

**National bank
of the Republic of Macedonia**

**Monthly
Report**

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June 2004

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

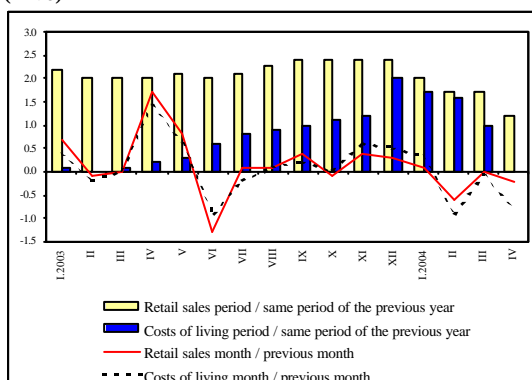
- ❖ *On April 5, **the retail prices of oil derivatives and the prices of the oil refinery** were reduced by 1.2%, and 1.85%, respectively (“Official Gazette of the Republic of Macedonia” no. 21/2004).*
- ❖ *On April 9, **consensus was reached between the EBRD** (European Bank for Reconstruction and Development) **and the Government delegation of the Republic of Macedonia** on granting Euro 45 million for the privatisation of the Macedonian Electricity Supply Company (ESM). It was agreed the funds to be converted into shares of the bank, provided that the Macedonian Government decides to sell parts of the ESM. In the case they fail to meet this condition, the funds will be converted into a credit extended under favourable conditions. Several conditions should be met for withdrawal of the funds, with the adoption of the Law on Electricity Supply being the most important.*
- ❖ *On April 19, the Creditors Assembly of FAS “11 Oktomvri” confirmed the previously made decision on accepting the late payment, and consequently, this plant became a property of a private investor.*
- ❖ *On April 19, **the prices of the oil refinery** went up by 1.86%, whereas **the retail prices of the oil derivatives** remained unchanged (“Official Gazette of the Republic of Macedonia” no. 24/2004).*
- ❖ *On April 22, **the Republic of Macedonia filed the application for a membership in CEFTA** (Central European Free Trade Association).*

I. Economic Developments in the Republic of Macedonia

The movements of deflation registered in February and March 2004 continued also in April. Thus the *consumer prices* (as a measure of the rate of inflation) decreased by 0.8% on a monthly basis. A decrease was registered in almost all categories, with the most significant one being recorded in the costs of food (1.5%, given the registered drop in the prices of industrial food and agricultural products). On the other hand, the costs of transportation and services registered minimal increase (0.3%), mainly as a result of the increased prices of oil derivatives. The structural analysis indicates a significant decrease in the costs of goods (0.9%), contrary to the minimal decline in the costs of services. The monthly decrease in the consumer prices contributed to a decrease on annual basis (of 0.7%), which mainly reflects the decline in the costs of goods (i.e. the costs of food). The average rate of inflation for the first four months of 2004 equaled 1%.

The monthly decrease in the consumer prices corresponds to the decrease in the *retail prices* (0.2%). Thus a decrease was registered in the prices of industrial food products (by 1.6% given the lower prices of grain and fresh meat), the prices of beverages (by 0.9% due to the reduced prices of alcoholic and non-alcoholic beverages) and in the prices of agricultural products (by 0.2%), as a result of the lower prices of vegetables. An increase was registered only in the prices of non-food industrial products (of 0.2%), mainly as a result of the higher prices of oil derivatives (an increase of 1%). On annual basis, the retail prices registered a slight decrease of 0.3%, mainly caused by the lower prices of goods, while on average, they increased by 1.2% (as a result of the increase in the prices of services).

Chart 1
Consumer prices and retail prices
(in %)

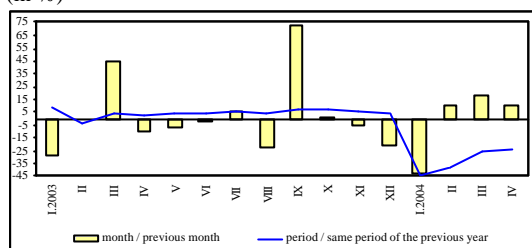


In April 2004 compared to the previous month, the *prices of the producers of industrial products* remained almost unchanged, thus reflecting the divergent movements of the separate components. Thus the prices of the producers of energy increased by 0.6% (having in mind the higher prices of the producers of oil derivatives). On the other hand, a decrease was also registered in the prices of non-durable consumption goods (of 0.2%, mainly due to the lower prices of the producers of food products and beverages). Observed on annual basis and on average, the prices of the producers of industrial products dropped by 0.9% and 1.4%, respectively, as a result of the decrease in the prices of the producers of energy and non-durable consumption products.

In April 2004, the change of the volume of the *industrial output* on a monthly basis was positive and equaled 8.8% (thus retaining the positive trend registered in the two previous months). Increased output was registered in almost all main groups of industrial products (except in the production of durable consumption goods which declined on a monthly basis). More intensive increase was registered in the production of energy (17%), caused by the increased production of oil derivatives (by 89.4%). Analyzed by sectors, the output in the processing industry and in the sector "mining and quarrying" registered a monthly increase of 12.7% and 0.8%, respectively, while the output in the sector "energy, gas and water supply" dropped by 20.8%. Among the more important industrial branches of the processing industry (with the largest share in the total output of 89.9%), high increase was registered in the production of oil derivatives, the production of clothing, the further processing and dyeing of fur, and the production of products made of other non-metal minerals (branches of the processing industry the share of which in the total output equals 16.1%). However, despite the monthly increase, on annual basis and on average, the industrial output registers a decrease of 19.1% and 24.2%, respectively, as a result of the reduced production in all three industrial sectors.

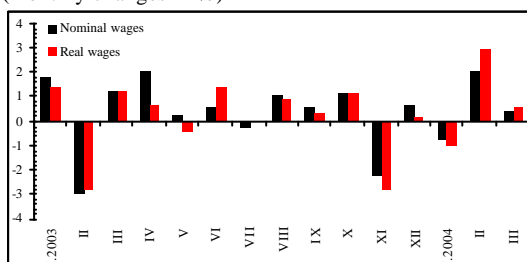


Chart 2
Industrial output
(in %)



The nominal average net paid wage per worker in March 2004¹ equaled Denar 12,150, which is an increase in nominal and in real terms of 0.4% and 0.5%, respectively. Analyzed by sectors, monthly increase in the average wage was registered in all sectors, with the highest one being recorded in agriculture (of 24.9%). On annual basis and on average, the average nominal wage increased by 5.2% and by 4%, respectively, given the increase in the wages in all three sectors.

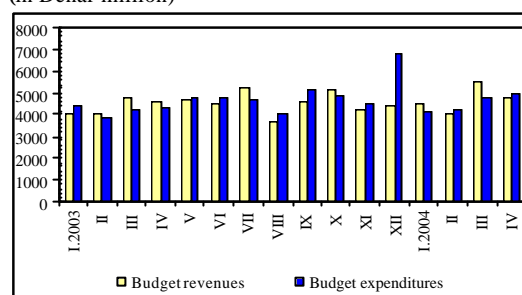
Chart 3
Average net wage per employee
(monthly changes in %)



In April 2004, the total public revenues equaled Denar 7,504 million, which is a decrease of 8.9% compared to the previous month. The total budget revenues equaled Denar 4,775 million and were lower by 13.8%, given the registered decline in the tax and non-tax revenues and the increase in the capital revenues. The non-tax revenues registered a significant drop (of 81.6%), mainly as a result of the high comparison base registered in the previous month when high amount of revenues based on inflows originating from dividends from the state-owned property was recorded. The significantly lower amount of non-tax revenues caused a decrease of their structural share in the total revenue structure of 12.7 percentage points. The tax revenues (with the highest share in the revenue structure of 94.8%) were lower by 0.9%, reflecting the decrease in the revenues originating from the profit tax, excises, custom duties and other taxes. Significant

structural movements were registered in the tax revenues. Thus the revenues originating from the value added tax (which registered monthly increase of 19.1%) increased its structural share in the total revenue structure by 13.9 percentage points, while the decrease in the revenues from the profit tax caused also a decrease in their structural share of 5.7 percentage points. Although the capital revenues registered monthly increase of 10.5%, their share in the total revenue structure is insignificant (1.8%). In the first four months of 2004, compared to the same period of the previous year, the total budget revenues increased by 8.6%, as a result of the increase in the revenues with all main revenue categories.

Chart 4
Total revenues and expenditures of the central budget
(in Denar million)



In April 2004, the total public expenditures amounted to Denar 7,394 million, or by 1.1% less relative to the previous month. Denar 4,886 million represent expenditures of the central budget, which is by 3.1% more compared to the previous month, given the increase in the current and capital expenditures. The current expenditures (the share of which in the total expenditure structure equals 90%) registered a monthly increase of 2% caused by the increase in the expenditures based on interests and transfers, while the expenditures for wages and the costs of goods and services registered a decrease. Analyzed on cumulative basis, in the first four months of 2004 compared to the same period of the previous year, the total expenditures of the Central Government increased by 7.4%, with significant increase in the capital expenditures (93.9%) and moderate increase in the current expenditures (6.2%) being registered.

¹ Last available data of the State Statistical Office

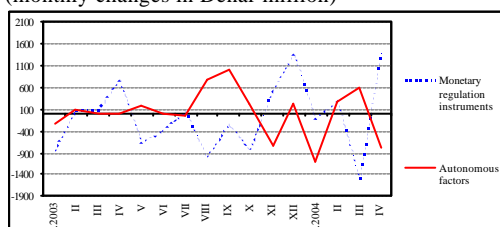
II. Monetary developments in the Republic of Macedonia

The monetary regulation instruments and the NBRM direct interventions on the foreign exchange market, contributed towards stable Denar exchange rate, as an intermediary objective of the monetary policy. From the aspect of the liquidity management, given the higher level of currency in circulation and liquidity withdrawal through the NBRM foreign exchange transactions, in April 2004, the monetary instruments acted towards liquidity creation.

In April 2004, the average daily liquidity of the banks² declined by Denar 131 million or by 3.6% on monthly basis, and amounted to Denar 3,525.2 million. The excess liquid funds (over the compulsory reserve requirement³) registered monthly drop of 5 percentage points in March and equaled 15%, given the higher average level of currency in circulation and higher average amount of subscribed CB bills.

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

The two-month trend of net purchase of foreign exchange on the foreign exchange market was interrupted in April 2004. Such change in the direction of the NBRM interventions was particularly evident in the last 10-day period of the month, which is in line with the higher demand for foreign exchange.

The total Government Denar deposits with the NBRM were by 13.5% lower in April 2004, thus acting toward creating liquidity in the banking system. The decrease in the Government deposits was especially evident at the beginning of the month, primarily due to the payment of the fifth installment and the interest on the bonds for the old foreign exchange savings. Additional inflows in the amount of Denar 700 million were generated on the basis of the issued Treasury bills. Two auctions were conducted in this month, and the average weighted interest rates equalled 9.11% and 8.74%, respectively.

The level of *CB bills* equalled Denar 4,398 million at the end of April 2004, which is a creation of additional liquidity of Denar 1,353 million. The considerable decrease in the level of CB bills is partially due to the change in the type of auctions in mid-April 2004. In the first week of April, the NBRM introduced restricted amounts for investing in CB bills, while in the middle of the month (April 13, 2004) the possibility for subscribing CB bills by other entities, other than banks was excluded. Notwithstanding the higher interest in investing in CB bills in the first half of April, the change in the design of this instrument made in the middle of this month contributed towards decreasing the level of CB bills⁴.

In April 2004, the institutionalised money market registered more intensive activity. The total turnover went up by 50.2% and reached Denar 1,012.2 million. The analysis of the dynamics indicates especially high demand for liquid funds in the period immediately prior to the fulfilment of the compulsory reserve requirement and in the period of the payment of the tax liabilities. The higher demand for relative to the supply of liquid funds, resulted in a slight increase in the average weighted interest rate (of 0.1 percentage point), and in April, it equalled 6.7%. The turnover on the non-institutionalised money market equalled Denar 892,8 million, which is a monthly increase of 1.7%.

² The liquidity of the banks pertains to the banks' account with the NBRM and the cash in the vaults.

³ The period for maintaining (fulfilling) the banks' compulsory reserve requirement covers the period from the 11th in the current month to the 10th in the following month.

⁴ The other entities accounted for 21.8% of the total CB bills in the period before they were excluded.



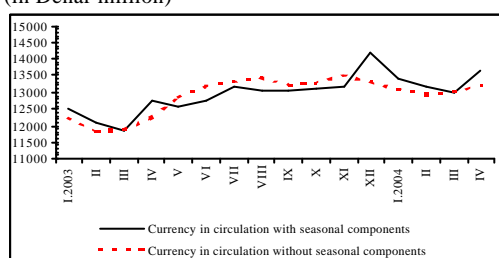
In April 2004, the currency in circulation was higher by 736 million or by 5.7% on monthly basis. Simultaneously, the average daily amount of currency in circulation picked up by Denar 383.1 million (or by 3%). The daily pace of the currency in circulation was determined by the common factors, as well as the higher demand for currency in circulation in the middle of the month (Easter holidays) and at the end of the month, immediately prior to the Labour Day holidays.

The higher demand for currency in circulation and the higher liquidity of the banking system resulted in a monthly increase in *the reserve money* of 8.4%, thus reaching Denar 16,731 million on April 30, 2004.

The higher demand for currency in circulation, due to seasonal factors, as well as the higher short-term deposit potential are the major factors of the monthly dynamics of *the monetary aggregates* in April 2004.

Chart 5

Currency in circulation with and without seasonal components
(in Denar million)



In April 2004, the level of currency in circulation was higher by 5.7% on a monthly basis, mostly reflecting the seasonal effect of the Easter and Labor Day holidays. Such dynamics of the currency in circulation, given the almost unchanged level of the demand deposits, resulted in a monthly increase of the money supply M1 of 2.9% and slower money multiplication. Thus the money multiplier of the money supply M1 equaled 1.56 compared to 1.64 in the previous month.

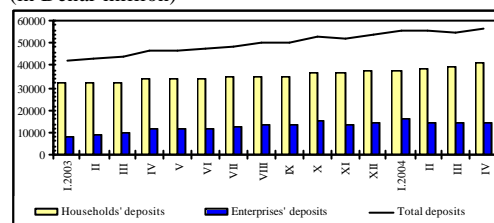
The further broadening of the short-term deposit base of the banks (combined effect of the payment of the regular installment of the bonds for the old foreign currency savings and the increased propensity to save) led to a monthly increase of the money supply M2 of 3.9%. Given the moderate decline in the long-term deposits, the monthly rate of increase of

the monetary aggregate M4 equaled 3.6%. In April, the multipliers of the monetary aggregates M2 and M4 equaled 4.67 and 4.97, respectively, compared to 4.87 and 5.20, respectively, registered in the previous month.

Contrary to the moderate reduction in the previous month, in April 2004, the *banks' deposit potential*⁵ was higher by 4% on a monthly basis. The positive monthly dynamics of the total deposits is completely generated from the higher amount of short-term deposits (Denar and foreign exchange), as opposed to the moderate decline in the long-term deposit potential. The analysis of the maturity structure and the structure of currency of denomination indicates still dominant share of the short-term and of the foreign exchange deposits of 91.2% and 65.3%, respectively. Compared to the same month of the previous year the total deposits are by 21.7% higher, indicating the further strengthening of the propensity to save.

Chart 6

Deposit timeframes
(in Denar million)



The additional available income, created by the repayment of part of the Government bonds for the old foreign exchange saving is the main reason for the monthly increase in the households' deposits (3.8%). Most of the repaid funds remained as Denar sight deposits, while the rest of the funds was redistributed among time Denar deposits, foreign exchange sight deposits and short-term foreign exchange time deposits. On annual basis (April 2004 / April 2003) the total households' deposits increased by 20%.

The dynamics of the enterprises' deposits in April 2004 was mainly determined by the movement in the short-term deposits. Thus the increase in the Denar and the foreign exchange sight deposits, as well as the higher level of

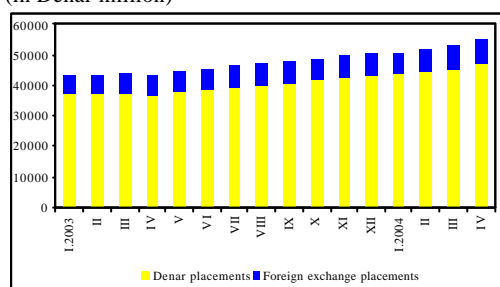
⁵ The total deposits of the non-government sector include short-term and long-term (Denar and foreign currency) deposits of the economic agents (excluding the demand deposits).



time foreign exchange deposits of enterprises with maturity of up to one month led to a monthly increase in the enterprises' deposits of 5.1%, while on annual basis they are higher by 30.4%.

The continuous decline in the interest rates, as well as the increase of the deposit potential of banks acted toward maintaining the upward trend of *the banks' placements to the private sector* also in April 2004.

Chart 7
Banks' placements
(in Denar million)

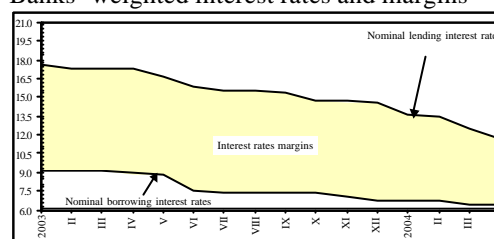


The monthly rate of increase of the total banks' placements to the private sector equaled 2.6% in April 2004. The positive monthly dynamics is utterly a result of the increased crediting in domestic currency (growth in the Denar placements of 3.7%). Intensified lending to enterprises on both short and long run was registered, which should lead to more intensive economic activity in the forthcoming period. In April 2004, lending to households continued

through more intensive long-term lending for different purposes. In April 2004, foreign exchange placements were lower by 3.9% on monthly basis. The annual analysis reveals a significant increase in the total placements of 26.2%.

Given the unchanged average weighted deposit interest rate on three-month Denar deposits (6.48%) and the significant decline in the average weighted lending interest rate on the short-term Denar placements (which equaled 11.64%), in April 2004 considerable reduction in the interest rate margin of 0.8 percentage points was registered with it being reduced to 5.2 percentage points. The average weighted interest rate on the short-term Denar credits remained almost unchanged compared to the previous month and equaled 7.9%. The interest rates on three-month Euro deposits ranged between 1.3% and 3%, whereas the interest rates on three-month Dollar deposits ranged in the interval between 0.7% and 2.2%.

Chart 8
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 April 2004, *the total turnover on the foreign exchange market* registered monthly decrease of US Dollar 10.5 million, and reduced to US Dollar 306.4 million. In April the highest amount of net-sale of foreign exchange to enterprises by the commercial banks since the beginning of the year was registered, partially reflecting the demand for foreign assets intended for servicing the liabilities for the import of oil, as well as for payment of dividends to foreign shareholders. The higher demand for foreign exchange on the foreign exchange market can be also explained by the intensified import from Slovenia before its joining the European Union and consequently, the higher customs duties for the import of goods from this country. Part

of the needs for foreign assets of the banks was covered through the NBRM. Thus in April 2004, the NBRM intervened on the foreign exchange market with a net-sale of foreign exchange contributing for the maintenance of the stability of the Denar exchange rate relative to the Euro.

The Denar exchange rate against the Euro remained almost unchanged on a monthly basis, and as of April 30, 2004, Denar 61.32 were traded per one Euro. *Relative to the US Dollar*, the Denar depreciated by 3.1% and at the end of the month Denar 51.85 were traded per one US Dollar, which corresponds to the movement of the value of the US Dollar at the



international stock exchanges. The appreciation of the US Dollar⁶ against the Euro at the international stock exchanges reflects the positive tendency of the US labor market, mainly stirred by the increased orders of durable goods (as an indicator for the revitalization of the economy). Simultaneously, the index of the US consumer confidence⁷ increased (92.9 in April in comparison with 88.5 in March 2004⁸), representing one of the main indicators for the expected future movements in the US economy. Such movements enlarged the expectations for the increase in the interest rate, also increasing the demand for the US Dollar.

Total trade turnover in the amount of US Dollar 115.7 million was registered on *the exchange offices market*, which is a monthly increase of US Dollar 7.6 million. The supply of foreign assets exceeded the demand by US Dollar 35.9 million. The Denar exchange rate against the Euro on the exchange offices market remained almost unchanged (the average monthly Denar exchange rate against the Euro equaled Denar 61.52 per one Euro, while on average, Denar 50.29 were traded per one US Dollar⁹ (which is a monthly depreciation of the Denar exchange rate against the US Dollar by 1%).

At the end of April 2004, *the total foreign exchange potential* of the Republic of Macedonia equaled US Dollar 1,549.1 million, which is a monthly decrease of US Dollar 62.2 million. The foreign assets with the banks were lower by US Dollar 19.4 million, the gross foreign reserves registered a decrease of US Dollar 42.7% million, primarily as a result of the recorded negative exchange rate differentials. The monthly dynamics of the gross foreign reserves was influenced by the transactions of the NBRM with the commercial banks, as well as by the negative net change of the Government deposits (in April no inflows on

the basis of donations and credits were registered). At the end of April, the gross foreign reserves equaled US Dollar 859.2 million.

As of April 30, 2004, *the external debt of the Republic of Macedonia*¹⁰ based on long-term credits equaled US Dollar 1,707.5 million, which is a decrease of US Dollar 30.7 million compared to the end of March.

The funds used on the basis of long-term credits amounted to US Dollar 4.5 million. The withdrawals from the official creditors (US Dollar 2.8 million) fully originate from the multilateral creditors, i.e. from the World Bank, the EBRD and IFAD. Amount of US Dollar 1.7 million was used from the private creditors, primarily from foreign banks and private financial institutions. The total amount of repaid funds to the official creditors equaled US Dollar 7.1 million, while US Dollar 3.9 million were repaid to the private creditors. In April, new credits in the amount of US Dollar 11.4 million were concluded, US Dollar 5 million of which are based on the Education Modernization Project concluded with the World Bank, while the remaining are credits concluded with foreign private enterprises.

⁶ Based on the observations of several groups of analysts published by the CNN.

⁷ Taking into consideration the high share of personal consumption in the total economic activity in the USA (two thirds), the trust index is considered as important indicator. The data for calculating the index are collected in a poll conducted on a sample of 5,000 households. The results are converted into an index and they are given in comparison with the average registered in 1985, as a basic period.

⁸ Source: Reiffeisenbank Austria dd Zagreb.

⁹ The authentic data are taken from the exchange rate list for the exchange offices operations of the NBRM

¹⁰ Preliminary data of the NBRM. The data refer to the 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 and retail prices

	<u>IV.2004</u> III.2004	<u>IV.2004</u> IV.2003	<u>I-IV.2004</u> I-IV.2003
	in %		
Costs of living	-0.8	-0.7	1.0
Food	-1.5	-3.3	-1.0
Tobacco and beverages	-0.2	1.0	1.9
Clothing and footwear	-0.4	0.5	1.8
Housing	-0.1	3.3	4.2
Flat (rent, water, services)	-0.1	-0.3	1.2
Fuel and lighting	0.0	4.5	5.3
Hygiene	0.2	0.9	4.9
Culture and entertainment	-1.0	1.8	2.3
Transport, communications, services	0.3	0.7	1.3
<i>Goods</i>	<i>-0.9</i>	<i>-1.4</i>	<i>0.4</i>
<i>Services</i>	<i>-0.1</i>	<i>2.7</i>	<i>4.3</i>
Retail prices	-0.2	-0.3	1.2
Agricultural products	-0.2	-1.5	1.6
Non-food industrial products	0.2	0.7	1.0
Processed food products	-1.6	-4.6	-2.7
Beverages	-0.9	-4.6	-1.6
<i>Goods</i>	<i>-0.3</i>	<i>-1.0</i>	<i>0.0</i>
<i>Services</i>	<i>-0.1</i>	<i>1.3</i>	<i>3.6</i>

Source: State Statistical Office of the Republic of Macedonia



Table 2
Prices of producers of industrial products

	<u>IV.2004</u> <u>III.2004</u>	<u>IV.2004</u> <u>IV.2003</u>	<u>I-IV.2004</u> <u>I-IV.2003</u>
	in %		
Prices of producers of industrial products	0.1	-0.9	-1.4
Energy	0.6	-3.4	-5.7
Intermediary goods (except Energy)	0.0	3.2	3.0
Capital goods	0.0	0.2	-1.4
Durable consumer goods	0.0	0.0	0.0
Non durable consumer goods	-0.2	-3.8	-3.3
<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>-1.1</i>	<i>-1.7</i>
Manufacture of food products and beverages	-0.1	-4.4	-3.8
Manufacture of tobacco products	0.1	-0.1	-0.2
Manufacture of textiles	-1.5	-1.5	-0.4
Manufacture of wearing apparel; dressing and dyeing of fur	0.0	0.0	0.0
Manufacture of coke, refined petroleum products and nuclear fuel	1.8	-9.0	-14.7
Manufacture of chemicals and chemical products	0.0	0.0	0.0
Manufacture of other non-metallic mineral products	-0.2	-0.1	-0.2
Manufacture of basic metals	0.0	1.3	2.2
Manufacture of electrical machinery and apparatus n.e.c.	0.0	13.3	11.6
<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 3
Industrial output

	Structure in %	<u>IV.2004</u> <u>III.2004</u>	<u>IV.2004</u> <u>IV.2004</u> in %	<u>I-IV.2004</u> <u>I-IV.2003</u>
Total	100.0	8.8	-19.1	-24.2
Energy		17.0	22.5	4.6
Intermediary goods (except Energy)		0.5	-52.9	-49.3
Capital goods		14.2	-50.3	-50.1
Durable consumer goods		-16.3	-26.1	-50.9
Non durable consumer goods		13.3	34.8	14.7
<i>Mining and quarrying</i>	3.2	0.8	-37.3	-56.7
<i>Manufacturing industry</i>	89.9	12.7	-19.3	-24.9
Manufacture of food products and beverages	24.9	-0.6	4.5	5.6
Manufacture of tobacco products	5.0	6.8	-18.0	-16.0
Manufacture of textiles	4.3	-5.6	-5.6	-29.3
Manufacture of wearing apparel; dressing and dyeing of fur	4.5	63.8	2.2 times	26.1
Manufacture of coke, refined petroleum products and nuclear fuel	7.0	89.4	52.7	6.2
Manufacture of chemicals and chemical products	7.2	-10.9	-46.7	-29.2
Manufacture of other non-metallic mineral products	4.6	32.4	-5.5	-17.9
Manufacture of basic metals	16.4	1.0	-73.7	-68.7
Manufacture of electrical machinery and apparatus n.e.c.	4.0	2.8	-54.6	-62.0
<i>Electricity, gas and water supply</i>	6.9	-20.8	-7.3	-4.6

Source: State Statistical Office of the Republic of Macedonia

Table 4
Average net wages

	III.2004* in denars	<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>
Nominal average net wage per worker	12,150	0.4	5.2	4.0
Costs of living		-0.1	1.4	1.6
Real average net wage per worker		0.5	3.7	2.4
Nominal average net wage by sectors				
Agriculture	11,333	24.9	37.4	15.2
Industry	12,090	3.3	5.1	3.9
Services	13,883	1.5	4.6	3.2

* Last available data

Source: State Statistical Office of the Republic of Macedonia



Table 5
Central Government Budget

	April 2004			January-April 2004		
	in Denar million	Monthly changes in %	Structure in %	in Denar million	Cumulative changes (2003/2002) in %	Structure in %
Total budget revenues	4,775	-13.8	100.0	18,877	8.6	100.0
<i>Tax revenues:</i>	<i>4,527</i>	<i>-0.9</i>	<i>94.8</i>	<i>17,083</i>	<i>5.0</i>	<i>90.5</i>
- personal income tax	715	8.8	15.0	2,453	4.2	13.0
- profit tax	178	-65.6	3.7	1,136	-18.6	6.0
- value added tax	2,401	19.1	50.3	8,504	22.7	45.0
- excises	718	-13.5	15.0	3,067	-2.5	16.2
- custom duties	477	-4.4	10.0	1,705	-23.8	9.0
- other	38	-22.4	0.8	218	10.1	1.2
<i>Non-tax revenues:</i>	<i>164</i>	<i>-81.6</i>	<i>3.4</i>	<i>1,535</i>	<i>60.2</i>	<i>8.1</i>
- inflows from state property dividends	26	-96.4	0.5	819	340.3	4.3
- administrative taxes and fees	109	-20.4	2.3	467	10.7	2.5
- other administrative taxes	21	-12.5	0.4	85	37.1	0.5
- other non-tax revenues	8	14.3	0.2	164	-43.1	0.9
<i>Capital revenues</i>	<i>84</i>	<i>10.5</i>	<i>1.8</i>	<i>259</i>	<i>55.1</i>	<i>1.4</i>
Total budget expenditures	4,886	3.1	100.0	17,986	7.4	100.0
<i>Current expenditures</i>	<i>4,396</i>	<i>2.0</i>	<i>90.0</i>	<i>16,811</i>	<i>6.2</i>	<i>93.5</i>
- wages and salaries	1,759	-0.1	36.0	6,894	3.9	38.3
- goods and services	626	-7.4	12.8	2,423	26.2	13.5
- transfers	1,765	1.4	36.1	6,689	13.1	37.2
- interest	245	82.8	5.0	776	-30.6	4.3
<i>Capital expenditures</i>	<i>490</i>	<i>14.0</i>	<i>10.0</i>	<i>1,175</i>	<i>93.9</i>	<i>6.5</i>
Budget balance	-111					
Financing	111					
<i>Inflows</i>	<i>1,829</i>			<i>2,243</i>		
<i>Outflows</i>	<i>1,718</i>			<i>3,134</i>		

Source: Ministry of Finance

Table 6
Total revenues and expenditures of the budget funds

	April, 2004				January - April, 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	4,377	-1.9	4,268	-4.7	16,454	7.2	16,648	11.1
- pension and disability insurance	2,483	0.4	2,410	-6.6	9,330	7.8	9,538	8.1
- health insurance	1,246	-10.0	1,208	-5.6	4,701	23.7	4,664	10.9
- employment	648	7.8	650	5.3	2,423	69.8	2,446	24.8
Road Fund	560	41.8	434	3.1	1,167	8.1	1,091	60.6

Source: National Bank of the Republic of Macedonia



Monetary developments in the Republic of Macedonia

Table 7

Reserve money

	30.04.2004	Monthly changes		Annual changes	
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
Reserve money	16,731	1,297	8.4	109	0.7
Currency in circulation	13,689	736	5.7	966	7.6
Banks liquidity	3,042	561	22.6	-857	-22.0

Source: National Bank of the Republic of Macedonia

Table 8

Reserve money creation and withdrawal

	30.04.2003
	monthly changes in Denar million
Bank liquidity	561
Liquidity creation	2,063
1. Net domestic assets	699
2. CB' Bills auctions	1,353
3. Other	11
Liquidity withdrawal	-1,502
1. Net foreign assets	-766
2. Currency in circulation	-736

Source: National Bank of the Republic of Macedonia

Table 9

Money supply M1 and its components

	30.04.2004	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Money supply M1	26,039	726	2.9	2,827	12.2
Currency in circulation	13,689	736	5.7	966	7.6
Demand deposits	12,350	-10	-0.1	1,861	17.7
- Demand deposits of households	3,000	281	10.3	455	17.9
- Demand deposits of enterprises	7,654	-160	-2.0	1,291	20.3

Source: National Bank of the Republic of Macedonia


Table 10

Broader monetary aggregates and their components

	30.04.2004 in Denar million	monthly changes		annual changes	
		in Denar million	in %	in Denar million	in %
Money supply M1	26,039	726	2.9	2,827	12.2
Denar short - term deposits	16,369	1,196	7.9	2,650	19.3
Monetary aggregate M2 - denar component	42,408	1,922	4.7	5,477	14.8
Foreign currency short - term deposits	35,675	1,020	2.9	7,211	25.3
Monetary aggregate M2	78,083	2,942	3.9	12,688	19.4
Non - monetary deposits	5,022	-44	-0.9	296	6.3
- In Denar	3,438	-69	-2.0	125	3.8
- In foreign currency	1,584	25	1.6	171	12.1
Monetary aggregate M4	83,105	2,898	3.6	12,984	18.5

Source: National Bank of the Republic of Macedonia

Table 11

Total deposits of the non-government sector

	30.04.2004 in Denar million	monthly changes		annual changes		structure in %
		in Denar million	in %	in Denar million	in %	
Total deposits	57,066	2,172	4.0	10,157	21.7	
1. According to maturity						100.0
- short-term	52,044	2,216	4.4	9,861	23.4	91.2
- long-term	5,022	-44	-0.9	296	6.3	8.8
2. According to currency of denomination						100.0
- In denar	19,807	1127	6.0	2,775	16.3	34.7
- In foreign currency	37,259	1045	2.9	7,382	24.7	65.3

Source: National Bank of the Republic of Macedonia


Table 12

Households and enterprises deposits

	30.04.2004	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Total households deposits	40,672	1,507	3.8	6,781	20.0
1. According to maturity					
- short-term	37,696	1,510	4.2	6,615	21.3
- long-term	2,976	-3	-0.1	166	5.9
2. According to currency of denomination					
- In denar	11,465	945	9.0	2,880	33.5
- In foreign currency	29,207	562	2.0	3,901	15.4
Total enterprises deposits	14,881	728	5.1	3,468	30.4
1. According to maturity					
- short-term	13,835	699	5.3	3,208	30.2
- long-term	1,046	29	2.9	260	33.1
2. According to currency of denomination					
- In denar	6,978	233	3.5	21	0.3
- In foreign currency	7,903	495	6.7	3,447	77.4

Source: National Bank of the Republic of Macedonia

Table 13

Banks' placements and overdue claims

	30.04.2004	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Total banks' placements	54,374	1,370	2.6	11,285	26.2
<i>Denar placements</i>	<i>46,802</i>	<i>1,674</i>	<i>3.7</i>	<i>10,063</i>	<i>27.4</i>
<i>Foreign currency placements</i>	<i>7,572</i>	<i>-304</i>	<i>-3.9</i>	<i>1,222</i>	<i>19.2</i>

Source: National Bank of the Republic of Macedonia


Table 14

Maturity and sector structure of Denar and foreign currency placements

	Share on 30.04.2004 (in %)	Monthly change of share (in percentage points)	Annual change of share (in percentage points)
Denar placements			
maturity structure			
- short-term	62.2	-0.1	-5.0
- long-term	37.8	0.1	5.0
structure by sectors			
- enterprises	74.6	0.1	-5.5
- households	25.3	-0.1	5.9
- other	0.1	0.0	-0.6
Foreign currency placements			
maturity structure			
- short-term	40.7	-1.8	-4.3
- long-term	59.3	1.8	4.3
structure by sectors			
- enterprises	96.5	-0.4	-1.0
- households	0.6	0.2	0.3
- other	2.9	0.2	0.7

Source: National Bank of the Republic of Macedonia

Table 15

Interest rates

	April 2004	Monthly changes	Annual changes
		in percentage points	
Average weighted interest rate on the CB bills auctions (28 days)	8.00%	0.0	1
Average weighted interest rate on the Money Market	6.66%	0.1	-3.9
Banks' weighted lending interest rates	11.64%	-0.8	-5.6
Banks' weighted deposit interest rates	6.48%	0.0	-2.4



Financial Markets in the Republic of Macedonia

Table 16
Report on trading in April 2004

<i>Securities</i>	Number of transactions	Value (in Denars)	Number of traded securities	Days of trading
Official market				
Official market - ordinary shares				
Jaka tabak Radovis	8	163,655,480	105,881	3
Makpetrol Skopje	23	25,399,385	2,064	10
Stopanska banka Bitola	11	9,769,600	3,714	5
Alkaloid Skopje	101	7,561,251	3,894	12
Other	204	24,432,824	113,200	81
Official market - preferential shares				
Komercijalna banka Skopje	8	128,680	184	4
Tetovska banka-kumulativna Tetovo	3	64,890	103	2
Tetovska banka-particip. Tetovo	1	56,400	94	1
Stopanska banka Bitola	2	1,800	3	1
Official market - bonds				
R. Macedonia - foreign currency deposits	391	22,099,839	503,279	14
R. Macedonia - denationalization 01	8	2,780,531	66,021	3
R. Macedonia - denationalization 02	50	16,024,535	379,735	12
R. Macedonia - denationalization 03	706	145,720,382	3,703,710	14
Total official market	1,516	417,695,597	4,881,882	
Unofficial market				
Unofficial market - ordinary shares				
RZ Ladna Valavnica Skopje	2	70,908,047	1,162,427	2
Okiteks Skopje	1	6,417,968	9,014	1
Karpos odrzuvawe Kriva Palanka	2	4,145,400	1,316	1
Inteks Skopje	1	3,846,600	2,137	1
Other	51	8,620,407	19,695	38
Unofficial market - preferential shares				
Stopanska banka Skopje	1	17,625	141	1
Total unofficial market	58	93,956,047	1,194,730	
Other securities				
Government-owned shares				
Convertible certificate for savings houses	70	8,139,638	35,783,428	12
Total other securities	70	8,139,638	35,783,428	
State market				
State - cash payments - ordinary shares	2	5,153,946		
State - share - cash	2	1,291,691		
Total state market	4	6,445,637		
Total markets	1,648	526,236,919		

Source: Macedonian Stock Exchange



Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia

Table 17

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

	External debt		Credits used		Debt payments	
	31/03/2004	30/04/2004	31/03/2004	30/04/2004	31/03/2004	30/04/2004
Official creditors	1,181.60	1,155.58	7.78	2.80	9.94	7.10
out of which:						
Multilateral	928.91	906.95	7.78	2.80	4.90	6.34
MMF	64.02	61.46	-	-	-	1.32
IBRD	191.45	189.94	0.92	1.77	-	-
IFC	16.00	15.16	-	-	1.00	0.75
IDA	366.80	359.71	0.09	-	0.02	0.42
EIB	117.77	111.67	6.18	-	2.32	3.81
EUROFIMA	7.45	7.25	-	-	-	-
Council of EDB	16.96	16.45	-	-	0.09	-
EBRD	29.76	29.86	0.44	0.80	1.13	-
EU	109.68	106.43	-	-	0.32	-
IFAD	7.66	7.73	0.17	0.23	0.00	0.02
European Agency for Reconstruction	1.35	1.29	-	-	0.02	0.02
Bilateral	252.69	248.63	-	-	5.04	0.75
Paris club (rescheduled 1995)	155.87	153.92	-	-	0.02	0.18
Paris club (rescheduled 2000)	13.30	13.05	-	-	4.71	-
New credits	74.27	72.69	-	-	0.30	0.58
Non-rescheduled debt	9.25	8.98	-	-	-	-
Private creditors	556.62	551.90	5.72	1.73	9.76	3.91
out of which:						
London Club of Creditors	238.07	238.07	-	-	-	-
Other private creditors	318.55	313.83	5.72	1.73	9.76	3.41
Banks and financial institutions	198.82	195.94	4.37	1.13	7.95	2.45
Enterprises	119.73	117.89	1.35	0.61	1.81	1.73
TOTAL	1,738.22	1,707.48	13.50	4.53	19.70	11.01

Source: National Bank of the Republic of Macedonia

National Bank of the Republic of Macedonia Balance sheet

Table 20

NBRM Balance sheet on April 30, 2004
(in million Denars)

Assets	Amount	Liabilities	Amount
Foreign assets	45,028	Reserve money	16,731
Claims on Government	3,492	NBRM instruments	4,398
Claims on banks and other financial institutions	77	Restricted deposits	69
Other assets	3,557	Foreign liabilities	3,291
		Government deposits	13,316
		Capital accounts	8,379
		Other liabilities	5,970
Total	52,154	Total	52,154

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)

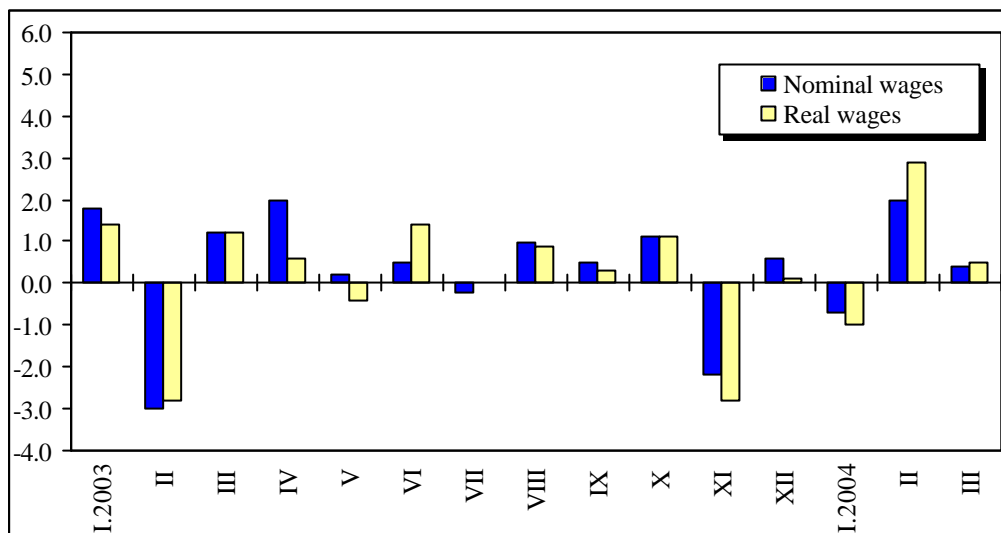


Chart 2

Total Central Government budget revenues

(in Denar million)

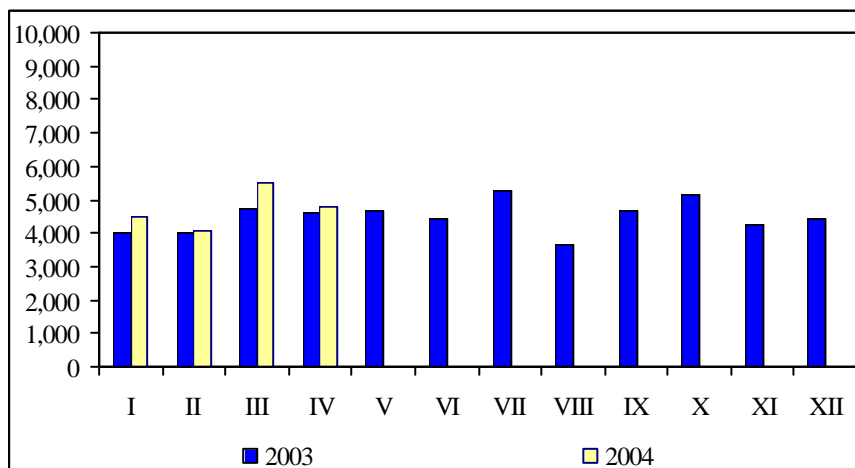
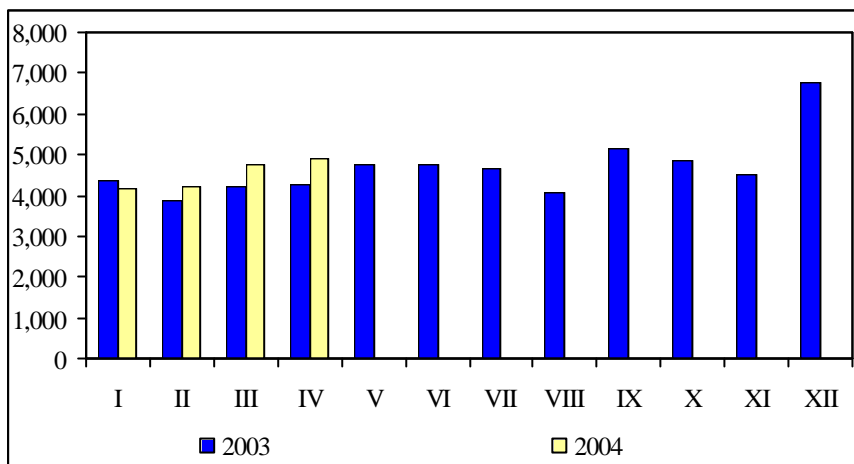




Chart 3

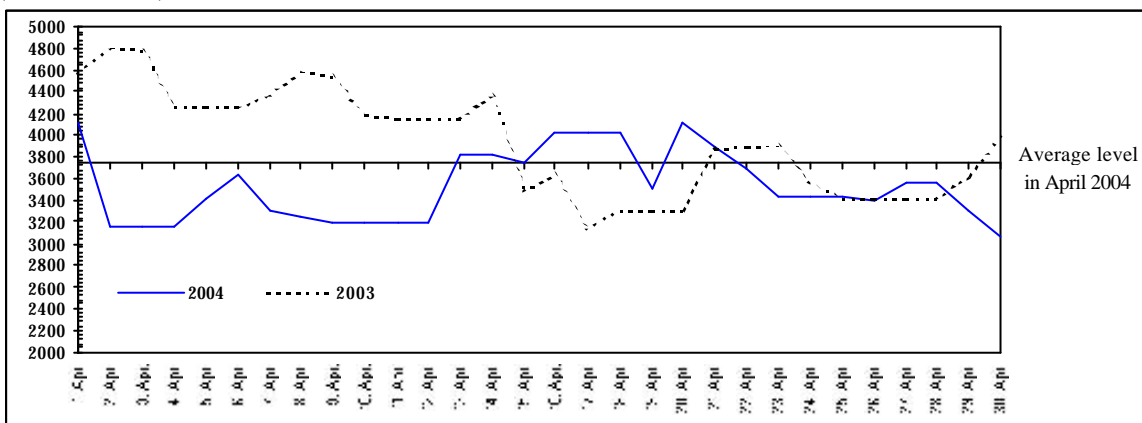
Total Central Government budget expenditures
(in Denar million)



Monetary developments in the Republic of Macedonia

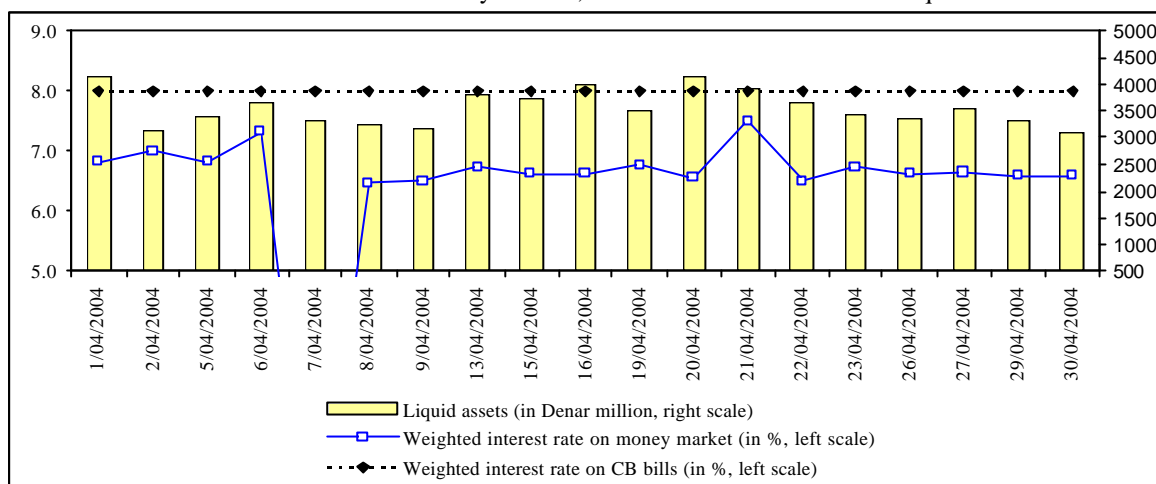
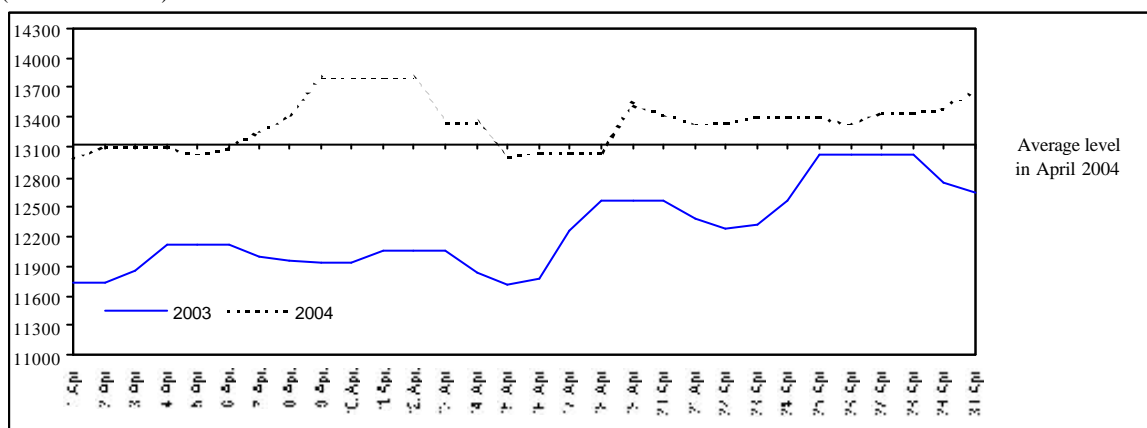
Chart 4

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



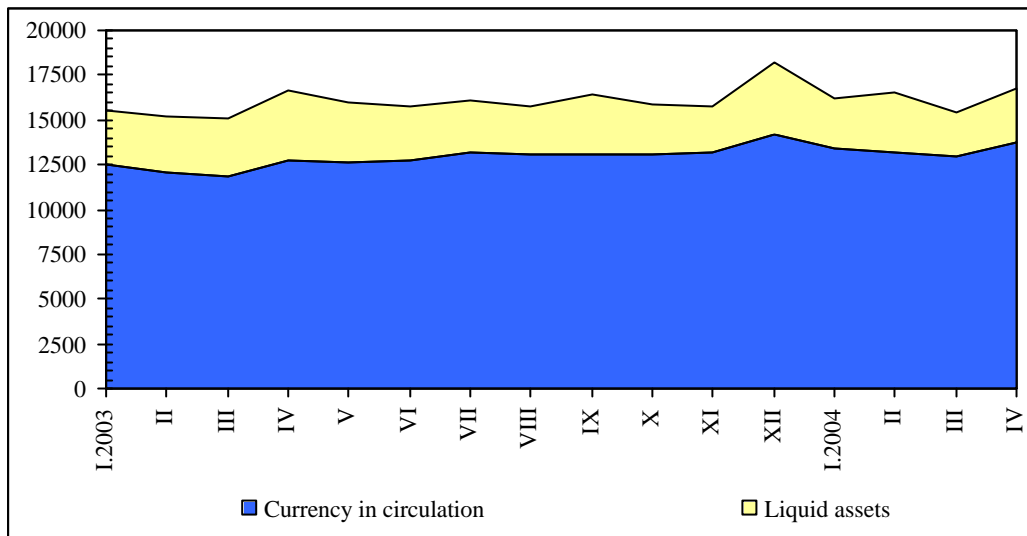
**Chart 5**

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)

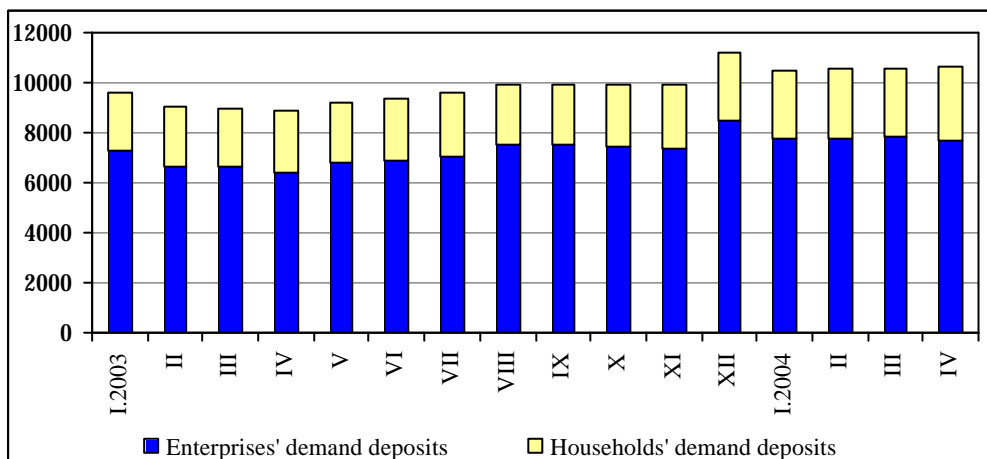
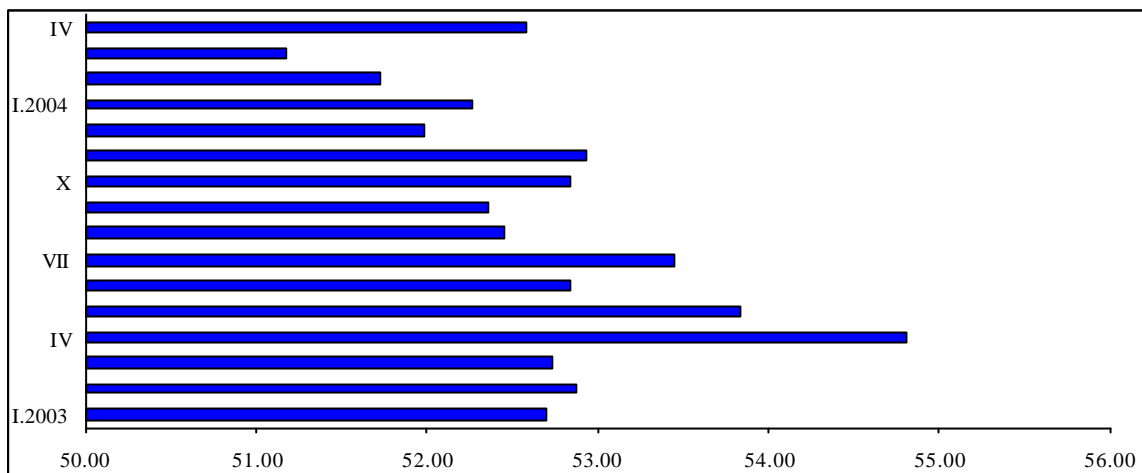




Chart 9

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

(in %)

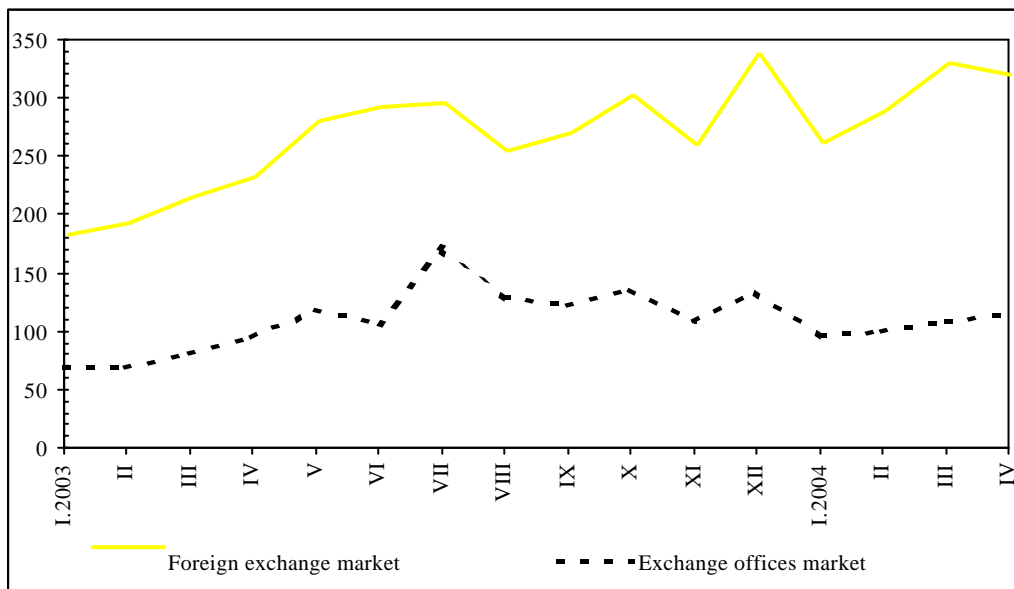


Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia

Chart 10

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

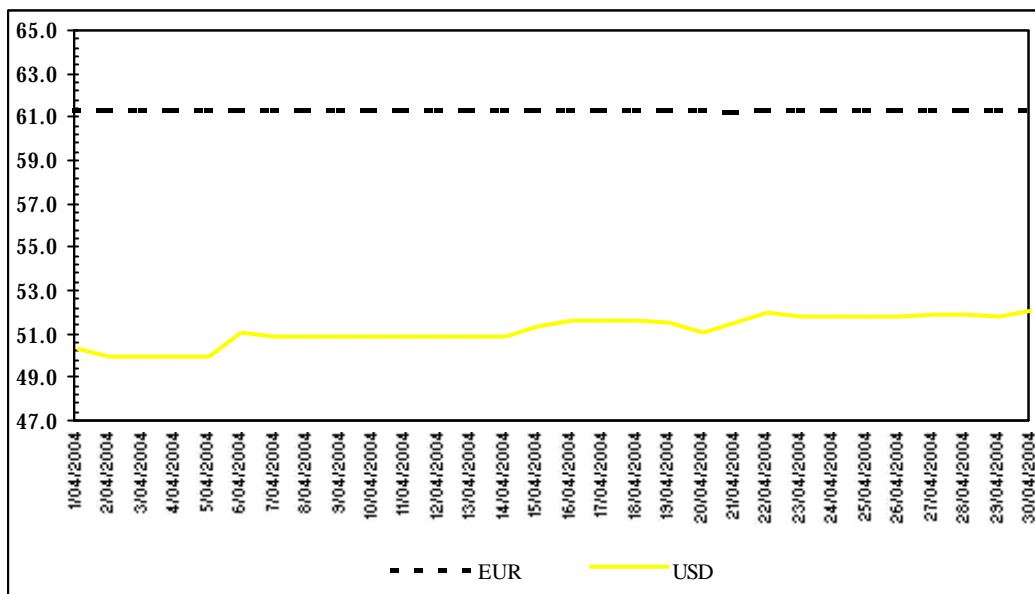
(in US Dollar million)



**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)

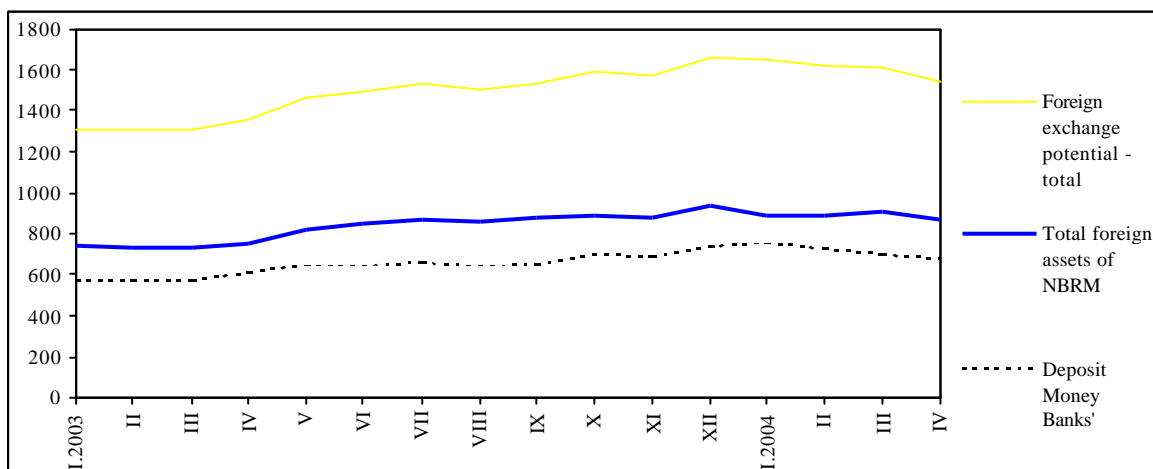




Chart 13

Used credits and serviced liabilities

(in US Dollar million)

