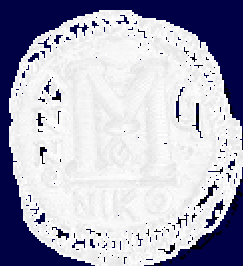


**National bank
of the Republic of Macedonia**

**Monthly
Report**

7 / 2004



September 2004

CONTENTS

Important economic events and amendments to the legal regulations in July 2004	2
I. Economic Developments in the Republic of Macedonia	3
II. Monetary developments in the Republic of Macedonia	5
III. Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia	8
Appendix No.1	10
Appendix No.2	22



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

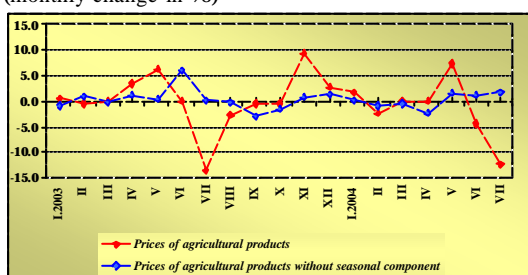
- ❖ *On July 1, 2004, the Parliament of the Republic of Macedonia adopted the Anti-Money Laundering Law. In line with this Law, in the future, the identity of the counterparty in each transaction in the amount of Euro 15,000 and more will have to be determined. On the other hand, the exchange offices will have to determine the identity of the persons who exchange an amount exceeding Euro 2,500. One of the objectives of this Law is to reduce the cash payment, thus ensuring a preventive anti-money laundering and anti-terrorism financing measures and actions system, which is in line with the international provisions.*
- ❖ *On July 6, the Government of the Republic of Macedonia and the Government of Norway signed a Memorandum of Understanding for a Program for Norwegian bilateral project support of Macedonia (this document includes realization of funds in the amount of Euro 3.2 million intended for achieving strategic priorities of Macedonia), as well as a Memorandum of Understanding of the Norwegian Program for project support of Macedonia in the area of the European integration and the reform of the public administration in the amount of about Euro 500 thousand.*
- ❖ *On July 13, the NBRM Council adopted a decision on reducing the interest rate on the Lombard credits from 14% to 11%, as well as on increasing the percentage of permitted daily use of the compulsory reserve by the banks (from 60% to 80%). Both decisions are aimed at creating conditions for more effective liquidity management by the banks.*
- ❖ *On July 15, the World Bank extended three credits in the total amount of US Dollar 50 million to the Republic of Macedonia intended for reforms in the public administration, the health sector, the pension system and the social protection. US Dollar 30 million is a Public Sector Management Adjustment Loan (PSMAL), US Dollar 10 million is a Social Protection Implementation Loan (SPIL), and US Dollar 9.8 million is a Health Sector Management Loan. The above loans are a part of the three-year World Bank Strategy for Support of Macedonia, in the amount of US Dollar 165 million.*

I. Economic Developments in the Republic of Macedonia

The deflation movements registered in the previous month continued also in July 2004. Namely, the consumer prices registered a decrease of 1.2% on a monthly basis, which corresponds to the decrease in the retail prices (of 1%). Such a movement of the consumer prices and the retail prices does not differ from the common dynamics registered also in the previous years, which is mainly influenced by the seasonal decline in the prices of agricultural products. Thus the monthly seasonal decrease in the prices of agricultural products (of 12.6%) influenced on the decrease in the costs of food (of 2.2%). The most significant decrease in the price structure of the agricultural products was registered in the prices of vegetables of 23.5%, while the prices of fruits were lower by 2.4%. Monthly decrease was also registered in the costs of "clothing and footwear" (due to the reduced prices of textile products and footwear), "hygiene and health" (due to the lower prices of remedies), and in the costs of "transportation and services" (due to the decrease in the prices of oil derivatives of 3.7%). On the other hand, the costs of "tobacco and beverages" registered an increase (caused by the increase in the prices of alcoholic beverages of 3.2%), while the costs of "housing" maintained the level registered in the previous month.

Chart 1

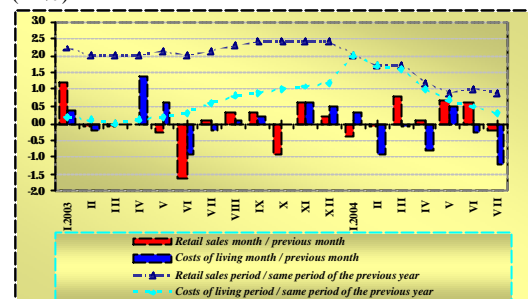
Prices of agricultural products with and without seasonal component
(monthly change in %)



The cumulative change (January - July 2004 / January - July 2003) in the costs of consumer prices equaled 0.3%, while, they decreased by 1.1% compared to the same month of the previous year. On the other hand, the retail prices increased by 0.4% and 0.9% on annual and on cumulative basis, respectively, mainly as a result of the higher prices of non-food industrial products.

Chart 2

Consumer prices and retail prices
(in %)



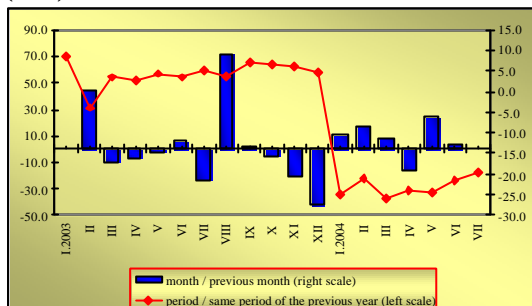
In July 2004, the prices of the producers of industrial products registered a minimal monthly decline (0.2%). The decrease mainly reflects the reduced prices of the producers of energy (by 1.2%), which is caused by the decrease in the prices of the producers of oil derivatives (of 3.1%). On annual basis, the prices of the producers of industrial products increased by 2.1%, while on average, they registered a minimal decrease.

In July, the volume of the industrial output registered a monthly increase of 3.9%, reflecting the increased production in almost all industrial groups of products. The highest increase (of 33%) was registered in the production of intermediary products (except energy), which is due to the increased production of basic metals (having in mind the restarted production in one of the main facilities in this branch), the products produced of non-metal minerals, and electrical equipment. Significant increase (of 24.6%) was registered also in the production of energy, mainly as a result of the increased production of oil and oil derivatives and the production in the sector "electricity, gas and water supply". However, despite the increased production in most of industrial products, the total increase was largely neutralized by the decrease in the production of non-durable consumption products (of 25.1%, which is partially due to the high comparison base registered in the previous month). The decrease in the production of these products reflects on the reduced production of "food products and beverages", "tobacco products" and "wearing apparel, dressing and dyeing of fur" (as processing branches with a share in the total industrial output of 33.1%). Analyzed by sectors, the output in the processing industry and in the sector "electricity, gas and water supply" registered a monthly increase of 3.8% and 6.2%, respectively, while the sector "mining and



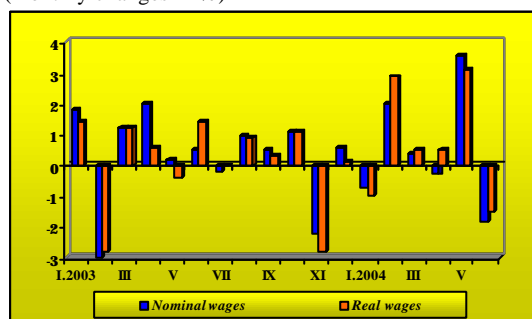
quarrying" registered a decrease of 1.2%. On annual basis, the industrial output was lower by 8.8%, while the average decrease equaled 19.7%.

Chart 3
Industrial output
(in %)



The nominal average net paid wage per worker in June 2004¹ amounted to Denar 12,324 which is a decrease in nominal and in real terms of 1.8% and 1.5%, respectively. Decrease in the wages was registered in all sectors of the economy, with the most significant one of 2.2% being registered in the sector "services". On annual basis and on average, the nominal average wage was higher by 3.9% and 4.2%, respectively.

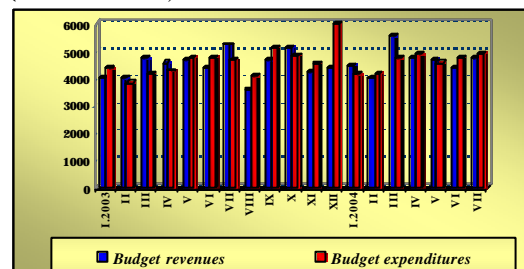
Chart 4
Average net wage per worker
(monthly changes in %)



In July 2004, the total public revenues equaled Denar 7,558 million, which is an increase of 8.5% compared to the previous month. Monthly increase was registered also in the total revenues of the central budget (of 7.2%), thus reaching Denar 4,728 million at the end of the month. This monthly increase is a result of the increase in the tax and the capital revenues (by 9.3% and by 18.4%, respectively), while the non-tax revenues registered a decrease on a monthly basis (of 17.7%). From the aspect of the tax revenues

(which have dominant share in the total revenue structure of 92.1%), almost all categories registered increased revenues, with the most significant one being recorded in the revenues originating from the personal income tax (of 13.9%), and the excises (13.2%). A significant monthly increase of 8% was registered in the revenues originating from the value added tax (the share of which in the total revenues is high and it equals of 42.4%), partially as a result of the payment of VAT by the small-size and the medium-size enterprises on a quarterly basis. On the other hand, the non-tax revenues registered a decline in almost all categories (except the category "other non-tax revenues"), with the inflows from public and financial institutions registered the most significant decrease (which is due to the high comparison base registered in the previous month when high inflow originating from dividends was recorded). Analyzed on cumulative basis, since the beginning of 2004, the total budget revenues equal Denar 32,719 million, which is an increase of 3% compared to the previous year, given a decrease in the tax and the capital revenues.

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



In July 2004, the total public expenditures amounted to Denar 7,727 million, or by 3.9% more compared to the previous month. Denar 4,947 million of this amount are expenditures of the central budget, which registered an increase of 3.6% (given the increase in the current and the capital expenditures). The current expenditures (the share of which in the total expenditures equals 89.7%) registered an increase of 2.9%, caused by the high amount of payments based on interest (the highest since the beginning of the year). On cumulative basis, (January - July 2004 / January - July 2003) the total expenditures of the central Government increased by 4.2%, given higher increase in the capital expenditures (55.4%) and moderate increase in the current expenditures (2.7%).

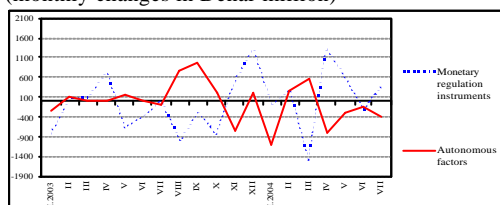
¹ Last available data of the State Statistical Office

II. Monetary developments in the Republic of Macedonia

The adequate application of the monetary regulation instruments alongside the NBRM interventions on the foreign exchange market contributed to further maintaining of the price stability and stable Denar exchange rate. With respect to the liquidity management, in conditions of accumulation of funds by the Government, i.e. lower budget spending and higher level of currency in circulation, the NBRM interventions on the foreign exchange market (net purchase of foreign exchange), as well as the monetary instruments were directed towards liquidity creation.

In July 2004, the average daily level of liquid funds of the banks² equaled Denar 3,549.3 million, which is by 0.1% higher on monthly basis. Given the lower average spending of funds from the Government Treasury account and the higher average level of currency in circulation, the higher liquidity reflects the net-purchase of foreign exchange on the foreign exchange market by the NBRM and the lower average amount of CB bills. At the end of the period for fulfillment³, the banks allocated 14% over the determined compulsory reserve requirement⁴, which is by 1 percentage point lower relative to the preceding 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

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.

⁴ The NBRM Council adopted the Decision on increasing the percentage of the permitted daily use of compulsory reserve by the banks from 60% to 80%.

In July 2004, the NBRM foreign exchange transactions acted towards liquidity creation in the banking system. The relatively lower liquidity of the banking sector in the middle of the month resulted in higher supply of foreign assets, so that NBRM intervened by a net purchase of foreign exchange on the foreign exchange market.

In July, the total Government Denar deposits with the NBRM were by Denar 275 million, or by 6.1% higher on monthly basis, and acted towards liquidity withdrawal. In the first half of the month, the Government deposits were constantly preserved under the level registered on June 30, 2004, primarily due to the regular payment of the wages and the maturity of a portion of the liabilities based on Treasury bills. In July, inflows in the amount of Denar 664.1 million were registered on the basis of issued Treasury bills. Thus at the auction conducted on July 6, 2004 the supply of exceeded the demand for Treasury bills, unlike the auction conducted on July 20, 2004, when the demand exceeded the supplied amount of Treasury bills. The average weighted interest rate at the both auctions equalled 8.41% and 8.37%, respectively.

The total amount of CB bills equalled Denar 3,660 million at the end of July 2004, which is a creation of liquidity of Denar 349 million on a monthly basis. In conditions of fixed interest rates and unlimited offered amount tender, the higher interest in investing in CB bills with shorter maturity (7 days) resulted in a fall in the average weighted interest rate on the CB bills of 0.15 percentage points (in July 2004, the interest rate on the CB bills equalled 7.40%).

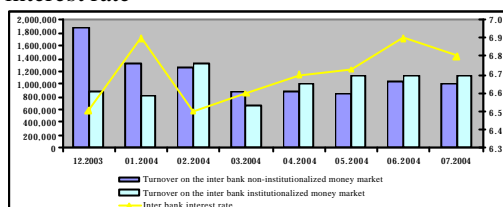
In July 2004, the volume of executed transactions on the institutionalised money market equalled Denar 1,135 million. The higher demand for relative to the supply of liquid funds led to higher average weighted interest rate (which in July equalled 6.67% and 6.52% in the preceding month). In July 2004, the total turnover on the non-institutionalised money market amounted to Denar 1,001.8 million, which is a monthly decrease of 3.9%. On the interbank money market (institutionalised and non-institutionalised market), the transactions with maturity of up to one day dominate (63% of the total executed transactions). The interest



rate on the interbank market (average weighted interest rate on the institutionalised and the non-institutionalised money market) equalled 6.8% in July 2004 (6.9% in June 2004).

Chart 7

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



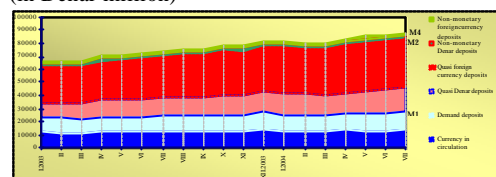
In July, the currency in circulation registered significant monthly change. Thus at the end of July 2004, it equalled 14,289 million, which is by 965 million or by 7.2% more on monthly basis. In the first two 10-day periods of the month, the daily amount of currency in circulation was relatively stable. The level of currency in circulation substantially increased in the third 10-day period of July and it is a combined effect of the payment of the current transfers (pensions and social security) and the seasonal preferences for holding cash due to the summer vacations and the Ilinden holiday. The average level of currency in circulation reached Denar 13,739.1 million, which is by Denar 566.8 million or by 4.3% more compared to the previous month.

In July 2004, the movement of the *reserve money* was determined by the divergent movements of its both components. The relatively faster increase in the demand for currency in circulation relative to the decrease in the liquidity in the banking system, led to a monthly growth in the reserve money of Denar 943 million or 5.8%. Thus at the end of July, the reserve money equalled Denar 17,273 million.

The higher demand for currency in circulation and the increased short-term savings in both domestic and foreign exchange currency are the major determinants of the monthly growth in the *monetary aggregates* in July 2004.

Chart 8

Components of the monetary aggregates
(in Denar million)



The higher level of currency in circulation, given the simultaneous increase in the demand deposits resulted in an increment in the money supply M1 of 4.4% on monthly basis. Thus the increase in the demand deposits (of 1.4%) reflects the higher amount of funds on the transaction accounts of the enterprises and the households. The faster increase in the reserve money relative to the growth in the money supply M1 resulted in a decrease in the money multiplier of the money supply M1 (1.58, 1.60 in June).

In July 2004, the money supply M2 was by 2.9% higher on monthly basis, due to the increase in the short-term Denar and foreign exchange deposits. Given the fall in the total long-term deposit potential, the growth rate of the broadest monetary aggregate M4 equalled 2.7%. The movements of the monetary aggregates and the reserve money, in July slowed down the monetary multiplication process (in July 2004, the money multipliers of the monetary aggregates M2 and M4 equalled 4.82 and 5.08, and in June 2004 they equalled 4.95 and 5.23, respectively).

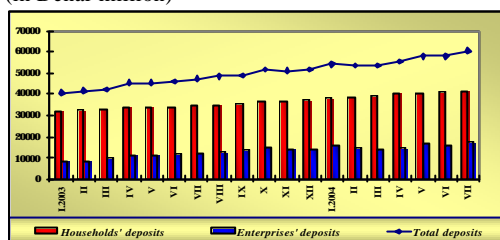
The positive monthly dynamics of the *banks' deposit potential* continued in July 2004. Thus in July, the total deposits of the non-government sector⁵ increased by 2% on monthly basis. The increase in the deposit potential is due to the higher level of short-term Denar and foreign exchange savings, as well as the enhanced volume of long-term Denar savings. Thus the monthly increase in the short-term Denar deposits equalled 2.6%, while the short-term foreign exchange deposits upsurged by 2.1% on monthly basis. Notwithstanding the higher long-term Denar deposits (1%), the more intensive fall in the long-term foreign exchange deposits (3.6%) resulted in a decline in the total long-term

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



deposits of 0.6% (primarily due to the lower amount of restricted foreign exchange deposits of the enterprises, intended for remittances abroad, as well as on the basis of letters of credit and guarantees). On annual basis, the total deposit potential of the banks is by 23.4% higher.

Chart 9
Deposit timeframes
(in Denar million)



In July 2004 compared to the previous month, *the total households' deposits* went up by 0.6%. The increase was due to the higher volume of foreign exchange sight savings deposits, as well as the short-term time foreign exchange deposits of the households. On the other hand, the Denar sight savings deposits and the Denar time deposits of the households with maturity of up to one month dropped, whereas the other Denar deposits went up. Such movements indicate a partial redistribution of the Denar funds of the households to time deposits with maturity of up to three and six months, and over one year. On annual basis, the total households' deposits rose by 19.8% primarily as a result of the higher foreign exchange sight savings deposits and the short-term time foreign exchange deposits.

In July 2004, the total enterprises' deposits were by 5.6% higher on monthly basis, mainly due to the higher Denar time deposits with maturity of up to one month, as well as the higher balances on the foreign exchange current accounts. On annual basis, the total enterprises' deposits were by 37.8% higher. The factors that induced the monthly increase were the major generators of the growth on annual basis.

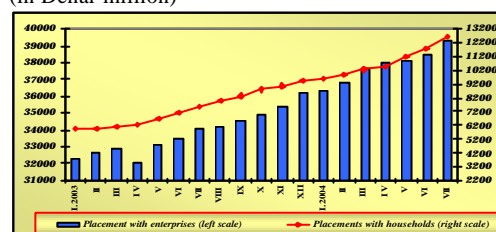
In July 2004, *the banks' total placements to the private sector* registered a monthly increment of 2%, given the simultaneous rise in the placements in both domestic and foreign currency (of 1.4% and 5.4%, respectively). With respect to the maturity, the short-term Denar placements dropped by 1%. The short-

term Denar placements to the households went up by 1.9%, primarily due to the higher amount of extended consumer credits, as well as to the approved short-term credits for other purposes. The short-term Denar lending to the enterprises went down marginally by 0.5%. On the other hand, the long-term Denar placements surged by 4.2% on monthly basis, while the placements to the households went up by 7.2% (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 1.1%.

With respect to the foreign exchange placements, their monthly increase is a result of the accelerated short-term and long-term lending to both corporate and households sector.

On annual basis, the total placements picked up by 23.2%, with an increase being registered in both the Denar and the foreign exchange placements of 22.7% and 26%, respectively. The sector-by-sector analysis indicates that in July 2004, compared to the same month of the preceding year, the placements to the households and the enterprises surged by 67.1% and 15.2%, respectively.

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



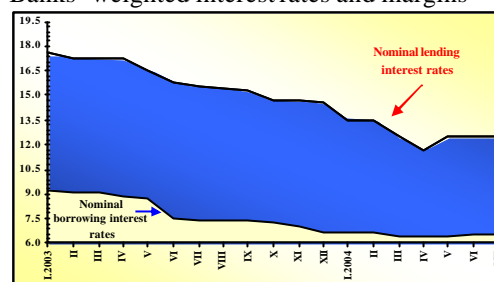
July 2004 registered no changes in the banks' interest rate policy. Thus the average weighted interest rate on the three-month Denar deposits equaled 6.52%, while the average weighted lending interest rate on the short-term Denar placements equaled 12.46%. Thus the interest rate margin remained at the level of 5.9 percentage points.

In July 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 2.37%. The permanent downward trend of the average weighted interest rate on the foreign exchange credits with maturity of up to one year, which



started in April 2004, continued in July. Thus the foreign exchange lending interest rate equaled 7.52% (which is by 0.2 percentage points less compared to the previous month). The decline in the interest rate reflects the lower costs of the sources of funds, as well as the possibility for foreign exchange lending to all interested entities (the lower interest rate is aimed at enhancing the attractiveness of the foreign exchange lending).

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 July 2004, *foreign trade*⁶ in the amount of Denar 403.3 million was registered, which is a monthly increase of 8.1%. The positive monthly dynamics of the foreign trade is mainly due to the high monthly increase in the export of goods of 26.4%. In July, the historically highest monthly export in the amount of US Dollar 154.7 million was registered, which is mainly a result of the restart of one significant export metallurgical facility and of the influence of the seasonal factors in the textile industry. The export of iron, steel and their products equaled US Dollar 39.9 million, and the export of clothing and textile amounted to US Dollar 52.4 million, which is a monthly increase of 47.2% and 39.3%, respectively. Thus the share of these export groups of products in the total export registered a monthly increase of 6.8 percentage points, and in July 2004 it equaled 59.7%.

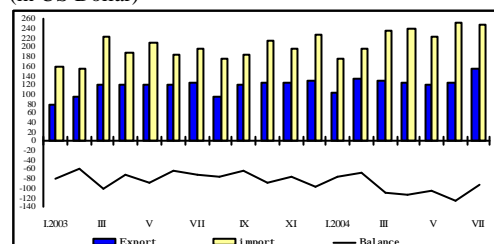
The high increase in the export of goods, given the monthly decrease in the import of goods of 0.8% resulted in a decrease in the trade deficit. Thus in July 2004, compared to the previous month, the trade deficit is lower by US Dollar 34.3 million, and it equaled of US Dollar 93.8 million.

On annual basis, (July 2004 / July 2003), the foreign trade increased by 26.3%, while in the January - July 2004 period, in comparison with the same period of the previous year, it increased by 17.6% (which is due to the simultaneous increase in the export and the

import of goods of 13.6% and 20.0%, respectively). The trade deficit equals US Dollar 690.7 million, which is a cumulative increase of 34.3%.

In the January - July 2004 period, the dominant share in the export structure still accounts for the products for further processing in textile and steel industry (55.7%), while products for further processing, mineral fuels⁷, equipment, electrical machines, vehicles⁸ and iron and steel dominate in the import of goods (56.5%).

Chart 12
Foreign trade of the Republic of Macedonia
(in US Dollar)



⁷ In the first seven months of 2004, mineral fuels in the amount of US Dollar 214.5 million were imported, which is an increase of 19.4% (compared to the same period of the previous year). This increase is due to the increased prices of oil and oil derivatives (according to the movement in the price of oil on the international markets), and partially, by the increased consumption of oil, derivatives, coke, electricity and other energy products.

⁸ In the first seven months of this year, vehicles in the amount of US Dollar 100.7 million were imported (an increase of 52.6% compared to the same period of the previous year), which is due to the lower custom duties and the revoked excise.

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



The analysis from the aspect of the foreign trade partners of the Republic of Macedonia indicates a continuous dominance of Germany, Greece and Serbia and Montenegro, the participation of which in the total foreign trade in the January - July 2004 period equals 39.8%. Besides these countries, a significant share in the imports accounts for Russia (8.7%) as a result of the high import of oil from this country. Regarding the import, in the January - July 2004 period, the share of Romania in the imports also increased significantly, which is due to the increased import of iron and steel (by 4.4 times compared to the same period of the previous year).

In July 2004, the total turnover on *the foreign exchange market* equaled US Dollar 397.8 million, which is a monthly increase of US Dollar 91.1 million, or 29.7%. From the aspect of the transactions between the banks and the enterprises, the demand for foreign exchange of the enterprises exceeded the supply (by 13.6%) also in July 2004. On the other hand, net foreign exchange inflow in the banking system based on purchase from exchange offices and through the banks' exchange offices market was registered. Such movements, supplemented by the need of the banks for Denar liquidity, resulted in a net purchase of foreign exchange on the foreign exchange market by the NBRM. Thus the Denar nominal exchange rate against the Euro maintained stable.

At the end of July 2004, Denar 61.33 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 1.2% on a monthly basis, and at the end of July, Denar 51 were traded per one US Dollar.

In July, *the turnover on the exchange offices market* equaled US Dollar 149.9 million, which is a seasonal monthly increase of US Dollar 24.4 million (19.4%), with the supply exceeding the demand for foreign exchange (by US Dollar 58 million). Thus the average Denar exchange rate against the Euro on the exchange offices market equaled Denar 61.51 per one Euro, while relative to the US Dollar the Denar appreciated by 0.9%, and Denar 50.21 were traded per one US Dollar on average.

In July 2004, *the foreign assets of the NBRM* equaled US Dollar 853.1 million. The level of the

gross foreign reserves of the NBRM equaled US Dollar 845.3 million, which is a monthly decrease of US Dollar 14.7 million. The decrease is mainly due to the outflow of foreign assets on the basis of repayment of foreign credits, as well as to the negative exchange rate differentials. Simultaneously, the total *foreign assets of the banks* registered a monthly increase of US Dollar 10.4 million, thus reaching US Dollar 745.7 million, primarily as a result of the higher amount of foreign exchange deposits of enterprises.

At the end of July 2004, *the external debt of the Republic of Macedonia*⁹ based on long-term credits equaled US Dollar 1,773.1 million, or by US Dollar 3.2 million less compared to the end of June 2004, primarily as a result of negative exchange rate differentials.

In July 2004, the amount of used funds based on extended long-term credits equaled US Dollar 26.9 million. US Dollar 15.2 million of this amount originate from the official multilateral creditors (the World Bank, the International Development Agency, the European Investment Bank and the European Bank for Reconstruction and Development). Funds in the amount of US Dollar 11.8 million were withdrawn from the private creditors, US Dollar 5.5 million and US Dollar 6.3 million of which originate from foreign banks and private financial institutions, and enterprises, respectively. In July, the newly concluded credits amounted to US Dollar 57.6 million, US Dollar 49.8 million of which are credits extended by the World Bank (the PSMAL, the SPIL and the Health Sector Management Project) and US Dollar 7.8 million originate from private creditors (mostly credits concluded with private enterprises).

In July 2004, liabilities in the amount of US Dollar 28.2 million were serviced, US Dollar 21.1 million of which are repayments based on principal and US Dollar 7.1 million are interest. In July 2004, compared to the previous month, the total repayments increased by US Dollar 15.9 million

⁹ 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.



Appendix No.1

Economic Developments in the Republic of Macedonia

Table 1

Costs of living and retail prices

	VII.2004 VI.2004	VII.2004 VII.2003 in %	I-VII.2004 I-VII.2003
Costs of living	-1.2	-1.1	0.3
Food	-2.2	-4.0	-2.0
Tobacco and beverages	0.5	0.5	1.5
Clothing and footwear	-1.0	1.8	1.9
Housing	0.0	0.4	3.4
Flat (rent, water, services)	0.0	-1.7	0.2
Fuel and lighting	-0.1	0.5	4.6
Hygiene	-0.8	-1.9	2.3
Culture and entertainment	0.0	1.6	1.9
Transport, communications, services	-0.5	4.7	2.3
<i>Goods</i>	<i>-1.5</i>	<i>-1.8</i>	<i>-0.3</i>
<i>Services</i>	<i>0.7</i>	<i>2.9</i>	<i>3.5</i>
Retail prices	-1.0	0.4	0.9
Agricultural products	-12.6	-3.8	-0.3
Non-food industrial products	-1.2	2.1	1.8
Processed food products	-0.1	-4.5	-3.4
Beverages	2.0	-1.7	-1.9
<i>Goods</i>	<i>-1.8</i>	<i>-0.2</i>	<i>0.1</i>
<i>Services</i>	<i>0.5</i>	<i>1.5</i>	<i>2.5</i>

Source: State Statistical Office of the Republic of Macedonia



Table 2
Prices of producers of industrial products

	<u>VII.2004</u> <u>VI.2004</u>	<u>VII.2004</u> <u>VII.2003</u>	<u>I-VII.2004</u> <u>I-VII.2003</u>
	in %		
Prices of producers of industrial products	-0.2	2.1	-0.1
Energy	-1.2	4.3	-2.0
Intermediary goods (except Energy)	0.2	5.6	4.0
Capital goods	0.0	0.2	-0.7
Durable consumer goods	0.0	0.0	0.0
Non durable consumer goods	0.0	-3.2	-3.5
<i>Mining and quarrying</i>	<i>0.0</i>	<i>0.6</i>	<i>0.6</i>
<i>Manufacturing industry</i>	<i>-0.3</i>	<i>2.5</i>	<i>-0.2</i>
Manufacture of food products and beverages	0.0	-3.5	-4.1
Manufacture of tobacco products	0.0	0.0	-0.1
Manufacture of textiles	0.0	-1.5	-0.8
Manufacture of wearing apparel; dressing and dyeing of fur	0.0	0.0	0.0
Manufacture of coke, refined petroleum products and nuclear fuel	-3.1	12.6	-5.4
Manufacture of chemicals and chemical products	0.0	0.0	0.0
Manufacture of other non-metallic mineral products	0.0	-0.4	-0.3
Manufacture of basic metals	0.0	1.3	1.8
Manufacture of electrical machinery and apparatus n.e.c.	0.0	23.6	16.7
<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 %	VII.2004 VI.2004	VII.2004 VII.2003 in %	I-VII.2004 I-VII.2003
Total	100.0	3.9	-8.8	-19.7
Energy		24.6	-39.3	-10.5
Intermediary goods (except Energy)		33.0	-12.5	-44.0
Capital goods		18.8	-33.4	-45.0
Durable consumer goods		19.9	-57.6	-49.2
Non durable consumer goods		-25.1	23.2	27.3
<i>Mining and quarrying</i>	3.2	-1.2	-82.4	-60.5
<i>Manufacturing industry</i>	89.9	3.8	-5.1	-19.5
Manufacture of food products and beverages	24.9	-3.2	25.5	14.3
Manufacture of tobacco products	5.0	4.3	-17.3	-17.7
Manufacture of textiles	4.3	-32.4	-38.4	-22.8
Manufacture of wearing apparel; dressing and dyeing of fur	4.5	-69.0	-14.8	50.8
Manufacture of coke, refined petroleum products and nuclear fuel	7.0	54.3	-56.0	-25.7
Manufacture of chemicals and chemical products	7.2	-25.2	-32.4	-27.2
Manufacture of other non-metallic mineral products	4.6	6.1	-7.9	-18.2
Manufacture of basic metals	16.4	2.3 times	36.0	-57.4
Manufacture of electrical machinery and apparatus n.e.c.	4.0	4.7	-14.6	-47.9
<i>Electricity, gas and water supply</i>	6.9	6.2	-1.7	-4.7

Source: State Statistical Office of the Republic of Macedonia



Table 4
Average net wages

	VI.2004*	<u>VI.2004</u> <u>V.2004</u>	<u>VI.2004</u> <u>VI.2003</u>	<u>I-VI.2004</u> <u>I-VI.2003</u>
	in denars		in %	
Nominal average net wage per worker	12,324	-1.8	3.9	4.2
Costs of living		-0.3	-0.2	0.5
Real average net wage per worker		-1.5	4.1	3.7
Nominal average net wage by sectors				
Agriculture	9,576	-0.3	12.2	10.7
Industry	12,282	-1.3	3.9	4.0
Services	13,788	-2.2	1.8	3.0

* Last available data

Source: State Statistical Office of the Republic of Macedonia

Table 5
Central Government Budget

	July 2004			January-July 2004		
	in Denar million	Monthly changes in %	Structure in %	in Denar million	Cumulative changes (2004/2003) in %	Structure in %
Total budget revenues	4,728	7.2	100.0	32,719	3.0	100.0
<i>Tax revenues:</i>	4,355	9.3	92.1	29,891	3.5	91.4
- personal income tax	714	13.9	15.1	4,375	3.4	13.4
- profit tax	195	11.4	4.1	1,659	-23.0	5.1
- value added tax	2,004	8.5	42.4	14,586	15.8	44.6
- excises	926	13.2	19.6	5,733	-1.6	17.5
- custom duties	479	0.2	10.1	3,203	-14.7	9.8
- other	37	-9.8	0.8	335	7.2	1.0
<i>Non-tax revenues:</i>	317	-17.7	6.7	2,439	-3.9	7.5
- inflows from state property dividends	82	-62.6	1.7	1,169	-1.5	3.6
- administrative taxes and fees	116	-14.1	2.5	849	9.5	2.6
- other administrative taxes	22	-24.1	0.5	155	-41.9	0.5
- other non-tax revenues	97	48,5 pati	2.1	266	-13.6	0.8
<i>Capital revenues</i>	45	18.4	1.0	378	7.7	1.2
Total budget expenditures	4,947	3.6	100.0	32,301	4.2	100.0
<i>Current expenditures</i>	4,437	2.9	89.7	29,827	2.7	92.3
- wages and salaries	1,771	-3.4	35.8	12,255	4.6	37.9
- goods and services	529	0.4	10.7	4,040	7.5	12.5
- transfers	1,787	-0.3	36.1	12,143	4.5	37.6
- interest	349	2,2 pati	7.1	1,359	-18.6	4.2
<i>Capital expenditures</i>	510	9.9	10.3	2,474	55.4	7.7
Budget balance	-219			419		
Financing	219			-419		
<i>Inflows</i>	1,224			4,339		
<i>Outflows</i>	1,005			4,758		

Source: Ministry of Finance


Table 6

Total revenues and expenditures of the budget funds

	July 2004				January-July 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	4,473	4.9	4,299	0.0	29,316	6.3	29,434	7.8
- pension and disability insurance	2,528	6.7	2,403	-2.0	16,524	3.7	16,695	5.4
- health insurance	1,311	7.5	1,288	8.1	8,407	2.9	8,416	5.5
- employment	634	-6.2	608	-7.0	4,385	25.7	4,323	24.1
Road Fund	285	0.0	410	16.1	1,973	27.9	2,123	36.8

Source: National Bank of the Republic of Macedonia

Monetary developments in the Republic of Macedonia

Table 7

Reserve money

	31.07.2004	Monthly changes		Annual changes	
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
Reserve money	17,273	943	5.8	1,177	7.3
Currency in circulation	14,289	965	7.2	1,109	8.4
Banks liquidity	2,984	-22	-0.7	68	2.3

Source: National Bank of the Republic of Macedonia

Table 8

Reserve money creation and withdrawal

	31.07.2004
	monthly changes
	in Denar million
Bank liquidity	-22
Liquidity creation	1,299
1. CB' Bills auctions	349
2. Net domestic assets	950
Liquidity withdrawal	-1,321
1. Net foreign assets	-314
2. Currency in circulation	-965
3. Other	-42

Source: National Bank of the Republic of Macedonia



Table 9
Money supply M1 and its components

	31.07.2004	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Money supply M1	27,290	1,140	4.4	2,630	10.7
Currency in circulation	14,289	965	7.2	1,109	8.4
Demand deposits	13,001	175	1.4	1,521	13.2
- Demand deposits of households	2,867	26	0.9	325	12.8
- Demand deposits of enterprises	8,380	170	2.1	1,304	18.4

Source: National Bank of the Republic of Macedonia

Table 10
Broader monetary aggregates and their components

	31.07.2004	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Money supply M1	27,290	1,140	4.4	2,630	10.7
Denar short - term deposits	18,416	462	2.6	4,432	31.7
Monetary aggregate M2 - denar component	45,706	1,602	3.6	7,062	18.3
Foreign currency short - term deposits	37,573	771	2.1	7,255	23.9
Monetary aggregate M2	83,279	2,373	2.9	14,317	20.8
Non - monetary deposits	4,505	-25	-0.6	-220	-4.7
- In Denar	3,038	29	1.0	-281	-8.5
- In foreign currency	1,467	-54	-3.6	61	4.3
Monetary aggregate M4	87,784	2,348	2.7	14,097	19.1

Source: National Bank of the Republic of Macedonia

Table 11
Total deposits of the non-government sector

	31.07.2004	monthly changes		annual changes		structure
	in Denar million	in Denar million	in %	in Denar million	in %	in %
Total deposits	60,494	1,208	2.0	11,467	23.4	
1. According to maturity						
- short-term	55,989	1,233	2.3	11,687	26.4	92.6
- long-term	4,505	-25	-0.6	-220	-4.7	7.4
2. According to currency of denomination						
- In denar	21,454	491	2.3	4,151	24.0	35.5
- In foreign currency	39,040	717	1.9	7,316	23.1	64.5

Source: National Bank of the Republic of Macedonia



Table 12
Households and enterprises deposits

	31.07.2004	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Total households deposits	41,661	266	0.6	6,881	19.8
1. According to maturity					
- short-term	39,065	251	0.6	7,049	22.0
- long-term	2,596	15	0.6	-168	-6.1
2. According to currency of denomination					
- In denar	11,545	-147	-1.3	2,851	32.8
- In foreign currency	30,116	413	1.4	4,030	15.4
Total enterprises deposits	17,263	909	5.6	4,734	37.8
1. According to maturity					
- short-term	16,354	973	6.3	4,712	40.5
- long-term	909	-64	-6.6	22	2.5
2. According to currency of denomination					
- In denar	8,478	599	7.6	1,391	19.6
- In foreign currency	8,785	310	3.7	3,343	61.4

Source: National Bank of the Republic of Macedonia

Table 13
Banks' placements and overdue claims

	31.07.2004	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Total banks' placements	57,225	1,130	2.0	10,782	23.2
<i>Denar placements</i>	<i>48,731</i>	<i>694</i>	<i>1.4</i>	<i>9,031</i>	<i>22.7</i>
<i>Foreign currency placements</i>	<i>8,494</i>	<i>436</i>	<i>5.4</i>	<i>1,751</i>	<i>26.0</i>

Source: National Bank of the Republic of Macedonia


Table 14

Maturity and sector structure of Denar and foreign currency placements

	Share on 31.07.2004	Monthly change of share	Annual change of share
	(in %)	(in percentage points)	
Denar placements	100.0		
maturity structure			
- short-term	58.9	-1.0	-6.9
- long-term	41.1	1.0	6.9
structure by sectors			0.0
- enterprises	71.3	-1.1	-7.1
- households	28.6	1.2	7.1
- other	0.1	0.0	0.0
Foreign currency placements			
maturity structure			
- short-term	39.8	-0.3	-6.1
- long-term	60.2	0.3	6.1
structure by sectors			
- enterprises	95.8	-0.3	-1.1
- households	1.9	0.5	1.6
- other	2.2	-0.4	-0.7

Source: National Bank of the Republic of Macedonia

Table 15

Interest rates

	July, 2004	Monthly changes	Annual changes
	in %	in percentage points	
Average weighted interest rate on the CB bills auctions (28 days)	8.0	0.0	1.0
Average weighted interest rate on the Money Market	6.67	0.2	-2.5
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 July 2004

<i>Securities</i>	Number of transactions	Value (in Denars)	Number of traded securities	Days of trading
Official market				
Official market - ordinary shares				
Zito Prilep Prilep	20	15,863,831	17,636	10
Alkaloid Skopje	103	11,331,225	5,583	17
Makpetrol Skopje	28	3,689,520	309	12
Skopski Pazar Skopje	3	3,503,690	1,301	2
Other	202	18,482,424	34,928	98
Official market - preferential shares				
Komercijalna banka Skopje	13	402,786	570	5
Ohridska banka Ohrid	1	359,640	185	1
Other	9	109,458	167	9
Official market - bonds				
R. Macedonia - foreign currency deposits	286	25,534,206	582,545	17
R. Macedonia - denationalization 01	3	946,138	24,500	2
R. Macedonia - denationalization 02	24	5,855,308	152,345	11
R. Macedonia - denationalization 03	531	124,036,000	3,178,068	17
Total official market	1,223	210,114,226	3,998,137	
Unofficial market				
Market of public-owned companies - ordinary shares				
RZ Valavnica za lenti Skopje	41	47,653,031	781,445	6
RZ Ladna Valavnica Skopje	37	28,291,722	464,074	6
Fersped Skopje	7	5,408,000	285	3
Other	11	2,339,407	1,718	9
Market of public-owned companies - preferential shares				
Tutunska banka Skopje	1	59,500	34	1
Stopanska banka Skopje	3	13,345	140	2
Free market - ordinary shares				
Izvozno i kreditna banka Skopje	3	27,481,250	2,375	2
IGM Vratnica s. Vratnica	4	1,508,400	1,676	1
Other	33	5,584,283	52,765	16
Total unofficial market	140	118,338,938	1,304,512	
Other securities				
Government-owned shares				
Convertible certificate for savings houses	2	12,000	400,000	2
Total other securities	2	12,000	400,000	2
State market				
State - cash payments - ordinary shares	4	4,181,680		
State - non-cash payments - ordinary shares	3	2,512,794		
State - parts - cash payment	3	388,369		
State - parts - non-cash payments	3	137,240		
Total state market	13	7,220,083		
Block transactions				
Official market - ordinary shares				
Blagoj Gorev Veles		6,500,700	7,223	
Jaka tabak Radovis		5,001,114	2,663	
Unofficial market				
Free market - ordinary shares				
Kameni most komunikacii Skopje		1,364,607,026	2,077,312	
Izvozno i kreditna banka Skopje		12,885,600	1,300	
Total block transactions	4	1,388,994,440	2,088,498	
Total markets	1,382	1,724,679,687		

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)

	VII.2004	I-VII.2004	VII. 2004		VII.2004		I-VII.2004	
			VI. 2004		VII. 2003		I-VII. 2003	
	amount		amount	%	amount	%	amount	%
Foreign trade	403.3	2,448.5	30.3	8.1	84.1	26.3	367.1	17.6
Exports	154.7	878.9	32.3	26.4	30.4	24.4	105.0	13.6
Imports	248.5	1,569.6	-2.0	-0.8	53.7	27.6	262.1	20.0
<i>Balance</i>	-93.8	-690.7	34.3	-26.8	-23.4	33.2	-157.1	29.4

Source: State Statistical Office of the Republic of Macedonia

Table 18

Ten most important trading partners of the Republic of Macedonia, I-VII.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-VII 2004		I-VII 2004		I-VII 2004		
Republic of MACEDONIA	2,448.5	100.0	878.9	100.0	1,569.6	100.0	56.0
<i>out of which:</i>							
1 Germany	380.2	15.5	175.8	20.0	204.4	13.0	86.0
2 Serbia and Montenegro	302.2	12.3	170.8	19.4	131.4	8.4	129.9
3 Greece	292.0	11.9	127.7	14.5	164.3	10.5	77.7
4 Italy	162.0	6.6	66.8	7.6	95.3	6.1	70.1
5 Russia	147.1	6.0	10.4	1.2	136.8	8.7	7.6
6 Bulgaria	143.0	5.8	25.3	2.9	117.7	7.5	21.5
7 Slovenia	100.6	4.1	14.0	1.6	86.6	5.5	16.1
8 Turkey	81.8	3.3	29.9	3.4	51.9	3.3	57.6
9 Croatia	79.5	3.2	44.8	5.1	34.7	2.2	128.8
10 France	78.3	3.2	40.5	4.6	37.8	2.4	107.1
Total (10 largest trading partners)	1,766.8	72.2	705.8	80.3	1,061.0	67.6	66.5

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-VII.2003	I-VII.2004	I-VII.2004	I-VII.2003	I-VII.2004	I-VII.2004	(%)	(%)
			I-VII.2003			I-VII.2003		
TOTAL	773.9	878.9	113.6	1307.5	1569.6	120.0	100.0	100.0
Developed countries	518.9	588.1	113.3	833.1	945.6	113.5	66.9	60.2
EU	444.1	514.3	115.8	706.8	805.2	113.9	58.5	51.3
EFTA	15.3	3.6	23.5	15.9	29.4	185.1	0.4	1.9
Other developed countries	59.5	70.2	117.9	110.5	111.1	100.5	8.0	7.1
Countries of Centr. and East. Europe	32.6	49.3	151.4	233.8	332.2	142.1	5.6	21.2
Undeveloped countries	0.5	1.6	335.3	1.8	0.7	39.8	0.2	0.0
Developing countries	20.4	9.0	44.2	75.4	117.3	155.6	1.0	7.5
Republics of the former SFRY	201.3	230.7	114.6	163.4	173.7	106.3	26.3	11.1
Other countries	0.2	0.1	66.5	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	
	30.06.2004	31.07.2004	VI-2004	VII-2004	VI-2004	VII-2004
Official creditors	1,189.73	1,183.12	5.31	15.17	7.63	18.32
out of which:						
Multilateral	941.34	947.22	4.58	15.17	4.80	4.45
MMF	55.36	55.16	-	-	1.42	-
IBRD	192.66	195.25	1.29	5.21	2.59	2.13
IFC	15.26	15.22	-	-	-	-
IDA	363.47	362.08	0.09	0.46	0.30	0.70
EIB	119.78	126.74	-	8.50	0.01	-
EUROFIMA	7.47	7.38	-	-	-	-
Council of EDB	16.93	16.75	-	-	0.08	-
EBRD	50.78	50.45	2.89	0.99	-	1.14
EU	109.52	108.35	-	-	0.38	0.28
IFAD	8.80	8.76	0.30	-	-	-
European Agency for Reconstruction	1.30	1.08	-	-	0.02	0.21
Bilateral	248.39	235.91	0.73	-	2.84	13.87
Paris club (rescheduled 1995)	155.95	144.05	-	-	0.02	13.54
Paris club (rescheduled 2000)	8.65	8.56	-	-	0.60	-
New credits	13.30	13.19	-	-	0.02	-
Non-rescheduled debt	70.49	70.11	0.73	-	2.19	0.34
Private creditors	586.60	589.97	4.87	11.77	4.70	9.91
out of which:						
London Club of Creditors	238.07	232.84	-	-	-	7.67
Other private creditors	348.52	357.13	4.87	11.77	4.70	2.24
Banks and financial institutions	217.87	221.68	4.56	5.48	3.98	1.32
Enterprises	130.65	135.46	0.31	6.29	0.72	0.92
TOTAL	1,776.32	1,773.10	10.17	26.94	12.33	28.23

Source: National Bank of the Republic of Macedonia

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

NBRM Balance sheet on July 31, 2004

(in million Denars)

Assets	Amount	Liabilities	Amount
Foreign assets	43,426	Reserve money	17,273
Claims on Government	3,492	NBRM instruments	3,660
Claims on banks and other financial institutions	73	Restricted deposits	277
Other assets	3,540	Foreign liabilities	2,912
		Government deposits	12,151
		Capital accounts	8,123
		Other liabilities	6,135
Total	50,531	Total	50,531

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)

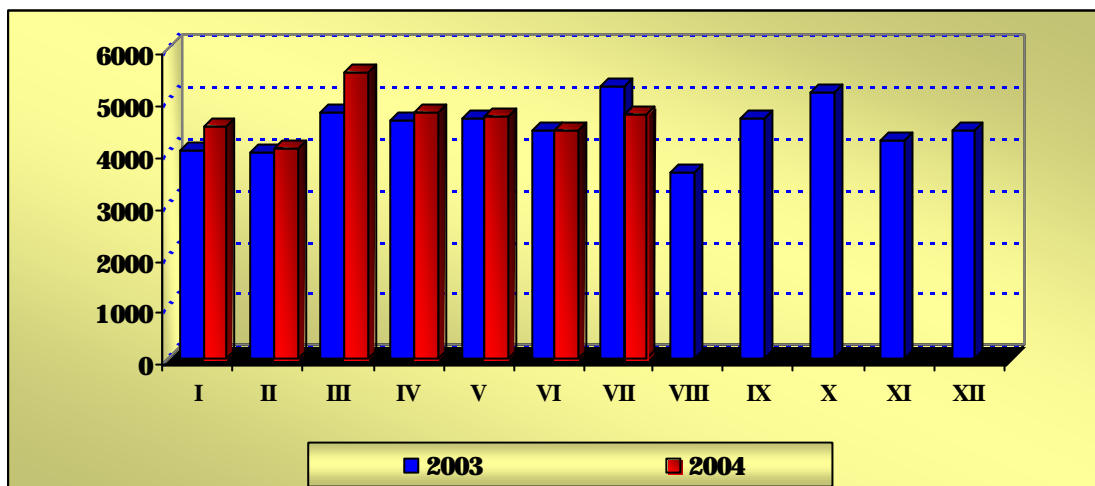
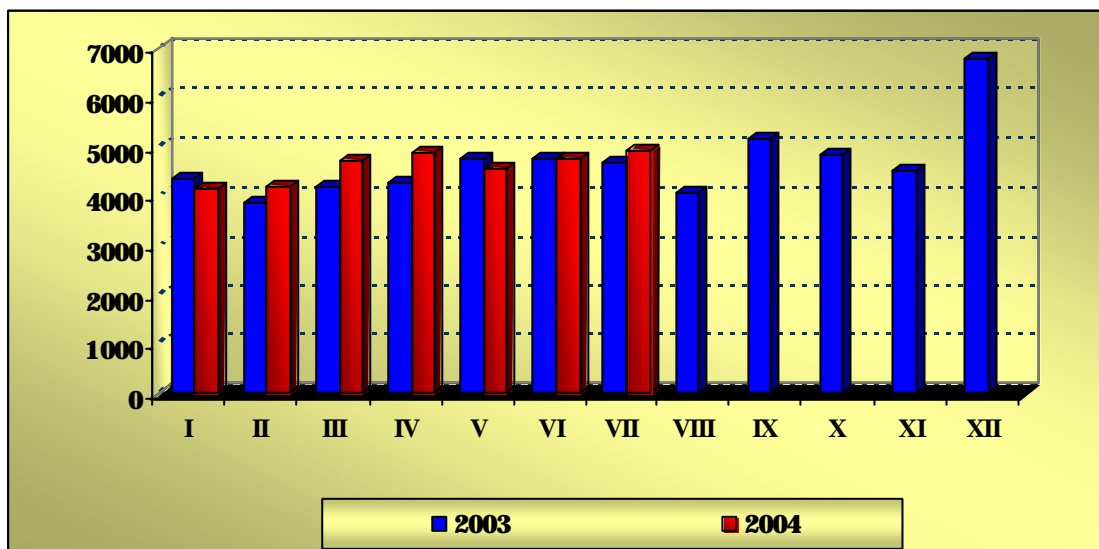


Chart 2

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)

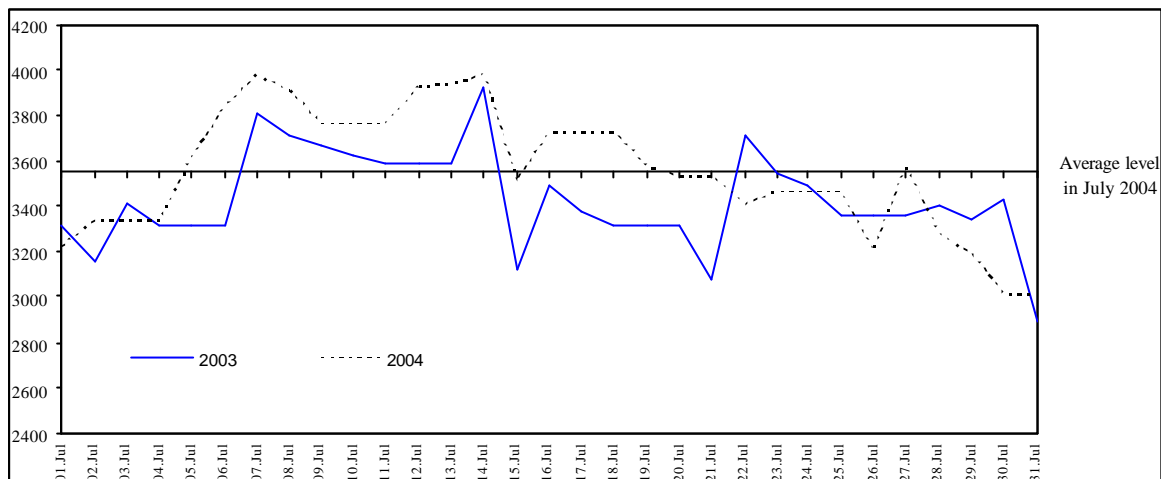
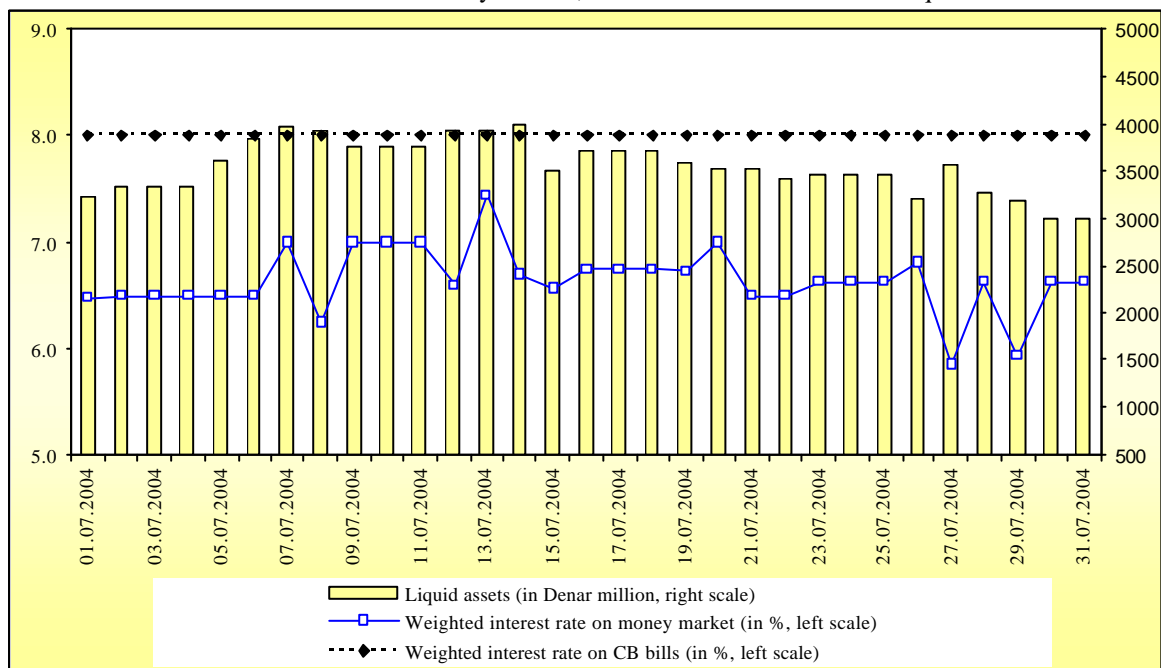


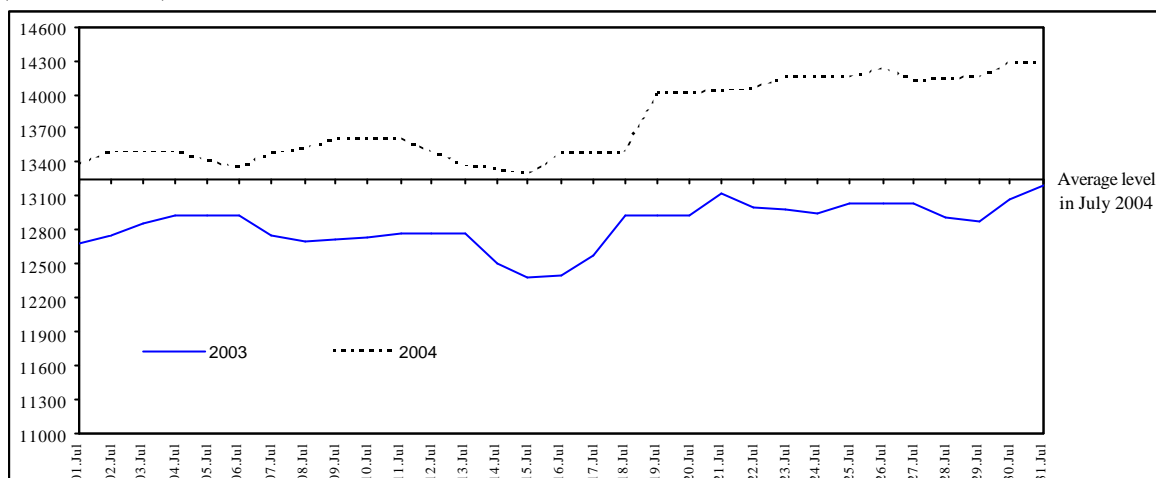
Chart 4

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



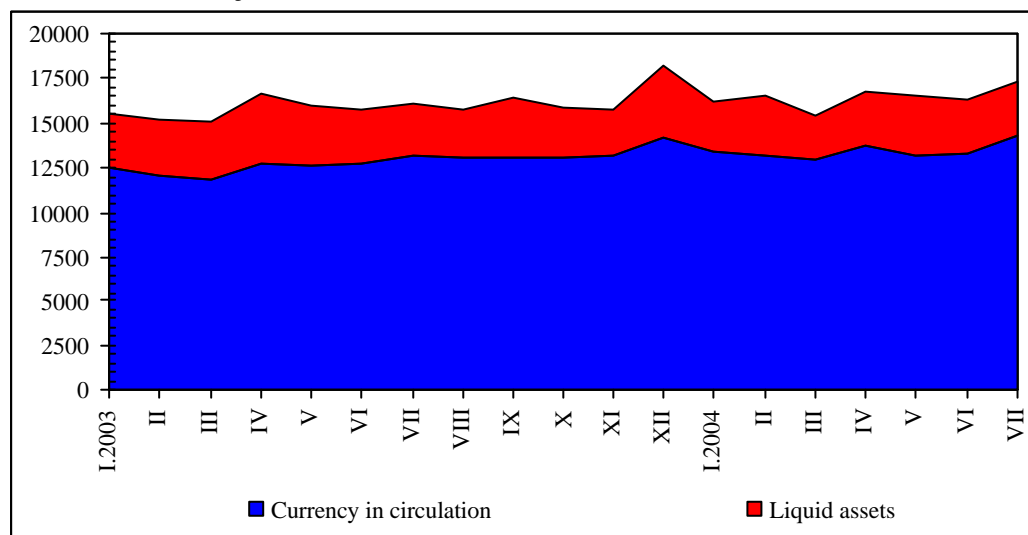
**Chart 5**

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

**Chart 6**

Reserve Money*

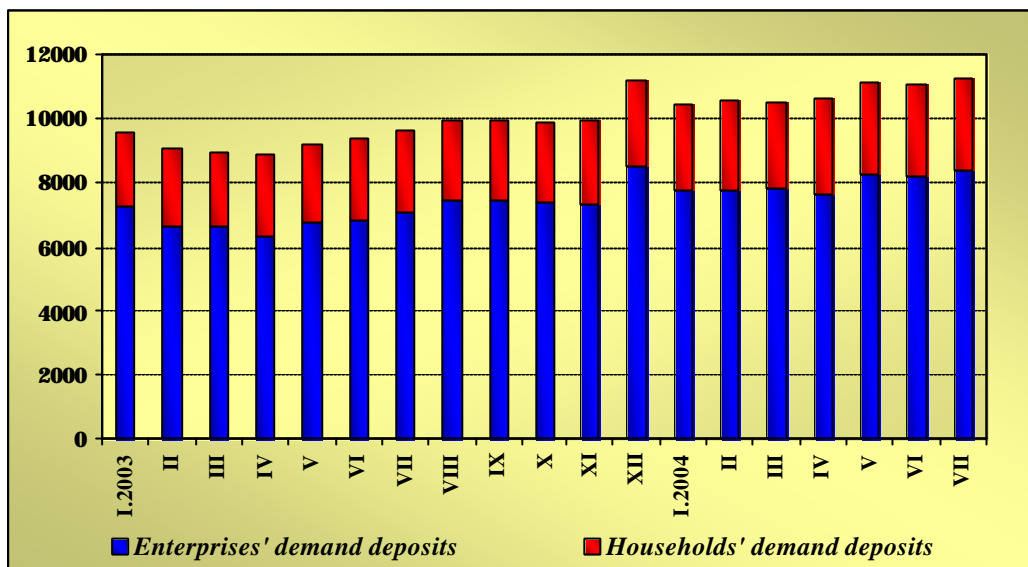
(in Denar million, end of period)



* 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 %)

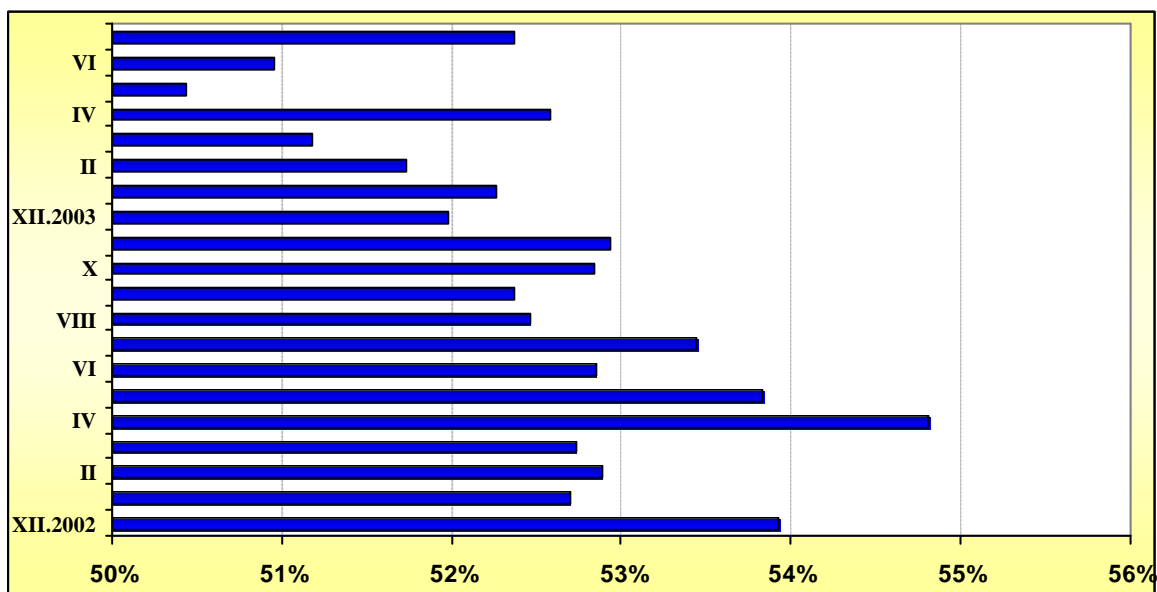
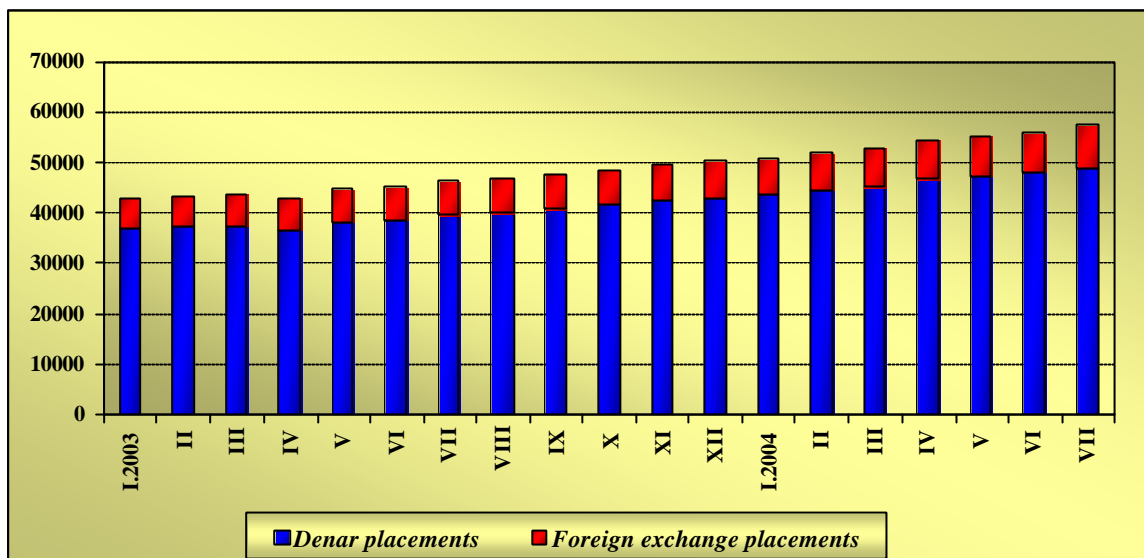




Chart 9
Banks' placements
(in Denar million)



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

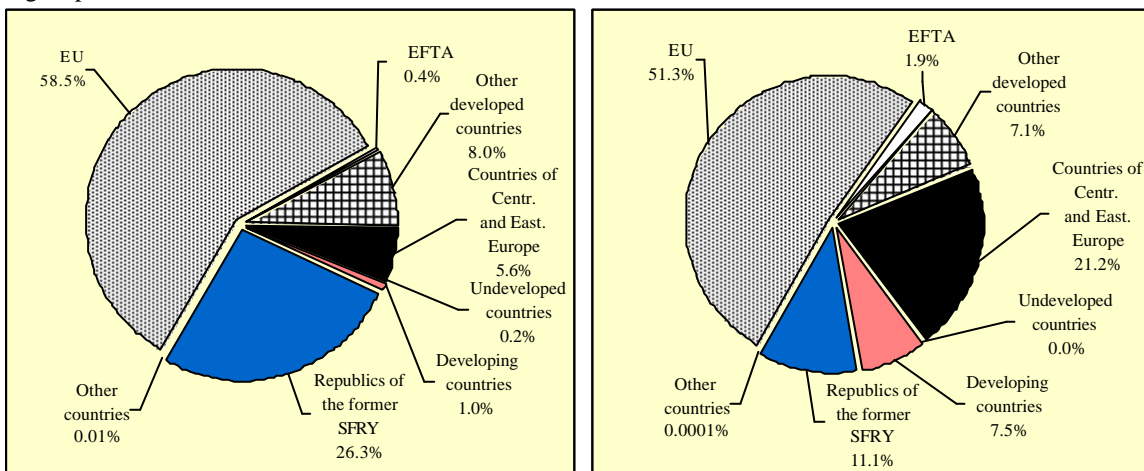




Chart 11

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

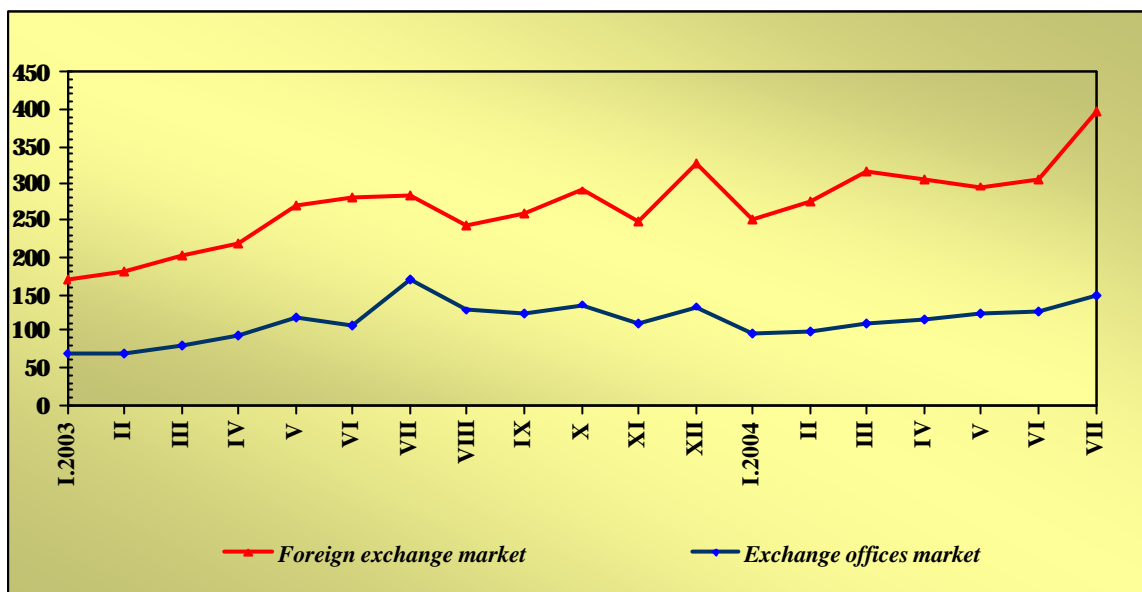
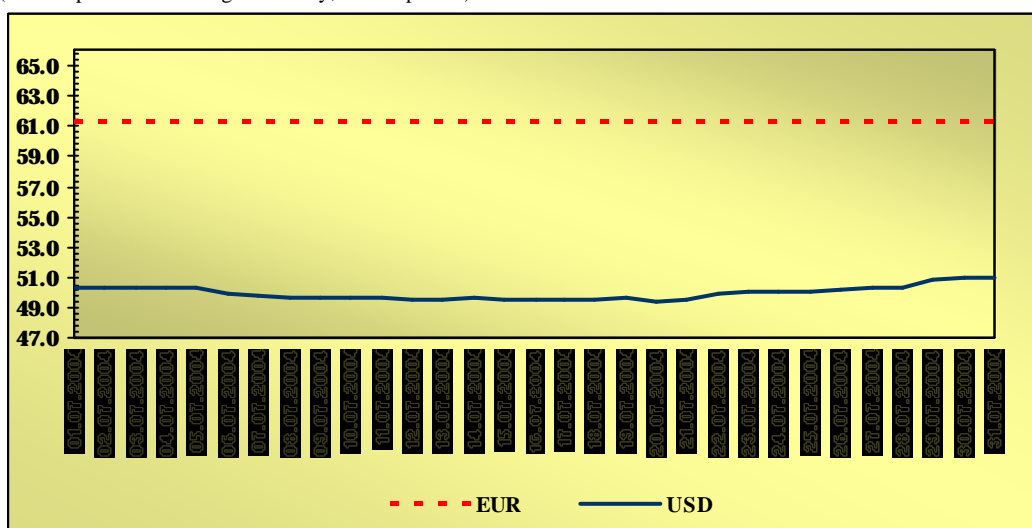


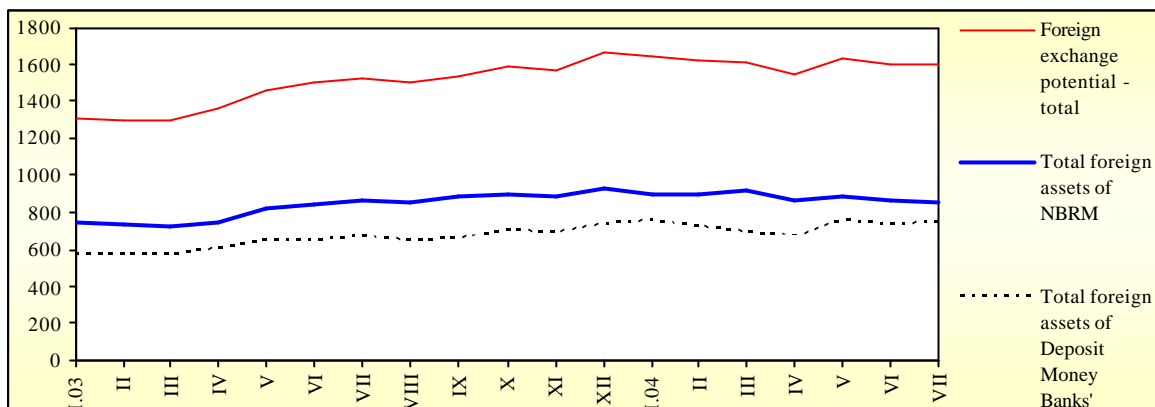
Chart 12

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)

