



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-IX.2003 (in US Dollar million)	Changes in %
					compared to the same period of the previous year
Foreign trade	IX.2003	299.8	27.5	2,609.0	18.0
Export	IX.2003	117.5	34.1	978.2	20.2
Import	IX.2003	182.3	23.5	1,630.8	16.7
Balance	IX.2003	-64.8	8.0	-652.6	11.8
					compared to the end of the previous year
Foreign debt	IX.2003	1,640.3	2.6	-	8.1
Exchange rate on foreign exchange market	IX.2003				
					compared to the same period of the previous year
(Denars per unit foreign currency)					
MKD / USD		53.59	-5.2		-8.5
MKD / EURO		61.16	-0.1		0.1

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

**3.1.****Foreign trade¹⁰**

In August 2003, monthly decrease in the volume of foreign trade was registered

In August 2003, the foreign trade of the Republic of Macedonia registered monthly decrease of 24.8%, and equaled US Dollar 235.2 million. The reduced volume of the foreign trade was mainly a result of the seasonal factors (summer vacations). The export registered a decrease of 28.5% and equaled US Dollar 87.6 million. The import dropped by 22.4% and amounted to US Dollar 147.6 million. The trade deficit equaled US Dollar 60.0 million, while the export - import coverage ratio equaled 59.3%. A decrease in the exports was registered in all main product categories¹¹, with the largest drop being registered in the export of iron and steel (of 49.3%), and in the export of clothing and textile (of 17.5%). From the aspect of the import, a decrease was registered in the temporary import of products for further processing (41.6%), the import of motor vehicles (60.6%) and in the import of electrical devices, machines and equipment (14.5%).

On annual basis, (August 2003 / August 2002), a decrease in the total foreign trade of the Republic of Macedonia of 1.6% was registered. The decrease in the exports equaled 1.7%, while in the imports it amounted to 1.4%.

In September 2003, monthly increase in the foreign trade of 27.5%...

In September 2003, the volume of the foreign trade of the Republic of Macedonia equaled US Dollar 299.8 million, which is an increase of 27.5%, compared to the same period of the previous year. Although the main factor for the increase in the trade volume has a seasonal character, this is the largest increase since 1996. The increase was followed by improved foreign trade structure. Namely, the export increased by 34.2% compared to the previous month, reaching US Dollar 117.5 million, while the import increased by 23.5%, and amounted to US Dollar 182.3 million. The trade balance deficit for the respective month equaled US Dollar 64.8 million, while the import - export coverage ratio increased by 64.5%. Monthly increase was registered in all main export categories,¹¹ with the most significant one being registered in the categories iron and steel (of 62.2%) and clothing and textile (of 14.9%), the share of which in the total export equaled 50.0%. Another distinctive feature of September is the increase in the export of tobacco (by 2.7 times), which amounted to US Dollar 5.3 million in the respective month. The increase in the imports is due to the increase in the temporary import of textile for further processing (27.3%), the import of motor vehicles (2.1 times), the import of electrical machines and equipment (41.1%) and the import of pharmaceutical products (95.9%).

...and improved trade structure was registered

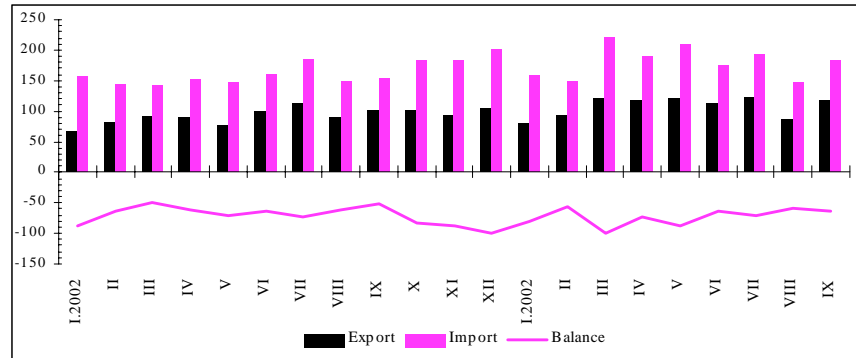
On annual basis, in September 2003 the foreign trade increased by 16.5%. The exports and the imports registered an increase of 14.5% and 17.7%, respectively, while the trade deficit increased by US Dollar 12.6 million.

¹⁰ 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

¹¹ According to the classification of products on the basis of tariff numbers



Chart 26
Exports, imports and balance of foreign trade
(in US Dollar million)



In the first three quarters of 2003, cumulative increase in the foreign trade of 18.0% was registered

In the January - September 2003 period, the foreign trade registered cumulative increase of 18.0% and equaled US Dollar 2,609.0 million. More dynamic increase was registered in the exports (of 20.2%) which equaled US Dollar 978.2 million, while the imports reached US Dollar 1,630.8 million (an increase of 16.7%). From the aspect of the exports, the dominant categories were clothing and textile (the share of which in the total exports equaled 31.1%), and iron and steel (20.2%), which registered a cumulative increase of 12.7% and 63.6%, respectively. The increased export of textile and iron points to the improved performances in these two branches. From the aspect of the imports, the dominant share accounted for the following categories: temporary import of products for further processing (the share of which equaled 20.5%), mineral fuels (14.4%) and electrical machines and equipment (6.7%). The high increase in the temporary import of products for further processing (US Dollar 54.0 million) and the import of electrical machines (of US Dollar 37.8 million) points to an increased export potential for the future and to an improved import structure in accordance with the increased share of investment goods. The import of mineral fuels during this period also registered high increase (37.2%) followed by an increase in the production of oil derivatives (72.3%). The export - import coverage ratio in the first three quarters of 2003 equaled 60.0%, which is an increase of 1.8 percentage points compared to the same period of the previous year.

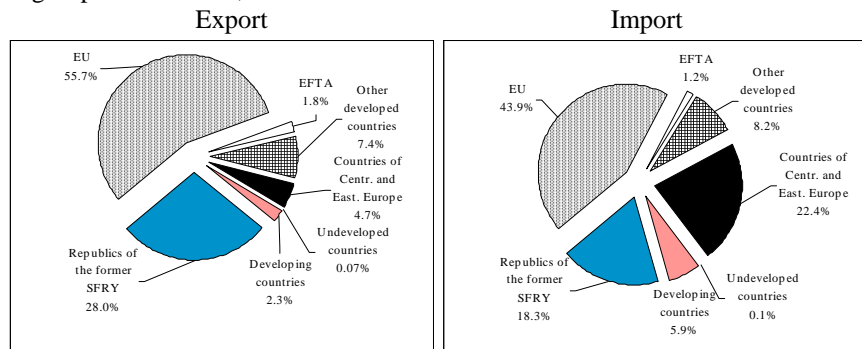
More dynamic increase in the exports compared to the imports in the trade with the European Union

In the January - September 2003 period, the dominant partner in the foreign trade of the Republic of Macedonia was the European Union (EU) with 55.7% of the exported and 43.9% of the imported goods being placed in the European Union countries. The export to EU registered more dynamic increase (30.9%) relative to the import (11.2%), while the export - import coverage ratio increased by 11.4 percentage points compared with the same period of the previous year, thus reaching 76.1%. The structure of the trade with the Central and Eastern European countries¹² deteriorated due to the higher increase in the imports (36.5%) compared to the exports (6.6%), with the export - import coverage ratio equaling 12.6%. During the analyzed period, the Republics of the former SFRY participated with 28.0% in the Macedonian export and with 18.3% in the imports. The placement in this group of countries increased by 9.1%, while the import is higher by 10.1% compared to the same period of the previous year, and the export - import coverage ratio equaled 91.7%.

¹² This group of countries encompasses the former Soviet Republics as well.



Chart 27
Foreign trade of the Republic of Macedonia according to groups of countries, I-IX.2003



Analyzed by countries, the most significant foreign trade partners of the Republic of Macedonia in the January - September 2003 period are: Germany, Serbia and Montenegro and Greece, the share of which in the total trade being equal to 54.2%. The most significant increase was registered in the trade with Greece (59.1%), the cumulative share of which in the total export reached 13.2% (an increase of 3.2 percentage points). Increase in the export was also registered in the trade with Germany (16.1%) and Serbia and Montenegro (8.6%). From the aspect of the export - import coverage ratio, positive trade balance with the three largest foreign partners of the Republic of Macedonia was registered only with Serbia and Montenegro (126.6%), given, however, the lower export - import coverage ratio compared to the same period of the previous year (by 11.8 percentage points). The increase in the export - import coverage ratio was registered in the trade with Germany (by 7.1 percentage points) and Greece (by 11.9 percentage points), which equaled 97.6% and 56.7%, respectively.