



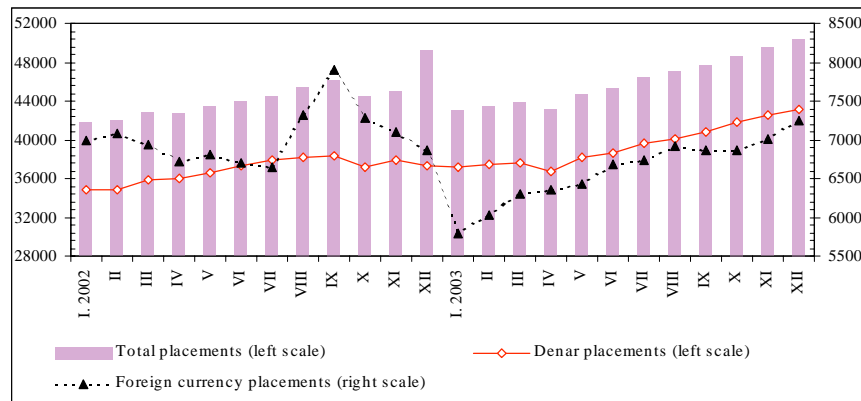
2.3.

Banks' placements and interest rates

Further increase in the banks' placements...

The positive trend in the lending to the private sector by the banks (continuous monthly growth since May 2003), remained in December 2003, with the total banks' placements registering a monthly growth of 1.8%. An increment was registered in the domestic and foreign currency credits, with more intensive growth being registered in the long-term credits. Compared to December 2002, the banks' total placements are by 19.1% higher, thus contributing to stronger financial potential of the private sector and acceleration of the economic growth.

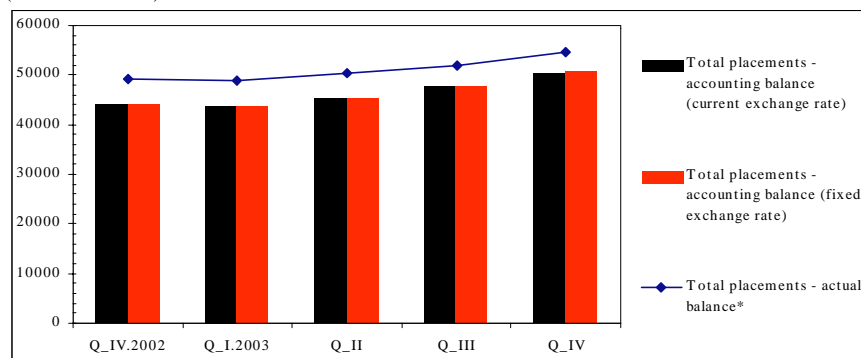
Chart 25
Banks' placements
(in Denar million)



...with an increase being registered in the Denar placements of 1.6%...

In December 2003, the banks' Denar placements picked up by 1.6%, with moderate increase being registered in the short-term placements (primarily for enterprises' short-term financing) and more intensive increment being registered in the lending on a long run (with almost equal increase in the long-term lending to both the enterprises and the households). Such movements resulted in structural movements directed towards higher share of the long-term placements (of 0.7 percentage points), at the expense of the lower share of the short-term placements, which reduced to 63.1%. From the aspect of the changes in the sector structure, the share of the credits extended to enterprises is lower by 0.3 percentage points (75.6%), in favor of the higher share of the enterprise sector. In December 2003, the annual growth rate of the Denar placements reached 17.9%.

Chart 26
Quarterly dynamics of the total placements
(in Denar million)



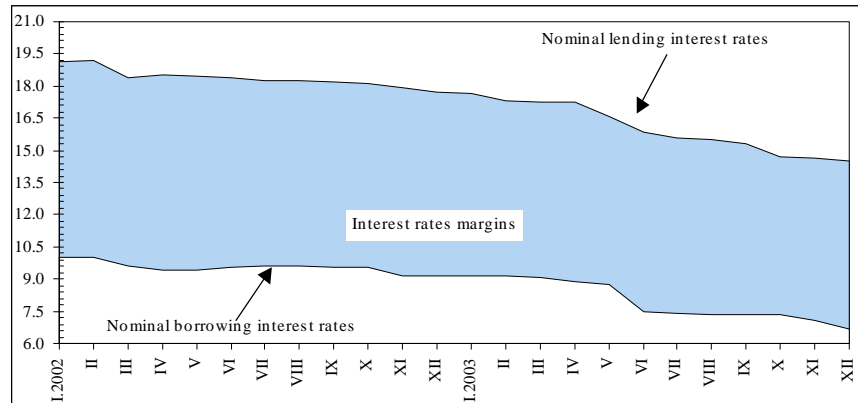
* The actual balance of the placements differs from the accounting balance for the respective corrections for written off claims and re-recordings with the banks.



...and in the foreign exchange placements of 3.4%

The more evident monthly increase in the foreign exchange placements of 3.4% was particularly generated by the higher amount of long-term foreign exchange credits extended to the enterprises (mainly intended for domestic payments)¹¹. Accordingly, the share of the long-term placements in the structure of the foreign exchange placements reached 55.4% (increase of 0.8 percentage points). The sector structure of the foreign exchange placements remained almost unchanged, with the share of the enterprise sector remaining dominant (97.1%). Compared to the same month of the preceding year, the foreign exchange placements in December 2003 were by 26.4%¹² higher.

Chart 27
Banks' weighted interest rates and margins*



* Pertain to Denar credits and deposits.

Lower banks' interest rates and extension of the interest rate margin

In December 2003, the banks' interest rate policy was directed towards reducing the interest rates, aimed at extension of the interest rate margin. Thus the average weighted lending interest rate of the banks (short-term Denar credits) equaled 14.5%, thus being lower by 0.2 percentage points compared to the previous month. Simultaneously, the average weighted deposit interest rate of the banks (three-month Denar deposit) equaled 6.7% thus registering more evident drop of 0.4 percentage points. Such movement in the banks' interest rates resulted in extension in the interest rate margin (of 0.2 percentage points), which in December 2003 reached 7.8 percentage points (the highest level in the last three months). Compared to December 2002, the average weighted lending and deposit interest rates of the banks were lower by 3.2 and 2.5 percentage points, respectively. In December 2003, the average weighted interest rate on short-term foreign exchange placements remained at the level of the previous month (7.8%), while compared to December 2002, it was by 0.1 percentage point higher. In December 2003, the households' interest rates on a three-month deposit in Euro ranged from 1.4% to 3.5%, while the interest rates on three-month US Dollar deposits ranged from 0.8% to 3.5% (in December 2002, they ranged from 1.6% to 4.6% and 0.9% to 4%, respectively).

¹¹ In line with the amendments to the Law on Foreign Exchange Operations according to which the authorized banks in the Republic of Macedonia may extend foreign exchange credits to residents.

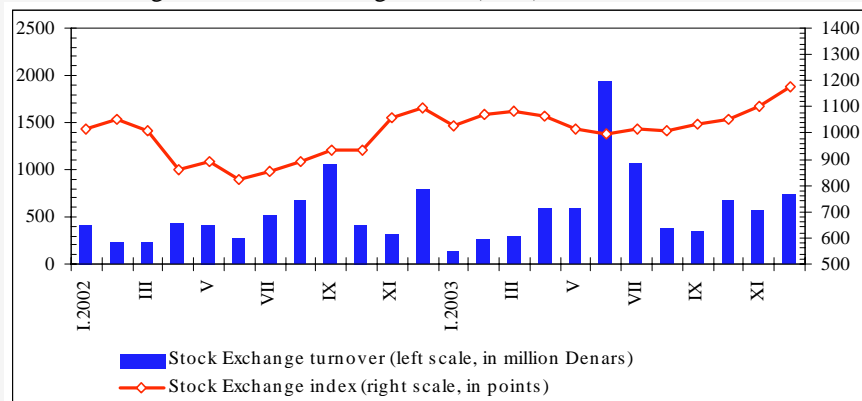
¹² The increase partially reflects the effect of the exclusion of the data of one bank in December 2002, which has been under the administration of the NBRM since January 2003 (the adjustment has been made for comparison in the data analysis). If no such adjustment had been made, the annual increase in the foreign exchange placements of the banks would have equaled 5.5% in December 2003.



Review of the Stock Exchange activity in the fourth quarter of 2003

In the fourth quarter of 2003, the Macedonian Stock Exchange registered total turnover (excluding block transactions and Government segment) of Denar 749.8 million, which is by 41.0% higher compared to the Stock Exchange turnover in the third quarter. The volume of trading on the official and the unofficial market segment went up by 23.4% and 43.4%, respectively, on quarterly comparison base. The turnover on the official market making up 76.6% of the total Stock Exchange turnover realized by conventional trading equaled Denar 574.4 million, while shares in the amount of Denar 64.1 million or 8.5% of the conventional Stock Exchange trading were traded on the unofficial market. The unofficial market registered a considerable quarterly rise of 5.2 times in the trade in convertible certificates issued by the Government for indemnification of the savers of the collapsed savings houses constituting 14.8% of the Stock Exchange turnover. In the fourth quarter of 2003, the value of the transactions executed on the government market segment (trade in shares, parts and claims in state ownership) reached Denar 394.0 million, which is a decrease of 51.0% compared to the third quarter. The share of the block transactions* in the total turnover on the Stock Exchange equaled 42.7% (25.7% in the third quarter). The total Stock Exchange turnover (including block transactions and Government segment) in the fourth quarter of 2003 made up Denar 1,995.7 million (increase of 11.0% on quarterly basis)

Stock Exchange and Stock Exchange Index (MBI)



In 2003, on annual comparison base, the Stock Exchange turnover (excluding block transactions and Government segment) was by 23.6% higher and amounted to Denar 2,309.5 million. The newly listed shares of the companies, the second issue of denationalization bonds on the official market (listed on the Stock Exchange since March 27, 2003), as well as the upward trend of the market value of the shares resulted in 22.4% increase in the total market capitalization of this market. On the other hand, the indicated higher interest in trading in shares and bonds on the official market, inter alia, due to the extended official list on the Stock Exchange as well as the possibility to purchase state land, government shares and parts, to pay concessions with the Government bonds issued for indemnification of the old foreign exchange savings resulted in increase in the turnover with securities on the official market of 2.3 times compared to the preceding year. The unofficial market registered a turnover in the amount of Denar 268.7 million in the trade in shares, which constitutes only 34.3% of the turnover registered in 2002. The trade with convertible certificates went down by 15.6% compared to the previous year and amounted to Denar 256.3 million. In 2003, compared to the previous year, there was higher interest in the shares and parts auctions** for cash payment and with securities issued by the Republic of Macedonia. Thus the turnover in the Government sector in 2003 was higher by 15.7 times compared to the preceding month and reached Denar



1,481.8 million. In 2003, the total Stock Exchange turnover equaled Denar 7,559.8 million (49.8% of which are block transactions, i.e. institutionalized trading between large institutional investors), which is an increase in the total turnover by 5 times compared to the preceding year.

At the end of December 2003, 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, equaled 1,178.7 points at the end of September 2003, which is an annual pickup of 7.7%. Thus the total market capitalization of the five companies*** which constitute the MBI in December 2003 equals Denar 5,491.9 million (31.0% of the total market capitalization of the official market on the Macedonian Stock Exchange, as a market value of all listed shares).

* Stock Exchange transactions in which at least 10% of the value of the company (basic capital) were traded, or turnover in the amount over Denar 5,000,000 was realized.

**Issued by the Privatization Agency of the Republic of Macedonia and other government institutions on the basis of the Law on Transformation of Socially-Owned Enterprises and the Law on Sale of State Capital.

*** Alkaloid Skopje, Evropa Skopje, Komercijalna Banka Skopje, Makpetrol Skopje and Toplifikacija Skopje.

Source: *Macedonian Stock Exchange*.