

**National bank
of the Republic of Macedonia**

**Monthly
Report**

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

- ❖ *On June 1, the Government adopted a Decision on increasing the retail prices of the crude oil by 0.32%.*
- ❖ *June 4–7 – disastrous floods struck the southern and the western part of the country, when considerable damage was caused for the agricultural plantations.*
- ❖ *On June 8, ESM and FENI concluded an agreement on the price of electricity, according to which the price of the electricity spent will depend on the price of the nickel on the international stock exchanges, as well as on the number of active furnaces.*
- ❖ *On June 14, the Regulatory Energy Commission adopted a Decision on determining the ceiling prices of certain oil derivatives according to the Methodology. According to the Decision, the oil refinery and the retail prices of the oil derivatives dropped by 4.47% and by 2.32%, respectively. The reason for such decrease in the prices of the oil derivatives is the reduction in the crude oil on the international market.*
- ❖ *On June 22, the Securities and Exchange Commission decided to introduce an interim 20-day moratorium on all block transactions on the Macedonian Stock Exchange. The moratorium was introduced for the Stock Exchange to prepare new rules for fair, open and lawful trade in the block transactions.*

I. Economic Developments in the Republic of Macedonia

In June 2004, monthly rate of deflation of 0.3% (fourth month since the beginning of the year) was registered. The deflation movements in June reflect the lower costs of food (1.3%, which corresponds to the lower prices of agricultural and food products) and the decrease in the costs of hygiene and health (of 0.2%). The other categories of the consumer price index registered an increase, except the costs of housing, which remained unchanged.

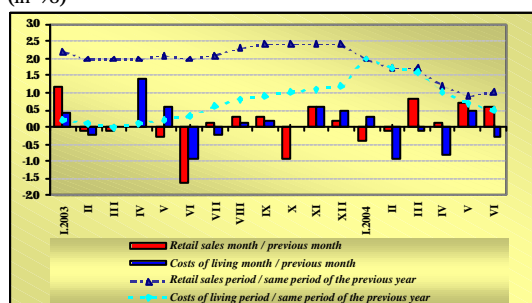
Observed from the structural aspect, in June 2004, compared to the previous month, the costs of goods and services decreased by 0.3% and 0.2%, respectively.

In comparison with the same month of the previous year, the consumer prices were lower by 0.2%, while the average rate of inflation in the first half of 2004 equaled 0.5%, having in mind the increase in the costs of services of 3.5% and the unchanged level of the costs of goods for personal consumption.

In June 2004, the retail prices registered a monthly increase of 0.3%. The highest increase (of 2.9%) was registered in the prices of the producers in the group of beverages, primarily due to the increase in the prices of alcoholic beverages (of 4.5%). Simultaneously, an increase of 1.2% was registered in the group of non-food industrial products, primarily as a result of the increase in the prices of oil derivatives of 4.1%.

Chart 1

Consumer prices and retail prices
(in %)



In June 2004, the prices of the producers of industrial products increased by 0.6% on a monthly basis. Analyzed by the main industrial groups, the increase in the aggregate index is mainly caused by the increase in the prices of the producers of energy of 1.6% (given the monthly increase in the prices of the producers of oil

derivatives of 4.3%). On annual basis, the prices of the producers of industrial products were higher by 2.3%, reflecting the increase in the prices of the producers in the group of energy (of 7.7%) and in the group of intermediary products except energy (of 5.4%). On average, the prices of the producers of industrial products declined by 0.5%, having in mind the average lower prices of the producers of energy and non-durable consumption goods.

Appendix 1

Expectations for the movement of the prices of the raw materials on the international markets (HWWA index)

From the aspect of the movement of the prices of raw materials on the international stock exchanges, except in the prices of crude oil, an increase was registered also in the prices of raw materials. According to the HWWA¹ index, the prices of the raw materials, except energy, are expected to increase by 14%² on average in 2004 in comparison with 2003. According to the AIECE (Association of European Conjuncture Institutes), the main reason for the increase in the prices of the raw materials is the depreciation of the US Dollar. Namely, since the prices of the raw materials on the international stock exchanges are mostly quoted in US Dollars, the producers compensate for the reduced inflows with increase in the selling prices. Except the movement of the value of the currencies, one of the factors for the increased prices is also the increased demand for raw materials in China³, where after joining the WTO, the prices of the domestic raw materials lost part of their competitiveness on the domestic market.

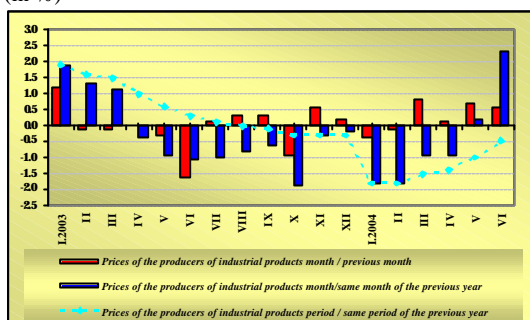
¹ The HWWA (Hamburg Institute of International Economics) index represents the movement of the world prices of the raw materials on average and by subgroups (through selecting the strategic import goods of the industrialized economies, with the import of these goods being used as a weight).

² The estimations are based on the assumption that the US Dollar will preserve the exchange rate against the Euro at US Dollar 1.25 per one Euro in 2004, as well.

³ China is the largest consumer of coal in the world (40% of the world production), steel and nickel (25%) and aluminum (19%).



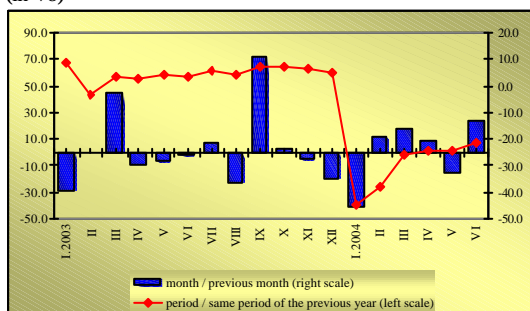
Chart 2
Prices of the producers of industrial products
(in %)



In June 2004, the volume of the *industrial output* registered a monthly increase of 24.2%. The positive monthly change of the industrial output is generated from the increased output in the processing industry (by 27.3%). Among the group of products with larger significance, an increase was registered in the production of food products and beverages (of 13.9%), and in the production of basic metals (of 47.5%, partially as a result of the restarting of one of the larger facilities in this branch).

In comparison with June 2003, the industrial output declined by 6.7%, while on average, it is lower by 21.6%. Thus a reduced output was registered in 17 out of 24 industrial branches. The cumulative decrease in the industrial output is largely caused by the poorer performances in the production of basic metals, where a cumulative decrease of 68.5% was registered.

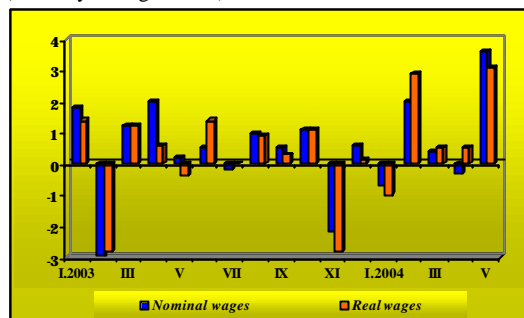
Chart 3
Industrial output
(in %)



The nominal average net paid wage per worker in May 2004¹ registered monthly increase of 3.6% and it equaled Denar 12,551. Having in mind the monthly inflation, the increase in the average wage in real terms equaled 3.1%. Analyzed by main sectors, the average wage in agriculture,

industry and in the sector "services" registered a monthly increase (13.2%, 2.2% and 2.3%, respectively). On annual basis and on average, the average nominal wage increased by 6.4% and 4.3%, respectively.

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

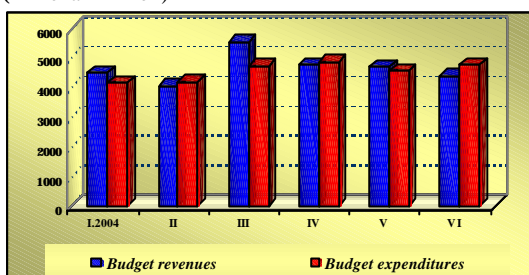


In June 2004, the total public revenues registered monthly decrease of 3.1%, thus reducing to Denar 6,963 million. However, the total revenues of the central budget declined by 6.3% on a monthly basis, due to the decrease in the tax revenues. Namely, the tax revenues (with a share of 90.4% in the total revenue structure of the central budget) registered a monthly decrease of 10.8%, given the lower revenues originating from the value added tax, the excises and the customs duties (of 17.2%, 11.4% and 11.6%, respectively). On the other hand, high monthly increase of 90.6% was registered in the non-tax inflows, primarily due to the increased payments of profit in the central budget by the public and the financial institutions (an increase of 4.5 times on a monthly basis). Monthly increase was also registered in the capital revenues (of 5.6%), but since their share is insignificant, they do not influence largely the total revenues dynamics.

In the first half of 2004, the total budget revenues amounted to Denar 27,991 million, which is an increase of 5.7% compared to the same period of the previous year, given the simultaneous increase in all main categories of the budget revenues.

¹ Last available data of the State Statistical Office

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



In June 2004, the total public expenditures amounted to Denar 7,441 million (a monthly increase of 3.9%). Denar 4,775 million of this amount are expenditures of the central budget, which are higher by 4.2% compared to May (given the contemporaneous decrease in the current and

the capital expenditures). Namely, the current expenditures (90.3% of the total expenditures) registered monthly increase of 1.2%, given the decrease in the transfers and the costs of goods and services of 4.4% and 6.1%, respectively). The capital expenditures registered a positive monthly change, i.e. an increase of 42.8%, with 72% of the monthly dynamics being due to the larger expenditures for projects financed from the funds originating from the privatization of Telecom.

On cumulative basis, in the first half of 2004, the expenditures of the central Government equaled Denar 27,354 million, which is an increase of 4% compared to the same period of the previous year. The current expenditures increased by 3.4%, while the capital expenditures were higher by 42.9% (which is mainly due to the low comparison base from the previous year).

II. Monetary developments in the Republic of Macedonia

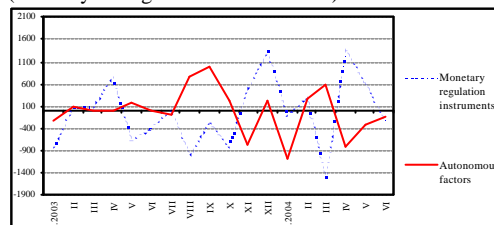
In June 2004, the design of the monetary policy and the adequate application of the monetary regulation instruments contributed to further maintaining of the price stability and stable Denar exchange rate. With respect to the liquidity management, the higher budget spending in June was offset through the CB bills auctions. Additionally, the NBRM foreign exchange transactions and the currency in circulation acted towards liquidity withdrawal.

In June 2004, the average daily level of liquid funds of the banks² equaled Denar 3,546.8 million, which is by 0.8% higher on monthly basis. Given the net sale of foreign exchange by the NBRM on the foreign exchange market and the higher average amount of subscribed CB bills, the higher liquidity reflects the higher average spending of funds from the Government Treasury account and the lower average level of currency in circulation. At the end of the period for fulfillment³, the banks allocated 15% over the determined compulsory reserve requirement, which is by 6 percentage points lower relative to the preceding month.

² The liquidity of the banks includes 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.

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

In June 2004, the NBRM foreign exchange transactions acted towards liquidity withdrawal from the banking system. Except for the middle of the month, when, in line with the lower liquidity of the banking sector, the NBRM made a net purchase of foreign exchange on the foreign exchange market, higher demand for relative to the supply of foreign assets was registered over the whole month (particularly evident at the end of the month).

In June, the total Government Denar deposits with the NBRM were by Denar 123 million, or by 2.7% lower on monthly basis, and acted towards liquidity creation. The decrease in the Government deposits was particularly evident at the beginning of the month, primarily due to



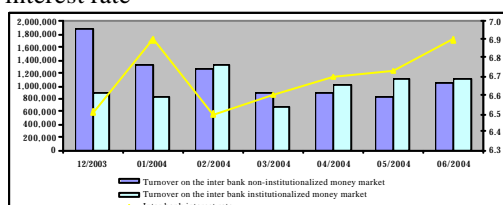
the regular payment of the wages and the payment of the interest and the principal of the denationalisation bond. In June, inflows in the amount of Denar 428 million were registered on the basis of issued Treasury bills. Both auctions (held on June 8, 2004 and June 22, 2004) registered lower demand for relative to the supply of Treasury bills, with the average weighted interest rate equalling 8.32% and 8.43%, respectively.

The total amount of *CB bills* equalled Denar 4,009 million at the end of June 2004, which is a withdrawal of liquidity of Denar 208 million on a monthly basis. Taking into consideration the unchanged maturity preferences, the higher interest in investing in CB bills did not change the average weighted interest rate, which remained at the level of the previous month and equalled 7.55%. In this month, the NBRM changed the type of CB bills tender auction. On June 9, 2004, the NBRM started applying an unlimited offered amount tender, with fixed interest rates (5% on the CB bills with maturity of 7 days and 8% on CB bills with maturity of 28 days).

In June 2004, the volume of executed transactions on the institutionalised money market remained at the level of the previous month and equalled Denar 1,128 million. The interest rate on this market equalled 6.52%, which is almost unchanged relative to May. In June, the turnover on the non-institutionalised money market was considerably higher. The total turnover reached Denar 1,042.7 million, which is a monthly increase of 24.3%. The interest rate on the interbank market (average weighted interest rate on the institutionalised and the non-institutionalised money market) equalled 6.9% in June 2004 (6.7% in May 2004).

Chart 7

Turnover on the institutionalised and the non-institutionalised money market and realized interest rate



In June, the currency in circulation registered no significant monthly change. Thus at the end of June 2004, it equalled 13,324 million, which is by 137 million or by 1% more on monthly basis.

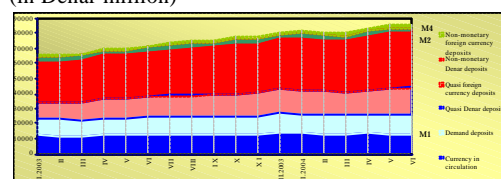
Thus in June, the currency in circulation registered moderate daily oscillations, and its average daily amount reached Denar 13,172.3 million, which is by Denar 221.9 million or by 0.2% less compared to May.

In June 2004, the movement of *the reserve money* was determined by the divergent movements of its both components. The relatively faster decrease in the liquidity in the banking system, given the higher demand for currency in circulation, led to a monthly fall of the reserve money of Denar 193 million or 1.2%. Thus at the end of June, the reserve money equaled Denar 16,330 million.

The higher demand for currency in circulation and the increased short-term savings in domestic currency are the major determinants of the positive monthly dynamics of the *monetary aggregates* in June 2004.

Chart 8

Components of the monetary aggregates
(in Denar million)



The higher level of the currency in circulation, given the simultaneous decrease in the demand deposits resulted in an almost unchanged level of the money supply M1 on monthly basis (minimum rise). Thus the decrease in the demand deposits (of 1%) reflects the lower amount of funds on the transaction accounts of the enterprises and the households. The decline in the reserve money, with the level of the money supply M1 being almost unchanged, resulted in an increase in the money multiplier of the money supply M1 (1.60 compared to 1.58 in May).

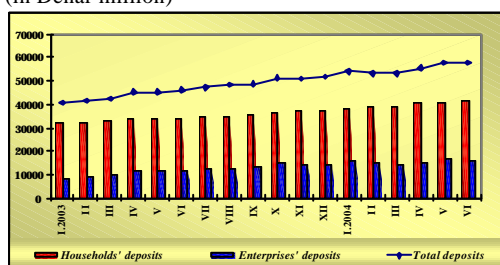
In June 2004, the money supply M2 was by 0.8% higher on monthly basis, due to the increase in the short-term Denar deposits. Given the fall in the long-term deposit potential (Denar and foreign exchange), the growth rate of the broadest monetary aggregate M4 equalled 0.1%. In line with the movements of the monetary aggregates and the reserve money, in June the monetary multiplication process strengthened (in June 2004, the money multipliers of the monetary aggregates M2 and



M4 equalled 4.95 and 5.23, and in May 2004 they equalled 4.86 and 5.17, respectively).

The positive monthly dynamics of the *banks' deposit potential* continued in June 2004, however, with a considerably lower intensity. Thus in June, the total deposits of the non-government sector⁴ slightly increased (0.1%). The increase in the deposit potential is solely due to the higher level of short-term Denar savings. Thus the monthly increase in the short-term Denar deposits equalled 5% (primarily due to the higher Denar time deposits of the households with maturity of up to six and over six months and the increase in the households' sight savings deposits). On the other hand, the short-term foreign exchange deposits dropped by 0.7% on monthly basis (primarily due to the lower short-term foreign exchange time deposits of the enterprises with maturity of up to one and up to three months). Also, a monthly decrease was registered in the total long-term deposits (10.9%, primarily due to the lower amount of restricted deposits in foreign currency of the enterprises, intended for remittances abroad, as well as based on letters of credit and guarantees). On annual basis, the total deposit potential of the banks is by 26% higher.

Chart 9
Deposit timeframes
(in Denar million)



In June 2004 compared to the previous month, *the total households' deposits* went up by 1.9%. Certain movements were registered within their structure. A decline was registered in the long-term Denar time savings deposits of the households (of 20.3%), whereas all other categories of Denar deposits of the households picked up. Such movements indicate a partial redistribution of the Denar funds of the

⁴ 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).

households from long-term time deposits to time deposits with maturity of up to one year. June also registered more intensive savings in foreign currency, with the fastest increase being registered in the sight foreign exchange deposits. A fast increase was registered in the households' foreign exchange sight savings deposits. On annual basis, the total households' deposits rose by 21%, primarily as a result of the higher foreign exchange sight savings deposits and the short-term foreign exchange time deposits.

In June 2004, the total enterprises' deposits were by 4.4% lower on monthly basis, mainly due to the lower enterprises' Denar time deposits with maturity of up to six months and over six months. On annual basis, in June 2004, the total enterprises' deposits were by 37.3% higher. The annual change in the enterprises' deposits is primarily caused by the increase in the enterprises' current accounts in foreign currency as well as the short-term foreign exchange time deposits of the enterprises (up to one month of maturity).

In June 2004, *the banks' total placements to the private sector* registered a monthly increment of 1.9%, reflecting the simultaneous rise in the placements in both domestic and foreign currency (of 1.6% and 3.9%, respectively). The short-term Denar placements to the households went up by 3.5%, primarily due to the higher amount of extended consumer credits, as well as to the approved overdrafts, i.e. allowed negative balances on current accounts. The short-term Denar lending to the enterprises went down by 1.4%, and simultaneously, the amount of overdue claims based on short-term credits also fell. On the other hand, the long-term Denar placements surged by 5.8% on monthly basis, while the placements to the households went up by 6% (primarily due to the higher long-term Denar credits to the households intended for housing construction), while the long-term Denar lending to the enterprises went up by 5.6%.

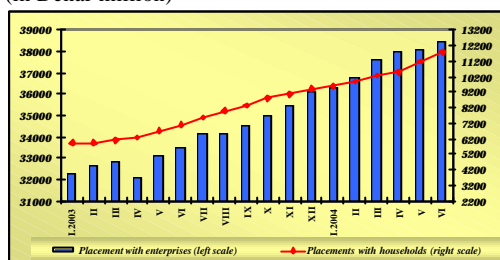
With respect to the foreign exchange placements, their monthly increase is a result of the accelerated long-term lending (primarily reflecting the higher amount of foreign exchange credits allocated to the corporate sector).

On annual basis, the total placements picked up by 23.9%, with an increase being registered



in the Denar and the foreign exchange placements of 24.4% and 20.7%, respectively. The sector-by-sector analysis indicates that in June 2004, compared to the same month of the preceding year, the placements to the households and the enterprises surged by 67% and 15.2%, respectively.

Chart 10
Banks' placements by sectors
(in Denar million)

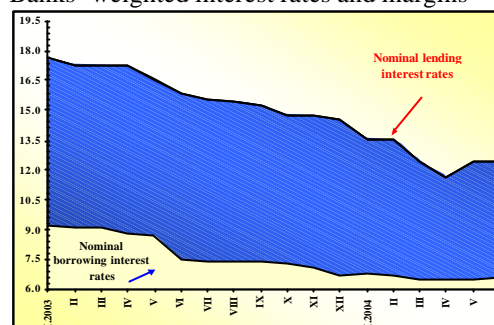


June 2004 registered no considerable changes in the banks' interest rate policy. Thus the weighted interest rate on the three-month Denar deposits equaled 6.52% (6.50% in May 2004), while the average weighted lending interest rate on the short-term Denar placements remained unchanged on monthly basis⁵ (12.46%). Thus the interest rate margin reduced to 5.9 percentage points.

⁵ Previous data of the State Statistical Office of the Republic of Macedonia. The export of goods is

In June 2004, the interest rate on the three-month Euro deposits ranged from 1% to 2.7%, while the interest rate on the three-month Dollar deposits ranged from 0.5% to 2.2%. The average weighted interest rate on the foreign exchange credits with maturity of up to one year equaled 7.72% in June 2004 (7.74% in the previous month).

Chart 11
Banks' weighted interest rates and margins*



* Pertain to Denar credits and deposits.

shown on f.o.b. basis, while the import of goods is shown on c.i.f. basis.

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

In June 2004, *foreign trade*⁶ in the amount of Denar 372.1 million was registered, which is a monthly increase of 9.2%. The positive monthly dynamics of the foreign trade is mainly due to the high monthly increase in the import of goods of 12.1%. In June, the historically highest monthly import in the amount of US Dollar 249.7 million was registered (except that in March 2000, when import of goods in the amount of US Dollar 300.8 million was realized just before the introduction of the value added tax). The high increase in the import of goods, given the increase in the export of goods of

3.7% caused a monthly trade deficit of US Dollar 127.3 million.

On annual basis, (June 2004 / June 2003), the foreign trade increased by 23.7%, while in the January - June 2004 period in comparison with the same period of the previous year, it increased by 16% (which is due to the simultaneous increase in the export and the import of goods of 11.5% and 18.6%, respectively). The trade deficit equals US Dollar 595.1 million, which is a cumulative increase of 28.5%. The higher import of goods is caused by the increase in the regular import of goods (by 25.3%), while the import of goods for further processing declined by 6.4% (partially as a result of the non-operating of two metallurgical facilities). The positive

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

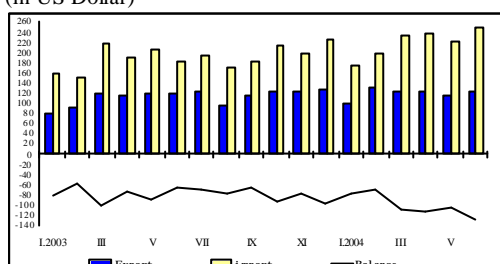


cumulative change of the export is largely a result of the increase in the regular export of 20%.

Despite the increase in the regular export, the dominant share in the export structure still accounts for the export of further processed goods in textile and steel industry (54.8%), while the goods for further processing, oil, equipment, electrical machines and iron and steel (56%) dominate in the import.

Chart 12

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



The analysis from the aspect of the foreign trade partners of the Republic of Macedonia indicate a continuous dominance of Germany, Greece and Serbia and Montenegro, the participation of which in the total foreign trade in the January - June 2004 period equals 39.7%, which is a decrease of 3.9 percentage points compared to the same period of the previous year.

From the aspect of the economic groups of countries, the European Union has dominant share in the total foreign trade of 53.6%. Compared to the same period of the previous year, the share of the European Union increased by 4.6 percentage points, which is partially due to the enlargement of the Union in May 2004⁷.

In June 2004, the total turnover on the foreign exchange market equaled US Dollar 306.6 million, which is a monthly increase of US Dollar 11.8 million, or 4%. From the aspect of the transactions between the banks and the enterprises, also in June 2004, the demand for foreign exchange of the enterprises exceeded the supply (by 39.4%), with a part of the demand for foreign exchange being covered

through the NBRM. Thus, in June 2004, the NBRM intervened on the foreign exchange market with a net sale of foreign exchange, contributing to maintenance of the stability of the Denar exchange rate against the Euro.

At the end of June 2004, Denar 61.31 were traded per one Euro on the foreign exchange market, which is the same level relative to the previous month. Relative to the US Dollar, the Denar depreciated by 0.6% on a monthly basis, and at the end of June Denar 50.38 were traded per one US Dollar.

In June, the total turnover on the exchange offices market equaled US Dollar 125.5 million, which is a monthly increase of US Dollar 4.3 million (3.5%), with the supply exceeding the demand for foreign exchange (by US Dollar 42 million). Thus as well as in the previous month, the average Denar exchange rate against the Euro on the exchange offices market equaled Denar 61.52 per one Euro, while relative to the US Dollar the Denar appreciated by 0.4% and on average Denar 50.66 were traded per one US Dollar.

At the end of June 2004, the total foreign exchange potential of the Republic of Macedonia registered a monthly decrease of US Dollar 29.1 million and it reduced to US Dollar 1,603.1 million. The decrease is due to the lower amount of total foreign assets of the NBRM and at the deposit money banks. The gross foreign reserves of the NBRM decreased by US Dollar 12 million, and equaled US Dollar 859.9 million. The monthly decline of the gross foreign reserves of the NBRM was caused by the outflow of foreign assets based on the transactions with the commercial banks on the foreign exchange market, the lower level of the Government deposits and the negative exchange rate differentials. Simultaneously, monthly decrease of US Dollar 15.7 million was registered also in the total foreign assets of the banks, reducing to US Dollar 735.3 million, primarily as a result of the lower amount of foreign exchange deposits of the enterprises.

At the end of June 2004, the external debt of the Republic of Macedonia⁸ based on long-term credits equaled US Dollar 1,775.5 million,

⁷ According to the data of the State Statistical Office, Slovenia is excluded from the group of the former SFRY republics in the January - June 2004 period and it joined the EU.

⁸ Preliminary data of the NBRM. The data refer to the external debt of the Republic of Macedonia on the basis of used long-term credits.



or by US Dollar 6.7 million less compared to the end of May. The decrease in the amount of the debt is a result of the increased repayments compared to the use of funds in June (the repayments exceeded the withdrawals by US Dollar 3.1 million), as well as to the negative exchange rate differentials due to the appreciation of the US Dollar relative to the other currencies comprising the debt currency structure.

In June 2004, the amount of used funds based on extended long-term credits equaled US Dollar 8.3 million. US Dollar 3.6 million of this amount originate from the official creditors, the largest portion of which (US Dollar 2.8 million),

originate from the multilateral creditors (the World Bank, the International Development Agency and the European Bank for Reconstruction and Development). Funds in the amount of US Dollar 0.7 million were withdrawn from the bilateral creditors on the basis of newly concluded credits. In June 2004, funds in the amount of US Dollar 4.7 million were withdrawn from the private creditors, primarily from foreign banks and private financial institutions. In June, the newly concluded credits amounted to US Dollar 10.9 million, which completely originate from private creditors.



Appendix No.1

Economic Developments in the Republic of Macedonia

Table 1

Costs of living and retail prices

	VI.2004 V.2004	VI.2004 VI.2003 in %	I-VI.2004 I-VI.2003
Costs of living	-0.3	-0.2	0.5
Food	-1.3	-3.6	-1.7
Tobacco and beverages	0.7	1.0	1.6
Clothing and footwear	1.5	2.9	1.9
Housing	0.0	3.7	3.9
Flat (rent, water, services)	0.0	-1.3	0.5
Fuel and lighting	0.1	5.8	5.3
Hygiene	-0.2	-0.8	3.1
Culture and entertainment	0.6	1.6	2.0
Transport, communications, services	1.0	5.8	1.9
<i>Goods</i>	<i>-0.3</i>	<i>-0.6</i>	<i>0.0</i>
<i>Services</i>	<i>-0.2</i>	<i>2.3</i>	<i>3.5</i>
Retail prices	0.3	1.5	1.0
Agricultural products	-4.5	-5.1	0.2
Non-food industrial products	1.2	5.3	1.8
Processed food products	0.2	-4.1	-3.3
Beverages	2.9	-1.8	-1.9
<i>Goods</i>	<i>0.5</i>	<i>1.7</i>	<i>0.2</i>
<i>Services</i>	<i>-0.1</i>	<i>1.0</i>	<i>2.7</i>

Source: State Statistical Office of the Republic of Macedonia



Table 2
Prices of producers of industrial products

	VI.2004 V.2004	VI.2004 VI.2003 in %	I-VI.2004 I-VI.2003
Prices of producers of industrial products	0.6	2.3	-0.5
Energy	1.6	7.7	-3.0
Intermediary goods (except Energy)	0.1	5.4	3.8
Capital goods	0.0	0.2	-0.9
Durable consumer goods	0.0	0.0	0.0
Non durable consumer goods	0.4	-4.4	-3.6
<i>Mining and quarrying</i>	<i>0.0</i>	<i>0.6</i>	<i>0.6</i>
<i>Manufacturing industry</i>	<i>0.7</i>	<i>2.8</i>	<i>-0.6</i>
Manufacture of food products and beverages	0.6	-5.1	-4.2
Manufacture of tobacco products	-0.1	0.0	-0.1
Manufacture of textiles	0.0	-1.5	-0.7
Manufacture of wearing apparel; dressing and dyeing of fur	0.0	0.0	0.0
Manufacture of coke, refined petroleum products and nuclear fuel	4.3	23.2	-8.0
Manufacture of chemicals and chemical products	0.0	0.0	0.0
Manufacture of other non-metallic mineral products	-0.1	-0.4	-0.3
Manufacture of basic metals	0.0	1.3	1.9
Manufacture of electrical machinery and apparatus n.e.c.	0.0	23.6	15.6
<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 %	VI.2004 V.2004	VI.2004 VI.2003 in %	I-VI.2004 I-VI.2003
Total	100.0	24.2	-6.7	-21.6
Energy		46.8	32.7	-3.2
Intermediary goods (except Energy)		17.5	-47.5	-48.9
Capital goods		1.2	-24.0	-46.9
Durable consumer goods		-11.6	-51.4	-47.1
Non durable consumer goods		28.5	77.2	28.1
<i>Mining and quarrying</i>	3.2	-5.4	-30.7	-47.9
<i>Manufacturing industry</i>	89.9	27.3	-5.8	-22.1
Manufacture of food products and beverages	24.9	13.9	39.1	12.5
Manufacture of tobacco products	5.0	5.7	-27.6	-17.8
Manufacture of textiles	4.3	6.0	-4.3	-20.2
Manufacture of wearing apparel; dressing and dyeing of fur	4.5	67.5	234.4	61.9
Manufacture of coke, refined petroleum products and nuclear fuel	7.0	0.0	126.4	-13.0
Manufacture of chemicals and chemical products	7.2	38.7	-0.3	-26.3
Manufacture of other non-metallic mineral products	4.6	-12.3	-35.5	-20.1
Manufacture of basic metals	16.4	47.5	-64.9	-68.5
Manufacture of electrical machinery and apparatus n.e.c.	4.0	-2.5	-5.7	-51.6
<i>Electricity, gas and water supply</i>	6.9	-5.4	-6.1	-5.1

Source: State Statistical Office of the Republic of Macedonia



Table 4
Average net wages

	V.2004*	<u>V.2004</u> <u>IV.2004</u>	<u>V.2004</u> <u>V.2003</u>	<u>I-V.2004</u> <u>I-V.2003</u>
	in denars		in %	
Nominal average net wage per worker	12,551	3.6	6.4	4.3
Costs of living		0.5	-0.6	0.7
Real average net wage per worker		3.1	7.0	3.6
Nominal average net wage by sectors				
Agriculture	9,605	13.2	13.1	10.5
Industry	12,445	2.2	5.5	4.1
Services	14,102	2.3	3.7	3.2

* Last available data

Source: State Statistical Office of the Republic of Macedonia

Table 5
Central Government Budget

	June 2004			January-June 2004		
	in Denar million	Monthly changes in %	Structure in %	in Denar million	Cumulative changes (2004/2003) in %	Structure in %
Total budget revenues	4,409	-6.3	100.0	27,991	5.7	100.0
<i>Tax revenues:</i>	3,985	-10.8	90.4	25,536	5.3	91.2
- personal income tax	627	7.9	14.2	3,661	2.9	13.1
- profit tax	175	14.4	4.0	1,464	-19.8	5.2
- value added tax	1,847	-17.2	41.9	12,582	20.8	45.0
- excises	818	-11.4	18.6	4,807	-2.3	17.2
- custom duties	478	-11.6	10.8	2,724	-16.0	9.7
- other	40	2.6	0.9	294	16.7	1.1
<i>Non-tax revenues:</i>	385	90.6	8.7	2,122	9.4	7.6
- inflows from state property dividends	219	4.5 pati	5.0	1,087	48.5	3.9
- administrative taxes and fees	135	3.1	3.1	733	12.3	2.6
- other administrative taxes	29	52.6	0.7	133	-46.8	0.5
- other non-tax revenues	2	-33.3	0.0	169	-44.6	0.6
<i>Capital revenues</i>	38	5.6	0.9	333	12.1	1.2
Total budget expenditures	4,775	4.2	100.0	27,354	4.0	100.0
<i>Current expenditures</i>	4,311	1.2	90.3	25,390	3.4	92.8
- wages and salaries	1,833	4.3	38.4	10,484	4.7	38.3
- goods and services	527	-6.1	11.0	3,511	13.3	12.8
- transfers	1,792	-4.4	37.5	10,356	5.7	37.9
- interest	160	2.5 pati	3.4	1,010	-28.0	3.7
<i>Capital expenditures</i>	464	42.8	9.7	1,964	42.9	7.2
Budget balance	-366			638		
Financing	366			-638		
<i>Inflows</i>	810			3,115		
<i>Outflows</i>	444			3,753		

Source: Ministry of Finance


Table 6

Total revenues and expenditures of the budget funds

	June 2004				January-June 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	4,265	3.4	4,298	5.7	24,851	7.1	25,142	8.9
- pension and disability insurance	2,370	3.0	2,453	7.0	14,004	4.7	14,300	7.5
- health insurance	1,219	3.8	1,191	2.9	7,096	25.0	7,127	5.0
- employment	676	3.7	654	6.3	3,751	24.5	3,715	24.0
Road Fund	285	-1.7	353	15.4	1,688	7.5	1,750	34.7

Source: National Bank of the Republic of Macedonia

Monetary developments in the Republic of Macedonia

Table 7

Reserve money

	30.06.2004	Monthly changes		Annual changes	
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
Reserve money	16,330	-193	-1.2	625	4.0
Currency in circulation	13,324	137	1.0	598	4.7
Banks liquidity	3,006	-330	-9.9	-388	-11.4

Source: National Bank of the Republic of Macedonia

Table 8

Reserve money creation and withdrawal

	30.06.2004
	monthly changes
	in Denar million
Bank liquidity	-330
Liquidity creation	355
1. Net domestic assets	290
2. Other	65
Liquidity withdrawal	-685
1. Net foreign assets	-340
2. Currency in circulation	-137
3. CB' Bills auctions	-208

Source: National Bank of the Republic of Macedonia



Table 9
Money supply M1 and its components

	30.06.2004	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Money supply M1	26,150	6	0.0	2,069	8.6
Currency in circulation	13,324	137	1.0	598	4.7
Demand deposits	12,826	-131	-1.0	1,471	13.0
- Demand deposits of households	2,841	-3	-0.1	404	16.6
- Demand deposits of enterprises	8,210	-89	-1.1	1,445	21.4

Source: National Bank of the Republic of Macedonia

Table 10
Broader monetary aggregates and their components

	30.06.2004	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Money supply M1	26,150	6	0.0	2,069	8.6
Denar short - term deposits	17,954	859	5.0	4,535	33.8
<i>Monetary aggregate M2 - denar component</i>	44,104	865	2.0	5,630	14.6
Foreign currency short - term deposits	36,802	-262	-0.7	7,938	27.5
<i>Monetary aggregate M2</i>	80,906	603	0.8	13,568	20.1
Non - monetary deposits	4,530	-557	-10.9	-225	-4.7
- In Denar	3,009	-459	-13.2	-289	-8.8
- In foreign currency	1,521	-98	-6.1	64	4.4
<i>Monetary aggregate M4</i>	85,436	46	0.1	13,594	18.9

Source: National Bank of the Republic of Macedonia

Table 11
Total deposits of the non-government sector

	30.06.2004	monthly changes		annual changes		structure
	in Denar million	in Denar million	in %	in Denar million	in %	in %
Total deposits	59,286	40	0.1	12,248	26.0	
1. According to maturity						
- short-term	54,756	597	1.1	12,473	29.5	92.4
- long-term	4,530	-557	-10.9	-225	-4.7	7.6
2. According to currency of denomination						
- In denar	20,963	400	1.9	4,246	25.4	35.4
- In foreign currency	38,323	-360	-0.9	8,002	26.4	64.6

Source: National Bank of the Republic of Macedonia



Table 12
Households and enterprises deposits

	30.06.2004 in Denar million	monthly changes		annual changes	
		in Denar million	in %	in Denar million	in %
Total households deposits	41,395	779	1.9	7,187	21.0
1. According to maturity					
- short-term	38,814	1,180	3.1	7,352	23.4
- long-term	2,581	-401	-13.4	-165	-6.0
2. According to currency of denomination					
- In denar	11,692	323	2.8	2,999	34.5
- In foreign currency	29,703	456	1.6	4,188	16.4
Total enterprises deposits	16,354	-744	-4.4	4,442	37.3
1. According to maturity					
- short-term	15,381	-616	-3.9	4,159	37.1
- long-term	973	-128	-11.6	283	41.0
2. According to currency of denomination					
- In denar	7,879	81	1.0	1,097	16.2
- In foreign currency	8,475	-825	-8.9	3,345	65.2

Source: National Bank of the Republic of Macedonia

Table 13
Banks' placements and overdue claims

	30.06.2004 in Denar million	monthly changes		annual changes	
		in Denar million	in %	in Denar million	in %
Total banks' placements	56,095	1,045	1.9	10,811	23.9
<i>Denar placements</i>	<i>48,037</i>	<i>739</i>	<i>1.6</i>	<i>9,431</i>	<i>24.4</i>
<i>Foreign currency placements</i>	<i>8,058</i>	<i>306</i>	<i>3.9</i>	<i>1,380</i>	<i>20.7</i>

Source: National Bank of the Republic of Macedonia


Table 14

Maturity and sector structure of Denar and foreign currency placements

	Share on 30.06.2004	Monthly change of share	Annual change of share
	(in %)	(in percentage points)	
Denar placements	100.0		
maturity structure			
- short-term	59.9	-1.6	-6.2
- long-term	40.1	1.6	6.2
structure by sectors			
- enterprises	72.4	-0.9	-6.8
- households	27.4	0.9	6.8
- other	0.2	0.0	0.0
Foreign currency placements			
maturity structure			
- short-term	40.1	-0.2	-5.2
- long-term	59.9	0.2	5.2
structure by sectors			
- enterprises	96.1	-0.2	-0.7
- households	1.4	0.5	1.1
- other	2.5	-0.3	-0.4

Source: National Bank of the Republic of Macedonia

Table 15

Interest rates

	June, 2004	Monthly changes	Annual changes
	in %	in percentage points	
Average weighted interest rate on the CB bills auctions (28 days)	8	0.0	1.0
Average weighted interest rate on the Money Market	6.52	0.0	-2.6
Banks' weighted lending interest rates	12.46	0.0	-3.4
Banks' weighted deposit interest rates	6.52	0.0	-1.0



Financial Markets in the Republic of Macedonia

Table 16
Report on trading in June 2004

<i>Securities</i>	Number of transactions	Value (in Denars)	Number of traded securities	Days of trading
Official market				
Official market - ordinary shares				
Alkaloid Skopje	109	16,663,304	8,342	17
Blagoj Gorev Veles	28	13,722,252	17,077	8
Zemjodelski kombinat Pelagonija Bitola	2	10,595,032	7,104	2
Ohridska banka Ohrid	4	5,851,396	2,323	4
Other	324	23,148,899	40,063	124
Official market - preferential shares				
Komercijalna banka Skopje	20	823,122	1,160	10
Stopanska banka Bitola	7	6,251	7	7
Ohridska banka Ohrid	2	33,600	15	2
Investbanka Skopje	1	740	1	1
Tetovska banka Tetovo	1	1,260	2	1
Official market - bonds				
R. Macedonia - foreign currency deposits	379	34,014,067	775,944	18
R. Macedonia - denationalization 01	6	256,710	6,495	4
R. Macedonia - denationalization 02	28	5,548,000	142,653	10
R. Macedonia - denationalization 03	568	90,212,850	2,359,193	18
Total official market	1,479	200,877,483	3,360,379	
Unofficial market				
Market of public-owned companies - ordinary shares				
RZ Valavnica za lenti Skopje	1	99,160,014	1,625,574	1
RZ Ladna Valavnica Skopje	1	82,479,076	1,352,116	1
Elektrometal Skopje	1	62,667,500	89,525	1
Other	17	10,742,563	359,436	10
Market of public-owned companies - preferential shares				
Tutunska banka Skopje	3	310,400	193	2
Stopanska banka Skopje	4	26,833	268	2
Free market - ordinary shares				
Univerzalna investiciona banka Skopje	1	13,044,000	6,522	1
Tabak osiguruvawe i reosiguruvawe Skopje	2	12,383,050	392	1
Reing Skopje	1	5,044,000	1,300	1
Other	61	3,293,036	7,692	27
Total unofficial market	92	289,150,472	3,443,018	
Other securities				
Government-owned shares				
Convertible certificate for savings houses	53	1,215,040	16,002,742	10
Total other securities	53	1,215,040	16,002,742	10
State market				
State - cash payments - ordinary shares	1	526,640		
Total state market	1	526,640		
Total markets	1,625	491,769,635		

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)

	VI.2004	I-VI.2004	VI. 2004		VI. 2004		I-VI 2004	
			V. 2004		VI. 2003		I-VI 2003	
			amount	%	amount	%	amount	%
Foreign trade	372.1	2,043.4	31.4	9.2	71.2	23.7	281.2	16.0
Exports	122.4	724.2	4.4	3.7	3.7	3.1	74.6	11.5
Imports	249.7	1,319.3	27.0	12.1	67.5	37.0	206.6	18.6
<i>Balance</i>	-127.3	-595.1	-22.6	21.5	-63.8	100.3	-131.9	28.5

Source: State Statistical Office of the Republic of Macedonia

Table 18

Ten most important trading partners of the Republic of Macedonia, I-VI.2004
(at current exchange rate)

	Foreign trade (in US Dollar million)		Exports (in US Dollar million)		Imports (in US Dollar million)		Import-export coverage ratio
	Share		Share		Share		
I-VI 2004							
Republic of MACEDONIA	2043.4	100.0	724.2	100.0	1319.3	100.0	54.9
<i>out of which:</i>							
1 Germany	316.3	15.5	144.3	19.9	172.0	13.0	83.9
2 Serbia and Montenegro	251.6	12.3	140.0	19.3	111.6	8.5	125.5
3 Greece	242.5	11.9	106.7	14.7	135.8	10.3	78.6
4 Italy	129.3	6.3	53.5	7.4	75.8	5.7	70.6
5 Russia	125.9	6.2	8.5	1.2	117.4	8.9	7.3
6 Bulgaria	123.1	6.0	21.9	3.0	101.2	7.7	21.6
7 Slovenia	86.9	4.3	10.3	1.4	76.6	5.8	13.4
8 France	68.5	3.4	34.7	4.8	33.8	2.6	102.8
9 Croatia	68.2	3.3	39.4	5.4	28.8	2.2	136.5
10 Turkey	68.1	3.3	24.3	3.4	43.8	3.3	55.6
Total (10 largest trading partners)	1480.2	72.4	583.6	80.6	896.6	68.0	65.1

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-VI.2003	I-VI.2004	I-VI.2004	I-VI.2003	I-VI.2004	I-VI.2004	(%)	(%)
			I-VI.2003			I-VI.2003		I-VI.2004
TOTAL	649.5	724.2	111.5	1112.7	1319.3	118.6	100.0	100.0
Developed countries	423.6	480.5	113.4	611.2	795.6	130.2	66.3	60.3
EU	361.5	421.1	116.5	501.6	674.5	134.5	58.1	51.1
EFTA	14.9	3.0	20.4	12.9	25.6	198.2	0.4	1.9
Other developed countries	47.2	56.3	119.3	96.7	95.6	98.9	7.8	7.2
Countries of Centr. and East. Europe	30.6	42.2	137.7	238.9	275.1	115.2	5.8	20.8
Undeveloped countries	0.4	1.5	389.4	1.6	0.6	39.6	0.2	0.0
Developing countries	20.0	8.0	40.0	63.7	101.5	159.2	1.1	7.7
Republics of the former SFRY	174.8	191.9	109.8	197.3	146.5	74.2	26.5	11.1
Other countries	0.1	0.1	52.9	0.0	0.0	0.0	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	
	31.05.2004	30.06.2004	31.05.2004	30.06.2004	31.05.2004	30.06.2004
Official creditors	1,194.78	1,188.40	2.93	3.56	7.65	7.48
out of which:						
Multilateral	943.79	939.77	2.93	2.83	6.86	4.80
MMF	56.87	55.36	-	-	5.48	1.42
IBRD	193.68	192.44	0.54	1.07	0.93	2.59
IFC	15.45	15.43	-	-	-	-
IDA	364.53	363.47	0.11	0.09	0.15	0.30
EIB	120.49	119.78	-	-	0.23	0.01
EUROFIMA	7.52	7.47	-	-	-	-
Council of EDB	17.04	16.93	-	-	0.05	0.09
EBRD	48.14	49.56	1.60	1.67	0.00	-
EU	110.21	109.52	-	-	-	0.39
IFAD	8.52	8.50	0.68	-	-	-
European Agency for Reconstruction	1.32	1.30	-	-	0.02	0.02
Bilateral	250.99	248.63	-	0.73	0.79	2.67
Paris club (rescheduled 1995)	156.34	155.95	-	-	-	0.02
Paris club (rescheduled 2000)	9.30	8.65	-	-	-	0.02
New credits	13.34	13.30	-	-	0.79	2.03
Non-rescheduled debt	72.01	70.73	-	0.73	-	0.60
Private creditors	587.40	587.13	4.99	4.74	2.87	3.88
out of which:						
London Club of Creditors	238.07	238.07	-	-	-	-
Other private creditors	349.33	349.06	4.99	4.74	2.87	3.88
Banks and financial institutions	218.26	218.21	4.40	4.56	1.15	3.30
Enterprises	131.06	130.85	0.59	0.18	1.72	0.58
TOTAL	1,782.18	1,775.53	7.92	8.30	10.52	11.36

Source: National Bank of the Republic of Macedonia

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

NBRM Balance sheet on June 30, 2004

(in million Denars)

Assets	Amount	Liabilities	Amount
Foreign assets	43,721	Reserve money	16,330
Claims on Government	3,492	NBRM instruments	4,009
Claims on banks and other financial institutions	72	Restricted deposits	350
Other assets	3,525	Foreign liabilities	2,893
		Government deposits	13,032
		Capital accounts	8,023
		Other liabilities	6,173
Total	50,810	Total	50,810

Source: National Bank of the Republic of Macedonia



Appendix No.2

Economic Developments in the Republic of Macedonia

Chart 1

Total Central Government budget revenues
(in Denar million)

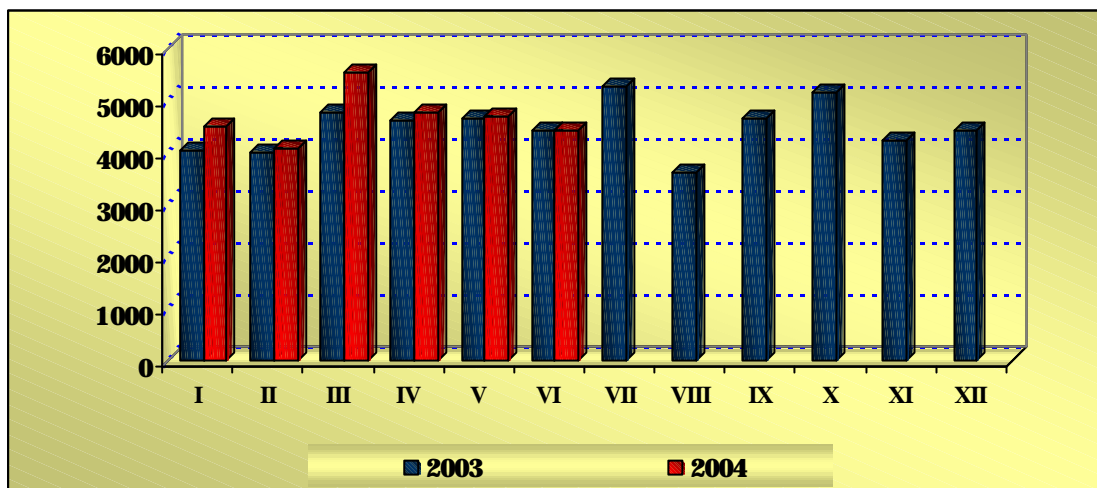
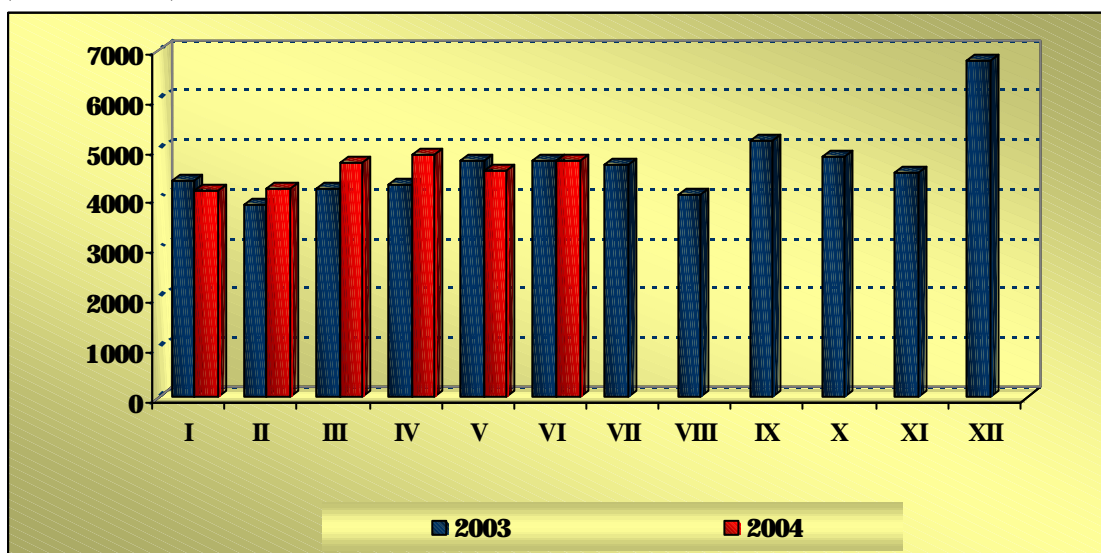


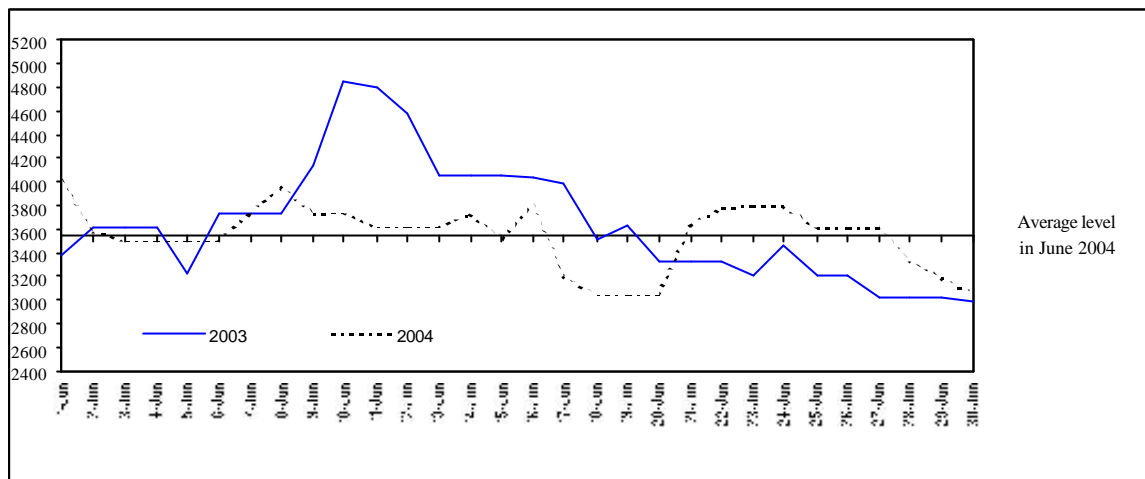
Chart 2

Total Central Government budget expenditures
(in Denar million)



**Monetary developments in the Republic of Macedonia****Chart 3**

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

**Chart 4**

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

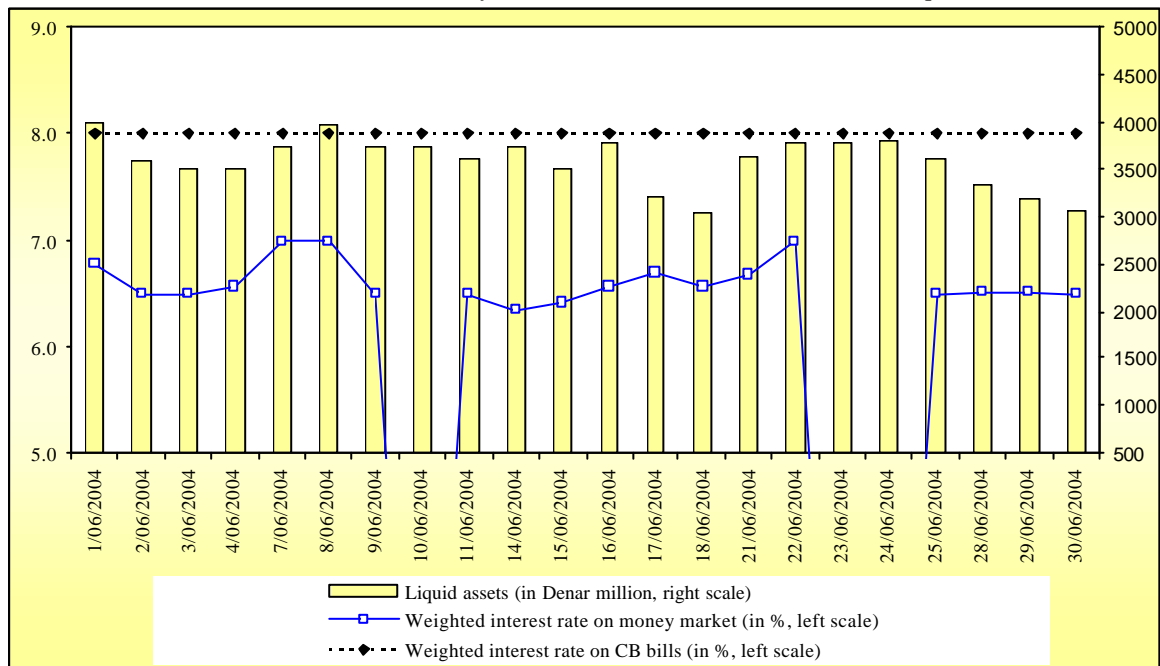




Chart 5

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

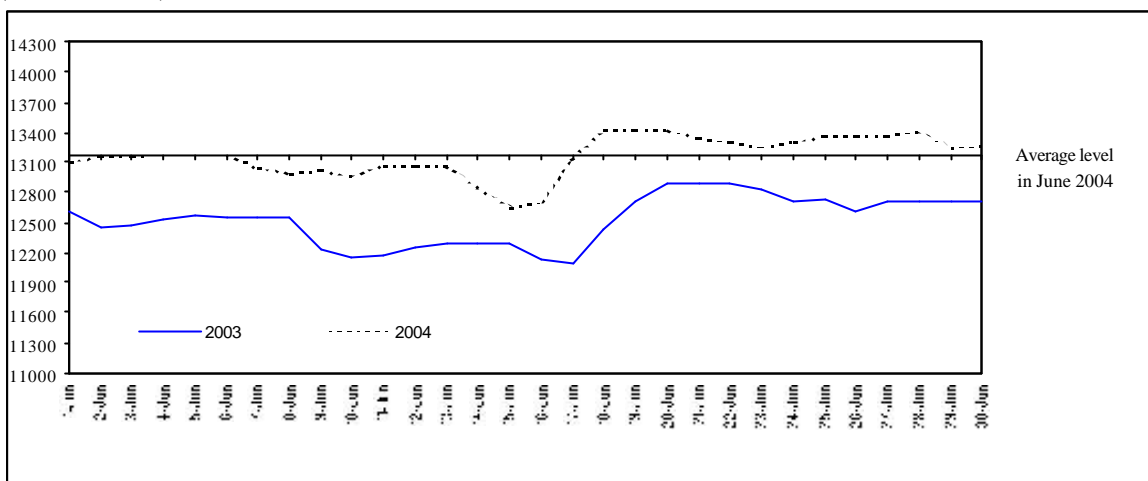
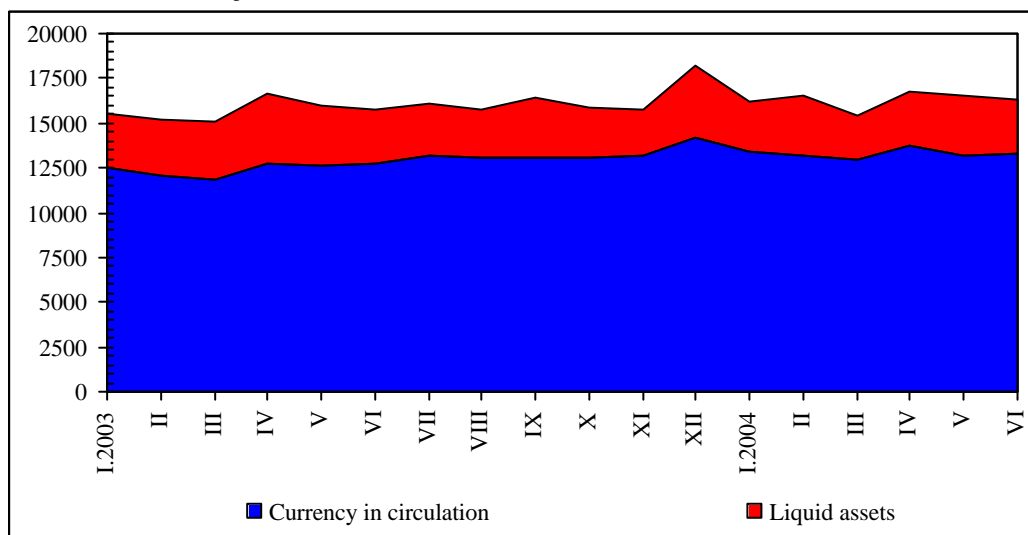


Chart 6

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 7

Demand deposits of enterprises and households
(in Denar million)

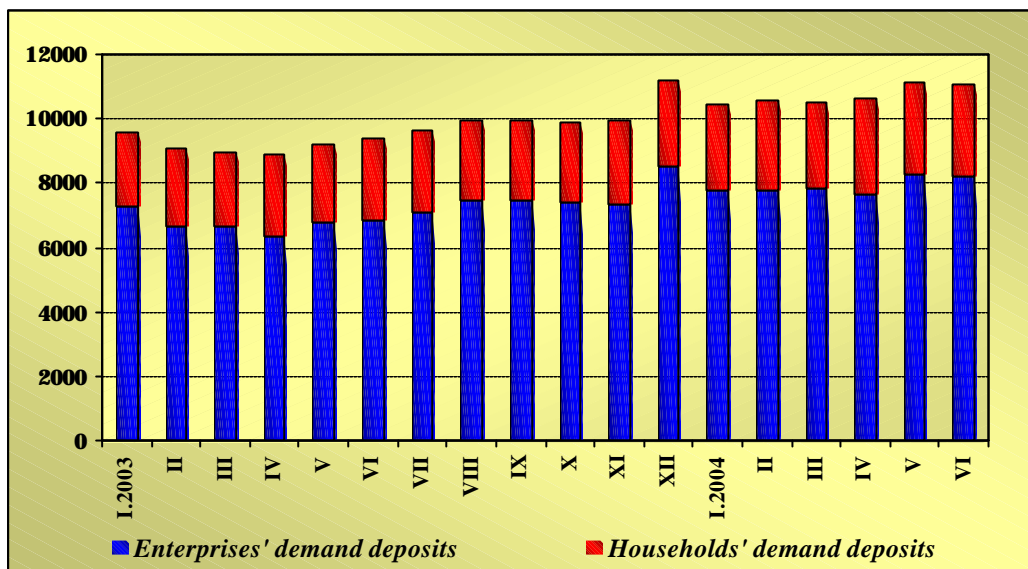
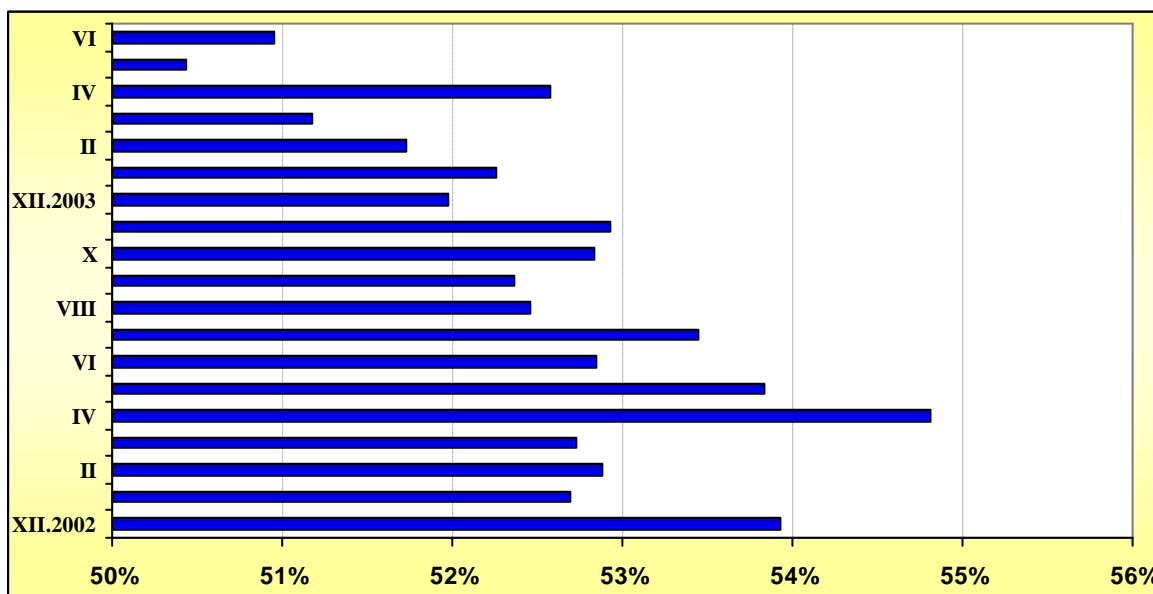


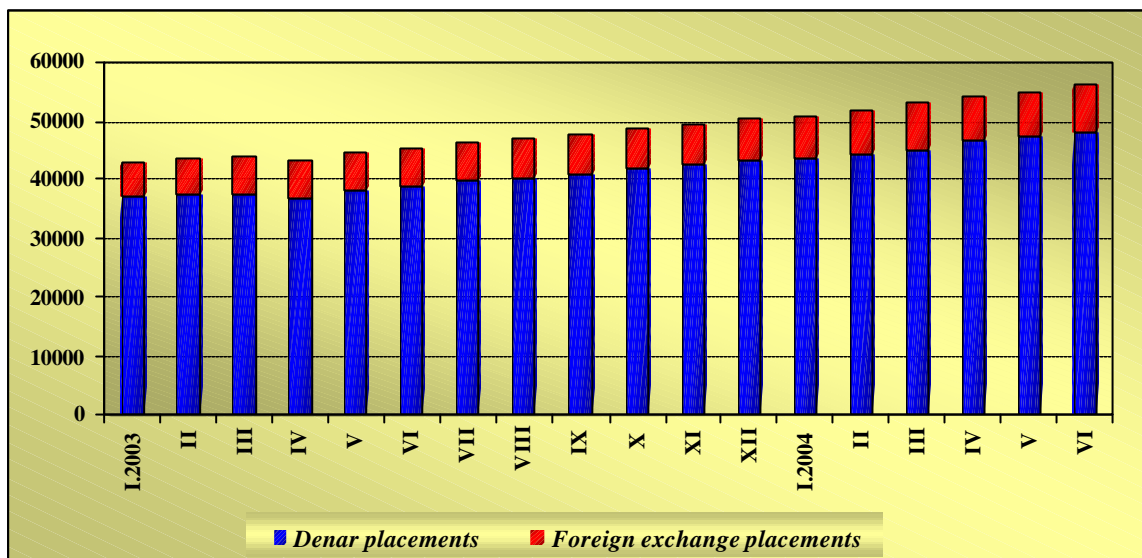
Chart 8

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



**Chart 9**

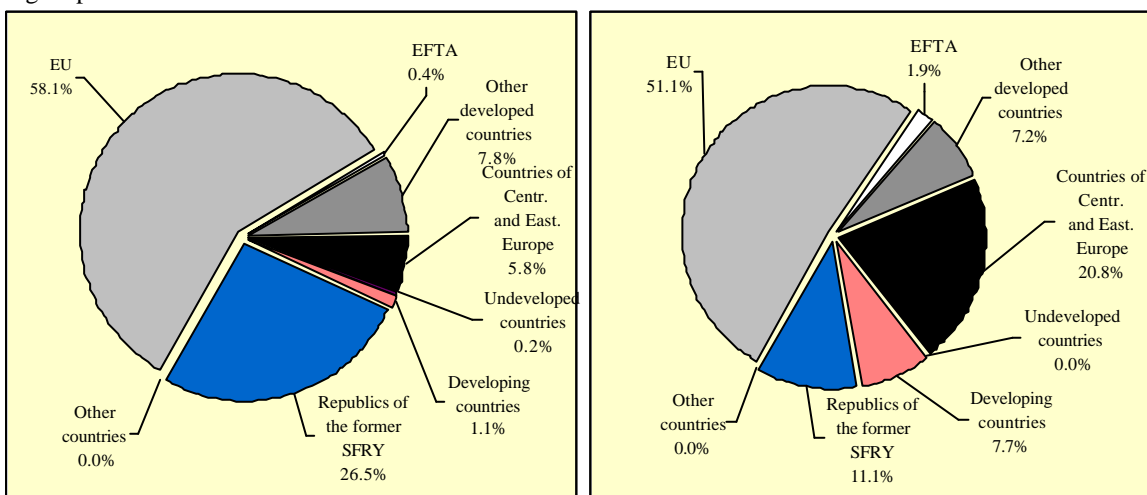
Banks' placements
(in Denar million)



Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia

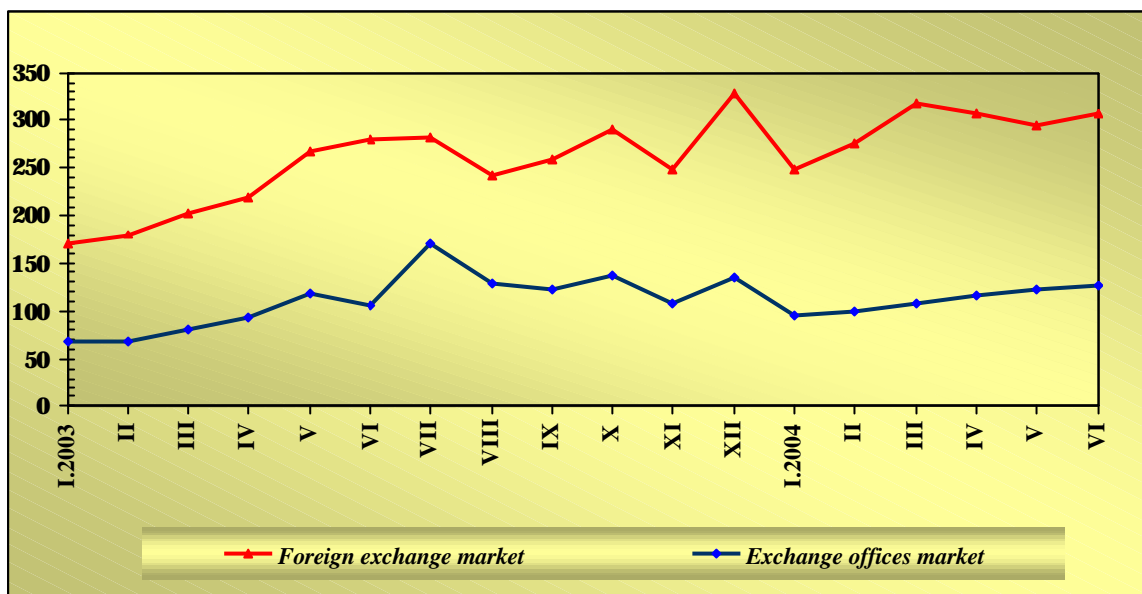
Chart 10

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



**Chart 11**

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

**Chart 12**

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

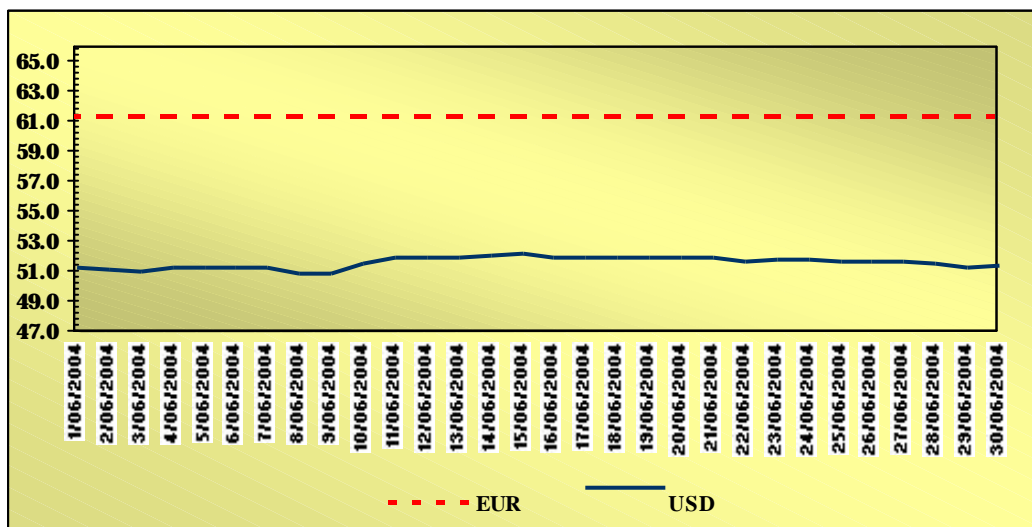




Chart 13

Foreign exchange potential of the Republic of Macedonia
(in US Dollar million)

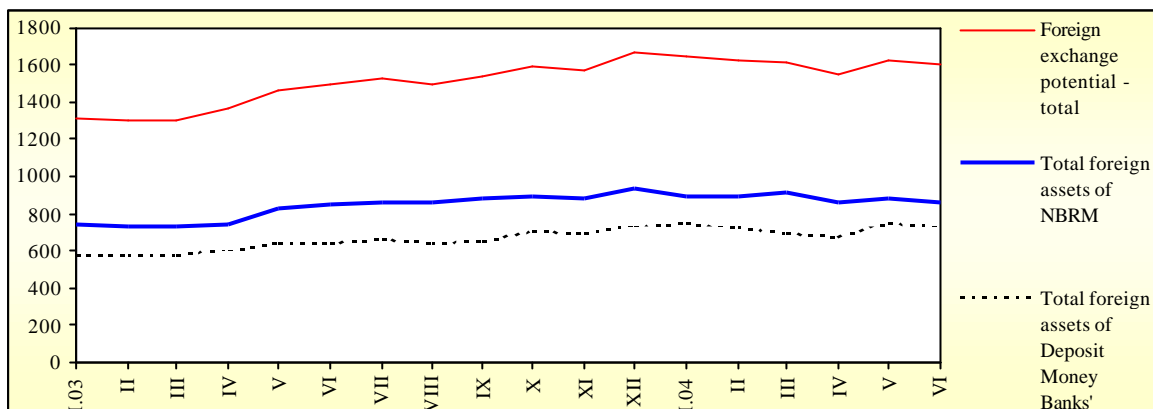


Chart 14

Used credits and serviced liabilities
(in US Dollar million)

