



3.2.

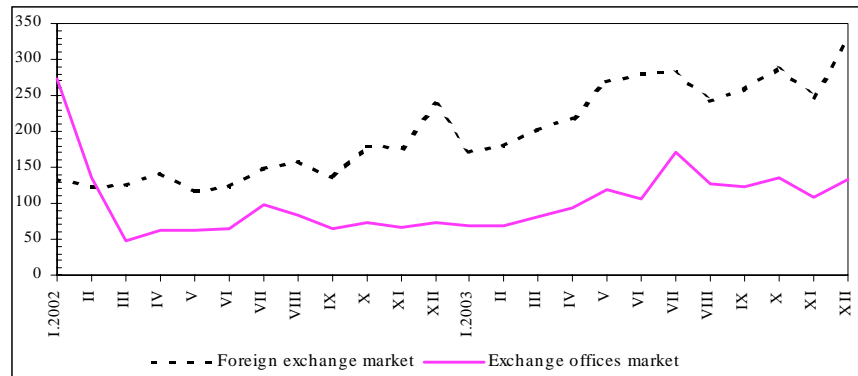
Foreign exchange developments

In December 2003, the highest turnover on the foreign exchange market in 2003 was registered...

...with the Denar exchange rate against the US Dollar appreciating by 4.7%, while it remained stable against the Euro

In December 2003, the turnover on the foreign exchange market registered monthly increase of 31.7%, reaching US Dollar 326.4 million (the highest level in 2003). At the end of the year, more intensive pressure on the foreign exchange market was registered, caused by increased demand for foreign assets by the importers. In this environment, the NBRM intervened with a net sale of foreign assets, as well as the commercial banks with responding to the increased demand for foreign assets, which enabled stable Denar foreign exchange rate relative to the Euro. However, 81.5% of the total transactions on the foreign exchange market were realized among banks and enterprises. At the end of 2003, Denar 61.29 per one Euro were traded, which is almost the same exchange rate registered in the previous month. On the other hand, the exchange rate of the Denar registered monthly appreciation of 4.7% relative to the US Dollar, so at the end of the month Denar 49.05 per one US Dollar were traded.

Chart 30
Movements in the total turnover on the foreign exchange and exchange offices market
(in US Dollar million)



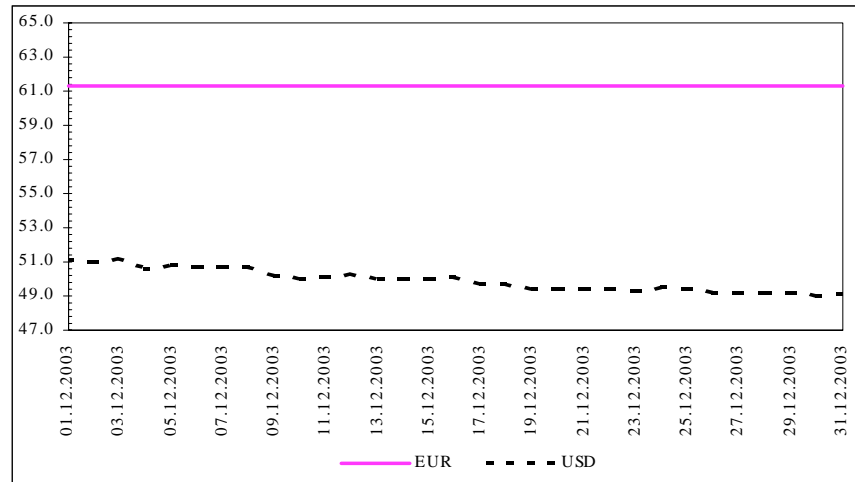
In December 2003, the turnover on the exchange offices market increased by 23.1%

In December 2003, the turnover on the exchange offices market increased by 23.1% and equaled US Dollar 133.7 million. The supply of and the demand for foreign exchange increased by 13.7% and 41.3%, reaching US Dollar 81.6 million and US Dollar 52.1 million, respectively. The exchange offices made net purchase of foreign assets in the amount of US Dollar 29.5 million. The average exchange rate of the Denar relative to the Euro on the exchange offices market equaled Denar 61.52 per one Euro, which is almost the same level which was registered in the previous month. The Denar appreciated by 4.7% relative to the US Dollar, with Denar 49.23 being traded per one US Dollar¹⁵.

¹⁵ The US Dollar exchange rate is taken from the exchange rate list for the exchange offices operations of the NBRM.



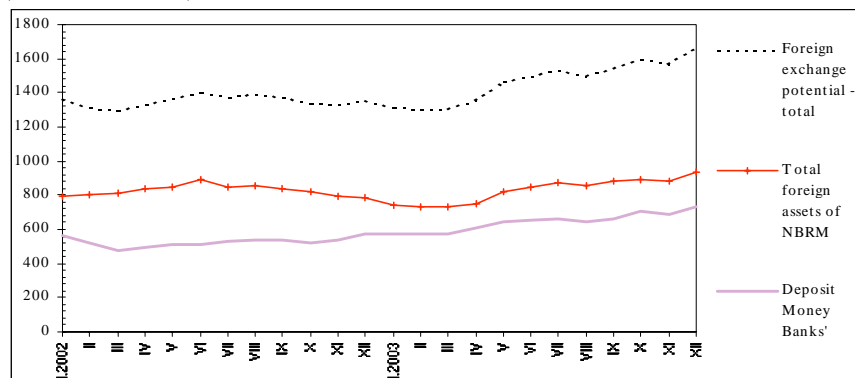
Chart 31
Daily middle exchange rate of the Denar at the exchange offices
(Denars per unit of foreign currency, end of period)



In December 2003, the gross foreign exchange reserves of the NBRM registered monthly increase of US Dollar 54.9 million...

At the end of 2003, the total foreign exchange potential of the Republic of Macedonia registered monthly increase of US Dollar 92.8 million and reached US Dollar 1,668.6 million. The gross foreign exchange reserves of the NBRM increased by US Dollar 54.9 million compared to the previous month, thus reaching US Dollar 903.4 million. The main cause for the increase in the gross foreign exchange reserves in December 2003 in comparison with the previous month, is the change in the cross currency relations, the increase in the Government deposits based on inflows from abroad, as well as the registered interest on foreign exchange deposits with foreign banks. In comparison with the end of 2002, the gross foreign exchange reserves of the NBRM registered an increase of US Dollar 168.8 million.

Chart 32
Foreign exchange potential of the Republic of Macedonia
(in US Dollar million)



...given the simultaneous increase in the total foreign assets of the deposit money banks

At the end of 2003, the total foreign assets of the commercial banks equaled US Dollar 733.8 million, which is a monthly increase of US Dollar 42.2 million. The increase is mainly due to the increased foreign exchange deposits of households and enterprises.