% more compared to the previous month. The increase in the budget expenditures is due to the simultaneous increase in the current and capital expenditures. Namely, the current expenditures (the share of which in the total expenditure structure equals 90.9%) increased by 6.1%, which is due to the increased costs in all categories. More significant increase was registered in the capital expenditures, which also increased their structural share in the total expenditure structure by 5.6 percentage points.

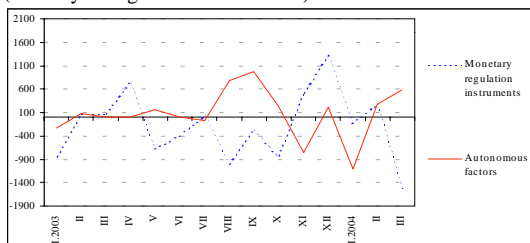
## II. Monetary developments in the Republic of Macedonia

The monetary regulation instruments and the NBRM direct interventions on the foreign exchange market in March 2004, contributed towards maintaining of the exchange rate stability and low inflation rate.

In March 2004, the liquidity of the banking system rose by Denar 273.9 million (or by 8.1%) on monthly basis, with the average daily liquidity amounting to Denar 3,655.7 million. The excess liquid funds (over the compulsory reserve requirement<sup>1</sup>) registered minimum monthly drop and equaled 18.9%.

Chart 7

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 March 2004 (same as in the preceding month), the NBRM intervened on the foreign exchange market by a net purchase of foreign exchange. Thus the NBRM foreign exchange transactions were directed towards liquidity creation.

The total Government Denar deposits with the NBRM were by 31.2% higher on a monthly basis in March 2004, thus acting toward withdrawing liquidity. Such cumulation of funds corresponds with the higher amount of outflow planned for the following month due to the payment of the regular instalment of a part of the Government bonds for the old foreign exchange savings. Additional inflows in the amount of Denar 226 million were generated on the basis of the issued Treasury bills (with the average interest rate equalling 8.8%).

The modified CB bills layout<sup>2</sup> (as a basic monetary regulation instrument) resulted in higher interest in investing in CB bills. Thus, on March 31, 2004, the amount of CB bills reached Denar 5,751 million. Thus additional liquidity of Denar 1,520 million was withdrawn through the CB bills.

<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.

<sup>2</sup> On February 18, 2004, the NBRM switched to "volume tender" auction (with unrestricted amount and fixed interest rate), thus introducing CB bills with 7 days of maturity. The interest rate on the CB bills with 7 and 28 days of maturity equals 5% and 8%, respectively.



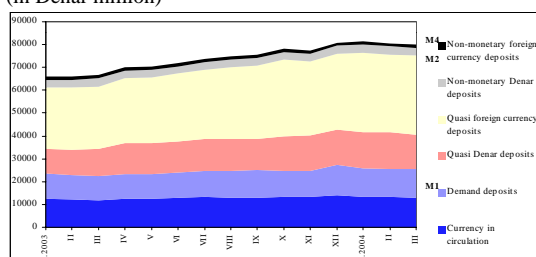
In March, the turnover on the institutionalised money market registered intensive monthly fall of 49.6%, thus reducing to Denar 674 million. The average weighted interest rate remained unchanged compared to the preceding month (6.5%). The turnover on the non-institutionalised money market (bilateral trade of the banks) equalled Denar 878 million, registering a monthly decline of 30.3%.

The downward trend of the demand for currency in circulation continued in March 2004. The level of currency in circulation was lower by 218 million or by 1.7% in March compared to February. The daily pace of the currency in circulation was under the influence of the seasonal factors, with the average level of currency in circulation being almost identical with the preceding month.

The lower liquidity of the banks and the lower demand for currency in circulation resulted in a monthly decrease in the reserve money of 6.9%.

The lower demand for currency in circulation and the total deposit potential of the banking sector determined the monthly dynamics of the monetary aggregates.

Chart 8  
Components of the monetary aggregates  
(in Denar million)

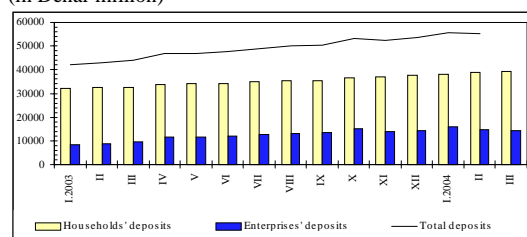


The lower level of currency in circulation, given the minimum increase in the demand deposits, resulted in a monthly fall of the money supply M1 of 0.6%. The more intensive decrease in the money supply relative to the fall in the money supply M1 resulted in an increase in the money multiplier to 1.64 compared to 1.54 in February.

The dynamics of the money supply M1, combined with the lower short-term deposit potential caused a decline in the monetary aggregate M2 of 0.7%. The growth in the long-term deposit potential resulted in more moderate decline in the monetary aggregate M4 of 0.4%. In March, the multipliers of the monetary aggregates M2 and M4 equalled 4.87 and 5.20, respectively (4.56 and 4.86 in the previous month)

In March 2004, the banks' deposit potential<sup>3</sup> registered minimum fall compared to the previous month (of 0.3%). The lower level of the deposits of the non-government sector was due to the decline in the short-term Denar deposits, whereas the foreign exchange deposits went up on monthly basis. Analysing by maturity, the short-term deposits further dominate (90.8%). The analysis of the structure of currency of denomination indicates dominant share of the foreign exchange deposits of 66%. On annual basis, the total deposit potential of the banks is by 24.5% higher.

Chart 9  
Deposit timeframes  
(in Denar million)



In March, the total households' deposits went up by 0.8% compared to the preceding month, given the increase in all deposit categories (from the aspect of the maturity and the currency of denomination). The structure of the households' deposits registered negative developments. Thus the share of the short-term and the foreign exchange deposits picked up. The annual growth rate of the households' total deposits equalled 19.5%, in March, 2004.

The enterprises' deposits were by 3.3% lower on monthly basis, primarily as a result of the lower level of short-term Denar deposits (with a maturity of up to three months). On the other hand, an increase was registered in the foreign exchange sight deposits and the restricted deposits. On annual basis, the total enterprises' deposits went up by 45.4%.

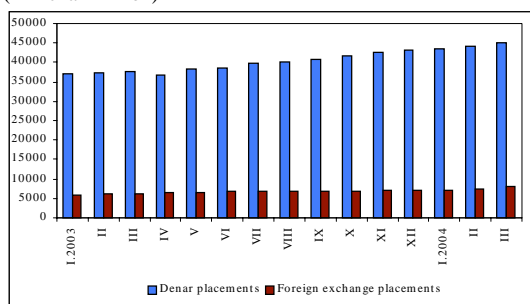
The continuous upward trend of the banks' placements to the private sector (which started in May 2003) continued in March 2004, partially reflecting the permanent decrease in the price of the credits and the enhancing of the banks' deposit base. Such movements are proper support for achieving more dynamical economic growth.

<sup>3</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).





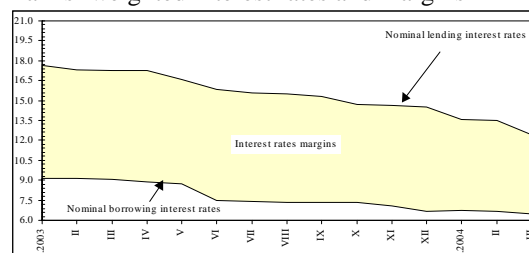
Chart 10  
Banks' placements  
(in Denar million)



The total banks' placements to the private sector equaled Denar 53,004 on March 31, 2004, which is by Denar 1,243 million (or by 2.4%) higher compared to the end of the preceding month. More intensive growth was registered in the foreign exchange placements (5.1%), and the increase in the Denar placements equaled 1.9%. Analyzing by the maturity of the placements, the increase in the Denar placements was generated by the simultaneously higher level of short-term and long-term placements. The higher placements in foreign currency result from the higher placements extended on a long run, whereas the short-term foreign exchange placements slightly decreased.

In March 2004, considerable positive changes were registered in the *banks' interest rate policy*. Thus the average weighted lending interest rate on the short-term Denar placements of the banks reduced by 1.1 percentage point and equaled 12.5%, while the average weighted deposit interest rate (on three-month Denar deposits) dropped by 0.2 percentage points and equaled 6.5%. The more intensive fall in the lending interest rates resulted in positive change in the interest rates margin, i.e. it reduced by 0.9 percentage points (thus reducing to under 6 percentage points for the first time ever).

Chart 11  
Banks' weighted interest rates and margins\*

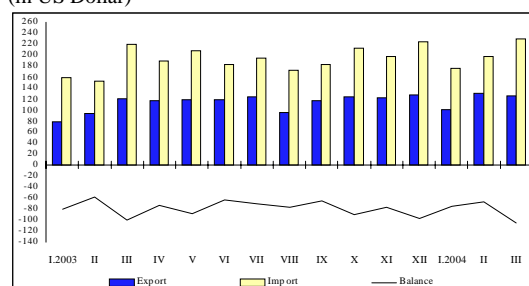


\* Pertain to Denar credits and deposits.

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

In March 2004, the *foreign trade*<sup>1</sup> of the Republic of Macedonia registered a monthly increase of 8.5%, and equaled Denar 356.9 million. However, negative movements in the structure of the total trade were registered (an increase in the imports of 32.7% and a decrease in the exports of 3.5%), which resulted in a significant increase in the trade deficit of 55.7%. The increase in the imports is a result of the increased import of oil (by 66.4%) and goods for further processing (by 11.5%), which are also the two categories of highest importance (the structural share of which equals 15.6% and 15.9%, respectively). Regarding the imports, an intensive drop (of 71.8%) was registered in the export of tobacco. On annual basis, the exports and the imports increased by 4.9% and 4.6%, respectively.

Chart 12  
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 indicate continuous dominant share of Germany, Greece and Serbia and Montenegro (in both the exports and the imports). Among other countries, more significant share in the imports accounts for the import from Russia, mainly due to the import of oil.

In March 2004, the total turnover on the foreign exchange market reached US Dollar 316.8

<sup>1</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





million, which is a monthly increase of US Dollar 41.4 million, having in mind the increased turnover on the foreign exchange market with the banks and with the NBRM. Despite the broadening of the gap between the demand for and the supply of foreign exchange in the transactions between the banks and the enterprises (increased demand by the enterprises), the interventions of the NBRM on the foreign exchange market acted towards a net purchase of foreign exchange. At the end of March 2004, Denar 61.30 were traded per one Euro on the foreign exchange market, which is almost the same level relative to the previous month. On the other hand, relative to the US Dollar, the Denar depreciated by 2.1% on a monthly basis (on March 31, 2004, Denar 50.30 were traded per one US Dollar). The correlation between the Denar and the US Dollar depends on the movements between the US Dollar and the Euro on the international stock exchanges. Thus on March 26, 2004 the Euro registered an annual minimum (for this year) against the US Dollar (it was traded below the level of US Dollar 1.2056 per one Euro on the international stock exchanges) which is mainly due to the increased confidence of the consumers and the personal consumption in the USA<sup>2</sup>. However, compared to March 2003, the value of the Denar relative to the US Dollar increased by 11.9%.

Total trade turnover in the amount of US Dollar 108.1 million was registered on *the exchange offices market*, which is a monthly increase of 8.5%. The supply exceeded the demand by US Dollar 34.4 million. Thus the average Denar exchange rate against the Euro on the exchange offices market equaled Denar 61.52 per one Euro (almost unchanged compared to February), while relative to the US Dollar<sup>3</sup> the Denar registered monthly depreciation of 3% (on average, in March 2004, Denar 49.32 were traded per one US Dollar). The average monthly Denar exchange rate relative to the Euro on the exchange offices market remained almost unchanged compared to December 2003, while relative to the US Dollar, the Denar depreciated by 0.2%.

In March 2004, *the total foreign exchange potential* of the Republic of Macedonia registered a monthly decrease of US Dollar 13.6 million and it was reduced to US Dollar 1,609.5 million. This is due to the reduced total foreign assets with the banks (by US Dollar 30.6%), given the increase in

the gross foreign reserves of the NBRM of US Dollar 18.3 million. Thus the gross foreign reserves of the NBRM reached US Dollar 901.9 million mainly as a result of the realized net purchase of foreign assets from commercial banks, as well as of the inflows on the basis of interest on deposited foreign assets with foreign banks.

At the end of March 2004, the external debt of the Republic of Macedonia based on long-term credits equaled US Dollar 1,737 million, which is a decrease of 1% compared to the previous month. The funds used on the basis of long-term credits equaled US Dollar 10.5 million (and primarily refer to the funds withdrawn from the EIB). The total amount of repaid funds equaled US Dollar 19 million, US Dollar 9.5 million of which were repaid to the official creditors (US Dollar 4.4 million to the multilateral creditors, and US Dollar 5 million to the bilateral ones).

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<sup>2</sup> Source: Raiffeisenbank Austria dd Zagreb

<sup>3</sup> The authentic data are taken from the exchange rate list for the exchange offices operations of the NBRM.

**Appendix No.1****Economic Developments in the Republic of Macedonia****Table 1**  
Costs of living

	<u>III.2004</u> <u>II.2004</u>	<u>III.2004</u> <u>III.2003</u> in %	<u>I-III.2004</u> <u>I-III.2003</u>
<b>Costs of living</b>	<b>-0.1</b>	<b>1.4</b>	<b>1.6</b>
Food	-0.3	-0.7	-0.2
Tobacco and beverages	-0.1	1.7	2.2
Clothing and footwear	-0.7	1.4	2.2
Housing	-0.4	4.3	4.5
Flat (rent, water, services)	-2.3	0.4	1.8
Fuel and lighting	0.1	5.6	5.6
Hygiene	-0.2	6.2	6.4
Culture and entertainment	1.0	3.0	2.5
Transport, communications, services	0.9	2.1	1.5
<i>Goods</i>	<i>-0.1</i>	<i>0.7</i>	<i>1.0</i>
<i>Services</i>	<i>-0.1</i>	<i>5.0</i>	<i>4.9</i>

Source: State Statistical Office of the Republic of Macedonia

**Table 2**  
Retail prices

	<u>III.2004</u> <u>II.2004</u>	<u>III.2004</u> <u>III.2003</u> in %	<u>I-III.2004</u> <u>I-III.2003</u>
<b>Retail prices</b>	<b>0.0</b>	<b>1.5</b>	<b>1.7</b>
Agricultural products	0.0	2.1	2.6
Non-food industrial products	0.5	1.3	1.1
Processed food products	-0.5	-2.9	-2.1
Beverages	-0.6	-3.1	-0.5
<i>Goods</i>	<i>0.2</i>	<i>0.2</i>	<i>0.4</i>
<i>Services</i>	<i>-0.2</i>	<i>4.3</i>	<i>4.3</i>

Source: State Statistical Office of the Republic of Macedonia



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

	<u>III.2004</u> <u>II.2004</u>	<u>III.2004</u> <u>III.2003</u>	<u>I-III.2004</u> <u>I-III.2003</u>
	in %		
<b>Prices of producers of industrial products</b>	<b>0.8</b>	<b>-0.9</b>	<b>-1.5</b>
Energy	3.4	-4.7	-6.4
Intermediary goods (except Energy)	0.3	3.5	2.9
Capital goods	0.0	-1.8	-1.9
Durable consumer goods	0.0	0.0	0.0
Non durable consumer goods	-0.2	-3.4	-3.1
<i>Mining and quarrying</i>	<i>0.0</i>	<i>0.6</i>	<i>0.6</i>
<i>Manufacturing industry</i>	<i>1.0</i>	<i>-1.1</i>	<i>-1.9</i>
Manufacture of food products and beverages	-0.1	-3.6	-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	10.0	-32.1	-16.6
Manufacture of chemicals and chemical products	0.0	0.0	0.0
Manufacture of other non-metallic mineral products	0.0	0.1	-0.3
Manufacture of basic metals	0.0	2.4	2.5
Manufacture of electrical machinery and apparatus n.e.c.	0.8	13.3	11.0
<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**  
Consumers' basket for food and beverages\*

	Amounts			Monthly changes			Annual changes		
	I.2004	II.2004	III.2004	<u>I.2004</u> <u>XII.2003</u>	<u>II.2004</u> <u>I.2004</u>	<u>III.2004</u> <u>II.2004</u>	<u>I.2004</u> <u>I.2003</u>	<u>II.2004</u> <u>II.2003</u>	<u>III.2004</u> <u>III.2003</u>
	in Denar			in %					
<b>Total</b>	<b>10,440</b>	<b>10,279</b>	<b>10,233</b>	<b>0.7</b>	<b>-1.5</b>	<b>-0.4</b>	<b>1.7</b>	<b>0.4</b>	<b>0.1</b>
Cereal and cereal products	1,988	1,986	1,971	1.0	-0.1	-0.8	-0.9	-0.9	-1.7
Vegetables, fresh and processed	1,581	1,551	1,491	4.9	-1.9	-3.9	18.3	13.0	7.4
Fruit, fresh and processed	729	700	715	-2.7	-4.0	2.1	-0.8	-4.9	-1.2
Meat, fresh and processed	2,354	2,315	2,314	0.1	-1.7	0.0	-1.4	-2.1	-1.6
Fats	402	396	395	-1.0	-1.5	-0.3	-2.0	-3.4	-3.4
Milk and dairy products	1,649	1,629	1,652	0.5	-1.2	1.4	-1.7	-0.7	1.2
Other food products	1,737	1,702	1,695	-0.6	-2.0	-0.4	1.7	-0.6	-1.1

\* All products in "food and beverages" category, which compose the basket, are taken as average monthly needs of a four-member non-agricultural household, and that list of products is constant (same products – same quantities), during a one year period.

Source: State Statistical Office of the Republic of Macedonia



**Table 5**  
Industrial output

	Structure in %	<u>III.2004</u> II.2004	<u>III.2004</u> III.2003 in %	<u>I-III.2004</u> I-III.2003
<b>Total</b>	<b>100.0</b>	<b>17.5</b>	<b>-32.9</b>	<b>-26.1</b>
Energy		20.2	-18.0	-1.5
Intermediary goods (except Energy)		10.2	-59.2	-47.9
Capital goods		17.9	-64.1	-50.1
Durable consumer goods		30.5	-65.5	-55.8
Non durable consumer goods		23.6	35.7	7.2
<i>Mining and quarrying</i>	3.2	60.9	-49.0	-62.4
<i>Manufacturing industry</i>	89.9	17.4	-35.0	-27.1
Manufacture of food products and beverages	24.9	3.8	34.2	6.1
Manufacture of tobacco products	5.0	45.2	-20.5	-15.0
Manufacture of textiles	4.3	1.0	-22.2	-35.1
Manufacture of wearing apparel; dressing and dyeing of fur	4.5	15.5	10.1	-3.1
Manufacture of coke, refined petroleum products and nuclear fuel	7.0	37.5	-42.3	-13.8
Manufacture of chemicals and chemical products	7.2	3.0	-40.9	-22.4
Manufacture of other non-metallic mineral products	4.6	76.8	-17.7	-24.9
Manufacture of basic metals	16.4	-2.1	-78.8	-66.5
Manufacture of electrical machinery and apparatus n.e.c.	4.0	-8.5	-66.4	-63.9
<i>Electricity, gas and water supply</i>	6.9	13.3	0.4	-3.9

Source: State Statistical Office of the Republic of Macedonia

**Table 6**  
Average net wages

	II.2004	I-II.2004	<u>II.2004</u> I.2004	<u>II.2004</u> II.2003 in %	<u>I-II.2004</u> I-II.2003
	in denars				
<b>Nominal average net wage per worker</b>	<b>12,102</b>	<b>11,983</b>	<b>2.0</b>	<b>6.1</b>	<b>3.5</b>
Costs of living			-0.9	1.4	1.7
<b>Real average net wage per worker</b>			<b>2.9</b>	<b>4.6</b>	<b>1.8</b>
<b>Nominal average net wage by sectors</b>					
Agriculture	9,075	9,372	-13.4	22.6	9.1
Industry	11,703	11,937	-4.1	4.6	3.3
Services	13,674	13,677	0.0	3.8	2.6

Source: State Statistical Office of the Republic of Macedonia



**Table 7**  
Central Government Budget

	March 2004			January-March 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>5,538</b>	<b>36.5</b>	<b>100.0</b>	<b>14,102</b>	<b>10.3</b>	<b>100.0</b>
<i>Tax revenues:</i>	<i>4,569</i>	<i>18.1</i>	<i>82.5</i>	<i>12,556</i>	<i>5.7</i>	<i>89.0</i>
- personal income tax	657	14.1	11.9	1,738	3.6	12.3
- profit tax	518	72.7	9.4	958	-19.3	6.8
- value added tax	2,016	4.7	36.4	6,103	25.3	43.3
- excises	830	30.9	15.0	2,349	0.8	16.7
- custom duties	499	31.3	9.0	1,228	-25.8	8.7
- other	49	-7.5	0.9	180	13.2	1.3
<i>Non-tax revenues:</i>	<i>893</i>	<i>6.1 times</i>	<i>16.1</i>	<i>1,371</i>	<i>77.4</i>	<i>9.7</i>
- inflows from state property dividends	725	-	13.1	793	5.9 times	5.6
- administrative taxes and fees	137	11.4	2.5	358	15.1	2.5
- other administrative taxes	24	20.0	0.4	64	52.4	0.5
- other non-tax revenues	7	75.0	0.1	156	-45.3	1.1
<i>Capital revenues</i>	<i>76</i>	<i>81.0</i>	<i>1.4</i>	<i>175</i>	<i>27.7</i>	<i>1.2</i>
<b>Total budget expenditures</b>	<b>4,741</b>	<b>12.6</b>	<b>100.0</b>	<b>13,100</b>	<b>5.2</b>	<b>100.0</b>
<i>Current expenditures</i>	<i>4,311</i>	<i>6.1</i>	<i>90.9</i>	<i>12,415</i>	<i>5.7</i>	<i>94.8</i>
- wages and salaries	1,761	6.4	37.1	5,135	3.7	39.2
- goods and services	676	3.8	14.3	1,797	35.3	13.7
- transfers	1,740	6.5	36.7	4,924	10.9	37.6
- interest	134	42.6	2.8	531	-31.4	4.1
<i>Capital expenditures</i>	<i>430</i>	<i>3.0 times</i>	<i>9.1</i>	<i>685</i>	<i>52.2</i>	<i>5.2</i>
<b>Budget balance</b>	<b>797</b>					

Source: Ministry of Finance

**Table 8**  
Total revenues and expenditures of the budget funds

	March, 2004				January - March, 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	4,460	10.2	4,471	7.8	12,077	7.1	12,373	11.2
- pension and disability insurance	2,474	7.2	2,581	8.6	6,847	2.0	7,128	8.3
- health insurance	1,385	22.7	1,273	9.6	3,455	11.4	3,449	12.7
- employment	601	-1.6	617	1.3	1,775	21.2	1,796	21.3
Road Fund	476	4.4 times	465	4.5 times	694	26.4	673	42.7

Source: National Bank of the Republic of Macedonia

## Monetary developments in the Republic of Macedonia

**Table 9**  
Reserve money

	31.03.2004 (in Denar million)	Monthly changes (in Denar million)	Annual changes (in %)	Monthly changes (in Denar million)	Annual changes (in %)
Reserve money	15,434	-1,143	-6.9	-1,188	-7.1
Currency in circulation	12,953	-218	-1.7	230	1.8
Banks liquidity	2,481	-925	-27.2	-1,418	-36.4

Source: National Bank of the Republic of Macedonia


**Table 10**

Reserve money creation and withdrawal

	31.03.2003
	monthly changes in
	Denar million
<b>Bank liquidity</b>	<b>-925</b>
<b>Liquidity creation</b>	<b>1,779</b>
1. Net foreign assets	1,578
2. Currency in circulation	218
3. Other	-17
<b>Liquidity withdrawal</b>	<b>-2,704</b>
1. Net domestic assets	-1,184
2. CB' Bills auctions	-1,520

Source: National Bank of the Republic of Macedonia

**Table 11**

Money supply M1 and its components

	31.03.2004	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
<b>Money supply M1</b>	25,313	-150	-0.6	2,819	12.5
<b>Currency in circulation</b>	12,953	-218	-1.7	1,092	9.2
<b>Demand deposits</b>	12,360	68	0.6	1,727	16.2
- Demand deposits of households	2,719	-83	-3.0	298	12.3
- Demand deposits of enterprises	7,814	69	0.9	1,167	17.6

Source: National Bank of the Republic of Macedonia

**Table 12**

Broader monetary aggregates and their components

	31.03.2004	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
<b>Money supply M1</b>	25,313	-150	-0.6	2,819	12.5
<b>Denar short - term deposits</b>	15,173	-997	-6.2	3,489	29.9
<b>Monetary aggregate M2 - denar component</b>	40,486	-1,147	-2.8	6,308	18.5
<b>Foreign currency short - term deposits</b>	34,655	618	1.8	7,114	25.8
<b>Monetary aggregate M2</b>	75,141	-529	-0.7	13,422	21.7
<b>Non - monetary deposits</b>	5,066	188	3.9	198	4.1
- In Denar	3,507	14	0.4	-48	-1.4
- In foreign currency	1,559	174	12.6	246	18.7
<b>Monetary aggregate M4</b>	80,207	-341	-0.4	13,620	20.5

Source: National Bank of the Republic of Macedonia


**Table 13**

Total deposits of the non-government sector

	<b>31.03.2004</b>	<b>monthly changes</b>		<b>annual changes</b>		<b>structure</b>
	in Denar million	in Denar million	in %	in Denar million	in %	in %
<b>Total deposits</b>	54,894	-191	-0.3	10,801	24.5	
<b>1. According to maturity</b>						100,0
- short-term	49,828	-379	-0.8	10,603	27.0	90.8
- long-term	5,066	188	3.9	198	4.1	9.2
<b>2. According to currency of denomination</b>						100,0
- In denar	18,680	-983	-5.0	3,441	22.6	34.0
- In foreign currency	36,214	792	2.2	7,360	25.5	66.0

Source: National Bank of the Republic of Macedonia

**Table 14**

Households and enterprises deposits

	<b>31.03.2004</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>	39,165	295	0.8	6,404	19.5
<b>1. According to maturity</b>					
- short-term	36,186	283	0.8	6,509	21.9
- long-term	2,979	12	0.4	-105	-3.4
<b>2. According to currency of denomination</b>					
- In denar	10,520	18	0.2	2,756	35.5
- In foreign currency	28,645	277	1.0	3,648	14.6
<b>Total enterprises deposits</b>	14,153	-480	-3.3	4,418	45.4
<b>1. According to maturity</b>					
- short-term	13,136	-652	-4.7	4,065	44.8
- long-term	1,017	172	20.4	353	53.2
<b>2. According to currency of denomination</b>					
- In denar	6,745	-1,020	-13.1	711	11.8
- In foreign currency	7,408	540	7.9	3,707	100.2

Source: National Bank of the Republic of Macedonia




**Table 15**

Banks' placements and overdue claims

	<b>31.03.2004</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>	53,004	1,243	2.4	9,129	20.8
<i>Denar placements</i>	45,128	859	1.9	7,552	20.1
<i>Foreign currency placements</i>	7,876	384	5.1	1,577	25.0

Source: National Bank of the Republic of Macedonia

**Table 16**

Maturity and sector structure of Denar and foreign currency placements

	<b>Share on 31.03.2004</b>	<b>Monthly change of share</b>	<b>Annual change of share</b>
	(in %)	(in percentage points)	(in percentage points)
<b>Denar placements</b>			
maturity structure			
- short-term	62.4	-0.4	-6.4
- long-term	37.6	0.4	6.4
structure by sectors			
- enterprises	74.5	-0.4	-6.3
- households	25.4	0.4	6.9
- other	0.1	0.1	-0.6
<b>Foreign currency placements</b>			
maturity structure			
- short-term	42.5	-2.4	-1.8
- long-term	57.5	2.4	1.8
structure by sectors		0.0	
- enterprises	96.9	-0.1	-0.7
- households	0.4	0.1	0.1
- other	2.6	0.0	0.6

Source: National Bank of the Republic of Macedonia

**Table 17**

Interest rates

	<b>March 2004</b>	<b>Monthly changes</b>	<b>Annual changes</b>
		in percentage points	
Average weighted interest rate on the CB bills auctions (28 days)	8.00%	0.5	-1.6
Average weighted interest rate on the Money Market	6.52%	0	-5.67
Banks' weighted lending interest rates	12.46%	-1.10	-4.8
Banks' weighted deposit interest rates	6.48%	-0.2	-2.63



## Financial Markets in the Republic of Macedonia

**Table 18**

Report on trading in March 2004

<i>Securities</i>	Number of transactions	Value (in Denars)	Number of traded securities	Days of trading
Official market				
Official market - ordinary shares				
Investbanka Skopje	1	19,995,000	7,500	1
Makedonija Turist Skopje	17	15,364,325	15,093	8
Teteks-Kreditna banka Skopje	1	12,997,248	5,984	1
Fusteralko Borec Bitola	20	11,383,356	8,453	8
Stopanska banka Bitola	10	10,297,300	3,528	5
Other	477	58,687,306	98,281	157
Official market - preferential shares				
Teteks-Kreditna banka Skopje	1	6,998,184	3,222	1
Komercijalna banka Skopje	12	520,979	656	8
Tetovska banka-Tetovo	2	1,980	3	2
Official market - bonds				
R. Macedonia - foreign currency deposits	323	25,942,444	587,402	16
R. Macedonia - denationalization 01	9	715,996	16,522	6
R. Macedonia - denationalization 02	62	6,608,144	157,149	14
R. Macedonia - denationalization 03	929	157,798,939	4,285,986	19
<b>Total official market</b>	<b>1,864</b>	<b>327,311,201</b>	<b>5,189,779</b>	
Unofficial market				
Unofficial market - ordinary shares				
Sokomak Bitola Bitola	1	35,899,732	14,641	1
Sniteks Sveti Nikole	1	5,978,000	1,960	1
Makedonska Stedilnica	1	4,650,000	1,500	1
Nova trgovija 2003 Stip	1	3,847,560	32,063	1
Other	37	11,227,245	36,711	
<b>Total unofficial market</b>	<b>41</b>	<b>61,602,537</b>	<b>86,875</b>	
Other securities				
Government-owned shares				
Convertible certificate for savings houses	19	1,344,963	7,949,911	9
<b>Total other securities</b>	<b>19</b>	<b>1,344,963</b>	<b>7,949,911</b>	
State market	0	0		
<b>Total state market</b>	<b>0</b>	<b>0</b>		
<b>Total markets</b>	<b>1,924</b>	<b>390,258,701</b>		

Source: Macedonian Stock Exchange



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

**Table 19**

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

	III.2004	III. 2004 II. 2004		III. 2004 III. 2003	
	amount	amount	%	amount	%
Foreign trade	356.9	28.1	8.5	15.9	4.7
Exports	126.3	-4.6	-3.5	5.9	4.9
Imports	230.6	32.7	16.5	10.0	4.5
<i>Balance</i>	<i>-104.3</i>	<i>-37.3</i>	<i>55.7</i>	<i>-4.1</i>	<i>4.1</i>

Source: State Statistical Office of the Republic of Macedonia

**Table 20**

Ten most important trading partners of the Republic of Macedonia, I-III.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
<b>I-III.2004</b>							
<b>Republic of MACEDONIA</b>	<b>963.6</b>	<b>100.0</b>	<b>358.6</b>	<b>100.0</b>	<b>604.9</b>	<b>100.0</b>	<b>59.3</b>
<i>out of which:</i>							
Germany	163.7	17.0	81.7	22.8	82.0	13.6	99.6
Greece	115.9	12.0	52.4	14.6	63.4	10.5	82.6
Serbia and Montenegro	104.1	10.8	56.0	15.6	48.1	8.0	116.4
Russia	70.2	7.3	3.8	1.1	66.4	11.0	5.8
Bulgaria	60.3	6.3	13.1	3.7	47.2	7.8	27.8
Italy	54.9	5.7	24.4	6.8	30.5	5.0	80.1
Slovenia	38.8	4.0	4.8	1.3	33.9	5.6	14.3
France	34.0	3.5	18.6	5.2	15.5	2.6	120.0
Turkey	30.2	3.1	12.5	3.5	17.7	2.9	70.8
Croatia	28.1	2.9	16.1	4.5	12.0	2.0	133.9
<b>Total (10 largest trading partners)</b>	<b>700.2</b>	<b>72.7</b>	<b>283.5</b>	<b>79.0</b>	<b>416.7</b>	<b>68.9</b>	<b>68.0</b>

Source: State Statistical Office of the Republic of Macedonia


**Table 21**

Foreign trade of the Republic of Macedonia with economic groups of countries, I-III.2004  
(current exchange rate)

	Exports			Imports			Structure	
	US Dollar million		index	US Dollar million		index	exports	imports
	I-III.2003	I-III.2004	I-III.2004 I-III.2003	I-III.2003	I-III.2004	I-III.2004 I-III.2003	(%) I-III.2004	(%) I-III.2004
<b>TOTAL</b>	<b>293.7</b>	<b>358.6</b>	<b>122.1</b>	<b>531.8</b>	<b>604.9</b>	<b>113.8</b>	<b>100.0</b>	<b>100.0</b>
Developed countries	198.5	245.4	123.6	297.9	306.7	103.0	68.4	50.7
EU	167.3	214.1	128.0	244.9	254.7	104.0	59.7	42.1
EFTA	6.6	1.8	27.3	7.1	9.3	131.7	0.5	1.5
Other developed countries	24.6	29.5	119.9	45.9	42.6	92.9	8.2	7.0
Countries of Centr. and East. Europe	12.6	25.0	198.5	109.2	152.2	139.4	7.0	25.2
Undeveloped countries	0.2	0.1	54.3	1.2	0.4	31.0	0.0	0.1
Developing countries	12.8	6.1	47.7	31.2	49.0	157.3	1.7	8.1
Republics of the former SFRY	69.5	82.1	118.0	92.3	96.6	104.6	22.9	16.0
Other countries	0.1	0.0	35.8	0.0	0.0	0.0	0.0	0.0

Source: State Statistical Office of the Republic of Macedonia

**Table 22**

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

	External debt		Credits used		Debt payments	
	29.02.2004	31.03.2004	29.02.2004	31.03.2004	29.02.2004	31.03.2004
<b>Official creditors</b>	<b>1,193.61</b>	<b>1,183.45</b>	<b>5.61</b>	<b>7.78</b>	<b>10.21</b>	<b>9.45</b>
out of which:						
<b>Multilateral</b>	<b>933.95</b>	<b>930.66</b>	<b>4.74</b>	<b>7.78</b>	<b>8.53</b>	<b>4.41</b>
MMF	64.20	64.02	-	-	4.29	-
IBRD	192.62	191.45	2.50	0.92	2.49	-
IFC	16.90	16.50	-	-	0.55	0.53
IDA	367.76	366.80	1.08	0.09	0.44	0.02
EIB	115.12	117.77	0.51	6.18	-	2.32
EUROFIMA	7.58	7.45	-	-	-	-
Council of EDB	17.28	16.96	-	-	0.01	0.09
EBRD	31.81	30.97	0.11	0.44	0.56	1.13
EU	111.76	109.68	-	-	0.20	0.32
IFAD	7.51	7.66	0.54	0.17	-	0.00
European Agency for Reconstruction	1.41	1.39	-	-	-	-
<b>Bilateral</b>	<b>259.65</b>	<b>252.80</b>	<b>0.87</b>	<b>-</b>	<b>1.68</b>	<b>5.04</b>
Paris club (rescheduled 1995)	156.98	155.87	-	-	-	0.02
Paris club (rescheduled 2000)	17.91	13.30	-	-	-	4.71
New credits	75.33	74.38	0.87	-	1.68	0.30
Non-rescheduled debt	9.43	9.25	-	-	-	-
<b>Private creditors</b>	<b>560.09</b>	<b>553.51</b>	<b>3.89</b>	<b>2.67</b>	<b>2.88</b>	<b>9.54</b>
out of which:						
<b>London Club of Creditors</b>	<b>238.07</b>	<b>238.07</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other private creditors</b>	<b>322.02</b>	<b>315.44</b>	<b>3.89</b>	<b>2.67</b>	<b>2.88</b>	<b>3.41</b>
Banks and financial institutions	203.19	197.59	2.57	1.69	2.20	2.45
Enterprises	118.83	117.85	1.32	0.98	0.69	1.68
<b>TOTAL</b>	<b>1,753.70</b>	<b>1,736.96</b>	<b>9.50</b>	<b>10.45</b>	<b>13.10</b>	<b>18.98</b>

Source: National Bank of the Republic of Macedonia

**National Bank of the Republic of Macedonia Balance sheet****Table 23**

NBRM Balance sheet on March 31, 2004

(in million Denars)

<b>Assets</b>	<b>Amount</b>	<b>Liabilities</b>	<b>Amount</b>
Foreign assets	45,827	Reserve money	15,434
Claims on Government	3,799	NBRM instruments	5,751
Claims on banks and other financial institutions	78	Restricted deposits	134
Other assets	3,576	Foreign liabilities	3,324
		Government deposits	14,626
		Capital accounts	8,121
		Other liabilities	5,890
<b>Total</b>	<b>53,280</b>	<b>Total</b>	<b>53,280</b>

Source: National Bank of the Republic of Macedonia



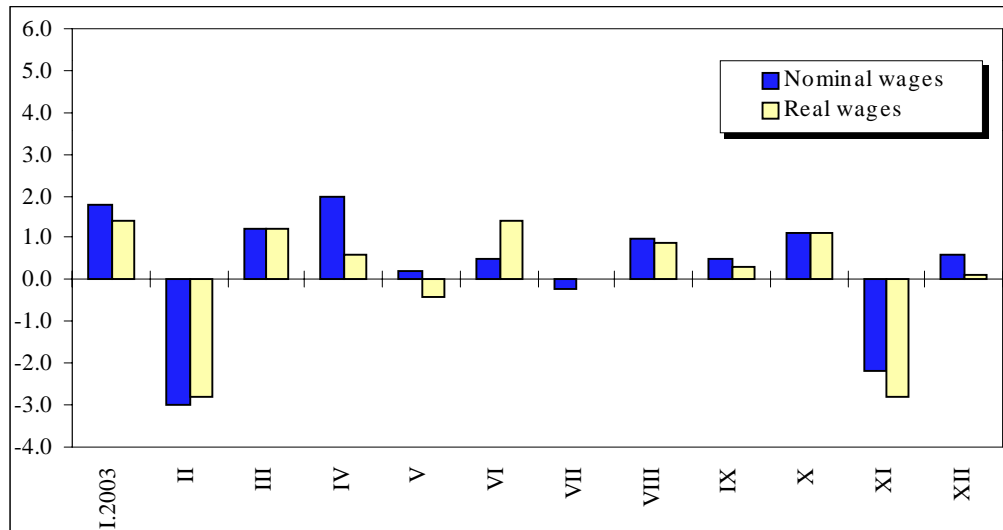
## Appendix No.2

### Economic Developments in the Republic of Macedonia

**Chart 1**

Average net wages

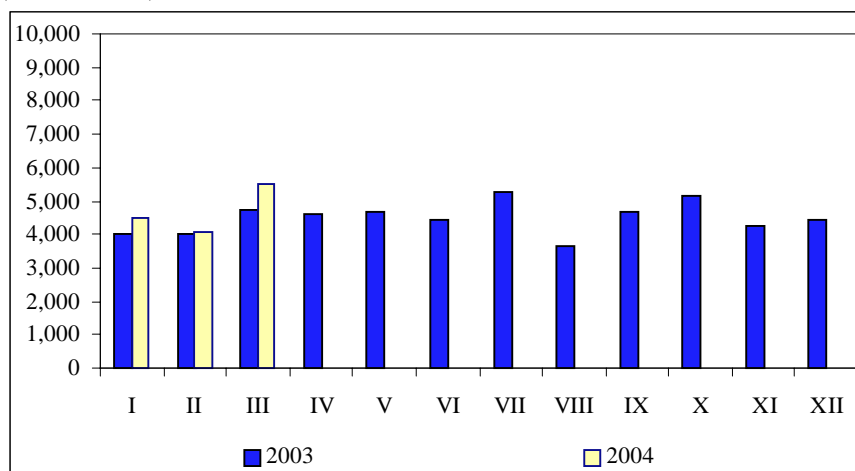
(changes in percent, on previous month)



**Chart 2**

Total Central Government budget revenues

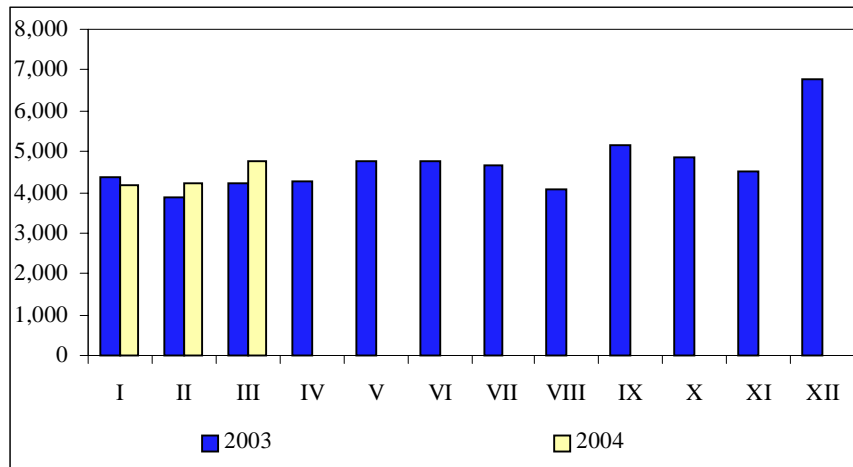
(in Denar million)





**Chart 3**

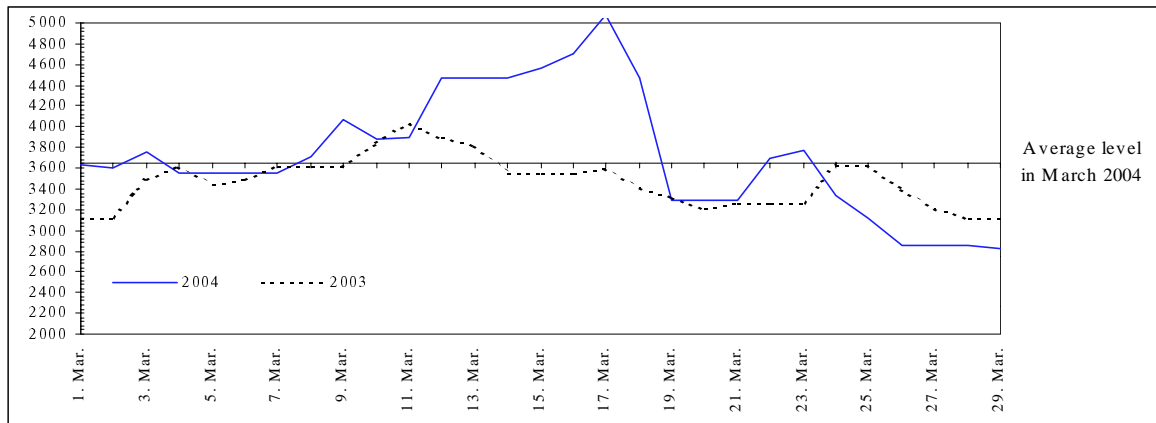
Total Central Government budget expenditures  
(in Denar million )



### Monetary developments in the Republic of Macedonia

**Chart 4**

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

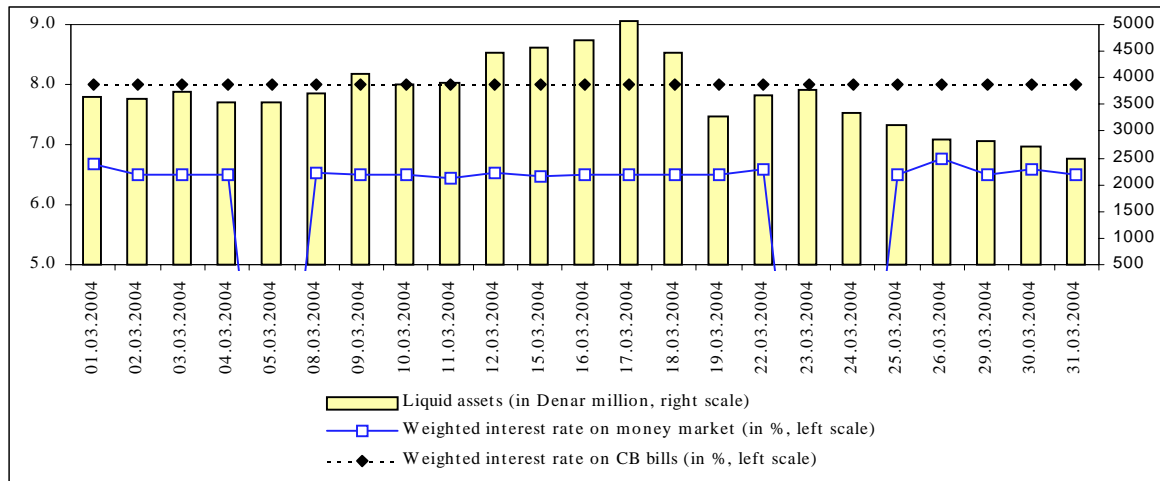






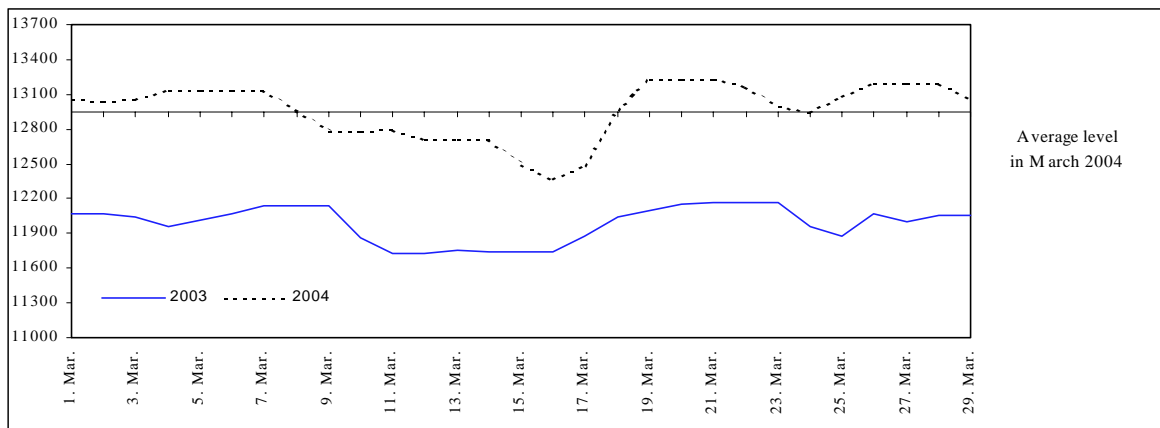
**Chart 5**

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



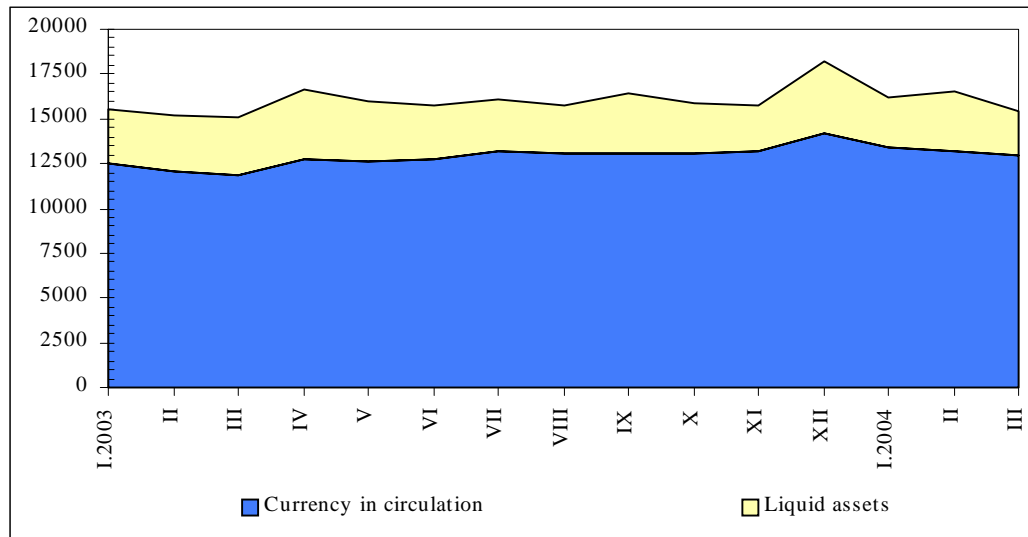
**Chart 6**

Daily dynamics of the currency in circulation  
(in Denar million)



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

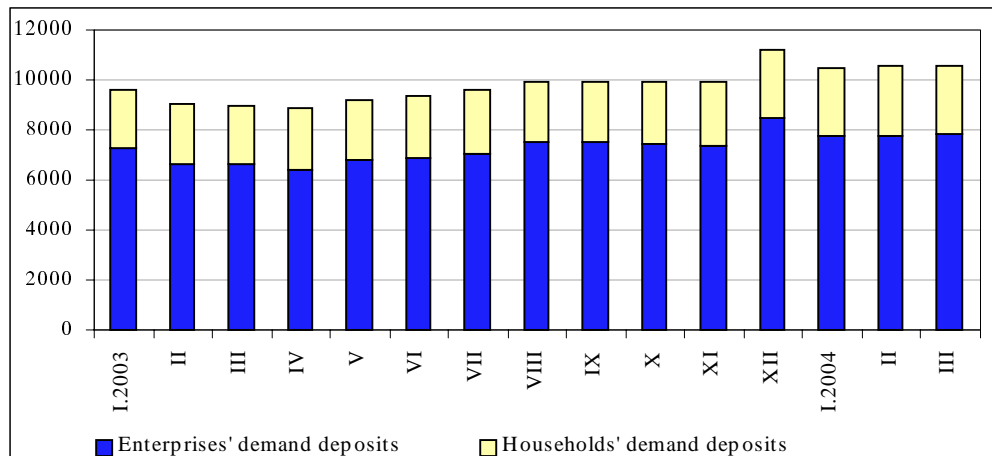
(in Denar million, end of period)



\* 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**

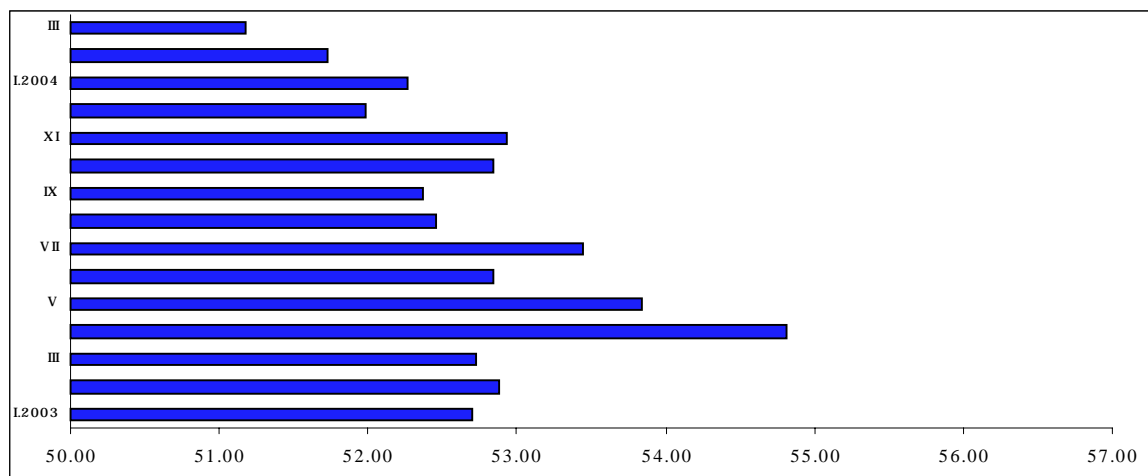
(in Denar million)





**Chart 9**

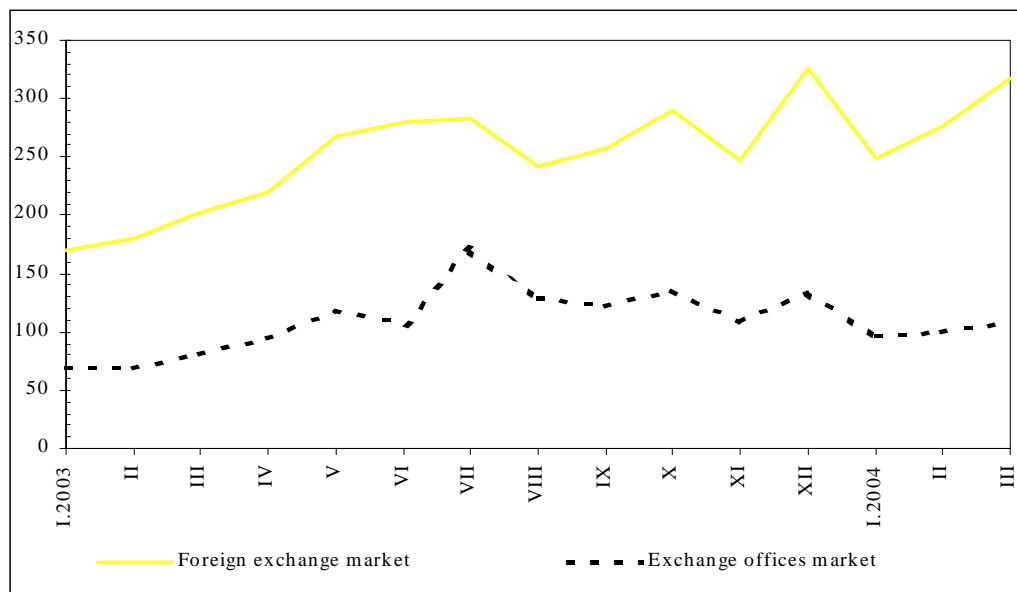
Share of currency in circulation (CC) in the money supply M1  
(in %)



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

**Chart 10**

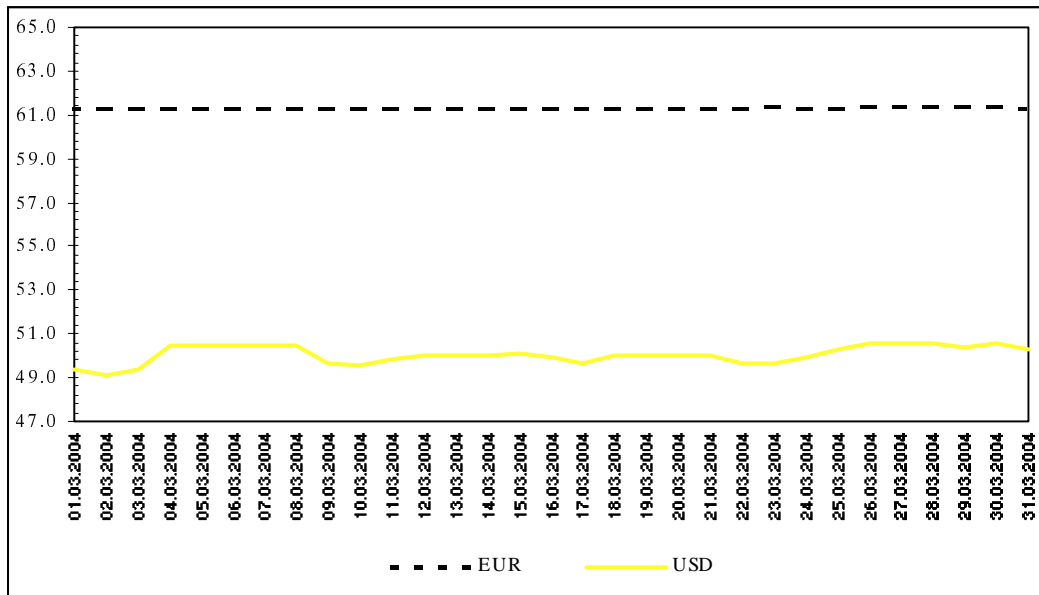
Movements in the total turnover on the foreign exchange and  
exchange offices market  
(in US Dollar million)





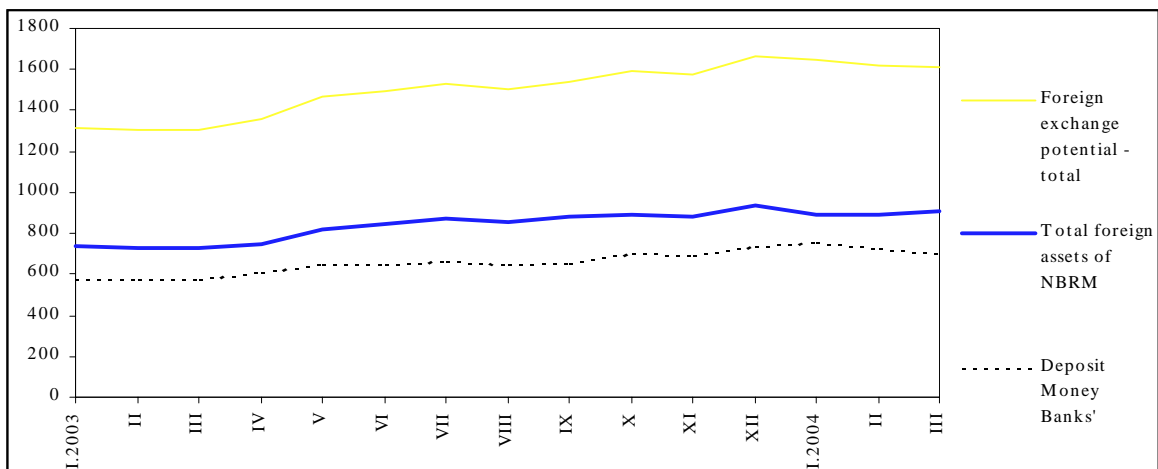
**Chart 11**

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)

