

**National bank
of the Republic of Macedonia**



**Monthly
Report**

8 / 2004

October 2004

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Important economic events and amendments to the legal regulations in August 2004

- ❖ *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 analyzed 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 August 25, the Ministry of Transport and Communications and Glendor Estates Limited Company from Veles signed a contract for long-term lease of construction land and buildings in the free economic zone Bunardzik.*

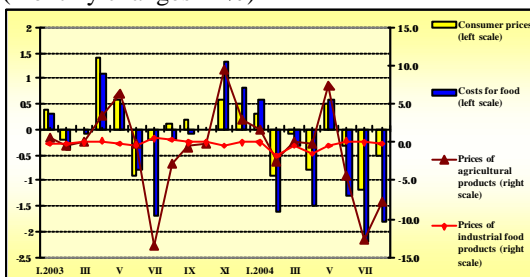


I. Economic Developments in the Republic of Macedonia

In August 2004, the monthly rate of *deflation* equaled 0.5%. The deflation movements are primarily a result of the lower costs for food (by 1.8%), due to the seasonal decrease in the prices of agricultural products (by 7.8%) and food products (by 0.2%). On the other hand, in August, the costs for transport equipment and services picked up on a monthly basis (2.4%), primarily due to the higher prices of oil derivatives and the higher prices of the transport services.

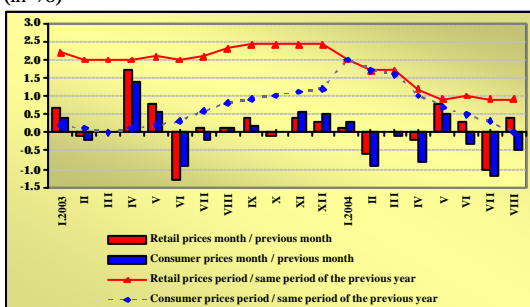
The deflation monthly movements were present during most of 2004 and were primarily due to the low costs for food, which especially reflect the seasonal effect of the decrease in the prices of agricultural products, as well as the influence of the low prices of food products (due to the lower customs duties, in line with the Agreement with the WTO and the Stabilization and Association Agreement with the EU).

Chart 1
Monthly dynamics of the consumer prices and certain categories of the consumer prices and the retail prices
(monthly changes in %)



On annual basis, the consumer prices dropped by 1.7%, and cumulatively, they remained unchanged (January - August 2004 / January - August 2003).

Chart 2
Consumer prices and retail prices
(in %)



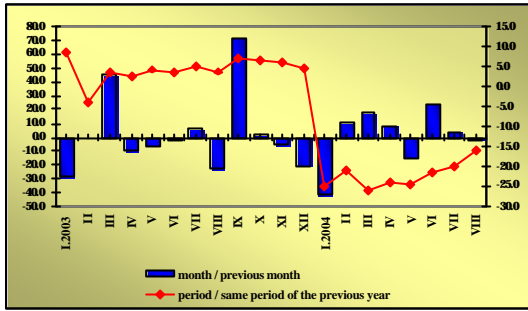
In August 2004, the movement of the consumer prices did not correspond with the movements of *the retail prices*. Thus the retail prices registered a monthly increase of 0.4%, primarily due to the 1.5% higher prices of the non-food industrial products, which were under the influence of the increase in the prices of oil derivatives (of 6.9%) and the prices of liquid fuels and the gas (of 9.5%). On annual and cumulative basis, the retail prices were higher by 0.7% and 0.9%, respectively, solely due to the increment in the non-food industrial products.

In August, the *prices of the producers of industrial products* increased by 0.4% on a monthly basis, primarily due to the higher prices of the producers of energy (of 1.6% as a result of the higher price of the producers of oil and oil derivatives). On annual and cumulative basis, the prices of the producers of industrial products were higher by 2.2% and 0.2%, respectively, due to the higher prices of intermediary products, except energy.

In August 2004, the *actual volume of the industrial output* registered a monthly decrease of 1.5%, fully reflecting the lower production of intermediary products, other than energy (by 5.6%), as a dominant group of industrial products. With respect to the manufacturing branches, a decline was registered in the production of electrical machinery and apparatus and the production of basic metals. In the other groups of industrial products, the output registered a monthly increase. The most intensive monthly increment of 12.6% is registered in the production of capital goods, while the production of durable consumer goods went up by 7%. Having a higher production of oil and oil derivatives and an increase in the production in the electricity, gas and water supply sector, the actual volume of the energy production went up by 5.9% on a monthly basis. Analyzing by sector, the output in the mining and quarrying sector and the manufacturing industry dropped on a monthly basis by 10.4% and 1.8%, respectively, while in the electricity, gas and water supply sector it was by 5.3% higher. On annual basis, the growth rate of the industrial output equaled 16.3%, whereas the average change is negative and equals 16%.

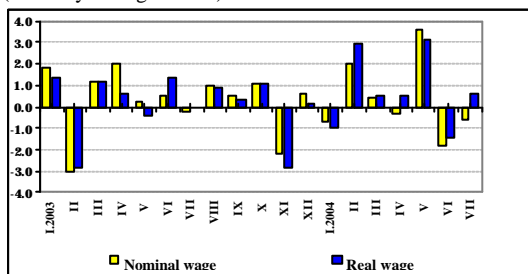


Chart 3
Industrial output
(in %)



The nominal average net paid wage per worker in July 2004¹ registered a monthly decrease of 0.6% and equaled Denar 12,250. Given the registered rate of deflation of 1.2%, the change in the wage in real terms was positive and equaled 0.6%. A significant monthly growth of 10% was registered in the wage in the agricultural sector, while the wages in the sector "services" were by 1.6% higher. On the other hand, the wages in the industry reduced by 0.8%. On annual and cumulative basis, in August, the wages were higher in nominal terms by 3.5% and 4.1%, respectively.

Chart 4
Average net wage per worker
(monthly changes in %)

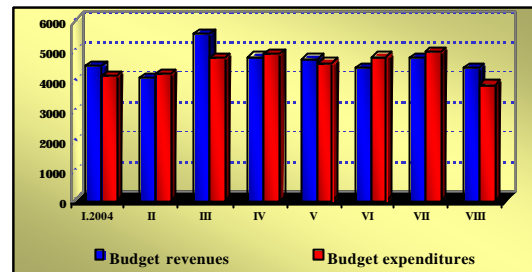


With respect to the fiscal movements, August 2004 registered a surplus in both the consolidated Government budget and the central budget. Thus the total public revenues registered a monthly decrease of 9.6%, thus reducing to Denar 6,836 million. However, the revenues of the Central

¹ Last available data of the State Statistical Office

Government amounted to Denar 4,423 million, or 6.5% less compared to the preceding month, due to the fall in the tax and non-tax revenues (of 3.5% and 45.1%, respectively), unlike the capital revenues, which remained at the level of the previous month. The monthly fall in the tax revenues (having a dominant share in the total revenues of 95%) was caused by the lower revenues based on personal income tax, customs duties, profit tax and value added tax. Cumulatively, the total Central Government revenues were by 4.9% higher, reflecting the increase in the tax and the capital revenues.

Chart 5
Total revenues and expenditures of the central budget
(in Denar million)



In August 2004 compared to the previous month, the total public expenditures were by 15.7% lower and amounted to Denar 6,381 million. The total expenditures of the central budget amounted to Denar 3,851 million, which is less than the revenues in the preceding month by 22.2%. The decline is due to the simultaneous reduction in the current and capital expenditures by 19% and 49.6%, respectively. All categories of current expenditures (dominant expenditure category in the total expenditure structure making up 93.3%) registered a monthly fall, with the fastest decrease being registered in the payment of interests and the costs for goods and services. In January - August 2004 period, compared to the same period of the preceding year, the total expenditures of the Central Government went up by 3%, due to the higher current and capital costs.

II. Monetary developments in the Republic of Macedonia

In August 2004, the monetary policy instruments alongside the NBRM interventions on the foreign exchange market contributed to maintaining of the stability of the exchange rate of the Denar against the Euro, as an intermediary monetary policy objective. At the

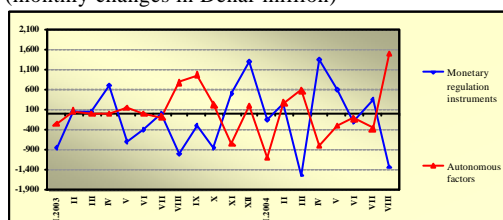
middle of the month, the CB bills interest rates increased by 0.5 percentage points, which is in line with the developments in the external sector and the expectations for more expansive budget policy in the last quarter of the year. With respect to the liquidity management,



given the accumulation of funds by the Government, the excess liquidity, created through the NBRM interventions on the foreign exchange market and through the lower level of currency in circulation, was sterilized through the monetary regulation instruments.

In August, *the banks' average daily liquidity*² equaled Denar 3,558.5 million, which is by 0.3% higher on a monthly basis. Given the lower average spending of funds from the Government Treasury account, the higher liquidity is primarily due to the NBRM interventions on the foreign exchange market. The excess liquid funds over the compulsory reserve requirement³, dropped by 2.6 percentage points on a monthly basis and equaled 11.4%, signaling more efficient liquidity management by the banks and thus lower opportunity cost.

Chart 6
Monetary regulation instruments and autonomous factors of liquidity creation and withdrawal*
(monthly changes in Denar million)



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

In August, same as in the preceding month, the NBRM intervened by a net purchase of foreign exchange in line with the higher supply of foreign exchange on the foreign exchange market. Thus the NBRM foreign exchange transactions acted towards liquidity creation in the banking system, particularly evident at the end of the month when the liquidity in the banking system was at lower level.

The trend of accumulation of funds on the Government Denar account with the NBRM, which started in early 2004 continued in August. Thus the total Government Denar deposits substantially increased by Denar 849

² The liquidity of the banks includes the banks' account with the NBRM and the cash in the vaults.

³ The period for maintaining (fulfilling) the banks' compulsory reserve requirement covers the period from the 11th in the current month to the 10th in the following month.

million, or by 17.9% relative to the previous month, and acted towards liquidity withdrawal. With respect to the dynamic, in the first half of the month, the Government deposits remained under the level registered on July 31, 2004, while in the second half of the month, the Denar Government deposits level went up. In August, two *Treasury bills* auctions were conducted (on August 3, 2004 and on August 17, 2004), where the inflows amounted to Denar 636.1 million. The amount of Treasury bills offered at the two auctions exceeded the demanded amount and the average weighted interest rate equaled 8.31% and 8.39%, respectively.

Table 1
Treasury bills auctions

Date of conduct	Supply	Demand	Weighted interest rate
	in Denar million		in %
3.8.2004	350	342	8.31
17.8.2004	350	299	8.39

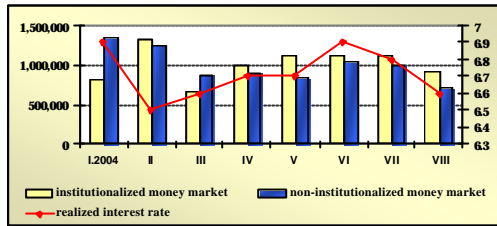
In August, the *CB bills* acted towards liquidity withdrawal from the banking system. Thus total amount of Denar 1,323 million were withdrawn, with the total amount of CB bills reaching Denar 4,983 million at the end of the month. The higher interest in investing in CB bills is partially due to the rise in the interest rates of 0.5 percentage points, which increased the attractiveness of this instrument. Thus given the unchanged design of the CB bills auctions (further conduct of the auctions with unlimited offered amount and fixed interest rate) the interest rate of the CB bills with maturity of 7 days and 28 days equals 5.5% and 8.5%, respectively. The higher interest rates resulted in an increase in the average weighted interest rate (by 0.2 percentage points) thus reaching 7.61%.

In August 2004, the total turnover on the *institutionalized money market* dropped on a monthly basis by 19.7% and reduced to Denar 912 million. Given the higher supply of relative to the demand for liquid funds, the average weighted interest rate reduced by 0.1 percentage point and equaled 6.55% (6.67% in July). The total turnover on the non-institutionalized money market amounted to Denar 704.5 million, which is a monthly decrease of 29.7%. On the interbank money market (institutionalized and non-institutionalized market), the transactions with



maturity of up to one day dominate (89% of the total executed transactions, which is by considerable 26 percentage points less compared to the preceding month). The interest rate on the interbank market⁴ equaled 6.6% in August 2004, and 6.8% in July 2004.

Chart 7
Turnover on the institutionalized and the non-institutionalized money market and realized interest rate



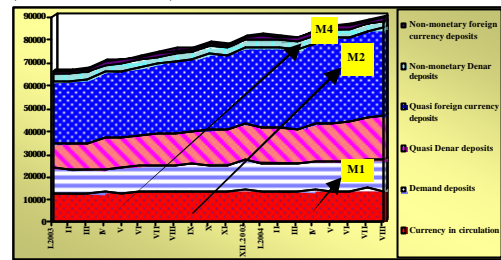
At the end of August 2004, the level of *currency in circulation* was lower by Denar 780 million or 5.5% on a monthly basis. The fall is partially due to the high comparison base of the preceding month, when the level of currency in circulation was significantly higher at the end of the month (due to the payment of the current transfers and seasonal preferences to hold cash for the summer vacations and prior to the Ilinden holiday). The average level of currency in circulation marginally increased in August compared to the preceding month (by 0.1%) and equaled Denar 13,749.3 million.

The lower demand for currency in circulation, given the slower increase in the liquidity in the banking system, caused a monthly fall in the *reserve money* of 3.5%.

In August 2004, the monthly movement of the *monetary aggregates* was primarily under the influence of the lower demand for currency in circulation, the higher short-term savings in domestic and foreign currency and the higher long-term savings in foreign currency.

⁴ Average weighted interest rate on the institutionalized and the non-institutionalized money market.

Chart 8
Components of the monetary aggregates
(in Denar million)



Thus, the faster decrease in the currency in circulation, given the simultaneous increase in the demand deposits, resulted in a monthly fall in the money supply M1 of 1.7%. The increase in the demand deposits (of 2.4%) reflects the higher transaction deposits of the enterprises, while the funds on the households' transaction accounts dropped. The more intensive increase in the money supply M1 relative to the increment in the reserve money led to an increase in the money multiplier of the money supply M1 (1.61, while in July it equaled 1.58%).

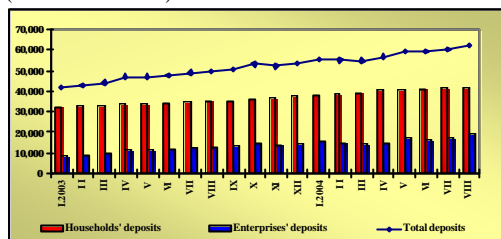
The broader monetary aggregates registered positive monthly dynamics. Thus, given the higher short-term deposit potential, the money supply M2 went up by 1.8% on a monthly basis. Such movements, supplemented with the increase in the long-term foreign exchange deposits resulted in a monthly increase in the broadest money supply M4 by 1.8%. The money multiplication process intensified (in August 2004, the money multipliers of the monetary aggregates M2 and M4 equaled 5.09 and 5.36, respectively and in July 2004 they equaled 4.82 and 5.08, respectively).

The trend of continuous increase in the *banks' deposit potential*, which started in April, continued in August 2004. Thus in August, the total deposits of the private sector⁵ increased by 3.4% on a monthly basis, primarily due to the higher short-term savings in domestic currency and the long-term foreign exchange savings. Thus, the short-term Denar deposits and the long-term foreign exchange deposits went up on a monthly basis by 5.9% and 5.7%, respectively. On annual basis, the total deposit potential of the banks is by 25.3% higher.

⁵ 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 9
Deposit timeframes
(in Denar million)



In August 2004, *the total households' deposits* registered a moderate monthly increase of 0.4%, primarily due to the higher level of short-term foreign exchange deposits. The sight foreign exchange deposits and the time foreign exchange deposits with maturity of up to one year picked up by 1.5% and 1.1% respectively. In addition, the share of these categories in the total deposit structure of the households (of 41.8% and 29%, respectively) is the most significant. On the other hand, a fall was registered in the Denar sight deposits (of 7.6%). Compared to the same month of the preceding year, the total households' deposits are by 18.7% higher. An annual increment was registered in the short-term Denar and foreign exchange deposits, while the long-term savings in domestic currency went down.

In August, *the total enterprises' deposits* were by significant 11.1% higher on a monthly basis. The increase was mainly due to the higher amount of time Denar deposits with maturity of up to three months (by 9.9%), which constitute a dominant category in the total enterprises deposits (share of 40.4%). Also, an increase was registered in the time Denar deposits with maturity of over three months and the time foreign exchange deposits with maturity of up to one year, while only the foreign exchange sight deposits went down on a monthly basis. On annual basis, the total enterprises' deposits were by substantial 47.1% higher, reflecting the increment in almost all categories of deposits.

In August 2004, *the banks' total placements to the private sector* registered a monthly increment of 1.2%, given the simultaneous rise in the placements in both Denar and foreign currency (of 1.3% and 0.3%, respectively). The positive monthly change in the total placements is fully caused by the higher amount of long-term lending. The above resulted in a positive qualitative movement in the structure of the total placements directed

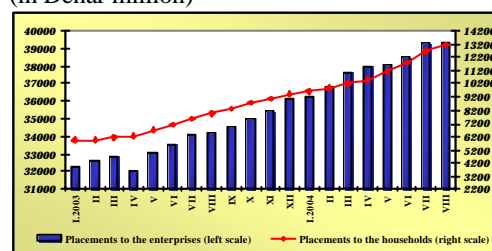
towards higher share of the placements on a long run.

The total placements to the households registered a monthly growth of 4.2% in August, due to the simultaneous increment in the Denar and the foreign exchange placements (of 3.9% and 26.8%, respectively). The increment in the Denar placements was due to the higher amount of extended short-term lines of credits and the higher long-term Denar credits. Considerably more intensive monthly increase was registered in the foreign exchange credits extended to the households (of 26.8%), as an effect of the liberalization of the foreign exchange lending.

The total placements to the enterprises registered a slight monthly increment of 0.2% in August, primarily due to the 3.9% higher level of long-term placements in foreign currency.

On annual basis, the total placements picked up by 23.1%, with an identical increase being registered in both the Denar and the foreign exchange placements of 23.1%. The sector-by-sector analysis indicates that the placements to the households registered a faster annual increment of 65.1%, relative to the increase in the placements to the enterprises (15.2%).

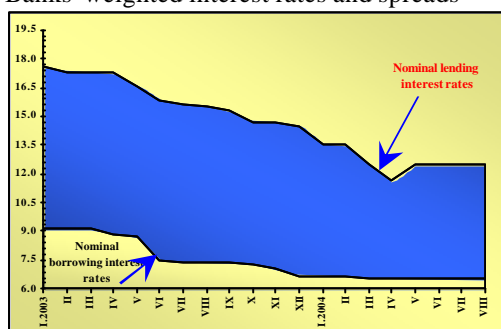
Chart 10
Banks' placements by sectors
(in Denar million)



With respect to the *banks' interest rate policy*, August 2004 registered no considerable changes, thus the average weighted interest rate on the three-month Denar deposits remaining at the level of 6.52%, while the average weighted lending interest rate on the short-term Denar placements equaled 12.47%. Thus the interest rate spread remained almost unchanged and equaled 6 percentage points.



Chart 11
Banks' weighted interest rates and spreads*



*Pertain to Denar credits and deposits

In August 2004, the interest rate on the three-month Euro deposits ranged from 1% to 2.7%, while the interest rate on the three-month Dollar deposits ranged from 0.5% to 2.49%. The downward trend of the average weighted interest rate on the foreign exchange credits with maturity of up to one year, which started in April 2004, continued in August. Thus the foreign exchange lending interest rate equaled 7.42% (which is by 0.1 percentage point less compared to the previous month).

III. Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia

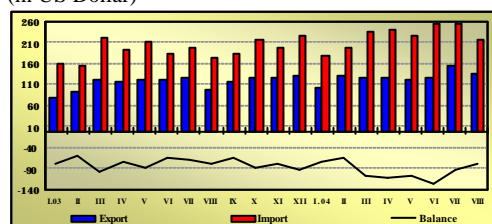
The positive monthly dynamics of the *foreign trade*⁶ in the previous two months was discontinued in August 2004. Thus the total foreign trade dropped by 13.3% on a monthly basis in August and was reduced to Denar 351.8 million, with simultaneous decrease being registered in the export and import of goods. In August, the total exports equaled US Dollar 136.6 million, which is by 11.7% lower relative to the exports in July (when the exports was exceptionally high due to the restarting of one of the most important export facilities in the metallurgy sector, as well as the effect of the seasonal factors in the textile industry). The monthly decline in the total exports is particularly due to the fall in the export of wearing apparel and textile of 29% (a group of products accounting for 27% of the total exports in August). On the other hand, the upward trend of the export of iron, steel and products thereof, which started in the preceding month continued in August (a monthly growth of 11%), with the export of these products reaching high monthly value of US Dollar 44.3 million.

In August 2004, the import of goods registered a monthly fall of 14.3% and reduced to US Dollar 215.2 million. The temporary import for further processing (particularly the import of textile for further processing, which was by 38% lower) substantially dropped. The faster decrease in the import relative to the decrease

in the export caused a monthly fall in the trade deficit of US Dollar 17.8 million, and at the end of August it equaled US Dollar 78.6 million.

In August 2004 compared to the same month of the preceding year, the total foreign trade was by 30.7% higher. On cumulative basis, January - August 2004, the foreign trade amounted to US Dollar 2,802.9 million and it increased by 19.2% compared to the same period of 2003, with simultaneous average rise being registered in the exports and the imports of 16.7% and 20.7%, respectively. The trade deficit in the observed period reached US Dollar 771.8 million, which is a cumulative increment of 26.4%.

Chart 12
Foreign trade of the Republic of Macedonia (in US Dollar)



The analysis from the aspect of the foreign trade partners of the Republic of Macedonia indicate a continuous dominance of Germany, Serbia and Montenegro and Greece, the participation of which in the total foreign trade in the January - August 2004 period equals 39.6%. On the imports side, besides the above-mentioned countries, the share of Russia is increasing (9.2%), due to the import of oil. Thus in the January - August 2004 period, compared to the same period of the previous year, the

⁶ 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



imports from Russia significantly surged by 77.7%. In the observed period, considerable average increase was also registered in the import from Romania, due to the higher import of iron and steel (5.7 times higher imports relative to the imports registered in the same period of the preceding year).

In August, *the total turnover on the foreign exchange market* equaled US Dollar 299 million, which is by US Dollar 98.8 million or by 24.8% lower compared to the preceding month. The fall was primarily caused by the high comparison base of the preceding month, which, analyzing from the beginning of the year is characterized with the largest volume of purchasing and selling transactions on the foreign exchange market. With respect to the transactions between the banks and the enterprises, the higher demand for relative to the supply of foreign exchange of the enterprises led to a net sale of foreign exchange by the banks. On the other hand, the purchase of the banks from the exchange offices and the net purchase of the banks from the exchange offices market resulted in foreign exchange inflows in the banking system. Such movements, along with the changes in the monetary policy design contributed to a net purchase of foreign exchange on the foreign exchange market by the NBRM. Thus the nominal exchange rate of the Denar relative to the Euro was preserved at a stable level and at the end of August, Denar 61.28 were traded per one Euro on the foreign exchange market (minimum monthly appreciation of the Denar relative to the Euro of 0.1%). Relative to the US Dollar, the Denar appreciated by 0.3%, and at the end of August, Denar 50.87 were traded per one US Dollar.

In August 2004, *the total turnover on the exchange offices market* equaled US Dollar 135.58 million, which is a monthly decrease of US Dollar 14.3 million or 9.5% due to seasonal factors. Thus the supply of exceeded the demand for foreign exchange by US Dollar 56.7 million. On the exchange offices market, Denar 61.51 were traded per one Euro on average, same as in the previous month, whereas relative to the US Dollar the Denar appreciated by 0.5% and on average, Denar 49.69 were traded per one US Dollar.

In August 2004, *the total NBRM foreign assets* equaled US Dollar 909.6 million. The level of *gross foreign reserves* exceptionally increased by US Dollar 56.5 million or by 6.7% on a monthly basis, and equaled US Dollar 901.8 million. Major factors of such pace of the gross foreign reserves are the considerable purchase of foreign exchange on the foreign exchange market, the external inflows (the inflow from the World Bank based on the PSALM Arrangement being more significant, as well as the withdrawal of the last two tranches from the IMF based on the Stand-By Arrangement). The above was also supported by the inflows based on interest and the positive exchange rate differentials. A monthly increase of US Dollar 10.9 million was registered in the *total foreign assets with the banks*, reaching US Dollar 761.47 million at the end of August. The increment was due to the simultaneous growth in the foreign exchange deposits of the enterprises and the households.

At the end of August 2004, *the external debt of the Republic of Macedonia*⁷ based on long-term credits equaled US Dollar 1,797.1 million, or by US Dollar 25.2 million more compared to the end of the previous month. The intensive monthly increment in the total foreign debt is mainly a result of the high amount of used funds based on concluded credits, which substantially exceeded the monthly amount of repaid liabilities. The funds withdrawn from the official creditors totaled US Dollar 31.03 million, US Dollar 29.97 million of which originates from multilateral creditors (the IMF, the World Bank, the International Development Agency, the European Investment Bank, the European Bank for Reconstruction and Development and the International Fund for Agricultural Development). Funds in the amount of US Dollar 1.06 million were withdrawn from the bilateral creditors on the basis of newly concluded credits, and US Dollar 3.23 million were withdrawn from private creditors.

⁷ Preliminary data of the NBRM. The data refer to the external debt of the Republic of Macedonia on the basis of used long-term credits.

**Appendix No.1****Economic Developments in the Republic of Macedonia****Table 1**

Costs of living and retail prices

	<u>VIII.2004</u> <u>VII.2004</u>	<u>VIII.2004</u> <u>VIII.2003</u> in %	<u>I-VIII.2004</u> <u>I-VIII.2003</u>
Costs of living	-0.5	-1.7	0.0
Food	-1.8	-5.6	-2.5
Tobacco and beverages	0.3	0.8	1.4
Clothing and footwear	-0.9	-0.5	1.6
Housing	0.2	0.7	3.0
Flat (rent, water, services)	-0.1	-1.7	-0.1
Fuel and lighting	0.5	1.1	4.1
Hygiene	-0.3	-2.1	1.8
Culture and entertainment	-0.1	1.5	1.9
Transport, communications, services	2.4	6.7	2.9
<i>Goods</i>	<i>-0.7</i>	<i>-2.7</i>	<i>-0.6</i>
<i>Services</i>	<i>0.4</i>	<i>3.3</i>	<i>3.4</i>
Retail prices	0.4	0.7	0.9
Agricultural products	-7.8	-9.1	-1.3
Non-food industrial products	1.5	3.2	2.0
Processed food products	-0.2	-5.1	-3.6
Beverages	0.8	-0.9	-1.7
<i>Goods</i>	<i>0.3</i>	<i>-0.1</i>	<i>0.1</i>
<i>Services</i>	<i>0.6</i>	<i>2.2</i>	<i>2.4</i>

Source: State Statistical Office of the Republic of Macedonia



Table 2
Prices of producers of industrial products

	<u>VIII.2004</u> <u>VII.2004</u>	<u>VIII.2004</u> <u>VIII.2003</u>	<u>I-VIII.2004</u> <u>I-VIII.2003</u>
	in %		
Prices of producers of industrial products	0.4	2.2	0.2
Energy	1.6	4.6	-1.2
Intermediary goods (except Energy)	0.1	5.7	4.2
Capital goods	0.0	0.2	-0.6
Durable consumer goods	0.0	0.0	0.0
Non durable consumer goods	0.0	-3.1	-3.5
<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>2.7</i>	<i>0.2</i>
Manufacture of food products and beverages	-0.1	-3.5	-4.0
Manufacture of tobacco products	0.0	0.0	-0.1
Manufacture of textiles	0.0	-1.5	-0.9
Manufacture of wearing apparel; dressing and dyeing of fur	0.0	0.0	0.0
Manufacture of coke, refined petroleum products and nuclear fuel	4.3	12.9	-3.3
Manufacture of chemicals and chemical products	0.0	0.0	0.0
Manufacture of other non-metallic mineral products	0.1	-0.3	-0.3
Manufacture of basic metals	0.0	1.3	1.8
Manufacture of electrical machinery and apparatus n.e.c.	0.0	23.6	17.6
<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
Industrial output

	Structure in %	VIII.2004	VIII.2004	I-VIII.2004
		VII.2004	VIII.2003	I-VIII.2003
		in %		
Total	100.0	-1.5	16.3	-16.0
Energy		5.9	-42.7	-16.5
Intermediary goods (except Energy)		-5.6	41.8	-37.9
Capital goods		12.6	-1.5	-40.7
Durable consumer goods		7.0	4.9	-45.0
Non durable consumer goods		0.7	49.0	29.7
<i>Mining and quarrying</i>	3.2	-10.4	-55.6	-59.9
<i>Manufacturing industry</i>	89.9	-1.8	21.1	-15.3
Manufacture of food products and beverages	24.9	-0.6	33.4	16.6
Manufacture of tobacco products	5.0	-0.2	9.9	-14.5
Manufacture of textiles	4.3	14.9	3.1	-20.5
Manufacture of wearing apparel; dressing and dyeing of fur	4.5	35.3	63.4	51.9
Manufacture of coke, refined petroleum products and nuclear fuel	7.0	6.3	-58.4	-33.9
Manufacture of chemicals and chemical products	7.2	-27.3	-35.8	-28.0
Manufacture of other non-metallic mineral products	4.6	8.3	-12.4	-17.3
Manufacture of basic metals	16.4	-1.3	438.3	-44.5
Manufacture of electrical machinery and apparatus n.e.c.	4.0	-35.4	-47.5	-47.8
<i>Electricity, gas and water supply</i>	6.9	5.3	-7.1	-5.0

Source: State Statistical Office of the Republic of Macedonia



Table 4
Average net wages

	VII.2004*	<u>VII.2004</u> <u>VI.2004</u>	<u>VII.2004</u> <u>VII.2003</u>	<u>I-VII.2004</u> <u>I-VII.2003</u>
	in denars		in %	
Nominal average net wage per worker	12,250	-0.6	3.5	4.1
Costs of living		-1.2	-1.1	0.3
Real average net wage per worker		0.6	4.7	3.8
Nominal average net wage by sectors				
Agriculture	10,538	10.0	16.4	11.0
Industry	12,189	-0.8	2.5	3.8
Services	14,002	1.6	4.0	3.1

* Last available data

Source: State Statistical Office of the Republic of Macedonia

Table 5
Central Government Budget

	August 2004			January-August 2004		
	in Denar million	Monthly changes in %	Structure in %	in Denar million	Cumulative changes (2004/2003) in %	Structure in %
Total budget revenues	4,423	-6.5	100.0	37,141	4.9	100.0
<i>Tax revenues:</i>	4,204	-3.5	95.0	34,093	5.5	91.8
- personal income tax	572	-19.9	12.9	4,947	3.4	13.3
- profit tax	175	-10.3	4.0	1,834	-22.6	4.9
- value added tax	1,892	-5.6	42.8	16,478	19.7	44.4
- excises	1,104	19.2	25.0	6,837	-0.4	18.4
- custom duties	422	-11.9	9.5	3,625	-13.3	9.8
- other	39	8.3	0.9	373	7.8	1.0
<i>Non-tax revenues:</i>	174	-45.1	3.9	2,613	-3.4	7.0
- inflows from state property dividends	48	-41.5	1.1	1,217	-1.1	3.3
- administrative taxes and fees	95	-18.1	2.1	944	10.5	2.5
- other administrative taxes	17	-22.7	0.4	172	-39.6	0.5
- other non-tax revenues	14	-85.6	0.3	280	-16.7	0.8
<i>Capital revenues</i>	45	0.0	1.0	423	10.2	1.1
Total budget expenditures	3,851	-22.2	100.0	36,152	3.0	100.0
<i>Current expenditures</i>	3,594	-19.0	93.3	33,421	1.8	92.4
- wages and salaries	1,559	-12.0	40.5	13,811	4.5	38.2
- goods and services	306	-42.2	7.9	4,346	2.7	12.0
- transfers	1,637	-8.4	42.5	13,780	3.5	38.1
- interest	67	-80.8	1.7	1,426	-20.7	3.9
<i>Capital expenditures</i>	257	-49.6	6.7	2,731	47.9	7.6
Budget balance	572			990		
Financing	-572			990		
<i>Inflows</i>	-531			3,809		
<i>Outflows</i>	41			4,799		

Source: Ministry of Finance



Table 6

Total revenues and expenditures of the budget funds

	August 2004				January-August 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	4,019	-10.1	4,126	-0.3	33,334	6.4	33,710	9.2
- pension and disability insurance	2,267	-10.3	2,373	-1.2	18,791	4.1	19,068	6.5
- health insurance	1,142	-12.9	1,134	0.7	9,549	3.7	9,698	8.4
- employment	610	-3.8	619	1.8	4,995	23.2	4,795	23.1
Road Fund	289	1.4	302	-26.3	2,262	31.1	2,424	41.7

Source: National Bank of the Republic of Macedonia

Monetary developments in the Republic of Macedonia

Table 7

Reserve money

	31.08.2004	Monthly changes		Annual changes	
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
Reserve money	16,661	-612	-3.5	902	5.7
Currency in circulation	13,509	-780	-5.5	450	3.4
Banks liquidity	3,152.0	168	5.6	452	16.7

Source: National Bank of the Republic of Macedonia

Table 8

Reserve money creation and withdrawal

	31.08.2004
	monthly changes
	in Denar million
Bank liquidity	168
Liquidity creation	3,162
1. Net foreign assets	2,382
2. Currency in circulation	780
Liquidity withdrawal	-2,994
1. Net domestic assets	-1,669
2. CB' Bills auctions	-1,323
3. Other	-2

Source: National Bank of the Republic of Macedonia



Table 9
Money supply M1 and its components

	31.08.2004	Monthly changes		Annual changes	
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
Money supply M1	26,826	-464	-1.7	1,931	7.8
Currency in circulation	13,509	-780	-5.5	450	3.4
Demand deposits	13,317	316	2.4	1,481	12.5
- Demand deposits of households	2,712	-155	-5.4	261	10.6
- Demand deposits of enterprises	8,753	373	4.5	1,267	16.9

Source: National Bank of the Republic of Macedonia

Table 10
Broader monetary aggregates and their components

	31.08.2004	Monthly changes		Annual changes	
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
Money supply M1	26,826	-464	-1.7	1,931	7.8
Denar short - term deposits	19,510	1,094	5.9	5,705	41.3
Monetary aggregate M2 - denar component	46,336	630	1.4	7,636	19.7
Foreign currency short - term deposits	38,443	870	2.3	6,914	21.9
Monetary aggregate M2	84,779	1,500	1.8	14,550	20.7
Non - monetary deposits	4,604	99	2.2	22	0.5
- In Denar	3,054	16	0.5	-276	-8.3
- In foreign currency	1,550	83	5.7	298	23.8
Monetary aggregate M4	89,383	1,599	1.8	14,572	19.5

Source: National Bank of the Republic of Macedonia

Table 11
Total deposits of the non-government sector

	31.08.2004	Monthly changes		Annual changes		Structure
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)	in %
Total deposits	62,557	2,063	3.4	12,641	25.3	100.0
1. According to maturity						
- short-term	57,953	1,964	3.5	12,619	27.8	92.6
- long-term	4,604	99	2.2	22	0.5	7.4
2. According to currency of denomination						
- In denar	22,564	1,110	5.2	5,429	31.7	36.1
- In foreign currency	39,993	953	2.4	7,212	22.0	63.9

Source: National Bank of the Republic of Macedonia



Table 12
Households and enterprises deposits

	Structure in %	31.08.2004	Monthly changes		Annual changes	
		(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
Total households deposits	100.0	41,814	153	0.4	6,600	18.7
1. According to maturity						
- short-term	93.8	39,214	149	0.4	6,796	21.0
- long-term	6.2	2,600	4	0.2	-196	-7.0
2. According to currency of denomination						
- In denar	27.0	11,300	-245	-2.1	2,671	31.0
- In foreign currency	73.0	30,514	398	1.3	3,929	14.8
Total enterprises deposits	100.0	19,173	1,910	11.1	6,136	47.1
1. According to maturity						
- short-term	94.8	18,170	1,816	11.1	5,845	47.4
- long-term	5.2	1,003	94	10.3	291	40.9
2. According to currency of denomination						
- In denar	51.3	9,839	1,361	16.1	2,785	39.5
- In foreign currency	48.7	9,334	549	6.2	3,351	56.0

Source: National Bank of the Republic of Macedonia

Table 13
Banks' placements and overdue claims

	31.08.2004	Monthly changes		Annual changes	
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
Total banks' placements	57,900	675	1.2	10,860	23.1
<i>Denar placements</i>	49,384	653	1.3	9,260	23.1
<i>of which:</i>					
-households	12,982	482	3.9	5,012	62.9
-enterprises	31,241	67	0.2	3,750	13.6
<i>Foreign currency placements</i>	8,516	22	0.3	1,600	23.1
<i>of which:</i>					
-households	208	44	26.8	191	12 times
-enterprises	8,151	10	0.1	1,449	21.6

Source: National Bank of the Republic of Macedonia



Table 14
Maturity and sector structure of Denar and foreign currency placements

	Share on 31.08.2004	Monthly change of share	Annual change of share
	(in %)	(in percentage points)	
Denar placements	100.0		
maturity structure			
- short-term	58.7	-0.2	-6.7
- long-term	41.3	0.2	6.7
structure by sectors			
- enterprises	70.5	-0.8	-6.9
- households	29.3	0.7	6.9
- other	0.2	0.1	0.1
Foreign currency placements	100.0		
maturity structure			
- short-term	37.4	-2.4	-8.5
- long-term	62.6	2.4	8.5
structure by sectors			
- enterprises	95.7	-0.1	-1.2
- households	2.4	0.5	2.2
- other	1.9	-0.4	-1.0

Source: National Bank of the Republic of Macedonia

Table 15
Interest rates

	August, 2004	Monthly changes	Annual changes
	in %	in percentage points	
Average weighted interest rate on the CB bills auctions (28 days)	8.31	0.3	1.3
Average weighted interest rate on the Money Market	6.55	-0.1	-2.0
Banks' weighted lending interest rates	12.47	0.0	-3.0
Banks' weighted deposit interest rates	6.52	0.0	-0.8


Financial Markets in the Republic of Macedonia
Table 16
 Report on trading in August 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	122	34,661,304	17,163	17
Komercijalna banka Skopje	27	3,418,320	1,053	10
Stopanska banka Bitola	22	7,128,162	2,913	6
Teteks Tetovo	4	4,769,660	15,386	2
Other	206	21,085,216	145,216	91
Official market - preferential shares				
Komercijalna banka Skopje	9	571,048	814	7
Stopanska banka Bitola	2	4,620	2	2
Official market - bonds				
R. Macedonia - foreign currency deposits	288	35,647,578	815,262	17
R. Macedonia - denationalization 01	3	83,561	2,160	2
R. Macedonia - denationalization 02	27	2,571,181	65,546	12
R. Macedonia - denationalization 03	343	39,235,619	1,008,210	17
Total official market	1,053	149,176,269	2,073,725	
Unofficial market				
Publicly owned enterprises market - ordinary shares				
Elektrometal Skopje	27	2,372,300	3,389	5
Proluks Prilep	1	3,278,146	10,678	1
RZ Ladna Valavnica Skopje	28	2,416,300	39,694	7
Other	58	3,291,626	35,188	18
Publicly owned enterprises market - preferential shares				
Stopanska banka Skopje	2	20,900	209	1
Free market - ordinary shares				
Agrolozar s. Hamzali Strumica	1	860,880	7,174	1
ZUM Skopje	1	347,400	772	1
Other	4	168,000	582	3
Total unofficial market	122	12,755,552	97,686	
State market				
State - cash payments - ordinary shares				
	2	3,297,728		
State - non-cash payments - ordinary shares				
	1	15,337		
State - parts - cash payment				
	8	2,199,836		
State - parts - non-cash payments				
	2	141,680		
Total state market	13	5,654,581		
Block transactions				
Official market - ordinary shares				
Blagoj Gorev Veles	1	5,231,700	5,813	
Agroplod Resen	9	45,613,600	4,958	
Unofficial market				
Free market - ordinary shares				
Jaka tabak Radovis	1	162,186,000	54,062	
Total block transactions	11	213,031,300	64,833	
Total markets	1,199	380,617,702		

Source: Macedonian Stock Exchange


Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia
Table 17

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

	VIII.2004	I-VIII.2004	VIII. 2004 VII. 2004		VIII.2004 VIII. 2003		I-VIII.2004 I-VIII. 2003	
	amount	amount	amount	%	amount	%	amount	%
Foreign trade	351.8	2,802.9	-53.9	-13.3	82.6	30.7	452.3	19.2
Exports	136.6	1,015.5	-18.1	-11.7	40.5	42.1	145.5	16.7
Imports	215.2	1,787.4	-35.9	-14.3	42.1	24.3	306.8	20.7
<i>Balance</i>	-78.6	-771.8	17.8	-18.5	-1.6	2.1	-161.3	26.4

Source: State Statistical Office of the Republic of Macedonia

Table 18

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

	Foreign trade (in US Dollar million)		Exports (in US Dollar million)		Imports (in US Dollar million)		Import-export coverage ratio
	Share	Share	Share	Share	Share	Share	
	I-VIII 2004						
Republic of MACEDONIA	2802.9	100.0	1015.5	100.0	1787.4	100.0	56.8
<i>out of which:</i>							
Germany	430.3	15.4	200.7	19.8	229.7	12.9	87.4
Serbia and Montenegro	357.1	12.7	204.4	20.1	152.7	8.5	133.9
Greece	322.6	11.5	141.3	13.9	181.4	10.1	77.9
Italy	185.8	6.6	79.7	7.9	106.1	5.9	75.1
Russia	176.9	6.3	12.2	1.2	164.6	9.2	7.4
Bulgaria	163.4	5.8	30.3	3.0	133.1	7.4	22.8
Slovenia	112.9	4.0	17.7	1.7	95.2	5.3	18.6
Turkey	96.1	3.4	37.7	3.7	58.4	3.3	64.6
France	89.8	3.2	47.7	4.7	42.1	2.4	113.3
Croatia	89.5	3.2	49.4	4.9	40.0	2.2	123.4
Total (10 largest trading partners)	2024.6	72.2	821.2	80.9	1203.4	67.3	68.2

Source: State Statistical Office of the Republic of Macedonia



Table 19
Foreign trade of the Republic of Macedonia with economic groups of countries
(current exchange rate)

	Exports			Imports			Structure	
	US Dollar million		index	US Dollar million		index	exports	imports
	I-VIII.2003	I-VIII.2004	I-VIII.2004 I-VIII.2003	I-VIII.2003	I-VIII.2004	I-VIII.2004 I-VIII.2003	(%)	(%)
TOTAL	870.0	1015.5	116.7	1480.6	1787.3	120.7	100.0	100.0
Developed countries	580.6	674.4	116.2	925.8	1057.9	114.3	66.4	59.2
EU	499.1	586.1	117.4	786.4	901.3	114.6	57.7	50.4
EFTA	15.8	4.1	25.7	17.7	31.9	180.5	0.4	1.8
Other developed countries	65.7	84.2	128.3	121.7	124.7	102.5	8.3	7.0
Countries of Centr. and East. Europe	37.5	58.1	155.2	277.4	396.1	142.8	5.7	22.2
Undeveloped countries	0.7	1.6	247.6	2.0	0.8	38.9	0.2	0.0
Developing countries	21.6	9.4	43.6	87.9	131.1	149.2	0.9	7.3
Republics of the former SFRY	229.6	271.8	118.4	187.5	201.4	107.4	26.8	11.3
Other countries	0.2	0.1	82.4	0.0	0.0	100.0	0.0	0.0

Source: State Statistical Office of the Republic of Macedonia

Table 20
External debt of the Republic of Macedonia
(in US Dollar million)

	External debt		Credits used		Debt payments	
	31.07.2004	31.08.2004	31.07.2004	31.08.2004	31.07.2004	31.08.2004
Official creditors	1,182.58	1,206.16	15.34	31.03	18.81	9.64
out of which:						
Multilateral	947.39	973.08	15.34	29.97	4.45	6.10
MMF	55.16	64.32	-	11.65	-	2.67
IBRD	195.25	203.77	5.21	10.21	2.13	2.40
IFC	15.22	15.32	-	-	0.00	-
IDA	362.08	362.11	0.46	0.13	0.70	0.45
EIB	126.74	131.67	8.50	4.90	-	-
EUROFIMA	7.38	7.39	-	-	-	-
Council of EDB	16.75	16.76	-	-	-	0.01
EBRD	50.45	53.15	0.99	2.64	1.14	0.10
EU	108.35	108.42	-	-	0.28	0.18
IFAD	8.94	9.37	0.17	0.44	-	-
European Agency for Reconstruction	1.08	0.81	-	-	0.21	0.27
Bilateral	235.18	233.08	-	1.06	14.36	3.54
Paris club (rescheduled 1995)	144.05	144.09	-	-	13.54	-
Paris club (rescheduled 2000)	8.56	8.56	-	-	-	-
New credits	13.19	13.20	-	-	-	-
Non-rescheduled debt	69.39	67.22	-	1.06	0.82	3.54
Private creditors	589.34	590.94	28.91	3.23	14.12	2.31
out of which:						
London Club of Creditors	232.84	232.84	-	-	7.67	-
Other private creditors	356.50	358.10	28.91	3.23	6.45	2.27
Banks and financial institutions	220.24	221.06	21.69	2.20	5.40	1.69
Enterprises	136.25	137.03	7.22	1.04	1.06	0.62
TOTAL	1,771.91	1,797.10	44.25	34.26	32.93	11.95

Source: National Bank of the Republic of Macedonia

**National Bank of the Republic of Macedonia Balance sheet****Table 21**

NBRM Balance sheet on August 30, 2004

(in million Denars)

Assets	Amount	Liabilities	Amount
Foreign assets	46,272	Reserve money	16,661
Claims on Government	3,492	NBRM instruments	4,983
Claims on banks and other financial institutions	72	Restricted deposits	217
Other assets	3,556	Foreign liabilities	3,376
		Government deposits	13,530
		Capital accounts	8,426
		Other liabilities	6,199
Total	53,392	Total	53,392

Source: National Bank of the Republic of Macedonia



Appendix No.2

Economic Developments in the Republic of Macedonia

Chart 1

Total Central Government budget revenues
(in Denar million)

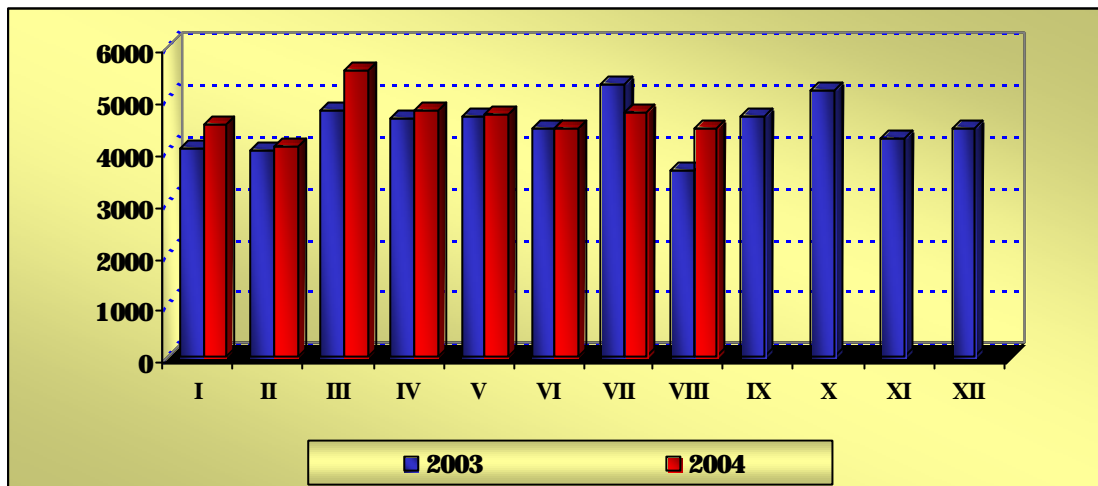
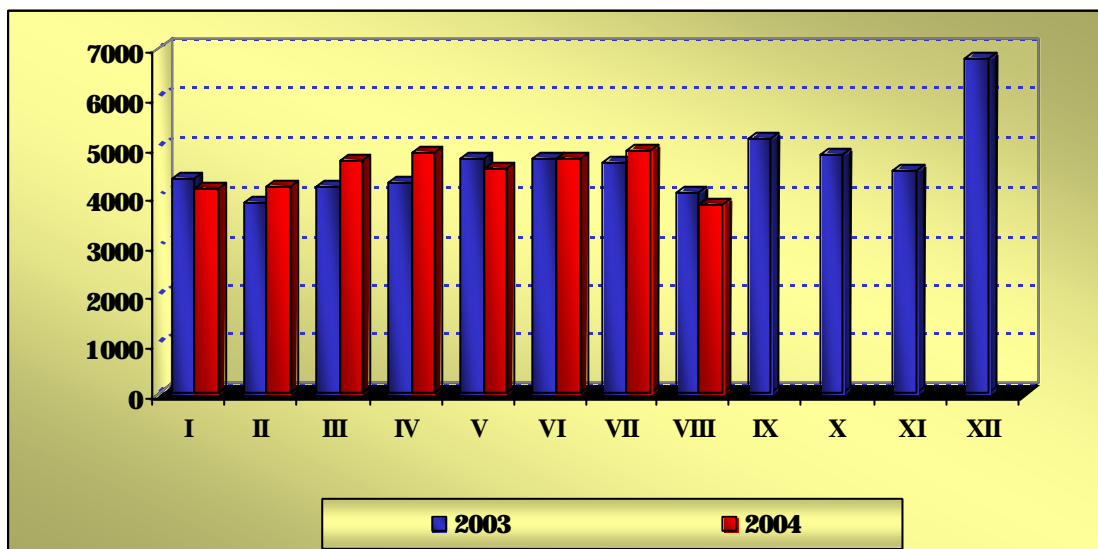


Chart 2

Total Central Government budget expenditures
(in Denar million)





Monetary developments in the Republic of Macedonia

Chart 3
Daily dynamics of the liquidity of the banks
(in Denar million)

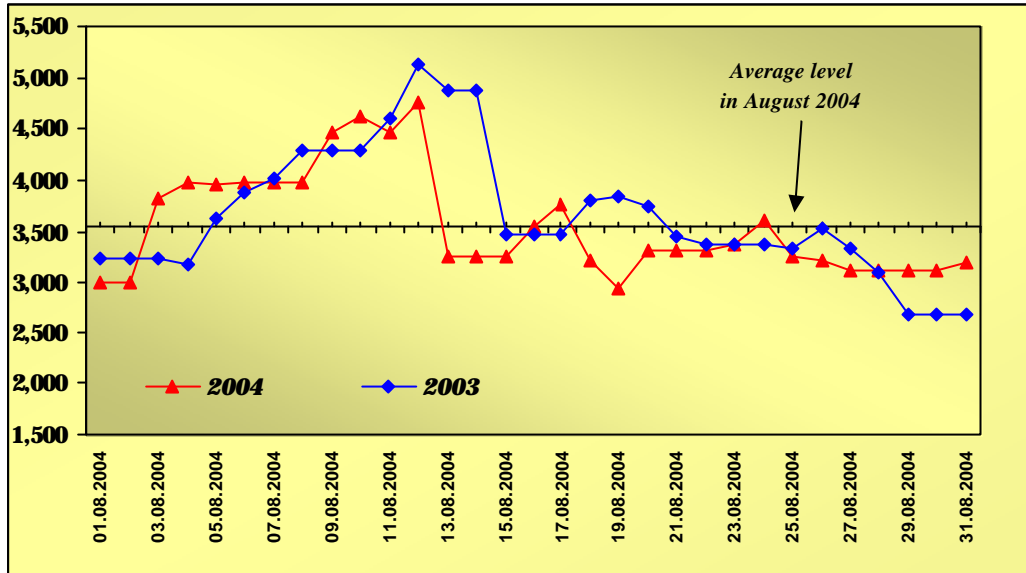


Chart 4
Movements of the interest rates on the Money Market, the CB bills auctions and the liquid funds of the banks

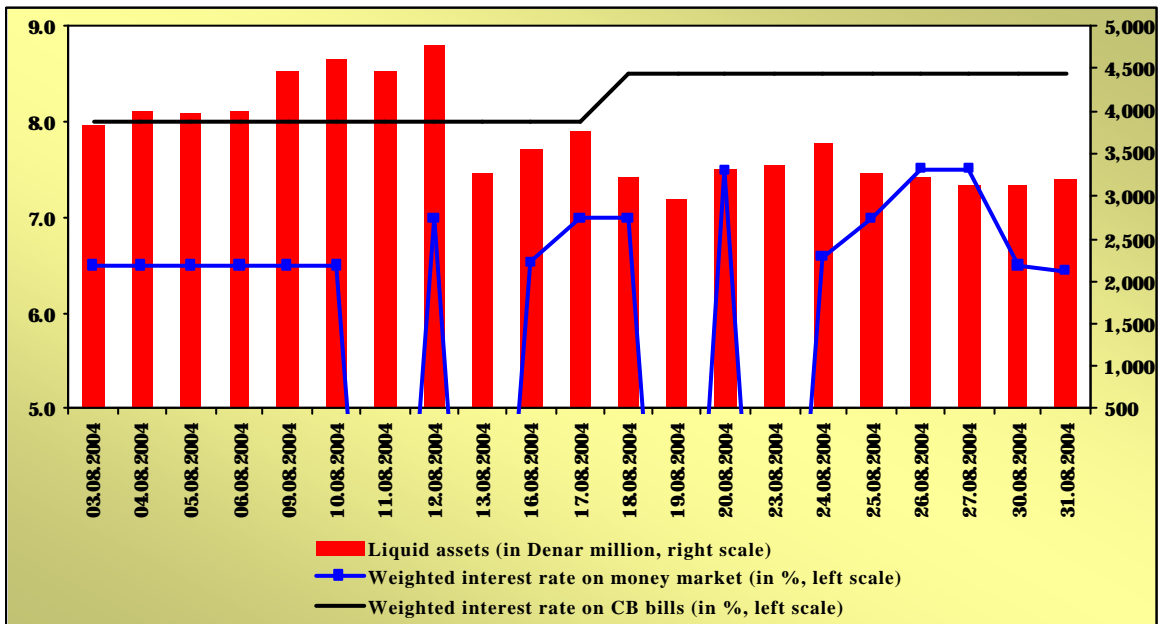




Chart 5
Daily dynamics of the currency in circulation
(in Denar million)

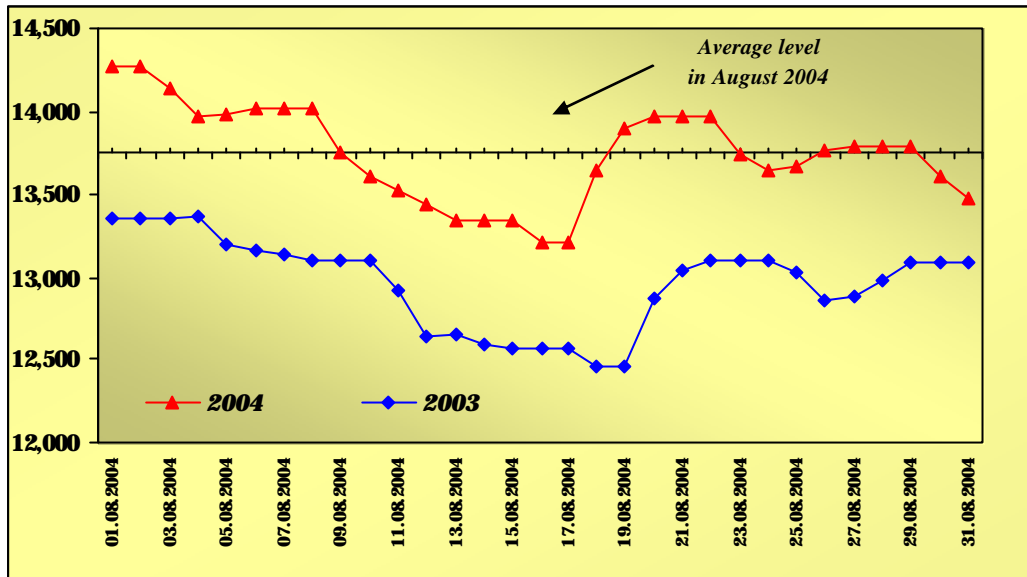
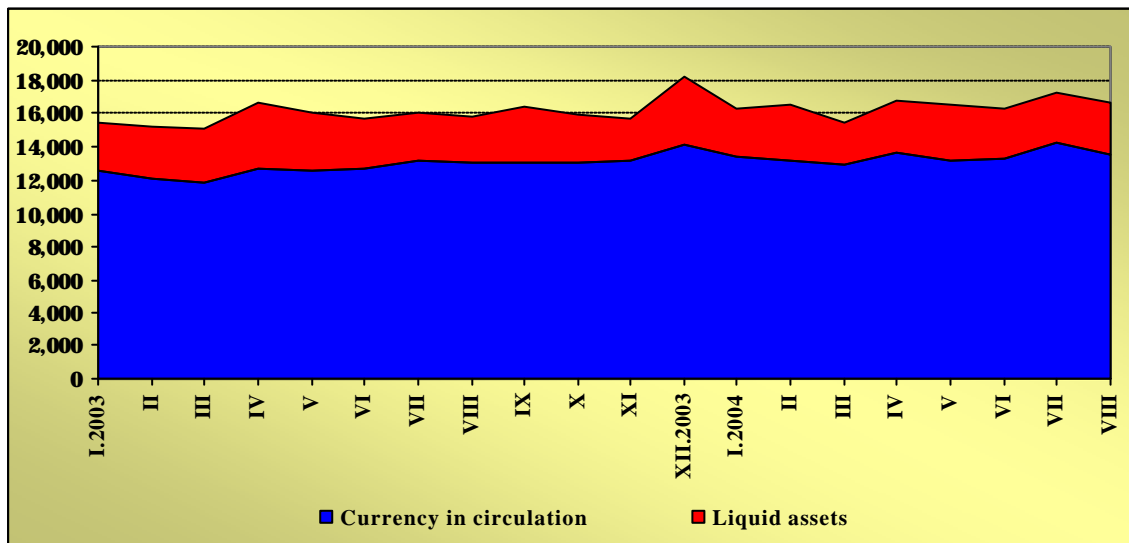


Chart 6
Reserve Money*
(in Denar million, end of period)



* The banks' liquid funds include the banks' account with the NBRM and the currency in circulation in the banks' vaults.



Chart 7
Demand deposits of enterprises and households
(in Denar million)

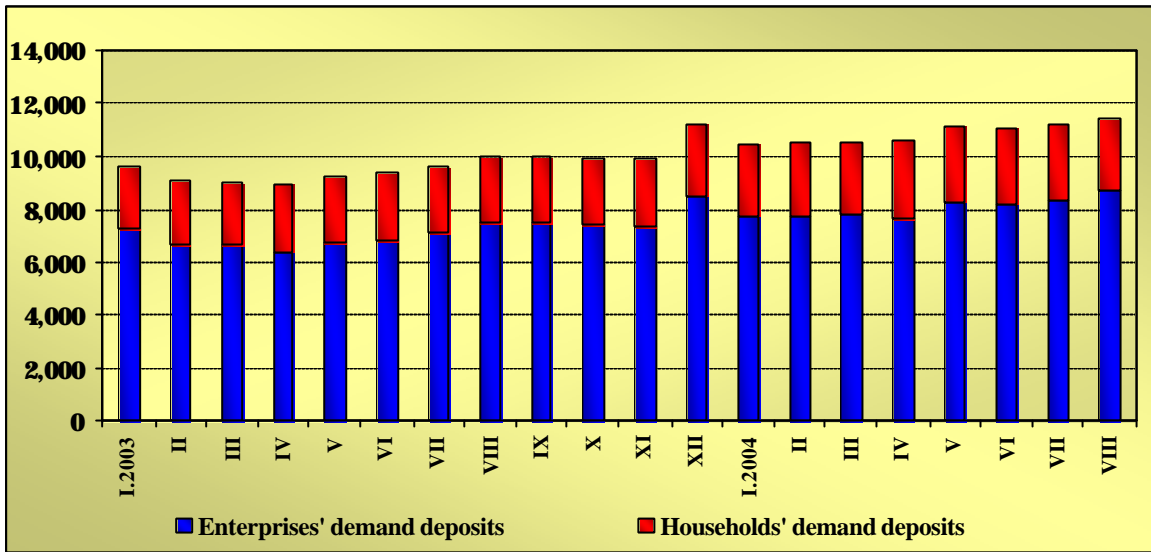


Chart 8
Share of currency in circulation (CC) in the money supply M1
(in %)

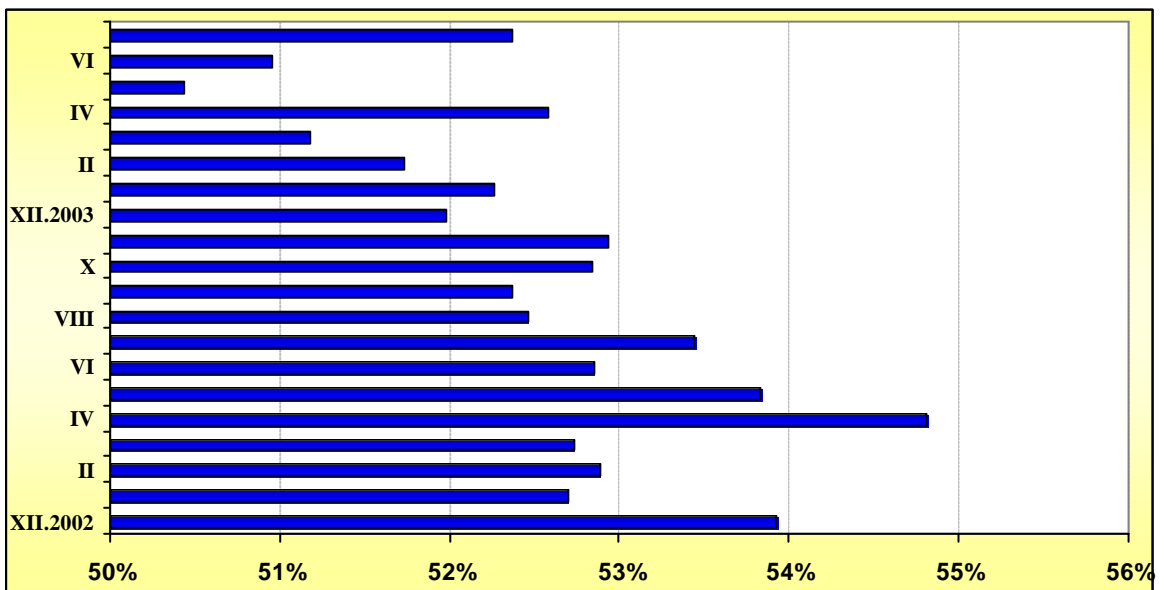
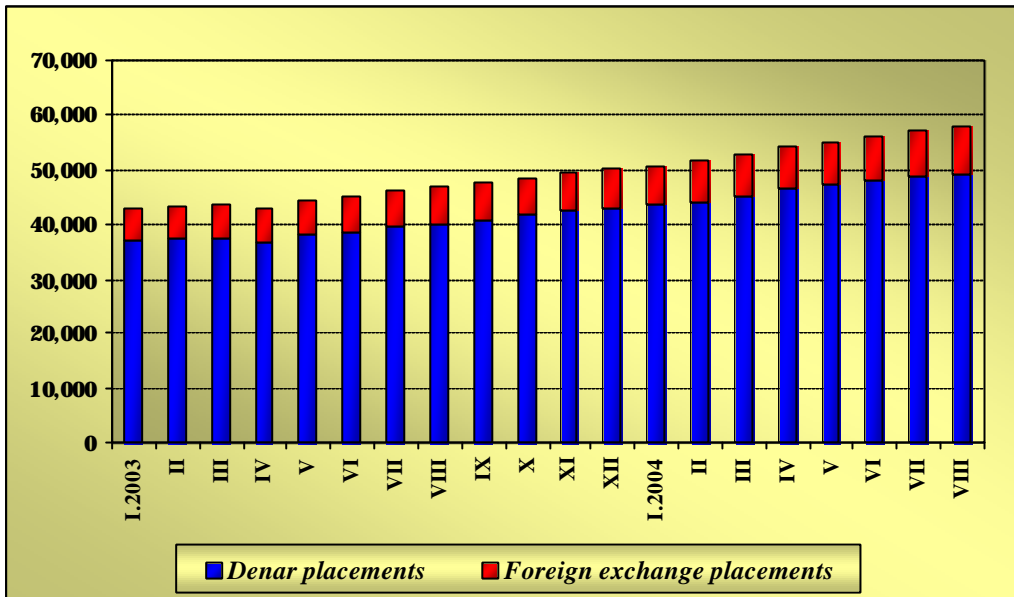




Chart 9
Banks placements
(in Denar million)



Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia

Chart 10
Foreign trade of the Republic of Macedonia according to groups of countries

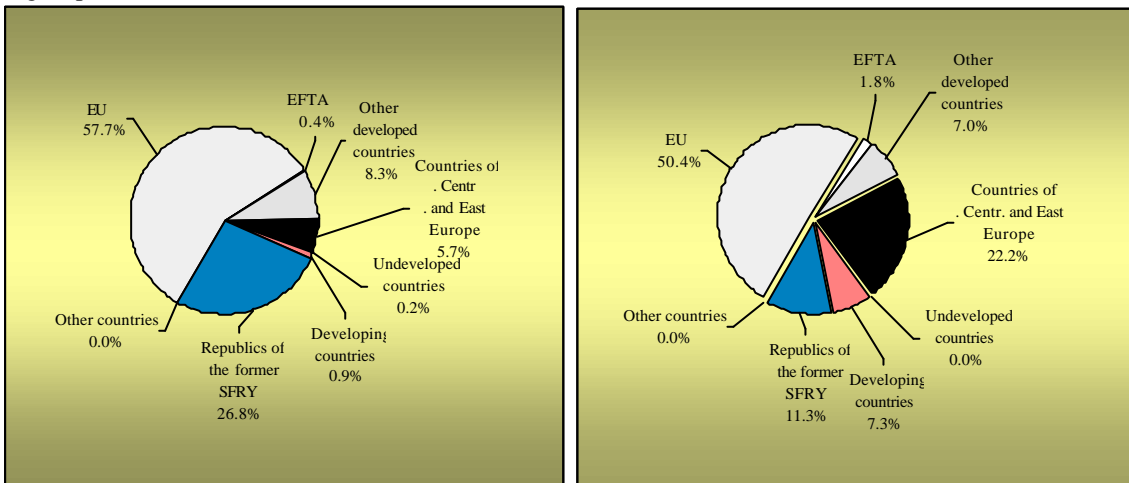




Chart 11
Movements in the total turnover on the foreign exchange and exchange offices market
(in US Dollar million)

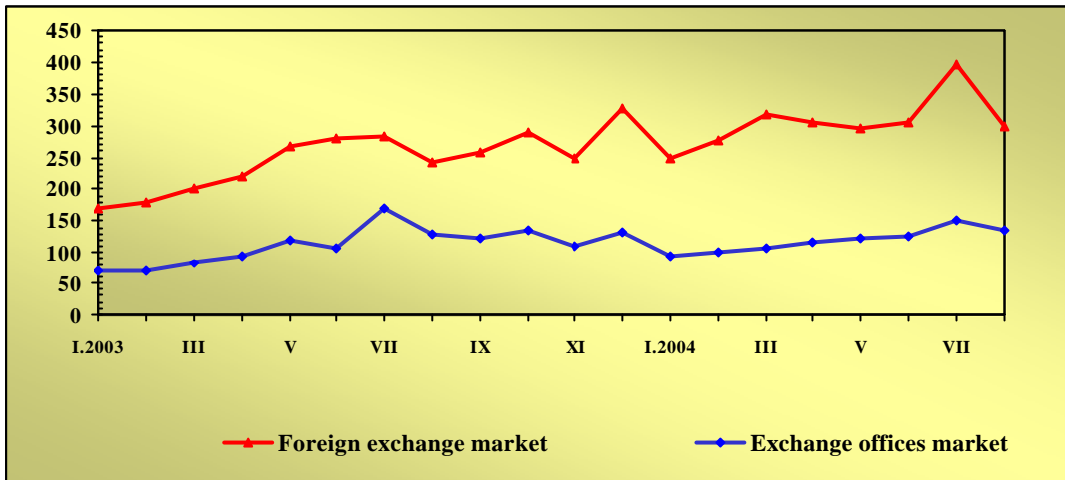


Chart 12
Daily middle exchange rate of the Denar at the exchange offices
(Denars per unit of foreign currency, end of period)

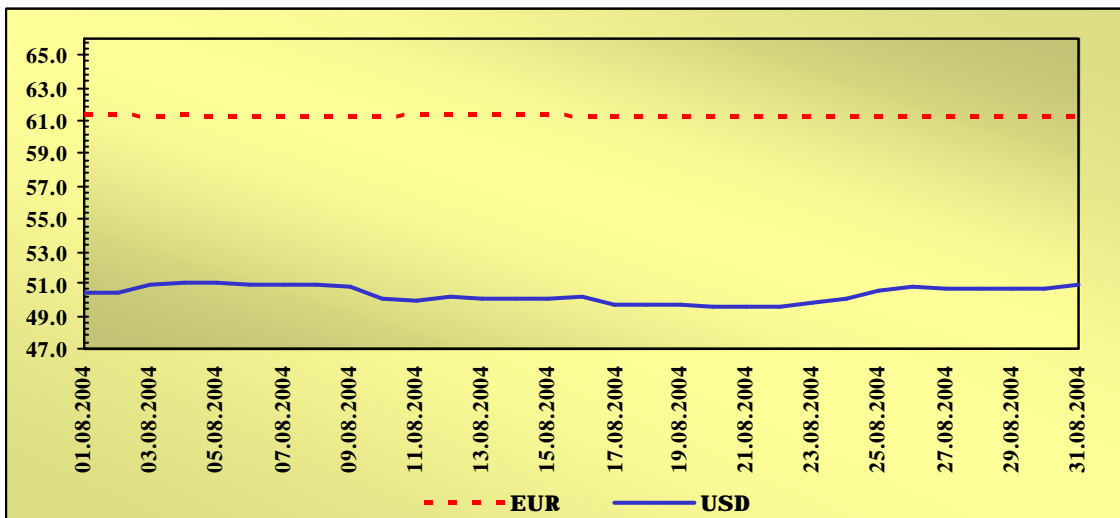




Chart 13
Foreign exchange potential of the Republic of Macedonia
(in US Dollar million)

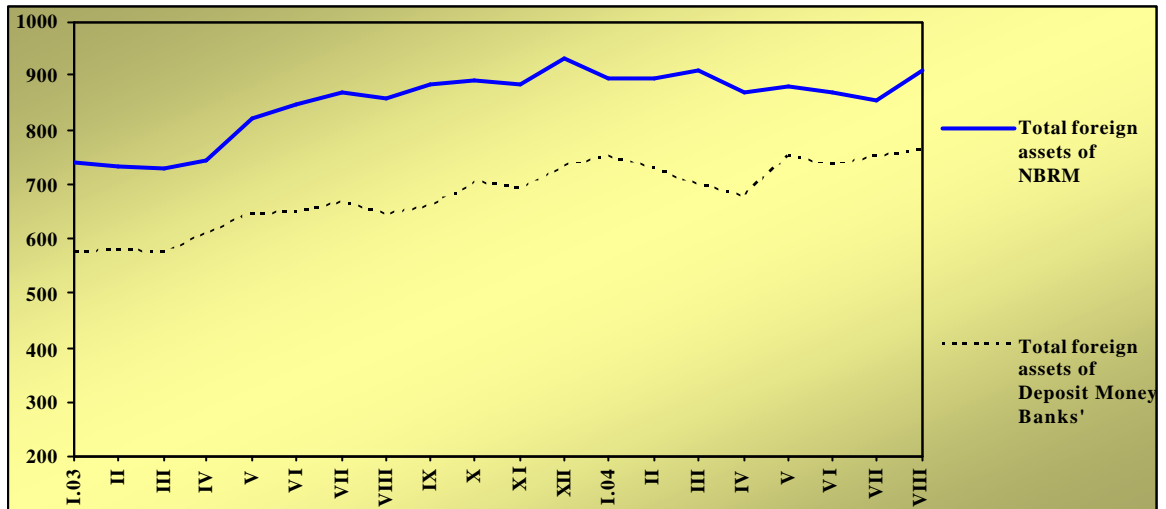


Chart 14
Used credits and serviced liabilities
(in US Dollar million)

