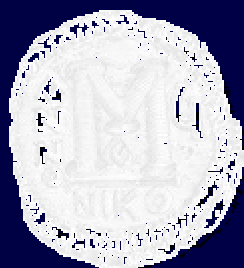


**National Bank
of the Republic of Macedonia**

**Quarterly
Report**

II / 2004



August 2004

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Macroeconomic Developments in the Republic of Macedonia in the first quarter of 2004

Macroeconomic developments in the second quarter of 2004 are a continuity of the performances of the preceding quarter. Thus some sections of the real sector of the economy gradually recovered, but on average, (in the first six months) the volume of the industrial output dropped. On the other hand, the inflation performances are favourable, which is due, to a great extent, to the further maintenance of the stability of the exchange rate of the Denar against the Euro. The positive upward trend of the new savings in the banking sector continued also in the second quarter, which given the average decrease in the credit price contributed to a further increase in the lending to the private sector.

In the second quarter of 2004, the industrial output kept its usual seasonal pace. After the monthly growth in April (of 8.8%), in May it fell by 15.2% on a monthly basis (typical for this month of the year). In June, the industrial output was re-intensified (growth of 24.2% on a monthly basis) and fully offset the fall in the preceding month. Nevertheless, notwithstanding such monthly pace, the fall in the output registered at the beginning of the year was only partially offset. It resulted in an average fall of 21.6% in the industrial output in the first half of the year. In the external sector, the upward trend of the total trade continued, which in the second quarter was primarily generated from the relatively higher growth in the imports relative to the export of goods (in the second quarter of 2004, the increase in both the imports and the exports equalled 22.3% and 2.7%, respectively). In the second quarter, the developments in the external sector fully corresponded with those in the real sector of the economy (growth in the foreign trade in April and June, and fall in May 2004).

The design of the monetary policy and the proper application of the monetary regulation instruments contributed to further maintaining of the price stability and of the Denar exchange rate stability. The average inflation rate (measured through the consumer price index) in the first half of 2004 equalled 0.5%, and the average exchange rate of the Denar against the Euro remained almost the same as in the first quarter (Denar 61.28 per one Euro).

The monetary policy in the second quarter of the year was conducted in conditions of higher demand for currency in circulation and pressures on the foreign exchange market, caused by the higher demand for foreign exchange (which corresponds with the high trade deficit, the one-time effect of the admission of Slovenia to the EU on the import of goods and the higher demand for foreign exchange for repatriation of dividends to foreign shareholders) typical for this period. As a result of such movements of the autonomous factors (which unlike the Government Denar deposits with the NBRM acted towards liquidity withdrawal from the banking system), the liquidity in the banking system was created through the monetary regulation instruments, i.e. through the CB bills auctions. It was also supported by the changes in the design of the CB bills auctions. Thus restricted amounts of investing in CB bills were introduced in April 2004, and the possibility of subscribing CB bills by entities other than banks was excluded. In June 2004, the NBRM reintroduced the unlimited amount offer, without changing the interest rates level (fixed interest rates of 5% on the CB bills with maturity of 7 days, and 8% on CB bills with maturity of 28 days).

In the banking sector, the positive trend of expanding the banks' deposit base continued in the second quarter of 2004. Thus the total deposit potential of the banking system went up by 8% on a quarterly basis, reflecting the higher level of the short-term Denar and foreign exchange deposits (by 18.3% and 6.2%, respectively). With respect to the sectors, the second quarter registered relatively high quarterly growth in the enterprises' deposits of 15.6%, while the positive quarterly change in the households' deposits equalled 5.7%. The higher deposit potential of the banks, given the simultaneous quarterly increase in the demand for currency in circulation and transaction funds (of 2.9% and 3.8%, respectively), resulted in a monetary growth rate of 6.5% (quarterly change of the money supply M4).

From the aspect of the banks' interest rate policy, the average weighted interest rate on short-term Denar credits equalled 12.19% on average, in the second quarter (12.46% at the end of the quarter, and compared to the end of the preceding quarter it remained unchanged), which relative to the average of the preceding quarter is by almost 1 percentage point lower. On the other hand, the average weighted deposit interest rate remained almost unchanged (6.50% on average in the second quarter and 6.52% at the end of the quarter) which resulted in a substantial narrowing of the interest rate spread. Such interest rate policy of the banks and the simultaneous expansion of their deposit base (higher credit potential) contributed to further acceleration of the banks' credit activity. Thus in the second quarter of 2004, the banks' total placements picked



up by 5.8% quarterly given the increase in the Denar and the foreign exchange placements of 6.4% and 2.3%, respectively. The orientation of the banks to provide lending for financing of the long-term funding needs of the households sector was evident in this quarter.



Important economic events and amendments to the legal regulations in the second quarter of 2004

- ❖ On April 5, **the retail prices of oil derivatives and the prices of the oil refinery** were reduced by 1.2%, and 1.85%, respectively ("Official Gazette of the Republic of Macedonia" no. 21/2004).
- ❖ On April 9, **consensus** was reached in London **between the EBRD** (European Bank for Reconstruction and Development) **and the Government delegation of the Republic of Macedonia** on granting Euro 45 million for the privatisation of the Macedonian Electricity Supply Company (ESM). It was agreed the funds to be converted into shares of the bank, provided that the Macedonian Government decides to sell parts of ESM. In the case this condition is not met, the funds will be converted into a credit extended under favourable conditions. Several conditions should be met for withdrawal of the funds, with the adoption of the Law on Electricity Supply being the most important.
- ❖ On April 19, **the prices of the oil refinery** went up by 1.86%, whereas **the retail prices of the oil derivatives** remained unchanged ("Official Gazette of the Republic of Macedonia" no. 24/2004).
- ❖ On April 22, **the Republic of Macedonia filed the application for a membership in CEFTA** (Central European Free Trade Association).
- ❖ On May 11, the controlling packages of shares of Hot Rolling Mill (Polukonti) and Cold Rolling Mill were sold on the Macedonian Stock Exchange. The buyer, the LHM Company from London, which is the second largest manufacturer of steel in the world, acquired 63.2% of the Polukonti's shares and 50.5% of the shares of Cold Rolling Mill.
- ❖ May 14 - Macedonia entered the high scenario for assistance from the World Bank (WB), and therefore Macedonia will be allocated USD 175 million over the next three years. On May 12, the World Bank Board of Directors approved a portion of the planned funds in the amount of USD 49.8 million, intended for delivery of the projects for reforms of the public sector (PSMAK), the social security and the health sector.
- ❖ On May 18, **the retail prices of oil derivatives** went up by Denar 2.5 per litre of 96-octan petrol and unleaded 90-octan petrol, whereas the diesel petrol rose by Denar 1.5.
- ❖ May 24 – the Government adopted the Public Investments Program, which includes 142 projects. In 2004, EUR 268 million will be realized, and in the 2004 – 2006 period, EUR 825 million will be realized, 78% of which will be used for the economic infrastructure.
- ❖ 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 to the agricultural plantations.
- ❖ On June 14, the Regulatory Energy Commission adopted a Decision on setting 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 rationale behind such decrease in the prices of the oil derivatives is the reduction in the price of 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

Basic indicators for the economic developments

		Amount	Month / previous month	Month / same month of the previous year	Period / same period of the previous year
			in %		
Costs of living	VI.2004	-	-0.3	-0.2	0.5
Retail prices	VI.2004	-	0.3	1.5	1.0
Prices of producers of industrial products	VI.2004	-	0.6	2.3	-0.5
Industrial output	VI.2004	- in Denar million	24.2	-6.7	-21.6
Total trade turnover	V.2004*	12,612	0.0	17.7	8.0
Completed construction works	V.2004*	817 in denars	11.2	7.8	16.0
Nominal average net paid wage	V.2004*	12,551	3.6	6.4	4.3
Real average net paid wage	V.2004*	- in Denar million	3.1	7.0	3.6
Budget revenues	VI.2004	4,409	-6.3	-0.5	5.7
Budget expenditures	VI.2004	4,775	4.2	-0.2	4.0

Source: State Statistical Office of the Republic of Macedonia and Ministry of Finance

* Last available data from State Statistical Office of the Republic of Macedonia



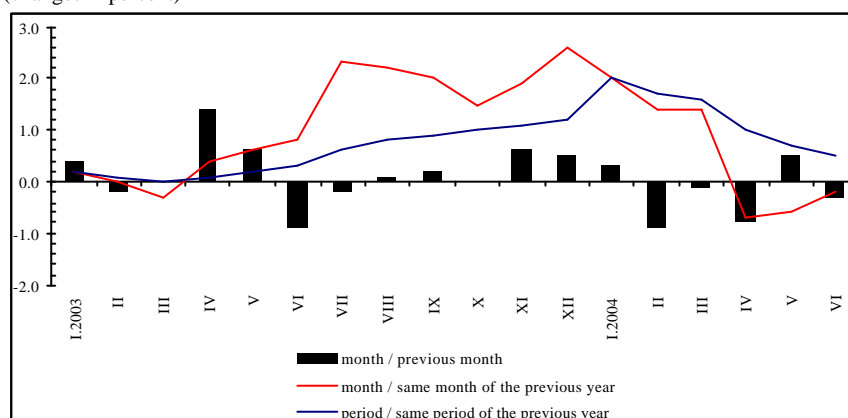
1.1.

Prices

In the first quarter of 2004, the rate of inflation equaled 0.5%...

In the first half of 2004, the average rate of inflation (measured through the consumer price index) equaled 0.5%, which is below the projected average level for 2004 (2.8%). The analysis of the index structure points to the decrease in the costs of food as the main reason for the low inflation, contrary to the other categories of costs which register an average increase. Thus the costs of food (which are dominant category in the structure of the consumer price index) were lower by 1.7%, given the reduced costs of several food products¹ (which corresponds with the average decrease in the retail sale prices of industrial food products). The increase registered in the remaining categories of costs mainly reflects the legal changes in the VAT² in 2003, which were incorporated in the retail sale prices of the goods and services aimed at personal consumption. Thus the increase in the costs of housing of 3.9% reflects the higher costs of electricity³ (by 7.2%) and the higher prices of heating⁴ (by 4.8%). With regard to the structure, the main cause for the inflation in the first half of 2004, are the higher costs of services (by 3.5%), while the costs of goods remained unchanged. Analyzing the second quarter of 2004, deflatory movements were registered in April and June, mainly caused by the decrease in the costs of food, while low monthly rate of inflation was registered in May.

Chart 1
Costs of living
(changes in percent)



...given the average increase in the retail prices of 1%

Commonly, the changes in the retail prices are in the same direction with the consumer prices, but they have different intensity. Thus, in the first half of 2004, the retail prices, compared to the same period of the previous year, increased by 1% as a result of the increase in the prices of non-food industrial products and the prices of agricultural products (by 1.8% and 0.2%, respectively). The prices of the non-food industrial products were mainly caused by the movement in the prices of oil derivatives, which since March 2004 have been registering a continuous monthly increase. On the other hand, the prices of the industrial food products and beverages registered an average decrease, which is in accordance with the lower prices of the producers of food products and beverages. Structurally observed, in the first six months of 2004, the prices of

¹ For the purpose of obtaining detailed analysis of separate categories, the consumer price index according to the COICOP (Classification of Individual Consumption by Purpose) was used.

² Since April 1, 2004, pursuant to the legal changes to the VAT, the general rate of the VAT decreased from 19% to 18%, while certain categories of products and services, which were since then taxed with privileged rate of 5%, started to be taxed with the general rate.

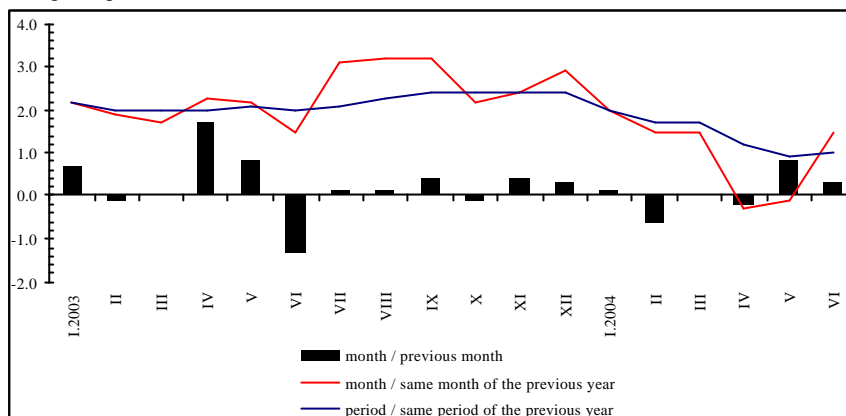
³ The increase in the costs of electricity is caused by the increase in the retail sale price of electricity for housing, the implementation of which in accordance with the changes to the VAT, started on July 1, 2003. ?

⁴ In accordance with the changes in the VAT, the services for heating also increased.



services registered more intensive increase (of 2.7%) than the prices of goods. In the second quarter of 2004, a monthly decline of the retail prices was registered only in April. During the quarter, the movement of the retail prices was mainly caused by the price of oil derivatives (in line with the oil price on the international stock exchanges) and by the seasonal movement of the prices of agricultural products.

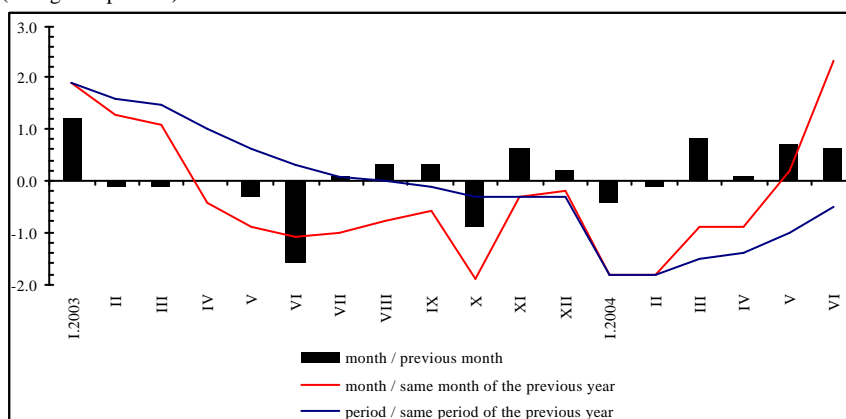
Chart 2
Retail prices
(changes in percent)



In the first half of 2004, the prices of the producers of industrial products decreased by 0.5%

In the first half of 2004, compared to the same period of 2003, the prices of the producers of industrial products were lower by 0.5%. Analyzed by the main groups of products, the fastest decrease (3.6%) was registered in the prices of the producers of non-durable consumption goods, mainly reflecting the decrease in the prices of the producers of food products and beverages (of 4.2%). Significant decline (3%) was also registered in the prices of the producers of energy, which mainly reflects the reduced prices of the producers of oil derivatives (by 8%). An average decrease was also registered in the prices of the producers of capital products. Observed by sectors, the prices of the producers in the processing industry dropped by 0.6%, while the prices in the sector "mining and quarrying" increased by 0.6%. The prices of the producers in the "electricity, gas and water supply" remained unchanged. In the second quarter of 2004, monthly increase in the prices of the producers of industrial products was registered during all three months, mainly as a result of the increase in the prices of the producers of energy (having in mind the increase in the prices of the producers of oil derivatives).

Chart 3
Prices of producers of industrial products
(changes in percent)



**Appendix 1****Euro zone**

National accounts data referring to the first quarter of 2004⁵ point to an intensified economic activity in the Euro zone. Thus in the first quarter of 2004, the GDP registered a quarterly increase in real terms (relative to the previous quarter) of 0.6%, while the annual growth rate of the GDP in real terms equals 2.3%. The quarterly change of the GDP is mainly caused by the increased personal consumption and increased export (by 0.6% and 1.7%, respectively). On the other hand, the investments in fixed assets registered a minimal drop, as well as the public consumption, which registered a quarterly decrease for the first time since 1997 (indicating more enhanced control on the Budget spending by individual member-states). The analysis according to main sectors points to a significant quarterly increase in industry of 1.1%. Increased activity is also registered in the sector "services" (only in the market-oriented services, while in line with the decrease in the public consumption, the increase in the non-market services is significantly slower). The intensified growth in the Euro zone is generated from the dynamization registered in a number of countries (Germany, France, Italy, Finland).

From the aspect of the movements of the main indicators, the annual increase in the industrial output in March and April equals 1.7% and 1.8%, respectively, the new orders in April registered an annual increase of 6%, while the retail sale is higher by 0.9% on annual basis (which is the best performance in the last 12 months). Thus, the leading indicators give positive signals for the following period.

The unemployment continues to be a problem in the Euro zone. Thus the rate of unemployment in April equals 9% (unchanged compared to the previous month), while the rate of employment in the last quarter of 2003 registered a minimal increase of 0.1%. However, the expectations for increased employment continued in June, primarily in industry and in the sector services.

In June, the annual rate of inflation equals 2.4% and it exceeds the medium-term inflation target of the ECB of 2% (HICP - Harmonized Index of Consumer Prices), while the highest rate of inflation since the beginning of the year (2.5%) was registered in May. The increase in May is mainly due to the higher costs of transportation and housing, as a result of the prices of energy, which increased by 6.7% on annual basis. Namely, because of the increased demand and the uncertainty regarding the supply of oil (caused by the terrorists attacks in Saudi Arabia at the end of May) in June the price of oil (brent) reached its historical peak of 39\$ per barrel. High growth rates are registered in alcohol and tobacco (8.4%), healthcare (7.7%) and transportation (4.2%). The high increase in the first two components was caused by the indirect taxes and administrative prices.

Despite the registered inflation pressures, the European Central Bank retained the reference interest rate of 2%, expecting that the medium-term inflation performances will not deviate from the set objective.

⁵ Last available data.



Table 1
Selected macroeconomic indicators for the Euro zone

		Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q1 2004	
GDP	(qoq % ch.)	0.0	-0.1	0.4	0.4	0.6	
Personal consumption	(qoq % ch.)	0.5	-0.1	0.1	0.1	0.6	
Investments in fixed assets	(qoq % ch.)	-0.8	-0.3	0.0	0.6	-0.1	
Export of goods and services	(qoq % ch.)	-1.5	-0.9	2.3	0.1	1.7	
Import of goods and services	(qoq % ch.)	-0.6	-0.5	1.3	1.1	0.8	
		I 2004	II	III	IV	V	VI
HICP	(yoy % ch.)	1.9	1.6	1.7	2.0	2.5	2.4
Core HICP	(yoy % ch.)	1.9	2.0	2.1	2.1	2.1	
Prices of the producers of industrial products	(yoy % ch.)	0.3	0.0	0.4	1.4		
Industrial output	(mom % ch.)	-0.4	0.3	0.3	0.2		
Unemployment	(in %)	8.9	8.9	9.0	9.0		
Wages	(yoy % ch.)	2.9	2.5	2.5			
Interest rate	(in %; 3-month interbank interest rate)	2.1	2.1	2.0	2.1	2.1	2.1
M3	(yoy % ch.)	6.6	6.4	6.2	5.5	4.7	
Credits of the private sector	(yoy % ch.)	5.5	5.5	5.4	5.5	5.6	
Exchange rate	(US Dollar per one Euro)	1.26	1.26	1.23	1.20	1.20	1.21

1.2.

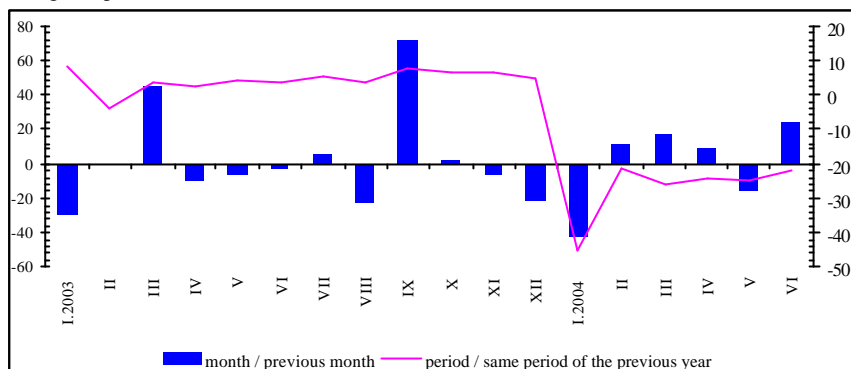
Economic activity

In the first half of 2004, the industrial output registered an average decline of 21.6%

The reduced activity of several industrial facilities of greater importance reflected appropriately on the overall industrial output. Thus in the first half of 2004, compared to the same period of 2003, the volume of the industrial output registered a decrease of 21.6%. The analysis by groups of industrial products points to a reduced output in almost all groups, with the most significant decrease being registered in the production of intermediary products, except energy (48.9%), which is mainly due to the reduced output in the sector "mining and quarrying". On the other hand, an increase of 28.1% was registered only in the production of non-durable consumption goods, which mainly reflects the positive change of the production of food products and beverages. Analyzed by sectors, a reduced production was recorded in all three sectors of industry (in the sector "mining and quarrying" by 47.9%, in the processing industry by 22.1% and in the sector "electricity, gas and water supply" by 5.1%). Thus 14 out of 20 branches of the processing industry (the share of which in the total output equals 89.9%) registered a decrease, with the most significant one being registered in the production of basic metals (68.5%, primarily as a result of the non-activity in part of the main metallurgical facilities). In the second quarter of 2004, the industrial output registered a monthly decline in May (15.2%), while positive monthly changes (increase of 8.8% and 24.2%, respectively) were registered in April and June. The monthly increase in June is the highest since the beginning of the year and it is mainly a reflection of the increased production of oil and oil derivatives, the production of basic metals, the production of chemicals and chemical products and the production of food products and beverages. Taking into consideration the fact that these branches (except the latter) are responsible for the average decrease, according to the data pertaining to June, a recovery of the production activity in the Republic of Macedonia during the following period can be expected.



Chart 4
Industrial output
(changes in percent)



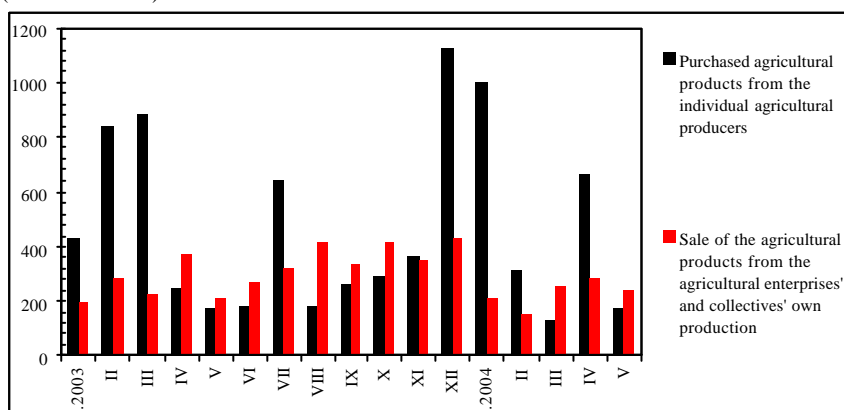
In the first five months of 2004, the total value of the sold agricultural products registered an average decrease of 6.5%...

In the first five months of 2004⁶, the total value of the sold agricultural products from the agricultural enterprises' and collectives' own production equaled Denar 1,121 million, which is a decrease of 6.5%, compared to the same period of 2003. Decrease in the sale was registered in "cereals", "cattle" and "poultry and eggs", while the remaining agricultural products registered average increase in the sale. In the March - May 2004 period⁷, the total value of the sold agricultural products equals Denar 773 million and it is lower by 3.5% compared to the same period of the previous year. In this period, the highest sale was registered in April.

...while the value of the purchased agricultural products from the individual agricultural producers decreased by 11.2%

In the first five months of 2004⁸, the total value of the agricultural products purchased from the individual agricultural producers equaled Denar 2,276 million, which is a decrease of 11.2% compared to the same period in 2003. The most significant decrease was registered in the purchase of fodder, roughage, cattle, cereals, while the highest increase was registered in the purchase of vegetables and poultry and eggs. Products in the total amount of Denar 961 million were purchased from the individual producers during the March - May 2004 period, which is less by 26.1% compared to the same period of 2003. From the aspect of the monthly dynamics, the highest purchase was registered in April.

Chart 5
Sale and purchase of agricultural products
(in Denar million)



⁶ Last available data of the State Statistical Office

⁷ The data pertaining to the first two months of 2004 are published in the previous quarterly report, with which this report presents the movements for the March - May period * (last available data of the State Statistical Office).

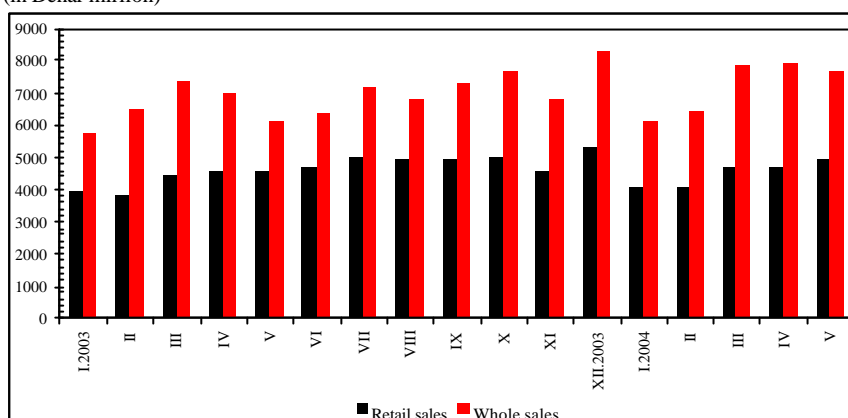
⁸ Last available data of the State Statistical Office



In the first five months of 2004, positive performances were registered in the domestic trade...

In the first five months of 2004⁹, the total trade turnover equaled Denar 58,441 million, which is an annual increase of 8%. The average increase in the total volume of trade is due to the simultaneous increase in the wholesale and retail sale (of 9.8% and 5.2%, respectively). The total trade turnover in the March - May 2004 period amounted to Denar 37,733 million, which is by 10.7% more in comparison with the same period of 2003. During the same period, faster average increase of 14.4% was registered in the wholesale, while the retail sale turnover increased by 5%. Analyzed by months, high monthly increase in the total turnover was registered in March (19%), as a result of the increased wholesale and retail sale turnover (by 22.5% and 13.5%, respectively), while in the remaining two months no significant changes in the total trade volume were registered.

Chart 6
Trade turnover
(in Denar million)



...as well as in the construction activity

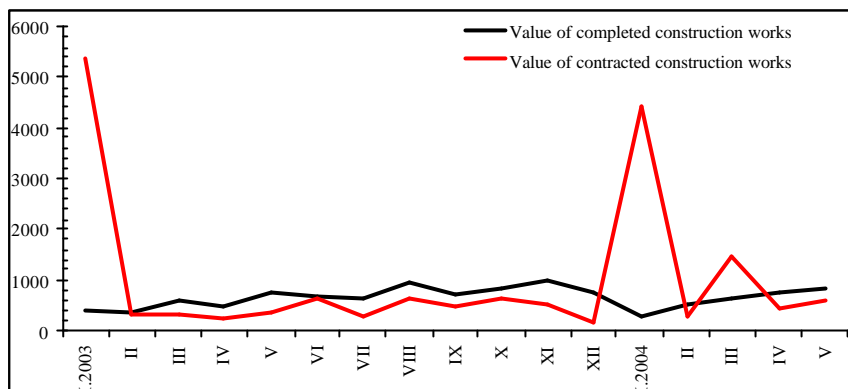
In the January - May 2004 period¹⁰, the value of the completed construction works was high (Denar 2,939 million, which is an increase of 16% compared to the same period of 2003). In the March - May 2004 period, construction works in the amount of Denar 2,171 million were completed, which is more by 20.4% compared to the same period of the previous year. From the aspect of the monthly dynamics, the highest value of the completed construction works was registered in May (Denar 817 million), which is a seasonal feature common for this month, taking into consideration the fact that the construction activity intensifies before and after the summer period. The total value of the contracted construction works for the first five months of 2004 equals Denar 7,229 million, which is an increase of 9% compared to the same period of 2003. In the March - May 2004 period, the total value of the contracted works equals Denar 2,510 million, i.e. by 2.7 times more compared to the same period of the previous year. This is primarily due to the high amount of contracted construction works in March.

⁹ Last available data of the State Statistical Office

¹⁰ Last available data of the State Statistical Office

Chart 7

Contracted and completed construction works
(in Denar million)



1.3.

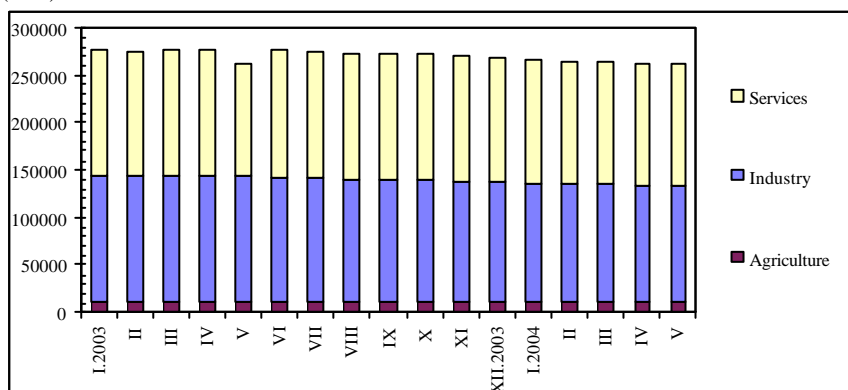
Other macroeconomic developments

Reduced number of employed persons in the first five months of 2004 was registered...

In the first five months of 2004¹¹, the average number of employed persons in the Republic of Macedonia equaled 262.726 persons, which is lower by 5.2% compared to the same period of 2003. In industry (which employs 124,453 persons, or 47.4% of the total number of employed persons), the most intensive average decrease was registered in the sector "mining and quarrying" (of 50.7%), while the number of employed persons in the processing industry declined by 2.4%. Within services, (with total number of 127,384 persons, or 48.5%), the largest decrease in the number of employed persons (39.8%) was registered in the sector "wholesale and retail sale". On the other hand, the number of employed persons in the sectors "public administration and defense", "compulsory social security", "education", and "real estate, rental and business activities", (which engage 20% of the employed persons), increased by 7.5%, 6.2% and 5.7%, respectively. In agriculture, (in which a total of 10,889 persons are employed, or 4.1% of the total number of employees), the number of employed persons in the sector "agriculture, hunting and forestry" dropped by 6.1%. In the March - May 2004 period, the average number of employed persons equals 262.207 persons, with a continuous monthly decrease during this period being registered.

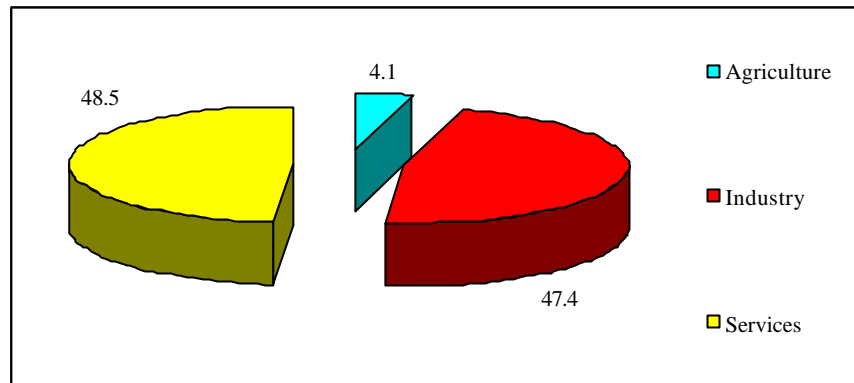
Chart 8

Employment by sectors
(in %)



¹¹ Last available data of the State Statistical Office

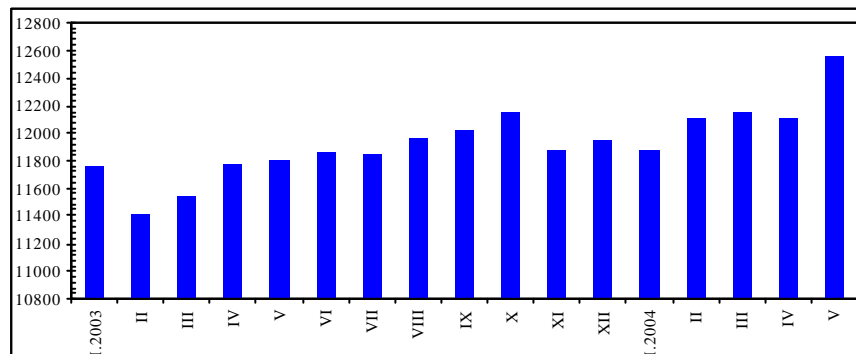
Chart 9
Employment distribution by sectors
I-V.2004



...given the registered increase in the average wage in nominal and in real terms

In the first five months of 2004¹², the average net paid wage per worker in the Republic of Macedonia equaled Denar 12,154 in nominal terms, which is an increase of 4.3% in comparison with the same period of 2003. The increase in the wages equaled 3.6% in real terms given the registered average rate of inflation of 0.7% (for the first five months of 2004). The wage in the three economy sectors registered an average increase (10.5% in agriculture, 4.1% in industry, and 3.2% in services). In industry, the paid wage registered an average increase in all sectors, with the highest one being recorded in the processing industry and in construction (by 4.8% and 8.1%, respectively). In services, the highest increase in the wage was registered in the sector "financial intermediation" (6.6%). In the March - May 2004 period, the nominal average wage per worker equaled Denar 12,269 million, with the highest amount per worker in this period being paid in May.

Chart 10
Average net wage per worker
(changes in percent, on previous month)



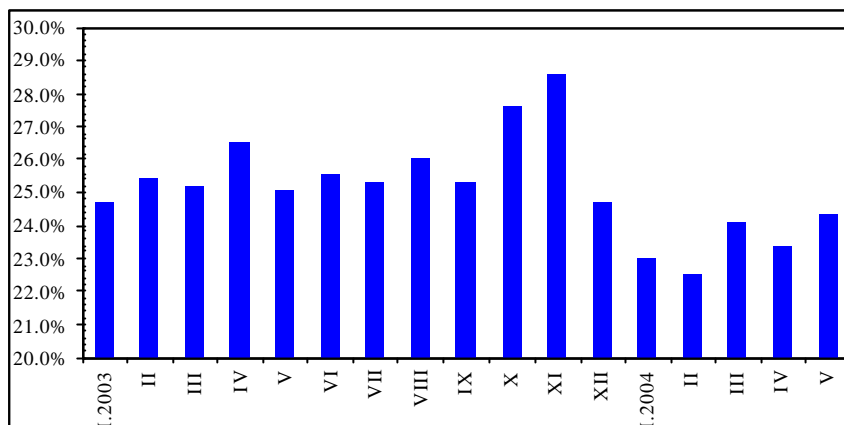
In the second quarter of 2004, higher increase in the budget revenues compared to the same period of the previous year was registered...

In the first five months of 2004, the number of employees that did not receive wage for the respective month equaled 23.5% on average, of the total number of employed persons (which is by 1.9 percentage points less compared to the same period of the previous year). In the March - May 2004 period, this percentage equaled 23.9% on average, which compared to the same period of the previous year it is lower by 1.7 percentage points. During this period, the lowest percentage of employees that did not receive wage was registered in April (23.4%).

¹² Last available data of the State Statistical Office

Chart 11

Number of employees that did not receive wage
(% of the total number of employed persons)

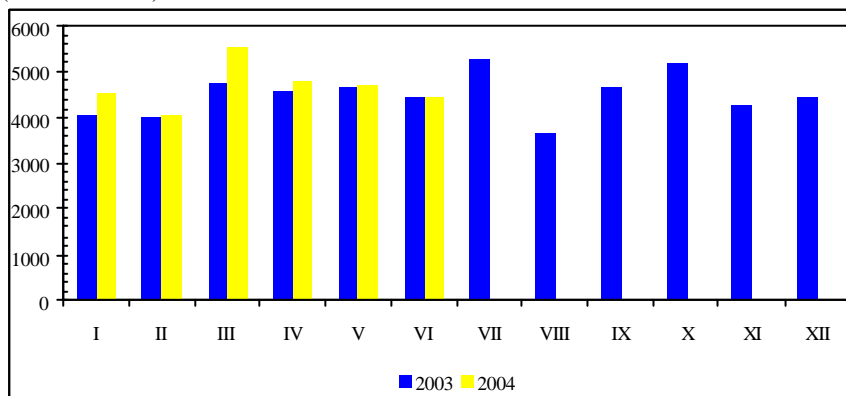


...as well as a higher increase
in the budget expenditures

In the second quarter of 2004, the total public revenues equaled Denar 21.650 million, Denar 13,889 million of which are revenues of the central Government budget. In comparison with the first quarter of 2004, the total budget revenues were lower by 1.5%, as a result of the drop in the non-tax revenues (of 45.2%, due to the lower profit originating from public and financial institutions), and capital revenues. The tax revenues registered an increase of 3.4%. On annual basis, (second quarter of 2004 / second quarter of 2003), the total budget revenues increased by 1.5%. The increase is due to the higher tax revenues (by 5%, as a result of the improved realization of the revenues originating from the value added tax and the personal income tax). The remaining revenue categories registered an annual decrease (in the non-tax revenues of 35.6% and in the capital revenues of 1.3%). In the first half of 2004, the total revenues of the central Government equaled Denar 27,991 million, or by 5.7% more in comparison with the same period of the previous year, with a significant increase being registered in all main revenue categories.

Chart 12

Total revenues of the central budget
(in Denar million)



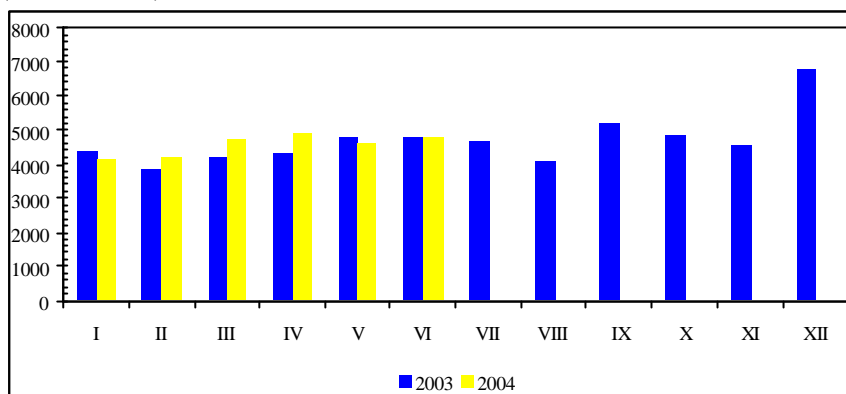
In the second quarter of 2004, the total public expenditures equaled Denar 21,985 million. Denar 14,254 of this amount are expenditures of the central Government budget, which were higher by 8.8% in comparison with the first quarter of 2004. This increase is a result of the higher amount of current and capital expenditures (by 4.5% and by 86.6%, respectively). The registered increase in the capital expenditures is significant (despite their insignificant share in the total expenditures), and it is due to the higher capital transfers and investments in fixed assets. The budget expenditures in the second quarter of 2004, compared to those in the second quarter of 2003, increased by 3%, given



the registered increase in the current and capital expenditures (of 1.2% and 38.4%, respectively). On average, in the first half of 2004, the total budget expenditures increased by 4%, given the significant increase in the capital expenditures and moderate increase in the current expenditures.

Chart 13

Total expenditures of the central budget
(in Denar million)





II. Monetary developments in the Republic of Macedonia

Basic monetary indicators

	30.06.2004	Monthly changes		Annual changes	
	In Denar million	In Denar million	in %	In Denar million	in %
Reserve money	16,330	896	5.8	625	4.0
Currency in circulation	13,324	371	2.9	598	4.7
Demand deposits	12,826	466	3.8	1,471	13.0
Money supply M1	26,150	837	3.3	2,069	8.6
Money supply M2 - denar	44,104	3,618	8.9	6,388	16.9
Money supply M2	80,906	5,765	7.7	13,568	20.1
Money supply M4	85,436	5,229	6.5	13,594	18.9
Total deposits	59,286	4,392	8.0	11,525	24.1
Short - term	54,756	4,928	9.9	11,499	26.6
Long - term	4,530	-536	-10.6	26	0.6
In Denar	20,963	2,283	12.2	4,040	23.9
In foreign currency	38,323	2,109	5.8	7,485	24.3
Total banks' placements	56,095	3,091	5.8	10,811	23.9
In Denar	48,037	2,909	6.4	9,431	24.4
In foreign currency	8,058	182	2.3	1,380	20.7
In percentage points					
Average weighted interest rate on the CB bills auctions (on 28 days)	8.00%	0.00		1.00	
Weighted average money market interest rate	6.52%	0.00		-2.64	
Weighted banks' lending interest rates	12.46%	0.00		-3.37	
Weighted banks' deposit interest rates	6.52%	0.04		-0.96	

Source: National Bank of the Republic of Macedonia



2.1.

Monetary Regulation

The NBRM monetary regulation instruments alongside the direct interventions on the foreign exchange market contributed to maintaining of a stable Denar exchange rate and a low inflation rate in the second quarter of 2004. Thus the average exchange rate of the Denar against the Euro remained at the same level as in the preceding quarter (Denar 61.28 per one Euro), and the average inflation rate (in the first six months) equals 0.5%.

The quarterly analysis of the factors of liquidity¹³ of the banking system indicates conflicting effects of the autonomous factors. Thus liquidity was withdrawn through the NBRM foreign exchange transactions and the currency in circulation, while the Government Denar deposits with the NBRM acted towards liquidity creation. Additional liquidity was created in the banking system also through the CB bills auctions.

Table 1
Reserve money creation and withdrawal

	31.03.2004	Monthly changes in Q2, 2004				30.06.2004
		April	May	June	Total	
Bank liquidity	2,481	561	294	-330	525	3,006
<i>Liquidity creation</i>					2,571	
1. CB' Bills auctions	5,751	1,353	597	-208	1,742	4,009
2. Net domestic assets	-21,274	699	-169	290	820	-20,454
3. Other	44	11	-67	65	9	35
<i>Liquidity withdrawal</i>					-2,046	
1. Net foreign assets	42,503	-766	-569	-340	-1,675	40,828
2. Currency in circulation	12,953	-736	502	-137	-371	13,324

Quarterly decrease in the average daily liquidity of the banks

In the second quarter of 2004, the average daily liquidity of the banking system equaled Denar 3,529.7 million, which is a decrease of Denar 92.3 million, or by 2.5% compared to the previous quarter. Regarding the dynamics, April registered a monthly decline in the average daily liquidity of 3.6% (to Denar 3,525.2 million), given the greater interest of the banks in investing in CB bills and the higher amount of net sale of foreign exchange by the NBRM. Such a downward trend of the liquidity also continued in May when the average daily liquidity reduced to Denar 3,517.4 million, primarily as a result of the accumulation of funds on the Government account with the NBRM. In June, the average daily liquidity went up, when it reached Denar 3,546.8 million. On June 30, 2004, the bank's total liquidity was higher by 21.2%, compared to March 31, 2004 and equaled Denar 3,006 million.

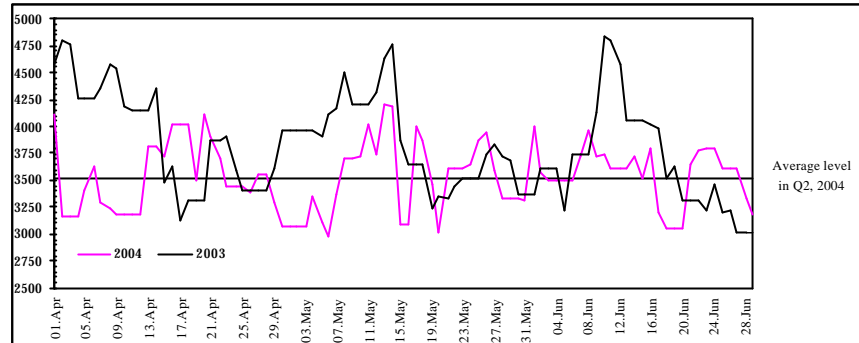
The downward trend of the excess liquidity of the banks over the compulsory reserve requirement¹⁴ (in Denars) continued in the second quarter of 2004. Thus the excess liquidity equaled 16.8% on average compared to 19.5% in the first quarter. The excess liquidity in April and June was below the average (15.1% and 14.6%, respectively), whereas the level of liquid funds in May went up (20.7% over the requirement). The downward trend of the excess liquid funds in 2004 indicates improved assets management policy of the banks.

¹³ The liquidity of the banks includes the account of the banks with the NBRM and the cash in the vaults.

¹⁴ 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.



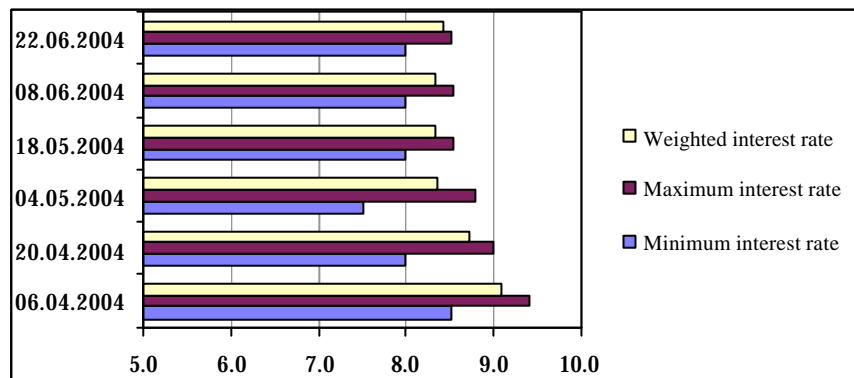
Chart 14
Daily dynamics of the liquidity of the banks
(in Denar million)



The interventions on the foreign exchange market acted towards liquidity withdrawal...

In the second quarter of 2004, the NBRM permanently intervened on the foreign exchange market in order to maintain the stability of the Denar exchange rate. Given the continuously higher demand for relative to supply of foreign exchange, the NBRM interventions were aimed at net sale of foreign exchange, i.e. they were directed towards liquidity withdrawal. The above was particularly evident in April as a result of the one-time effect of the imports from Slovenia (prior to its admission to the EU) and the repatriation of dividends to foreign shareholders.

Chart 15
Interest rates on the short-term Government securities auctions (three-month maturity)
(in %)



...while liquidity was created through the Government Denar deposits with the NBRM...

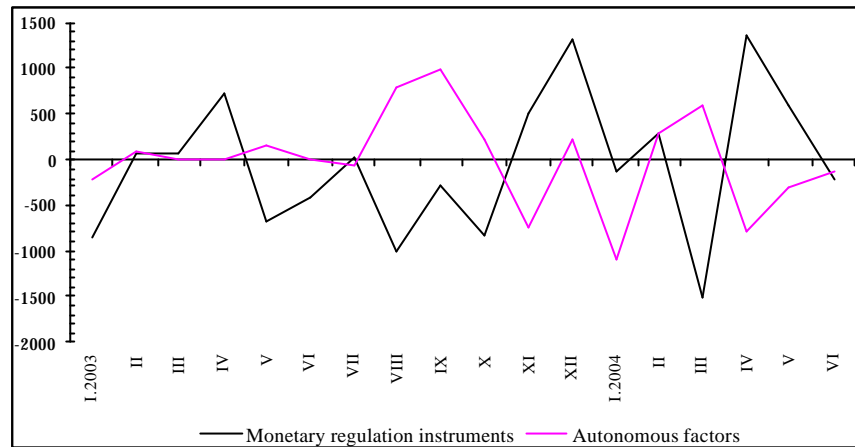
At the end of the second quarter, compared to the preceding quarter, the Government Denar deposits with the NBRM went down by 8.5%, acting towards liquidity creation. A faster decrease was registered in early April due to the payment of the fifth installment (principal and interest) of the bonds for the old foreign exchange savings. In the second quarter, six Treasury bills auctions were conducted, at which Denar 1,799.6 million were realized (the demand exceeded the supply by 2.5%). The interest rate at the last auction in June equaled 8.43% whereas the average weighted interest rate at the auctions in the second quarter equaled 8.57% (compared to 8.03% in the first quarter).



Chart 16

Monetary regulation instruments and autonomous factors of liquidity creation and withdrawal*

(monthly changes in Denar million)



*Positive change – liquidity creation, negative change – liquidity withdrawal

...as well as through the CB bills auctions

At the end of the second quarter, the level of CB bills amounted to Denar 4,009 million, which is a creation of additional liquidity in the amount of Denar 1,742 million on a quarterly basis. The changes in this quarter were primarily caused by the liquidity of the banks and by the changes in the CB bills auctions design. Thus at the beginning of April, the NBRM introduced limited amounts for investing in CB bills, and in the middle of the month (April 13, 2004) the possibility for investing in CB bills by entities other than banks was excluded¹⁵. Such changes contributed to significant lowering of the level of CB bills in the second half of April and May. On June 9, 2004, the NBRM reintroduced CB bills auctions with unlimited offered amount, which resulted in a higher level of CB bills, i.e. liquidity withdrawal in June. The interest rates remained unchanged, i.e. 5% on CB bills with maturity of 7 days and 8% on CB bills with maturity of 28 days.

Continuous increase in the turnover on the institutionalized Money Market in the second quarter

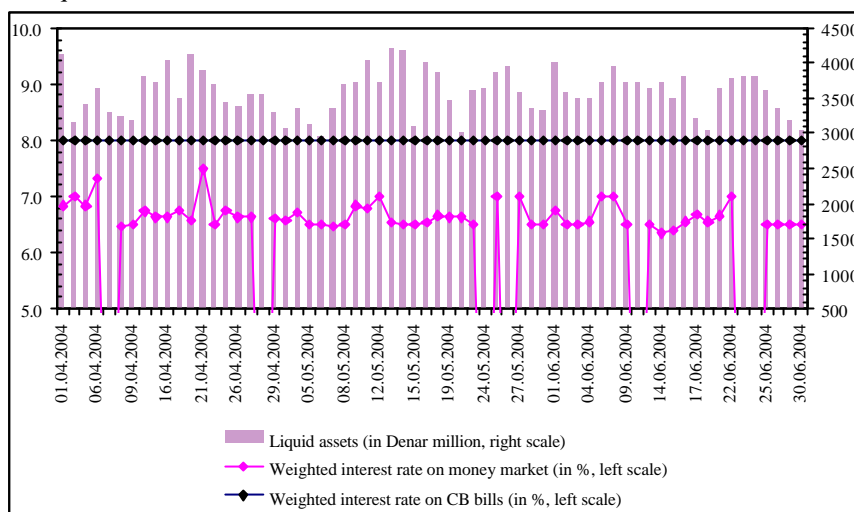
In the second quarter, the cumulative turnover on the institutionalized Money Market equaled Denar 3,271.2 million, which is a quarterly increase of 15.5%. The monthly dynamics indicates a continuous increase in the quarter, with the highest increase being registered in April. The supply and the demand were relatively balanced, unlike the preceding quarter when the demand exceeded the supply by 1.4 times on average. The high increase in the demand in April led to a higher interest rate, whereas in the next two months the average interest rate registered a downward trend, and in June it reduced to the level of March 2004 (6.52%). With respect to the maturity, the transactions with maturity of one day on the institutionalized Money Market account for 50.6% of the total turnover, while the share of the transactions with maturity of up to four days equals 11%. Unlike the institutionalized market, the bilateral interbank trading in the second quarter fell by 20.2% and equaled Denar 2,775.2 million.

¹⁵ The share of the other entities in the total CB bills in the period prior to their exemption equaled 21.8%.



Chart 17

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



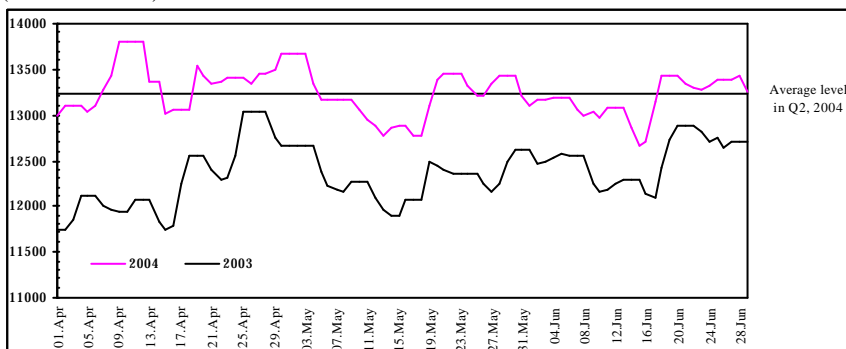
*In some days of the quarter, the Money Market registers no transactions and the interest rate equals zero.

The dynamics of the currency in circulation is under the dominant influence of seasonal factors

At the end of the second quarter, the currency in circulation was by 2.9% higher on a quarterly basis. In this quarter, a significant increase in the currency in circulation was registered in April as a result of the higher demand for currency in circulation due to seasonal factors, prior to the Labour Day holidays. As expected, the currency in circulation was lower (by 3.7%) at the end of May, while in June it increased marginally by 1%. With respect to the average daily amount, the currency in circulation was dropping steadily, and in June its average daily amount equalled Denar 13,172.3 million. Thus the daily dynamics of the currency in circulation was primarily determined by the common and seasonal factors.

Chart 18

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

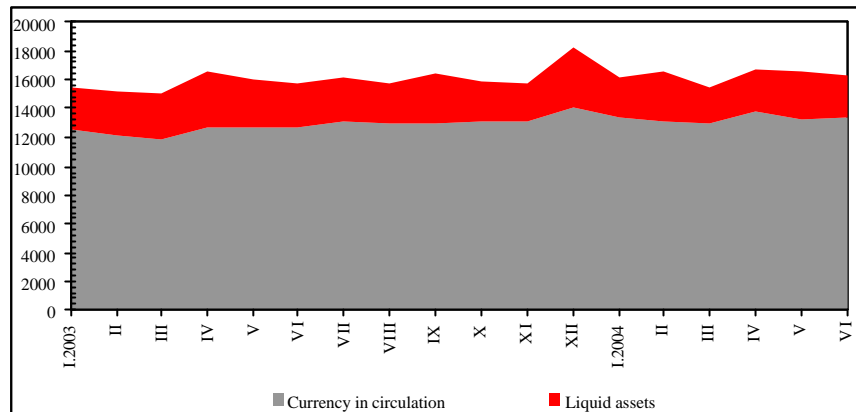


Quarterly and annual increase in the reserve money

On June 30, 2004, the reserve money went up quarterly by 5.8% and equalled Denar 16,330 million. The increase was due to the considerably higher liquidity of the banks and the rise in the demand for currency in circulation. On annual basis, the reserve money picked up by 4%.



Chart 19
Reserve Money
(in Denar million, end of period)



2.2.

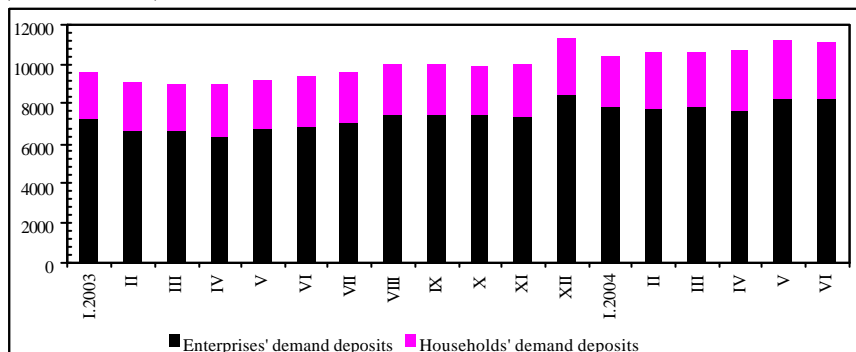
Monetary aggregates

In the second quarter of 2004, a quarterly increment was registered with all monetary aggregates. The increase was a result of the higher level of currency in circulation, transaction deposits, as well as the higher deposit potential of the banking system.

At the end of the second quarter, compared to the end of the preceding quarter, the currency in circulation was by 2.9% higher. Analyzing by month, April registered a significant increase, followed by a fast fall in May and a moderate increase in June. Such movements were primarily determined by seasonal factors, that is by the high demand for currency in circulation in the period prior to the Easter and Labor Day holidays, and the respective drop in the currency in circulation in the following month. Also, the demand deposits went up quarterly (by 3.8%) given the faster increase in the enterprises' demand deposits (which prevail in the total demand deposits with 64%). Consequently, the money supply M1 at the end of the second quarter, compared to the preceding quarter picked up by 3.3%. The annual growth rate of the currency in circulation and the demand deposits equaled 4.7% and 13%, respectively, which resulted in an annual surge of the monetary aggregate M1 of 8.6%.

Increase in the currency in circulation and the demand deposits

Chart 20
Demand deposits of enterprises and households
(in Denar million)



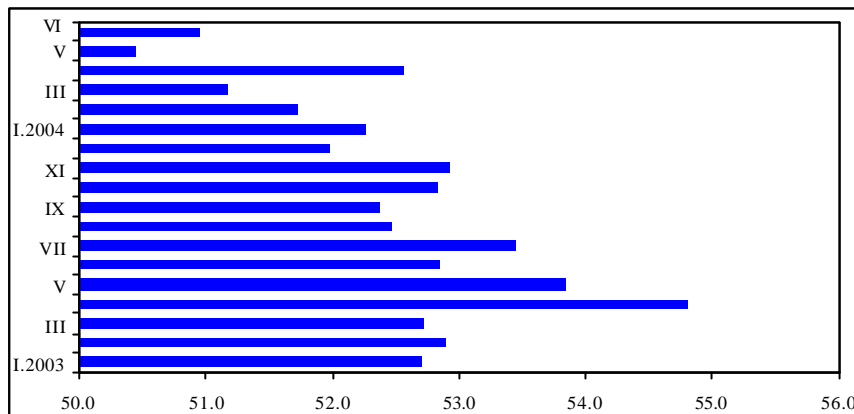
The average share of the currency in circulation in the monetary aggregate M1, registered a minimum fall compared to the preceding quarter and equalled 51.3%, while compared to the second quarter of 2003 it was lower by 2.5 percentage points. In line with such movements, the average value of the



money multiplier of the money supply M1 in the second quarter of 2004 remained at the level of the preceding quarter (1.58, while in the same quarter of the preceding year it equaled 1.46).

Chart 21

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

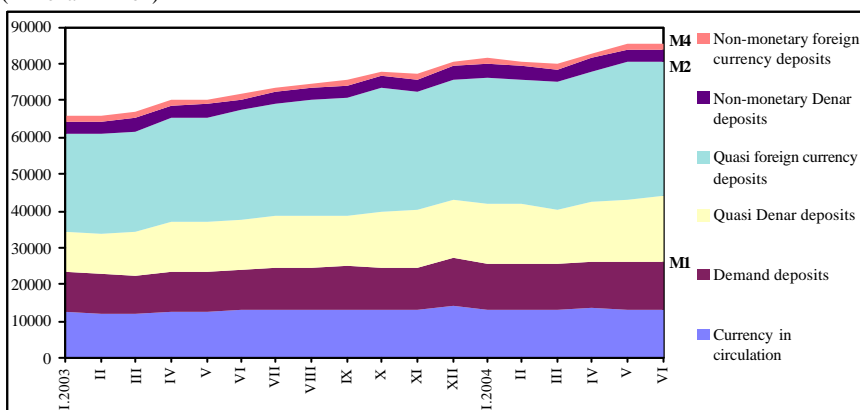


Higher level of the monetary aggregates on quarterly and annual basis

The increase in the money supply M1 and the deposit potential of the banks resulted in an increase in the monetary aggregates M2 and M4. The quarterly increment in the money supply M2 equaled 7.7%, given the rise in the short-term deposits of 9.9%. The increase in the monetary aggregate M4 was more moderate (6.5%) due to the lower level of long-term deposits of 10.6%. On annual basis, the monetary aggregates M2 and M4 are higher by 20.1% and 18.9%, respectively, primarily due to the substantial increase in the short-term deposits (of 26.6%). Such movements resulted in strengthening of the money multiplication process. Thus the average value of the monetary multiplier of the money supply M2 in the second quarter equaled 4.83, whereas in the preceding quarter and in the second quarter of 2003, it equaled 4.71 and 4.11, respectively. The money multiplier of the money supply M4 reached 5.12, compared to 5.02 in the first quarter and 4.40 in the second quarter of 2003.

Chart 22

Monetary aggregates and their components
(in Denar million)

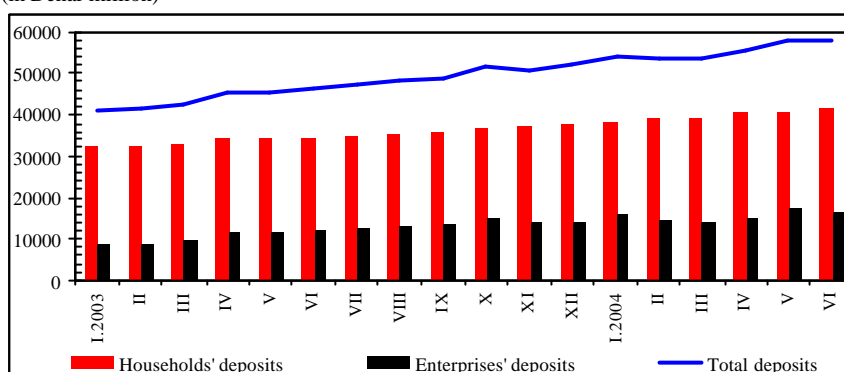




*Significant quarterly
growth in the total deposits
in the banking system*

Given the continuous increase in the second quarter, the total deposit potential of the banking system¹⁶ in June 2004, was higher on a quarterly basis by 8%. The increase is a result of the higher level of short-term Denar and foreign exchange deposits (of 18.3% and 6.2%, respectively) whereas the long-term deposits dropped (Denar deposits by 14.2% and foreign exchange deposits by 2.4%). Such developments resulted in unfavorable movements in the maturity structure of the deposits, i.e. increment in the share of the short-term deposits to 92.4% (90.8% in March and 90.6% in June 2003). With respect to the currency of denomination, positive movements, i.e. faster increase in the Denar deposits (12.2%) was registered, which increased its share in the total deposits to 35.4%. Relative to the same month of the preceding year, the total deposits of the non-government sector rose by 24.1%, due to the significant increase in the short-term deposits (of 26.6%).

Chart 23
Deposit timeframes
(in Denar million)



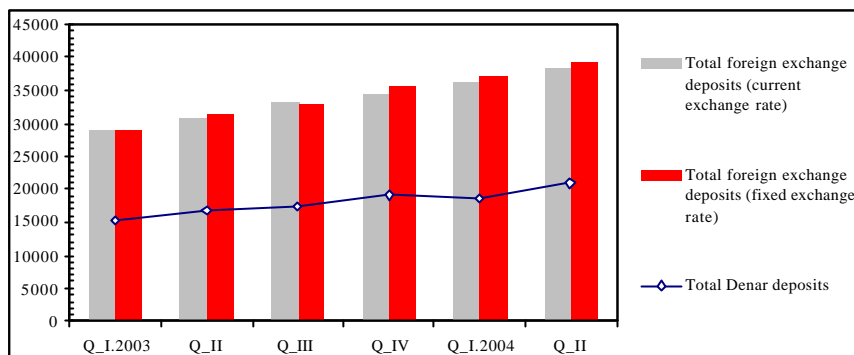
*Increase in the
households' deposits of
5.7% ...*

At the end of June compared to the preceding quarter, the households' deposits rose by Denar 2.230 million, or by 5.7%. With respect to the monthly dynamics, the households' deposits considerably increased in April (primarily due to the payment of the fifth installment of the bond for the old foreign exchange savings) and in June. The structural analysis indicates an increment in all deposit categories, excluding the long-term Denar deposits. With respect to the currency of denomination, a faster increase was registered in the Denar deposits, the share of which in the total deposits of the households reached 28.2%. With respect to the maturity, the short-term deposits rose (making up 98.3% of the total deposits of the households), whereas the long-term deposits dropped by 13.4%. The annual growth rate of the households' deposits equalled 21%.

¹⁶ The total deposits of the non-government sector include short-term and long-term (Denar and foreign currency) deposits of the economic agents (excluding the demand deposits).

Chart 24

Quarterly dynamics of the Denar and the foreign exchange deposits
(in Denar million)

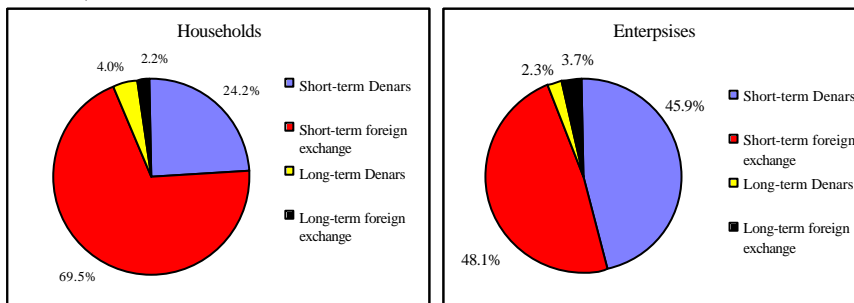


*...with a faster increase
being registered in the
enterprises' deposits*

In the second quarter of 2004, the enterprises' deposits were by 15.6% higher compared to the preceding quarter. The monthly analysis of the enterprises' deposits indicates divergent movements relative to the households' deposits in May and June. Thus following the substantial increase in the Denar and foreign exchange time deposits in May, the enterprises' deposits dropped in June (due to the lower level of foreign exchange time deposits). The quarterly rise is due to the higher short-term deposits (both Denar and foreign exchange, of 17.7% and 16.5%, respectively), which also have dominant share (94.1%) in the total deposits of the enterprises. With respect to the currency of denomination, the Denar deposits constitute 48.2%, compared to 47.7% in March. The annual growth rate of the enterprises deposits amounted to 37.3% with an increase being registered in all categories of deposits.

Chart 25

Structure of deposits by sectors
June 30, 2004



Appendix 2

Velocity of money

The money affects the economy through two basic categories: the quantum of the money and the velocity of the money. The velocity of the money is one of the key elements of the monetary analysis. Basically, it is a quantitative ratio of the gross domestic product (which is an indicator of the volume of the economy) and the average amount of the money supply. Nonetheless, there are two variants of the velocity of the money: transaction and income. According to the first variant, the velocity of the money is total transactions in the economy to average money supply ratio, while the second variant defines the velocity of the money as total income to average money supply ratio. In practice, it is not possible to determine the volume of the total transactions, hence the analysis always uses the income variant, that is:

$$MV = YP \text{ or } V = YP/M$$

Where,

M – broad money supply

V – velocity of money

YP – nominal GDP

The velocity of money is a turnover of the money in the economy, i.e. indicates the number of times, on average, one unit of money supply is used for realization of the goods and the services produced in one year. The velocity of the money could be discussed from two aspects: from the aspect of the demand for money and of the supply of money (i.e. the current level of the money supply). The first case is extremely complex, since the velocity of the money is a reflection of the demand for money, which could not be expressed in statistical terms, but it is a category which is estimated. The second concept is used much more frequently, where the velocity of the money reflects the constant quantity of money (which is easily obtained as statistical data).

Generally, there are several factors that affect the velocity of money: a) cyclical factors, which is an autonomous change in the economic activity and the money supply, depending on the stage of the economic cycle, b) changes in the monetary policy and c) institutional changes, particularly in the area of financial instruments and the payment system (for example, as the development of the subtle financial instruments reduces the need of larger quantity of money and leads to an increase in the velocity of the money).

In the economies of transition, the exceptionally high and volatile velocity of the money was typical for the beginning of the transitional process. Such dynamics is explained by the high inflation rate as well as by the lower confidence in the domestic currency (in the event of high rates of inflation, the economic agents promptly dispose of the domestic currency and invest in non-financial property or in foreign currency), and in some countries, by the low credibility of the banking system, as well. All these factors cause continuous demonetization and higher velocity of the money. The gradual process of economy stabilization, i.e. the reduction of the level and the variability of the inflation resulted in a gradual decline and stabilization of the velocity of the money.

Nevertheless, high velocity of the money is not necessarily a bad signal. The new innovations, or the new financial instruments (which usually appear as substitutes of the time deposits and constitute a means to store value, thus affecting the broader money supply), lower the level of the money supply and increase the velocity of the money. On the other hand, the response of the corporate sector and the households sector to new financial instruments varies, same as the nature of the financial instruments (some of them are included in the money supply definitions, and some are not), so that the effect of the financial deepening on the velocity of the money on the different monetary aggregates becomes uncertain.

In the Republic of Macedonia, the major instrument for investing the excess funds over the transaction needs are the deposits in the banking system. Hence the evolution of the velocity of the money cannot be reviewed from the aspect of the effects of the financial instruments development, but **the effects of the process of disinflation and the process of remonetization of the economy** can primarily be perceived.

Like most economies in transition, the Republic of Macedonia faced a hyperinflation at the beginning of the transition process. With the economy being unstable, the velocity of money (money supply M2 – Denar component and M4)

in the 1993-94 period equalled 11.7% and 8.2%, respectively, on average. Nonetheless, notwithstanding the considerable reduction of the inflation at the end of 1995, no considerable changes in the velocity of money were registered up till 1999. Such movements generally might be explained by the low degree of monetization of the economy, particularly caused by the low credibility of the banking system. The inherited problems regarding the old foreign exchange deposits, as well as the collapse of several savings houses due to the so-called pyramidal savings resulted in low confidence in the banking system. Therefore, a large portion of the savings of the households remained outside the banking channels (in spite of the high opportunity cost). Nevertheless, the reform of the banking system, the strengthening of the credibility of the NBRM in the regulation and supervision area, as well as the establishment of the Deposit Insurance Fund contributed to increasing the deposit potential, and consequently higher monetization rate.

Table 1
Monetization rate of the Macedonian economy

	<i>in %</i>		
	M1/GDP	M2/GDP	M4/GDP
1997	6.38	8.45	9.97
1998	6.98	11.05	13.05
1999	8.11	13.51	15.76
2000	8.15	15.14	17.53
2001	8.92	18.14	20.88
2002	10.51	24.96	27.51
2003	9.57	26.77	28.64

The actual introduction of the Euro at the beginning of 2002 was an opportunity for attraction of the savings kept "under the mattress" and their direction into the banking channels. The opportunity for free-of-charge conversion of the in-currencies into Euro, through their depositing in banks prior to the end of 2001 caused an extremely fast increase of the deposit potential of the banks in the last quarter of 2001. The strengthened confidence in the banking system, as well as the increased importance of the interest yield enabled moderate withdrawal of a portion of these deposits in the first quarter of 2002 and additional new savings in the following period. Such movements respectively accelerated the process of remonetization of the economy and thus slowed down the velocity of the money.

Table 2
Velocity of money in the Republic of Macedonia

	1998	1999	2000	2001	2002	2003
	<i>in %</i>					
Real GDP growth	3.4	4.3	4.5	-4.5	0.9*	3.1 ²
Inflation (average)	0.8	-1.1	5.8	5.5	1.8	1.2
Inflation (end of period)	-1.0	2.3	6.1	3.7	1.1	2.6
M4 annual growth	45.8	29.6	19.3	65.0	-11.4	18.1
M2 Denar - annual growth	44.6	33.5	15.2	13.6	6.9	15.6
	<i>in Denar million</i>					
M4 average	25,454	32,933	41,441	48,818	67,128	72,596
M2 Denar - average	17,155	22,033	26,442	29,377	35,816	37,738
Nominal GDP	194,979	209,010	236,389	233,841	243,970	253,493
	<i>Velocity of money</i>					
M4	7.7	6.3	5.7	4.8	3.6	3.5
M2 Denar	11.4	9.5	8.9	8.0	6.8	6.7

Source: NBRM

Thus in 2002, the velocity of the money (M2 – Denar component and M4) reduced to 3.6 and 6.8, respectively, and in 2003 it registered no considerable changes. On the other hand, the current level is considerably higher

relative to the other countries in transition. Thus in the group of 12 countries in transition (including the much more developed countries in transition), Macedonia is at the bottom (having the highest level of velocity of money). Given the exceptionally favorable inflation performances and the absence of diversified supply of financial instruments, such situation indicates the still low degree of monetization of the economy, which at the same time is an indicator of the financial shallowness of the banking system).

Table 3

Velocity of money of the money supply M2 by country

	1998	1999	2000	2001	2002
Czech Republic	1.4	1.4	1.3	1.4	1.4
Slovak Republic	1.6	1.5	1.4	1.4	1.5
Albania	1.8	1.7	1.7	1.6	1.6
Hungary	2.2	2.1	2.2	2.1	2.2
Slovenia	2.6	2.6	2.7	2.4	2.2
Poland	2.5	2.3	2.4	2.3	2.4
Estonia	3.4	2.9	2.7	2.4	2.4
Bulgaria	3.5	3.3	3.3	2.4	2.4
Latvia	3.9	3.9	3.4	3.1	2.8
Lithuania	5.2	4.7	4.3	3.7	3.4
Romania	4.0	4.1	4.3	4.3	4.0
Macedonia*	9.1	7.4	6.6	5.5	4.0

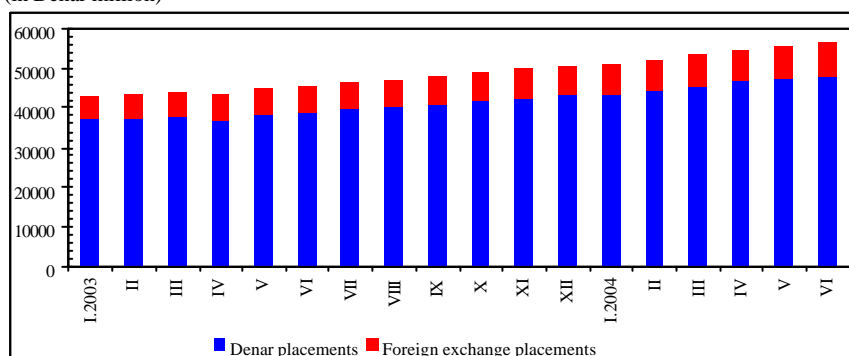
2.3.

Banks' placements and interest rates

The upward trend of the banks' placements continued

The upward trend of the lending to the private sector which started in early 2003, spread over the second quarter of 2004. Thus the total banks' placements equaled Denar 56,095 million as of June 30, 2004, which is a quarterly increment of Denar 3,091 million or of 5.8%. The Denar placements which also dominate with a share of 85.6%, registered more intensive increase (by 6.4%) compared to the foreign exchange placements which are by 2.3% higher. The increase in the Denar placements is primarily due to the higher level of placements extended on a long run (by 14%), with an increase being registered in the short-term placements of 2.7%. On annual basis, the total banks' placements went up by 23.9%.

Chart 26

Banks' placements (currency structure)
(in Denar million)


Higher Denar placements (given the faster increase in the placements to the households)...

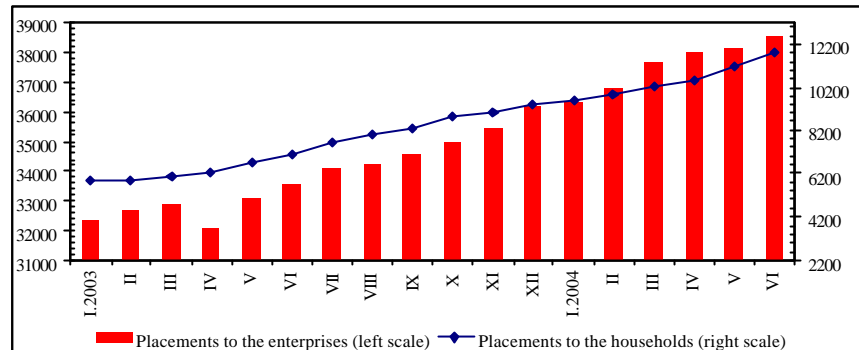
The quarterly increase in the Denar placements (of 6.4%) is primarily due to the higher level of long-term placements (by 14%), given the increment in the short-term placements of 2.7%. Analyzing by maturity, the long-term placements went up in all categories (given the more intensive lending to the households), thus increasing their share to 40.9% (compared to 37.6% in March). With respect to the short-term placements, the placements to the households also



registered faster increase. Consequently, their share in the total Denar placements went up by 1.8 percentage points, reaching 27.2%. The annual growth rate of the Denar placements equals 24.4%.

Chart 27

Banks' placements (sector structure)
(in Denar million)

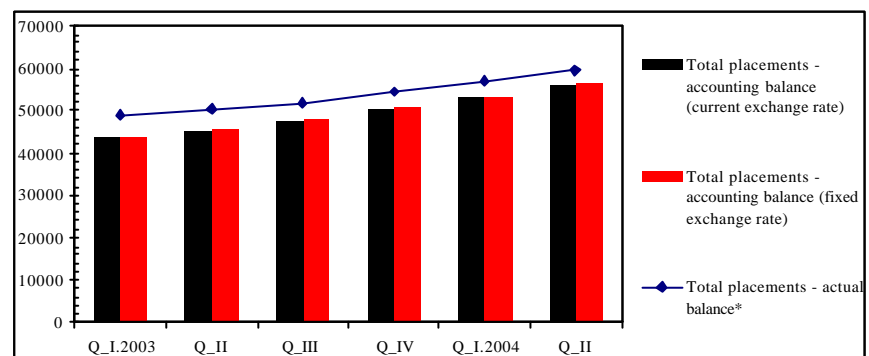


*...and simultaneous increase
being registered in the foreign
exchange placements*

The increase in the foreign exchange placements was solely due to the higher amount of long-term credits, given the decline in the short-term placements (due to the lower amount of overdue claims). The lending to the enterprises registered a faster increase compared to the placements to the households. Thus, their share in the total foreign exchange credits went up to 96%. The annual analysis indicates 20.7% higher foreign exchange placements.

Charter 28

Quarterly dynamics of the total placements
(in Denar million)



* The actual balance of the placements differs from the accounting balance by the corrections made for written-off claims and re-recordings with banks.

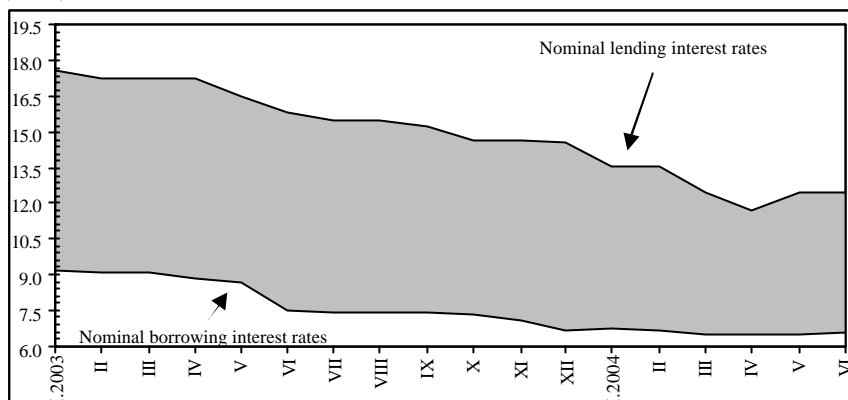
*Positive changes in the banks'
interest rate policy in the
second quarter*

In June 2004, the lending interest rates¹⁷ remained the same as in March (12.46%). Nonetheless, in the second quarter they were lower, on average, relative to the average of the preceding quarter, by almost 1 percentage point. In April the lending interest rate considerably decreased (by 0.8 percentage points), whereas in May¹⁸ it returned to the level of March. The average weighted deposit interest rate (on three-month Denar deposits) marginally increased in this quarter and equaled 6.52%. In line with such movements, the interest rate spread reduced from 6 percentage points in March to 5.9 percentage points in June. The average weighted interest rate on the short-term foreign exchange credits fell by 0.2 percentage points quarterly and equaled 7.7% in June. The interest rates on the three-month foreign exchange deposits also dropped. The interest rate on the deposits in Euro ranged from 1% to 2.7% while the interest rates on the deposits in US Dollars ranged from 0.5% to 2.2%.

¹⁷ Interest rate on short-term Denar credits.

¹⁸ Revision of the data published in the Monthly Report 05/2004.

Chart 28
Banks' weighted interest rates and spreads*
(in %)



* Pertain to Denar credits and deposits.

Appendix 3

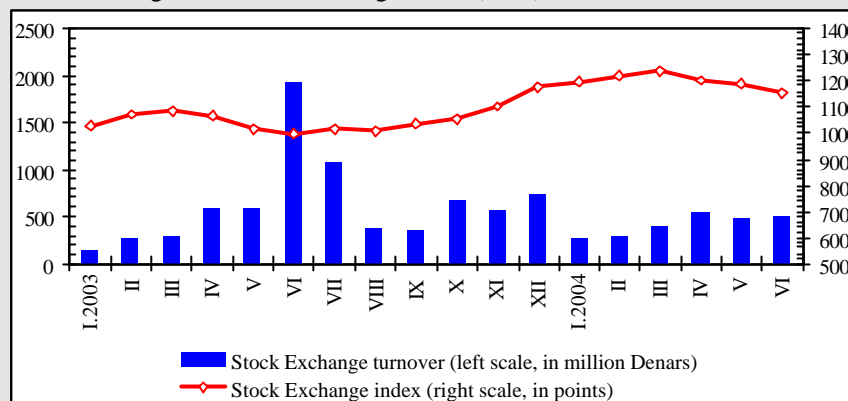
Review of the Stock Exchange activity in the second quarter of 2004

In the second quarter of 2004, the Macedonian Stock Exchange registered a total turnover (excluding block transactions and government segment) of Denar 692.3 million, which is by 25.4% higher compared to the first quarter of the year. The turnover on the official market segment (which makes up 81.4% of the total Stock Exchange turnover realized by conventional trading) equaled Denar 563.7 million, which is an increase of 10.2%, on quarterly basis (notwithstanding the quarterly drop of 40.5% of the trade in shares of companies listed on the Macedonian Stock Exchange). On the unofficial market*, the volume of trading was by 3.1 times higher. Shares in the amount of Denar 115.7 million, or 16.7% of the conventional stock exchange trading were traded in.

On the unofficial market, quarterly increase of 4.4 times was registered in the trade in convertible certificates issued by the Government for remuneration of the savers of the collapsed savings houses, thus this segment constitutes 1.9% of the total Stock Exchange turnover generated through conventional trading. In the second quarter of 2004, the trade in shares, parts and claims in state ownership amounted to Denar 8.2 million, which is a decrease of 87.8% compared to the first quarter of 2004. The share of the block transactions** executed on the Stock Exchange equaled 53.4% (42.8% in the first quarter of 2004), reaching Denar 802.2 million.

The total Stock Exchange turnover (including block transactions and government segment) in the second quarter of 2004 made up Denar 1,502.8 million (an increase of 61.8% compared to the first quarter of this year).

Stock Exchange and Stock Exchange Index (MBI)



In June 2004, the Macedonian Stock Exchange Index (MBI) as a non-weighted index, which includes the five most liquid common shares of the companies listed on the official market and the bond for the old foreign exchange savings RM01 equaled 1,150.3 points, which is a decline of 7.1% compared to the level of March 2004.

*On April 19, 2004, the method of trading in unlisted securities traded on the non-official market of the Macedonian Stock Exchange changed. In line with the new manner of trading, in the fixing stage, instead of one cycle of trading in the unlisted securities in one trading day, three cycles of trading were introduced, that is Stock Exchange transactions are concluded with the unlisted securities three times a day, instead of once a day. Such changes improve the transparency in the trade in unlisted securities and increase the efficiency in the market pricing.

**The Board of Directors of the Macedonian Stock Exchange AD Skopje adopted a Decision on amending the Block Transactions Procedures, at its meeting held on June 30, 2004. So far, a block transaction was considered a Stock Exchange transaction in which at least 10% of the value of the enterprise (core capital) is traded, or the turnover exceeds Denar 5 million. The criterion for concluding and reporting a block transaction is changed in line with the adopted amendments, i.e. the monetary criterion is reduced from Denar 5 million to Denar 1 million, hence the relative criterion is abolished (% of the core capital), with simultaneous restriction of the maximum number of buyers/sellers in the block transaction (not more than 10). Furthermore, the price of the block transaction is tied with the relevant key market price of the shares – subject to the block transaction in the BEST system (the price may not diverge more than +/-20%, i.e. 30% of the weighted average price of all Stock Exchange transactions in such shares over the last 30 calendar days in the case of listed, or unlisted shares), and with their nominal value (in the case there is no trade history for some shares, the price of the block transaction may not be below 10% of their nominal value).

Source: Macedonian Stock Exchange.



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

Basic indicators for the foreign trade and foreign exchange developments

	month	(in US Dollar million)	Monthly changes in %	I-VI.2004 (in US Dollar million)	Changes in %
					compared to the same period of the previous year
Foreign trade	VI.2004	372.1	9.2	2,043.4	16.0
Export	VI.2004	122.4	3.7	724.2	11.5
Import	VI.2004	249.7	12.1	1,319.3	18.6
Balance	VI.2004	-127.3	21.5	-595.1	28.5
					compared to the end of the previous year
Foreign debt	VI.2004	1,775.5	-0.4		0.3
Exchange rate on foreign exchange market	VI.2004				
					compared to the same period of the previous year
(Denars per unit foreign currency)					
MKD / USD		50.38	0.6		-6.2
MKD / EURO		61.31	0.0		0.1

Source: State Statistical Office of the Republic of Macedonia and National Bank of the Republic of Macedonia

3.1.

Foreign trade¹⁹

In the second quarter of 2004, increased foreign trade was registered...

In the second quarter of 2004, compared to the same period of 2003, the volume of the foreign trade increased by 14.9% and equaled US Dollar 1,076.2 million. The higher volume of trade registered in the second quarter is mainly due to the intensified increase in the import of goods of 22.3%, given the increase in the export of goods of 2.7%.

The foreign trade registered high monthly increase in April and June (18.2% and 23.7%, respectively), which is due to the high increase in the import of goods (25.2% and 37.1%, respectively), while simultaneously, the export of goods increased by 6.7% and 3.2%, respectively. In May, despite the slower pace (mainly as a result of the moderate decrease in the export), the tendency of increasing the trade was preserved (an increase of 3.7%).

...given the higher increase in the import of goods...

From the aspect of the trade components, in the second quarter of 2004, the export of goods equaled US Dollar 365.5 million, which is an increase of 2.7% compared to the second quarter of 2003. Significantly faster change was registered in the import of goods. Thus in the second quarter of 2004, the import of goods amounted to US Dollar 710.7 million, which is an increase of 22.3% compared to the same period of the previous year. The higher increase in the import of goods was caused by the increase in the regular import of goods (of 29.9%), while the import of goods for further processing registered a decline of 5.1% (which is due to the lower import of further processed products made of iron and steel and lead and zinc, as a result of the non-functioning of two metallurgic facilities). The reduced import of these goods for further processing reflected on the decrease in the further processed products for export of 4.1%. On the other hand, the regular export registered an increase of 7.8%, caused by the increased export of food (primarily vegetables, meat and their products), as well as by the increase in the regular export of products made of iron and steel.

...and increased trade deficit

The higher increase in the import of goods resulted in deepening of the trade deficit of the Republic of Macedonia in the second quarter of 2004, which in comparison with the same period of the previous year, increased by 53.3% and it equaled US Dollar 345.1 million.

Chart 30

Export, import and foreign trade balance
(in US Dollar)



Increased export and import of consumption goods

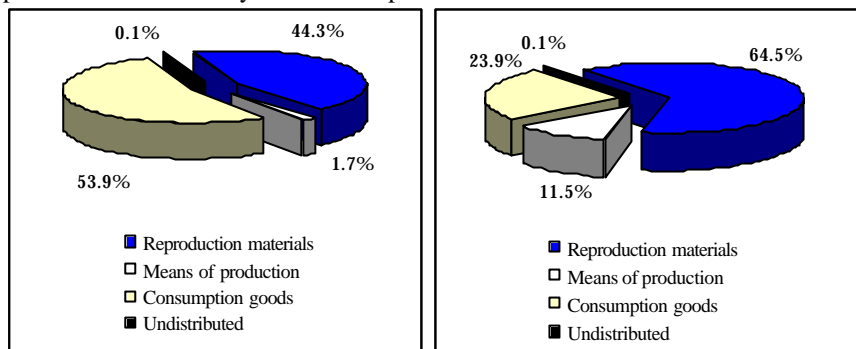
In the first six months of 2004, the analysis from the aspect of the economic use of the products shows increased share of the export of consumption goods by 5.7 percentage points (compared to the January - June 2003 period) and it equals 53.9% (which points to the increased level of

¹⁹ 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

finalization of the domestic output). Regarding the import, a moderate increase in the share of the consumption goods (of 2 percentage points) was registered and it equaled 23.9%. Dominant share of 64.5% accounts for the import of reproduction materials (mainly import of oil and grease), while the share of the means of operations equals 11.5%.

Chart 31

Foreign trade of the Republic of Macedonia according to the economic use of the products in the January - June 2004 period

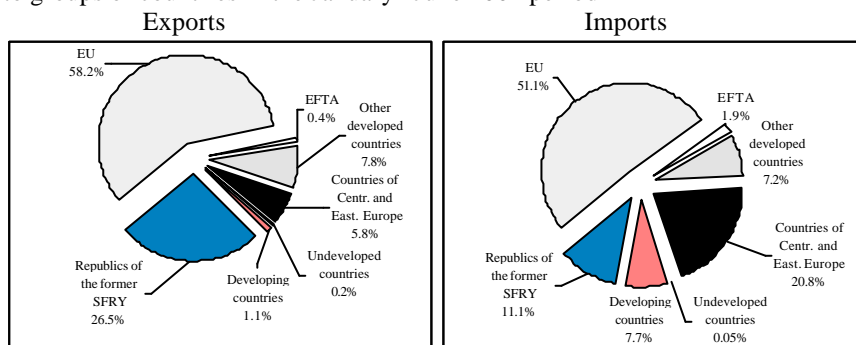


The largest share in the total foreign trade of the Republic of Macedonia accounts for the European Union

Analyzed by economic groups of countries, the dominant share in the foreign trade still accounts for the European Union (53.6%). In the January - June 2004 period, compared to the same period of 2003, the European Union strengthened its position as the most important trading partner of the Republic of Macedonia, increasing its share in the total trade by 4.6 percentage points, which is partially due to the enlargement of the Union by admitting its new member-states in May 2004²⁰. This group of countries traditionally has the largest share in the total export and import of the Republic of Macedonia (58.1% and 51.1%, respectively).

Chart 32

Foreign trade of the Republic of Macedonia according to groups of countries in the January - June 2004 period



The analysis of the foreign trade of the Republic of Macedonia from the aspect of separate countries indicates a constant structure of the trade participants. Namely, in the January - June 2004 period, Germany, Greece and Serbia and Montenegro still dominate in the total trade (with a share of 39.7%). These countries register the largest share in the exports and in the imports (54% and 31.8%, respectively). Among other countries, the largest share of the exports and imports accounts for Italy, Croatia and France (to which iron and steel is mostly exported, together with footwear in Italy), while regarding the imports, the highest share accounts for Russia and Bulgaria (mainly due to the

²⁰ According to the State Statistical Office, Slovenia is excluded from the group of former SFRY republics in the January - June 2004 period, and it is joined to the EU.

import of oil and electricity), as well as Slovenia due to the intensified import before its admission to the EU on May 1, 2004²¹.

Decrease in the export - import coverage ratio

In the second quarter of 2004, the relatively higher increase in the import compared to the export of goods, resulted in a lower export - import coverage ratio. Thus the coverage ratio equaled 51.4%, which is a decrease of 9.8 percentage points compared to the same period of the previous year. Within the group of the ten most important trading partners, a positive balance was registered only in the trade with three countries: Croatia (36.5%), Serbia and Montenegro (25.5%) and France (2.8%). The lowest export - import coverage ratio was registered with Russia due to the higher import of oil from this country.

Appendix 4

Herfindahl - Hirschman Index of Export - Import Concentration

Herfindahl - Hirschman index, as a measure for the level of concentration of the import, i.e. the export, is a normalized index the values of which vary between 0 (minimal concentration) and 1 (maximum concentration), and it is calculated according to the following formula:

$$H_j = \frac{\sum \left(\frac{x_i}{X} \right)^2 - \frac{1}{n}}{1 - \frac{1}{n}}$$

H_j - Herfindahl-Hirschman index of the country j ;

x_i - the value of the export, i.e. the import of the product i

X - total export, i.e. import of the country j

n - number of products exported (imported) by the country classified according to the SITC, Revision 2 (System of International Trade Classification). The maximal number of products according to the SITC equals 239, but when calculating this index for a particular country n , it includes only those products the share of which in the total export or import is larger than 0.3% (therefore it is called modified Herfindahl - Hirschman index).

The concentration of the export of goods of the Republic of Macedonia measured according to the *Herfindahl - Hirschman index of export concentration*, resembles that of the developing countries very much and it is far from the export concentration characteristic for the advanced economies in transition, or for the developed economies. On the other hand, the value of the index points to a similar concentration of the import in the advanced economies in transition.

Thus **$H_j=0,525$, $n=34$** for the export* of the Republic of Macedonia in 2003, while for the import** **$H_j=0,028$, $n=51$** .

The high value of the export concentration ratio points to an absence of a diversified supply of the export sector, i.e. there are only several groups of products in the domestic export with more significant share (above 4% in the total export). Basically, they are "clothing" and "iron and steel" (with a share of 30% and 18.4%, respectively, in the export structure in 2003), but having in mind that large share of the export of these products are only further processed products for other countries, then, the primary products are those with a dominant share in the export structure. Thus in 2003, the share of the export of oil and products made of oil in the Macedonian export equals 5.2%, the share of

²¹ According to the analysis of the National Bank of the Republic of Macedonia (Monthly Report 04/2004), the deviation of the total import from Slovenia in the February - April 2004 period from the average import in the same period from 1996 to 2003, equals US Dollar 18.2 million. The data pertaining to May and June indicate stabilization of the import from this country, thus proving the one-time effect of joining of Slovenia to the EU on the increase in the Macedonian import (especially in April 2004).



tobacco and its products equals 6%, the share of fruits and vegetables equals 3.1%, etc.

On the other hand, the low import concentration ratio points to a dispersion of the import, which is expected tendency taking into consideration the continuing trade liberalization. However, low level of import concentration is common also for the developed countries. The lower level of import than of export concentration is characteristic for almost all countries and it is a result of the tendency of the countries to focus their export on the sectors with comparative advantages.

* The modified Herfindahl - Hirschman index of export concentration for certain countries in 2001 equaled: for the USA 0.081; Great Britain 0.101; Japan 0.135; Albania 0.265; Romania 0.119; Poland 0.081; Slovenia 0.103.

** The modified Herfindahl - Hirschman index of import concentration for certain countries in 2001 equaled: for the USA 0.099; Great Britain 0.085; Japan 0.102; Albania 0.077; Romania 0.066; Poland 0.066; Slovenia 0.061.

Source: UNCTAD Handbook of Statistics, 2003, Geneva, UN Conference on Trade and Development.

3.2.

Foreign exchange developments

In the second quarter of 2004, the turnover on the foreign exchange market increased by 7.9% compared to the first quarter of the year...

...given the unchanged Denar exchange rate against the Euro...

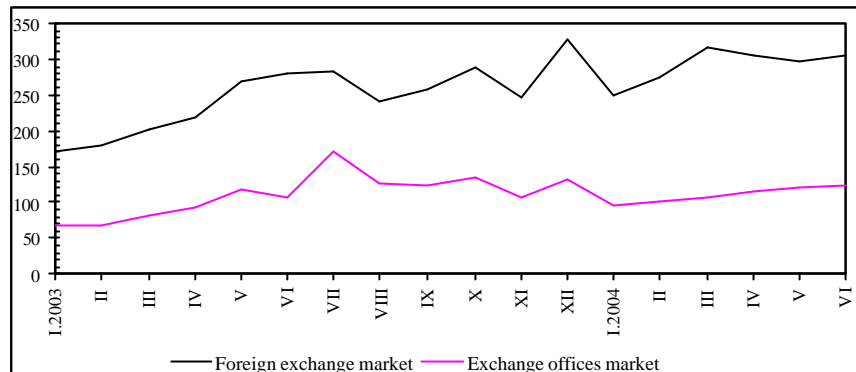
...and depreciation of the Denar against the US Dollar

In the second quarter of 2004, the total value of the realized transactions on the foreign exchange market reached US Dollar 907.8 million. In comparison with the first quarter, the turnover on the foreign exchange market registered an increase of US Dollar 66.4 million, or 7.9%. The average monthly turnover in the second quarter equaled US Dollar 302.6 million. The turnover analyzed by separate months did not deviate significantly from the average value, which points to a relative stability in the volume of transactions on the foreign exchange market. The transactions registered among banks and enterprises comprise 84% of the total turnover (80.9% in the first quarter of 2003). The highest net sale of foreign exchange to enterprises by the commercial banks was registered in April, which is partially a reflection of the higher demand for foreign assets due to servicing the liabilities for import of oil, as well as for payment of dividends to foreign shareholders. The higher demand for foreign exchange on the foreign exchange market also reflects the intensified import from Slovenia before its admission to the EU and hence the higher customs duties for the import of goods from this country, since the Free Trade Agreement with Slovenia ceased to be valid after its full membership in the EU). In the second quarter of 2004, the demand for foreign exchange of the enterprises again exceeded the supply (by 34.5%), when one part of the needs for the banks' foreign assets was covered through the NBRM interventions on the foreign exchange market. Contrary to the higher sale of foreign exchange by the NBRM in April (influence of one-time effect factors), in May and June, the NBRM intervened with lower net sale of foreign exchange. Such intervention of the NBRM on the foreign exchange market and the placement of the monetary regulation instruments contributed to the maintenance of the Denar exchange rate stability. Thus in the second quarter of 2004, Denar 61.28 per one Euro were traded, which is almost the same exchange rate in comparison with the first quarter, when on average, Denar 61.29 per one Euro were traded. Relative to the US Dollar, on average, the Denar depreciated by 2.4% on a quarterly basis. Namely, on average, in the first quarter, Denar 49.57 per one US Dollar were traded, contrary to Denar 50.77 per one US Dollar in the second quarter.



Chart 33

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



The turnover of foreign assets on the exchange offices market registered an increase of 19.6% on a quarterly basis

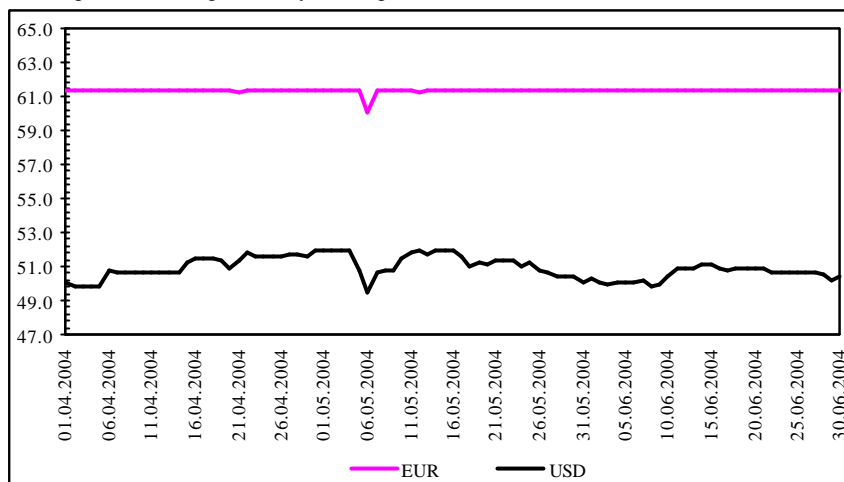
In the second quarter of 2004, the turnover on the exchange offices market equaled US Dollar 362.4 million, which is an increase of 19.6% compared to the first quarter, given the simultaneous increase in the supply of and the demand for foreign assets of 24.9% and 10.4%, respectively. The higher supply of than the demand for foreign assets caused a net purchase on the exchange offices market in the amount of US Dollar 114.9 million (the realized net purchase in the first quarter of the year equaled US Dollar 78.9 million). Also, 66.4% of the total demand for foreign assets of natural persons (residents and non-residents) was covered through the private exchange offices, while the remaining 33.6% were covered through the commercial banks. Analyzed by months, the demand for foreign assets varied from US Dollar 40 million in April and US Dollar 42.1 million in May, which indicates a relative stability of the monthly demand for foreign assets on the exchange offices market. In April, the supply of foreign assets on the exchange offices market registered its lowest level in this quarter (US Dollar 75.8 million), while it was the highest in June (US Dollar 83.7 million). In the second quarter, the average exchange rate of the Denar relative to the Euro on the exchange offices market equaled Denar 61.52 per one Euro (contrary to Denar 61.54 per one Euro in the first quarter), while against the US Dollar²² the Denar depreciated by 4.6%, with Denar 50.61 being traded for one US Dollar in the second quarter (in the first quarter, Denar 48.36 per one US Dollar were traded on average).

²² The US Dollar exchange rate is taken from the exchange rate list for the exchange offices operations of the NBRM



Chart 34

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

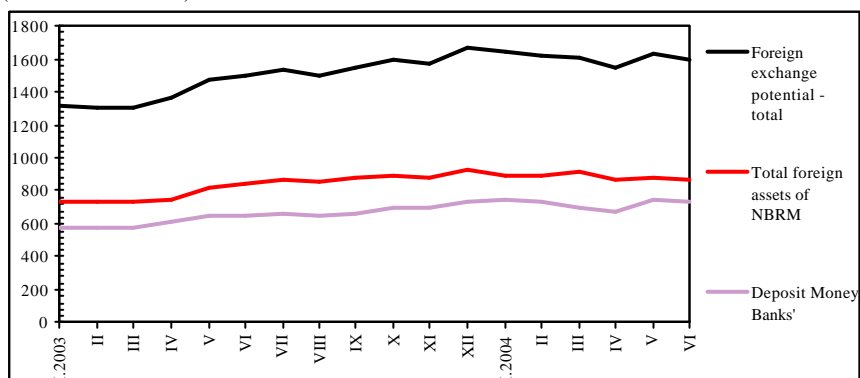


*Reduced gross foreign
exchange reserves...*

Having in mind the increase in the total foreign assets of the commercial banks, the decrease in the total foreign exchange potential at the end of June 2004 compared to March 31, 2004 is caused by the decrease in the total foreign assets of the NBRM. Thus the total foreign exchange potential of the Republic of Macedonia on June 30, 2004 amounts to US Dollar 1,603.1 million, which is a decrease of US Dollar 8.2 million on a quarterly basis. The gross foreign exchange reserves equaled US Dollar 859.9 million, which is a decline of US Dollar 42 million compared to the end of the previous quarter. The decrease is primarily due to the net sale of foreign assets to the commercial banks by the NBRM on the exchange offices market, as well as to the larger withdrawals than inflows on the account of the Government, and to the registered negative exchange rate differentials.

Chart 35

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



*...given the increase in the
foreign assets with the deposit
money banks*

At the end of June 2004, compared to March 31, 2004, the foreign assets with the deposit money banks increased by US Dollar 35.2 million, given the increase in the foreign exchange deposits of the economic agents with the banks of US Dollar 49.2 million.



3.3.

External debt²³

In June 2004, a moderate increase in the external debt on a quarterly basis was registered...

...with the amount of US Dollar 33.9 million being withdrawn in the second quarter...

...while the total repayments equaled US Dollar 35.7 million

At the end of June 2004, the external debt of the Republic of Macedonia on the basis of long-term credits equaled US Dollar 1,775.5 million, which is an increase of US Dollar 1.4 million compared to March 31, 2004.

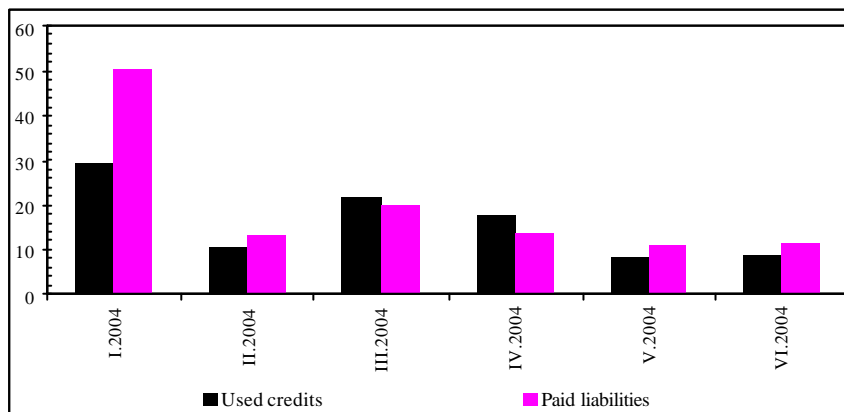
In the second quarter of 2004, funds in the amount of US Dollar 33.9 million were withdrawn on the basis of granted long-term credits. The withdrawals from the official creditors equaled US Dollar 16.9 million, while the remaining are funds withdrawn from the private creditors. Analyzed by months, the largest amount was withdrawn in April (US Dollar 17.7 million, primarily on the basis of credits granted by the European Investment Bank, the European Bank for Reconstruction and Development and the World Bank). In May, US Dollar 5 million, out of the total withdrawn funds in the amount of 7.9 million originate from the private creditors, while in June, the total withdrawals reached US Dollar 8.3 million (US Dollar 4.7 million are funds withdrawn from the private creditors, while the largest portion of the withdrawals from the official creditors originate from the European Bank for Reconstruction and Development and the World Bank).

In the second quarter of 2004, the total amount of serviced liabilities on the basis of used foreign long-term credits equaled US Dollar 35.7 million (the repayments based on principal equal US Dollar 28.6 million, while funds in the amount of US Dollar 7.1 million account for the interest).

Chart 36

Used credits and serviced liabilities

(in US Dollar million)



In the second quarter of 2004, the newly concluded credits with foreign creditors amounted to US Dollar 31.5 million. From the aspect of the official creditors, new credit line with the World Bank in the amount of US Dollar 5 million was concluded in April, while new credits in the amount of US Dollar 8.7 million were concluded with the private creditors. On the other hand, in May and June, new credits were concluded only with the private creditors (mainly foreign banks and foreign financial institutions).

²³ Preliminary NBRM data. These data refer to the external debt of the Republic of Macedonia based on used medium-term and long-term credit s



Statistical appendix

Prices

Table 1

Costs of living and retail prices

	<u>VI.2004</u> V.2004	<u>VI.2004</u> VI.2003	<u>I-VI.2004</u> I-VI.2003
	in %		
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

	<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 %		
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

Consumers' basket for food and beverages*

	Amounts			Monthly changes			Annual changes		
	IV.2004	V.2004	VI.2004	<u>IV 2004</u>	<u>V 2004</u>	<u>VI 2004</u>	<u>IV 2004</u>	<u>V 2004</u>	<u>VI 2004</u>
	in Denar			III.2004	IV.2004	V.2004	IV.2003	V.2003	VI.2003
				in %					
Total	10,078	10,164	9,987	-1.5	0.9	-1.7	-2.6	-2.5	-3.2
Cereal and cereal products	1,901	1,890	1,886	-3.6	-0.6	-0.2	-6.1	-6.6	-6.3
Vegetables, fresh and processed	1,452	1,568	1,350	-2.6	8.0	-13.9	-2.5	0.4	-9.0
Fruit, fresh and processed	712	719	742	-0.4	1.0	3.2	-1.7	-5.4	-5.8
Meat, fresh and processed	2,282	2,273	2,288	-1.4	-0.4	0.7	-2.0	-2.0	-0.6
Fats	391	391	389	-1.0	0.0	-0.5	-4.4	-3.9	-4.7
Milk and dairy products	1,652	1,643	1,637	0.0	-0.5	-0.4	0.2	-0.2	1.4
Other food products	1,688	1,680	1,695	-0.4	-0.5	0.9	-1.9	-1.6	-1.0

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

Source: State Statistical Office of the Republic of Macedonia



Economic activity

Table 4
Industrial output

	Structure in %	<u>VI.2004</u> V.2004	<u>VI.2004</u> VI.2003 in %	<u>I-VI.2004</u> 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	3.3 times	61.9
Manufacture of coke, refined petroleum products and nuclear fuel	7.0	*	2.3 times	-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

* Index is over then 1.000

Source: State Statistical Office of the Republic of Macedonia

Table 5
Trade turnover

	Amounts				Monthly changes			Annual changes			Average changes
	III.2004	IV.2004	V.2004*	I-V.2004	<u>III.2004</u>	<u>IV.2004</u>	<u>V.2004</u>	<u>III.2004</u>	<u>IV.2004</u>	<u>V.2004</u>	<u>I-V.2004</u>
	in Denar million				II.2004	III.2004	IV.2004	III.2003	IV.2003	V.2003	I-V.2003 in %
Trade turnover - total	12,503	12,618	12,612	58,441	19.0	0.9	0.0	6.0	8.9	17.7	8.0
Retail sales	4,647	4,707	4,938	22,474	13.5	1.3	4.9	5.1	2.3	7.7	5.2
Whole sales	7,856	7,911	7,674	35,967	22.5	0.7	-3.0	6.6	13.3	25.1	9.8

* Last available data.

Source: State Statistical Office of the Republic of Macedonia



Table 6

Contracted and completed construction works

	Amounts				Monthly changes			Annual changes			Average changes
	III.2004	IV.2004	V.2004*	I-V.2004	III.2004	IV.2004	V.2004	III.2004	IV.2004	V.2004	I-V.2004
	in Denar million				in %			in %			in %
Value of contracted construction works	1,465	450	596	7,228	5 times	-69.3	32.4	4.4 times	91.9	65.3	9.0
Value of completed construction works	619	735	817	2,939	26.9	18.7	11.2	6.3	58.5	7.8	16.0

* Last available data.

Source: State Statistical Office of the Republic of Macedonia

Other macroeconomic movements

Table 7

Employment by activities and sectors

	III.2004	IV.2004	V.2004*	I-V.2004	
	Number of employed			Average number of employed	Structure in %
Total	263,031	262,260	261,329	262,726	100.0
Agriculture	10,905	10,803	10,704	10,889	4.1
Agriculture, hunting and forestry	10,687	10,590	10,495	10,673	4.1
Fishing	218	213	209	216	0.1
Industry	124,667	124,182	123,556	124,453	47.4
Minerals and stone mining	2,601	2,557	2,519	2,587	1.0
Manufacturing	86,288	86,115	85,598	86,160	32.8
Electricity, gas and water supply	14,675	14,660	14,631	14,666	5.6
Construction	21,103	20,850	20,808	21,040	8.0
Services	127,459	127,275	127,069	127,384	48.5
Wholesales and retail sales, mending of motor vehicles, motorbikes and personal consumption items	12,314	12,301	12,264	12,314	4.7
Hotels and restaurants	4,270	4,253	4,198	4,253	1.6
Transport, storage and communications	17,497	17,444	17,427	17,480	6.7
Financial intermediation	5,656	5,661	5,690	5,668	2.2
Real estate and business activities	6,391	6,384	6,372	6,393	2.4
Public authorities and defense, compulsory social welfare	14,889	14,830	14,800	14,873	5.7
Education	29,335	29,482	29,511	29,308	11.2
Health and social work	28,357	28,187	28,074	28,332	10.8
Other public utility services, general and personal services	8,750	8,733	8,733	8,763	3.3

* Last available data.

Source: Ministry of Finance



Table 8
Average net wages

	V.2004*	V.2004 IV.2004	V.2004 V.2003	I-V.2004 I-V.2003
	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 9
Central Government Budget

	2003		2004			2004	2004/2003	2004/2003
	Q2	Q1+Q2	Q1	Q2	Q1+Q2	Q2/Q1	Q2/Q2	Q1+Q2
	Amount		Amount			Changes in %		
Total budget revenues	13,690	26,478	14,102	13,889	27,991	-1.5	1.5	5.7
<i>Tax revenues:</i>	<i>12,363</i>	<i>24,241</i>	<i>12,556</i>	<i>12,980</i>	<i>25,536</i>	<i>3.4</i>	<i>5.0</i>	<i>5.3</i>
- personal income tax	1,881	3,559	1,738	1,923	3,661	10.6	2.2	2.9
- profit tax	639	1,826	958	506	1,464	-47.2	-20.8	-19.8
- value added tax	5,546	10,415	6,103	6,479	12,582	6.2	16.8	20.8
- excises	2,587	4,918	2,349	2,458	4,807	4.6	-5.0	-2.3
- custom duties	1,587	3,242	1,228	1,496	2,724	21.8	-5.7	-16.0
- other	123	281	180	118	298	-34.6	-4.1	6.2
<i>Non-tax revenues:</i>	<i>1,167</i>	<i>1,940</i>	<i>1,371</i>	<i>751</i>	<i>2,122</i>	<i>-45.2</i>	<i>-35.6</i>	<i>9.4</i>
- inflows from state property dividends	597	732	793	294	1,087	-62.9	-50.8	48.5
- administrative taxes and fees	342	653	358	375	733	4.7	9.6	12.3
- other administrative taxes	208	250	64	69	133	8.3	-66.8	-46.9
- other non-tax revenues	20	305	156	13	169	-91.7	-35.0	-44.6
<i>Capital revenues</i>	<i>160</i>	<i>297</i>	<i>175</i>	<i>158</i>	<i>333</i>	<i>-9.7</i>	<i>-1.3</i>	<i>12.1</i>
Total budget expenditures	13,843	26,297	13,100	14,254	27,354	8.8	3.0	4.0
<i>Current expenditures</i>	<i>12,817</i>	<i>24,561</i>	<i>12,415</i>	<i>12,975</i>	<i>25,390</i>	<i>4.5</i>	<i>1.2</i>	<i>3.4</i>
- wages and salaries	5,058	10,011	5,135	5,349	10,484	4.2	5.8	4.7
- goods and services	1,771	3,099	1,797	1,714	3,511	-4.6	-3.2	13.3
- transfers	5,359	9,799	4,924	5,431	10,355	10.3	1.3	5.7
- interest	629	1,403	531	479	1,010	-9.8	-23.8	-28.0
<i>Capital expenditures</i>	<i>924</i>	<i>1,374</i>	<i>685</i>	<i>1,279</i>	<i>1,964</i>	<i>86.6</i>	<i>38.4</i>	<i>43.0</i>
Budget balance	-153	181	1,002	-364	638			
Financing	153	-181	-1,002	364	-638			
<i>Inflows</i>	<i>2,928</i>	<i>4,261</i>	<i>414</i>	<i>2,701</i>	<i>3,115</i>			
<i>Outflows</i>	<i>2,775</i>	<i>4,443</i>	<i>1,416</i>	<i>2,337</i>	<i>3,753</i>			

Source: Ministry of Finance



Table 10

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

	June 2004				January-June 2004			
	Total revenues monthly changes		Total expenditures monthly changes		Total revenues cumulative changes		Total expenditures cumulative changes	
	Amount	in %	Amount	in %	Amount	in %	Amount	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: Ministry of Finance

Table 11

Consolidated budget
(in Denar million)

	IV.2004	V.2004	VI.2004	O2.2004		O1+O2.2004	
				Amount	Structure in %	Amount	Structure in %
Total revenues	7,505	7,183	6,963	21,650	100.0	42,860	100.0
Tax and contributions:	7,031	6,703	6,338	20,073	92.7	39,199	91.5
<i>Tax:</i>	<i>4,576</i>	<i>4,529</i>	<i>4,035</i>	<i>13,140</i>	<i>60.7</i>	<i>25,847</i>	<i>60.3</i>
- personal income tax	715	581	627	1,923	8.9	3,661	8.5
- profit tax	178	153	175	506	2.3	1,464	3.4
- value added tax	2,401	2,231	1,847	6,479	29.9	12,582	29.4
- excises	767	984	867	2,618	12.1	5,119	11.9
- custom duties	477	541	478	1,496	6.9	2,724	6.4
- other	38	39	41	118	0.5	298	0.7
<i>Contributions</i>	<i>2,455</i>	<i>2,175</i>	<i>2,304</i>	<i>6,933</i>	<i>32.0</i>	<i>13,352</i>	<i>31.2</i>
Non-tax revenues:	389	443	586	1,418	6.6	3,327	7.8
- inflows from state property dividends	27	56	219	302	1.4	10,965	25.6
- administrative taxes and fees	109	131	135	375	1.7	733	1.7
- income from participation	48	47	47	142	0.7	295	0.7
- other administrative taxes	21	19	29	69	0.3	133	0.3
- other non-tax revenues	19	41	11	70	0.3	271	0.6
- remuneration for using a highway	166	150	144	460	2.1	799	1.9
<i>Capital revenues</i>	<i>84</i>	<i>36</i>	<i>38</i>	<i>158</i>	<i>0.7</i>	<i>333</i>	<i>0.8</i>
Total expenditures	7,383	7,161	7,441	21,985	100.0	42,545	100.0
Current expenditures	6,991	6,746	6,858	20,595	93.7	40,358	94.9
- wages and salaries	1,828	1,773	1,875	5,476	24.9	10,712	25.2
- goods and services	748	646	599	1,993	9.1	4,169	9.8
- transfers	4,097	4,251	4,181	12,529	57.0	24,314	57.1
- interest	317	77	203	597	2.7	1,135	2.7
Capital expenditures	393	415	583	1,390	6.3	2,186	5.1
Budget balance	121	22	-478	-335		315	
Financing	-121	-22	478	335		-315	
<i>Inflows</i>	<i>1,672</i>	<i>251</i>	<i>988</i>	<i>2,911</i>		<i>3,677</i>	
<i>Outflows</i>	<i>1,793</i>	<i>273</i>	<i>510</i>	<i>2,576</i>		<i>3,992</i>	

Source: Ministry of Finance



Reserve money

Table 12

Reserve money

<i>(in Denar million)</i>	31.03.2004	Monthly changes				30.06.2004
		April	May	June	Total	
Reserve money	15,434	1,297	-208	-193	896	16,330
Currency in circulation	12,953	736	-502	137	371	13,324
Banks liquidity	2,481	561	294	-330	525	3,006

Source: National Bank of the Republic of Macedonia

Monetary aggregates

Table 13

Money supply M1 and its components

<i>(in Denar million)</i>	31.03.2004	Monthly changes				30.06.2004
		April	May	June	Total	
Money supply M1	25,313	726	105	6	837	26,150
Currency in circulation	12,953	736	-502	137	371	13,324
Demand deposits	12,360	-10	607	-131	466	12,826
- Demand deposits of households	2,719	281	-156	-3	122	2,841
- Demand deposits of enterprises	7,814	-160	645	-89	396	8,210

Source: National Bank of the Republic of Macedonia

Table 14

Broader monetary aggregates and their components

<i>(in Denar million)</i>	31.03.2004	Monthly changes				30.06.2004
		April	May	June	Total	
Money supply M1	25,313	726	105	6	837	26,150
Denar short - term deposits	15,173	1,196	726	859	2,781	17,954
Monetary aggregate M2 - denar component	40,486	1,922	831	865	3,618	44,104
Foreign currency short - term deposits	34,655	1,020	1,389	-262	2,147	36,802
Monetary aggregate M2	75,141	2,942	2,220	603	5,765	80,906
Non - monetary deposits	5,066	-160	181	-557	-536	4,530
- In Denar	3,507	-69	30	-459	-498	3,009
- In foreign currency	1,559	25	35	-98	-38	1,521
Monetary aggregate M4	80,207	2,782	2,401	46	5,229	85,436

Source: National Bank of the Republic of Macedonia



Table 15

Total deposits of the non-government sector

	31.03.2004	Monthly changes				30.06.2004
<i>(in Denar million)</i>		April	May	June	Total	
Total deposits	53,540	3,526	2,180	40	5,746	59,286
1. According to maturity						
- short-term	48,755	3,289	2,115	597	6,001	54,756
- long-term	4,785	237	65	-557	-255	4,530
2. According to currency of denomination						
- In denar	19,065	742	756	400	1,898	20,963
- In foreign currency	34,475	2,784	1,424	-360	3,848	38,323

Source: National Bank of the Republic of Macedonia

Table 16

Households and enterprises deposits

	31.03.2004	Monthly changes				30.06.2004
<i>(in Denar million)</i>		April	May	June	Total	
Total households deposits	39,165	1,507	-56	779	2,230	41,395
1. According to maturity						
- short-term	36,186	1,510	-62	1,180	2,628	38,814
- long-term	2,979	-3	6	-401	-398	2,581
2. According to currency of denomination						
- In denar	10,520	945	-96	323	1,172	11,692
- In foreign currency	28,645	562	40	456	1,058	29,703
Total enterprises deposits	14,153	728	2,217	-744	2,201	16,354
1. According to maturity						
- short-term	13,136	699	2,162	-616	2,245	15,381
- long-term	1,017	29	55	-128	-44	973
2. According to currency of denomination						
- In denar	6,745	233	820	81	1,134	7,879
- In foreign currency	7,408	495	1,397	-825	1,067	8,475

Source: National Bank of the Republic of Macedonia



Banks' placements

Table 17

Banks' placements and overdue claims

	31.03.2004	Monthly changes				30.06.2004
<i>(in Denar million)</i>		April	May	June	Total	
Total banks' placements	53,004	1,370	676	1,045	3,091	56,095
<i>Denar placements</i>	45,128	1,674	496	739	2,909	48,037
<i>Foreign currency placements</i>	7,876	-304	180	306	182	8,058

Source: National Bank of the Republic of Macedonia

Table 18

Maturity and sector structure of Denar and foreign currency placements

	Share on 30.06.2004 (in %)	Quarterly change (in percentage points)	Annual change (in percentage points)
Denar placements			
maturity structure			
- short-term	59.1	-2.5	-6.0
- long-term	40.9	2.5	6.0
structure by sectors			
- enterprises	71.9	-2.8	-6.5
- households	27.2	2.0	6.6
- other	0.9	0.8	-0.1
Foreign currency placements			
maturity structure			
- short-term	39.4	-5.1	-4.0
- long-term	60.6	5.1	4.0
structure by sectors			
- enterprises	96.0	-0.8	-1.2
- households	1.4	0.6	0.6
- other	2.6	0.2	0.6

Source: National Bank of the Republic of Macedonia



Financial Markets in the Republic of Macedonia

Table 19

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				
Publicly owned enterprises market - 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
Publicly owned enterprises market - 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

Table 20

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

	I-VI.2004	III-VI.2004	<u>III-VI 2004</u> I-III 2004		<u>III-VI 2004</u> III-VI 2003		<u>I-VI 2004</u> I-VI 2003	
	amount		amount	%	amount	%	amount	%
Foreign trade	2,043.4	1,076.2	109.0	11.3	139.4	14.9	281.2	16.0
Exports	724.2	365.5	6.9	1.9	9.7	2.7	74.6	11.5
Imports	1,319.3	710.7	102.0	16.8	129.7	22.3	206.6	18.6
<i>Balance</i>	<i>-595.1</i>	<i>-345.1</i>	<i>-95.1</i>	<i>38.0</i>	<i>-120.0</i>	<i>53.3</i>	<i>-131.9</i>	<i>28.5</i>

Source: State Statistical Office of the Republic of Macedonia

Table 21

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

	Foreign trade		Exports		Imports		Import-export coverage ratio
	(in US Dollar million)	Share	(in US Dollar million)	Share	(in US Dollar million)	Share	in %
Republic of MACEDONIA	2,043.4	100.0	724.2	100.0	1,319.3	100.0	54.9
<i>out of which:</i>							
Germany	316.3	15.5	144.3	19.9	172.0	13.0	83.9
Serbia and Montenegro	251.6	12.3	140.0	19.3	111.6	8.5	125.5
Greece	242.5	11.9	106.7	14.7	135.8	10.3	78.6
Italy	129.3	6.3	53.5	7.4	75.8	5.7	70.6
Russia	125.9	6.2	8.5	1.2	117.4	8.9	7.3
Bulgaria	123.1	6.0	21.9	3.0	101.2	7.7	21.6
Slovenia	86.9	4.3	10.3	1.4	76.6	5.8	13.4
France	68.5	3.4	34.7	4.8	33.8	2.6	102.8
Croatia	68.2	3.3	39.4	5.4	28.8	2.2	136.5
Turkey	68.1	3.3	24.3	3.4	43.8	3.3	55.6
Total (10 largest trading partners)	1,480.2	72.4	583.6	80.6	896.6	68.0	65.1

Source: State Statistical Office of the Republic of Macedonia



Table 22

Foreign trade of the Republic of Macedonia with economic groups of countries, I-VI, 2004
(at 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	1,112.7	1,319.3	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 23

Foreign trade of the Republic of Macedonia according to the economic use of the products
(at current exchange rate)

	I-VI 2004			
	Export		Import	
	US Dollar million	Share	US Dollar million	Share
TOTAL	724.2	100.0	1,319.3	100.0
Reproduction materials	320.8	44.3	850.4	64.5
Means of production	12.2	1.7	152.2	11.5
Consumption goods	390.6	53.9	315.4	23.9
Undistributed	0.6	0.1	1.2	0.1

Source: State Statistical Office of the Republic of Macedonia



External debt

Table 24

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 24

NBRM Balance sheet on March 31, 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