

# **National Bank of the Republic of Macedonia**



## **Quarterly Report**

### **IV / 2004**

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## Macroeconomic Developments in the Republic of Macedonia in the fourth quarter of 2004

In the fourth quarter of 2004, the NBRM made changes in the monetary policy instruments, thus contributing towards maintaining the Denar exchange rate stability. In October and November 2004, the foreign trade developments generated higher demand for foreign assets and consequently, pressures for depreciation of the domestic currency. Such movements on the foreign exchange market, as well as the expectations for concentration of the budget spending at the end of the year imposed the need of changing the monetary policy in mid November. Thus on November 12, 2004, the NBRM increased the CB bills interest rate by 1 percentage point, so the interest rates on CB bills with maturity of 7 and 28 days equaled 7% and 10%, respectively. In addition, in December 2004, the NBRM adopted a decision on increasing the reserve requirement (for Denar and foreign currency deposits) from 7.5% to 10% which enters into force on January 11, 2005. The switch in the monetary policy *ex ante*, the need for higher Denar liquidity due to the higher reserve requirement, the failure to realize a larger portion of the projected budget spending, as well as the need of complying of the open foreign exchange position of some banks resulted in favorable developments on the foreign exchange market and a net purchase of foreign currency in December 2004.

The maintained Denar exchange rate stability is aimed at preserving low and stable inflation rate. In 2004, the average inflation rate, measured through the consumer prices movements registered a negative average change of 0.4%, solely determined by non-monetary factors (primarily due to the lower costs for food, in line with the lower customs duties after the admission to the WTO). The core inflation rate, excluding the influence of the food and the energy, is positive in 2004 and equals 1.19% on average.<sup>17</sup>

With respect to the economic activity, the positive monthly dynamics of the industrial output in October and December 2004 contributed to a considerable decrease in the intensity of the negative cumulative change. Thus although the cumulative fall in the industrial output equals 16.9% in the first nine months of the year, the cumulative decline in 2004 equals 12.7% (reflecting the positive movements in the basic metals industry, the food industry and the textile industry). Having in mind the high import component of the Macedonian output, the accelerated economic activity also partially contributed towards the relatively higher import demand in the last quarter of the year. Thus the quarterly increase in the imports (fourth compared to third quarter of 2004) equaled 22.5% and it is primarily due to the high import of iron and steel for further processing, and partially to the import of vehicles, which intensified in December 2004, immediately prior to the reintroduction of the excise for imported vehicles on January 1, 2005. The relatively higher growth in the imports relative to the exports of goods (quarterly growth of 12.3%) resulted in deepening of the deficit in the foreign trade, which in the fourth quarter of 2004 totaled US Dollar 368.4 million (quarterly growth of 39.5%).

The positive movements in the banking sector manifested through the higher deposit potential of the banking system, the relatively lower loan price and the more accelerated credit activity remained in the fourth quarter of 2004. Thus the total deposit potential of the banking system was by 5.2% higher on a quarterly basis, reflecting the higher level of short-term and long-term deposits (by 4.9% and 9.9%, respectively). The quarterly increase in the long-term foreign exchange deposits of 15.8% resulted in 0.3 percentage points higher share of the long-term deposits in the total deposits, indicating positive movements in the maturity structure of the deposits. The higher deposit potential of the banks contributed towards higher credit activity of the banks, which went up by 5.5% in the last quarter of this year. Thus the last quarter of 2004 registered a significant increase in the foreign currency placements (by 27.3% more compared to September 2004), primarily due to the intensive lending to the enterprises for repaying domestic and external liabilities. Such developments were particularly intensive in December, which partially explains the maintenance of the demand for foreign currency of the enterprises in this month at the level of November, notwithstanding the expectations for its increase in line with the higher level of import of goods.

With respect to the banks' interest rates policy, the last quarter of the year registered positive movements directed towards reducing the lending interest rate (of the Denar loans). Thus the average weighted interest rate of the Denar short-term credits equaled 11.99% in December (12.15% at the end of September), which is a decrease of 0.2 percentage points. The lower price of Denar loans and the unchanged level of the deposit interest rate of the banks resulted in proportionate narrowing of the interest rate spread. The lending

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<sup>17</sup> The calculation of the core inflation rate is made in the Research Department according to its own methodology not confirmed with the State Statistical Office.



foreign exchange interest rate went up quarterly by 0.3 percentage points (thus equaling 7.9% in December 2004), partially due to the higher demand for foreign exchange loans in the last quarter of the year.



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

- ❖ *On October 1, the President of the European Commission handed over the EU Questionnaire to the Macedonian leaders.*
- ❖ *On October 1, within the Project on Competitiveness, the fifth cluster, the Textile Cluster was established, supported by the National Council of Entrepreneurship and Competitiveness.*
- ❖ *On October 4, the Regulatory Energy Committee adopted a Decision on setting the highest prices of certain oil derivatives determined in line with the Methodology ("Official Gazette of the Republic of Macedonia", no. 67/2004), according to which the retail prices and the refinery prices of oil derivatives registered an average increase of 9.32% and 5.7%, respectively.*
- ❖ *On October 13, the Government of the Republic of Macedonia and the EBRD signed the agreement on privatization of the electricity supply company "Elektrostopanstvo na Makedonija" (ESM). Pursuant to this agreement, the EBRD provides assistance in the privatization in the amount of Euro 45 million, requiring the procedure for the privatization of ESM to last two years, at the most.*
- ❖ *On October 21, The National Bank of the Republic of Macedonia Council adopted a Decision on approving short-term liquidity credit as lender of last resort. The credit of last resort will enable the banks to overcome their potential liquidity problems more easily. The periods of approval of the credit will be up to three months.*
- ❖ *On November 12, the National Bank of the Republic of Macedonia adopted a decision on increasing the CB bills interest rate by 1 percentage point. Thus the interest rate on CB bills with maturity of 7 and 28 days equals 7% and 10% p.a., respectively.*
- ❖ *On November 24, the Government of the Netherlands granted Euro 9 million to the Republic of Macedonia. The grant is a part of the assistance (Euro 15.3 million) the Netherlands allocated to the Republic of Macedonia within the PSMAL - arrangement of the World Bank. The purpose of this assistance is to give support to the Macedonian Government in the public administration reform process, for maintenance of the macroeconomic stability, for unemployment and poverty reduction, and for anti-corruption activities.*
- ❖ *On December 10, the NBRM Council passed a Decision on increasing the rate of reserve requirement allocated by the banks. The existing uniform rate of reserve requirement allocated on Denar and foreign exchange deposits increased from 7.5% to 10%. This Decision will be effective from January 11, 2005.*
- ❖ *On December 10, the NBRM Council passed a Decision on changing the frequency of CB bills auctions with maturity of seven days. Starting from December 13, 2004, the auctions of these bills are being conducted every day, instead of twice a week.*
- ❖ *On December 13, the Regulatory Energy Committee passed a Decision on setting highest prices for certain oil derivatives, determined in line with the Methodology ("Official Gazette of RM" No. 88/2004), by which the retail prices and the refinery prices of oil derivatives reduced on average by 6.63% and 4.03%, respectively.*
- ❖ *On December 21, Tutunska Banka was approved a so-called syndicated loan from the EBRD, together with a group of eminent foreign banks, thus becoming the first banking institution in the Republic of Macedonia appearing on the international financial market. The funds from the loan (in the amount of Euro 20 million) will be intended for the small-size and medium-size enterprises.*



## 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 %		
<b>Costs of living</b>	XII.2004	-	-0.7	-1.9	-0.4
<b>Retail prices</b>	XII.2004	-	-1.2	-0.1	0.9
<b>Prices of producers of industrial products</b>	XII.2004	-	-1.5	1.3	0.9
<b>Industrial output</b>	XII.2004	- in Denar million	14.7	23.0	-12.7
<b>Retail sale</b>	XI.2004*	5,191	-6.6	13.4	6.0
<b>Whole sale</b>		8,715	-4.3	28.4	17.6
<b>Completed construction works</b>	XI.2004*	727 in denars	-9.6	-26.9	3.2
<b>Nominal average net paid wage</b>	XI.2004*	12,293	-2.5	3.5	3.9
<b>Real average net paid wage</b>	XI.2004*	-	-3.0	4.3	4.2
<b>Totan number of employed</b>	XI.2004*	256,346 in Denar million	-0.3	-4.8	-5.5
<b>Budget revenues</b>	XII.2004	5,456	18.8	23.4	5.8
<b>Budget expenditures</b>	XII.2004	5,853	13.8	-13.6	0.3

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

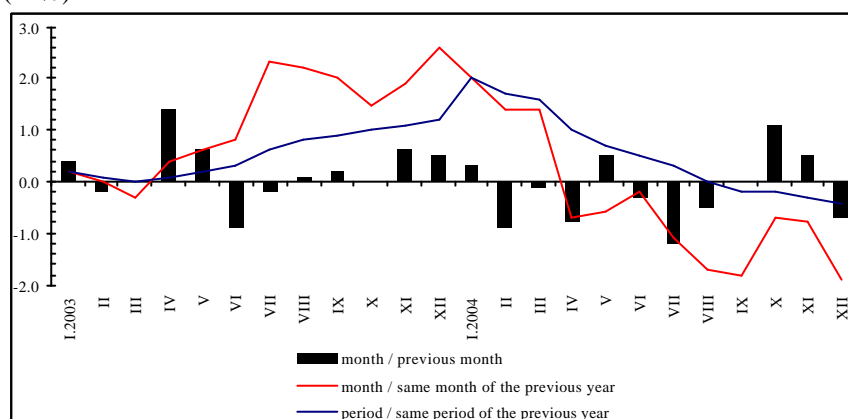
## 1.1.

## Prices

*Average decrease in the consumer prices of 0.4%...*

In 2004, the consumer prices registered an average decrease of 0.4%. The absence of inflation pressures is primarily due to the decrease in the costs of food, as dominant component of the consumer prices, which were lower by 3.1%. The decrease in the costs of food is primarily caused by the lower retail prices of agricultural and food products, reflecting the gradual decrease in the average tariff rate<sup>2</sup> on the imported products. On the other hand, on average, all other cost categories registered an increase. The increase in these costs reflects the changes to the structure of VAT<sup>3</sup> in 2003 to a large extent, which resulted in lower comparison base in the first three months of 2003. Thus the increase in the costs of housing of 2.2% reflects the higher costs of electricity<sup>4</sup> (by 3.3%) and the higher costs of heating services<sup>5</sup> (by 2.1%). In 2004, compared to the previous year, the costs of goods decreased by 1.1% on average, contrary to the costs of services which registered an increase of 3.3% (mainly as a result of the higher costs of telephone services and heating services to households by 5.9% and 2.1%, respectively)<sup>6</sup>. The monthly dynamics of the consumer prices in the last quarter is primarily caused by the movement of the costs of food. Monthly increase was registered in October and November, while, the consumer prices registered a monthly decrease in December.

Chart 1  
Consumer prices  
(in %)



*...while the retail prices registered an average increase of 0.9%*

The increase in the prices of both, the non-food industrial products and industrial products (of 2.1% and 0.3%, respectively) resulted in an increase in the retail prices of 0.9% in 2004. The prices of the non-food industrial products mainly resulted from the movement in the prices of oil derivatives. On the other hand, the prices of the industrial food products, agricultural products and beverages register an average decrease, which is in accordance with the lower prices of the producers of several types of food products, agricultural products and of the producers of beverages. Observed from structural aspect, in 2004 the prices of services measured through the retail price index have risen by 2.5%, on

<sup>2</sup> In accordance with the membership of the Republic of Macedonia in WTO and the Stabilization and Association Agreement with the EU

<sup>3</sup> Since April 01, 2003, pursuant to the legal changes to the VAT, the VAT general rate decreased from 19% to 18%, while certain categories of products and services, which were until then taxed with privileged rate of 5%, started to be taxed with the general rate

<sup>4</sup> The increase in the costs of electricity is caused by the increase in the retail price of electricity for households, the implementation of which, according to the changes to the VAT, started on July 1, 2003

<sup>5</sup> In accordance with the changes to the VAT, the heating services also increased

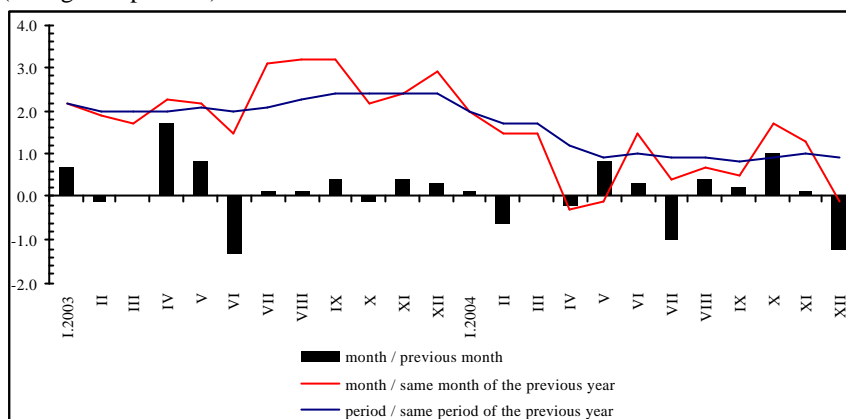
<sup>6</sup> For the purpose of obtaining more detailed analysis of the certain categories, the consumer price index according to the COICOP (Classification of Individual Consumption by Purpose) is used.





average, given the unchanged level of the prices of goods. In the fourth quarter of 2004, monthly increase in the retail prices was registered in October 2004, primarily as a result of the higher prices of agricultural products (seasonal effect) and food products. In November, the retail prices remained unchanged on a monthly basis, while in December, they registered a monthly decrease mainly caused by the lower prices of both, the non-food industrial products and the industrial products.

Chart 2  
Retail prices  
(changes in percent)

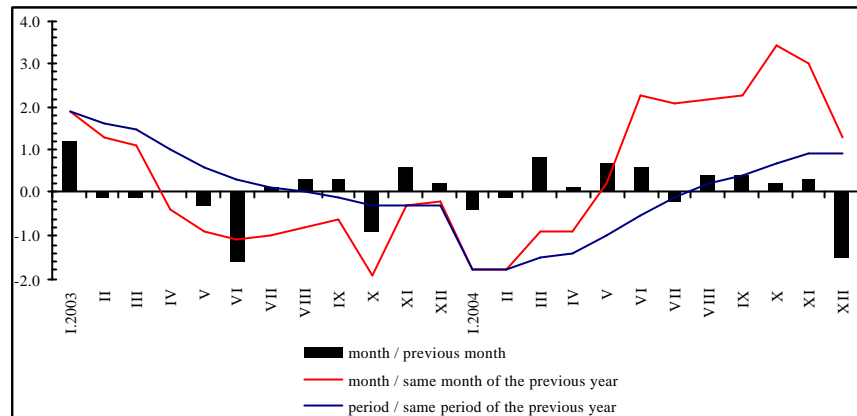


*In 2004, the prices of the producers of industrial products registered an average increase of 0.9%*

In 2004, the prices of the producers of industrial products increased by 0.9%, on average. Analyzed by the main groups of products, an increase was registered only in the prices of the producers of energy (of 1.3%, primarily reflecting the increase in the prices of the producers of oil and oil derivatives of 3.5%), intermediary products, except energy (of 4.6%, mainly caused by the increase in the prices of the producers of basic metals of 1.4%, as well as the prices of the producers of electrical apparatus of 18.8%). The prices of the producers of durable consumption goods also increased (by 0.5%). On the other hand, the prices of the producers of non-durable consumption goods register a decrease of 3.3%, on average, mainly as a result of the drop in the prices of the producers of food products and beverages (of 3.9%), and the decrease in the prices of the producers of textiles (of 1.1%). The movement of the prices in these products can be partially explained with the need to adjust the prices of the domestic producers, because of the competitiveness in the imports and lower customs burdening. The prices of the producers of capital goods were lower by 0.5%, primarily because of the decrease in the prices of the producers of fabricated metal products, except machinery and equipment (of 1.1%). Analyzed by sectors, in 2004 the prices of the producers in the processing industry and in the sector "mining and quarrying" registered an average increase of 1.1% and 0.5%, respectively, contrary to the prices of the producers in the sector "electricity, gas and water supply", which remained unchanged. In the fourth quarter of 2004, monthly increase in the prices of the producers of industrial products was registered in October and November, mainly as a result of the increase in the prices of the producers of energy and durable consumption goods. In December, monthly decrease, which primarily reflects the decrease in the prices of the producers of energy, was registered.



Chart 3  
Prices of producers of industrial products  
(in %)



## 1.2.

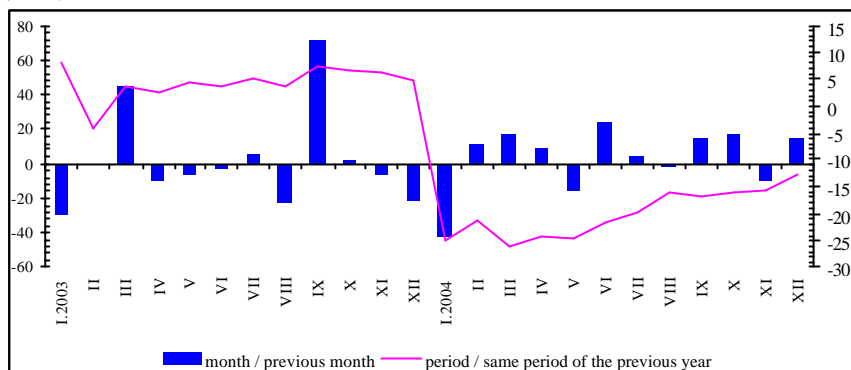
## Economic activity

*In 2004, the industrial output registered an average decline of 12.7%*

In 2004, in comparison with the previous year, the volume of the industrial output registered an average decrease of 12.7%<sup>7</sup>. Namely, the absence of product activity in several key industrial facilities in the first half of the year, as well as the delay in the process of resolving the status of some of the loss-making companies, had a negative effect on the total industrial activity. However, the restartation of one of the larger industrial facilities in the second half of the year enabled gradual decrease in the intensity of the negative dynamics of the industrial output until the end of the year. Analyzed from the aspect of industrial sectors, in 2004, compared to the previous year, on average, reduced activity was registered in all three sectors. Thus, the decrease in the output in the sector "mining and quarrying" equals 66% (caused by the non-functioning of large number of mines), 11.6% in the processing industry, and 3.1% in the sector "electricity, gas and water supply". The lower production in the processing industry (89.9% of the total output) is mainly caused by the reduced activity of the producers of food products and beverages, the inactivity of part of the metalworking facilities, as well as from the reduced production of oil derivatives. From the aspect of the monthly changes, increase in the production activity is registered in October and December, while in November the intensity of the industrial output in comparison with the previous month was lower, mainly as a result of the reduced production of intermediary products, except energy, capital goods and non-durable consumption goods.

<sup>7</sup> Source of data for the monthly report on the volume of industrial output are the results stated in the Monthly Report pertaining to industry, industrial output, stocks and the employees in industry. However, the used weights do not correspond to the weights used in the calculation of the gross value added on annual level. Thus the effects from the monthly changes in the industrial output on the annual gross domestic product will be more moderate

Chart 4  
Industrial output  
(in %)



*In the January - November 2004 period, the total value of the sold agricultural products registered an average decrease of 2%...*

In the January - November 2004 period<sup>8</sup>, the total value of the sold agricultural products from the agricultural enterprises' and collectives' own production equaled Denar 3,217 million, which is a decrease of 2%, compared to the same period of 2003. Among the product categories of higher importance for the agricultural enterprises, more intensive decrease was registered in the sale of alcoholic beverages, cattle and in the sale of fruits and grapes. Higher increase in the sale was registered in cereals, industrial plants, garden plants and in the sale of milk and dairy products. In the September - November 2004 period, the total value of the sold agricultural products registered a cumulative increase of 11.8% and it equals Denar 1,215 million. The highest sale during the analyzed period was registered in November.

*...with the simultaneous decrease in the value of the purchased agricultural products from the individual agricultural producers of 1.3% being registered*

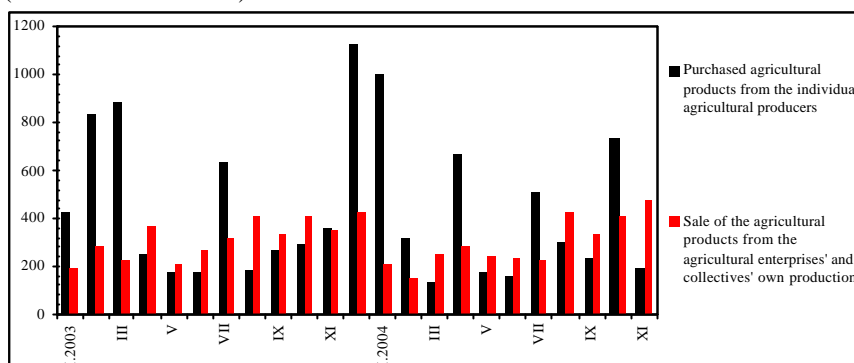
In the January-November 2004<sup>9</sup>, the total value of the agricultural products purchased from the individual agricultural producers equaled Denar 4,404 million, which is a decrease of 1.3% compared to the same period of the previous year. Among the categories of agricultural products of higher importance, the most significant decrease was registered in the purchase of milk and dairy products, industrial plants and cattle (of 7.5%, 9.7% and 45.3%, respectively). Also, a significant drop was registered in the purchase of leather and wool from the individual agricultural producers (of 81.9%). On the other hand, an increase was registered in the purchase of cereals, vegetables, fodder and roughage, as well as in the purchase of fruits and grapes. Products in the total amount of Denar 1,165 million were purchased during the September - November 2004 period, which is a significant increase of 28% compared to the same period of the previous year. Analyzed by months, the highest purchase was registered in October, mainly caused by the seasonal purchase of both, fruits and grapes and industrial products.

<sup>8</sup> Last available data of the State Statistical Office

<sup>9</sup> Last available data of the State Statistical Office



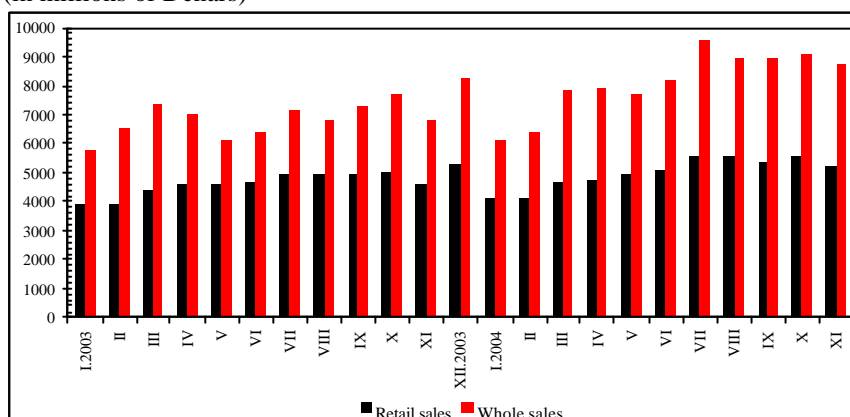
Chart 5  
Sale and purchase of agricultural products  
(in millions of Denars)



*In the January - November 2004 period, the total turnover in the domestic trade registered an increase*

In the January - November 2004 period<sup>10</sup>, the total trade turnover equaled Denar 141,473 million. The retail sale and wholesale turnover equaled Denar 53,448 million and 88,024 million, respectively, which is a cumulative increase of 6% and 17.6%, respectively. The total trade turnover in the September - November 2004 period equaled Denar 42,898 million, with the share of the retail sale in the total sale equaling 37.6%, while the share of wholesale being equal to 62.4%. From the aspect of the monthly dynamics, the total trade turnover was the highest in October.

Chart 6  
Trade turnover  
(in millions of Denars)



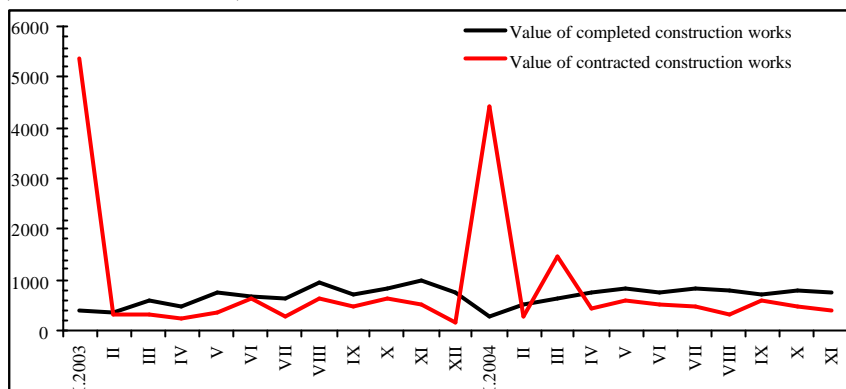
*Intensified construction activity*

The intensified construction activity in the January - November 2004 period<sup>11</sup> resulted in a cumulative increase in the completed construction works of 3.2%, with their value reaching Denar 7,525 million. In the September - November 2004 period, the total value of the completed construction works amounted to Denar 2,229 million, which is by 11.3% less compared to the same period of the previous year. The monthly analysis indicates that the lowest value of completed construction works was recorded in September (Denar 699 million), while the construction activity intensified in October and it equaled Denar 804 million. The total value of the contracted construction works for the January - November 2004 period equaled Denar 10,024 million, which is an increase of 2.7% compared to the same period of 2003. In the September - November 2004 period, the contracted construction works declined by 6.3% compared to the same period of the previous year and they equaled Denar 1,483 million.

<sup>10</sup> Last available data of the State Statistical Office

<sup>11</sup> Last available data of the State Statistical Office.

Chart 7  
Contracted and completed construction works  
(in millions of Denars)



### Attachment 1

#### Gross Domestic Product of the Republic of Macedonia in the first three quarters of 2004

In the third quarter of 2003, compared to the same period of the previous year, the gross domestic product<sup>12</sup> registered an increase of 1.5% in real terms. The analysis of the production side indicates an increment in the value added in all economic sectors (with the most intensive one being recorded in the construction and in the retail sale and the wholesale), excluding industry, where the value added declined by 8%.

Table 1  
Production side method for calculating GDP  
(real rates of change in %)

	2004			I-III.2004/I-III.2003
	I Q	II Q	III Q	
Agriculture, hunt, forestry and fishing	3.7	4.9	4.6	4.4
Mining and quarrying, processing industry and electricity, gas and water supply	-25.1	-17.1	-8.0	-16.4
Construction	4.0	11.5	7.9	8.3
Wholesale and retail sale	5.0	6.7	8.2	6.6
Hotels and restaurants	5.4	8.7	2.7	5.4
Transport, storage and communications	2.0	5.0	5.2	4.1
Financial intermediation, Activities related to real estate, renting and business activities Other public utility, general and personal service activities Input rents	2.2	3.2	2.7	2.7
Public administration and defense, obligatory social security, Education, Health and social work and Exteritorial organizations and bodies	2.4	2.1	1.1	1.9
Imputed banking services	-0.7	1.9	2.3	1.1
Value added	-3.2	-0.1	1.5	-0.5
Net taxes on production	-3.2	-0.1	1.5	-0.5
Gross Domestic Product	-3.2	-0.1	1.5	-0.5

Analyzed on cumulative basis, in the first three quarters of 2004, compared to the same period of the previous year, the GDP is lower by 0.5%. The decrease in the GDP in the first three quarters of the year is totally due to the lower value added in industry (by 16.4%), having in mind the high share of industry in the value added of the GDP (23.5%). Thus, the inactivity of part of the industrial facilities in 2004 had an appropriate reflection on the total economic activity. The decrease was especially evident in the first and the

<sup>12</sup> According to prices registered in 1997, while each previous year is considered as a base year.

second quarter of 2004, and obviously it acted as a forceful negative shock for the Macedonian economy.

The analysis of the expenditure<sup>13</sup> aggregates of the GDP in the third quarter of 2004 compared to the same period of the previous year, points to a decrease in the public consumption (of 2.7%), mainly due to the lower current expenditures (except the wage expenses in the public administration). Simultaneously, all other expenditure aggregates of the GDP register an increase. In the first three quarters, compared to the same period of the previous year, positive changes in all expenditure aggregates of the GDP were registered. The high demand for import (an increment of 12.9%), having in mind the effect of the reduced custom duties, had a dominant influence on the movement of the prices in the domestic economy.

Table 2  
Expenditure aggregates of the GDP - nominal rates of change  
(in %)

	III Q 2004* / III Q 2003	I-III Q 2004* / I-III Q 2003
Public consumption	-2.7	1.5
Investments in machines and equipment	6.4	6.9
Export of goods and services	19	8.6
Import of goods and services	19.1	12.9

\* Preliminary data of the State Statistical Office for 2003, estimated data for 2004.

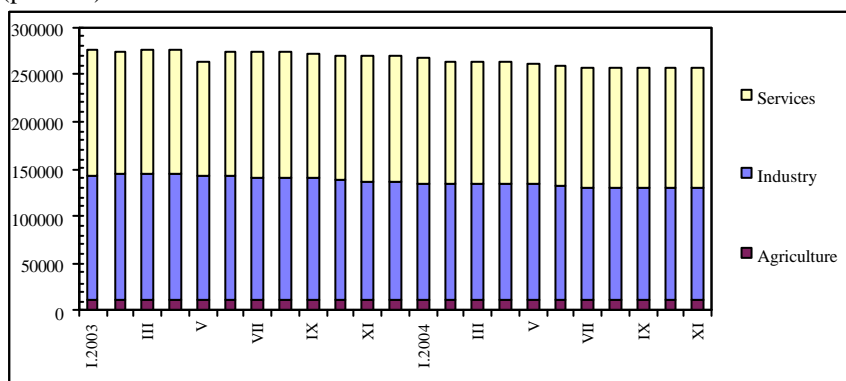
### 1.3.

### Other macroeconomic developments

*Reduced number of employed persons in the January - November 2004 period was registered...*

In the January - November 2004 period<sup>14</sup>, the average number of employed persons in the Republic of Macedonia equaled 259.761 persons, which is a decrease of 5.5% compared to the same period of 2003. During the analyzed period, the number of employed persons was reduced in all three sectors of the economy. In industry, which engages 122,339 persons, or 47.1% of the total number of employed persons, the most intensive average decrease was registered in the sector "mining and quarrying" (of 51.7%), given the simultaneous decrease in the number of employees in the remaining sectors. Thus the number of employees in the processing industry (having the dominant share in the total number of employed persons of 32.6%) dropped by 3%.

Chart 8  
Employment by sectors  
(persons)



<sup>13</sup> The calculations of the GDP on a quarterly basis still do not cover the personal consumption, the investments in constructions and the change in the stocks.

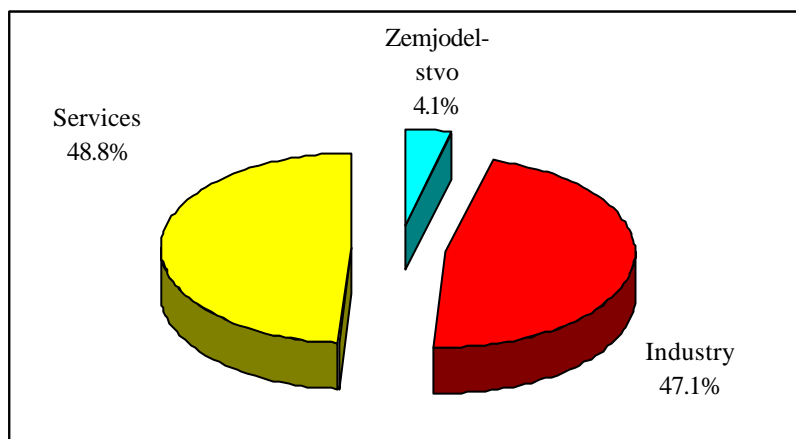
<sup>14</sup> Last available data of the State Statistical Office.



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

Within services (the share of which in the number of employed persons equals 48.8%), the most intensive decrease in the number of employees (by 40.1%) is registered in the sector "wholesale and retail sale". On the other hand, the number of employed persons in the sectors "transportation, storage and communications", "public administration and defense" and in the sector "education" (which together engage 23.7% of the total number of employed persons), increased by 0.9%, 6.6% and 6%, respectively. In agriculture (which engages 4.1% of the total number of employees), the number of employed persons in the sector "agriculture, hunting and forestry" dropped by 5.9%, given the simultaneous decrease in the number of employed persons in the sector "fishing".

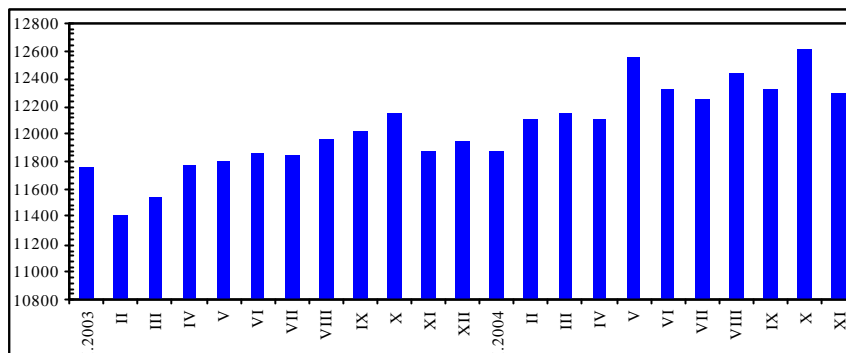
Chart 9  
Employment distribution by sectors (I-IX, 2004)  
(in %)



In the January - November 2004 period<sup>15</sup>, the average net paid wage per worker in the Republic of Macedonia equaled Denar 12,272, which is an increase in nominal and in real terms (of 3.9% and 4.2%, respectively) compared to the same period of 2003. The highest monthly increase in the wages in nominal terms is registered in the sector "agriculture" (of 15.1%), given the simultaneous increase in the nominal wage in the sectors "industry" and "services" (of 3.8% and 3.3%, respectively). The highest increase in the wages was registered in fishing and in "hotels and restaurants" (of 40.9% and 12%, respectively). In the September - November 2004 period, the nominal average wage per worker equaled Denar 12,441 million, with the highest amount per worker in this period being paid in October (Denar 12,609 million).

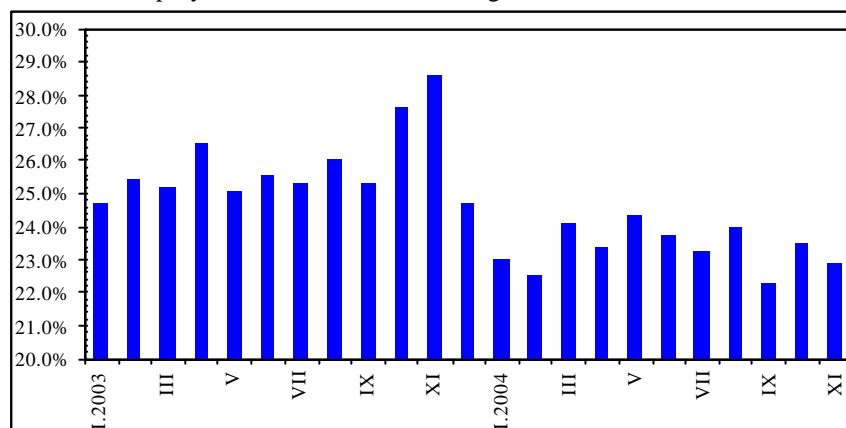
<sup>15</sup> Last available data of the State Statistical Office

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



In the January - November 2004 period<sup>16</sup>, the number of employees that did not receive wage for the respective month equaled 23.4% on average, which is by 2.5 percentage points less compared to the same period of 2003. In the September - November 2004 period, this percentage equaled 22.9%, on average, which is a decrease of 4.3 percentage points in comparison with the same period of the previous year. Within the analyzed quarter, the lowest percentage of employees that did not receive wage was registered in September (22.3%).

Chart 11  
Number of employees that did not receive wage



*In the fourth quarter of 2004, higher amount of the budget revenues compared to the same period of 2003 was registered...*

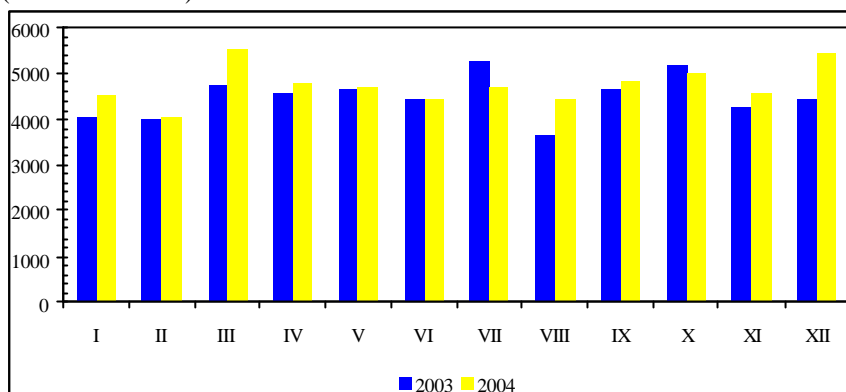
In the fourth quarter of 2004, the total public revenues equaled Denar 23.491 million. The revenues of the central Government budget registered a quarterly increase of 7.7% and they equaled Denar 15,035 million. The increase in the total budget revenues is a result of the higher level of all main revenue categories. Significant increase was registered in the tax revenues (of 8.2%) and capital revenues (of 10.2%). The main reason for the increased tax revenues is the higher amount of revenues originating from the collection of the value added tax (an increase of 18.7%, mainly as a result of the seasonally higher turnover in the domestic trade in the last months of the year) and the higher amount of revenues originating from customs (an increase of 21.3%, as a result of the intensified import in the last quarter of the year). On annual basis (fourth quarter of 2004 / fourth quarter of 2003), the total budget revenues augmented by 8.6%, primarily due to the higher tax revenues (by 9.9%), given the simultaneous more moderate increase in the non-tax and capital revenues (of 5.7% and 3.7%, respectively).

<sup>16</sup> Last available data of the State Statistical Office



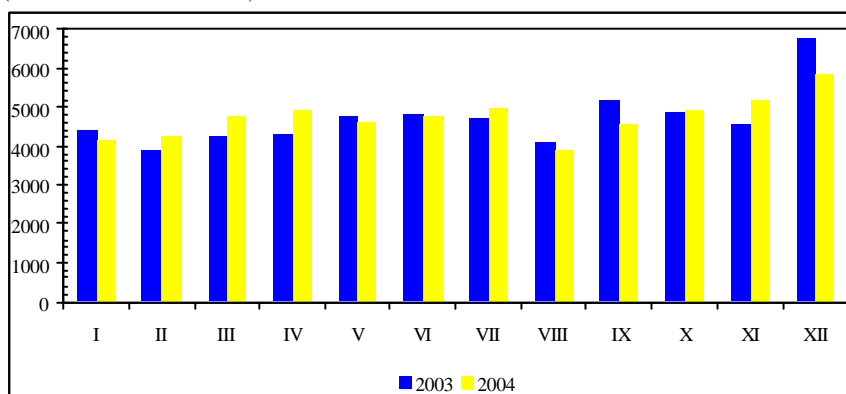


Chart 12  
Total revenues of the central budget  
(in Denar million)



In 2004, the total revenues of the central Government equaled Denar 56,983 million, which is an increase of 5.8% compared to the previous year. The increase was registered in the tax and capital revenues (of 6.8% and 8.1%, respectively), given the simultaneous decrease in the non-tax revenues (of 4.9%). The increase in the tax revenues in 2004 is a result of the increased collection of the value added tax (of 21.6%), which corresponds to the improved fiscalization. On the other hand, the budget revenues originating from the import duties (excises and custom duties) reduced in 2004. The decrease in the custom duties reflects the burdening of the import with taxes, after the joining of the Republic of Macedonia to the World Trade Organization and the abolishment of the excise for import of motor cars.

Chart 13  
Total expenditures of the central budget  
(in millions of Denars )



In the fourth quarter of 2004, the total public expenditures equaled Denar 24,158 million, Denar 15,917 of which are expenditures of the central Government budget. In comparison with the previous quarter, the total expenditures of the central budget registered an increase of 19.3%, reflecting the increase in the current expenditures (mainly as a result of the higher expenditures for goods and services and transferred payments) and capital expenditures (by 16.1% and 53.2%, respectively). The increase in the capital expenditures is primarily a result of the higher costs for purchase of fixed assets. On annual basis (fourth quarter of 2004 / fourth quarter of 2003), the expenditures of the central Government decreased by 1.7%, as a result of the decrease in the capital expenditures of 22.8% (due to the lower capital transfers), given the simultaneous increase in the current expenditures by 1.8%. In 2004, compared to 2003, the total budget expenditures were higher by 0.3%. The current

...and higher budget  
expenditures



expenditures registered a moderate increment of 1.5%, while the capital expenditures declined by 3% (mainly caused by the lower capital transfers).



## II. Monetary developments in the Republic of Macedonia

### Basic monetary indicators

	31.12.2004	Monthly changes		Annual changes	
	In Denar million	In Denar million	in %	In Denar million	in %
Reserve money	17,745	1,523	9.4	-507	-2.8
Currency in circulation	14,162	850	6.4	-15	-0.1
Demand deposits	13,388	373	2.9	292	2.2
Money supply M1	27,550	1,223	4.6	277	1.0
Money supply M2 - denar	48,033	2,250	4.9	5,192	12.1
Money supply M2	88,841	4,060	4.8	12,813	16.9
Money supply M4	93,902	4,515	5.1	13,089	16.2
Total deposits	66,352	3,292	5.2	12,812	23.9
Short - term	61,291	2,837	4.9	12,536	25.7
Long - term	5,061	455	9.9	276	5.8
In Denar	23,843	1,250	5.5	4,778	25.1
In foreign currency	42,509	2,042	5.0	8,034	23.3
Total banks' placements	62,272	3,229	5.5	11,944	23.7
In Denar	50,925	796	1.6	7,844	18.2
In foreign currency	11,347	2,433	27.3	4,100	56.6
	(in %)	In percentage points			
Average weighted interest rate on the CB bills auctions (on 28 days)	10.0%	1.0		3.8	
Weighted average money market interest rate	8.0%	1.2		2.2	
Weighted banks' lending interest rates	11.99%	-0.2		-2.5	
Weighted banks' deposit interest rates	6.52%	0.0		-0.2	

Source: National Bank of the Republic of Macedonia



## 2.1.

## Monetary Regulation

In the last quarter of 2004, the NBRM made changes in the monetary policy that contributed towards stabilizing the foreign exchange market developments and maintaining the stability of the nominal exchange rate of the Denar against the Euro. Thus, in November, the CB bills interest rates went up, while the decision on increasing the reserve requirement rate (which is to enter into force on January 11, 2005) was adopted in December. The preserved Denar exchange rate stability contributed towards maintaining an inflation pressure-free environment.

The quarterly analysis (December 2004 / September 2004) of each factor that affect the liquidity indicates a liquidity creation in the banking system. Thus the additionally created liquidity is particularly due to the Government Denar deposits, as well as the CB bills auctions. On the other hand, the NBRM foreign exchange transactions and the seasonally higher level of currency in circulation were the main flows of withdrawing liquidity from the banking system.

Table 1  
Liquidity creation and withdrawal  
(in Denar million)

	30.09.2004	Monthly changes				31.12.2004
		October	November	December	Total	
<b>Bank liquidity</b>	<b>2,910</b>	<b>657</b>	<b>-391</b>	<b>407</b>	<b>673</b>	<b>3,583</b>
<i>Liquidity creation</i>					<b>2,355</b>	
1. Net domestic assets	-21,434	1,341	-343	927	1,925	-19,509
2. CB' Bills auctions	4,897	567	-34	-188	345	4,552
3. Other	103	74	10	1	85	18
<i>Liquidity withdrawal</i>					<b>-1,682</b>	
1. Net foreign assets	42,656	-1,325	-343	836	-832	41,824
2. Currency in circulation	13,312	0	319	-1,169	-850	14,162

*Higher average daily liquidity  
of the banks in the fourth  
quarter of 2004*

In the fourth quarter of 2004, the average daily liquidity of the banking system totaled Denar 3,682.6 million, which is an increase of Denar 39 million, or 1.1% compared to the previous quarter. All autonomous factors acted towards increasing the average daily liquidity, with a portion of the additionally created liquidity being sterilized through the higher average level of CB bills. Analyzing the dynamics, October 2004 registered the lowest average daily amount of liquidity (Denar 3,369.7 million), due to the NBRM interventions on the foreign exchange market, as a dominant flow of liquidity withdrawal. November registered the highest average daily liquidity (Denar 3,939 million), as a result of the interest in investing in CB bills which is lower on average, the Government spending and the lower demand for currency in circulation. The average daily liquidity of the banks also dropped in the last month of the year (Denar 3,739 million) due to the higher demand for currency in circulation caused by seasonal factors. At the end of December 2004, the banks' total liquidity amounted to Denar 3.583 million, which is by Denar 673 million or by 23% more compared to the end of the preceding quarter. The significant increase in the liquidity is a common seasonal effect at the end of the year, and partially reflects the preparation of the banks to fulfill the higher reserve requirement (an increase in the reserve requirement rate from 7.5% to 10%).

Over the last three months of 2004, the excess liquid funds of the banks over the reserve requirement<sup>18</sup> (in Denars) registered inconsiderable changes compared to the preceding quarter (a fall of 0.5 percentage points) which is 11.5% on average. In October and November, the excess liquidity was below the average (9% and 9.5%, respectively), and in December, the allocated liquidity

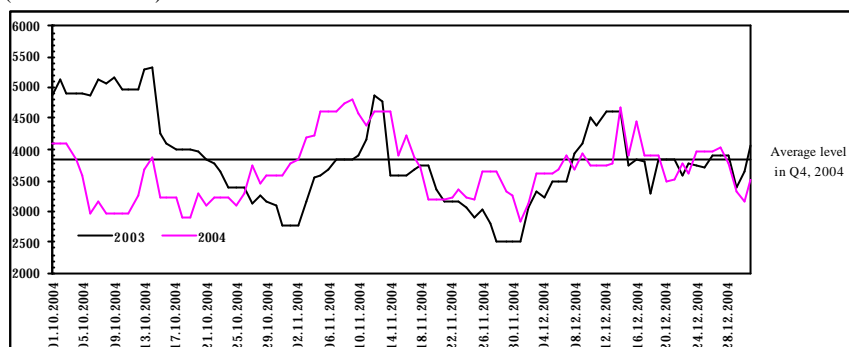
<sup>18</sup> The period for maintaining (fulfilling) the banks' reserve requirement covers the period from the 11<sup>th</sup> in the current month to the 10<sup>th</sup> in the following month.



level was higher (15.9% over the requirement), due to the NBRM decision on increasing the reserve requirement rate which is to enter into force in January 2005, as well as due to the higher needs for liquidity at the end of the year due to seasonal factors.

Chart 14

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

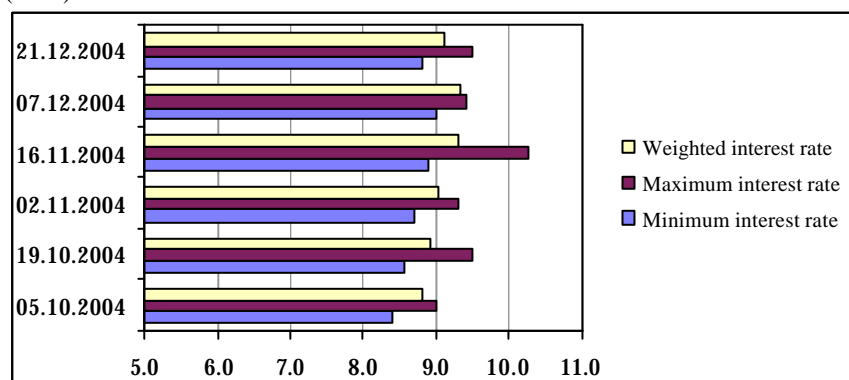


*The NBRM interventions on the foreign exchange market acted towards liquidity withdrawal*

In line with the accepted strategy of de facto targeting of the nominal exchange rate, the NBRM took active part on the foreign exchange market in the last quarter of 2004. October and November registered pressures for depreciation of the domestic currency generated from the foreign trade developments. The above resulted in a higher demand for relative to the supply of foreign currency and consequently, the NBRM intervened towards a net sale of foreign assets. In December, unlike the common seasonal dynamics of this autonomous factor, the NBRM intervened with a net purchase of foreign currency, thus acting towards liquidity creation. Such movements are partially due to the switch in the monetary policy (higher interest rate on CB bills and higher reserve requirement rate), thus imposing the need of preserving a higher Denar liquidity which was in part afforded through the conversion of foreign assets into Denars.

Chart 15

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



*In the fourth quarter, liquidity was created through the Government Denar deposits with the NBRM...*

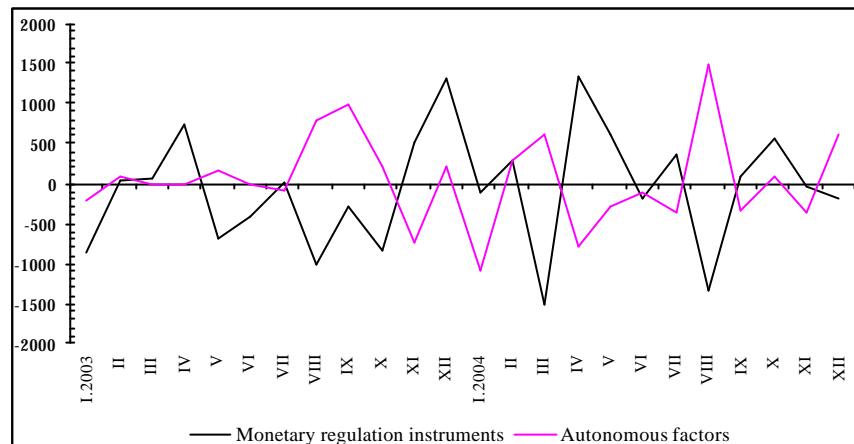
At the end of December 2004, compared to the end of the preceding quarter, the Government Denar deposits with the NBRM went down by 25.3% (given the transfer of the public funds' accounts from the banking system to the NBRM). The quarterly decline of the Government deposits with the NBRM is in line with the Government spending for the payment of the regular installment of the Government bonds for the old foreign exchange savings in October, and the higher budget spending at the end of the year. In line with the planned framework for conducting Treasury bills auctions, six three-month Treasury bills auctions were conducted in this quarter, realizing a total amount of Denar



1,871.8 million. In addition, the demand exceeded the supply on average, with the average weighted interest rate in the fourth quarter equaling 9.08% (8.4% in the preceding quarter). Trade in six-month Treasury bills was introduced in this quarter (starting from November 2, 2004). The six-month Treasury bills auctions are conducted once a month, with two actions being conducted in the fourth quarter. Denar 83.9 million were realized in total and the average weighted interest rate equaled 9.95%.

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

In the fourth quarter of 2004, the CB bills auctions acted towards liquidity creation, with the liquidity created on a cumulative basis totaling Denar 345 million. Such quarterly change was solely caused by the lower level of CB bills in October, due to the lower average daily liquidity of the banks primarily determined by the NBRM foreign exchange transactions. Thus the level of CB bills dropped by Denar 567 million on a monthly basis and totaled Denar 4,330 million at the end of the month. In the last two months of the year, the CB bills acted in line with their basic function, that is liquidity sterilization, partially due to the change in the interest rates. The CB bills interest rates went up in November by 1 percentage point, equaling 7% and 10% for CB bills with maturity of 7 and 28 days, respectively. Consequently, the average weighted interest rate on CB bills reached 8.95% in December, and in September 2004 it equaled 7.66%. Observed by the CB bills auctions design, on December 13, 2004 the NBRM started conducting everyday auctions of CB bills with maturity of 7 days. Such changes were aimed at proportionate offsetting of the potential adverse affects of some autonomous factors (the expected expansive budget spending, in particular).

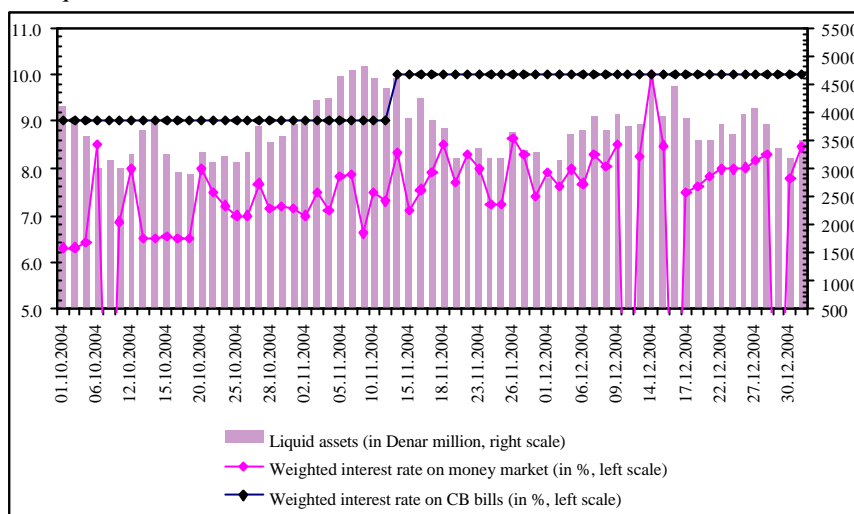
Lower activity on the  
institutionalized Money Market

In the last quarter of 2004, the average turnover on the institutionalized Money Market totaled Denar 399.3 million, which is a decrease of 2.1 times compared to the average of the preceding quarter. In this quarter, the lowest turnover was registered in December (Denar 218.4 million), which also represents the lowest turnover since the beginning of the year. The demand permanently exceeded the supply of liquid funds, and was by 1.2 times higher on average. The higher demand for short-term Denar funds, as well as the increase in the key interest rate (CB bills interest rate), respectively reflect on the average weighted interest rate on the money market, which equaled 7.4% on average (an increase of 0.7 percentage points compared to the preceding quarter). In the fourth quarter, the direct bilateral trading of the banks intensified, with a turnover of Denar 1,489.7 million being registered, on average (quarterly growth of 86.4%).



Chart 17

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



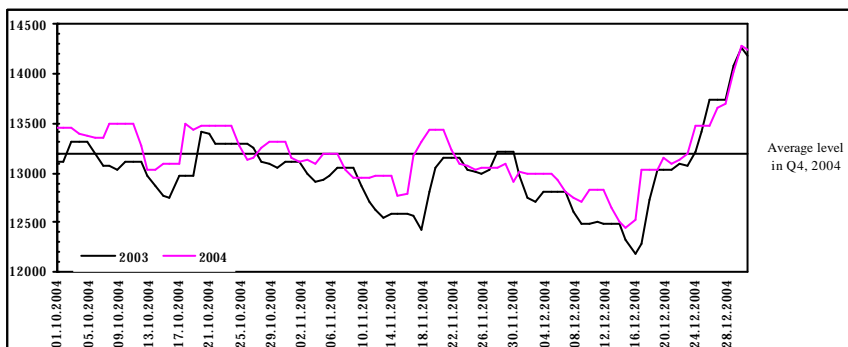
\*In some days of the month, the Money Market registers no transactions and interest rate.

*Higher demand for currency in circulation*

On quarterly basis, the currency in circulation increased by 6.4%, reflecting the common seasonal growth of the demand for currency in circulation at the end of the year. In this quarter, the currency in circulation registered divergent movements. Analyzing by the average daily amount, the highest level was registered in October (Denar 13,338 million, partially due to the regular payment of the bonds for old foreign exchange savings), and in November and December, the average daily level was relatively stable (Denar 13,089 million and Denar 13,118 million, respectively). The daily dynamics of the currency in circulation was under the influence of the common factors, except for December, when the currency in circulation considerably grew in the second half of the month, reflecting the seasonal preferences to hold cash prior to the New Year's and Christmas holidays.

Chart 18

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

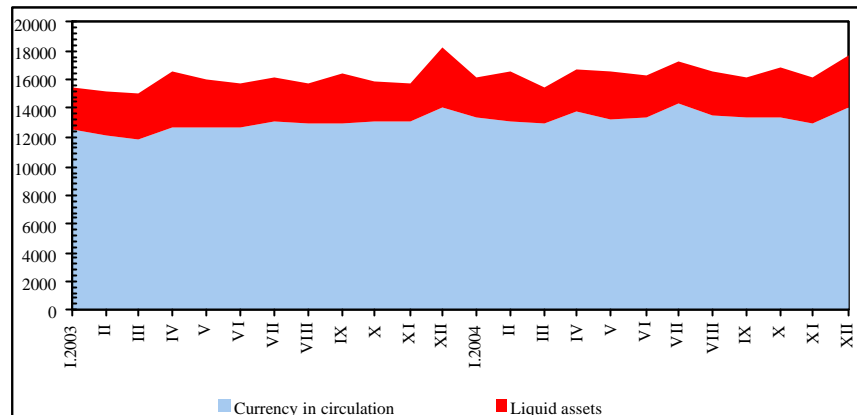


*Considerably higher reserve money compared to the preceding quarter*

At the end of December 2004, compared to the end of September 2004, the reserve money went up by 9.4%. The quarterly increase in the reserve money is due to the significant quarterly growth in the currency in circulation and the higher level of liquidity.



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



\*The banks' liquid funds include the banks' account with the NBRM and the cash in the vault of the banks.

## 2.2.

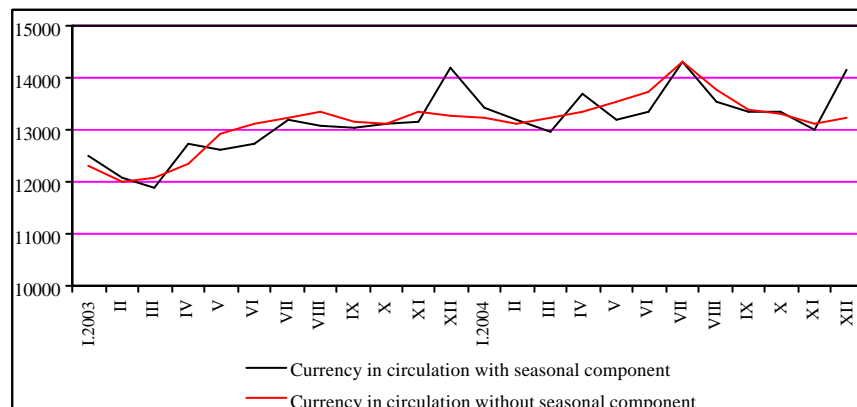
## Monetary aggregates

The seasonally determined high demand for currency in circulation, the higher level of transaction deposits and the increase in the savings in the banking system resulted in a quarterly growth in all monetary aggregates.

In the fourth quarter of 2004, the demand deposits registered an increment of 2.9%, given the increase in the demand deposits of both the enterprises and the households (of 5.2% and 3.1%, respectively). In line with such movements and the higher currency in circulation (6.4%), at the end of the fourth quarter, compared to the preceding quarter, the money supply M1 went up by 4.6%. On annual basis, having an insignificant change in the currency in circulation, the monetary aggregate M1 registered an annual increase of 1%, as a result of the increase in the demand deposits (of 2.2%).

### Quarterly increase in the money supply M1

Chart 20  
Currency in circulation with and without seasonal component  
(in Denar million)



In the fourth quarter of 2004, the average share of the currency in circulation in the money supply M1 remained at the level of the previous quarter and equaled 51.1%. Compared to the same quarter of 2003, the average share of the currency in circulation dropped by 1.5 percentage points, indicating favorable movements in the structure of the money supply M1. The faster increase in the reserve money, relative to the increment in the money supply M1 slowed down

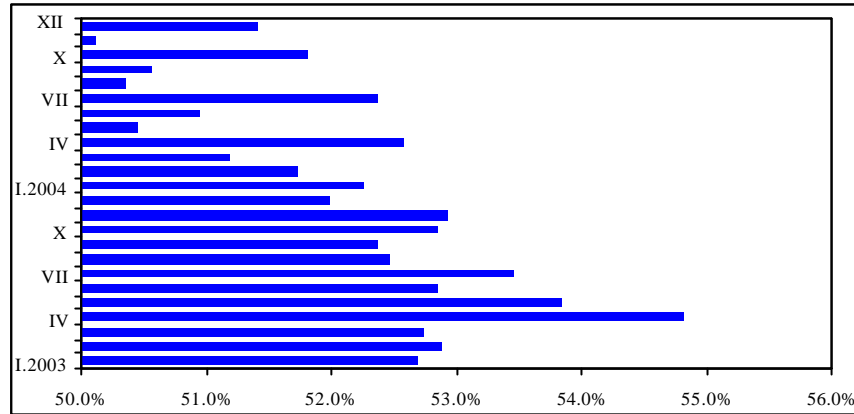




the money multiplication process, and the average money multiplier of the money supply M1 in the fourth quarter of 2004 equaled 1.56 (1.60 in the preceding quarter).

Chart 21

Share of currency in circulation in the money supply M1

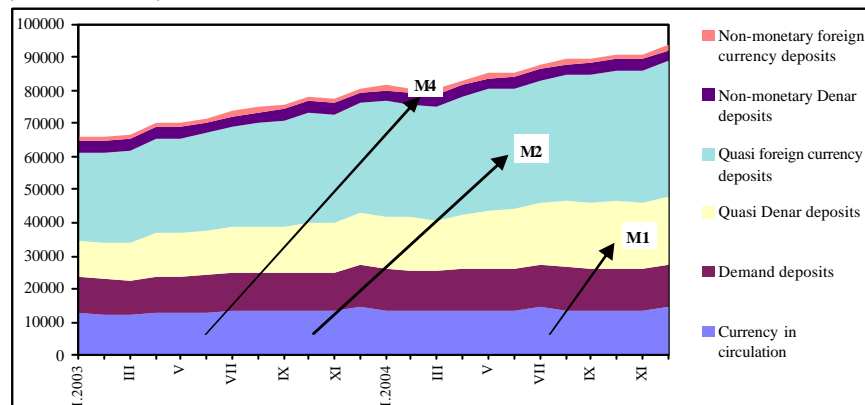


*Higher level of broader monetary aggregates on quarterly and annual basis*

The increase in the money supply M1 and the higher deposit potential of the banks at the end of the fourth quarter of 2004 resulted in a quarterly increase in the monetary aggregates M2 and M4 (of 4.8% and 5.1%, respectively). The faster increase in the long-term savings relative to the short-term deposit potential resulted in more evident positive dynamics in the monetary aggregate M4. The money multipliers of the money supply M2 and M4 at the end of the fourth quarter equaled 5.01 and 5.29, respectively, compared to 5.23 and 5.51, respectively, in the preceding quarter (in the same quarter of 2003, they equaled 4.17 and 4.43, respectively). The monetary aggregates M2 and M4 registered a positive annual dynamics (increase of 16.9% and 16.2%, respectively) having a significant rise in the short-term savings (of 25.7%) and the moderate increase in the long-term deposits.

Chart 22

Monetary aggregates and their components  
(in Denar million)



*Higher total deposit potential on a quarterly basis*

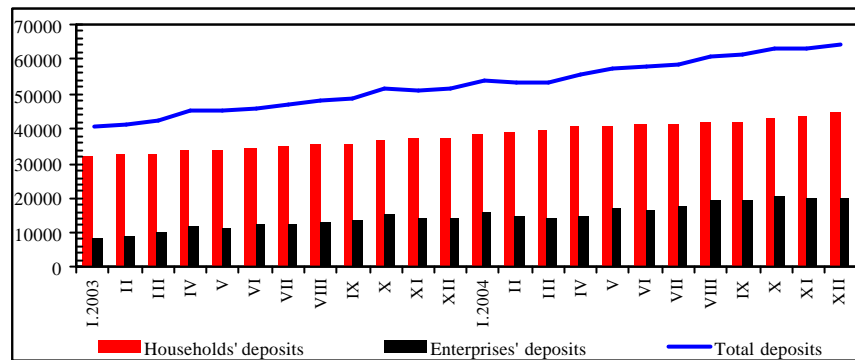
The permanent upward trend of the total deposit potential of the banking system which started in April 2004 continued in the last quarter of 2004 (except in November). Thus at the end of December, the total deposits of the non-government sector<sup>19</sup> reached Denar 66,352 million, which is by 5.2% higher on a quarterly basis. With respect to the maturity structure, the short-term

<sup>19</sup> The total deposits of the non-government sector include short-term and long-term (Denar and foreign currency) deposits of the economic agents (excluding the demand deposits).



deposits surged by 4.9% on a quarterly basis (given the simultaneous increase in both Denar and foreign exchange deposits of 5.3% and 4.6%, respectively). The long-term deposit potential of the banks went up by considerable 9.9% on a quarterly basis, particularly due to the substantial increase in the foreign exchange savings (of 15.8%). Consequently, the share of the long-term deposits in the total deposits surged by 0.3 percentage points quarterly. The short-term deposits remain dominant in the maturity structure, and in the fourth quarter they make up 92.5%, on average. With respect to the currency of denomination, the Denar deposits and the foreign exchange deposits registered almost equal quarterly growth (of 5.5% and 5%, respectively). On annual basis, the total deposits of the non-government sector picked up by 23.9%, reflecting the significant increase in short-term deposits (of 25.7%).

Chart 23  
Deposit timeframes  
(in Denar million)

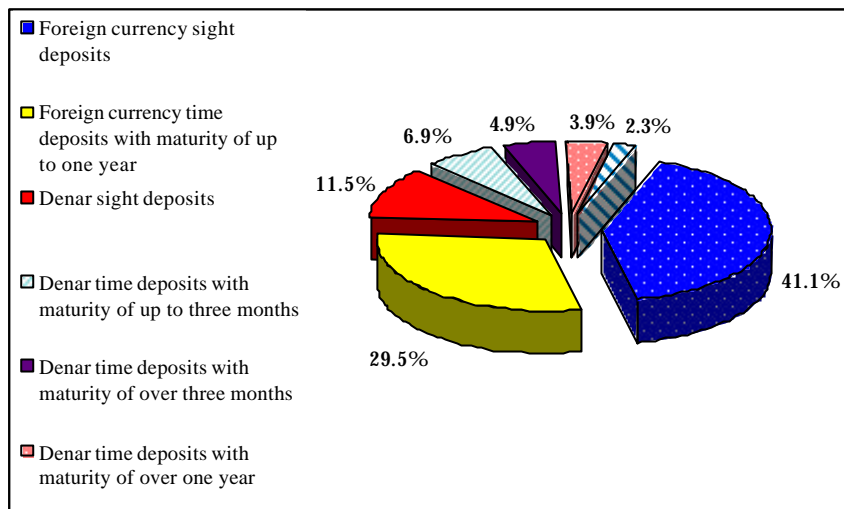


*Quarterly increase in the households' deposits of 5.5% ...*

In the last quarter of 2004, the households' deposits rose by 5.5%. With respect to the maturity, the short-term deposits registered an increase of 5.3%, given the higher amount of foreign exchange time deposits with maturity of up to one year and Denar time deposits with maturity of over three months. The long-term savings of the households (with an average share in the total households' deposits of 6.3% in the last quarter of 2004) went up by 8% reflecting the higher foreign exchange savings. With respect to the currency of denomination, the households' Denar and foreign exchange deposits registered almost identical quarterly increase (of 5.9% and 5.3%, respectively). The annual growth rate of the households' deposits equals 18%, with all categories (except for long-term Denar deposits) registering an increase from the aspect of both the maturity and the currency of denomination.



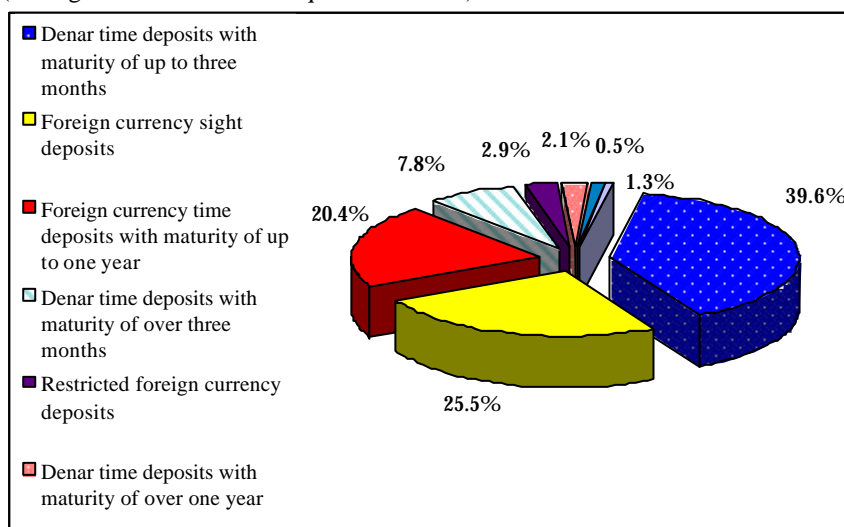
Chart 24  
Structure of households' deposits  
(average share in the fourth quarter of 2004)



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

At the end of 2004, compared to the preceding quarter, the enterprises' deposits also registered a quarterly increase of 4.5%. With respect to the maturity, the short-term deposits rose by 3.9% on a quarterly basis. Such dynamics of the short-term deposits results from the higher amount of Denar time deposits with maturity from three to six months, while the Denar sight deposits registered a quarterly decrease. The long-term deposits registered an essentially faster growth (of 15.3%), primarily due to the higher amount of restricted Denar deposits. The analysis of the structure of currency of denomination indicates a faster increment in the Denar deposits (of 6.1%), relative to the increment in the foreign exchange deposits (of 2.7%). On annual basis, the enterprises' deposits considerably increased by 41.5%, given the registered increase in all categories of deposits (except for the Denar sight deposits).

Chart 25  
Structure of enterprises' deposits  
(average share in the fourth quarter of 2004)





## 2.3.

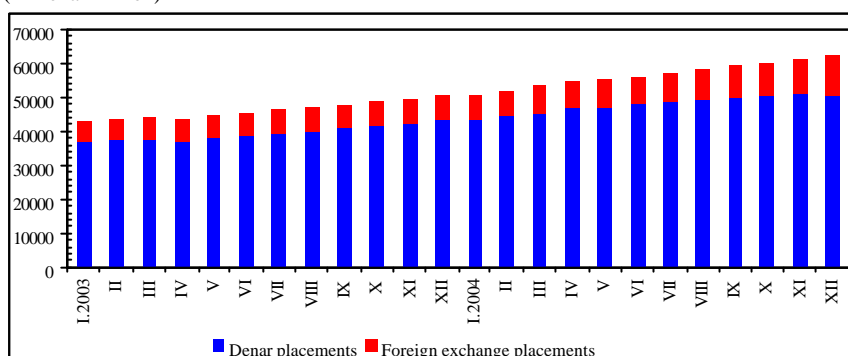
**Banks' placements and interest rates**

*The upward trend of the banks' placements continued*

In the fourth quarter of 2004, the banks continued supplementing the financial potential of the private sector by further acceleration of the credit activity. Thus the total banks' placements amounted to Denar 62,272 million at the end of December, which is by 5.5% more, compared to the end of the preceding quarter. With respect to maturity, the long-term placements registered a fast increase (of 12.7%), while the short-term placements remained almost the same (an increment of 0.2% compared to the previous quarter). Analyzing the currency of denomination, the foreign exchange placements considerably increased by 27.3% on a quarterly basis, given the simultaneous increment in both the short-term and the long-term foreign exchange placements (of 22.6% and 30.4%, respectively). Such an increment in the foreign exchange placements (the share of which accounts for 18.2% of the total bank's placements), is primarily a result of the liberalization of the foreign exchange lending in July 2003, the relatively more attractive interest rate on the foreign exchange relative to the Denar loans, as well as the lack of exchange rate risk for the banks. The total Denar placements<sup>20</sup> increased by 1.6% quarterly, which, having a decline in the short-term Denar placements (of 2.9%) is solely due to the higher amount of extended long-term loans (by 7.7%).

Chart 26

Structure of the currency of denomination of the banks' placements  
(in Denar million)



*Higher lending to the households and the enterprises*

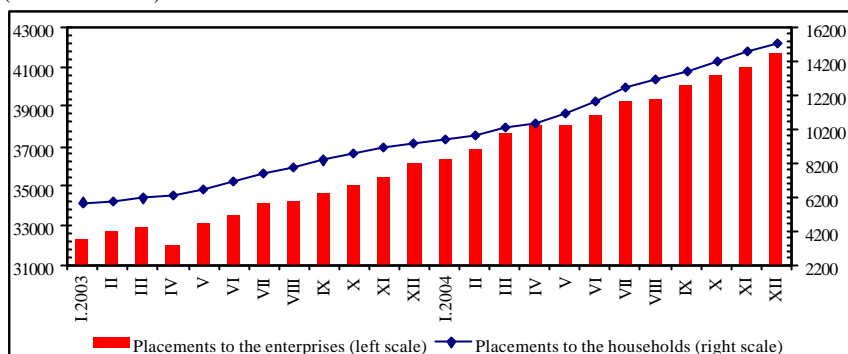
Observed by sector, at the end of the fourth quarter compared to the preceding quarter, the placements to the households were higher by 11.9%, due to the higher foreign exchange and Denar placements (by 37% and by 11.4%, respectively). The fast increment in the placements to households in foreign currency is a partial effect of the liberalization of the foreign exchange lending. Notwithstanding the significant increase in the foreign exchange lending to the households, their share in the total structure of the banks' placements is inconsiderable (0.6%). At the end of December 2004, the placements to the enterprises went up by 4% quarterly, which given the fall in the Denar credits (by 2.4%) is due to the substantially higher amount of extended foreign exchange loans (by 27.8%) for repayment of domestic and external liabilities. On annual basis, the banks' total placements rose by 23.7%, given the simultaneous increase in the both Denar and foreign exchange placements (of 18.2% and 56.6%, respectively). The annual analysis indicates an increase in the placements to both the enterprises and the households of 15.2% and of 62.4%, respectively.

<sup>20</sup> Denar placements with foreign exchange clause are included.



Chart 27

Sector structure of the banks' placements  
(in Denar million)

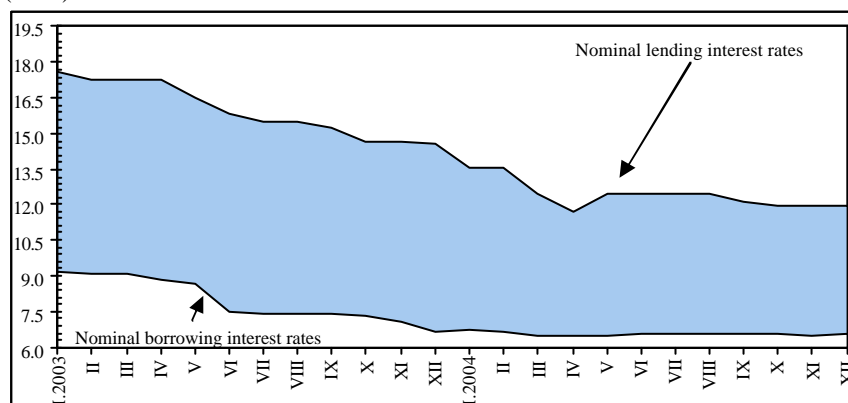


*Positive developments in the banks' interest rate policy in the fourth quarter*

With regard to the interest rate policy, the positive developments directed towards reducing the lending interest rates (of the Denar credits) are typical for the last quarter of 2004. Thus the average weighted interest rate on the short-term Denar loans moderately dropped by 0.2 percentage points in December 2004 compared to September 2004 and reduced to 11.99%, while the average weighted interest rate on the three-month Denar deposits remained the same as in the preceding quarter. In line with such movements, the interest rate spread fell by 0.2 percentage points, and reduced to 5.5 percentage points in December. The drop in the average weighted lending interest rate of the banks, unlike the increase in the key interest rate (on the CB bills auctions) indicates that the monetary policy is not a dominant factor that affects the banks' interest rate policy, i.e. in the designing of the interest rate policy the banks take account of other factors, as well. The average weighted interest rate on the short-term foreign exchange loans went up by 0.32 percentage points quarterly and in December it equaled 7.87%. In December, the interest rate on the three-month time Euro deposits ranged from 1% to 3.34%, while the interest rate on the Dollar deposits ranged from 0.5% to 2.48%, p.a.

Chart 28

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



\* Pertain to Denar credits and deposits.

## Annex 2

### Review of the Stock Exchange activity in the fourth quarter of 2004

In the fourth quarter of 2004, the Macedonian Stock Exchange registered a total turnover (excluding block transactions and government segment) of Denar 789.7 million, which is by 10% higher compared to the third quarter of the year. The turnover on the official market segment totaled Denar 672 million, which is an increase of 35.9%, on a quarterly basis, due to the

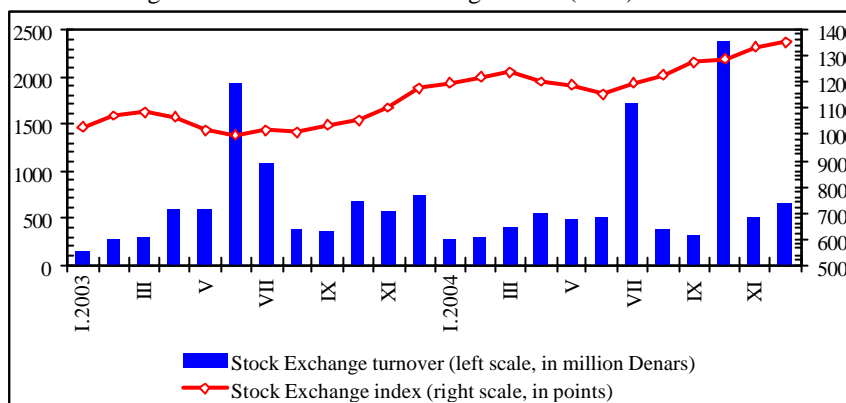
simultaneous faster increase in the trade in shares of companies listed on the Macedonian Stock Exchange (of 82.8%) and the trade in bonds (of 12.3%).

On the unofficial market, the volume of trading was by 47.3% lower. Shares in the amount of Denar 117.8 million were traded in. On this market, no convertible certificates issued by the Government for indemnification of the savers of the collapsed savings houses were traded in this quarter.

In the fourth quarter of 2004, the trade in shares, parts and claims in state ownership amounted to Denar 356.4 million, which is an increase of 11.6 times compared to the previous quarter of the year. The share of the block transactions reached Denar 2,382.6 million, which is a quarterly growth of 42.3%.

The total Stock Exchange turnover (including block transactions and government segment) in the fourth quarter of 2004 made up Denar 3,528.8 million, which is a quarterly growth of 45.6%.

#### Stock Exchange turnover and Stock Exchange Index (MBI)



In December 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 1,351.6 points in December 2004, which is an increment of 5.7% compared to the level of September 2004.

\*The Board of Directors of the Macedonian Stock Exchange, on the session held on November 22, 2004, adopted a Decision on calculating a new index of the Macedonian Stock Exchange AD Skopje, which will be calculated and published starting from January 4, 2005. The full name of the new index will read Macedonian Stock Exchange Index, marked as MBI-10. Unlike the current MBI index, which is a price non-weighted index, the MBI-10 will be a price index weighted by market capitalization. The MBI-10 will consist of the common shares of the following ten listed companies: Alkaloid a.d. Skopje, Toplifikacija a.d. Skopje, Komercijalna banka a.d. Skopje, Makpetrol a.d. Skopje, Skopski pazar a.d. Skopje, Stopanska banka a.d. Bitola, Granit a.d. Skopje, Makedonijaturist a.d. Skopje, Evropa a.d. Skopje, Ohridska banka a.d. Ohrid. The MBI-10 will reflect the changes in the prices of the above companies, weighted by their market capitalization. On December 30, 2004, at the end of the trading day, the initial value of MBI-10 equaled 1,000. Once the calculation of the Stock Exchange MBI-10 starts, the Macedonian Stock Exchange will cease calculating the previous Stock Exchange index MBI.

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-XII.2004 (in US Dollar million)	Changes in %
					compared to the same period of the previous year
<b>Foreign trade</b>	XII.2004	500.0	11.4	4,576.9	24.6
<b>Export</b>	XII.2004	185.2	20.3	1,673.5	22.4
<b>Import</b>	XII.2004	314.8	6.8	2,903.4	25.9
<b>Balance</b>	XII.2004	-129.7	-7.8	-1,229.9	30.9
					compared to the end of the previous year
<b>Foreign debt</b> (end of month)	XII.2004	1,957.6	2.2		10.6
<b>Exchange rate on foreign exchange market</b> (end of month) (Denars per unit foreign currency)	XII.2004				compared to the same period of the previous year
<b>MKD / USD</b>		45.07	-2.9		-8.1
<b>MKD / EURO</b>		61.31	-0.3		0.0

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

**3.1.****Foreign trade<sup>21</sup>**

*Increased foreign trade in the fourth quarter of 2004 was registered*

In the fourth quarter of 2004, foreign trade in the amount of US Dollar 1,362.7 million was registered, which is an increase of 34% compared to the same period of 2003. The higher trade volume registered in the fourth quarter is due to the simultaneous intensive increase in the export and the import of goods (of 32% and 35.2%, respectively).

From the aspect of the monthly dynamics, increased foreign trade was registered during the all three-month period. However, the historically highest foreign trade on a monthly basis (since 1996) in the amount of US Dollar 500 million was registered in December, which is due to the higher increase in the export and the import of goods. In October and November, the total foreign trade registered a monthly increase of 8.9% and 8.4%, respectively, which is primarily due to the higher import of goods.

*High increase in the export and the import of goods...*

From the aspect of the trade components, in the last quarter of 2004, the export of goods equaled US Dollar 497.1 million, which is an increase of US Dollar 120.5 million, or 32% compared to the same quarter of 2003. The intensive increase in the exports is mainly a result of the increased export of iron and steel (by US Dollar 72.6 million) and clothing and textile (by US Dollar 19.3 million). The high dependence of the Macedonian export from the imports causes a significant increase in the import of goods. Thus in the fourth quarter, the import amounted to US Dollar 865.5 million, which is an increase of 35.2% compared to the same period of 2003. The increase in the imports is mainly due to the higher import of both, iron and steel and vehicles. Namely, in the fourth quarter of 2004, import of iron and steel and their products in the amount of US Dollar 157.7 million was registered (an increase by 5 times relative to the same period of the previous year). Simultaneously, an increase was also registered in the import of vehicles (of US Dollar 37.7 million relative to the same period of the previous year) as a result of the announcements of the Government of RM for reintroduction of excise at the beginning of 2005<sup>21</sup>.

*...and increased trade deficit was registered*

In the fourth quarter of 2004, the higher increase in the import than in the export of goods resulted in deepening of the trade deficit by US Dollar 104.3 million (compared to the previous quarter), and it equaled US Dollar 368.4 million.

*Decrease in the export-import coverage ratio in the fourth quarter of 2004*

In the fourth quarter of 2004, the relatively higher increase in the import relative to the export of goods led to a decrease in the export - import coverage ratio. Thus the coverage ratio equaled 57.4%, which is lower by 1.4 percentage points compared to the same period of the previous year. In 2004, the export - import coverage ratio equals 57.6%, which is lower by 1.6 percentage points compared to the previous year.

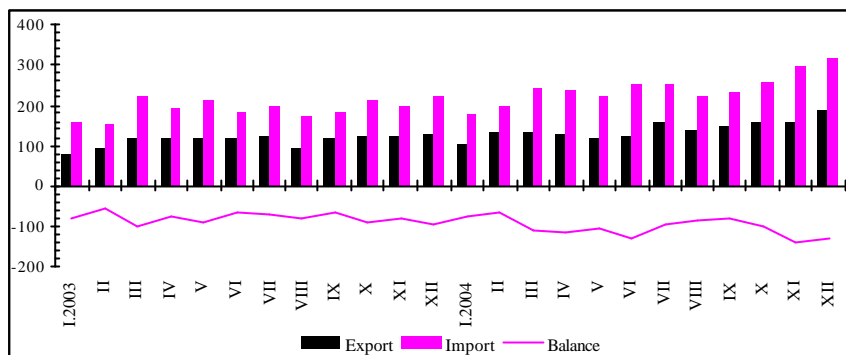
<sup>21</sup> Preliminary data of the Statistical Office of the Republic of Macedonia. The export of goods is presented on f.o.b. basis, while the import of goods is presented on c.i.f. basis

<sup>21</sup> The highest monthly import of vehicles in the amount of US Dollar 31.4 million was registered in December 2004 (monthly increase of US Dollar 13.2 million, or 93%).



Chart 29

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

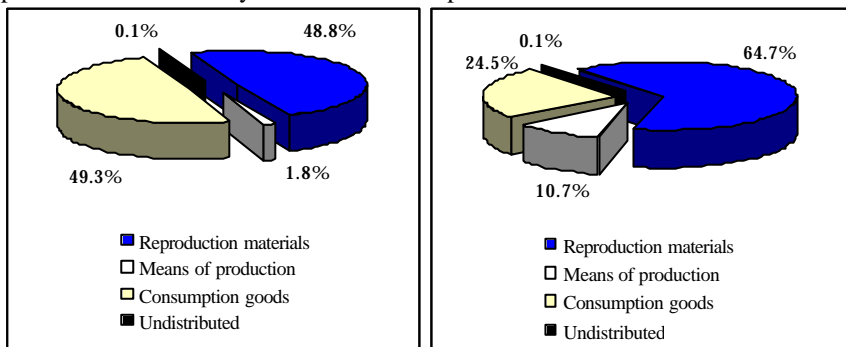


*Increase in the share of the import of consumption goods in the total import*

From the aspect of the economic use of products, insignificant changes in the export structure in 2004 were registered. The share of the export of means of operations in the total export increased on cumulative basis (by 0.2 percentage points), while the share of the export of reproduction materials decreased (by 0.2 percentage points). No changes in the consumption goods were registered. On the other hand, regarding the imports, an increase in the share of the consumption goods of 1.7 percentage points was registered (due to the increased import of vehicles). However, dominant share in the total import accounts for the import of reproduction materials (of 64.7%, mainly an import of iron and steel), while the share of the means of operations equals 10.7% (a decrease of 1.7 percentage points, primarily due to the lower import of electric machines and equipment).

Chart 30

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



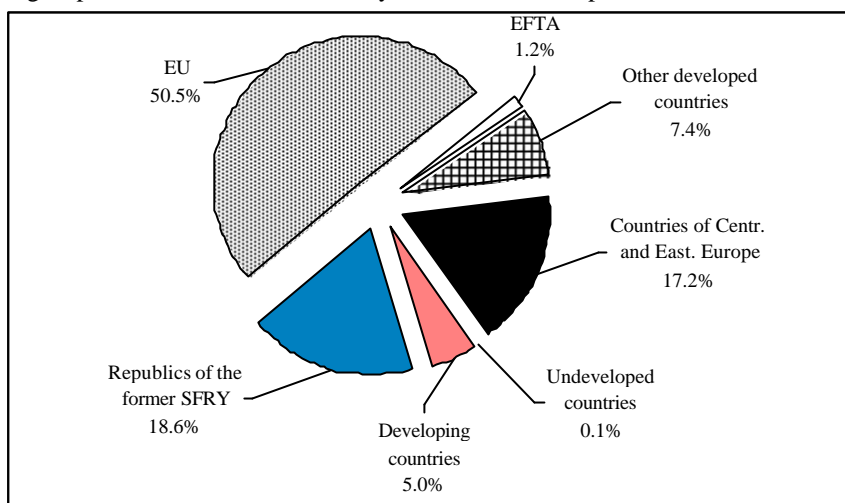
*The highest share in the total foreign trade accounts for the European Union*

Analyzed by economic groups of countries, the dominant share in the total foreign trade still accounts for the European Union (50.5%). The largest share in the total export and import of the Republic of Macedonia traditionally accounts for this group of countries (56.4% and 47.2%, respectively). The share of the foreign trade with the Republics of the former SFRY equals 18.6% and it is lower by 3.5 percentage points compared to 2003 (due to the joining of Slovenia to the group of EU member-states)<sup>22</sup>. The intensive import of iron and steel from Romania and oil from Russia contributed to a cumulative increase in the share of the trade with the Central and Eastern European countries of 1.2 percentage points compared to the previous year (in 2004, it equaled 17.2%).

<sup>22</sup> According to the data of the State Statistical Office of the Republic of Macedonia, until April 30, 2004, the EU encompasses 15 member-states, while since May 1, 2004, this number equals 25.

Chart 31

Foreign trade of the Republic of Macedonia according to groups of countries in the January - December 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, also in 2004 Germany, Serbia and Montenegro and Greece dominate in the total trade (with a total share of 38.9 %). These countries register the largest share in the exports and in the imports (53.3% and 30.6%, respectively). Among other countries, larger share in exports accounts for Italy, Croatia and France (to which iron and steel is mostly exported, together with footwear to Italy). Regarding the imports, besides the main partners, the share of Russia (8.7%) and Bulgaria (7.2%) is rising, mainly due to the import of oil. Thus in 2004, compared to the same period of the previous year, the import from Russia registered a high increase of 40.5%. During the analyzed period, a significant increase was registered in the import from Romania and Poland, due to the increased import of iron and steel (higher import relative to the same period of the previous year by 7.9 times and 3 times, respectively). Within the ten most important trading partners, a positive balance was registered only in the trade with three countries: Serbia and Montenegro (US Dollar 104.3 million), Croatia (US Dollar 14.9 million) and France (US Dollar 9.8 million), while the highest trade deficit was registered in the trade with Russia and Bulgaria (US Dollar 231.8 million and US Dollar 157.3 million, respectively).

### Attachment 3

#### The influence of the world oil price on the import of oil in the Republic of Macedonia

In 2004, the world economy faced with an extremely high increase in the price of crude oil. Thus the average increase in the price of crude oil<sup>23</sup> in 2004 equals 34.6% with the price of oil during the year reaching levels, which have not been registered since the beginning of '80. The highest average level of US Dollar 50 per barrel was registered in October.

The reasons for the high increase in the price of oil in 2004 can be systemized in several groups<sup>24</sup>:

- *High demand for oil*, caused by the boost in the Chinese economy, as well as by the revitalization of the US economy. When most of the oil producers are making attempts to improve the efficiency in the operating and to reduce the

<sup>23</sup> Price of Brent oil (US Dollars per barrel) Source: [www.eia.doe.gov](http://www.eia.doe.gov) (Energy information administration, Official Energy statistics from the USA Government).

<sup>24</sup> According to the analyses of BBC News, UK Edition.

level of stocks, only the Saudi Arabia is registering high reserves it can offer on the market and respond to the high demand;

- *The agresive strategy of OPEC*, i.e. the cartel of oil producers, covering almost half of the world export of crude oil. Namely, in the past, OPEC was usually reducing its supply of oil in the periods when the price of oil was already at minimum. Nowadays, OPEC develops more agresive strategy, which means reducing the supply of oil as a precaustious measure, when a decrease in the price of oil is expected;
- *Speculations*. The reduced oil reserves and their further maintainance at low level is a factor contributing to constant speculations for increase in the price of oil, which results in its acctual increase;
- *Politcal factors*. The sabotages in Iraq and Saudi Arabia caused fluctuations of the supply of oil, simultaneously making the stability of the supply of oil uncertain. This is especially important having in mind the role of the Saudi Arabia as the largest world producer and exporter of oil. Also, the political tensions in Nigeria and Venezuela resulted in reduced export and increase in the world price of oil;
- *Insufficient capacity of the American rafineries*, i.e. pressures for increasing the production of new types of oil derivatives, primarily with regard to products meeting the new ecollogical standards. This means creation of new production lines, which contribute to the increase in the production expences.

For certain oil importing countries, the increase in the world price of oil, caused by the aforementioned factors, implies high economic costs (high foreign exchange outflows, inflation pressures, slowing down the economic growth rate).

Having in mind the dependence of the Macedonian economy on the import of oil, the movement of the world price of oil represents an external factor having a suitable effect on the value of the import of oil and the foreign exchange outflows from the domestic economy on this basis.

Table 1

Share of the import of oil in the total import of goods of the Republic of Macedonia  
(in %)

2002	2003	2004
4.8	8.4	7.6

In 2004, the share of the import of oil in the total import registers an annual decrease of 0.8 percentage points. The contribution of the increase in the import of oil to the increase in the total import in 2004 is lower in comparison with 2003 (4.6% and 8.2%, respectively). Although such movements point to the smaller influence of the import of oil on the total import, 2004 can still be stated as a relatively specific year. Namely, the entire contribution of the import of oil to the increase in the total import is generated from the change in the price of oil. Thus the quantity of imported crude oil in the Republic of Macedonia in 2004 is significantly lower than that imported in the previous year. On the other hand, the total value of the imported oil in 2004 registers a relatively high annual increase. Consequently, the change in the import of oil and its contribution to the higher import and the widening of the trade deficit in 2004, are completely caused by the external factors (change in the price of oil on the world stock exchanges).



Table 2  
Import of oil  
(annual changes in %)

	Import of oil	Imported quantity	Average price of the import of oil
2004	14.1	-11.2	27.3

In function of quantification of the effect of the changes in the prices of oil on the total import, a simulation under presumption of steadiness of the average price of import of oil in 2004 was made, i.e. maintenance of the level registered in 2003. The estimated effect equals US Dollar 48 million.

Table 3  
Import of oil  
(in millions of US Dollars)

	Value of the imported quantity of oil in 2004 according to prices from 2004	Value of the imported quantity of oil in 2004 according to prices from 2003	Differential
2004	220	172	48

Hence, the increase in the price of crude oil on the international stock exchanges represents an external shock, which in the Macedonian economy reflected primarily on the value of the import of oil and the total foreign exchange outflows. If simplified presumption of preserving the price of oil at the level registered in 2003 were given, the total trade deficit of the Republic of Macedonia would be lower by significant US Dollar 48 million.

### 3.2.

### Foreign exchange developments

*Quarterly increase in the turnover on the foreign exchange market of 19.5%...*

In the fourth quarter of 2004, the total value of the realized transactions on the foreign exchange market reached US Dollar 1,211.8 million, which is an increase of US Dollar 197.8 million, or 19.5% in comparison with the previous quarter. The average monthly turnover in the fourth quarter equaled US Dollar 403.9 million, which is by US Dollar 65.9 million more, compared to the average monthly turnover registered in the previous quarter. The intensified activity on the foreign exchange market is primarily generated from the intensified dynamics of the segment banks - enterprises, as the main segment on the foreign exchange market. Thus the share of the turnover between banks and enterprises in the total turnover on the foreign exchange market equals 85.2% in the fourth quarter. From the aspect of the demand for - supply of foreign exchange correlation, higher demand for than supply of foreign exchange was registered, which resulted in a net sale of foreign exchange on the foreign exchange market by the commercial banks. Having in mind higher demand for than the supply of foreign exchange, the NBRM intervened on the foreign exchange market with a net sale of foreign exchange. From the aspect of the monthly dynamics, in October and November the NBRM interventions were directed to a net sale of foreign exchange, while in December, the NBRM intervened on the foreign exchange market with high net purchase of foreign assets, which was partially caused by the changes in the monetary policy (increase in the interest rate of the CB bills and higher demand for allocation of reserve requirement) and the insignificant net outflow of foreign exchange from the banking system.



*...given the unchanged level of the Denar exchange rate against the Euro...*

*...and appreciation of the Denar against the US Dollar*

The changes made in the monetary policy and the direct interventions of the NBRM on the foreign exchange market contributed to further maintenance of the stability of the nominal exchange rate. Thus in the fourth quarter of 2004, Denar 61.43 per one Euro on average were traded on the foreign exchange market, with an insignificant depreciation of the Denar of 0.1% on a quarterly basis being registered (Denar 61.35 per one Euro were traded on average in the third quarter). Relative to the US Dollar, on average, the Denar appreciated by 7.8%. Namely, in the fourth quarter Denar 46.62 per one US Dollar, on average, were traded, contrary to Denar 50.58 per one US Dollar in the previous quarter.

**Attachment 4**  
**Movement of the nominal Denar exchange rate relative to the US Dollar (May 1995 - December 2004)**

In conditions of implementation of monetary strategy of de facto targeting of the Denar exchange rate relative to the Euro, the movement of the US Dollar exchange rate relative to the Euro influences indirectly on the Denar - US Dollar parity. The depreciation of the US Dollar on the international foreign exchange markets relative to the Euro, simultaneously means a depreciation of the US Dollar relative to the Denar, and vice versa.

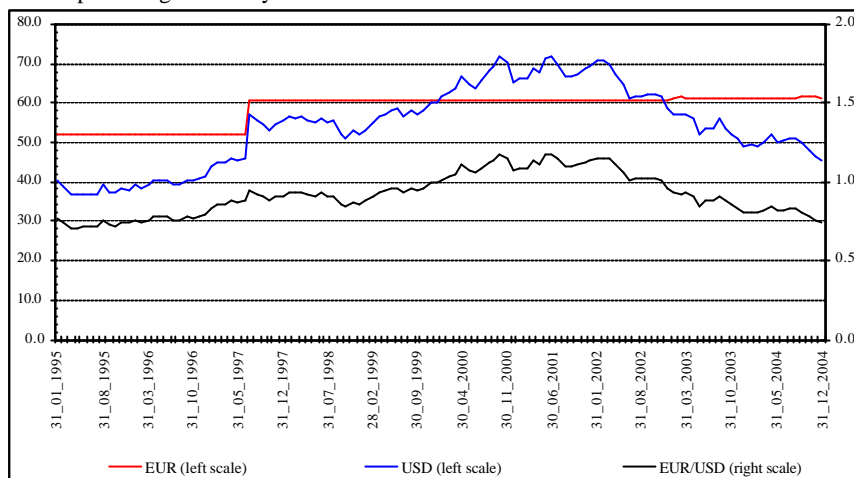
The value of the US Dollar against the Euro on the foreign exchange markets had a tendency of growth for a longer period, with the highest values being registered in 2000 and 2001 (for example, in October 2000 and in June 2001, Euro 1.18 were traded per one US Dollar). Starting from February 2002, the value of the US Dollar relative to the Euro started to decrease, and this trend continued also in 2002 and 2004. Such movements of the US Dollar are mainly caused by the high external and internal misbalance (high trade and budget deficit) the US economy is facing with. The lowest value of the US Dollar (in the June 2001 - December 2004 period) in the US Dollar - Euro correlation was registered at the end of December 2004 and it equaled Euro 0.74 per one US Dollar.

The appreciation of the Euro relative to the US Dollar implies also an appreciation of the Denar relative to the US Dollar (having in mind that the Denar is pegged to the Euro). Thus, at the end of December 2004, the middle nominal Denar exchange rate relative to the US Dollar on the foreign exchange market equaled Denar 45.07 per one US Dollar, which is a nominal appreciation of the Denar relative to the US Dollar by 8.1% relative to the end of the previous year. In comparison with the highest level registered in June 2001 (when Denar 71.88 were traded per one US Dollar), the appreciation of the Denar relative to the US Dollar equals 37.3%.

Chart 1

Movement of the Denar exchange rate relative to the Euro and the US Dollar on the foreign exchange market at the end of the month

Denars per foreign currency unit

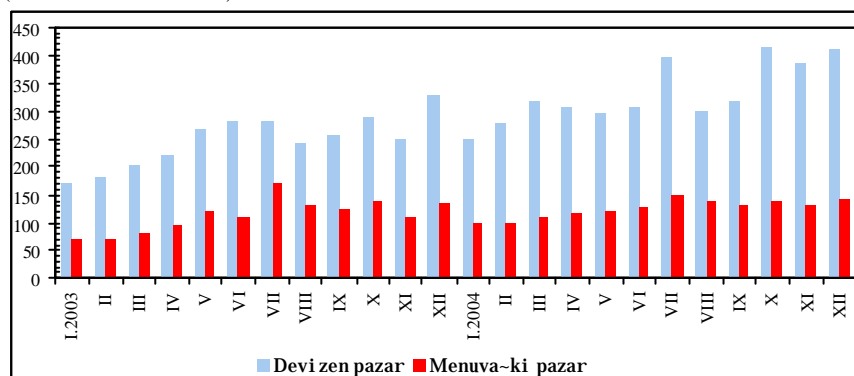


The movement of the Denar exchange rate on the exchange offices market corresponds to that registered on the foreign exchange market. Namely, a continuing decrease in the value of the US Dollar was registered also on the exchange offices market, especially evident in the third ten-day period of December 2004, when the lowest value of Denar 43.83 per one US Dollar was registered. At the end of 2004, the value of the Denar relative to the US Dollar on the exchange offices market appreciated by 8.1% compared to the end of the previous year.

Chart 32

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

(in millions of US Dollars)



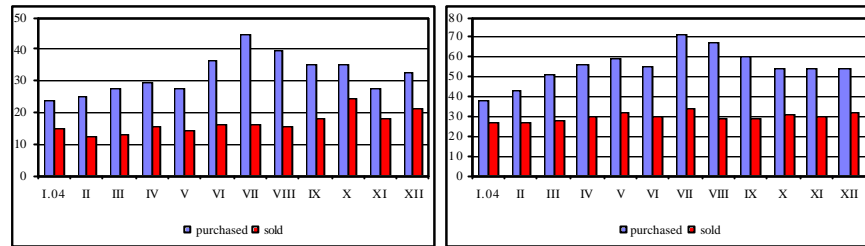
*The turnover on the exchange offices market decreased by 1.9% on a quarterly basis*

In the fourth quarter of 2004, the turnover on the exchange offices market equaled US Dollar 406.9 million, which is a decrease of US Dollar 7.9 million, or 1.9% compared to the third quarter. Regarding the supply, a decline in the amount of US Dollar 34.4 million was registered, while the demand for foreign exchange increased by US Dollar 26.5 million. However, having in mind the higher supply of than the demand for foreign assets, a net purchase on the exchange offices market in the amount of US Dollar 98.7 million was registered (contrary to US Dollar 159.5 million in the third quarter) The largest part of the turnover on the exchange offices market (61.9%) was realized through the private exchange offices, while the remaining share was realized through the commercial banks.



Chart 33

Movements of the turnover on the exchange offices market  
(in millions of US Dollars)

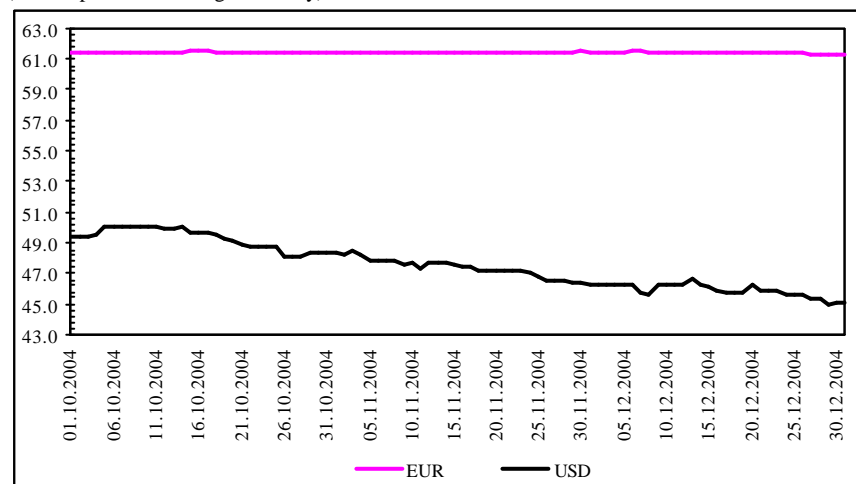


Analyzed by months, stable movements on the exchange offices market were registered. The average supply of and demand for foreign exchange in the fourth quarter of 2004 amounts to US Dollar 84.3 million and US Dollar 51.4 million, respectively.

In the fourth quarter, the average Denar exchange rate relative to the Euro on the exchange offices market equaled Denar 61.58 per one Euro (contrary to Denar 61.53 per one Euro on average in the third quarter), which is an insignificant depreciation of the Denar against the Euro. Relative to the US Dollar<sup>25</sup>, the Denar appreciated by 5.7%, with Denar 46.87 being traded on average per one US Dollar in the last quarter (Denar 49.69 per one US Dollar in the third quarter of 2004).

Chart 34

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



*Higher gross foreign  
reserves...*

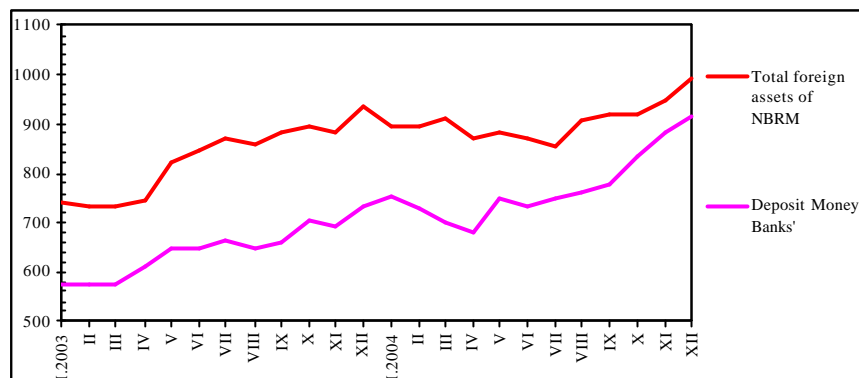
At the end of the fourth quarter, the gross foreign reserves equaled US Dollar 985.7 million, which is an increase of US Dollar 71million compared to the end of the previous quarter. In conditions of a net sale of foreign assets by the NBRM on the foreign exchange market, the main causes for the increase in the gross foreign reserves are the high positive exchange rate differentials, the donations from the Netherlands (US Dollar 11.8 million), the funds originating from EBRD aimed at privatization of the Macedonian Electric Company (US Dollar 11.9 million) and the inflows based on interest.

<sup>25</sup> The US Dollar exchange rate is taken from the exchange rate list for the exchange offices operations of the NBRM.



Chart 35

Foreign assets of the NBRM and foreign assets with banks  
(in millions of US Dollars)



*...and increase in the foreign assets with the deposit money banks were registered*

The foreign assets with the deposit money banks also registered a quarterly increase, which were higher by US Dollar 138.7 million compared to the end of the third quarter and they equaled US Dollar 914.5 million. The increase is mainly a result of the increased foreign exchange deposits of households and enterprises with the banks.

### 3.3.

### External debt<sup>26</sup>

*Increase in the external debt of 7.6% on a quarterly basis was registered...*

At the end of December 2004, the external debt of the Republic of Macedonia on the basis of long-term credits and loans equaled US Dollar 1,957.6 million, which is an increase of US Dollar 137.7 million, or 7.6% compared to September 30, 2004. The increase is mainly due to the positive exchange rate differentials, caused by continuing decrease in the value of the US Dollar relative to the Euro and the other currencies.

*...with the amount of US Dollar 64.5 million being withdrawn in the fourth quarter...*

In the fourth quarter of 2004, funds in the amount of US Dollar 64.5 million were withdrawn on the basis of long-term credits and loans. US Dollar 34.5 million originate from the official creditors, while US Dollar 29 million are funds withdrawn from the private creditors. Analyzed by months, the largest amount of US Dollar 47.1 million was withdrawn in December (US Dollar 29.5 million), the largest portion of which (69.4%) originates from the official creditors. Amount of US Dollar 12.1 million is withdrawn from the multilateral creditors during this month (US Dollar 4.3 million of which originate from the CEDB, US Dollar 2.9 million from the European Investment Bank and US Dollar 2.5 million from the IBRD) while funds in the amount of US Dollar 8.4 million were withdrawn from the bilateral creditors.

*...while the total repayments equaled US Dollar 42.4 million*

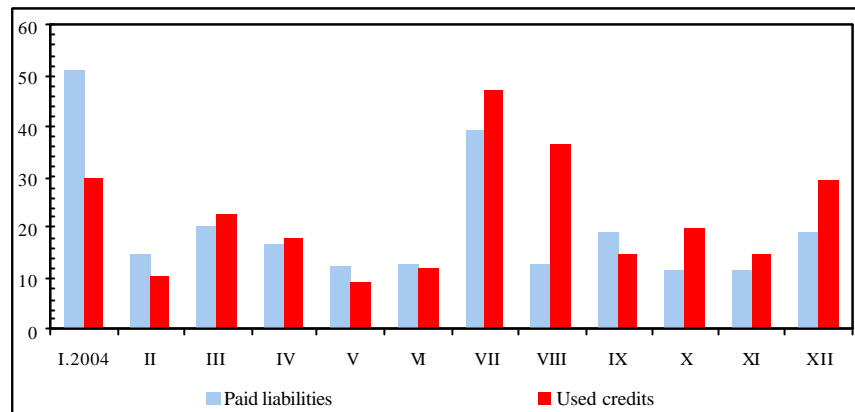
In the fourth quarter of 2004, the total amount of serviced liabilities on the basis of used foreign long-term credits equaled US Dollar 42.4 million (the repayments based on principal equal US Dollar 33.8 million, while funds in the amount of US Dollar 8.6 million accounts for the interest). Analyzed by months, the largest portion of payments in the amount to US Dollar 19.2 million was realized in December, with most of the funds (US Dollar 10.9 million) being paid to the private creditors. Liabilities in the amount of US Dollar 8.3 million were repaid to the official creditors, with the amount of US Dollar 5.4 million being repaid to the multilateral creditors and US Dollar 2.9 million to the bilateral creditors. In October and November, the liabilities paid on the basis of principal and interest are almost identical and they equal US Dollar 11.7 million and US Dollar 11.6 million, respectively.

<sup>26</sup> Preliminary data of the NBRM.





Chart 36  
Used credits and serviced liabilities  
(in millions US Dollars)



In the last quarter of 2004, the newly concluded credits with foreign creditors amounted to US Dollar 93.2 million. In December, new credit lines in the amount of US Dollar 34 million were concluded with the official creditors (which completely originate from the EBRD), and new credit lines equaling US Dollar 8.4 million (completely with the bilateral creditors) are concluded in October. On the other hand, new credits in the amount of US Dollar 50.8 million were concluded with the private creditors, with the highest amount of newly concluded credits in the amount of US Dollar 30.6 million being concluded in December, while in October and November, credits in the amount of US Dollar 13.3 million and US Dollar 6.9 million, respectively, were concluded.



## Statistical appendix

### Prices

**Table 1**

Costs of living and retail prices

	<u>XII.2004</u> XI.2004	<u>XII.2004</u> XII.2003	<u>I-XII.2004</u> I-XII.2003
	in %		
<b>Costs of living</b>	<b>-0.7</b>	<b>-1.9</b>	<b>-0.4</b>
Food	-0.5	-4.9	-3.1
Tobacco and beverages	-0.1	-0.4	1.1
Clothing and footwear	0.0	-0.1	0.9
Housing	-0.5	0.5	2.2
Flat (rent, water, services)	0.0	-0.8	-0.3
Fuel and lighting	-0.9	0.6	3.0
Hygiene	0.5	-2.9	0.4
Culture and entertainment	0.6	-0.1	1.3
Transport, communications, services	-3.0	4.2	4.0
<i>Goods</i>	<i>-0.8</i>	<i>-2.8</i>	<i>-1.1</i>
<i>Services</i>	<i>0.1</i>	<i>2.7</i>	<i>3.3</i>
<b>Retail prices</b>	<b>-1.2</b>	<b>-0.1</b>	<b>0.9</b>
Agricultural products	0.4	-6.1	-2.4
Non-food industrial products	-2.7	0.6	2.1
Processed food products	-0.7	-4.3	-3.9
Beverages	-0.1	-3.1	-1.7
<i>Goods</i>	<i>-1.9</i>	<i>-1.4</i>	<i>0.0</i>
<i>Services</i>	<i>0.1</i>	<i>2.4</i>	<i>2.5</i>

Source: State Statistical Office of the Republic of Macedonia



**Table 2**  
Prices of producers of industrial products

	<u>XII.2004</u> <u>XI.2004</u>	<u>XII.2004</u> <u>XII.2003</u>	<u>I-XII.2004</u> <u>I-XII.2003</u>
	in %		
<b>Prices of producers of industrial products</b>	<b>-1.5</b>	<b>1.3</b>	<b>0.9</b>
Energy	-6.4	3.3	1.3
Intermediary goods (except Energy)	-0.1	3.8	4.6
Capital goods	0.0	-0.4	-0.5
Durable consumer goods	1.1	3.2	0.5
Non durable consumer goods	0.0	-3.0	-3.3
<i>Mining and quarrying</i>	<i>0.0</i>	<i>0.0</i>	<i>0.5</i>
<i>Manufacturing industry</i>	<i>-1.8</i>	<i>1.5</i>	<i>1.1</i>
Manufacture of food products and beverages	-0.1	-4.0	-3.9
Manufacture of tobacco products	0.0	0.0	0.0
Manufacture of textiles	0.0	-1.5	-1.1
Manufacture of wearing apparel; dressing and dyeing of fur	0.0	0.0	0.0
Manufacture of coke, refined petroleum products and nuclear fuel	-16.0	9.9	3.5
Manufacture of chemicals and chemical products	0.0	0.0	0.0
Manufacture of other non-metallic mineral products	0.0	-0.2	-0.3
Manufacture of basic metals	0.0	0.0	1.4
Manufacture of electrical machinery and apparatus n.e.c.	0.0	15.1	18.8
<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		
	X.2004	XI.2004	XII.2004	X.2004	XI.2004	XII.2004	X.2004	XI.2004	XII.2004
	in Denar			IX.2004	X.2004	XI.2004	X.2003	XI.2003	XII.2003
					in %			in %	
<b>Total</b>	<b>9,739</b>	<b>9,886</b>	<b>9,845</b>	<b>2.2</b>	<b>1.5</b>	<b>-0.4</b>	<b>-3.2</b>	<b>-3.5</b>	<b>-5.1</b>
Cereal and cereal products	1,866	1,862	1,832	-0.3	-0.2	-1.6	-7.4	-5.6	-7.0
Vegetables, fresh and processed	1,146	1,278	1,305	15.4	11.5	2.1	-3.0	-7.7	-13.4
Fruit, fresh and processed	672	665	659	4.5	-1.0	-0.9	-8.8	-11.7	-12.0
Meat, fresh and processed	2,311	2,343	2,337	1.4	1.4	-0.3	-2.3	-1.0	-0.6
Fats	382	376	374	-0.5	-1.6	-0.5	-5.7	-7.3	-7.9
Milk and dairy products	1,656	1,652	1,632	0.5	-0.2	-1.2	1.2	0.9	-0.5
Other food products	1,706	1,710	1,706	0.0	0.2	-0.2	-0.8	-0.6	-2.4

\* 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>XII.2004</u> XI.2004	<u>XII.2004</u> XII.2003 in %	<u>I-XII.2004</u> I-XII.2003
<b>Total</b>	<b>100.0</b>	<b>147</b>	<b>23.0</b>	<b>-12.7</b>
Energy		10.2	-32.3	-19.7
Intermediary goods (except Energy)		8.7	61.2	-22.2
Capital goods		18.4	-51.0	-37.3
Durable consumer goods		37.8	3,1 times	-23.6
Non durable consumer goods		20.2	46.8	6.6
<i>Mining and quarrying</i>	<i>3,2</i>	<i>-25.9</i>	<i>-26.3</i>	<i>-66.0</i>
<i>Manufacturing industry</i>	<i>89,9</i>	<i>15.2</i>	<i>26.5</i>	<i>-11.6</i>
Manufacture of food products and beverages	24,9	25.5	29.4	-12.4
Manufacture of tobacco products	5,0	11.4	0.3	-11.6
Manufacture of textiles	4,3	61.1	-10.1	-26.8
Manufacture of wearing apparel; dressing and dyeing of fur	4,5	12.8	2,4 times	71.7
Manufacture of coke, refined petroleum products and nuclear fuel	7,0	2.7	-57.3	-38.4
Manufacture of chemicals and chemical products	7,2	5.6	-11.0	-25.6
Manufacture of other non-metallic mineral products	4,6	2.2	8.0	-14.5
Manufacture of basic metals	16,4	3.4	4,7 times	-3.7
Manufacture of electrical machinery and apparatus n.e.c.	4,0	51.1	8.9	-42.1
<i>Electricity, gas and water supply</i>	<i>6,9</i>	<i>15.0</i>	<i>4.2</i>	<i>-3.1</i>

Source: State Statistical Office of the Republic of Macedonia

**Table 5**  
Trade turnover

	Amounts				Monthly changes			Annual changes			Average changes
	IX.2004	X.2004	XI.2004	I-XI.2004	<u>IX.2004</u> VIII.2004	<u>X.2004</u> IX.2004	<u>XI.2004</u> X.2004	<u>IX.2004</u> IX.2003	<u>X.2004</u> X.2003	<u>XI.2004</u> XI.2003	<u>I-XI.2004</u> I-XI.2003
	in Denar million				in %			in %			in %
<b>Trade turnover - total</b>	<b>14,328</b>	<b>14,664</b>	<b>13,906</b>	<b>141,473</b>	<b>-1.2</b>	<b>2.3</b>	<b>-5.2</b>				
Retail sales	5,360	5,558	5,191	53,448	-3.5	3.7	-6.6	8.6	11.6	13.4	6.0
Whole sales	8,968	9,106	8,715	88,024	0.3	1.5	-4.3	23.2	18.3	28.4	17.6

\* 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
	IX.2004	X.2004	XI.2004	I-XI.2004	IX.2004 VIII.2004	X.2004 IX.2004	XI.2004 X.2004	IX.2004 IX.2003	X.2004 X.2003	XI.2004 XI.2003	I-XI.2004 I-XI.2003
	in Denar million				in %			in %			in %
Value of contracted construction works	602	471	410	10,024	88.5	-21.7	-13.1	29.1	-22.6	-19.2	2.7
Value of completed construction works	699	804	727	7,525	-12.4	15.0	-9.6	-0.2	-1.7	-26.9	3.2

\* Last available data.

Source: State Statistical Office of the Republic of Macedonia

## Other macroeconomic movements

**Table 7**

Employment by activities and sectors

	IX.2004	X.2004	XI.2004	I-XI.2004	
	Number of employed			Average number of employed	Structure in %
<b>Total</b>	<b>256,926</b>	<b>257,146</b>	<b>256,346</b>	<b>259,761</b>	<b>100.0</b>
<b>Agriculture</b>	<b>10,440</b>	<b>10,348</b>	<b>10,288</b>	<b>10,632</b>	<b>4.1</b>
Agriculture, hunting and forestry	10,275	10,183	10,122	10,442	4.0
Fishing	165	165	166	190	0.1
<b>Industry</b>	<b>120,279</b>	<b>120,612</b>	<b>119,937</b>	<b>122,339</b>	<b>47.1</b>
Minerals and stone mining	2,410	2,393	2,378	2,497	1.0
Manufacturing	83,467	83,968	83,464	84,745	32.6
Electricity, gas and water supply	14,254	14,183	14,168	14,498	5.6
Construction	20,148	20,068	19,927	20,599	8.0
<b>Services</b>	<b>126,207</b>	<b>126,186</b>	<b>126,121</b>	<b>126,790</b>	<b>48.8</b>
Wholesales and retail sales, mending of motor vehicles, motorbikes and personal consumption items	12,227	12,105	12,202	12,252	4.7
Hotels and restaurants	4,224	4,203	4,203	4,239	1.6
Transport, storage and communications	17,219	17,133	17,013	17,341	6.7
Financial intermediation	5,576	5,587	5,598	5,631	2.2
Real estate and business activities	6,302	6,295	6,302	6,351	2.4
Public authorities and defense, compulsory social welfare	14,711	14,652	14,462	14,770	5.7
Education	29,097	29,359	29,477	29,257	11.3
Health and social work	27,934	27,962	28,018	28,123	10.8
Other public utility services, general and personal services	8,917	8,890	8,846	8,826	3.4

The monthly data on the employment of the State Statistical Office of the Republic of Macedonia do not correspond to the data of the Labour Force Survey due to the different methodology.

Source: Ministry of Finance



**Table 8**  
Average net wages

	XI.2004*	I-XI.2004*	XI.2004 X.2004	XI.2004 XI.2003	I-XI.2004 I-XI.2003
	in denars		in %		
<b>Nominal average net wage per worker</b>	<b>12,293</b>	<b>12,272</b>	<b>-2.5</b>	<b>3.5</b>	<b>3.9</b>
Costs of living			0.5	-0.8	-0.3
<b>Real average net wage per worker</b>			<b>-3.0</b>	<b>4.3</b>	<b>4.2</b>
<b>Nominal average net wage by sectors</b>					
Agriculture	11,513	9,884	11.2	48.3	15.1
Industry	12,561	12,250	-0.8	7.4	3.8
Services	14,083	13,950	-1.0	4.3	3.3

\* Last available data

Source: State Statistical Office of the Republic of Macedonia

**Table 9**  
Central Government Budget

	2003		2004					2004	2004/2003	2004/2003
	Q4	Q1+Q2 +Q3+Q4	Q1	Q2	Q3	Q4	Q1+Q2 +Q3+Q4	Q4/Q3	Q4/Q4	Q1+Q2 +Q3+Q4
	Amount		Amount					Changes in %		
<b>Total budget revenues</b>	<b>13,840</b>	<b>53,881</b>	<b>14,102</b>	<b>13,889</b>	<b>13,957</b>	<b>15,035</b>	<b>56,983</b>	<b>7.7</b>	<b>8.6</b>	<b>5.8</b>
<i>Tax revenues:</i>	<i>12,770</i>	<i>49,163</i>	<i>12,556</i>	<i>12,979</i>	<i>12,964</i>	<i>14,028</i>	<i>52,527</i>	<i>8.2</i>	<i>9.9</i>	<i>6.8</i>
- personal income tax	2,180	7,502	1,738	1,923	1,930	2,116	7,707	9.6	-2.9	2.7
- profit tax	667	3,271	958	506	522	375	2,361	-28.2	-43.8	-27.8
- value added tax	5,683	21,175	6,103	6,479	6,025	7,150	25,757	18.7	25.8	21.6
- excises	2,685	10,564	2,349	2,458	2,973	2,555	10,335	-14.1	-4.8	-2.2
- custom duties	1,503	6,140	1,228	1,496	1,397	1,694	5,815	21.3	12.7	-5.3
- other	121	476	178	112	114	143	547	25.4	18.2	14.9
<i>Non-tax revenues:</i>	<i>820</i>	<i>4,040</i>	<i>1,371</i>	<i>751</i>	<i>855</i>	<i>867</i>	<i>3,844</i>	<i>1.4</i>	<i>5.7</i>	<i>-4.9</i>
- inflows from state property dividends	209	1,807	793	294	346	162	1,595	-53.2	-22.5	-11.7
- administrative taxes and fees	398	1,369	358	375	337	393	1,463	16.6	-1.3	6.9
- other administrative taxes	67	370	64	69	59	65	257	10.2	-3.0	-30.6
- other non-tax revenues	146	495	156	13	113	247	529	2.2 times	69.2	6.9
<i>Capital revenues</i>	<i>135</i>	<i>555</i>	<i>175</i>	<i>158</i>	<i>127</i>	<i>140</i>	<i>600</i>	<i>10.2</i>	<i>3.7</i>	<i>8.1</i>
<b>Total budget expenditures</b>	<b>16,185</b>	<b>56,432</b>	<b>13,100</b>	<b>14,253</b>	<b>13,341</b>	<b>15,917</b>	<b>56,611</b>	<b>19.3</b>	<b>-1.7</b>	<b>0.3</b>
<i>Current expenditures</i>	<i>13,892</i>	<i>50,984</i>	<i>12,415</i>	<i>12,974</i>	<i>12,187</i>	<i>14,149</i>	<i>51,725</i>	<i>16.1</i>	<i>1.8</i>	<i>1.5</i>
- wages and salaries	5,314	20,234	5,135	5,349	5,097	5,363	20,944	5.2	0.9	3.5
- goods and services	2,318	6,914	1,797	1,714	1,329	1,992	6,832	49.9	-14.1	-1.2
- transfers	5,782	21,105	4,924	5,432	5,170	6,313	21,839	22.1	9.2	3.5
- interest	478	2,443	531	479	561	482	2,053	-14.1	0.8	-16.0
<i>Capital expenditures</i>	<i>2,291</i>	<i>5,037</i>	<i>685</i>	<i>1,279</i>	<i>1,154</i>	<i>1,768</i>	<i>4,886</i>	<i>53.2</i>	<i>-22.8</i>	<i>-3.0</i>
<b>Budget balance</b>	<b>-2,345</b>	<b>-2,551</b>	<b>1,001</b>	<b>-364</b>	<b>616</b>	<b>-882</b>	<b>371</b>			
<b>Financing</b>	<b>2,345</b>	<b>2,551</b>	<b>-1,001</b>	<b>364</b>	<b>-616</b>	<b>882</b>	<b>-371</b>			
<i>Inflows</i>	<i>4,322</i>	<i>10,585</i>	<i>414</i>	<i>2,701</i>	<i>858</i>	<i>2,788</i>	<i>6,761</i>			
<i>Outflows</i>	<i>1,977</i>	<i>8,034</i>	<i>1,416</i>	<i>2,336</i>	<i>1,474</i>	<i>1,906</i>	<i>7,132</i>			

Source: Ministry of Finance



**Table 10**

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

	December 2004				January-December 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	5,259	20.1	4,641	3.6	51,325	4.5	51,178	5.2
- pension and disability insurance	2,957	19.0	2,835	13.6	28,983	2.8	29,132	5.0
- health insurance	1,687	30.1	1,223	-12.6	14,886	1.3	14,722	0.3
- employment	615	3.0	583	-0.3	7,456	19.5	7,324	17.9
Road Fund	182	-35.2	440	44.7	3,299	-10.1	3,889	6.2

Source: Ministry of Finance

**Table 11**

Consolidated budget  
(in Denar million)

	X.2004	XI.2004	XII.2004	O.4.2004		O.1+O.2+O.3+O.4.2004	
				Amount	Structure in %	Amount	Structure in %
<b>Total revenues</b>	<b>7,520</b>	<b>7,206</b>	<b>8,765</b>	<b>23,491</b>	<b>100.0</b>	<b>88,176</b>	<b>100.0</b>
<b>Tax and contributions:</b>	<b>6,954</b>	<b>6,811</b>	<b>8,105</b>	<b>21,870</b>	<b>93.1</b>	<b>81,259</b>	<b>92.2</b>
<i>Tax:</i>	<i>4,672</i>	<i>4,455</i>	<i>5,063</i>	<i>14,190</i>	<i>60.4</i>	<i>53,188</i>	<i>60.3</i>
- personal income tax	603	614	899	2,116	9.0	7,707	8.7
- profit tax	146	129	100	375	1.6	2,361	2.7
- value added tax	2,377	2,180	2,593	7,150	30.4	25,757	29.2
- excises	984	943	790	2,717	11.6	10,996	12.5
- custom duties	522	536	636	1,694	7.2	5,815	6.6
- other	47	52	44	143	0.6	548	0.6
<i>Contributions</i>	<i>2,282</i>	<i>2,357</i>	<i>3,042</i>	<i>7,681</i>	<i>32.7</i>	<i>28,072</i>	<i>31.8</i>
<i>Non-tax revenues:</i>	<i>527</i>	<i>353</i>	<i>601</i>	<i>1,481</i>	<i>6.3</i>	<i>6,306</i>	<i>7.2</i>
- inflows from state property dividends	88	0	77	165	0.7	1,616	1.8
- administrative taxes and fees	121	130	142	393	1.7	1,463	1.7
- income from participation	42	48	56	146	0.6	562	0.6
- other administrative taxes	21	19	25	65	0.3	257	0.3
- other non-tax revenues	114	18	154	286	1.2	737	0.8
- remuneration for using a highway	141	137	148	426	1.8	1,672	1.9
<i>Capital revenues</i>	<i>39</i>	<i>42</i>	<i>59</i>	<i>140</i>	<i>0.6</i>	<i>600</i>	<i>0.7</i>
<b>Total expenditures</b>	<b>7,498</b>	<b>7,874</b>	<b>8,786</b>	<b>24,158</b>	<b>100.0</b>	<b>88,169</b>	<b>100.0</b>
<i>Current expenditures</i>	<i>6,939</i>	<i>7,355</i>	<i>7,620</i>	<i>21,914</i>	<i>90.7</i>	<i>82,136</i>	<i>93.2</i>
- wages and salaries	1,795	1,827	1,869	5,491	22.7	21,440	24.3
- goods and services	584	920	886	2,390	9.9	8,200	9.3
- transfers	4,203	4,559	4,677	13,439	55.6	50,125	56.9
- interest	357	49	188	594	2.5	2,312	2.6
<i>Capital expenditures</i>	<i>559</i>	<i>519</i>	<i>1,166</i>	<i>2,244</i>	<i>9.3</i>	<i>6,033</i>	<i>6.8</i>
<b>Budget balance</b>	<b>22</b>	<b>-668</b>	<b>-21</b>	<b>-667</b>		<b>7</b>	
<b>Financing</b>	<b>-22</b>	<b>668</b>	<b>21</b>	<b>667</b>		<b>-7</b>	
<i>Inflows</i>	<i>1,691</i>	<i>668</i>	<i>500</i>	<i>2,859</i>		<i>7,687</i>	
<i>Outflows</i>	<i>1,713</i>	<i>0</i>	<i>479</i>	<i>2,192</i>		<i>7,694</i>	

Source: Ministry of Finance



## Reserve money

**Table 12**

Reserve money  
(in Denar million)

	<b>30.09.2004</b>	<b>Monthly changes</b>				<b>31.12.2004</b>
		October	November	December	Total	
Reserve money	16,222	657	-710	1,576	1,523	17,745
Currency in circulation	13,312	0	-319	1,169	850	14,162
Banks liquidity	2,910	657	-391	407	673	3,583

Source: National Bank of the Republic of Macedonia

## Monetary aggregates

**Table 13**

Money supply M1 and its components  
(in Denar million)

	<b>30.09.2004</b>	<b>Monthly changes</b>				<b>31.12.2004</b>
		October	November	December	Total	
Money supply M1	26,327	-636	238	1,621	1,223	27,550
Currency in circulation	13,312	0	-319	1,169	850	14,162
Demand deposits	13,015	-636	557	452	373	13,388
- Demand deposits of households	2,628	-11	268	-175	82	2,710
- Demand deposits of enterprises	8,540	-465	119	794	448	8,988

Source: National Bank of the Republic of Macedonia

**Table 14**

Broader monetary aggregates and their components  
(in Denar million)

	<b>30.09.2004</b>	<b>Monthly changes</b>				<b>31.12.2004</b>
		October	November	December	Total	
Money supply M1	26,327	-636	238	1,621	1,223	27,550
Denar short - term deposits	19,456	966	-502	563	1,027	20,483
Monetary aggregate M2 - denar component	45,783	330	-264	2,184	2,250	48,033
Foreign currency short - term deposits	38,998	988	133	689	1,810	40,808
Monetary aggregate M2	84,781	1,318	-131	2,873	4,060	88,841
Non - monetary deposits	4,606	111	186	158	455	5,061
- In Denar	3,137	13	88	122	223	3,360
- In foreign currency	1,469	98	98	36	232	1,701
Monetary aggregate M4	89,387	1,429	55	3,031	4,515	93,902

Source: National Bank of the Republic of Macedonia





**Table 15**

Total deposits of the non-government sector  
(in Denar million)

	<b>30.09.2004</b>	<b>Monthly changes</b>				<b>31.12.2004</b>
		October	November	December	Total	
<b>Total deposits</b>	<b>63,060</b>	<b>2,065</b>	<b>-183</b>	<b>1,410</b>	<b>3,292</b>	<b>66,352</b>
<b>1. According to maturity</b>						
- short-term	58,454	1,954	-369	1,252	2,837	61,291
- long-term	4,606	111	186	158	455	5,061
<b>2. According to currency of denomination</b>						
- In denar	22,593	979	-414	685	1,250	23,843
- In foreign currency	40,467	1,086	231	725	2,042	42,509

Source: National Bank of the Republic of Macedonia

**Table 16**

Households and enterprises deposits  
(in Denar million)

	<b>30.09.2004</b>	<b>Monthly changes</b>				<b>31.12.2004</b>
		October	November	December	Total	
<b>Total households deposits</b>	<b>42,126</b>	<b>1,018</b>	<b>473</b>	<b>820</b>	<b>2,311</b>	<b>44,437</b>
<b>1. According to maturity</b>						
- short-term	39,483	985	453	661	2,099	41,582
- long-term	2,643	33	20	159	212	2,855
<b>2. According to currency of denomination</b>						
- In denar	11,218	518	88	57	663	11,881
- In foreign currency	30,908	500	385	763	1,648	32,556
<b>Total enterprises deposits</b>	<b>19,345</b>	<b>1,033</b>	<b>-688</b>	<b>516</b>	<b>861</b>	<b>20,206</b>
<b>1. According to maturity</b>						
- short-term	18,373	956	-791	547	712	19,085
- long-term	972	77	103	-31	149	1,121
<b>2. According to currency of denomination</b>						
- In denar	9,928	464	-479	624	609	10,537
- In foreign currency	9,417	569	-209	-108	252	9,669

Source: National Bank of the Republic of Macedonia



## Banks' placements

**Table 17**

Banks' placements and overdue claims  
(in Denar million)

	<b>30.09.2004</b>	<b>Monthly changes</b>				<b>31.12.2004</b>
		October	November	December	Total	
<b>Total banks' placements</b>	59,043	985	1,076	1,168	3,229	62,272
<i>Denar placements</i>	50,129	720	328	-252	796	50,925
<i>Foreign currency placements</i>	8,914	265	748	1,420	2,433	11,347

Source: National Bank of the Republic of Macedonia

**Table 18**

Structure of total placements  
(in Denar million)

	<b>30.09.2004</b>	<b>Monthly changes</b>				<b>31.12.2004</b>
		October	November	December	Total	
<b>Maturity structure</b>						
- short-term	29,709	81	236	-259	58	29,767
- long-term	24,243	834	822	1,431	3,087	27,330
<b>Structure of currency of denomination</b>						
- Denar	45,038	650	310	-248	712	45,750
- Foreign currency	8,914	265	748	1,420	2,433	11,347
<b>Structure by sectors</b>						
- enterprises	40,067	441	494	679	1,614	41,681
- households	13,652	527	579	518	1,624	15,276
- other	233	-53	-15	-25	-93	140

Source: National Bank of the Republic of Macedonia

**Table 19**

Maturity and sector structure of Denar and foreign currency placements

	<b>Share on 31.12.2004 (in %)</b>	<b>Quarterly change (in percentage points)</b>	<b>Annual change (in percentage points)</b>
<b>Denar placements</b>			
maturity structure			
- short-term	55.5	-2.5	-7.6
- long-term	44.5	2.5	7.6
structure by sectors		0.0	0.0
- enterprises	67.3	-2.7	-8.3
- households	32.6	2.9	8.3
- other	0.1	-0.1	0.0
<b>Foreign currency placements</b>			
maturity structure			
- short-term	38.4	-1.5	-6.2
- long-term	61.6	1.5	6.2
structure by sectors			
- enterprises	95.9	0.4	-1.2
- households	3.2	0.2	2.9
- other	0.9	-0.6	-1.7

Source: National Bank of the Republic of Macedonia



## Financial Markets in the Republic of Macedonia

**Table 19**

Report on trading in December 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	211	36,675,670	18,806	17
"Makpetrol" Skopje	51	5,866,058	470	15
"Toplifikacija" Skopje	50	6,146,435	4,072	14
"Komercijalna banka" Skopje	63	14,620,709	3,260	14
"Stopanska banka" Bitola	36	9,538,010	3,583	13
"Tetovska banka" Tetovo	1	25,455,600	21,213	1
Other	400	25,108,061	87,847	104
Official market - preferential shares				
"Komercijalna banka" Skopje	17	809,987	899	9
"Stopanska banka" Bitola	1	15,000	5	1
"Tetovska banka" kumulativna Tetovo	1	26,035	41	1
"Teteks kreditna banka" Skopje	1	585	5	1
Official market - bonds				
R. Macedonia - foreign currency deposits	315	18,298,876	399,769	18
R. Macedonia - denationalization 01	6	1,304,844	31,157	2
R. Macedonia - denationalization 02	79	78,171,421	1,893,374	16
R. Macedonia - denationalization 03	413	49,081,895	1,183,657	18
<b>Total official market</b>	<b>1,645</b>	<b>271,119,186</b>	<b>3,648,158</b>	
Unofficial market				
Publicly owned enterprises market - ordinary shares				
"Rudnici Banjani" Skopje	8	424,500	849	5
"Gradski trgovski centar" Skopje	5	712,050	393	4
"Lihnida" Ohrid	2	427,425	695	1
"Tutunska banka" Skopje	3	949,800	481	3
Other	15	1,157,362	1,882	8
Publicly owned enterprises market - preferential shares				
"Stopanska banka" Skopje	1	896	8	1
"Tutunska banka" Skopje	3	2,704,456	997	3
Free market - ordinary shares				
"Univerzalna investiciona banka" Skopje	3	4,473,000	8,946	1
"Evroteks" Skopje	5	26,558,200	9,158	3
"Rudnik Demir Hisar" s. Sopotnica	1	8,425,145	31,793	1
"Tabak osiguruvanje i reosiguruvanje" Skopje	2	12,186,714	382	2
"Treska 30 Avgust" Vinica	2	5,283,740	3,431	1
Other	72	10,949,610	38,757	30
<b>Total unofficial market</b>	<b>122</b>	<b>74,252,898</b>	<b>97,772</b>	
State market				
State - cash payments - ordinary shares	5	49,442,152		
State - non-cash payments - ordinary shares	5	19,355,306		
State - parts - cash payment	6	13,409,554		
<b>Total state market</b>	<b>16</b>	<b>82,207,012</b>		
Block transactions				
Official market - ordinary shares				
"Komercijalna banka" Skopje		5,002,320	1,097	
"Toplifikacija" Skopje		115,500,000	70,000	
"Teteks kreditna banka" Skopje		5,210,000	5,210	
"Invest banka" Skopje		5,441,460	2,038	
"Komercijalna banka" Skopje		15,840,000	4,400	
Companies in public ownership - ordinary shares				
"TK Boro P.-Papucar" Kumanovo		64,233,055	282,965	
"Fustelarko borec" Bitola		7,030,720	5,080	
"Fustelarko borec" Bitola		5,000,392	3,613	
"Tutunska banka" Skopje		11,704,246	4,058	
<b>Total block transactions</b>	<b>9</b>	<b>234,962,193</b>	<b>378,461</b>	
<b>Total markets</b>	<b>1,792</b>	<b>662,541,289</b>		

Source: Macedonian Stock Exchange



## Foreign trade

**Table 20**

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

	Q.1	Q.2	Q.3	Q.4	I-IX 2004	<u>Q.4.2004</u> O.3.2004		<u>Q.4.2004</u> O.4.2003		<u>I-XII 2004</u> I-XII 2003	
	amount					amount	%	amount	%	amount	%
Foreign trade	982.1	1,082.9	1,149.2	1,362.7	4,576.9	213.4	18.6	346.1	34.0	903.6	24.6
Exports	366.1	367.7	442.6	497.1	1,673.5	54.6	12.3	120.5	32.0	306.5	22.4
Imports	616.1	715.2	706.7	865.5	2,903.4	158.9	22.5	225.6	35.2	597.1	25.9
Balance	-250.0	-347.4	-264.1	-368.4	-1,229.9	-104.3	39.5	-105.1	39.9	-290.6	30.9

Source: State Statistical Office of the Republic of Macedonia

**Table 21**

Ten most important trading partners of the Republic of Macedonia, I-XII, 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 %
	I-XII 2004						
<b>Republic of MACEDONIA</b>	<b>4,576.9</b>	<b>100.0</b>	<b>1,673.5</b>	<b>100.0</b>	<b>2,903.4</b>	<b>100.0</b>	<b>57.6</b>
<i>out of which:</i>							
Germany	681.2	14.9	315.6	18.9	365.6	12.6	86.3
Serbia and Montenegro	590.7	12.9	347.5	20.8	243.2	8.4	142.9
Greece	509.2	11.1	228.6	13.7	280.6	9.7	81.5
Italy	302.6	6.6	134.5	8.0	168.2	5.8	80.0
Russia	271.2	5.9	19.7	1.2	251.5	8.7	7.8
Bulgaria	260.3	5.7	51.5	3.1	208.8	7.2	24.7
Slovenia	167.5	3.7	27.2	1.6	140.3	4.8	19.4
Turkey	148.8	3.3	54.0	3.2	94.8	3.3	56.9
Croatia	145.4	3.2	80.2	4.8	65.3	2.2	122.8
France	144.8	3.2	77.3	4.6	67.5	2.3	114.6
Total (10 largest trading partners)	3,221.9	70.4	1,336.0	79.8	1,885.8	65.0	70.8

Source: State Statistical Office of the Republic of Macedonia



**Table 22**

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

	Exports			Imports			Structure	
	US Dollar million		index	US Dollar million		index	exports	imports
	I-XII.2003	I-XII.2004	I-XII.2004	I-XII.2003	I-XII.2004	I-XII.2004	(%)	(%)
			I-XII.2003			I-XII.2003	I-XII.2004	I-XII.2004
TOTAL	<b>1,367.0</b>	<b>1,673.5</b>	<b>122.4</b>	<b>2,306.4</b>	<b>2,903.4</b>	<b>125.9</b>	<b>100.0</b>	<b>100.0</b>
Developed countries	883.3	1,086.4	123.0	1,220.6	1,619.4	132.7	64.9	55.8
EU	747.5	943.5	126.2	1,009.2	1,369.2	135.7	56.4	47.2
EFTA	19.5	6.8	35.0	29.0	46.5	160.2	0.4	1.6
Other developed countries	116.3	136.1	117.0	182.3	203.8	111.8	8.1	7.0
Countries of Centr. and East. Europe	68.6	103.1	150.3	518.7	684.2	131.9	6.2	23.6
Undeveloped countries	0.8	2.1	256.5	2.8	1.2	41.1	0.1	0.0
Developing countries	27.6	13.2	47.9	137.1	215.3	157.0	0.8	7.4
Republics of the former SFRY	386.3	468.4	121.2	427.2	383.4	89.8	28.0	13.2
Other countries	0.3	0.2	78.4	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-XII 2004			
	Export		Import	
	US Dollar million	Share	US Dollar million	Share
TOTAL	<b>1,673.5</b>	<b>100.0</b>	<b>2,903.4</b>	<b>100.0</b>
Reproduction materials	<b>816.2</b>	<b>48.8</b>	<b>1,878.8</b>	<b>64.7</b>
Means of production	<b>30.5</b>	<b>1.8</b>	<b>311.8</b>	<b>10.7</b>
Consumption goods	<b>825.5</b>	<b>49.3</b>	<b>710.5</b>	<b>24.5</b>
Undistributed	<b>1.3</b>	<b>0.1</b>	<b>2.3</b>	<b>0.1</b>

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		
	31.10.2004	30.11.2004	31.12.2004	31.10.2004	30.11.2004	31.12.2004	31.10.2004	30.11.2004	31.12.2004
<b>Official creditors</b>	<b>1,240.55</b>	<b>1,277.44</b>	<b>1,313.28</b>	<b>7.37</b>	<b>7.59</b>	<b>20.49</b>	<b>8.45</b>	<b>6.70</b>	<b>8.25</b>
out of which:									
<b>Multilateral</b>	<b>1,002.40</b>	<b>1,034.74</b>	<b>1,061.71</b>	<b>4.77</b>	<b>7.59</b>	<b>12.07</b>	<b>7.06</b>	<b>6.16</b>	<b>5.37</b>
MMF	64.60	63.25	62.54	-	-	-	1.34	3.20	1.49
IBRD	214.45	219.37	223.61	3.07	0.71	2.51	-	1.08	2.81
IFC	7.90	8.10	9.24	-	-	1.00	0.75	-	-
IDA	372.45	382.58	388.06	0.33	0.71	1.21	0.40	0.15	0.31
EIB	134.66	141.39	148.03	-	1.31	2.86	4.10	0.31	0.01
EUROFIMA	7.82	8.15	8.34	-	-	-	-	-	0.21
Council of EDB	17.72	22.40	23.01	-	3.87	-	-	0.06	0.10
EBRD	57.56	59.30	65.14	1.25	0.88	4.27	0.17	1.35	-
EU	114.63	119.22	122.44	-	-	-	-	-	0.42
IFAD	10.04	10.41	10.75	0.12	0.12	0.22	0.02	-	-
European Agency for Reconstruction	0.56	0.56	0.55	-	-	-	0.27	0.02	0.02
<b>Bilateral</b>	<b>238.15</b>	<b>242.71</b>	<b>251.57</b>	<b>2.60</b>	<b>-</b>	<b>8.42</b>	<b>1.39</b>	<b>0.54</b>	<b>2.88</b>
Paris club (rescheduled 1995)	147.70	150.43	152.05	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	0.18	-	0.02
Paris club (rescheduled 2000)	9.06	9.42	9.01	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	-	-	0.66
New credits	9.13	9.37	9.52	0.00	0.00	0.00	-	-	0.02
Non-rescheduled debt	72.27	73.49	80.98	2.60	-	8.42	1.21	0.54	2.17
<b>Private creditors</b>	<b>626.41</b>	<b>638.69</b>	<b>644.37</b>	<b>12.54</b>	<b>7.42</b>	<b>9.04</b>	<b>3.23</b>	<b>4.87</b>	<b>10.91</b>
out of which:									
<b>London Club of Creditors</b>	<b>232.84</b>	<b>232.84</b>	<b>232.84</b>	-	-	-	-	-	-
<b>Other private creditors</b>	<b>393.57</b>	<b>405.85</b>	<b>411.53</b>	<b>12.54</b>	<b>7.42</b>	<b>9.04</b>	<b>3.23</b>	<b>4.87</b>	<b>10.91</b>
Banks and financial institutions	239.17	247.58	249.98	7.17	4.78	8.84	1.52	1.50	10.20
Enterprises	154.39	158.27	161.55	5.38	2.64	0.20	1.71	3.38	0.70
<b>TOTAL</b>	<b>1,866.95</b>	<b>1,916.13</b>	<b>1,957.64</b>	<b>19.91</b>	<b>15.01</b>	<b>29.53</b>	<b>11.68</b>	<b>11.58</b>	<b>19.16</b>

Source: National Bank of the Republic of Macedonia

## National Bank of the Republic of Macedonia Balance sheet

**Table 24**

NBRM Balance sheet on December 31, 2004\*  
(in million Denars)

<b>Assets</b>	<b>Amount</b>	<b>Liabilities</b>	<b>Amount</b>
Foreign assets	44,637	Reserve money	17,745
Claims on Government	3,467	NBRM instruments	4,552
Claims on banks and other financial institutions	61	Restricted deposits	223
Other assets	3,341	Foreign liabilities	2,862
		Government deposits	12,554
		Capital accounts	7,154
		Other liabilities	6,416
<b>Total</b>	<b>51,506</b>	<b>Total</b>	<b>51,506</b>

Source: National Bank of the Republic of Macedonia

\* Preliminary data