

VI. Financial Markets in the Republic of Macedonia

6.1. Macedonian Stock Exchange

The Macedonian stock exchange has been operating since March, 1996 and represents an organized secondary capital market where public trade in securities (stocks and bonds) is carried out. Founders and members of the Stock exchange are eight brokerage firms authorized for trade in securities and which is run by the Shareholders assembly and the Board of directors. Transactions at the Stock Exchange, based on the auction way of trade, are executed twice a week in these segments: First and Second market as official markets and Third market as an unofficial market.

Table 16

Transactions at the Macedonian Stock Exchange

period	Total turnover	Number of traded securities	Number of transactions	Number of transactions with Government bonds	Days of trading
1996	34,790,000	12,378	499	-	79
1997	1,101,000,000	8,030,323	6,525	-	101
1998	4,764,168,266	8,505,473	3,392	-	104
1999	1,552,771,065	4,289,880	2,480	-	103
2000	7,780,523,404	161,780,482	3,403	1,379	103

In the first three years of operating, the Macedonian Stock Exchange showed a steady increase of turnover (from Denar 35 million in 1996 to Denar 1.101 million in 1997 and Denar 4,476 million in 1998). In the year 1999, this trend was interrupted and the results were significantly lower (total turnover of Denar 1,553 million), mainly as a result of many non-economic factors (among which, Kosovo crisis had the most significant implications).

In 2000, the stock exchange activities were re-intensified, thus the Macedonian Stock Exchange has shown the best results since it was established. Actually, only in 2000, the total turnover of the Stock Exchange was at the level of the cumulative turnover registered in the first four years of its existing. Hence, the total turnover registered in the Stock exchange in 2000, reached Denar 7,780 million, which is 5 times higher than the turnover in 1999. These enormous results came out as a result of: a) the sale of some large domestic companies to foreign investors; b) trade in state bonds issued for the old foreign currency savings of the households; and c) completion of the legislative for this area. The process of ownership concentration and post-privatization ownership consolidation continued in 2000, as well.

From dynamic aspect, the highest monthly turnover was registered in April 2000 that corresponds with the sale of the largest bank in the Republic of Macedonia (Stopanska Banka a.d. – Skopje) to foreign strategic investor. The average daily turnover of the Stock Exchange, in 2000 compared to previous year, in equal days of trading, increased 5 times and reached Denar 75 million. The turnover in 2000, compared to 1999, increased in almost twice more transactions and larger number of traded securities.

Table 17

Transactions at the Macedonian Stock Exchange in 2000

period	Realized turnover (in Denar million)	Number of traded securities	Number of transactions	Days of trading
January	102.2	536,233	127	8
February	187.0	312,219	218	9
March	1,219.5	1,315,600	272	9
April	2,613.7	1,56,671,662	193	8
May	461.3	291,436	143	8
June	249.2	188,483	284	9
July	196.1	122,315	172	8
August	176.8	69,525	302	10
September	428.0	1,112,865	505	8
October	664.6	418,994	864	9
November	1,121.0	426,014	935	9
December	361.1	315,136	767	8
I-XII. 2000	7,780.5	161,780,482	4,782	103

In 2000 all segments of the Macedonian Stock exchange were active. The largest part of the total turnover was realized in the Third (unofficial) market (96.6%), of which 52.4% were realized in the separated segment for trade with state owned shares.

6.2. Money and Short-term Securities Market

The Money and Short-term securities market in Republic of Macedonia was established on November 12, 1997. The main function of money market is to intermediate in meeting the supply and demand of money and short-term securities. Actually, it is a place of redistribution of bank liquidity, where money supply and demand are traced and equalized. Leading segment of this institution are transactions with giro-money. In general, the level of banking sector liquidity, dynamics of currency in circulation, government deposits, foreign exchange transactions of NBRM and its intervention through monetary policy instruments determines transactions with giro-money in the money market. Development of the financial sector is expected to result in increased supply of short-term financial instruments, which should be a base for development of the money market segment of trade in short-term securities.

In 2000, the high level of liquidity of banking system directly influenced the functioning of the money market. The high level of supply (Denar 24,795 million) confirms this, which is by 13.5% higher compared to 1999. On the other side, the demand for liquid assets in 2000 equaled Denar 22,337 million, which is around the same level with the demand in 1999. Total turnover in the money market in 2000 was Denar 19,953 million, which is 0.8% higher than 1999. Consequently, 19.5% of disposable assets were out of function and 10.7% of demand remained unsatisfied, mainly because of limitations settled by banks-sellers whose objective is risk diversification. Average daily turnover at the money market in 2000 was Denar 79.5 million, which is 0.8% higher compared to 1999 for equal number of days of trading.

Table 18

Transactions with Giro-money at Money and Short-term Securities Market

	Sales offers		Buying offers		Realization		Weighted average interest rate (in %)	
	1999	2000	1999	2000	1999	2000	1999	2000
I	1,338,650,000	1,259,600,000	1,733,750,000	1,146,000,000	1,315,450,000	1,088,700,000	19.13	11.53
II	1,539,100,000	2,130,100,000	1,502,050,000	1,996,400,000	1,372,550,000	1,907,700,000	19.65	11.77
III	2,277,000,000	1,906,300,000	3,077,400,000	2,399,100,000	2,254,500,000	1,895,300,000	20.08	11.91
IV	2,120,400,000	1,699,935,000	2,768,500,000	2,245,000,000	2,083,900,000	1,665,435,000	21.09	11.82
V	2,302,750,000	2,042,800,000	2,498,850,000	1,683,000,000	2,271,250,000	1,538,000,000	21.84	10.33
VI	2,465,350,000	2,207,600,000	2,393,750,000	2,049,500,000	2,391,750,000	1,828,800,000	20.62	9.77
VII	1,820,400,000	2,209,900,000	1,727,900,000	1,905,400,000	1,699,400,000	1,788,800,000	18.45	9.07
VIII	1,553,300,000	2,153,400,000	1,297,400,000	1,747,100,000	1,297,400,000	1,513,100,000	17.47	8.74
IX	1,593,000,000	2,188,320,000	1,274,800,000	1,679,020,000	1,274,800,000	1,635,320,000	15.25	8.46
X	1,801,550,000	2,684,800,000	1,475,550,000	2,084,000,000	1,425,300,000	1,893,100,000	11.92	8.55
XI	1,529,800,000	2,386,000,000	1,364,600,000	1,597,600,000	1,248,500,000	1,527,600,000	11.63	7.01
XII	1,501,800,000	1,926,300,000	1,231,200,000	1,804,800,000	1,160,100,000	1,670,800,000	11.62	7.15
Total	21,843,100,000	24,795,055,000	22,345,750,000	22,336,920,000	19,794,900,000	19,952,655,000	17.4	9.7

The higher supply than demand for liquid assets in 2000 (11%) reduced the average weighted interest rate in money market by 7.7 percentage points in 2000 compared to 1999, thus the interest rate became 9.7% per annum. The highest level of interest rate is reached in March (11,9%) and lowest in November (7,0%).

Quarterly observed, the highest turnover was registered in the last quarter of 2000 (Denar 5,092 million) when the highest level of liquid assets was offered (Denar 6,997 million or 44.7% higher compared to the same period in 1999). The above corresponds with the high level of bank liquidity in the respective quarter and relatively low average weighted interest rate in the money market, which in the last quarter equaled 7.6%.

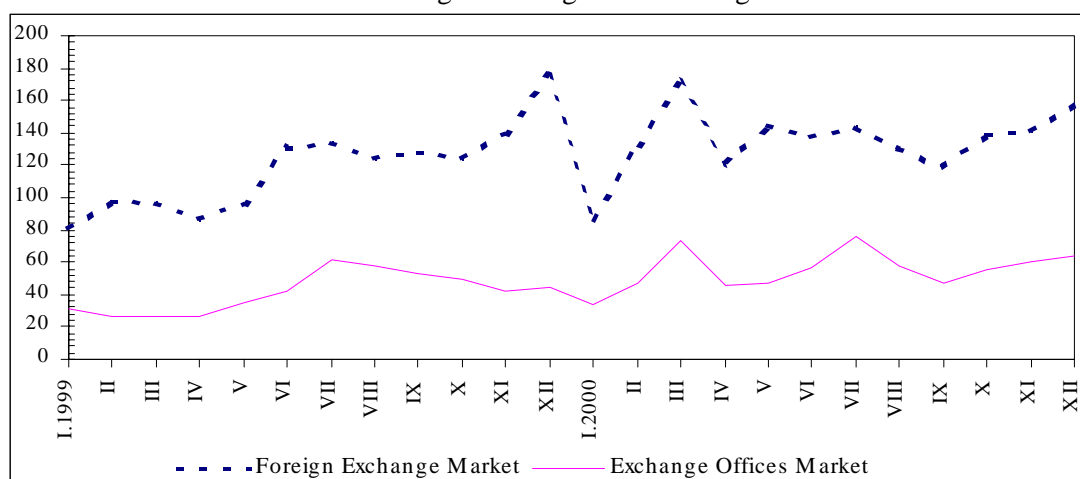
6.3. Foreign Exchange and Exchange Offices Market

In the Republic of Macedonia, the trade in foreign currency is carried out in foreign exchange and exchange offices market. Foreign exchange market includes purchasing and selling of foreign currencies by authorized banks, domestic legal entities and the National Bank of the Republic of Macedonia. According to increased foreign trade of the Republic of Macedonia, the turnover of foreign exchange market in 2000 increased significantly. Namely, the total turnover in 2000 amounted to USD 1,623 million, which is about USD 212 million or 13.1% higher compared to last year.

Most of transactions, 68.1% or USD 1,105 million were executed between banks and enterprises. Transactions among enterprises in 2000, reached USD 248 million, which is 15.3% of the total turnover. The Central Bank's foreign exchange transactions in 2000 amounted to USD 220 million, which accounts for 13.6% of the total turnover, with the remaining part of the total turnover (USD 49 million, or 3.0%) were transactions among banks.

Graph 24

Total Turnover in Foreign Exchange and Exchange Offices Market



Total turnover in the exchange offices market (consisted of authorized exchange offices, commercial banks, Central Bank and individuals – residents and non-residents) in 2000 was USD 664 million, which is by USD 166 million higher than in 1999. In the transactions with individuals, foreign currencies amounted to USD 517 million were purchased, while the sale of foreign currencies reached USD 147 million. It resulted in net-purchase of foreign currency in the amount of USD 371 million, which is by USD 95 million or by 34.4% higher compared to 1999. The largest part of the net-purchase, USD 368 million or 99.2% was carried out by exchange offices that operates on their behalf and for their account, while the remaining part was carried out by exchange offices that operates on their behalf and for the account of the National Bank of the Republic of Macedonia.