



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 in %	Period / same period of the previous year
Costs of living	VI.2003	-	-0.9	0.8	0.3
Retail prices	VI.2003	-	-1.3	1.5	2.0
Prices of producers of industrial products	VI.2003	-	-1.6	-1.1	0.3
Industrial output	VI.2003	- in million denars	-2.4	-0.1	3.5
Completed construction works	V.2003	758 in denars	63.5	7.5	-15.5
Nominal average net paid wage	V.2003	11,798	0.2	6.3	6.9
Real average net paid wage	V.2003	- in million denars	-0.4	5.7	6.7
Budget revenues	VI.2003	5,179	-20.5	6.3	-7
Budget expenditures	VI.2003	5,254	-1.1	-1.8	-7.4

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



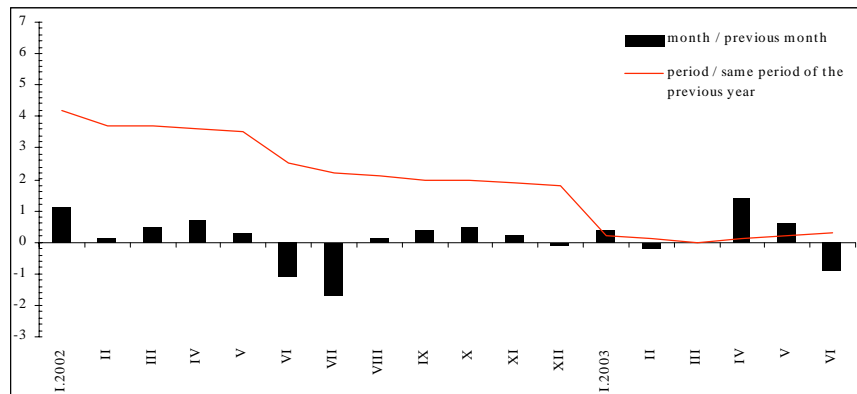
1.1.

Prices

In June 2003, monthly deflation of 0.9%...

In June 2003, a decrease in the index of the costs of living, used as an indicator for the movement of the rate of inflation, was registered. Consequently, in June, monthly rate of deflation of 0.9% was registered (in line with the decrease in the retail prices of 1.3%). The usual influence of the seasonal factor was also recorded this year, although it did not dominate (the prices of the agricultural products were lower by only 0.2%), resulting in a modest decrease in the costs of food. The main cause for the monthly deflation was the decrease in the prices of oil derivatives of 10% (conducted in the last decade of the previous month), due to which more intensive decrease in the costs of transport and services and in the costs of housing (mainly fuel and lighting) was recorded. Such developments caused a reduction in the costs for purchase of goods, with simultaneous decline in the costs of services (in accordance with the registered decrease in their prices)¹.

Chart 1
Costs of living
(changes in percent)



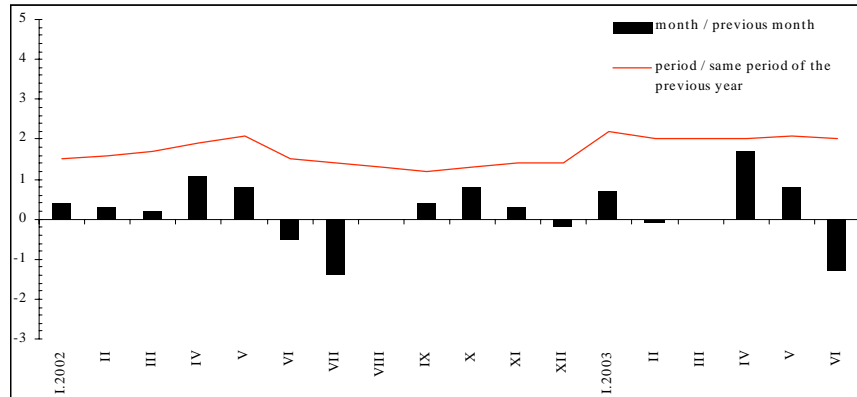
...and retained price stability in the first half of 2003 was registered

The price stability, as basic and legally set objective of the monetary policy, was successfully maintained also in the first half of 2003. Such a statement is based on the average rate of inflation of 0.3% registered in the January - June 2003 period, remaining relatively stable during the whole half of the year. Simultaneously, the average growth rate of the retail prices equaled 2% during the analyzed period, showing no larger oscillations during the first six months of the year.

¹ In June 2003, according to the State Statistical Office, monthly decrease in the prices of the postal and telecommunication services was registered, which has exclusively statistical (not factual) character, originating from the differences between the lower realized and the higher announced increase in the prices in the PSTN (Public Switched Telephone Network) in May 2003, with the announced percentage of increase in the prices being already incorporated in the statistical accounts for May (in accordance with the methodological character of the price monitoring).



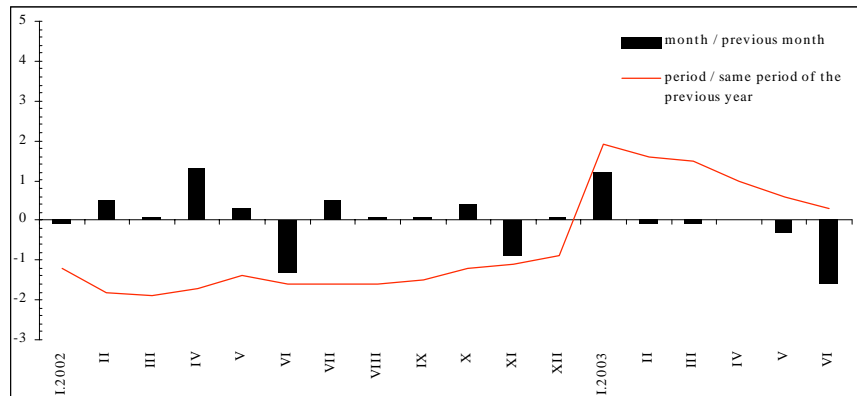
Chart 2
Retail prices
(changes in percent)



In June 2003, the prices of the producers of industrial products declined by 1.6% on a monthly basis...

The decrease in the prices of the producers of oil derivatives (registered in the previous month) was the main cause for the lower prices of the producers of energy, which conditioned the monthly drop in the total price index of the producers of industrial products of 1.6% in June 2003. With most of the producers of the remaining industrial products (in 19 out of 22 industrial branches), the prices remained unchanged relative to the previous month.

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



...while the average growth rate reduced to 0.3%

In accordance with the monthly dynamics, in June 2003, the decrease in the average growth rate in the prices of the producers of industrial products, which in the first half of 2003 reduced to 0.3%, continued. The highest increase was registered in the prices of the producers of oil derivatives (i.e. energy), which caused the prices in the processing industry to increase, contrary to the decrease in the prices in the sector "mining and quarrying" and the unchanged prices in the sector "supply of electricity, gas and water".

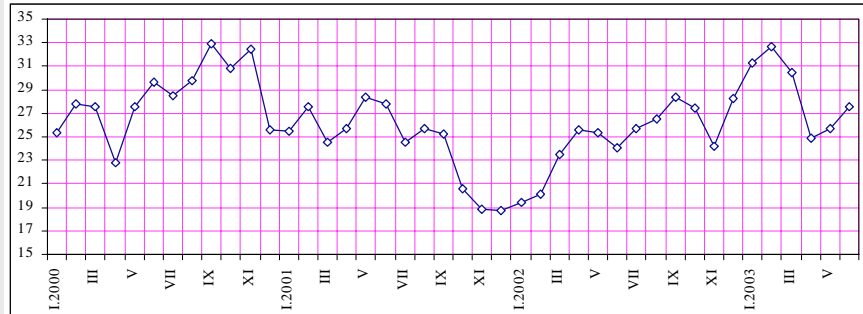
Analysis of the movement of the prices of oil on the international stock exchanges in the first half of 2003

In the first half of 2003, compared to the same period of 2002, the world price of the crude oil increased by 24.9% on average. The climax of the uncertainty and the tensions related to the possible developments in the Middle East resulted in the highest cumulative increase in the price of oil in February (61.7%). The USA attack on Iraq (March 21, 2003) significantly reduced the uncertainty and had a completely opposite effect on the movement in the prices of oil (their average increase has been continuously declining since March). Such a situation was also caused by the reaction of the Organization of Petroleum



Exporting Countries (OPEC) which abolished the production quotas of their member-states several hours after the beginning of the USA attack on Iraq. Consequently, at the end of March the world price of oil started to decline significantly. The largest monthly decrease was registered in April (18.3%), when the lowest average monthly value of US Dollar 24.9 per barrel was recorded. In the first half of 2003, the daily price of oil registered its peak ten days before the beginning of the war in Iraq (US Dollar 34.9 per barrel on March 10, 2003), while the lowest price was recorded on April 29, 2003 (US Dollar 22.9 per barrel). At the end of June 2003, the price of one barrel of oil equaled US Dollar 28.2.

The average price of oil on the international stock exchanges ("brent", US Dollar per barrel)



Source: The Energy Information Administration (EIA) - statistical agency of the U.S. Department of Energy