

**National bank  
of the Republic of Macedonia**



**Monthly  
Report**

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

- ❖ *On December 6, The Macedonian Stock Exchange realized the first transaction from a foreign investment fund, in the framework of which the Slovenian investment fund "Poteza" purchased 15.5% of the capital of "Toplifikacija" (Macedonian heat producing company).*
- ❖ *On December 10, the NBRM Council passed a Decision on increasing the reserve requirement rate 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, as it was the case until that date.*
- ❖ *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 refinery prices of oil derivatives reduced on average by 6.63% and 4.03%, respectively.*
- ❖ *On December 16, the Macedonian Bank for Development Promotion signed an agreement with Tutunska Banka and Procredit Bank, which was actually a disbursement of the second tranche of the Macedonian-German fund for lending to small businesses in the amount of Euro 6.2 million.*
- ❖ *On December 17, the "BID Holding" financial corporation from New York acquired ownership of the Tobacco Combine from Kumanovo.*
- ❖ *On December 17, the Slovenian company "Cetis" acquired ownership of the NIP "Nova Makedonija" printing house.*
- ❖ *On December 21, Tutunska Banka obtained 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.*
- ❖ *On December 22, the newly established subsidiary of the European Chamber of Commerce in Skopje was officially promoted, whose main objective is to bring the market and trading links of the Macedonian market with that of the EU to a higher level.*

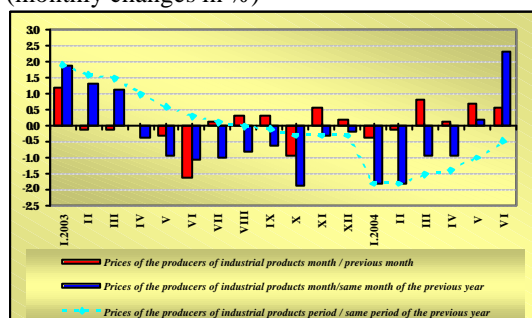
## I. Economic Developments in the Republic of Macedonia

In December 2004, in line with the movement of the retail prices, the consumer prices registered a decline of 0.7% on a monthly basis, primarily due to the monthly decrease in the costs of food (of 0.5%), the costs of housing (of 0.5%), and the costs of transport and communication services (of 3%). Within the food category, the most significant monthly drop was registered in the costs of wheat products<sup>1</sup> (of 1.6%), while the lower costs of housing are primarily a result of the reduced costs of fuel and lighting (monthly decline of 0.9%). Contemporaneously, the reduction in the costs of transport and communication services is a result of the lower costs of fuels and lubricants (monthly decline of 9.8% in line with the decision of the Regulatory Energy Committee to reduce the prices of oil derivatives in December).

Chart 1

Monthly dynamics of the consumer prices and certain consumer prices categories and the retail prices

(monthly changes in %)

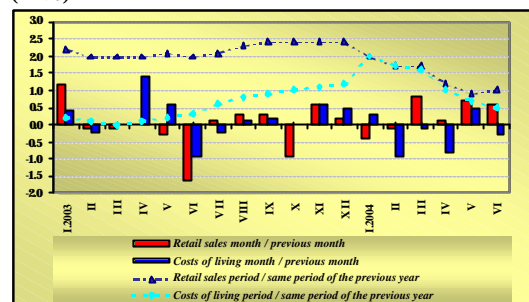


On annual and cumulative basis, the consumer prices dropped by 1.9% and 0.4%, respectively primarily due to the lower costs of food, reflecting the drop in the retail prices of agricultural products, food products and industrial-food products, in accordance with the lower import duties for food products after the admission of the Republic of Macedonia to the WTO and in line with the Stabilization and Association Agreement with the EU. The average customs duty in the Republic of Macedonia in 2004 was reduced to 11.09%, in contrast to 12.16% in 2003. The average customs duty for agricultural products reduced from 21.83% in 2003 to 19.79% in 2004, while the

customs duty for industrial products reduced from 9.26% in 2003 to 8.49% (by 2012 it will reduce to 6.29%).

Chart 2

Consumer prices and retail prices (in %)



In December 2004, the retail prices plunged by 1.2% on a monthly basis. Besides the retail prices of agricultural products which increased by 0.4% relative to the previous month, a decline in the index was registered in all other groups of products. Thus, in December, a more significant decline in the retail prices relative to the previous month was registered in the non-food industrial products (of 2.7%), mainly due to the lower prices of fuels and lubricants (by 9.8%) and fuel (by 6.7%), as well as in the industrial food products (by 0.7%), primarily as a result of the reduced prices of milk products (by 2.5%) and wheat products (by 1.7%). On annual basis, retail prices are almost unchanged (a decline of 0.1%), while cumulatively they went up by 0.9% (mainly reflecting the increase in the prices of non-food industrial products, which do not react in line with the reduced customs duties).

In December, the prices of the producers of industrial products registered a monthly decline of 1.5%, mainly caused by the reduction in the prices of the producers of energy (by 6.4%), primarily reflecting the decline in the prices of the producers of oil derivatives of 16%. Contemporaneously, except for the monthly increase in the prices of the producers of durable consumer goods (of 1.1%), the prices of the producers of industrial products, according to the main industrial groups, were relatively stable. On annual and cumulative basis, the prices of the producers of industrial products were higher by 1.3% and 0.9%, respectively, in line with the higher prices of the producers of energy, as well as of the producers of intermediary products, other than energy.

<sup>1</sup> The Consumer Price Index according to COICOP (Classification of Individual Consumption by Purpose) is used for more detailed analysis of the categories.

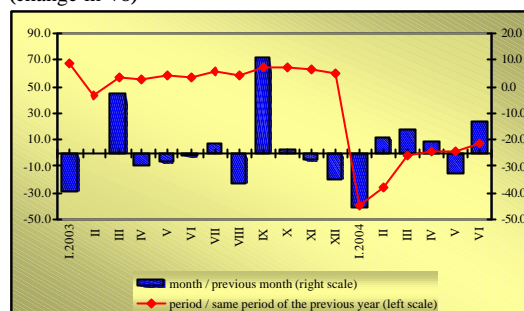
### Energy projection for the Republic of Macedonia

In 2003, energy, as an infrastructural activity in the structure of the value added of the GDP of the Republic of Macedonia has a share of 5.3%, while its share in the volume of the industrial output is 14.1%. About 58% of the energy products needed are produced domestically, while about 42% are imported. In 2003, 14% of the total import of the Republic of Macedonia account for energy products (the share of oil and electricity in the total import of the country is 8.4% and 1%, respectively). In 2004, the share of oil in the total import of the Republic of Macedonia is 7.6%, while that of electricity is 1.3%. In the structure of the gross consumption of energy products, electricity accounts for 20.4%, coal accounts for 42%, oil derivatives for 28.6%, while the remaining part pertains to geothermal energy, gas and wood as a home heating fuel. The production of electricity and gas participates with 6.9% in the structure of the volume of the industrial production, while in the structure of the value added at country level its share is 0.8%. The share of the production of coal (lignite) in the structure of the volume of the industrial production is 0.1%, while in the structure of the value added at country level its share is 0.03%.

Source: Info-Center of the Macedonian Chamber of Commerce

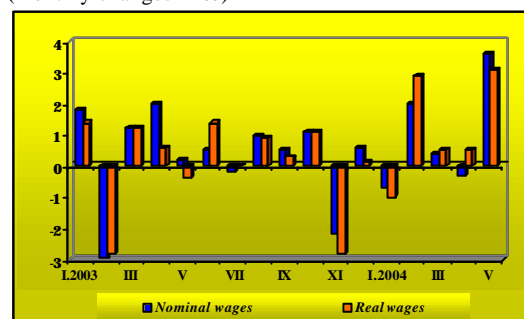
In December 2004, the *volume of the industrial output* registered a monthly increase of 14.7%, which is mainly due to the low comparison basis from the previous month. An increase in the industrial activity is registered in all main groups of the industrial output. Most significant increase was registered in the production of durable consumer goods and of non-durable consumer goods of 37.8% and 20.2%, respectively. The sector-by-sector analysis shows an increased output in the processing industry and electricity, gas and water supply by 15.2% and 15%, respectively. In the framework of the processing industry, which has a dominant structural share, the most intensive monthly increase was registered in the production of textile clothing materials (of 61.1%), household appliances (of 51.1%), as well as the production of food products and beverages (of 25.5%). On annual basis, the industrial output increased by 23%, while cumulatively it dropped by 12.7%.

Chart 3  
Industrial output  
(change in %)



The nominal average net paid wage per worker in November 2004<sup>2</sup> equaled Denar 12,293, which represents a monthly drop of 2.5%. Given the registered increase in the consumer prices of 0.5% in November 2004, the decline in the wages in real terms is more significant and it equals 3.0%. A considerable monthly increase of 11.2% was registered in the wages paid in the agriculture. On the other hand, wages in industry and services decreased by 0.8% and 1.0%, respectively. On annual and cumulative basis, the wages in November were higher by 3.5% and 3.9%, respectively, in nominal terms.

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



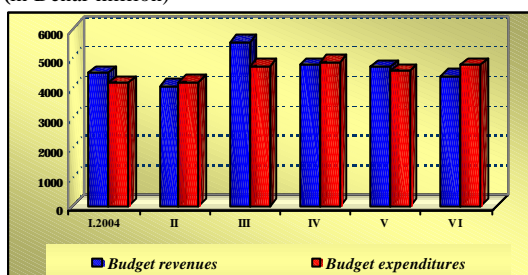
In December, the *total public revenues* registered a monthly increase of 21.6%, and totaled Denar 8,765 million. The revenues of the Central Budget amounted to Denar 5,456 million, and were by 18.8% higher compared to the preceding month. The monthly increase reflects the boost in the revenues in all major categories of revenues. The registered monthly increase in the tax revenues (of 14%) is mainly due to the larger volume of revenues realized on the basis of the personal income tax and the value added tax (by 46.4% and 18.9%). Cumulatively, the total Central Government revenues were by 5.8% higher, due to

<sup>2</sup> Last available data of the State Statistical Office

the increase in the tax and the capital revenues of 6.8% and 8.1%, respectively, while the non-tax revenues registered a decline (of 4.9%). The main generator of the increase in the tax revenues in 2004 was the value added tax (the collection was 5.6% higher than projected). Cumulatively, the revenues from the value added tax increased by 21.6%, mainly as a result of the more widely-spread use of fiscal cash registers.

Chart 5

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



In December 2004 compared to the previous month, *the total public expenditures* were by 11.6% higher and amounted to Denar 8,786 million. *The total expenditures of the Central Government budget* amounted to Denar 5,853 million, which is a monthly increase of 13.8%. The increase is a result of the simultaneous increment in the current and the capital expenditures of 5.9% and 97.1%, respectively. The registered monthly increase in the current expenditures is due to the increase in the expenditures on the basis of payment of wages, transfers and interests. A significant increase was registered in the capital expenditures (mostly expenditures for procurement of fixed assets), which results in an increment in their structural share in the total expenditures structure of 6.3 percentage points, so that in December 2004, capital expenditures were 15% of the total budget expenditures. Cumulatively, the total expenditures of the Central Government went up by 0.3%, reflecting the increase in the current expenditures of 1.5% (mostly due to the higher expenses for payment of wages and transfers).

## II. Monetary developments in the Republic of Macedonia

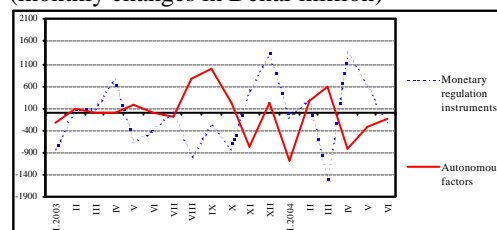
In December 2004, NBRM actively intervened on the foreign exchange market, which in combination with the monetary instruments used, results in stability of the nominal exchange rate of the Denar against the Euro, and hence maintaining the price stability. From the aspect of the liquidity management, in circumstances when there is a seasonally determined higher level of currency in circulation, foreign exchange transactions of NBRM acted toward liquidity creation. Favorable movements on the foreign exchange market were partially a result of the NBRM's decision to increase the rate of reserve requirement. Government deposits also acted toward liquidity creation, with a portion of the liquidity created was sterilized through the CB bills.

Given the lower average level of currency in circulation and the increased interest in investing in CB bills, in December, *the banks' average daily liquidity*<sup>3</sup> equaled Denar 3,739 million (monthly drop of 5.1%). On December 31, 2004, the banks' total liquid funds amounted to Denar 3,583 million, which is by 12.8% more compared to the end of the preceding month. The excess liquid funds over

the compulsory reserve requirement<sup>4</sup>, equaled 16%, which is in contrast to 10% registered in November. Such movements represent a common seasonal effect at the end of the year, when the banks need larger liquidity.

Chart 6

Monetary policy instruments and autonomous factors of liquidity creation and withdrawal\*  
(monthly changes in Denar million)



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

The direction of NBRM's interventions on the foreign exchange market in December 2004 diverged from the expected for this period of the year. Thus, unlike the expected interventions with

<sup>3</sup> The liquidity of the banks includes the banks' account with the NBRM and the cash in the vaults.

<sup>4</sup> The period for maintaining (fulfilling) the banks' compulsory reserve requirement covers the period from the 11<sup>th</sup> in the current month to the 10<sup>th</sup> in the following month.



net-sale of foreign exchange, NBRM intervened with net-purchase of foreign exchange. Hence, the foreign exchange transactions of the NBRM acted towards liquidity creation. Such movements are partially due to the decision of the NBRM (from December 10, 2004) to increase the reserve requirement rate from 7.5% to 10%. Although this decision became effective on January 11, 2005, it pushed the banks for maintaining higher Denar liquidity, by converting foreign exchange assets.

At the end of December, Government Denar deposits with the NBRM reduced by 11.8% on a monthly basis. Thus, they acted toward liquidity creation. In December, two *Treasury bills* auctions were conducted (on December 7, 2004 and on December 21, 2004). At the former auction, besides the trade in Treasury bills with maturity of 3 months, Treasury bills with maturity of six months were traded (they were first offered in the previous month), when the supply exceeded the demand and the average weighted interest rate equalled 10.38%. At the first auction of Treasury bills with maturity of tree months the demand exceeded the supply and the average weighted interest rate equalled 9.33%, while at the second auction, when the supply was higher relative to the demand, the average weighted interest rate equalled 9.11%.

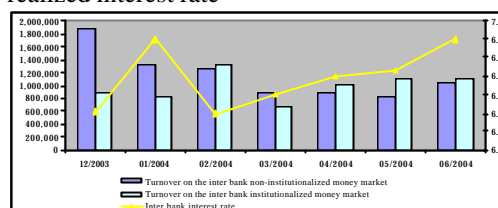
In December, the *CB bills* acted towards withdrawal of liquidity from the banking system. At the end of December, the level of CB bills was by Denar 188 million higher on a monthly basis and totaled Denar 4,552 million. With respect to the CB bills auctions, on December 13, 2004, NBRM started to conduct CB bills auctions with a 7-day maturity on a daily basis. Such changes were directed towards an appropriate offsetting of the potential effects from the autonomous factors (primarily the expected expansive budget spending). Interest rates were maintained at the level of 10% and 7% for CB bills with maturity of 28 days and 7 days, respectively. The average weighted interest rate on CB bills with both aforementioned maturities reached 8.95%, in contrast to 8.82% registered in the previous month.

In December 2004, the total turnover on the (institutionalized and non-institutionalized) money market dropped on a monthly basis by 23.8% and amounted to Denar 1,800.6 million. In December, the banks realized most of their turnover (87.9% of the total turnover) on the non-institutionalized money market. The transactions executed on the institutionalized market totaled Denar 218.4 million, where the average weighted interest rate reached 8.03% (in the preceding

month it equaled 7.45%). The higher interest rate is primarily due to the higher demand relative to the supply of short-term liquid funds. Simultaneously, the interest rate on the interbank money market (institutionalized and non-institutionalized market) equalled 7.9%, while in the preceding month it was 7.6%.

Chart 7

Turnover on the interbank money market and realized interest rate



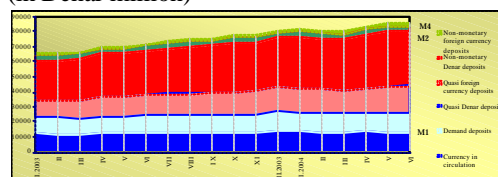
At the end of December 2004, the *currency in circulation* was by Denar 1,169 million or by 9% higher on a monthly basis, and equaled Denar 14,162 million. The significant monthly increase (especially evident in the second half of the month) is a result of the seasonal preferences for holding cash prior to the New Year and Christmas holidays. In December, the average daily level of currency in circulation amounted to Denar 13,118 million, while in the previous month it totalled Denar 13,089 million (monthly increase of 0.2%).

In December 2004, the reserve money were by 9.7% higher on a monthly basis, reflecting the monthly increase in both components (currency in circulation and banks' liquidity). Thus, on December 31, 2004 they totaled Denar 17,745 million.

In December 2004, the higher demand for currency in circulation, the increase in the transaction deposits and the increased short-term and long-term saving in domestic and foreign currency, resulted in a monthly increase in the *monetary aggregates*.

Chart 8

Components of the monetary aggregates (in Denar million)



Thus, the monetary aggregate M1 increased by 6.3% on a monthly basis, which is a result of the increased level of currency in circulation and

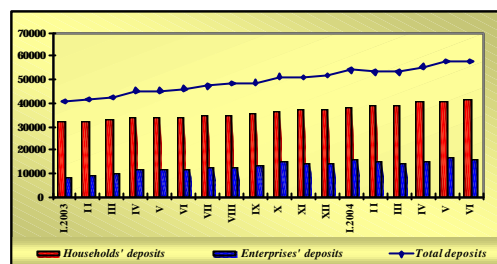


demand deposits. The monthly increase in the demand deposits (3.5%) is due solely to the higher monthly level of the enterprises' transaction deposits (by 9.7%), while the funds on the households' accounts register a significant drop of 6.1% (which corresponds with the increased demand for currency in circulation). On annual basis, the money supply M1 went up by 1%. The increase in the money supply M1, under circumstances of a more intensive increase in the reserve money, resulted in a decline in the money multiplier of the money supply M1 (1.55, in contrast to 1.60 registered in November).

In December 2004, the monetary aggregate M2 registered a monthly increment of 3.3%, reflecting the increase in the short-term saving in domestic and in foreign currency. Such movements, accompanied by the increased long-term deposit potential, resulted in an identical monthly increase in the broadest money supply M4. The more intensive increase in the reserve money (and within that framework the increase in the currency in circulation) slowed down the process of money multiplication. Thus, in December, the money multipliers of the monetary aggregates M2 and M4 equalled 5.01 and 5.29, respectively (in November 2004 they equalled 5.32 and 5.62, respectively).

After the monthly decrease in the *banks' total deposits in the previous month* (when the seven-month continuous increase was interrupted), in December another increase in the banks' deposit potential was registered. Thus, in December, the total deposits of the non-government sector<sup>5</sup> increased by 2.2% on a monthly basis, with a simultaneous increase in the saving of households and enterprises was registered. On annual basis, the total deposit potential of the banking system is by considerable 23.9% higher, which was a result primarily of the increased short-term saving in Denars and in foreign exchange.

Chart 9  
Deposit movements  
(in Denar million)



In December 2004, a simultaneous increase was registered in both the short-term and the long-term saving of the households (by 1.6% and 5.9%, respectively), which resulted in a monthly increase in *the total households' deposits* in the banking system of 1.9%. From a viewpoint of the currency structure, the monthly growth in the households' deposits is mainly caused by the higher level of foreign currency deposits (by 2.4%). In the framework of the households' foreign currency deposits, redistribution of funds from sight deposits to time deposits with maturity of up to one month and up to three months was registered.

In December, *the total enterprises' deposits* were by 2.6% higher on a monthly basis. Having in mind the drop in the long-term enterprises' deposits, the positive monthly dynamics is due to the increased short-term saving of the corporate sector (by 3%). An increment was registered in almost all types of short-term Denar deposits. Compared to the same month of the preceding year, the total enterprises' deposits went up by 41.5%, reflecting the increase in almost all categories of deposits.

In December 2004, the banks continued to support the financial potential of the private sector by further intensification of the credit activity. Thus, the total banks' placements to the non-government sector in December were by 1.9% higher on a monthly basis, registering a considerable increment in the foreign exchange placements of 14.3%, while Denar<sup>6</sup> placements registered a moderate decline of 0.5%. The annual growth rate of the total banks' placements equals 23.7%.

Lending to households continued in December, so that *the total placements to the households sector* registered a monthly growth of 3.5% in December, with a more intensive increase being registered in the foreign exchange placements (by 7.8%), relative to the increase in the placements in domestic currency (by 3.4%). The considerable

<sup>5</sup> The total deposits of the non-government sector include short-term and long-term (Denar and foreign currency) deposits (excluding the demand deposits).

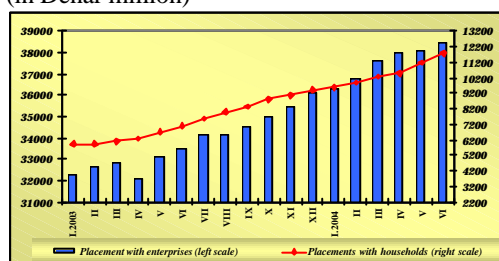
<sup>6</sup> They also include the Denar loans with foreign exchange clause.



increment in the foreign exchange placements partially represents an effect of the liberalization of the foreign exchange lending. From a viewpoint of the maturity structure, long-term and short-term placements to households register an increase of 4.6% and 0.1%, respectively. On annual basis, the total placements to the households went up by significant 62.4%.

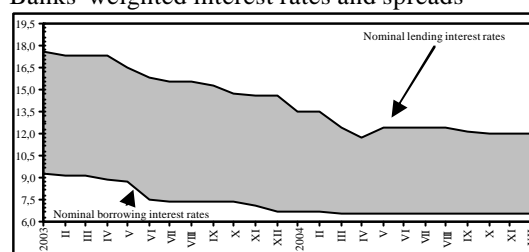
In December 2004, the total placements to the enterprises registered a monthly increment of 1.7%, due to the substantial increase in the foreign exchange placements to the enterprises (of 14.8%). With respect to the maturity, the long-term placements to the enterprises are higher by 6.3%, while the short-term placements registered a moderate decline of 0.9%. Compared to the same month of the preceding year, the placements to enterprises picked up by 15.2%.

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



In December, the *banks' interest rate policy*, remained almost unchanged. Thus, the average weighted lending interest rate on Denar loans retained the level registered in the previous month and equaled 11.99%, while the average weighted interest rate on the three-month Denar deposits equaled 6.52% (6.51% in the preceding month). Thus, in December, the interest rate spread equaled 5.5 percentage points, which is a narrowing by substantial 2.4 percentage points on annual basis. The average weighted interest rate on the short-term foreign exchange loans equaled 7.87% in December (7.64% in November), while the interest rate on the time three-month Euro deposits ranged from 1% to 3.34%, and the interest rate on the three-month US Dollar deposits ranged from 0.5% to 2.48%.

Chart 11  
Banks' weighted interest rates and spreads\*



\*Pertain to Denar credits and deposits

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

In December 2004, the *foreign trade*<sup>7</sup> of the Republic of Macedonia equaled US Dollar 500 million, which is a monthly increase of US Dollar 51.4 million (or 11.4%). Such monthly dynamics of the foreign trade is due to the significant increment in both components, which registered historically highest monthly amounts. In December, exports in the amount of US Dollar 185.2 million were registered, which is a monthly increase of US Dollar of 31.2 million, or 20.3%, and is primarily a result of the increased export of tobacco (monthly increment of US Dollar 13.2 million), clothing, beverages, and iron and steel (monthly increment of US Dollar 5.2 million, US Dollar 4.7 million and US

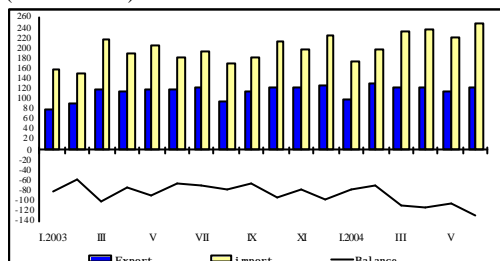
Dollar 3.5 million, respectively). Contemporaneously, an import of goods in the amount of US Dollar 314.8 million was realized, which represented a monthly increase of US Dollar 20.2 million (or 6.8%), mainly due to the increased import of vehicles<sup>8</sup> and of iron and steel (monthly increment of US Dollar 15.2 million and US Dollar 10.7 million, respectively). The faster increase in the export relative to the import of goods, resulted in a monthly drop of the trade deficit of US Dollar 11 million, which totaled US Dollar 129.7 million in December 2004.

<sup>7</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>8</sup> In December 2004, import of vehicles in the amount of US Dollar 31.4 million was registered (monthly increase of 93%), mainly as a result of the announcement of the Government of the Republic of Macedonia that it will reintroduce an excise on imported vehicles on January 1, 2005



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



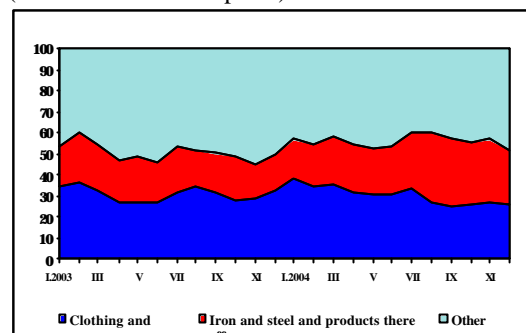
On annual basis (December 2004 - December 2003), the foreign trade rose by 40.8%, while in the January - December 2004 period, relative to the same period of the preceding year, it went up by 24.6% (as a result of the simultaneous increase in both the export and the import of goods of 22.4% and 25.9%, respectively). In the January - December 2004 period, the trade deficit equals US Dollar 1,229.9 million, which is a cumulative growth of US Dollar 290.6 million (or 30.9%), while the import-export coverage ratio is lower by 1.6 percentage points and equals 57.6%. The increased trade deficit in 2004 is due to the rise in the import of mineral fuels<sup>9</sup>, vehicles<sup>10</sup>, and iron and steel<sup>11</sup>, which have a significant share in the import structure (total share of 30.1%). On the other hand, in the January - December 2004 period, the products of the textile and steel industry dominate the structure of the import (total share of 55.8%).

<sup>9</sup> In the January - December 2004 period, mineral fuels in the amount of US Dollar 377.4 million were imported, which is by 16.8% more compared to 2003. The increment is due to the higher prices of oil and oil derivatives (in line with the movement of the oil price on the international markets), and it is partially induced by the higher consumption of coke.

<sup>10</sup> In 2004, import of vehicles in the amount of US Dollar 187.6 million was registered (by 79.1% more compared to 2003), which is due to the lower customs duties and the repealed excise, as well as to the announcement of the Government of the Republic of Macedonia that it will reintroduce an excise on January 1, 2005.

<sup>11</sup> In 2004, the import of iron and steel and products thereof totaled US Dollar 349.2 million (a cumulative growth of 3.1 times compared to the same period of the preceding year) due to the accelerated activity of one metallurgical facility which started operating in May this year.

Chart 13  
Export of goods by groups of products  
(share in the total exports)



In the January - December 2004 period, Germany, Serbia and Montenegro and Greece dominate the total foreign trade with 38.9%. Of the ten most important trading partners, a positive trade balance was realized with 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 (US Dollar 231.8 million), Bulgaria (US Dollar 157.3 million) and Slovenia (US Dollar 113.1 million). Of the remaining countries, high trade deficit was registered in the trade with Romania (US Dollar 111.2 million) primarily due to the significant import of iron and steel.

In December, the total turnover on the foreign exchange market equaled US Dollar 411 million, which is a monthly increase of US Dollar 26.3 million, or 6.8%. Such a monthly change was primarily due to the increased foreign exchange transactions between the banks and the enterprises. Relative to the previous month, an increased supply of foreign exchange by the enterprises was registered, while the demand retained the level registered in the previous month, which resulted in a decline of the net-sale of foreign exchange by the banks. Given the higher supply relative to the demand for foreign exchange on the foreign exchange market, NBRM made a significant net-purchase of foreign exchange. At the end of December, Denar 61.31 were traded per one Euro on the foreign exchange market, showing a moderate appreciation of the Denar relative to the Euro of 0.3% compared to the previous month when Denar 61.51 were traded per one Euro. Relative to the US Dollar, the Denar appreciated by 2.9%, and at the end of December, Denar 45.07 were traded per one US Dollar, compared to the end of the preceding month, when Denar 46.43 were traded per one US Dollar. Analysed on an annual level, Denar



registered an appreciation of 8.1% relative to the US Dollar.

In December 2004, *the total turnover on the exchange offices market* totalled US Dollar 141 million, which is a monthly increase of US Dollar 12.6 million or 9.8%, with a simultaneous increase being registered in both the supply and the demand for foreign exchange. The supply of foreign exchange exceeded the demand, and it resulted in a net purchase of US Dollar 33.7 million, which is at the level registered in the previous month. On the exchange offices market, Denar 61.64 were traded per one Euro on average, which is an almost unchanged exchange rate compared to the previous month. Relative to the US Dollar<sup>12</sup>, the Denar appreciated by 3% on a monthly basis, and on average, Denar 45.31 were traded per one US Dollar. On annual basis, the value of the Denar, relative to the US Dollar, appreciated by 8% on the exchange offices market.

*The gross foreign exchange reserves of the NBRM* reached the level of US Dollar 985.7 million, which represents a monthly increase of US Dollar 45.9 million. The main reasons for the increase in the foreign exchange reserves in December are the high net-purchase of foreign assets by the NBRM on the foreign exchange market, the funds from EBRD for pre-privatization of the ESM (Electric Power Company of Macedonia) and the high positive exchange rate differentials (of US Dollar 11.9 million each) and the interest-based inflows. Given the simultaneous growth in the foreign currency deposits of the enterprises and the households, the total foreign assets with the banks went up by US Dollar 36.1 million on a monthly basis, thus reaching US Dollar 919 million.

At the end of December 2004, *the external debt of the Republic of Macedonia*<sup>13</sup> based on long-term credits and loans reached US Dollar

1,957.6 million, which is by US Dollar 41.5 million more on a monthly basis. The largest part (65.4%) of the increase is due to the positive exchange rate differentials, as a result of the depreciation of the US Dollar relative to the Euro<sup>14</sup> and the other currencies, but also of the larger amount of used credits relative to the serviced liabilities on the basis of principal.

In this month, funds in the total amount of US Dollar 29.5 million were used. An amount of US Dollar 20.5 million was withdrawn from the official creditors, of which US Dollar 12.1 million were funds withdrawn from the multilateral creditors (US Dollar 4.3 million from EBRD, US Dollar 2.5 million from IBRD), while US Dollar 8.4 million were withdrawn from the bilateral creditors. Funds in the amount of US Dollar 9 million were withdrawn from the private creditors, mainly banks and financial institutions. In December, new credits in the amount of US Dollar 64.6 million were concluded, of which credits in the amount of US Dollar 34 million with the multilateral creditors (completely with the EBRD), and US Dollar 30.6 million with the private creditors (mainly with creditors from the non-financial private sector). In December, liabilities totalling US Dollar 19.2 million were serviced (US Dollar 15.8 million on the basis of principal and US Dollar 3.3 million on the basis of interest), which is a monthly increase of US Dollar 7.6 million, primarily as a result of the higher amount of serviced liabilities to private creditors. Liabilities to private creditors in the amount of US Dollar 10.9 million were paid out, the largest part of which were liabilities to banks and financial institutions (US Dollar 10.2 million). The liabilities paid out to official creditors amounted to US Dollar 8.2 million, of which US Dollar 5.4 million were liabilities to the multilateral creditors and US Dollar 2.9 million were liabilities to the bilateral creditors.

<sup>12</sup> The data on the US Dollar exchange rate is taken from the exchange list for the NBRM exchange operations.

<sup>13</sup> Preliminary data of the NBRM.

<sup>14</sup> At the end of December 2004, the exchange rate of the US Dollar against the Euro was 1 US Dollar per Euro 0.7351, which is the lowest parity in the period from June 2001 to December 2004.



## Appendix No.1

### Economic Developments in the Republic of Macedonia

**Table 1**

Costs of living and retail prices

	<b>XII.2004</b>	<b>XII.2004</b>	<b>I-XII.2004</b>
	<b>XI.2004</b>	<b>XII.2003</b>	<b>I-XII.2003</b>
	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
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

	XII.2004	XII.2004	I-XII.2004
	XI.2004	XII.2003	I-XII.2003
	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**  
Industrial output

	Structure in %	<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>Total</b>	<b>100,0</b>	<b>14,7</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
	<b>3,2</b>	<b>-25,9</b>	<b>-26,3</b>	<b>-66,0</b>
<i>Mining and quarrying</i>	<b>89,9</b>	<b>15,2</b>	<b>26,5</b>	<b>-11,6</b>
<i>Manufacturing industry</i>	24,9	25,5	29,4	-12,4
Manufacture of food products and beverages	5,0	11,4	0,3	-11,6
Manufacture of tobacco products	4,3	61,1	-10,1	-26,8
Manufacture of textiles				
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				
Manufacture of basic metals	4,6	2,2	8,0	-14,5
Manufacture of electrical machinery and apparatus n.e.c.	16,4	3,4	4,7 times	-3,7
	4,0	51,1	8,9	-42,1
<i>Electricity, gas and water supply</i>	<b>6,9</b>	<b>15,0</b>	<b>4,2</b>	<b>-3,1</b>

Source: State Statistical Office of the Republic of Macedonia

**Table 4**  
Average net wages

	XI.2004*	I-XI.2004*	<u>XI.2004</u> <u>X.2004</u>	<u>XI.2004</u> <u>XI.2003</u>	<u>I-XI.2004</u> <u>I-XI.2003</u>
	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

\* Latest available data

Source: State Statistical Office of the Republic of Macedonia



**Table 5**  
Central Government Budget

	December 2004			January-December		
	in Denar million	Monthly changes in %	Structure in %	in Denar million	2004 changes (2004/2003) in %	structure in %
<b>Total budget revenues</b>	<b>5.456</b>	<b>18,8</b>	<b>100,0</b>	<b>56.982</b>	<b>5,8</b>	<b>100,0</b>
<i>Tax revenues:</i>	5.015	14,0	91,9	52.526	6,8	92,2
- personal income tax	899	46,4	16,5	7.707	2,7	13,5
- profit tax	100	-22,5	1,8	2.361	-27,8	4,1
- value added tax	2.593	18,9	47,5	25.757	21,6	45,2
- excises	742	-16,3	13,6	10.335	-2,2	18,1
- custom duties	636	18,7	11,7	5.815	-5,3	10,2
- other	44	-15,4	0,8	548	15,1	1,0
<i>Non-tax revenues:</i>	382	2,5 times	7,0	3.844	-4,9	6,7
- inflows from state property dividends	75	-	1,4	1.595	-11,7	2,8
- administrative taxes and fees	142	9,2	2,6	1.463	6,9	2,6
- other administrative taxes	25	31,6	0,5	257	-30,5	0,5
- other non-tax revenues	140	46,7 times	2,6	529	6,9	0,9
<i>Capital revenues</i>	59	40,5	1,1	600	8,1	1,1
<b>Total budget expenditures</b>	<b>5.853</b>	<b>13,8</b>	<b>100,0</b>	<b>56.611</b>	<b>0,3</b>	<b>100,0</b>
<i>Current expenditures</i>	4.974	5,9	85,0	51.726	1,5	91,4
- wages and salaries	1.813	1,7	31,0	20.944	3,5	37,0
- goods and services	680	-14,5	11,6	6.832	-1,2	12,1
- transfers	2.331	11,8	39,8	21.840	3,5	38,6
- interest	151	4,4 times	2,6	2.052	-16,0	3,6
<i>Capital expenditures</i>	879	97,1	15,0	4.886	-3,0	8,6
<b>Budget balance</b>	<b>-397</b>			<b>371</b>		
<b>Financing</b>	<b>397</b>			<b>-371</b>		
<i>Inflows</i>	735			6.761		
<i>Outflows</i>	338			7.132		

Source: Ministry of Finance

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

	December 2004				January-December			
	Total revenues		Total expenditures		Total revenues		Total expenditures	
	Amount	Monthly changes in %	Amount	Monthly changes in %	Amount	Cumulative changes in %	Amount	Cumulative changes in %
<b>Social Funds</b>	<b>5.259</b>	<b>20,1</b>	<b>4.641</b>	<b>3,6</b>	<b>51.325</b>	<b>4,5</b>	<b>51.178</b>	<b>5,2</b>
- 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
<b>Road Fund</b>	<b>182</b>	<b>-35,2</b>	<b>440</b>	<b>44,7</b>	<b>3.299</b>	<b>-10,1</b>	<b>3.889</b>	<b>6,2</b>

Source: National Bank of the Republic of Macedonia



# Monetary developments in the Republic of Macedonia

**Table 7**

Reserve money

	<b>31.12.2004</b>	<b>Monthly changes</b>		<b>Annual changes</b>	
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
Reserve money	17.745	1.576	9,7	-507	-2,8
Currency in circulation	14.162	1.169	9,0	-15	-0,1
Banks liquidity	3.583	407	12,8	-492	-12,1

Source: National Bank of the Republic of Macedonia

**Table 8**

Reserve money creation and withdrawal

	<b>31.12.2004 monthly changes</b>
	in Denar million
<b>Bank liquidity</b>	407
<b>Liquidity creation</b>	<b>1.764</b>
1. Net foreign assets	836
2. Net domestic assets	927
3. Other	1
<b>Liquidity withdrawn</b>	<b>-1.357</b>
1. CB' Bills auctions	-188
2. Currency in circulation	-1.169

Source: National Bank of the Republic of Macedonia

**Table 9**

Treasury bills auctions

Date of conduct	Supply	Demand	Realization	Weighted ineterest rate
	in Denar million			in %
<b>Treasury bills with maturity of</b>				
<b>3 months</b>				
07.12.2004	300	583	300	9.33
21.12.2004	350	292	292	9.11
<b>Treasury bills with maturity of</b>				
<b>6 months</b>				
07.12.2004	50	26	26	10.38

Source: National Bank of the Republic of Macedonia



**Table 10**  
Money supply M1 and its components

	<b>31.12.2004</b>	<b>Monthly changes</b>		<b>Annual changes</b>	
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
<b>Money supply M1</b>	<b>27.550</b>	<b>1.621</b>	<b>6,3</b>	<b>277</b>	<b>1,0</b>
<b>Currency in circulation</b>	<b>14.162</b>	<b>1.169</b>	<b>9,0</b>	<b>-15</b>	<b>-0,1</b>
<b>Demand deposits</b>	<b>13.388</b>	<b>452</b>	<b>3,5</b>	<b>292</b>	<b>2,2</b>
- Demand deposits of households	2.710	-175	-6,1	-2	-0,1
- Demand deposits of enterprises	8.988	794	9,7	481	5,7

Source: National Bank of the Republic of Macedonia

**Table 11**  
Broader monetary aggregates and their components

	<b>31.12.2004</b>	<b>Monthly changes</b>		<b>Annual changes</b>	
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
<b>Money supply M1</b>	<b>27.550</b>	<b>1.621</b>	<b>6,3</b>	<b>277</b>	<b>1,0</b>
<b>Denar short - term deposits</b>	<b>20.483</b>	<b>563</b>	<b>2,8</b>	<b>4.915</b>	<b>31,6</b>
<b>Monetary aggregate M2 - denar component</b>	<b>48.033</b>	<b>2.184</b>	<b>4,8</b>	<b>5.192</b>	<b>12,1</b>
<b>Foreign currency short - term deposits</b>	<b>40.808</b>	<b>689</b>	<b>1,7</b>	<b>7.621</b>	<b>23,0</b>
<b>Monetary aggregate M2</b>	<b>88.841</b>	<b>2.873</b>	<b>3,3</b>	<b>12.813</b>	<b>16,9</b>
<b>Non - monetary deposits</b>	<b>5.061</b>	<b>158</b>	<b>3,2</b>	<b>276</b>	<b>5,8</b>
- In Denar	3.360	122	3,8	-137	-3,9
- In foreign currency	1.701	36	2,2	413	32,1
<b>Monetary aggregate M4</b>	<b>93.902</b>	<b>3.031</b>	<b>3,3</b>	<b>13.089</b>	<b>16,2</b>

Source: National Bank of the Republic of Macedonia

**Table 12**  
Total deposits of the non-government sector

	<b>31.12.2004</b>	<b>Monthly changes</b>		<b>Annual changes</b>		<b>Structure</b>
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)	in %
<b>Total deposits</b>	<b>66.352</b>	<b>1.410</b>	<b>2,2</b>	<b>12.812</b>	<b>23,9</b>	<b>100,0</b>
<b>1. According to maturity</b>						
- short-term	61.291	1.252	2,1	12.536	25,7	92,4
- long-term	5.061	158	3,2	276	5,8	7,6
<b>2. According to currency of denomination</b>						
- In denar	23.843	685	3,0	4.778	25,1	35,9
- In foreign currency	42.509	725	1,7	8.034	23,3	64,1

Source: National Bank of the Republic of Macedonia



**Table 13**  
Households and enterprises deposits

	Structure	31.12.2004	Monthly changes		Annual changes	
	(in %)	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
<b>Total households deposits</b>	<b>100,0</b>	<b>44.437</b>	<b>820</b>	<b>1,9</b>	<b>6.792</b>	<b>18,0</b>
<b>1. According to maturity</b>						
- short-term	93,6	41.582	661	1,6	6.834	19,7
- long-term	6,4	2.855	159	5,9	-42	-1,4
<b>2. According to currency of denomination</b>						
- In denar	26,7	11.881	57	0,5	1.724	17,0
- In foreign currency	73,3	32.556	763	2,4	5.068	18,4
<b>Total enterprises deposits</b>	<b>100,0</b>	<b>20.206</b>	<b>516</b>	<b>2,6</b>	<b>5.929</b>	<b>41,5</b>
<b>1. According to maturity</b>						
- short-term	94,5	19.085	547	3,0	5.592	41,4
- long-term	5,5	1.121	-31	-2,7	337	43,0
<b>2. According to currency of denomination</b>						
- In denar	52,1	10.537	624	6,3	3.096	41,6
- In foreign currency	47,9	9.669	-108	-1,1	2.833	41,4

Source: National Bank of the Republic of Macedonia

**Table 14**  
Banks' placements and overdue claims

	31.12.2004	Monthly changes		Annual changes	
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
<b>Total banks' placements</b>	<b>62.272</b>	<b>1.168</b>	<b>1,9</b>	<b>11.944</b>	<b>23,7</b>
<i>Denar placements</i>	<b>50.925</b>	<b>-252</b>	<b>-0,5</b>	<b>7.844</b>	<b>18,2</b>
<i>of which:</i>					
-households	14.917	492	3,4	5.533	59,0
-enterprises	30.797	-724	-2,3	1.664	5,7
<i>Foreign currency placements</i>	<b>11.347</b>	<b>1.420</b>	<b>14,3</b>	<b>4.100</b>	<b>56,6</b>
<i>of which:</i>					
-households	359	26	7,8	338	17,1 times
-enterprises	10.884	1.403	14,8	3.844	54,6

Source: National Bank of the Republic of Macedonia


**Table 15**

Maturity and sector structure of Denar and foreign currency placements

	Share on 31.12.2004	Monthly change of share	Annual change of share
	(in %)	(in percentage points)	
<b>Denar placements</b>	<b>100,0</b>		
maturity structure			
- short-term	55,5	-1,3	-7,6
- long-term	44,5	1,3	7,6
structure by sectors			
- enterprises	67,3	-1,2	-8,3
- households	32,6	1,2	8,3
- other	0,1	0,0	0,0
<b>Foreign currency placements</b>	<b>100,0</b>		
maturity structure			
- short-term	38,4	-0,6	-6,2
- long-term	61,6	0,6	6,2
structure by sectors			
- enterprises	95,9	0,4	-1,2
- households	3,2	-0,2	2,9
- other	0,9	-0,2	-1,7

Source: National Bank of the Republic of Macedonia

**Table 16**

Interest rates

	December 2004	Monthly changes	Annual changes
	in %	in percentage points	
Average weighted interest rate on the CB bills auctions (28 days)	10,00	0,0	3,8
Average weighted interest rate on the Money Market	8,03	0,6	2,2
Banks' weighted lending interest rates	11,99	0,0	-2,5
Banks' weighted deposit interest rates	6.52	0.0	-0.2



## Financial Markets in the Republic of Macedonia

**Table 17**  
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
"Komerijalna 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				
"Komerijalna 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>		
<b>Block transactions</b>				
<b>Official market - ordinary shares</b>				
"Komerijalna 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	
"Komerijalna banka" Skopje		15.840.000	4.400	
<b>Companies in public ownership - ordinary shares</b>				
"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 and Foreign Exchange Developments in the Republic of Macedonia

**Table 18**

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

	XII.2004	I-XII.2004	XII.2004 XI.2004		XII.2004 XII.2003		I-XII.2004 I-XII.2003	
	amount		amount	%	amount	%	amount	%
Foreign trade	500,0	4.576,9	51,4	11,4	144,8	40,8	903,6	24,6
Exports	185,2	1.673,5	31,2	20,3	56,4	43,8	306,5	22,4
Imports	314,8	2.903,4	20,2	6,8	88,4	39,0	597,1	25,9
<i>Balance</i>	<b>-129,7</b>	<b>-1.229,9</b>	<b>11,0</b>	<b>-7,8</b>	<b>-32,0</b>	<b>32,7</b>	<b>-290,6</b>	<b>30,9</b>

Source: State Statistical Office of the Republic of Macedonia

**Table 19**

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

	Foreign trade (in US Dollar million)	Share	Exports (in US Dollar million)	Share	Imports (in US Dollar million)	Share	Import-export coverage ratio
<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
<b>Total (10 largest trading partners)</b>	<b>3.221,9</b>	<b>70,4</b>	<b>1.336,0</b>	<b>79,8</b>	<b>1.885,8</b>	<b>65,0</b>	<b>70,8</b>

Source: State Statistical Office of the Republic of Macedonia


**Table 20**

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

	Exports			Imports			Structure	
	US Dollar million		index	US Dollar million		index	exports	imports
			I-XII.2004			I-XII.2004	(%)	(%)
	I-XII.2003	I-XII.2004	I-XII.2003	I-XII.2003	I-XII.2004	I-XII.2003	I-XII.2004	
<b>TOTAL</b>	<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 21**

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

	External debt		Credits used		Debt payments	
	30.11.2004	31.12.2004	XI-2004	XII-2004	XI-2004	XII-2004
<b>Official creditors</b>	<b>1,277,4</b>	<b>1,313,3</b>	<b>7,6</b>	<b>20,5</b>	<b>6,7</b>	<b>8,2</b>
out of which:						
<b>Multilateral</b>	<b>1,034,7</b>	<b>1,061,7</b>	<b>7,6</b>	<b>12,1</b>	<b>6,2</b>	<b>5,4</b>
MMF	63,3	62,5	0,0	0,0	3,2	1,5
IBRD	219,4	223,6	0,7	2,5	1,1	2,8
IFC	8,1	9,2	0,0	1,0	0,0	0,0
IDA	382,6	388,1	0,7	1,2	0,1	0,3
EIB	141,4	148,0	1,3	2,9	0,3	0,0
EUROFIMA	8,1	8,3	0,0	0,0	0,0	0,2
Council of EDB	22,4	23,0	3,9	0,0	0,1	0,1
EBRD	59,3	65,1	0,9	4,3	1,3	0,0
EU	119,2	122,4	0,0	0,0	0,0	0,4
IFAD	10,4	10,7	0,1	0,2	0,0	0,0
European Agency for Reconstruction	0,6	0,6	0,0	0,0	0,0	0,0
<b>Bilateral</b>	<b>242,7</b>	<b>251,6</b>	<b>0,0</b>	<b>8,4</b>	<b>0,5</b>	<b>2,9</b>
Paris club (rescheduled 1995)	150,4	152,0	0,0	0,0	0,0	0,0
Paris club (rescheduled 2000)	9,4	9,0	0,0	0,0	0,0	0,7
New credits	9,4	9,5	0,0	0,0	0,0	0,0
Non-rescheduled debt	73,5	81,0	0,0	8,4	0,5	2,2
<b>Private creditors</b>	<b>638,7</b>	<b>644,4</b>	<b>7,4</b>	<b>9,0</b>	<b>4,9</b>	<b>10,9</b>
out of which:						
<b>London Club of Creditors</b>	<b>232,8</b>	<b>232,8</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Other private creditors</b>	<b>405,8</b>	<b>411,5</b>	<b>7,4</b>	<b>9,0</b>	<b>4,9</b>	<b>10,9</b>
Banks and financial institutions	247,6	250,0	4,8	8,8	1,5	10,2
Enterprises	158,3	161,6	2,6	0,2	3,4	0,7
<b>TOTAL</b>	<b>1,916,1</b>	<b>1,957,6</b>	<b>15,0</b>	<b>29,5</b>	<b>11,6</b>	<b>19,2</b>

Source: National Bank of the Republic of Macedonia

**Table 22**

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>

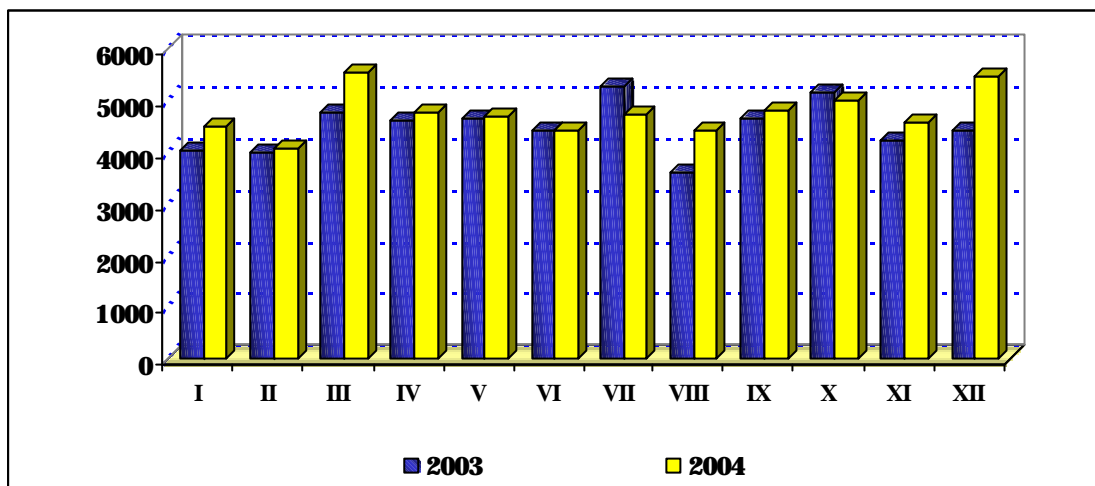


## Appendix No.2

### Economic Developments in the Republic of Macedonia

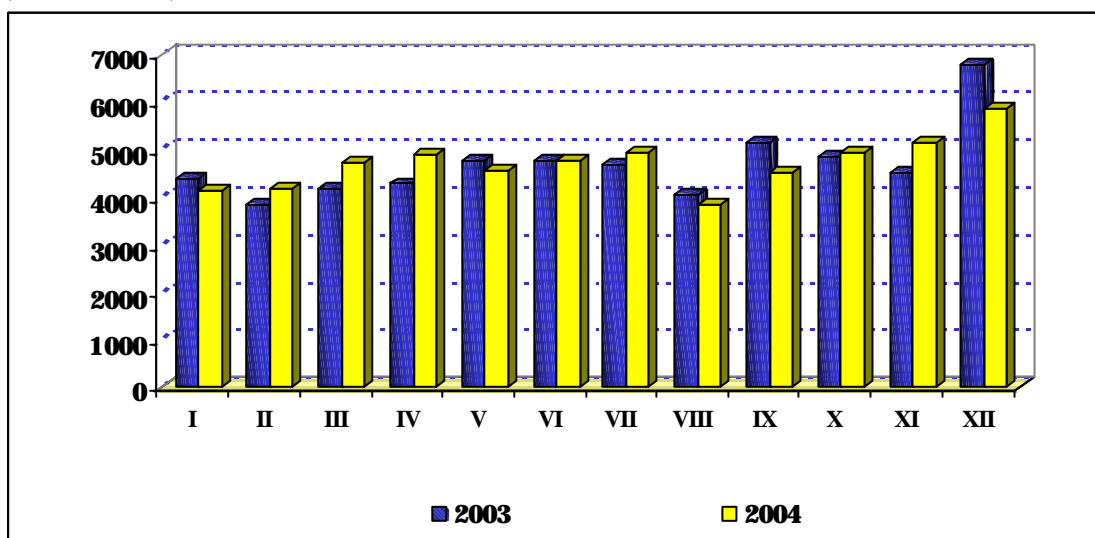
**Chart 1**

Total Central Government budget revenues  
(in Denar million)



**Chart 2**

Total Central Government budget expenditures  
(in Denar million)





## Monetary developments in the Republic of Macedonia

Chart 3

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

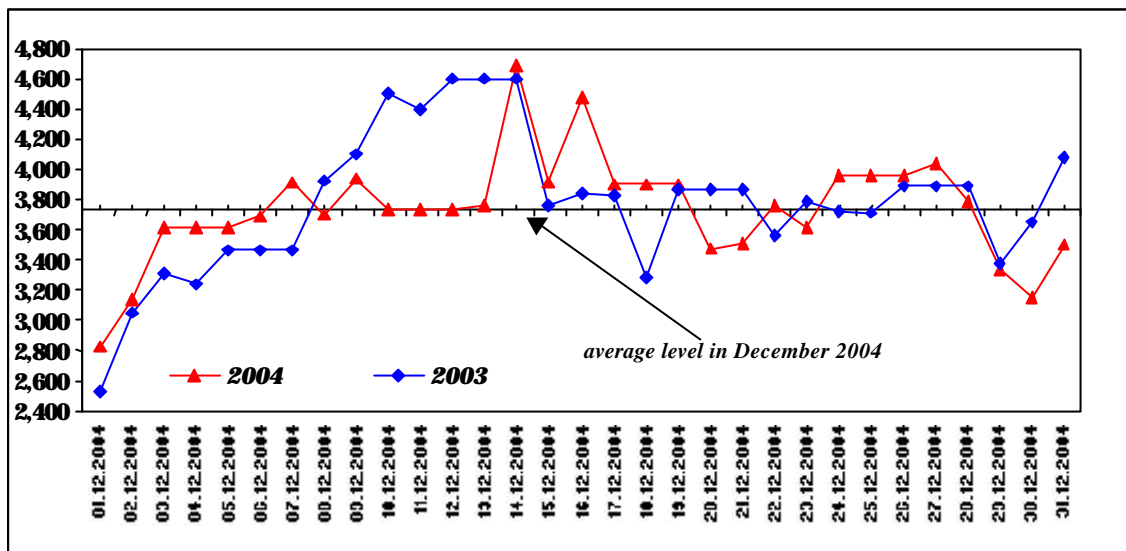


Chart 4

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

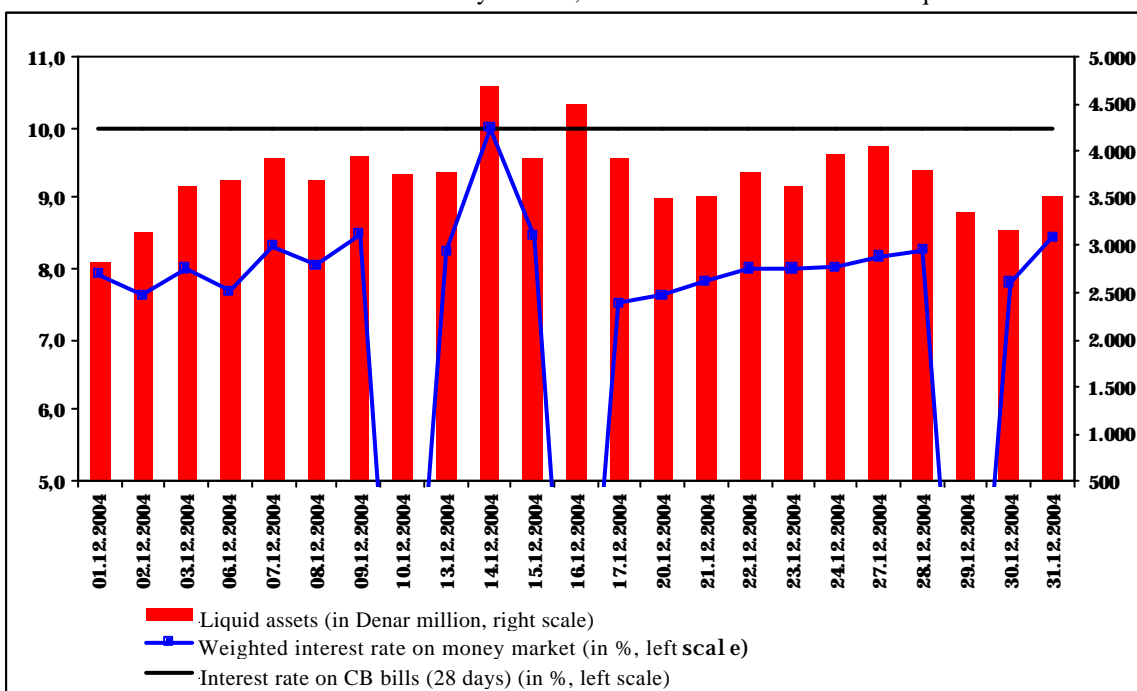




Chart 5

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

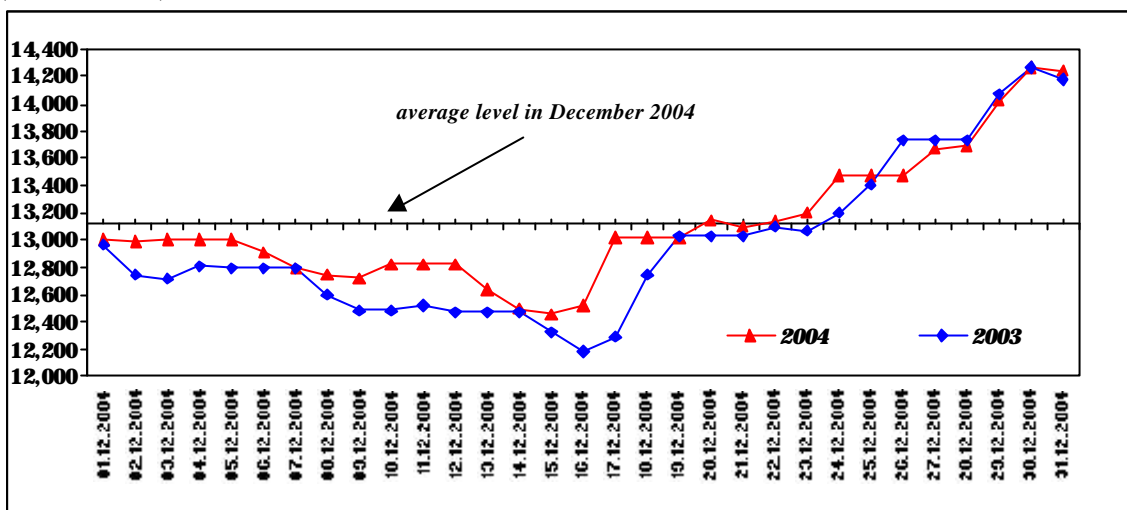
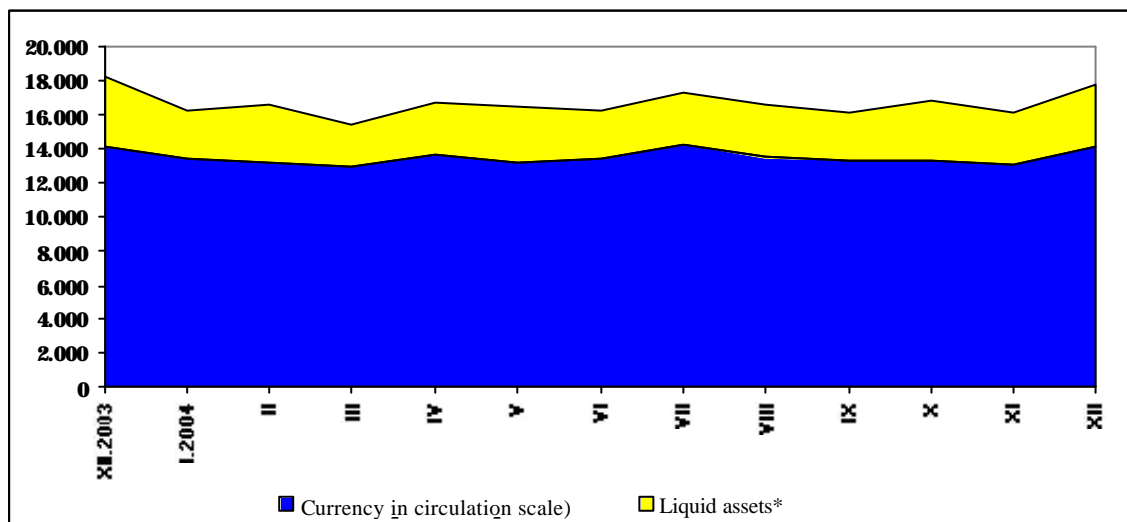


Chart 6

Reserve Money\*  
(in Denar million, end of period)

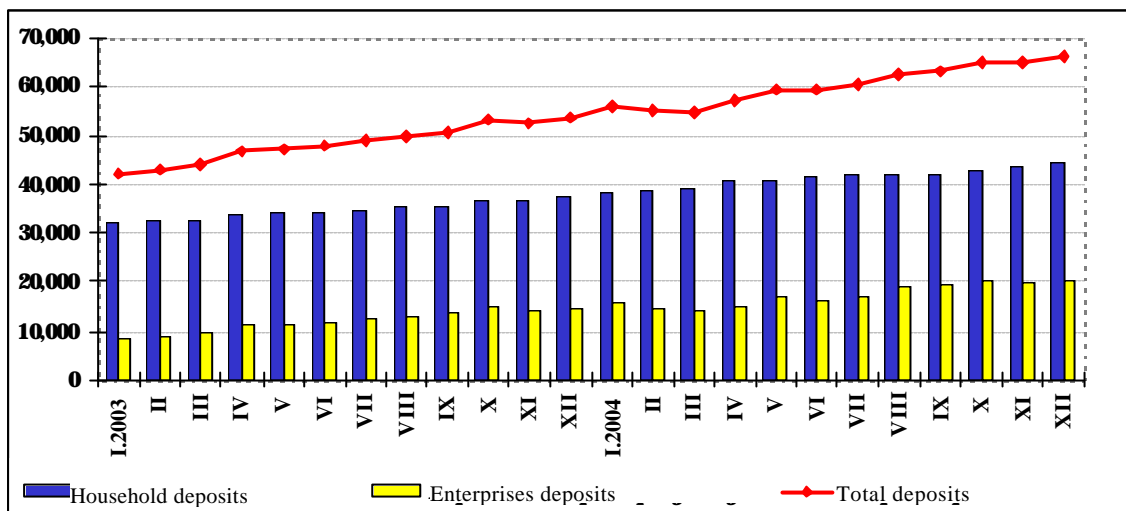


\* The banks' liquid funds include the banks' account with the NBRM and the currency in circulation in the banks' vaults.



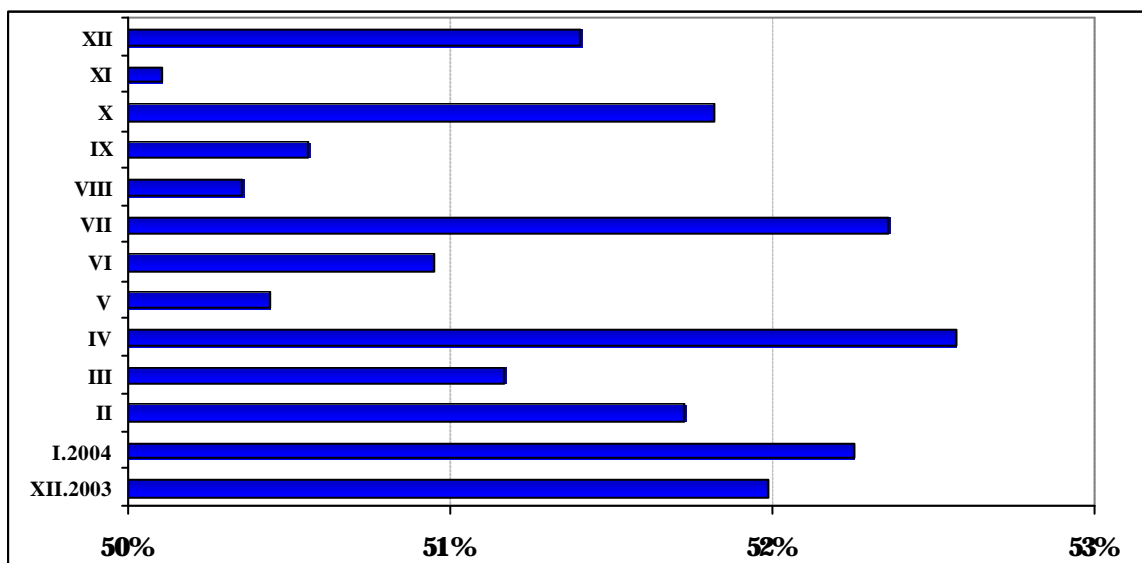
**Chart 7**

Demand deposits of enterprises and households  
(in Denar million)



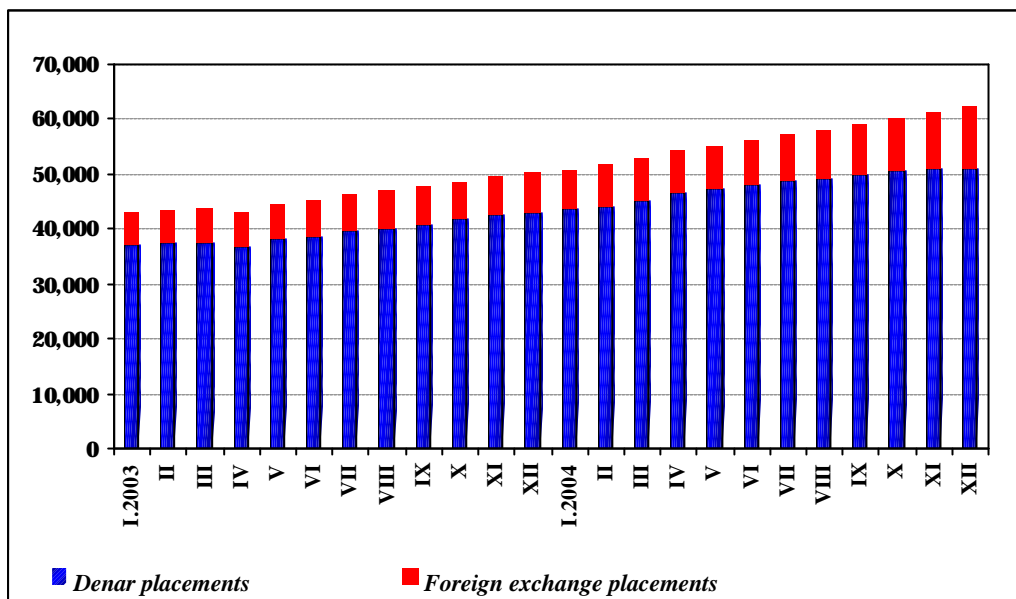
**Chart 8**

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



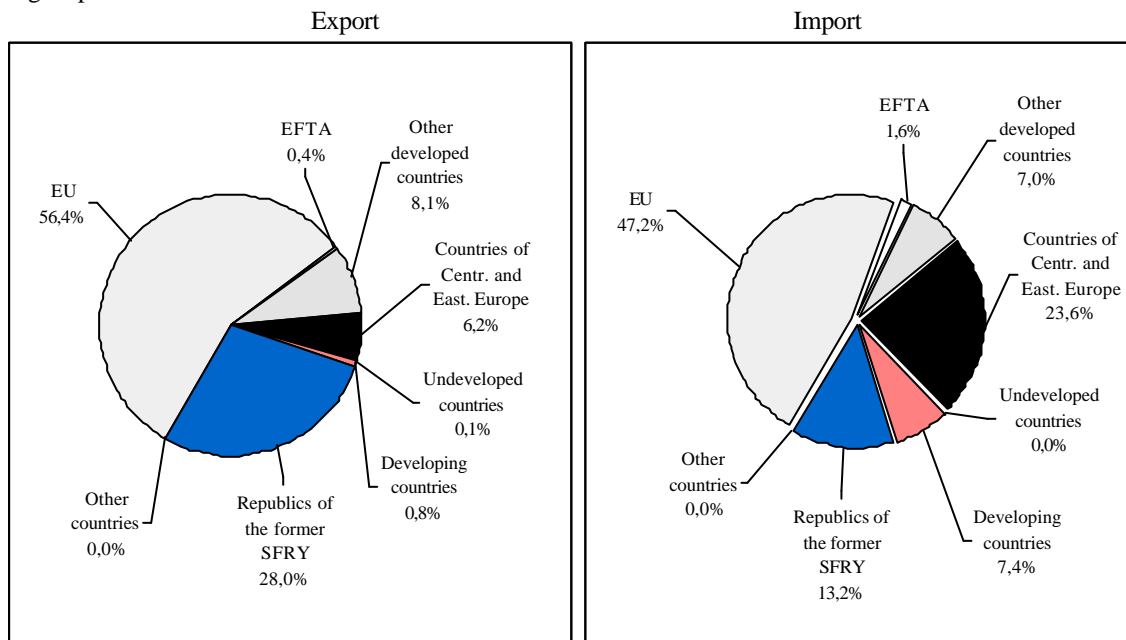


**Chart 9**  
Banks placements  
(in Denar million)



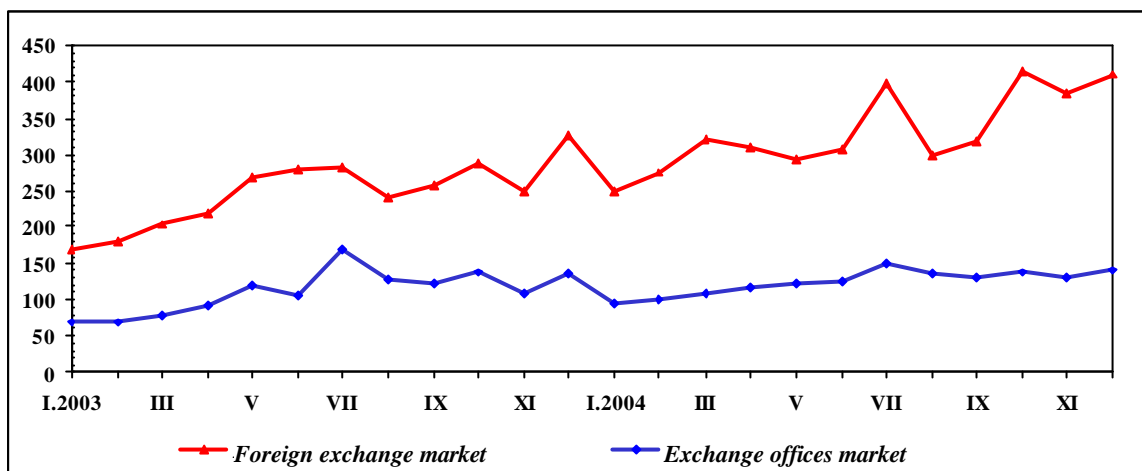
#### Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia

**Chart 10**  
Foreign trade of the Republic of Macedonia according  
to groups of countries

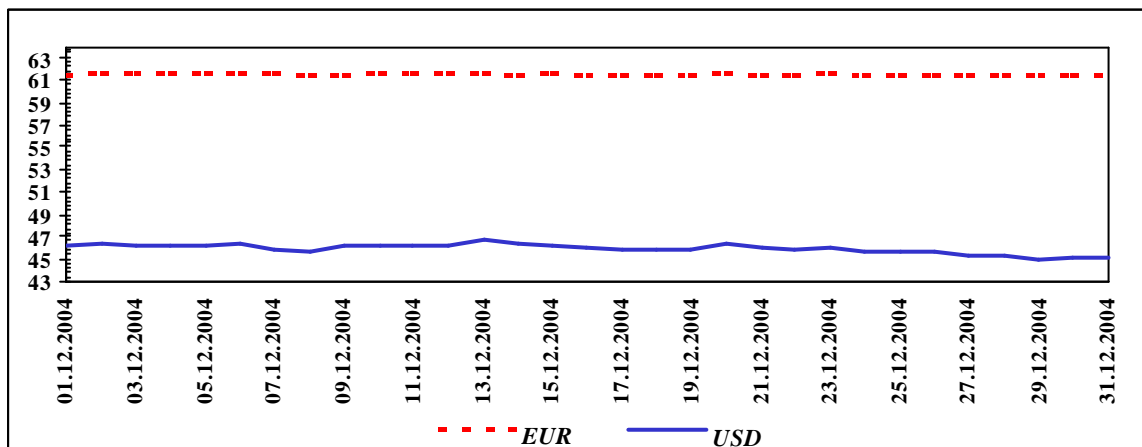


**Chart 11**

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

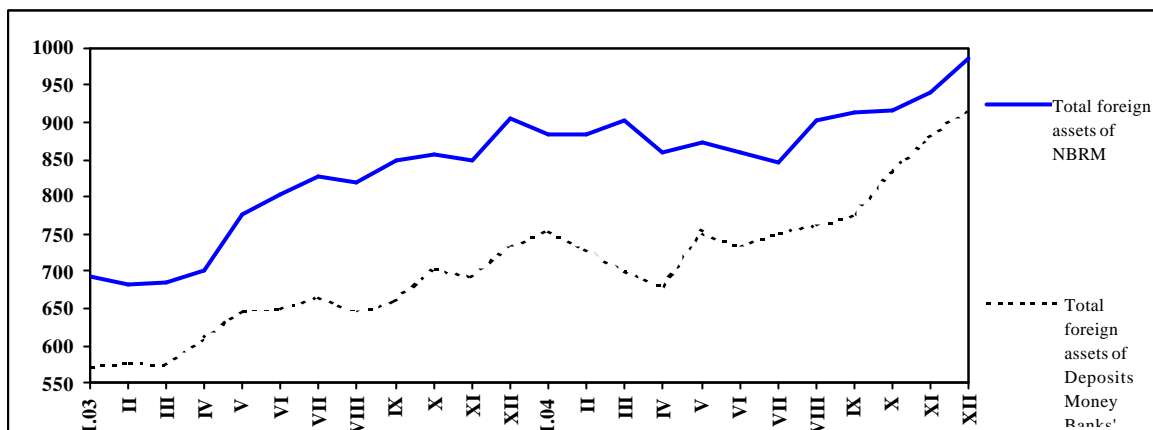
**Chart 12**

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



**Chart 13**

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

**Chart 14**

Used credits and serviced liabilities  
(in US Dollar million)

