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# **Staff Country Reports**

**Former Yugoslav Republic of Macedonia: Selected Issues and Statistical Appendix**

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INTERNATIONAL MONETARY FUND  
FORMER YUGOSLAV REPUBLIC OF MACEDONIA

**Selected Issues and Statistical Appendix**

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Approved by European I Department

April 15, 2003

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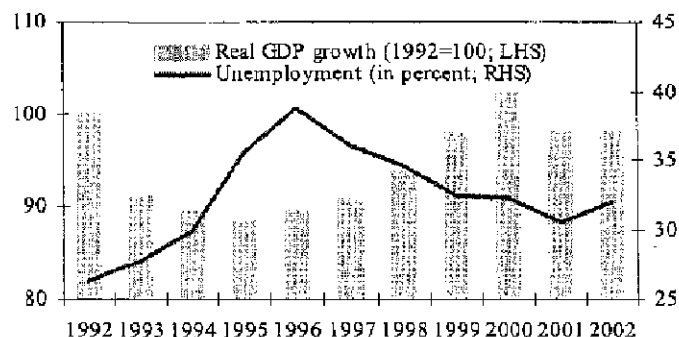
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## I. THE ENTERPRISE SECTOR AFTER TEN YEARS OF TRANSITION<sup>1</sup>

1. The objective of this paper is to shed light on FYR Macedonia's low growth and high unemployment<sup>2</sup> during the 1990s (text figure) by analyzing enterprise level data.

The paper has three sections. The first provides some background information on FYR Macedonia's enterprise sector. The second presents an assessment of enterprise sector developments during the 1990s, including:

(i) the extent of firm entrance and exit, (ii) the performance of surviving<sup>3</sup> firms and new firms, and (iii) the concentration of losses in the economy. The last section describes the results of an econometric study that examines the factors that have facilitated restructuring in surviving firms since FYR Macedonia's independence in September 1991. Concluding remarks follow.



2. The enterprise level data used in this paper was collected by FYR Macedonia's now closed payments bureau—the ZPP. The dataset includes annual income statement and balance sheet information of individual firms for 1994-2000 and the presentation is broadly in line with the accounting standards of market economies. It also provides information for each firm on the type of ownership, economic sector, employment and regional location.

### A. Background

3. As in other planned economies, the behavior of firms in the Socialist Federal Republic of Yugoslavia (SFRY) was driven largely by objectives other than profit-maximization. The decisions taken by enterprises were influenced by political and social considerations such as employment and regional development objectives. Often, the result was the creation of large enterprise conglomerates spanning several sectors. Enterprises in the FYR Macedonia are no exception. A number of large enterprises were created in backward regions where they provided a large share (often more than 40 percent) of the available jobs. For example, about 60 percent of employment in the Kumanovo, Ohrid and Tetovo regions in 1994 was provided by the ten largest firms in the respective region.

<sup>1</sup> Prepared by Juan Zalduendo.

<sup>2</sup> FYR Macedonia has had unemployment rates of over 20 percent since the 1980s. The lowest unemployment rate of the last 12 years was registered in 1990—23½ percent of the labor force.

<sup>3</sup> Firms operating without interruption since 1994 are referred to in this paper as surviving firms.

Restructuring or closing large loss-making firms has been a major challenge in transition economies as it entails sharp reductions in employment that negatively affect entire regions.

4. **But enterprises in the SFRY also had features that distinguished them from enterprises in other transition economies.** The most important of these was that most enterprises were socially-owned rather than state-owned. In FYR Macedonia at the time of independence socially-owned enterprises accounted for 85 percent of the employment recorded in the ZPP database and 90 percent of the value added. The main features of socially-owned firms were that employees had the right to appoint the managerial staff of the firm (Law on Self-Management, 1974) and to elect a council of workers that would review all major employment and investment decisions taken by management. Workers did not own shares in their company, however, and thus could not freely sell their stake, a feature which introduced a short-term bias into decisions.

5. **Partly because of the prevalence of social ownership in FYR Macedonia, privatization proceeded slowly and favored insiders.** As regards the speed of privatization, the process was initiated in 1989 but entered a lull after FYR Macedonia's independence. The Law on Transformation of Social Capital, which set up the framework for privatization, was enacted in mid-1993, but no privatizations took place under this law until late 1994.

The sale to insiders—employees and managers—was supported by providing them with generous payment terms. In the end, some 60 percent of all privatizations (either in terms of employees or total equity) were to insiders while strategic investors accounted for less than 20 percent of all privatizations (text table). Many of the large enterprises were sold to managers, but management buyouts had many of the features of employee buyouts since they were the result of agreements between the workers in the enterprise and the enterprise managers, who were themselves selected by the council of workers of the firm. In FYR Macedonia, as in other transition economies, such insider privatization often led to weak accountability and the pursuit of policies that do not maximize shareholders' value. In addition, also in line with international experience, insider privatization in FYR Macedonia seldom brought the resources and trade links needed to modernize and expand production (Claessens and Djankov, 1999).

Privatization Developments in the FYRM (as of end-2000)

	Number of privatized firms	Number of employees in privatized firms	Equity in privatized firms
Total	1,616	225,790	4,485 1/
	(In percent of total)		
Insider privatization	50.0	62.2	57.8
Employee buyouts	24.4	7.7	3.5
Management buyouts	25.6	54.6	54.3
Outsider privatization	33.7	25.6	32.8
Strategic investors	28.3	15.8	18.8
Debt-equity conversions	5.3	9.8	14.0
Other	16.3	12.2	9.4

1/ In millions of Euros.

## B. Corporate Performance in the 1990s

6. **Profitability indicators in FYR Macedonia improved significantly during the 1990s but still lag behind those of other transition economies.** Gross losses have declined over time (text table) and gross profits have improved (from 2.5 to 6.5 percent of GDP between 1994 and 2000). Although cross-country comparisons should be interpreted with

caution owing to the underlying differences in accounting standards, the data suggests that FYR Macedonia has significantly closed the gap with other transition economies. Nonetheless, FYR Macedonia still lags behind many other transition countries: in 2000 net profits were the lowest among the countries in the text table.

Profits and Losses in Transition Economies (in percent of GDP; before taxes)

	Gross profits			Gross losses			Net Profits/Losses		
	1994	1997	2000	1994	1997	2000	1994	1997	2000
Bulgaria	na	11.3	9.1	na	-5.4	-8.0	4.5	6.0	1.0
Czech Republic	13.7	na	na	-5.7	na	na	8.0	2.5	1.6
FYR Macedonia	2.5	3.5	6.5	-14.5	-6.4	-5.9	-12.0	-2.9	0.7
Poland	10.0	8.8	7.4	-3.9	-2.9	-4.4	6.1	6.0	3.0
Slovak Republic	13.9	na	na	-7.2	na	na	6.7	na	8.8
Slovenia	4.5	na	na	-6.4	na	na	-1.9	na	na

Source: World Bank's Slovakia CEM (1999), Statistical Yearbooks and ZPP dataset.

7. **The high degree of firm turnover may account in part for the improving profitability.** Some sixty percent of the firms in existence in 1994 had closed by 2000; and two thirds of the firms existing in 2000 had started up after 1994 (text table). Market economies rely heavily on entry and exit to weed out poor performers and foster efficiency in the allocation of resources; the high turnover rates suggest that such a process has a strong footing in the FYR Macedonia.

8. **But aggregate profitability indicators and turnover data mask the profound difference in performance between surviving older firms and newly created firms.** The performance of

surviving firms (those that remained in existence throughout the period under study) is unconvincing. These firms exhibit a marked decline in operating profits between 1994 and 1997 and only a partial recovery between 1997 and 2000.

Specifically, operating profits as a share of value added declined from 33 to 24 percent between 1994 and 1997, and the recovery between 1997 and 2000 left operating profits at 30 percent, still lower than in 1994. In addition, the share of loss-making firms among surviving enterprises (35 percent of firms) has remained broadly unchanged. In contrast, new firms, which account for

Indicators of Enterprise Performance (all firms) 1/

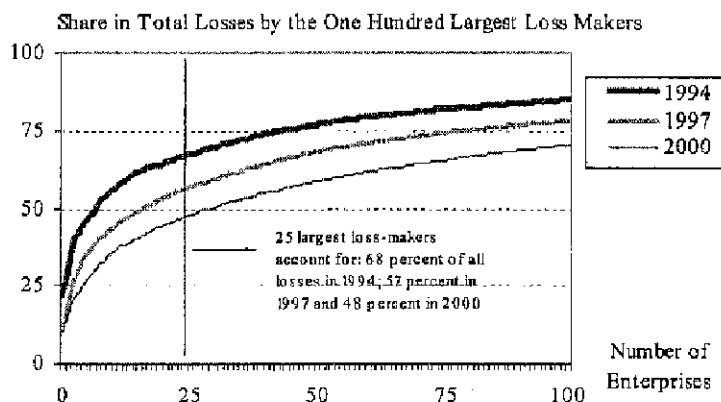
	1994		1997		New firms	2000	
	Surviving firms	Dying firms	Surviving firms	Dying firms		Surviving firms	New firms
Number of firms	6710	10200	6710	4080	6961	6710	13725
Share of loss-making firms	36	55	35	64	42	35	39
Average employment	31.0	10.6	25.5	9.6	7.1	24.4	7.8
Total employment (in '000s)	207.7	107.7	171.4	39.2	49.6	163.5	107.6
Percent change	-	-	-17	-64	-	-5	117
Share of employment	66	34	66	15	19	60	40
Average monthly gross wage (denars, '000s)	12.4	10.0	14.3	12.5	10.0	16.2	13.8
Percent change	-	-	16	25	-	13	38
Wage arrears (in number of monthly wages)	1.6	2.7	2.5	4.9	3.5	1.7	1.0
Wage and tax arrears (in % of total liabilities)	5.4	4.6	6.3	5.0	4.6	4.9	2.4
Outstanding bank loans (in % of total liabilities)	18.1	16.0	15.7	14.8	22.0	15.9	14.3
Labor productivity (1994 denars, million)	0.22	0.12	0.20	0.16	0.14	0.23	0.23
Operational profits as share of value added	0.33	0.01	0.24	0.20	0.20	0.30	0.39
Profits/losses (in % of GDP)	-6.1	-5.9	-1.1	-0.8	-1.0	-0.3	0.9

1/ Surviving firms are firms that exist throughout the period 1994-2000. Dying firms are defined as firms in existence in 1994 but that cease to exist before 2000. New firms are firms that are created after 1994.

40 of total employment in 2000, have shown significant improvements in profitability; gross losses equivalent to 1 percent of GDP in 1997 were succeeded by gross profits of 1.1 percent of GDP in 2000.

9. **Other indicators confirm the contrast in performance between older surviving firms and the growing number of nimbler new firms.** On the one hand, in spite of significant labor shedding, surviving firms exhibit a deterioration in labor productivity following the sharp decline in real value added (i.e. value added per employee deflated by sector-specific prices<sup>4</sup>) between 1994 and 1997<sup>5</sup>. Only a partial recovery in labor productivity is observed among these firms after 1997. On the other hand new firms show a marked increase in labor productivity, which was also reflected in a 38 percent increase in nominal wages between 1997 and 2000.

10. **Finally, the concentration of losses in the economy has declined, indicating some success of government policies in addressing the status of large loss-makers.** High concentrations of losses are common in transition economies given the bias towards the creation of large enterprise conglomerates. Data for the largest loss makers for each year in the period 1994-2000 show that the share of the 25 largest loss-makers declined from 68 percent of total losses in 1994 to 48 percent in 2000 (text figure).



### C. Factors Facilitating Enterprise Restructuring

11. **This section of the paper reports on a series of regressions intended to assess the impact of three factors—ownership, hard budget constraints and competitive pressures—on enterprise restructuring in FYR Macedonia (see Table 1).** The analysis is based on a set of firms that existed throughout the period 1994-2000 and thus focuses on the effects of institutional structure on a given set of firms, abstracting from the effects discussed above related to the entrance of new firms and the exit of the unsuccessful firms.

<sup>4</sup> Since firm-specific prices are not available the prices used are sector price indices, at the two-digit sector level.

<sup>5</sup> Employment by surviving firms declined 18 percent during the period under consideration.

### Box: A Sample of Surviving Manufacturers

The 823 manufacturing firms studied are selected from the ZPP database on the basis of firm history and firm size. Specifically, the sample is composed of firms which operated without interruption since independence (i.e. with data for 1994, 1997 and 2000) and which have 10 or more employees (i.e. medium- and large-size firms). Firms facing administered prices (e.g. utility companies) were excluded from the sample. Although it is restricted to manufacturing firms with market-based prices, the sample represents 52 percent of total enterprise sector employment recorded in the ZPP database in 1994 and 44 percent of total employment in 2000. The analysis focuses on two periods of equal duration but with different growth rates. In the first period (1994-1997) real GDP grew by ½ percent per annum; in the second period (1997-2000) growth averaged 4 percent per annum.

12. Of the three factors under study ownership structure is perhaps the most important determinant of corporate governance in transition economies. In the FYR Macedonia, even though a large number of firms have been privatized, most privatizations went to insiders, as noted above. The prevalence of insider privatization is in part responsible for the lack of significant improvement in private firms' performance over time (see text table). Nonetheless, their performance has been consistently stronger than that of other firms. The profitability of mixed firms (privatized firms where the State owns residual shares or has a potential ownership claim) deteriorated between 1994 and 1997, with only a limited turnaround after 1997.

Still worse was the performance of firms that were socially- or state-owned at the end of 2000: these firms exhibited a sharp decline in both profits and labor productivity during the period under consideration.

Performance and Ownership (only surviving firms) 1/

	Private	Mixed 2/	Socially-owned	State-owned	Total
Number of firms	425	300	93	5	823
1994					
Total employment (in '000s)	28.6	111.5	12.7	10.6	163.4
Average monthly gross wage (denars, '000s)	14.1	11.7	10.1	16.5	12.3
Labor productivity (1994 denars, million)	0.27	0.20	0.15	0.50	0.23
Operating profits/losses divided value added	0.38	0.30	0.16	0.60	0.35
Profits/losses (net, in percent of GDP)	0.8	-3.0	-0.3	0.0	-2.5
Wage and tax arrears (in percent of GDP)	0.6	2.2	0.2	0.1	3.0
1997					
Total employment (in '000s)	25.0	86.5	8.4	10.2	130.0
Average monthly gross wage (denars, '000s)	16.7	13.1	13.2	19.5	14.3
Labor productivity (1994 denars, million)	0.28	0.16	0.12	0.48	0.20
Operating profits/losses divided value added	0.36	0.12	-0.06	0.59	0.26
Profits/losses (net, in percent of GDP)	1.0	-1.1	-0.1	0.0	-0.2
Wage and tax arrears (in percent of GDP)	0.4	3.2	0.3	0.2	4.0
2000					
Total employment (in '000s)	27.1	74.0	7.9	10.5	119.6
Average monthly gross wage (denars, '000s)	17.6	14.8	13.7	24.2	16.2
Labor productivity (1994 denars, million)	0.27	0.19	0.11	0.41	0.22
Operating profits/losses divided value added	0.37	0.25	-0.15	0.43	0.30
Profits/losses (net, in percent of GDP)	0.5	-0.9	-0.2	0.0	-0.6
Wage and tax arrears (in percent of GDP)	0.3	2.3	0.1	0.4	3.0

1/ The ownership classification is based on the status of each "surviving firm" at the end of 2000.

2/ Privatized firms where the State still has residual shares.

13. Second, FYR Macedonia's experience in hardening budget constraints has been mixed. Direct budget support to firms declined during the 1990s, but budget constraints are

still softened by the toleration of wage, tax and social contribution arrears. Consequently, the arrears of the manufacturing firms under consideration were high (3 to 4 percent of GDP) throughout the period. Over time these arrears exhibit sharp changes, rising as a share of total short-term liabilities between 1994 and 1997 before falling back in the late 1990s. There has been progress on the institutional and structural front—a new bankruptcy law has been enacted and new private banks have emerged. In principle these developments should compel firms to tighten financial discipline, but in practice enforcement remains weak. Moreover, experience in other transition economies shows that improvements in bank lending practices take place in a gradual manner.

**14. Finally, the exposure to competition, usually transmitted through market-based economic institutions, is likely to have played a positive role in corporate performance.** Strengthening the role of the market by liberalizing trade, removing price controls and introducing market institutions, compels firms to increase efficiency, particularly when managers are disciplined by the threat of bankruptcy (Angelucci et. al., 2002). Progress in this front has been notable: FYR Macedonia has low tariffs, few trade restrictions, and a market-based price system—only a handful of firms still face administered prices. At the same time bankruptcy procedures need to be strengthened.

#### **Econometric Implementation**

**15. In the regression equations reported in Table 1 the degree of enterprise restructuring is proxied by profits as a share of sales revenue.** This measure does not suffer from inflation accounting problems and corrects for the impact of firm size in total profits.

**16. The type of ownership in each firm is captured by a time-invariant dummy variable that takes the value of one for firms in private hands at the end of 2000 and zero for all other firms.**

**17. The hardness of budget constraints is represented in the equation by the share of wage and tax arrears (including arrears in social contributions) in total short-term liabilities.** The rationale for using arrears as a proxy for financial discipline is that financial discipline weakens when firms can rely on arrears as a source of financing.<sup>6</sup> In principle a correlation between arrears and profits could reflect the effect of corporate performance on arrears rather than the effects of financial indiscipline (proxied by arrears) on profits. The possibility of such endogeneity has been addressed here by using the ratio of arrears to total liabilities instead of the level of arrears as the explanatory variable. This ratio eliminates endogeneity because it measures not the level of arrears but the relative importance of arrears among sources of short-term financing. It also avoids a potential bias linked to the size of the

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<sup>6</sup> See Coricelli and Djankov, 2001, for a similar approach.

Table 1: Estimation Results 1/

	OLS for 1994				OLS for 1997	OLS for 2000	Random effects model (data for 1994, 1997 and 2000) 2/				Random effects 3/
	A	B	C	D	E	F	G	H	I	J	K
<b>Restructuring regressors</b>											
Ownership	0.079 * (3.8)	0.071 * (3.4)	0.068 * (3.3)	0.033 (1.3)	0.093 * (2.7)	0.141 * (2.8)	0.134 * (6.8)	0.124 * (6.3)	0.125 * (6.4)	0.090 * (3.7)	0.098 * (10.0)
Arrears	- -	-0.267 * (-4.7)	-0.265 * (-4.7)	-0.263 * (-4.6)	-0.439 * (-5.4)	0.242 (1.1)	- -	-0.255 * (-4.4)	-0.256 * (-4.4)	-0.253 * (-4.3)	-0.220 * (-24.1)
Import penetration	- -	- -	-0.051 (-1.4)	-0.142 * (-2.6)	0.027 (0.4)	-0.089 (-1.0)	- -	- -	0.022 (0.7)	-0.059 (-1.2)	-0.143 * (-5.1)
Import penetration for private firms 4/	- -	- -	- -	0.175 ** (2.3)	-0.001 (-0.0)	0.258 ** (2.2)	- -	- -	- -	0.151 ** (2.3)	0.187 * (6.2)
<b>Other regressors</b>											
LL and LK 5/	0.053 ** (2.0)	0.069 * (2.7)	0.067 * (2.6)	0.065 * (2.5)	0.082 ** (2.1)	-0.005 (-0.1)	0.033 (1.3)	0.045 *** (1.7)	0.045 *** (1.7)	0.044 *** (1.6)	0.014 *** (1.8)
HL and LK 5/	0.158 * (5.3)	0.166 * (5.6)	0.163 * (5.5)	0.161 * (5.4)	0.044 (1.0)	0.135 ** (2.1)	0.089 * (3.0)	0.095 * (3.2)	0.096 * (3.2)	0.095 * (3.2)	0.027 * (3.5)
HL and HK 5/	0.150 * (4.2)	0.151 * (4.2)	0.145 * (4.1)	0.144 * (4.0)	0.055 (1.1)	0.077 (1.1)	0.077 ** (2.3)	0.079 ** (2.4)	0.081 ** (2.4)	0.082 * (2.5)	0.044 * (4.0)
Firm size	-0.077 * (-3.5)	-0.062 * (-2.9)	-0.058 * (-2.7)	-0.054 * (-2.5)	0.079 * (2.5)	0.078 *** (1.7)	0.034 *** (1.6)	0.049 ** (2.3)	0.047 ** (2.2)	0.050 ** (2.4)	0.042 * (3.7)
Year dummies	no	no	no	no	no	no	yes	yes	yes	yes	yes
Adjusted R-squared	0.09	0.11	0.11	0.12	0.05	0.04	0.07	0.08	0.08	0.09	0.05
Sample size	823	823	823	823	823	823	2469	2469	2469	2469	51055

1/ The dependent variable is profits as a percent of revenue. All regressions include a constant term. The t-statistics are reported between parentheses; \* significant at the 1% level,

\*\* significant at the 5% level, \*\*\* significant at the 10% level.

2/ Balanced panel random effects model.

3/ Unbalanced panel random effects model for all firms averaging 10 employees or more in any two years; i.e. 13,561 firms with a total of 51,055 observations (i.e. an average of 3.8 years per firm).

4/ Calculated by multiplying the import penetration index by the ownership dummy.

5/ Dummy variables based on labor skills and capital intensity. LL and HL stand for low and high labor skill. LK and HK stand for low and high capital intensity.

firm, both because arrears are represented as a share and because it excludes long-term liabilities which are more common among large firms.

18. **The presence of market-based economic institutions and competitive forces is proxied by an import penetration index.** The index used is the share of imports in total sales revenue in each two-digit sector. Import penetration is a direct measure of the importance of competition from abroad and may also signal a political decision to give freer rein to domestic competition in the sector in question. In order to explore the interaction between competitive pressures and private ownership, some equations also include a variable constructed as the product of import penetration and the private sector dummy. In this case the hypothesis would be that private firms, which have less access to political influence, have less of a cushion against the impact of competition. In contrast, for state-owned firms, the risk of bankruptcy arising from competition is reduced by the likelihood of government bail outs. The interaction term in the equation also highlights the complementarity between private ownership and other market-based economic institutions (Roland, 2000): private ownership and competitive forces together are more effective in strengthening corporate performance than either of these in isolation.

19. **Control variables are also added for firm size and sector characteristics.**<sup>7</sup> A dummy variable on **firm size** has a value of one for firms with 100 or more employees and is used to control for the role of size in determining firm behavior. The interpretation is that large firms have access to political influence because of their potential impact on employment levels, particularly at the regional level. The resulting access to soft financing leads to weak financial discipline and poor corporate performance. Three dummies based on **sector characteristics** are added as a proxy for sector shocks.<sup>8</sup> The dummies are constructed by grouping firms according to labor skills and capital per employee. High labor-skill firms are those that have gross wages above the average for the economy. Likewise, capital intensive firms are those with higher than average capital equipment per employee. Figure 1 depicts average wages and capital intensities for each sector and is broken into four quadrants based on average levels over three years.<sup>9</sup>

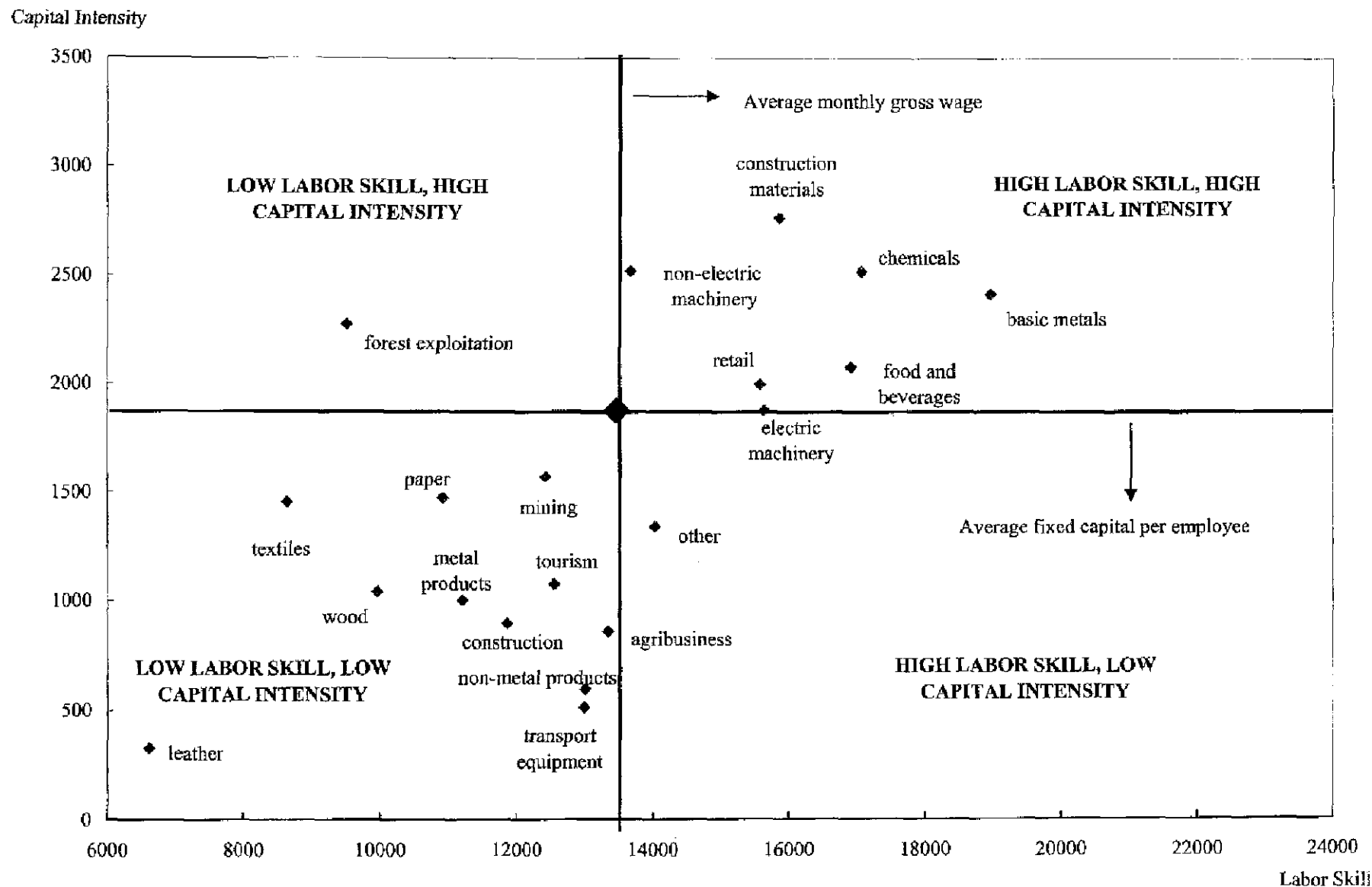
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<sup>7</sup> Regional dummy variables were tested but found not to be statistically significant.

<sup>8</sup> The sector-related dummies used are: (i) a dummy variable for low labor skill (LL) and low capital intensity (LK) firms; (ii) a dummy variable for high labor skill (HL) and low capital intensity firms, and (iii) a dummy variable for high labor skill and capital intensity (HK) firms.

<sup>9</sup> The data in the figure is different from the dummy variable; the former reflects sector averages over the period, the latter reflects the labor skill and capital intensity of firms for each year.

Figure 1: Labor Skills and Capital Intensity (averages for 1994, 1997 and 2000)



## Results

20. The main results of the OLS regressions are (see Table 1, columns A to F):

- **The coefficient on private ownership is positive and statistically significant in most estimated equations.** This supports the view that private ownership has a positive impact on profits. In addition, the magnitude of the coefficient increases over time, suggesting that the importance of private ownership for profitability has been increasing, perhaps as the institutional environment for private sector activity strengthened during the 1990s.
- **The coefficient for arrears has a negative sign and is statistically significant in most equations.** This is consistent with the interpretation that arrears reflect lax financial discipline (i.e. soft-budget constraints) and result in weak firm performance.
- **The coefficient on import penetration is statistically significant only when applied to private firms, and suggests a positive relationship between performance and market institutions.** The existence of complementing forces between private ownership and competition supports the use of this index as a proxy for market institutions.

21. **The dummies on firm size and sector characteristics are difficult to interpret.** The dummy on **firm size** has a negative coefficient in 1994, a positive coefficient in 1997, and was not significant (at the 5 percent level) in 2000. This suggests that in the earlier years large firms were the most affected by the lack of profit-maximizing objectives, perhaps reflecting the social role played by large firms (for example, maintaining employment), but that this role has disappeared over time. The positive coefficient in 1997 is harder to interpret, however, and suggest caution in drawing conclusions about the influence of firm size. The dummies on **sector characteristics** are positive and, in most cases, statistically significant, and the coefficients are larger among high labor skill sectors. The coefficients weaken over time, however, suggesting a certain degree of diversification of strong performance across sectors.

22. **A pooled regression confirms the results described so far:** private ownership is positively related with profits as a share of revenues, the non-tolerance of arrears hardens budget constraints and improves firm performance, and the import penetration index is positively related with profits only when applied to private firms (see Table 1, columns G and J). Sector dummies suggest that firms in high labor skill sectors perform better than firms in other sectors. Capital intensity makes less of a difference. This pooled regression is estimated using all observations in a balanced panel. The Hausman test indicates that the random-effects model is appropriate.

23. **Two checks on the robustness of these results have been carried out.**

- **OLS and pooled regressions for alternative measures of corporate performance**—such as labor productivity and profits per employee, not reported—**provide similar results.** This is particularly true with regard to the sign and significance of the ownership dummy. Although the Hausman test rejects the random-effects model in favor of the fixed-effects model, suggesting against the use of a time-invariant ownership dummy, this does not undermine the conclusions presented in this paper.
- **An unbalanced panel regressions for all firms in the ZPP dataset also confirms the results described;** namely, a (i) positive relationship between private ownership and corporate performance, (ii) negative effect of soft-budget constraints on profitability, and (iii) positive effect of import penetration on profits (Table 1, column K). Once again the Hausman test rejects the random-effects model in favor of the fixed-effects model, with the implication noted above regarding the time-invariant ownership dummy.<sup>10</sup>

#### D. Conclusions

24. **The enterprise level data shows some improvement in corporate performance during the late 1990s.** In particular, new firms are performing strongly, perhaps mirroring the turnaround in economic growth and employment observed in the late 1990s. The dataset also exhibits a sharp reduction in the concentration of losses in the economy. Finally, firm turnover is high.

25. **But progress in enterprise restructuring among surviving firms has been limited.** Labor productivity at the end of 2000 is still weak and largely below the levels reached in 1994 in spite of substantial labor shedding. Profitability levels are unconvincing, though there are significant differences depending on the type of ownership: private firms have maintained stable and high levels of profits, and mixed firms are doing better than socially-owned or state-owned firms.

26. **The predominance of insider privatization in FYR Macedonia is one reason for the weak record among surviving firms.** Diffuse ownership, against the backdrop of soft budget constraints and weak institutions, leads to either significant power in the hands of managers who have incentives to use corporate resources in a manner that does not maximize shareholders' value, or to the pursuit of policies that support the short-term, often unsustainable, goals of employees. In either case enterprise restructuring is slowed and the turnaround in performance is delayed.

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<sup>10</sup> The unbalanced panel dataset includes economic sector firms that had an average of 10 or more employees in any two years during 1994-2000—i.e. only medium- and large-size firms are selected. The panel includes a total of 13,500 firms averaging 3.8 years of data per firm.

27. **As to the factors that facilitate restructuring, the paper's conclusions are consistent with the literature on other transition economies; namely, private ownership, hard budget constraints, and market-based institutions play a positive role in strengthening profitability. In particular, the role of market-based institutions is stronger if accompanied by private ownership.**

28. **Looking ahead, FYR Macedonia's challenge is to accelerate and complete the transfer of ownership to private hands and to ensure that government policy does not soften budget constraints.** The paper suggests that non-tolerance of arrears, improvements in bank lending practices, and mechanisms to increase private ownership will all serve to strengthen the enterprise sector. In particular, if the large group of mixed firms is to improve its performance, then a key role is to be played by full enforcement of bankruptcy procedures and other measure that harden budget constraints.

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**FYRM: Tax Summary as of March 31, 2003**

Tax	Nature of tax	Exemptions and Reductions	Rates
<b>Central Government</b>			
<b>1. Taxes on Income and Profits</b>			
<b>1.1 Profit Tax</b>	<p>A tax on annual aggregate business profits applied on all legal entities.</p> <p>Resident legal entities are taxed on their global profits. An entity is a resident of the FYRM if it is established and registered in the FYRM territory.</p> <p>Nonresidents are taxed on profits earned in the FYRM.</p> <p>The taxable base is the difference between total revenues and expenses. Deductible expenses include business, financial, and extraordinary expenses, as well as depreciation.</p> <p>Taxpayers make monthly advance payments based on the previous year's profits, adjusted for inflation.</p>	<p>Fixed assets used for technological modernization, and protection of the environment, have accelerated depreciation.</p> <p>Reinvested profits are deductible.</p> <p>Reduction of 50 percent for taxpayers who undertake activities for the first time.</p> <p>Decrease of the tax base if profit is reinvested in fixed assets.</p> <p>Exempt are the profits of joint ventures with foreign partners, where the foreign partners hold at least a 20 percent share, and foreign firms for the first 3 years of operation in proportion to foreign capital participation.</p> <p>Investments in economically underdeveloped districts, border regions and certain mountain districts are deductible.</p> <p>Tax holiday for a period of ten years for those taxpayers performing activities in the free economic zones.</p> <p>Losses from business cannot be carried forward for more than three years.</p> <p>No withholding taxes on dividends paid under condition that profit is already taxed.</p>	Statutory rate: 15 percent

Tax	Nature of tax	Exemptions and Reductions	Rates
1.2 <i>Personal Income Tax</i>	<p>A tax on annual aggregate net personal income from all sources.</p> <p>Residents are taxed on their worldwide income.</p> <p>Nonresidents are taxed on income earned in the FYRM.</p> <p>The tax is withheld at source on a monthly basis.</p>	<p>All social contributions are deductible.</p> <p>Personal exemption in the amount of 32,160 denars annually, that is 2,680 denars monthly.</p> <p>Distributed dividends are 50 percent exempt.</p>	<p>Progressive tax rates are applied as follows:</p> <p>(i) 15 percent on taxable income up to 360,000 denars on annual level, and</p> <p>(ii) 18 percent on income above 360,000 denars.</p> <p>Advance payments are made monthly at (i) 15 percent on a tax base up to 30,000 denars, and (ii) 18 percent on a tax base above 30,000 denars.</p> <p>Withholding rates are as follows:</p> <p>(i) employment, pension, economic and professional earnings are withheld at the same rate of the tax rates, and</p> <p>(ii) income from property and property rights and gambling earnings are withheld at a 15 percent rate.</p>

Tax	Nature of tax	Exemptions and Reductions	Rates
<b>2. Indirect Taxes</b>			
<p><i>2.1 Value Added Tax (introduced on April 1, 2000).</i></p>	<p>A tax on consumption, calculated at all stages of production and supply, using the destination-based credit invoice method.</p> <p>The filing thresholds in 2001 are (i) denar 25 million (US\$367,000) for monthly filers, and (ii) denar 1.3 million (US\$ 19,000) for quarterly filers.</p> <p>Payments are due within 15 days from the end of the tax period.</p> <p>Refunds are paid within 30 days.</p>	<p>The following are zero-rated:</p> <p>exports; goods transported to/or dispatched from duty-free zones; services related to import and export; services performed by brokers and other intermediaries; modification, repair, maintenance, chartering and leasing aircraft used in international commercial air traffic; and international air transport of passengers.</p> <p>The following are exempt from VAT:</p> <p>residential building and apartments (except the first supply); rents; postal services; banking and financial services; insurance; health services; medical and dental services; educational services; and funeral services.</p>	<p>General or standard rate: 18 percent</p> <p>Reduced or preferential rate: 5 percent</p> <p>The reduced rate applies, since March 2003, to food products, except alcoholic beverages and soft drinks; potable water; and newspapers and other published material.</p>

Tax	Nature of tax	Exemptions and Reductions	Rates
2.2 <i>Excise Tax</i>	<p>A tax on the sale or import of certain goods (namely, oil and its derivatives, some tobacco and alcohol products, and cars).</p> <p>Excises are generally imposed at the manufacturing and import stage.</p> <p>Control marks are widely used to enforce payment of excises on alcohol, alcohol beverages, and tobacco commodities.</p>	<p>Exports are exempt.</p> <p>No excises are applied on wine.</p>	<p><b>MINERAL OILS</b></p> <p>Petrol and airplane petrol at 24.396 den/l.</p> <p>Unleaded petrol at 21.692 den/l.</p> <p>Gas oil, for use as:</p> <p>(i) fuel at 12.121 den/l. and</p> <p>(ii) heating fuel at 3.136 den/l.</p> <p>Liquid petrol gas and marsh gas, for:</p> <p>(i) fuel at 4.900 den/kg, and</p> <p>(ii) heating fuel at 4.876 den/kg.</p> <p>Kerosene, for use as:</p> <p>(i) fuel 9.000 den/kg, and</p> <p>(ii) heating fuel 1.800 den/kg.</p> <p>Stoking oil at 0.1 den/kg.</p> <p>Mineral oils stipulated in article 29 of the Law are taxed up to 10 percent.</p> <p><b>ALCOHOL AND ALCOHOL BEVERAGES</b></p> <p>The excise on beer is 3 denars per liter/percentage of alcohol, or 1.25 denars per liter/extract rate.</p> <p>The excise on sparkling wine is 0 denars/liter, and on other sparkling drinks is 0 denars/liter.</p> <p>The excise on other non-sparkling drinks is 0 denars/liter.</p>

Tax	Nature of tax	Exemptions and Reductions	Rates
			<p>The excise on semi products is 300 denars/liter pure alcohol.</p> <p>The excise on ethyl alcohol is 300 denars/liter pure alcohol.</p> <p><b>TOBACCO COMMODITIES</b>  The excise on the following tobacco commodities when released from an excise warehouse in free circulation:  (i) cigars and cigarillos, 0 denars a piece and 33 percent of retail price,  (ii) cigarettes, 0 denars a piece and 33 percent of retail price,  (iii) tobacco for smoking as finely grind tobacco, 0 denars/kg, 33 percent of retail price, and  (v) tobacco for smoking, 0 denars/kg and 33 percent of retail price.</p> <p>The excise on the following tobacco commodities at import is:  (i) cigars, 1.35 denars per piece and 0 percent of the retail price,  (ii) cigarettes, 1.35 denars per piece and 0 percent of the retail price,  (iii) tobacco for smoking as finely grind tobacco, 1,350 denars/kg and 0 percent of the retail price, and  (iv) tobacco for smoking as other tobacco for smoking, 1,350 denars/kg and 0 percent of the retail price.</p> <p><b>MOTOR CARS</b>  7.5 percent, any car size.</p>

Tax	Nature of tax	Exemptions and Reductions	Rates
<b>3. Taxes on Imports</b>			
<i>Import Duties</i>	Tax on imported goods.	<p>Re-exports: Must provide a bank guarantee for the amount of duty, in case re-export does not occur.</p> <p>Raw materials: Must pay duty, but after exporting finished product receive a duty- drawback.</p> <p>Exemption for diplomatic and consular missions, and for humanitarian organizations.</p> <p>From the period of 3/31/2002 there will be changes to the Custom law in accordance to Agreement of WTO for custom evaluation and Agreement of WTO for rules of origin, and corresponding with legislation of EU.</p>	<p>Rates range from 0 percent to 60 percent for agricultural products.</p> <p>Rates range from 0 percent to 35 percent for industrial products.</p> <p>From March 2003 will be implemented new Law on custom tariffs in accordance to WTO accession.</p> <p>No duty on IT equipment. No duty on cotton or crude oil.</p> <p>The average custom rate for 2003 will be 12% instead of 14.55% in 2002.</p> <p>The stabilization and Association Agreement with EU countries.</p> <p>1 percent custom fee is not applied from 01/01/2002. This fee has been replaced by a new fee that is applied from 01/01/2002 in accordance to Chapter 17 of the Law, and amounts to 19 Euros per custom declaration.</p> <p>New law on Customs tariff from 01/01/2002 harmonizes with HS, in accordance to recommendation from WTO and harmonization with EU.</p>

Tax	Nature of tax	Exemptions and Reductions	Rates
<b>4. Taxes on Property</b>			
Inheritance & Gift Tax	A tax on inheritance and gifts.	<p>In general, recipients within the first degree of kinship (a spouse, child, or parent) are exempt.</p> <p>Recipients within the second degree of kinship (a grandchild, brother, or sister) are exempt only if they lived in the donor's household at the time of death or when the gift was given.</p>	<p>For recipients within the second degree of kinship: 3 percent.</p> <p>All others: 5 percent.</p>
<b>5. Social Security Funds</b>			
Social Security Contributions	<p>All persons are liable to compulsory monthly social security contributions.</p> <p>For employed persons, the contributions, together with the income tax are withheld at source.</p> <p>Self-employed persons pay the contributions with their monthly income tax.</p>		<p>Rates are the same for employed and self-employed persons. The rates are:</p> <p>Pension &amp; Disability Fund: 21.2 percent.</p> <p>Health Care Fund: 9.2 percent.</p> <p>Employment Fund: 1.6 percent.</p>

Tax	Nature of tax	Exemptions and Reductions	Rates
<b>Local Government</b>			
<b>6. Taxes on Property</b>			
6.1 <i>Property Tax</i>	A tax on the market value of immovable property (e.g., houses, apartments, business premises), and movable property (e.g., motor vehicles, vessels and aircraft).	<p>Exemptions for:</p> <ul style="list-style-type: none"> <li>(i) buildings used by government,</li> <li>(ii) buildings used for education, health, sport, and cultural purposes,</li> <li>(iii) buildings used for religious and humanitarian purposes,</li> <li>(iv) land,</li> <li>(v) buildings registered as historical monuments, and</li> <li>(vi) buildings housing foreign diplomatic or consular representatives, or international organizations.</li> </ul> <p>Residential buildings enjoy a 50 percent deduction.</p>	0.1 percent
6.2 <i>Property Sales Tax</i>	A tax on the market value of sales of real estates and rights.		3 percent

Table A1. FYRM: Basic Economic Indicators, 1997–2002

	1997	1998	1999	2000	2001	2002 Est.
<b>Real economy</b>						
	(Percent change)					
Real GDP	1.4	3.4	4.3	4.5	-4.5	0.3
Consumer prices, period average	2.5	-0.1	-0.7	5.8	5.3	2.4
Real wages, period average	0.4	3.7	3.6	-0.3	-1.7	4.4
Unemployment rate (average) 1/	36.0	34.5	32.4	32.2	30.5	31.9
<b>Government finances</b>						
	(In percent of GDP)					
General government balance 2/	-0.4	-1.7	0.0	2.5	-6.3	-5.6
Central government balance 2/	-1.2	-0.8	0.8	2.7	-5.8	-5.4
Government debt (gross) 3/	55.7	52.0	57.4	53.2	51.6	50.3
<b>Money and credit</b>						
	(Percent change, end of period)					
Broad money (M3) 4/	15.8	14.9	29.7	25.6	56.7	-8.6
Total credit to private sector	18.9	10.4	9.4	17.2	7.3	9.9
Short-term lending rate	21.6	20.5	20.0	19.0	19.2	17.7
Money market rate	19.7	18.1	11.6	7.2	11.9	14.4
<b>Balance of payments</b>						
Trade balance (percent of GDP)	-10.3	-14.4	-13.5	-19.3	-15.2	-20.3
Current account balance (percent of GDP)	-7.9	-7.5	-0.9	-2.1	-6.8	-8.6
Official gross reserves (US\$ million; end of period)	252	290	450	700	756	735
Reserve cover (in months of next year's imports of goods and non-factor services)	1.5	1.8	2.4	4.3	4.3	3.9
External debt-service ratio 5/	8.3	9.5	12.4	13.0	19.0	16.5
External debt-to-GDP ratio (in percent) 6/	31.3	38.5	39.2	40.1	38.0	39.0
<b>Exchange rates 7/</b>						
	(Percent change, period average)					
Nominal effective exchange rate	22.0	0.9	12.4	12.4	3.3	0.7 8/
Real effective exchange rate (CPI-based)	-13.9	-7.0	2.9	4.0	-6.1	-2.4 8/
<b>Geographic, demographic, and social indicators</b>						
Land area (in sq. km.)	25,713	25,713	25,713	25,713	25,713	25,713
Population (in thousands)	1,997	2,015	2,017	2,026	2,035	...
Per capita GDP (in U.S. dollars; at market rates)	1,870	1,777	1,822	1,768	1,689	...
Population density (people per sq. km.)	77.7	78.0	78.4	78.8	79.1	...
Population growth (in percent)	0.7	0.6	0.6	0.4	0.4	...
Life expectancy at birth (years)	72.5	72.5	72.7	73.1	...	...
Male	70.4	70.4	70.5	70.7	...	...
Female	74.7	74.7	74.8	75.2	...	...
Crude birth rate	15.0	14.8	13.5	13.5	13.3	...
Infant mortality rate (per 1,000 live births)	15.7	16.3	14.9	11.8	11.9	...
Crude death rate (per 1,000 people)	8.3	8.4	8.3	8.5	8.3	...

Sources: Data provided by the FYRM authorities; World Bank; and IMF staff estimates.

1/ Persons seeking employment as percent of total labor force.

2/ Excludes foreign-financed capital expenditure projects.

3/ Includes domestic debt of central government and external debt of the public sector. Figures include bonds issued in 2001 for the frozen foreign currency deposits, as well as liabilities assumed by the government as of end-March 2000 on account of bank and enterprise restructuring, but exclude obligations for retroactive payments to pensioners.

4/ Includes foreign currency deposits.

5/ Debt service due, including IMF, as a percentage of exports of goods and services.

6/ Including IMF.

7/ An increase means appreciation of the denar. Partner countries include Federal Republic of Yugoslavia and Bulgaria.

8/ January–November 2002

Table A2. FYRM: Selected Real Sector Indicators, 1997–2002  
(Annual percentage change)

	1997	1998	1999	2000	2001	2002 Est.
Real GDP	1.4	3.4	4.3	4.5	-4.5	0.3
Domestic demand	3.0	3.8	2.7	9.2	-6.0	4.9
Industrial output	-2.8	4.5	0.0	-0.1	-6.2	-5.3
Consumer price index						
Average	2.5	-0.1	-0.7	5.8	5.3	2.4
End of period	3.2	-3.1	2.6	6.1	3.7	1.0
Employment (LFS), total	-4.7	5.4	1.0	0.8	9.0	-6.3
Economic sector	-6.1	6.2	1.2	0.7	11.1	...
Of which: industry	-9.7	8.3	-0.7	-1.6	5.9	...
Noneconomic sector	1.4	1.2	0.0	0.6	1.8	...
Of which: state administration	0.6	8.3	6.0	0.9	26.0	...
Unemployment rate	36.0	34.5	32.4	32.2	30.5	31.9
Nominal net average wage, total	2.9	3.6	2.9	5.5	3.6	6.8
Economic sector	3.7	4.5	3.6	7.2	...	...
Of which: industry	2.3	3.1	1.5	6.2	...	...
Non-economic sector	0.3	1.6	1.4	1.9	...	...
Of which: state administration	2.3	1.3	2.8	2.2	...	...
Real net average wage, total	0.4	3.7	3.6	-0.3	-1.7	4.1
Productivity in industry	4.5	8.0	-0.6	-2.3	2.2	2.9 1/
Unit labor costs in industry	-2.4	-4.7	1.3	8.1	0.1	2.8 1/

Sources: Data provided by the FYRM authorities; and IMF staff estimates.

1/ January-November.

Table A3. FYRM: Gross Domestic Product at Current and Constant Market Prices by Economic Activity, 1997-2001

	1997	1998	1999	2000	2001 Prel.	1997	1998	1999	2000	2001 Prel.
	(In million denars, at current market prices)					(In million denars, at constant 1997 prices)				
Agriculture, hunting, and forestry	20,361	22,224	23,094	23,756	22,933	20,361	21,013	21,182	21,396	19025
Fishing	51	52	29	14	24	51	70	91	92	143
Mining and quarrying	1,893	1,584	1,620	1,856	1,312	1,893	1,982	2,025	2,399	2342
Manufacturing	35,079	35,202	36,764	40,926	39,587	35,079	35,248	36,117	39,771	37979
Electricity, gas, and water supply	8,346	8,868	9,203	10,381	10,041	8,346	8,739	8,608	8,952	8466
Construction	9,867	11,267	10,860	13,361	11,801	9,867	10,627	11,732	12,037	10300
Wholesale and retail trade	21,297	21,914	22,383	25,402	26,076	21,297	21,377	22,024	22,696	22506
Hotels and restaurants	2,819	3,063	3,984	3,463	3,410	2,819	3,024	3,771	3,345	3194
Transport, storage, and communications	11,372	14,309	17,233	21,261	21,694	11,372	14,385	16,853	18,282	16761
Financial intermediation	6,259	7,229	6,977	7,342	7,420	6,259	7,052	6,749	6,540	6315
Real estate, renting, and business activities	5,490	5,206	5,890	7,466	8,304	5,490	5,112	5,765	6,852	7421
Public administration and defense	11,326	12,067	14,351	14,333	14,445	11,326	11,447	12,445	12,636	12469
Education	7,739	8,030	8,769	8,266	8,048	7,739	7,902	7,949	7,855	7472
Health and social work	8,003	8,310	8,592	8,987	8,690	8,003	8,046	8,125	8,055	7934
Other community, social, and personal services	5,295	4,887	4,967	5,217	5,548	5,295	4,826	4,892	4,731	5028
Others 1/	30,822	30,768	34,274	44,359	44,508	30,822	31,459	32,322	34,138	32928
Gross domestic product	186,019	194,981	209,010	236,389	233,841	186,019	192,308	200,649	209,777	200,284
	(In percent of GDP)					(Annual percent change)				
Agriculture, hunting, and forestry	10.9	11.4	11.0	10.0	9.8	...	3.2	0.8	1.0	-11.1
Fishing	0.0	0.0	0.0	0.0	0.0	...	37.6	30.0	1.7	55.3
Mining and quarrying	1.0	0.8	0.8	0.8	0.6	...	4.7	2.2	18.5	-2.4
Manufacturing	18.9	18.1	17.6	17.3	16.9	...	0.5	2.5	10.1	-4.5
Electricity, gas, and water supply	4.5	4.5	4.4	4.4	4.3	...	4.7	-1.5	4.0	-5.4
Construction	5.3	5.8	5.2	5.7	5.0	...	7.7	10.4	2.6	-14.4
Wholesale and retail trade	11.4	11.2	10.7	10.7	11.2	...	0.4	3.0	3.0	-0.8
Hotels and restaurants	1.5	1.6	1.9	1.5	1.5	...	7.3	24.7	-11.3	-4.5
Transport, storage, and communications	6.1	7.3	8.2	9.0	9.3	...	26.5	17.2	8.5	-8.3
Financial intermediation	3.4	3.7	3.3	3.1	3.2	...	12.7	-4.3	-3.1	-3.4
Real estate, renting, and business activities	3.0	2.7	2.8	3.2	3.6	...	-6.9	12.8	18.9	8.3
Public administration and defense	6.1	6.2	6.9	6.1	6.2	...	1.1	8.7	1.5	-1.3
Education	4.2	4.1	4.2	3.5	3.4	...	2.1	0.6	-1.2	-4.9
Health and social work	4.3	4.3	4.1	3.8	3.7	...	0.5	1.0	-0.9	-1.5
Other community, social, and personal services	2.8	2.5	2.4	2.2	2.4	...	-8.9	1.4	-3.3	6.3
Others 1/	16.6	15.8	16.4	18.8	19.0	...	2.1	2.7	5.6	-3.5
Gross domestic product	100.0	100.0	100.0	100.0	100.0	...	3.4	4.3	4.5	-4.5

Source: Data provided by the Statistical Office.

1/ Includes imputed rents, value added tax (VAT), and import duties, less imputed banking services and subsidies on products.

Table A4. FYRM: Gross Domestic Product at Current and Constant Market Prices by Expenditure Items, 1997-2001

	1997	1998	1999	2000	2001 Prel.	1997	1998	1999	2000	2001 Prel.
	(In million denars, at current market prices)					(In percent of GDP)				
Gross domestic product	186,019	194,981	209,010	236,389	233,841	100.0	100.0	100.0	100.0	100.0
Domestic demand	211,201	223,994	229,873	269,669	264,530	113.5	114.9	110.0	114.1	113.1
Consumption	172,187	180,582	188,702	218,985	221,770	92.6	92.6	90.3	92.6	94.8
Private	135,487	141,078	145,693	175,965	163,791	72.8	72.4	69.7	74.4	70.0
Public	36,700	39,504	43,009	43,021	57,979	19.7	20.3	20.6	18.2	24.8
Gross investment	39,014	43,412	41,171	50,683	42,760	21.0	22.3	19.7	21.4	18.3
Gross fixed capital formation	32,236	33,982	34,710	38,332	34,716	17.3	17.4	16.6	16.2	14.8
Changes in inventories	6,778	9,430	6,461	12,351	8,043	3.6	4.8	3.1	5.2	3.4
Foreign balance	-25,182	-29,011	-20,864	-33,280	-30,689	-13.5	-14.9	-10.0	-14.1	-13.1
Exports of goods and services	69,408	80,344	88,143	114,209	99,091	37.3	41.2	42.2	48.3	42.4
Exports of goods	61,630	70,618	67,988	87,161	78,625	33.1	36.2	32.5	36.9	33.6
Exports of services	6,393	7,146	14,367	19,971	15,894	3.4	3.7	6.9	8.4	6.8
Non-resident purchases	1,385	2,580	5,788	7,077	4,572	0.7	1.3	2.8	3.0	2.0
Imports of goods and services	94,590	109,355	109,007	147,489	129,780	50.8	56.1	52.2	62.4	55.5
Imports of goods	80,872	92,845	90,554	123,910	107,166	43.5	47.6	43.3	52.4	45.8
Imports of services	13,718	16,510	18,453	23,579	22,614	7.4	8.5	8.8	10.0	9.7
	(In million denars, at current market prices)					(Annual percent change)				
Gross domestic product	186,019	192,308	200,649	209,777	200,283	...	3.4	4.3	4.5	-4.5
Domestic demand	211,201	218,580	221,838	240,363	228,369	...	3.5	1.5	8.4	-5.0
Consumption	172,187	178,088	184,873	199,687	192,917	...	3.4	3.8	8.0	-3.4
Private	135,487	139,993	145,108	160,956	142,687	...	3.3	3.7	10.9	-11.4
Public	36,700	38,095	39,765	38,731	50,230	...	3.8	4.4	-2.6	29.7
Gross investment	39,014	40,491	36,965	40,676	35,452	...	3.8	-8.7	10.0	-12.8
Gross fixed capital formation	32,236	31,404	30,950	29,948	28,602	...	-2.6	-1.4	-3.2	-4.5
Changes in inventories	6,778	9,087	6,015	10,728	6,850	...	34.1	-33.8	78.3	-36.2
Foreign balance	-25,182	-26,271	-21,189	-30,586	-28,085	...	4.3	-19.3	44.3	-8.2
Exports of goods and services	69,408	75,275	80,453	95,700	78,910	...	8.5	6.9	19.0	-17.5
Imports of goods and services	94,590	101,546	101,642	126,286	106,995	...	7.4	0.1	24.2	-15.3
Memorandum items:										
GDP per capita (in US\$)	1,870	1,777	1,822	1,768	1,689					
Gross domestic saving (as percent of GDP)	7.4	7.4	9.7	7.4	5.2					
Implicit GDP deflator (annual percent change)	...	1.4	2.7	8.2	3.6					

Source: Data provided by the Statistical Office.

Table A5. FYRM: Price Indices, 1995-2002  
(Year-on-Year Percent Change)

	CPI									Industrial		Agricultural
	Total	Food	Tobacco, Beverages	Clothing, Footwear	Housing	Hygiene, Health	Education, Culture	Transport, Telecom	Retail Prices	Producer Prices	Producer Prices	
1995	15.7	8.6	4.0	12.5	39.1	14.1	18.0	9.7	15.9	4.7	1.2	
1996	2.3	-0.1	1.3	0.1	6.5	1.9	5.6	3.3	3.0	-0.4	0.3	
1997	2.6	4.2	-3.9	-1.6	1.7	-0.5	-8.6	19.4	4.4	4.2	73.2	
1998	-0.1	-0.2	3.6	2.4	0.4	0.1	-10.3	2.4	0.8	4.0	-14.6	
1999	-0.7	-1.6	0.2	1.2	0.3	-1.4	-2.2	-0.8	-1.1	-0.1	-5.2	
2000	5.8	-0.4	13.9	-2.3	20.4	-1.7	-1.6	22.3	10.6	8.9	-3.1	
2001	5.3	5.5	2.9	1.4	5.8	-0.8	2.2	10.5	5.2	2.0	6.7	
2002	2.4	2.9	1.1	6.9	1.7	-3.8	3.6	2.8	1.4	-0.9	...	
1999 January	-3.3	-6.6	-1.4	2.0	0.2	-1.8	-6.4	-2.1	-2.5	-2.3	-58.9	
February	-3.2	-6.4	-2.0	3.3	0.2	-1.1	-6.5	-3.0	-3.1	-1.5	-59.4	
March	-2.9	-5.7	-2.3	2.7	0.0	-1.0	-3.6	-2.5	-2.5	-2.2	-60.2	
April	-4.0	-8.1	-2.1	2.6	-0.1	-1.0	-4.1	-2.9	-3.2	-1.8	-60.2	
May	-5.2	-10.4	-2.1	2.4	0.1	-1.3	-4.5	-3.1	-3.3	-2.0	-4.9	
June	-3.1	-5.2	-1.7	1.7	-0.2	-1.9	-5.0	-3.2	-2.4	-2.0	20.5	
July	-2.7	-3.9	-1.1	0.6	-0.3	-1.8	-5.0	-3.2	-2.2	0.2	-33.1	
August	0.1	-0.3	2.4	0.6	0.5	-1.3	0.3	-0.1	-0.5	-0.1	-6.0	
September	-0.2	-1.2	2.6	-0.3	1.0	-1.4	2.2	1.0	-0.1	0.1	5.4	
October	-0.3	-1.0	3.6	-0.1	0.9	-1.3	2.1	1.3	0.1	2.6	-8.5	
November	-0.2	-0.2	3.7	-0.4	0.9	-1.8	2.4	1.4	0.6	2.9	-12.8	
December	1.2	1.5	3.4	-0.8	0.7	-1.2	2.4	7.0	2.3	4.1	-12.0	
2000 January	1.7	1.3	5.4	-5.4	3.1	-0.6	-5.2	8.2	3.3	5.3	-5.7	
February	2.2	0.9	5.5	-5.7	8.1	-0.6	-5.0	8.3	4.4	7.8	-0.9	
March	1.6	-1.4	5.7	-6.4	8.8	-1.5	-5.0	11.6	4.9	8.4	-2.7	
April	8.9	2.9	18.5	-3.6	30.1	-2.8	-1.9	24.7	14.0	9.5	-0.8	
May	9.5	3.4	18.5	-2.2	30.9	-1.6	-1.8	25.0	14.3	10.3	5.2	
June	8.8	0.2	18.4	-2.0	32.6	-1.0	-1.3	29.0	15.1	12.2	-0.6	
July	9.1	0.3	18.4	-1.4	33.9	-1.4	-1.3	28.7	15.7	9.5	-3.1	
August	6.9	-2.0	14.3	-1.6	30.7	-2.3	-1.4	25.1	13.3	10.0	9.3	
September	8.1	0.3	14.9	-0.1	30.3	-2.1	-0.2	24.2	13.5	9.8	7.0	
October	5.3	-0.4	15.0	0.0	11.3	-2.3	-0.1	24.0	9.6	7.3	8.5	
November	6.8	-0.4	15.9	0.5	12.5	-2.1	2.1	32.3	12.6	9.3	13.2	
December	6.1	-0.8	16.1	0.8	12.3	-2.4	2.0	26.9	10.8	7.9	5.9	
2001 January	5.5	-1.2	12.8	0.3	12.5	-2.0	2.5	25.1	8.0	5.7	11.4	
February	5.9	1.4	12.9	1.5	7.3	-2.6	2.1	24.0	7.4	4.2	10.6	
March	6.9	4.0	13.0	2.1	7.4	-1.8	1.9	21.1	7.5	3.8	9.0	
April	3.6	2.6	0.0	0.3	6.8	-0.4	1.7	8.1	3.5	2.8	3.9	
May	3.7	2.9	0.3	0.4	6.5	-1.0	1.8	7.8	3.6	4.7	11.0	
June	7.0	10.4	0.3	2.0	6.1	-0.5	1.7	6.8	5.8	3.9	9.0	
July	6.0	8.9	0.1	1.8	5.2	-0.1	1.6	7.1	4.7	2.8	12.0	
August	6.6	9.3	-0.4	1.9	4.9	-0.3	1.6	10.3	5.4	2.3	8.1	
September	5.6	7.4	-1.0	1.5	4.8	-0.4	1.8	9.5	4.7	1.6	6.0	
October	4.9	6.4	-1.0	1.6	3.8	0.1	2.3	7.8	3.9	-0.8	-9.7	
November	4.0	7.1	-1.4	2.2	2.2	0.1	3.6	0.3	1.7	-2.2	-10.8	
December	3.7	7.8	-1.2	1.3	2.0	-0.5	3.5	-2.0	1.2	-2.5	-0.3	
2002 January	5.2	9.9	-0.9	7.0	2.4	-3.3	3.8	-1.0	1.5	-1.2	-0.8	
February	4.0	6.8	-0.3	6.2	2.6	-3.2	4.1	0.0	1.6	-2.3	3.7	
March	4.2	7.4	0.2	7.4	1.9	-3.0	4.2	0.1	1.8	-2.2	5.1	
April	4.1	6.0	1.4	7.2	1.8	-2.8	4.1	3.0	2.7	-1	6.5	
May	3.9	4.6	1.2	7.4	1.9	-3.1	4.0	6.7	3.1	-0.2	-1.4	
June	0.8	-0.9	1.2	6.8	1.0	-4.0	4.1	4.7	0.8	-2.4	-5.6	
July	0.8	-0.7	1.2	7.1	0.7	-4.2	4.2	3.6	0.6	-2	2.9	
August	0.7	0.2	1.6	6.3	0.7	-4.3	4.2	0.6	0.3	-1.3	-16.9	
September	1.2	1.2	1.5	6.5	0.7	-5.0	3.5	1.2	0.8	-0.8	4.4	
October	2.0	1.7	1.3	6.6	2.1	-4.5	2.7	3.7	2.2	1.3	2.2	
November	1.4	0.4	1.6	6.5	2.2	-4.3	2.4	4.8	2.2	0.6	10.8	
December	1.0	-1.0	2.7	7.5	2.1	-4.2	2.6	5.8	2.2	1.1	...	

Source: Data provided by the FYRM authorities.

Table A6. FYRM: Employment According to Administrative Sources and the Labor Force Survey (LFS), 1997-2000

	1997 (April)		1998 (April)		1999 (April)		2000 (April)	
	Adm.	LFS	Adm.	LFS	Adm.	LFS	Adm.	LFS
(Number of Employees)								
Total employment	331,525	512,301	313,525	539,762	313,647	545,222	303,669	549,846
Economic activities	247,411	409,625	230,980	435,141	226,581	440,341	220,877	443,446
Industry and mining	123,598	140,413	117,792	152,096	116,341	151,063	112,493	148,633
Agriculture and fisheries	20,602	90,403	17,639	102,201	16,181	111,701	12,750	116,451
Forestry	3,810	4,529	3,502	5,048	3,280	3,660	2,847	3,320
Water management	2,529	2,219	2,592	2,780	2,413	2,923	2,410	2,721
Construction	30,212	32,020	26,583	35,798	25,290	31,297	24,223	35,712
Transport and communications	19,907	24,800	19,043	26,792	19,267	27,515	20,659	27,486
Trade	19,104	55,212	17,745	53,571	17,222	55,270	17,305	52,992
Catering and tourism	6,343	16,602	5,265	14,801	5,779	14,563	5,816	15,740
Crafts and personal services	3,658	16,745	3,728	18,582	3,678	15,768	3,499	13,887
Utilities and services	8,164	10,046	8,152	8,840	8,119	9,555	8,769	10,627
Financial and other services	9,502	16,636	8,857	14,632	9,029	17,026	10,126	15,677
Non-economic activities	84,114	102,675	84,545	103,916	87,066	103,948	82,792	104,532
Education	36,723	41,442	35,668	41,636	36,491	40,526	34,306	40,312
Health and social welfare	32,685	33,139	33,229	31,862	33,414	31,191	32,446	31,712
Administration and defense	14,688	28,094	15,650	30,418	17,143	32,231	16,020	32,508
(Percent change)								
Total employment	-5.0	-4.7	-4.8	5.4	-0.6	1.0	-3.2	0.8
Economic activities	-6.1	-6.1	-6.6	6.2	-1.9	1.2	-2.5	0.7
Industry and mining	-5.7	-9.7	-4.7	8.3	-1.2	-0.7	-3.3	-1.6
Agriculture and fisheries	-7.5	-5.1	-14.4	13.1	-8.3	9.3	-21.2	4.3
Forestry	12.1	-5.6	-8.1	11.5	-6.3	-27.5	-13.2	-3.8
Water management	8.1	-19.2	2.5	25.3	-6.9	5.1	-0.1	-6.9
Construction	-3.1	-10.5	-12.0	11.8	-4.9	-12.6	-4.2	14.1
Transport and communications	-4.6	-7.1	-4.3	8.0	1.2	2.7	7.2	-0.1
Trade	-11.8	-11.6	-7.1	-3.0	-2.9	3.2	0.5	-4.1
Catering and tourism	-16.3	11.7	-15.4	-10.8	7.7	-1.6	0.6	8.1
Crafts and personal services	-14.1	17.1	1.9	11.0	-1.3	-15.1	-4.9	-11.9
Utilities and services	-0.2	10.4	-0.1	-12.0	-0.4	8.1	8.0	11.2
Financial and other services	-12.2	11.9	-6.8	-12.0	1.9	16.4	12.1	-7.9
Non-economic activities	-1.5	1.4	0.5	1.2	3.0	0.0	-4.9	0.6
Education	0.6	-3.6	-2.9	0.5	2.3	-2.7	-6.0	-0.5
Health and social welfare	-2.3	9.2	1.7	-3.9	0.6	-2.1	-2.9	1.7
Administration and defense	-4.7	0.6	6.4	8.3	9.7	6.0	-6.6	0.9
(Ratio of LFS employment to administrative employment)								
Total		1.5		1.7		1.7		1.8
Economic activities		1.7		1.9		1.9		2.0
Industry and mining		1.1		1.3		1.3		1.3
Agriculture and fisheries		4.4		5.8		6.9		9.1
Forestry		1.2		1.4		1.1		1.2
Water management		0.9		1.1		1.2		1.1
Construction		1.1		1.3		1.2		1.5
Transport and communications		1.2		1.4		1.4		1.3
Trade		2.9		3.0		3.2		3.1
Catering and tourism		2.6		2.8		2.5		2.7
Crafts and personal services		4.6		5.0		4.3		4.0
Utilities and services		1.2		1.1		1.2		1.2
Financial, technical and other services		1.8		1.7		1.9		1.5
Non-economic activities		1.2		1.2		1.2		1.3
Education		1.1		1.2		1.1		1.2
Health and social welfare		1.0		1.0		0.9		1.0
Administration and defense		1.9		1.9		1.9		2.0

Source: Data provided by the FYRM authorities.

Table A6-1. FYRM: Employment According to Administrative Sources and the Labor Force Survey (LFS), 2001-2002 1/

	2001 (October)		2002 (April)	
	Adm.	LFS	Adm.	LFS
(Number of Employees)				
Total employment	293,988	599,308	291,034	561,341
Agriculture, hunting and forestry	14,132	149,163	13,134	133,581
Fishing	363	303	356	712
Minerals and stone mining	6,680	9,314	6,484	6,937
Manufacturing	99,603	149,223	97,471	132,405
Electricity, gas and water supply	14,369	16,508	14,725	14,769
Construction	24,778	35,620	24,360	32,806
Wholesale and retail, repair of motor vehicles, motorcycles and articles for personal use and for households	20,635	66,653	20,848	64,265
Hotels and restaurants	5,379	12,438	5,068	11,230
Transport, storage and communications	18,501	33,180	18,202	32,593
Financial intermediation	3,866	8,776	6,328	8,422
Real estate, renting and business activities	6,295	10,432	6,352	11,953
Public administration and defence, compulsory social security	13,323	33,937	13,684	32,956
Education	27,023	26,990	27,052	33,700
Health and social work	28,464	26,907	28,386	26,226
Other activities of communal, cultural, general and personal services	8,577	18,567	8,584	17,521
Private households with employed persons	...	...	...	319
Extraterritorial organisations and bodies	...	1,296	...	0,945
(Percent change)				
Total employment			-1.0	-6.3
Agriculture, hunting and forestry			-7.1	-10.4
Fishing			-1.9	135
Minerals and stone mining			-2.9	-25.5
Manufacturing			-2.1	-11.3
Electricity, gas and water supply			2.5	-10.5
Construction			-1.7	-7.9
Wholesale and retail, repair of motor vehicles, motorcycles and articles for personal use and for households			1.0	-3.6
Hotels and restaurants			-5.8	-9.7
Transport, storage and communications			-1.6	-1.8
Financial intermediation			7.9	-4.0
Real estate, renting and business activities			0.9	14.6
Public administration and defence, compulsory social security			2.7	-2.9
Education			0.1	24.9
Health and social work			-0.3	-2.5
Other activities of communal, cultural, general and personal services			0.1	-3.6
Private households with employed persons			-	-
Extraterritorial organisations and bodies			-	-27.1
(Ratio of LFS employment to administrative employment)				
Total employment		2.0		1.9
Agriculture, hunting and forestry		10.6		10.2
Fishing		0.8		2.0
Minerals and stone mining		1.4		1.1
Manufacturing		1.5		1.4
Electricity, gas and water supply		1.1		1.0
Construction		1.4		1.3
Wholesale and retail, repair of motor vehicles, motorcycles and articles for personal use and for households		3.2		3.1
Hotels and restaurants		2.3		2.2
Transport, storage and communications		1.8		1.8
Financial intermediation		1.5		1.3
Real estate, renting and business activities		1.7		1.9
Public administration and defence, compulsory social security		2.5		2.4
Education		1.0		1.2
Health and social work		0.9		0.9
Other activities of communal, cultural, general and personal services		2.2		2.0
Private households with employed persons		-		-
Extraterritorial organisations and bodies		-		-

Source: Data provided by the FYRM authorities.

1/ Based on NACE classification.

Table A7. FYRM: Nominal and Real Net Average Wages by Sector, 1997-2001

	1997	1998	1999	2000	2001 1/	1997	1998	1999	2000	2001 1/
Nominal net average wage	(In denars)					(Percent change)				
Total	9,063	9,394	9,664	10,193	10,501	2.9	3.6	2.9	5.5	3.8
Economic activities	8,888	9,288	9,620	10,316	10,642	3.7	4.5	3.6	7.2	4.2
Industry and mining	8,782	9,057	9,192	9,758	10,202	2.3	3.1	1.5	6.2	5.9
Agriculture and fisheries	7,720	7,958	8,498	8,964	9,505	6.4	3.1	6.8	5.5	5.8
Forestry	8,029	7,948	8,945	9,624	9,608	2.7	-1.0	12.5	7.6	1.0
Water management	8,182	8,462	8,716	9,190	9,298	-3.7	3.4	3.0	5.4	0.0
Construction	6,552	6,851	7,232	7,700	7,909	0.4	4.6	5.6	6.5	2.7
Transport and Communication	10,230	10,208	10,874	12,077	12,509	2.7	-0.2	6.5	11.1	4.9
Trade	10,716	11,886	11,899	12,316	10,585	8.2	10.9	0.1	3.5	13.9
Catering and tourism	7,770	8,434	8,873	8,969	8,799	3.4	8.5	5.2	1.1	-1.8
Crafts and services	7,857	8,051	8,929	9,685	8,812	1.1	2.5	10.9	8.5	-8.4
Housing-communal services	9,740	9,972	10,613	11,138	11,637	0.6	2.4	6.4	4.9	4.7
Financial and other services	13,167	14,631	15,543	17,781	18,298	8.6	11.1	6.2	14.4	4.3
Non-economic activities	9,469	9,623	9,754	9,942	10,215	0.3	1.6	1.4	1.9	3.1
Education	9,231	9,406	9,434	9,569	9,770	-0.1	1.9	0.3	1.4	2.4
Health and social care	9,377	9,503	9,671	9,876	10,109	-0.5	1.3	1.8	2.1	2.6
State administration	10,126	10,254	10,542	10,775	11,254	2.3	1.3	2.8	2.2	4.7
Real net average wage (in 1999 prices)										
Total	8,991	9,329	9,664	9,634	9,402	0.4	3.7	3.6	-0.3	-1.5
Economic activities	8,817	9,223	9,620	9,750	9,528	1.2	4.6	4.3	1.4	-1.1
Industry and mining	8,712	8,994	9,192	9,223	9,134	-0.2	3.2	2.2	0.4	0.6
Agriculture and fisheries	7,659	7,903	8,498	8,473	8,510	3.9	3.2	7.5	-0.3	0.5
Forestry	7,965	7,893	8,945	9,096	8,602	0.2	-0.9	13.2	1.8	4.3
Water management	8,117	8,403	8,716	8,686	8,325	-6.2	3.5	3.7	-0.4	-5.3
Construction	6,500	6,803	7,232	7,278	7,081	-2.1	4.7	6.3	0.7	-2.6
Transport and Communication	10,149	10,137	10,874	11,415	11,199	0.2	-0.1	7.2	5.3	-0.4
Trade	10,631	11,803	11,899	11,641	9,477	5.7	11.0	0.8	-2.3	-19.2
Catering and tourism	7,708	8,375	8,873	8,477	7,878	0.9	8.6	5.9	-4.7	-7.1
Crafts and services	7,795	7,995	8,929	9,154	7,890	-1.4	2.6	11.6	2.7	-13.7
Housing-communal services	9,663	9,903	10,613	10,527	10,419	-1.9	2.5	7.1	-0.9	-0.6
Financial and other services	13,063	14,529	15,543	16,806	16,382	6.1	11.2	6.9	8.6	-1.0
Non-economic activities	9,394	9,556	9,754	9,397	9,146	-2.2	1.7	2.1	-3.9	-2.2
Education	9,158	9,341	9,434	9,044	8,747	-2.6	2.0	1.0	4.4	-2.9
Health and social care	9,303	9,437	9,671	9,335	9,050	3.0	1.4	2.5	-3.7	-2.7
State administration	10,046	10,183	10,542	10,184	10,076	-0.2	1.4	3.5	3.6	-0.6

Source: Data provided by the FYRM authorities.

1/ Average for January-September. Starting from October 2001, the SOM has used a new classification (NACE) for wage data.

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Table A8. FYRM: Monetary Survey, 1997-2002 1/  
(In million of denars, end of period)

	1997	1998	1999	2000	2001	2002			
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.
Net foreign assets	16,500	16,772	32,562	54,815	86,403	73,223	67,417	66,304	62,479
National Bank 2/	10,903	12,227	23,998	41,704	50,206	52,375	49,859	47,779	41,974
Assets	15,785	17,535	30,135	48,015	55,103	57,213	54,251	52,170	45,923
Liabilities	4,882	5,308	6,137	6,311	4,897	4,838	4,392	4,391	3,949
Domestic money banks	5,597	4,545	8,565	13,111	36,197	20,848	17,558	18,525	20,505
Assets	15,892	17,507	24,390	28,571	50,270	33,485	30,738	32,131	33,585
Liabilities	10,295	12,962	15,825	15,460	14,073	12,637	13,180	13,606	13,080
Net domestic assets	11,588	15,262	9,073	-2,547	-4,843	-3,939	1,699	7,253	10,632
Domestic credit	55,872	38,133	43,014	38,424	34,022	34,851	37,067	43,646	43,828
of which to government	4,919	3,283	6,429	-4,372	-9,459	-9,446	-8,494	-4,065	-1,870
Domestic money banks	52,734	36,134	45,156	49,974	51,159	52,081	53,147	55,476	53,685
Denar	46,277	29,165	29,730	35,958	36,855	37,873	39,298	40,325	39,087
Government	1,781	1,284	1,285	371	859	984	915	997	729
Credit	1,768	1,265	1,260	352	831	881	826	907	721
Accrued interest	13	19	25	19	28	103	89	90	8
Social and private	44,496	27,881	28,445	35,887	35,996	36,889	38,383	39,328	38,358
New credit	19,703	24,502	23,834	30,737	31,261	31,944	33,427	34,427	33,740
Accrued interest	24,793	3,379	4,611	4,850	4,735	4,945	4,956	4,901	4,618
Foreign currency	6,457	6,969	15,426	14,016	14,304	14,208	13,849	15,151	14,598
Government	0	0	7,286	6,807	6,819	6,800	6,671	6,768	7,249
Non-government	6,457	6,969	8,140	7,209	7,485	7,408	7,178	8,383	7,349
NBRM credit to government, net	1,138	1,999	-2,142	-11,550	-17,137	-17,230	-16,080	-11,830	-9,857
Other assets net	-44,284	-22,871	-33,941	-40,971	-38,865	-38,790	-35,368	-26,393	-33,196
Accrued interest	-24,806	-3,398	-4,636	-4,869	-4,763	-5,048	-5,045	-4,991	-4,626
Other	-19,478	-19,473	-29,305	-36,102	-34,102	-33,742	-30,323	-31,402	-28,570
M1	14,257	15,821	20,620	25,271	26,679	26,400	26,624	28,816	27,896
M1, non-government	13,985	15,178	19,694	22,388	25,602	25,069	25,244	27,814	26,687
Currency in circulation	7,130	7,137	8,169	9,521	14,134	13,697	13,427	15,134	14,136
Demand deposits	7,127	8,684	12,451	15,750	12,545	12,703	13,197	13,682	13,760
Banks	6,552	7,979	11,385	14,777	12,525	12,620	13,153	13,648	13,745
Non-government	6,280	7,336	10,459	11,894	11,448	11,289	11,773	12,646	12,536
Government	272	643	926	2,883	1,077	1,331	1,380	1,002	1,209
Demand deposits with NBRM	575	705	1,066	973	20	83	44	34	15
M2	23,360	26,930	35,247	45,550	73,456	61,983	61,973	66,420	66,979
M2, non-government	22,726	26,003	33,720	41,937	70,456	59,051	58,651	63,834	64,895
Quasi money - non-government	8,741	10,825	14,026	19,569	44,854	33,982	33,407	36,020	38,208
Denar	3,887	4,683	6,815	8,767	9,706	9,398	9,905	12,063	11,357
Foreign currency	4,854	6,142	7,211	10,802	35,148	24,584	23,502	23,957	26,851
Government	362	284	601	710	1,923	1,601	1,942	1,584	875
Denar	351	271	570	684	1,883	1,597	1,936	1,581	868
Foreign currency	11	13	31	26	40	4	6	3	7
NBRM quasi deposits	0	0	0	0	0	0	0	0	0
M3	28,088	32,034	41,636	52,268	81,560	69,284	69,116	73,557	73,111
M3, private sector	26,707	30,273	39,227	47,763	78,199	65,985	65,423	70,597	70,647
Non-monetary deposits	4,728	5,104	6,389	6,718	8,104	7,301	7,143	7,137	6,132
Domestic banks	4,726	5,104	6,389	6,718	8,104	7,301	7,143	7,137	6,132
Denar	3,640	3,810	4,698	4,513	4,479	4,449	4,007	4,146	4,635
Social and private	2,893	2,976	3,816	3,606	4,118	4,082	3,636	3,772	4,255
Government	747	834	882	907	361	367	371	374	380
Foreign currency	1,086	1,294	1,691	2,205	3,625	2,852	3,136	2,991	1,497
Social and private	1,086	1,294	1,691	2,200	3,625	2,852	3,136	2,991	1,497
Government	0	0	0	5	0	0	0	0	0
NBRM (non-government)	2	0	0	0	0	0	0	0	0
Denar	2	0	0	0	0	0	0	0	0
Foreign currency	0	0	0	0	0	0	0	0	0

Source: Data provided by the National Bank of Macedonia (NBRM).

1/ At current exchange rates.

2/ Data on NFA differ from data provided by the Foreign Reserves Department, which are used for program purposes.

Table A9. FYRM: National Bank Accounts, 1997-2002 1/  
(In million of denars, end of period)

	1997	1998	1999	2000	2001	2002			
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.
Net foreign assets	10,903	12,227	23,998	41,704	50,206	52,375	49,859	47,779	41,974
Net domestic assets	-3,348	-4,568	-15,483	-29,615	-33,794	-35,529	-32,742	-28,905	-23,799
Banks	942	526	-2,858	-6,278	-4,729	-4,841	-5,713	-4,527	-2,784
Credits	2,720	2,557	984	462	234	716	212	212	214
Instruments 2/	-1,778	-2,031	-3,842	-6,740	-4,963	-5,557	-5,925	-4,739	-2,998
Government	3,138	1,999	-2,142	-3,679	-17,137	-17,230	-16,080	-11,830	-9,857
Credit	6,010	5,592	5,219	4,447	4,270	4,183	3,846	3,763	3,754
Deposit	-5,077	-6,152	-9,734	-9,024	-25,205	-24,734	-22,232	-19,300	-17,416
Credit for external operations	2,205	2,559	2,373	898	3,798	3,321	2,306	3,707	3,805
Other, net 3/	-7,428	-7,093	-10,483	-19,658	-11,928	-13,458	-10,949	-12,548	-11,158
Reserve money	7,556	7,659	8,515	12,089	16,412	16,846	17,117	18,874	18,175
Currency	7,130	7,137	8,169	9,521	14,134	13,697	13,427	15,134	14,136
Other 4/	426	522	346	2,568	2,278	3,149	3,690	3,740	4,039

Source: Data provided by the National Bank of Macedonia.

1/ At current exchange rates.

2/ Mandatory reserves and holdings of National Bank instruments.

3/ Includes non-financial sector deposits with the NBRM.

4/ Vault cash and banks' excess reserves.

Table A10. FYRM: Deposit Money Bank Accounts, 1997-2002 1/

(In million of denars, end of period)

	1997	1998	1999	2000	2001	2002			
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.
Net foreign assets	5,597	4,545	8,565	13,111	36,197	20,848	17,558	18,525	20,505
Assets	15,892	17,507	24,390	28,571	50,270	33,485	30,738	32,131	33,585
Liabilities	10,295	12,962	15,825	15,460	14,073	12,637	13,180	13,606	13,080
Net domestic assets	14,784	19,647	23,837	28,663	31,209	34,656	38,087	39,864	38,455
In denar	46,277	29,165	29,731	35,958	36,855	37,873	39,298	40,325	39,087
1. Government	1,781	1,284	1,286	371	859	984	915	997	729
Credits	1,768	1,265	1,261	352	831	881	826	907	721
Of which: overdue claims	0	0	0	0	0	0	0	0	0
Accrued interest	13	19	25	19	28	103	89	90	8
2. Social and private sector	44,496	27,881	28,445	35,587	35,996	36,889	38,383	39,328	38,358
Credits	19,703	24,502	23,834	30,737	31,261	31,944	33,427	34,427	33,740
Of which: overdue claims	5,910	2,997	5,606	8,537	9,538	10,406	9,697	10,020	8,784
Accrued interest	24,793	3,379	4,611	4,850	4,735	4,945	4,956	4,901	4,618
In foreign currency	6,457	6,969	15,426	14,016	14,304	14,208	13,849	15,151	14,598
1. Government	0	0	7,286	6,807	6,819	6,800	6,671	6,768	7,249
Of which: overdue claims	0	0	0	0	0	0	0	0	0
2. Social and Private sector	6,457	6,969	8,140	7,209	7,485	7,408	7,178	8,383	7,349
Of which: overdue claims	633	343	1,594	1,822	1,532	1,387	1,246	1,484	1,971
Other items net	-37,950	-16,487	-21,320	-21,311	-19,950	-17,425	-15,060	-15,612	-15,230
Total liabilities	20,381	24,192	32,401	41,774	67,406	55,504	55,645	58,389	58,960
Demand deposits	6,552	7,979	11,385	14,777	12,525	12,620	13,153	13,648	13,745
Social and private	6,280	7,336	10,459	11,894	11,448	11,289	11,773	12,646	12,536
Of which: self-management funds	0	0	0	0	0	0	0	0	0
Government deposits	272	643	926	2,883	1,077	1,331	1,380	1,002	1,209
Sight and short term time deposits	9,103	11,109	14,627	20,279	46,777	35,583	35,349	37,604	39,083
Denar	3,887	4,683	6,815	8,767	9,706	9,398	9,905	12,063	11,357
Foreign currency	4,854	6,142	7,211	10,802	35,148	24,584	23,502	23,957	26,851
Government	362	284	601	710	1,923	1,601	1,942	1,584	875
Non-monetary deposits	4,726	5,104	6,389	6,718	8,104	7,301	7,143	7,137	6,132
Denar	2,893	2,976	3,816	3,606	4,118	4,082	3,636	3,772	4,255
Foreign currency	1,086	1,294	1,691	2,200	3,625	2,852	3,136	2,991	1,497
Government	747	834	882	912	361	367	371	374	380

Sources: Data provided by the National Bank of Macedonia.

1/ At current exchange rates.

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Table A11. FYRM: Interest Rates, 1997-2002  
(In percent, monthly average)

	1997	1998	1999	2000	2001	2002			
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.
<b>NBRM interest rates</b>									
Discount rate	8.9	8.9	8.9	8.9	10.7	10.7	10.7	10.7	10.7
Interest on lombard credit	14.4	18.5	18.5	18.5	23.0	23.0	23.0	23.0	23.0
Default interest rate	26.7	26.7	26.7	26.7	32.1	32.1	32.1	32.1	32.1
Interest on Central Bank bills 1/	8.2	10.0	9.5	9.5	12.2	11.4	12.4	9.5	15.2
Interest on required reserves	3.4	6.2	6.2	6.2	9.5	9.5	9.5	6.0	6.0
<b>Commercial bank interest rates</b>									
<b>Deposit rates</b>									
Household sight deposit	3-6.1	3-6.3	3-7	3-7	3-6.3	3-6.3	2-6.3	2-6.3	2-5
Household time deposit (3-6 months)	9-20.5	9-20.5	9-19.2	9-16	7.5-15	7.5-15	7.5-15	6.4-11.5	7.5-11.5
Enterprises sight deposit	2.5-8	2.5-8	2.5-7	2.5-7	3-7.5	3-7.5	2.5-7.5	2.5-7.5	2-7.5
Enterprises time deposit (3-6 months)	5-20.5	5-19.2	5-16	5-16	6-13.5	4.5-11.8	6-11.8	6-11.5	6-11.5
<b>Lending rates</b>									
Short-term rates	17-47	16-47	12-47	12-47	9-49	9-49	10-49	10-49	9.5-49
Long-term working capital	9-27	9-27	9-31.9	9-31.9	8-32	7.3-32	7.3-32	7.3-32	7.3-32
Enterprises	20-36	17-26.7	18-26	18-26	9-32	9-32	9-32	10-32	10-32

Source: National Bank of Macedonia (NBRM).

1/ Interest rates on 30-day NBRM bills until October 1999 and 28-day bills thereafter. Beginning May 2000, weighted average of interest rate tender and volume tender auctions, except December 2000-March 2001, weighted average of only interest rate tenders, and July 2001 onwards interest rate on only volume tenders.

Table A12. FYRM: Summary Balance Sheet of Banks, 1998-2002

	1998	1999	2000	2001 2/	2002					
	Dec.	Dec.	Dec.	Dec.	Mar.		Jun.		Sep.	
	Total for all banks	Total for all banks	Total for all banks	Total for all banks	Total for all banks	Of which: two largest banks	Total for all banks	Of which: two largest banks	Total for all banks	Of which: two largest banks
(In millions of denars)										
Total assets	59,093	72,279	81,999	105,633	91,962	48,535	93,320	47,959	97,708	50,421
Cash and bonds	21,688	35,981	44,620	63,043	48,784	29,285	47,308	28,317	49,142	30,218
Credit to non-banks	32,183	33,425	36,745	38,310	39,100	19,485	40,230	19,417	42,544	19,237
Credit to banks	381	2,030	1,426	2,581	2,436	397	3,107	359	2,503	110
Capital investments and fixed assets	4,605	5,467	5,763	6,909	7,367	3,674	7,473	3,900	7,789	3,929
Accrued interest and other assets	7,339	6,728	6,326	6,229	6,882	3,349	7,164	3,179	7,292	3,584
Provisions 1/	-7,302	-11,352	-12,880	-11,440	-12,608	-7,655	-11,962	-7,213	-11,561	-6,656
Total Liabilities	59,093	72,279	81,999	105,633	91,962	48,535	93,320	47,959	97,708	50,421
Deposits	32,219	43,870	51,598	72,374	58,824	37,577	60,160	37,195	62,894	39,154
Borrowings	9,394	9,612	7,822	10,278	11,112	3,982	11,021	3,952	11,151	3,533
Other liabilities	2,674	3,862	3,477	3,822	3,419	1,477	2,070	1,137	3,045	1,044
Owned funds	14,807	14,935	19,102	19,159	18,608	5,500	20,068	5,675	20,619	6,689
Off-balance sheet items	14,736	14,008	13,998	15,440	13,412	6,395	12,714	5,145	12,325	5,852
(In percent of GDP)										
Total assets	30.3	34.6	34.7	45.0	36.9	19.5	37.5	19.3	39.2	20.2
Cash and bonds	11.1	17.2	18.9	26.9	19.6	11.8	19.0	11.4	19.7	12.1
Credit to non-banks	16.5	16.0	15.6	16.3	15.7	7.8	16.2	7.8	17.1	7.7
Credit to banks	0.3	1.0	0.6	1.1	1.0	0.2	1.2	0.1	1.0	0.0
Capital investments and fixed assets	2.4	2.6	2.4	2.9	2.9	1.4	2.9	1.5	3.1	1.5
Accrued interest and other assets	3.8	3.2	2.7	2.7	2.8	1.3	2.9	1.3	2.9	1.4
Provisions 1/	-3.7	-5.4	-5.5	-4.9	-5.1	-3.1	-4.8	-2.9	-4.6	-2.7
Total Liabilities	30.3	34.6	34.7	45.0	36.9	19.5	37.5	19.3	39.2	20.2
Deposits	16.5	21.0	21.8	30.8	23.6	15.1	24.2	14.9	25.3	15.7
Borrowings	4.8	4.6	3.3	4.4	4.5	1.6	4.4	1.6	4.5	1.4
Other liabilities	1.4	1.8	1.5	1.6	1.4	0.6	0.8	0.5	1.2	0.4
Owned funds	7.6	7.1	8.1	8.2	7.5	2.2	8.1	2.3	8.3	2.7
Off-balance sheet items	7.6	6.7	5.9	6.6	5.4	2.6	5.1	2.1	4.9	2.4

Sources: National Bank of Macedonia (NBRM), Banking Supervision Department; and IMF staff estimates.

1/ Includes unallocated specific provisions as determined by NBRM.

2/ Includes the amount of past due claims from 2000.

Table A13. FYRM: Banking System Assets, 1998-2002

	1998	1999	2000	2001	2002		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.
(In percent of total assets, unless otherwise indicated)							
Cash and securities	36.7	49.8	54.4	59.7	53.0	50.7	50.3
Bank credit to non-bank	54.5	46.2	44.8	36.3	42.5	43.1	43.5
Enterprises	42.9	30.2	29.7	22.3	25.8	26.7	26.7
Households	3.6	3.2	4.1	3.4	3.6	4.1	4.7
Others	2.1	2.3	1.9	1.7	2.2	1.9	2.3
Overdue and non-performing loans	5.8	10.6	9.2	8.9	10.9	10.4	9.9
Credit to banks	1.0	2.8	1.7	2.4	2.6	3.3	2.6
Other assets	20.2	16.9	14.7	12.4	15.5	15.7	15.4
Accrued interest	4.1	2.7	1.6	0.7	0.9	0.8	0.7
Other assets 1/	8.3 1/	6.6	6.1	5.2	6.6	6.9	6.7
Capital investments and fixed assets	7.8	7.6	7.0	6.5	8.0	8.0	8.0
Provisions	-12.4	-15.7	-15.7	-10.8	-13.7	-12.8	-11.8
Memorandum items:							
Total off-balance sheet items	24.9	19.4	17.1	14.6	14.6	13.6	12.6
Uncovered letters of credit and guarantees	16.6	12.9	11.0	8.3	9.9	9.4	7.9
Covered letters of credit and guarantees	3.0	2.6	1.9	3.0	1.8	1.5	1.1
Other off-balance sheet items	5.3	3.9	4.1	3.3	2.8	2.7	3.6
Total risk-weighted assets	86.9	70.4	62.4	53.6	62.8	62.9	61.7
Risk-weighted on-balance	71.8	58.3	50.9	44.6	53.7	53.0	53.5
Risk-weighted off-balance	17.7	13.7	11.9	9.0	10.2	9.9	8.7
Unallocated provisions and other items 2/	-2.6	-1.5	-0.4	-0.1	-1.0	0.0	-0.5
Total banking system assets (in millions of denars)	59,093	72,279	81,999	105,633	91,962	93,320	97,708

Sources: National Bank of Macedonia (NBRM), Banking Supervision Department; and IMF staff estimates.

1/ Includes other receivables, fees, and claims classified in temporary accounts.

2/ Since March 2000, reflects shortfall in provision identified by the NBRM. Prior to that includes uncovered losses and capital investments as per the Banking Act.

Table A14. FYRM: Banking System Liabilities, 1998-2002

	1998	1999	2000	2001	2002		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.
(In percent of total liabilities, unless otherwise indicated)							
Deposits of non-banks	49.8	56.4	56.9	66.3	61.7	61.3	61.2
Sight and short-term deposits	44.3	50.3	53.1	62.1	57.0	56.5	56.4
Of which: in foreign exchange	21.2	23.3	23.3	39.4	31.4	29.9	28.7
By economic classification:							
Enterprises	28.7	34.5	27.7	19.4	19.5	19.1	20.6
Households	10.1	9.7	13.0	35.7	30.4	29.4	29.2
Others	5.5	6.1	12.4	7.0	7.1	8.0	6.7
Long-term deposits	5.6	6.1	3.7	4.1	4.8	4.8	4.8
Of which: in foreign exchange	0.6	0.7	1.1	1.9	2.2	2.3	2.2
By economic classification:							
Enterprises	0.7	1.2	0.1	0.1	0.1	0.1	0.2
households	3.9	3.6	3.5	3.9	4.4	4.4	4.3
others	1.0	1.4	0.2	0.2	0.2	0.2	0.2
Borrowings	15.9	13.3	9.5	9.7	12.1	11.8	11.4
Short-term borrowings	7.2	6.2	2.9	4.5	5.5	5.2	3.1
Of which: in foreign exchange	3.6	3.7	2.0	3.7	4.5	3.9	2.4
	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term borrowings	8.6	7.1	6.7	5.3	6.6	6.6	8.3
Of which: in foreign exchange	7.9	6.0	4.7	3.3	3.9	4.9	6.7
Owned funds	25.1	20.7	23.3	18.1	20.2	21.5	21.1
Others	9.2	9.6	10.3	5.9	6.0	5.4	6.3
Memorandum items:							
Total banking system liabilities (in millions of denars)	59,093	72,279	81,999	105,633	91,962	93,320	97,708
Foreign exchange deposits (in millions of U.S. dollars)	249	288	306	631	443	484	484
(In percent of total banking system liabilities)	21.8	24.0	24.4	41.3	33.6	32.2	30.9

Sources: National Bank of Macedonia (NBRM), Banking Supervision Department; and IMF staff calculations.

Table A15. FYRM: Credit to the Private Sector, 1999-2002  
(In millions of denars; unless otherwise specified)

	1999	2000	2001	2002			
	Dec	Dec	Dec	Mar	Jun	Sep	Dec.
Credit to private sector	30,267	35,749	36,286	36,859	38,746	40,857	39,437
In denars	23,834	30,737	31,261	31,944	33,427	34,427	33,740
Of which: denar loans indexed to a foreign currency	...	...	8,404	8,977	9,237	9,465	8,736
In foreign currency 1/	6,433	5,012	5,025	4,915	5,319	6,430	5,697
Memorandum items:							
Ratio of indexed loans to total denar loans (in percent)	...	...	26.9	28.1	27.6	27.5	25.9
Ratio of foreign currency loans to total credit (in percent)	21.3	14.0	13.8	13.3	13.7	15.7	14.4
Ratio of indexed loans and foreign currency loans to total credit to private sector (in percent)	...	...	37.0	37.7	37.6	38.9	36.6

Source: National Bank of Macedonia.

1/ As reported in the monetary survey excluding valuation effects.

Table A16. FYRM: Credit Classification by Risk, 1998-2002

	1998	1999	2000	2001	2002		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.
(In millions of denars)							
By risk classification	49,944	50,634	50,576	53,040	52,361	53,118	54,444
Pass (A)	20,358	21,617	21,530	23,303	22,039	24,252	24,935
Watch (B)	13,174	8,083	11,432	11,844	10,732	11,892	12,670
Substandard (C)	7,788	8,218	6,121	7,891	8,891	6,854	6,936
Doubtful (D)	7,075	9,175	7,122	7,740	7,364	6,923	7,150
Loss (E)	1,550	3,541	4,372	2,260	3,336	3,198	2,752
(In percent of credit exposure)							
By risk classification							
Pass (A)	40.8	42.7	42.6	43.9	42.1	45.7	45.8
Watch (B)	26.4	16.0	22.6	22.3	20.5	22.4	23.3
Substandard (C)	15.6	16.2	12.1	14.9	17.0	12.9	12.7
Doubtful (D)	14.2	18.1	14.1	14.6	14.1	13.0	13.1
Loss (E)	3.1	7.0	8.6	4.3	6.4	6.0	5.1
Allocated provisions	16.3	22.4	22.7	18.1	18.7	18.5	16.7
Memorandum items:							
Cumulative stock of claims removed							
from banks' books (in millions of denars) 1/	4,656	4,088	5,732	9,312	9,654	10,808	11,502
E-adjusted (in millions of denars) 2/	6,206	7,629	10,104	11,572	12,990	14,006	14,254
Ratio of E-adjusted to total credit (in percent)	11.4	13.9	17.9	18.6	20.9	21.9	21.6
Ratio of C, D, and E-adjusted							
to total credit (in percent)	38.6	45.7	41.5	43.6	47.2	43.5	43.0
Credit exposure (in millions of denars)	49,944	50,634	50,576	53,040	52,361	53,118	54,444
Credit exposure (in percent of total							
banking system assets)	84.5	70.1	61.7	50.2	56.9	56.9	55.7
Guaranty capital (in millions of denars)	13,304	14,404	18,705	18,699	17,673	18,487	18,833
Allocated provisions (in millions of denars)	8,119	11,363	11,503	9,623	9,772	9,844	9,081

Sources: National Bank of Macedonia's Banking Supervision Department; and IMF staff calculations.

1/ According to the Supervisory guidelines issued by the NBRM, banks are to remove claims from the balance sheet after the claim has been continuously classified for two quarters in risk category E.

2/ Claims in E adjusted by the stock of claims removed from banks' books.

Table A17. FYRM: Banking System Soundness, 1998-2002

	1998	1999	2000	2001	2002		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.
(In percent, unless otherwise indicated)							
<b>Asset Quality</b>							
Classified exposure/ total credit exposure 1/	32.9	41.3	34.8	33.7	37.4	32.0	30.9
Provisions/classified exposure	49.5	54.3	65.3	53.8	49.9	58.0	53.9
Provisions shortfall/ classified exposure 2/	5.1	5.2	1.8	0.5	4.8	0.3	3.0
Accrued interest/net loans 3/	9.5	8.2	4.7	2.3	2.6	2.2	2.0
<b>Capitalization</b>							
Guaranty capital/risk-weighted assets (C.A.R) 4/	25.9	28.7	36.7	34.3	32.0	32.5	32.3
Total capital/total assets 5/	23.6	20.9	23.2	18.1	19.6	20.2	19.8
Total capital (millions of EURO) 5/	...	249	313	314	296	309	317
<b>Liquidity</b>							
Short-term debt/total liabilities	7.2	6.2	2.9	4.5	5.5	5.2	3.1
NBM debt/total liabilities	3.9	1.8	0.8	0.4	0.5	0.5	0.4
Liquid assets/short-term liabilities	65.4	82.0	87.8	86.0	82.1	78.3	80.4
<b>Profitability</b>							
Net interest margin/total assets	5.5	3.0	3.2	1.8	0.5	1.1	1.7
Net income/total assets 6/	1.9	-0.6	0.6	-0.6	-1.2	-1.0	-1.0
<b>Memorandum items:</b>							
Classified exposure/ total credit exposure (adjusted)	36.5	45.1	39.6	41.0	44.5	39.9	39.2

Sources: NBM's Banking Supervision Department; and IMF staff estimates.

1/ Since June 1998, the ratio is affected by removal of loans that are classified in risk category E for more than two successive quarters. The adjusted ratio is shown as a memorandum item.

2/ Shortfall in provisions by Stopanska Banka accounts for 15 percentage points increase in September 1999.

3/ Loans net of provisions and exclude interbank loans.

4/ Data for September 1999 reflects reduction in guaranty capital of Stopanska banka, equivalent to 7.1 percentage points of overall C.A.R.

5/ Capital as per NBRM's Banking Supervision Department. Includes common shares, general banks' reserves, revaluation reserves, and undistributed profits. Net of uncovered losses and unallocated specific provision identified by the NBRM.

6/ Assets and income adjusted for unallocated provisions.

Table A18. Banking System Income Statement and Profitability, 1998-2002 1/

	1998	1999	2000	2001	2002		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.
(In percent of total banking system assets, unless otherwise indicated)							
Total income	16.6	14.8	12.5	8.8	2.3	4.7	7.4
Interest income	9.2	6.7	6.3	4.2	1.3	2.7	4.3
Fees	3.3	2.8	2.3	1.7	0.7	1.2	1.8
Foreign exchange income	0.9	1.3	0.7	0.8	0.2	0.0	0.2
Other income	3.3	4.1	3.2	2.0	0.2	0.8	1.0
Total expenses	14.4	13.9	11.5	9.3	2.5	5.6	7.9
Interest expense	3.6	3.7	3.1	2.5	0.9	1.6	2.5
Provisions	4.8	4.7	3.6	2.4	0.3	1.2	1.4
Wages	2.5	2.3	2.3	1.9	0.6	1.2	1.8
Other expenses	3.5	3.2	2.6	2.5	0.7	1.6	2.3
Gross income	2.2	0.9	1.0	-0.5	-0.2	-1.0	-0.5
Unallocated provisions for potential loan losses	1.4	1.5	0.4	0.1	1.0	0.0	0.5
Net income	0.8	-0.6	0.6	-0.6	-1.2	-1.0	-1.1
(In millions of U.S. dollars)	9	-7	7	-9	-16	-14	-16

Sources: National Bank of Macedonia, Banking Supervision Department; and IMF staff estimates.

1/ Cumulative starting January of each year.

Table A19. FYRM: Privatization by Model of Transformation, 1997-2002 1/

Model of transformation	1997	1998	1999	2000	2001	2002	1997	1998	1999	2000	2001	2002
	Number of firms						(As percent of total)					
Old Law	66	67	66	66	66	65	5.8	4.7	4.4	4.1	3.9	3.9
Buy-outs	649	764	780	808	811	807	57.3	53.2	52.4	50.0	48.3	47.8
Employee buy-out	331	363	384	395	394	394	29.2	25.3	25.8	24.4	23.5	23.3
Management buy-out	190	253	247	240	239	236	16.8	17.6	16.6	14.9	14.2	14.0
Other buy-out	128	148	149	173	178	177	11.3	10.3	10.0	10.7	10.6	10.5
Sale of ideal participation	35	59	67	143	185	196	3.1	4.1	4.5	8.8	11.0	11.6
Leasing	4	4	4	4	4	4	0.4	0.3	0.3	0.2	0.2	0.2
Additional capital	16	19	20	25	27	27	1.4	1.3	1.3	1.5	1.6	1.6
Residual	27	26	28	28	28	29	2.4	1.8	1.9	1.7	1.7	1.7
Debt/equity conversion	36	63	75	86	91	93	3.2	4.4	5.0	5.3	5.4	5.5
Foreign equity	156	156	156	155	155	155	13.8	10.9	10.5	9.6	9.2	9.2
Private equity	93	113	128	135	142	143	8.4	7.9	8.6	8.4	8.5	8.5
Liquidations	48	164	164	166	169	169	4.2	11.4	11.0	10.3	10.1	10.0
<b>Total</b>	<b>1,132</b>	<b>1,435</b>	<b>1,488</b>	<b>1,616</b>	<b>1,678</b>	<b>1,688</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
	Number of employees						(As percent of total)					
Old law	11,548	11,548	11,522	11,522	11,522	11,522	6.2	5.4	5.3	5.1	5.0	5.0
Buy-outs	127,048	141,495	140,043	140,504	139,222	138,436	68.2	66.4	64.8	62.2	60.8	60.3
Employee buy-out	16,520	17,894	17,738	17,322	17,155	16,917	8.9	8.4	8.2	7.7	7.5	7.4
Management buy-out	66,349	74,358	72,720	72,132	71,728	71,381	35.6	34.9	33.7	31.9	31.3	31.1
Other buy-out	44,179	49,243	49,585	51,050	50,339	50,138	23.7	23.1	23.0	22.6	22.0	21.9
Sale of ideal participation	11,016	14,979	15,812	21,850	25,019	25,770	5.9	7.0	7.3	9.7	10.9	11.2
Leasing	217	217	217	217	217	217	0.1	0.1	0.1	0.1	0.1	0.1
Additional capital	4,993	5,613	6,924	7,140	7,620	7,620	2.7	2.6	3.2	3.2	3.3	3.3
Residual	15,519	14,663	14,717	14,717	14,717	14,755	8.3	6.9	6.8	6.5	6.4	6.4
Debt/equity conversion	9,519	16,587	18,656	22,186	23,060	23,286	5.1	7.8	8.6	9.8	10.1	10.2
Foreign equity	1,933	1,933	1,933	1,843	1,843	1,843	1.0	0.9	0.9	0.8	0.8	0.8
Private equity	3,370	4,994	5,143	4,813	4,842	4,854	1.8	2.3	2.4	2.1	2.1	2.1
Liquidations	1,096	984	984	998	1,089	1,089	0.6	0.5	0.5	0.4	0.5	0.5
<b>Total</b>	<b>186,259</b>	<b>213,013</b>	<b>215,951</b>	<b>225,790</b>	<b>229,151</b>	<b>229,392</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
	Equity (in millions of DM)						(As percent of total)					
Old law	114	114	114	114	114	114	3.2	2.9	2.8	2.6	2.5	2.5
Buy-outs	2,359	2,599	2,551	2,593	2,589	2,569	66.7	65.1	61.6	57.8	57.0	56.4
Employee buy-out	145	157	155	156	155	151	4.1	3.9	3.8	3.5	3.4	3.3
Management buy-out	1,312	1,433	1,391	1,394	1,386	1,384	37.1	35.9	33.6	31.1	30.5	30.4
Other buy-out	902	1,009	1,005	1,044	1,048	1,034	25.5	25.3	24.3	23.3	23.1	22.7
Sale of ideal participation	182	239	364	556	619	632	5.1	6.0	8.8	12.4	13.6	13.9
Leasing	2	2	2	2	2	2	0.1	0.0	0.0	0.0	0.0	0.0
Additional capital	87	103	137	170	171	189	2.5	2.6	3.3	3.8	3.8	4.1
Residual	295	295	307	305	300	299	8.3	7.4	7.4	6.8	6.6	6.6
Debt/equity conversion	401	529	552	628	634	634	11.3	13.3	13.3	14.0	13.9	13.9
Foreign equity	53	53	53	49	49	49	1.5	1.3	1.3	1.1	1.1	1.1
Private equity	43	38	38	67	67	67	1.3	1.4	1.4	1.5	1.5	1.5
Liquidations	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>3,537</b>	<b>3,991</b>	<b>4,138</b>	<b>4,485</b>	<b>4,545</b>	<b>4,555</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Data provided by the Privatization Agency.

1/ Privatizations completed since the beginning of privatization in late 1994.

Table 20. FYRM: Summary of Central Government Operations, 1998–2002

	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
Total revenues and grants	39,818	47,205	57,805	51,812	57,358	20.4	22.6	24.5	22.2	23.9
Current revenue	39,730	44,374	54,142	50,934	56,782	20.4	21.3	22.9	21.8	23.6
Tax revenues	36,862	41,850	51,115	47,564	54,387	18.9	20.0	21.6	20.3	22.6
Individual income tax	9,177	10,230	10,793	7,247	7,514	4.7	4.9	4.6	3.1	3.1
Profit tax	1,752	2,560	2,793	3,006	2,625	0.9	1.2	1.2	1.3	1.1
VAT/sales tax	8,804	9,959	17,432	17,133	20,521	4.5	4.8	7.4	7.3	8.5
Excise taxes	10,236	10,674	12,281	10,681	10,715	5.2	5.1	5.2	4.6	4.5
Import duties	6,811	8,302	7,733	6,111	6,335	3.5	4.0	3.3	2.6	2.6
Other taxes	81	125	63	3,387	6,677	0.0	0.1	0.0	1.4	2.8
Non-tax revenue	2,869	2,724	3,028	3,370	2,395	1.5	1.3	1.3	1.4	1.0
Capital revenue	88	153	424	462	576	0.0	0.1	0.2	0.2	0.2
Grants	0	2,477	3,239	415	0	0.0	1.2	1.4	0.2	0.0
Total expenditures	41,391	45,613	51,520	65,363	70,378	21.2	21.8	21.8	28.0	29.3
Current expenditure	38,840	43,127	45,027	56,683	59,310	19.9	20.6	19.0	24.2	24.7
Goods and services	21,541	22,981	22,422	36,232	32,142	11.0	11.0	9.5	15.5	13.4
Wages and salaries	15,939	17,757	16,285	16,407	18,339	8.2	8.5	6.9	7.0	7.6
Goods and nonlabor services	5,602	5,224	6,137	19,825	13,803	2.9	2.5	2.6	8.5	5.7
Refugee and poverty-related expenditures	24	2,456	1,482	582	389	0.0	1.2	0.6	0.2	0.2
Transfers	13,839	14,671	17,174	15,669	23,452	7.1	7.0	7.3	6.7	9.8
Pension fund	3,620	3,302	4,138	5,214	6,539	1.9	1.6	1.8	2.2	2.7
Social programs	7,701	8,962	9,687	7,265	11,776	3.9	4.3	4.1	3.1	4.9
Social assistance program	2,550	2,990	3,476	3,192	3,442	1.3	1.4	1.5	1.4	1.4
Employment fund	3,263	3,099	3,931	3,584	4,109	1.7	1.5	1.7	1.5	1.7
Other social programs	1,888	2,873	2,280	490	4,225	1.0	1.4	1.0	0.2	1.8
Subsidies	167	270	369	160	606	0.1	0.1	0.2	0.1	0.3
Other transfers	2,351	2,137	2,980	3,030	4,531	1.2	1.0	1.3	1.3	1.9
Interest	3,436	3,019	3,949	4,200	3,328	1.8	1.4	1.7	1.8	1.4
Domestic	1,213	1,283	1,183	1,066	1,177	0.6	0.6	0.5	0.5	0.5
Foreign	2,223	1,734	2,767	3,134	2,151	1.1	0.8	1.2	1.3	0.9
Capital expenditure	2,616	2,957	5,751	7,380	8,221	1.3	1.4	2.4	3.2	3.4
Reserves	98	107	154	166	187	0.1	0.1	0.1	0.1	0.1
Arrears (increase + / repayment -)	-289	-494	0	0	0	-0.1	-0.2	0.0	0.0	0.0
Enterprise sector reform costs, gross	0	0	344	239	1,389	0.0	0.0	0.1	0.1	0.6
Public administration reform costs, gross	0	0	60	944	443	0.0	0.0	0.0	0.4	0.2
Discrepancy	126	-84	184	-49	827	0.1	0.0	0.1	0.0	0.3
Balance	-1,572	1,591	6,285	-13,551	-13,019	-0.8	0.8	2.7	-5.8	-5.4
Financing	1,572	-1,591	-6,285	13,551	13,019	0.8	-0.8	-2.7	5.8	5.4
Domestic	77	-4,118	-11,780	-5,821	10,747	0.0	-2.0	-3.0	-2.5	4.5
PFCD and TAT compensation 1/	836	953	113	0	3,500	0.4	0.5	0.0	0.0	1.5
Arrears	-289	-494	0	0	0	-0.1	-0.2	0.0	0.0	0.0
Central bank, net	-869	-4,274	-9,328	-5,527	7,989	-0.4	-2.0	-3.9	-2.4	3.3
Commercial banking system, net	-476	-303	-905	-294	886	-0.2	-0.1	-0.4	-0.1	0.4
Other	875	0	-1,660	0	-1,628	0.4	0.0	-0.7	0.0	-0.7
Foreign financing, net	385	2,527	2,872	-5,171	862	0.2	1.2	1.2	-2.2	0.4
Disbursements	2,768	3,337	3,397	761	4,222	1.4	1.6	1.4	0.3	1.8
Amortization (-)	-2,248	-2,351	-2,135	-3,560	-3,360	-1.2	-1.1	-0.9	-1.5	-1.4
Rescheduling, arrears and other	-136	1,541	1,611	-2,372	0	-0.1	0.7	0.7	-1.0	0.0
Privatization receipts	1,110	0	2,622	24,543	1,411	0.6	0.0	1.1	10.5	0.6
Memorandum items:										
Government debt (gross)	101,434	119,872	125,723	120,593	120,943	52.0	57.4	53.2	51.6	50.3
Domestic debt 2/	41,194	44,682	41,559	41,795	39,395	21.1	21.4	17.6	17.9	16.4
External debt 3/	60,240	75,190	84,163	78,798	81,548	30.9	36.0	35.6	33.7	33.9
Defense expenditures 4/	3,900	3,808	4,652	15,909	8,042	2.0	1.8	2.0	6.8	3.3
Defense and security expenditures 5/	6,899	6,822	7,861	24,092	16,333	3.5	3.3	3.3	10.3	6.8
Nominal GDP	194,981	209,010	236,389	233,841	240,227					

Sources: Ministry of Finance; National Bank of Macedonia (NBRM); and IMF staff estimates.

1/ PFCD stands for frozen foreign currency deposits; TAT stands for compensations to failed pyramid schemes.

2/ For central government only. Figures for all periods include frozen foreign currency deposits; figure for 2000-02 includes bonds issued to Stopanska Banka.

3/ Data for general government.

4/ Excludes expenses from the special revenues of the Ministry of Defense.

5/ Excludes expenses from the special revenues of the Ministry of Defense and the Ministry of the Interior.

Table 21. FYRM: Summary of General Government Operations, (excluding foreign financed investment projects) 1998–2002

	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
Total revenue and grants	64,944	74,007	86,583	80,503	86,254	33.3	35.4	36.6	34.4	35.9
Current revenue	64,806	71,310	82,866	79,496	85,624	33.2	34.1	35.1	34.0	35.6
Tax revenues	60,239	66,521	78,059	74,694	81,619	30.9	31.8	33.0	31.9	34.0
Taxes on income and profits	10,929	12,790	13,586	10,253	10,140	5.6	6.1	5.7	4.4	4.2
Social insurance contributions	21,580	23,055	25,091	25,363	25,494	11.1	11.0	10.6	10.8	10.6
Local taxes	1,006	984	1,050	1,050	1,050	0.5	0.5	0.4	0.4	0.4
VAT/sales tax and excise taxes	19,732	21,265	30,537	28,529	31,923	10.1	10.2	12.9	12.2	13.3
Import duties	6,811	8,302	7,733	6,111	6,335	3.5	4.0	3.3	2.6	2.6
Other taxes	81	125	63	3,387	6,677	0.0	0.1	0.0	1.4	2.8
Non-tax revenue	4,567	4,789	4,807	4,802	4,005	2.3	2.3	2.0	2.1	1.7
Capital revenue	138	220	477	505	595	0.1	0.1	0.2	0.2	0.2
Grants -	0	2,477	3,239	502	35	0.0	1.2	1.4	0.2	0.0
Total expenditures	68,280	73,946	80,678	95,349	99,808	35.0	35.4	34.1	40.8	41.5
Current expenditure	64,842	69,421	73,748	85,848	88,776	33.3	33.2	31.2	36.7	37.0
Goods and services	22,876	24,396	24,053	37,741	34,370	11.7	11.7	10.2	16.1	14.3
Wages and salaries	16,477	18,343	16,863	16,946	19,012	8.5	8.8	7.1	7.2	7.9
Goods and nonlabor services	6,400	6,053	7,191	20,795	15,358	3.3	2.9	3.0	8.9	6.4
Refugee and poverty-related expenditures	24	2,456	1,482	582	389	0.0	1.2	0.6	0.2	0.2
Transfers	26,339	26,621	30,566	29,905	36,276	13.5	12.7	12.9	12.8	15.1
Subsidies	167	270	369	160	606	0.1	0.1	0.2	0.1	0.3
Social programs	5,916	6,280	7,296	5,535	9,608	3.0	3.0	3.1	2.4	4.0
Unemployment benefits	2,073	1,755	1,845	1,854	1,942	1.1	0.8	0.8	0.8	0.8
Other social programs	3,843	4,525	5,451	3,682	7,667	2.0	2.2	2.3	1.6	3.2
Pensions and disability payments	17,906	17,933	19,921	21,180	22,091	9.2	8.6	8.4	9.1	9.2
Other transfers	2,351	2,137	2,980	3,030	3,971	1.2	1.0	1.3	1.3	1.7
Unclassified current expenditures	11,903	12,781	13,486	13,261	14,162	6.1	6.1	5.7	5.7	5.9
Interest	3,700	3,167	4,161	4,359	3,579	1.9	1.5	1.8	1.9	1.5
Domestic	1,213	1,285	1,183	1,066	1,177	0.6	0.6	0.5	0.5	0.5
Foreign	2,487	1,882	2,978	3,293	2,402	1.3	0.9	1.3	1.4	1.0
Capital expenditure	3,472	4,746	6,327	8,125	8,838	1.8	2.3	2.7	3.5	3.7
Reserves	98	107	154	166	187	0.1	0.1	0.1	0.1	0.1
Arrears (increase + / repayment -)	-289	-494	0	0	0	-0.1	-0.2	0.0	0.0	0.0
Enterprise sector reform costs, net	0	0	173	217	1,185	0.0	0.0	0.1	0.1	0.5
Public administration reform costs, net	0	0	60	682	416	0.0	0.0	0.0	0.3	0.2
Discrepancy	157	167	215	311	408	0.1	0.1	0.1	0.1	0.2
Balance	-3,336	61	5,905	-14,846	-13,554	-1.7	0.0	2.5	-6.3	-5.6
Financing	3,336	-61	-5,905	14,846	13,554	1.7	0.0	-2.5	6.3	5.6
Domestic	307	-4,665	-11,993	-5,546	10,245	0.2	-2.2	-5.1	-2.4	4.3
FFCD and TAT compensation 1/	836	953	113	0	3,500	0.4	0.5	0.0	0.0	1.5
Arrears	-289	-494	0	0	0	-0.1	-0.2	0.0	0.0	0.0
Central bank, net	-639	-4,491	-9,367	-5,320	7,780	-0.3	-2.1	-4.0	-2.3	3.2
Commercial banking system, net	-476	-633	-1,079	-226	593	-0.2	-0.3	-0.5	-0.1	0.2
Other	875	0	-1,660	0	-1,628	0.4	0.0	-0.7	0.0	-0.7
Foreign financing, net	1,349	4,426	3,450	-4,317	1,727	0.7	2.1	1.5	-1.8	0.7
Privatization receipts	1,680	178	2,637	24,709	1,582	0.9	0.1	1.1	10.6	0.7
Memorandum item:										
Nominal GDP	194,981	209,010	236,389	233,841	240,227					

Sources: Ministry of Finance; National Bank of Macedonia (NBRM); and IMF staff estimates.

1/ FFCD stands for frozen foreign currency deposits; TAT stands for compensations to failed pyramid schemes.

Table 22. FYRM: Summary of Special Fund Operations, 1998-2002

	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
Pension Fund										
Revenue	19,960	20,886	22,893	24,132	25,685	10.2	10.0	9.7	10.3	10.7
Revenue before transfers	14,949	15,875	17,280	17,250	17,270	7.7	7.6	7.3	7.4	7.2
Transfers	5,011	5,011	5,613	6,882	8,415	2.6	2.4	2.4	2.9	3.5
Expenditure	20,529	20,776	22,939	24,578	25,736	10.5	9.9	9.7	10.5	10.7
Pensions	17,730	17,756	19,774	21,251	22,271	9.1	8.5	8.4	9.1	9.3
Other	2,799	3,020	3,165	3,327	3,465	1.4	1.4	1.3	1.4	1.4
Balance	-569	110	-46	-446	-51	-0.3	0.1	0.0	-0.2	0.0
Health Fund										
Revenue	10,655	12,098	12,710	12,340	13,377	5.5	5.8	5.4	5.3	5.6
Revenue before transfers	7,141	7,859	7,969	7,982	8,118	3.7	3.8	3.4	3.4	3.4
Transfers	3,514	4,239	4,741	4,359	5,259	1.8	2.0	2.0	1.9	2.2
Expenditure	10,885	11,830	12,477	12,405	13,224	5.6	5.7	5.3	5.3	5.5
Balance	-230	268	233	-65	153	-0.1	0.1	0.1	0.0	0.1
Employment Fund										
Revenue	4,262	4,162	5,118	4,821	5,897	2.2	2.0	2.2	2.1	2.5
Revenue before transfers	976	1,009	1,101	1,149	1,192	0.5	0.5	0.5	0.5	0.5
Transfers	3,286	3,154	4,017	3,672	4,705	1.7	1.5	1.7	1.6	2.0
Expenditure	4,263	4,137	5,105	4,724	5,875	2.2	2.0	2.2	2.0	2.4
Unemployment benefits	2,073	1,755	1,874	1,904	2,273	1.1	0.8	0.8	0.8	0.9
Transfers	2,011	2,216	3,038	2,692	3,217	1.0	1.1	1.3	1.2	1.3
Other	179	166	193	129	384	0.1	0.1	0.1	0.1	0.2
Balance	-1	26	13	97	22	0.0	0.0	0.0	0.0	0.0
Road Fund										
Revenue and grants	1,721	2,000	2,968	2,914	2,571	0.9	1.0	1.3	1.2	1.1
Revenue and grants before transfers	1,053	1,076	1,378	1,260	1,266	0.5	0.5	0.6	0.5	0.5
Transfers	668	924	1,590	1,655	1,305	0.3	0.4	0.7	0.7	0.5
Expenditure	2,684	3,934	3,547	3,796	3,229	1.4	1.9	1.5	1.6	1.3
Balance	-963	-1,934	-580	-881	-659	-0.5	-0.9	-0.2	-0.4	-0.3
Memorandum item:										
Nominal GDP	194,981	209,010	236,389	233,841	240,227					

Sources: Ministry of Finance; National Bank of Macedonia (NBRM); and IMF staff estimates.

Table A23. FYRM: Special Revenue Accounts and Expenditure Financed from Special Revenue Accounts, 2000–2002

	2000	2001	2002	2000	2001	2002	2001	2002	2000	2001	2002	2000	2001	2002	2001	2002
	Revenue						Expenditure									
	(In millions denars)			(In percent of total revenue)		(percent change)			(In millions denars)			(In percent of total expenditure)		(percent change)		
Common Services Unit	187	68	88	1.7	0.8	1.0	-63.4	29.1	197	65	81	1.7	0.7	1.0	-66.8	24.1
Ministry of Defense	854	551	415	7.5	6.4	4.9	-35.5	-24.6	812	566	385	6.9	6.4	4.6	-30.4	-31.9
Ministry of Interior	619	486	748	5.5	5.6	8.8	-21.5	53.9	609	504	750	5.1	5.7	9.0	-17.3	48.9
Ministry of Finance	289	184	167	2.6	2.1	2.0	-36.3	-9.5	333	206	166	2.8	2.3	2.0	-38.1	-19.5
Customs	321	110	70	2.8	1.3	0.8	-65.6	-36.5	491	112	62	4.2	1.3	0.7	-77.3	-44.8
Ministry of Economy	209	162	184	1.8	1.9	2.2	-22.5	13.4	102	194	249	0.9	2.2	3.0	89.7	28.4
Ministry of Transportation	198	197	98	1.7	2.3	1.2	-0.5	-50.0	188	187	107	1.6	2.1	1.3	-0.6	-42.7
Air Traffic Control	205	584	673	1.8	6.7	7.9	184.7	15.1	374	594	673	3.2	6.8	8.1	58.9	13.2
Ministry of Agriculture	266	434	324	2.4	5.0	3.8	63.2	-25.3	269	440	331	2.3	5.0	4.0	63.4	-24.8
Social protection of children	265	219	273	2.3	2.5	3.2	-17.4	24.8	284	228	270	2.4	2.6	3.2	-19.7	18.6
Ministry of Education	2,605	2,142	2,478	23.0	24.7	29.2	-17.8	15.7	2,888	2,260	2,320	24.4	25.7	27.8	-21.7	2.6
Ministry of Sports	16	2	29	0.1	0.0	0.3	-89.3	1,560.9	23	2	29	0.2	0.0	0.3	-93.0	1,708.6
Sports clubs	345	0	0	3.0	...	...	...	...	363	0	0	3.1	...	...	...	...
Cultural centers 1/	311	174	187	2.8	2.0	2.2	-43.9	7.0	312	176	209	2.6	2.0	2.5	-43.5	18.6
Ministry of Health	26	173	72	0.2	2.0	0.8	568.2	-58.2	32	170	75	0.3	1.9	0.9	425.0	-56.2
Geodesics Institute	76	59	71	0.7	0.7	0.8	-22.0	19.5	75	56	70	0.6	0.6	0.8	-25.3	24.0
Agency for Economic Development	15	66	13	0.1	0.8	0.1	348.6	-80.9	16	66	12	0.1	0.8	0.1	322.5	-82.4
Courts, prosecutors, and prisons 2/	231	42	56	2.0	0.5	0.7	-81.8	32.7	240	40	55	2.0	0.5	0.7	-83.2	35.0
Strategic Reserve Fund	3,564	2,208	1,688	31.5	25.5	19.9	-38.1	-23.6	3,519	2,005	1,682	29.7	22.8	20.1	-43.0	-16.1
Others	709	806	862	6.3	9.3	10.1	13.6	7.0	710	924	829	6.0	10.5	9.9	30.0	-10.3
Total	11,311	8,667	8,494	100.0	100.0	100.0	-23.4	-2.0	11,838	8,796	8,353	100.0	100.0	100.0	-25.7	-5.0

Sources: Ministry of Finance; and IMF staff calculations.

1/ Line item cultural centers refers to expenditures of Ministry of Culture and expenditures of their spending units.

2/ Line item courts, prosecutors and prisons includes expenditures of all common courts, courts of appeals, supreme court of FYR Macedonia, court council of the republic, public prosecutor of FYR Macedonia, supreme public prosecutors, common public prosecutors and all prisons.

Table A24. FYRM: Expenditure Financed from Special Revenue Accounts by Agency and Economic Category, 2000–2002  
(In million of denars)

	Wages and contributions			Goods and services			Interest			Capital			Others			Total		
	2000	2001	2002	2000	2001	2002	2000	2001	2002	2000	2001	2002	2000	2001	2002	2000	2001	2002
Common Services Unit	1	0	0	101	65	81	0	0	0	95	0	0	0	0	0	197	65	81
Ministry of Defense	81	18	8	598	480	348	0	0	0	133	66	29	0	2	1	812	566	385
Ministry of Interior	108	0	0	501	494	742	0	0	0	0	0	1	0	10	7	609	504	750
Ministry of Finance	20	53	42	273	131	107	0	0	0	40	22	17	0	0	0	333	206	166
Customs	100	37	17	391	64	20	0	0	0	0	11	25	0	0	0	491	112	62
Ministry of Economy	8	2	0	80	36	70	0	0	0	12	9	22	2	147	157	102	194	249
Ministry of Transportation	8	21	21	180	8	16	0	0	0	0	62	71	0	97	0	188	187	107
Air Traffic Control	99	170	203	245	191	176	0	7	0	30	227	101	0	0	192	374	594	673
Ministry of Agriculture	0	0	0	55	78	11	0	0	0	78	293	288	136	69	32	269	440	331
Social protection of children	19	10	10	258	204	255	0	0	0	6	13	6	0	0	0	284	228	270
Ministry of Education	365	306	288	1,626	1,512	1,505	1	0	0	225	131	152	671	311	376	2,888	2,260	2,320
Ministry of Sports	1	0	0	15	0	0	0	0	0	3	0	0	4	1	28	23	2	29
Sports clubs	44			310			0			7			2			363	0	0
Cultural centers 1/	23	7	4	68	90	54	0	0	0	15	6	36	206	73	114	312	176	209
Ministry of Health	1	0	0	26	14	26	0	0	0	5	155	49	0	1	0	32	170	75
Geodesics Institute	1	2	1	58	41	49	0	0	0	16	13	20	0	0	0	75	56	70
Agency for Economic Development	2	0	0	13	4	2	0	12	0	1	50	3	0	0	6	16	66	12
Courts, prosecutors, and prisons 2/	35	10	14	193	30	40	0	0	0	6	0	0	5	0	0	240	40	55
Strategic Reserve Fund	0	0	0	500	5	3	0	0	0	0	0	1,673	3,019	2,000	6	3,519	2,005	1,682
Others	137	20	33	242	338	253	0	0	0	59	564	313	273	2	230	710	925	829
<b>Total</b>	<b>1,053</b>	<b>656</b>	<b>640</b>	<b>5,733</b>	<b>3,786</b>	<b>3,759</b>	<b>1</b>	<b>19</b>	<b>0</b>	<b>731</b>	<b>1,622</b>	<b>2,804</b>	<b>4,320</b>	<b>2,713</b>	<b>1,150</b>	<b>11,838</b>	<b>8,796</b>	<b>8,353</b>

Source: Ministry of Finance.

1/ Line item cultural centers refers to expenditures of Ministry of Culture and expenditures of their spending units.

2/ Line item courts, prosecutors and prisons includes expenditures of all common courts, courts of appeals, supreme court of FYR Macedonia, court council of the public, public prosecutor of FYR Macedonia, supreme public prosecutors, common public prosecutors and all prisons.

Table A25. FYRM: Balance of Payments, 1998–2002  
(In millions of U.S. dollars)

	1998	1999	2000	2001	2002 Est.
<b>Current account</b>	-269.3	-32.5	-75.3	-233.7	-317.7
Excluding official transfers	-306.7	-105.2	-207.6	-282.3	-414.1
Trade balance (fob)	-515.1	-495.8	-690.4	-521.5	-752.1
Exports	1291.5	1190.0	1320.7	1155.1	1104.6
Imports	-1806.6	-1685.8	-2011.1	-1676.6	-1856.7
Services	-59.6	41.8	47.0	-15.8	-17.1
Receipts	149.5	272.8	314.9	242.0	255.2
Payments	-209.1	-231.0	-267.8	-257.8	-272.4
Income (net, including net interest)	-44.8	-42.1	-45.4	-39.5	-48.2
Transfers (net)	350.2	463.7	613.5	343.1	499.8
Official	37.4	72.7	132.3	48.7	96.4
Private	312.8	391.0	481.2	294.4	403.4
<b>Capital and financial account</b>	339.3	-14.1	222.9	272.8	245.7
Capital account (net)	-1.8	0.0	0.3	1.3	7.0
Financial account	341.0	-14.1	222.6	271.5	238.7
Disbursements	285.7	166.8	141.9	108.3	162.4
Amortization	75.0	106.2	119.6	181.6	161.8
Direct and portfolio investment (net)	125.5	31.9	176.1	442.7	101.3
of which: Direct investment	117.7	31.8	176.2	442.3	100.8
Portfolio investment	7.8	0.1	-0.1	0.4	0.6
Commercial banks' position (net)	-28.8	-51.3	-93.3	-349.4	214.0
Individuals (incl.euro conversion effect)	-11.9	-62.5	-29.1	376.6	-139.5
Short-term capital (net)1/	45.4	7.1	146.5	-125.1	62.3
<b>Errors and omissions</b>	-33.5	212.7	78.6	78.7	-50.8
<b>Overall balance</b>	36.5	166.1	226.3	117.8	-122.8
<b>Financing</b>	-36.5	-166.1	-226.3	-117.8	122.8
Net foreign assets (flow)	-34.5	-183.6	-258.6	-132.7	119.7
Valuation effects on the stock of NFA (increase: -)	-6.3	17.7	18.0	45.3	-108.2
Change in the stock of NFA (increase:-)	-40.8	-166.0	-240.7	-87.5	11.5
Change in gross foreign reserves (increase:-)	-38.2	-159.6	-249.7	-56.1	21.0
IMF (net)	9.9	1.8	-15.6	-7.6	-8.8
BIS (net)	0.0	0.0	14.2	-14.2	0.0
Other (net)	-12.6	-8.1	10.4	-9.5	-0.7
Change in arrears	-1.9	-7.0	14.4	14.9	3.1
New arrears	0.0	0.5	40.3	26.1	29.6
Repayment of arrears	-1.9	-7.6	-25.9	-11.2	-26.5
Rescheduling	0.0	24.6	18.0	0.0	0.0
<b>Memorandum items:</b>					
Current account (in percent of GDP)	-7.5	-0.9	-2.1	-6.8	-8.6
External debt service in percent of exports of goods and services 2/	9.5	12.4	13.0	19.0	16.5
External debt-to-GDP ratio (in percent) 3/	38.5	39.2	40.1	38.0	39.0
Gross reserves in months of following year's imports of goods and services	1.8	2.4	4.3	4.3	3.9

Source: NBRM; and IMF staff estimates.

1/ Includes trade credits.

2/ Debt service due including IMF.

3/ Medium and long-term debt including IMF.

Table A26. FYRM: Commodity Composition of Exports and Imports, 1998–2002

	1998	1999	2000	2001	2002 Jan–Nov	1998	1999	2000	2001	2002 Jan–Nov
	(In millions of U.S. dollars)					(In percent of total)				
Total exports	1,292	1,190	1,321	1,155	1,007	100.0	100.0	100.0	100.0	100.0
Food and live animals	66	67	66	65	69	5.1	5.6	5.0	5.7	6.8
Beverages and tobacco	144	160	129	122	109	11.1	13.4	9.8	10.5	10.8
Crude materials, inedible, except fuels	57	51	49	37	32	4.4	4.3	3.7	3.2	3.2
Mineral fuels, lubricants and related materials	11	23	63	43	23	0.8	1.9	4.8	3.8	2.3
Animal and vegetable oils, and fats	0	1	2	2	2	0.0	0.1	0.2	0.2	0.2
Chemicals	65	55	60	60	63	5.1	4.6	4.5	5.2	6.3
Manufactured goods	448	354	486	372	286	34.7	29.8	36.8	32.2	28.4
Machinery and transport equipment	98	83	83	76	68	7.6	7.0	6.3	6.6	6.7
Miscellaneous manufactured articles	402	372	377	374	351	31.1	31.3	28.6	32.4	34.8
Unclassified	0	24	6	3	4	0.0	2.1	0.5	0.2	0.4
Total imports, c.i.f.	1,915	1,776	2,085	1,763	1,758	100.0	100.0	100.0	100.0	100.0
Food and live animals	256	212	210	194	220	13.4	11.9	10.1	11.0	12.5
Beverages and tobacco	26	32	22	18	17	1.4	1.8	1.1	1.0	0.9
Crude materials, inedible, except fuels	67	57	55	47	46	3.5	3.2	2.6	2.7	2.6
Mineral fuels, lubricants, and related materials	163	162	290	234	218	8.5	9.1	13.9	13.3	12.4
Animal and vegetable oils, and fats	26	23	14	16	18	1.3	1.3	0.7	0.9	1.0
Chemicals	203	184	188	171	192	10.6	10.4	9.0	9.7	10.9
Manufactured goods	278	273	268	206	242	14.5	15.4	12.9	11.7	13.8
Machinery and transport equipment	366	355	408	283	350	19.1	20.0	19.6	16.1	19.9
Miscellaneous manufactured articles	94	98	103	105	102	4.9	5.5	4.9	6.0	5.8
Unclassified 1/	436	380	528	488	354	22.8	21.4	25.3	27.7	20.1

Sources: Statistical Office; and IMF staff calculations.

1/ For 2001, data adjusted for security-related imports paid directly by the Ministries (i.e., without customs declaration).

Table A27. FYRM: Destination of Merchandise Exports, 1998–2002  
(In millions of U.S. dollars)

	1998	1999	2000	2001	2002 Jan–Nov
Total exports	1,292	1,190	1,321	1,155	1,007
Industrial countries	811	717	790	719	619
European Union	578	540	561	563	510
France	18	13	15	16	20
Italy	92	78	88	89	72
Netherlands	44	41	36	45	41
Germany	281	254	256	237	212
United Kingdom	24	28	27	27	25
Greece	83	86	84	101	104
Austria	10	6	10	6	6
Other	27	35	46	41	30
EFTA	42	24	40	41	27
Switzerland	37	22	40	37	26
Other	5	2	0	3	1
Other industrial countries	191	153	189	116	81
Japan	2	2	2	4	4
United States	174	136	166	100	65
Turkey	9	8	9	9	8
Other	6	7	12	4	4
Former CMEA area	93	58	46	56	55
Bulgaria	43	26	27	21	20
Russia	26	15	10	14	14
Ukraine	4	4	1	1	0
Other	20	13	8	21	21
Developing countries	33	33	34	14	16
Republics of the former SFRY	355	357	430	362	317
SR Yugoslavia	240	255	333	267	227
Croatia	54	49	48	58	54
Slovenia	41	34	26	21	19
Bosnia and Herzegovina	20	19	23	16	17
Other countries	0	25	20	3	1

Source: Data provided by the Statistical Office.

Table A28. FYRM: Origin of Merchandise Imports, 1998–2002  
(In millions of U.S. dollars)

	1998	1999	2000	2001	2002 Jan–Nov
Total imports, c.i.f.	1,915	1,776	2,085	1,763	1,758
Industrial countries	928	896	1,004	876	957
European Union	695	723	795	716	790
France	37	40	39	30	47
Italy	109	93	111	108	106
Netherlands	43	40	45	46	46
Germany	255	246	252	213	243
United Kingdom	30	34	32	26	29
Greece	113	165	200	184	214
Austria	54	45	40	44	48
Other	54	62	77	65	57
EFTA	36	24	30	26	22
Switzerland	28	22	27	23	20
Other	8	2	3	3	2
Other industrial countries	198	149	179	134	145
Japan	17	18	22	17	21
United States	102	55	83	52	52
Turkey	51	54	53	46	53
Other	28	23	22	20	19
Former CMEA area	381	366	579	393	358
Bulgaria	86	92	97	103	118
Russia	91	91	192	139	100
Ukraine	120	115	206	86	68
Other	84	68	84	64	72
Developing countries	113	96	101	91	99
Republics of the former SFRY	467	412	397	327	342
SR Yugoslavia	246	184	190	157	162
Croatia	65	62	57	46	49
Slovenia	149	157	144	119	117
Bosnia and Herzegovina	8	9	5	4	13
Other countries 1/	27	7	5	77	3

Sources: Data provided by the Statistical Office; and IMF staff calculations.

1/ For 2001, data adjusted for security-related imports paid directly by the Ministries (i.e., without customs declaration).

Table A29. FYRM: Exports and Imports by Final Use, 1998–2002

	1998	1999	2000	2001	2002 Jan–Nov
(In millions of U.S. dollars)					
Exports	1,292	1,190	1,321	1,155	1,007
Industrial supplies	637	565	718	572	462
Investment goods and spare parts	53	37	33	29	24
Consumption goods	602	564	564	553	519
Other	0	24	6	1	3
Imports, c.i.f.	1,915	1,776	2,085	1,763	1,758
Industrial supplies	1,242	1,135	1,411	1,121	1,123
Investment goods and spare parts	248	229	262	209	215
Consumption goods	413	404	407	350	416
Other 1/	12	8	6	83	4
(In percent of total)					
Exports	100.0	100.0	100.0	100.0	100.0
Industrial supplies	49.3	47.5	54.4	49.5	45.8
Investment goods and spare parts	4.1	3.1	2.5	2.5	2.4
Consumption goods	46.6	47.4	42.7	47.9	51.5
Other	0.0	2.0	0.4	0.1	0.3
Imports, c.i.f.	100.0	100.0	100.0	100.0	100.0
Industrial supplies	64.9	63.9	67.7	63.6	63.9
Investment goods and spare parts	13.0	12.9	12.5	11.9	12.2
Consumption goods	21.5	22.8	19.5	19.8	23.7
Other 1/	0.6	0.5	0.3	4.7	0.2

Sources: Data provided by the Statistical Office; and IMF staff calculations.

1/ For 2001, data adjusted for security-related imports paid directly by the Ministries (i.e., without customs declaration).

Table A30. FYRM: Services Account, 1998–2002  
(In millions of U.S. dollars)

	1998	1999	2000	2001	2002 Est.
Total services	-59.6	41.8	47.0	-15.8	-17.1
Receipts	149.5	272.8	314.9	242.0	255.2
Payments	-209.1	-231.0	-267.8	-257.8	-272.4
Travel	-14.8	7.7	3.1	-13.4	-6.6
Receipts	16.7	39.9	37.4	25.1	37.6
Payments	-31.5	-32.2	-34.3	-38.5	-44.2
Transportation	-23.8	-12.2	-9.7	-17.1	-22.2
Receipts	68.1	88.6	116.3	78.3	74.9
Payments	-91.9	-100.8	-125.9	-95.4	-97.1
Other services	-21.0	46.3	53.6	14.7	11.6
Receipts	64.7	144.3	161.2	138.6	142.7
Payments	-85.7	-98.1	-107.6	-123.9	-131.1

Source: National Bank of Macedonia.

Table A31. FYRM: External Debt Disbursements, 1998–2002  
(In millions of U.S. dollars)

	1998	1999	2000	2001	2002
Total	298	186	146	108	162
Multilateral	169	109	94	62	75
IMF	12	19	4	0	0
IBRD/IDA	52	56	52	23	34
EBRD	16	5	20	9	4
EUROFIMA	0	1	1	2	0
EIB	18	24	6	14	16
IFAD	1	1	1	1	1
CEB	0	1	4	0	8
IFC	54	2	6	3	3
EU	17	0	0	10	10
Bilateral creditors	0	26	16	8	10
Commercial creditors	129	50	36	38	78
Commercial banks	8	3	7	9	0
Other private creditors	122	47	28	29	78

Source: National Bank of Macedonia.

Table A32. FYRM: External Debt-Service Obligations, 1998–2002  
(In millions of U.S. dollars)

	1998	1999	2000	2001	2002
<b>By creditor</b>					
Principal	77	123	139	189	171
Multilateral institutions	30	44	50	65	82
IMF	2	17	19	8	9
IBRD/IDA	6	3	3	3	6
EBRD	14	16	16	19	38
IFC	0	1	6	27	21
EIB	2	2	3	3	3
EUROFIMA	5	4	1	4	4
CEB	1	1	1	1	1
IFAD	0	0	0	0	0
EU			1	1	0
Bilateral creditors	28	27	26	43	34
Commercial creditors	20	52	63	81	55
London Club	0	1	0	44	6
Other	19	51	63	37	48
Interest	68	65	80	81	57
Multilateral institutions	20	25	28	28	23
IMF	3	3	3	2	1
IBRD/IDA	5	6	9	10	9
IFC	0	5	6	4	2
EIB	3	4	3	4	4
CEB	0	0	0	0	0
EBRD	5	4	5	5	4
EUROFIMA	1	1	1	1	1
EU	2	1	1	2	2
IFAD	0	0	0	0	0
Bilateral creditors	21	17	16	17	15
Commercial creditors	27	23	37	36	19
London Club	16	8	17	19	7
Other	11	15	20	17	11
Total debt service	145	188	219	270	228

Source: National Bank of Macedonia.

Table A33. FYRM: External Debt Stock, 1998–2002  
(In millions of U.S. dollars; end of period)

	1998	1999	2000	2001	2002
Total external debt	1,447	1,493	1,487	1,368	1,507
By debtor					
Public sector	1,222	1,305	1,330	1,158	1,256
Government	890	975	1,066	970	1,064
Central government	864	932	1,018	927	1,024
Road fund	18	33	48	42	40
Health fund	1	3	0	0	0
Other	7	7	0	0	0
National bank	114	113	96	71	67
Public enterprises	218	217	168	117	125
Private sector	225	188	157	211	250
Commercial banks	110	93	66	68	110
Nonbank private sector	115	95	91	143	140
By creditor					
Multilateral	685	714	715	688	756
IMF	114	113	82	71	67
IBRD/IDA	294	339	373	379	441
IFC	56	57	57	33	18
EIB	54	68	67	75	102
EBRD	90	72	72	62	32
EUROFIMA	23	17	17	14	12
Council of Europe	5	5	7	6	14
EU	48	41	37	44	65
IFAD	1	2	3	4	5
Bilateral creditors	289	319	316	281	292
Commercial creditors	404	407	405	337	398
Commercial bank creditors	243	250	253	190	182
Other	161	157	152	147	216
Short-term debt	69	54	51	63	61
Memorandum items:					
Total external debt	100.0	100.0	100.0	100.0	100.0
Multilateral	47.3	47.8	48.1	50.3	50.2
Bilateral	20.0	21.3	21.2	20.6	19.4
Commercial	27.9	27.3	27.2	24.6	26.4
Short-term	4.8	3.6	3.4	4.6	4.0
Total External Debt	40.4	40.6	41.5	39.8	40.6
Of which : Medium and long-term	38.5	39.2	40.1	38.0	39.0

Source: National Bank of Macedonia.

Table A34. FYRM: Official Gold and Convertible Foreign Exchange, 1997–2002  
(In millions of U.S. dollars, end of period)

		Gold 1/	SDR holdings	Reserve position in the Fund	Foreign exchange	Total
1997	Q1	26.6	0.1	0.0	209.6	236.3
	Q2	25.4	2.2	0.0	228.3	255.8
	Q3	25.9	1.3	0.0	248.1	275.4
	Q4	23.5	0.4	0.0	256.2	280.1
1998	Q1	23.8	0.1	0.0	247.5	271.4
	Q2	24.4	4.2	0.0	281.4	310.0
	Q3	25.0	1.7	0.0	291.9	318.6
	Q4	28.5	1.1	0.0	303.9	333.5
1999	Q1	28.3	0.2	0.0	310.2	338.7
	Q2	26.3	1.1	0.0	333.4	360.9
	Q3	32.2	1.0	0.0	438.0	471.3
	Q4	29.7	1.0	0.0	468.6	499.4
2000	Q1	29.7	1.1	0.0	497.9	528.8
	Q2	31.4	1.3	0.0	565.6	598.3
	Q3	30.6	0.8	0.0	584.7	616.1
	Q4	30.7	1.6	0.0	702.7	735.0
2001	Q1	29.1	0.2	0.0	908.5	937.9
	Q2	52.1	0.2	0.0	791.7	843.8
	Q3	56.6	0.3	0.0	726.5	783.4
	Q4	53.7	2.2	0.0	740.7	796.6
2002	Q1	59.0	0.6	0.0	758.8	818.4
	Q2	62.7	2.3	0.0	822.6	887.6
	Q3	63.9	0.5	0.0	772.1	836.5
	Q4	67.9	6.2	0.0	709.7	783.8

Source: National Bank of Macedonia.

1/ At national valuation.

Table A35. FYRM: Exchange Rate Developments, 1995-2002

(Period average)

	Official Exchange Rates			Real Effective Exchange Rate Indices 1/	
	Denar/US\$	Denar/DM	Denar/EUR	Deflated by Relative Consumer Prices	Deflated by Relative Unit Labor Costs
1995	38.1	26.5		100.0	100.0
1996	39.9	26.6		94.4	91.5
1997	49.6	28.9		81.2	74.5
1998	54.6	31.0		75.5	66.0
1999	56.8	31.0		77.7	70.8
2000	65.9	31.0		80.9	76.2
2001	68.1	31.1		75.9	72.8
2002	64.7	-	61.0	74.2	74.5
1999					
January	52.2	31.0		77.3	66.8
February	54.0	31.0		77.9	67.5
March	55.6	31.0		78.0	66.1
April	56.6	31.0		76.4	69.2
May	57.0	31.0		76.5	71.3
June	58.4	31.0		75.6	71.0
July	58.7	31.0		74.4	70.8
August	57.2	31.0		75.9	71.9
September	57.8	31.0		76.1	72.2
October	56.5	31.0		80.7	72.1
November	58.5	31.0		79.9	73.9
December	58.5	31.0		84.3	77.0
2000					
January	59.8	31.0		81.7	76.1
February	61.7	31.0		82.0	75.8
March	62.9	31.0		80.9	77.1
April	64.1	31.0		84.0	74.9
May	67.2	31.0		82.9	73.8
June	64.1	31.1		81.5	76.5
July	64.8	31.1		80.4	75.3
August	67.0	31.1		80.4	77.7
September	69.5	31.1		81.3	79.0
October	71.0	31.1		79.2	79.5
November	71.1	31.1		77.9	72.0
December	67.8	31.1		78.2	77.2
2001					
January	64.9	31.1		77.5	75.0
February	66.0	31.1		78.1	75.0
March	66.8	31.1		77.8	75.7
April	68.3	31.1		76.6	74.7
May	69.6	31.1		76.1	74.1
June	71.4	31.2		76.5	71.7
July	70.9	31.2		74.7	72.2
August	67.7	31.2		74.9	71.1
September	66.9	31.2		74.6	71.1
October	67.3	31.2		74.4	70.7
November	68.6	31.2		75.0	72.5
December	68.4	31.2		75.0	70.1
2002					
January	69.0	-	61.0	75.1	73.2
February	70.0	-	61.0	74.5	74.0
March	69.6	-	61.0	74.4	73.2
April	68.9	-	61.0	74.8	73.4
May	66.7	-	61.0	75.1	73.5
June	63.9	-	61.0	74.4	74.2
July	61.4	-	61.0	72.9	75.7
August	62.4	-	61.0	72.9	76.0
September	62.1	-	61.0	73.1	77.1
October	62.2	-	61.0	73.8	...
November	60.9	-	61.0	74.7	...
December	60.0	-	61.1	...	...

Sources: Data provided by the National Bank of Macedonia, and IMF staff estimates.

1/ IMF staff estimates. Average 1995=100. An increase in the index indicates appreciation.

2/ January-November 2002.

3/ January-September 2002.

Table A36. FYRM: Revisions to the Balance of Payments, 1998–2001  
(In millions of U.S. dollars)

	1998	1999	2000	2001	1998	1999	2000	2001
	<u>Before revisions (November 2002)</u>				<u>After revisions</u>			
Current account	-309	-113	-115	-353	-269	-32	-75	-234
<i>Of which:</i> Trade balance	-418	-393	-363	-428	-515	-496	-690	-521
Services	-173	-71	-55	-99	-60	42	47	-16
Private transfers	299	326	454	192	313	391	481	294
Capital and financial account	259	49	143	611	339	-14	223	273
<i>Of which:</i> Currency and deposits	-57	-40	-50	241	-41	-114	-122	27
Trade credits 1/	...	...	...	...	45	7	147	-125
Errors and omissions	95	188	177	-190	-33	213	79	79
Overall balance	45	124	204	69	36	166	226	118
Financing	-45	-124	-204	-69	-36	-166	-226	-118
Change in NFA 2/	-44	-142	-237	-83	-35	-184	-259	-133
<i>Of which:</i> Valuation effects	...	...	...	...	-6	18	18	45
Change in gross reserves 3/	-53	-145	-235	-62	-38	-160	-250	-56
Other items	-2	18	32	15	-2	18	32	15

1/ Previously, the estimates of trade credits were included in errors and omissions.

2/ NFA flows have been revised to exclude valuation changes and include changes in frozen, pledged, and encumbered assets.

3/ Gross reserves have been revised to exclude all frozen, pledged, and encumbered foreign assets.

#### Explanatory remarks

Balance of Payments data for 1998–2001 have been revised in order to: (i) reduce the large and typically positive errors and omissions (in line with recommendations of the October 2002 TA mission from STA); (ii) separate valuation effects from NFA transac

The following revisions covering the 1998–2001 period have been made:

- CIF factors for imports have been reduced to reflect: (i) the recognition of a discrepancy between statistical value and invoice value of imports of goods; and (ii) the dominant role of residents in the provision of trade-related services. The revision re
- Net withdrawals by residents from resident bank accounts have been reclassified from "Private transfers" to "Currency and deposits (of individuals)".
- "Trade credits" (previously included in "Errors and omissions") have been corrected for missed repayments and changes in the estimation techniques. In the new BOP presentation, trade credits are identified as part of the capital and financial account.
- "Change in NFA" has been revised to reconcile NFA flows and stocks by excluding valuation effects, which are now shown separately.
- "Change in NFA" has also been revised to include all frozen and pledged foreign assets of the NBRM. Prior to November 2002 certain frozen assets (those which had been reported to the Fund in the context of the PRGF/EFF program) were excluded from the BOP definition of NFA.

The revisions also reflect usual statistical refinements involved in the updating of BOP accounts.