

# **National Bank of the Republic of Macedonia**



## **Quarterly Report**

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## **Macroeconomic Developments in the Republic of Macedonia in the third quarter of 2004**

**M**acroeconomic developments in the third quarter of 2004 are a continuity of the developments of the preceding quarter. Thus the negative dynamics of the actual volume of industrial output loses its intensity gradually, and the other leading indicators show accelerated economic activity. With respect to the inflation movements, the first nine months of 2004 registered a negative average change in the consumer prices, caused by non-monetary factors. In the scope of the banking system, the growing propensity to save, as well as the high credibility of the banking system contributed towards further increase in the banks' deposit potential. Such developments, having positive movements in the banks' interest rate policy (lower lending interest rates), resulted in a further increase in the lending to the non-government sector by the banks.

The favorable monthly dynamics of the industrial output in the third quarter contributed to a considerable decrease in the intensity of the negative cumulative change which equaled 16.9% in the first nine months (compared to 21.6% in the first six months of the year). The restart of one of the leading export facilities in the iron and steel industry significantly contributed to such development, having a respective effect on the foreign trade. Thus the total foreign trade volume went up by 5.4% in the third quarter compared to the previous quarter, with an intensive growth of 20.2% being registered in the exports and a marginal decrease in the imports of 2.2%.

In the first nine months of 2004, the consumer prices (as an inflation rate indicator) registered a negative average change of 0.2%. Major generator of such development is the low cost of food, solely caused by non-monetary factors (lower customs duties in line with the WTO Agreement and the Stabilization and Association Agreement with the European Union which accordingly affected the prices of the imported goods and some domestic prices).

With a view to further maintaining of the exchange rate and the price stability, the monetary policy design was subject to several changes in the third quarter. Also some of the changes were aimed at creating prerequisites for more efficient liquidity management by the banks. Thus in July, the interest rate on the Lombard credits reduced from 14% to 11%, while the amount of the permitted daily use of the reserve requirement increased from 60% to 80%. The above was also a result of the changes in the fulfillment of the reserve requirement made in September, directed towards fixing the amount of the cash in vault which may be used for fulfilling the reserve requirement, with a simultaneous reduction being made in the maximum amount of cash in the vault, which may be used for fulfilling the requirement from 60% to 30% of the reserve requirement.

The monetary policy in the third quarter of the year was conducted in an environment of restraint budget spending and favorable movements on the foreign exchange market. Thus this period registered accumulation of funds on the Government Denar account with the NBRM, when it acted towards liquidity withdrawal from the banking system. On the other hand, in July and August, the supply of foreign exchange was higher on the foreign exchange market, which enabled substantial net-purchase of foreign exchange by the NBRM. The higher supply of foreign exchange in the third quarter is a combined effect of the need for Denar liquidity of some banks and the higher purchase of foreign exchange on the banks' exchange market due to seasonal factors. The liquidity created through foreign exchange transactions was successfully sterilized through the CB bills, as a basic monetary instrument. Thus at the end of September, the CB bills totaled Denar 4,897 million, which constitutes a withdrawal of additional liquidity of Denar 888 million compared to the end of the preceding month. Notwithstanding the stable developments on the foreign exchange market, the expectations for more expansive fiscal policy and higher demand for foreign exchange in the last three months of the year resulted in two-time increase in the interest rate on CB bills by 0.5 percentage points each (mid August and end-September, after which the interest rate on the CB bills with 7 and 28 days of maturity equaled 6% and 9%, respectively).

The further strengthening of the propensity to save, as well as the higher confidence in the banking system contributed towards increasing the banks' deposit potential by 6.4% on a quarterly basis, primarily due to the higher amount of short-term Denar and foreign exchange savings. Analyzing by sector, the third quarter registered an exceptionally significant quarterly growth in the enterprises' deposits of 18.3%, relative to the moderate increment in the households' deposits of 1.8%. Having an almost unchanged demand for currency in



circulation, the considerable expansion of the banks' deposit base and the higher transaction funds resulted in a positive quarterly change in the money supply M4 of 4.6%.

The interest rate policy of the banks registered favorable movements in the third quarter. Thus the average weighted interest rate of the Denar short-term credits in September equaled 12.15% which compared to June 2004 is by 0.3 percentage points lower. Given the unchanged costs of a part of the sources of funds of the banks (the average weighted deposit interest rate on the three-month Denar deposits in the third quarter remained unchanged and equaled 6.52%), the interest rate spread fell by 0.3 percentage points and reduced to 5.6 percentage points. Compared to September 2003, the interest rate spread reduced by considerable 2.3 percentage points. In such environment, in the third quarter of 2004 the banks also continued supplementing the financial potential of the non-government sector by increasing the credit activity. Thus at the end of September the total placements to the non-government sector increased compared to the end of the preceding quarter by 5.3%, given the higher placements to the households and the enterprises by 14.4% and 2.9%, respectively.



***Important economic events and amendments to the legal regulations in the third quarter of 2004***

- ❖ *On July 1, 2004, the Parliament of the Republic of Macedonia adopted the Law on Prevention of Laundering Money and Other Proceeds from Crime. According to this Law, in the future, each participant in a transaction in the amount of Euro 15,000 or more will have to be identified. On the other hand, the exchange offices will have to identify the persons who exchange an amount exceeding Euro 2,500. One of the purposes of this Law is to reduce the cash payment, which would provide a system of measures and actions for prevention from laundering money and financing terrorism, which is in line with the international provisions.*
- ❖ *On July 13, the NBRM Council adopted a decision on reducing the interest rate on the Lombard credits from 14% to 11%, as well as on increasing the percentage of permitted daily use of the compulsory reserve by the banks (from 60% to 80%). Both decisions are aimed at creating conditions for more effective liquidity management by the banks.*
- ❖ *On July 15, the World Bank extended three credits in the total amount of US Dollar 50 million to the Republic of Macedonia intended for reforms of the public administration, the health sector, the pension system and the social protection. US Dollar 30 million is a Public Sector Management Adjustment Loan (PSMAL), US Dollar 10 million is a Social Protection Implementation Loan (SPIL), and US Dollar 9.8 million is a Health Sector Management Loan. The above loans are a part of the three-year World Bank Strategy for Support of Macedonia, in the amount of US Dollar 165 million.*
- ❖ *On July 30, 2004, the Republic of Macedonia was given the first international credit rating by Standard & Poors, internationally renowned company for determining and monitoring of credit rating. The Republic of Macedonia received BB+/B rating, with positive future expectations.*
- ❖ *On August 9, 2004, the Regulatory Energy Committee adopted a Decision on determining the ceiling prices of certain oil derivatives set in accordance with the Methodology ("Official Gazette of the Republic of Macedonia" no. 53/2004). Pursuant to the Decision, the oil derivatives retail prices went up by 5.77% on average. The rationale behind the rise in the oil derivatives prices is the increase in the crude oil price on the international market, which exceeded the ceiling of US Dollar 44 per barrel, which is the highest level observed since 1983.*
- ❖ *On July 16, the NBRM adopted a decision on increasing the CB bills interest rate by 0.5 percentage points. Thus according to this change, the interest rate on CB bills with maturity of 7 and 28 days equals 5.5% and 8.5%, respectively.*
- ❖ *On August 23, 2004, the Regulatory Energy Committee adopted a Decision on determining the ceiling prices of certain oil derivatives set in accordance with the Methodology ("Official Gazette of the Republic of Macedonia" no. 53/2004), under which the oil derivatives retail prices reduced.*
- ❖ *On September 6, the Regulatory Energy Committee passed a Decision on decreasing the prices of the petrol by one Denar. The refinery prices of the oil derivatives decreased by 3.84% on average, while the average decline of the retail prices equals 1.8%.*
- ❖ *On September 9, the NBRM Council passed a Decision on establishing a credit registry for all banks' credits extended to legal entities and natural persons. The credit registry is an instrument through which commercial banks and savings houses may obtain data on the total credit exposure and the average risk classification of the legal entities. Also, the NBRM Council adopted a Policy on handling and managing the foreign reserves, as a basis for increasing the safety and efficiency of the foreign reserves management. The main principles of the policy are accomplishment of the monetary policy and the exchange rate policy objectives and regular settlement of the external liabilities of the Republic of Macedonia. At the same session, the Council passed a Decision on amending the Decision on compulsory reserve of banks in Denars. These changes fixed the amount of cash in vault which participates in the fulfillment of the reserve requirement and reduced the percentage of the reserve requirement which can be fulfilled with the cash in vault from 60% to 30%.*



- ❖ *On September 13, 2004 the Law on Financing the Local Government Units ("Official Gazette of RM" No. 61/2004) entered into force. This Law governs the financing of the local government units and the city of Skopje. In accordance with the Law, sources of financing of the municipalities are their own sources of revenues, allocation of funds from the Budget of the Republic of Macedonia and from the budgets of the funds and the borrowings (the community may incur domestic and external debts).*
- ❖ *On September 28, the National Bank of the Republic of Macedonia increased the interest rates on CB bills by 0.5 percentage points. Hence, the interest rate on CB bills with maturity of 28 days and 7 days equals 9% and 6%, respectively. The change in the monetary policy design is aimed at further maintaining of the exchange rate stability and price stability.*



## 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	Period / same period of the previous year
			in %		
Costs of living	IX.2004	-	0.0	-1.8	-0.2
Retail prices	IX.2004	-	0.2	0.5	0.8
Prices of producers of industrial products	IX.2004	-	0.4	2.3	0.4
Industrial output	IX.2004	- in Denar million	15.0	-22.2	-16.9
Total trade turnover	VIII.2004*	14,496	-3.9	24.2	13.2
Completed construction works	VIII.2004*	798 in denars	-4.1	-14.8	10.8
Nominal average net paid wage	VIII.2004*	12,443	1.6	4.0	4.1
Real average net paid wage	VIII.2004*	-	2.1	5.8	4.1
Total number of employed	VIII.2004*	256,745 in Denar million	-0.2	-6.2	-5.6
Budget revenues	IX.2004	4,806	8.7	3.4	4.8
Budget expenditures	IX.2004	4,542	17.9	-12.0	1.1

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

\* Last available data from State Statistical Office of the Republic of Macedonia



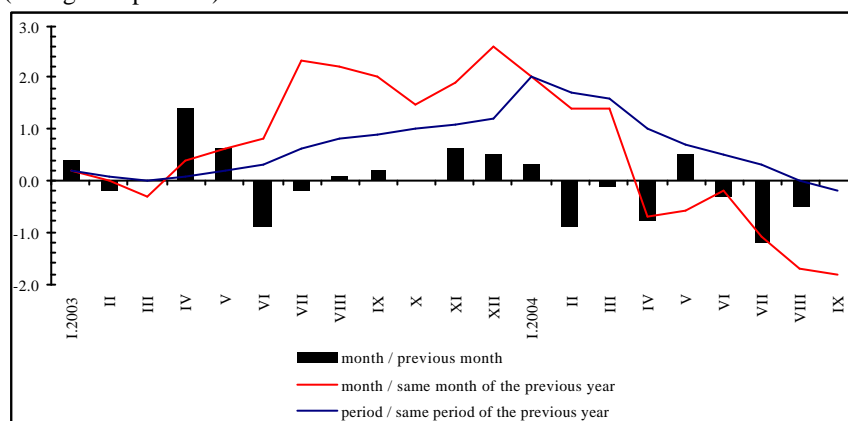
## 1.1.

## Prices

*In the first nine months of 2004, the consumer prices decreased by 0.2% on average...*

In the first nine months of 2004, the consumer prices registered a cumulative decrease of 0.2%. This is primarily due to the costs of food, as dominant component of the consumer prices, which were lower by 2.8%. On the other hand, on average, all other costs categories registered an increase. The increase largely reflects the legal changes to the VAT<sup>1</sup> in 2003, which were incorporated in the retail prices of goods and services intended for personal consumption. Thus the increase in the costs of housing of 2.8% reflects the higher costs of electricity<sup>2</sup> (by 4.7%) and higher costs of heating<sup>3</sup> (by 4.8%). In the January - September 2004 period, compared to the same period of the previous year, the costs of goods decreased by 0.8%, contrary to the costs of services which registered an increase of 3.4%. From the aspect of the monthly dynamics, monthly decrease in the consumer prices was registered in July and August, mainly caused by the decrease in the costs of food, while in September the consumer prices remained unchanged.

Chart 1  
Consumer prices  
(changes in percent)



*...given the average increase in the retail prices of 0.8%*

In the first nine months of 2004, compared to the same period of the previous year, the retail prices increased by 0.8%, reflecting the increase in the prices of non-food industrial products and the prices of industrial products (of 2% and 0.2%, respectively). The reason for such prices of non-food industrial products is mainly in the movement of the prices of oil derivatives, the prices of footwear, medicines and appliances. On the other hand, the prices of the industrial food products, agricultural products and beverages registered an average decrease, which is in line with the reduced prices of the producers of several types of food products, agricultural products and in the prices of the producers of alcoholic beverages. From structural aspect, in the first nine months of 2004 the prices of services measured by the index of retail prices were higher by 2.5%, on average, given the unchanged level of the prices of goods. In the third quarter of 2004, monthly decrease in the retail prices was registered only in July. During the quarter, the movement in the prices is mainly caused by the price of oil derivatives and by the seasonal movement in the prices of agricultural products.

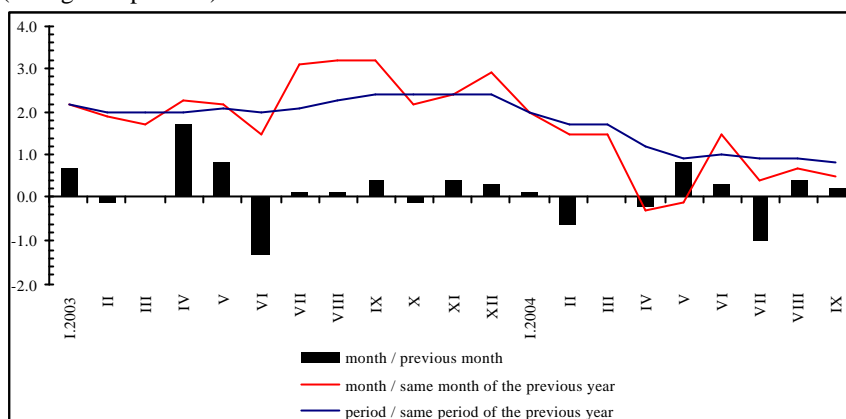
<sup>1</sup>Since April 04, 2003, pursuant to the legal changes to the VAT, the VAT general rate decreased from 19% to 18%, while certain product and services categories of which were until then taxed according to the privileged rate of 5% , started to be taxed with the general rate.

<sup>2</sup>The increase in the costs of electricity is caused by the increase in the retail price of electricity for households, the implementation of which, according to the changes in VAT, started on July 1, 2003.

<sup>3</sup>In accordance with the changes to the VAT, the services in heating also increased.



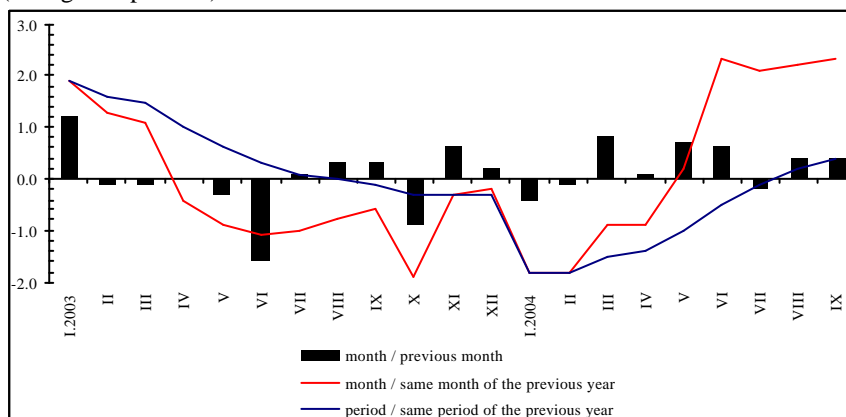
Chart 2  
Retail prices  
(changes in percent)



*In the first nine months of 2004, the prices of the producers of industrial products increased by 0.4%*

In the first nine months of 2004, compared to the same period of 2003, the prices of the producers of industrial products increased by 0.4%. Analyzed by the main groups of products, the increase was registered only in the prices of the producers of intermediary products, except energy (of 4.4%), which is mainly caused by the increase in the prices of the producers of basic metals (1.7%), as well as of the prices of the producers of electrical appliances (18.2%). On the other hand, the prices of the producers of energy were lower by 0.6%, on average, which reflects the decrease in the prices of the producers of oil derivatives (of 1.6%). The prices of the producers of non-durable consumption goods decreased by 3.4%, on average, mostly reflecting the decrease in the prices of the producers of food products and beverages (of 3.9%) and the decrease in the prices of the producers of textile (by 1%). On average, the prices of the producers of capital products were also lower (by 0.5%), primarily due to the decrease in the prices of the producers of metal products (by 1.3%). Observed by sectors, in the first nine months of 2004, the prices of the producers in the processing industry and in the sector "mining and quarrying" registered an average increase of 0.5% and 0.6%, respectively, contrary to the prices of the producers in the sector "electricity, gas and water supply", which remained unchanged. In the third quarter of 2004, monthly increase in the prices of the producers of industrial products was registered in August and September, mainly as a result of the increase in the prices of the producers of energy (while the prices of the producers of oil derivatives registered an increase).

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



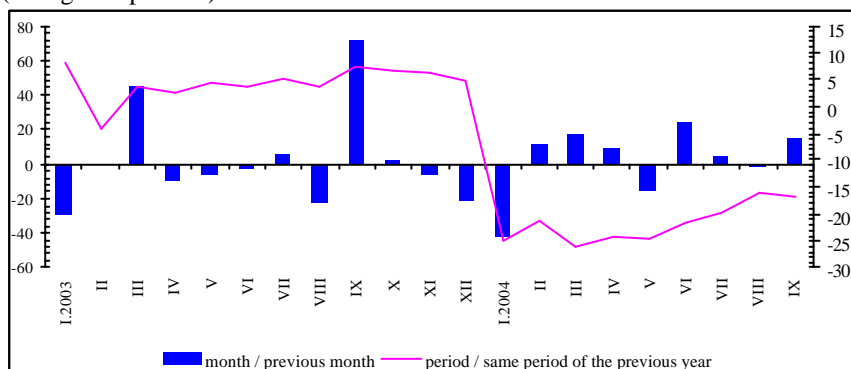
## 1.2.

## Economic activity

*In the first nine months of 2004, the industrial output registered an average decline of 16.9%*

In the first nine months of 2004, in comparison with the same period of the previous year, the volume of the industrial output registered a decrease of 16.9%<sup>4</sup>. Thus the negative dynamics of the industrial output is gradually losing its intensity. The analysis by main industrial branches points to a reduced output in all groups, except in the production of non-durable consumption products, which registered an average increase of 10% in the first nine months of the year, mainly reflecting the positive change in the production in the branch "production of wearing apparel, dressing and dyeing of fur". On the other hand, in the first nine months of 2004, the most significant decrease was registered in the production of durable consumption products (37.5%), mainly due to the reduced production of machinery and equipment. The reduced output in the group of intermediary products, except energy (32.2%), is primarily due to the reduced volume of production of basic metals, as well as to the production of electric machines and appliances. The production in the group of energy is lower by 16.7%, on average, mainly as a result of the reduced production of oil derivatives, the reduced production and distribution of electricity and as a result of the terminated mining of metal ore. The analysis by sectors indicates reduced production in all three sectors of industry in the first nine months of the year compared to the same period of the previous year (by 68.4% in the sector "mining and quarrying", by 16% in the processing industry and by 4.7% in the sector "electricity, gas and water supply"). The reduced production in the processing industry (the participation of which in the total output equals 89.9%) is due to the reduced activity of the producers of food products and beverages, to the inactivity of part of the metallurgic facilities in the first half of the year, as well as to the reduced production of oil derivatives. From the aspect of the monthly changes, in August 2004, the industrial output registered monthly decrease (1.5%), while positive monthly changes (increase of 3.9% and 15%, respectively) were registered in July and September. More intensive monthly increase in September is mainly caused by the increased production of oil and oil derivatives, basic metals, chemicals and chemical products and food products and beverages.

Chart 4  
Industrial output  
(changes in percent)



In the first eight months of 2004<sup>5</sup>, the total value of the sold agricultural products from the agricultural enterprises' and collectives' own production equaled Denar 2,002 million, which is a decrease of 8.8%, compared to the same period of 2003. Increase in the sale was registered in "cereals", "milk and dairy

<sup>4</sup>Source of data of the monthly report on the volume of industrial output is the results of the Monthly Report pertaining to industry, industrial output, stocks and the employees in industry. However, the used weights do not correspond to the weights used in the calculation of the gross value added on annual level. Thus the effects from the monthly changes in the industrial output on the annual gross domestic products will be more moderate.

<sup>5</sup>Last available data of the State Statistical Office.



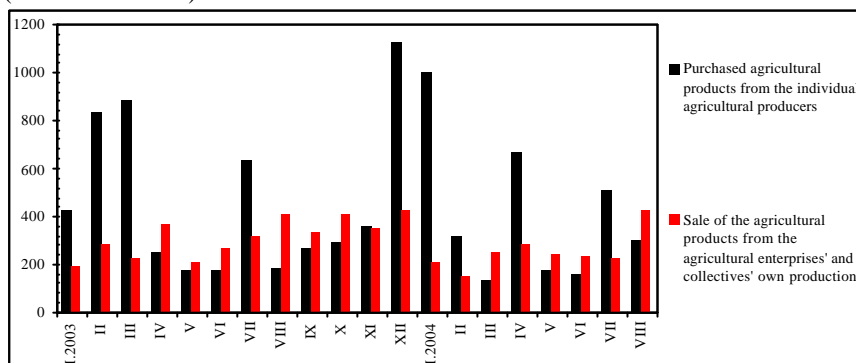
*In the first eight months of 2004, the total value of the sold agricultural products registered an average decrease of 8.8%...*

*...while the value of the purchased agricultural products from the individual agricultural producers simultaneously decreased by 8.8%*

products" and in the category "other products", while the remaining agricultural products registered an average decrease in the sale. The most severe decrease was registered in the sale of fruits and grape, leather and wool, cattle and in the sale of industrial plants. In the June - August 2004 period<sup>6</sup>, the total value of the sold agricultural products equals Denar 881 million and it is lower by 11.7% compared to the same period of the previous year. In this period, the highest sale was registered in August.

In the first eight months of 2004<sup>7</sup>, the total value of the agricultural products purchased from the individual agricultural producers equaled Denar 3,240 million (a decrease of 8.8% compared to the same period in 2003). The most significant decrease was registered in the purchase of leather and wool, cattle and industrial plants. On the other hand, the highest increase was registered in the purchase of paltry and eggs, fruits and grapes and fodder and roughage. Products in the total amount of Denar 964 million were purchased from the individual producers during the June - August 2004 period<sup>8</sup>, which is less by 2.6% compared to the same period of 2003. During the analyzed period, the highest purchase on a monthly basis was registered in July.

Chart 5  
Sale and purchase of agricultural products  
(in Denar million)



*In the first eight months of 2004, the total turnover in the domestic trade registered an average increase of 13.2%...*

In the first eight months of 2004<sup>9</sup>, the total trade turnover equaled Denar 100,771 million (an annual increase of 13.2%), given the increase in the retail sale and wholesale turnover of 6.7% and 17.6%, respectively. The total trade turnover in the June - August 2004 period<sup>10</sup> equaled Denar 42,813 million (increase of 22.8% compared to the same period of 2003). During the analyzed period, the wholesale trade turnover registered an average increase of 31.3%, while the retail trade turnover increased by 10.9%. Analyzed by months, the highest trade turnover was registered in July, as a result of the increased wholesale and retail sale turnover.

<sup>6</sup>The data pertaining to the March - May 2004 period are published in the previous quarterly report, while this report is based on data pertaining to the June - August period \* (\*last available data of the State Statistical Office).

<sup>7</sup>Last available data of the State Statistical Office.

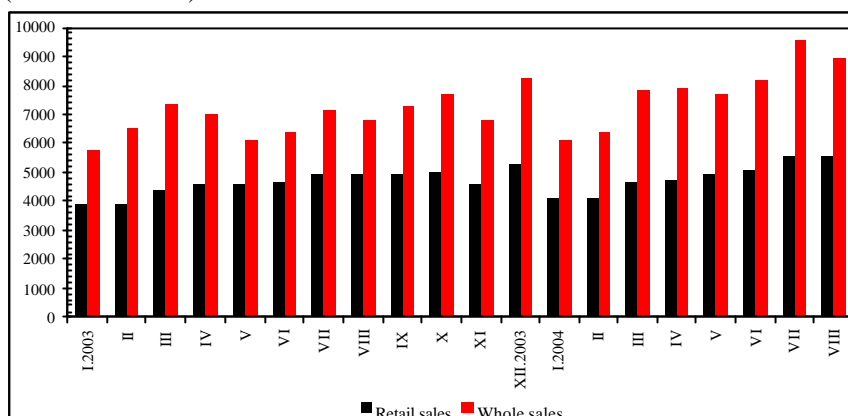
<sup>8</sup>The data pertaining to the March - May 2004 period are published in the previous quarterly report, while this report is based on data pertaining to the June - August period \* (\*last available data of the State Statistical Office).

<sup>9</sup>Last available data of the State Statistical Office

<sup>10</sup>The data pertaining to the March - May 2004 period are published in the previous quarterly report, while this report is based on data pertaining to the June - August period \* (\*last available data of the State Statistical Office).



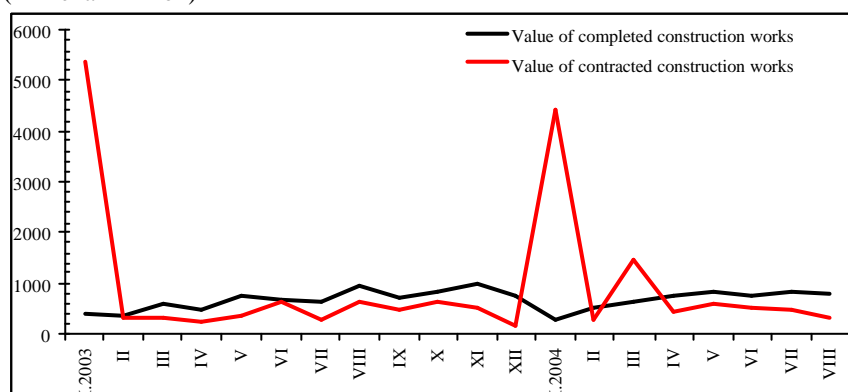
Chart 6  
Trade turnover  
(in Denar million)



...given the simultaneous  
increase in the construction  
activity

In the first eight months of 2004<sup>11</sup>, the value of the completed construction works reached Denar 5,296 million, which is an increase of 10.8% compared to the same period of 2003). In the June - August 2004 period, construction works in the amount of Denar 2,358 million were completed, which is more by 4.9% compared to the same period of the previous year. The monthly dynamics indicates highest value of the completed construction works in July (Denar 832 million), reflecting the seasonal feature of the construction activity. The total value of the contracted construction works for the first eight months of 2004 equals Denar 8,541 million, which is an increase of 4.5% compared to the same period of 2003. In the June - August 2004 period, the total value of the contracted construction works equals Denar 1,314 million, i.e. by 15.1% less compared to the same period of the previous year, thus reflecting the lower amount of contracted construction works in August.

Chart 7  
Contracted and completed construction works  
(in Denar million)



<sup>11</sup> Last available data of the State Statistical Office.

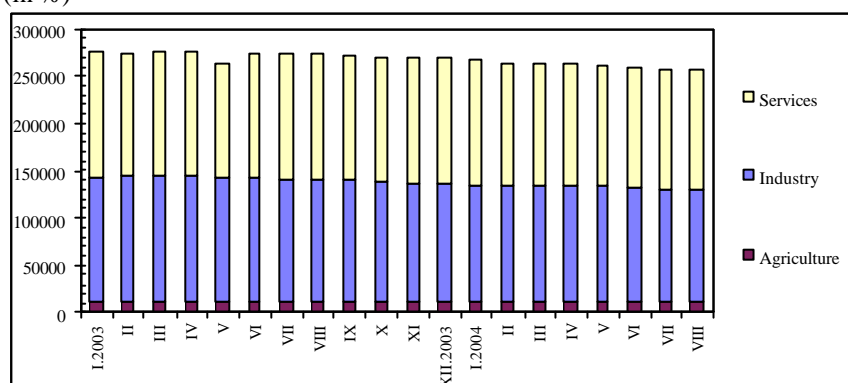
### 1.3.

### Other macroeconomic developments

*Reduced number of employed persons in the first eight months of 2004 was registered...*

In the first eight months of 2004<sup>12</sup>, the average number of employed persons in the Republic of Macedonia equaled 260.870 persons, which is lower by 5.6% compared to the same period of 2003. In industry (which employs 123,112 persons, or 47.2% of the total number of employed persons), the most intensive average decrease was registered in the sector "mining and quarrying" (of 46%), while the number of employed persons in the processing industry declined by 3.6%. Within services, (with total number of 127,022 persons, or 48.7%), the largest decrease in the number of employed persons (35.3%) was registered in the sector "wholesale and retail sale". On the other hand, the number of employed persons in the sectors "transportation, storage and communications", "public administration and defense", "education", "real estate, rental and business activities" and the sector "other communal services" (sectors that engage 29.2% of the employed persons), increased by 0.3%, 6%, 5.6%, 12.2% and by 3.6%, respectively. In agriculture, (in which a total of 10,736 persons are employed, or 4.1% of the total number of employees), the number of employed persons in the sector "agriculture, hunting and forestry" dropped by 6.4%. In the June - August 2004 period<sup>13</sup>, the average number of employed persons equals 257.774 persons, with a continuous monthly decrease being registered.

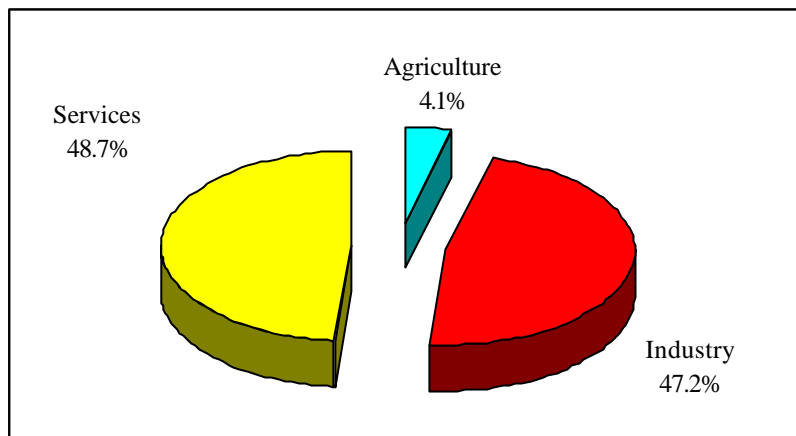
Chart 8  
Employment by sectors  
(in %)



<sup>12</sup>?Source: State Statistical Office. The data on the employment do not encompass the persons employed by contract, the persons that are independently perform activity - profession and the persons employed with them, the employees in the Ministry of Internal Affairs and the Ministry of Defense, as well as farmers. The monthly data on the employment of the State Statistical Office of the Republic of Macedonia do not match the data in the Labor Force Survey due to different methodologies.

<sup>13</sup>?The data pertaining to the March - May 2004 period are published in the previous quarterly report, while this report is based on data pertaining to the June - August period \* (\*last available data of the State Statistical Office).

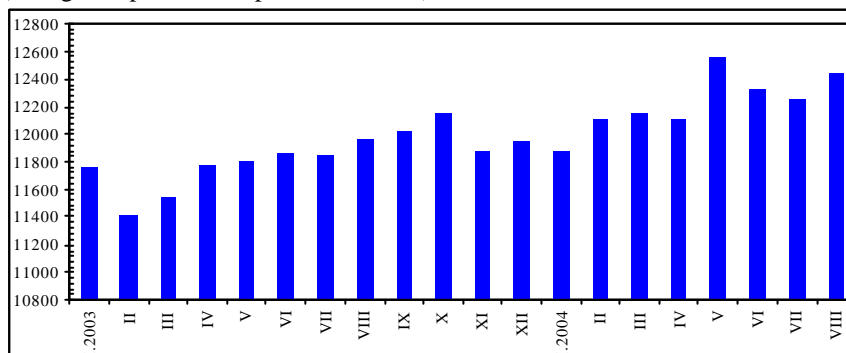
Chart 9  
Employment distribution by sectors (I-VIII.2004)  
(in %)



...given the registered increase in the average wage in nominal and in real terms

In the first eight months of 2004<sup>14</sup>, the average net paid wage per worker in the Republic of Macedonia equaled Denar 12,222 (nominal increase of 4.1% compared to the same period of 2003). Having in mind the unchanged situation in the consumer prices in the first eight months of 2004, the increase in the wages in real terms is identical to the nominal one. The wage in the three economy sectors registered an average increase (12% in agriculture, 3.9% in industry, and 3.2% in services). The highest increase in the wages is registered in fishing and in the sector "hotels and restaurants" (of 32.4% and 12.2%, respectively). In the June - August 2004 period<sup>15</sup>, the nominal average wage per worker equaled Denar 12,339 million, with the highest amount per worker in this period being paid in August.

Chart 10  
Average net wage per worker  
(changes in percent, on previous month)



In the first eight months of 2004, the number of employees that did not receive wage for the respective month equaled 23.5% on average, of the total number of employed persons, which is by 2 percentage points less compared to the same period of the previous year. In the June - August 2004 period<sup>16</sup>, this percentage equaled 23.6%, on average.

<sup>14</sup> Last available data of the State Statistical Office

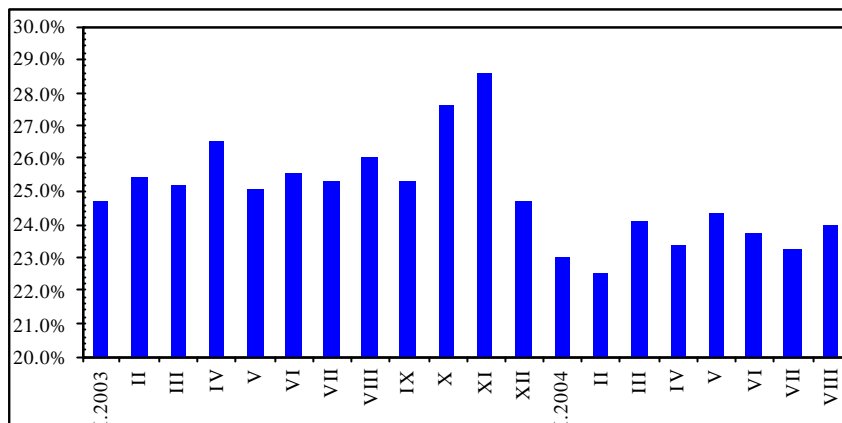
<sup>15</sup> The data pertaining to the March - May 2004 period are published in the previous quarterly report, while this report is based on data pertaining to the June - August period \* (\*last available data of the State Statistical Office).

<sup>16</sup> The data pertaining to the March - May 2004 period are published in the previous quarterly report, while this report is based on data pertaining to the June - August period \* (\*last available data of the State Statistical Office).



Chart 11

Number of employees that did not receive wage  
(% of the total number of employed persons)

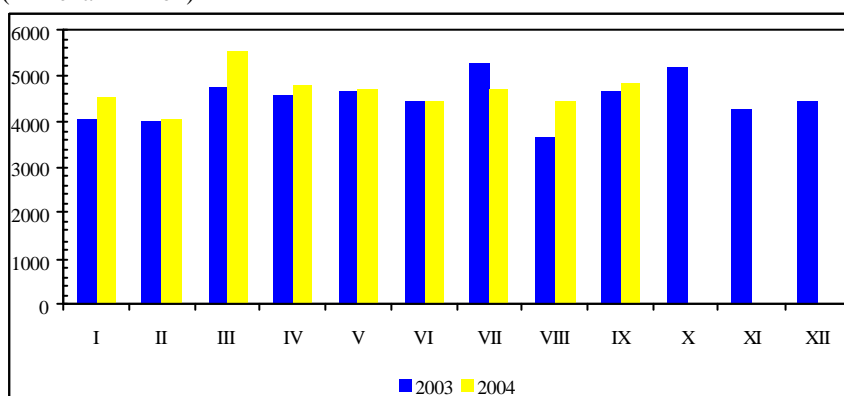


*In the third quarter of 2004, higher amount of the total budget revenues compared to the same period of 2003 was registered...*

In the third quarter of 2004, the total public revenues equaled Denar 21.814 million, Denar 13,957 million of which are revenues of the central Government budget. In comparison with the previous quarter, the total budget revenues were higher by 0.5%, as a result of the increase in the non-tax revenues of 13.8% (mainly as a result of the higher profit originating from public and financial institutions). During the same analyzed period, the tax and the capital revenues registered a decrease of 0.1 and 19.6%, respectively. On annual basis, (third quarter of 2004 / third quarter of 2003), the total budget revenues increased by 2.9% reflecting the increase in the tax revenues of 6.7% (primarily due to higher realization of revenues originating from the value added tax and the personal income tax). Simultaneously, the non-tax revenues registered an annual decrease of 33.2%, contrary to the increase in the capital revenues of 3.3%.

Chart 12

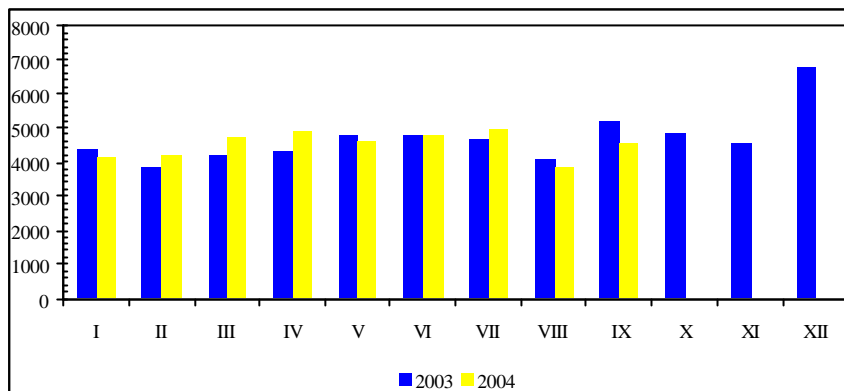
Total revenues of the central budget  
(in Denar million)



In the first nine months of 2004, the total revenues of the central Government equaled Denar 41,948 million, which is an increase of 4.8% compared to the same period of the previous year. Except the decrease in the non-tax revenues, all main revenue categories registered a cumulative increase.



Chart 13  
Total expenditures of the central budget  
(in Denar million )



...given the registered lower  
amount of budget expenditures

In the third quarter of 2004, the total public expenditures equaled Denar 21,144 million. Denar 13,341 of this amount are expenditures of the central Government budget, which were lower by 6.4% in comparison with the second quarter of 2004. The decrease in the budget expenditures is a result of the lower amount of current and capital expenditures (by 6.1% and by 9.8%, respectively). On annual basis (third quarter of 2004 / third quarter of 2003), the budget expenditures decreased by 4.4%, with simultaneous decrease being registered in the current and the capital expenditures (by 2.7% and by 15.9%, respectively). On average, in the first nine months of 2004, the total budget expenditures increased by 1.1%, given the more intensive increase in the capital expenditures and moderate increase in the current expenses.

### Global Competitiveness Report for 2004 of the World Economic Forum

For more than two decades, the *World Economic Forum* from Geneva, Switzerland, is trying to clear up the dilemma about the facts of the long-term sustainable growth of certain countries. These countries attain success in the process of drawing a larger part of the population out of poverty, while the remaining countries are in stagnation facing with evident erosion of their living standard.

**The Global Competitiveness Report** published by the World Economic Forum (Forum) on annual basis is considered to be the most comprehensive analysis and estimation of the competitiveness of the national economies in the world. The results from the Report are, in one way, a catalyst in identifying the most critical factors in the nations' developing process.

Besides the official reports of the countries, the analysis of the Forum is based also on the data received on the basis of a survey. Namely, through the so-called **Executive Opinion Survey (EOS)**, submitted to the top management of the influential corporations and institutions in the national economies, the Forum obtains estimates for wide spectrum of factors. These factors play key role in the creation of sound business environment as a support for successful and fruitful economic activity. Part of the main topics on the agenda of the World Economic Forum refers to the layout of the tax regulations, the legislation from the labor force market area, the complete macroeconomic environment, the level of corruption, and the existence of illegal practices in the country as a whole, to the infrastructure quality, the development of the education system, etc.

Within the Global Competitiveness Report for 2004\*, the competitiveness in Macedonia is estimated according to two indices: (1) Growth Competitiveness Index - GCI), which represents weighted value of the indices of a)



Macroeconomic Environment Index, b) Public Institutions Index, and c) Technology Index; and 2) Business Competitiveness Index - BCI, which represents weighted value of a) Company Operations and Strategy, and b) Quality of the National Business Environment.

**Regarding the Growth Competitiveness**, Macedonia is on the 84th place, and according to the Macroeconomic Environment Index, Macedonia is on the 77th place out of 104 countries in the world. According to the Public Institutions Index, Macedonia takes 92nd place, and according to the Technology Index, Macedonia is on 76th place. The difference of the role of the technology in the growth process among the countries, depending on the technologic development of the country, should also be emphasized. Thus if the innovations are of key importance for Sweden, then it is much more significant for Macedonia to accept foreign technologies, i.e. the transfer of more contemporary technologies, often joined to the process of inflow of foreign direct investments. Accordingly, the crucial importance for the Macedonian growth, and generally, for the economies in transition, accounts for the quality of the institutions and the macroeconomic environment, i.e. sound macroeconomic fundamentals are of primary importance for accomplishing higher level of growth.

According to the **Business Competitiveness Index** Macedonia is ranged as 83rd country, and within this framework, it takes 84th place according to the Company Operations and Strategy, while it is 82nd according to the Quality of the National Business Environment. Namely, Business Competitiveness Index estimates two specific areas which are essential for the business environment in every country: the sophistication of the companies' operational practices and strategies, and 2) the quality of the macroeconomic business environment in which the national companies perform their activities.

*Source: World Economic Forum, Executive Summary.*

\* In the Global Competitiveness Report, the estimation of the competitiveness of Macedonia started in 2003.



## II. Monetary developments in the Republic of Macedonia

### Basic monetary indicators

	30.09.2004	Monthly changes		Annual changes	
	In Denar million	In Denar million	in %	In Denar million	in %
Reserve money	16,222	-108	-0.7	-212	-1.3
Currency in circulation	13,312	-12	-0.1	266	2.0
Demand deposits	13,015	189	1.5	1,148	9.7
Money supply M1	26,327	177	0.7	1,414	5.7
Money supply M2 - denar	45,783	1,679	3.8	6,891	17.7
Money supply M2	84,781	3,875	4.8	14,079	19.9
Money supply M4	89,387	3,951	4.6	13,855	18.3
Total deposits	63,060	3,774	6.4	12,441	24.6
Short - term	58,454	3,698	6.8	12,665	27.7
Long - term	4,606	76	1.7	-224	-4.6
In Denar	22,593	1,630	7.8	5,277	30.5
In foreign currency	40,467	2,144	5.6	7,164	21.5
Total banks' placements	59,043	2,948	5.3	11,362	23.8
In Denar	50,129	2,092	4.4	9,316	22.8
In foreign currency	8,914	856	10.6	2,046	29.8
	(in %)	In percentage points			
Average weighted interest rate on the CB bills auctions (on 28 days)	9.0%	1.0		2.0	
Weighted average money market interest rate	6.8%	0.3		-0.6	
Weighted banks' lending interest rates	12.2%	-0.3		-3.1	
Weighted banks' deposit interest rates	6.5%	0.0		-0.9	

Source: National Bank of the Republic of Macedonia



## 2.1.

## Monetary Regulation

In accordance with the applied monetary strategy, the monetary policy design is determined by the need of preserving the stability of the nominal exchange rate of the Denar against the Euro. Consequently, also in the third quarter of 2004, the setting of the monetary instruments were determined by the foreign exchange market conditions and the oscillations in the liquidity of the banking sector (primarily under the influence of the autonomous factors). Such monetary policy design ensured maintenance of the stability of the exchange rate of the Denar against the Euro, thus contributed towards price stability.

The quarterly analysis (September 2004 / June 2004) indicates common seasonal movements of the factors that affect the liquidity of the banking system. Thus in line with the higher inflows of foreign assets (typical for the third quarter of the year, primarily due to the inflows on the exchange offices market) and the need of larger Denar liquidity of the banks, the NBRM foreign exchange transactions acted towards liquidity creation. The liquidity created through the foreign exchange transactions was offset by the permanent increase in the Denar Government deposits as well as through the CB bills auctions. Having a marginal quarterly change in the currency in circulation, it had no larger liquidity effect.

Table 1  
Liquidity creation and withdrawal  
(in Denar million)

	30.06.2004	Monthly changes				30.09.2004
		July	August	September	Total	
<b>Bank liquidity</b>	<b>3,006</b>	<b>-22</b>	<b>168</b>	<b>-242</b>	<b>-96</b>	<b>2,910</b>
<i>Liquidity creation</i>					<b>1,840</b>	
1. Net foreign assets	40,828	-314	2,382	-240	1,828	42,656
2. Currency in circulation	13,324	-965	780	197	12	13,312
<i>Liquidity withdrawal</i>					<b>-1,936</b>	
1. Net domestic assets	-20,454	950	-1,669	-261	-980	-21,434
2. CB' Bills auctions	4,009	349	-1,323	86	-888	4,897
3. Other	35	-42	-2	-24	-68	103

*Higher average daily liquidity  
of the banks in the third  
quarter of 2004*

In the third quarter of 2004, the average daily liquidity of the banking system equaled Denar 3,641.6 million, which is an increase of Denar 111.9 million, or 3.2% compared to the previous quarter. Taking into account the higher average amount of Government Denar deposits, and the demand for currency in circulation which is higher on average, the positive quarterly dynamics of the average daily liquidity reflects the effect of the foreign exchange transactions and the interest in investing in CB bills which is lower on average. Analyzing by the dynamics, July 2004 registered the lowest average daily amount of liquidity (Denar 3,549.3 million), particularly as a result of the accumulation of funds on the Denar account of the Government and the higher demand for currency in circulation. The increase in the average liquidity in August 2004 (Denar 3,558.5 million) is solely due to the net-purchase of foreign exchange on the foreign exchange market by the NBRM. The effect of the foreign exchange transactions directed towards net purchase<sup>17</sup> of foreign exchange on the foreign exchange market continued dominating in September 2004. The liquidity created on this basis, combined with the lower demand for currency in circulation resulted in achieving the highest average monthly level of liquidity in the third quarter of Denar 3,822.9 million. At the end of September 2004, the total liquidity of the banks amounted to Denar 2,910 million, which is by Denar 96 million or by 3.2% less, compared to the end of the preceding quarter.

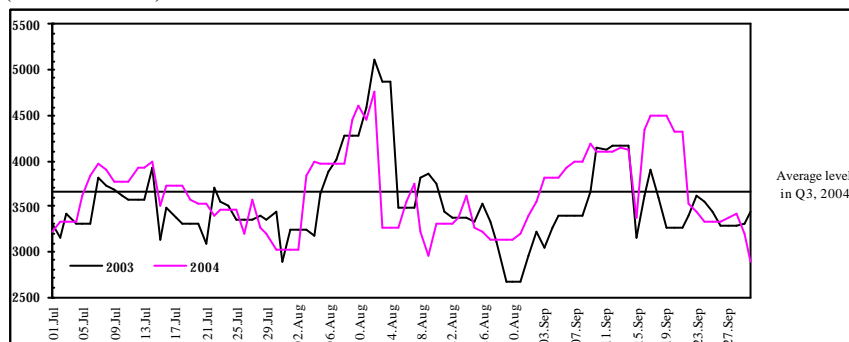
<sup>17</sup> Pertains to NBRM transactions on the foreign exchange market, i.e. the transactions with the Government and the banks. The foreign exchange transactions with the Government had no immediate liquidity effect. Their influence on the Denar liquidity is perceived indirectly through the change in the Treasury Account with the NBRM.

In the third quarter, the NBRM made several changes in the reserve requirement instrument. In July 2004 (July 13, 2004) the percentage of permitted daily use of the compulsory reserve went up from 60% to 80%, which ensures more efficient overcoming of the liquidity fluctuations caused by the movement of the autonomous factors and consequently, more efficient liquidity management by the banks. In line with the downward trend of the interest rates in the banking system, at the end of July (July 29, 2004), the NBRM adjusted the Denar reserve requirement remuneration rate<sup>18</sup>, i.e. it reduced it from 4% to 2%. This monetary instrument was further improved in September 2004 (September 9, 2004) by determining a fixed amount of share of the cash in vault which may be used for fulfillment of the reserve requirement. At the same time, the maximum amount of cash in the vault which may be used for fulfilling the reserve requirement dropped from 60% to 30% of the reserve requirement.

The changes in the set of NBRM instruments resulted in a further decrease in the allocated amount over the reserve requirement and more efficient liquidity management by the banks. In the third quarter, the excess liquid funds of the banks over the reserve requirement<sup>19</sup> (in Denars) equaled 12% on average, which is by 4.7 percentage points lower compared to the average excess liquidity in the preceding quarter. The excess liquidity over the requirement is solely due to the excess cash in vault which indicates positive changes in the banks' liquidity management. From the aspect of the dynamics, in July, the percentage of fulfilling the reserve requirement was over the average (13.7%), and in August and September it was relatively stable and below the quarterly average (11.4% and 11.1%, respectively).

Chart 14

Daily dynamics of the liquidity of the banks  
(in Denar million)



*The NBRM interventions on the foreign exchange market acted towards liquidity creation*

In line with the common seasonal factors and the need for higher Denar liquidity, in the third quarter of 2004, the NBRM interventions on the foreign exchange market acted towards liquidity creation. Given the higher supply of relative to the demand for foreign exchange, the NBRM intervenes on the foreign exchange market by a net purchase of foreign exchange. Thus it successfully offset the pressures on the foreign exchange market and preserved the Denar exchange rate stability. The highest net purchase of foreign exchange was made in August, as a combined effect of the developments in the balance of payments due to seasonal factors and the change in the monetary policy design in the middle of the month (an increase in the interest rate on the CB bills by 0.5 percentage points).

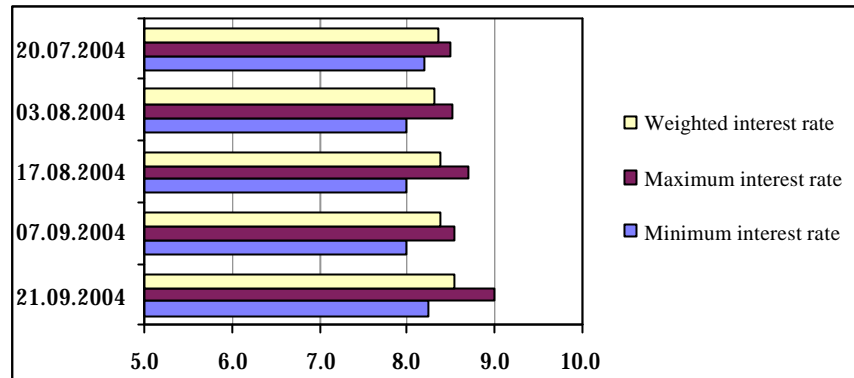
<sup>18</sup> The reserve requirement remuneration rate is calculated as a weighted average of the interest rates paid by the banks of the deposits included in the base for calculating the reserve requirement.

<sup>19</sup> The period for maintaining (fulfilling) the banks' reserve requirement covers the period from the 11<sup>th</sup> in the current month to the 10<sup>th</sup> in the following month.



Chart 15

Interest rates on the short-term Government securities auctions (three-month maturity)  
(in %)

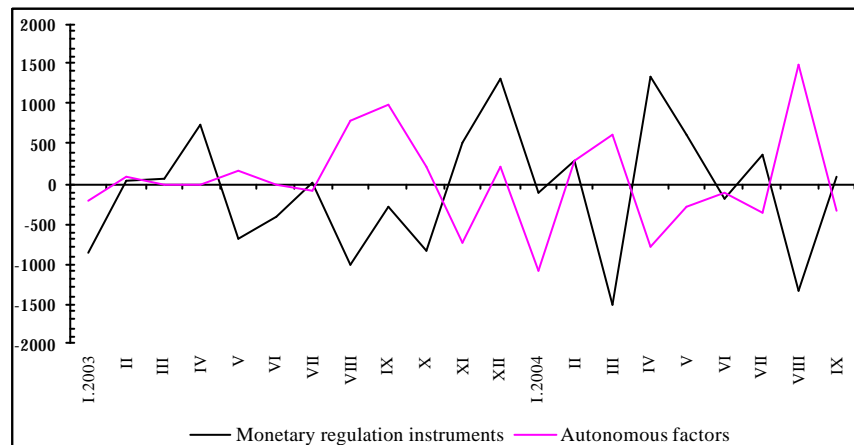


*In the third quarter, liquidity was withdrawn through the Government Denar deposits with the NBRM...*

At the end of September 2004, compared to the end of the preceding quarter, the Government Denar deposits with the NBRM went up by 1.5 times. In this quarter, funds were permanently cumulated partially as a result of the need for higher amount of funds in the next period (due to the payment of the regular installment of the Government bonds for the old foreign exchange savings) and the unrealized budget spending. In line with the planned framework for conducting Treasury bills auctions, six auctions were conducted in this quarter, realizing a total amount of Denar 1,978.5 million. Given the low demand (the lowest in this quarter), the last Treasury bills auction registered the highest interest rate (8.54%). The average weighted interest rate in the third quarter equaled 8.4%.

Chart 16

Monetary regulation instruments and autonomous factors of liquidity creation and withdrawal\*  
(monthly changes in Denar million)



\*Positive change – liquidity creation, negative change – liquidity withdrawal

*...as well as through the CB bills auctions*

In the third quarter of 2004, the CB bills acted towards liquidity withdrawal, with the liquidity withdrawn on a cumulative basis totaling Denar 888 million. Such quarterly development was caused by the higher interest in investing in CB bills in August 2004, as a combined effect of the liquidity created through the foreign exchange transactions and the changes in the NBRM interest rate policy. Notwithstanding the higher inflows of foreign assets (typical for this period of the year), the expectations for more expansive budget spending and the higher demand for foreign exchange in the last quarter of 2004 resulted in a need of change in the monetary policy design. In the third quarter, the CB bills interest rates increased twice by 0.5 percentage points (on August 16, 2004



and on September 28, 2004), after which the interest rates on the CB bills with maturity of 7 and 28 days equaled 6% and 9%, respectively. Thus the NBRM increased the attractiveness for investing in Denar funds and contributed towards maintaining the favorable developments on the foreign exchange market. The changes in the interest rates on CB bills adequately reflected through the higher average weighted interest rate, which in September 2004 equaled 7.66% (7.55% in June 2004).

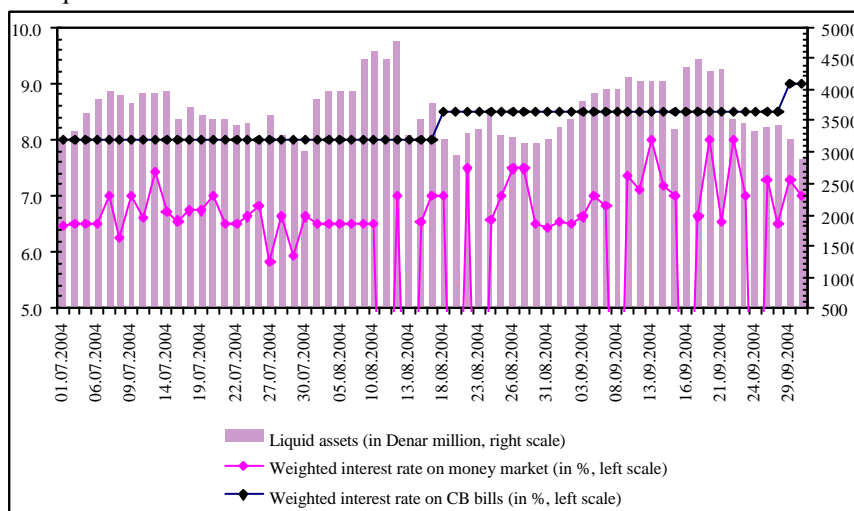
*Accelerated activity on the  
institutionalized Money Market*

In the third quarter, the average turnover of liquid funds on the institutionalized Money Market totaled Denar 1,108.2 million, which is a quarterly decrease of 13.2%. In this quarter, the lowest turnover was registered in September, which also represents the lowest turnover since the beginning of the year.

In the third quarter, the supply of exceeded the demand for liquid funds, and was by 9% higher. Analyzing by the dynamics, a deviation from the average was registered only in July, when the demand exceeded the supply (by 6.7%), which resulted in a higher average weighted interest rate of 6.7% (6.6% in June). The increment in the interest rate on CB bills in the second half of August proportionally affected the interest rate on the Money Market. Nevertheless, the higher supply of relative to the demand for funds in the system generates lower average weighted interest rate on the money market which in August 2004 equaled 6.6%. The changed monetary policy instruments design had its full effect in September, when in spite of the higher supply of funds, the average interest rate on the money market was higher (6.8%). On average, in the third quarter of 2004, the average weighted interest rate on the money market equaled 6.7%, which compared to the preceding quarter remained almost unchanged (an increase of 0.1 percentage point). With respect to the transactions maturity, the transactions with maturity of up to one day prevail (in the third quarter they make up 78% of the total turnover, on average). In the third quarter, the direct bilateral trading of the banks with liquid funds totaled Denar 799.1 million, on average (quarterly fall of 15.8%).

Chart 17

Movements of the interest rates on the Money Market, the CB bills auctions and the liquid funds of the banks\*



\*In some days of the quarter, the Money Market registers no transactions and interest rate.

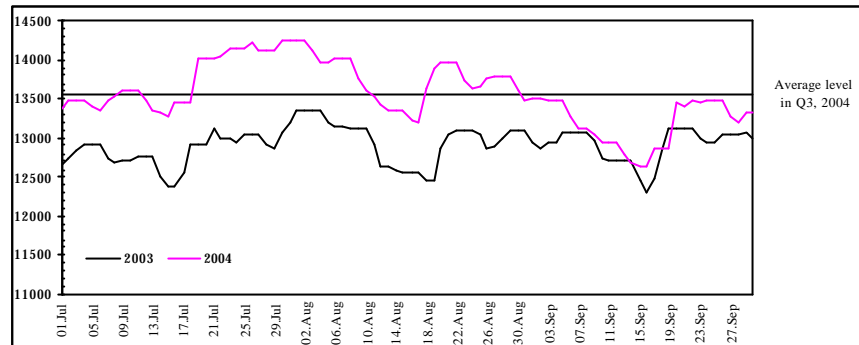
*Stable demand for currency in  
circulation*

On quarterly basis (third quarter compared to the second quarter) the currency in circulation remained almost unchanged, i.e. they registered a minor decrease of Denar 12 million. Analyzing by the dynamics, the highest level of currency in circulation in the third quarter was registered in July 2004. The higher demand for currency in circulation was a combined effect of the payment of the current transfers and the seasonal preferences to hold cash (period of



summer vacations and the Ilinden holiday). In August and September, the demand for currency in circulation reduced, and at the end of September 2004, the currency in circulation amounted to Denar 13,312 million. With respect to the average daily amount, almost identical level was registered in July and August (Denar 13,739.1 million and Denar 13,749.3 million), while in September, the average level was lower and totaled Denar 13,190 million.

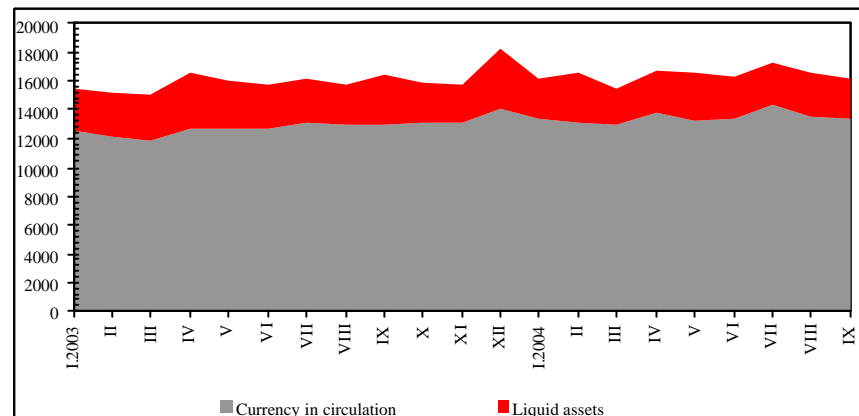
Chart 18  
Daily dynamics of the currency in circulation  
(in Denar million)



*Inconsiderably lower reserve money compared to the preceding quarter*

At the end of September 2004, compared to the end of June 2004, the reserve money went down by 0.7%. The quarterly decrease in the reserve money is due to the insignificant quarterly change in the currency in circulation and the lower level of liquidity. Relative to the same month of the previous year, the reserve money dropped by 1.3%.

Chart 19  
Reserve Money  
(in Denar million, end of period)



\*The banks' liquid funds include the banks' account with the NBRM and the cash in the vault of the banks.

## 2.2.

## Monetary aggregates

Having an almost unchanged demand for currency in circulation, the higher level of transaction deposits and the increase in the savings in the banking system are the major determinants of the movement of the monetary aggregates in the third quarter of 2004.

*Quarterly increase in the demand deposits, having an almost unchanged level of currency in circulation*

At the end of the third quarter of 2004, compared to the end of the preceding quarter, the currency in circulation remained almost unchanged (minimum fall of 0.1%), reflecting the divergent movements in the quarter. Thus the substantial seasonal increase in the currency in circulation in July 2004 (due

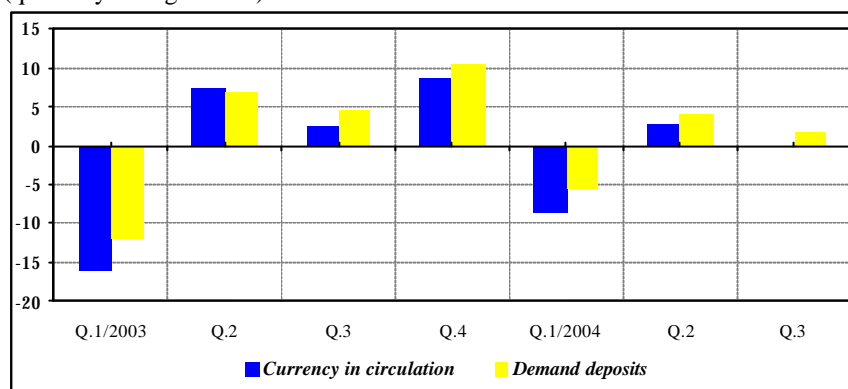




to the preferences of the households to hold cash during the summer vacations and prior to the Ilinden holiday) was offset by the lower demand for currency in circulation in the next two months. On the other hand, the demand deposits registered a quarterly increment (of 1.5%) which is solely due to the increment in the enterprises' demand deposits (as a prevailing category in the total demand deposits, with an average share in the third quarter of 65.3%). The funds on the transaction accounts of the households registered a quarterly decrease of 7.5%. In line with such movements, at the end of the third quarter, compared to the preceding quarter, the money supply M1 went up by 0.7%. On annual basis, the intensive increase in the demand deposits of 9.7% and the increment in the currency in circulation of 2% resulted in an annual increase of the monetary aggregate M1 of 5.7%.

Chart 20

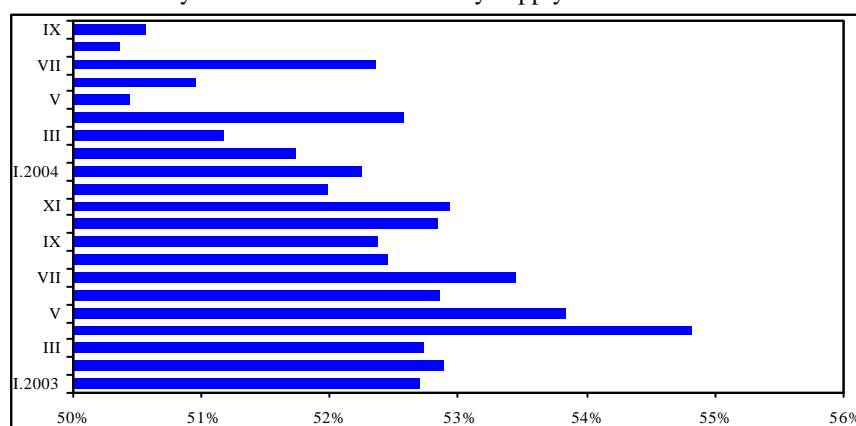
Quarterly dynamics of the currency in circulation and the demand deposits (quarterly changes in %)



In the third quarter of 2004, the average share of the currency in circulation in the money supply M1 equaled 51.1%, which is by 0.2 percentage points lower compared to the preceding quarter. Compared to the same quarter of 2003, the average share of the currency in circulation dropped by 1.7 percentage points. In line with such movements, the average money multiplier of the money supply M1 in the third quarter of 2004 remained the same as in the preceding quarter (1.60, while in the same quarter of the preceding year it equaled 1.54).

Chart 21

Share of currency in circulation in the money supply M1

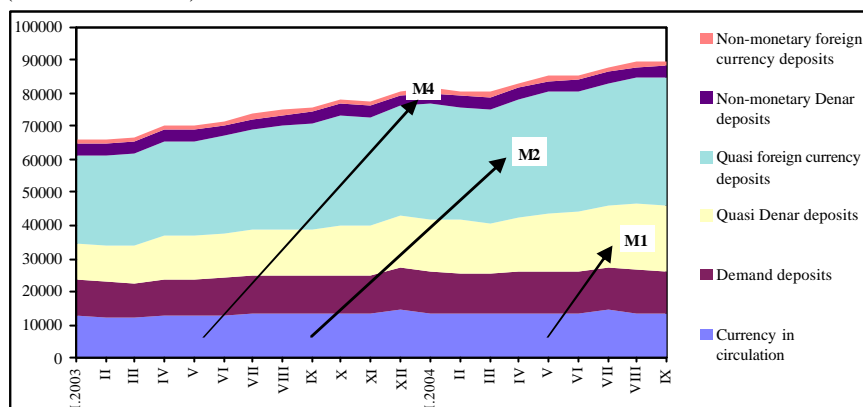


*Higher level of monetary aggregates on quarterly and annual basis*

The increase in the money supply M1 and the higher deposit potential of the banks at the end of the third quarter of 2004 resulted in a quarterly increase in the monetary aggregates M2 and M4. Given the considerable increase in the short-term deposit potential and the moderate narrowing of the long-term deposit base, the money supply M2 registered a more intensive increment

compared to the increase in the money supply M4 (4.8% and 4.6%, respectively). The money multipliers of the money supply M2 and the money supply M4 at the end of the third quarter reached 5.23 and 5.51, respectively, compared to 4.95 and 5.23, respectively, in the preceding quarter (in the same quarter of 2003, they equaled 4.30 and 4.60, respectively). The significant annual increase in the short-term deposits (given the fall in the long-term savings) was the major determinant of the positive annual dynamics of the monetary aggregates M2 and M4 (of 19.9% and 18.3%, respectively).

Chart 22  
Monetary aggregates and their components  
(in Denar million)



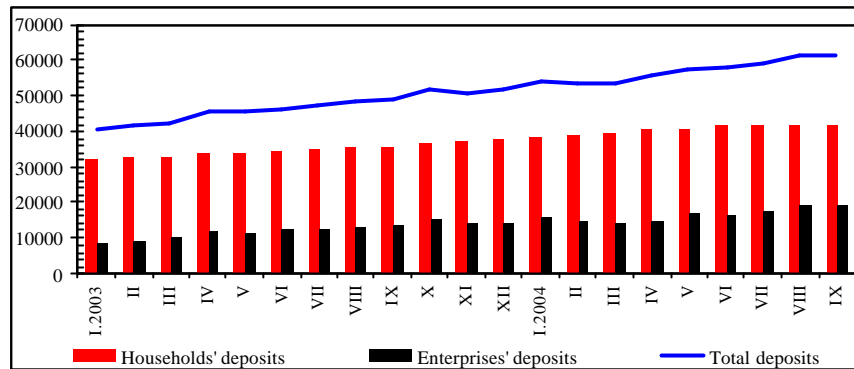
*Permanent growth in the  
total deposit potential*

The permanent upward trend of the total deposit potential of the banking system which started in April 2004 continued in the third quarter of 2004. Thus at the end of September, the total deposits of the non-government sector<sup>20</sup> reached Denar 63,060 million, which is by 6.4% higher on a quarterly basis. With respect to the maturity structure, the short-term deposits surged by 6.8% on a quarterly basis (given the simultaneous increase in both Denar and foreign exchange deposits by 8.4% and 6%, respectively). The long-term deposit potential of the banks went up by 1.7% quarterly, given the divergent movements in the structure of its currency of denomination (an increment in the Denar deposits of 4.3% and fall in the foreign exchange deposits of 3.4%). The maturity structure of the total deposits registered no considerable movements. Thus the short-term deposits remain dominant, and in the third quarter they make up 92.6%, on average. With respect to the currency of denomination, more intensive quarterly increment of 7.8% was registered in the Denar deposits, while the foreign exchange deposits went up by 5.6%. The structural share of the foreign exchange deposits is still higher compared to the share of the Denar deposits in the total deposit structure and equals 64.2% on average in the observed period. On annual basis, the total deposits of the non-government sector picked up by 24.6%, reflecting the significant increase in short-term deposits (by 27.7%).

<sup>20</sup> The total deposits of the non-government sector include short-term and long-term (Denar and foreign currency) deposits of the economic agents (excluding the demand deposits).



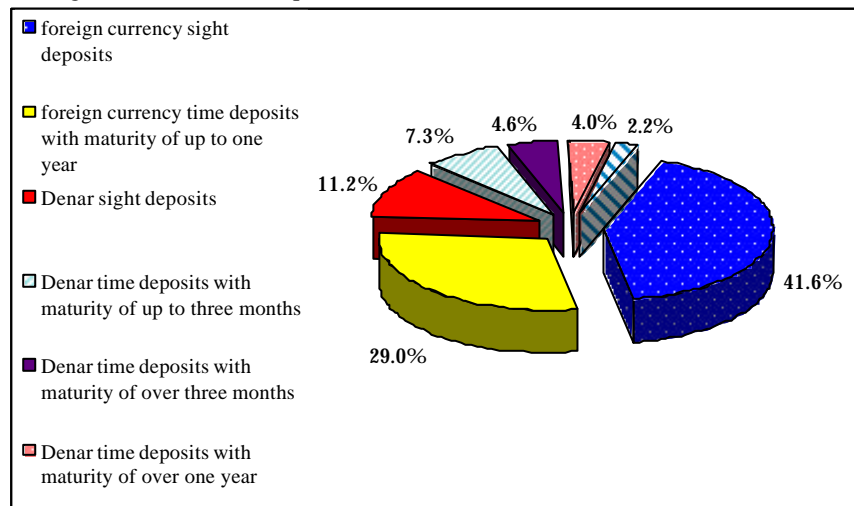
Chart 23  
Deposit timeframes  
(in Denar million)



*Quarterly increase in the households' deposits of 1.8% ...*

At the end of the third quarter of 2004, compared to the preceding quarter, the households' deposits rose by Denar 731 million, or by 1.8%. With respect to the maturity, the short-term deposits registered a quarterly increase of 1.7%, given the higher amount of Denar time deposits with maturity of up to three months, foreign exchange sight deposits and foreign exchange time deposits with maturity of up to one year. The short-term deposits dominate the total structure of households' deposits, having an average share of 93.8% in the third quarter of 2004. The long-term deposits registered a quarterly increase of 2.4%, reflecting the higher long-term Denar and foreign exchange savings. With respect to the currency of denomination, the foreign exchange deposits (with an average share in the total households' deposits of 72.9% in the analyzed period) went up by 4.1%, while the Denar deposits went down by 4.1%. On annual basis, the total deposits of the households considerably increased by 19%, which primarily reflects the higher level of short-term deposits.

Chart 24  
Structure of households' deposits  
(average share in the third quarter of 2004)



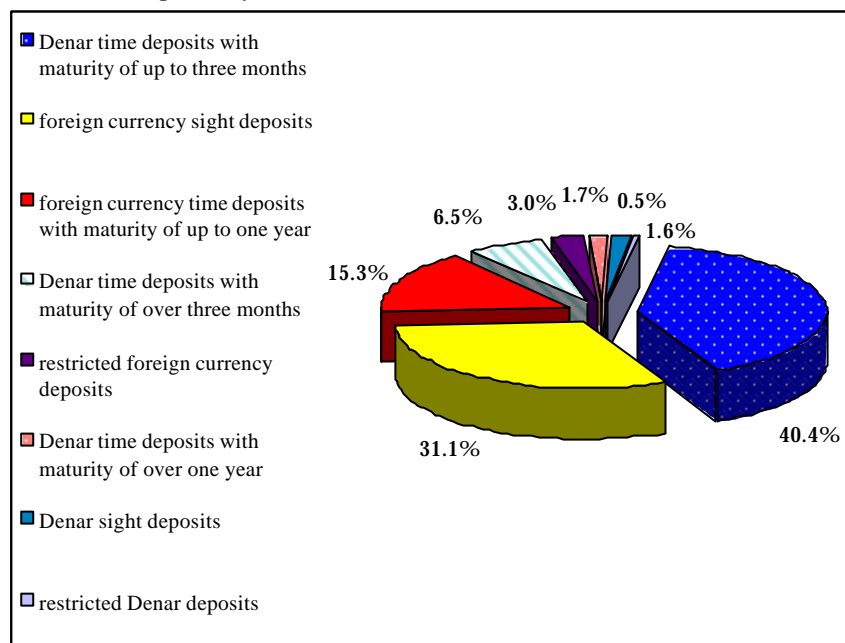
*...with a faster increase being registered in the enterprises' deposits*

At the end of the third quarter of 2004, the enterprises' deposits were by 18.3% higher compared to the preceding quarter. With respect to the maturity, the short-term deposits (as a dominant category in the total enterprises' deposits with an average share of 94.8%) rose by 19.5% on a quarterly basis. Such dynamics of the short-term deposits arises from the higher amount of Denar time deposits with maturity of up to three and over three months, while the sight deposits (in both domestic and foreign currency) registered a quarterly decrease. On the other hand, the long-term deposits registered a minor fall, primarily due



to the lower amount of restricted foreign exchange deposits. The analysis of the structure of the currency of denomination indicates a faster increment in the Denar deposits (of 26%), relative to the increment in the foreign exchange deposits (of 11.1%). On annual basis, the enterprises' deposits considerably increased by 42.8%, given the registered increase in almost all categories of deposits.

Chart 25  
Structure of deposits by sectors



## 2.3.

## Banks' placements and interest rates

The permanent expansion of the banks' deposit base and the reduction in the lending interest rates contributed towards further accelerating of the banks' credit activity.

*The upward trend of the banks' placements continued*

Thus the banks continued supplementing the financial potential of the non-government sector in the third quarter of 2004. The total banks' placements amounted to Denar 59.043 million at the end of September, which is by Denar 2,948 million or by 5.3% more, compared to the end of the preceding quarter. With respect to maturity, the long-term placements registered a faster quarterly increase of 9.8%, while the short-term placements went up by 2.3%. Analyzing the currency of denomination, the foreign exchange placements considerably increased by 10.6% on a quarterly basis, given the simultaneous increment in both the short-term and the long-term foreign exchange placements (of 9.9% and 11.1%, respectively). Also, the Denar placements increased quarterly<sup>21</sup> (4.4%), primarily due to the higher amount of extended long-term Denar credits (by 9.4%).

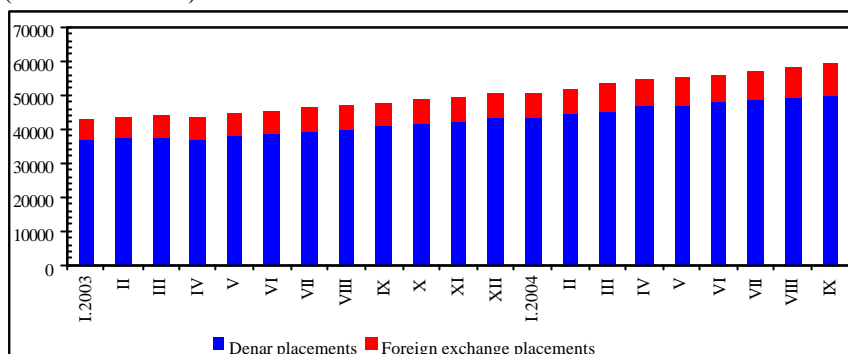
<sup>21</sup> Denar placements with foreign exchange clause are included.



Chart 26

Maturity structure and structure of the currency of denomination of the Banks' placements

(in Denar million)



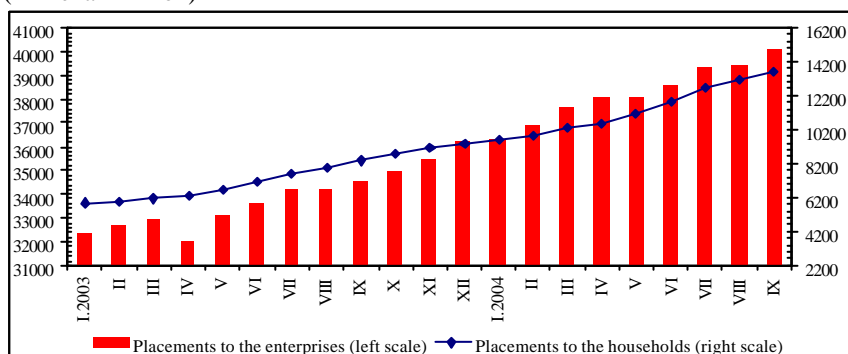
*Higher lending to the households and the enterprises*

Observed by sector, at the end of the third quarter compared to the preceding quarter, the placements to the households were substantially higher (by 14.4%), due to the higher foreign exchange and Denar placements (by 2.4 times and by 13.3%, respectively). The fast increment in the placements to households in foreign currency is a partial effect of the liberalization of the foreign exchange lending. Notwithstanding the significant increase in the foreign exchange lending to the households, their share in the total structure of the banks' placements is inconsiderable. At the end of September 2004, the placements to the enterprises went up by 2.9% quarterly, due to the higher amount of extended foreign exchange and Denar credits (by 10% and by 1.1%, respectively). The Denar placements to the enterprises constitute most of the total placements (59.1% on average, in the analyzed quarter), while the share of the foreign exchange placements is lower (15.6%). On annual basis, the banks' total placements rose by 23.8%, given the simultaneous increase in both the Denar and the foreign exchange placements (of 22.8% and 29.8%, respectively). The annual analysis indicates an increase in the placements to both the enterprises and the households by 16% and by 63.9%, respectively.

Chart 27

Sector structure of the banks' placements

(in Denar million)



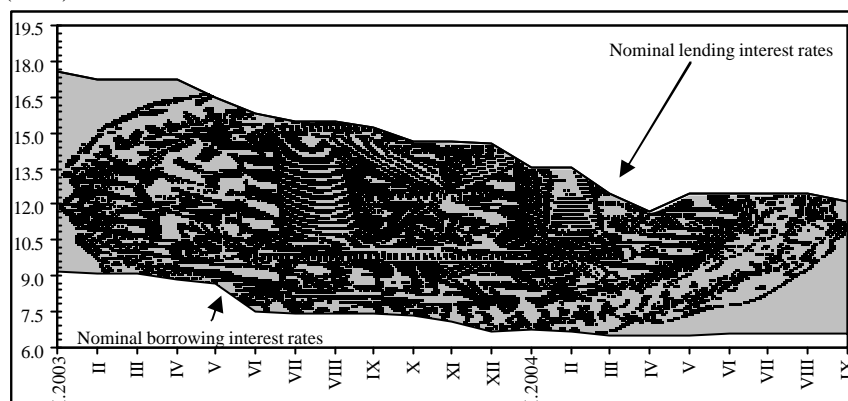
*Positive developments in the banks' interest rate policy in the third quarter*

With regard to the interest rate policy, the positive developments directed towards reducing the lending interest rates (of the Denar credits), are typical for the third quarter of 2004. Thus the average weighted lending interest rate on the short-term Denar loans dropped by 2.5 percentage points in September 2004 compared to June 2004 and reduced to 12.15%, while the average weighted deposit interest rate on the three-month Denar deposits remained the same as in the preceding quarter. In line with such movements, the interest rate spread, which in June equaled 5.9 percentage points, reduced to 5.6 percentage points in September. On annual basis (September 2004 / September 2003), the interest rate spread was by considerable 2.3 percentage points lower.

The average weighted interest rate on the short-term foreign exchange loans fell by 0.2 percentage points quarterly and in September it equaled 7.55%. On the other hand, the interest rates on the three-month foreign exchange deposits registered a minimum increase on a quarterly basis (of 0.12 percentage points). In September, the interest rate on the three-month time Euro deposits ranged from 1% to 3.4%, while the interest rate on the Dollar deposits ranged from 0.5% to 2.5%.

Chart 28

Banks' weighted interest rates and spreads\*  
(in %)



\* Pertain to Denar credits and deposits.

### Review of the Stock Exchange activity in the third quarter of 2004

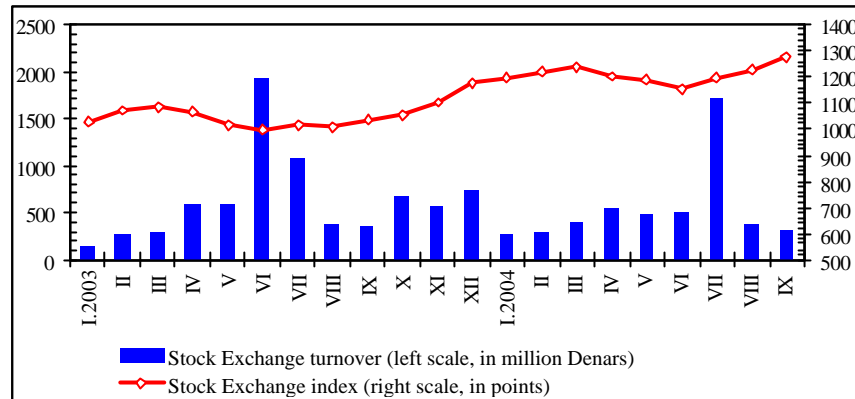
In the third quarter of 2004, the Macedonian Stock Exchange registered a total turnover (excluding block transactions and government segment) of Denar 717.6 million (which is by 3.7% higher compared to the second quarter of the year). The turnover on the official market segment (which makes up 68.9% of the total Stock Exchange turnover realized by conventional trading) totaled Denar 494.4 million, which is a decrease of 12.3%, on a quarterly basis. Notwithstanding the quarterly increment (of 21.4%) in the trade in shares of companies listed on the Macedonian Stock Exchange, the faster fall in the trade in bonds\* (of 23.1%) resulted in a drop in the total turnover on the official Stock Exchange market. On the unofficial market, the volume of trading was by 93% higher. Shares in the amount of Denar 223.3 million, or 31.1% of the conventional stock exchange trading were traded in (16.7% in the second quarter), which indicates a structural movement of the Stock Exchange turnover towards higher volume of trading with unlisted securities.

On the unofficial market, almost no convertible certificates issued by the Government for remuneration of the savers of the collapsed savings houses were traded in. In the third quarter of 2004, the trade in shares, parts and claims in state ownership amounted to Denar 30.6 million, which is an increase of 3.7 times compared to the previous quarter of the year. The share of the block transactions executed on the Stock Exchange equaled 69.1% of the total turnover (53.4% in the second quarter of 2004), reaching Denar 1,674.6 million.

The total Stock Exchange turnover (including block transactions and government segment) in the third quarter of 2004 made up Denar 2,422.9 million (an increase of 61.2% compared to the second quarter of this year).



Stock Exchange turnover and Stock Exchange Index (MBI)



In September 2004, 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 and the bond for the old foreign exchange savings RM01 equaled 1,278.9 points, which is an increment of 11.2% compared to the level of June 2004.

\*The Government of the Republic of Macedonia, at its session held on September 20, 2004, adopted a Decision on amending the Decision on the Second Issue of Denationalization Bonds, according to which the amount of issued bonds of the Second Issue of denationalization bonds changes from Euro 39,000,000 to Euro 39,500,000.

Source: Macedonian Stock Exchange.



### 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.2004 (in US Dollar million)	Changes in %
					compared to the same period of the previous year
<b>Foreign trade</b>	IX.2004	373.6	3.7	3,206.7	21.0
<b>Export</b>	IX.2004	149.6	8.8	1,176.0	19.1
<b>Import</b>	IX.2004	224.1	0.5	2,030.7	22.1
<b>Balance</b>	IX.2004	-74.5	-12.8	-854.7	26.5
					compared to the end of the previous year
<b>Foreign debt</b> (end of month)	IX.2004	1,822.7	1.3		2.9
<b>Exchange rate on foreign exchange market</b> (end of month)	IX.2004				
(Denars per unit foreign currency)					
<b>MKD / USD</b>		49.86	-2.0		1.7
<b>MKD / EURO</b>		61.44	0.3		0.2

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



### 3.1.

### Foreign trade<sup>22</sup>

*Increased foreign trade in the third quarter of 2004 was registered*

*The highest amount of foreign trade on a monthly basis was registered in July 2004*

*High increase in the export and the import of goods...*

*...and increased trade deficit was registered*

In the third quarter of 2004, compared to the same period of 2003, foreign trade in the amount of US Dollar 1,141.7 million was registered, which is an increase of 28.6%. The higher volume of trade registered in the third quarter is due to the simultaneous intensified increase in the export and the import of goods (of 30.9% and 27.1%, respectively).

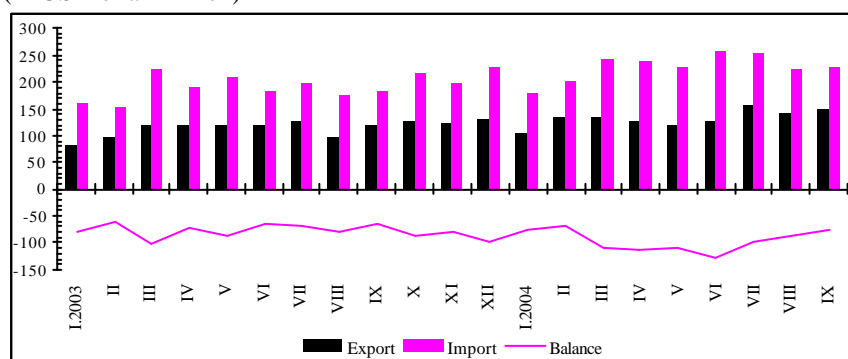
From the aspect of the monthly dynamics, increased foreign trade was registered in July and September. The highest foreign trade on a monthly basis in the amount of US Dollar 407.7 million (since 1996, except in March 2000) was registered in July, which is primarily due to the intensified monthly increase in the export of goods of 24.6%. In August, the total foreign trade registered a monthly decrease of 11.6%, reflecting the decrease in the export and the import of goods caused by the influence of the seasonal factors (monthly drop of 11.5% and 11.7%, respectively).

From the aspect of the trade components, in the third quarter of 2004, the export of goods equaled US Dollar 442.2 million, which is an increase of US Dollar 104.3 million, or 30.9% compared to the third quarter of 2003. The intensive increase in the exports is mainly a result of the renewed activity of one important export metallurgic facility in May this year. Thus, the realized export of iron and steel in the third quarter increased by US Dollar 68.8 million (compared to the same period of the previous year). The need of imported raw materials for realization of the economic activity of the restarted metallurgic facility resulted in increased import of iron and steel in the third quarter of this year (an increase of US Dollar 65.3 million compared to the same period of the previous year). One of the causes of greater importance for the change in the import in the third quarter is the increased import of energetic products, as a combined effect of the higher demand for oil, electricity, coke and other energetic products and the higher price of oil (increased import of energetic products of US Dollar 24.4 million). The realized import of goods in the third quarter of 2004 equaled US Dollar 699.5 million, which is an increase of US Dollar 149.3 million, or 27.1% compared to the same period of the previous year.

In accordance with such a dynamics of the export and the import of goods, deepening of the trade deficit by US Dollar 45.1 million was registered in the third quarter of 2004, thus reaching US Dollar 257.3 million.

Chart 29

Foreign trade of the Republic of Macedonia  
(in US Dollar million)



<sup>22</sup>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

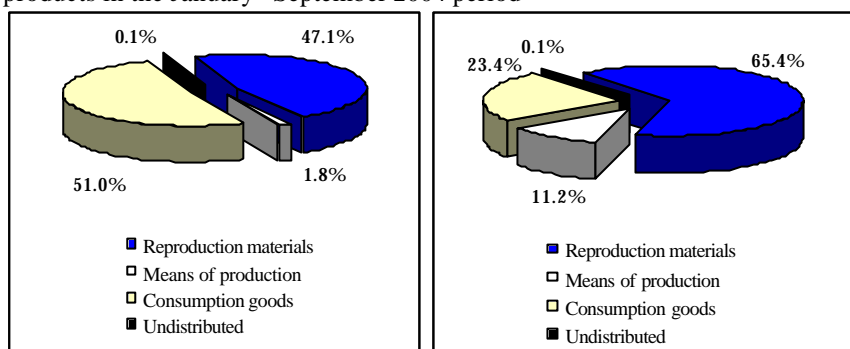


*Increased export and import of  
consumption goods*

In the first nine months of 2004, the analysis from the aspect of the economic use of the products shows cumulative increase in the share of the export of consumption goods in the total export (of 1.7 percentage point, and it equals 51% in this period, pointing to the increased level of finalization of the domestic output). On the other hand, the share of the export of reproduction materials decreased by 2 percentage points and it equaled 47.1%. Regarding the import, a moderate increase in the share of the consumption goods (of 0.9 percentage points) was registered and it equaled 23.4% in the first three quarters. Dominant share accounts for the import of reproduction materials (of 65.4%, mainly import of oil and grease), while the share of the means of operations equals 11.2%.

Chart 30

Foreign trade of the Republic of Macedonia according to the economic use of the products in the January - September 2004 period

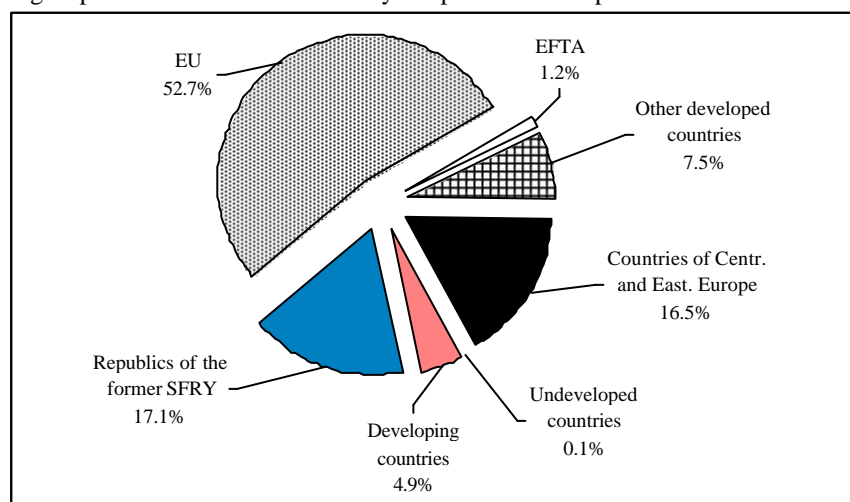


*The largest share in the total  
foreign trade accounts for the  
European Union*

Analyzed by economic groups of countries, the dominant share in the total foreign trade of 52.7% still accounts for the European Union. The share of this group of countries is traditionally the largest in the total export and import in the Republic of Macedonia (57.3% and 50%, respectively). The share of the foreign trade with the Republics of the former SFRY equals 17.1% and it is unchanged in comparison with the January - September 2003 period. The intensive import of oil from Russia, as well as the high import of iron and steel from Romania contributed to a cumulative increase in the share of the trade with the Central and Eastern European countries of 2.9 percentage points in the first nine months of 2004 (and it equaled 16.5% in this period).

Chart 31

Foreign trade of the Republic of Macedonia according to groups of countries in the January - September 2004 period





The analysis of the foreign trade of the Republic of Macedonia from the aspect of separate countries indicates a constant structure of the trade participants. Namely, in the January - September 2004 period, Germany, Serbia and Montenegro and Greece dominate in the total trade (with a share of 39.3 %). These countries register the largest share in the exports and in the imports (53.2% and 31.3%, respectively). Among other countries, the largest share of the exports and imports accounts for Italy, Croatia and France (to which iron and steel is mostly exported, together with footwear in Italy). Regarding the imports, besides these countries, the share of Russia is getting bigger (9.3%), mainly due to the import of oil. Thus in the January - September 2004 period, compared to the same period of the previous year, the import from Russia registered high increase of 65.9%. During the analyzed period, significant increase was registered in the import from Romania due to the increased import of iron and steel (by 6.8 times higher increase compared to the same period of the previous year.). Within the ten most important trading partners, a positive balance was registered only in the trade with Serbia and Montenegro (US Dollar 66.3 million), Croatia (US Dollar 10.8 million) and France (US Dollar 8.7 million), while the lowest trade deficit was registered in the trade with Russia and Bulgaria (US Dollar 173.8 million and US Dollar 118.9 million, respectively).

*Higher export - import coverage ratios were registered in the third quarter of 2004*

In the third quarter of 2004, the relatively higher increase in the export relative to the import of goods resulted in higher export - import coverage ratio. Thus the coverage rate equaled 63.2%, and increased by 1.8 percentage points compared to the same period of the previous year. In the January - September 2004 period, compared to the same period of the previous year, the export - import coverage ratio decreased by 1.5 percentage points and equaled 57.9%. This is mainly due to the foreign trade dynamics in the second quarter of 2004<sup>23</sup>, when the import significantly exceeded the export of goods, with the export - import coverage ratio being lower by 9.8 percentage points compared to the second quarter of 2003.

### 3.2.

### Foreign exchange developments

*Quarterly increase in the turnover on the foreign exchange market of 11.7%...*

In the third quarter of 2004, the total value of the realized transactions on the foreign exchange market reached US Dollar 1,014 million, which is an increase of US Dollar 106.2 million, or 11.7% in comparison with the previous quarter. The average monthly turnover in the third quarter equaled US Dollar 338 million, which is by US Dollar 35.4 million more compared to the average monthly turnover registered in the second quarter. The intensified activity on the foreign exchange market is primarily generated from the intensified dynamics of the segment banks - enterprises, as the main segment on the foreign exchange market. Thus the share of the turnover of this segment in the total turnover on the foreign exchange market equals 87.6% in the third quarter (contrary to 80.9% in the first and 84% in the second quarter of 2004). From the aspect of the demand - supply correlation, in the third quarter of 2004 the discrepancy was significantly lower, which in combination with the seasonally higher foreign exchange inflows on the exchange offices market of the banks result in stable movements on the foreign exchange market of the NBRM. In July and August, the NBRM intervened on the foreign exchange market with a net purchase of foreign exchange, (which partially originates from the need of the banks for Denar liquidity), while in September 2004, the interventions of the NBRM were almost neutral.

Analyzed by months, the highest turnover on the foreign exchange market during the third quarter was registered in July, with the turnover

<sup>23</sup> Having in mind the intensified import from Slovenia before its joining to EU, as well as significant import of iron and steel at the end of the second quarter, as a result of the renewed activity of one of the largest facilities in the iron and steel industry.



registered in this month deviating from the quarterly average by US Dollar 59.8 million.

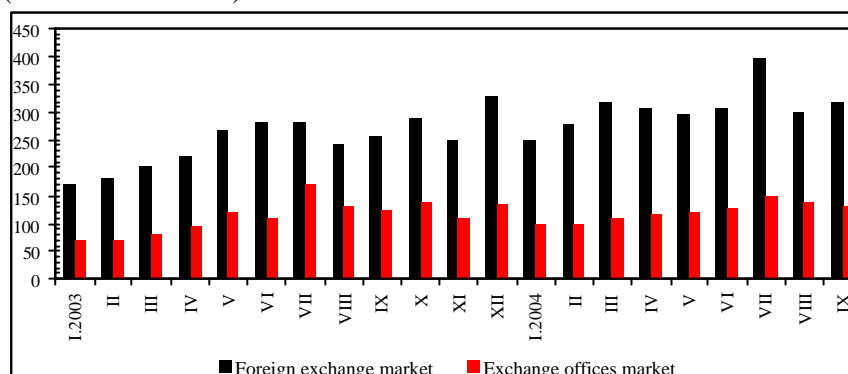
*...given the unchanged Denar exchange rate against the Euro...*

*...and appreciation of the Denar against the US Dollar*

The changes in the monetary policy and the direct interventions of the NBRM on the foreign exchange market contributed in further maintenance of the exchange rate stability. Thus in the third quarter of 2004, Denar 61.31 per one Euro on average were traded on the foreign exchange market (Denar 61.28 per one Euro were traded on average in the second quarter). Relative to the US Dollar, on average, the Denar appreciated by 1.4%. Namely, on average, in the third quarter Denar 50.17 per one US Dollar were traded, contrary to Denar 50.88 per one US Dollar in the second quarter.

Chart 32

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

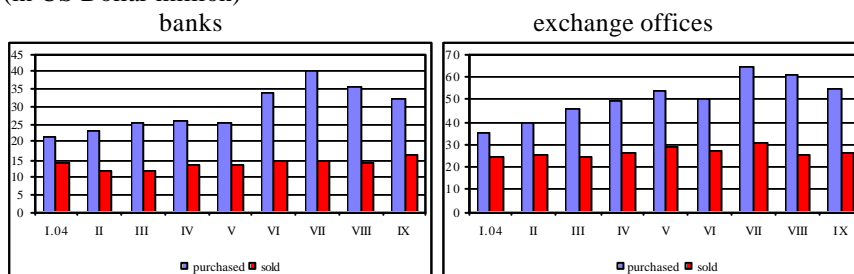


*The turnover on the exchange offices market increased by 14.4% on a quarterly basis*

In the third quarter of 2004, the turnover on the exchange offices market equaled US Dollar 414.7 million, which is an increase of 14.4% compared to the second quarter. More intensive increase was registered in the supply of foreign assets (of 20.3%), contrary to the moderate increase in the demand for foreign assets (of 3.1%). The seasonally higher supply than the demand for foreign assets caused a net purchase on the exchange offices market in the amount of US Dollar 159.5 million (contrary to the US Dollar 78.8 million in the first quarter and US Dollar 114.9 million in the second quarter). Largest part of the turnover on the exchange offices market (63.2%) was realized through the private exchange offices, while the remaining 36.8% were realized through the commercial banks.

Chart 33

Movements of the turnover on the exchange offices market  
(in US Dollar million)



Analyzed by months, the demand for foreign assets is relatively stable and it varied from US Dollar 45.5 million in July and US Dollar 39.4 million in August, while larger oscillations were registered in the supply of foreign assets on the exchange offices market, with the highest level within the quarter being registered in July (US Dollar 104.3 million, which is the highest monthly amount), and the lowest was registered in August (US Dollar 86.6 million). The

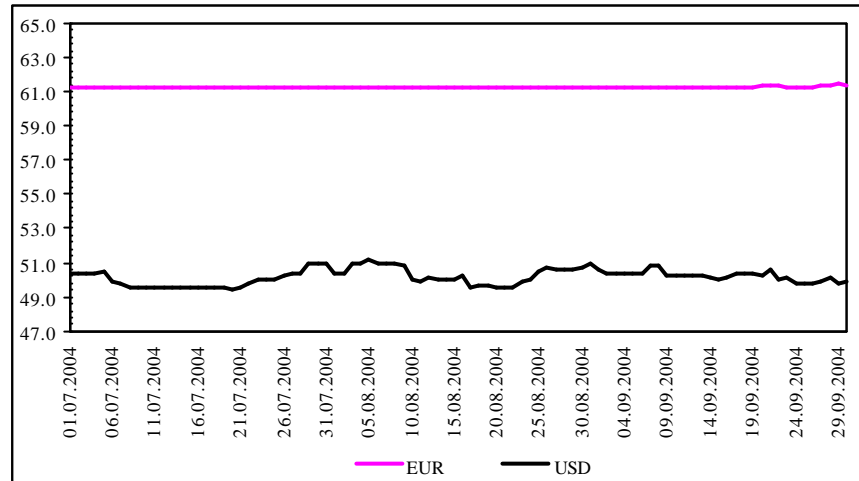


highest net purchase of foreign assets in the amount of US Dollar 58.8 million was registered in July, which is a common seasonal effect.

In the third quarter, the average Denar exchange rate relative to the Euro on the exchange offices market was stable and it equaled Denar 61.53 per one Euro (contrary to Denar 61.52 per one Euro on average in the second quarter), while relative to the US Dollar<sup>24</sup>, the Denar appreciated by 1.8%, with Denar 49.69 being traded per one US Dollar in the second quarter (Denar 50.61 per one US Dollar on average in the second quarter).

Chart 34

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

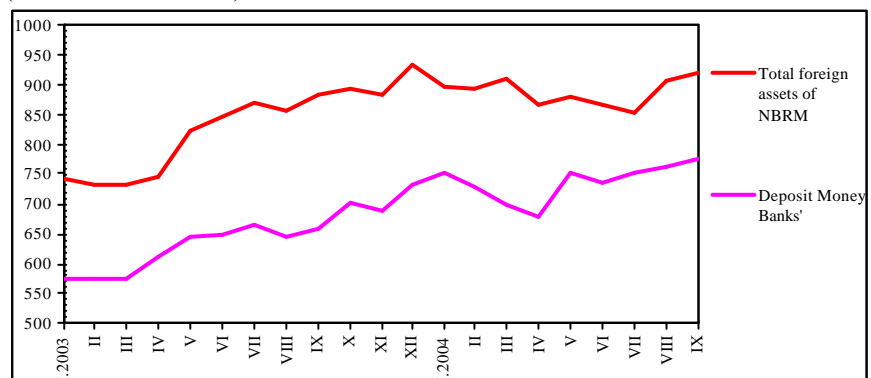


*Increased gross foreign reserves...*

At the end of the third quarter, the gross foreign reserves equaled US Dollar 914.6 million, which is an increase of US Dollar 54.7 million compared to the end of the previous quarter. The increase is mostly caused by the net purchase of foreign assets by the NBRM on the foreign exchange market, as well as from the recorded positive exchange rate differentials.

Chart 35

Foreign assets of the NBRM and foreign assets with banks  
(in US Dollar million)



*...and foreign assets with the deposit money banks was registered*

The foreign assets with the deposit money banks registered a quarterly increase of US Dollar 40.5 million compared to the end of the second quarter, and equaled US Dollar 775.8 million. The increase is mainly a result of the increased foreign exchange deposits of the economic agents with the banks.

<sup>24</sup> The US Dollar exchange rate is taken from the exchange rate list for the exchange offices operations of the NBRM.

**3.3.****External debt<sup>25</sup>**

*In September 2004, increase in the external debt of 3.2% on a quarterly basis was registered...*

At the end of September 2004, the external debt of the Republic of Macedonia on the basis of long-term credits equaled US Dollar 1,822.7 million, which is an increase of US Dollar 56.3 million, or 3.2% compared to June 30, 2004. The increase is mainly due to the larger utilization than the paid liabilities based on principle (by US Dollar 45.3 million).

*...with the amount of US Dollar 96.9 million being withdrawn in the third quarter...*

In the third quarter of 2004, funds in the amount of US Dollar 96.9 million were withdrawn on the basis of granted long-term credits. US Dollar 53.7 million originate from the official creditors, while US Dollar 43.2 million are funds withdrawn from the private creditors. Analyzed by months, the largest amount of US Dollar 47.1 million was withdrawn in July (the largest part of which (US Dollar 31.8 million, or 67% of the total withdrawn funds during this month) originate from the private creditors. Amount of US Dollar 15.3 million is withdrawn from the official creditors, US Dollar 8.5 million of which originate from the European Investment Bank, US Dollar 5.2 million from the World Bank and US Dollar 1.6 million originate from the other official creditors. Amount of US Dollar 35.4 million was withdrawn in August, 88% of which, or US Dollar 31.2 million originate from the official creditors. Within these withdrawals, US Dollar 11.6 million are funds of the last tranche of the Stand-by Arrangement of the IMF, US Dollar 4.9 million are funds extended by the European Investment Bank and 4.5 million originate from other multilateral and bilateral creditors. Amount of US Dollar 4.2 million was withdrawn from the private creditors. In August, credits in the amount of US Dollar 14.4 million were used, with identical share being withdrawn from the official and the private creditors.

*...while the total repayments equaled US Dollar 65.5 million*

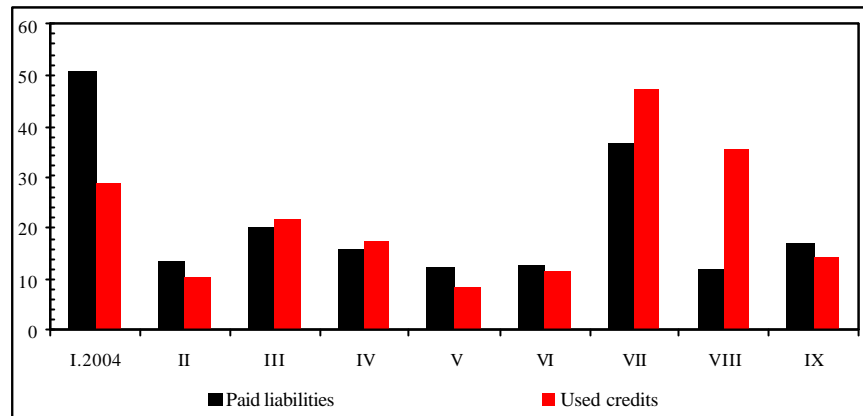
In the third quarter of 2004, the total amount of serviced liabilities on the basis of used foreign long-term credits equaled US Dollar 65.5 million (the repayments based on principal equal US Dollar 51.6 million, while funds in the amount of US Dollar 13.9 million accounts for the interest). Analyzed by months, the largest portion of credits was realized in July, when the second liability based on the restructuring towards the Paris Club and the London Club of Creditors on annual basis matured<sup>26</sup>. Liabilities in the amount of US Dollar 36.7 million were repaid, 57.8% of which, or US Dollar 21.2 million are liabilities based on rescheduling. In August and September, the liabilities paid on the basis of principal and interest are significantly lower (US Dollar 12 million and US Dollar 16.7 million, respectively).

<sup>25</sup> Preliminary data of the NBRM.

<sup>26</sup> The first annual repayment is due in January.



Chart 36  
Used credits and serviced liabilities  
(in US Dollar million)



In the third quarter of 2004, the newly concluded credits with foreign creditors amounted to US Dollar 92.5 million. From the aspect of the official creditors, new credit lines with the World Bank in the amount of US Dollar 49.8 million were concluded in July and they were intended for PSMAL, SPIL and the Health Sector Management Project. Also, new credits in the amount of US Dollar 16.9 million were concluded with the private creditors. In August and September, new credits were concluded only with the private creditors (US Dollar 8.6 million and US Dollar 7.5 million, respectively).



## Statistical appendix

### Prices

**Table 1**

Costs of living and retail prices

	<u>IX.2004</u> VIII.2004	<u>IX.2004</u> IX.2003	<u>I-IX.2004</u> I-IX.2003
	in %		
<b>Costs of living</b>	<b>0.0</b>	<b>-1.8</b>	<b>-0.2</b>
Food	-0.1	-5.5	-2.8
Tobacco and beverages	0.1	1.1	1.3
Clothing and footwear	-0.1	-0.8	1.3
Housing	0.4	0.9	2.8
Flat (rent, water, services)	0.8	-0.9	-0.2
Fuel and lighting	0.2	1.1	3.8
Hygiene	0.0	-2.0	1.3
Culture and entertainment	1.2	0.6	1.7
Transport, communications, services	-0.1	5.4	3.2
<i>Goods</i>	<i>-0.1</i>	<i>-2.8</i>	<i>-0.8</i>
<i>Services</i>	<i>0.7</i>	<i>3.0</i>	<i>3.4</i>
<b>Retail prices</b>	<b>0.2</b>	<b>0.5</b>	<b>0.8</b>
Agricultural products	-0.1	-8.2	-2.0
Non-food industrial products	-0.3	2.2	2.0
Processed food products	0.2	-4.8	-3.8
Beverages	-0.4	-1.0	-1.7
<i>Goods</i>	<i>-0.2</i>	<i>-0.6</i>	<i>0.0</i>
<i>Services</i>	<i>0.9</i>	<i>2.6</i>	<i>2.5</i>

Source: State Statistical Office of the Republic of Macedonia





**Table 2**  
Prices of producers of industrial products

	<u>IX.2004</u> VIII.2004	<u>IX.2004</u> IX.2003	<u>I-IX.2004</u> I-IX.2003
	in %		
<b>Prices of producers of industrial products</b>	<b>0.4</b>	<b>2.3</b>	<b>0.4</b>
Energy	1.3	4.4	-0.6
Intermediary goods (except Energy)	0.2	5.9	4.4
Capital goods	0.0	0.2	-0.5
Durable consumer goods	0.0	0.0	0.0
Non durable consumer goods	0.1	-3.0	-3.4
<i>Mining and quarrying</i>	<i>0.0</i>	<i>0.6</i>	<i>0.6</i>
<i>Manufacturing industry</i>	<i>0.5</i>	<i>2.8</i>	<i>0.5</i>
Manufacture of food products and beverages	0.1	-3.3	-3.9
Manufacture of tobacco products	0.0	0.0	0.0
Manufacture of textiles	0.0	-1.5	-1.0
Manufacture of wearing apparel; dressing and dyeing of fur	0.0	0.0	0.0
Manufacture of coke, refined petroleum products and nuclear fuel	3.5	12.1	-1.6
Manufacture of chemicals and chemical products	0.0	0.0	0.0
Manufacture of other non-metallic mineral products	0.0	-0.3	-0.3
Manufacture of basic metals	0.0	1.3	1.7
Manufacture of electrical machinery and apparatus n.e.c.	0.0	23.6	18.2
<i>Electricity, gas and water supply</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>

Source: State Statistical Office of the Republic of Macedonia

**Table 3**  
Consumers' basket for food and beverages\*

	Amounts			Monthly changes			Annual changes		
	VII.2004	VIII.2004	IX.2004	<u>VII.2004</u> VI.2004	<u>VIII.2004</u> VII.2004	<u>IX.2004</u> VIII.2004	<u>VII.2004</u> VII.2003	<u>VIII.2004</u> VIII.2003	<u>IX.2004</u> IX.2003
	in Denar			in %			in %		
<b>Total</b>	<b>9,722</b>	<b>9,537</b>	<b>9,525</b>	<b>-2.7</b>	<b>-1.9</b>	<b>-0.1</b>	<b>-4.3</b>	<b>-5.4</b>	<b>-5.2</b>
Cereal and cereal products	1,885	1,879	1,871	-0.1	-0.3	-0.4	-6.5	-6.8	-7.2
Vegetables, fresh and processed	1,131	972	993	-16.2	-14.1	2.2	-1.8	-14.7	-15.6
Fruit, fresh and processed	714	689	643	-3.8	-3.5	-6.7	-21.0	-14.7	-13.5
Meat, fresh and processed	2,282	2,277	2,280	-0.3	-0.2	0.1	-2.2	-3.1	-3.3
Fats	389	388	384	0.0	-0.3	-1.0	-4.9	-4.7	-5.2
Milk and dairy products	1,621	1,631	1,648	-1.0	0.6	1.0	0.6	-0.2	1.0
Other food products	1,700	1,701	1,706	0.3	0.1	0.3	-1.7	-1.6	-0.8

\* All products in "food and beverages" category, which compose the basket, are taken as average monthly needs of a four-member non-agricultural household, and that list of products is constant (same products – same quantities), during a one year period.

Source: State Statistical Office of the Republic of Macedonia



## Economic activity

**Table 4**  
Industrial output

	Structure in %	<u>IX.2004</u> VIII.2004	<u>IX.2004</u> IX.2003	<u>I-IX.2004</u> I-IX.2003
<b>Total</b>	<b>100.0</b>	<b>15.0</b>	<b>-22.2</b>	<b>-16.9</b>
Energy		9.3	-18.4	-16.7
Intermediary goods (except Energy)		31.1	17.7	-32.2
Capital goods		10.0	-0.2	-36.7
Durable consumer goods		47.2	65.8	-37.5
Non durable consumer goods		-5.5	-51.5	10.0
<i>Mining and quarrying</i>	<i>3.2</i>	<i>19.1</i>	<i>-86.8</i>	<i>-68.4</i>
<i>Manufacturing industry</i>	<i>89.9</i>	<i>15.7</i>	<i>-19.5</i>	<i>-16.0</i>
Manufacture of food products and beverages	24.9	0.9	-62.8	-7.1
Manufacture of tobacco products	5.0	-8.3	13.5	-11.8
Manufacture of textiles	4.3	-6.9	-48.9	-24.6
Manufacture of wearing apparel; dressing and dyeing of fur	4.5	-38.4	-27.0	43.0
Manufacture of coke, refined petroleum products and nuclear fuel	7.0	15.3	-29.8	-33.3
Manufacture of chemicals and chemical products	7.2	31.3	-32.4	-28.5
Manufacture of other non-metallic mineral products	4.6	5.8	-13.5	-16.8
Manufacture of basic metals	16.4	50.4	278.6	-27.5
Manufacture of electrical machinery and apparatus n.e.c.	4.0	35.8	-50.7	-48.2
<i>Electricity, gas and water supply</i>	<i>6.9</i>	<i>3.9</i>	<i>-1.6</i>	<i>-4.7</i>

Source: State Statistical Office of the Republic of Macedonia

**Table 5**  
Trade turnover

	Amounts				Monthly changes			Annual changes			Average changes
	VI.2004	VII.2004	VIII.2004	I-VIII.2004	<u>VI.2004</u> V.2004	<u>VII.2004</u> VI.2004	<u>VIII.2004</u> VII.2004	<u>VI.2004</u> VI.2003	<u>VII.2004</u> VII.2003	<u>VIII.2004</u> VIII.2003	<u>I-VIII.2004</u> I-VIII.2003
	in Denar million				in %			in %			in %
<b>Trade turnover - total</b>	<b>13,235</b>	<b>15,081</b>	<b>14,496</b>	<b>100,771</b>	<b>4.9</b>	<b>14.0</b>	<b>-3.9</b>	<b>19.6</b>	<b>24.3</b>	<b>24.2</b>	<b>13.2</b>
Retail sales	5,032	5,549	5,555	38,325	1.9	11.9	0.1	7.5	13.1	13.6	6.7
Whole sales	8,203	9,532	8,941	62,446	6.9	17.2	-6.2	28.5	34.4	31.8	17.6

\* Last available data.

Source: State Statistical Office of the Republic of Macedonia



**Table 6**  
Contracted and completed construction works

	Amounts				Monthly changes			Annual changes			Average changes
	VI.2004	VII.2004	VIII.2004	I-VIII.2004	<u>VI.2004</u>	<u>VII.2004</u>	<u>VIII.2004</u>	<u>VI.2004</u>	<u>VII.2004</u>	<u>VIII.2004</u>	<u>I-VIII.2004</u>
	in Denar million				V.2004	VI.2004	VII.2004	VI.2003	VII.2003	VIII.2003	I-VIII.2004
					in %			in %			in %
Value of contracted construction works	535	459	319	8,541	-10.2	-14.3	-30.5	-17.2	65.6	-48.9	4.5
Value of completed construction works	728	832	798	5,296	-10.9	14.2	-4.1	6.0	33.3	-14.8	10.8

\* Last available data.

Source: State Statistical Office of the Republic of Macedonia

## Other macroeconomic movements

**Table 7**  
Employment by activities and sectors

	VI.2004	VII.2004	VIII.2004*	I-VIII.2004	
	Number of employed			Average number of employed	Structure in %
<b>Total</b>	<b>259,288</b>	<b>257,290</b>	<b>256,745</b>	<b>260,870</b>	<b>100.0</b>
<b>Agriculture</b>	<b>10,607</b>	<b>10,441</b>	<b>10,389</b>	<b>10,736</b>	<b>4.1</b>
Agriculture, hunting and forestry	10,422	10,276	10,224	10,536	4.0
Fishing	185	165	165	200	0.1
<b>Industry</b>	<b>121,768</b>	<b>120,533</b>	<b>120,325</b>	<b>123,112</b>	<b>47.2</b>
Minerals and stone mining	2,481	2,441	2,424	2,535	1.0
Manufacturing	84,058	83,301	83,134	85,162	32.6
Electricity, gas and water supply	14,587	14,500	14,456	14,609	5.6
Construction	20,642	20,291	20,311	20,806	8.0
<b>Services</b>	<b>126,913</b>	<b>126,316</b>	<b>126,031</b>	<b>127,022</b>	<b>48.7</b>
Wholesales and retail sales, mending of motor vehicles, motorbikes and personal consumption items	12,264	12,252	12,154	12,280	4.7
Hotels and restaurants	4,168	4,314	4,254	4,250	1.6
Transport, storage and communications	17,410	17,305	17,271	17,423	6.7
Financial intermediation	5,695	5,587	5,559	5,648	2.2
Real estate and business activities	6,365	6,327	6,302	6,370	2.4
Public authorities and defense, compulsory social welfare	14,815	14,741	14,726	14,831	5.7
Education	29,423	29,011	28,924	29,237	11.2
Health and social work	27,962	27,906	27,906	28,179	10.8
Other public utility services, general and personal services	8,811	8,873	8,935	8,804	3.4

\* Last available data.

Source: Ministry of Finance



**Table 8**  
Average net wages

	VIII.2004*	I-VIII.2004*	VIII.2004 VII.2004	VIII.2004 VIII.2003	I-VIII.2004 I-VIII.2003
	in denars		in %		
Nominal average net wage per worker	12,443	12,222	1.6	4.0	4.1
Costs of living			-0.5	-1.7	0.0
Real average net wage per worker			2.1	5.8	4.1
Nominal average net wage by sectors					
Agriculture	10,500	9,619	-0.4	21.5	12.0
Industry	12,383	12,172	1.6	4.4	3.9
Services	14,155	13,880	1.1	4.0	3.2

\* Last available data

Source: State Statistical Office of the Republic of Macedonia

**Table 9**  
Central Government Budget

	2003		2004				2004	2004/2003	2004/2003
	Q.3	Q.1+Q.2 +Q.3	Q.1	Q.2	Q.3	Q.1+Q.2 +Q.3	Q.3/Q.2	Q.3/Q.3	Q.1+Q.2 +Q.3
	Amount		Amount				Changes in %		
<b>Total budget revenues</b>	<b>13,563</b>	<b>40,042</b>	<b>14,102</b>	<b>13,889</b>	<b>13,957</b>	<b>41,948</b>	<b>0.5</b>	<b>2.9</b>	<b>4.8</b>
<i>Tax revenues:</i>	<i>12,152</i>	<i>36,393</i>	<i>12,556</i>	<i>12,979</i>	<i>12,964</i>	<i>38,499</i>	<i>-0.1</i>	<i>6.7</i>	<i>5.8</i>
- personal income tax	1,835	5,394	1,738	1,923	1,930	5,591	0.4	5.2	3.7
- profit tax	778	2,604	958	506	522	1,986	3.2	-32.9	-23.7
- value added tax	5,077	15,492	6,103	6,479	6,025	18,607	-7.0	18.7	20.1
- excises	2,961	7,879	2,349	2,458	2,973	7,780	21.0	0.4	-1.3
- custom duties	1,395	4,637	1,228	1,496	1,397	4,121	-6.6	0.1	-11.1
- other	103	355	178	112	114	404	1.8	10.7	13.8
<i>Non-tax revenues:</i>	<i>1,280</i>	<i>3,220</i>	<i>1,371</i>	<i>751</i>	<i>855</i>	<i>2,977</i>	<i>13.8</i>	<i>-33.2</i>	<i>-7.6</i>
- inflows from state property dividends	866	1,598	793	294	346	1,433	17.7	-60.0	-10.3
- administrative taxes and fees	318	971	358	375	337	1,070	-10.1	6.0	10.2
- other administrative taxes	53	303	64	69	59	192	-14.5	11.3	-36.7
- other non-tax revenues	44	349	156	13	113	282	769.2	156.8	-19.2
<i>Capital revenues</i>	<i>123</i>	<i>420</i>	<i>175</i>	<i>158</i>	<i>127</i>	<i>460</i>	<i>-19.6</i>	<i>3.3</i>	<i>9.5</i>
<b>Total budget expenditures</b>	<b>13,950</b>	<b>40,247</b>	<b>13,100</b>	<b>14,253</b>	<b>13,341</b>	<b>40,694</b>	<b>-6.4</b>	<b>-4.4</b>	<b>1.1</b>
<i>Current expenditures</i>	<i>12,531</i>	<i>37,092</i>	<i>12,415</i>	<i>12,974</i>	<i>12,187</i>	<i>37,576</i>	<i>-6.1</i>	<i>-2.7</i>	<i>1.3</i>
- wages and salaries	4,909	14,920	5,135	5,349	5,097	15,581	-4.7	3.8	4.4
- goods and services	1,497	4,596	1,797	1,714	1,329	4,840	-22.5	-11.2	5.3
- transfers	5,524	15,323	4,924	5,432	5,170	15,526	-4.8	-6.4	1.3
- interest	562	1,965	531	479	561	1,571	17.1	-0.2	-20.1
<i>Capital expenditures</i>	<i>1,372</i>	<i>2,746</i>	<i>685</i>	<i>1,279</i>	<i>1,154</i>	<i>3,118</i>	<i>-9.8</i>	<i>-15.9</i>	<i>13.6</i>
<b>Budget balance</b>	<b>-387</b>	<b>-205</b>	<b>1,001</b>	<b>-364</b>	<b>616</b>	<b>1,253</b>			
<b>Financing</b>	<b>387</b>	<b>205</b>	<b>-1,001</b>	<b>364</b>	<b>-616</b>	<b>-1,253</b>			
<i>Inflows</i>	<i>2,001</i>	<i>6,262</i>	<i>414</i>	<i>2,701</i>	<i>858</i>	<i>3,973</i>			
<i>Outflows</i>	<i>1,614</i>	<i>6,057</i>	<i>1,416</i>	<i>2,336</i>	<i>1,474</i>	<i>5,226</i>			

Source: Ministry of Finance

**Table 10**  
Total revenues and expenditures of the budget funds  
(in Denar million)

	September 2004				January-September 2004			
	Total revenues		Total expenditures		Total revenues		Total expenditures	
	Amount	monthly changes in %	Amount	monthly changes in %	Amount	cumulative changes in %	Amount	cumulative changes in %
Social Funds	4,254	5.8	4,272	3.5	37,588	4.9	37,982	8.3
- pension and disability insurance	2,385	5.2	2,451	3.3	21,176	2.4	21,519	6.4
- health insurance	1,234	8.1	1,205	6.3	10,784	1.8	10,868	5.6
- employment	635	4.1	616	-0.5	5,630	23.9	5,558	23.2
Road Fund	285	-1.4	366	21.2	2,555	14.6	2,793	28.2

Source: Ministry of Finance



**Table 11**  
Consolidated budget  
(in Denar million)

	VII.2004	VIII.2004	IX.2004	Q.3.2004		Q.1+Q.2.+Q.3.2004	
				Amount	Structure in %	Amount	Structure in %
<b>Total revenues</b>	<b>7,566</b>	<b>6,836</b>	<b>7,412</b>	<b>21,814</b>	<b>100.0</b>	<b>64,674</b>	<b>100.0</b>
<b>Tax and contributions:</b>	<b>6,969</b>	<b>6,412</b>	<b>6,801</b>	<b>20,182</b>	<b>92.5</b>	<b>59,380</b>	<b>91.8</b>
<i>Tax:</i>	<i>4,411</i>	<i>4,278</i>	<i>4,463</i>	<i>13,152</i>	<i>60.3</i>	<i>38,998</i>	<i>60.3</i>
- personal income tax	714	572	644	1,930	8.8	5,591	8.6
- profit tax	195	175	152	522	2.4	1,986	3.1
- value added tax	2,004	1,892	2,129	6,025	27.6	18,607	28.8
- excises	982	1,178	1,001	3,161	14.5	8,280	12.8
- custom duties	479	422	496	1,397	6.4	4,121	6.4
- other	36	38	40	114	0.5	405	0.6
<i>Contributions</i>	<i>2,557</i>	<i>2,134</i>	<i>2,338</i>	<i>7,029</i>	<i>32.2</i>	<i>20,381</i>	<i>31.5</i>
<i>Non-tax revenues:</i>	<i>542</i>	<i>380</i>	<i>574</i>	<i>1,496</i>	<i>6.9</i>	<i>4,823</i>	<i>7.5</i>
- inflows from state property dividends	82	54	220	356	1.6	1,451	2.2
- administrative taxes and fees	116	95	126	337	1.5	1,070	1.7
- income from participation	41	37	42	120	0.6	416	0.6
- other administrative taxes	22	17	20	59	0.3	192	0.3
- other non-tax revenues	128	27	22	177	0.8	448	0.7
- remuneration for using a highway	153	149	144	446	2.0	1,246	1.9
<i>Capital revenues</i>	<i>45</i>	<i>45</i>	<i>37</i>	<i>127</i>	<i>0.6</i>	<i>460</i>	<i>0.7</i>
<b>Total expenditures</b>	<b>7,569</b>	<b>6,342</b>	<b>7,233</b>	<b>21,144</b>	<b>100.0</b>	<b>63,983</b>	<b>100.0</b>
<i>Current expenditures</i>	<i>6,867</i>	<i>5,983</i>	<i>6,692</i>	<i>19,542</i>	<i>92.4</i>	<i>60,195</i>	<i>94.1</i>
- wages and salaries	1,814	1,596	1,826	5,236	24.8	15,948	24.9
- goods and services	645	389	606	1,640	7.8	5,809	9.1
- transfers	4,043	3,903	4,108	12,054	57.0	36,660	57.3
- interest	365	67	151	583	2.8	1,718	2.7
<i>Capital expenditures</i>	<i>702</i>	<i>359</i>	<i>541</i>	<i>1,602</i>	<i>7.6</i>	<i>3,788</i>	<i>5.9</i>
<b>Budget balance</b>	<b>-3</b>	<b>494</b>	<b>179</b>	<b>670</b>		<b>691</b>	
<b>Financing</b>	<b>3</b>	<b>-494</b>	<b>-179</b>	<b>-670</b>		<b>-691</b>	
<i>Inflows</i>	<i>1,008</i>	<i>-453</i>	<i>287</i>	<i>842</i>		<i>4,812</i>	
<i>Outflows</i>	<i>1,005</i>	<i>41</i>	<i>466</i>	<i>1,512</i>		<i>5,503</i>	

Source: Ministry of Finance

## Reserve money

**Table 12**  
Reserve money

(in Denar million)	30.06.2004	Monthly changes				30.09.2004
		July	August	September	Total	
Reserve money	16,330	943	-612	-439	-108	16,222
Currency in circulation	13,324	965	-780	-197	-12	13,312
Banks liquidity	3,006	-22	168	-242	-96	2,910

Source: National Bank of the Republic of Macedonia



## Monetary aggregates

**Table 13**

Money supply M1 and its components

	<b>30.06.2004</b>	<b>Monthly changes</b>				<b>30.09.2004</b>
		July	August	September	Total	
<i>(in Denar million)</i>						
<b>Money supply M1</b>	<b>26,150</b>	<b>1,140</b>	<b>-464</b>	<b>-499</b>	<b>177</b>	<b>26,327</b>
<b>Currency in circulation</b>	<b>13,324</b>	<b>965</b>	<b>-780</b>	<b>-197</b>	<b>-12</b>	<b>13,312</b>
<b>Demand deposits</b>	<b>12,826</b>	<b>175</b>	<b>316</b>	<b>-302</b>	<b>189</b>	<b>13,015</b>
- Demand deposits of households	2,841	26	-155	-84	-213	2,628
- Demand deposits of enterprises	8,210	170	373	-213	330	8,540

Source: National Bank of the Republic of Macedonia

**Table 14**

Broader monetary aggregates and their components

	<b>30.06.2004</b>	<b>Monthly changes</b>				<b>30.09.2004</b>
		July	August	September	Total	
<i>(in Denar million)</i>						
<b>Money supply M1</b>	<b>26,150</b>	<b>1,140</b>	<b>-464</b>	<b>-499</b>	<b>177</b>	<b>26,327</b>
<b>Denar short - term deposits</b>	<b>17,954</b>	<b>462</b>	<b>1,094</b>	<b>-54</b>	<b>1,502</b>	<b>19,456</b>
<b>Monetary aggregate M2 - denar component</b>	<b>44,104</b>	<b>1,602</b>	<b>630</b>	<b>-553</b>	<b>1,679</b>	<b>45,783</b>
<b>Foreign currency short - term deposits</b>	<b>36,802</b>	<b>771</b>	<b>870</b>	<b>555</b>	<b>2,196</b>	<b>38,998</b>
<b>Monetary aggregate M2</b>	<b>80,906</b>	<b>2,373</b>	<b>1,500</b>	<b>2</b>	<b>3,875</b>	<b>84,781</b>
<b>Non - monetary deposits</b>	<b>4,530</b>	<b>-25</b>	<b>99</b>	<b>2</b>	<b>76</b>	<b>4,606</b>
- In Denar	3,009	29	16	83	128	3,137
- In foreign currency	1,521	-54	83	-81	-52	1,469
<b>Monetary aggregate M4</b>	<b>85,436</b>	<b>2,348</b>	<b>1,599</b>	<b>4</b>	<b>3,951</b>	<b>89,387</b>

Source: National Bank of the Republic of Macedonia

**Table 15**

Total deposits of the non-government sector

	<b>30.06.2004</b>	<b>Monthly changes</b>				<b>30.09.2004</b>
		July	August	September	Total	
<i>(in Denar million)</i>						
<b>Total deposits</b>	<b>59,286</b>	<b>1,208</b>	<b>2,063</b>	<b>503</b>	<b>3,774</b>	<b>63,060</b>
<b>1. According to maturity</b>						
- short-term	54,756	1,233	1,964	501	3,698	58,454
- long-term	4,530	-25	99	2	76	4,606
<b>2. According to currency of denomination</b>						
- In denar	20,963	491	1,110	29	1,630	22,593
- In foreign currency	38,323	717	953	474	2,144	40,467

Source: National Bank of the Republic of Macedonia



**Table 16**

Households and enterprises deposits

<i>(in Denar million)</i>	<b>30.06.2004</b>	<b>Monthly changes</b>				<b>30.09.2004</b>
		July	August	September	Total	
<b>Total households deposits</b>	<b>41,395</b>	<b>266</b>	<b>153</b>	<b>312</b>	<b>731</b>	<b>42,126</b>
<b>1. According to maturity</b>						
- short-term	38,814	251	149	269	669	39,483
- long-term	2,581	15	4	43	62	2,643
<b>2. According to currency of denomination</b>						
- In denar	11,692	-147	-245	-82	-474	11,218
- In foreign currency	29,703	413	398	394	1,205	30,908
<b>Total enterprises deposits</b>	<b>16,354</b>	<b>909</b>	<b>1,910</b>	<b>172</b>	<b>2,991</b>	<b>19,345</b>
<b>1. According to maturity</b>						
- short-term	15,381	973	1,816	203	2,992	18,373
- long-term	973	-64	94	-31	-1	972
<b>2. According to currency of denomination</b>						
- In denar	7,879	599	1,361	89	2,049	9,928
- In foreign currency	8,475	310	549	83	942	9,417

Source: National Bank of the Republic of Macedonia

**Banks' placements**

**Table 17**

Banks' placements and overdue claims

<i>(in Denar million)</i>	<b>30.06.2004</b>	<b>Monthly changes</b>				<b>30.09.2004</b>
		July	August	September	Total	
<b>Total banks' placements</b>	<b>56,095</b>	<b>1,130</b>	<b>675</b>	<b>1,143</b>	<b>2,948</b>	<b>59,043</b>
<i>Denar placements</i>	<i>48,037</i>	<i>694</i>	<i>653</i>	<i>745</i>	<i>2,092</i>	<i>50,129</i>
<i>Foreign currency placemen.</i>	<i>8,058</i>	<i>436</i>	<i>22</i>	<i>398</i>	<i>856</i>	<i>8,914</i>

Source: National Bank of the Republic of Macedonia



**Table 18**

Structure of total placements

<i>(in Denar million)</i>	<b>30.06.2004</b>	<b>Monthly changes</b>				<b>30.09.2004</b>
		July	August	September	Total	
<b>Maturity structure</b>						
- short-term	29,044	84	43	538	665	29,709
- long-term	22,089	1,009	539	606	2,154	24,243
<b>Structure of currency of denomination</b>						
- Denar	43,075	657	560	746	1,963	45,038
- Foreign currency	8,058	436	22	398	856	8,914
<b>Structure by sectors</b>						
- enterprises	38,943	372	77	675	1,124	40,067
- households	11,929	735	526	462	1,723	13,652
- other	261	-14	-21	7	-28	233

Source: National Bank of the Republic of Macedonia

**Table 19**

Maturity and sector structure of Denar and foreign currency placements

	<b>Share on 30.09.2004 (in %)</b>	<b>Quarterly change (in percentage points)</b>	<b>Annual change (in percentage points)</b>
<b>Denar placements</b>			
maturity structure			
- short-term	58.1	-1.8	-6.6
- long-term	41.9	1.8	6.6
structure by sectors			
- enterprises	70.1	-2.4	-6.9
- households	29.7	2.3	6.8
- other	0.2	0.1	0.1
<b>Foreign currency placements</b>			
maturity structure			
- short-term	39.9	-0.3	-5.6
- long-term	60.1	0.3	5.6
structure by sectors			
- enterprises	95.5	-0.5	-1.8
- households	2.9	1.6	2.7
- other	1.6	-1.1	-0.9

Source: National Bank of the Republic of Macedonia





## Financial Markets in the Republic of Macedonia

**Table 19**

Report on trading in September 2004

<i>Securities</i>	Number of transactions	Value (in Denars)	Number of traded securities	Days of trading
Official market				
Official market - ordinary shares				
"Alkaloid" Skopje	100	12,494,904	6,257	15
"Makpetrol" Skopje	35	4,782,297	386	12
"Toplifikacija" Skopje	28	3,323,970	2,456	12
Other	228	18,672,042	33,958	98
Official market - preferential shares				
"Komercijalna banka" Skopje	15	1,154,586	1,508	9
"Stopanska banka" Bitola	2	5,580	2	2
Official market - bonds				
R. Macedonia - foreign currency deposits	219	12,486,851	283,331	14
R. Macedonia - denationalization 01	3	191,319	4,799	3
R. Macedonia - denationalization 02	49	7,887,078	197,546	15
R. Macedonia - denationalization 03	461	74,082,939	1,864,739	17
<b>Total official market</b>	<b>1,140</b>	<b>135,081,566</b>	<b>2,394,982</b>	
Unofficial market				
Publicly owned enterprises market - ordinary shares				
"Konzervna fabrika" Strumica	1	6,627,300	66,273	1
"Oran`erii Hamzali" Strumica	2	18,448,200	153,735	2
"Crvena yvezda" Peh-evo	1	19,103,092	7,247	1
Other	34	13,704,132	80,238	22
Publicly owned enterprises market - preferential shares				
"Stopanska banka" Skopje	7	56,793	558	4
"Tutunska banka" Skopje	3	1,196,800	704	2
Free market - ordinary shares				
"Agrolozar" s.Hamzali Strumica	2	4,602,840	38,357	2
"Izvozno i kreditna banka" Skopje	1	10,824,000	1,230	1
"Mako{ped osiguruvawe" Skopje	2	12,413,925	225	1
Other	33	5,189,561	8,409	25
<b>Total unofficial market</b>	<b>86</b>	<b>92,166,643</b>	<b>356,976</b>	
State market				
State - cash payments - ordinary shares	7	15,587,471		
State - non-cash payments - ordinary shares	3	1,693,326		
State - parts - cash payment	2	439,825		
State - parts - non-cash payments	1	21,158		
<b>Total state market</b>	<b>13</b>	<b>17,741,780</b>		
Block transactions				
Official market - ordinary shares				
"Blagoj Gorev" Veles		5,013,700	5,540	
"Granit" Skopje		9,821,778	104,487	
"Teteks-Kreditna banka" Skopje		5,210,000	5,210	
"Ohridska banka" Ohrid		6,449,040	3,042	
"Makpetrol" Skopje		31,000,000	2,500	
"Komercijalna banka" Skopje		15,099,400	4,441	
<b>Total block transactions</b>	<b>6</b>	<b>72,593,918</b>	<b>125,220</b>	
<b>Total markets</b>	<b>1,245</b>	<b>317,583,907</b>		

Source: Macedonian Stock Exchange



## Foreign trade

**Table 20**

Foreign trade of the Republic of Macedonia  
(in US Dollar million)

	Q.1	Q.2	Q.3	I-IX 2004	<u>Q 3 2004</u> O.2.2004		<u>Q 3 2004</u> O.3.2003		<u>I-IX 2004</u> I-IX 2003	
	amount				amount	%	amount	%	amount	%
Foreign trade	982.1	1,083.0	1,141.7	3,206.7	58.7	5.4	253.6	28.6	556.5	21.0
Exports	366.1	367.7	442.2	1,176.0	74.4	20.2	104.3	30.9	188.6	19.1
Imports	616.0	715.2	699.5	2,030.7	-15.8	-2.2	149.3	27.1	367.9	22.1
<i>Balance</i>	<i>-249.9</i>	<i>-347.5</i>	<i>-257.3</i>	<i>-854.7</i>	<i>90.2</i>	<i>-26.0</i>	<i>-45.1</i>	<i>21.2</i>	<i>-179.3</i>	<i>26.5</i>

Source: State Statistical Office of the Republic of Macedonia

**Table 21**

Ten most important trading partners of the Republic of Macedonia, I-IX, 2004  
(at current exchange rate)

	Foreign trade		Exports		Imports		Import-export coverage ratio
	(in US Dollar million)	Share	(in US Dollar million)	Share	(in US Dollar million)	Share	in %
	I-IX 2004						
<b>Republic of MACEDONIA</b>	<b>3,206.7</b>	<b>100.0</b>	<b>1,176.0</b>	<b>100.0</b>	<b>2,030.7</b>	<b>100.0</b>	<b>57.9</b>
<i>out of which:</i>							
Germany	480.1	15.0	223.5	19.0	256.6	12.6	87.1
Serbia and Montenegro	412.4	12.9	239.4	20.4	173.1	8.5	138.3
Greece	368.5	11.5	162.4	13.8	206.2	10.2	78.8
Italy	211.5	6.6	92.1	7.8	119.4	5.9	77.2
Russia	201.9	6.3	14.1	1.2	187.9	9.3	7.5
Bulgaria	188.2	5.9	34.6	2.9	153.6	7.6	22.6
Slovenia	125.6	3.9	20.6	1.8	105.0	5.2	19.6
Turkey	107.3	3.3	41.6	3.5	65.6	3.2	63.5
Croatia	103.4	3.2	57.1	4.9	46.3	2.3	123.3
France	102.9	3.2	55.8	4.7	47.1	2.3	118.4
<b>Total (10 largest trading partners)</b>	<b>2,301.9</b>	<b>71.8</b>	<b>941.2</b>	<b>80.0</b>	<b>1,360.7</b>	<b>67.0</b>	<b>69.2</b>

Source: State Statistical Office of the Republic of Macedonia



**Table 22**

Foreign trade of the Republic of Macedonia with economic groups of countries  
(at current exchange rate)

	Exports			Imports			Structure	
	US Dollar million		index	US Dollar million		index	exports	imports
	I-IX.2003	I-IX.2004	I-IX.2004	I-IX.2003	I-IX.2004	I-IX.2004	(%)	(%)
			I-IX.2003			I-IX.2003	I-IX.2004	
<b>TOTAL</b>	<b>987.4</b>	<b>1,176.0</b>	<b>119.1</b>	<b>1,662.9</b>	<b>2,030.7</b>	<b>122.1</b>	<b>100.0</b>	<b>100.0</b>
Developed countries	658.6	777.6	118.1	1,035.5	1,191.6	115.1	66.1	58.7
EU	568.9	673.7	118.4	879.5	1,015.4	115.4	57.3	50.0
EFTA	17.1	4.7	27.4	19.5	34.5	176.8	0.4	1.7
Other developed countries	72.7	99.2	136.6	136.5	141.7	103.8	8.4	7.0
Countries of Centr. and East. Europe	42.7	67.6	158.4	317.4	461.7	145.5	5.7	22.7
Undeveloped countries	0.7	1.7	252.6	2.1	0.8	38.8	0.1	0.0
Developing countries	22.8	9.7	42.7	95.9	146.3	152.6	0.8	7.2
Republics of the former SFRY	262.5	319.3	121.7	211.9	230.2	108.6	27.1	11.3
Other countries	0.2	0.2	73.5	0.0	0.0	100.0	0.0	0.0

Source: State Statistical Office of the Republic of Macedonia

**Table 23**

Foreign trade of the Republic of Macedonia according to the economic use of the products  
(at current exchange rate)

	I-IX 2004			
	Export		Import	
	US Dollar million	Share	US Dollar million	Share
<b>TOTAL</b>	<b>1,176.0</b>	<b>100.0</b>	<b>2,030.7</b>	<b>100.0</b>
Reproduction materials	554.1	47.1	1,327.6	65.4
Means of production	21.6	1.8	227.1	11.2
Consumption goods	599.4	51.0	474.3	23.4
Undistributed	0.9	0.1	1.7	0.1

Source: State Statistical Office of the Republic of Macedonia



## External debt

**Table 24**

External debt of the Republic of Macedonia  
(in US Dollar million)

	External debt			Credits used			Debt payments		
	31.07.2004	31.08.2004	30.09.2004	VII-2004	VIII-2004	IX-2004	VII-2004	VIII-2004	IX-2004
<b>Official creditors</b>	<b>1,178.70</b>	<b>1,202.60</b>	<b>1,216.48</b>	<b>15.34</b>	<b>31.19</b>	<b>7.17</b>	<b>22.50</b>	<b>9.64</b>	<b>10.13</b>
out of which:									
<b>Multilateral</b>	<b>943.80</b>	<b>969.52</b>	<b>984.03</b>	<b>15.34</b>	<b>30.13</b>	<b>4.51</b>	<b>8.14</b>	<b>6.09</b>	<b>4.40</b>
MMF	55.16	64.32	64.69	-	11.65	-	-	2.69	-
IBRD	195.25	203.77	207.65	5.21	10.21	1.27	2.13	2.40	-
IFC	13.45	13.48	12.85	-	-	-	1.82	-	0.97
IDA	362.08	362.11	364.92	0.46	0.13	0.76	0.70	0.45	0.02
EIB	126.74	131.67	133.13	8.50	4.90	-	-	-	2.42
EUROFIMA	7.38	7.39	7.54	-	-	-	-	-	0.22
Council of EDB	16.75	16.76	17.14	-	-	-	-	0.01	0.09
EBRD	48.62	51.42	54.64	0.99	2.81	2.17	3.01	0.10	0.39
EU	108.35	108.42	110.91	-	-	-	0.28	0.18	0.30
IFAD	8.94	9.37	9.72	0.17	0.44	0.30	-	-	0.01
European Agency for Reconstruction	1.08	0.81	0.83	-	-	-	0.21	0.27	-
<b>Bilateral</b>	<b>234.90</b>	<b>233.08</b>	<b>232.44</b>	<b>-</b>	<b>1.06</b>	<b>2.67</b>	<b>14.36</b>	<b>3.54</b>	<b>5.74</b>
Paris club (rescheduled 1995)	144.05	144.09	145.42	-	-	-	13.54	-	0.02
Paris club (rescheduled 2000)	8.56	8.56	8.76	-	-	-	-	-	-
New credits	12.90	13.20	8.92	-	-	-	-	-	4.38
Non-rescheduled debt	69.39	67.22	69.34	-	1.06	2.67	0.82	3.54	1.33
<b>Private creditors</b>	<b>594.93</b>	<b>597.41</b>	<b>606.25</b>	<b>31.78</b>	<b>4.21</b>	<b>7.22</b>	<b>14.24</b>	<b>2.37</b>	<b>6.57</b>
out of which:									
<b>London Club of Creditors</b>	<b>232.84</b>	<b>232.84</b>	<b>232.84</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.67</b>	<b>-</b>	<b>-</b>
<b>Other private creditors</b>	<b>362.09</b>	<b>364.57</b>	<b>373.41</b>	<b>31.78</b>	<b>4.21</b>	<b>7.22</b>	<b>6.57</b>	<b>2.37</b>	<b>6.57</b>
Banks and financial institutions	221.90	223.18	229.29	22.99	2.67	5.95	5.47	1.70	5.22
Enterprises	140.19	141.39	144.12	8.79	1.54	1.27	1.10	0.67	1.35
<b>TOTAL</b>	<b>1,773.63</b>	<b>1,800.02</b>	<b>1,822.73</b>	<b>47.12</b>	<b>35.40</b>	<b>14.40</b>	<b>36.74</b>	<b>12.00</b>	<b>16.71</b>

Source: National Bank of the Republic of Macedonia

## National Bank of the Republic of Macedonia Balance sheet

**Table 24**

NBRM Balance sheet on September 30, 2004  
(in million Denars)

<b>Assets</b>	<b>Amount</b>	<b>Liabilities</b>	<b>Amount</b>
Foreign assets	45,924	Reserve money	16,222
Claims on Government	3,492	NBRM instruments	4,897
Claims on banks and other financial institutions	73	Restricted deposits	227
Other assets	3,520	Foreign liabilities	3,268
		Government deposits	13,691
		Capital accounts	8,279
		Other liabilities	6,425
<b>Total</b>	<b>53,009</b>	<b>Total</b>	<b>53,009</b>

Source: National Bank of the Republic of Macedonia