

**National bank
of the Republic of Macedonia**



**Monthly
Report**

9 / 2004

November 2004

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

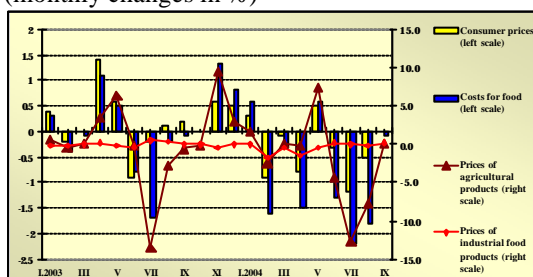
- ❖ *On September 6, the Regulatory Energy Committee passed a Decision on decreasing the prices of the petrol by one Denar. The refinery prices of the oil derivatives decreased by 3.84% on average, while the average decline of the retail prices equals 1.8%.*
- ❖ *At its session held on September 9, the 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. At the same session, the National Bank 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. Also, 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 was adopted ("Official Gazette of RM" No. 61/2004). 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 communities 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). The own sources of revenues of the communities comprise of the local taxes, local fees and compensations, revenues generated from property owned by the community (rents, interests, revenues from sale of community property), voluntary contributions, fines, donations and other revenues defined by the law.*
- ❖ *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 toward further maintaining of the exchange rate stability and price stability.*

I. Economic Developments in the Republic of Macedonia

In September 2004, the prices of goods and services intended for personal consumption remained unchanged. Despite the fact that the composite CPI index remained unchanged, certain movements in its structure were registered. Thus an insignificant increase was registered in the costs for food, clothing and footwear and in the costs for transportation means and services. On the other hand, monthly increase was registered in the costs for tobacco and beverages, costs for housing and costs for culture and entertainment. The main factors of the lower consumer prices are the lower prices of the agricultural products (caused by the monthly decline in the prices of fruit of 6%), as well as the decline in the prices of the oil derivatives (by 1%).

Chart 1

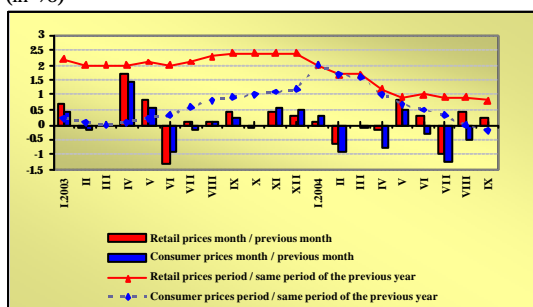
Monthly dynamics of the consumer prices and certain categories of the consumer prices and the retail prices
(monthly changes in %)



On annual basis, the consumer prices dropped by 1.8%, while cumulatively (January - September 2004 / January - September 2003) the decline equaled 0.2%.

Chart 2

Consumer prices and retail prices
(in %)



In September 2004 *retail prices* registered a monthly increase of 0.2%, due to the increase in the prices of the food products of 0.1%, as well as the monthly increase (of 0.2%) in the prices of

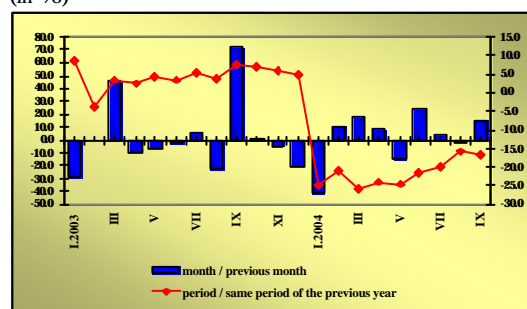
industrial food products. On annual and cumulative basis, the retail prices were higher by 0.5% and 0.8%, respectively, which was primarily due to the higher prices of the non-food industrial products.

In September, *the prices of the producers of industrial products* registered a monthly increase of 0.4%, mainly as a result of the increase in the prices of the producers of energy (by 1.3%), due to the higher price of the crude oil. On annual and cumulative basis, the prices of the producers of industrial products increased by 2.3% and 0.4%, respectively, which is a result of the higher prices of intermediary products, except energy.

In September 2004, positive annual change in the *actual volume of the industrial output* was registered (mainly caused by the intensive increase in the production of intermediary products, except energy of 31.1%). Thus the monthly rate of increase of the industrial output equals 15%, with the registered intensification of the activity in all three sectors being considered a positive signal. The production in the sector mining and quarrying registered a monthly increase of 19.1%. In the framework of the processing industry (monthly increment in the output of 15.7%), the fastest increase was registered in the production of basic metals (50.4%). In the electricity, gas and water supply sector, the actual volume of the output went up by 3.9%, primarily as a result of the increased production of electricity. On annual and cumulative basis, the industrial output decreased by 22.2% and 16.9%, respectively.

Chart 3

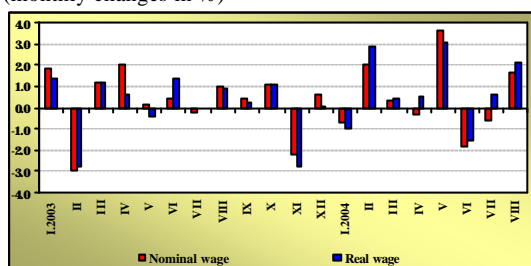
Industrial output
(in %)





The nominal average net paid wage per worker in August 2004¹ registered a nominal monthly increase of 1.6% and equaled Denar 12,443. In real terms, the increase equals 2.1%. A monthly growth of 1.6% and 1.1%, respectively was registered in the wages in the industry and services, while the wages in the agricultural sector were lower by 0.4%. On annual and cumulative basis, in August, the wages were higher in nominal terms by 4% and 4.1%, respectively.

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

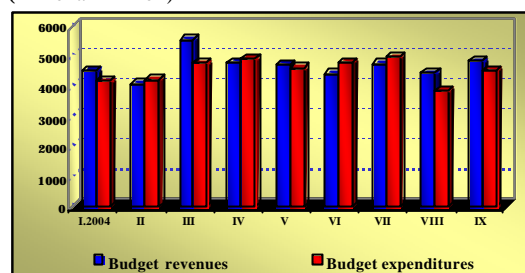


As in the previous month, in September 2004 surplus was registered in both the general and the central Government budget. The total public revenues registered a monthly increase of 8.4%, and amounted to Denar 7,412 million. The revenues of the Central Government registered a monthly increase of 8.7% and amounted to Denar 4,806 million, reflecting the simultaneous increase in both the tax and the non-tax revenues (of 4.8% and by 2.1 times, respectively), unlike the capital revenues, which registered a decline of 17.8%. The monthly increase in the tax revenues was caused by the increased volume of revenues based on personal income tax, customs duties, and value

¹ Last available data of the State Statistical Office

added tax. Cumulatively, the total Central Government revenues were by 4.8% higher, reflecting the increase in the tax and the capital revenues of 5.8% and 9.5% respectively, when the non-tax revenues declined (by 7.5%).

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



In September 2004, compared to the previous month, the total public expenditures were by 14% higher and amounted to Denar 7,233 million. The total expenditures of the central Government budget amounted to Denar 4,542 million, which is a monthly increase of 17.9%. The increase reflects the simultaneous upsurge in the current and capital expenditures by 15.6% and 50.6%, respectively. All categories of current expenditures (dominant expenditure category in the total expenditure structure making up 92.3%) registered a monthly increase, with the fastest increase being registered in the expenditures based on repayment of interests and the costs for goods and services. In the January - September 2004 period, compared to the same period of the preceding year, the total expenditures of the Central Government went up by 1.1%, due to the contemporaneous increase in both the current and the capital costs.

II. Monetary developments in the Republic of Macedonia

In September 2004, the monetary policy design contributed to further maintaining of the stability of the nominal Denar exchange rate, and hence of the price stability. At the end of the month, there was another increase in the interest rates on CB bills by 0.5 percentage points, which is in line with the expectations for a more expansive budget spending and higher demand for foreign exchange on the foreign exchange market in the last quarter of the year. From the aspect of liquidity management, given the increased accumulation of funds by the Government and the higher level of currency in

circulation, CB bills acted toward creation of liquidity in the banking system.

In September, the banks' average daily liquidity² equaled Denar 3,822.9 million, which is by 7.4% higher on a monthly basis. The foreign exchange transactions of the NBRM and the lower average level of currency in circulation were the main factors causing the increase in the average level of liquidity. As of

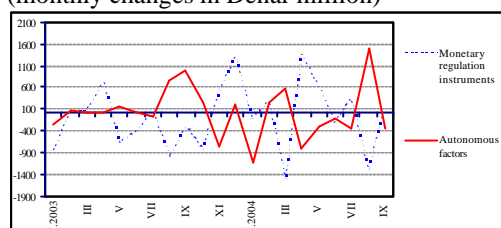
² The liquidity of the banks includes the banks' account with the NBRM and the cash in the vaults.



September 30, 2004, the total liquid funds of the banks amounted to Denar 2,910 million, or by Denar 242 million (7.7%) less compared to the amount registered at the end of the previous month. The amount of excess liquid funds over the compulsory reserve requirement³, was almost identical with the one registered in the previous month (decline of 0.3 percentage points) and it equaled 11.1%.

Chart 6

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



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

In September 2004, the NBRM intervened on the foreign exchange market by net selling of foreign exchange (transactions NBRM – banks). Thus the NBRM foreign exchange transactions acted towards withdrawal of liquidity from the banking system.

The accumulation of funds on the Government Denar account with the NBRM continued in September, when a monthly increase of Denar 832 million or 17.6% was registered. Thus the Government deposits acted towards liquidity withdrawal. In line with the common monthly dynamics, in the first half of the month, the Government deposits were maintained under the level registered on August 31, 2004 (due to the regular payment of wages in the public administration), while in the second half of the month, the level of Denar Government deposits went up (as a result of the payment of taxes towards the middle of the month). In September, two *Treasury bills* auctions were conducted (on September 7, 2004 and on September 21, 2004), where the inflows amounted to Denar 678 million. The demand for Treasury bills at the auction on September 7, 2004 exceeded the supply and the interest rate equaled 8.39%, unlike the auction held on

September 21, 2004 when the supply was higher and the interest rate equaled 8.54%.

Table 1

Treasury bills auctions

Date of conduct	Supply	Demand	Realized	Weighted interest rate
	in Denar million			in %
07.09. 2004	350	485	350	8.39
21.09. 2004	350	328	328	8.54

Given the lower liquidity in the banking system, in September the *CB bills* acted towards liquidity creation. Thus the level of Treasury bills at the end of September was lower by Denar 86 million on a monthly basis, and at the end of the month the total amount of CB bills was reduced to Denar 4,897 million. At the end of the month there was another increase in the interest rate on the CB bills by 0.5 percentage points. Thus the interest rate on the CB bills with maturity of 7 days and 28 days equals 6% and 9%, respectively. The higher interest rates resulted in a minimum increase in the average weighted interest rate, which reached 7.66% (in the previous month it was 7.61%).

In September 2004, the total turnover on the institutionalized money market dropped on a monthly basis by 46.3% and reduced to Denar 489.5 million, which is the lowest amount of realized transactions analyzed since the beginning of 2004. Despite the higher supply of, relative to the demand for liquid funds, the weighted interest rate increased by 0.25 percentage points and equaled 6.8% (6.55% in August). The total turnover on the non-institutionalized money market amounted to Denar 691.1 million in September, which is a monthly decrease of 1.9% and represents the lowest level of turnover realized since the beginning of the year. In September, the interest rate⁴ on the interbank money market (institutionalized and non-institutionalized market) equaled 6.8% (6.6% in August 2004).

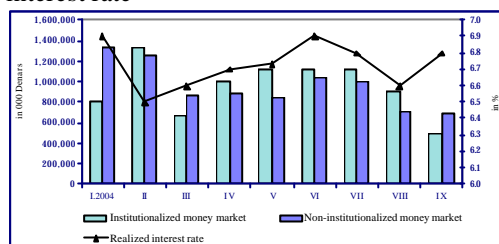
⁴ Average weighted interest rate on the institutionalized and the non-institutionalized money market.

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.



Chart 7

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



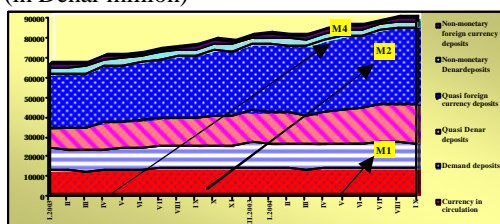
At the end of September 2004, the level of *currency in circulation* was lower by Denar 197 million or by 1.5% on a monthly basis. A decline was also registered in the average level of currency in circulation (by 4.1%), which amounted to Denar 13,190 million in September.

The lower level of currency in circulation and the reduced liquidity in the banking system, caused a monthly fall in the *reserve money* of 2.6%. Thus at the end of September 2004, reserve money reduced to Denar 16,222 million.

In September 2004, the reduced demand for cash and the increased short-term saving in foreign currency were the main determinants of the monthly dynamics of the *monetary aggregates*.

Chart 8

Components of the monetary aggregates
(in Denar million)



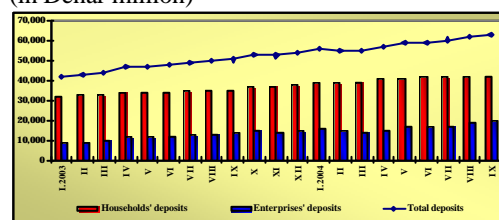
Thus given the simultaneous decline in the currency in circulation and in the demand deposits, a monthly fall in the money supply M1 of 1.9% was registered. The decline in the demand deposits (of 2.3%) reflects the lower monthly level of transaction deposits of the households and of the enterprises (by 3.1% and 2.4%, respectively). The more intensive decline in the money supply M1 relative to the decline in the reserve money led to a minimum increase in the money multiplier of the money supply M1 (1.62, while in August it equaled 1.61%).

In September 2004, the broader monetary aggregates remained at the level registered in the previous month. Thus the money supply M2 remained unchanged, reflecting the divergent movements of its components (reduction in the monetary aggregate M1 and in the short-term Denar saving and increase in the short-term saving in foreign currency). Such movements, together with the increase in the long-term Denar deposits and the decline in the long-term foreign currency deposits, resulted in retaining the monthly level of the broadest money supply M4 unchanged. The drop in the reserve money, given the unchanged level of the monetary aggregates M2 and M4 accelerated the process of money multiplication (in September 2004, the money multipliers of the monetary aggregates M2 and M4 equaled 5.23 and 5.51, respectively, while in August 2004 they equaled 5.09 and 5.36, respectively).

The five-month trend of continuous increase in the *banks' total deposits* continued in September 2004. Thus the total deposits of the non-government sector⁵ increased by 0.8% on a monthly basis, with the short-term saving in foreign currency being increased by 1.4% and the long-term saving in domestic currency being increased by 2.7%. Analyzed on annual basis, the total deposit potential of the banking system registers a significant increase of 24.6% as a result of the higher short-term Denar and foreign exchange saving.

Chart 9

Deposit timeframes
(in Denar million)



In September 2004, the *total households' deposits* registered a monthly increase of 0.8%. From the aspect of maturity, more intensive monthly growth was registered in the long-term deposits (of 1.7%), caused by the higher level of long-term Denar and foreign currency

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).



deposits. The short-term deposits were higher by 0.7% on a monthly basis, with an increase being registered in Denar time deposits with maturity of over three months, foreign currency sight deposits and foreign currency time deposits with maturity of up to one year (the last two categories comprise 81.1% of the total households' deposits). On the other hand, Denar sight deposits and Denar deposits with maturity of up to three months registered a monthly decline. Compared to the same month of the preceding year, the total households' deposits register a significant increase of 19%, reflecting the increased short-term saving.

In September, *the total enterprises' deposits* were by 2% higher on a monthly basis, as a result of the increased short-term deposits (by 1.1%). The increase was mainly due to the higher amount of foreign currency time deposits with maturity of over three months. On the other hand, within the framework of the short-term deposits, a monthly decline was registered in the sight deposits (Denar and foreign currency), while the Denar time deposits with maturity of up to three months (category with the highest share of 40 % in the total enterprises' deposits) remained almost unchanged. In September, long-term enterprises' deposits were lower by 3.1% on a monthly basis, mainly due to the lower amount of restricted foreign currency deposits. On annual basis, the total enterprises' deposits were by substantial 42.8% higher, reflecting the increment in almost all categories of deposits.

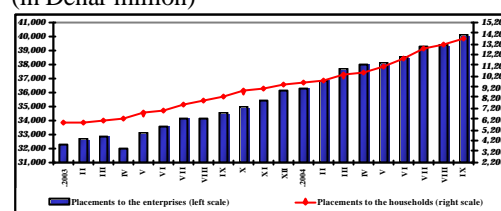
The extending of the banks' deposit base contributed to a further increase in *the banks' total placements to the non-government sector* (monthly increase of 2%). A significant increase was registered also in both Denar and foreign currency placements (of 3.1% and 4.7%, respectively). On annual basis, the total banks' placements are significantly higher (by 23.8%), as a result of the contemporaneous increase of both the Denar and the foreign currency placements.

The total placements to the households registered a monthly growth of 3.5% in September. The increase is a result of the significant monthly increment of the foreign currency placements (by 26%, due to the increase in the long-term foreign currency credits, as a partial effect of the liberalization of the foreign currency lending to households) and of the increased Denar placements (by

3.1%, primarily of the long-term Denar credits). The annual increase of the placements to households is remarkably high and it equals 63.9%.

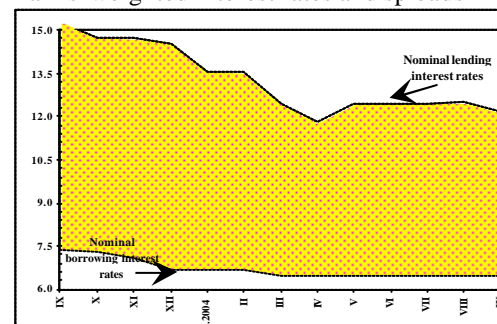
The total placements to the enterprises registered a monthly increment of 1.7% in September, primarily due to the higher level of the short-term placements in foreign currency by 20.6%. On annual level, the placements to enterprises are higher by 16%, where an increase is registered in both the Denar and the foreign currency placements.

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



With respect to the *banks' interest rate policy*, in September 2004 positive movements toward reducing the average weighted lending Denar interest rate by 0.3 percentage points were registered, and in September it decreased to 12.15%. The average weighted interest rate on the three-month Denar deposits remained at the level of 6.52%. Thus the interest rate spread was reduced to 5.6 percentage points. The average weighted interest rate on the short-term foreign currency credits equaled 7.55% in September, while the interest rate on the three-month Euro time deposits ranged between 1% and 3.4% (the interest rate on the three-month Dollar deposits ranged between 0.5% and 2.5%).

Chart 11
Banks' weighted interest rates and spreads*

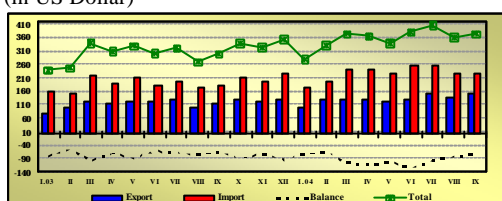


*Pertain to Denar credits and deposits

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

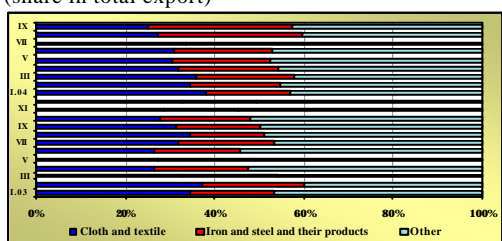
After the decline registered in the previous month, caused by seasonal factors, in September 2004, the *foreign trade*⁶ increased by 3.7% on a monthly basis, thus reaching US Dollar 373.6 million. Given the insignificant monthly change in the import of goods, the increase in the foreign trade is due to the intensified export activity.

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



In September, the total exports reached US Dollar 149.6 million, which is a monthly increase of 8.8%. From the aspect of the separate categories of products, most important contribution to the monthly change in the export was that of the increased export of iron and steel (by 9.3%), tobacco (by 76.8%), medicines (by 92.4%) and vegetables, fruit and products thereof (by 2.7 times).

Chart 13
Export of goods by groups of products
(share in total export)



In September 2004, the import of goods registered a minimum monthly increase of 0.5% and amounted to US Dollar 224.1 million. A decline was registered in the import of mineral fuels (monthly drop of 32.8%), while the temporary import of goods for further processing registered an increase of 18.9%.

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

From the aspect of the structure, dominant import products are iron and steel and the products thereof (with share in the total import of 15.4%), temporarily imported goods for further processing (13.7%), mineral fuels (12.4%) and equipment and electric machines (11.5%).

The faster growth of the export relative to the import of goods caused a monthly fall in the trade deficit of US Dollar 10.9 million, which in September equaled US Dollar 74.5 million.

In the January – September 2004 period, the foreign trade amounted to US Dollar 3,206.7 million and compared to the same period of 2003 it registered an increase of 21%, with a simultaneous increase being registered in the export and the import of goods of 19.1% and 22.1%, respectively. The trade deficit in the observed period reached US Dollar 854.7 million, which is by US Dollar 179.3 million, or 26.5% more compared to the same period of the previous year.

The analysis from the aspect of the foreign trade partners of the Republic of Macedonia indicates a continuous dominance of Germany, Serbia and Montenegro and Greece, the participation of which in the total foreign trade in the January - September 2004 period equals 39.3%. On the imports side, besides the above-mentioned countries, the share of Russia is increasing (9.3%), primarily due to the import of oil. Thus in the January - September 2004 period, compared to the same period of the previous year, the imports from Russia increased by significant 65.9%. In the observed period, considerable increase was also registered in the import from Romania, due to the higher import of iron and steel (6.8 times higher import relative to that registered in the same period of the previous year). The analysis of the ten most important trade partners reveals positive balance in the trade only with Serbia and Montenegro (US Dollar 66.3 million), Croatia (US Dollar 10.8 million) and France (US Dollar 8.7 million), whereas the highest trade deficit was realized from the trade with Russia and Bulgaria (US Dollar 173.8 million and US Dollar 118.9 million, respectively).



In September, *the total turnover on the foreign exchange market* equaled US Dollar 317.2 million, which is by US Dollar 18.2 million or by 6.1% higher compared to the preceding month. From the aspect of the transactions between the banks and the enterprises, the higher demand for, relative to the supply of foreign exchange of the enterprises resulted in a net sale of foreign exchange by the banks. Although the inflows from the exchange offices market were not sufficient to neutralize the net outflow of foreign exchange on the basis of the transactions with enterprises, there were no significant pressures on the foreign exchange market. Consequently, in September 2004, NBRM intervened with an insignificant net sale of foreign exchange. At the end of September, Denar 61.44 were traded per one Euro on the foreign exchange market, which is a monthly depreciation of the Denar relative to the Euro of 0.3%. Relative to the US Dollar, the Denar appreciated by 2%, and at the end of September, Denar 49.86 were traded per one US Dollar.

In September 2004, *the total turnover on the exchange offices market* equaled US Dollar 129.3 million, which is a monthly decrease of US Dollar 6.3 million or 46% due to seasonal factors. The supply exceeded the demand for foreign exchange by US Dollar 44 million. On the exchange offices market, Denar 61.56 were traded per one Euro on average, which is a monthly depreciation of the Denar relative to the Euro of 0.1%, whereas relative to the US Dollar the Denar appreciated by 1% and on average, Denar 49.17 were traded per one US Dollar.

In September 2004, *the total foreign assets of the NBRM* equaled US Dollar 921.1 million. The level of *gross foreign reserves* increased by US Dollar 12.9 million or by 1.4% on a monthly

basis, and equaled US Dollar 914.6 million. Major factors of such a pace of the gross foreign reserves are the positive exchange rate differentials and the inflows on the basis of interest. A monthly increase of US Dollar 14.2 million was registered in the *total foreign assets with the banks*, which reached US Dollar 775.8 million at the end of September. The increment was mainly due to the increase in the households' foreign exchange deposits.

At the end of September 2004, *the external debt of the Republic of Macedonia*⁷ based on *long-term credits* equaled US Dollar 1,822.7 million, which is by US Dollar 22.7 million more compared to the end of the previous month. The increase in the long-term debt is mainly a result of the positive exchange rate differentials. In September, funds in the amount of US Dollar 14.4 million were withdrawn, which is an amount by US Dollar 21 million lower compared to the previous month. The largest portion of these funds pertains to the funds withdrawn from the private creditors (US Dollar 7.2 million), US Dollar 4.5 million originate from the multilateral creditors and US Dollar 2.7 million from the bilateral creditors. In September 2004, new credits in the amount of US Dollar 7.5 million were concluded (with other private creditors). The paid liabilities on the basis of principal and interest amount to US Dollar 16.6 million, which is by US Dollar 4.7 million higher amount compared to August 2004. The liabilities paid to the private creditors are in the amount of US Dollar 6.7 million, those to the bilateral creditors are in the amount of US Dollar 5.7 million, while the liabilities paid to the multilateral creditors are in the amount of US Dollar 4.4 million.

⁷ Preliminary data of the NBRM.



Appendix No.1

Economic Developments in the Republic of Macedonia

Table 1

Costs of living and retail prices

	IX.2004 VIII.2004	IX.2004 IX.2003	I-IX.2004 I-IX.2003
	in %		
Costs of living	0.0	-1.8	-0.2
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>
Retail prices	0.2	0.5	0.8
Agricultural products	-0.1	-8.2	-2
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

	IX.2004	IX.2004	I-IX.2004
	VIII.2004	IX.2003	I-IX.2003
	in %		
Prices of producers of industrial products	0.4	2.3	0.4
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
Industrial output

	Structure in %	<u>IX.2004</u> VIII.2004	<u>IX.2004</u> IX.2003	<u>I-IX.2004</u> I-IX.2003
		in %		
Total	100.0	15.0	-22.2	-16.9
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 4
Average net wages

	VIII.2004*	I-VIII.2004*	<u>VIII.2004</u> VII.2004	<u>VIII.2004</u> VIII.2003	<u>I-VIII.2004</u> I-VIII.2003
	in denars	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 5
Central Government Budget

	September 2004			January-September 2004		
	in Denar million	Monthly changes in %	Structure in %	in Denar million	Cumulative changes (2004/2003) in %	Structure in %
Total budget revenues	4,806	8.7	100.0	41,947	4.8	100.0
<i>Tax revenues:</i>	4,405	4.8	91.7	38,498	5.8	91.8
- personal income tax	644	12.6	13.4	5,591	3.7	13.3
- profit tax	152	-13.1	3.2	1,986	-23.7	4.7
- value added tax	2,129	12.5	44.3	18,607	20.1	44.4
- excises	943	-14.6	19.6	7,780	-1.3	18.5
- custom duties	496	17.5	10.3	4,121	-11.1	9.8
- other	40	5.3	0.8	405	14.1	1.0
<i>Non-tax revenues:</i>	364	109.2	7.6	2,977	-7.5	7.1
- inflows from state property dividends	216	350.0	4.5	1,433	-10.3	3.4
- administrative taxes and fees	126	32.6	2.6	1,070	10.2	2.6
- other administrative taxes	20	17.6	0.4	192	-36.6	0.5
- other non-tax revenues	2	-85.7	0.0	282	-19.2	0.7
<i>Capital revenues</i>	37	-17.8	0.8	460	9.5	1.1
Total budget expenditures	4,542	17.9	100.0	40,695	1.1	100.0
<i>Current expenditures</i>	4,155	15.6	91.5	37,577	1.3	92.3
- wages and salaries	1,770	13.8	39.0	15,581	4.4	38.3
- goods and services	494	61.4	10.9	4,840	5.3	11.9
- transfers	1,747	6.7	38.5	15,526	1.3	38.2
- interest	143	113.4	3.1	1,571	-20.1	3.9
<i>Capital expenditures</i>	387	50.6	8.5	3,118	13.5	7.7
Budget balance	264			1,253		
Financing	-264			-1,253		
<i>Inflows</i>	164			3,974		
<i>Outflows</i>	428			5,227		

Source: Ministry of Finance

Table 6
Total revenues and expenditures of the budget funds

	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: National Bank of the Republic of Macedonia



Monetary developments in the Republic of Macedonia

Table 7

Reserve money

	30.09.2004	Monthly changes		Annual changes	
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
Reserve money	16,222	-439	-2.6	-212	-1.3
Currency in circulation	13,312	-197	-1.5	266	2.0
Banks liquidity	2,910	-242	-7.7	-478	-14.1

Source: National Bank of the Republic of Macedonia

Table 8

Reserve money creation and withdrawal

	30.09.2004
	monthly changes
	in Denar million
Bank liquidity	-242
Liquidity creation	283
1. Currency in circulation	197
2. CB' Bills auctions	86
Povlekuvawe na likvidnost	-525
1. Net foreign assets	-240
2. Net domestic assets	-261
3. Other	-24

Source: National Bank of the Republic of Macedonia

Table 9

Money supply M1 and its components

	30.09.2004	Monthly changes		Annual changes	
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
Money supply M1	26,327	-499	-1.9	1,414	5.7
Currency in circulation	13,312	-197	-1.5	266	2.0
Demand deposits	13,015	-302	-2.3	1,148	9.7
- Demand deposits of households	2,628	-84	-3.1	162	6.6
- Demand deposits of enterprises	8,540	-213	-2.4	1,050	14.0

Source: National Bank of the Republic of Macedonia



Table 10
Broader monetary aggregates and their components

	30.09.2004	Monthly changes		Annual changes	
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
Money supply M1	26,327	-499	-1.9	1,414	5.7
Denar short - term deposits	19,456	-54	-0.3	5,477	39.2
<i>Monetary aggregate M2 - denar component</i>	45,783	-553	-1.2	6,891	17.7
Foreign currency short - term deposits	38,998	555	1.4	7,188	22.6
<i>Monetary aggregate M2</i>	84,781	2	0.0	14,079	19.9
Non - monetary deposits	4,606	2	0.0	-224	-4.6
- In Denar	3,137	83	2.7	-200	-6.0
- In foreign currency	1,469	-81	-5.2	-24	-1.6
<i>Monetary aggregate M4</i>	89,387	4	0.0	13,855	18.3

Source: National Bank of the Republic of Macedonia

Table 11
Total deposits of the non-government sector

	30.09.2004	Monthly changes		Annual changes		Structure
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)	in %
Total deposits	63,060	503	0.8	12,441	24.6	100.0
1. According to maturity						
- short-term	58,454	501	0.9	12,665	27.7	92.7
- long-term	4,606	2	0.0	-224	-4.6	7.3
2. According to currency of denomination						
- In denar	22,593	29	0.1	5,277	30.5	35.8
- In foreign currency	40,467	474	1.2	7,164	21.5	64.2

Source: National Bank of the Republic of Macedonia



Table 12
Households and enterprises deposits

	Structure (in %)	30.09.2004	Monthly changes		Annual changes	
		(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
Total households deposits	100.0	42,126	312	0.7	6,721	19.0
1. According to maturity						
- short-term	93.7	39,483	269	0.7	6,898	21.2
- long-term	6.3	2,643	43	1.7	-177	-6.3
2. According to currency of denomination						
- In denar	26.6	11,218	-82	-0.7	2,354	26.6
- In foreign currency	73.4	30,908	394	1.3	4,367	16.5
Total enterprises deposits	100.0	19,345	172	0.9	5,798	42.8
1. According to maturity						
- short-term	95.0	18,373	203	1.1	5,775	45.8
- long-term	5.0	972	-31	-3.1	23	2.4
2. According to currency of denomination						
- In denar	51.3	9,928	89	0.9	2,925	41.8
- In foreign currency	48.7	9,417	83	0.9	2,873	43.9

Source: National Bank of the Republic of Macedonia

Table 13
Banks' placements and overdue claims

	30.09.2004	Monthly changes		Annual changes	
	(in Denar million)	(in Denar million)	(in %)	(in Denar million)	(in %)
Total banks' placements	59,043	1,143	2.0	11,362	23.8
<i>Denar placements</i>	50,129	745	1.5	9,316	22.8
<i>of which:</i>					
-households	13,390	408	3.1	5,080	61.1
-enterprises	31,552	311	1.0	3,687	13.2
<i>Foreign currency placements</i>	8,914	398	4.7	2,046	29.8
<i>of which:</i>					
-households	262	54	26.0	245	15 times
-enterprises	8,515	364	4.5	1,828	27.3

Source: National Bank of the Republic of Macedonia


Table 14

Maturity and sector structure of Denar and foreign currency placements

	Share on 30.09.2004	Monthly change of share	Annual change of share
	(in %)	(in percentage points)	
Denar placements	100.0		
maturity structure			
- short-term	58.1	-0.6	-6.5
- long-term	41.9	0.6	6.5
structure by sectors			
- enterprises	70.1	-0.4	-6.9
- households	29.7	0.4	6.8
- other	0.2	0.0	0.1
Foreign currency placements	100.0		
maturity structure			
- short-term	39.9	2.5	-5.6
- long-term	60.1	-2.5	5.6
structure by sectors			
- enterprises	95.5	-0.2	-1.9
- households	2.9	0.5	2.7
- other	1.5	-0.4	-0.9

Source: National Bank of the Republic of Macedonia

Table 15

Interest rates

	September, 2004	Monthly changes	Annual changes
	in %	in percentage points	
Average weighted interest rate on the CB bills auctions (28 days)	9.0	0.5	2.0
Average weighted interest rate on the Money Market	6.80	0.3	-0.6
Banks' weighted lending interest rates	12.15	-0.3	-3.1
Banks' weighted deposit interest rates	6.52	0.0	-0.9



Financial Markets in the Republic of Macedonia

Table 16
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	18672042	33958	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
Total official market	1,140	135,081,566	2,394,982	
Unofficial market				
Publicly owned enterprises market - ordinary shares				
Konzervna fabrika Strumica	1	6,627,300	66,273	1
Oranzerii Hamzali Strumica	2	18,448,200	153,735	2
Crvena Zvezda Pehcevo	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
Makosped osiguruvawe Skopje	2	12,413,925	225	1
Other	33	5,189,561	8,409	25
Total unofficial market	86	92,166,643	356,976	
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		
Total state market	13	17,741,780		
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	
Total block transactions	6	72,593,918	125,220	
Total markets	1,245	317,583,907		

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)

	IX.2004	I-IX.2004	IX. 2004 VIII. 2004		IX.2004 IX. 2003		I-IX.2004 I-IX. 2003	
	amount		amount	%	amount	%	amount	%
Foreign trade	373.6	3,206.7	13.4	3.7	73.9	24.7	556.5	21.0
Exports	149.6	1,176.0	12.1	8.8	32.1	27.4	188.6	19.1
Imports	224.1	2,030.7	1.2	0.5	41.8	22.9	367.9	22.1
<i>Balance</i>	-74.5	-854.7	10.9	-12.8	-9.7	15.0	-179.3	26.5

Source: State Statistical Office of the Republic of Macedonia

Table 18

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

	Foreign trade (in US Dollar million)	Share	Exports (in US Dollar million)	Share	Imports (in US Dollar million)	Share	Import-export coverage ratio
Republic of MACEDONIA	3,206.7	100.0	1,176.0	100.0	2,030.7	100.0	57.9
<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
Total (10 largest trading partners)	2,301.9	71.8	941.2	80.0	1,360.7	67.0	69.2

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-IX.2003	I-IX.2004	I-IX.2004 I-IX.2003	I-IX.2003	I-IX.2004	I-IX.2004 I-IX.2003	(%)	(%)
							I-IX.2004	
TOTAL	987.4	1,176.0	119.1	1,662.9	2,030.7	122.1	100.0	100.0
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 20

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

	External debt		Credits used		Debt payments	
	31.08.2004	30.09.2004	VIII-2004	IX-2004	VIII-2004	IX-2004
Official creditors	1,202.60	1,216.48	31.19	7.17	9.64	10.13
out of which:						
Multilateral	969.52	984.03	30.13	4.51	6.09	4.40
MMF	64.32	64.69	11.65	0.00	2.69	0.00
IBRD	203.77	207.65	10.21	1.27	2.40	0.00
IFC	13.48	12.85	0.00	0.00	0.00	0.97
IDA	362.11	364.92	0.13	0.76	0.45	0.02
EIB	131.67	133.13	4.90	0.00	0.00	2.42
EUROFIMA	7.39	7.54	0.00	0.00	0.00	0.22
Council of EDB	16.76	17.14	0.00	0.00	0.01	0.09
EBRD	51.42	54.64	2.81	2.17	0.10	0.39
EU	108.42	110.91	0.00	0.00	0.18	0.30
IFAD	9.37	9.72	0.44	0.30	0.00	0.01
European Agency for Reconstruction	0.81	0.83	0.00	0.00	0.27	0.00
Bilateral	233.08	232.44	1.06	2.67	3.54	5.74
Paris club (rescheduled 1995)	144.09	145.42	0.00	0.00	0.00	0.02
Paris club (rescheduled 2000)	8.56	8.76	0.00	0.00	0.00	0.00
New credits	13.20	8.92	0.00	0.00	0.00	4.38
Non-rescheduled debt	67.22	69.34	1.06	2.67	3.54	1.33
Private creditors	597.41	606.25	4.21	7.22	2.37	6.57
out of which:						
London Club of Creditors	232.84	232.84	0.00	0.00	0.00	0.00
Other private creditors	364.57	373.41	4.21	7.22	2.37	6.57
Banks and financial institutions	223.18	229.29	2.67	5.95	1.70	5.22
Enterprises	141.39	144.12	1.54	1.27	0.67	1.35
TOTAL	1,800.02	1,822.73	35.40	14.40	12.00	16.71

Source: National Bank of the Republic of Macedonia

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

NBRM Balance sheet on September 31, 2004

(in million Denars)

Assets	Amount	Liabilities	Amount
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
Total	53,009	Total	53,009

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)

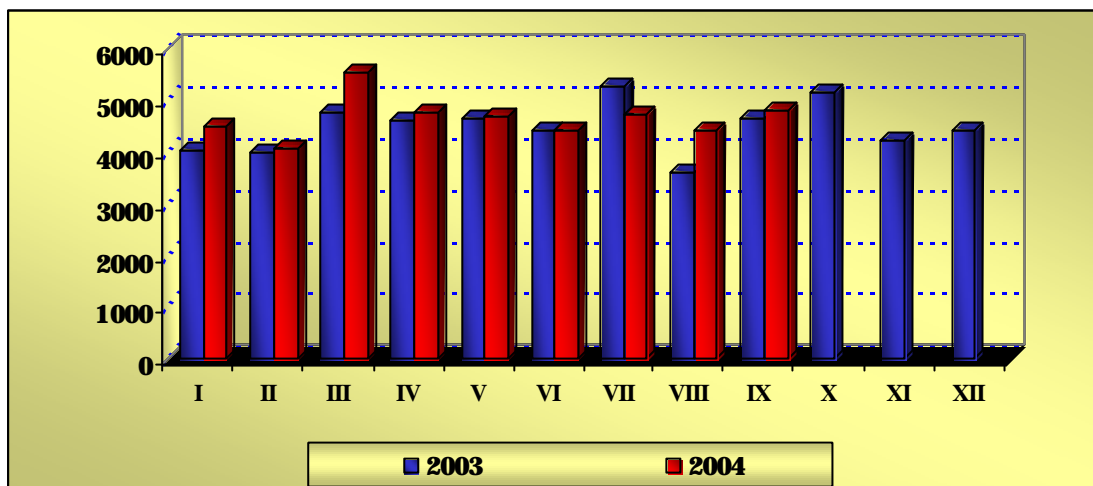
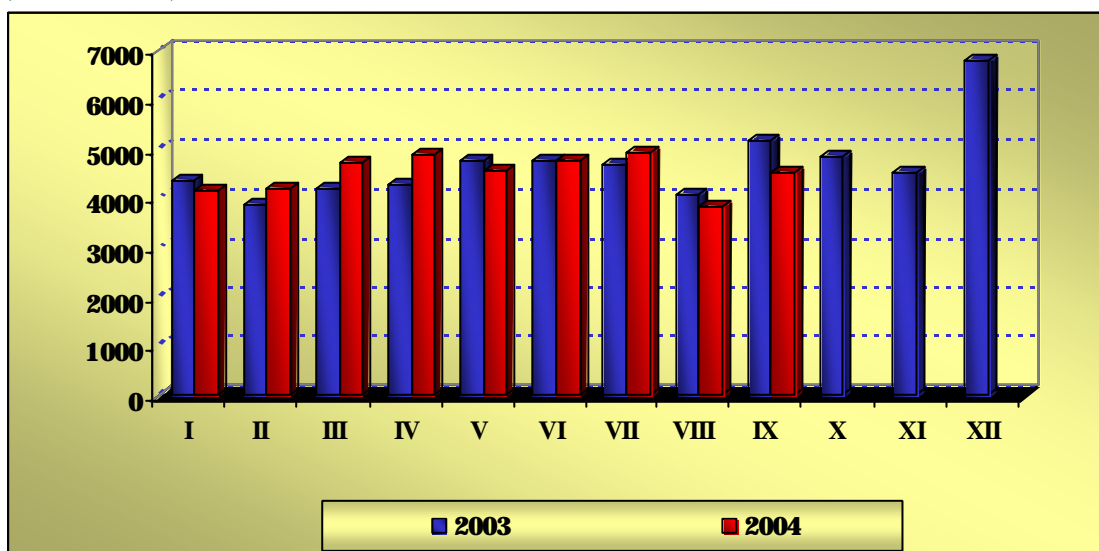


Chart 2

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)

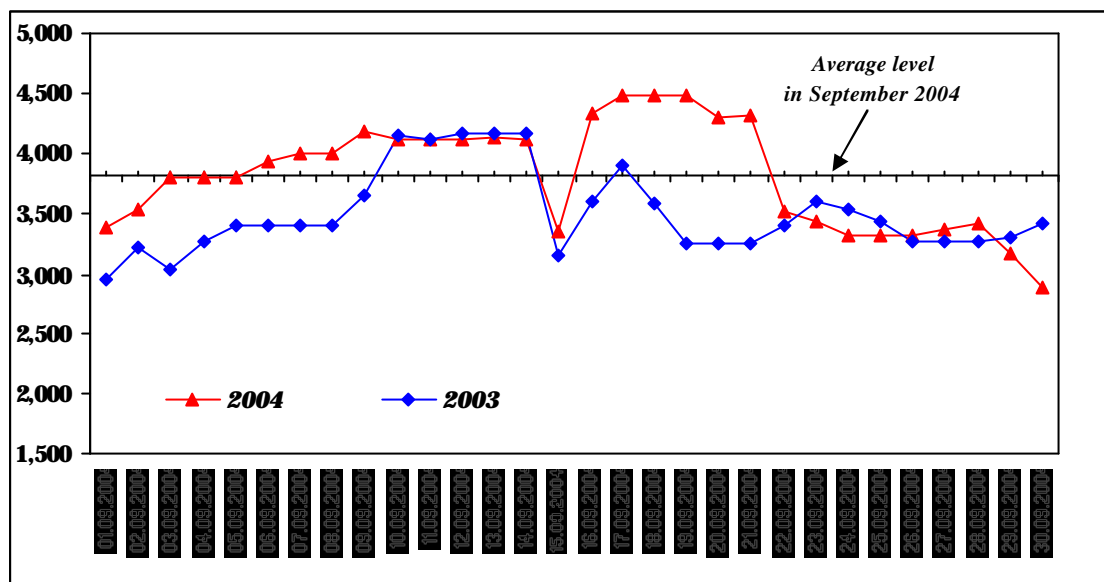
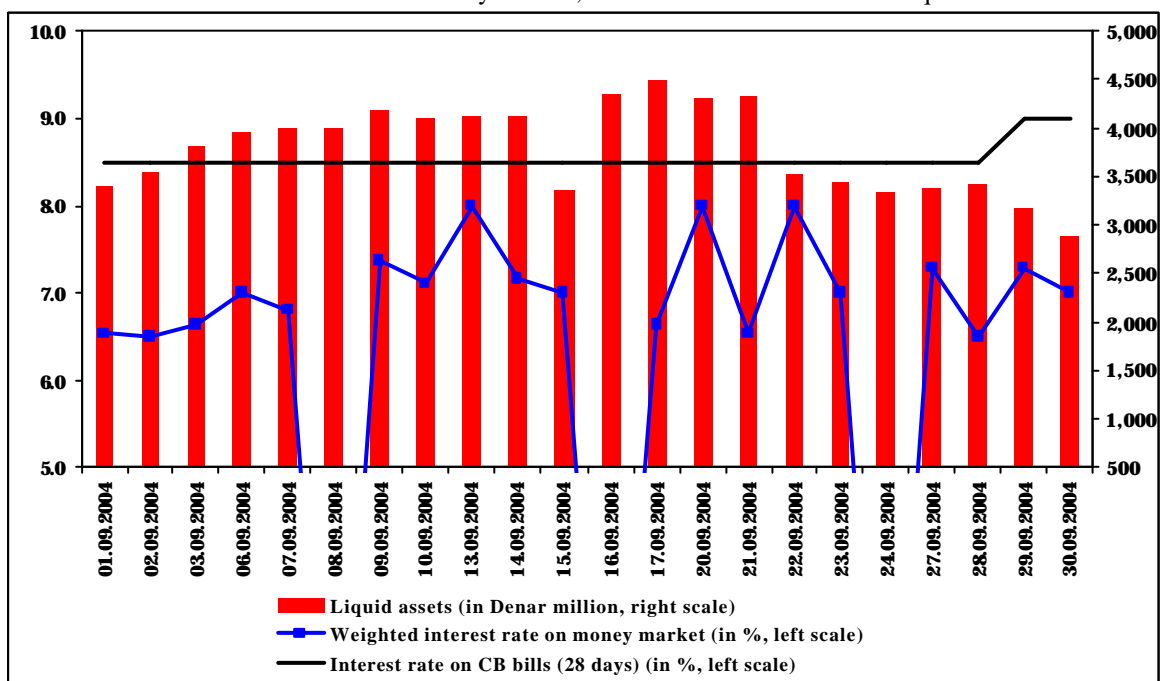


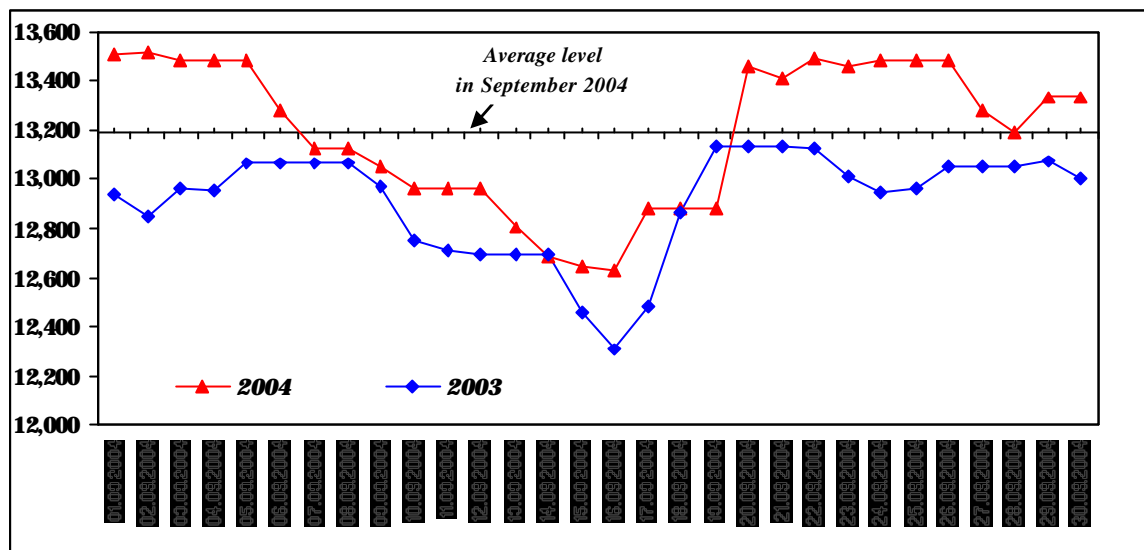
Chart 4

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

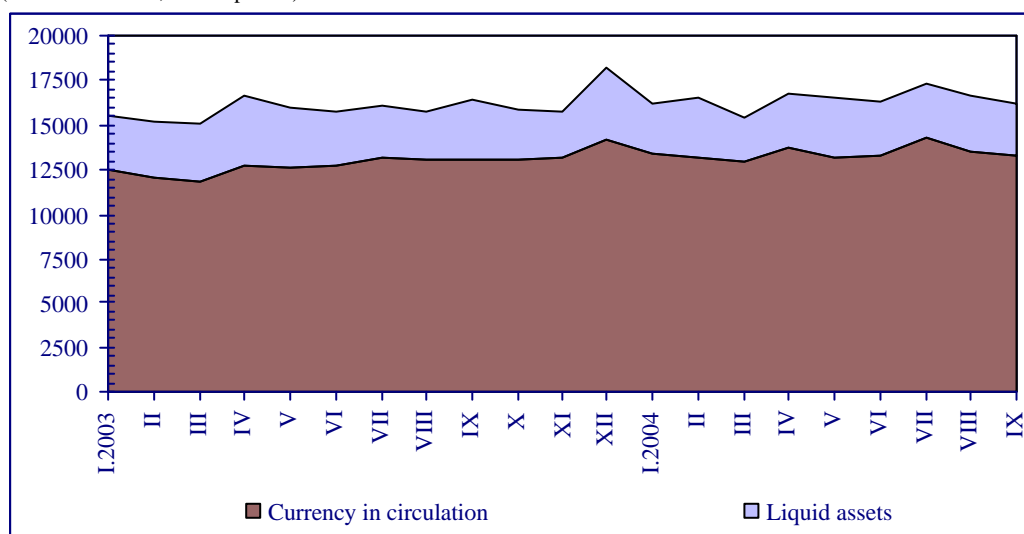


**Chart 5**

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

**Chart 6**

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

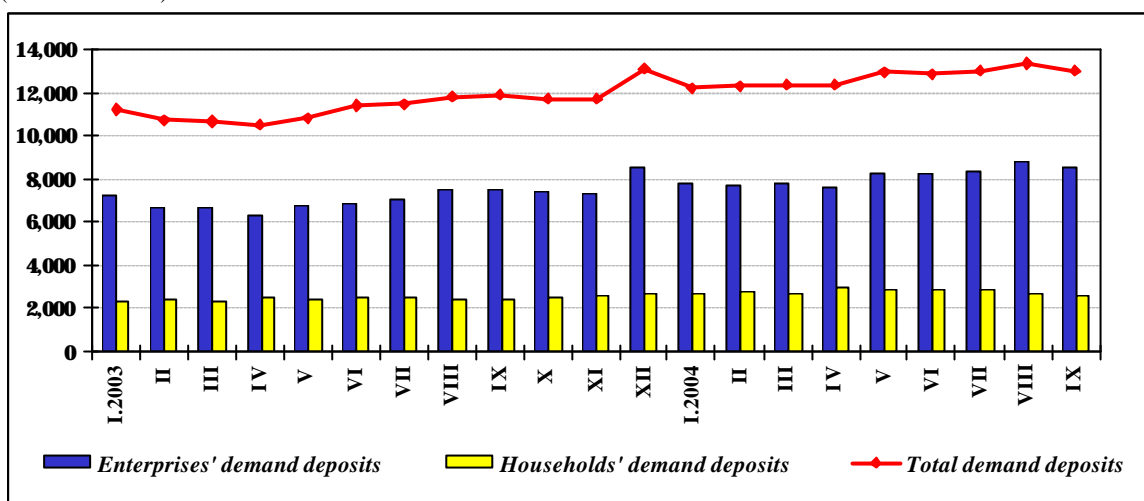


* The banks' liquid funds include the banks' account with the NBRM and the currency in circulation in the banks' vaults.

**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 %)

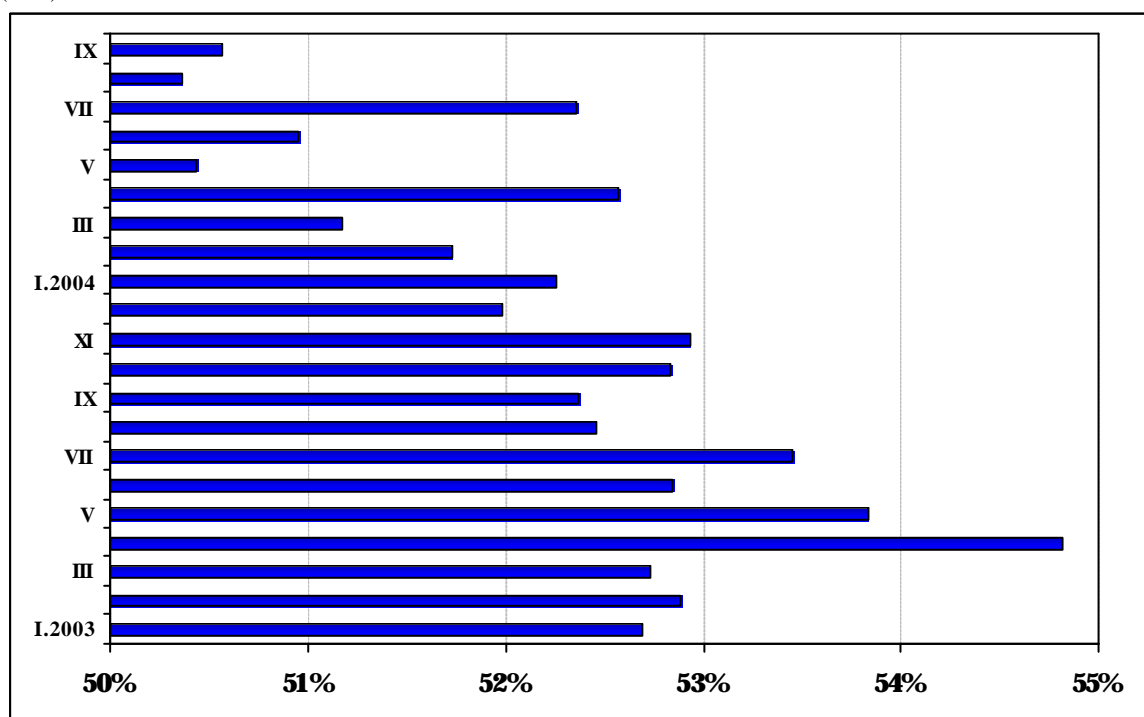
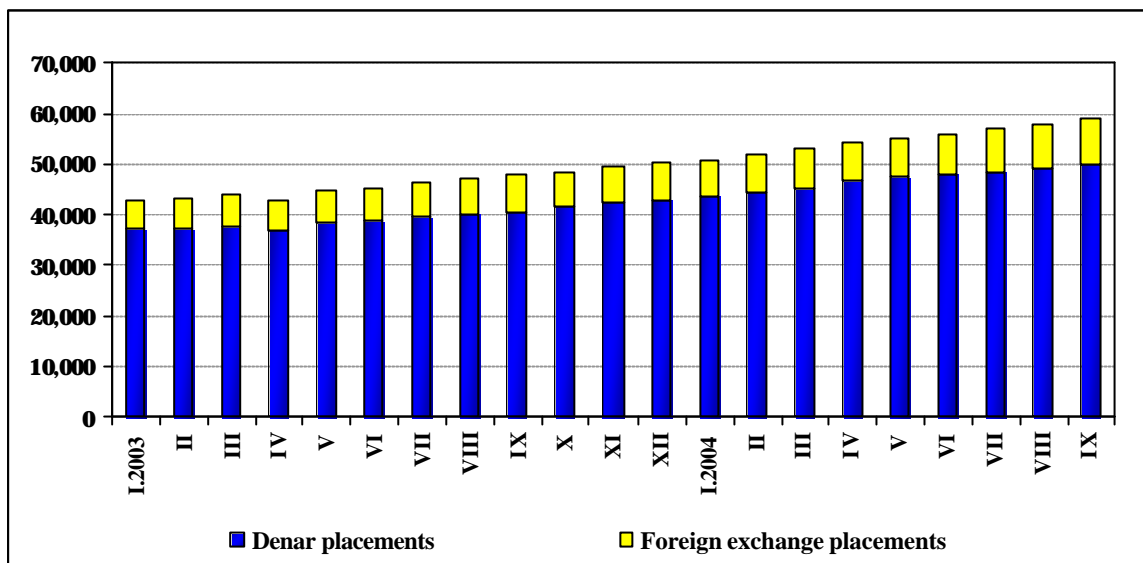


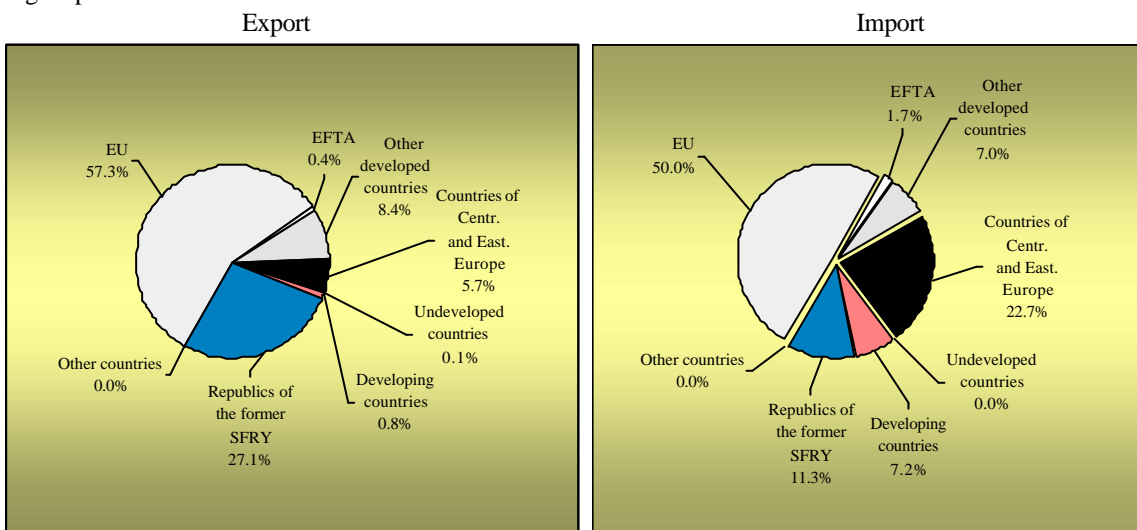


Chart 9
Banks placements
(in Denar million)



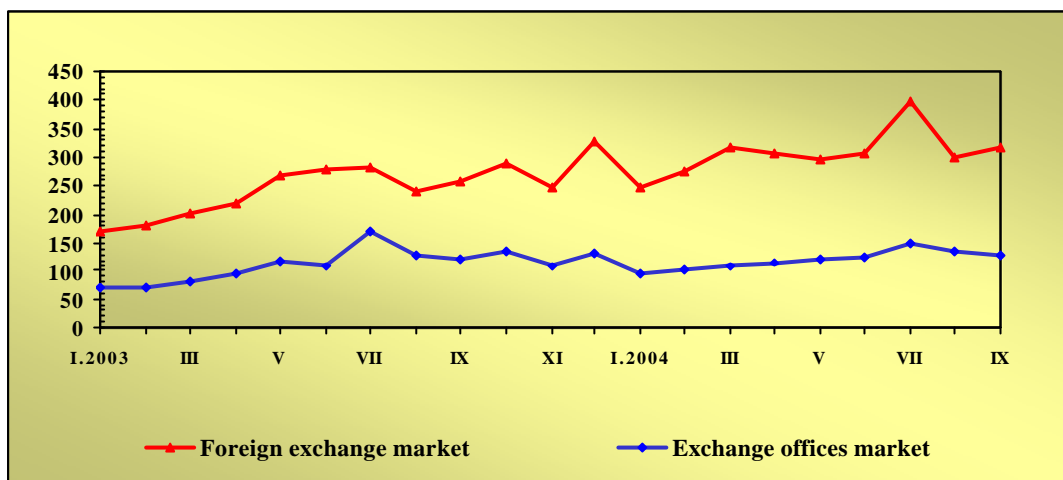
Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia

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)

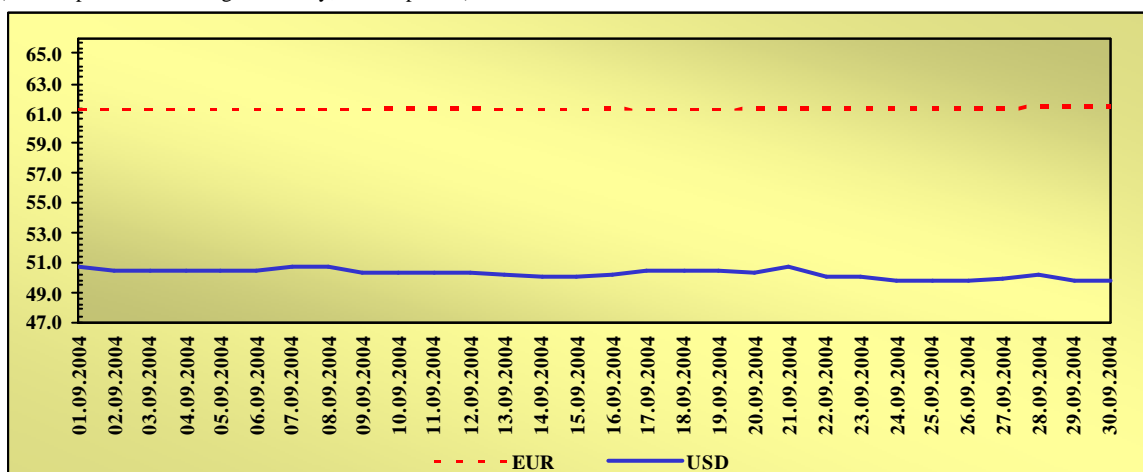




Chart 13

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

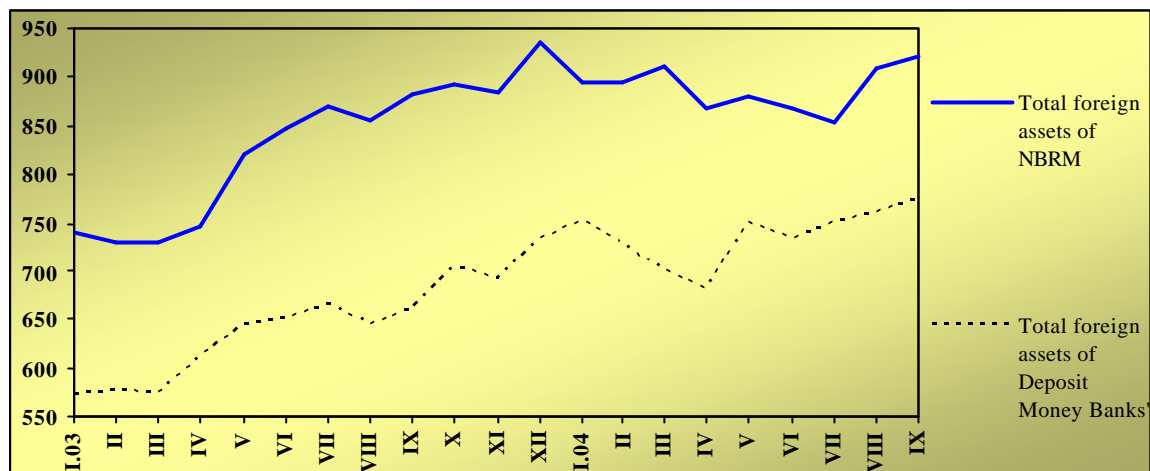


Chart 14

Used credits and serviced liabilities
(in US Dollar million)

