

**National bank  
of the Republic of Macedonia**

**Monthly  
Report**

**5 / 2004**



*July 2004*



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

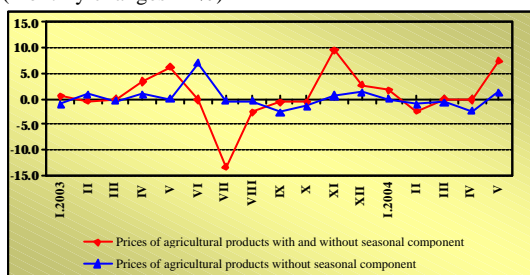
- ❖ *Starting from May 1, the Macedonian legal entities and natural persons are allowed to participate in the tenders organized within the European Union programs.*
- ❖ *On May 3, the Government of the Republic of Macedonia adopted a decision on including the European Bank for Reconstruction and Development (EBRD) in the ESM privatisation process with an investment in the amount of EUR 45 million.*
- ❖ *On May 10, the former loss making company Micron, now in an ownership of a Greek firm, restarted the production.*
- ❖ *On May 11, the controlling packages of shares of Hot Rolling Mill (Polukonti) and Cold Rolling Mill were sold. The buyer, the LHM Company from London, which is the second largest manufacturer of steel in the world, acquired 63.2% of the Polukonti shares and 50.5% of the shares of Cold Rolling Mill.*
- ❖ *On May 14, Macedonia entered the World Bank high scenario for assistance, and therefore Macedonia will be allocated USD 175 million in the next three years. On May 12, the World Bank Board of Directors approved a portion of the planned funds in the amount of USD 49.8 million, intended for delivery of the projects for reforms of the public sector (PSMAK), the social security and the health.*
- ❖ *On May 18, **the retail prices of oil derivatives** went up by Denar 2.5 per litre of 96-octan petrol and unleaded 90-octan petrol, whereas the diesel petrol rose by Denar 1.5.*
- ❖ *May 24 – the Government adopted the Public Investments Program, which includes 142 projects. In 2004, EUR 268 million will be realized, and in the 2004 – 2006 period, EUR 825 million will be realized, 78% of which will be used for the economic infrastructure.*
- ❖ *May 31 – The Macedonian Telecommunications Board adopted a decision according to which the new tariff system will apply starting from July 1, where the pulse will be shortened from 3 minutes to 20 seconds, and the price of 1 pulse will equal Denar 0.33.*

## I. Economic Developments in the Republic of Macedonia

The monthly index of the *consumer prices*, as a measure of the rate of inflation, equaled 0.5% in May 2004, which corresponds to the monthly increase in the *retail prices* (of 0.8%). From the aspect of the separate categories, the monthly inflation is primarily caused by the following movements: a) higher prices of transportation and services (by 2.3%, given the increased prices of postal services and oil derivatives by 5.6% and 3.3%, respectively), and b) higher costs of food by 0.6%, which are result of the seasonally higher prices of agricultural products (by 7.4%).

Chart 1

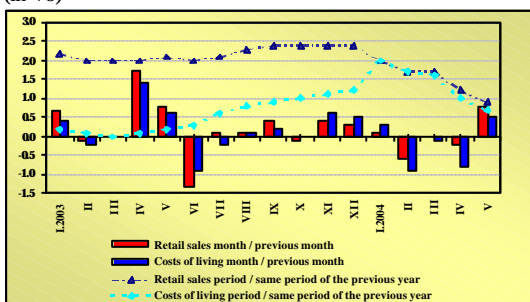
Prices of agricultural products with and without seasonal component  
(monthly changes in %)



In comparison with the same month of the previous year, the consumer prices were lower by 0.6%, while the average rate of inflation in the first five months of 2004 equaled 0.7%, given the significant increase in the costs of services (3.8%).

Chart 2

Consumer prices and retail prices  
(in %)



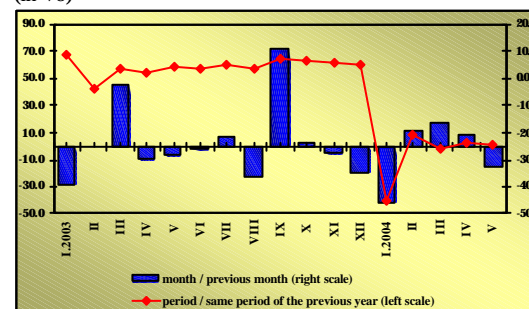
In May 2004, the *prices of the producers of industrial products* increased by 0.7% on a monthly basis, given the higher prices of the producers of intermediary products, except energy (by 2%) and of the producers of energy (by 1.2%), which were mainly caused by the increase in the prices of the producers of oil derivatives). On the other hand, monthly decrease was registered only

in the prices of the producers of non-durable consumption goods (of 1.2%, as a result of the drop in the prices of the producers of food products and beverages). Annually observed, the prices of the producers of industrial products were higher by 0.2%, while on average, they registered a decrease of 1%.

The three-month continuous monthly increase of the *industrial output* ceased in May, with the physical volume of the industrial output being reduced by 15.2% on a monthly basis. However, this occurrence is not uncommon for the fifth month of the year. Analyzed since 1992, the most intensive monthly decrease in the fifth month of the year was registered in 2002 - 17.4%. In May 2004, a reduced output was registered in all main groups of industrial products (except in the production of durable consumption goods). The largest decline was registered in the production of energy (of 63.1%), mainly due to the significant decrease in the production of oil derivatives (of 98.4%). Analyzed by sectors, the output in the processing industry and in the sector "electricity, gas and water supply" was lower by 15% and 20.6%, respectively, while it increased by 5% in the sector "mining and quarrying". The decrease in the output on a monthly basis caused an intensification of the decrease on annual and on cumulative basis (rates of decline of 26.6% and 24.6%, respectively, were registered).

Chart 3

Industrial output  
(in %)



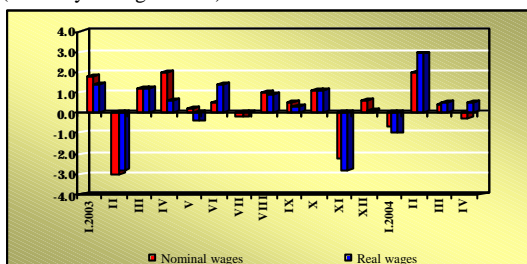
The nominal average net paid wage per worker in April 2004<sup>1</sup> decreased by 0.3% and it equaled Denar 12,114. Having in mind the monthly deflation, the average wage in real terms registered an increase of 0.5%. Analyzed by main sectors,

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



the average wage in the agriculture and in the sector "services" registered a decrease (25.2% and 0.7%, respectively), while the wage in industry increased by 0.7%. On annual basis and on average, the average nominal wage increased by 2.9% and by 3.8%, respectively.

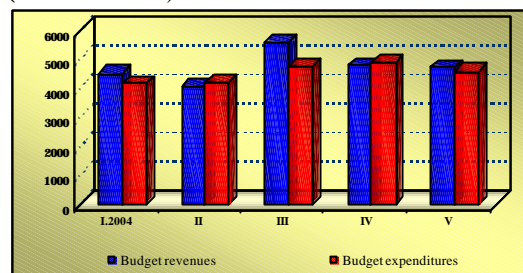
Chart 4  
Average net wage per worker  
(monthly changes in %)



In May 2004, the total public revenues equaled Denar 7,182 million, which is less by 4.3% compared to the previous month. However, the total revenues of the central budget declined by 1.4% on a monthly basis, given the registered decrease in the tax and the capital revenues. The tax revenues (having the dominant share in the total revenue structure of 94.9%) registered moderate decline of 1.3%, given divergent movements in separate tax categories. Thus, lower amount of revenues was registered in the revenues originating from the personal income tax and from the value added tax (by 18.7% and 7.1%, respectively). This is mainly due to the high comparison base registered in the previous month, when the highest amount of revenues originating from the personal income tax (since the beginning of 2004) was registered and when the small-size and the medium-size enterprises paid in VAT on quarterly basis. A decrease was registered also in the revenues originating from the profit tax, while the revenues originating from excises and custom duties increased on a monthly basis, as a result of which the inflows made on this basis were the highest since the beginning of 2004. Despite the significant decrease in the capital revenues (of 57.1%), in accordance with their insignificant share, they did not effect largely on the dynamics of the total revenues. On the other hand, the non-tax revenues registered an increase (23.2%), which

is mainly due to the higher payments by public and financial institutions and to the revenues originating from the administrative taxes and fees. Analyzed on cumulative basis, since the beginning of 2004, the total budget revenues equal Denar 23,583 million, which is an increase of 7% compared to the same period of the previous year, given the simultaneous increase in the tax and the capital revenues.

Chart 5  
Total revenues and expenditures of the central budget  
(in Denar million)



In May 2004, the total public expenditures amounted to Denar 7,014 million, which is less by 4.8% than in the previous month. Denar 4,578 million of this amount are expenditures of the central budget, which decreased by 6.3% on a monthly basis (given a decrease in the current and the capital expenditures). The current expenditures (the share of which in the total expenditures equals 92.9%) decreased by 3.3%, given the reduced expenditures for payments based on interest (by 73.5%) and the expenditures for goods and services (of 10.4%). Capital expenditures were lower (by 33.7%), which is mainly due to the high comparison base registered in the previous month. On cumulative basis, in the first five months of 2004, the expenditures of the central Government equaled Denar 22,564 million, i.e. they were higher by 4.9% in comparison with the same period of 2003. However, high increase of 70.8% was registered in the capital expenditures (mainly due to the low level registered in the previous year, partially due to the late adoption of the Budget for 2003), while the current expenditures increased by 3.8%.

## II. Monetary developments in the Republic of Macedonia

In May 2004, the NBRM direct interventions on the foreign exchange market, along with the monetary regulation instruments resulted in a stable Denar exchange rate, thus contributing

to a considerably low average inflation rate of 0.7%. With respect to the liquidity management, given the accumulation of funds by the Government and liquidity withdrawal

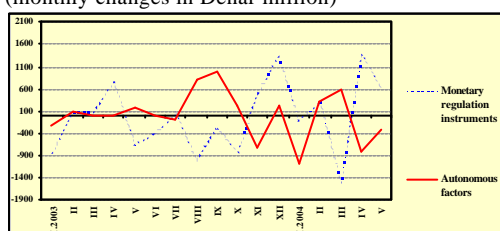


through the NBRM foreign exchange transactions, in May 2004, the monetary instruments acted towards liquidity creation.

In May 2004, *the liquidity of the banking sector*<sup>1</sup> was relatively stable. Thus the average daily liquidity of the banks equaled Denar 3,517.4 million, which is by 0.2% lower on monthly basis. At the end of the period for fulfillment<sup>2</sup>, the banks' allocated compulsory reserve was by 21% over the determined requirement (15% in April 2004), which indicates a satisfactory level of liquidity in the banking system and signalizes the need of more efficient liquidity management by the banks. Relative to the end of April 2004, the liquidity of the banks was by 8.2% higher.

Chart 6

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 situation on the foreign exchange market, where the NBRM acts towards balancing the gap between the supply of and the demand for foreign exchange, was relatively stable in May 2004. Same as in the previous month, in line with the higher demand for foreign exchange, the NBRM intervened by a net sale of foreign assets, however, in smaller volume. Thus the foreign exchange transactions acted towards liquidity withdrawal from the banking system.

The total Government Denar deposits with the NBRM were by Denar 366 million, or by 9.1% higher in May 2004, thus acting towards withdrawing liquidity. Usually, the cumulation of funds on the Government Denar account is particularly evident in the middle of the month

<sup>1</sup> The liquidity of the banks pertains to the banks' account with the NBRM and the cash in the vaults.

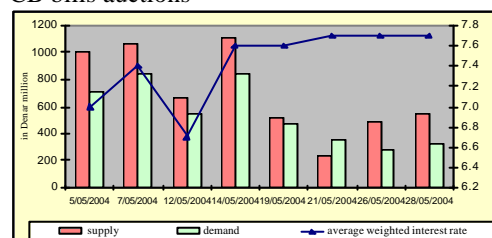
<sup>2</sup> The period for maintaining (fulfilling) the banks' compulsory reserve requirement covers the period from the 11<sup>th</sup> in the current month to the 10<sup>th</sup> in the following month.

(due to the payment of taxes) and at the end of the month (as a result of the payments of customs duties). Two auctions of Treasury bills were conducted in May, with the funds realized amounting to Denar 671.3 million. In line with the relatively higher demand than supply, the downward trend of the interest rate (which started in April 2004) continued at the first auction (conducted on May 4, 2004), with the average weighted interest rate reducing to 8.34%. An interest rate of 8.32% was registered at the second auction of Treasury bills (conducted on May 18, 2004) with the supply and the demand being almost identical.

The level of *CB bills* equalled Denar 3,801 million at the end of May 2004, which is a creation of additional liquidity of Denar 597 million on monthly basis. The reduction of the level of CB bills resulted in a moderate decline in the average weighted interest rate which equalled 7.55% in May. The CB bills with maturity of 28 days (with an interest rate of 8%) had a dominant share of 95% in the maturity structure of the CB bills, while the remainder pertains to CB bills with maturity of 7 days (with an interest rate of 5%).

Chart 7

CB bills auctions



The volume of executed transactions on the institutionalised money market continued increasing in May, however in slow dynamics. The total turnover went up by 10.7% on monthly basis (in April, the monthly increment equalled 50.2%) and reached Denar 1,128 million. The analysis of the dynamics indicates an especially high demand for liquid funds in the period of payment of the tax liabilities. The inconsiderably higher supply of relative to the demand for liquid funds, resulted in a slight decrease in the average weighted interest rate (of 0.1 percentage point), which equalled 6.6% in May. The turnover on the non-institutionalised money market equalled Denar 838,7 million, which is a monthly decrease of 6.1%.

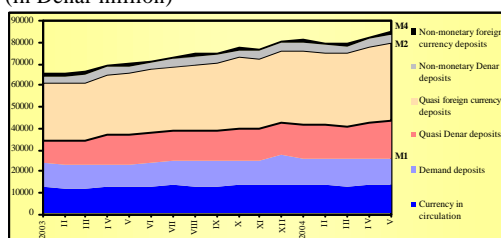


In May 2004, the currency in circulation was lower by 459 million or by 3.4% on monthly basis. The fall was due to the higher level at the end of April, when the preferences to hold cash were evident immediately prior to the Labour Day holidays. During the month, the pace of the currency in circulation was determined by the seasonal factors, with the average daily amount of currency in circulation being higher relative to the preceding month by Denar 144.5 million, or by 1.1%.

In line with the intensity of the monthly dynamics of the individual components (the currency in circulation and the liquidity of the banks), the *reserve money* went down by 1.2% on monthly basis, thus equaling Denar 16,523 million on May 31, 2004.

The lower demand for currency in circulation, due to seasonal factors, as well as the higher short-term savings in both domestic and foreign currency are the major factors of the dynamics of the *monetary aggregates* in May 2004. Thus all monetary aggregates picked up on monthly basis, and simultaneously maintained the positive annual dynamics.

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



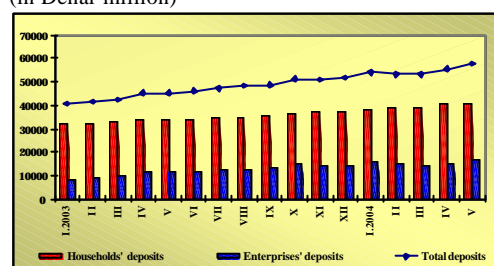
The higher level of the demand deposits (given the decrease in the currency in circulation), was the major determinant of the monthly surge of the money supply M1 (of 0.4%). The increase in the demand deposits was solely a result of the higher amount of funds on the enterprises' transaction accounts (by 8.4%). The increment in the money supply M1, given the simultaneous decline in the reserve money resulted in an increase in the money multiplier of the money supply M1 (1.58 compared to 1.56 in April).

In May 2004, the money supply M2 was by 2.8% higher on monthly basis, as a combined effect of the higher transaction deposits and the increase in the short-term foreign exchange deposits. Given the moderate increase in the

long-term deposit potential, the growth rate of the broadest monetary aggregate M4 equalled 2.7%. In line with the higher short-term and long-term deposit potential, May also registered a strengthening of the monetary multiplication process (in May 2004, the money multipliers of the monetary aggregates M2 and M4 equalled 4.86 and 5.17, and in the previous month they equalled 4.67 and 4.97, respectively)

The positive monthly dynamics of the *banks' deposit potential* continued in May 2004. The monthly growth rate of the total deposits of the non-government sector<sup>3</sup> equalled 3.8%, given the faster increase in the short-term deposits compared to the increase in the long-term deposits. The analysis of the structure of currency of denomination indicates an identical increase in both the Denar and the foreign exchange deposits (3.8%). On annual basis, the total deposit potential of the banks is by 26% higher.

Chart 9  
Deposit timeframes  
(in Denar million)



In May 2004 compared to the previous month, the *total households' deposits* remained almost unchanged. Nevertheless, certain movements were registered within the structure of the households' deposits. Thus the Denar and the foreign exchange sight deposits went down (by 4.2% and 0.3%, respectively), whereas the other deposit categories picked up. Such movements indicate a partial redistribution of the funds received through the payment of the Government bonds for the old foreign exchange savings (from sight deposits to time deposits). On annual basis, the total households' deposits rose by 19.2%, given the

<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).





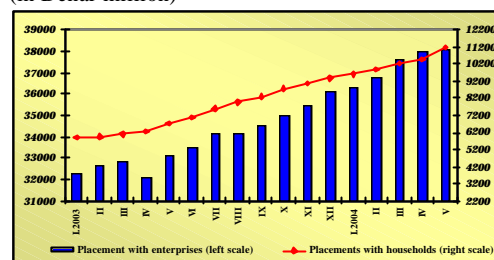
considerable increment in the sight foreign exchange deposits.

In May 2004, the total enterprises' deposits were by 14.9% higher on monthly basis, given the considerable increment in the short-term Denar and foreign exchange deposits. Compared to the same month of the previous year, in May the total enterprises' deposits were by 50.5% higher. The annual change in the enterprises' deposits, primarily caused by the increase in the enterprises' short-term foreign exchange deposits (foreign exchange sight deposits and the restricted foreign exchange deposits with up to one month of maturity).

The credits extended by the banks constituted an additional source of funding of the private sector in May 2004. Thus *the banks' total placements to the private sector* registered a monthly increment of 1.2% which reflects the simultaneous rise in the placements in both domestic and foreign currency (of 1.1% and 2.4%, respectively). Thus the further orientation of the banks to lend on a long run is a positive indicator. Thus May registered an intensified long-term lending to the enterprises (in both domestic and foreign currency) and continuation of the trend of Denar lending to the households on a long run.

Chart 10

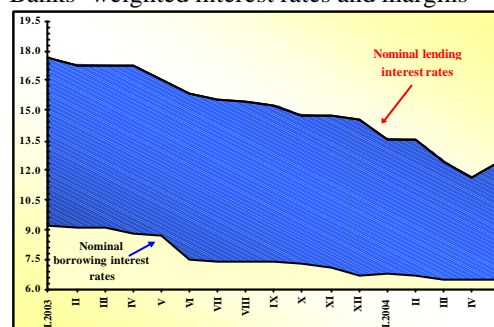
Banks' placements by sectors  
(in Denar million)



Given the unchanged average weighted deposit interest rate on the three-month Denar deposits (6.5%) and the simultaneous increase in the average weighted lending interest rate (on the short-term Denar placements), the interest rate margin extended by 0.6 percentage points, and reached 5.8 percentage points.

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 April 2004, the *foreign trade*<sup>5</sup> of the Republic of Macedonia registered a monthly decrease of 2.3%, and it equaled US Dollar 351.5 million. Having in mind almost the same level of the import of goods, the monthly dynamics of the foreign trade reflects the decrease in the export of goods of 7%. The decrease in the export caused deepening of the trade deficit on a monthly basis by 8.8% (in April 2004, the trade deficit equaled US Dollar 117.7 million).

In May 2004, foreign trade in the amount of US Dollar 335.2 million was registered, which is a monthly decrease of 7.8%. The negative

monthly dynamics of the foreign trade reflects the lower level of export of goods (having in mind the seasonal decrease in the export of products of textile industry), as well as the lower import (in line with the reduced import of oil and consumption goods - due to the high comparison base registered in the previous month, when intensified import of consumption goods from Slovenia was registered, before its joining to the EU).

However, the cumulative change of the foreign trade is positive (increase of 14%), which is due to the simultaneous increase in the export and the import of goods of 13.4% and 14.3%, respectively. The higher export of goods is caused by the increase in the regular export of goods (of 23.2%) and the moderate increase in the export of products for further processing

<sup>5</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

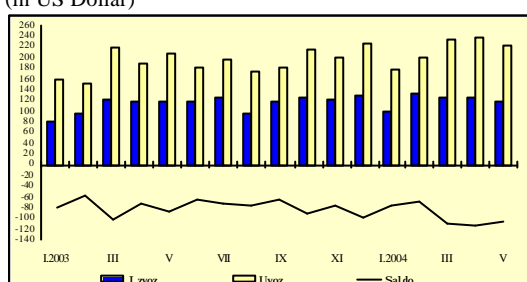


(of 2.9%). The analysis of the import structure indicates an increase in the regular import of 20.3% and a decrease in the import of goods for further processing of 8.6% (partially due to the fact that two metallurgic facilities were not working).

The import of goods for further processing and the import of oil and equipment still dominate in the import structure, while the dominant share in the exports accounts for the further processed goods in textile industry and steel industry (exceeding 55%).

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

indicates Germany, Greece and Serbia and Montenegro preserved their dominant share (53.7%). Among other countries, more significant share in the imports accounts for the import from Russia and Bulgaria (mainly due to the import of oil and electricity). The increase in the share of Slovenia in the import is characteristic for the first five months of 2004 (6.3% compared to 5% in the same period of the previous year, due to the intensified import from Slovenia before its joining to the EU). In May the foreign trade with this country was stabilized, which points to the one-time effect on the increase in the import caused by the joining of Slovenia to the EU.



## Appendix No.1

### Economic Developments in the Republic of Macedonia

**Table 1**

Costs of living and retail prices

	V.2004 IV.2004	V.2004 V.2003 in %	I-V.2004 I-V.2003
<b>Costs of living</b>	<b>0.5</b>	<b>-0.6</b>	<b>0.7</b>
Food	0.6	-2.9	-1.4
Tobacco and beverages	-0.3	1.0	1.7
Clothing and footwear	1.0	1.5	1.7
Housing	-0.1	3.1	3.9
Flat (rent, water, services)	0.1	-0.7	0.9
Fuel and lighting	-0.1	4.5	5.2
Hygiene	-0.9	-0.3	3.9
Culture and entertainment	-1.2	1.0	2.1
Transport, communications, services	2.3	0.9	1.2
<i>Goods</i>	<i>0.4</i>	<i>-1.1</i>	<i>0.1</i>
<i>Services</i>	<i>1.1</i>	<i>1.9</i>	<i>3.8</i>
<b>Retail prices</b>	<b>0.8</b>	<b>-0.1</b>	<b>0.9</b>
Agricultural products	7.4	0.7	1.4
Non-food industrial products	0.6	1.3	1.1
Processed food products	-0.5	-4.7	-3.1
Beverages	-0.3	-3.3	-1.9
<i>Goods</i>	<i>0.9</i>	<i>-0.4</i>	<i>-0.1</i>
<i>Services</i>	<i>0.7</i>	<i>0.7</i>	<i>3.0</i>

Source: State Statistical Office of the Republic of Macedonia


**Table 2**

Prices of producers of industrial products

	V.2004 IV.2004	V.2004 V.2003 in %	I-V.2004 I-V.2003
<b>Prices of producers of industrial products</b>	<b>0.7</b>	<b>0.2</b>	<b>-1.0</b>
Energy	1.2	-2.2	-5.0
Intermediary goods (except Energy)	2.0	5.3	3.4
Capital goods	0.0	0.2	-1.1
Durable consumer goods	0.0	0.0	0.0
Non durable consumer goods	-1.2	-4.0	-3.4
<i>Mining and quarrying</i>	<i>0.0</i>	<i>0.6</i>	<i>0.6</i>
<i>Manufacturing industry</i>	<i>0.8</i>	<i>0.2</i>	<i>-1.3</i>
Manufacture of food products and beverages	-1.7	-4.7	-4.0
Manufacture of tobacco products	0.1	0.1	-0.1
Manufacture of textiles	0.0	-1.5	-0.6
Manufacture of wearing apparel; dressing and dyeing of fur	0.0	0.0	0.0
Manufacture of coke, refined petroleum products and nuclear fuel	3.5	-5.8	13.0
Manufacture of chemicals and chemical products	0.1	0.0	0.0
Manufacture of other non-metallic mineral products	-0.3	-0.4	-0.3
Manufacture of basic metals	0.0	1.3	2.0
Manufacture of electrical machinery and apparatus n.e.c.	9.0	23.6	14.0
<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 3**  
Industrial output

	Structure in %	V.2004 IV.2004	V.2004 V.2003 in %	I-V.2004 I-V.2003
<b>Total</b>	<b>100.00</b>	<b>-15.2</b>	<b>-26.6</b>	<b>-24.6</b>
Energy		-63.1	-53.3	-6.9
Intermediary goods (except Energy)		-0.4	-49.0	-49.2
Capital goods		-4.6	-51.8	-50.2
Durable consumer goods		12.4	-17.5	-46.2
Non durable consumer goods		-7.7	32.9	18.5
<i>Mining and quarrying</i>	<b>3,2</b>	<b>5.0</b>	<b>-20.6</b>	<b>-50.9</b>
<i>Manufacturing industry</i>	<b>89,9</b>	<b>-15.0</b>	<b>-27.7</b>	<b>-25.4</b>
Manufacture of food products and beverages	24,9	0.2	15.7	7.6
Manufacture of tobacco products	5,0	3.3	-10.8	-14.8
Manufacture of textiles	4,3	6.6	11.6	-23.2
Manufacture of wearing apparel; dressing and dyeing of fur	4,5	-22.6	62.4	34.0
Manufacture of coke, refined petroleum products and nuclear fuel	7,0	-98.4	-97.8	-20.8
Manufacture of chemicals and chemical products	7,2	2.1	-37.0	-30.7
Manufacture of other non-metallic mineral products	4,6	-1.4	-6.7	-15.0
Manufacture of basic metals	16,4	-3.1	-72.4	-69.5
Manufacture of electrical machinery and apparatus n.e.c.	4,0	30.2	-23.5	-56.7
<i>Electricity, gas and water supply</i>	<b>6,9</b>	<b>-20.6</b>	<b>-6.6</b>	<b>-5.0</b>

Source: State Statistical Office of the Republic of Macedonia

**Table 4**  
Average net wages

	IV.2004* in denars	IV.2004 III.2004	IV.2004 IV.2003 in %	I-IV.2004 I-IV.2003
<b>Nominal average net wage per worker</b>	<b>12,114</b>	<b>-0.3</b>	<b>2.9</b>	<b>3.8</b>
Costs of living		-0.8	-0.7	1.0
<b>Real average net wage per worker</b>		<b>0.5</b>	<b>3.6</b>	<b>2.8</b>
<b>Nominal average net wage by sectors</b>				
Agriculture	8,483	-25.2	-0.9	9.9
Industry	12,174	0.7	3.3	3.8
Services	13,784	-0.7	2.6	3.0

\* Last available data

Source: State Statistical Office of the Republic of Macedonia



**Table 5**  
Central Government Budget

	may 2004			january-may 2004		
	in Denar million	Monthly changes in %	Structure in %	in Denar million	Cumulative changes (2004/2003) in %	Structure in %
<b>Total budget revenues</b>	<b>4,706</b>	<b>-1.4</b>	<b>100.0</b>	<b>23,583</b>	<b>7.0</b>	<b>100.0</b>
<i>Tax revenues:</i>	<i>4,468</i>	<i>-1.3</i>	<i>94.9</i>	<i>21,551</i>	<i>7.2</i>	<i>91.4</i>
- personal income tax	581	-18.7	12.3	3,034	3.8	12.9
- profit tax	153	-14.0	3.3	1,289	-18.8	5.5
- value added tax	2,231	-7.1	47.4	10,735	25.4	45.5
- excises	923	28.6	19.6	3,990	-0.6	16.9
- custom duties	541	13.4	11.5	2,246	-18.7	9.5
- other	39	2.6	0.8	258	4.5	1.1
<i>Non-tax revenues:</i>	<i>202</i>	<i>23.2</i>	<i>4.3</i>	<i>1,737</i>	<i>-0.6</i>	<i>7.4</i>
- inflows from state property dividends	49	88.5	1.0	868	25.6	3.7
- administrative taxes and fees	131	20.2	2.8	598	12.0	2.5
- other administrative taxes	19	-9.5	0.4	104	-54.8	0.4
- other non-tax revenues	3	-62.5	0.1	167	-43.0	0.7
<i>Capital revenues</i>	<i>36</i>	<i>-57.1</i>	<i>0.8</i>	<i>295</i>	<i>45.3</i>	<i>1.3</i>
<b>Total budget expenditures</b>	<b>4,578</b>	<b>-6.3</b>	<b>100.0</b>	<b>22,564</b>	<b>4.9</b>	<b>100.0</b>
<i>Current expenditures</i>	<i>4,253</i>	<i>-3.3</i>	<i>92.9</i>	<i>21,064</i>	<i>3.8</i>	<i>93.4</i>
- wages and salaries	1,757	-0.1	38.4	8,651	4.0	38.3
- goods and services	561	-10.4	12.3	2,984	15.8	13.2
- transfers	1,870	5.9	40.8	8,559	7.7	37.9
- interest	65	-73.5	1.4	841	-30.1	3.7
<i>Capital expenditures</i>	<i>325</i>	<i>-33.7</i>	<i>7.1</i>	<i>1,500</i>	<i>70.8</i>	<i>6.6</i>
<b>Budget balance</b>	<b>128</b>			<b>1,019</b>		
<b>Financing</b>	<b>-128</b>			<b>-1,019</b>		
<i>Inflows</i>	<i>145</i>			<i>2,388</i>		
<i>Outflows</i>	<i>273</i>			<i>3,407</i>		

Source: Ministry of Finance

**Table 6**  
Total revenues and expenditures of the budget funds

	may 2004				january-may 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 %
<b>Social Funds</b>	<b>4,126</b>	<b>-5.7</b>	<b>4,065</b>	<b>-4.2</b>	<b>20,580</b>	<b>7.4</b>	<b>20,689</b>	<b>9.6</b>
- pension and disability insurance	2,300	-7.4	2,293	-4.9	11,630	5.8	11,831	7.6
- health insurance	1,174	-5.8	1,157	-2.3	5,875	24.8	5,797	7.1
- employment	652	0.6	615	-5.4	3,075	70.9	3,061	24.0
<b>Road Fund</b>	<b>290</b>	<b>-48.2</b>	<b>306</b>	<b>-29.5</b>	<b>1,457</b>	<b>7.6</b>	<b>1,397</b>	<b>67.3</b>

Source: National Bank of the Republic of Macedonia



# Monetary developments in the Republic of Macedonia

**Table 7**

Reserve money

	<b>30.05.2004</b>	<b>Monthly changes</b>		<b>Annual changes</b>	
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
Reserve money	<b>16,523</b>	<b>-208</b>	<b>-1.2</b>	<b>529</b>	<b>3.3</b>
Currency in circulation	<b>13,187</b>	<b>-502</b>	<b>-3.7</b>	<b>587</b>	<b>4.7</b>
Banks liquidity	<b>3,336</b>	<b>294</b>	<b>9.7</b>	<b>-58</b>	<b>-1.7</b>

Source: National Bank of the Republic of Macedonia

**Table 8**

Reserve money creation and withdrawal

	<b>30.05.2004</b>
	<b>monthly changes</b>
	in Denar million
<b>Bank liquidity</b>	<b>294</b>
<b>Liquidity creation</b>	<b>1,099</b>
1. Currency in circulation	502
2. CB' Bills auctions	597
<b>Liquidity withdrawal</b>	<b>-805</b>
1. Net foreign assets	-569
2. Net domestic assets	-169
3. Other	-67

Source: National Bank of the Republic of Macedonia

**Table 9**

Money supply M1 and its components

	<b>30.05.2004</b>	<b>monthly changes</b>		<b>annual changes</b>	
	in Denar million	in Denar million	in %	in Denar million	in %
<b>Money supply M1</b>	<b>26,144</b>	<b>105</b>	<b>0.4</b>	<b>2,739</b>	<b>11.7</b>
<b>Currency in circulation</b>	<b>13,187</b>	<b>-502</b>	<b>-3.7</b>	<b>587</b>	<b>4.7</b>
<b>Demand deposits</b>	<b>12,957</b>	<b>607</b>	<b>4.9</b>	<b>2,152</b>	<b>19.9</b>
- Demand deposits of households	<b>2,844</b>	<b>-156</b>	<b>-5.2</b>	<b>407</b>	<b>16.7</b>
- Demand deposits of enterprises	<b>8,299</b>	<b>645</b>	<b>8.4</b>	<b>1,534</b>	<b>22.7</b>

Source: National Bank of the Republic of Macedonia



**Table 10**  
Broader monetary aggregates and their components

	<b>30.05.2004</b>	<b>monthly changes</b>		<b>annual changes</b>	
	in Denar million	in Denar million	in %	in Denar million	in %
<b>Money supply M1</b>	26,144	105	0.4	2,739	11.7
<b>Denar short - term deposits</b>	17,095	726	4.4	3,676	27.4
<b>Monetary aggregate M2 - denar component</b>	43,239	831	2.0	6,415	17.4
<b>Foreign currency short - term deposits</b>	37,064	1,389	3.9	8,200	28.4
<b>Monetary aggregate M2</b>	80,303	2,220	2.8	14,615	22.2
<b>Non - monetary deposits</b>	5,087	65	1.3	332	7.0
- In Denar	3,468	30	0.9	170	5.2
- In foreign currency	1,619	35	2.2	162	11.1
<b>Monetary aggregate M4</b>	85,390	2,285	2.7	14,947	21.2

Source: National Bank of the Republic of Macedonia

**Table 11**  
Total deposits of the non-government sector

	<b>30.05.2004</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>	59,246	2,180	3.8	12,208	26.0	
<b>1. According to maturity</b>						
- short-term	54,159	2,115	4.1	11,876	28.1	91.4
- long-term	5,087	65	1.3	332	7.0	8.6
<b>2. According to currency of denomination</b>						
- In denar	20,563	756	3.8	3,846	23.0	34.7
- In foreign currency	38,683	1,424	3.8	8,362	27.6	65.3

Source: National Bank of the Republic of Macedonia





**Table 12**  
Households and enterprises deposits

	30.05.2004 in Denar million	monthly changes		annual changes	
		in Denar million	in %	in Denar million	in %
<b>Total households deposits</b>	<b>40,616</b>	<b>-56</b>	<b>-0.1</b>	<b>6,553</b>	<b>19.2</b>
<b>1. According to maturity</b>					
- short-term	37,634	-62	-0.2	6,366	20.4
- long-term	2,982	6	0.2	187	6.7
<b>2. According to currency of denomination</b>					
- In denar	11,369	-96	-0.8	2,706	31.2
- In foreign currency	29,247	40	0.1	3,847	15.1
<b>Total enterprises deposits</b>	<b>17,098</b>	<b>2,217</b>	<b>14.9</b>	<b>5,737</b>	<b>50.5</b>
<b>1. According to maturity</b>					
- short-term	15,997	2,162	15.6	5,492	52.3
- long-term	1,101	55	5.3	245	28.6
<b>2. According to currency of denomination</b>					
- In denar	7,798	820	11.8	1,220	18.5
- In foreign currency	9,300	1,397	17.7	4,517	94.4

Source: National Bank of the Republic of Macedonia

**Table 13**  
Banks' placements and overdue claims

	30.05.2004 in Denar million	monthly changes		annual changes	
		in Denar million	in %	in Denar million	in %
<b>Total banks' placements</b>	<b>55,050</b>	<b>676</b>	<b>1.2</b>	<b>10,389</b>	<b>23.3</b>
<i>Denar placements</i>	<i>47,298</i>	<i>496</i>	<i>1.1</i>	<i>9,069</i>	<i>23.7</i>
<i>Foreign currency placements</i>	<i>7,752</i>	<i>180</i>	<i>2.4</i>	<i>1,320</i>	<i>20.5</i>

Source: National Bank of the Republic of Macedonia


**Table 14**

Maturity and sector structure of Denar and foreign currency placements

	Share on 30.05.2004	Monthly change of share	Annual change of share
	(in %)	(in percentage points)	
<b>Denar placements</b>	100.0		
maturity structure			
- short-term	60.6	-0.8	-6.0
- long-term	39.4	0.8	6.0
structure by sectors			
- enterprises	72.8	-1.2	-6.5
- households	26.3	1.2	6.6
- other	0.9	0.0	-0.1
<b>Foreign currency placements</b>	100.0		
maturity structure			
- short-term	39.5	-0.2	-4.0
- long-term	60.5	0.2	4.0
structure by sectors			
- enterprises	96.3	-0.2	-1.2
- households	0.9	0.3	0.6
- other	2.8	-0.1	0.6

Source: National Bank of the Republic of Macedonia

**Table 15**

Interest rates

	May, 2004	Monthly changes	Annual changes
	in %	in percentage points	
Average weighted interest rate on the CB bills auctions (28 days)	8.00	0.0	1.0
Average weighted interest rate on the Money Market	6.55	-0.1	-2.8
Banks' weighted lending interest rates	12.27	0.6	-4.3
Banks' weighted deposit interest rates	6.50	0.0	-2.2



## Financial Markets in the Republic of Macedonia

**Table 16**  
Report on trading in May 2004

<i>Securities</i>	Number of transactions	Value (in Denars)	Number of traded securities	Days of trading
Official market				
Official market - ordinary shares				
Blagoj Gorev Veles	39	10,520,773	15,249	7
RZ Uslugi Skopje	13	7,859,199	157,149	1
Vinarska vizba Tikves Kavadarci	2	5,652,900	1,530	2
Komercijalna banka Skopje	26	5,620,225	1,960	12
Other	357	28,277,329	62,436	121
Official market - preferential shares				
Komercijalna banka Skopje	15	608,779	885	9
Investbanka Skopje	1	740	1	1
Official market - bonds				
R. Macedonia - foreign currency deposits	353	31,551,629	719,948	17
R. Macedonia - denationalization 01	4	880,245	20,174	3
R. Macedonia - denationalization 02	29	12,952,714	305,627	12
R. Macedonia - denationalization 03	526	65,042,357	1,719,148	17
<b>Total official market</b>	<b>1,365</b>	<b>168,966,890</b>	<b>3,004,107</b>	
Unofficial market				
Unofficial market - ordinary shares				
RZ Ladna Valavnica Skopje	3	143,664,069	8,601,861	1
RZ Valavnica za lenti Skopje	2	113,323,404	6,785,314	1
Agromehanika Skopje	1	12,144,000	4,048	1
9-ti Maj Negotino	1	10,005,120	4,632	1
Other	72	31,774,495	370,233	43
Unofficial market - preferential shares				
Stopanska banka Skopje	1	16,698	138	1
<b>Total unofficial market</b>	<b>80</b>	<b>310,927,786</b>	<b>15,766,226</b>	
Other securities				
Government-owned shares				
Ministry of finance - Treasury bill 2004-7	1	2,270,560	230	1
Convertible certificate for savings houses	35	1,355,184	13,895,214	11
<b>Total other securities</b>	<b>36</b>	<b>3,625,744</b>	<b>13,895,444</b>	
State market				
State - cash payments - ordinary shares	3	1,268,530		
<b>Total state market</b>	<b>3</b>	<b>1,268,530</b>		
<b>Total markets</b>	<b>1,484</b>	<b>484,788,950</b>		

Source: Macedonian Stock Exchange



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

**Table 17**

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

	V.2004	I-V.2004	V. 2004		V. 2004		I-V 2004	
			IV. 2004		V. 2003		I-V 2003	
	amount		amount	%	amount	%	amount	%
Foreign trade	335.2	1,665.8	-28.3	-7.8	6.8	2.1	204.4	14.0
Exports	118.0	601.8	-7.3	-5.8	-1.9	-1.6	70.9	13.4
Imports	217.2	1,064.0	-21.0	-8.8	8.7	4.2	133.5	14.3
<i>Balance</i>	<b>-99.3</b>	<b>-462.2</b>	<b>13.7</b>	<b>-12.1</b>	<b>-10.7</b>	<b>12.1</b>	<b>-62.6</b>	<b>15.7</b>

Source: State Statistical Office of the Republic of Macedonia

**Table 18**

Ten most important trading partners of the Republic of Macedonia, I-V.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
	I-V 2004						
<b>Republic of MACEDONIA</b>	<b>1665.8</b>	<b>100.0</b>	<b>601.8</b>	<b>100.0</b>	<b>1064.0</b>	<b>100.0</b>	<b>56.6</b>
<i>out of which:</i>							
Germany	262.3	15.7	123.4	20.5	138.9	13.1	88.9
Serbia and Montenegro	203.5	12.2	110.3	18.3	93.2	8.8	118.3
Greece	200.7	12.0	89.4	14.9	111.3	10.5	80.3
Russia	105.4	6.3	7.3	1.2	98.1	9.2	7.4
Italy	103.3	6.2	44.2	7.4	59.1	5.5	74.9
Bulgaria	102.5	6.2	18.9	3.1	83.6	7.9	22.6
Slovenia	75.7	4.5	8.5	1.4	67.2	6.3	12.6
France	55.3	3.3	28.1	4.7	27.2	2.6	103.2
Turkey	55.1	3.3	20.8	3.5	34.3	3.2	60.6
Croatia	54.7	3.3	31.4	5.2	23.3	2.2	135.0
Total (10 largest trading partners)	1218.6	73.2	482.3	80.1	736.3	69.2	65.5

Source: State Statistical Office of the Republic of Macedonia


**Table 19**

Foreign trade of the Republic of Macedonia with economic groups of countries  
(current exchange rate)

	Exports			Imports			Structure	
	US Dollar million		index	US Dollar million		index	exports	imports
	I-V.2003	I-V.2004	I-V.2004	I-V.2003	I-V.2004	I-V.2004	(%)	(%)
			I-V.2003			I-V.2003	I-III.2004	
<b>TOTAL</b>	<b>530.9</b>	<b>601.8</b>	<b>113.4</b>	<b>930.5</b>	<b>1,064.0</b>	<b>114.3</b>	<b>100.0</b>	<b>100.0</b>
Developed countries	359.0	405.0	112.8	587.7	647.0	110.1	67.3	60.8
EU	307.2	355.9	115.9	497.9	549.5	110.4	59.1	51.6
EFTA	13.6	2.6	18.9	11.0	20.3	185.3	0.4	1.9
Other developed countries	38.3	46.6	121.7	78.8	77.1	97.8	7.7	7.2
Countries of Centr. and East. Europe	22.1	36.1	163.4	172.6	216.4	125.4	6.0	20.3
Undeveloped countries	0.4	1.4	371.4	1.5	0.6	39.9	0.2	0.1
Developing countries	19.1	7.6	39.6	52.4	78.4	149.6	1.3	7.4
Republics of the former SFRY	130.2	151.6	116.5	116.2	121.6	104.6	25.2	11.4
Other countries	0.1	0.1	55.9	0.0	0.0	100.0	0.0	0.0

Source: State Statistical Office of the Republic of Macedonia

**Table 20**

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

	External debt		Credits used		Debt payments	
	30/04/2004	31/05/2004	30/04/2004	31/05/2004	30/04/2004	31/05/2004
<b>Official creditors</b>	<b>1,173.89</b>	<b>1,194.55</b>	<b>9.96</b>	<b>2.93</b>	<b>7.10</b>	<b>7.37</b>
out of which:						
<b>Multilateral</b>	<b>926.45</b>	<b>943.28</b>	<b>9.95</b>	<b>2.93</b>	<b>6.34</b>	<b>6.86</b>
MMF	61.46	56.87	-	-	1.32	5.48
IBRD	189.94	193.68	1.77	0.54	-	0.93
IFC	15.16	15.45	-	-	0.75	-
IDA	359.71	364.53	-	0.11	0.42	0.15
EIB	116.40	120.49	4.77	-	3.81	0.23
EUROFIMA	7.25	7.52	-	-	-	-
Council of EDB	16.45	17.04	-	-	-	0.54
EBRD	44.63	47.64	3.18	1.60	-	-
EU	106.43	110.21	-	-	-	-
IFAD	7.73	8.52	0.23	0.68	0.02	-
European Agency for Reconstruction	1.29	1.32	-	-	0.02	0.02
<b>Bilateral</b>	<b>247.44</b>	<b>251.27</b>	<b>-</b>	<b>-</b>	<b>0.75</b>	<b>0.51</b>
Paris club (rescheduled 1995)	153.92	156.34	-	-	0.18	-
Paris club (rescheduled 2000)	8.98	9.30	-	-	-	-
New credits	13.05	13.34	-	-	-	-
Non-rescheduled debt	71.49	72.29	-	-	0.58	0.51
<b>Private creditors</b>	<b>552.40</b>	<b>560.90</b>	<b>6.18</b>	<b>4.86</b>	<b>6.33</b>	<b>2.53</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>314.33</b>	<b>322.83</b>	<b>6.18</b>	<b>4.86</b>	<b>6.33</b>	<b>2.53</b>
Banks and financial institutions	198.11	204.65	5.44	4.28	3.52	1.03
Enterprises	116.21	118.18	0.74	0.59	2.80	1.50
<b>TOTAL</b>	<b>1,726.29</b>	<b>1,755.45</b>	<b>16.13</b>	<b>7.80</b>	<b>13.43</b>	<b>9.90</b>

Source: National Bank of the Republic of Macedonia

**National Bank of the Republic of Macedonia Balance sheet****Table 21**

NBRM Balance sheet on May 31, 2004

(in million Denars)

<b>Assets</b>	<b>Amount</b>	<b>Liabilities</b>	<b>Amount</b>
Foreign assets	<b>44,120</b>	Reserve money	<b>16,523</b>
Claims on Government	<b>3,492</b>	NBRM instruments	<b>3,801</b>
Claims on banks and other financial institutions	<b>76</b>	Restricted deposits	<b>167</b>
Other assets	<b>3,513</b>	Foreign liabilities	<b>2,952</b>
		Government deposits	<b>13,795</b>
		Capital accounts	<b>7,931</b>
		Other liabilities	<b>6,032</b>
<b>Total</b>	<b>51,201</b>	<b>Total</b>	<b>51,201</b>

Source: National Bank of the Republic of Macedonia



## Appendix No.2

### Economic Developments in the Republic of Macedonia

Chart 1

Prices of producers of industrial products  
(changes in percent, on previous month)

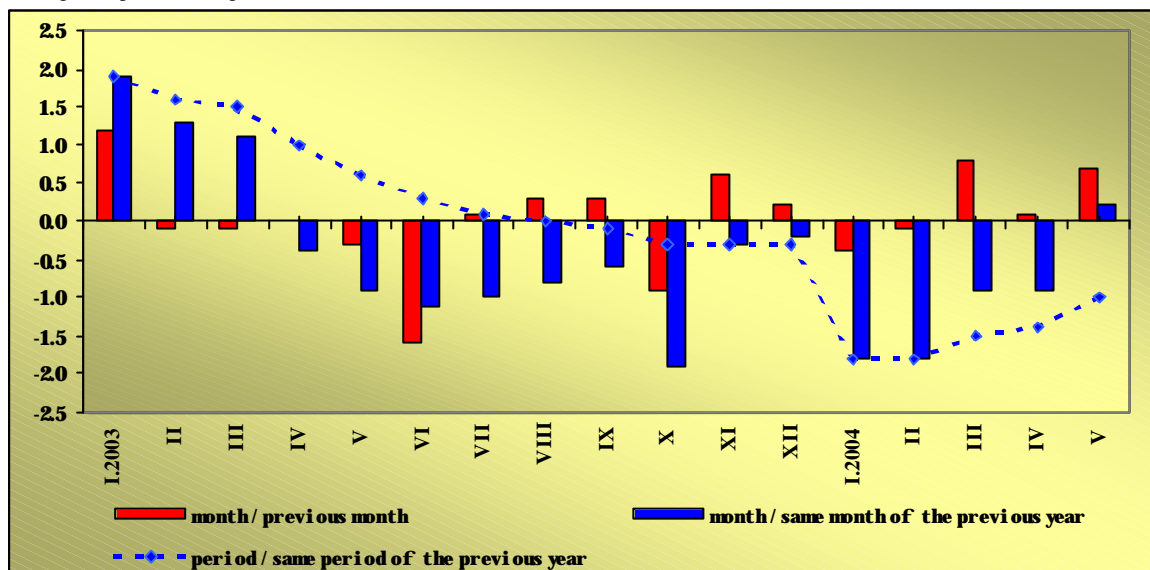
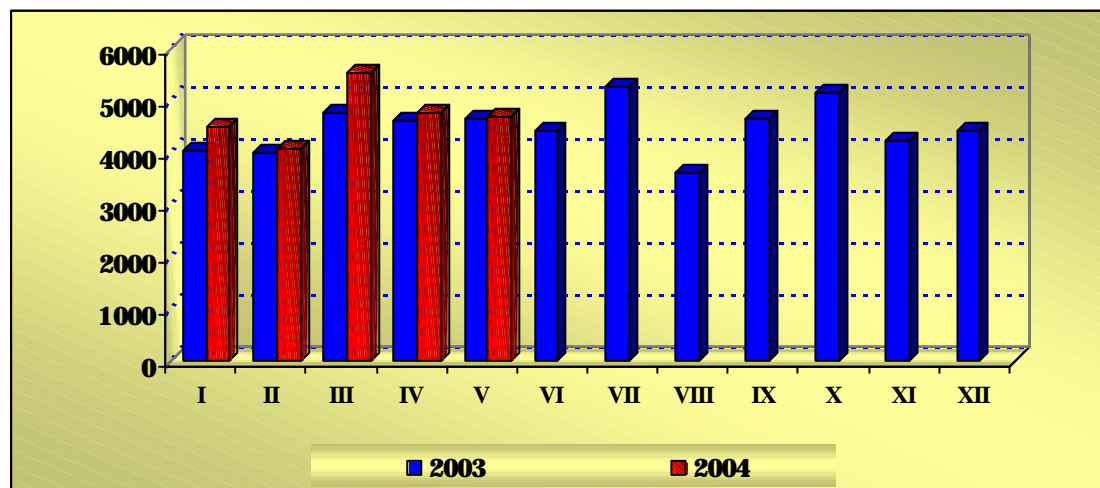


Chart 2

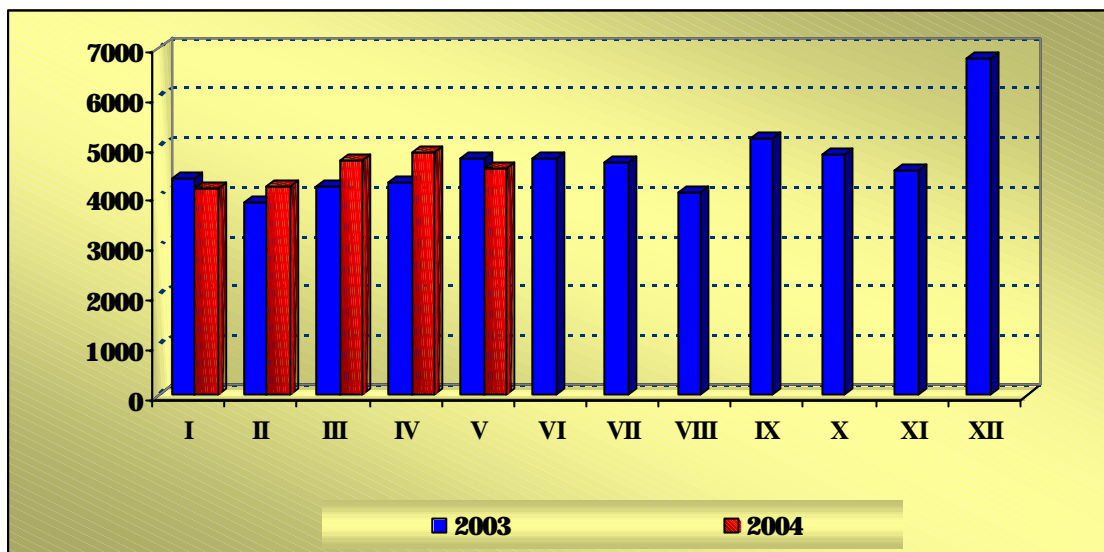
Total Central Government budget revenues  
(in Denar million)





**Chart 3**

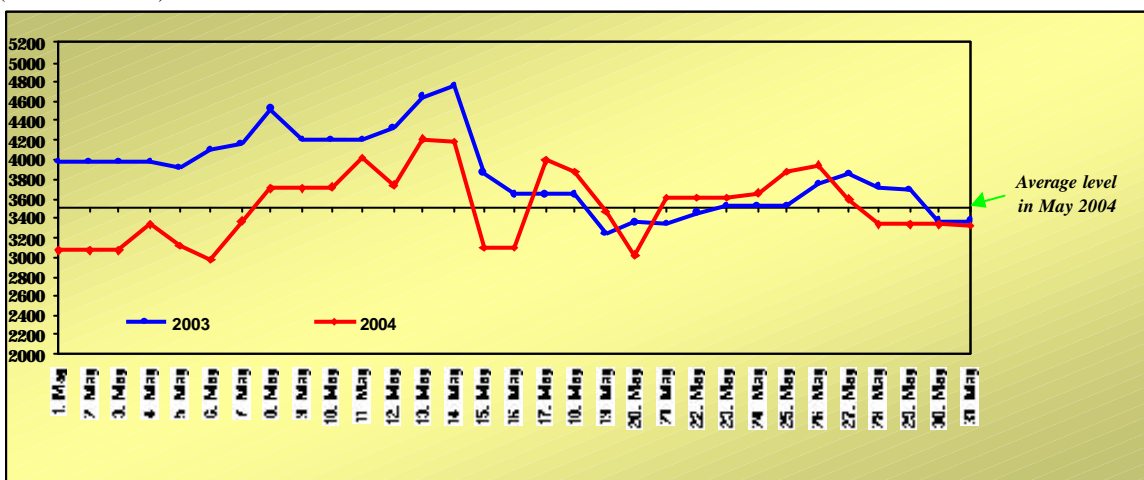
Total Central Government budget expenditures  
(in Denar million)



#### Monetary developments in the Republic of Macedonia

**Chart 4**

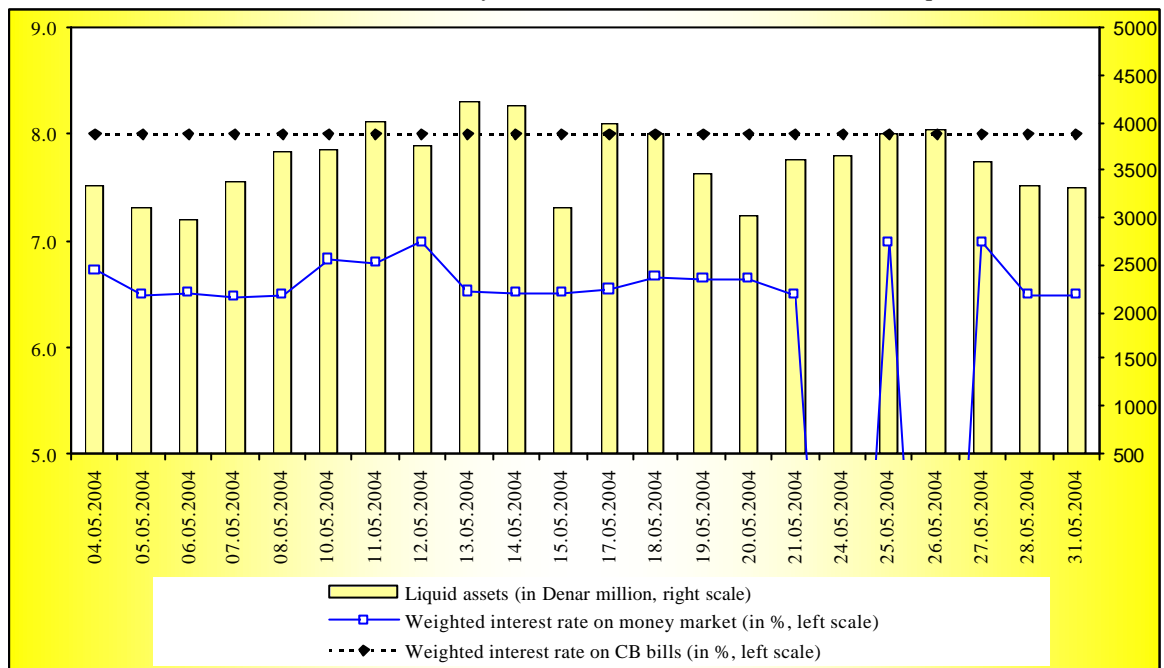
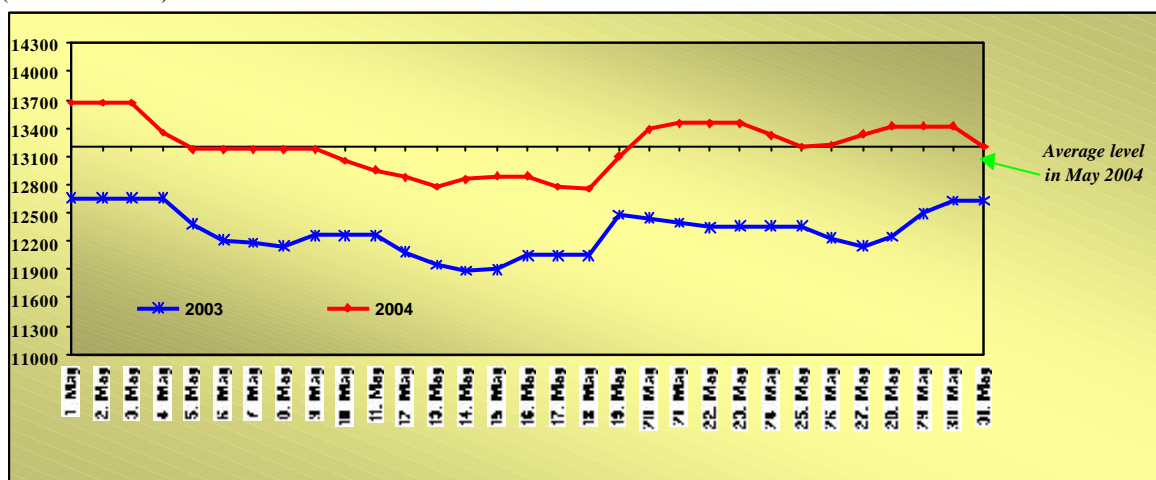
Daily dynamics of the liquidity of the banks  
(in Denar million)





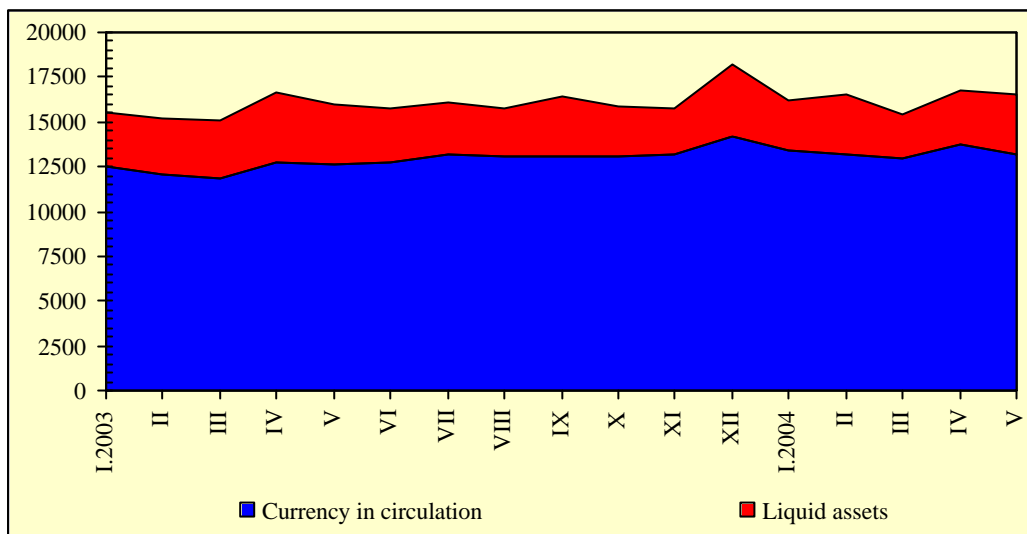
**Chart 5**

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

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

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

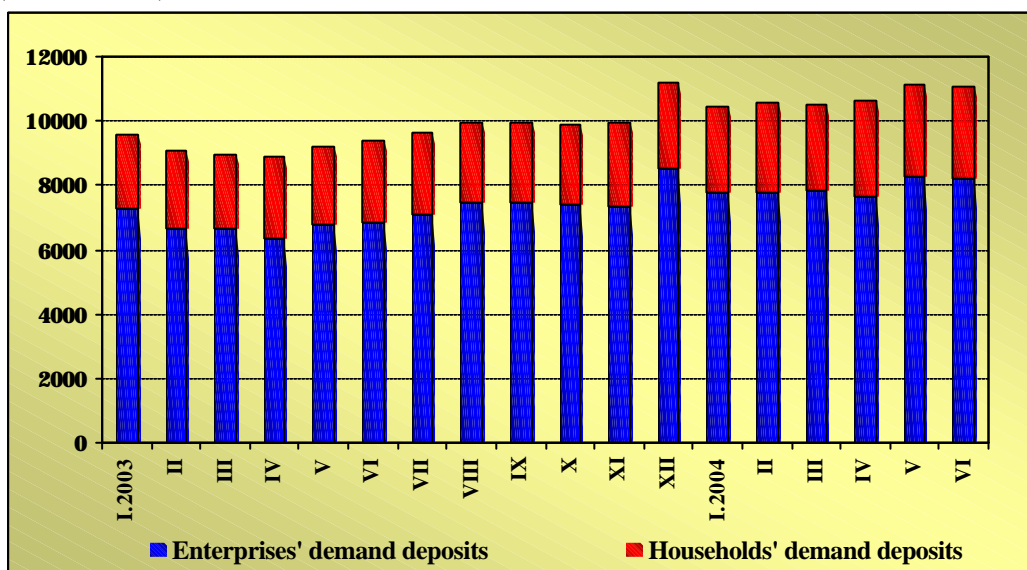
(in Denar million, end of period)



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

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

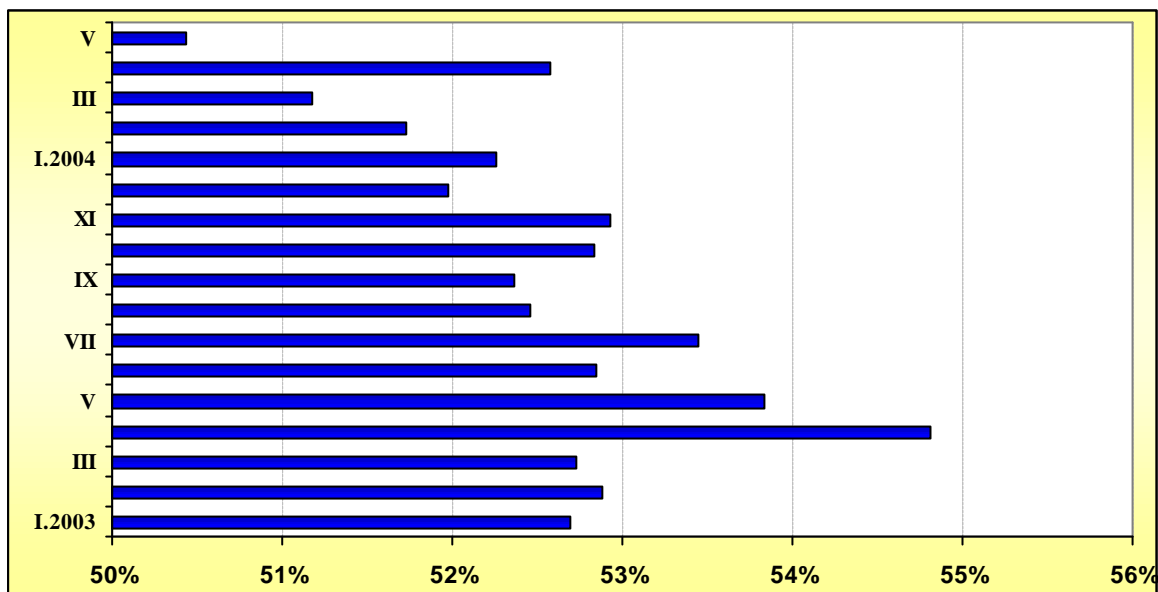
(in Denar million)





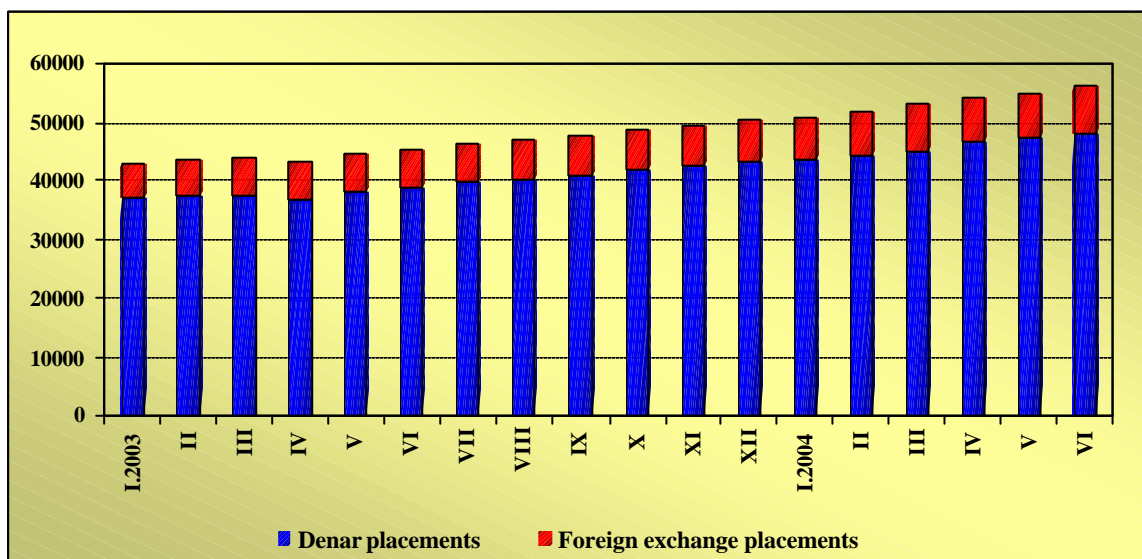
**Chart 9**

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



**Chart 10**

Banks' placements  
(in Denar million)

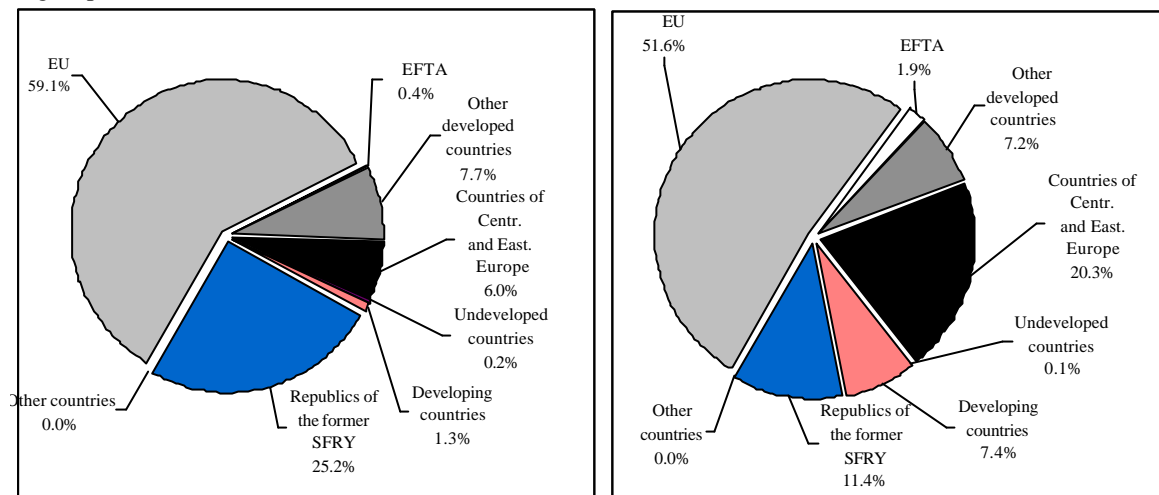




## Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia

**Chart 11**

Foreign trade of the Republic of Macedonia according to groups of countries



**Chart 12**

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

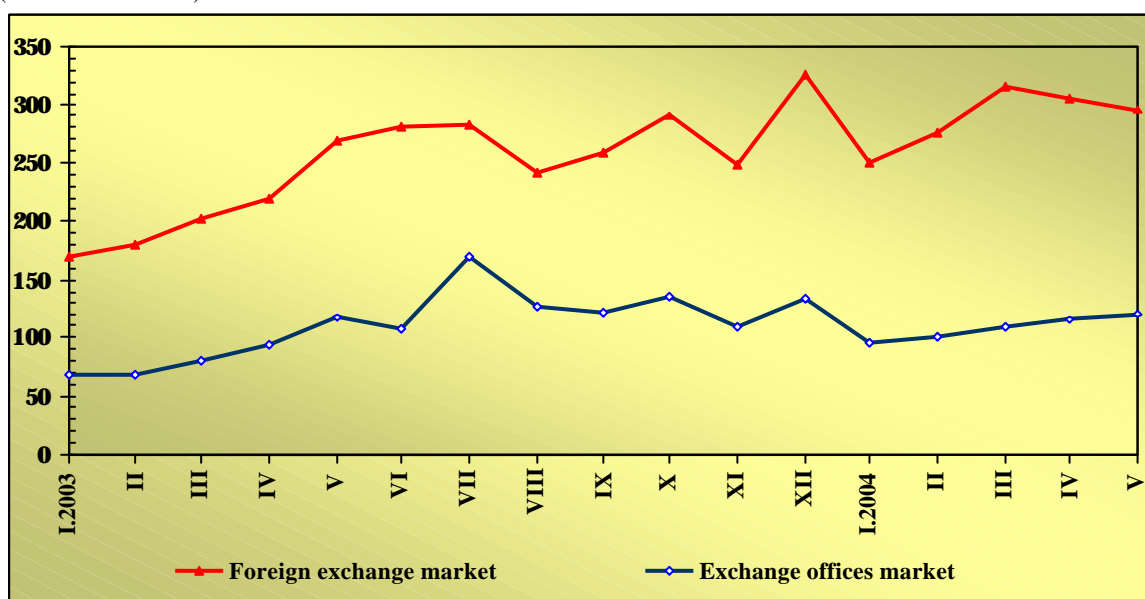




Chart 13

Daily middle exchange rate of the Denar at the exchange offices

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

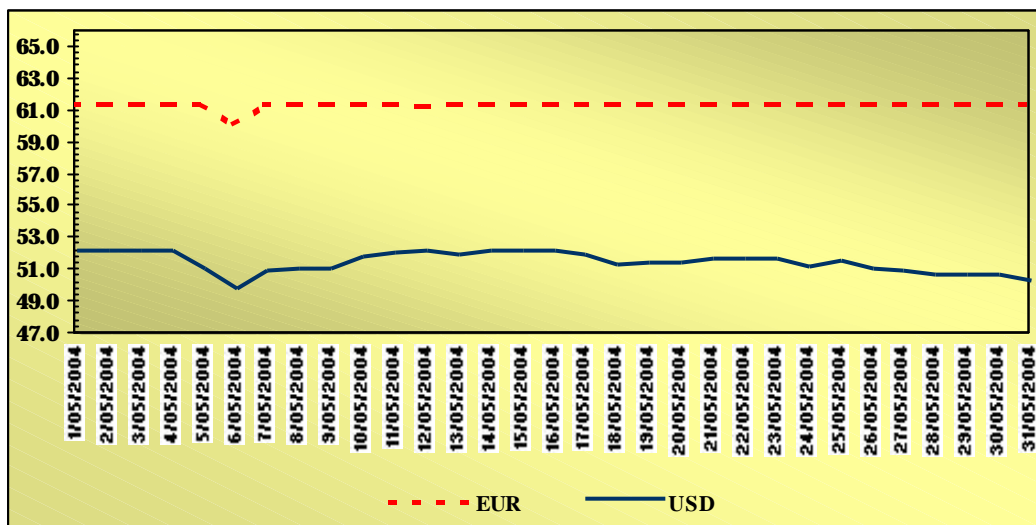
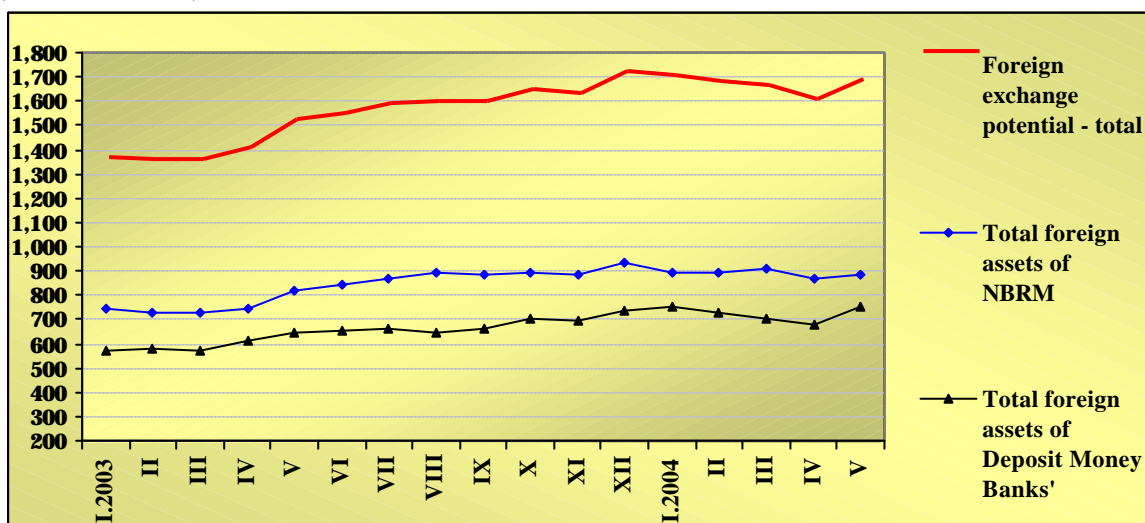


Chart 14

Foreign exchange potential of the Republic of Macedonia

(in US Dollar million)





**Chart 15**

Used credits and serviced liabilities

(in US Dollar million)

