

BULLETIN

1-3 2003

MINISTRY OF FINANCE
REPUBLIC OF MACEDONIA

Web site of the
Ministry of Finance of the Republic of Macedonia
<http://www.finance.gov.mk/>

Web site of the
Public Revenue Office
<http://www.ujp.gov.mk/>

Web site of the
Macedonian Privatization Agency
<http://www.mpa.org.mk/>

Web site of the
Macedonian Stock Exchange
<http://www.mse.org.mk/>

Web site of the
Securities Exchange Commission
<http://www.sec.gov.mk/>

Web site of the
National Payment Card
<http://www.npk.com.mk/>

Skopje, January - March 2003



CONTENTS

TABLES AND GRAPHIC PRESENTATIONS

Table 1: Republic of Macedonia - Basic Macroeconomic Indicators	5
Table 2: Selected Macroeconomic Indicators in the EU Accession Countries	5
Table 3: Gross Domestic Product (Real growth rates)	6
Table 4: GDP (Expenditure approach)	7
Table 5: GDP (Production approach)	7
Table 6: Basic short-term macroeconomic trends	8
Gross Domestic Products	10
Prices	10
Foreign Trade	11
Short term economic developments in the Republic of Macedonia (March 2003)	14
Table 7: Revenues of the Central Budget of the Republic of Macedonia	32
Table 8: Expenditures of the Central Budget of the Republic of Macedonia	33
Table 9: Revenues and Expenditures of the Central Budget of the Republic of Macedonia (According to the GFS methodology)	34
Table 10: Budget - Central Government	36
Table 11: Pension and Disability Insurance Fund	37
Table 12: Health Insurance Fund	38
Table 13: Employment Fund	39
Table 14: Road Fund	40
Macedonian Stock Exchange	41
Table 15: Macedonian Stock Exchange - Report on Trading 1.1.2003 - 31.3.2003	46
Money and Short-term Securities Market	50
Deposits of physical persons at the banks and savings houses	51
Information on credit lines for small and medium- size enterprises	52
Facts about privatization (condition 31.3.2003)	58

ARTICLES

<i>In Brief</i>	64
<i>Huseyin Sen</i> - The IMF and World Bank Approaches to Macroeconomic Management in Developing Countries	71
<i>Dragoljub Arsovski, Ph.D & Jasmina Bucevska, Ph.D</i> - Some Best Practices in The Relations between the Financial Institutions and the Customers	78
<i>Goran Petreski</i> - "Low or moderate inflation" dilemma in the Republic of Macedonia	84
<i>Gordana Vitanova, Ph.D</i> - The Significance and Need for Internal Audit for the Managers	87
<i>Marjan Nikolov, MSc</i> - Labor Market Flexibility: Empirical Evidence for Macedoonia	90
<i>Snezana Delevska</i> - Export of the Republic of Macedonia - features and measures for its promotion	94

HONOURABLE,

You have the new edition of the Bulletin of the Ministry of Finance, first in this year, in front of you. Due to objective reasons, when preparing this edition, we have experienced, I would say, major delay, and therefore we have decided to arrange a quarterly edition, encompassing the economic parameters in the period January-March 2003. In the forthcoming period, the next months, we promise to continue the quality and expert monitoring and publication of the latest economic trends in the country, on monthly basis, of course.

During that period, actually as always, the Ministry of Finance has worked with accelerated pace, and as a result, and at our utmost pleasure, significant results have already been achieved. Thereby, one of the biggest success is, of course, the signing of the IMF Stand-By Arrangement, being confirmation of the sound macroeconomic policy the Republic of Macedonia will conduct in the forthcoming period, as well as positive signal to the international community. By concluding the Arrangement, in addition to the envisaged amount of US\$ 26 million, usage of donors' conference funds is enabled, as well as higher inflow of foreign direct investments, more than necessary to the Republic of Macedonia.

I would like to also emphasize the adoption of the 2003 Budget, which, for this year, is labeled as restrictive and by itself, will enable reduction of the tax burden, more room for reform measures, promotion of the entrepreneurship, as well as conducting more relaxed monetary policy.

Initial positive results from the sound fiscal policy are already evident. Interest rates, set by the National Bank of the Republic of Macedonia, have been significantly re-



Dimko Kokaroski, Ph.D.
Deputy Minister of Finance

duced. Thus, interest rate of the Central Bank bills, amounting to 14-15% at the end of 2002, has been considerably decreased, and in April already it amounted to 7%. The discount rate has also been reduced from 10.7% to 6.5%. Taking into account the proven high correlation between the interest rate of the Central Bank bills and the money market, there was substantial reduction in the same period of the interest rate at the money market, now amounting to below 10%, being the lowest level recorded in the past three years, i.e. from 2000 onwards.

As a result, we have experienced the long-expected reduction of the interest rates at the commercial banks, considered by many as impossible to happen in this period. Still, the interest rates at the commercial banks have dropped by one to two percentage points, and in average amounted between 16-17%. Although the average level of the interest rates is still far from the desired one, this is the lowest level since the independence of the Republic of Macedonia. Encouraged by this success, in the period to come, we will do our best to create favourable economic environment for all entities, leading to further reduction of the interest rates at the commercial banks.

Good results in the monetary policy are also coupled with the positive performance in the real sector. In the first quarter of 2003, industrial production increased by 3.5%, mainly as a result of the excellent performance by the steel industry, the production of ferrosilicon and ferronickel, together with the textile industry and the civil engineering. At the same time, the export has exceeded the initial estimates for the first quarter, and increased by whole 20%. The inflation rate, measured by the costs of living, amounted to 0.0% in the first quarter. As expected, the change of the VAT rates for certain products, starting 1st April 2003, did not have great influence over the inflation rate, thus leading to increase of the costs of living by 1.6% compared to March 2003. The estimates of the inflation by the end of this year are directed towards realization of the projected 3% rate.

Thus, we anxiously expect the data on the economic performance in the forthcoming period, which we believe will be one more confirmation that the measures undertaken are a step forward in the real direction, i.e. in direction of achieving sustainable economic position of the Republic of Macedonia.

Enjoy reading the Bulletin of the Ministry of Finance.

Best regards,

Dimko Kokaroski, Ph.D.

Deputy Minister of Finance

BASIC MACROECONOMIC INDICATORS

Annual data for Republic of Macedonia

		1993	1994	1995	1996	1997	1998	1999	2000	2001 *	2002 *
Real GDP	%	-7.5	-1.8	-1.1	1.2	1.4	3.4	4.3	4.5	-4.5	0.7
Inflation (average)	%	362	128	15.7	2.3	2.6	-0.1	-0.7	5.8	5.5	1.8
Inflation (end of period)	%			8.8	-0.7	2.7	-2.4	2.4	6.1	3.7	1.1
Implicit deflator	%	442.1	151.9	17.1	2.9	3.4	1.4	2.7	8.2	3.6	
Budget balance (Central budget and funds)	% of GDP	-13.4	-2.9	-1.2	-0.5	-0.4	-1.7	0.0	2.5	-6.1	-3.1
Exchange rate (average)	DEN/1USD	23.6	43.2	38.0	40.0	49.8	54.5	56.9	65.9	68.1	64.7
Exchange rate (end of period)	DEN/1USD	44.6	40.6	38.0	41.4	55.4	51.8	60.3	65.3	69.2	58.6
Export (F.O.B.)	USD bill.	1.06	1.08	1.20	1.15	1.20	1.31	1.19	1.32	1.15	1.11
Import (C.I.F.)	USD bill.	1.01	1.27	1.42	1.46	1.59	1.91	1.78	2.08	1.68	1.96
Trade balance	USD bill.	0.05	-0.19	-0.22	-0.31	-0.39	-0.60	-0.59	-0.76	-0.53	-0.85
Current account balance	USD bill.	0.02	-0.16	-0.22	-0.28	-0.27	-0.31	-0.11	-0.11	-0.24	-0.32
As % of GDP	%	0.8	-4.7	-4.9	-6.3	-7.2	-8.7	-3.0	-3.1	-8.6	-8.7
Foreign exchange reserves	USD bill.	0.12	0.16	0.27	0.27	0.28	0.33	0.48	0.71	0.79	0.73
Import coverage (reserves / import)	months	1.4	1.6	2.3	2.2	1.9	2.1	3.2	4.1	4.9	4.4
External debt ¹⁾	USD bill.	1.14	1.26	1.44	1.17	1.13	1.47	1.49	1.49	1.48	1.55
As % of GDP	%	45.5	37.2	32.3	26.5	30.3	41.0	40.0	38.2	39.8	41.8

1) Since 1998, according to the new methodology suggested by the World Bank, total external debt comprises short, medium and long-term credits.

* Estimation or preliminary data

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

SELECTED MACROECONOMIC INDICATORS IN THE EUROPEAN UNION ACCESSION CANDIDATES

	Real GDP				Consumer prices ¹⁾				Current account balance ²⁾			
	2001	2002	2003	2004	2001	2002	2003	2004	2001	2002	2003	2004
European Union accession countries	-	3.9	3.9	4.5	21.1	15.8	10.2	7.5	-2.8	-3.3	-3.6	-3.4
Bulgaria	4.0	4.0	5.0	5.5	7.5	5.8	3.0	4.1	-6.2	-3.4	-5.5	-4.6
Czech Republic	3.1	2.0	1.9	3.3	4.7	1.8	1.1	3.0	-5.7	-5.3	-5.8	-5.3
Estonia	5.0	5.0	4.9	5.2	5.8	4.3	3.6	2.9	-6.1	-10.1	-5.0	-5.1
Hungary	3.8	3.3	3.6	3.9	9.2	5.3	5.3	4.8	-3.4	-4.1	-4.8	-4.6
Latvia	7.9	6.1	5.5	6.0	2.5	1.9	3.0	3.0	-9.6	-8.7	-8.5	-7.1
Lithuania	5.9	5.9	5.3	5.7	1.3	0.3	2.1	2.5	-4.8	-5.4	-5.8	-5.4
Poland	1.0	1.3	2.6	4.1	5.5	1.9	1.1	2.4	-3.9	-3.5	-3.7	-4.0
Romania	5.7	4.9	4.9	5.0	34.5	22.5	16.2	11.6	-6.0	-3.4	-4.5	-4.5
Slovak Republic	3.3	4.4	4.0	4.2	7.3	3.3	8.8	7.5	-8.6	-8.2	-6.6	-6.3
Slovenia	3.0	2.9	3.2	3.8	8.4	7.5	5.7	5.0	0.2	1.8	1.9	1.7
Turkey	-7.5	6.7	5.1	5.0	54.4	45.0	24.7	14.5	2.3	-1.0	-1.8	-1.1

1) Annual average

2) Percent of GDP

Source: World Economic Outlook (Recessions and Recoveries), IMF, Washington D.C., April 2003.

GROSS DOMESTIC PRODUCT*(real growth rates, year on year, 1998-2002)*

	Agriculture, hunting, forestry and fishing	Mining and quarrying, manufacturing, electricity and gas	Construction	Wholesale and retail trade; repair of motor vehicles, motorcycles	Hotels and restaurants	Transport, storage and communication	Financial intermediation and real estate, renting	Public administration and defense	Imputed banking services	Value added	Net taxes on production	GDP
	A + B	C + D + E	F	G	H	I	J + K + O	L + M + N				
1998	I	2.0	8.3	-15.3	5.4	5.7	33.1	-0.7	9.5	4.3	5.7	4.5
	II	3.8	6.5	1.3	3.7	3.7	35.2	-0.3	11.3	4.8	6.1	5.0
	III	3.4	-2.2	16.7	-3.2	15.4	23.1	0.5	16.1	2.7	3.8	2.8
	IV	4.0	-5.3	22.7	-3.2	3.0	17.2	0.8	17.5	1.3	2.5	1.4
1999	98/97	3.3	1.4	7.7	0.4	7.3	26.5	0.0	13.5	3.2	4.5	3.4
	I	0.7	-9.0	14.4	-6.1	31.4	9.7	1.5	-2.3	0.0	-1.9	-0.3
	II	1.6	-5.3	27.0	-4.9	30.6	14.7	1.6	-2.0	3.0	1.1	2.7
	III	1.5	15.6	3.3	10.9	12.9	21.0	2.3	0.7	8.8	7.0	8.5
2000	IV	-0.2	6.3	1.3	11.2	28.2	22.7	2.3	0.9	6.4	4.5	6.1
	99/98	0.9	1.7	10.4	3.0	24.7	17.2	1.9	-0.7	4.6	2.7	4.3
	I	2.4	16.3	4.1	37.7	-7.1	13.4	2.4	0.5	11.4	15.1	12.0
	II	3.6	17.1	-9.9	4.6	-14.8	11.1	2.5	0.8	5.6	9.0	6.1
2001*	III	1.2	1.8	5.3	-8.7	-9.6	10.1	2.7	1.9	0.6	3.9	1.0
	IV	-3.1	4.5	12.5	-12.7	-13.1	0.7	3.2	3.7	-0.3	3.0	0.2
	00/99	1.0	9.4	2.6	3.0	-11.3	8.5	2.7	1.7	4.1	7.5	4.5
	I	-6.9	-2.8	0.7	-18.9	6.7	-4.8	3.0	-6.9	-6.2	-6.9	-6.3
2002*	II	-12.5	-4.7	-4.9	4.5	-7.1	-7.2	2.6	-8.5	-3.8	-4.4	-3.9
	III	-13.3	-10.6	-22.9	4.4	-14.7	-11.1	1.4	-13.1	-6.2	-6.9	-6.4
	IV	-10.3	-0.5	-22.8	9.7	-0.1	-9.9	1.3	-13.5	-1.5	-2.2	-1.6
	01/00	-10.8	-4.6	-14.4	-0.8	-4.5	-8.3	2.1	-10.5	-4.4	-5.1	-4.5
2002*	I	-2.7	-13.9	-11.0	7.6	-8.8	9.0	0.6	6.3	-2.2	-2.2	-2.2
	II	2.2	-7.7	-3.7	6.3	6.9	5.3	-0.5	10.9	-0.6	-0.6	-0.6
	III	3.6	-5.6	0.8	5.8	21.7	9.9	-0.4	15.8	1.0	1.0	1.0
	IV	6.2	5.5	-3.0	6.5	9.4	13.3	-0.1	11.4	4.3	4.3	4.3
02/01	2.3	-5.1	-3.7	6.5	7.4	9.4	-0.1	1.3	11.0	0.7	0.7	0.7

* Preliminary data

Source: State Statistical Office

GROSS DOMESTIC PRODUCT (PRODUCTION APPROACH)

In millions of denarsAt current prices

NACE Section	Description	1998	1999	2000	2001 ¹⁾	Indices 2001/2000
A	Agriculture, hunting and forestry	22.224	23.094	23.756	22.933	96.5
B	Fishing	52	29	14	24	71.4
C	Minerals and stone mining	1.584	1.620	1.856	1.312	-29.3
D	Manufacturing	35.202	36.764	40.926	39.587	-3.3
E	Electricity, gas and water supply	8.868	9.203	10.381	10.041	-3.3
F	Construction	11.267	10.880	13.361	11.801	-11.7
G	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	21.914	22.383	25.402	26.076	2.7
H	Hotels and restaurants	3.063	3.984	3.463	3.410	-1.5
I	Transport, storage and communication	14.309	17.233	21.261	21.694	2.0
J	Financial intermediation	7.229	6.977	7.342	7.420	1.1
K	Real estate, renting and business activities	5.206	5.890	7.466	8.304	11.2
L	Public administration and defence; compulsory social security	12.067	14.351	14.333	14.445	0.8
M	Education	8.030	8.769	8.266	8.048	-2.6
N	Health and social work	8.310	8.592	8.987	8.690	-3.3
O	Other community, social and personal service activities	4.887	4.967	5.217	5.548	6.3
P	Imputed rents	9.058	9.597	10.465	10.631	1.6
	Minus: Imputed banking services	5.036	5.017	5.153	4.738	-8.1
A	Value added	168.235	179.316	197.344	195.230	-1.1
B	Net taxes on production	26.747	29.694	39.045	38.611	-1.1
A + B	GROSS DOMESTIC PRODUCT	194.979	209.010	236.389	233.841	-1.1

1) Preliminary data.

GROSS DOMESTIC PRODUCT (EXPENDITURE APPROACH)

	In millions of denars				In %			
	1998	1999	2000	2001	1998	1999	2000	2001
GROSS DOMESTIC PRODUCT	194.979	209.010	236.389	233.841	100.0	100.0	100.0	100.0
(current prices)								
Final consumption	180.582	188.702	218.986	221.770	92.6	90.3	92.6	94.8
Household consumption	141.078	145.693	175.965	163.791	72.4	69.7	74.4	70.0
Government consumption	39.504	43.009	43.021	57.979	20.3	20.6	18.2	24.8
Gross capital formation	43.408	41.171	50.683	42.760	22.3	19.7	21.4	18.3
Gross fixed capital formation	33.982	34.710	38.332	34.716	17.4	16.6	16.2	14.8
Change in stocks	9.426	6.461	12.351	8.044	4.8	3.1	5.2	3.4
Export of goods and services	80.343	88.143	114.209	99.091	41.2	42.2	48.3	42.4
Export of goods (FOB)	70.618	67.988	87.161	78.625	36.2	32.5	36.9	33.6
Export of services	7.147	14.367	9.971	15.894	3.7	6.9	8.4	6.8
Purchases of non-residents	2.579	5.788	7.077	4.572	1.3	2.8	3.0	2.0
Import of goods and services	109.355	109.007	147.489	129.780	56.1	52.2	62.4	55.5
Import of goods (FOB)	92.845	90.554	123.910	107.166	47.6	43.3	52.4	45.8
Import of services	16.510	18.543	23.579	22.614	8.5	8.8	10.0	9.7

Source: State Statistical Office

BASIC SHORT-TERM ECONOMIC TRENDS

Percentage change from the same period previous year, if otherwise not stated

	2000	2001	2002	2002			2003				
				Q1	Q 2	Q3	Q4	January	February	March	Q1
REAL SECTOR											
Production											
real rates of change											
Gross domestic product	4.6	-4.5	0.7	-2.2	-0.6	1.0	4.3				
Industrial production	3.5	-3.1	-5.3	-13.9	-7.7	-5.6	5.5	8.4	-13.7	15.8	3.5
nominal rates of change											
Investment in machines and equipment	20.8	-16.9	16.4	48.1	22.8	-0.6	5.1				
Prices											
Costs of living	5.8	5.5	1.8	3.7	3.5	-0.9	0.9	0.2	0.1	-0.3	0.0
Industrial producer prices	8.9	2.0	-0.9	-1.9	-1.0			1.9	1.3	1.1	1.5
Competition of the industry											
Productivity	6.0	0.5	3.0	-3.2	6.7	13.9	21.8	18.3	-10.1	25.3	
Unit labour cost	-4.7	-0.7	0.2	2.2	-4.4	-6.6	-13.1	-15.7	9.4	-21.5	
Real unit labour cost	-12.5	-2.7	1.1	9.1	0.4	-3.6	-15.9	-17.0	7.5	-12.7	
Stock exchange prices of the major Macedonian export and import products											
Prices in US \$											
Crude oil brent	28.3	24.4	25.0	21.2	25.1	26.9	26.8	31.3	32.7	30.3	31.4
Lamb (c/kg)	261.9	291.2	330.3	311.1	319.2	339.7	351.5	360.4	358.2	352.2	356.7
Nickel	8,638.0	5,944.7	6,772.0	6,203.0	6,946.0	6,883.0	7,104.0	8,026.0	8,623.0	8,379.0	8,343.0
Copper	1,813.0	1,578.3	1,559.0	1,557.0	1,611.0	1,516.0	1,554.0	1,648.0	1,684.0	1,659.0	1,663.0
Lead	45.4	47.6	45.3	49.1	45.5	43.0	43.5	44.5	47.6	45.7	45.9
Zink	112.8	88.6	77.9	79.5	78.2	76.6	79.8	78.1	78.5	79.1	78.6
Steel cold rolled coilsreat	385.8	299.2	328.3	280.0	300.0	353.0	380.0	380.0	410.0	410.0	400.0
Steel hot rolled coilsreat	295.8	216.5	246.7	200.0	236.7	270.0	280.0	280.0	320.0	320.0	306.7
EXTERNAL SECTOR											
nominal rates of change in dollar amount											
Export of goods (FOB)	11.0	-12.7	-3.7	-16.7	-7.2	3.3	6.3	15.9	14.9	29.5	20.7
Import of goods (CIF)	17.9	-19.4	16.3	11.8	13.5	31.3	16	1.0	3.8	54.4	19.6
Trade balance (in millions of US \$)	-771	-533	-849	-200	-196	-184	-270	-79.9	-56.4	-100.2	236.4
Current account of the balance of payments (in millions of US \$)		-236	-38	-324	-104.3	-59.2	-37.1	-123.9			
Foreign exchange reserves (in millions of US \$) "-" means decrease	235.6	37.8	-41.0	22.0	68.0	-34.0	-97.0	-43.0	-10.0	3.0	-50.0
Medium and long-term external debt (end of period, in millions of US \$)	1,438.0	1,444.0	1,549.0	1,417.0	1,482.0	1,491.0	1,549.0	1,553.0	1,562.0	1,540.0	1,540.0

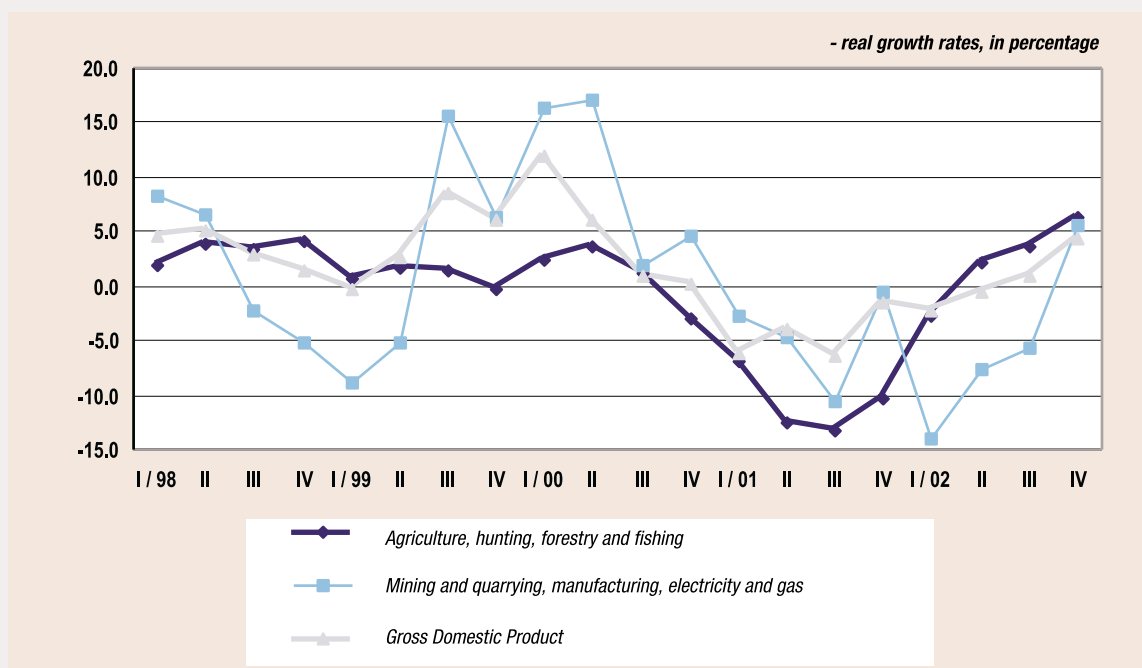
BASIC SHORT-TERM ECONOMIC TRENDS

Percentage change from the same period previous year, if otherwise not stated

	2000	2001	2002	2002			2003				
				Q 1	Q 2	Q 3	Q 4	January	Februar	March	Q 1
Foreign exchange rates											
Denar / EURO	0.2	0.3	0.2	0.2	0.3	0.1	0.2	0.2	0.8	0.5	0.5
Denar / USA \$	15.8	3.3	-13.2	5.6	-13.5	-6.1	-13.2	-19.4	-19.4	-19.0	-19.0
GOVERNMENT FINANCE											
nominal rates of change											
Revenues	22.5	-10.3	10.1	20.5	32.9	26.8	0.1	3.5	-20.2	-2.4	-6.8
Tax revenues	22.1	-6.9	14.0	13.1	31.3	23.2	-0.8	0.3	-22.8	-33.0	-8.9
VAT	75.2	-1.8	19.8	-4.5	52.0	31.2	40.9	186.9	-35.3	-11.3	4.5
Expenditures	12.7	27.0	-0.1	21.3	-10.0	0.8	3.5	-2.2	-24.8	-25.0	-18.2
Current expenditures	1.8	31.9	17.2	12.0	-16.0	17.9	-3.3	0.1	-20.2	-21.0	-14.3
Capital expenditures	94.5	28.3	11.8	92.7	3.7	53.4	81.2	-54.7	-74.6	-77.5	-71.4
Central budget balance (in millions of denars)	6,285	-12,490	7,343	463	-6,411	-4,979	-2,624	-340	125	550	335
General budget balance (in millions of denars)	5,905	-13,171	-13,019	-1,865	-5,076	-3,866	-2,213				
MONETARY SECTOR											
nominal rates of change (end of the period)											
Net foreign assets	73.8	57.6	-19.1	2.1	3.3	13.6	-27.7	-23.6	-21.5	-19.1	-19.1
Credit to private sector	17.2	7.3	12.7	5.4	7.6	13.1	9.9	12.0	12.7	11.7	11.7
Cash in circulation	16.6	48.5	0.0	25.8	32.9	65	0.0	-5.9	-12.6	-13.4	-13.4
M1	22.6	5.6	4.6	16.9	23.3	36.3	4.6	1.5	-6.6	-8.6	-8.6
M2	29.4	61.9	-7.0	47.7	60.5	64.6	-7.0	2.3	5.3	7.3	7.3
M4	25.6	56.7		42.0	51.7			0.2	3.2	5.2	5.2
Foreign exchange reserves / M4 (denars)	106.3	117.4	93.8	125.3	119.7	104.5	93.8	90.8	90.7	90.9	90.9
Foreign exchange reserves / M1	165.0	188.2	150.5	198.8	190.9	168.9	150.5	149.1	152.7	157.8	157.8
SOCIAL SECTOR											
Labour market											
Unemployment rate (Labor Force Survey)											
Number of new employed	32.2	30.5	31.9								
	101,996	90,308	110,401	24,093	27,490	29,980	28,838	6,934	7,670	7,848	22,452
Number of new employed on full time	63,987	63,346	74,341	15,973	18,492	21,607	18,269	4,134	4,211	4,348	12,693
Laid-off workers because of bankruptcy and redundancy	-	10,125	13,002	4,906	2,954	3,044	2,098	686	696		
Wages											
Nominal net wages	5.5	3.5	6.9	4.7	5.0	7.9	8.8	6.6	7.0	5.3	6.3
Real net wages	-0.3	-1.9	5.0	1.0	1.4	8.8	7.9	6.4	7.0	5.6	6.3
Consumer basket	2.4	4.9	3.7	8.1	4.8	1.0	1.3	1.9	-2.1	-2.9	
Social protection											
Number of pensioners	238,162	244,035	248,168	247,376	247,908	248,219	249,168	249,583	249,858	250,355	249,932
Number of households that receive social protection	75,277	77,309	81,027	80,931	79,552	81,626	81,997	58,024	59,997	60,954	
Number of persons that receive unemployment benefits	34,618	36,975	45,819	42,636	45,065	48,118	47,456	45,314	44,521	44,125	44,653

Source: State Statistical Office, National Bank of the Republic of Macedonia, Ministry of Labour and Social Policy, Employment Fund, World Development Prospects (Pink Sheets), Ministry of Finance

GROSS DOMESTIC PRODUCT



In million USD dollars

	1993	1994	1995	1996	1997	1998	1999	2000	2001 ²⁾
Gross Domestic Product¹⁾	3,450	3,389	3,351	3,390	3,458	3,575	3,730	3,899	3,723

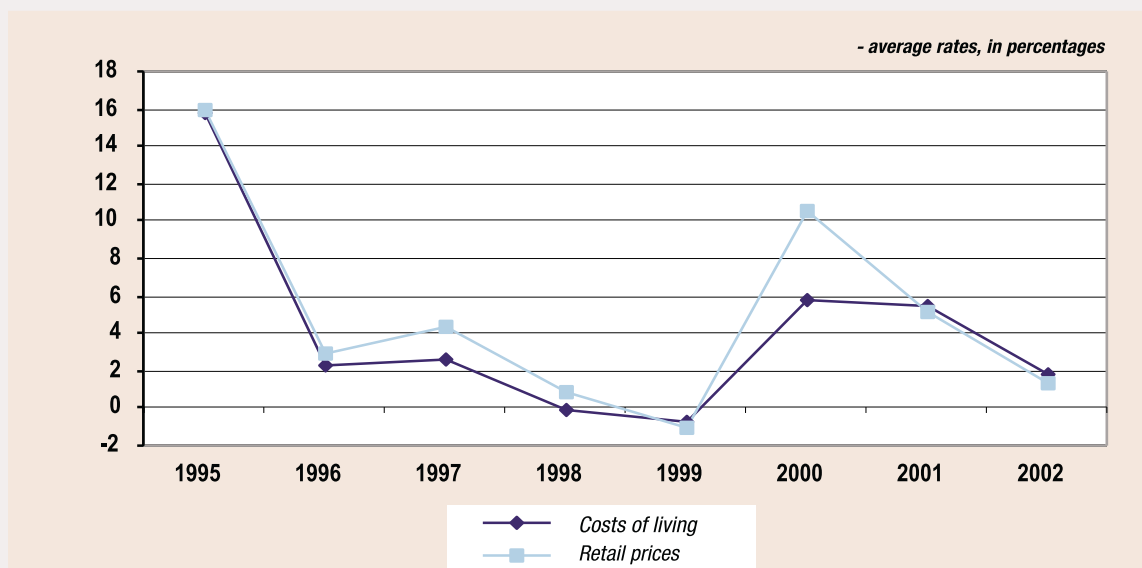
In USD dollars

	1993	1994	1995	1996	1997	1998	1999	2000	2001 ²⁾
Gross Domestic Product per capita¹⁾	1,785	1,742	1,705	1,709	1,732	1,781	1,848	1,924	1,830

1) Calculated according to UN PARE methodology by which a conversion is made with an exchange rate adjusted towards the movements of the prices in the national economy. The US dollar exchange rate is taken on basis compared with the denar in 1994 and an indexation with the deflator for each coming year.

2) Previous data

PRICES



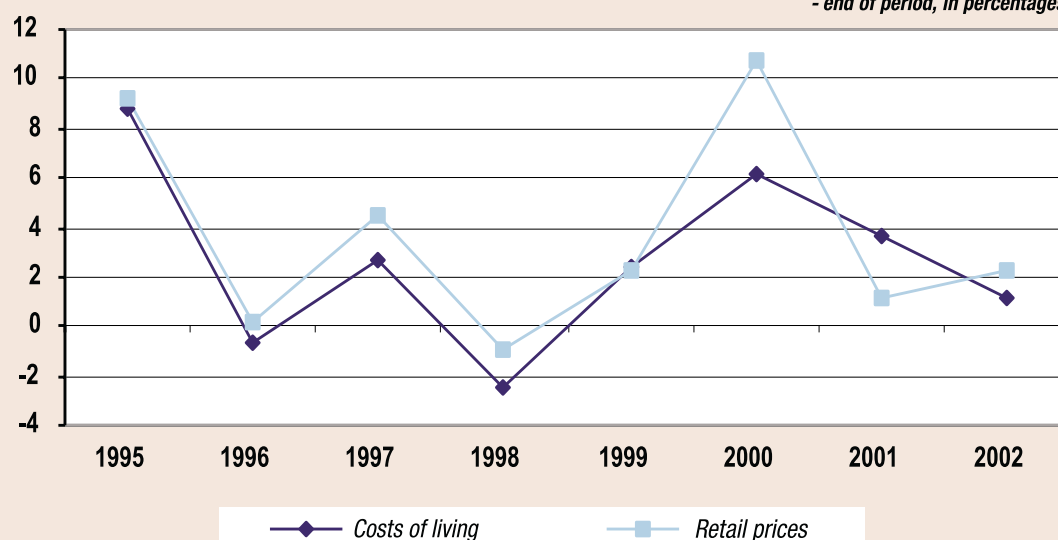
Average rates, in percentages

	1995	1996	1997	1998	1999	2000	2001	2002
Costs of living	15.7	2.3	2.6	-0.1	-0.7	5.8	5.5	1.8
Retail prices	15.9	3.0	4.4	0.8	-1.1	10.6	5.2	1.4

End of period, in percentages

	1995	1996	1997	1998	1999	2000	2001	2002
Costs of living	8.8	-0.7	2.7	-2.4	2.4	6.1	3.7	1.1
Retail prices	9.2	0.2	4.5	-1	2.3	10.8	1.2	2.2

- end of period, in percentages

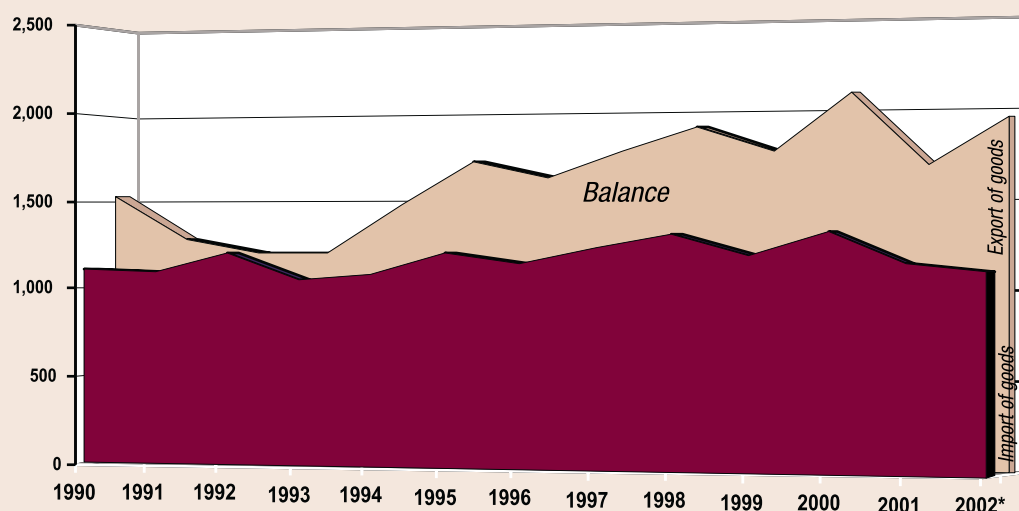


FOREIGN TRADE

In millions US dollars

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002*
Export of goods	1,113	1,096	1,199	1,055	1,086	1,204	1,148	1,237	1,311	1,192	1,323	1,155	1,105
Import of goods	1,531	1,274	1,206	1,199	1,484	1,719	1,627	1,779	1,915	1,776	2,094	1,688	1,952
Balance	-418	-178	-7	-144	-398	-515	-479	-542	-604	-584	-771	-533	-847

* Preliminary data



FOREIGN TRADE

(In millions US dollars)

		Total			Germany			Serbia and Monte Negro		
		Export	Import	Balance	Export	Import	Balance	Export	Import	Balance
1997		1,236.8	1,778.5	-541.7	199.0	239.0	-40.0	273.6	206.0	67.6
1998		1,310.7	1,914.7	-604.0	286.0	255.2	30.8	240.0	245.6	-5.6
1999		1,191.3	1,776.2	-584.9	254.3	245.8	8.5	254.5	183.9	70.6
2000		1,322.6	2,093.8	-771.2	257.5	253.3	4.2	335.2	190.4	144.8
2001		1,155.0	1,687.6	-532.6	237.5	213.3	24.2	266.8	157.2	109.6
2002		1,096.3	1,967.6	-871.3	231.4	288.2	-56.8	222.4	188.3	34.1
1998	Q1	274.5	377.7	-103.2	66.8	46.9	19.9	50.9	53.2	-2.3
	Q2	299.5	418.4	-118.9	65.6	64.5	1.1	66.3	60.8	5.5
	Q3	313.0	439.4	-126.4	72.1	57.6	14.5	66.8	61.9	4.9
	Q4	349.8	543.0	-193.2	76.1	86.2	-10.1	56.0	69.7	-13.7
1999	Q1	254.0	345.4	-91.4	69.1	49.5	19.6	26.6	41.5	-14.9
	Q2	250.6	364.9	-114.3	58.4	58.2	0.2	20.3	26.6	-6.3
	Q3	343.4	476.7	-133.3	67.2	59.4	7.8	115.1	46.7	68.4
	Q4	343.5	589.2	-245.7	59.6	78.7	-19.1	92.5	69.1	23.4
2000	Q1	331.1	606.8	-275.7	66.1	80.9	-14.8	78.8	47.8	31.0
	Q2	317.7	481.0	-163.3	56.9	52.7	4.2	76.3	47.3	29.0
	Q3	345.1	470.6	-125.5	70.8	55.0	15.8	82.8	47.3	35.5
	Q4	328.7	535.4	-206.7	63.7	64.7	-1.0	97.3	48.0	49.3
2001	Q1	291.5	400.4	-108.9	69.0	52.8	16.2	62.3	34.9	27.4
	Q2	285.3	416.6	-131.3	52.9	59.0	-6.1	74.1	39.2	34.9
	Q3	295.7	378.9	-83.2	61.9	42.8	19.1	62.9	33.4	29.5
	Q4	282.5	491.7	-209.2	53.7	58.7	-5.0	67.5	49.7	17.8
2002	Q1	243.4	443.3	-199.9	60.7	56.2	4.5	46.9	38.2	8.7
	Q2	263.9	459.7	-195.8	53.8	69.1	-2.5	53.4	47.8	5.6
	Q3	288.6	494.5	-205.9	60.1	75.1	-9.9	55.8	47.7	8.1
	Q4	300.4	570.1	-269.7	56.8	87.8	-31.0	66.3	54.6	11.7
2001	I	82.3	118.6	-36.3	20.6	18.8	1.8	18.6	10.3	8.3
	II	98.4	131.2	-32.8	23.9	16.0	7.9	25.0	11.3	13.7
	III	110.8	150.6	-39.8	24.5	17.9	6.6	18.7	13.2	5.5
	IV	95.9	130.8	-34.9	16.2	15.9	0.3	25.1	12.8	12.3
	V	88.9	146.6	-57.7	15.5	23.3	-7.8	25.0	11.1	13.9
	VI	100.5	139.2	-38.7	21.2	19.8	1.4	23.9	15.3	8.6
	VII	97.1	133.2	-36.1	22.6	17.2	5.4	21.3	10.1	11.2
	VIII	92.3	118.6	-26.3	17.4	13.6	3.8	17.5	10.7	6.8
	IX	106.3	127.1	-20.8	21.9	12.1	9.8	24.0	12.6	11.4
	X	102.6	161.0	-58.4	18.8	17.6	1.2	25.3	15.1	10.2
	XI	97.9	158.7	-60.8	16.0	19.0	-3.0	22.6	18.7	3.9
	XII	82.0	172.0	-90.0	18.9	22.1	-3.2	19.8	16.0	3.8
2002	I	68.3	155.6	-87.3	17.7	15.6	2.1	13.0	9.6	3.4
	II	82.5	145.1	-62.6	20.6	21.9	-1.3	17.0	12.5	4.5
	III	92.6	142.6	-50.0	22.4	18.7	3.7	16.9	16.1	0.8
	IV	88.8	150.9	-62.1	15.8	20.7	-4.9	19.5	19.2	0.3
	V	76.7	146.8	-70.1	15.1	23.8	-8.7	19.4	12.4	7.0
	VI	98.4	162.0	-63.6	22.9	24.6	-1.7	20.9	13.0	7.9
	VII	113.5	185.7	-72.2	22.1	26.7	-4.6	28.1	15.4	12.7
	VIII	89.0	149.2	-60.2	18.7	20.6	-1.9	21.8	16.8	5.0
	IX	102.6	154.1	-51.5	21.3	20.3	1.0	22.8	14.4	8.4
	X	100.3	183.7	-83.4	16.3	23.8	-7.5	25.0	16.3	8.7
	XI	95.5	183.1	-87.6	19.6	26.1	-6.5	22.8	15.7	7.1
	XII	104.6	203.3	-98.7	20.9	37.9	-17.0	18.5	22.6	-4.1
2003	I	79.0	158.8	-79.8	18.7	22.6	-3.9	11.3	15.0	-3.7
	II	94.7	151.1	-56.4	21.9	21.7	0.2	15.5	15.2	0.3
	III	120.0	220.2	-100.2	26.1	24.7	1.4	19.5	20.0	-0.5
	IV	117.3	182.8	-65.5	22.2	20.6	1.6	22.5	15.3	7.2

Source: State Statistical Office

FOREIGN TRADE

(In millions US dollars)

USA			Italy			Greece			Russia		
Export	Import	Balance	Export	Import	Balance	Export	Import	Balance	Export	Import	Balance
117.0	83.4	33.6	43.6	96.0	-52.4	99.0	130.0	-31.0	26.6	69.2	-42.6
174.0	101.6	72.4	91.9	109.1	-17.2	83.1	112.9	-29.8	26.1	90.9	-64.8
136.1	54.7	81.4	77.6	92.7	-15.1	85.9	164.5	-78.6	15.1	91.2	-76.1
165.6	83.0	82.6	90.8	111.1	-20.3	84.1	201.5	-117.4	10.3	191.8	-181.5
99.7	51.5	48.2	88.7	107.7	-19.0	101.4	184.0	-82.6	13.9	139.4	-125.5
77.2	57.7	19.5	88.4	111.7	-23.3	111.7	202.6	-90.9	13.5	123.6	-110.1
32.7	17.4	15.3	21.1	20.6	0.5	19.4	24.9	-5.5	5.9	24.2	-18.3
45.3	18.9	26.4	23.0	30.0	-7.0	21.3	26.6	-5.3	7.6	25.9	-18.3
51.2	19.4	31.8	21.9	24.4	-2.5	20.9	30.3	-9.4	5.8	14.4	-8.6
44.8	45.9	-1.1	25.9	34.1	-8.2	21.5	31.1	-9.6	6.8	26.4	-19.6
34.5	12.5	22.0	21.9	14.6	7.3	20.4	24.8	-4.4	3.0	27.9	-24.9
32.5	12.7	19.8	19.4	23.4	-4.0	23.5	34.1	-10.6	3.3	9.2	-5.9
27.8	12.3	15.5	16.6	26.2	-9.6	18.4	39.6	-21.2	3.9	31.1	-27.2
41.3	17.2	24.1	19.7	28.5	-8.8	23.6	66.0	-42.4	4.9	23.0	-18.1
49.6	16.3	33.3	25.4	29.4	-4.0	19.7	43.1	-23.4	2.6	60.8	-58.2
48.6	16.5	32.1	27.4	29.3	-1.9	18.4	42.3	-23.9	2.7	38.6	-35.9
37.5	23.4	14.1	18.1	25.4	-7.3	23.5	55.3	-31.8	2.1	33.2	-31.1
29.9	26.8	3.1	19.9	27.0	-7.1	22.5	60.8	-38.3	2.9	59.2	-56.3
28.4	13.4	15.0	24.0	19.2	4.8	21.2	40.2	-19.0	2.8	53.4	-50.6
23.4	15.6	7.8	21.4	23.3	-1.9	24.3	38.7	-14.4	3.7	31.7	-28.0
26.9	11.7	15.2	24.3	29.5	-5.2	30.6	51.1	-20.5	3.3	26.9	-23.6
21.0	10.8	10.2	19.0	35.7	-16.7	25.3	54.0	-28.7	4.1	27.4	-23.3
17.6	17.9	-0.3	26.7	24.4	2.3	19.2	45.9	-26.7	3.4	49.4	-46.0
18.5	15.6	2.9	25.1	26.0	-0.9	27.5	49.1	-21.6	3.6	22.3	-18.7
16.5	10.7	5.8	21.2	29.4	-8.2	30.1	51.9	-21.8	3.5	13.3	-9.8
24.6	13.5	11.1	15.4	31.9	-16.5	34.9	55.7	-20.8	3.0	38.6	-35.6
10.5	6.7	3.8	5.8	5.0	0.8	5.8	8.4	-2.6	1.0	21.0	-20.0
9.3	2.4	6.9	8.1	6.6	1.5	6.3	14.5	-8.2	0.7	18.1	-17.4
8.6	4.2	4.4	10.1	7.6	2.5	9.1	17.2	-8.1	1.0	14.3	-13.3
7.3	4.7	2.6	7.2	7.5	-0.3	8.0	10.2	-2.2	1.0	9.6	-8.6
8.4	5.3	3.1	5.9	7.4	-1.5	8.2	12.4	-4.2	1.5	12.8	-11.3
7.7	5.6	2.1	8.3	8.4	-0.1	8.1	16.1	-8.0	1.2	9.3	-8.1
9.6	3.2	6.4	8.9	11.4	-2.5	8.0	17.1	-9.1	0.9	9.1	-8.2
9.4	4.1	5.3	7.0	9.2	-2.2	12.5	15.8	-3.3	1.2	8.5	-7.3
7.9	4.4	3.5	8.4	8.8	-0.4	10.1	18.1	-8.0	1.3	9.3	-8.0
5.2	3.6	1.6	8.6	9.7	-1.1	10.0	20.7	-10.7	1.3	8.6	-7.3
10.3	4.4	5.9	5.5	10.9	-5.4	8.8	17.7	-8.9	1.9	8.2	-6.3
5.5	2.9	2.6	4.9	15.2	-10.3	6.5	15.6	-9.1	0.9	10.6	-9.7
4.4	5.9	-1.5	7.8	7.0	0.8	5.1	16.7	-11.6	1.1	29.5	-28.4
5.5	8.5	-3.0	8.3	7.8	0.5	6.4	14.7	-8.3	1.1	11.4	-10.3
7.7	3.5	4.2	10.6	9.6	1.0	7.7	14.5	-6.8	1.2	8.5	-7.3
5.3	3.6	1.7	6.2	8.6	-2.4	13.4	19.9	-6.5	1.3	2.4	-1.1
3.5	3.6	-0.1	4.4	11.2	-6.8	9.0	17.5	-8.5	1.0	2.4	-1.4
8.0	6.8	1.2	6.7	12.5	-5.8	10.8	22.5	-11.7	1.1	1.7	-0.6
5.8	5.8	0.0	6.9	14.8	-7.9	10.8	27.4	-16.6	1.8	2.5	-0.7
6.5	3.4	3.1	4.9	6.8	-1.9	8.0	28.5	-20.5	1.1	2.5	-1.4
5.5	3.2	2.3	7.3	7.6	-0.3	9.8	18.6	-8.8	1.8	3.2	-1.4
7.2	3.4	3.8	6.0	11.0	-5.0	12.9	14.6	-1.7	1.7	16.9	-15.2
5.3	4.0	1.3	4.2	9.4	-5.2	9.5	18.6	-9.1	0.8	19.1	-18.3
12.1	6.1	6.0	5.2	11.5	-6.3	12.5	22.5	-10.0	0.5	2.6	-2.1
6.7	5.2	1.5	9.1	7.3	1.8	8.2	43.9	-35.7	0.5	1.7	-1.2
5.1	3.9	1.2	7.3	6.0	1.3	17.0	22.4	-5.4	0.5	2.1	-1.6
4.9	4.7	0.2	9.6	8.3	1.3	15.2	31.5	-16.3	1.5	21.2	-19.7
3.5	4.5	-1.0	8.9	10.4	-1.5	17.3	31.5	-14.2	0.9	5.1	-4.2

SHORT-TERM ECONOMIC DEVELOPMENTS

March 2003

SUMMARY OF THE MOST IMPORTANT SHORT-TERM ECONOMIC DEVELOPMENTS IN MARCH 2003

- **Industrial production increased by 44% on monthly level;**
- **Inflation, measured through the costs of living, was 0%;**
- **Export increased by 26.7% on monthly level;**
- **At the same time, import increased by 45.7%;**
- **Trade deficit amounted to US\$ 236 million in the first quarter;**
- **Central Budget realized a surplus in the amount of Denar 331 million in the first quarter of the year;**
- **Stock exchange prices of major Macedonian export products declined;**
- **External debt decreased by 1% in relation to the previous month;**
- **Gross foreign currency reserves of the National Bank of the Republic of Macedonia increased by US\$ 3 million, or 0.5%, compared to February;**
- **Highest level of foreign currency savings of the economic entities;**
- **Cash in circulation further decreased;**
- **Number of unemployment allowance beneficiaries decreased by 0.9%, in relation to the previous month.**

1. GENERAL ECONOMIC DEVELOPMENTS

Industry achieved very high growth rates in March 2003, after their drop in the previous month. Compared to the previous month, industrial production increased by 44% in March 2003, with simultaneous increase in almost all industry branches. In the first quarter of 2003, the increase of industrial production was drawn by the heavy industry, i.e. steel industry (production of ferrosilicon in "Silmak" - Jegunovce, and production of ferronickel in "Feni Industry" - Kavadarci), together with the increase evidenced in the industry for construction materials.

In the first three months of the year, consumer price index did not have any changes, and it was 0.0%, whereby prices of goods declined by 0.8%, in relation to the first quarter of the last year, while prices of services increased by 4.4%.

Unlike the previous month, when world markets had a tendency for increasing prices of almost all products, this time, movement of prices went in totally opposite direction. Panic on the world markets, encouraged by the uncertainty regarding the duration of the conflict in Iraq, which constantly pressured towards increasing the prices, seems to relax, and as result, situation on the world markets gradually started to normalize.

The external debt of the Republic of Macedonia¹ at the end of March 2003 amounted to US\$ 1,540 million, which is a decrease of 1% in relation to the previous month, as result of higher repayments in relation to disbursed funds. New credits in the amount of US\$ 1.4 million were concluded in this month, all being from private creditors, hence the amount of concluded new credits reached US\$ 9 million in the first quarter of 2003.

With respect to the fiscal policy, total revenues to the Central Budget amounted to Denar 12,786 million in the first

1) According to previous data from the National Bank of the Republic of Macedonia; data refer to debt on the basis of used mid-term and long-term credits.

three months of the year, which is a decrease of 6.8% in relation to the same period in the previous year. At the same time, as result of the restrictive fiscal policy, total expenditures to the Central Budget decreased by 18.2%, and they amounted to Denar 12,455 million. Hence, surplus was realized in the amount of Denar 331 million in the analyzed period.

In March 2003, monetary policy was oriented to sustain the stability of the Denar exchange rate in relation to Euro, being anchor of the macroeconomic policy. In addition, reduction of cash in circulation continued, which contributed towards increasing the liquidity of the commercial banks by 2.1% in relation to the previous month. In this period, the average interest rate on the money and short-term securities market decreased by 12.2%, which is reduction of 2.2 percentage points compared to the previous month.

2. REAL SECTOR

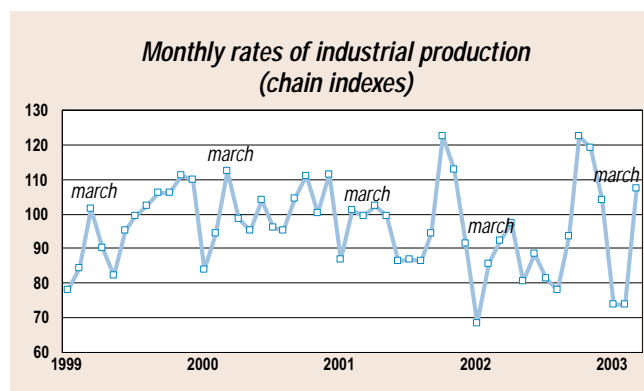
2.1. Industrial production

Conclusions for the instability of industrial production in the Republic of Macedonia, recorded through large variations in the monthly growth rates, were confirmed in practice again. In fact, industry achieved very high growth rates in March 2003, after their drop of 20.1% in the previous month. Compared to the previous month, industrial production increased by 44% in March 2003, with simultaneous increase in almost all industry branches. Should one compare the data on industrial production in the past few years, it is clear that this was the usual increase of industrial production at the end of the first quarter, which comes after traditionally anemic industrial activity at the beginning of each year.

However, the most optimistic is the high increase of de-seasoned industrial production, achieved after "cleaning" the industrial production index from the impact of all seasonal factors present in the course of the year. In March 2003, de-seasoned industrial production increased by even 31% in relation to the previous month, and 16.4% compared to March, 2002. Should this dynamics continue in the next few months, Macedonian industry will realize

the planned industrial production growth rate of 4.5% on an annual level by the end of the year.

Chart 2.1.1



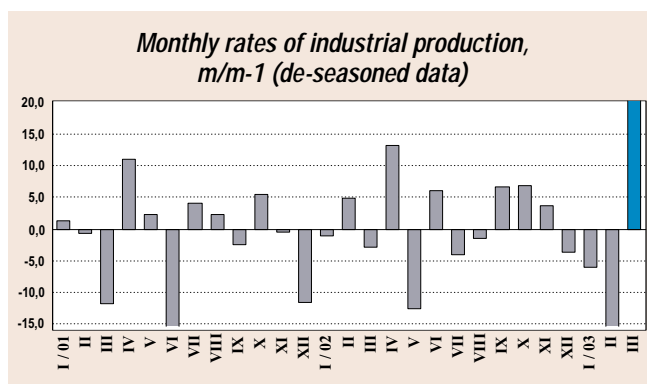
Source: State Statistics Bureau

In the first quarter of 2003, the increase of industrial production was drawn by the heavy industry, i.e. steel industry, production of ferrosilicon in "Silmak" - Jegunovce, and production of ferronickel in "Feni Industry" - Kavadarci. The ex largest loss-making enterprise in the Macedonian industry, "Jugohrom", showed the most impressive performances, managing to realize good results with the assistance of the new owners. According to business plans of this company, the preparations are ongoing for restarting the largest furnace, increasing the production twice as much, and employing additional 200 persons.

From the remaining branches with larger impact in the industrial production structure, the oil industry indicated positive results, i.e. problems were overcome related to the import of oil derivatives, present in the first two months of the year, after which the oil refinery "Okta" resumed its normal production.

Increased production and realization of positive rates was indicated in the tobacco industry (56.3%), textile industry (9.9%), and chemical industry (10.1%), as well as in the production of construction materials (102.4), in relation to the previous month. The latter data is especially important for the Macedonian economy, since it indicates on increased demand for construction materials, drawn by the increased construction activities in the country. The increased consumption of electricity and gas by 5.2%, in relation to the previous month, is also a certain indicator for increased economic activity in March 2003.

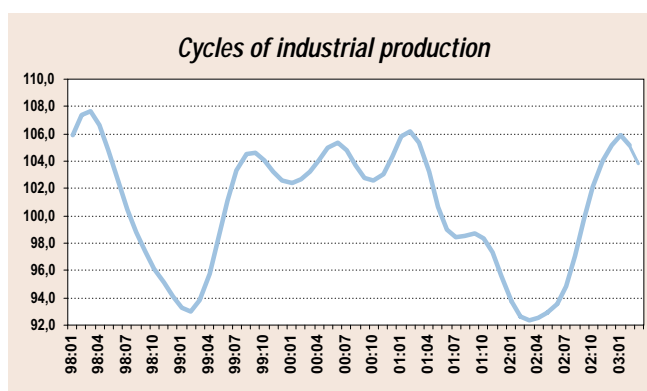
Chart 2.1.2



Source: Ministry of Finance

Given the dominant share in the total industrial production index (89.9%), the dynamics of Macedonian industry is usually related to the situation with the processing industry. Although this industry branch realized relatively low increase of 4.5% in the first quarter of 2003, compared to the same period last year, the increase of 49.6%, in relation to February 2003, i.e. 17% compared to March last year, represent solid ground for realization of positive industry production rates in the second quarter of the year. In addition, one of the key factors in that direction will be the rehabilitation of food industry, especially taking into consideration poor results recorded in this branch at the beginning of the year. However, one should emphasize that processing industry, and especially food industry, will face even greater challenges in the coming period, initiated by the accession of the Republic of Macedonia in the World Trade Organization, and the increased competition from abroad. This way, the need for designing high quality policies and instruments for increasing competitiveness and growth of this industry branch is even more emphasized.

Chart 2.1.3



Source: Ministry of Finance

Business tendencies in the processing industry

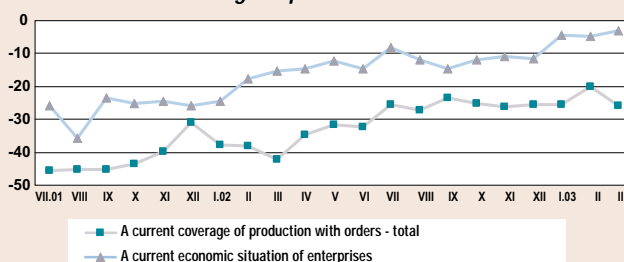
- March 2003

The primary objective of the survey of business tendencies in the processing industry is to obtain quick data on the current situation and the expected developments of major economic indicators in enterprises, i.e. in the entire processing industry. The survey is made using sample of 200 enterprises, classified pursuant to the National Classification of Activities (NCA), 109 enterprises of which are intentionally selected, and 91 are selected randomly.

According to the answers of Macedonian managers, the overall economic situation of their enterprises was more favourable in March 2003, in relation to the previous few months, and their estimates regarding the volume of production in the coming period were similar. At the same time, according to the estimates, current coverage of production with orders improved. With respect to the stocks of raw materials and intermediate products, as well as stocks of final products, they also improved, but were still under the normal level. In this period, there were expectations for further increase of prices of inputs and average prices of final products.

In March 2003, the average utilization of production facilities was 66.5%, i.e. 0.6% higher in relation to the previous month, which confirmed the positive results for this month, realized in the processing industry. Although this is the highest average utilization of industrial facilities in the past two months, it is still very low. Unlike the previous month, the most significant limiting factors are the financial problems in the enterprises (29.8%), followed by the insufficient domestic and foreign demand (36.7%) and the uncertain economic environment (14.5%).

Estimate of the current economic situation of enterprises and coverage of production with orders

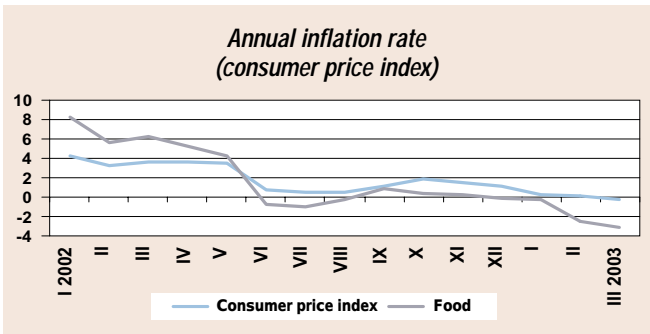


2.2 Prices

2.2.1 Consumer price index

The consumer price index remained unchanged in March 2003, in relation to the previous month, which contributed for the inflation rate to be 0.0% in the first quarter of the year. Within the index itself, prices of goods did not indicate any changes in relation to February 2003, while prices of services increased by 0.1%. Small, short-term impact is expected in the coming period, especially in April 2003, as result of the change of VAT tax rates for certain products. However, this change will not have a significant impact on the movement of prices annually, i.e. it will not disturb the realization of the planned inflation rate of 3% for 2003.

Chart 2.2.1.1

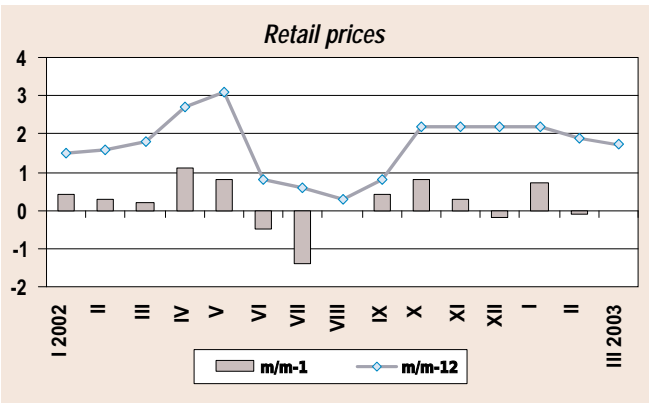


Source: State Statistical Office

2.2.2 Retail prices

Retail prices, that are usually higher than the Consumer Price Index, remained on the same level in March 2003, in relation to the previous month. Thereby, prices decreased by 0.1% in the group "Agriculture Products" and "Beverages", and retail prices of services increased for the same percentage. Compared to March 2002, retail price index was higher by 1.7%, initiated by the increase of prices of industrial products of 1.8%, industrial products other than food 2.9%, and beverages 3.6%. Cumulatively, in the first quarter of the year, retail prices increased by 2% annually.

Chart 2.2.2.1

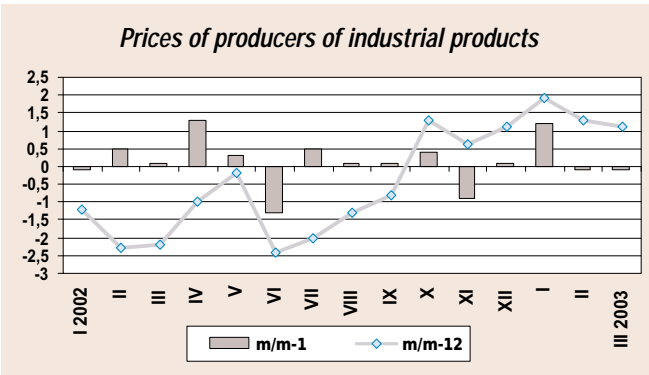


Source: State Statistical Office

2.2.3 Prices of producers of industrial products

Prices of producers of industrial products had a minimal drop of 0.1% on monthly level. However, on quarterly basis, the deflationary movements in the industry were replaced by the increase of prices of industrial products of 1.5% in relation to the first quarter of 2002. Such increase was mostly a result of the increased prices of oil derivatives by 25%, compared to the same period last year.

Chart 2.2.3.1



Source: State Statistical Office

2.2.4 Stock exchange prices of major Macedonian export products

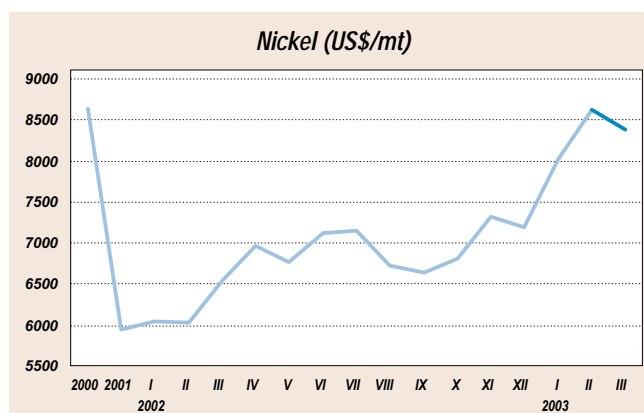
Unlike the previous month, when world markets had a tendency for increasing prices of almost all products, this time, movement of prices went in a totally opposite direction. Panic on the world markets, encouraged by the uncertainty regarding the duration of the conflict in Iraq, which constantly pressured towards increasing the prices, seems to relax, and as result, situation on the world markets gradually started to normalize. In March 2003, we witnessed a decrease of stock exchange prices of the largest share of products traded on the world markets.

The peaks of prices of some products, the highest in the past few years, will be remembered in the past few-month period. This especially refers to precious metals, gold for example, reaching a price in the amount of US\$ 359 per ounce, which is the record high registered on the London Stock Exchange since the beginning of 1997. The same refers to nickel, steel, and steel plates, i.e. all products directly related to the needs of the military industry. All these products indicated the highest price level in the past few years.

The highest drop of 7.1% had the price of raw Brent oil, compared to February 2003, reaching the price level this strategic product had at the end of last year. However, oil price on the world stock exchanges is still very high, compared to the average price this product had in 2002 (21%).

Price of sugar highly declined, the stock exchange price of which decreased by 8.7%, reaching the level of 18.14 c/ kg. This was seasonal reduction of the price of sugar, which comes after a period of traditionally increased demand on the world markets in the last months of the year. However, one should emphasize the fact that unlike the previous couple of years, increased demand continued in the first months of the year, prolonging the expected drop of the price of sugar for two months.

Chart 2.2.4.1



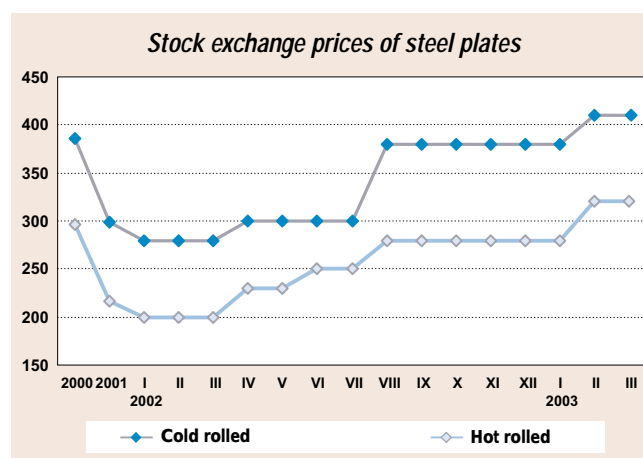
Source: World Development Prospects (Pink Sheets)

The movement of prices of non-ferrous metals is of special interest for us, especially nickel, lead, copper, and zinc. Except for the zinc, the price of which increased by 0.8%, the prices of all other metals dropped. Thereby, after the increase of 7.4% last month, in March 2003, the price of nickel declined by 2.8%, or US\$ 244 per metric ton, amounting to US\$ 8,379 per metric ton (\$/mt). Ac-

cording to estimates by stock market analysts, this probably is not a short-term decline, but rather downwards trend that will continue in the next few months. With respect to lead, its stock exchange price decreased by 4% in relation to the previous month.

Regarding other metals, after the decrease of price of steel and steel plates in the previous month, no changes of the price level of these products are expected in the coming period, i.e. in the second quarter of the year. At this moment, stock exchange prices of these metals range between 76.4 US\$/mt for steel, 410.0 US\$/mt for the hot-rolled steel plates, and 320 US\$/mt for cold-rolled steel plates.

Chart 2.2.4.2



Source: World Development Prospects (Pink Sheets)

2.3 Tourism

The increasing trend of the number of tourists and overnight stays, which started in 2002, continued in the first quarter of 2003 with higher intensity. Improved security situation in the country, international activities, and significant meetings that were held, as well as the favorable weather conditions for winter sports, resulted in realization of positive results in this branch.

Compared to the previous month, the number of tourists in March 2003 increased by 11%, and the number of overnight stays by 7%. Within these figures, the number of foreign tourist increased by 38% (overnight stays 43%), while the number of domestic tourists declined by 6% (overnight stays by 13%). The increased number of tourists from Greece is very indicative, almost twice as much, as well as from Albania, and Serbia and Montenegro. Almost half of the total number of foreign tourists who stayed in the Republic of Macedonia comes from these three countries.

Table 2.3.1

Number of tourist by types of tourist resorts

	Q1 2002	Q1 2003	Q1 2003 / Q1 2002
<i>Total</i>	64.331	69.142	107,5
<i>Skopje</i>	16.827	19.961	118,6
<i>Spas</i>	4.072	2.293	56,3
<i>Mountain resorts</i>	11.249	13.224	117,6
<i>Other tourist resorts</i>	19.760	22.624	114,5
<i>Other locations</i>	12.423	11.040	88,9

Source: State Statistical Office

2.4 Agriculture

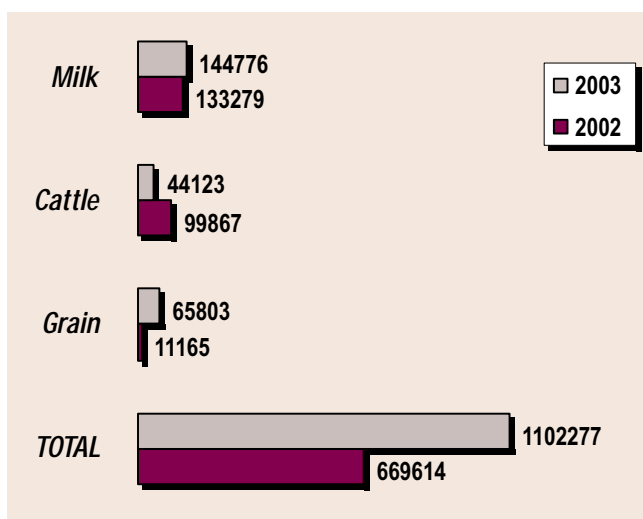
Activities related to sowing of spring cultures and the purchase of crops are ongoing in the agriculture sector in this period.

Sowing of spring cultures started with some delay due to the unfavorable weather conditions. As of March 31, 2003, total of 35,500 ha, or 24% were sowed with spring cultures. Within these figures, 26% of planed land was sowed with grain cultures, 4.7% with industrial cultures, 22.0% with vegetables, and around 50% with fodder cultures.

According to initial estimates, sowing in March had a smaller volume by around 10% in relation to the same period in 2003, mainly due to delayed start of the sowing, i.e. bad weather conditions that prevented the access to the land prepared for sowing.

On the other hand, value of the total purchase of crops in March 2003 increased by 64.6% in relation to the same month last year, whereby the purchase of milk, tobacco (dry leaf), apples, barley, wheat, and rye was increased. At the same time, the unfavorable weather conditions and the excessive humidity in 2002 caused the production of tobacco to have lower quality, so purchased tobacco was predominantly classified as class III^a and III^b, having lower average prices.

As of March 31, 2003, total volume of 20.6 million kilograms of dry leaf tobacco was purchased, the largest quantities of which from the type Prilep, 11.1 million kilograms with average price of 76.54 Den/kg. Approximately 50% of the funds have been paid for the purchased quantities, and the remaining quantities have been taken over, but still not paid.



3. EXTERNAL SECTOR

3.1. Foreign trade

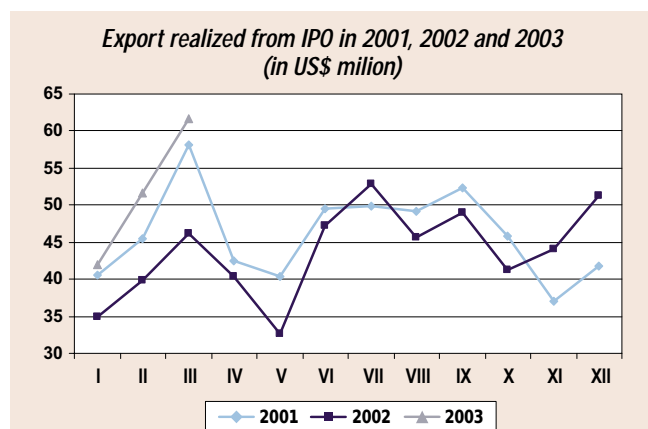
Foreign trade indicated some positive movements in March 2003. In fact, export of goods increased by 26.7%, while the import of goods increased by 45.7% in March 2003, in relation to February, which acted in direction of increasing the trade deficit from US\$ 56.4 million in February to US\$ 100.2 million in March 2003.

Chart 3.1.1



Source: State Statistical Office

Analyzed on an annual level, export in March increased by around 29.5%, in relation to the same month last year. Thereby, there was a higher increase of export than the one of inward processing operations (35.8%, i.e. 19.1%, respectively).

Chart 3.1.2

Source: State Statistical Office

The monthly increase of export is mainly a result of the export of the following products:

- **Iron and steel** (around US\$ 4 million, or increase of 15.8%)
- **Clothing** (around US\$ 4.5 million, or increase of 12.5%)
- **Tobacco and processed tobacco products** (US\$ 3.1 million, or 154%)
- **Beverages** (around US\$ 2 million, or increase of 20%)
- **Foodstuffs** (around US\$ 1.3 million or increase of 26%), and within this group, export of meat and processed meat products, due to export of lamb (which actually decreased by 45% in the first three months this year, in relation to the same period last year).

In accordance with these movements, economic purpose analysis indicates an increase of export of all types of goods, in relation to the level from the previous month.

Table 3.1.1**Export by economic purpose***

	2003 (in US\$)		rates (in%)
	February	March	
Intermediate products	41,463,381	58,530,598	41.2
Instruments of labor	1,609,001	1,814,439	12.8
General consumption goods, total	51,534,206	59,616,667	15.7
<i>Food</i>	4,916,554	6,102,076	24.1
<i>Beverages and tobacco</i>	4,410,667	5,567,802	26.2
<i>Clothing and footwear</i>	36,990,283	41,702,721	12.7
<i>Furniture</i>	209,142	238,361	14.0
<i>Textile (except clothing)</i>	1,235,933	1,402,193	13.5
<i>Med. and pharma. products and cosmetics</i>	2,416,881	3,051,982	26.3
<i>Other general consumption goods</i>	1,354,745	1,551,531	14.5
<i>Unclassified</i>	122,517	22,740	-81.4
Total	94,729,104	119,984,444	26.7

Source: State Statistics Bureau

Analyzed by economic groups of countries, export in the dominant partner, the European Union, continued its increasing tendency, whereby the increase in March was 23%, in relation to February 2003.

Germany, Serbia and Montenegro, Greece, Italy, and USA continue to be our biggest partners, the share of which covers around 65% of the total exports.

Cumulatively speaking, Greece was the second biggest trade partner in the foreign trade in the first three months (with structural share of 16.18%), mainly due to the higher import of oil for intervention purposes. Import of goods in March, in relation to February 2003, had a high increase of 45.7%, whereby such increase was 54.4% in relation to the same month from the previous year. Intermediate products indicated the highest increase, fuels within this group (reasons are well known), followed by raw materials and semi-finished products.

Table 3.1.2**Import of motor vehicles**

	2001	2002	2003	rates 2002/2001 (in %)	rates 2003/2002 (in %)
I	4.8	6.2	10.8	29.2	74.2
II	6.2	12.3	7.1	98.4	-42.3
III	4.6	9.9	9.7	115.2	-2.0
IV	4.8	9.4		95.8	
V	4.7	11.9		153.2	
VI	4.6	10.9		137.0	
VII	4.7	10.8		129.8	
VIII	3.0	9.4		213.3	
IX	4.7	9.8		89.4	
X	5.0	11.3		126.0	
XI	6.4	10.9		70.3	
XII	7.7	18.5		140.3	
Total	61.2	130.4		113.1	

Izvor: State Statistical Office

The import of motor vehicles in 2002, in relation to 2001, increased more than twice as much mainly as result of the amendments to the Law on Customs Tariff, i.e. reduction of the import customs duties for motor vehicles.

The tendency of unfavourable realization of certain free trade agreements continued in March. Significantly higher import than export continued to be realized with Bulgaria, Slovenia, and Turkey. The trade deficit with these three countries alone amounted to US\$ 60 million, which represents 25.4% of the trade deficit realized in the country in the first three months of the year.

Chart 3.1.3

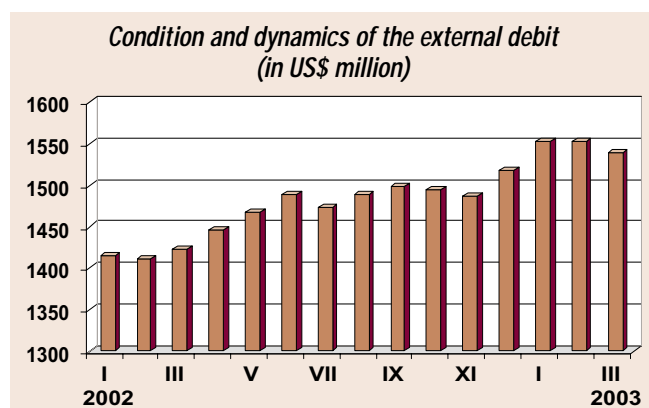


Source: State Statistical Office

3.2 External debt

The external debt of the Republic of Macedonia² amounted to US\$ 1,540 million at the end of March 2003, and it shows a decreasing tendency. Compared to the previous month, the external debt decreased by 1%³ as result of higher repayments in relation to disbursed funds.

Chart 3.2.1

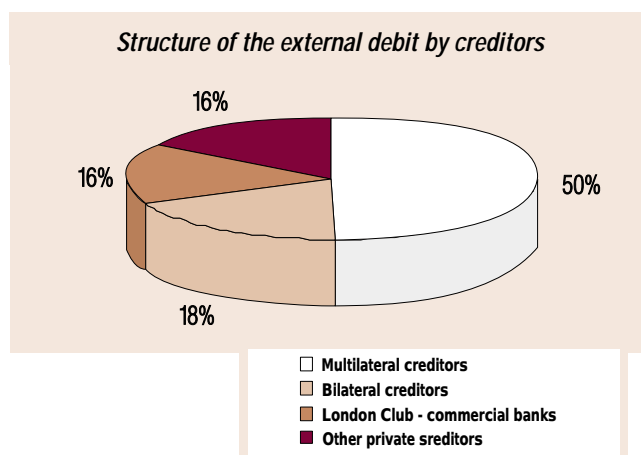


Source: National Bank of the Republic of Macedonia

The debt structure by creditors remained unchanged and favorable, whereby 68% of the external debt goes to official creditors, and the rest refers to the debt to private creditors.

In the group of official creditors, debt to the multilateral creditors is 50%, which is 2.7 times higher than the debt to bilateral creditors. Largest individual private creditor is the London Club with US\$ 249 million, while within the official creditors, IBRD (International Bank for Reconstruction and Development) and IDA (International Development Association) with US\$ 451 million.

Chart 3.2.2



Source: National Bank of the Republic of Macedonia

In March 2003, funds in the amount of US\$ 4 million were disbursed from the foreign creditors, which is at the average level of used funds in the past three months of the year, while compared to March 2002, they decreased by almost 3 times. Disbursed funds are mainly from IBRD and from private creditors. In the period January-March of this year, US\$ 15 million were disbursed, which is a drastic reduction compared to the same period last year, when US\$ 47 million were used.

At the same time, liabilities in the amount of US\$ 12 million were serviced to abroad, US\$ 10 million of which for debt principal and US\$ 2 million for interest. Cumulatively, liabilities in the total amount of US\$ 66 million were paid to abroad in the first quarter of 2003, US\$ 49 million of which for principal and US\$ 17 million for interest. Compared to the same period last year, the amount of liabilities serviced is higher by 27%.

New credits in the amount of US\$ 1.4 million were concluded in March 2003, all being from private creditors, by which the amount of new concluded credits in the first quarter of 2003 reached US\$ 9 million.

Pursuant to the Repayment Plan of the National Bank of the Republic of Macedonia as of March 31, 2003, in the period April-December 2003, liabilities in the amount of US\$ 142 million are due for repayment to abroad, US\$ 109 million of which for principal and US\$ 33 million for interest.

For the first three months of the year, the outstanding liabilities on the basis of principal and interest are in the amount of US\$ 5.5 million.

2) According to previous data from the National Bank of the Republic of Macedonia; data refer to the debt on the basis of used mid-term and long-term credits.

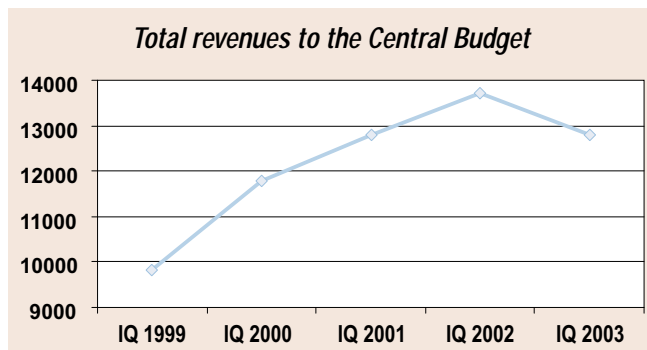
3) Data on the external debt as of February 28, 2002 was revised by the National Bank of the Republic of Macedonia from US\$ 1,548 million to US\$ 1,552 million.

4. FISCAL SECTOR

4.1 Central Budget revenues

In the first quarter of 2003, total revenues to the Central Budget amounted to Denar 12,786 million, which is a decrease of 6.8% in relation to the same period last year. Reduction of revenues was mainly due to the termination of the financial transactions tax at the beginning of the year.

Chart 4.1.1

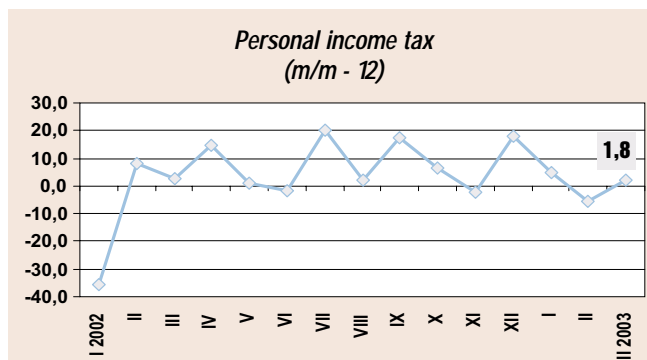


Source: Ministry of Finance

Out of the total tax revenues to the Budget of the Republic of Macedonia planned for 2003, in the amount of Denar 51,819 million, in the period January-March 2003, Denar 11,876 million were realized, or 22.9%. Within the realized tax revenues, personal income tax has a share of 14.1%, profit tax 10.0%, VAT 41.0%, excises 19.6%, customs and other import duties 13.9%, and other tax revenues 1.3%.

Revenues on the basis of personal income tax amounted to Denar 1,678 million in the first quarter of 2003, which is 0.14% lower compared to the same period last year, and 6.5% lower than planned revenues on this basis in the first quarter. However, revenues from personal income tax are higher by 4.1% on monthly level, and higher by 1.8% in relation to the previous month.

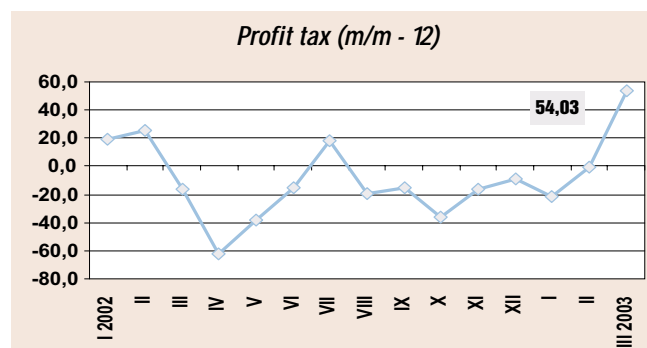
Chart 4.1.2



Source: Ministry of Finance

Revenues realized from the profit tax amounted to Denar 1,186 million in the period January-March 2003, and they were higher by 14.8% in relation to the revenues realized in the same period last year, and they were higher by 32.5% in relation to the plan. Increased realization in this period is due to increased revenues as result of the deadline for additional payments upon the annual financial statement by the taxpayers, until March 30. Denar 593 million were realized in March alone, which is 50.1% higher in relation to February, since by the submission of the annual financial statements, part of the taxpayers pay the difference between performed advance payments and the real liability of the calculated profit tax from the previous year.

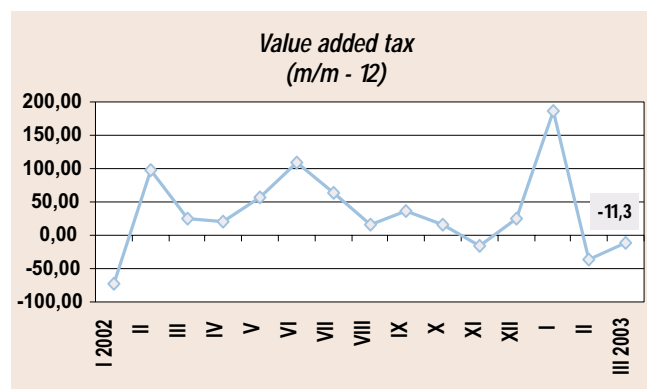
Chart 4.1.3



Source: Ministry of Finance

With respect to the value added tax, Denar 4,869 million were realized, or 20.6%, in the period January-March 2003, out of the total revenues to the Budget of the Republic of Macedonia, planned for 2003 from VAT, in the amount of Denar 23,582 million. Revenues from VAT, in the amount of Denar 1,760 million, were realized in March alone, which is higher by 32.4% in relation to the previous month, basically as result of the increased import in the country and the collection of VAT on that basis. The average monthly realization of VAT in the first quarter was Denar 1,623 million, and it was higher by 4.4% in relation to the same period in 2002.

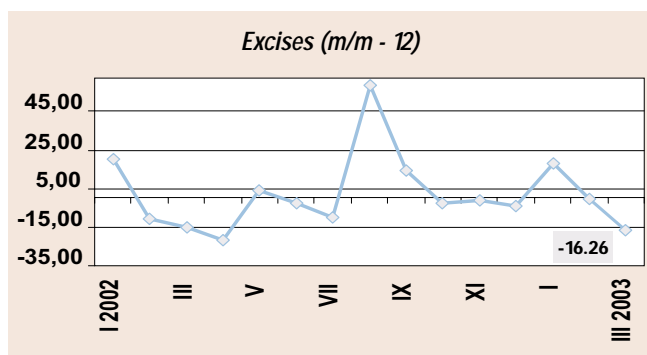
Chart 4.1.4



Source: Ministry of Finance

With respect to excises, out of the total revenues planned in the Budget of the Republic of Macedonia for 2003 on this basis, in the amount of Denar 11,096 million, in the first three months of the year, Denar 2,330 million were realized, i.e. 2.3% less than planned. At the same time, realized revenues were higher by Denar 4 million, or 0.2% in relation to the same period last year.

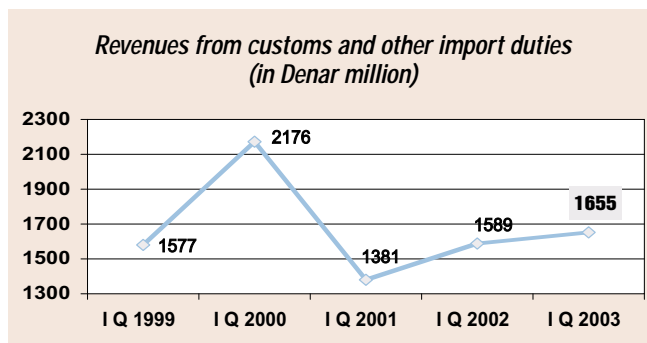
Chart 4.1.6



Source: Ministry of Finance

There was an increase of revenues from customs and other import duties, amounting to Denar 1,665 million, realized in the first three months of 2003, which is an increase of 4.1% in relation to the same period last year. On monthly level, revenues from customs also increased in March 2003, by 27.9% this time, amounting to Denar 760 million.

Chart 4.1.7



Source: Ministry of Finance

In the first three months of 2003, non-tax revenues amounted to Denar 773 million, which, compared to the same period last year, is an increase of 44.5%. In March, non-tax revenues amounted to Denar 256 million, which is also an increase of 7.6%, in relation to the same month last year.

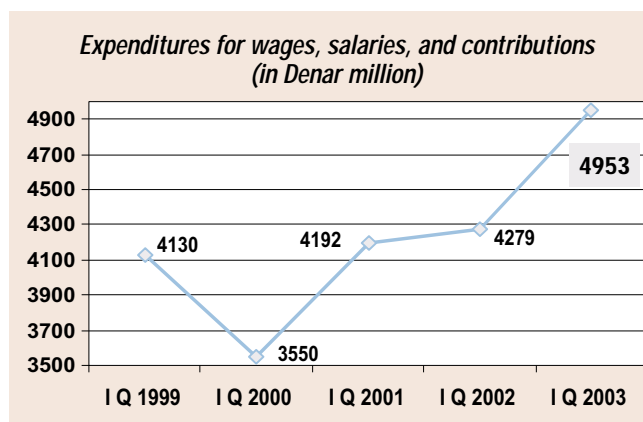
Capital revenues, having only 1% share in the total revenues to the Central Budget, amounted to Denar 137 million in the period January-March 2003, which is a decline of 2.84% compared to the same period last year.

4.2 Expenditures to the Central Budget

In the first quarter of 2003, total expenditures to the Central Budget amounted to Denar 12,455 million, which is a decrease of 18.2% in relation to the first quarter last year. In the analyzed period, the increase of wage bill and transfers, especially to the Pension and Disability Insurance Fund was characteristic, while the expenditures for goods and services, capital expenditures, and expenditures related to interest payments were reduced.

Expenditures for wages, salaries, and contributions amounted to Denar 4,953 million in the first quarter of 2003, which is an increase of 15.8% in relation to the same period last year. This increase was mainly due to the abovementioned increase of wages in the public administration in June 2002.

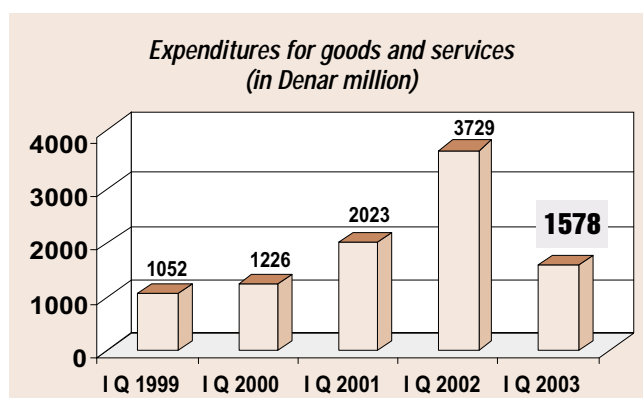
Chart 4.2.1



Source: Ministry of Finance

Denar 1,578 million were spent on goods and services, in the period January-March 2003, i.e. 57.7% less compared to the same period last year. This decrease of expenditures was mainly due to the Government policy for maximum reduction of the expenditures and creation of more relaxed monetary policy.

Chart 4.2.2

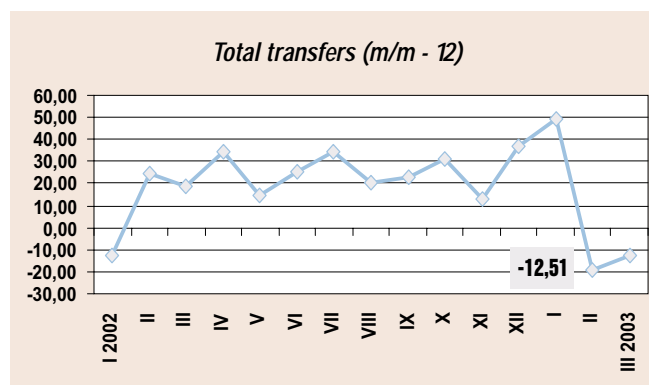


Source: Ministry of Finance

Current transfers (expenditures for structural reforms and public administration reforms excluded) were in the amount of Denar 3,844 million in the first three months of 2003, which is an increase of 0.9% in relation to the same period last year.

In March 2003, the total amount of current transfers was Denar 1,366 million, which is a reduction of 12.5% in relation to the same month last year. It is characteristic that such reduction was made in addition to the increased transfers to the Pension and Disability Insurance Fund, by decreasing the social transfers and subsidies.

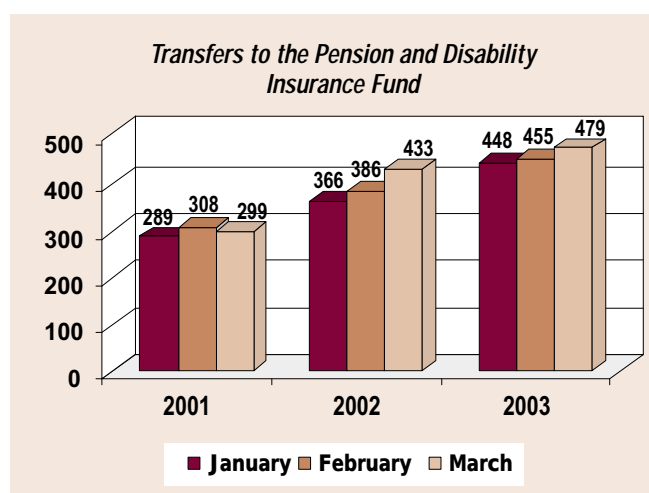
Chart 4.2.3



Source: Ministry of Finance

The 16.7% increase of transfers to the Pension and Disability Insurance Fund in the period January-March 2003, compared to the same period last year, was a result of the indexation of pensions to the increase of salaries in June 2002.

Chart 4.2.4

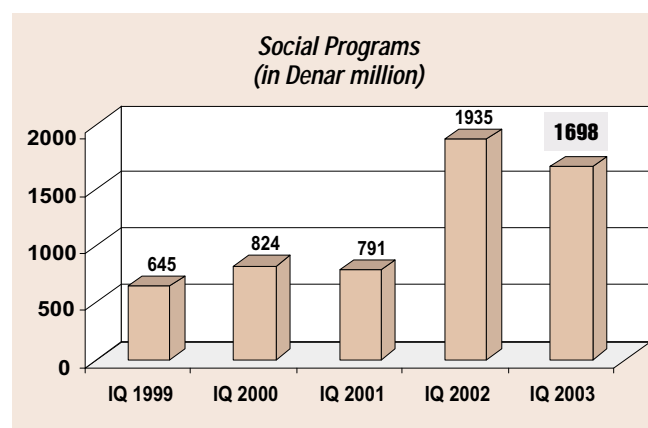


Source: Ministry of Finance

Transfers to the Pension and Disability Insurance Fund, in March 2003, amounted to Denar 479 million, which is an increase of 10.7% in relation to the same month last year.

With respect to social programs, in the first quarter of 2003, there was a decrease of 12.3%. Denar 599 million were spent on social programs in March 2003, which is a decrease of 12.3% compared to the same month last year.

Chart 4.2.5

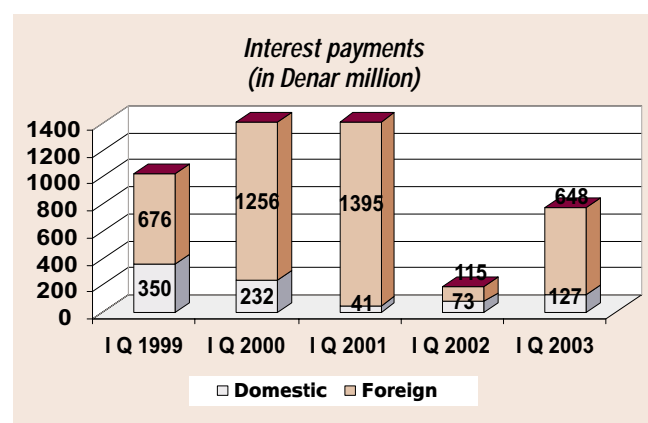


Source: Ministry of Finance

In the first three months of 2003, Denar 249 million were spent on subsidies, which is more than twice as much, compared to the same period in 2002.

Interest payments were reduced by 34.8% in the first quarter of 2003, in relation to the same period in 2002. This reduction is mainly due to decreased funds on the basis of foreign borrowing by 41.9%.

Chart 4.2.6



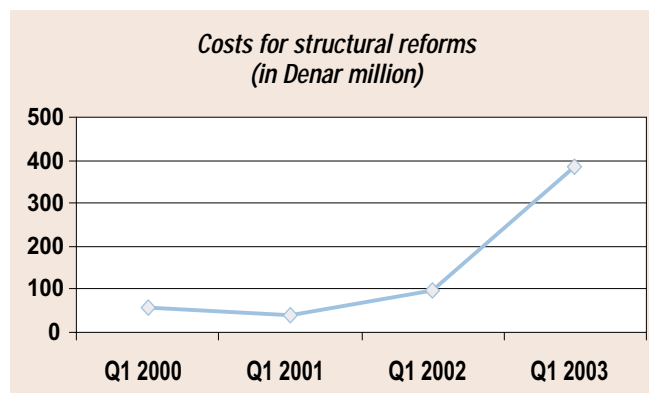
Source: Ministry of Finance

Interest payments amounted to Denar 179 million in March 2003, Denar 81 million of which for domestic indebtedness, and Denar 98 million for foreign indebtedness. Compared to the same month in 2002, interest payments increased by 32.6%.

Capital expenditures in the period January-March 2003 amounted to Denar 448 million, which is a decrease of 71.4% in relation to the same period last year.

With respect to structural reforms, the budget support in the first three months of 2003 amounted to Denar 384 million, which is an increase of Denar 285 million compared to the same period last year. The largest share was earmarked for payment of unemployment allowance and severance payments.

Chart 4.2.7



Source: Ministry of Finance

Denar 93 million were spent for supporting the Public Sector Reform in the period January-March 2003, whereby expenditures decreased by 31.9%, compared to the same period last year. The largest share, Denar 72 million, was spent on early retirements.

In the first quarter of 2003, surplus to the Central Budget was realized in the amount of Denar 331 million.

5. MONETARY SECTOR

5.1. Monetary regulation

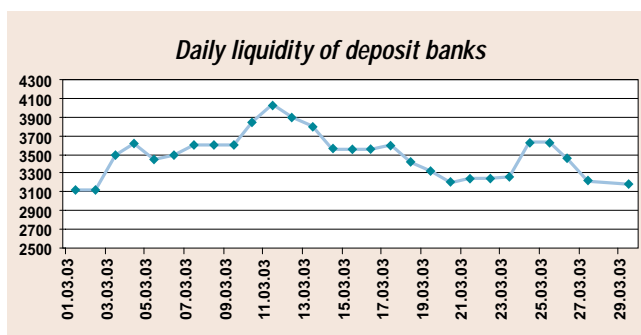
In March 2003, the monetary policy was determined by the need for keeping price stability and stable Denar exchange rate in relation to the Euro. Thereby, net domestic assets acted in direction of withdrawal of primary money in the amount of Denar 591 million (mainly as result of the 7.6% increase of the government Denar deposits with the National Bank of the Republic of Macedonia), while the net foreign exchange assets and the Central Bank bills acted in direction of creating primary money in the amount of Denar 358 million and Denar 67 million, respectively, thereby the net effect was withdrawal of Denar 166 million.

Table 5.1.1

(monthly changes in Denar million)	XIII.02	I.03	II.03	III.03
Withdrawal of primary money	-2288	-4504	-345	-591
Net foreign exchange assets	-2288	-3654	-303	
Net domestic assets			-42	-591
Other				
Central Bank bills		-852		
Creation of primary money	3721	1817	54	425
Net foreign exchange assets				358
Net domestic assets	2558	1817		
Other				
Central Bank bills	1163		54	67
Net effect	1433	-2687	-291	-166

In March 2003, primary money decreased by 1.1% in relation to the previous month, mainly as result of the 1.7% decrease of cash in circulation in relation to the previous month, simultaneously increasing the liquidity of the banking sector by 2.1%. Restrictive fiscal policy (there was a surplus to the Central Budget in the first quarter of 2003), and the termination of the financial transactions tax further affected towards decreasing the cash in circulation. Bank liquidity, despite the increase of 7.6% of government Denar deposits with the National Bank of the Republic of Macedonia, increased by 2.1% in March 2003, which was mainly due to the increase of funds on the giro accounts of the banks. On daily basis, banking sector liquidity indicated a significant increase in the first ten days of the month, and then it started to drop gradually. Thereby, the decrease of cash in circulation remains to be the main factor affecting the increase of liquidity of commercial banks.

Chart 5.1.1



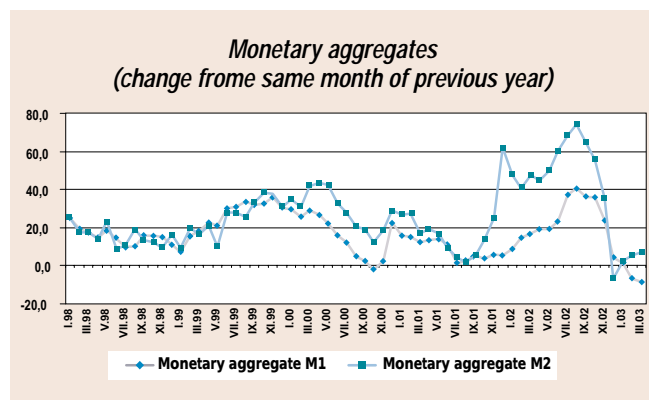
Source: National Bank of the Republic of Macedonia

M1⁴ monetary aggregate decreased by 2.8% in March 2003, in relation to the previous month, which is a decrease in three consecutive months.

4) The most narrowly defined monetary aggregate covering cash in circulation and Denar deposits.

This was due to the reduction of the two composing parts of the monetary aggregate M1, as follows: cash in circulation decreased by 2% (as result of the restrictive fiscal policy and the termination of the financial transactions tax), and deposits decreased by 3.3%. In the same period, M2 monetary aggregate remained around the same level as in the previous month (increase of 0.5%).

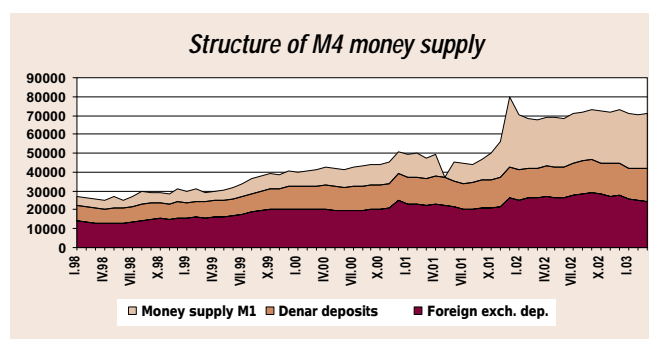
Chart 5.1.2



Source: National Bank of the Republic of Macedonia

The most broadly defined M3 monetary aggregate amounted to Denar 71.6 billion at the end of March, which is insignificant increase in relation to the previous month, and an increase of 5.2% in relation to the same month of the previous year. Thereby, the increase was due to the 13% increase of the foreign exchange component, while the Denar component remained at the same level.

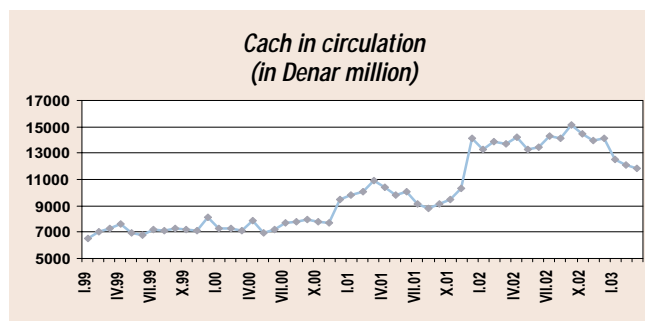
Chart 5.1.3



Source: National Bank of the Republic of Macedonia

In March 2003, cash in circulation decreased by Denar 232 million, or by 2% in relation to the previous month, acting in direction of increasing the liquidity of the banking system. Dynamically analyzed, cash in circulation had relatively stable level in the first half of March, and there was more significant decrease in the second half of the month. The restrictive fiscal policy, as well as the termination of the financial transactions tax remained to be the major factor affecting the decrease of cash in circulation.

Chart 5.1.4

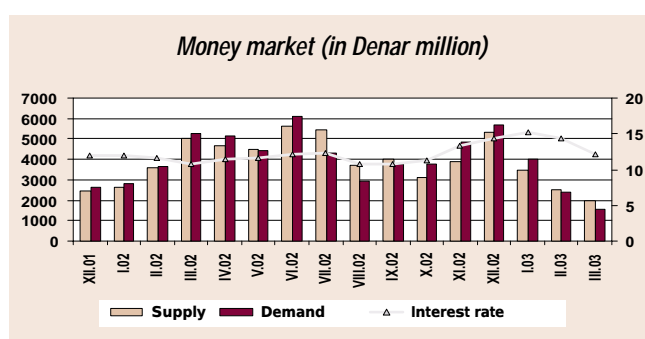


Source: National Bank of the Republic of Macedonia

5.2 Money and short-term securities market

The total turnover on the money and short-term securities market significantly decreased by 36% in March 2003, in relation to the previous month. Thereby, the decrease of the total turnover on the money market was both due to 21% reduction of supply of liquid funds, and 35% reduction of demand. Given the high correlation of interest rates on the money market and the Central Bank bills, in March 2003, interest rate on the money market decreased and reached the average of 12.2%, which is a decrease of 2.2 percentage points in relation to the previous month.

Chart 5.2.1

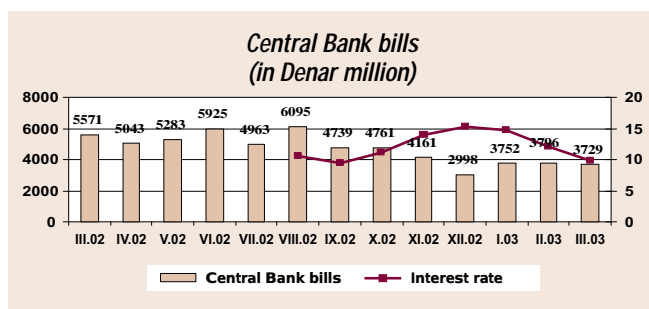


Source: National Bank of the Republic of Macedonia

5.3 Central Bank bills

The total amount of Central Bank bills sold as of March 31, 2003 was Denar 3.7 billion, which is a decrease of Denar 67 million in relation to the previous month, thus acting in direction of creating money in March 2003. At the same time, the sound fiscal policy at the beginning of 2003 contributed for the interest rate on Central Bank bills to significantly decrease by 2.1 percentage points, and further decrease is expected.

Chart 5.3.1

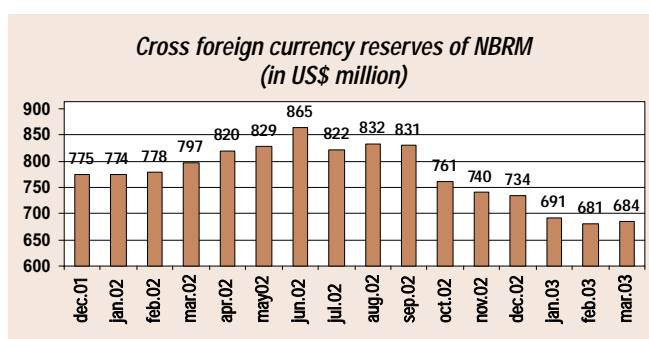


Source: National Bank of the Republic of Macedonia

5.4 Gross foreign currency reserves

Gross foreign currency reserves, at the end of March 2003, amounted to US\$ 684 million, which is an increase of US\$ 3 million, or 0.5% in relation to the previous month, thus stopping the six-month declining trend of the gross foreign currency reserves. However, unlike the previous months, when the National Bank of the Republic of Macedonia, pursuant to the policy of fixed Denar exchange rate in relation to the Euro, intervened on the foreign exchange market by selling foreign currency, this did not happen in February and in March. Thereby, the decrease of gross foreign currency reserves was mainly a result of the higher seasonal outflows on the basis of repayment of foreign debt in relation to the realized inflows.

Chart 5.4.1

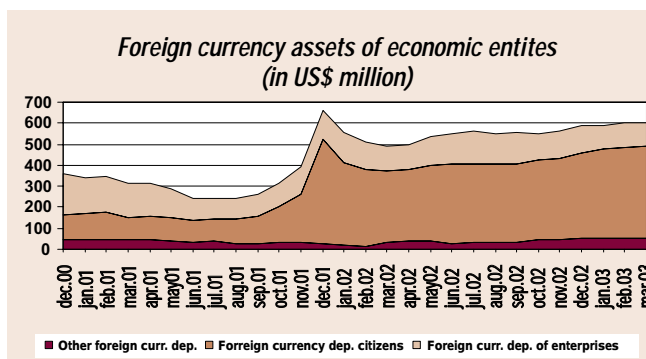


Source: National Bank of the Republic of Macedonia

5.5 Foreign currency deposits of economic entities

Total foreign currency deposits of economic entities amounted to US\$ 602 million in March 2003, which is an increase of US\$ 2 million, i.e. 0.3% in relation to the previous month. The increase was due to the increase of foreign currency deposits of enterprises. At the same time, foreign currency deposits of citizens remained at the same level.

Chart 5.5.1

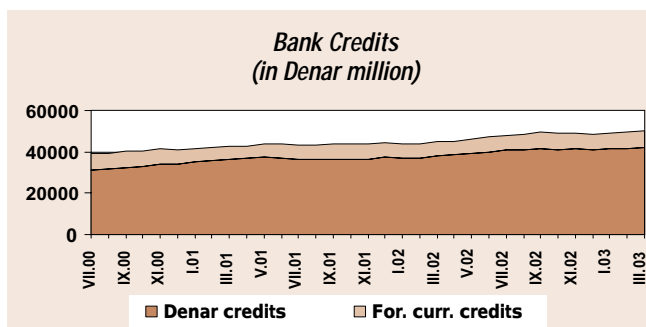


Source: National Bank of the Republic of Macedonia

5.6 Credits by the banks

The credit activity of commercial banks moderately increased in February 2002. Total amount of credits to the private sector amounted to Denar 49.6 billion, which is an increase of 1.3% in relation to the previous month, and 12.7% in relation to the same month last year. Thereby, there was a monthly increase registered in both components - Denar and foreign currency credits, whereby the Denar credits had more intensive increase.

Chart 5.6.1



Source: National Bank of the Republic of Macedonia

6. LABOR MARKET

The stagnation of the number of registered employees, accompanied with the record high registered unemployment, and the ever more massive migration abroad, especially of young educated professionals, indicated on increasing irrationality of utilization of the labor force in the Republic of Macedonia.

In order to alleviate this priority and acute problem in the Republic of Macedonia, the employment policy must actively engage all participants on the labor market by taking coordinated and directed action with a number of stimulative measures.

Primary reason for the need to initiate the rationalization of the public administration in 2003 is the fact that in the last five years the number of budget employees drastically increased from 80 thousand to 125 thousand. The funds for salaries for these beneficiaries account for almost 1/3 of the total budget. In addition, there is the general government commitment for reforms in this sector, which is a responsibility undertaken before the international financial institutions, and one of the conditions for membership of Macedonia in the European Union.

By the end of the year, the number of administrative workers should be reduced by around 4%, which means that out of the total number of 125,000 employees in the government bodies and organizations, 5 thousand will be declared redundant. To that end, analysis and estimation of the current situation with the employees are ongoing, i.e. operative programs are being prepared for rationalization of the job positions, to be completed by the end of May, 2003. In fact, the entire process will last for about two years, after which the size of the administration of government bodies and organizations financed from the budget will be known. The rationalization should have the largest scale in the ministries of education and health, since they have the largest number of employees, and deeper reforms should commence in these sectors.

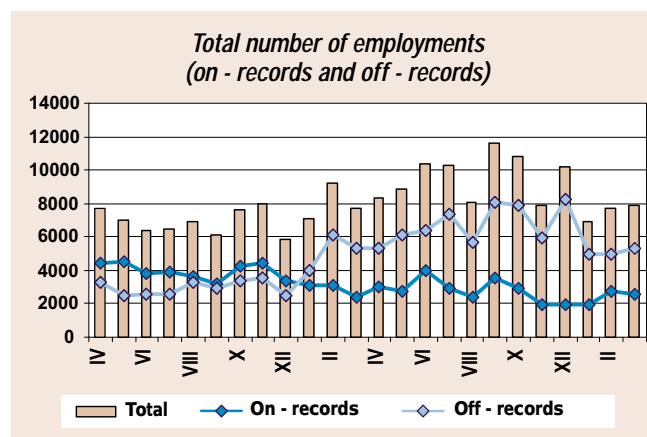
Employees to be laid off in the upcoming reforms of the public administration will have to be indemnified by paying them certain number of salaries or their re-qualification, pursuant to the laws and the collective agreements. The tendency is to reduce the number of people to be laid off and early retired, and to increase the number by privatization of some non-core parts in the public administration bodies, and, at the same time, transformation of the competencies from central to local governments.

6.1 Employment

In March 2003, there were 7.8 thousand new employments, which is 1.3% higher in relation to the previous month, i.e. 1.4% higher in relation to the same month last year. 55% out of the total number of realized employments were full-time, and 45% were part-time and seasonal employees. Again, the ratio between the employment of unemployed persons off the records, and official

employments is 75:25 in this period. Within these figures, 2/3 of the full-time employed were employments off-records, and even 60% of the part-time employments were off-records.

Chart 6.1.1



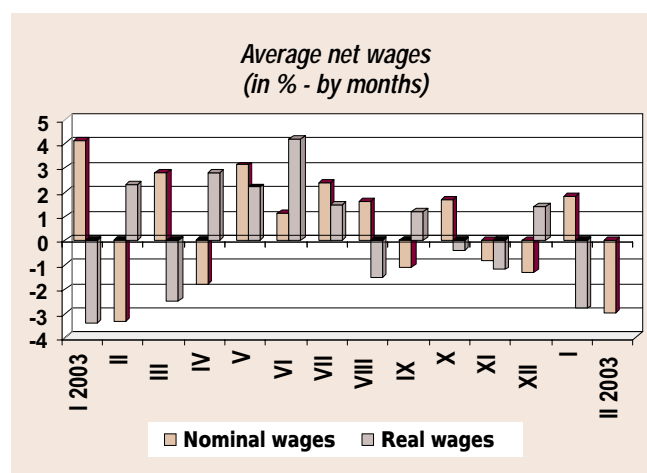
Source: Employment Bureau of the Republic of Macedonia

6.2 Average net wages

In February 2003, the average net wage paid amounted to Denar 11,047 per employee, which is a nominal decrease of 3.0%, while the real decrease is 2.8%, in relation to January 2003.

In relation to the previous month, the average net wage paid had the highest increase of 70.8% in the activity "Production of motor vehicles, trailers, and semi trailers". At the same time, the average monthly net wage paid in February 2003, in relation to the same month last year, nominally and realistically increased by 7.0%.

Chart 6.2.1



Source: State Statistics Bureau

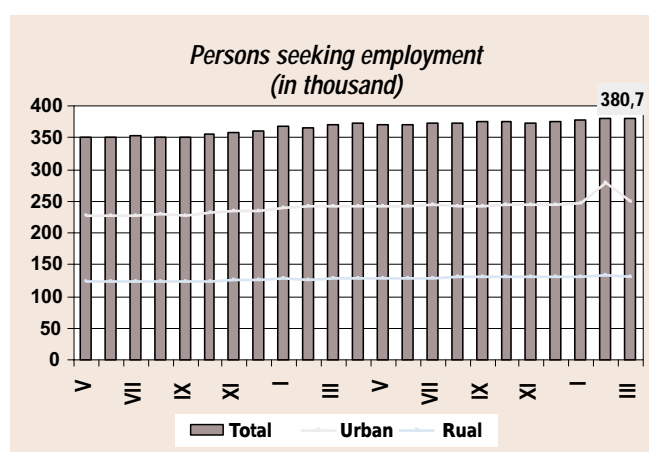
In the second month of the year, 25.4% of the employed persons in the Republic of Macedonia did not receive any salary.

6.3 Unemployment

In March 2003, the number of persons seeking job, according to the Employment Bureau, had a minimal monthly increase of 0.1%, having the highest registered level of 380.7 thousand unemployed persons, which is 3.1% higher in relation to the same month last year.

Only for the purpose of comparison, according to the Labor Force Survey for 2002, the number of unemployed persons is 263.5 thousand, i.e. 117 thousand persons less. No matter the different methodologies, the analyses from both sources indicate on the urgent unemployment trend in Macedonia.

Chart 6.3.1



Source: Employment Bureau of the Republic of Macedonia

The number of persons seeking employment, and registering as unemployed for a first time is 5.9 thousand, and it is lower by 3% in relation to the same month in the previous year.

The unemployment on the labour market is characterized with concentration in the groups of young people, unskilled, but also highly skilled and long-term unemployed persons.

The largest share have the young people from the age group 25-29 with 16.4%, followed by the people in the age group 20-24, with around 16.1% share, or the people up to the age of 30 make up almost 1/3 of the unemployed.

Due to long lasting seeking of job (3/4 of the people are trying to find a job for more than 4 years), and also due to increased share of unemployed persons who became unemployed due to redundancy, bankruptcy etc, having longer years of service, there is a shifting tendency of the age structure of registered unemployment. The share of unemployed from older age groups is as follows: age group 40-44, 9.2%; age group 45-49, 7.9%; age group

50-54 7.8%; age group 55-59, 5.8%. The phenomenon of people older than 60 looking for job is also present (2.9%).

Analyzing the skill structure of the labor force in Macedonia, one can notice that more than half of registered unemployed persons are unskilled persons, having share of 53%, mainly due to long-term unemployment. Large share of people (7.9% of the total unemployment) are with uncompleted or without primary education. There is no interest by the employers to employ these people, and there are also some difficulties related to their further qualification for job positions for which there is an interest on the labor market.

In the past few years, many employments were realized by using the form of "service provider contract". Such contracts are not labor contracts, but they are stipulated by the Law on Contracts and Torts. The employers meet their needs for workers using these contracts (most often young and highly skilled people), paying them fixed amount for the service and personal income tax, without paying the social contributions. Additionally, these contracts enable greater flexibility since they are signed on three or six months at the most, after which the employer does not have any obligations towards these people, but the contract could be extended if he is satisfied from their services. According to unofficial data, 14 thousand civil servants working in the public administration are included in this number, as well as 27 thousand employees in the health sector, 29 thousand in education, 4.5 thousand in the social sector, and around 2 thousand in culture.

The largest share of competent persons seeking job (47%) are skilled and highly skilled, and with completed secondary education (42%), however the share of unemployed with completed community college and college (5.1%), and within this figure, the number of MAs (65) and PhDs (6).

The unemployment is unequally distributed by area; it is concentrated in larger cities: Skopje, Kumanovo, Tetovo, Prilep, Strumica, Bitola etc. At the same time, according to the place of residence (village - city) of the persons seeking job, urban unemployment dominates with 2/3 in relation to the rural unemployment with 1/3.

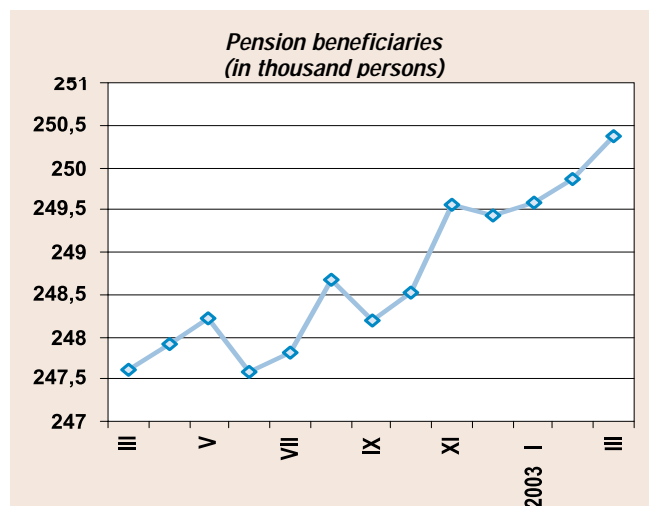
7. SOCIAL DEVELOPMENTS

7.1 Pension beneficiaries

According to the data from the Pension and Disability Insurance Fund (PDF),

the total number of pension beneficiaries was 250,355 persons in March 2003, which is an increase of 497 pensioners in relation to the previous month, and an increase of 2,740 persons, i.e. 1.1% in relation to March 2002.

Chart 7.1.1



Source: Pension and Disability Insurance Fund of Macedonia

The average pension in March 2003 was Denar 7,157, which is a slight increase in relation to the previous month, and it had a real increase of 8.9% compared to March 2002.

The average March⁵ 2003 pension ratio to the average net salary paid in February 2002 is 60.8%.

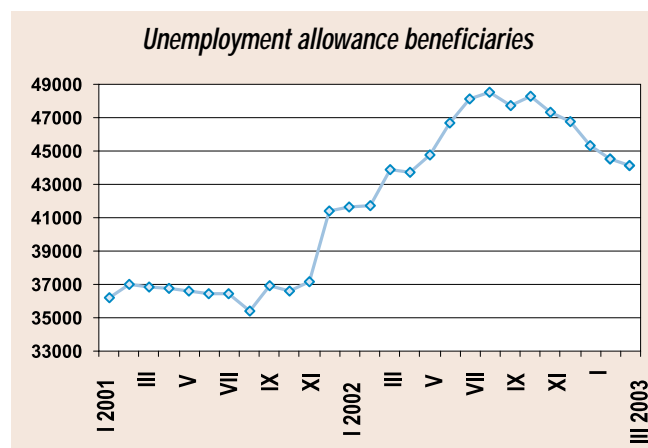
Out of the total number of pension beneficiaries, 88.3% receive pension up to Denar 11,170, and only 11.7% receive pension exceeding Denar 11,170. Thereby, Denar 1,795 million were paid for pensions from the Budget of the Republic of Macedonia in March 2003.

7.2 Unemployment allowance beneficiaries

The number of unemployment allowance beneficiaries continued to have a decreasing tendency and it reached 44.1 thousand people in March 2003, according to the records of the Employment Bureau, or it is lower by 0.9% in relation to the previous month, however 9% lower than the highest registered level from August last year (48,514). The reduction is mainly a result of the stricter criteria, control and supervision of the beneficiaries of this allowance. In the structure of the allowance beneficiaries,

beneficiaries on the basis of redundancy from a working relation mainly dominate (51.8%), followed by redundancy from the loss-making enterprises (24.6%), unemployed due to bankruptcy (19%), and far less seasonal employees (4.6%).

Chart 7.2.1

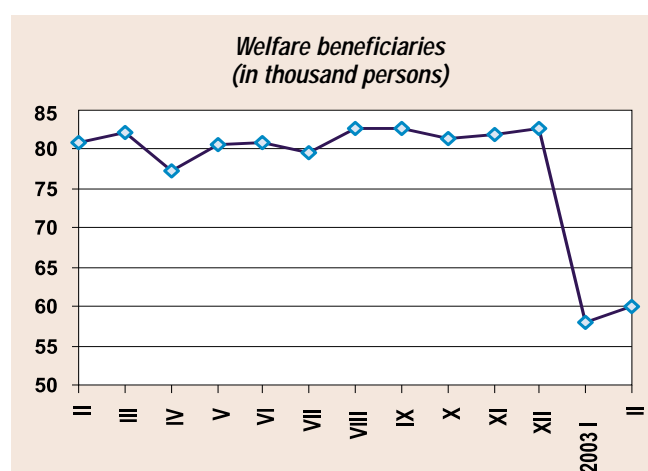


Source: Employment Bureau of the Republic of Macedonia

7.3 Welfare beneficiaries

In February 2003, Denar 148.6 million were paid to 59,997 disadvantaged households as welfare. Approximately 5,235 beneficiaries realized the right to regular pecuniary aid, and 19,908 beneficiaries acquired this right on the basis of third person care.

Chart 7.3.1



Source: Ministry of Labor and Social Policy

Compared to the previous month, the number of welfare beneficiaries increased by 1,973 or 3.3%, however it decreased by 18,229 persons⁶ in relation to the same month last year.

5) The comparison is conducted with the average salary of the previous month since the information on salaries are issued with a month delay.

6) The reduction is a result of the stricter criteria for awarding welfare in December 2002, undertaken recently.

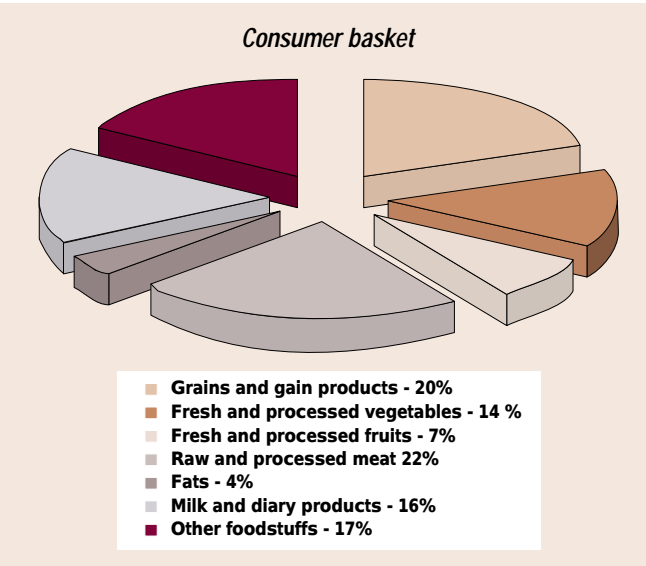
7.4 Consumer basket

The value of the consumer basket for food and beverages⁷, in March 2003, amounted to Denar 10,224, and it is lower by 0.2 percentage points in relation to the previous month. In relation to the same month of the previous year, the value of the consumer basket was reduced by 2.9%.

Increase of value was noted in " fresh and processed vegetables" (1.2%), while there was a decrease noted in "fresh and processed fruits" (1.6%), "raw and processed meat" (0.5%), "milk and diary products" (0.4%), and "fats" (0.2%). The value of the basket in the "grain and grain products" group was at the previous-month level.

"Raw and processed meat" and "grains and grain products" groups remained to make up the largest percentage in the consumer basket.

Chart 7.4.1



Source: State Statistical Office

7) All products from the category "food and beverages", which comprise the basket, are determined as average monthly needs of one four-member non-agricultural household and that list of products is constant (same products-same quantities) in the course of one year.

REVENUES OF THE CENTRAL BUDGET OF THE REPUBLIC OF MACEDONIJA (2001, 2002 I 2003)

Type of revenues	Actual in Jan - Dec 2001	Actual in Jan - Dec 2002	2002				2003			
			Q - 1	Q - 2	Q - 3	Q - 4	January	February	March	Q - 1
1	2	3	4	5	6	7	8	9	10	11
TOTAL REVENUES AND GRANTS	63,109	67,571	17,879	15,743	16,889	17,060	4,119	4,040	5,705	13,863
REVENUES (TAX AND NON-TAX REVENUES)	50,965	56,933	13,420	13,403	14,343	15,767	3,995	3,964	4,690	12,649
TAX REVENUES	47,566	54,388	12,886	12,617	13,807	15,078	3,772	3,670	4,434	11,876
Taxes on income, profits, and capital gains	10,255	10,139	2,713	2,183	2,414	2,829	680	980	1,204	2,864
Personal income tax	7,248	7,514	1,680	1,818	1,845	2,171	482	586	610	1,678
Profit tax	3,007	2,625	1,033	365	569	658	198	395	593	1,186
Domestic taxes on goods and services	27,813	31,236	6,987	7,216	8,290	8,743	2,696	2,059	2,445	7,199
Sales tax and VAT (since April 1, 2000)	17,132	20,521	4,661	4,574	5,291	5,995	1,780	1,329	1,760	4,869
Excises	10,681	10,715	2,326	2,642	2,999	2,748	916	729	685	2,330
Taxes on international trade and transactions	6,111	6,338	1,589	1,561	1,398	1,790	301	594	760	1,655
Custom duties	4,821	5,232	1,282	1,279	1,163	1,508	248	509	653	1,411
Other custom duties	1,290	1,106	307	282	235	282	52	85	106	244
Other taxes	0	4	2	2	0	0	0	0	0	0
Other taxes not elsewhere classified	0	4	2	2	0	0	0	0	0	0
Taxes on specific services	1	1	0	0	1	0	0	0	0	0
Communal taxes	1	1	0	0	1	0	0	0	0	0
Fees for usage or licences for carrying out the activity	275	337	83	76	78	100	65	38	27	130
Licences for carrying out the activity	257	314	77	71	72	94	64	36	27	127
Motor vehicles fees	18	22	5	5	6	6	1	2	0	3
Financial Transaction Tax	3,111	6,335	1,513	1,579	1,626	1,617	30	-1	-1	28
NON-TAX REVENUES	3,399	2,546	535	786	536	689	222	295	256	773
Entrepreneurial and property income	1,822	935	133	435	245	122	87	17	31	135
Profit from additional activities of the government institutions	0	0	0	0	0	0	0	0	0	0
Revenues from public financial and non-financial institutions	1,095	546	109	227	98	112	28	17	31	77
Other property income	727	389	24	208	147	10	58	0	0	58
Fees and charges	1,060	1,093	281	280	246	286	92	110	109	311
Fines	144	118	28	27	24	39	8	25	14	46
Court fines	448	404	106	121	72	105	32	46	44	122
Administrative fees	468	571	146	132	150	143	52	40	51	142
Other government services	486	204	101	62	20	21	18	12	12	42
Other non-tax revenues	31	315	21	9	25	260	26	156	103	284
CAPITAL REVENUES	463	1,381	142	112	915	212	46	29	62	137
Sale of capital assets	439	433	122	82	87	142	42	27	54	124
Sale of land and intangible assets	24	949	20	30	828	71	4	2	8	14
TRANSFERS AND DONATIONS	415	2,641	1,713	928	0	0	0	0	668	668
Transfers from other levels of government	0	0	0	0	0	0	0	0	0	0
Foreign donations	415	2,641	1,713	928	0	0	0	0	668	668
General and current donations	415	2,641	1,713	928	0	0	0	0	668	668
PRIVATIZACION AND CONCESSION RECEIPTS	8,834	5,033	1,050	1,271	1,631	1,081	78	46	285	409
SUCCESSION RECEIPTS	1,689	-	-	-	-	-	-	-	-	-
BORROWING FROM ABROAD	763	1,584	1,555	29	0	0	0	0	0	0
International development organisations	763	1,584	1,555	29	0	0	0	0	0	0

EXPENDITURES OF THE CENTRAL BUDGET OF THE REPUBLIC OF MACEDONIJA (2001, 2002 I 2003)

Type of expenditures	Actual in Jan - Dec 2001	Actual in Jan - Dec 2002	2002				2003			
			Q - 1	Q - 2	Q - 3	Q - 4	January	February	March	Q - 1
1		3								
TOTAL EXPENDITURES	68,885	71,692	16,978	16,179	19,877	18,659	4,018	3,818	4,236	11
CURRENT EXPENDITURES	42,596	56,301	13,567	13,216	13,799	15,719	3,555	3,640	3,966	12,071
<i>Wages, salaries and allowances</i>	12,105	18,339	4,278	4,384	4,674	5,003	1,649	1,638	1,865	11,161
<i>Wages and salaries</i>	10,674	11,702	2,761	2,839	2,915	3,187	1,050	1,042	1,064	4,952
<i>Allowances</i>	1,430	6,637	1,517	1,545	1,759	1,816	599	596	601	3,156
Goods and other services	14,302	13,988	3,755	3,146	2,845	4,241	367	634	584	1,796
<i>Travel and subsistence expenses</i>	2,093	382	109	121	70	82	14	17	21	1,582
<i>Utilities</i>	488	425	79	114	110	122	14	22	44	52
<i>Heating expenditures</i>	481	834	348	192	98	195	41	62	51	21
<i>Materials</i>	9,467	870	190	179	179	321	129	358	237	80
<i>Transport expenses</i>	483	8,258	2,297	1,936	1,647	2,377	51	53	62	724
<i>Current (routine) maintenance</i>	91	502	66	107	96	233	24	30	61	166
<i>Contractual services</i>	650	1,224	259	351	217	397	60	64	75	115
<i>Other operational expenditures</i>	552	1,287	377	96	318	495	33	24	31	199
<i>Reserves</i>	-	207	31	50	108	18	1	4	6	88
Current transfers	12,715	20,573	4,344	5,045	5,381	5,803	1,462	1,345	1,632	11
<i>Transfers to governmental institutions</i>	1,303	11,239	2,654	2,757	2,763	3,066	899	909	933	4,439
<i>Transfers to non-profit institutions</i>	10,108	1,022	774	90	86	72	3	12	11	2,741
<i>Transfers on the basis of subsidies</i>	1,305	0	0	0	0	0	0	0	0	25
<i>Transfers to households and individuals</i>	-	8,312	917	2,198	2,532	2,665	560	424	688	0
Interest payments	3,463	3,402	1,190	641	899	672	77	23	81	1,672
<i>Interest on domestic loans</i>	499	1,180	74	453	144	509	23	23	81	181
<i>Interest on foreign loans</i>	2,975	2,222	1,116	188	755	163	54	0	0	127
CAPITAL EXPENDITURES	3,928	8,366	1,494	2,008	3,069	1,795	149	178	121	54
Acquisition of capital assets	2,520	5,419	1,042	1,240	2,200	936	58	99	121	448
<i>Acquisition of land and intangible assets</i>	20	24	8	1	15	0	0	0	0	278
<i>Acquisition of buildings</i>	341	129	112	1	6	9	0	0	0	0
<i>Furniture and office equipment</i>	174	423	121	105	82	116	3	5	5	0
<i>Purchase of motor vehicles</i>	69	51	2	5	28	16	0	0	14	13
<i>Feasibility studies, project preparation and design</i>	6	122	4	11	104	2	0	0	0	14
<i>Plant, equipment and machinery</i>	818	33	0	2	19	12	0	0	0	0
<i>Construction, renovation and improvement</i>	660	3,675	629	857	1,560	629	45	83	77	0
<i>Substantial and special maintenance</i>	433	542	132	108	168	134	10	11	25	205
<i>Purchase of commodity reserves</i>	-	418	34	148	218	18	0	0	0	46
Capital transfers	1,408	2,947	452	767	868	860	91	79	0	0
<i>Capital transfers to governmental institutions</i>	1,316	1,901	284	526	371	719	91	60	0	170
<i>Capital transfers to local self-government units</i>	92	1,045	168	240	497	141	0	19	0	151
<i>Capital transfers to individuals and non-profit organizations</i>	-	0	0	0	0	0	0	0	0	19
LENDING, EQUITY PARTICIPATION AND DEBT REPAYMENT	3,470	7,025	1,917	955	3,009	1,144	314	0	148	0
Lending and equity participation	211	927	251	184	266	226	232	0	17	462
<i>Domestic loans and equity</i>	294	905	251	167	266	221	232	0	17	249
<i>Foreign loans and equity</i>	-	22	0	17	0	5	0	0	0	0
Amortisation (repayment of principal)	3,259	6,098	1,666	771	2,743	918	82	0	131	0
<i>Domestic debt</i>	7	2,485	0	502	1,229	754	4	0	131	213
<i>Foreign debt</i>	3,251	3,613	1,666	269	1,514	164	78	0	0	135

REVENUES AND EXPENDITURES OF THE CENTRAL GOVERNMENT BUDGET*(GFS - Government Finance Statistics)*

<i>Vo milioni denari</i>	2001	2002				2002		
		<i>January</i>	<i>February</i>	<i>March</i>	<i>Q - 1</i>	<i>April</i>	<i>May</i>	<i>June</i>
	Actual	Actual				Actual		
TOTAL REVENUES AND GRANTS	51,812	4,961	4,267	4,252	13,479	4,877	4,526	4,793
TAX REVENUES	47,565	4,060	4,499	4,483	13,041	4,539	4,205	4,000
<i>Taxes on income and profits</i>	10,253	711	1,018	984	2,713	743	680	760
<i>Individual income tax</i>	7,247	460	621	599	1,680	674	563	581
<i>Profit tax</i>	3,006	251	397	385	1,033	69	117	179
Domestic taxes on goods and services	27,814	1,397	2,787	2,803	6,987	2,389	2,538	2,289
<i>VAT</i>	17,133	621	2055	1985	4,661	1554	1652	1368
<i>Excises</i>	10,681	777	731	818	2,326	835	886	921
Import duties	6,111	12	754	823	1,589	490	585	485
Other taxes ¹⁾	3,387	1,940	-61	-127	1,752	917	402	466
Non-tax revenue	3,370	84	215	239	538	201	242	269
Capital revenue	462	46	46	49	141	43	28	41
Foreign grants	415	0	0	0	0	0	0	0
Other Central Government revenues ³⁾	0	770	-493	-519	-242	94	51	482
TOTAL EXPENDITURES	65,412	4,480	5,142	5,604	15,228	5,418	4,805	8,942
CURRENT EXPENDITURE	55,525	4,016	4,290	4,841	13,146	4,60	3,993	7,976
Goods and services	36,232	2,081	2,860	3,067	8,008	2,746	2,393	2,342
<i>Wages and salaries</i>	16,407	1,282	1,526	1,471	4,279	1,524	1,411	1,448
<i>Goods and nonlabor services</i>	19,825	799	1,334	1,596	3,729	1,222	982	894
Refugee-related expenditure	582	0	35	68	103	31	40	2
Transfers	14,511	985	1,295	1,567	3,846	1,538	1,361	5,478
<i>Pension Fund (net of PR, SR, ER)</i>	4,056	366	386	433	1,185	447	423	533
<i>Social programs</i>	7,263	399	655	882	1,935	623	651	4,451
<i>Social Assistance program</i>	3,192	0	282	557	839	287	279	294
<i>Employment Fund (severance pay and retraining)</i>	3,584	399	373	324	1,096	337	320	311
<i>Others</i>	487	0	0	0	0	0	52	3,846
<i>Subsidies</i>	160	37	1	43	81	167	47	2
<i>Other transfers</i>	3,032	183	253	209	645	301	240	492
Interest	4,201	950	100	139	1,189	285	199	154
<i>Domestic</i>	1,066	25	25	23	73	235	195	22
<i>Foreign</i>	3,134	925	75	116	1,116	50	4	132
CAPITAL EXPENDITURE	7,380	303	701	527	1,531	557	582	738
<i>Fixed investment</i>	5,133	292	508	376	1,176	391	413	526
<i>Net lending</i>	0	0	0	0	0	0	0	0
<i>Equity</i>	35	0	0	0	0	5	5	7
<i>Capital transfers</i>	2,211	11	193	151	355	161	164	205
<i>Telecom projects</i>	172	353	205	730	185	275	269	729
RESERVES	166	5	7	16	28	13	21	14
RE-PAYMENT OF PENSION OBLIGATIONS	1,158	98	95	94	287	107	97	95
STRUCTURAL REFORMS	239	1	9	89	99	105	77	86
PUBLIC ADMINISTRATION REFORMS	944	57	41	38	136	37	35	33
BALANCE	-13,600	481	-876	-1,352	-1,749	-541	-279	-4,149
FINANCING	13,600	-481	876	1,352	1,749	541	279	4,149
Domestic	-5,772	573	-2	-559	14	-469	232	4,166
<i>Central bank</i>	-5,527	610	-35	-756	-181	222	47	910
<i>Commercial banking system</i>	-287	114	147	16	277	-1,049	344	141
<i>Other domestic financing</i>	42	-151	-114	181	-82	358	-159	-385
<i>TAT Certificate</i>	0	0	0	0	0	0	0	3,500
Foreign	-5,171	-1,058	867	1,895	1,704	844	0	-80
<i>Disbursements</i>	761	0	990	2,278	3,268	930	0	27
<i>Grants</i>	0	0	945	768	1,713	901	0	27
<i>Loans</i>	761	0	45	1,510	1,555	29	0	0
<i>Amortization (-)</i>	-3,560	-1,058	-123	-383	-1,564	-86	0	-107
<i>Rescheduling / Other Financing</i>	-2,372	0	0	0	0	0	0	0
Privatization receipts	24,543	4	11	17	31	166	47	63

OF THE REPUBLIC OF MACEDONIA

2002	2002				2002				2002	2003			
Q - 2	July	August	September	Q - 3	October	November	December	Q - 4	Total	January	February	March	Q - 1
	Actual				Actual				Actual	Actual			
14,196	4,820	3,371	4,543	12,734	5,011	4,508	7,238	16,756	57,162	4,263.0	3,696.0	5,363.0	13,322.0
12,744	5,015	4,121	4,388	13524	5,142	4,218	5,718	15,078	54,387	4,070	3,472	4,335	11,877.0
2,183	904	723	787	2,414	870	830	1,129	2,829	10,139	680	981	1,203	2,864.0
1818	661	572	612	1845	652	615	904	2,171	7,514	482	586	610	1,678.0
365	243	151	175	569	218	215	225	658	2,625	198	395	593	1,186.0
7,216	3,186	2,411	2,693	8,290	3,266	2,351	3,126	8,743	31,236	2,696	2,058	2,445	7,199.0
4574	2268	1343	1,680	5291	2390	1393	2212	5,995	20,521	1,780	1329	1760	4,869.0
2642	918	1068	1,013	2999	876	958	914	2,748	10,715	916	729	685	2,330.0
1560	582	449	366	1397	433	541	815	1,789	6,335	301	594	760	1,655.0
1,785	343	538	542	1423	573	496	648	1,717	6,677	393	-161.0	-73.0	159.0
712	210	112	133	455	158	118	414	690	2,395	222	295.0	256.0	773.0
112	34	31	59	124	79	45	76	200	577	46	29.0	62.0	137.0
0	0	0	0	0	0	0	0	0	0	0	0	0	0.0
627	-439	-893	-37	-1,369	-368	126	1,030	788	-196	-75	-100	710	535
19,166	6,565	5,244	5,677	17,487	5,602	4,331	7,735	17,669	69,550	4,382	3,869	4,202	12,454.0
16,568	5,353	3,762	4,378	13,494	4,393	3,785	6,780	14,959	58,168	3,995	3,421	3,818	11,234.0
7,481	2,663	2,241	2,520	7,424	2,363	2,365	4,501	9,229	32,142	2,015	2,268	2,248	6,531.0
4,383	1,622	1,431	1,621	4674	1,630	1,673	1,700	5,003	18,339	1,650	1,638	1,665	4,953.0
3,098	1,041	810	899	2750	733	692	2,801	4,226	13,803	365	630	583	1,578.0
73	51	6	0	57	43	0	113	156	389	29.0	29.0	26.0	84.0
8,376	1,945	1,412	1,753	5,111	1,558	1,390	2,026	4,975	22,308	1,430	1,049	1,365	3,844.0
1,403	431	437	441	1309	445	441	613	1,499	5,395	448.0	455.0	479.0	1,382.0
5,725	739	660	658	2,058	694	680	684	2,059	11,778	631	468	599	1,698.0
860	292	290	297	879	287	289	288	864	3,442	284	98	207	589.0
968	352	316	359	1027	340	352	328	1,020	4,109	310	311	311	932.0
3,898	95	54	2	152	67	39	69	175	4,225	37	59	81	177.0
216	81	0	6	87	57	64	100	221	606	232.0	0.0	17.0	249.0
1,032	694	315	648	1657	362	205	629	1,196	4,530	118.0	126.0	270.0	514.0
638	694	103	105	902	429	30	140	599	3,328	521	75	179	775.0
452	98	22	23	143	394	23	92	509	1,177	23.0	23.0	81.0	127.0
186	596	81	82	759	35	7	48	90	2,151	498.0	52.0	98.0	648.0
1,877	850	1,122	1,058	3,030	894	260	629	1,783	8,221	150	179	121	450.0
1,330	664	748	834	2246	481	131	364	976	5,728	58	73	119	250.0
0	0	0	0	0	0	0	0	0	0	0	0	0	0.0
17	0	0	0	0	0	5	0	5	22	0	0	0	0.0
530	186	374	224	784	413	124	265	802	2,471	91	60	0	151.0
289	440	434	1163	163	51	167	381	3,003	1	46	2	49.0	
48	28	48	19	95	4	2	10	16	187	1.0	4.0	5.0	10.0
299	90	93	93	276	93	93	93	280	1,142	93	96	94	283.0
268	212	187	96	495	184	156	187	527	1,389	109	138	137	384.0
106	32	32	33	98	33	35	36	103	443	34	31	27	93.0
-4,970	-1,745	-1,873	-1,134	-4,753	-591	177	-497	-913	-12,387	-120	-172	1,161	869
4,970	1,745	1,873	1,134	4,753	591	-177	497	913	12,387	120	172	-1,161	-869
3,930	2,582	1,191	1,380	5,154	585	-183	606	1,010	10,114	994	294	-1,259	29
1,179	2,213	1,323	1,134	4670	577	-352	2,096	2,321	7,989	910	31	-794	147
-564	-339	435	596	692	-92	166	407	481	886	0	0	0	0
-185	708	-567	-350	-208	100	3	-1,897	-1,792	-2,261	84	263	-465	-118
3,500	0	0	0	0	0	0	0	0	3,500	0	0	0	0
764	-886	-153	-449	-1488	0	0	-115	-115	862	-873	-121	99	-895
957	0	0	0	0	0	0	0	0	4,222	0	0	668	668
928	0	0	0	0	0	0	0	0	2,641	0	0	668	668
29	0	0	0	0	0	0	0	0	1,583	0	0	0	0
-193	-886	-153	-449	-1488	0	0	-115	-115	-3,360	-951	-121	-569	-1,641
0	0	0	0	0	0	0	0	0	0	78	0	0	78
276	49	835	203	1,087	6	6	6	18	1,411	0	0	0	0

1-3/2003

BUDGET - CENTRAL GOVERNMENT

	1999	2000	2001	2002	2003
	<i>Final statement</i>	<i>Final statement</i>	<i>Final statement</i>	<i>Supplemental budget</i>	<i>Budget</i>
TOTAL REVENUES	50,493,469,454	65,713,522,924	69,688,034,455	72,565,262,000	67,374,067,000
REVENUES (TAX AND NON-TAX)	44,728,175,441	56,760,081,090	50,447,329,542	56,984,000,000	54,626,067,000
TAX REVENUES	41,858,828,319	51,120,246,193	47,715,732,355	54,026,000,000	51,819,067,000
<i>Taxes on income, profits and capital gains</i>	12,793,078,777	13,585,772,246	10,254,737,418	10,101,000,000	10,686,067,000
<i>Personal income tax</i>	10,233,016,110	10,792,594,721	7,248,441,986	7,479,000,000	7,902,067,000
<i>Profit tax</i>	2,559,325,945	2,793,156,390	3,006,295,432	2,622,000,000	2,784,000,000
<i>Other taxes on income, profit and capital gains</i>	736,722	21,135	0	0	0
Domestic taxes on goods and services	20,631,883,947	29,733,381,841	27,961,320,393	31,192,000,000	34,678,000,000
<i>Value Added Tax (since 1.4.2000)</i>	9,958,866,206	17,452,340,371	17,131,342,296	20,332,000,000	23,582,000,000
<i>Excises</i>	10,673,017,741	12,281,041,470	10,829,978,097	10,860,000,000	11,096,000,000
Taxes on international trade and transactions	8,302,773,971	7,733,381,467	6,110,877,520	6,038,000,000	6,151,000,000
<i>Custom duties</i>	6,802,005,702	6,040,495,875	4,819,861,730	4,932,000,000	5,077,902,000
<i>Other import taxes and duties</i>	1,500,768,269	1,692,885,592	1,291,015,790	1,106,000,000	1,073,098,000
Other taxes	123,627,594	62,644,972	168,830	0	4,000,000
<i>Taxes on specific services</i>	7,464,030	5,065,667	2,619,857	3,000,000	2,969,000
<i>Fees for usage and permissions for performing activities</i>	-	-	274,734,772	300,000,000	297,031,000
<i>Financial transactions tax</i>	-	-	3,111,273,565	6,392,000,000	0
NON-TAX REVENUES	2,869,347,122	5,639,834,897	2,731,597,187	2,958,000,000	2,807,000,000
<i>Entrepreneurial income and property income</i>	798,125,658	1,133,367,383	1,151,786,583	791,000,000	970,000,000
<i>Fees and charges</i>	1,156,606,788	1,215,770,217	1,061,498,244	1,140,000,000	1,120,000,000
<i>Other government services</i>	127,316,281	324,812,933	486,087,458	1,001,000,000	482,000,000
<i>Other non-tax revenues</i>	632,921,803	349,306,600	32,224,902	26,000,000	235,000,000
CAPITAL REVENUES	15,437,592	2,616,577,764	10,660,015,021	5,703,000,000	3,685,000,000
<i>Sales of capital assets</i>	15,437,592	2,616,577,764	9,714,039,661	5,469,000,000	3,322,000,000
<i>Sales of land and intangible assets</i>	-	-	945,975,360	234,000,000	363,000,000
TRANSFERS AND DONATIONS	2,419,089,626	4,155,269,452	6,484,077,606	8,294,262,000	4,105,000,000
<i>Transfers from other levels of government</i>	32,283,095	716,822,828	5,407,618,545	5,653,262,000	1,250,000,000
<i>Foreign donations</i>	2,386,806,531	3,438,446,624	1,076,459,061	2,641,000,000	2,855,000,000
DOMESTIC LOANS	0	0	1,333,471,478	0	0
BORROWING FROM ABROAD	3,330,766,795	2,181,594,618	763,140,808	1,584,000,000	4,958,000,000
TOTAL EXPENDITURES	49,761,209,035	57,689,326,704	68,520,623,429	72,565,262,000	67,374,067,000
CURRENT EXPENDITURES	42,088,365,187	46,985,485,342	57,496,087,268	56,849,538,000	52,973,090,000
Wages, salaries and allowances	15,996,631,927	16,285,267,541	16,407,589,066	18,402,266,000	20,952,657,000
Goods and other services	5,646,765,633	6,293,788,729	19,985,061,676	14,340,463,000	7,545,858,000
Current transfers	18,227,967,627	22,790,409,470	17,494,812,744	20,782,555,000	21,585,221,000
Interest payments	2,217,000,000	1,616,019,602	3,608,623,782	3,324,254,000	2,889,354,000
CAPITAL EXPENDITURES	2,407,296,601	5,186,477,309	7,140,072,243	8,832,822,000	5,608,190,000
Acquisition of capital assets	1,312,799,356	3,230,738,464	5,117,069,331	5,886,372,000	3,060,116,000
Capital transfers	1,094,497,245	1,955,738,845	2,023,002,912	2,946,450,000	2,548,074,000
LENDING, EQUITY PARTICIPATION AND DEBT REPAYMENT	5,265,547,247	5,517,364,053	3,884,463,918	6,882,902,000	8,792,787,000
Lending and equity participation	2,942,547,247	3,956,462,261	334,943,165	866,000,000	717,000,000
Amortization (debt repayment)	2,323,000,000	1,560,901,792	3,549,520,753	6,016,902,000	8,075,787,000

PENSION AND DISABILITY INSURANCE FUND

The Pension and Disability Insurance Fund of the Republic of Macedonia, in the January-March period 2003 realized revenues in the amount of Denar 6.240 million, being an increase by 6.9% compared to the same period in 2002. There was a significant increase, compared to last year, at the salary contributions by 5.7%, income contributions by 12.3% as well as budget revenues on the basis of regular transfers and the retroactive payments to the pensioners by 9.9%. During the same period, revenues from individual farmers increased by 17.6%, together with the unemployment benefits from the Employment Bureau. On the other hand, there was a decrease by 10.4% in the revenues from the private sector and revenues from dividends and sale of securities.

Expenditures of the Pension and Disability Insurance Fund of the Republic of Macedonia, during the January-March period, reached a level of Denar 6.782 million, being an increase by 9.0 compared to the same period last year. Such increase was mainly due to the increased payment of regular pensions by 8.9%. At the same time there was a more significant increase in the health care contributions by 11.9% and in the compensation for corporal injury by 16.9%.

Hence, in the January-March period 2003, the Pension and Disability Insurance Fund of the Republic of Macedonia realized deficit of Denar 543 million, which compared to the deficit in the first quarter of 2002 is higher by 40.2%.

PENSION AND DISABILITY INSURANCE FUND

(in million of denars)

Types of revenues/expenditures	1998	1999	2000	2001	2002	2003
	Actual	Actual	Actual	Actual	Actual	Jan - March
REVENUES	20,717	21,229	22,883	24,289	25,811	6,240
<i>Contribution from salaries</i>	13,373	14,316	15,722	15,671	15,784	3,757
<i>Contribution from income</i>	239	311	311	331	283	74
<i>Revenues from the Government Budget</i>	3,618	3,266	4,174	5,744	6,961	1,757
<i>Revenues from the private sectors</i>	400	439	404	377	409	90
<i>Revenues from individual farmers</i>	74	65	58	41	61	20
<i>Revenues from excises</i>	691	632	804	716	688	151
<i>Contributions from the Employment Fund for unemployed</i>	961	868	1,101	1,126	1,404	373
<i>Other revenues</i>	122	45	74	73	29	7
<i>Revenues from dividends</i>	619	245	68	209	192	10
<i>Revenues from new employment</i>	419	841	167	0	0	0
<i>Transferred income from the previous year</i>	201	201	0	0	0	0
EXPENDITURES	20,521	20,669	22,940	24,697	25,889	6,782
<i>Pensions</i>	17,730	17,756	19,774	21,278	22,255	5,872
<i>Regular pensions</i>	16,912	16,977	18,948	19,041	19,982	5,299
<i>War veteran pensions</i>	464	458	505	514	518	129
<i>Agricultural pensions</i>	354	321	321	297	262	62
<i>Retroactive payment of 8%</i>	0	0	0	1,167	1,136	284
<i>Early retirement by the Law from year 2000</i>	0	0	0	112	103	26
<i>Early retirement by the Law from year 2001</i>	0	0	0	148	254	71
<i>Compensation for body injury</i>	63	69	72	72	83	21
<i>Compensation for disability insurance</i>	98	95	94	91	76	21
<i>Employment and accommodations for disabled children</i>	15	13	12	7	9	2
<i>Health care contribution</i>	2,321	2,450	2,672	2,805	2,934	790
<i>Compensation for administration</i>	133	132	141	153	165	43
<i>Other expenditures</i>	161	154	175	254	222	34
<i>Capital expenditures</i>	-	-	-	37	145	0
BALANCE						
<i>Deficit / Surplus</i>	196	560	-57	-408	-78	-543

Source: Internal data of the Ministry of Finance

HEALTH INSURANCE FUND

In the first quarter of 2003, total revenues of the Health Insurance Fund of the Republic of Macedonia amounted to Denar 3.103 million, which compared to the same period last year is an increase by 10%. Such increase is due to the increase in the salary contributions by 6.3%, as well as the increase of the contributions from the Pension and Disability Insurance Fund by 17%. Salary contributions (60.5%) have dominant share in the revenue structure of the Health Insurance Fund, which during the analyzed period reached Denar 1.877 million, and the contributions from the Pension and Disability Insurance Fund, in the amount of Denar 688 million, or 22%.

At the same time, the Health Insurance Fund, in the first three months in 2003, realized expenditures in the amount of Denar 3.069 million, which compared to the

same period last year was an increase by Denar 192 million, or 6.7%. Such increase was mainly due to: the increase of the outpatient treatment-related costs by 70%, increase of the costs for treatment abroad by 270%, costs for equipment and maintenance by 700%, as well as increase of the costs for credit repayment and interest by 460%. Simultaneously, there was a significant reduction at the costs for hospital treatment by 28%, dental protection by 15.6%, and medicine by 3.8%. The costs for hospital treatment and outpatient costs dominate the expenditure structure during the analyzed period, the joint share of which in this period amounted to 67.5%.

In the first three months of 2003, the Health Insurance Fund of the Republic of Macedonia realized surplus of Denar 34 million.

HEALTH INSURANCE FUND

(in million of denars)

Tupe of revenues / expenditures	1998	1999	2000	2001	2002	2003
	Actual	Actual	Actual	Actual	Actual	Jan-March
REVENUES	11,087	12,068	12,790	12,295	13,656	3,103
Contributions	6,736	7,363	7,745	7,528	7,823	1,877
Contributions from the Pension Fund	2,309	2,417	2,649	2,616	3,075	688
Contributions from the Employment Fund	1,037	1,350	1,941	1,554	1,763	455
Contributions from the Ministry of Labour	45	0	0	48	54	15
Other revenues	851	938	455	70	734	16
Revenues on the basis of contracts for health insurance cards	109	0	0	0	0	0
Transfers from the Central Budget for mandatory health insurance	-	-	-	166	111	51
Transferred income from the previous year	0	0	0	313	96	0
EXPENDITURES	13,689	11,692	12,463	12,205	13,611	3,069
Outpatient expenditures	5,303	2,491	2,486	2,505	4,430	1,084
Hospital treatment	4,702	5,482	5,737	5,919	4,929	990
Costs for programs	214	125	105	306	123	1
Medicines	1,214	1,249	1,681	1,555	1,305	385
Dental care	638	667	687	522	521	129
Orthopedic expenses	208	154	143	111	134	34
Medical treatment abroad	290	161	70	90	144	48
Other treatment (contributions)	719	801	694	769	832	231
Administration	326	288	250	268	360	80
Equipment and maintenance	36	39	90	44	656	36
Other expenditures	41	234	200	48	23	18
Loans and interest payments	0	0	321	71	154	34
BALANCE						
Deficit/Surplus	-2,602	376	326	90	45	34

Source: Internal data of the Ministry of Finance

EMPLOYMENT BUREAU

Total expenditures of the Employment Bureau in the period January-March 2002 reached a level of Denar 1.464 million, which, compared to the same period last year is an increase by 2.6%. The increase is due to both the increase of salary contributions by 7.6%, and of the transfers from the central budget by 1.5%. Thereby, for the first quarter of 2003 the share of the salary contributions in the total revenues of the Employment Bureau is 19.5%, which in relation to the first quarter of 2002, is an increase by one percentage point. Simultaneously, the share of the transfers from the Budget of the Republic of Macedonia to the Fund is 80.5%, which is a decrease by 0.7 percentage points.

The structural analysis of the Budget transfers shows that similar to the previous period, the greatest part of the transfers is used to cover the current deficit (Denar 932

million). Still, a characteristic for this period is the significant increase of transfers for payment of pecuniary allowance to the employees from the loss-making enterprises, in the amount of 63%.

Total expenditures of the Employment Bureau in the first quarter of 2003 amount to Denar 1,481 million, which in relation to the first three months of 2002 is an increase by 3.3%. Thereby, the growth is due to both the increase of total revenues for function of the state by 3.2% and of expenditures for expert service by 7.8%.

The Employment Bureau, in the period January-March 2003 realized a deficit in the amount of Denar 17 million, which in relation to the same period last year is a deficit higher by Denar 11 million.

EMPLOYMENT FUND

(in million of denars)

Tupe of revenues / expenditures	1998	1999	2000	2001	2002	2003
	Actual	Actual	Actual	Actual	Actual	Jan-March
REVENUES	4,260	4,129	5,119	4,827	5,918	1,464
<i>Revenues from contributions</i>	990	1,058	1,121	1,136	1,180	284
<i>Contributions from wages</i>	969	1,037	1,098	1,113	1,178	284
<i>Contributions from self-employed</i>	22	21	22	23	2	0
<i>Contributions from the people who work abroad</i>	0	0	0	0	0	0
<i>Revenues from the Government budget</i>	3,261	3,066	3,990	3,677	4,726	1,177
<i>For covering the deficit of the Employment Fund</i>	2,737	2,575	3,470	3,170	3,742	932
<i>For paying allowances to the employees of the loss-making enterprises</i>	524	490	516	481	944	244
<i>Public administration reform</i>	-	-	-	26	19	1
<i>Other</i>	0	0	3	26	21	0
<i>Other revenues</i>	9	6	8	13	12	3
EXPENDITURES	4,264	4,135	5,110	4,749	5,868	1,481
<i>Expenditures for the functions</i>	4,084	3,970	4,913	4,571	5,658	1,431
<i>Unemployment benefits</i>	2,073	1,755	1,875	1,879	2,273	554
<i>Contributions for health insurance</i>	1,039	1,347	1,936	1,555	1,763	455
<i>Contributions for pension and disability insurance</i>	972	868	1,102	1,138	1,453	383
<i>Transfers for employment of disabled persons</i>	-	-	-	-	128	31
<i>Compensation for training</i>	-	-	-	-	41	8
<i>Expenditures for the personnel</i>	180	165	198	178	210	50
<i>Wages and salaries</i>	99	105	118	116	124	33
<i>Allowances</i>	14	17	19	18	22	3
<i>Goods and other services</i>	43	34	54	43	42	12
<i>Current transfers</i>	0	0	0	0	0	0
<i>Interest payments</i>	0	0	1	0	0	0
<i>Capital expenditures</i>	24	8	6	2	22	1
BALANCE						
<i>Deficit / Surplus</i>	-4	-6	9	78	50	-17

Source: Internal data of the Ministry of Finance

NATIONAL AND REGIONAL ROADS FUND

In the first quarter of 2003 the National and Regional Roads Fund realized revenues in the amount of Denar 542 million, which, in relation to the same period last year is an increase of 9%. Simultaneously, the total realized revenues amounted to Denar 512 million, which, in relation to the first three months of the previous year is a decrease by Denar 160 million or 24%, meaning that the National and Regional Roads Fund realized surplus in the amount of Denar 30 million.

In the analyzed period, the largest share of the National and Regional Roads Fund's revenues are the ones realized on the basis of annual registration fee (31%), and are 9.5% higher compared to the same period last year. Sec-

ond largest revenues are the budget revenues, which in the analyzed period amounted to Denar 149 million, and compared to the first three months of the previous year, are lower by Denar 81 million or 35%. 70% revenue increase from pay-tolls is characteristic for this period.

By March 2003 inclusive, the share of the road maintenance expenditures is the largest one, being Denar 262 million or 51%, which, in relation to the same period last year is a decrease by 36%. 3% growth of the investment funds was noted for the same period, as well as 20% decline of expenditures for projection, studies, supervision, fees and material expenses.

ROAD FUND

(in million of denars)

Tupe of revenues / expenditures	1998	1999	2000	2001	2002	2003
	Actual	Actual	Actual	Actual	Actual	Jan-March
REVENUES	2,660	3,793	3,506	4,012	3,434	542
Revenues from Budget	668	924	1,590	1,655	1,305	149
Paytoll by foreign motor vehicles	49	54	82	73	87	13
Annual fee for motor vehicles subject to registration	524	518	746	704	761	168
Paytoll for use of motorway	468	492	537	375	381	113
Foreign credit	939	1,793	538	1,098	862	97
Other revenues	12	13	14	21	2	1
Grants	-	-	-	87	36	1
EXPENDITURES	2,660	3,793	3,506	4,013	3,420	512
Investments	1,203	1,985	1,662	1,756	1,250	120
Expenditures for studies, projections, supervision, fees and material costs	0	0	179	286	289	64
Road maintenance	784	790	952	926	900	262
Repayment of loans	264	148	212	299	304	0
Funds for local roads	321	386	502	596	528	66
Other expenditures	89	142	0	0	0	0
Liabilities from the previous year	0	342	0	0	0	0
Liabilities towards the Bank Rehabilitation Agency	0	0	0	150	149	0
BALANCE						
Deficit / Surplus	0	0	0	-1	14	30

Source: Internal data of the Ministry of Finance

MACEDONIAN LONG-TERM SECURITIES STOCK EXCHANGE

January - March 2003

Amendments and modifications to the Securities Law

In April 2003, the Parliament of the Republic of Macedonia passed the Amendments and Modifications to the Securities Law.

In order to establish the Securities and Exchange Commission as an independent and competent Commission, like the securities and exchange commissions in number of European transition countries, the Amendments and Modifications to the Law set forth additional new criteria to be met by the President and the members of the Securities and Exchange Commission, forbidding them to act as the following: members in bodies of a political party; managing persons or members of managing boards of legal entities supervised by the Securities and Exchange Commission, i.e. by the National Bank of the Republic of Macedonia; shareholders having over 25% share in the joint stock company, issuer of securities; and officials heading state bodies.

The amendments to the Securities Law are also in direction of improved transparency of the operations of the Securities and Exchange Commission regarding the assets gained from its operations and spending thereof, by introducing the obligation to prepare audit report, and to publish part of the audit report with opinion by the authorized auditor in at least one newspaper and on the website of the Commission.

Stock Exchange Indicators - January 2003

The turnover on the Macedonian Long-Term Securities Stock Exchange decreased by 19.81% in January 2003, in relation to the previous month, and it amounted to Denar 103 million. On the basis of total turnover, the average daily turnover also decreased and it amounted to Denar 6 million.

The total turnover of bonds in January amounted to Denar 21 million, whereby the average price of government bonds for "old" foreign currency savings declined by 1.38% in relation to December, reaching 61.42%. At the same time, the average price of government denationali-

Stock Exchange Indicators - January 2003

	December 2002	January 2003	% change
TOTAL TURNOVER			
Shares	92.721.009	80.245.407	-13,5
Bonds	34.744.917	20.969.482	-39,6
Other securities	1.323.232	2.061.762	55,8
TOTAL	128.789.158	103.276.651	-19,8
VOLUME (in securities)			
Shares	112.580	179.917	59,8
Bonds (NV in EURO's)	905.720	560.920	-38,1
Other securities (NV in EURO's)	4.137.573	6.742.202	63,0
MSEI	109.475	102.529	-6,3
TOTAL NUMBER OF TRANSACTIONS	1.152	695	-39,7
NUMBER OF LISTED SECURITIES	45	91	102,2
MARKET CAPITALIZATION (In Denars)			
Shares	10.762.436.342	13.092.983.650	21,7
Bonds (NV in EURO's)	21.158.649.388	20.542.106.075	-2,9
TOTAL	31.921.085.730	33.635.089.725	5,4
NUMBER OF TRADED SECURITIES - UNOFFICIAL MARKET	56	30	-46,4
NUMBER OF TRADING DAYS	18	15	-16,7
DAILY AVERAGE:			
Turnover (denars)	7.154.953	6.885.110	-3,8
Volume (in securities)	286.437	498.869	74,2
Number of transactions	64	46	-28,1
NUMBER OF REPORTED TRANSACTIONS	19	4	-78,9
VALUE OF REPORTED TRANSACTIONS	660.444.163	28.969.425	-95,6
NUMBER OF TRANSACTIONS - STATE SEGMENT	/	/	/
VALUE OF TRANSACTIONS - STATE SEGMENT	/	/	/

zation bonds reached the value of 58.70% of the nominal value, while convertible certificates reached 30.84%.

The Official Stock Exchange Index, as an indicator of the share-price tendencies, was reduced by 6.34% in January, compared to the previous month, and reached a level of Denar 1,025.29.

Again, in January 2003, the highest turnover in the amount of Denar 61 million was realized on the unofficial market, which is 59% of the total turnover. On the other hand, total turnover in the amount of Denar 40 million was realized on the official stock exchange market, which is 39% of the total turnover realized on the Stock Exchange.

In the analyzed period, 4 block transactions in the amount of Denar 29 million were realized, whereby the most significant is trading of stocks of Ohridska banka a.d. Ohrid and Automakedonija - Skopje.

The shares of Makpetrol Skopje, Toplifikacija AD Skopje, and Alkaloid AD Skopje had the highest percentage share in the turnover realized on the official market of the Stock Exchange in January 2003.

The number of listed companies, in relation to December 2002, is higher by 102%, and it reached 91 companies, 56 of which are companies from the industry, 8 from the service sector, 8 from the banking sector, and 7 from trade. Their total market capitalization is Denar 13 billion.

Stock Exchange indicators - February 2003

The turnover on the Macedonian Long-Term Securities Stock Exchange increased by 5.95% in February 2003, in relation to January 2003, and it amounted to Denar 109 million. The average daily turnover decreased by 0.67%, amounting to Denar 6 million.

The turnover from government bonds realized in February is in the amount of Denar 47 million, which is an increase of 124% in relation to the turnover realized in the previous month. The price of government bonds issued on the basis of "old" foreign currency savings decreased by 0.36% in comparison to January and it reached 61.06%. The average price of denationalization government bonds in February reached 58.61%, which is a decline of 0.09 percentage points. At the same time, the convertible certificates reached 38%, i.e. 8 percentage points higher value than the previous month.

Compared to January 2003, the turnover on the official securities market significantly increased in February, amounting to Denar 72 million, which is 66.48% of the total turnover. On the unofficial market of the Stock Exchange, on the other hand, turnover in the amount of Denar 10 million was realized, which is 9.74% of the total turnover on the Stock Exchange. The remaining 23.78% account for trade with other securities, i.e. trade with convertible certificates.

In this period, 11 block transactions were realized, which is higher by 175% in relation to the previous month, amounting to Denar 128 million, and the largest volume had the trade with shares from Makosped - Skopje, and Makosped Osiguruvanje - Skopje.

Stock Exchange Indicators - February 2003

	January 2003	February 2003	% change
TOTAL TURNOVER			
Shares	80.245.407	36.421.124	-55
Bonds	20.969.482	46.982.407	124
Other securities	2.061.762	26.023.712	1.162
TOTAL	103.276.651	109.427.243	6
VOLUME (in securities)			
Shares	179.917	78.668	-56
Bonds (NV in EURO's)	560.920	1.257.618	124
Other securities (NV in EURO's)	6.742.202	65.586.502	873
MSEI	1.025	1.068	4
TOTAL NUMBER OF TRANSACTIONS	695	1.582	128
NUMBER OF LISTED SECURITIES	91	99	9
MARKET CAPITALIZATION (In Denars)			
Shares	13.092.983.650	13.678.252.773	4
Bonds (NV in EURO's)	20.542.106.075	20.965.445.341	2
TOTAL	33.635.089.725	34.643.698.114	3
NUMBER OF TRADED SECURITIES - UNOFFICIAL MARKET	30	31	3
NUMBER OF TRADING DAYS	15	16	/
DAILY AVERAGE:			
Turnover (denars)	6.885.110	6.839.203	-1
Number of transactions	46	99	115
NUMBER OF REPORTED TRANSACTIONS	4	11	175
VALUE OF REPORTED TRANSACTIONS	28.969.425	128.058.360	342
NUMBER OF TRANSACTIONS - STATE SEGMENT	0	3	/
VALUE OF TRANSACTIONS - STATE SEGMENT	0	18.721.115	/

The largest percentage share in the total turnover on the official market of the Stock Exchange in February 2003 had the shares of Alkaloid AD Skopje, Toplifikacija AD Skopje, Makpetrol Skopje, and Evropa Skopje.

Compared to January, the number of listed companies on the Stock Exchange increased by 9%, reaching 99 companies with market capitalization of Denar 13 billion.

The government sold shares from 3 enterprises in the analyzed period, as follows: MZT Oprema Skopje, Jugoturist Kumanovo, and Grozd Strumica, in the total amount of Denar 19 million, which means a final revival of the government segment at the Stock Exchange.

The Official Stock Market Index (MBI), being an indicator of the movement of prices of shares, increased by 4.2% in February, compared to the previous month, and amounted to Denar 1,068.

Stock Exchange indicators - March 2003

The turnover on the Macedonian Long-Term Securities Stock Exchange increased by 76.29% in March, in relation to the previous month, and amounted to Denar 193 million. At the same time, the average daily turnover increased by 65.92%, and it amounted to Denar 11,347,432.

Turnover realized from bonds amounted to Denar 54 million in March, i.e. it increased by 15.41% compared to the last month turnover. The price of bonds for the "old" foreign currency savings increased by 2.68% in relation to February, reaching 63.74%. The average price of the first issue of denationalization bonds also increased in this month, reaching 62.03%, while the price of denationalization bonds from the second issue reached 52.29%. Convertible certificates were sold for 36% of their nominal value.

In March, the Official Stock Exchange Index (MBI) increased by 1.22% in relation to the previous month, amounting to Denar 1,081.

In March 2003, as in the previous month, the turnover realized on the official securities market dominated, amounting to Denar 140 million, which is 72.55% of the total turnover. Turnover in the amount of Denar 29 million was realized on the unofficial market of the Stock Exchange, or 15.44% of the total turnover on the Stock Exchange. The remaining 12.01% was trade with other securities, i.e. convertible certificates.

The Privatization Agency of the Republic of Macedonia, using the government segment on the Stock Exchange, sold shares of 7 enterprises, including shares of Jugotrans Struga, Lihnida Ohrid, and Masinski Servis Kavadarci.

In the analyzed period, 7 block transactions were realized, in the amount of Denar 66 million, and the most significant was trading with shares of Semenarstvo Skopje, Stocar Struga, Zito Leb Ohrid.

In March 2003, the number of listed companies on the Stock Exchange remained unchanged, compared to the previous month, and the largest percentage share in the turnover on the overall official market had the shares of Alkaloid AD Skopje, and Toplifikacija AD Skopje.

Stock Exchange Indicators - March 2003

	February 2003	March 2003	% change
TOTAL TURNOVER			
<i>Shares</i>	36.421.124	115.506.540	217
<i>Bonds</i>	46.982.407	54.220.176	15
<i>Other securities</i>	26.023.712	23.179.623	-11
TOTAL	109.427.243	192.906.339	76
VOLUME (in securities)			
<i>Shares</i>	78.668	556.257	607
<i>Bonds (NV in EURO's)</i>	1.257.618	1.492.609	19
<i>Other securities (NV in EURO's)</i>	65.586.502	59.612.733	-9
MSEI	1.068	1.081	1
TOTAL NUMBER OF TRANSACTIONS	1.582	1.777	12
NUMBER OF LISTED SECURITIES	99	99	/
MARKET CAPITALIZATION (In Denars)			
<i>Shares</i>	13.678.252.773	14.166.794.628	4
<i>Bonds (NV in EURO's)</i>	20.965.445.341	22.730.863.833	8
TOTAL	34.643.698.114	36.897.658.461	7
NUMBER OF TRADED SECURITIES - UNOFFICIAL MARKET	31	25	-19
NUMBER OF TRADING DAYS	16	17	/
DAILY AVERAGE:			
<i>Turnover (denars)</i>	6.839.203	11.347.432	66
<i>Number of transactions</i>	99	105	6
NUMBER OF REPORTED TRANSACTIONS	11	7	-36
VALUE OF REPORTED TRANSACTIONS	128.058.360	66.219.464	-48
NUMBER OF TRANSACTIONS - STATE SEGMENT	3	7	/
VALUE OF TRANSACTIONS - STATE SEGMENT	18.721.115	26.334.144	/

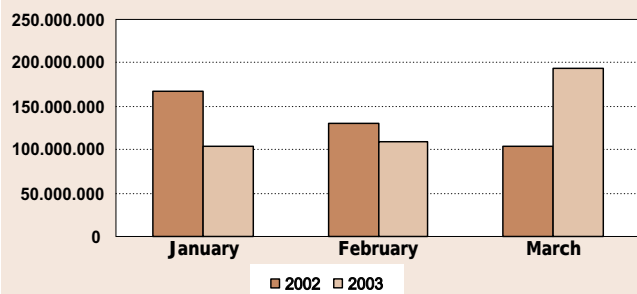
MACEDONIAN STOCK EXCHANGE

Quarterly report

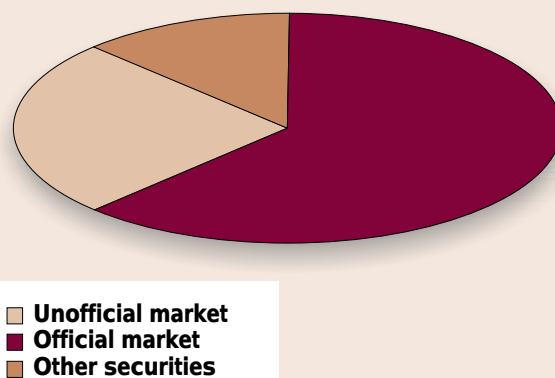
STOCK EXCHANGE INDICATORS

	January-March 2003	January-March 2003	% change
TOTAL TURNOVER			
Shares	232.173.071	186.936.555	▲ 24,2
Bonds	122.172.066	213.753.494	▼ -42,8
Other securities	51.265.097	0	
Total turnover	405.610.234	400.690.049	▼ 1,2
VOLUME (in securities)			
Shares	814,842	309,168	▲ 163,5
Bonds (NV in EURO's)	3.311.147	4.946.402	▼ -33,0
Other securities (NV in EURO's)	131.941.437	0	
MSEI	1.080.62	1.007.75	▲ 7,2
TOTAL NUMBER OF TRANSACTIONS	4,054	3,29	▲ 23,2
NUMBER OF LISTED SECURITIES	99	2	
NUMBER OF TRADED SECURITIES - UNOFFICIAL MARKET	62	65	▼ -4,6
NUMBER OF TRADING DAYS	48	46	
DAILY AVERAGE:			
Turnover (denars)	8.450.213	8.710.653	▼ -2,9
Number of transactions	84	72	▲ 16,6
NUMBER OF REPORTED TRANSACTIONS	22	27	▼ -18,5
VALUE OF REPORTED TRANSACTIONS	223.247.249	365.927.051	▼ -38,9
NUMBER OF TRANSACTIONS - STATE SEGMENT	10	16	▼ -37,5
VALUE OF TRANSACTIONS - STATE SEGMENT	45.055.259	87.590.404	▼ -48,5

Turnover per months



Turnover structure



TURNOVER STRUCTURE

Market segment	Turnover in denars	Turnover in EURO's	%	Number of transactions
Official market	253.023.439	4.125.899	62,4	▼ 3,488
Unofficial market	101.321.698	1.655.511	25,0	▼ 212
Other securities	51.265.097	834.433	12,6	▼ 354
TOTAL	405.610.234	6.615.843	100	▼ 4,054

OVERVIEW OF TRADING IN THE MOST LIQUID SHARES (OFFICIAL MARKET) JAN - MARCH

No.	Name of the issuer	Turnover (denars)	Turnover (EURO's)	Participation in turnover(%)	Number of transactions	Market capitalization (denars)
1.	<i>Alkaloid Skopje</i>	61.526.935	1.003.569	47,0	263	2.407.275.500
2.	<i>Toplifikacija Skopje</i>	15.461.502	252.051	11,8	116	684.122.580
3.	<i>Makpetrol Skopje</i>	11.036.458	180.020	8,4	91	1.128.427.662
4.	<i>Evropa Skopje</i>	5.860.208	95.593	4,5	40	282.163.632
5.	<i>Skopski pazar Skopje</i>	4.720.205	77.049	3,6	14	222.795.888
6.	<i>Komercijalna banka Skopje - ordinary</i>	4.562.061	74.409	3,5	49	675.773.550
7.	<i>Makedonija Turist Skopje</i>	4.078.101	66.516	3,1	46	407.022.300
8.	<i>RZ Ekonomika Skopje</i>	3.481.310	56.815	2,7	223	49.242.540
9.	<i>Granit Skopje</i>	2.516.482	40.979	1,9	90	231.488.000
10.	<i>Komercijalna banka Skopje - Preference</i>	2.474.009	40.417	1,9	42	155.751.160
	<i>Others</i>	15.134.102	246.781	11,6	297	7.922.731.816
	TOTAL OFFICIAL MARKET	130.851.373	2.134.199	100,00	1.271	14.166.794.628

TOP 5 GAINERS

No.	Issuer	January-March 2002 average price	January-March 2003 average price	% change January-March 2003/ January-March 2002
1.	<i>Blagoj Gorev AD Veles</i>	190	430	▲ 126
2.	<i>Zito Skopje AD Skopje</i>	310	693	▲ 124
3.	<i>Stopanska Banka AD Bitola</i>	1200	2520	▲ 110
4.	<i>Makedonija Turist AD Skopje</i>	647	903	▲ 40,7
5.	<i>Alkaloid AD Skopje</i>	1298	1590	▲ 22,5

TOP 5 LOSERS

No.	Issuer	January-March 2002 average price	January-March 2003 average price	% change January-March 2003/ January-March 2002
1.	<i>Zemjodelski komb. Pelagonija AD Bitola</i>	525	308	▼ -41,3
2.	<i>Zito Luks AD Skopje</i>	741	518	▼ -30,1
3.	<i>Replek AD Skopje</i>	17.163	12.296	▼ -28,4
4.	<i>QBE AD Skopje</i>	675	500	▼ -25,9
5.	<i>Komercijalna Banka AD Skopje-ordinary</i>	2.107	1.817	▼ -13,8

OVERVIEW OF THE TRADING WITH BONDS AND OTHERS SECURITIES

	High	Low	Initial	Last	Average price	Volume	Turnover (denars)	Turnover (EURO's)
<i>Government bonds - F/X deposits (RM 01)</i>	64,4	59,3	63	62,1	62,5	2.345.704	89.404.178	1.457.480
<i>Government bonds - denationalisation I issue (RMDEN01)</i>	63,5	56	58,1	56,3	0,8	416.638	15.358.305	250.088
<i>Government bonds - denationalisation II issue (RMDEN02)</i>	55	50	55	50	52,3	548.805	17.409.582	284.134
<i>Convertible certificates - saving houses (RMKSF)</i>	40,9	30	35	36	36,7	131.941.437	51.265.097	834.433

LISTED COMPANIES ON MACEDONIAN STOCK EXCHANGE - SKOPJE
REPORT ON TRADING 1.1.2003 - 31.3.2003

Overview of trading of listed companies - Official market

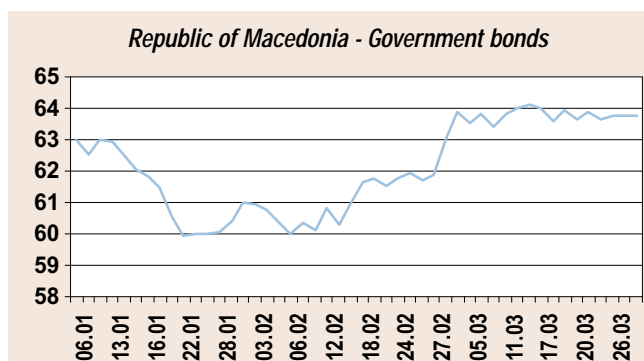
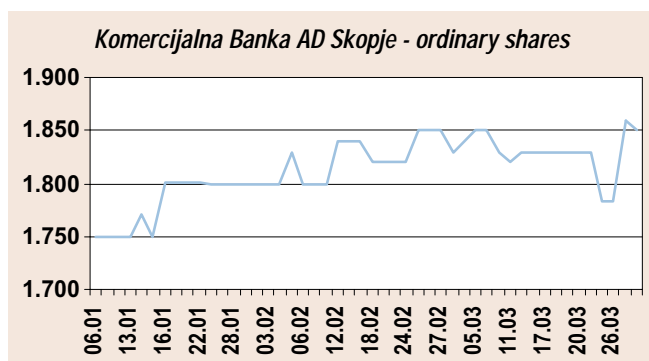
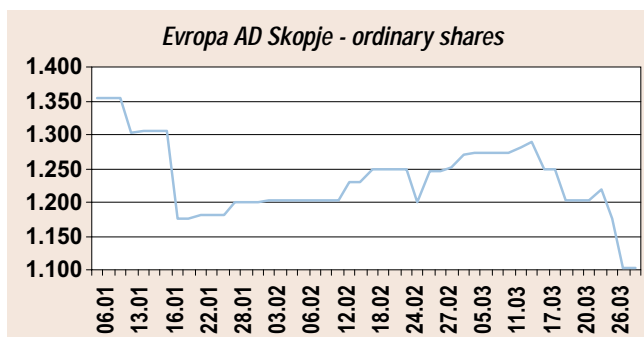
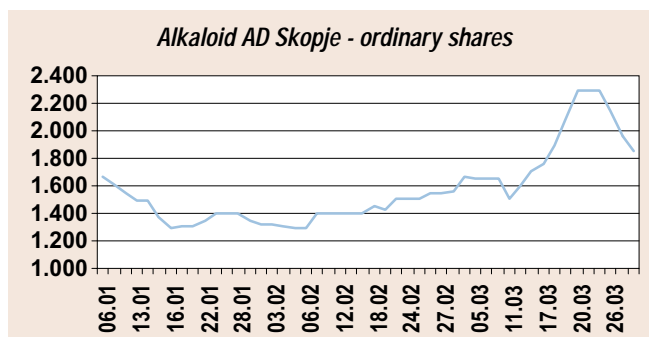
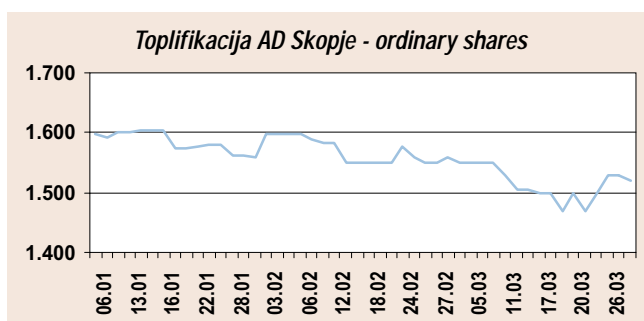
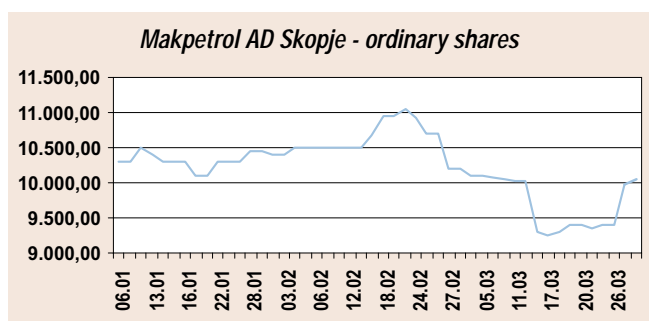
No	ISSUER	Nominal value	Number of shares	High price	Low price	Average price	Volume	Value (denars)	Value (EURO's)	Number of trans,	Market capitalization (denars)	Market capitalization (EURO's)
	INDUSTRY											
1	Alkaloid Skopje	25,56 EMU	1.301.230	2.300	1.300	1.590	32.119	61.526.935	1.003.702	263	2.407.275.500	39.270.400
2	RZ Makstil Skopje	5,11 EMU	14.622.944	113	113	113	1	113	2	1	1.652.392.672	26.955.835
3	Toplifikacija Skopje	100 DEM	450.000	1.610	1.470	1.551	10.029	15.461.502	252.227	116	684.122.580	11.160.238
4	Zito Luks Skopje	100 DEM	825.637	550	500	518	682	364.925	5.953	8	412.818.500	6.734.396
5	Evropa Skopje	51,13 EMU	255.583	1.305	1.104	1.228	4.739	5.860.208	95.599	40	282.163.632	4.602.996
6	F-ka za kabit Negotino	25,56 EMU	164.038	0	0	0	0	0	0	0	255.079.090	4.161.160
7	Agropolod Resen	511,3 EMU	21.025	0	0	0	0	0	0	0	201.177.502	3.281.852
8	Tutunski kombinat Prilep	51,13 EMU	509.050	520	300	395	479	190.890	3.114	12	264.706.000	4.318.206
9	Ading Skopje	51,13 EMU	48.300	3.750	3.750	3.750	66	247.500	4.038	1	181.125.000	2.954.731
10	Vitaminka Prilep	51,13 EMU	80.980	2.200	1.900	2.067	227	476.700	7.777	4	153.862.000	2.509.984
11	FZC 11 Oktomvri Kumanovo	51,13 EMU	491.000	0	0	0	0	0	0	0	152.210.000	2.483.034
12	Teteks Tetovo	51,13 EMU	456.787	310	310	310	4.431	1.373.610	22.408	1	141.603.970	2.310.016
13	Emo Ohrid	60 DEM	347.248	380	380	380	1.939	736.820	12.020	8	131.954.240	2.152.598
14	Jaka tabak Radovis	51,13 EMU	116.999	1.100	1.100	1.100	1	1.100	18	1	128.698.900	2.099.493
15	Zito Skopje SkopjeO	100 DEM	113.634	750	670	693	3.412	2.466.361	40.234	16	76.475.682	1.247.564
16	Kiro Kucuk Veles	153,38 EMU	25.967	0	0	0	0	0	0	0	80.497.700	1.313.176
17	Zito Strumica Strumica	51,13 EMU	68.245	0	0	0	0	0	0	0	68.245.000	1.113.295
18	Veteks AD Veles	51,13 EMU	29.998	2.170	1.583	1.915	504	1.074.148	17.523	21	47.996.800	782.982
19	RZ ITO Skopje	5,11 EMU	585.399	0	0	0	0	0	0	0	58.539.900	954.974
20	Zito Vardar Veles	50 EMU	73.037	806	800	802	255	204.963	3.344	6	58.794.785	959.132
21	Vinka Vinica	19 EMU	98.099	855	340	539	4.510	1.544.335	25.193	11	33.353.660	544.105
22	Komuna Skopje	25,56 EMU	279.000	0	0	0	0	0	0	0	47.430.000	773.736
23	Fustelarko Borec Bitola	100 DEM	84.302	550	550	550	180	99.000	1.615	1	46.366.100	756.380
24	Zito Bitola Bitola	163,4 EMU	127.111	0	0	0	0	0	0	0	43.283.838	706.098
25	Zito Prilep Prilep	50 EMY	68.379	0	0	0	0	0	0	0	43.078.770	702.753
26	Tajmiste Kicevo	100 DEM	26.341	1.550	1.550	1.550	162	251.100	4.096	7	40.828.550	666.045
27	Rudnici Banjani Skopje	25 EMU	65.502	670	620	645	227	144.390	2.355	2	43.886.340	715.927
28	Kvasara AD Bitola	51,13 EMU	12.500	0	0	0	0	0	0	0	37.500.000	611.746
29	Vior-rostfrei Ohrid	100 DEM	39.000	0	0	0	0	0	0	0	30.420.000	496.248
30	Sileks Kratovo	43,77 EMU	451.464	64	63	64	316	20.120	328	2	28.442.232	463.984
31	Dekorteks Radovis	224,97 EMU	15.385	0	0	0	0	0	0	0	23.077.500	376.468
32	Blagoj Gorev Veles	25,56 EMU	51.600	471	390	430	1.147	539.628	8.803	4	24.303.600	396.470
33	Metalec Bitola	51,13 EMU	10.248	1.500	1.500	1.500	115	172.500	2.814	11	15.372.000	250.767
34	RZ Tehnicka kontrola Skopje	5,11 EMU	210.419	0	0	0	0	0	0	0	12.625.140	205.957
35	Crvena Zvezda Pehcevo	136,47 EMU	14.388	800	800	800	60	48.000	783	1	11.510.400	187.772

36	TK Boro P. - Papucar Kumanovo	15,34 EMU	55.800	180	180	180	100	18.000	294	1	10.044.000	163.850
37	Dimko Mitrev Veles	51,13 EMU	40.000	0	0	0	0	0	0	0	9.400.000	153.344
38	RZ Institut Skopje	5,11 EMU	113.392	0	0	0	0	0	0	0	5.669.600	92.489
39	Niko Doaga Krusevo	50 EMU	17.020	0	0	0	0	0	0	0	3.404.000	55.530
40	Ohrid tabak Ohrid	100 DEM	17.663	0	0	0	0	0	0	0	264.945	4.322
41	AD Stobi Veles	100 DEM	10.917	0	0	0	0	0	0	0	0	0
42	Alumina Skopje	100 DEM	155.825	0	0	0	0	0	0	0	0	0
43	VV Povardarie Negotino	100 DEM	43.000	0	0	0	0	0	0	0	0	0
44	VV Tikves Kavadarci	51,13 EMU	206.500	0	0	0	0	0	0	0	0	0
45	Evroteks AD Skopje	50 EMU	10.989	0	0	0	0	0	0	0	0	0
46	Edinstvo Tetovo	5,11 EMU	290.544	0	0	0	0	0	0	0	0	0
47	Zito Karaorman AD Kicevo	256 EMU	12.635	0	0	0	0	0	0	0	0	0
48	Jugotutun Sveti Nikole	102,26 EMU	20.253	0	0	0	0	0	0	0	0	0
49	Karpos Skopje	200 DEM	49.852	0	0	0	0	0	0	0	0	0
50	Makoteks Skopje	35,9 EMU	94.063	0	0	0	0	0	0	0	0	0
51	Proluks Prilep	51,13 EMU	23.708	0	0	0	0	0	0	0	0	0
52	RZ Valavnica za lenti Skopje	5,11 EMU	11.939.699	0	0	0	0	0	0	0	0	0
53	Tane Caleski AD Kicevo	100 DEM	25.506	0	0	0	0	0	0	0	0	0
54	Trikotaza Pelister Bitola	35 EMU	100.985	0	0	0	0	0	0	0	0	0
55	Metalec Prilep	100 DEM	25.997	0	0	0	0	0	0	0	0	0
56	Algreta Resen	100 DEM	12.431	1.402	1.400	1.401	200	280.074	4.569	6	17.403.400	283.905
57	SIK Jelak Tetovo	100 DEM	77.920	0	0	0	0	0	0	0	0	0
58	Ohis Skopje	100 DEM	927.974	0	0	0	0	0	0	0	352.630.120	5.752.531
59	Oteks Ohrid	1940,97 DEN	488.736	0	0	0	0	0	0	0	68.423.040	1.116.200
60	Rade Koncar Skopje	25 EMU	202.269	160	160	160	407	65.120	1.062	7	32.363.040	527.945
61	Pecatnica 11 Oktomvri Prilep	100 DEM	32.000	0	0	0	0	0	0	0	51.200.000	835.237
62	Fakom AD Skopje	51,13 EMU	67.000	0	0	0	0	0	0	0	0	0
TOTAL			37.203.517				66.308	93.168.042	1.519.870	551	8.472.019.728	138.205.868
TRADE												
1	AD Tehnokomerc Skopje	51,13 EMU	19.934	0	0	0	0	0	0	0	19.934.000	325.188
2	Automakedonija Skopje	44,48 EMU	82.529	0	0	0	0	0	0	0	82.529.000	1.346.313
3	Makpetrol Skopje	511,29 EMU	112.382	11.100	9.250	10.189	1.074	11.036.458	180.040	91	1.128.427.662	18.408.282
4	Makpromet Stip	51,13 EMU	59.993	0	0	0	0	0	0	0	0	0
5	Replek Makedonija Skopje	562,42 EMU	17.020	12.881	11.710	12.296	46	545.686	8.902	4	219.234.620	3.576.421
6	Tehnometal Vardar Skopje	51,13 EMU	80.186	650	600	604	997	599.766	9.784	31	48.913.460	797.936
7	Tutun Skopje	35,79 EMU	61.300	0	0	0	0	0	0	0	61.300.000	1.000.000
TOTAL			433.344				2.117	12.181.910	198.726	126	1.560.338.742	25.454.139
CONSTRUCTION												
1	Beton AD Skopje	255,65 EMU	43.684	1.600	1.500	1.505	1.387	2.084.400	34.003	108	65.526.000	1.068.940
2	Beton Bitola	500 DEM	9.138	0	0	0	0	0	0	0	0	0
3	Beton Stip	25 EMU	41.804	0	0	0	0	0	0	0	19.647.880	320.520
4	GP Mavrovo Skopje	51,13 EMU	248.249	0	0	0	0	0	0	0	0	0
5	Granit Skopje	5 EMU	2.893.600	86	75	79	31.170	2.516.482	41.052	90	231.488.000	3.776.313
6	Ilinden Skopje	51,12 EMU	12.470	0	0	0	0	0	0	0	12.470.000	203.426
TOTAL			3.248.945				32.557	4.600.882	75.055	198	329.131.880	5.369.199

LISTED COMPANIES ON MACEDONIAN STOCK EXCHANGE - SKOPJE
REPORT ON TRADING 1.1.2003 - 31.3.2003

Overview of trading of listed companies - Official market

No	ISSUER	Nominal value	Number of shares	High price	Low price	Average price	Volume	Value (denars)	Value (EURO's)	Number of trans,	Market capitalization (denars)	Market capitalization (EURO's)
TRANSPORTATION												
1	Galeb Ohrid	50 EMU	40.278	0	0	0	0	0	0	0	85.953.252	1.402.174
2	Avioimpeks Skopje	100 DEM	102.182	0	0	0	0	0	0	0	0	0
3	Mlaz Bogdanci	35 EMU	195.912	500	499	500	694	346.798	5.657	7	97.956.000	1.597.977
4	Transkop-Patnicki soobr. Bitola	100 DEM	30.000	600	600	600	26	15.600	254	1	18.000.000	293.638
	TOTAL		368.372				720	362.398	5.912	8	201.909.252	3.293.789
AGRICULTURE												
1	GP-Tikves Kavadarci	51,13 EMU	68.000	0	0	0	0	0	0	0	0	0
2	Zemjod. komb. Pelagonija BT	51,13 EMU	278.620	310	305	308	246	75.815	1.237	3	86.372.200	1.409.008
	TOTAL		346.620				246	75.815	1.237	3	86.372.200	1.409.008
SERVICES												
1	Gradez. Insti. Makedonija Skopje	100 DEM	14.000	7.300	7.000	7.100	68	484.100	7.897	3	98.000.000	1.598.695
2	Lotarija na Makedonija Skopje	51,03 EMU	161.540	0	0	0	0	0	0	0	28.403.578	463.354
3	Makedonijaproekt Skopje	51,13 EMU	13.000	0	0	0	0	0	0	0	0	0
4	Makosped Skopje	1000 DEN	788.424	0	0	0	0	0	0	0	78.842.400	1.286.173
5	RZ Ekonomika Skopje	5,11 EMU	535.245	95	50	75	37.901	3.481.310	56.791	223	49.242.540	803.304
6	RZ KPOR Skopje	5,11 EMU	309.582	0	0	0	0	0	0	0	15.479.100	252.514
7	RZ Uslugi Skopje	5,11 EMU	1.571.667	0	0	0	0	0	0	0	0	0
8	Skopski Pazar Skopje	51,13 EMU	100.088	2.341	2.010	2.175	2.166	4.720.205	77.002	14	222.795.888	3.634.517
	TOTAL		3.493.546				40.135	8.685.615	141.690	240	492.763.506	8.038.556
BANKS												
1	Invest Banka AD Skopje	2670 DEN	215.209	0	0	0	0	0	0	0	151.209.170	2.466.708
2	Ohridska banka Skopje	2650 DEN	134.752	0	0	0	0	0	0	0	346.129.430	5.646.483
3	KIB Kumanovo	2741,56 DEN	552.935	0	0	0	0	0	0	0	160.818.750	2.623.471
4	Komercijalna banka Skopje	5000 DEN	225.149	1.860	1.749	1.817	2.499	4.562.061	74.422	49	831.524.710	13.564.840
5	SILEKS BANKA AD Skopje	43,46 EMU	227.313	0	0	0	0	0	0	0	64.414.000	1.050.799
6	Stopanska banka Bitola	3000 DEN	298.960	2.770	2.280	2.520	280	662.540	10.808	8	744.808.560	12.150.221
7	Teteks-Kreditna banka Skopje	1000 DEN	682.596	0	0	0	0	0	0	0	0	0
8	Tetovska banka	3000 DEN	146.852	0	0	0	0	0	0	0	0	0
	TOTAL		2.483.766				2.779	5.224.601	85.230	57	2.298.904.620	37.502.522
HOTELS, CATERIG AND TURISM												
1	Makedonija Turist Skopje	25,56 EMU	452.247	1.002	831	903	4.443	4.078.101	66.527	46	407.022.300	6.639.842
2	Internesenal Hotels AD Skopje	1 EMU	530.554	0	0	0	0	0	0	0	318.332.400	5.193.024
	TOTAL		982.801				4.443	4.078.101	66.527	46	725.354.700	11.832.866
	TOTAL		48.560.911				149.305	128.377.364	2.094.247	1.229	14.166.794.628	231.105.948



COMPOSITION OF THE MACEDONIAN STOCK EXCHANGE INDEX (MSEI)

Code	Company	Market capitalization (31.12.2002)	Market capitalization (31.03.2003)	% change 31.03.2003/31.12.2002
ALK	ALKALOID AD	2.173.054.100	2.407.275.500	▲ 10,8
TPLF	TOPLIFIKACIJA AD	706.500.000	684.122.580	▼ -3,2
EVRO	EVROPA AD	346.314.965	282.163.632	▼ -18,5
MPT	MAKPETROL AD	1.179.898.618	1.128.427.662	▼ -4,4
KMB	KOMERCIJALNA BANKA	798.749.450	831.524.710	▲ 4,1
	TOTAL	4.858.202.168	5.333.514.084	▲ 9,8

TURNOVER PER MEMBERS (IN DENARS)*

January - March 2003

Rang	Member	Trading in BEST system	% of trading in BEST system	Block	% of block	Government auctions	% of Government auctions	Total
1	KB	264.845.053	32,65	34.554.520	38,35	184.087.979	41,23	483.487.552
2	FR	190.165.592	23,44	24.299.040	26,97	121.181.608	27,14	335.646.240
3	TN	75.176.856	9,27	6.152.547	6,83	92.894.310	20,81	174.223.713
4	MI	69.027.241	8,51	3.159.186	3,51	38.703.720	8,67	110.890.147
5	MK	83.407.660	10,28	7.103.895	7,88	0	0	90.511.555
6	BD	64.797.268	7,99	11.187.186	12,42	8.124.480	1,82	84.108.934
7	SB	34.023.523	4,19	3.654.144	4,06	0	0	37.677.667
8	BB	20.193.669	2,49	0	0	0	0	20.193.669
9	BL	5.806.757	0,72	0	0	1.502.400	0,34	7.309.157
10	SL	1.992.300	0,25	0	0	0	0	1.992.300
11	PT	1.784.549	0,22	0	0	0	0	1.784.549
	TOTAL	811.220.468	100	90.110.518	100	446.494.497	100	1.347.825.483

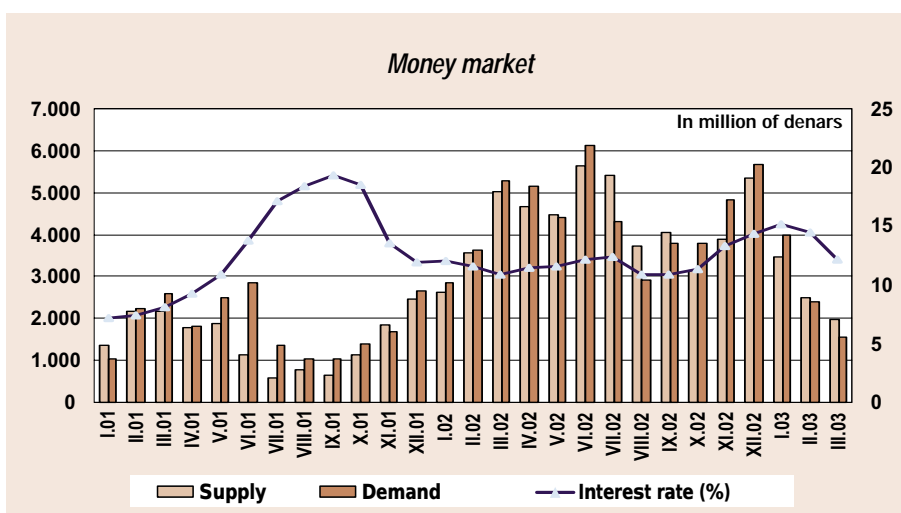
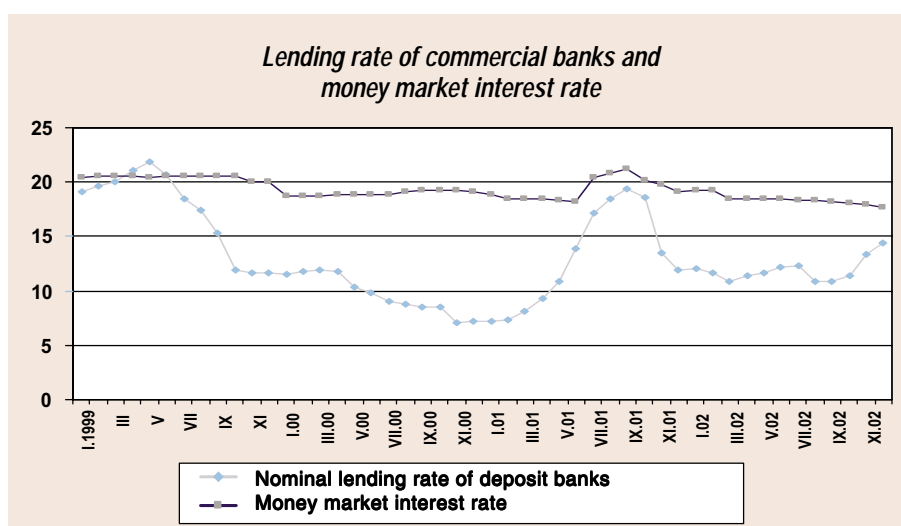
* Double counted

MONEY AND SHORT-TERM SECURITIES MARKET

Total turnover on the Money and Short-Term Securities Market in March 2003, compared to the previous month, dropped significantly by 36%. The reduction of the total turnover on the money market is due to the decrease of both the supply of liquid funds by 21% and the demand thereof by 35%. Taking into account the high correlation between the interest rates on the money market and the Central Bank bills, interest rate on the money market in March 2003 was reduced and amounted to 12.2% on average, which compared to the previous month is a decrease by 2.2 percentage points. Thus, March is the third subsequent month in which there was significant decrease

of the interest rate on the money market. At the same time, average daily realization in March (21 business days) amounts to Denar 71 million, which compared to February, is a decrease by 42%.

Analyzed by quarters, it is characteristic that in the first three months of 2003 there was significant decrease of the total supply of and demand for liquid funds, the total turnover and the interest rates being direct result of the disciplinary fiscal policy the Government of the Republic of Macedonia conducts in accordance with the International Monetary Fund.



Money market 2002 and 2003 year

	XII.01	I.02	II.02	III.02	IV.02	V.02	VI.02	VII.02	VIII.02	IX.02	X.02	XI.02	XII.02	I.03	II.03	III.03
Total turnover (in million of denars)	2,323	2,491	3,390	4,888	4,473	4,145	5,631	3,938	2,460	3,008	2,970	3,843	5,213	3,224	2,330	1,493
Interest rate (% annual level)	11.92	12.03	11.62	10.85	11.41	11.62	12.11	12.33	10.84	10.83	11.35	13.36	14.36	15.20	14.44	12.19

DEPOSITS OF PHYSICAL PERSONS AT BANKS AND SAVINGS HOUSES

In **January 2003** the deposits of physical persons at banks and savings houses reached an amount of Denar 34.7 billion, i.e. EUR 568 million, being an increase of total deposits at banks and savings houses by 0.77% in relation to December 2002.

Compared to January 2002, the deposits of citizens in January 2003 are lower by Denar 1.06 billion, i.e. by 3.06%. The increased volume of deposits in January 2002 was due to the process of conversion of German marks into euros as a result of which the citizens deposited their foreign currency savings in the commercial banks to the end of converting the German marks into euros. After the conversion of the funds, small number of the depositors withdrew their funds from the banks again in the first months of 2003, but that trend was soon terminated and the process of increase of the deposited funds in the banking system continued.

Analyzing the deposits according to the currency structure, in January 2003, 29.06% of the total deposits are denar deposits, while the remaining 70.94% are foreign currency deposits. Compared to December 2002, the currency structure of the deposits remains the same.

Regarding the maturity structure of the deposits in the analyzed period, 55.83% are sight deposits and their amount is Denar 19 billion. The remaining 44.17% out of the total deposits are time deposits and amount to Denar 15 billion. Compared to December 2002, the sight deposits in January this year decreased by 0.95%, and the time deposits increased.

In **February 2003** the deposits of physical persons at banks and savings houses reached an amount of Denar 35.2 billion, i.e. EUR 573 million, being an increase by 1.47%, i.e. by Denar 518 million in relation to January this year.

When comparing the deposits in February 2003 with those in February 2002, it will be noted that the former are higher by Denar 1.2 billion, i.e. by 3.64%.

According to the currency structure of the deposits, 29.06% of the total deposits in February 2003 are denar deposits, while the remaining 70.94% are foreign currency deposits. The currency structure of the deposits in this month is the same as in January.

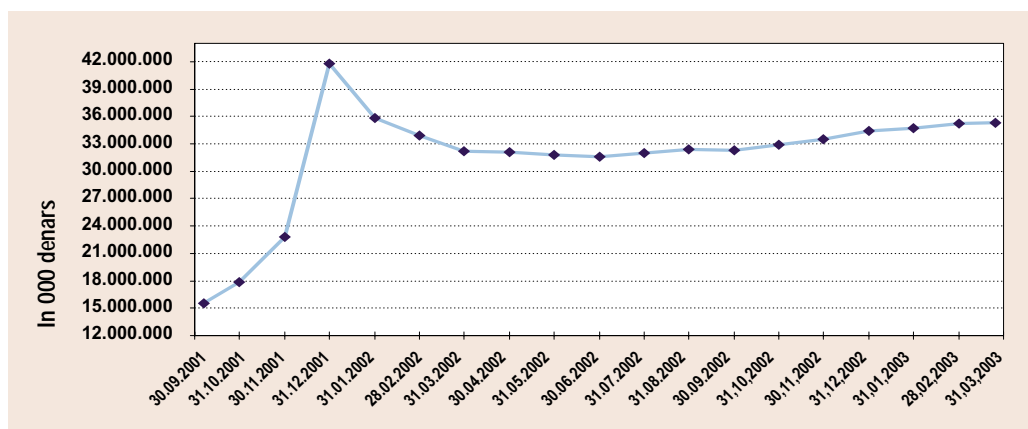
Regarding the maturity structure of the deposits in February 2003, 55.67% of the total deposits are sight deposits, amounting to Denar 19.6 billion, while 44.33% are time deposits in the amount of Denar 15.6 billion. During the analyzed period, the maturity structure of the deposits is the same as in January this year.

In **March 2003** the total deposits of physical persons at banks and savings houses reached an amount of Denar 35.3 billion, i.e. EUR 577 million, being an increase by 0.3%, i.e. by Denar 108 million in relation to February.

When comparing the total deposits in March 2003 with those in March 2002, there was an increase by 9.03%, i.e. by Denar 3.1 billion.

Analyzed according to the currency structure of the deposits, the percentage share of both the denar and the foreign currency deposits in the total deposits is the same in this month as in the previous months, i.e. denar deposits participate with 29.06%, and the foreign currency deposits participate with 70.94% in the total deposits.

Regarding the maturity structure of the deposits in the analyzed period 2003, 55.38% are sight deposits, amounting to Denar 19.5 billion, while the remaining 44.62% are time deposits in the amount of Denar 15.7 billion. During this period, the maturity structure of the deposits is identical as in the previous month.



CREDIT LINES FOR SMALL AND MEDIUM - SIZE ENTERPRISES**provided and guaranteed by the Government of the Republic of Macedonia**

(data is for informational purposes only, detailed information can be obtained in commercial banks)

Credit line	Credit line in kind from Italy (equipment produced in Italy) Agent bank-Macedonian Bank for Development Promotion	KfW - Germany, Programme for crediting SME development Agent bank-Macedonian Bank for Development Promotion	German-Macedonian Fund for crediting repatriates from Germany. Agent bank-Macedonian Bank for Development Promotion
Amount	50,000 - 2,000,000 €	50,000 - 400,000 €	10,000 - 150,000 €
Repayment period	Up to 5.5 years	Up to 4 years	Up to 8 years
Grace period	Up to 1.5 years	Up to 1 year	Up to 2 years
Annual interest rate	Fixed at 7% per annum	Variable (depending on the semi-annual EURIBOR interest) At the moment it is 11% per annum	Fixed at 8% per annum
Guarantee	Mortgage, bank guarantee, deposit, securities	Mortgage, notes, pledge on movables, rights and securities, pledge on real estate	Mortgage on real estate, obligatory relationship or bank guarantee, deposit, securities
Purpose of the credit	Projects which provide production, modernization, completion of the technological process and elimination of bottle necks	Modernization and expansion of existing private SMEs and establishment of new ones. Minimum 70% of the credit for fixed assets; Maximum 30% of the credit may be used for working capital	Initiation of operations of new companies, taking over existing companies, active partnership of existing companies, expansion of existing companies not older than 3 years
Target groups	SMEs that meet the conditions of the credit policy of Macedonian Bank for Development Promotion	SMEs that have more than 51% private ownership	Production, rendering services, construction or agricultural SMEs with over 51% private ownership (trade is excluded). The founder must be repatriate from Germany, returned after 1 January 1991
Source of funds	Italy provided 12.7 million €, 9 million € out of which remain to be utilized. The funds will be used to create revolving fund.	KfW - Germany provided 15 million €, 3.2 million € out of which remain to be utilized. The funds will be used to create revolving fund.	DEG - Germany and the Ministry of Finance of the Republic of Macedonia provided 10.2 million €, 9.8 million € out of which remain to be utilized. The funds will be used to create revolving fund.
Commercial bank that offer the credit	Balkanska banka Skopje, Eksport import banka Skopje, Izvozna i kreditna banka Skopje, Invest banka Skopje, Komercijalna banka Skopje, Makedonska banka Skopje, Ohridska banka Skopje, Radobank Skopje, Stopanska banka Skopje, Tutovska banka Skopje	Balkanska banka AD Skopje, Eksport import banka AD Skopje, Izvozna i kreditna banka AD Skopje, Invest banka AD Skopje, Komercijalna banka AD Skopje, Makedonska banka AD Skopje, Ohridska banka AD Skopje, Radobank AD Skopje, Stopanska banka AD Skopje, Tutovska banka AD Skopje	Balkanska banka AD Skopje, Eksport import banka AD Skopje, Izvozna i kreditna banka AD Skopje, Invest banka AD Skopje, Komercijalna banka AD Skopje, Makedonska banka AD Skopje, Ohridska banka AD Skopje, Radobank AD Skopje, Stopanska banka AD Skopje, Tutovska banka AD Skopje
Note:			

Credit line	Crediting small businesses (micro and small credits)	Crediting the production intended for export, from the funds from Macedonian Bank for Development Promotion	Programme for crediting investments of small and medium-size enterprises, from the funds from Macedonian Bank for Development Promotion
Amount	50,000 - 15,000 € micro credits, up to 50,000 € small credits,	50,000 - 400,000 €	50,000 - 400,000 €
Repayment period	Up to 2 years	4 - 15 mounts (for export arrangements)	Up to 4 years
Grace period	Up to 3 mounts	/	Up to 1 year
Annual Interest rate	Up to 20% per annum for micro credits, up to 15% per annum for small credits	Fixed at 11 % per annum	11 %
Guarantee	Blank note with a statement certified by notary, with at least two guarantors; Crossed check with statement certified by notary, Note and/or crossed check from other solvent legal entities - guarantors; Mortgage; pledge on movables and rights; pledge of valuables and securities; checks; other upon necessity acceptable for the bank. When evaluating the credits, special credit technology is applied which is focused on social and economic situation of the entrepreneur and his business, regarding the collateral.		Mortgage on real estate, notes, pledge on movables, rights and securities, pledge on real estate
Purpose of the credit	Financing fixed assets (procurement of equipment, machines, tools, installations, urban land, restoration and modernization; financing working capital (raw materials, intermediate materials, commodities...)	Financing working capital for production intended for export.	Procurement of machines, tools, licences etc., up to 70% of the credit; arrangement and adaptation of construction facilities which are within the planned project, up to 20% of the credit; financing working capital, up to 30% of the credit
Target groups	Private companies, individuals, individual entrepreneurs, craftsmen, vendors and sole proprietor	Private export-oriented companies	Legal entities that have more than 50% private ownership; newly-established - the investor must have previous experience as physical person for at least 4 years in such business and must guarantee his/her whole personal property
Source of funds	Credit bank for Rehabilitation - KfW from Germany provided 6.7 million €, 5,7 million € out of which remain to be utilized. The funds will be used to create revolving fund.	Macedonian Bank for Development Promotion provided funds for this credit line - 31.5 million €. The funds will be used to create revolving fund.	Macedonian Bank for Development Promotion provided funds for this credit line, 4.5 million € out of which were utilized. The funds from credit repayment will be intended for the Programme for financing export-oriented production.
Commercial bank that offer the credit	Izvozna i kreditna banka AD Skopje, Tutunska banka AD Skopje,	Balkanska banka AD Skopje, Eksport import banka AD Skopje, Izvozna i kreditna banka AD Skopje, Invest banka AD Skopje, Komercijalna banka AD Skopje, Makedonska banka AD Skopje, Ohridska banka AD Ohrid, Radobank AD Skopje, Stopanska banka AD Skopje, Stopanska banka AD Bitola, Tetovska banka AD Tetovo, Tutunska banka AD Skopje	Balkanska banka AD Skopje, Eksport import banka AD Skopje, Izvozna i kreditna banka AD Skopje, Invest banka AD Skopje, Komercijalna banka AD Skopje, Makedonska banka AD Skopje, Ohridska banka AD Ohrid, Radobank AD Skopje, Stopanska banka AD Skopje, Stopanska banka AD Bitola, Tetovska banka AD Tetovo, Tutunska banka AD Skopje
Note:		Own share 15%, other costs 2%, Commitment fee of 0.50% per annum	Own share 1 at least 15%

Credit line	Credits from the credit line of the International Fund for Agriculture Development IFAD 1: Small and large credits for individual farmers	Credits from the credit line of the International Fund for Agriculture Development IFAD 1: Credits for small and medium-size enterprises	Credits from the credit line of the International Fund for Agriculture Development IFAD 2: Agricultural financial services
Amount	1,000 - 10,000\$ (small) 1,000 - 30,000\$ (large)	1,000 - 75,000\$	2,000\$ micro credits, 25,000\$ for primary agricultural production, 75,000\$ for processing agricultural products
Repayment period	1 to 6 years, depending on the purpose	1 to 6 years, depending on the purpose	
Grace period	3 months to 3 years, depending on the purpose	3 months to 3 years, depending on the purpose	
Annual interest rate	6% per annum	6% per annum	
Guarantee	Mortgage ratio: 2:1 (for small credits) Mortgage ratio 2:1 (for large credits), bank checks, foreign currency, guarantee from liquid organization, bank guarantee, acceptance orders from liquid enterprise	Mortgage ratio 2:1, bank checks, foreign currency, guarantee from liquid organization, bank guarantee, acceptance orders from liquid enterprise	
Purpose of the credit			Improvement of the living standard of target population
Target groups	Individual farmers from certain regions in the east and south-east part of Macedonia	Small and medium-size enterprises (in villages)	Unemployed persons in the agricultural undeveloped areas, poor agricultural households, as well as small and medium-size entrepreneurs
Source of funds	IFAD (International Fund for Agricultural Development) provided US\$ 6.7 million, US\$ 4.9 million out of which remain to be utilized. The funds will be used to create revolving fund.	IFAD (International Fund for Agricultural Development) provided US\$ 6.7 million, US\$ 4.9 million out of which remain to be utilized. The funds will be used to create revolving fund.	IFAD (International Fund for Agricultural Development) provided US\$ 7.5 million. The funds will be used to create revolving fund.
Commercial bank that offer the credit	Investbanka A.D. Skopje	Investbanka A.D. Skopje	
Note:	Criteria: investment programme for large credits; obligatory participation of 30% in equipment, buildings and obligatory insurance of goods in insurance company and restrictive endorsement of the Policy for the benefit of the bank. The bank does not approve cash, but it makes procurement at the account of the client from supplier chosen by the client itself.	Criteria: investment programme for large credits; obligatory participation of 30% in equipment, buildings and obligatory insurance of goods in insurance company and restrictive endorsement of the Policy for the benefit of the bank. The bank does not approve cash, but it makes procurement at the account of the client from supplier chosen by the client itself.	The implementation of this credit line is in initial phase. The conditions for awarding the credits are being defined, as well as the selection of commercial banks.

Credit line	Credits from credit line by International Bank for Reconstruction and Development (IBRD) for private sector development.	REVOLVING FUNDProject for private sector development of the International Cooperation and Development Fund - Taiwan	Credit line for job creation in small and medium - size enterprises REVOLVING FUND
Amount	Up to 1.125.000 € for SMEs Up to 75.000 € for individual agricultural producers	Up to 400.000 US\$ for small and medium - size enterprises Up to 200.000 US\$ for agriculture	No limit
Repayment period	1 to 10 years	Up to 7 years for SMEs, Up to 5 years for agriculture	5 to 10 years
Grace period	Up to 3 years (for fixed assets) Up to 2 years (for individual agricultural producers)	1 - 3 years	1 - 3 years
Annual interest rate	Variable about 7% (LIBOR + 3% + banking costs):	LIBOR + 2,5%	about 9% (EURIBOR + 5.3%)
Guarantee	Mortgage, pledge	Mortgage on real estate, pledge on equipment	Mortgage, pledge on equipment, other instruments acceptable for banks
Purpose of the credit	Procurement of new equipment, current operating assets, construction works, engineering, consultant services and licences. Permanent operating assets	Procurement of machines, equipment, construction works, other fixed assets (except acquisition of land), procurement of raw materials, intermediate materials (for SMEs); procurement of agricultural mechanization, basic herds, green houses, plantations, equipment, procurement of raw materials, intermediate materials (for credits in the area of agriculture)	Construction/purchase of property, procurement of machines and equipment, procurement of raw materials and spare parts, educational training
Target groups			SMEs from textile, leather, food industry and other branches that would enable job creation, except for the primary agricultural production.
Source of funds	Revolving fund from the utilized credit line from IBRD	International Cooperation and Development Fund (ICDF) - Taiwan	Funds from the Council of Europe Development Bank (CEB) in the amount of 5 million € are fully utilized. Revolving fund was created from them, which continues to be utilized under the same conditions.
Commercial bank that offer the credit	Investbanka AD Skopje, Komercijalna banka AD Skopje, Ohridska banka AD Ohrid, Stopanska banka AD Bitola	Ohridska banka AD Ohrid, Stopanska banka AD Skopje, Komercijalna banka AD Skopje, Tutunska banka AD Skopje, Radobank AD Skopje, Stopanska banka AD Bitola, Ohridska banka AD Ohrid, Makedonska banka AD Skopje	Ohridska banka AD Ohrid, Stopanska banka AD Skopje, Komercijalna banka AD Skopje, Balkanska banka AD Skopje
Note:	Own participation of 20% of the accounting value of the project. Commitment fee of 0.75%		The funds cannot be used for agricultural projects, except for processing and additional processing of agricultural products.

Credit line	APEX Global Loan from European Investment Bank	Support to SMEs development by the Dutch Government - Macedonian Enterprise Development Foundation	Support to SMEs via Counterpart Funds established with foreign aid from Japan and other countries.
Amount	20,000 € to 12,500,000 €	10,000 € for individual farmers with 7.25% annual interest rate, 17,000 € for micro entrepreneurs with 18% annual interest rate, 50,000 € from small enterprises with 8 - 12% annual interest rate	The amount is not defined, it is determined depending on the specific project
Repayment period	5 to 7 years	3 to 5 years	9 months to 5 years
Grace period	1 year	6 months - 1 year	3 months to 1 year
Annual interest rate	about 8%, or 9% (via Macedonian Bank for Development Promotion)	7.25% to 12%	0 - 3%
Guarantee	In accordance with the credit policy of commercial banks - participants in the credit realization	In accordance with the credit policy of commercial banks - participants in the credit realization	Mortgage on real estate in ratio 2:1 for equipment. Bank guarantee for spare parts and raw materials.
Purpose of the credit	Fixed assets and increase of the existing operating capital related to the project	Support of the employment opportunities and development of micro and small businesses	Raw materials, intermediate materials, spare parts
Target groups	Small and medium-size enterprises in all production - related activities	Micro and small enterprises and individual farmers.	
Source of funds	European Investment Bank provided 20 million €, 17.7 million € out of which remain to be utilized. The funds will be used to create revolving fund.	Dutch Government provided 7 million €, 4 million € out of which remain to be utilized. The invested funds were used to create revolving fund which provides additional 2.5 million €.	At the moment there are 9 million Denars unallocated from the Counterpart Fund Japan and other foreign aid
Commercial bank that offer the credit	Komerijalna banka AD Skopje, Stopanska banka AD Skopje	Tutunska banja AD Skopje, Radobank AD Skopje, Saving house Moznosti	The funds are allocated via the Counterpart Fund Division in the Ministry of Finance, pursuant to the relevant Government decisions
Note:			In some cases 50% own participation

Credit line	Credit programme for SMEs from PHARE/NEPA	Micro-credit line for SMEs from CARDS-EU
Amount	Up 1,800,000 MKD	Up to 30,000 €
Repayment period	3 - 5 years	Up to 5 years
Grace period	Up to 6 months	Up to 6 months
Annual Interest rate	Not lower than 10 %	Up to 10%
Guarantee	Blank note certified by notary, crossed check with a statement certified by notary, mortgage on real estate - minimum 130% of the credit amount, depositing valuables and securities etc.	Blank note certified by notary, crossed check with a statement certified by notary, note and/or crossed check by other solvent legal entities - guarantors, mortgage minimum 130% of the credit amount, collateral on immovable assets minimum 130% of the credit amount, depositing valuables and securities, bank guarantee, PHARE Fund provides guarantee collateral fund
Purpose of the credit	Purchase of equipment or machines, long-term financing of new projects. Upon NEPA approval, the bank may allow up to 10% of the total awarded credit to be intended for operating capital.	Purchase of equipment or machines, long-term financing of new projects. 20% of the total awarded credit may be intended for operating capital
Target groups	Legal entities having more than 20 employees. Business is not older than 5 years and at least 51% of the principal is in private ownership.	Legal entities having more than 20 employees. Business is not older than 5 years and at least 51% of the principal is in private ownership or they have just commenced their business.
Source of funds	FARE - NEPA arrangement	CARDS - EU
Commercial bank that offer the credit	Izvozna i kreditna banka AD Skopje, Komercijalna banka AD Skopje, Komercijalno investiciona banka AD Kumanovo, Ohridska banka AD Ohrid, Stopanska banka AD Bitola, Tutunska banka AD Skopje	Selection required
Note:	One-off compensation of costs 1 %	70% of the placement borne by PHARE Fund, and 30% by the commercial banks. 20% of the total assets are own guarantee fund of PHARE

FACTS ABOUT PRIVATIZATION

CONDITIONS 31.3.2003

CONDITIONS AT THE BEGINNING OF PRIVATIZATION

Sector	Number of companies	Number of employees	Equity in EUR
Manufacturing	403	149,174	1,101,109,147
Construction	117	33,499	118,205,995
Trade	385	20,773	252,619,574
Transport & Trafic	63	12,080	67,505,331
Finance & Services	120	4,417	26,247,146
Craft	58	3,017	9,376,752
Catering & Tourisam	70	5,890	111,824,957
TOTAL	1,216	228,850	1,686,888,902

Statistic providet by POS, December 31, 1944

ON - GOING PRIVATIZATION 31/3/2003

Sector	Number of companies	Number of employees	Equity in EUR
Manufacturing	25	5,348	16,878,118
Agriculture	16	1,240	10,457,074
Construction	6	146	4,773,549
Trade	22	2,968	6,957,661
Transport & Trafic	1	43	484,391
Finance & Services	10	167	522,614
Craft	1	75	184,065
Catering & Tourisam	3	202	1,703,927
TOTAL	84	10,189	41,961,399

FINISHED PRIVATIZATION 31/3/2003

Sector	Number of companies	Number of employees	Equity in EUR
Manufacturing	500	137,603	1,476,089,764
Agriculture	429	20,593	201,535,330
Construction	122	31,877	120,064,477
Trade	352	17,682	257,511,836
Transport & Trafic	53	7,322	40,487,806
Finance & Services	116	7,350	122,516,046
Craft	55	2,914	24,639,230
Catering & Tourisam	63	4,281	93,216,876
TOTAL	1,690	229,622	2,336,061,365

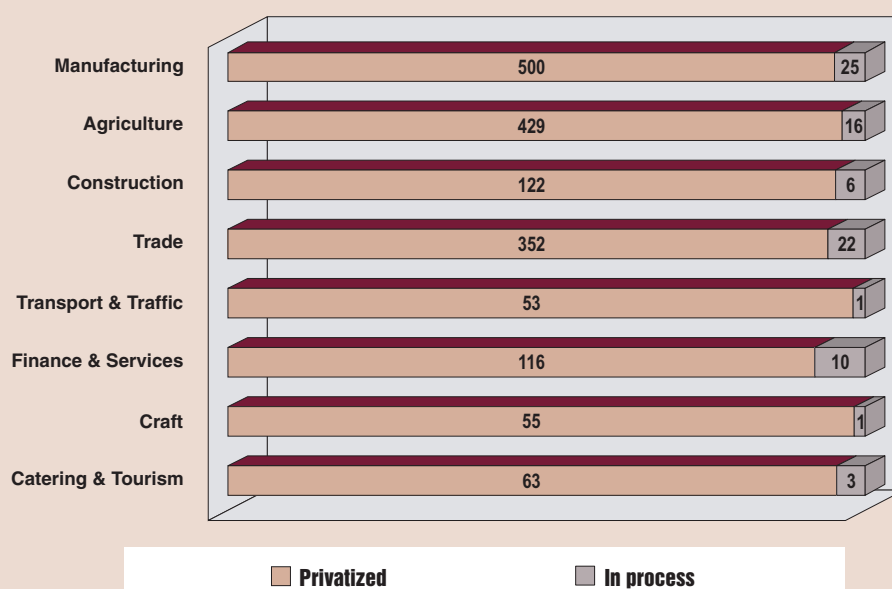
ON-GOING PRIVATIZATION - NUMBER OF ENTERPRISES PER SECTORS

Sector	Privatized	In process
Manufacturing	500	25
Agriculture	429	16
Construction	122	6
Trade	352	22
Transport & Trafic	53	1
Finance & Services	116	10
Craft	55	1
Catering & Tourisam	63	3
TOTAL	1,690	84

ON-GOING PRIVATIZATION - NUMBER OF EMPLOYEES BY SECTORS

Sector	Privatized	In process
Manufacturing	137,603	5,384
Agriculture	20,593	1,240
Construction	31,877	146
Trade	17,682	2,968
Transport & Traffic	7,322	43
Finance & Services	7,350	167
Craft	2,914	75
Catering & Tourism	4,281	202
TOTAL	229,622	10,225

On - going of privatization - number of enterprises by sectors

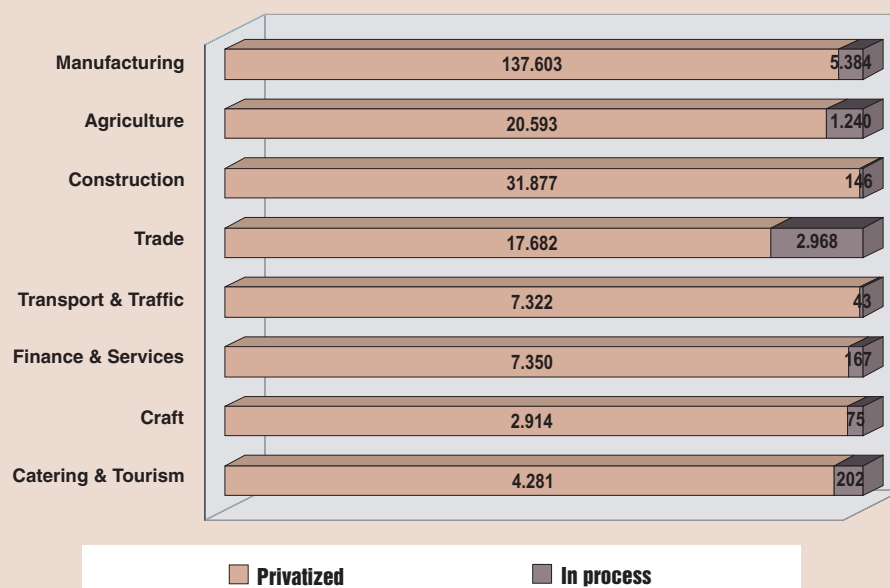


PRIVATIZATION - CURRENT STATE

(EQUITY IN EUR)

Sector	Privatized	In process
Manufacturing	1,476,089,764	16,878,118
Agriculture	201,535,330	10,457,074
Construction	120,064,477	4,773,549
Trade	257,511,836	6,957,661
Transport & Traffic	40,487,806	484,391
Finance & Services	122,516,046	522,614
Craft	24,639,230	184,065
Catering & Tourism	93,216,876	1,703,927
TOTAL	2,336,061,365	41,961,399

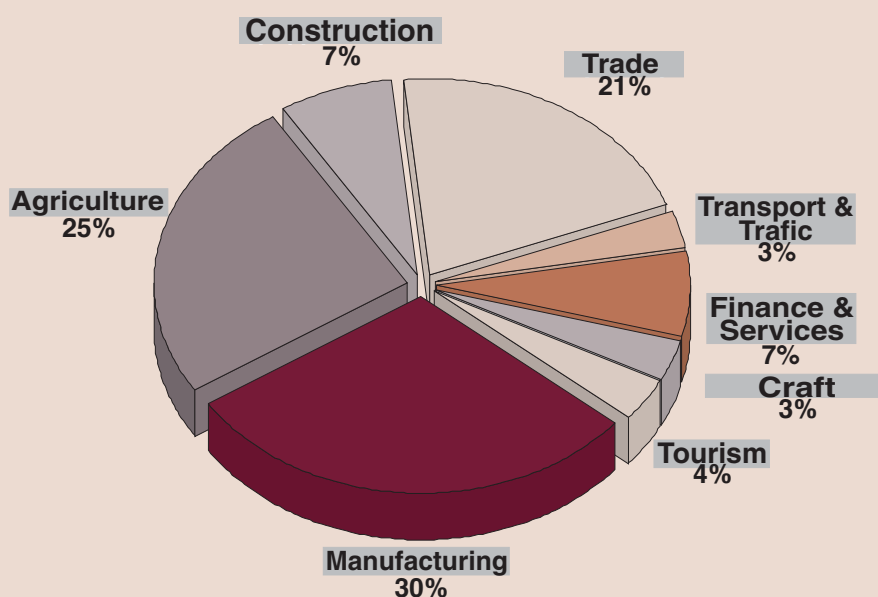
On-going privatization - number of employees by sectors



NUMBER OF PRIVATIZED COMPANIES BY SECTORS

Sector	Privatized
Manufacturing	500
Agriculture	429
Construction	122
Trade	352
Transport & Traffic	53
Finance & Services	116
Craft	55
Catering & Tourism	63
TOTAL	1,690

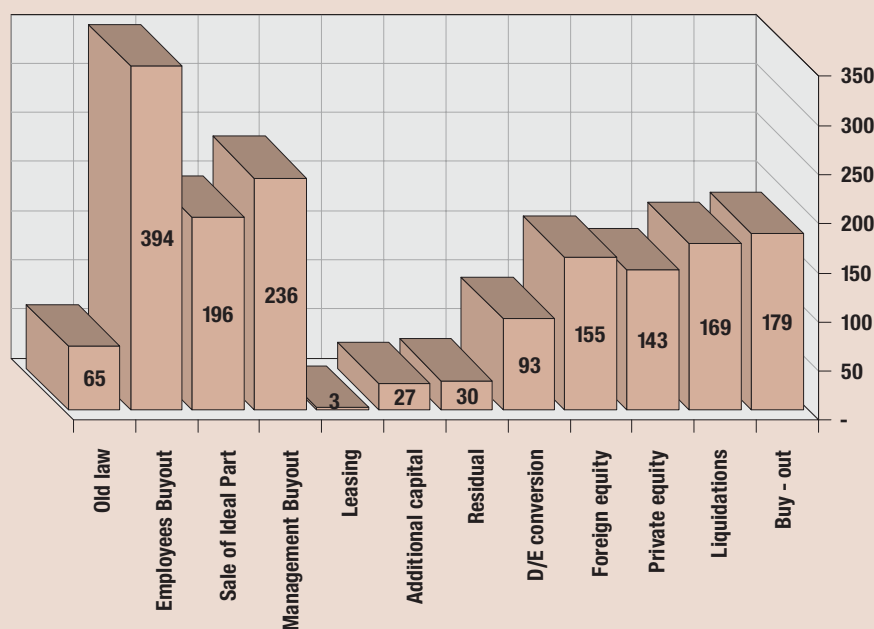
Number of privatized companies by sectors



EQUITY IN PRIVATIZED COMPANIES - BY MODEL

<i>Model</i>	<i>Equity in EUR</i>
Old law	58,528,096
Employees Buyout	77,192,016
Sale of Ideal Part	323,228,451
Management Buyout	707,503,552
Leasing	595,839
Additional capital	96,739,753
Residual	153,110,972
D/E conversion	324,198,184
Foreign equity	25,257,846
Private equity	34,428,177
Liquidations	58,138
Buy - out	535,220,340
TOTAL	2,336,061,364

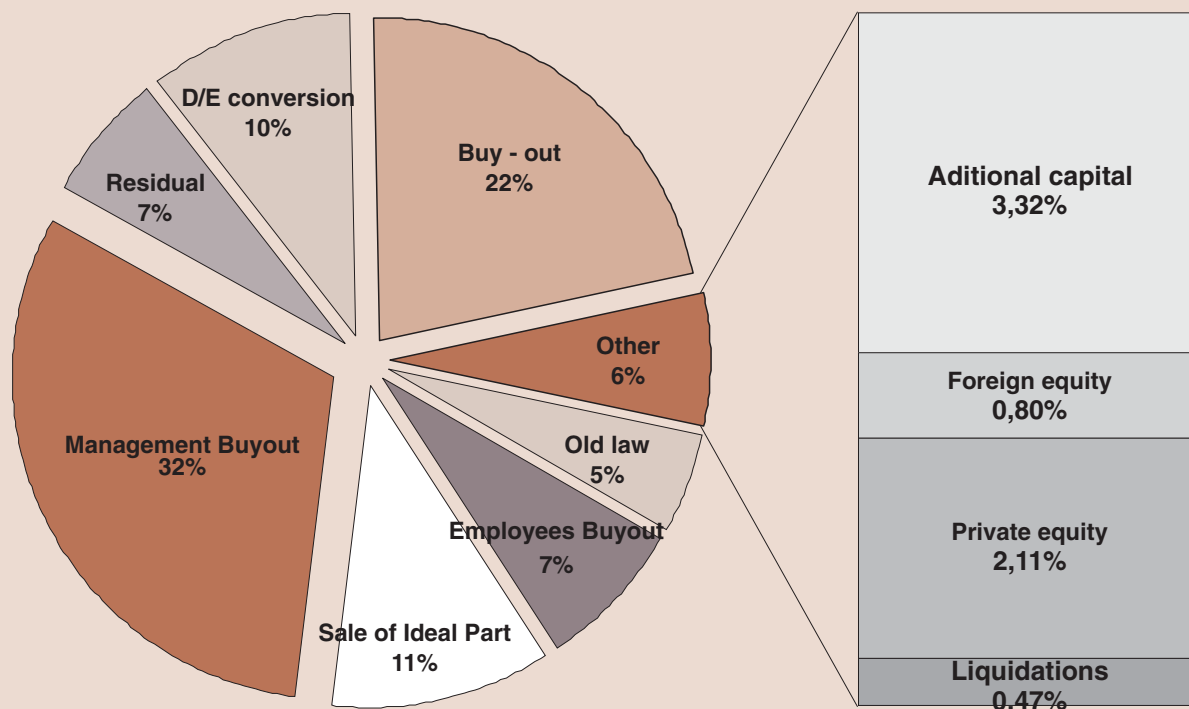
**Number of privatized companies
by model of privatization**



EMPLOYEES IN PRIVATIZED COMPANIES BY MODEL

<i>Model</i>	<i>Employees</i>
Old law	11,522
Employees Buyout	16,917
Sale of Ideal Part	25,770
Management Buyout	71,381
Leasing	-
Additional capital	7,620
Residual	14,972
D/E conversion	23,286
Foreign equity	1,843
Private equity	4,854
Liquidations	1,089
Buy - out	50,386
TOTAL	229,622

Employees in privatized companies by model



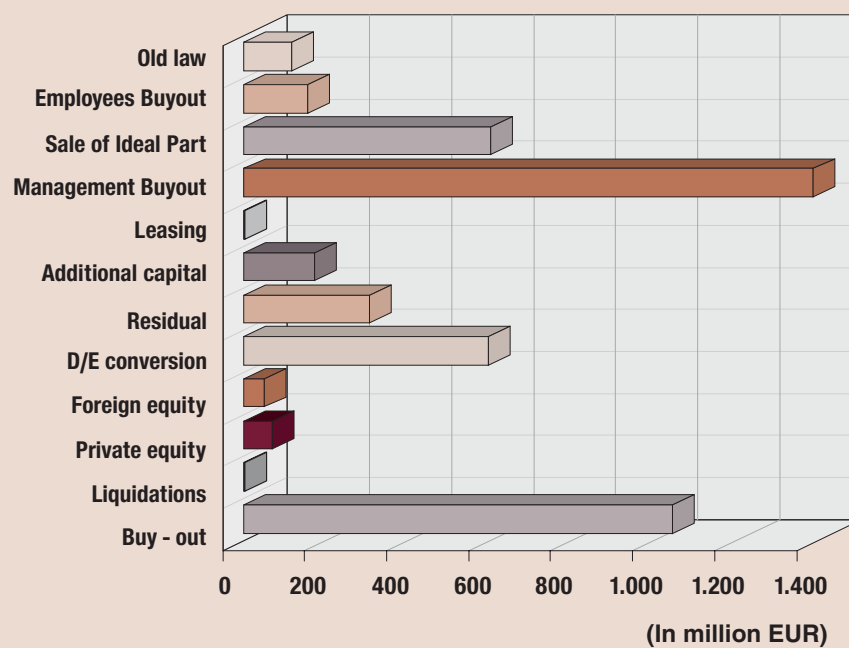
NUMBER OF PRIVATIZED COMPANIES BY MODEL OF PRIVATIZATION

Model	Companies	Employees	Equity in EUR
Old law	65	11,522	58,528,096
Employees Buyout	94	16,917	77,192,016
Sale of Ideal Part	96	25,770	323,228,451
Management Buyout	36	71,381	707,503,552
Leasing	3	230	595,839
Additional capital	27	7,620	96,739,753
Residual	30	14,972	153,110,972
D/E conversion	93	23,286	324,198,184
Foreign equity	55	1,843	25,257,846
Private equity	43	4,854	34,428,177
Liquidations	69	1,089	58,138
Buy - out	79	50,138	535,220,340
TOTAL	1,690	229,622	2,336,061,364

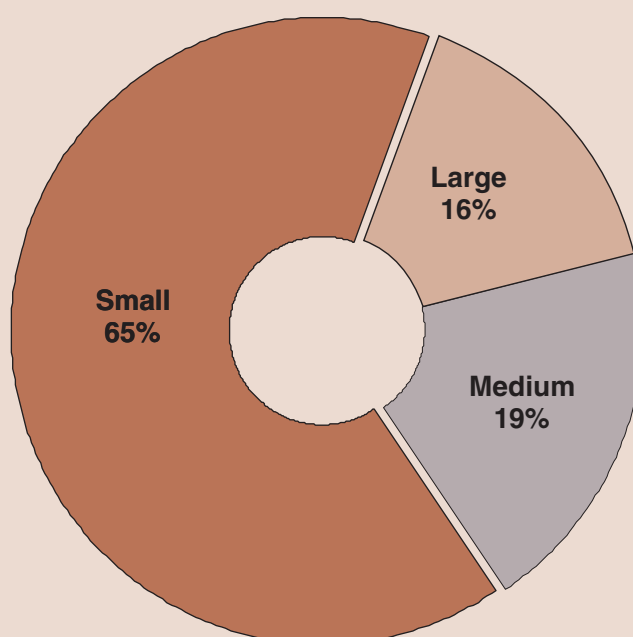
NUMBER OF PRIVATIZED COMPANIES BY SIZE

Size	Number of companies	Equity in EUR
Large	264	1,638,938,360
Medium	329	469,076,363
Small	1,097	228,046,643
TOTAL	1,690	2,336,061,366

Equity in privatized companies - by model



Number of privatized companies by sectors



IN BRIEF

REPUBLIC OF MACEDONIA 146. WTO MEMBER STATE

On April 4, 2003, Macedonia officially became 146 WTO member state, thus it became entitled to the rights received with the entrance in the trade family, but also it undertook the obligations that have to be met. The WTO membership brings benefits by revival of the principles of non-discrimination, transparency, liberalization, determined with multi-lateral contracts that regulate the overall trade. Still, as it was indicated by the businessmen that these are privileges that will be felt cumulatively because their revival and effects require time.

The biggest weakness of the agreement with WTO and the issue to which our producers react is the maintenance of the high protection during the export of oil derivatives which, as production inputs, increase the price of the final product and will make the domestic products uncompetitive.

The most important objective of the entrance in WTO is free flow of the goods in the course of the trading and application of regulation which provides for regularity in the trade relations, by leaving a possibility to overcome and solve the separate problems by means of contracts. With the entrance in WTO, Macedonia accepts the rules and principle of this organization to which only Serbia and Montenegro, Bosnia and Herzegovina, Russia and Ukraine, aspirants for entrance are not members yet.

ENTREPRENEURSHIP SUPPORT AGENCY

The Government cabinet gave "green light" to the draft Law on Small Business Development Support and Entrepreneurship Stimulation. The Government considers that this Law will close the legal gap in the country and it will enable long-term dynamic development of the small companies, and thus, the whole economy, as well as that it will enable coordination and facilitation of the dialogue between the public and private sector. This Law considers that small businesses are the companies that employee up to 50 employees annually on average on the basis of the working hours, their total annual profit is less than 8,000 average gross salaries per employ-



ee and are independent in the operations, then the sole proprietors, craftsmen and the persons performing other activities. Independence means when the share of the other entities in the founding capital of the companies does not exceed 25%. In accordance with the Law, the Government will establish Macedonian Entrepreneurship Development Agency the main tasks of which will be development of a network of institutions for support of the entrepreneurship and competition, assisting the integration of the small businesses in the international market, cooperation with the financial sector in order to render more efficient and various services to the entrepreneurs, providing support for the self-employment, as well as the information, expert and advisory assistance. The operational funds of the Agency will be provided by the Government through the Budget, but they can be also collected through donations or as special revenues. This agency will take over the equipment, inventory and archive of the previous NEPA.

MINISTER OF FINANCE PETAR GOSEV AT WORLD BANK ASSEMBLY

The delegation of the Ministry of Finance led by the Minister Petar Gosev, went to Washington on April 11 at the regular spring meeting of the World Bank and the International Monetary Fund.



In addition to the participation in the regular meeting of the Dutch Constituency where the Republic of Macedonia belongs, the Minister Gosev, in function of Governor of the Republic of Macedonia in the World Bank, had meetings with high representatives of the World Bank, IMF and the International Finance Corporation.

THE BUDGET OF THE REPUBLIC OF MACEDONIA IS ADOPTED

The Budget for this year that was adopted by the Parliament on March 27, 2003 amounts to denar 59.2 billion. What is of a special importance is the fact that this Budget is prepared in agreement with the international financial institutions and is a restrictive Budget that enables conduction of more relaxed monetary policy and less pressure on the exchange rate.

The overall Central Budget revenues amount to denar 55.1 billion, which is by 5,2% less than the last year, whereas the total costs amount to denar 59.2 billion, i.e. by ten percent less than during the previous year. According to the proposal, the deficit amounts to denar 4.72 billion which is 1,6% of the gross domestic product. The determined amount of the special revenues is denar 8 billion.

THE WORLD BANK WILL AWARD MACEDONIA US\$ 165 MILLION

The World Bank will award the Republic of Macedonia US\$ 165 million for the next three years, instead of the announced US\$ 150 million within the three-year Country Assistance Strategy.

35% of these funds may be used for structural reforms, and the remaining for investment projects. These funds should accelerate the private sector development, create new jobs, improve the efficiency of the government, as well as create a real social protection system. This strategy will most probably include only 9 out of 15 projects proposed by the line ministers. The projects will cover the private sector, reforms in the judiciary system, energetic sector and support to the export and trade, whereas, the public sector reform will be covered by the PSMAL II Arrangement.

The greatest amount of the funds, i.e. US\$ 30 million during the first year will be used for public sector reforms, US\$ 15 million for restructuring of "Macedonian Railways" and for "Makedonija pat" respectively, as well as for the health and social protection, and five for modernization of the education.

For the period from July 2004 to June 2005, two projects were proposed, in a total amount of US\$ 40 million, for export support and construction of gas heating plant.

According to Marie Helene Bricknell, World Bank resident representative in Macedonia, it is believed that this program will enable the country to retreat from the difficult structural reform programs and will be approached to the next development stage-combination of investment projects and structural reforms.

According to the announcements, the first money from the World Bank in the country is expected earliest by December this year.



IMF APPROVED THE STAND-BY ARRANGEMENT OF THE REPUBLIC OF MACEDONIA

The IMF Board of Directors approved the Stand-by Arrangement to the Republic of Macedonia on April 30, 2003 in the amount of US\$ 27.6 million.

The arrangement covers period of 14 months and will be realized in the period April 2003-June 2004.

The approval of the arrangement is confirmation of the IMF support to the economic and fiscal policy that the Government of the Republic of Macedonia plans to conduct in the next period.

EURO 38 MILLION FROM THE DENATIONALIZATION LISTED

The trading of the second tranche of denationalization bonds started on March 27 on the Macedonian Long-Term Securities Stock Exchange.

The Board of Directors of the Macedonian Stock Exchange made a decision for listing of the denationalization bonds, which are manner of indemnification of the former owners, issued by the Republic of Macedonia on the official Stock Exchange market.

The second issue of these government bonds is in the amount of Euro 38.1 million, and refers to 1.615 applicants for shares in the denationalization process. The shares are registered and are unlimitedly negotiable. The present price of the denationalization bonds is 62.5% of the nominal value, and whether it will be increased or decreased will depend on the demand and supply on the market.

What can have a significant influence on the price of these securities, i.e. to make them significantly more expensive, are the amendments to the Law on Privatization according to which in the process of accelerated privatization through Stock Exchange auction they can be bought with denationalization bonds.

COMMUNITY DEVELOPMENT CREDIT

The Ambassador of the Republic of Macedonia to the USA, Mr. Nikola Dimitrov, upon authorization by the Minister of Finance, Mr. Petar Gosev and the Director in the World Bank for Macedonia, Mr. Christian Poortman, on January 9, 2003 in the World Bank premises in Washington, signed the Community Development Credit Agreement in the amount of US\$ 5 million.

The credit was awarded to the Republic of Macedonia on exceptionally favourable conditions-with 20-year repayment period and 10-year grace period, with no interest payment. The credit is intended for realization of the Community Development project, the total amount of which will be US\$ 9.6 million. In addition to the funds received from the World Bank, around US\$ 3 million are expected to be provided for the realization of the project in a form of foreign donations, as well as funds from the Budget of the Republic of Macedonia and the municipal budgets.

The main objective of the project is support to the efforts of the Government of the Republic of Macedonia for economic development and social re-integration of the population from the areas affected by the military conflict in 2001.

More precisely, the funds will be used for financing small projects in the area of social services and local infrastructure,

such as rehabilitation and reconstruction of schools, kindergartens, outpatient hospitals, water supply systems, sanitary and irrigation systems, educative health programs, scholarship for students originating from the poorest layers of the population, as well as programs for support of the return of the displaced persons to their native places.



NBRM REDUCED THE DISCOUNT RATE

The National Bank Council of the Republic of Macedonia on April 9 made a decision for reduction of the discount rate of NBRM. From the existing 8% it is reduced to 6,5%, whereas the collateral interest is reduced from 17.5% to 16%. After this, it is expected for the commercial banks to start with the reduction of their interests for the credits that are invested. The NBRM Council limited the interest on the central bank bills as well to 7%.

THE US GRANT IN THE AMOUNT OF US\$ 12 MILLION EFFECTIVE FOR MACEDONIA

The inflow of the pledged donors' funds in Macedonia has already started. Main condition for this was conclusion of an arrangement with the International Monetary Fund. The first funds that arrived is the grant from the US Government in the amount of US\$ 12 million.

The Minister of Finance Petar Gosev, MA, the US Ambassador to the Republic of Macedonia, Laurence Butler and the Director of USAID, Dick Goldman, signed yesterday the Memorandum for Implementation of the Agreement by which the grant funds in the amount of US\$ 12 million will become effective, awarded by the US Government through USAID.

These funds are intended for the balance of payments support to the country, and will be used for repayment of foreign credit liabilities of the Macedonian Government, it is stated in the press release of the Ministry of Finance. The funds provided by this Agreement are part of the US\$ 16.5 million pledged by the USA at the Donors' Conference for Macedonia, held in March during the last year in Brussels.

According to the announcements, during this year Macedonia should disburse US\$ 126 million in total from the donors' funds which waited for the successful completion of the negotiations with IMF.



PRO INSPECTORS IN INTENSIVE CONTROLS FOR THE FISCAL DEVICES

Since April 17, the inspectors from the public revenue office commenced intensive controls in the trade facilities, in order to check whether they have fiscal devices.

This followed after the announcements of PRO in the media that the taxpayers must install fiscal devices, and that intensive controls will follow.

"This warning was announced since from the beginning we did not want to apply repressive measures, but to inform the tax payers that they will have to meet their legal obligation", says Vladimir Zdravev, head of the Fiscal Automation Department within PRO.

As it is known, the percentage of coverage with fiscal devices in the country is currently 15%, i.e. there are 5,230 devices, and it is anticipated for their total number to be 40 to 45 thousand devices for the three groups of taxpayers.

The fines for the companies that did not meet this obligation are denar 250 to 300 thousand, while the responsible persons in them may be fined with denar 45 to 50 thousand.

TENDER FOR SALES OF GODEL IS ANNOUNCED

On April 10, the international tender for sales of "Godel" was announced. "Godel" is an enterprise from the list of loss making companies the status of which should be solved by the end of the year.

There was a possibility to submit the bids for buying this en-



terprise which is in a process of liquidation by May 8, 2003. The minimum price is not determined in the tender for sales of "Godel", and the highest price bid will be accepted. The assets will be sold in 15 packages, and the interested buyers of the company for production and sales of leather, fur and glue may submit bid for one or several packages. The capacities of "Godel" are mainly located in Skopje, but there are capacities in the other towns in the country as well.

ACCELERATION OF THE PRIVATIZATION PROCESS

The privatization must be completed by the end of the year in order for the attention of the economic entities to be re-directed to the business, production and export, as well as to increase the economic efficiency.

This is a position of the Government expressed at the session during the adoption of the project for acceleration of the privatization process, presented by the Ministry of Economy on February 7.

According to the Minister of Economy, Ilija Filipovski, the Government wants to realize several objectives with this, to concentrate the capital that is anyway dispersed (at least 38.4 of the capital is owned by the employees) and with the offer of the government package of shares and shares in (claims are possible as well), so as to stimulate the potential investors to find interest for buying the rest of the capital.

The government is not interested to keep and manage this exceptionally bad portfolio of residual, minority packages of shares and shares in, and it will immediately offer it to the Stock Exchange for sale, and it will not have its broker, but the trading will be in electronic form, i.e. the initial selling price will be determined by the market, i.e. the supply and demand of shares.



What will remain unsold, said Filipovski, will be transferred partly to the Pension Fund, the real estate to the public enterprise for residential and business premises, and what is subject to court procedure will remain in the courts.

THE FREE TRADE ZONE OF MACEDONIA IS EXPANDED

From May 1 the next year the Association and Stabilization Agreement signed between Macedonia and EU will be applied to the new EU members as well i.e. Slovenia, Malta, Cyprus, Poland, Hungary, Slovakia, the Czech Republic, Latvia, Estonia and Lithuania.

For our country, this will mean the end of the validity of the Free Trade Agreement between Macedonia and Slovenia, while the trade will be regulated with Interim Agreement. At the same time, a perspective is opened to our country for establishing free trade relations with the other new EU members as well. The effect of this process should have to be double, according to the assessments of the people familiar with this matter.

The markets for investment of the Macedonian products are expanded, but at the same time, it is expected to have an increase of the competitiveness of the products for import.

The positive trend will be mainly felt by the textile industry that faces the problem to indicate on the products their Macedonian origin. It is certain that the products originating from new EU member states will be exposed to sharp competition at the European market, and their placement in Macedonia and Croatia will be alternative solution.

This expansion of markets will primarily affect our agricultural production and market, since the common agricultural policy within EU envisages utilization of export funds and intervention measures which are not available to our farmers. It is a matter of fund of EUR 5.1 billion for the period 2004-2006, envisaged as EU direct assistance for rural development of the new member states.

The persons familiar with this matter see the amortization of such stroke in the legitimate protection of the domestic production and the market via improvement of the technical quality, as well as the qualities referring to health and environment protection, implemented institutionally.

TUTUNSKA BANKA REALIZED PROFIT OF EUR 4 MILLION

"Tutunska Banka completed last year with profit of EUR 4 million although it was exceptionally difficult year from economic, political and security point of view" - Gorgi Jancevski, First General Manager, emphasized this at the annual meeting. In 2002 the capital of the bank increased by 8%, the gross profit by 22%, the potential by 18% and provisions increased by 26%.

"Tutunska Banka became a leading institution in the country in retail crediting, which increased by 97% compared to 2001. The majority of these credits, i.e. 60% goes to residential and mortgage credits", says the First Manager of the bank. In 2003, the bank managed to maintain high quality of its portfolio, so that 88% of its placements are classified in A and B category, and only 1% of them are non-functional.

In 2003 the bank plans to increase the capital by 10%, increase the profit by 11% and increase the potential by 13%, compared to last year.

ADDITIONAL EUR 5.6 MILLION FOR SMALL AND MEDIUM-SIZE ENTERPRISES

The funds for micro credits for small and medium-size enterprises provided by the European Agency for Reconstruction additionally increased by EUR 5.6 million.

This was defined with the financial memorandum signed on 20 February 2003 by the Vice Prime Minister Radmila Sekerinska and Daniel Juliariš as a representative of the European

Agency for Reconstruction. Memorandum was also signed by representatives of the National Bank of the Republic of Macedonia, Macedonian Bank for Development Promotion and National Agency for Small and Medium-size Enterprise Development.

As the Vice Prime Minister Sekerinska emphasized, "At this moment, the Government faces the challenge to create opportunity and stimulate development in restrictive financial conditions and additionally under financial and continuous social pressure, unemployment, over-employment, redundancies. In such conditions, we do not want to see the support of small and medium-size enterprises only as a manner of survival, but as a new dynamic possibility to enter the world of entrepreneurship and competition of the common European market by utilizing the possibilities it offers to the Macedonian economy.

Due to this, we will do anything to utilize these funds to that function". The scheme of revolving credit has existed since 1998, when EU for the first time injected EUR 5.1 million in this fund.

"This project is a part of the wider assistance package for the country, for promotion of its economic and social development and closer relations with EU", emphasized Juliariš during yesterday's signing of the Memorandum.

ANNOUNCED TENDER FOR SALE OF "RUEN" - KOCANI

Privatization Agency announced international tender for sale of "Ruen" - Kocani, which is on the list of loss-making enterprises and its status should be solved by the end of the year, obligation arising from FESAL 2 Arrangement with the World Bank.

According to the tender, the Agency offers for sale at least 52.51% of the capital or 131,264 ordinary shares. The founding capital of the company is estimated at EUR 12,782,500 and the nominal value of one share is EUR 51.13.

The basic activity of the enterprise, which is also active at the moment, is production of spare parts for motor vehicles, gears and special linkage parts. It has 1,149 employees.

Since the beginning of the year, the Agency has announced international tenders for sale of "Astibo", FAS "11 Oktomvri", "Godel" and "Silika".



All these enterprises are on the list of loss-making enterprises, and by the end of the year tenders for sale of 16 more enterprises should be announced, among which "Frinko", "Hemteks", "Nokateks", "MZT FAM", "Nova Makedonija", "Mikron", "Zletovo", "Sasa", "MHK Zletovo", "Toranica" etc.

From the so-far announced tenders, new owner is found only for "Astibo" - the company "Albatros" that offered EUR 2.1 million. Regarding other enterprises, the tenders are still open for collection of bids by interested investors.

REALIZED US\$ 8.5 MILLION FROM EXPORT

In the first three months this year, according to the estimates, the economy in Strumica region realized about US\$ 8.5 million from export of tobacco, wine, lamb, early vegetables, ready-made clothing, footwear, sanitary products, feldspar, calcium-carbonate etc., which is by 6% more than the same period last year.



According to the local analysts, the largest part of the placement of goods and services was realized in Serbia and Monte Negro, Germany, Italy, Greece and the USA, however the export is also continuously increasing to Bulgaria, Bosnia and Herzegovina, Slovenia, Austria, Romania, Russia and Ukraine. According to the amount of the realized foreign exchange inflow, the largest exporters in Strumica region are the tobac-

co enterprise "Strumica", the factory for sanitary ceramics "Makedonija", factories for ready-made clothing "Geras Cunev" and "Edinstvo", the mine for nonmetals "Ograzden", the factory for sport footwear and sneakers "Supera", the meat-packing industry, the wine cellar and the overall agro-industrial complex.

In the same period last year, Strumica region imported products in the amount of about US\$ 11 million, i.e. at the level of the first quarter last year.

This year it is expected for the export of goods and services from Strumica region to exceed US\$ 36 million, and the import about US\$ 43 million.

"MILENIUM INVESTMENTS" BOUGHT 42.68% FROM "MAKOTEKS"

Via transaction at the Macedonian Stock Exchange at the beginning of April, the company "Milenuim Investments" bought 40,151 shares of "Makoteks" AD Skopje, so-far in the ownership of the Privatization Agency.

It is 42.68% of the total shares of "Makoteks", thus "Milenuim Investments" became the largest individual shareholder.

The company "Milenuim Investments", as it was emphasized in its yesterday's announcement, is a newly-established domestic legal entity - company representing interests of investors from Macedonia and the USA.

Until the company starts operating, the communication will be carried out via the "Makoteks" management. In the forthcoming period additional analyses will be made on the condition of "Makoteks", as a basis of the development plan. This will include the interests of other shareholders, management and "Makoteks" employees.

The intentions of the largest shareholder are to continue the consolidation and restructuring of "Makoteks" together with the 960 smaller shareholders, the management and the employees.

Until the preparation of the development plan of "Makoteks", neither the number of employees nor the "Makoteks" assets will reduce.

EXPORT OF THE REPUBLIC OF MACEDONIA - FEATURES AND MEASURES FOR ITS PROMOTION

The increase of export and the inclusion of Macedonia in the foreign economic trade is a commitment without alternative for the Republic of Macedonia. The importance of export is even greater, given the fact that our country became full member of the World Trade Organization in April 2003

Snezana Delevska

works in the Ministry of Finance, as an Assistant to the Head of the Department for Macroeconomic and Development Policy of the National Economy, in the area of economic relations with abroad. She received her bachelor's degree from the Faculty of Economics in Skopje in 1981. She works in the Ministry of Finance since August 2000. Previously, she worked in the Ministry of Development, as Advisor to the Minister. She participated in the preparation of several development papers. She attended several seminars and workshops in the country and abroad, in the area of foreign trade, free trade, industrial policy, and investment, as well as in the preparations for accession of the Republic of Macedonia to WTO.

Globalization of economic processes continues to create solid connection and mutual dependence of national economies. Hence, the world economy functions as one complex organism, in which the national economies, being its composing parts, have their role. However, due to specific political and economic circumstances of the national economies, their individual features also strongly influence the international economic cooperation.

World economic trends indicate that modern economies are increasingly focused on how to impose themselves on the international market and to secure their constant presence. To that end, they pay special attention to the measures and instruments for promoting the export and marketing research.

The increase of export and the inclusion of Macedonia in the foreign economic trade is a commitment without alternative for the Republic of Macedonia. The importance of export is even greater, given the fact that our country became full member of the World Trade Organization in April 2003. Experiences from countries that accessed WTO previously indicate that the results from the membership cannot be expected on short term, and that the first few years are very difficult for the economy. In fact, the amortization of the first inflow of goods from other countries will depend on how prepared is the country for more aggressive performance through increased capability for competitiveness of Macedonian products.

However, the external shocks that our country had faced for several years disturbed the development of its fragile economy, thus disturbing the balance in foreign trade. Negative results in this domain indicate that several mutually dependent factors limit the export expansions, being strategic goal and determining factor for accelerating the economic growth.

Despite the stabilization of security situation, consequences from the security crisis on the economy, and especially on the economic relations with abroad are still present. At the same time, slow revitalization of production, closing down the loss-making enterprises and the large number of cancelled contracts with foreign partners decreased the export supply of Macedonian products, which had impact in direction of decreasing the foreign trade.

Export structure of our economy can be featured as anemic, with dominance of inward processing operations (almost one half of all exports)¹ raw materials and intermediate products, i.e. goods with low processing phases and low profitability, as well as small number of strategic partners. The biggest export partners, Serbia and Montenegro, and Germany together absorb more than 43% of the total exports of the country.



*) The views expressed are those of the author and do not necessarily represent those of the Ministry of Finance

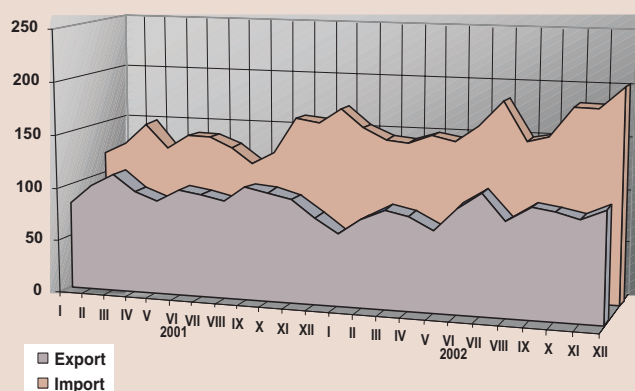
1) Such situation with the production was surely a result of the deteriorated economic conditions for years back, when due to the already-mentioned reasons, exporters were increasingly forced to reorient their production towards inward processing production, as a manner of maintaining the production and its reproduction. However, one should take into consideration the fact that despite the evidently low price of labour force, it is constantly being conditioned by the foreign partners due to the competition from the neighbouring countries

Foreign trade (in US\$ million)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	20001*)	2002*)
Export	1,113	1,096	1,199	1,055	1,086	1,204	1,147	1,237	1,311	1,191	1,323	1,155	1,113
- regular	577	661	889	960	1,003	1,113	776	794	714	676	679	603	587
- IPO	536	435	310	95	83	91	371	443	597	5115	644	553	526
Import	1,531	1,274	1,206	1,119	1,484	1,719	1,627	1,779	1,915	1,776	2,094	1,688	1,962
- regular	1,128	1,06	963	1,130	1,265	1,429	1,325	1,342	1,477	1,396	1,584	1,305	1,584
- IPO	403	268	243	69	219	290	302	437	437	380	510	382	378
Deficit	-418	-178	-8	-144	-389	-515	-480	-542	-604	-585	-771	-533	-849

*) Previous data

Export and import of goods realized in 2001 nad 2002
(per months, previous data)



Industry goods dominate the export, while the share of agriculture and forestry remains to be quite low. Although industry is the leading factor in export, it is characterized with low processing level and low profitability. Great dispersion is characteristic by branches and products, with low specialization level. Traditional export products have the leading share: textile, iron and steel, tobacco and cigarettes, non-alloyed zinc, ferronickel, wine produced from fresh grape, medicines etc.

Export analysis of more significant products in 2002, being a year in which our economy gradually rehabilitated, indicates an export-decreasing tendency of hot-rolled iron products, non-alloyed, of approximately 20%, export of cigarettes of approximately 30%, non-alloyed zinc of 27%,

mutton of 14% etc. At the same time, textile products had a mild increase, export of tobacco, not stemmed, increased by 20%, and the export of ferronickel increased twice as much. Wine made of fresh grape remained approximately at the same level from the previous year, and medicines for retail had an increasing tendency of about 20%.

Export structure of our economy can be featured as anemic, with dominance of inward processing operations (almost one half of all exports) raw materials and intermediate products, i.e. goods with low processing phases and low profitability, as well as small number of strategic partners. The biggest export partners, Serbia and Montenegro, and Germany together absorb more than 43% of the total exports of the country

The product economic purpose analysis shows a mild positive tendency of decreasing export of intermediate products (by US\$ 63 million, or around 11%), and increasing export of general consumption goods (by US\$ 21 million or 3.8%). However, structural share of intermediate products is unfavorable, still quite high, reaching 45.8%. Dominant place in the export of general consumption goods take clothing and footwear (with structural share of 63%).

Export by economic purpose of products (structure in %)

	1990	1995	2000	2002*)
Total	100,0	100,0	100,0	100,0
- Intermediate products	59,0	54,1	54,4	45,8
- Instruments of labor	4,7	4,1	2,5	2,4
- General consumption goods	36,3	37,1	42,7	51,6
- Unallocated	0,0	4,6	0,4	0,2

*) Previous data

The regional direction of export indicates small number of traditional trade partners, concentrated in developed industrial countries. Gradual multi-annual tendency of increasing export to the European Union is extremely important, confirming the strategic orientation of our country. Export in the former Yugoslav republics remained around the same level.

The analysis of the countries to which our country exports indicates the fact that for a longer period, only 5-6 countries are our biggest trade partners. For this reason, Yugoslavia, Germany, Greece, Italy, and USA have the largest share. The Republic of Macedonia realized 70.5% of its exports only to these 5 countries in 2000, 68.8% in 2001, and 67.6% in 2002.

The placement of Macedonian products on the US market had the largest decrease in the past three years (most of all as result of the antidumping measures towards Macedonian

export of iron and steel in this country)². There are especially positive changes in the trade with Greece.

The export to **Serbia and Montenegro** decreased by 27% in 2002, compared to 2000, among others, as result of the regional redirection due to the newly concluded free trade agreements and the Interim Trade Agreement with EU. At the same time, the opening of Serbia and Montenegro to the world increased the competition on that market, which contributed for the Macedonian producers to start losing part of their positions.

Findings from the last few years indicate that export to Germany keeps the usual tendency. More than 60% of the export is export of clothing, mainly due to the export of inward processing operations. In fact, around 74% of all exports to Germany is export of inward processing operations, indicating the adaptation of the trade to this kind of finalization of goods, which is not the most optimal form of export, both from the aspect of value added and GDP.

*10 countries with largest export from the Republic of Macedonia *)*

	Export (in US\$ million)			Change rates, in %		
	2000	2001	2002	2001 2000	2002 2000	2002*) 2001
Republic of Macedonia	1322,6	1155,1	1112,7	-12,7	-15,9	-3,7
<i>Out of which:</i>						
<i>Serbia and Montenegro</i>	335,1	266,8	245,9	-20,4	-26,6	-7,8
<i>Germany</i>	257,5	237,5	233,3	-7,8	-9,4	-1,8
<i>Greece</i>	84,1	101,4	116,1	20,6	28,8	14,5
<i>Italy</i>	90,8	88,7	78,5	-2,3	-13,5	-11,5
<i>USA</i>	165,7	99,7	77,4	-39,8	-53,3	-22,4
<i>Croatia</i>	47,7	58,4	59,1	22,4	23,9	1,2
<i>The Netherlands</i>	36,0	45,3	44,6	25,8	23,9	-1,5
<i>Switzerland</i>	35,1	37,4	29,6	6,6	-15,7	-20,9
<i>Great Britain</i>	27,2	26,5	28,8	-2,2	5,9	8,3
<i>Bulgaria</i>	26,9	20,7	21,7	-23,0	-19,3	4,8

*) Previous data

Export of more significant products from the Republic of Macedonia to Serbia and Montenegro

SITC 2	Name of SITC	Export in US\$ million			Change rates (in %)		
		2000	2001	2002	2001 2000	2002 2000	2002*) 2001
11	<i>Beverages</i>	19,186,646	24,808,885	26,850,915	29,3	39,9	8,2
33	<i>Oil and oil derivatives</i>	57,275,708	38,548,863	22,728,839	-32,7	-60,3	-41,0
66	<i>Prod. made of non-metal miner.</i>	27,747,418	25,541,138	22,109,328	-8,0	-20,3	-13,4
12	<i>Tobacco and tobacco prod.</i>	41,997,674	31,319,316	19,250,421	-25,4	-54,2	-38,5
67	<i>Iron and steel</i>	21,021,516	22,539,964	18,123,755	7,2	-13,8	-19,6
05	<i>Fruits and vegetables</i>	10,980,321	11,346,441	13,423,981	3,3	22,3	18,3
77	<i>El. mach. and parts-non joined</i>	12,169,761	11,556,288	12,768,123	-5,0	4,9	10,5
54	<i>Medical and pharm. products</i>	7,605,160	7,501,255	10,536,868	-1,4	38,5	40,5
65	<i>Textile</i>	11,00,719	10,404,220	9,489,292	-5,4	-13,7	-8,8
69	<i>Metal products</i>	13,053,843	7,873,180	8,159,309	-39,7	-37,5	3,6
58	<i>Plas. materials and artific resin</i>	7,983,625	6,477,480	6,193,748	-18,9	-22,4	-4,4
68	<i>Non-ferrous metals</i>	11,184,586	5,443,235	5,405,813	-51,3	-51,7	-0,7
68	<i>Artificial fertilizers</i>	3,310,476	6,248,258	5,146,247	88,7	55,5	-17,6

*) Previous data

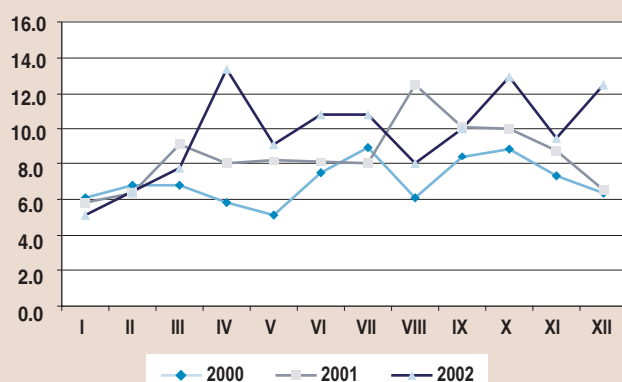
2) In 2000, export of iron and steel in USA amounted to US\$ 54 million, in 2001 only US\$ 4.7 million, while in 2002 this product was not exported at all.

Export of more significant products from the Republic of Macedonia to Germany

SITC, 2	Name of SITC	Export in US\$ million			Change rates (in %)		
		2000	2001	2002	2001 2000	2002 2000	2002*) 2001
84	Cloting	142,245,336	143,362,865	143,123,834	0,8	0,6	-0,2
67	Iron and steel	40,175,379	32,669,634	34,988,122	-18,7	-12,9	7,1
11	Beverages	15,689,720	15,054,278	13,679,535	-4,1	-12,8	-9,1
77	El. mach. and parts - not joined	11,234,879	14,559,976	12,872,652	29,6	14,6	-11,6
12	Tobacco and tobacco prod.	4,346,414	3,308,175	7,645,907	-23,9	75,9	131,1
68	Non - ferrous metals	21,272,342	9,533,323	4,532,254	-55,2	-78,7	-52,5
65	Textile	5,750,267	5,992,480	4,298,331	4,2	-25,2	-28,3
85	Footwear	4,839,730	3,443,765	2,498,903	-28,8	-48,4	-27,4
69	Metal products	1,777,529	2,297,788	1,643,708	29,3	-7,5	-28,5

*) Previous data

Export of goods to Greece in 2000, 2001 and 2002
(by months, in US\$ million)



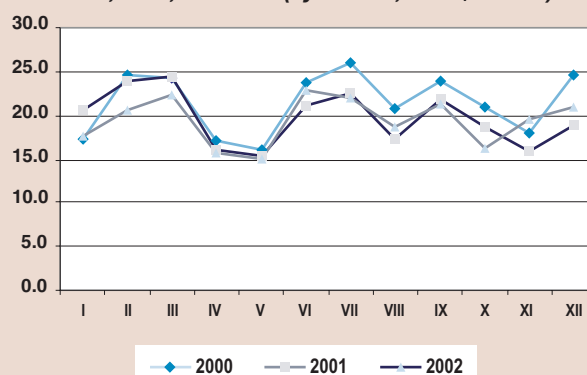
Special problem is the exceptionally low export tendency to Bulgaria, Slovenia, and Turkey, countries with concluded free trade agreements, tendency that is ongoing for some time.

Due to small export, the trade deficit amounted to US\$ 265 million with these three countries alone in 2002, the share of which takes 31% in the total deficit of the country, which is very high.

The improvement of regional economic cooperation with Greece resulted in increasing the foreign trade, including export, thereby increasing its structural share in the total exports of the country. Hence, export to Greece increased from US\$ 84.1 million in 2000 to US\$ 101.4 million in 2001, i.e. US\$ 116.1 million in 2002.

The export increase rate in 2002, in relation to 2000, is 38%, whereby the structural share increased by 4.1 percentage points.

Export of more significant goods to Germany in 2000, 2001, and 2002 (by months, in US\$ million)



Export of more significant products from the Republic of Macedonia to Greece

SITC, 2	Name of SITC	Export in US\$ million			Change rates (in %)		
		2000	2001	2002	2001 2000	2002 2000	2002*) 2001
84	Cloting	32,038,357	38,468,297	51,843,682	20,1	61,8	34,8
67	Iron and steel	15,910,476	21,809,475	10,335,395	37,1	-35,0	-52,6
65	Textile	7,007,165	8,106,466	9,372,987	15,7	33,8	15,6
01	Meat and meat proce. product	2,250,036	4,810,115	9,095,779	113,8	304,3	89,1
27	Raw fertilizers and minerals	1,619,885	3,856,889	5,880,225	138,1	263,0	52,5
68	Non-ferrous metals	6,871,171	8,322,774	5,356,644	21,1	-22,0	-35,6
66	Prod. made of non-metal miner.	348,237	2,235,484	3,859,494	541,9	1008,3	72,6
12	Tobacco and tobacco prod.	6,946,465	2,826,863	2,580,894	-59,3	-62,8	-8,7
77	El. mach. and parts-not joined	897,341	1,010,596	1,218,998	12,6	35,8	20,6

*) Previous data

Insufficient export orientation of the Macedonian economy, as internal factor, can also be seen through the share of export of the Republic of Macedonia in GDP of about 1/3, which is very low.

Wide range of export products in small quantities determines Macedonian exporters as marginal partners, who cannot significantly influence some foreign market.

The unorganized approach of Macedonian foreigntrade enterprises on the foreign markets also has a large influence over the decrease of export, i.e. it contributes to achieving unfavorable conditions when selling the goods.

The low export level is surely a result of the unfavorable industry structure, still dominated by facilities with primary processing phases, usage of old techniques and technology, inadequate utilization of facilities, high level of import and energy dependence, low profitability, and relatively small presence of higher processing products.

The improvement of regional economic cooperation with Greece resulted in increasing the foreign trade, including export, thereby increasing its structural share in the total exports of the country. Hence, export to Greece increased from US\$ 84.1 million in 2000 to US\$ 101.4 million in 2001, i.e. US\$ 116.1 million in 2002. The export increase rate in 2002, in relation to 2000, is 38%, whereby the structural share increased by 4.1 percentage points

It is not possible to find prompt solutions to these problems, accumulated for years back. The present active role of the Government in creation of conditions to promote foreign trade by concluding free trade agreements managed to achieve high level of liberalization. Hence, today, over 87% of Macedonian export on the foreign markets is realized under preferential treatment, increasing the competitiveness of Macedonian products.

Should one add the fact that this preferential market covers over 520 million consumers, the real challenge offered to the exporters can be recognized.

Of course, primary condition for increasing the export is acceleration and increase of production, its revitalization, modernization, and improvement.

Since there is a shortfall of own accumulation, domestic entrepreneurs need to provide funds from the banking sector.

The discount rate was reduced (from 10.7% to 8%), as well as the rate of Lombard credits (from 23% to 17.5%), interest rate (from 32.1 to 24%), and interest on Central Bank Bills in addition to this.

Anticipated amendments of the role of Macedonian Bank for Development Promotion are in that direction. One of its main tasks in future should also be crediting of export production, in larger scale, with longer repayment period and lower interest rates, as well as taking over risk against export activity.

The insurance of export against non-commercial (political) risk on short, medium, and long term will enable compensation of damages that would occur for Macedonian exporters due to failure to collect their claims after realizing export in these countries.

The insurance of long-term investments in Macedonia against non-commercial (political) risk would encourage capital and technology inflows in our country.

It is necessary to point out the need for enabling highly skilled, specialized and management staff, who will be able to absorb and develop modern technology processes and to practice efficient management and entrepreneurship when promoting export. Having workshops for enabling managerial staff and marketing services in companies, assisted by foreign experts, for researching foreign markets, their requirements, and other features, analyses of their competitiveness or the situation on the market regarding their sector, in order to realize export under competitive conditions is a must for the contemporary entrepreneurship.

The training of entrepreneurs on ISO-9000 quality certificates is in this sense, as well as on the importance of technique of modern and high-quality packaging of products.

The connection of Macedonian companies in "industry clusters" as a complex economic system is becoming increasingly relevant for joint approach on the foreign markets and increasing competitiveness, as well as for their connection to renowned foreign partners.

These clusters, which are very relevant in modern economies, can be created by companies that operate in sector-like activities, but they can also include financial institutions, like banks etc. in order to strengthen the total capital and realization of better export performance.

The establishment of National Competitiveness Council, to include representatives from various sectors (bankers, representatives from the Ministries, businessmen), will stimulate productivity in all sectors of the economy in order to increase the national output and to achieve sustainable growth and international competitiveness. The Forum of Exporters (within the National Council), composed of 20 largest exporters, and representatives from appropriate Ministries, will review the problems related to export, problems on the foreign markets, administrative export barriers, transportation barriers etc. On the basis of determined problems, measures will be undertaken for their resolution and direction will be adopted for future actions of all members of the Forum.

The revision of certain free trade agreements would alleviate the unfavorable conditions for our production that is directly affected from the liberal entrance of respective products from the importing country.

The application of the rule on diagonal accumulation for the origin of goods will enable for much larger group of products to benefit from the conditions stipulated in free trade agreements.

It is necessary to continue the process of facilitation of trade and passage through customs crossings, by improving the existing and introducing new customs procedures. This would enable faster flow of goods and approximation to the EU regulations.

In order to successfully realize the promotion of export, it is very important for the trade representatives to start to operate in our diplomatic and consular representative offices abroad, especially in those countries to which we realize larger export.

More aggressive approach in the promotional activities for domestic companies and their export products is also in this context.

Promotion of export and marketing support should go on by establishing cooperation with the International Trade Center, working within UNCTAD and WTO, the primary objectives of which are development of export capabilities and increase of export from developing and transition countries.

The application of the rule on diagonal accumulation for the origin of goods will enable for much larger group of products to benefit from the conditions stipulated in free trade agreements

Supporting export of certain specific products via Internet, like handicraft products (products made of gold, silver, unique products made of textile and leather etc.) and homemade handicraft products (fabricated, embroidered, knitted products) could engage larger part of the population living in rural areas.

Continuation of activities for intensifying cross-border cooperation and support of initiatives for constructing and establishing free economic zones is necessary.

Policy for supporting export should continue to be harmonized with the new development needs of Macedonian exporters, to abandon new support models and to adopt new stable measures, harmonized with the needs of entities in the Republic of Macedonia and with the rules of the international organizations.

COMPILED AND PUBLISHED BY

MINISTRY OF FINANCE
REPUBLIC OF MACEDONIA

ST. "Dame Gruev" 14 Skopje, Tel: (389) 02 117 288, Fax: (389) 02 117 280
Web site: <http://www.finance.gov.mk>

EDITOR-IN-CHIEF

Ph.D Dimko Kokaroski

FIRST ASS. EDITOR-IN-CHIEF

Dejan Runtevski

SECOND ASS. EDITOR-IN-CHIEF

Misho Nikolov

DESIGN

Design studio "**NAM**"
Aneta Gacevska

PRINTED BY

"**NAM**" *print*

PRINT

400 copies

TRANSLATED BY

Jasminka Vaskova
Zana Shokarovska
Emilija Sirkarovska
Maja Petrovska

**WHEN USING DATA FROM THIS PUBLICATION,
PLEASE CITE THE SOURCE**

ISSN 1409 - 9217
Bull. Minist. Financ.
1-3/2003