

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

February 19, 2002

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I. MEDIUM-TERM FISCAL CHALLENGES¹

1. The security crisis of 2001 has redefined the medium-term fiscal challenges faced by the FYRM. Before the crisis, these challenges centered on removing structural weaknesses from the public finances. After the crisis, policymakers will also have to address new expenditure demands on the budget, including the costs of implementing the peace framework agreement. Thus, a strengthening of the fiscal position over the medium-term has become a major priority.

2. This note formulates a medium-term fiscal framework and discusses the tensions that are likely to arise in formulating policy measures. The note is organized as follows. Section A reviews recent fiscal developments and the 2002 budget. Section B discusses medium-term revenue and expenditure issues, the uncertainties and risks underlying the fiscal framework, and the sensitivity of the fiscal outlook to some of these uncertainties and risks. Section C compares the size and structural aspects of FYRM's public finances to those of other countries in the region. It also looks at differences in the savings-investment balances and the external vulnerabilities for these countries. Concluding remarks follow in Section D.

A. RECENT FISCAL DEVELOPMENTS AND THE 2002 BUDGET

Recent Fiscal Developments

3. A tight fiscal policy stance has been a key element of FYRM's economic strategy until 2001, but the fiscal position concealed a number of structural weaknesses. Labor income taxation was high, as reflected in the large share of personal income taxes and social contributions to taxes (about 50 percent) and the high tax wedge on net wages (slightly over 65 percent). Non-discretionary spending excluding interest payments (i.e. social transfers and wages) amounted to about 65 percent of general government expenditures, and interest payments amounted to an additional 5 percent. In addition, expenditure control was weak, with line ministries having recourse to self-generated revenues that were frequently used for wage increases and new hiring.

4. The government began to address these structural weaknesses from 2000. A value added tax (VAT) was introduced in April 2000 in place of the sales tax, as an important part of a strategy to modernize the tax system and provide stronger incentives for economic activity. The resulting boost in revenues, which increased from 35.4 percent of GDP in 1999 to 36.7 in 2000, created room for a reduction in income tax rates, introduced in February 2001.² To control the drift in personnel expenses and reduce their share in total expenditure, gross employment in the civil service was reduced by 6½ percent in the first half

¹ Prepared by Juan Zalduendo.

² Until 2001 the personal income tax had three rates; 23, 27 and 35 percent. Since February 2001 the lowest two rates were reduced to 15 percent and the highest rate was reduced to 18 percent.

of 2001.³ To strengthen expenditure control, the first phase of a Treasury system was put into operation and the expenses financed from self-generated revenues became subject to Parliamentary scrutiny with the 2001 budget.

5. The security crisis contributed to a substantial deterioration of the fiscal position during 2001 (Table I-1). The general government recorded a deficit of 6 percent of GDP, compared with 1.1 percent envisaged in the budget. This implies a fiscal swing during 2001 of 8½ percentage points of GDP relative to the fiscal outturn in 2000. Of this swing, 3 percentage points is accounted for by the income tax cuts introduced in early 2001 and by cyclical factors.

6. Tax receipts as a ratio to GDP, excluding the financial transaction tax, were roughly unchanged, but developments were more diverse at the level of each tax. Collections from direct taxes in 2001 were in line with budget projections, but revenues from indirect taxes were lower. Notwithstanding weak collections in the second and third quarter of 2001, reflecting the impact of the crisis on economic activity and a high level of refunds, VAT revenue as a ratio to GDP increased slightly for the year as a whole. Revenues from excise taxes were weak, in part owing to one-time losses following changes in payment rules.⁴ Import duties as a share of GDP fell, reflecting reduction in tax rates arising from the trade agreements signed in recent years, as well as a sharp contraction in imports that exceeded the decline in economic activity.⁵

7. On the expenditure side, developments were dominated by an increase in security-related expenditures. These outlays increased relative to the budget by 6¾ percent of GDP, and included such expenditures as the purchase of military hardware, the costs of mobilizing reservists, and new hiring and wage increases for security-related personnel.⁶

8. Non-security expenditures rose as a ratio to GDP from budgeted levels, reflecting in part the effect of a lower nominal GDP, but some outlays were also higher in nominal terms. The wage bill exceeded the budgeted amount in nominal terms, mainly on account of delays

³ The government implemented a program to reduce public sector employment in early 2001 using three schemes: (i) voluntary separations in exchange for 24 months of severance pay, (ii) early retirement, and (iii) technological redundancies, which were eligible for 12 months of severance pay.

⁴ Until mid-2001 excises on imported oil derivatives were collected at customs and on domestically produced oil derivatives at the exit from the country's sole refinery. Since July 2001 excises are paid on the month that follows when consumption takes place, implying a one-month loss of revenue in 2001.

⁵ The implicit import tariff for duty paying products, inclusive of all fees, declined from 11.5 percent in 1999 to 8.6 percent in 2000, and is estimated to have declined further to 7.8 percent in 2001.

⁶ By the end of 2001, the total outlays of the Ministries of Interior and Defense had reached 10¼ percent of GDP.

in implementing the program of downsizing the civil service. In addition, new outlays on investment projects financed from telecom privatization receipts totaled 0.6 percent of GDP. Capital outlays by the Road Fund were lower than budgeted in nominal terms by about ¾ percent of GDP.

9. Faced with a deteriorating fiscal position, the government took measures to shore up revenues and re-prioritize expenditures. In particular, it decided to forego the second round of revenue-reducing policy measures (1½ percent of GDP) that had been built into the budget and were originally scheduled for June 2001. Also, a new tax on financial transactions was introduced on July 1 for a six-month period. This tax yielded revenues equivalent to about 1¼ percent of GDP by year-end. Finally, cuts were introduced to several expenditure programs in November 2001; for example, savings for about ¼ percent of GDP were obtained by reducing the budget allocation for child allowances and capital transfers to the railway.

Table I-1. General Government Operations (in percent of GDP)

| | 2000 Actual | 2001 Budget 1/ | 2001 | | 2001 Actual |
|-----------------------------------|----------------|-------------------|--------------------------------|---------------------|----------------|
| | | | Deviations from 2001 budget | | |
| | | | Security- related | Other factors 2/ | |
| Total revenue and grants | 36.7 | 32.6 | 0.2 | 1.6 | 34.4 |
| Tax revenue (without FTT) | 33.0 | 30.2 | 0.2 | 0.2 | 30.5 |
| Individual income tax | 4.6 | 3.0 | 0.0 | 0.0 | 3.1 |
| VAT | 7.4 | 7.1 | 0.0 | 0.2 | 7.3 |
| Excises | 5.5 | 5.4 | 0.0 | -0.5 | 4.9 |
| Import duties | 3.3 | 2.9 | 0.2 | -0.5 | 2.6 |
| Other | 12.3 | 11.7 | 0.0 | 1.0 | 12.7 |
| Financial transaction tax (FTT) | 0.0 | 0.0 | 0.0 | 1.3 | 1.3 |
| Other revenues 3/ | 3.6 | 2.4 | 0.0 | 0.1 | 2.5 |
| Total expenditures | 34.2 | 33.7 | 6.7 | 0.1 | 40.4 |
| Current expenditure | 31.2 | 28.3 | 6.6 | 1.6 | 36.5 |
| <i>of which: wage bill</i> | 7.1 | 6.2 | 0.1 | 1.0 | 7.2 |
| Capital expenditure | 2.7 | 3.6 | 0.1 | -0.3 | 3.4 |
| <i>of which: telecom projects</i> | 0.0 | 0.0 | 0.0 | 0.6 | 0.6 |
| Other expenditure | 0.3 | 0.3 | 0.0 | 0.2 | 0.5 |
| Room for new policies 4/ | 0.0 | 1.5 | 0.0 | -1.5 | 0.0 |
| Balance | 2.5 | -1.1 | -6.5 | 1.5 | -6.0 |

Source: Data provided by the authorities.

1/ Ratios to GDP based on the budget approved by Parliament prior to the insurgency crisis and a nominal GDP calculated by applying the nominal GDP growth budgeted under the PRGF/EFF arrangements to the actual GDP for 2000.

2/ Other revenue and expenditure factors that cannot be directly linked to security-related outlays.

3/ Includes non-tax and capital revenue, and grants. Grants were projected to fall by 1.2 percent of GDP.

4/ Room for the second round of policy measures originally scheduled for June 2001.

The 2002 Budget

10. The 2002 budget seeks to reverse the fiscal expansion of 2001. The 2002 central government budget envisages a deficit of 2¾ percent of GDP. Taking into account foreign-financed expenditures by the Road Fund, the general government deficit is projected to reach about 3½ percent of GDP, implying a decline of 2½ percentage points of GDP relative to 2001.

11. The authorities plan to request donors to cover the bulk of the costs related to the peace process.⁷ The budget includes a very small share of the costs arising from the implementation of the peace framework agreement. These costs have been estimated in 2002 at ¾ percent of GDP, but less than 0.1 percent of GDP is included in the budget. Resources to cover the expenses (i) on reconstruction of war damaged housing and infrastructure, and (ii) on refugees and internally displaced people are likely to be channeled by donors through non-governmental organizations. These off-budget expenses are projected at 1¼ percent of GDP during 2002.⁸

12. The authorities have adopted a number of temporary revenue and expenditure measures in support of their fiscal deficit objective in 2002. These measures include: (i) extending the tenure of the financial transactions tax by one year until end-2002; (ii) postponing the planned implementation of a new wage structure for civil servants; (iii) foregoing a general wage increase in the public sector; and (iv) postponing implementation of changes in the coverage and eligibility of the child allowance program. These measures are of a stopgap nature and, as such, will need to be replaced by more permanent measures in future years, as is later discussed.

13. Revenues and grants are projected to decline to 33.4 percent of GDP in 2002, a loss of 0.9 percent of GDP relative to 2001. Much of this loss reflects lower non-tax revenues and grants. Non-tax revenues are expected to decline on account of lower interest receipts and profit remittances from the central bank.⁹ Additional revenue losses are expected from import

⁷ A donor conference for FYRM, organized by the European Union and the World Bank, is scheduled to take place in Brussels on March 12, 2002.

⁸ A more thorough discussion can be found in UNHCR, *The Humanitarian Situation in the Former Yugoslav Republic of Macedonia*, December 2001; and European Commission and International Management Group, *Damage Assessment in the FYRM*, November 2001.

⁹ The privatization receipts from the sale of a majority stake in the telecommunications company amounted to the equivalent of 9½ percent of GDP. In turn, these resources generated substantial interest receipts in 2001. As to profit remittances by the central bank, these usually take place in the first quarter of each year based on previous year profits. The higher average stock of central bank bills during 2001 and the higher interest rate paid on these bills, in part as a result of open market operations carried out at the height of the crisis to protect the exchange rate, are expected to reduce profit remittances during 2002.

duties, owing to the elimination on January 1, 2002 of a one percent processing fee on all imports, and the impact of reduction in tariffs as a result of the trade agreements signed in recent years, including the EU Stabilization and Association Agreement.

14. On the expenditure side, the budget incorporates a number of special programs and one-time expenses. For example, even though a sharp decline is programmed in security-related spending, these outlays are still expected to remain above pre-crisis levels by about 2½ percent of GDP, in part because demobilization of security-related personnel will be completed only by mid-2002. Also, outlays on investment projects financed from privatization proceeds are expected to increase from 0.6 percent of GDP in 2001 to 1¼ percent in 2002. The budget also allocates about ½ percent of GDP to cover the net costs of structural reforms, and about 0.4 percent of GDP to pay for court-mandated pension obligations.

B. A MEDIUM-TERM FISCAL FRAMEWORK

15. Several factors need to be taken into consideration in developing a medium-term fiscal framework. First, the framework needs to be based on prudent macroeconomic assumptions. In this regard, growth projections should be in line with country-specific and regional risk factors. Second, the framework should ensure that the private sector has room to develop, particularly in transition economies where substantial resources are needed to modernize the enterprise sector. Finally, external vulnerabilities need to be reviewed, assessing both the sustainability of the current account as well as the medium-term dynamics of public sector debt.

The Baseline Scenario

16. Sustaining high growth without recourse to exceptional foreign financing requires adopting a path of fiscal consolidation. Real GDP growth could reach 5 percent by 2005, as the political and security risks recede and the FYRM takes advantage of its access to European markets. However, this also requires an increase in private sector investment.¹⁰ Non-government savings should increase with progress in enterprise restructuring, but this increase is likely to be less than the increase in private investment (Table I-2). The scenario assumes that project lending from multilateral and bilateral sources will be forthcoming at current nominal levels, and that private borrowing and foreign direct investment will increase modestly. Given these capital account assumptions, the above scenario requires an improvement in the current account (excluding grants) of 2 percentage points of GDP; i.e. from 9¼ in 2002 to 7¼ percent of GDP by 2005 (Figure I-1). In turn, the fiscal path

¹⁰ The scenario assumes that private investment will increase from 17.3 percent of GDP in 2002 to 20.4 percent by 2005. It also assumes a sharp initial increase in public investment in 2002 and 2003 arising from the use of privatization proceeds on investment projects. Thereafter, public investment is assumed to decline slightly and stabilizes at about 3¼ percent of GDP by 2005.

Table I-2. A Medium Term Fiscal and Macroeconomic Framework, 1999-2005

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|--|--------------------------------|----------------|-------|-------------|-------|-------|-------|
| | Official | Staff estimate | | Projections | | | |
| | (In percent of GDP) | | | | | | |
| Foreign saving 1/ excluding official grants | 3.4 | 3.1 | 10.2 | 9.3 | 8.5 | 8.0 | 7.3 |
| | 5.1 | 5.6 | 10.8 | 9.7 | 8.9 | 8.3 | 7.6 |
| Gross national saving 2/ Government | 19.0 | 21.3 | 9.0 | 12.0 | 14.6 | 15.4 | 16.3 |
| | 2.3 | 5.2 | -2.6 | 0.5 | 2.0 | 2.3 | 2.9 |
| Non-government | 16.7 | 16.1 | 11.6 | 11.5 | 12.5 | 13.2 | 13.4 |
| Gross domestic saving 3/ of which: Non-government | 9.7 | 7.3 | 4.6 | 7.8 | 9.7 | 10.1 | 10.8 |
| | 7.4 | 2.2 | 7.2 | 7.3 | 7.6 | 7.8 | 7.9 |
| Gross domestic investment Government | 22.4 | 24.4 | 19.3 | 21.3 | 23.1 | 23.4 | 23.6 |
| | 2.3 | 2.7 | 3.4 | 3.9 | 4.2 | 3.3 | 3.2 |
| Non-government | 20.2 | 21.7 | 15.8 | 17.3 | 18.9 | 20.1 | 20.4 |
| Non-government national saving minus investment | -3.4 | -5.6 | -4.2 | -5.8 | -6.4 | -6.9 | -7.0 |
| Fiscal indicators (general government) | | | | | | | |
| Revenue and grants | 35.4 | 36.7 | 34.4 | 33.4 | 30.7 | 30.0 | 29.2 |
| Total expenditures | 35.4 | 34.2 | 40.4 | 36.8 | 32.9 | 31.0 | 29.6 |
| of which: | | | | | | | |
| Fiscal measures 4/ | 0.0 | 0.0 | 0.0 | 0.0 | -2.1 | -2.1 | -2.1 |
| Non-interest current expenditure | 31.7 | 29.5 | 34.6 | 30.7 | 28.9 | 27.9 | 26.4 |
| Interest expenditure | 1.5 | 1.8 | 1.8 | 1.6 | 1.5 | 1.5 | 1.6 |
| General government balance | 0.0 | 2.5 | -6.0 | -3.4 | -2.1 | -1.1 | -0.3 |
| Central government balance | 0.8 | 2.7 | -5.7 | -2.7 | -1.5 | -0.4 | 0.0 |
| Total public sector debt 5/ | | | | | | | |
| Gross debt | 49.1 | 48.3 | 46.9 | 48.8 | 46.3 | 43.5 | 40.2 |
| Net debt | 45.6 | 41.1 | 36.9 | 39.2 | 40.5 | 40.6 | 39.7 |
| | (Percent change in real terms) | | | | | | |
| Consumption expenditure | 3.8 | 10.1 | -2.5 | 1.1 | 1.9 | 4.0 | 4.1 |
| of which: Non-government | 3.6 | 15.1 | -10.1 | 5.7 | 4.2 | 5.0 | 5.2 |
| Fixed investment | -1.4 | 14.9 | -29.9 | 18.6 | 19.7 | 9.1 | 9.1 |
| Non-interest government current expenditure | 3.9 | 1.3 | 13.1 | -7.6 | -2.4 | 0.8 | -0.6 |
| Domestic demand | 3.0 | 8.4 | -6.4 | 3.0 | 4.2 | 4.7 | 4.9 |
| Total demand | 2.6 | 9.2 | -8.3 | 3.2 | 4.4 | 4.3 | 4.5 |
| GDP | 4.3 | 4.6 | -4.6 | 4.0 | 4.0 | 4.5 | 5.0 |
| Nominal GDP (billions of denars) | 209.0 | 236.2 | 234.7 | 250.9 | 267.5 | 286.5 | 308.2 |

Sources: Data provided by the authorities; and IMF staff projections

1/ External current account deficit, including grants (+).

2/ Equal to gross domestic investment minus foreign saving.

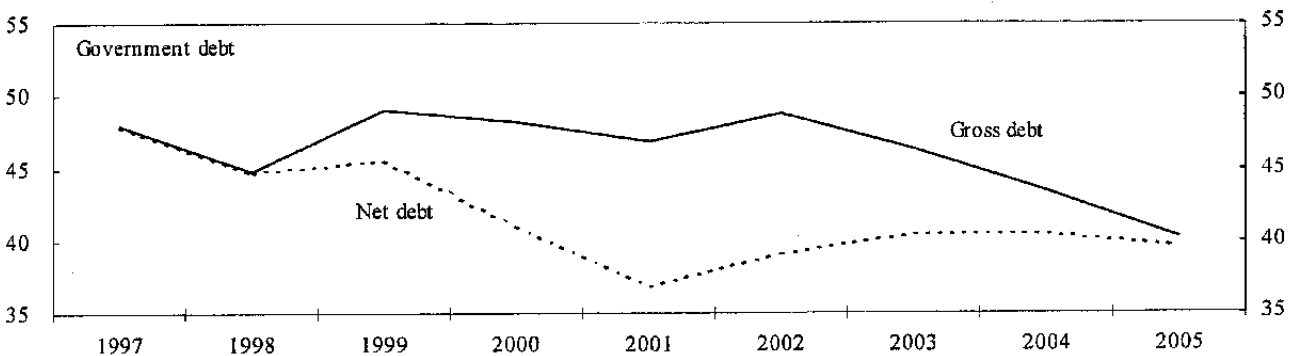
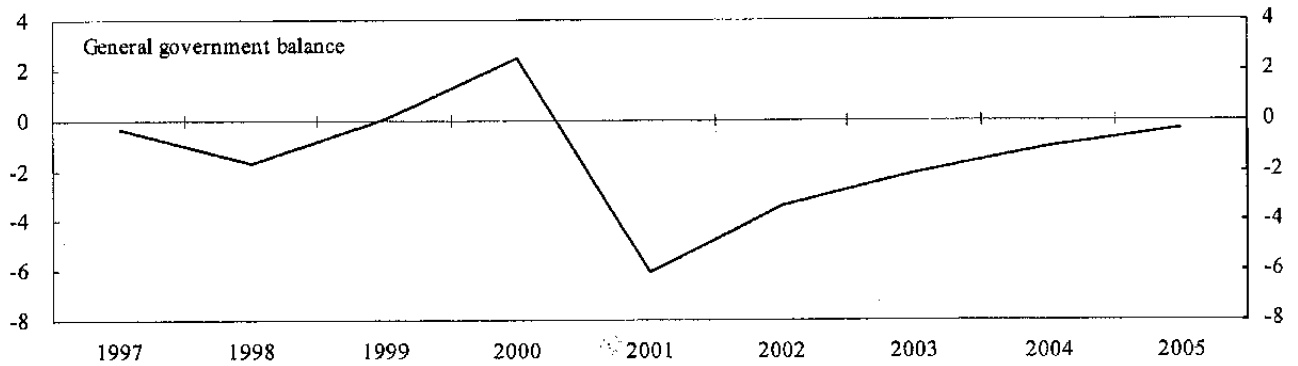
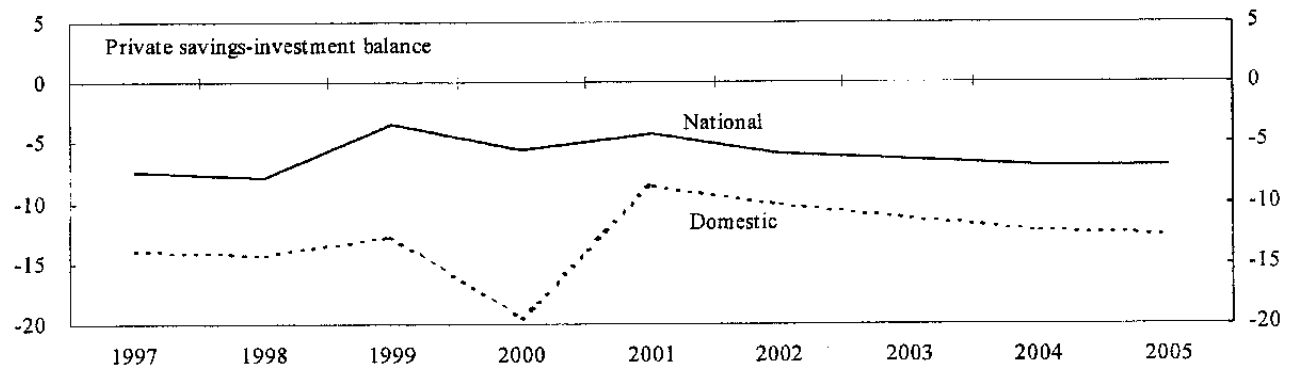
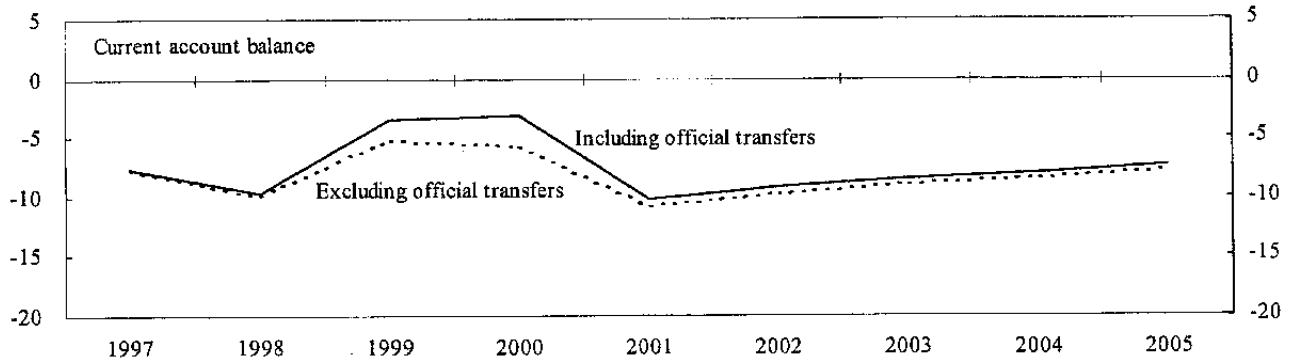
3/ Equal to gross national saving minus net factor income and transfers from abroad, including private transfers.

4/ Negative figure implies that revenue-enhancing or expenditure-reducing measures are required.

5/ Public sector debt defined as domestic debt of central government and external debt of general government.

Includes bonds issued in 2001 for the frozen foreign currency deposits, and liabilities assumed by the government as of end-March 2000 on account of bank and enterprise restructuring. Excludes court-mandated pension obligations.

Figure I-1. FYRM: Savings-Investment Balance, 1997-2005
(In percent of GDP)



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

Box I-1: Proposed Changes to VAT Policy and Administration

A technical assistance mission by FAD in December 2001 has suggested several measures to ensure that the VAT remains a reliable revenue source over the medium-term.

On *administration*, the mission stressed the need to conduct in-depth audits of VAT returns, instead of focusing mainly on auditing VAT refund applications. This requires introducing risk-based audit selection techniques, and creating a unit to investigate tax fraud.

On *collection of arrears*, the mission recommended strengthening enforcement, through more frequent seizure and disposal of assets, and through transferring some of these responsibilities to regional offices. In addition, an action plan to deal with the largest VAT debtors needs to be developed and implemented within a defined time schedule.

On *legislation*, the mission suggested changes to the law so as to empower the Public Revenue Office to reject voluntary registrations, unilaterally de-register small taxpayers, and levy penalties for regulatory offenses. In addition, the mission recommended that the need to file annual VAT returns and the option to file replacement VAT forms be eliminated from the law.

Table I-3. Security-Related Expenditures (In percent of GDP)

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|-----------------------------|------|-------|------------|------|------|------|
| | Act. | Prel. | Projection | | | |
| New security expenses | 0.0 | 6.7 | 2.5 | 1.6 | 1.5 | 1.4 |
| Wages and salaries | 0.0 | 0.1 | 0.4 | 0.5 | 0.5 | 0.5 |
| Goods and nonlabor services | 0.0 | 6.5 | 2.1 | 1.0 | 1.0 | 0.9 |
| Capital expenditures | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Regular security expenses | 3.3 | 3.6 | 3.3 | 3.2 | 3.1 | 3.0 |
| Total | 3.3 | 10.3 | 5.9 | 4.8 | 4.6 | 4.4 |

Sources: Data provided by the authorities; and IMF staff projections

accompanying this scenario implies a gradual reduction in the general government deficit from 3½ percent in 2002 to ¼ percent of GDP by 2005. Under this scenario government net debt will be stable at 40 percent of GDP.

Medium-Term Revenue and Expenditure Issues

17. The baseline scenario discussed above is subject to significant policy tensions. Not only have new expenditure demands emerged, but also many additional demands are likely over the medium-term. In addition, some concerns have emerged on the revenue side, and

additional revenue-enhancing measures will be required once the financial transaction tax is eliminated at end-2002.¹¹

18. On the revenue front, revenues are expected to decline from 33.4 percent of GDP in the 2002 budget to 29.2 percent in 2005. Policies on direct taxes (i.e. rates and exemptions) are not programmed to change. However, as discussed in Box I-1, the authorities may need to consider strengthening VAT administration to ensure that these revenues do not weaken over the medium-term. Revenues from external trade are expected to decline, since as a result of the trade agreements signed in recent years the implicit tariff on duty paying imports is expected to decline from 8 percent in 2001 to less than 6 percent by 2005.

19. On the expenditure side, defense and security-related spending are projected to decline in 2003-05 by about 1 percentage point of GDP compared to 2002, but will still average 1½ percent of GDP above the pre-crisis level (Table I-3). While reservists will be fully released, the armed forces will be expanded and modernized in line with NATO standards. Specifically, the program of expansion in the military assumes the hiring of 2,700 professional soldiers in 2002. In addition, 1,000 ethnic-Albanians will be recruited in the police by end-2003 as agreed in the peace framework agreement.

20. As to the costs of structural reforms and the repayment of pension obligations, an average allocation of 0.8 percent of GDP per year is projected for 2003-05. Reform expenses are expected to cover (i) recurrent costs of the reduction in the civil service of 2001 (about 0.1 percent of GDP), and (ii) severance payments, unemployment benefits and other costs from lay-offs arising from enterprise restructuring (0.3 percent of GDP). The assumption is that the firms targeted under the World Bank's FESAL operation will be resolved during 2002, and the remaining lossmaking firms will be resolved in 2003.¹² The court-mandated payment of pension obligations will remain at 0.4 percent in 2003-04, but will be negligible in 2005 as the last payment of these pension obligations is scheduled to take place in January 2005.

21. Other non-interest current expenditures are assumed to increase in real terms by about 1 percent per year during 2003-05. But this assumption masks important differences in trends for various expenditure items. The wage bill, excluding that of new security-related personnel, is assumed to remain constant in nominal terms over the whole period of our baseline scenario. The cost of some social programs is expected to increase, as changes will

¹¹ For a discussion of the negative effects of a financial transaction tax see "Bank Debit Taxes in Latin America: An Analysis of Recent Trends," by Isaias Coelho, Liam Ebrill, and Victoria Summers, IMF Working Paper, number WP/01/67, May 2001.

¹² The usual net costs of structural reforms are severance payments and unemployment benefits paid to workers laid-off from enterprises being restructured. Transfers made to the Pension and Employment funds for arrears do not add to the net costs as they reduce regular transfers by the central government.

be introduced to the coverage and eligibility of the child allowances program. These changes are projected to cost $\frac{1}{4}$ percent of GDP each year beginning in 2003.

22. The achievement of the fiscal consolidation path of the baseline scenario requires introducing permanent fiscal measures equivalent to about 2 percent of GDP in 2003. The FAD mission of December 2001 provided several revenue-enhancing options, such as reclassifying goods from the preferential to the standard VAT rate, increasing the preferential VAT rate, and modifying the coverage on some excise taxes.

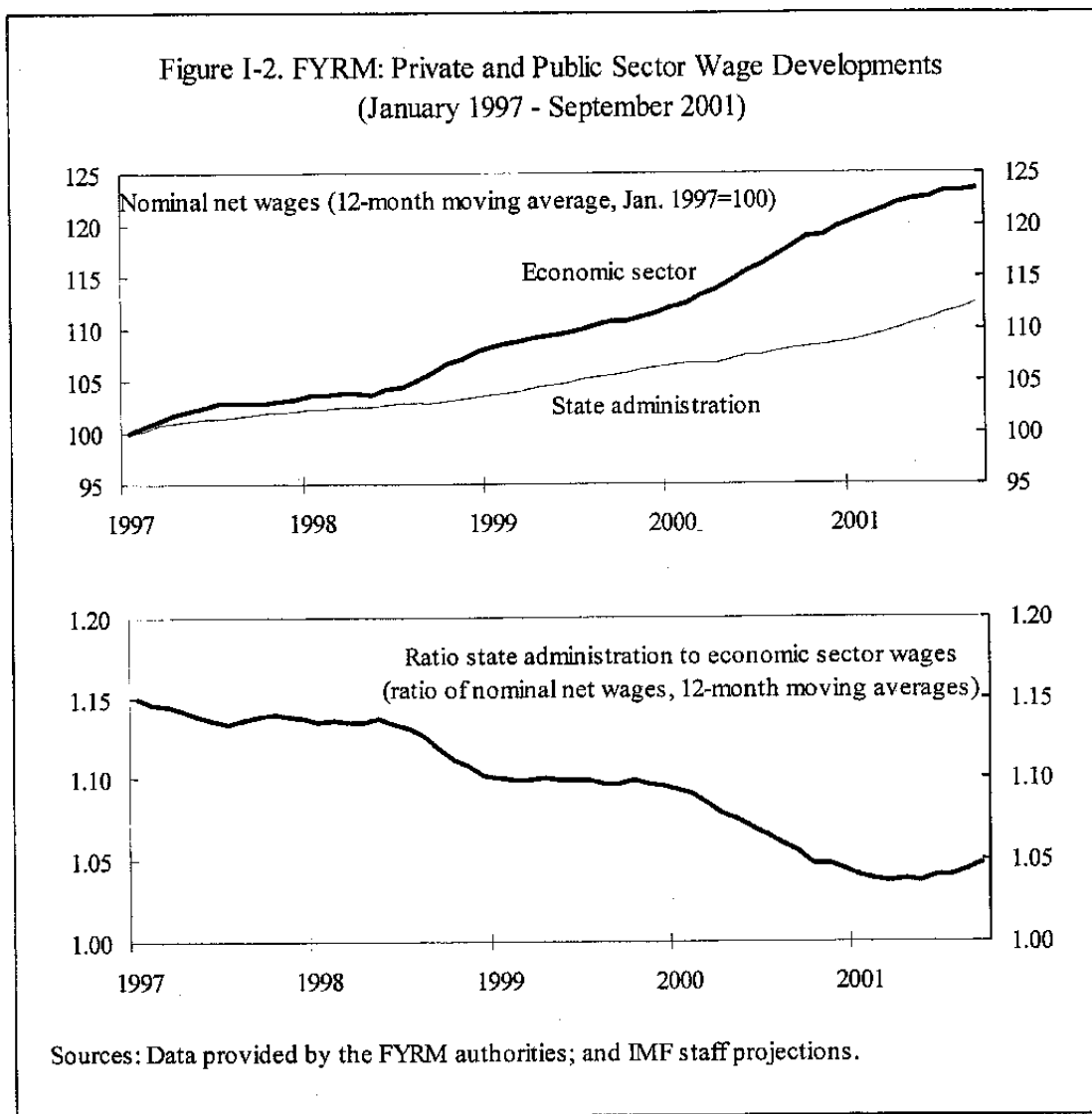
Uncertainties and Risks

23. There are several restrictive assumptions in the baseline scenario. The most important relates to public sector wages, where two factors are at play. First, these wages have been largely frozen since the mid-1990s and have lost their premium over private sector wages (Figure I-2). In this context, pressures are mounting for the government to provide a general wage increase to public sector employees. Second, the authorities have been finding it difficult to retain and hire skilled staff in the civil service. Hence, the Law on Civil Servants aimed at decompressing the public sector's wage structure beginning in 2002. The authorities have temporarily postponed consideration of both of these factors, but this is not likely to be tenable over the medium term.

24. A fully-funded second pillar to the pension system is to be introduced in 2004 and could cost the budget 1-2 percent of GDP annually for a transitional period, as resources from social contributions are diverted from the pay-as-you-go system to private funds. The immediate revenue loss associated with the reclassification of public to private pensions does not imply an underlying weakening in the fiscal stance from the perspective of national saving. But fiscal adjustment will need to cover the costs of establishing a second pillar and the higher borrowing costs faced by the government. For example, if participation in private funds is such that social contributions to the pension fund decline by 25 percent, the central government is likely to face cumulative new borrowing costs of 0.2 percent of GDP per year.¹³ In addition, to the extent that private pension funds invest resources abroad and the authorities wish to maintain a certain level of reserve coverage, some adjustment in financial policies may be required.

25. An additional uncertainty arises from the decentralization process required under the peace framework agreement. According to the Law on Local Self-Governments, decentralization should be completed by end-2003. This process is likely to change the structure of public finances, as local governments would assume responsibilities in education,

¹³ If 25 percent of the social contributions are transferred to the private funds, the Pension Fund suffers a loss of 1.7 percent of GDP in 2004 that, at an interest rate of 10 percent, implies an annual cumulative increase in borrowing costs of 0.2 percent of GDP.



health and social care. These reforms need to be carefully reviewed to ensure that the fiscal position is not weakened.

26. Finally, the costs that have been estimated for implementing the peace framework agreement are preliminary and incomplete (see Box 1 in the Staff Report for the Article IV consultations). If donor support were not to become available to fully cover these costs, then additional fiscal measures would be required.

Sensitivity Analysis

27. The baseline scenario will need to be modified if the wage bill of the public sector increases. This increase could be as a result of general wage increases, allocation of resources to decompress the wage structure, or a combination of these two factors. In turn, an increase

Table I-4. Sensitivity Scenarios (In percent of GDP)

| | 2002 | Baseline scenario | | | Wage bill increase of 10 percent | | | Growth at 1 percent less than baseline | | |
|--|--------|-------------------|------|------|-------------------------------------|------|------|---|------|------|
| | | 2003 | 2004 | 2005 | 2003 | 2004 | 2005 | 2003 | 2004 | 2005 |
| | Budget | Projections | | | Projections | | | Projections | | |
| Government debt | | | | | | | | | | |
| Gross | 48.8 | 46.3 | 43.5 | 40.2 | 46.3 | 43.5 | 40.2 | 46.7 | 44.3 | 41.4 |
| Net (Policy objective) | 39.2 | 40.5 | 40.6 | 39.7 | 40.5 | 40.6 | 39.7 | 40.5 | 40.6 | 39.7 |
| Fiscal indicators (General government) | | | | | | | | | | |
| Revenue and grants | 33.4 | 30.7 | 30.0 | 29.2 | 31.1 | 30.3 | 29.6 | 30.7 | 30.0 | 29.3 |
| Total expenditures | 36.8 | 32.9 | 31.0 | 29.6 | 33.2 | 31.4 | 29.9 | 32.4 | 30.6 | 29.2 |
| Non-interest current expenditure | 30.7 | 28.9 | 27.9 | 26.4 | 29.9 | 28.9 | 27.3 | 29.2 | 28.4 | 27.1 |
| Interest expenditure | 1.6 | 1.5 | 1.5 | 1.6 | 1.5 | 1.5 | 1.6 | 1.5 | 1.5 | 1.6 |
| Capital expenditure | 3.9 | 4.2 | 3.3 | 3.2 | 4.2 | 3.3 | 3.2 | 4.2 | 3.4 | 3.4 |
| Other expenditure | 0.6 | 0.4 | 0.4 | 0.5 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.4 |
| Room for new measures | 0.0 | -2.1 | -2.1 | -2.1 | -2.8 | -2.8 | -2.7 | -3.0 | -3.2 | -3.3 |
| Balance | -3.4 | -2.1 | -1.1 | -0.3 | -2.1 | -1.1 | -0.3 | -1.8 | -0.6 | 0.1 |
| Real GDP growth (in percent) | 4.0 | 4.0 | 4.5 | 5.0 | 4.0 | 4.5 | 5.0 | 3.0 | 3.5 | 4.0 |

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

in the wage bill would imply an increase in pensions obligations for the State, as these are tied to the average wage of the economy. If the wage bill increases by 10 percent in 2003, and the policy objective is to maintain net debt to GDP ratio at the baseline scenario level, then additional fiscal measures with an annual yield of 0.7 percent of GDP would be required for 2003-05 (Table I-4).

28. Changes also should take place if the GDP growth assumption is lower than that assumed in the baseline scenario. If this were the case, then revenues would weaken in nominal terms. More importantly, outlays would remain constant in nominal terms, slightly increasing their share in GDP. As a result, the fiscal deficit would deteriorate. However, if the policy objective were to keep constant the ratios of net debt to GDP, then this would require introducing revenue-enhancing or expenditure-reducing measures to compensate for the decline in growth (Table I-4). If real GDP growth was lower by 1 percentage point, then there would be a need to introduce fiscal measures that are, on average, about 1 percent of GDP higher than in the baseline scenario.

C. CROSS-COUNTRY COMPARISONS

Comparison of Structural Aspects of Public Finances

29. In terms of fiscal balances and size of revenues and expenditures as a ratio to GDP, the FYRM fares well when compared to other countries in the Balkan region. The FYRM has maintained a strong fiscal position—on average, over the period 1998-2000, a balanced overall fiscal position and a 2 percent of GDP primary surplus. In contrast, Albania, Croatia, and Romania have experienced large overall fiscal deficits during the same period, ranging from -4 to -10 percent of GDP (Figure I-3, first panel). As to the size of revenue and expenditure as a ratio to GDP, the second and third panels of Figure I-3 show that FYRM's ratios are on the high side vis-à-vis other countries with similar incomes per capita. More precisely, FYRM lies above the regression line that fits the observations of size of revenues and expenditures with incomes per capita.¹⁴ The performance of the other countries for which data is presented is mixed; for example, Bulgaria and Croatia lie well above the regression line, while Romania and Albania are closer to the line than FYRM itself.

30. The indicators on structure of revenues and expenditures of the FYRM are less encouraging. FYRM's share of labor income taxation (i.e. social contributions and personal income tax) in total tax revenues was higher (i.e. 50 percent of tax revenues) than in the other four countries in the region for which data is presented. The lowest reliance on labor income taxation was observed in Albania—about 30 percent of total tax revenues (Figure I-3, third panel).¹⁵ As to the structure of expenditures in the FYRM, non-discretionary outlays excluding interest payments (i.e. wages and social transfers) are slightly over 60 percent of total expenditures. The other countries in the region were lower, with the lowest ratio corresponding to Albania (i.e. 39 percent of total tax revenues, see last panel in Figure I-3). It is also worth noting that FYRM does worse on both counts than neighboring Bulgaria, a country with similar incomes per capita on a PPP basis (i.e. Bulgaria's share of labor income taxation in total tax revenues is 44 percent, and its non-discretionary outlays amount to 40 percent of total expenses).

Comparison of Savings-Investment Balances and External Performance

31. In contrast to FYRM's balanced fiscal positions, the savings-investment balances of the private sector have been highly negative. Similarly, FYRM's current account deficits

¹⁴ A total of 177 countries are represented in these graphs. The four countries in the region against which the FYRM is compared are represented by large dots. The PPP incomes per capita, in US\$ thousands, are: Albania, US\$2.6; Bulgaria, US\$4.7; Croatia, US\$6.9; FYRM, US\$4.5; and Romania, US\$6.1.

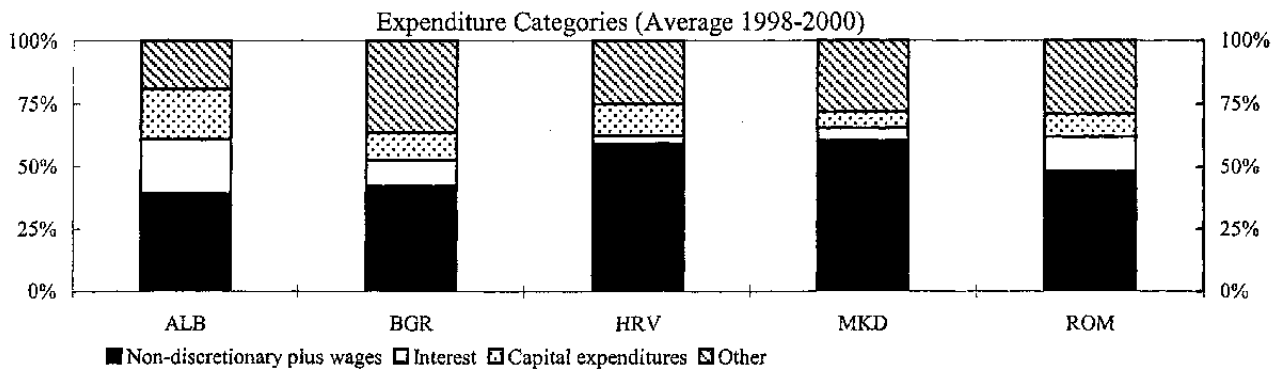
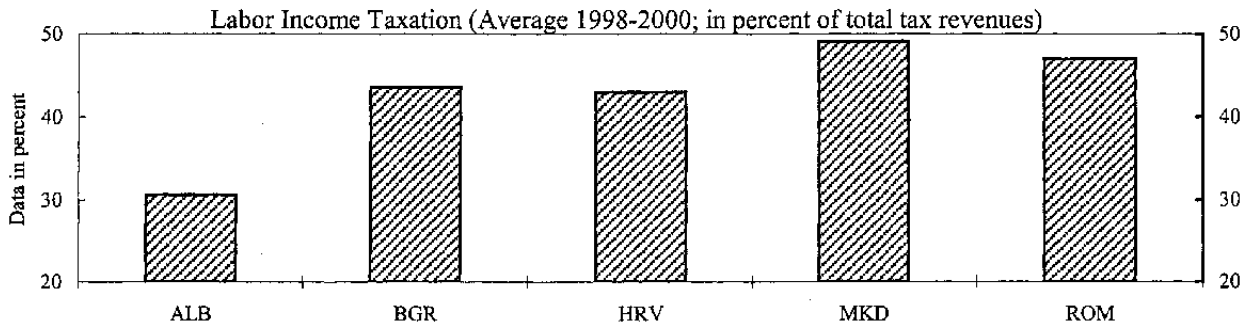
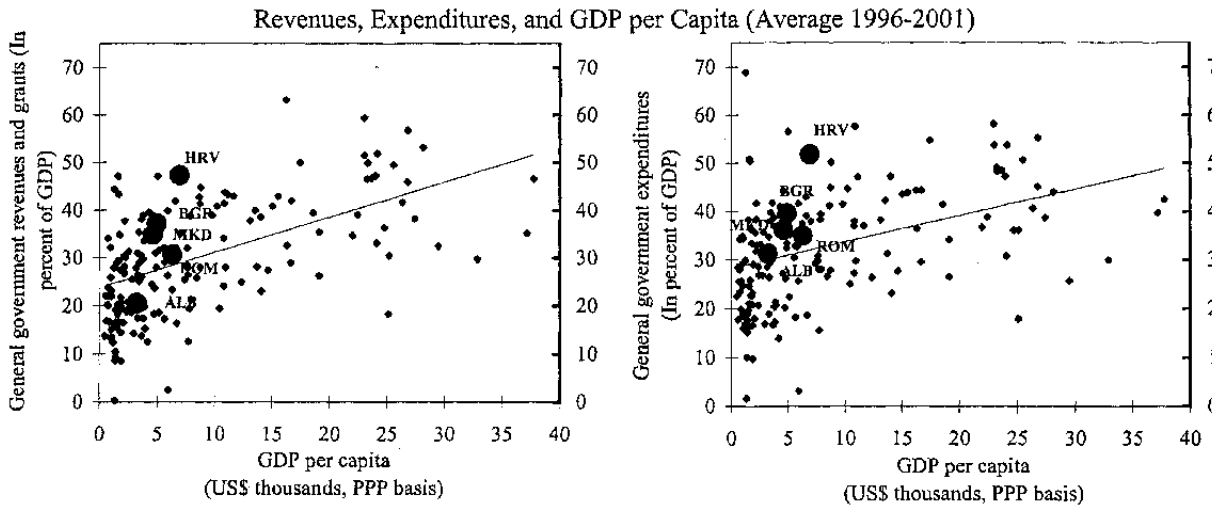
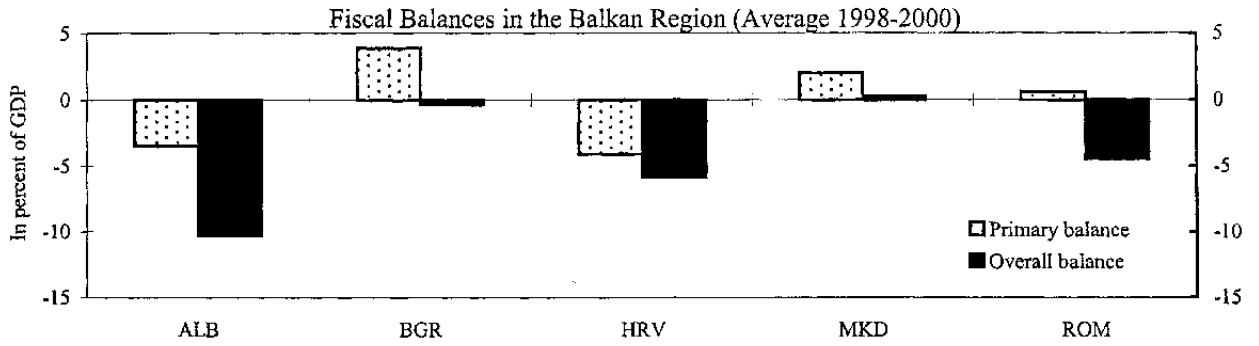
¹⁵ The comparison is purposely based on data prior to 2001 given the distorting implications of the security crisis for the analysis of FYRM's data.

Table I-5. Savings-Investment Balances and External Performance

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | Average | |
|---|-------|-------|-------|-------|------|-------|-----------|-----------|
| | | | | | | | 1996-1998 | 1999-2001 |
| Albania | | | | | | | | |
| Current account | -6.3 | -8.7 | -3.2 | -4.1 | -4.1 | -4.8 | -6.1 | -4.3 |
| Official grants | 2.9 | 3.4 | 2.9 | 3.2 | 2.9 | 2.6 | 3.1 | 2.9 |
| Savings-Investment balance (non-government) | 6.2 | 4.1 | 7.2 | 7.3 | 5.0 | 4.2 | 5.8 | 5.5 |
| Savings-Investment balance (government) | -12.5 | -12.8 | -10.4 | -11.4 | -9.1 | -9.0 | -11.9 | -9.8 |
| Gross national savings | 9.2 | 7.3 | 12.8 | 12.7 | 14.9 | 15.2 | 9.8 | 14.3 |
| of which: non-government | 17.2 | 16.0 | 18.0 | 16.6 | 17.5 | 17.3 | 17.1 | 17.1 |
| Gross domestic investment | 15.5 | 16.0 | 16.0 | 16.8 | 19.0 | 20.0 | 15.8 | 18.6 |
| of which: non-government | 11.0 | 12.0 | 10.8 | 9.4 | 12.5 | 13.1 | 11.3 | 11.7 |
| Bulgaria | | | | | | | | |
| Current account | 1.3 | 2.8 | -0.5 | -5.3 | -5.8 | -6.4 | 1.2 | -5.8 |
| Official grants | 0.4 | 1.3 | 0.6 | 0.6 | 0.6 | 1.4 | 0.7 | 0.9 |
| Savings-Investment balance (non-government) | 11.7 | 4.0 | -1.5 | -4.3 | -4.8 | -5.5 | 4.7 | -4.9 |
| Savings-Investment balance (government) | -10.4 | -1.2 | 1.0 | -1.0 | -1.1 | -0.9 | -3.5 | -1.0 |
| Gross national savings | 9.4 | 13.0 | 13.6 | 13.1 | 10.1 | 9.1 | 12.0 | 10.8 |
| of which: non-government | 19.4 | 12.7 | 8.9 | 9.7 | 7.7 | 7.8 | 13.7 | 8.4 |
| Gross domestic investment | 8.4 | 11.4 | 14.7 | 19.0 | 16.6 | 16.9 | 11.5 | 17.5 |
| of which: non-government | 7.7 | 8.7 | 10.4 | 14.0 | 12.5 | 13.3 | 8.9 | 13.3 |
| Croatia | | | | | | | | |
| Current account | -5.5 | -11.6 | -7.1 | -6.9 | -2.3 | -3.7 | -8.0 | -4.3 |
| Official grants | 0.8 | 0.2 | 0.0 | -0.6 | 0.1 | 0.4 | 0.3 | -0.1 |
| Savings-Investment balance (non-government) | -3.7 | -9.2 | -3.6 | 1.0 | 3.7 | 2.3 | -5.5 | 2.4 |
| Savings-Investment balance (government) | -1.8 | -2.3 | -3.5 | -8.0 | -6.0 | -6.0 | -2.5 | -6.7 |
| Gross national savings | 15.8 | 12.5 | 16.3 | 16.8 | 18.6 | 19.1 | 14.9 | 18.2 |
| of which: non-government | 10.9 | 8.4 | 11.8 | 16.7 | 20.0 | 20.8 | 10.4 | 19.1 |
| Gross domestic investment | 22.1 | 24.2 | 23.3 | 23.1 | 21.0 | 23.1 | 23.2 | 22.4 |
| of which: non-government | 14.6 | 17.6 | 15.4 | 15.6 | 16.2 | 18.5 | 15.9 | 16.8 |
| FYR Macedonia | | | | | | | | |
| Current account | -6.3 | -7.7 | -9.7 | -3.4 | -3.1 | -10.2 | -7.9 | -5.6 |
| Official grants | 1.2 | 0.0 | 0.2 | 1.7 | 2.6 | 0.5 | 0.5 | 1.6 |
| Savings-Investment balance (non-government) | -4.9 | -7.4 | -8.0 | -3.4 | -5.6 | -4.2 | -6.7 | -4.4 |
| Savings-Investment balance (government) | -1.4 | -0.4 | -1.7 | 0.0 | 2.5 | -6.0 | -1.2 | -1.2 |
| Gross national savings | 11.4 | 14.0 | 13.7 | 19.0 | 21.3 | 9.0 | 13.0 | 16.5 |
| of which: non-government | 11.6 | 13.0 | 13.6 | 16.7 | 16.1 | 11.6 | 12.7 | 14.8 |
| Gross domestic investment | 18.8 | 21.7 | 23.3 | 22.4 | 24.4 | 19.3 | 21.3 | 22.0 |
| of which: non-government | 16.5 | 20.3 | 21.6 | 20.2 | 21.7 | 15.8 | 19.5 | 19.2 |
| Romania | | | | | | | | |
| Current account | -7.3 | -6.1 | -7.1 | -4.2 | -3.7 | -6.0 | -6.9 | -4.7 |
| Official grants | 1.7 | 1.6 | 1.5 | 1.8 | 2.3 | 3.0 | 1.6 | 2.4 |
| Savings-Investment balance (non-government) | -2.6 | -0.8 | -1.7 | -0.5 | 0.3 | -2.5 | -1.7 | -0.9 |
| Savings-Investment balance (government) | -4.8 | -5.2 | -5.5 | -3.8 | -4.0 | -3.5 | -5.2 | -3.8 |
| Gross national savings | 16.9 | 12.9 | 9.3 | 11.1 | 13.3 | 10.9 | 13.0 | 11.8 |
| of which: non-government | 18.1 | 15.0 | 12.6 | 13.9 | 16.7 | 14.3 | 15.2 | 14.9 |
| Gross domestic investment | 25.9 | 20.6 | 17.9 | 17.2 | 19.4 | 20.0 | 21.5 | 18.9 |
| of which: non-government | 20.7 | 15.8 | 14.2 | 14.3 | 16.3 | 16.8 | 16.9 | 15.8 |

Source: Based on data provided by IMF country desks.

Figure I-3. FYRM: Cross-Country Comparison of Public Finances
(In percent of GDP)



Sources: Country desk data, IMF.

have been high (Table I-5). This compares in some respects unfavorably with the experiences of other countries in the region. For example, Albania has experienced high and positive private sector savings-investment balances since 1996. In turn, given Albania's external performance, this private sector behavior has allowed for a much weaker fiscal path; the overall fiscal deficit was 12 percent of GDP for 1996-1998, and 10 percent of GDP for 1999-2001. Also worth noting is that non-government savings of the FYRM, excluding developments in 2001, have increased from about 11½ percent of GDP in 1996 to 16 percent in 2000, only to decline sharply in 2001 as a result of the security crisis. Private investment levels have been high, averaging about 19 percent of GDP since 1996, but declined sharply in 2001 (Figure I-4, first panel, and Table I-5). By contrast, the investment levels of other countries in our sample have been lower. For example, Albania's private investment has been about 11½ percent of GDP since 1996 (Table I-5).

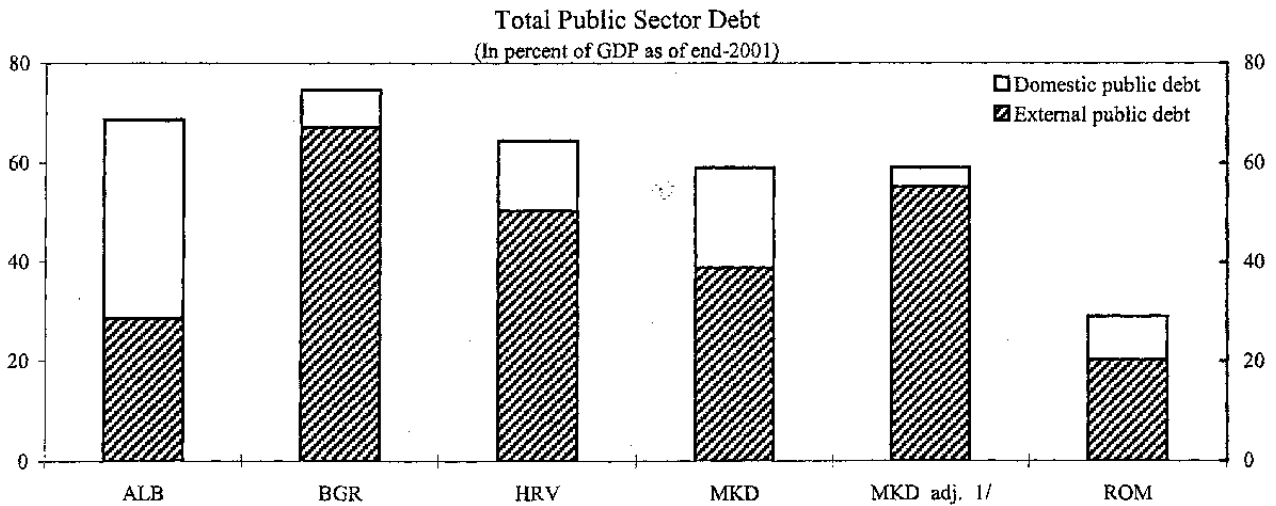
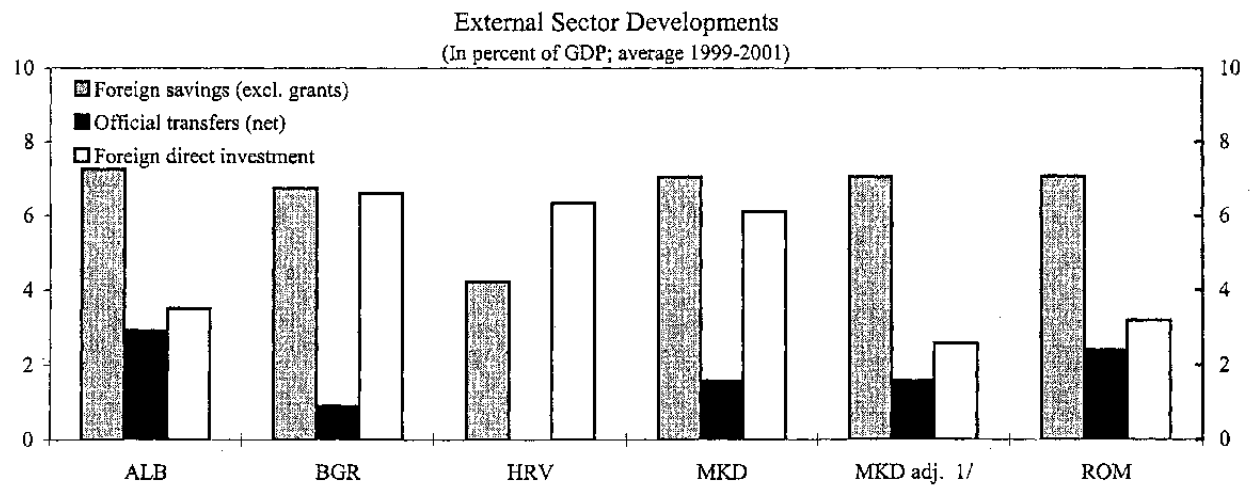
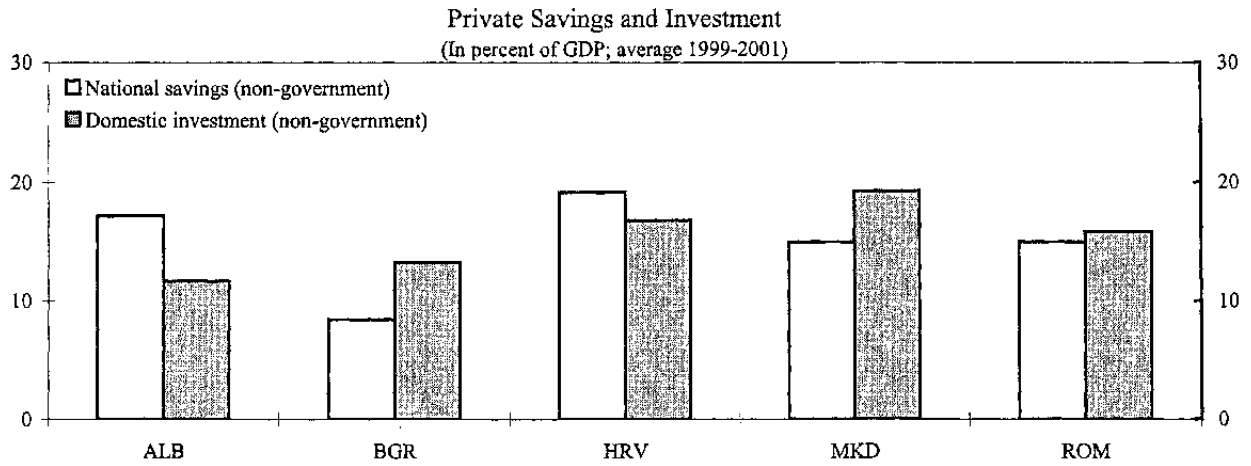
32. From the perspective of non-debt creating external financing sources, other countries in our sample also appear to face a more comfortable situation than the FYRM (Figure I-4, second panel). Albania and Romania have received official transfers that are larger than those of the FYRM; 2½ to 3 percent of GDP compared to 1½ percent of GDP in the FYRM. The levels of official transfers to the FYRM are not negligible, though an increase was observed during the Kosovo crisis, but this is not likely to be available on a recurrent basis. Also, FYRM's FDI levels as a share of GDP are the lowest in the region when adjusted to exclude privatization receipts.¹⁶

33. Finally, debt levels also suggest limited room for the FYRM to pursue a debt-financed growth strategy.¹⁷ Total gross public sector debt is equal to 59 percent of GDP, double the level of Romania though slightly lower than the levels in Albania and other countries in our sample. The external debt figures present a more concerning picture. At first, these appear to be modest in the FYRM (i.e. 39 percent of GDP). However, the FYRM has a large level of domestic debt denominated in foreign currency. Adjusting external debt figures to take into account foreign-currency denominated debt results in external debt ratios to GDP of 55 percent, higher than in most countries in the region (Figure I-4, third panel).

¹⁶ Excludes privatization receipts in foreign currency from the sale of (i) Stopanska Banka, (ii) a majority stake in the telecommunications company, and (iii) a license for a second telecom mobile operator. The FDI data for other countries is not adjusted due to lack of information on privatization receipts.

¹⁷ The discussion in this section, for comparability with the data available for other countries in our group, is based on total public sector debt (i.e. including public enterprises and publicly guaranteed debt). As a result, the debt figures for the FYRM are larger than those presented in the previous section that refer only to government debt. See also footnote 5 in Table I-2.

Figure I-4. FYRM: Savings-Investment Balances and External Performance



Sources: Country desk data, IMF.

1/ Debt data adjusted for domestic debt denominated in foreign currency.

D. CONCLUDING REMARKS

34. The security crisis has drastically changed the medium-term fiscal challenges faced by the FYRM. Not only have new expenditure demands emerged, but also more are likely to arise over the medium-term. The baseline scenario discussed in this note assumes an increase in private sector investment in 2002-05, and assumes an improvement in the current account of 2 percentage points of GDP over the same period. To achieve this improvement, fiscal measures of at least 2 percent of GDP will need to be introduced once the financial transaction tax is eliminated. The fiscal stance chosen is also consistent with sustainable debt dynamics for the public sector; specifically, by 2005, net debts are projected to stabilize at 40 percent of GDP.

II. DEVELOPMENTS IN THE BANKING SYSTEM, 2000-01¹⁸

A. INTRODUCTION

1. A major element of FYRM's reform efforts has been the creation of a sound banking system. The focus has been on upgrading banking legislation in line with international standards and the Basel core principles, strengthening supervision, improving lending practices, and reforming the payment system. Progress on these fronts through end-1999 was discussed in Drummond (2000).¹⁹ The primary purpose of this note is to review developments in the banking sector during 2000-01, focusing particularly on banks' lending behavior and the dynamics of classified debt. The note also examines the impact on banks' balance sheet as a result of the contrasting economic environment of the past two years. While the economic outcome was favorable in 2000, there was a marked downturn in 2001 owing to a six-month security crisis.

2. The rest of the paper is organized as follows. Section B describes the market structure of the banking system. Section C describes the developments in the assets and liabilities of the banking system. Section D examines the dynamics in the quality of the credit portfolio and soundness of the banking system. Section E concludes.

B. MARKET STRUCTURE

3. The banking sector in FYRM is concentrated. Of the 20 commercial banks, the top two banks account for more than one-half of the banking system assets and about two-thirds of the deposits, as of end-September 2001 (Table II-1). The third largest bank accounts for only about 8 percent of the assets and about 5 percent of the deposit base. With the sale in early 2000 of the state's share in Stopanska Banka (the largest commercial bank) to foreign strategic partners, privatization of the banking sector was completed. The number of banks with majority foreign shareholders increased to 6 banks from 4 banks at end-1999; two of the largest three banks have a majority foreign stake.

C. BANKING SYSTEM ASSETS AND LIABILITIES

4. The banking system is characterized by a low level of intermediation. This is reflected in the low asset to GDP ratio; as of end-September 2001, this was about 31 percent compared

¹⁸ Prepared by Salim M. Darbar.

¹⁹ See Drummond, Paulo, 2000, "FYR Macedonia Banking Soundness and Recent Lessons," IMF Working Paper 00/145.

to a minimum of about 65 percent in central European economies in 2000.²⁰ Loans comprised about half of the assets at 53 percent, while liquid assets accounted for another 44 percent. The bulk of the latter represents foreign currency assets placed abroad. The rising trend in banking system assets from end-1999 through end-2000 was reversed in the first quarter of 2001 (Table II-2). This reflected mainly the decline in cash assets related to the withdrawal of deposits triggered by the outbreak of the security crisis. However, with the security situation stabilizing, total assets increased in the third quarter of 2001.

5. The deposit base of FYRM's banking system is equivalent to 12 percent of GDP at end-September 2001. Deposits accounted for only about one half of total liabilities, while equity capital contributed about one fourth (Table II-3). An important characteristic of the deposit base is the high share of foreign currency deposits; about 40 percent at end-September 2001. This reflects depositors' preference for asset substitution, and has persisted despite the 6–7 percentage points higher interest rates paid on denar deposits. Deposits increased in 2000. But with the onset of the crisis in late-February 2001, they declined in the first and second quarters of 2001. With improvement in the security situation, facilitated by the signing of the Framework Agreement, the deposit base recovered in the third quarter, but was still below the pre-crisis level. The recovery in deposits was led by a higher foreign currency deposits.

Credit expansion and risks

6. Credit to the private sector expanded in 2000 and through first half of 2001. Several factors help to explain this: the growth in the deposit base in 2000, a favorable economic environment in 2000, and a reduction in interest rates. Credit expansion slowed in Q3, 2001, as banks turned cautious in mid-year as the crisis wore on.

7. There has been an improvement in the lending behavior of banks since end-1999. In contrast to 1999, when about 80 percent of the credit flow was directed to the largest 16 high-risk borrowers, in 2000 and 2001, about 95 percent of all new loans and rolled-over credits were extended to enterprises rated as A or B (text table on next page).²¹ This reflects in part the stricter credit-worthy oversight by the central bank and the enforcement of the prudential guidelines on provisioning. An additional factor was the privatization of Stopanska Banka,

²⁰ See Wagner, Nancy and Dora Iakova, 2001, "Financial Sector Evolution in the Central European Economies: Challenges in Supporting Macroeconomic Stability and Sustainable Growth," IMF Working Paper 01/141, p. 7.

²¹ The NBM's loan classification system divides the portfolio into five categories based on subjective and objective criteria including the amount of time loan repayments are overdue: Pass or A, less than 15 days; Watch or B, from 16–60 days; Substandard or C, from 61–150 days; Doubtful or D, from 151–365 days; and Loss or E, over 365 days or without recovery.

which in the past accounted for about one half of the high-risk loans. Under new management, Stopanska Banka has curtailed its lending activity, as it undergoes restructuring. Its share in total bank credit has dropped from 36 percent at end-1999 to 25 percent as of end-September 2001.

| | New and Rolled-Over Credit (In millions of denars) | | | | | Total |
|--|---|-------|-------|-----|----|--------|
| | A | B | C | D | E | |
| January-December 2000 | 26,172 | 6,156 | 1,967 | 931 | 34 | 35,260 |
| <i>Of which: A and B (in percent of total)</i> | | | | | | 91.7 |
| January-September 2001 | 20,536 | 9,261 | 1,023 | 57 | 14 | 30,890 |
| <i>Of which: A and B (in percent of total)</i> | | | | | | 96.5 |

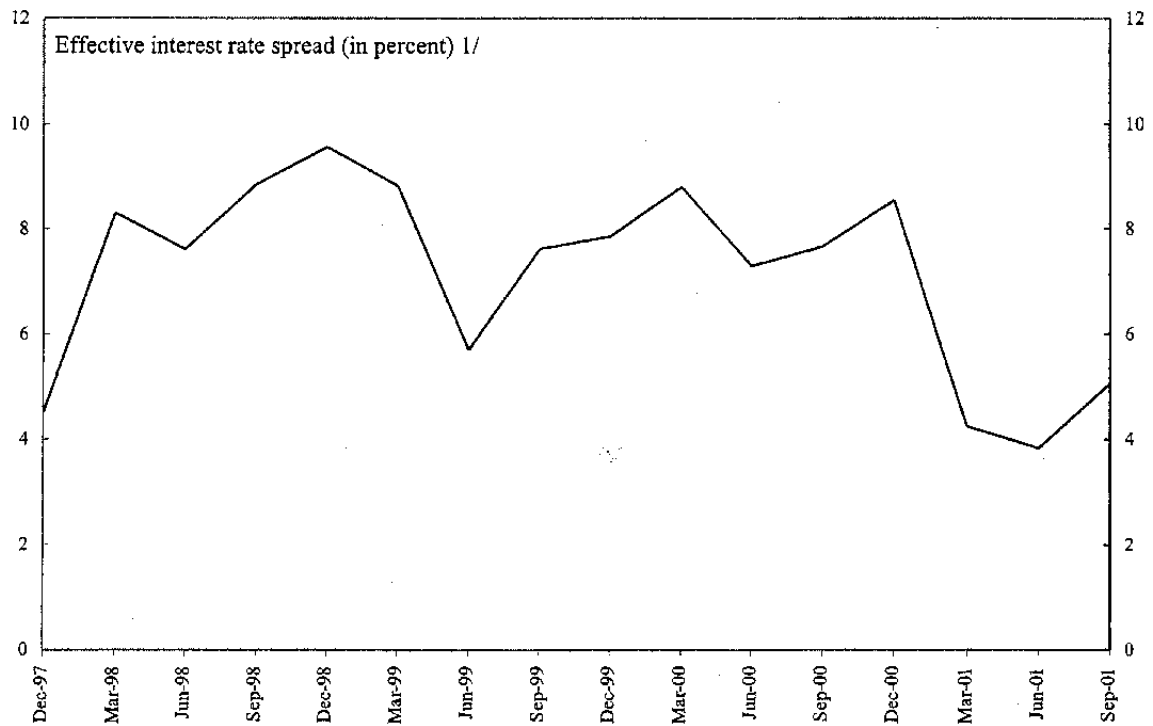
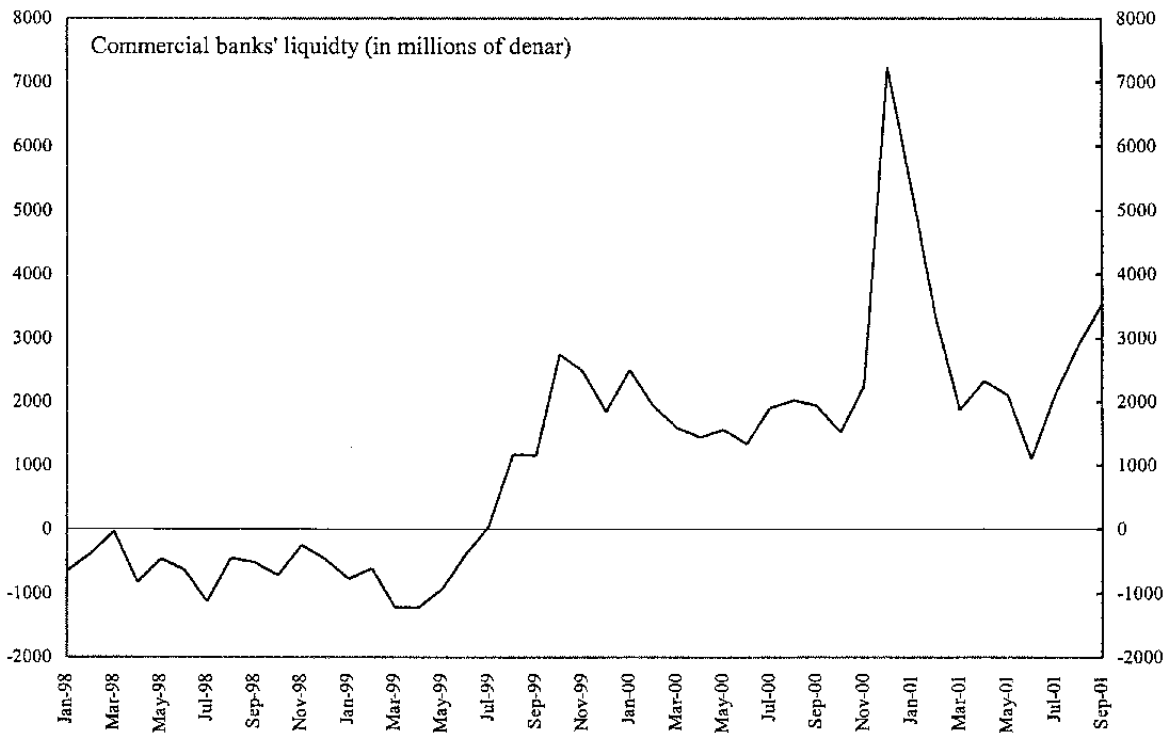
Source: National Bank of Macedonia.

8. Lending in foreign currency and indexing denar loans to a foreign currency is a common practice of banks in FYRM.²² As of end-September 2001, the combined share of these types of lending was about 40 percent in total lending (Table II-4). The attraction to the borrower is the lower interest rate that these loans typically carry compared to regular denar credit. Interest rates are about 3 to 7 percent lower for foreign currency loans and about 3 to 4 percent lower for indexed loans. The share of foreign currency loans has tended to rise during tighter monetary conditions. Thus, foreign currency lending declined from end-1999 through to end-March 2001, when denar liquidity was high (Figure II-1). Accordingly, the share of foreign currency lending to total lending declined from 21 percent at end-1999 to 12 percent at end-March 2001. However, with the tightening of monetary conditions in mid-2001, there was a slight pick-up in lending in foreign currency. On the other hand, indexed lending declined slightly, broadly in line with the slow down in denar lending (data on indexed lending is only available starting April 2001).

9. Although banks have covered their net foreign exchange position, foreign currency/indexed loan borrowers are not hedged against foreign currency risk. As of end-September 2001, 16 of the 20 banks had long aggregate net foreign exchange open position. The 4 banks with short aggregate net open foreign exchange positions were within the

²² Foreign currency lending is done through accessing lines of credit made available to Macedonian banks from multilateral institutions (e.g., IBRD), bilateral sources (e.g., Italy), and foreign banks (e.g., KFW, Germany). Many of the foreign currency loans through these credit lines have their interest rates linked to the EURIBOR, plus some margin ranging from 3-4 percent.

Figure II-1. FYRM: Commercial Banks' Liquidity and Effective Interest Rate Spread



Sources: National Bank of Macedonia; and IMF staff calculations.

1/ Effective interest rate spread is calculated as the ratio of interest income to credit to nonbanks less ratio of interest expense to deposits of nonbanks.

prudential guidelines. The users of foreign currency/indexed credit are diverse and are involved in production of agricultural products, tobacco, manufacturing, textiles, construction, retail trade, and tourism. Partial data indicate that over 60 percent of the borrowers are domestically oriented enterprises and do not have access to foreign exchange revenues.

10. The banking system is exposed to off-balance sheet risks. Outstanding off-balance sheet claims (primarily guarantees and letters of credit) are around 20 percent of total assets, and more than half of these claims are uncovered (Table II-2). Since its privatization in 2000 Stopanska Banka, has lowered its off-balance sheet exposure. But, off-balance sheet exposure (both covered and uncovered) of other banks has risen (text table below). The default rate of uncovered off-balance-sheet claims have fallen since 1999: it averaged 20 percent in 2000 and 18 percent through the first nine months of 2001 (Table II-5), compared to an average of 25 percent during the last 6 months of 1999.

FYRM: Selected Off-Balance Sheet Items
(In millions of denars; unless otherwise specified)

| | 1999 | 2000 | 2001 |
|--|---------------|---------------|---------------|
| | Dec. | Dec. | Sep. |
| Ratio of uncovered off-balance sheet items to banking system assets (In percent) | 12.9 | 11.0 | 11.1 |
| Total off-balance sheet items | 14,008 | 13,998 | 14,034 |
| Of which: all banks excluding Stopanska Banka (In percent of total off-balance sheet items) | 7,324 52.3 | 7,597 54.3 | 9,069 64.6 |
| Total uncovered off-balance sheet items | 9,300 | 9,059 | 8,131 |
| Of which: all banks excluding Stopanska Banka (In percent of total uncovered off-balance sheet items) | 5,281 56.8 | 5,602 61.8 | 5,958 73.3 |

Source: National Bank of Macedonia.

D. QUALITY OF CREDIT PORTFOLIO AND SOUNDNESS

Classified exposure²³

11. Assessment of the quality of the balance sheet needs to take into account both the total size of nonperforming loans as well as the composition of the risk categories. For instance, the level of classified exposure could remain constant, but there could be reclassification of loans from C to D and D to E. This would require banks to set aside

²³ Classified exposures are loans classified in the C, D, and E categories.

additional loan-loss provision as per prudential guidelines.²⁴ The analysis below, therefore looks at the dynamics of C, D, and E category loans.

12. Classified exposures peaked in Q3, 1999, rising by 10 percentage points from Q1 to 49 percent, reflecting the impact of the Kosovo crisis.²⁵ The initial impact of the crisis can be seen in the big jump in claims in risk category C in Q2 (text table below), and the ratio of classified exposure increased by 7.6 percentage points (Table II-6). The impact of the crisis continued in Q3, and total classified exposure increased by another 2.4 percentage points. By end-September, the composition shifted toward higher risk classifications, as some of the firms affected by the crisis continued not to service their debts and E category loans increased with the ageing of non performing loans from before the Kosovo crisis.

FYRM: Quarterly Change in Classified Exposure
(In millions of denars)

| | 1999 | | | |
|---------------------------|-------|-------|--------|--------|
| | Mar. | Jun. | Sep. | Dec. |
| C | 859 | 2,975 | -1,332 | -2,072 |
| D | 379 | 821 | -1,152 | 2,053 |
| E-adjusted | 55 | 522 | 4,177 | -3,330 |
| Total classified exposure | 1,293 | 4,317 | 1,693 | -3,349 |
| Total exposure | 2,339 | -18 | 696 | -2,895 |

Source: National Bank of Macedonia.

13. With an improvement in the economic environment, classified credit as a ratio to total exposure declined from the last quarter of 1999 through the first quarter of 2001. But reflecting the ageing of permanently affected nonperforming loans, the share of loans in category E increased (Table II-6 and text table on next page).

14. The security crisis of 2001 led to a deterioration in the credit portfolio of banks. There was an increase in the ratio of classified exposures by about 1 percentage point to 42 percent in the Q2. The impact of the crisis continued to be felt in subsequent months, and the ratio of

²⁴ Depending on riskiness of a claim banks are to set aside specific provisions according to the following guidelines: 2 percent for A; 10 percent for B; 25 percent for C; 50 percent for D; and 100 percent for E.

²⁵ According to the Supervisory guidelines issued by the NBM, banks are to remove claims from the balance sheet after the claim has been continuously classified for two quarters in risk category E. Thus, to see the actual movement of claim in risk category E, these amounts have been added back, and the adjusted figures are reported.

classified exposure increased by about 2 percentage points in Q3. There was also an increase in loans in category E, reflecting loans that became nonperforming prior to the security crisis of 2001 (text table below and Table II-6).

15. Although, there was an increase in classified exposure owing to the crisis, the full impact will be felt by the banks only if these loans remain nonperforming and the banks end up provisioning for them in full in another 6 months. In the event, the full impact is likely to be felt by the banks in 2002. On the other hand, if economic recovery is quick, it could allow these enterprises to begin servicing their debts again, and the banks' position would improve accordingly.

FYRM: Change in Classified Exposure
(In millions of denar)

| | 2000 | 2001 | | |
|----------------------|---------------|------------------|-------|--------|
| | Dec | Mar | Jun | Sep |
| | Annual change | Quarterly change | | |
| C | -2,097 | -275 | 955 | 806 |
| D | -2,053 | 518 | -64 | -554 |
| E-adjusted | 2,474 | 188 | 1,182 | 491 |
| C, D, and E-adjusted | -1,675 | 431 | 2,074 | 743 |
| Total adjusted | 1,586 | 1,864 | 3,870 | -1,034 |

Source: National Bank of Macedonia.

16. Total loan loss provisions was equal to 53 percent of classified exposure as of end-September 2001, almost equal to end-1999, but lower than the 65 percent as of end-2000 (Table II-7). The amount of shortfall in provisioning as identified by the NBM as a ratio to classified exposure was similar in 2000 and 2001. Although banks have improved their lending behavior, both in 2000 and 2001, there was an increase in claims in category E (see text Table above), which required banks to make additional loan-loss provisions.

Profitability

17. The profitability of the banking system has been weak and hampered by the poor asset quality. After allowing for unallocated provisioning, net income turned slightly positive (1 percent of assets) in 2000 compared to 1999 (Table II-8). The performance would have been stronger if the banks did not have to set aside a substantial amount in provisioning for dealing with the overhang of nonperforming assets. Loan loss provisions (including unallocated) amounted to 4 percent of total assets in 2000.

18. In 2001, net income turned negative. A major cause was a decline in net interest income as banks lowered interest for their prime customers in early 2001 (Figure II-1). In addition, there was also a decline in income from fees and foreign exchange transactions (which contributed about 25 percent of the banks' income in 2000), reflecting the slowdown in economic activity. The loan loss provisions (allocated and unallocated) during January-September was slightly lower than in the corresponding period of 2000 (Table II-8). The impact of the security crisis may yet affect the banks' 2002 earnings, if they have to provision for the loans affected by the 2001 crisis that remain nonperforming.

Bank capitalization

19. The capitalization of Macedonian banks as of end-September 2001 was a striking 36 percent of risk-weighted assets compared to 29 percent at end-1999 (Table II-7). The lowest capital adequacy ratio (CAR) was 21 percent. This high capitalization reflects the fact that several of the small banks have attracted only a low level of deposits. As deposits increase and they are lent out, the CARs should automatically decline.

20. Is this high capitalization adequate given the potential that loan portfolios could worsen as a consequence of the 2001 security crisis? An increase in classified exposure would mean banks would have to increase their provisioning accordingly. For example, assume that claims classified as C increase by 10 percent (as of the end-September 2001 level), and that all the increase eventually becoming E claims requiring 100 percent provision. Then the additional provisioning requirement would reduce the CAR of the banking system from 36 to 34 percent of risk-weighted assets. Owing to the cushion provided by the high initial level of CARs, this example indicates that the banking system could to an extent weather any potential deterioration that may arise owing to the recent crisis.

E. CONCLUSIONS

21. FYRM's banking system has made considerable progress in the past two years, as demonstrated by the improved supervision by the NBM and the direction of bank lending to creditworthy borrowers. However, the high proportion of foreign currency/index lending may be a potential source of concern. Another source of concern is the increase by some banks in off-balance sheet operations. The impact of the past poor lending behavior has continued to impair banks profitability in 2000 and 2001, as the banks are forced to set aside sums for provisioning. The crisis of 2001, has led to a deterioration in the credit portfolio of banks. If the economic recovery is quick, and enterprises affected by the crisis also recover, then there might not be any adverse effects in 2002 on the banks' balance sheet. However, if those enterprises that were affected are not able to recover, then it may hamper banks' operations in 2002, as the banks will be required to set aside additional provision. The impact of the crisis in 2001 appears to be much less than the impact from the Kosovo crisis in 1999, and the higher level of capital adequacy will help to an extent absorb any potential impact.

Table II-1. FYRM: Summary Balance Sheet of Banks, 1998-2001

| | 1998 | 1999 | 2000 | 2001 | | | | | |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|-----------------------------|---------------------|-----------------------------|---------------------|-----------------------------|
| | Dec. | Dec. | Dec. | Mar. | | Jun. | | Sep. | |
| | 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 | 74,922 | 41,130 | 70,797 | 36,134 | 73,087 | 38,581 |
| Cash and bonds | 21,688 | 35,981 | 44,620 | 35,286 | 22,690 | 29,965 | 18,279 | 31,776 | 19,557 |
| Credit to non-banks | 32,183 | 33,425 | 36,745 | 37,288 | 19,285 | 39,003 | 18,620 | 38,697 | 19,439 |
| Credit to banks | 581 | 2,030 | 1,426 | 1,539 | 376 | 1,664 | 427 | 1,814 | 472 |
| Capital investments and fixed assets | 4,605 | 5,467 | 5,763 | 6,147 | 2,961 | 6,390 | 3,129 | 6,618 | 3,368 |
| Accrued interest and other assets | 7,339 | 6,728 | 6,326 | 5,786 | 2,359 | 5,065 | 1,965 | 6,226 | 2,811 |
| Provisions 1/ | -7,302 | -11,352 | -12,880 | -11,124 | -6,540 | -11,291 | -6,286 | -12,045 | -7,067 |
| Total Liabilities | 59,093 | 72,279 | 81,999 | 74,922 | 41,130 | 70,797 | 36,134 | 73,087 | 38,581 |
| Deposits | 32,219 | 43,870 | 51,598 | 43,234 | 28,665 | 39,410 | 24,767 | 41,803 | 27,506 |
| Borrowings | 9,394 | 9,612 | 7,822 | 8,278 | 3,421 | 9,125 | 3,428 | 8,956 | 3,265 |
| Other liabilities | 2,674 | 3,862 | 3,477 | 4,281 | 2,655 | 3,054 | 2,157 | 3,219 | 1,640 |
| Owned funds | 14,807 | 14,935 | 19,102 | 19,128 | 6,389 | 19,207 | 5,782 | 19,109 | 6,170 |
| Off-balance sheet items | 14,736 | 14,008 | 13,998 | 14,595 | 8,724 | 15,818 | 8,924 | 14,034 | 8,116 |
| (In percent of GDP) | | | | | | | | | |
| Total assets | 30.3 | 34.6 | 34.7 | 31.9 | 17.5 | 30.2 | 15.4 | 31.1 | 16.4 |
| Cash and bonds | 11.1 | 17.2 | 18.9 | 15.0 | 9.7 | 12.8 | 7.8 | 13.5 | 8.3 |
| Credit to non-banks | 16.5 | 16.0 | 15.6 | 15.9 | 8.2 | 16.6 | 7.9 | 16.5 | 8.3 |
| Credit to banks | 0.3 | 1.0 | 0.6 | 0.7 | 0.2 | 0.7 | 0.2 | 0.8 | 0.2 |
| Capital investments and fixed assets | 2.4 | 2.6 | 2.4 | 2.5 | 1.2 | 2.6 | 1.2 | 2.7 | 1.3 |
| Accrued interest and other assets | 3.8 | 3.2 | 2.7 | 2.5 | 1.0 | 2.2 | 0.8 | 2.7 | 1.2 |
| Provisions 1/ | -3.7 | -5.4 | -5.5 | -4.7 | -2.8 | -4.8 | -2.7 | -5.1 | -3.0 |
| Total Liabilities | 30.3 | 34.6 | 34.7 | 31.9 | 17.5 | 30.2 | 15.4 | 31.1 | 16.4 |
| Deposits | 16.5 | 21.0 | 21.8 | 18.4 | 12.2 | 16.8 | 10.6 | 17.8 | 11.7 |
| Borrowings | 4.8 | 4.6 | 3.3 | 3.5 | 1.5 | 3.9 | 1.5 | 3.8 | 1.4 |
| Other liabilities | 1.4 | 1.8 | 1.5 | 1.8 | 1.1 | 1.3 | 0.9 | 1.4 | 0.7 |
| Owned funds | 7.6 | 7.1 | 8.1 | 8.1 | 2.7 | 8.2 | 2.5 | 8.1 | 2.6 |
| Off-balance sheet items | 7.6 | 6.7 | 5.9 | 6.2 | 3.7 | 6.7 | 3.8 | 6.0 | 3.5 |

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

1/ Includes unallocated specific provisions as determined by NBM.

Table II-2. FYRM: Banking System Assets, 1998-2001¹

| | 1998 | 1999 | 2000 | | | | 2001 | | |
|---|--|--------|--------|--------|--------|--------|--------|--------|--------|
| | Dec. | Dec. | Mar. | Jun. | Sep. | Dec. | Mar. | Jun. | Sep. |
| | (In percent of total assets, unless otherwise indicated) | | | | | | | | |
| Cash and securities | 36.7 | 49.8 | 49.4 | 49.1 | 50.7 | 54.4 | 47.1 | 42.3 | 43.5 |
| Bank credit to non-bank | 54.5 | 46.2 | 45.9 | 48.9 | 46.9 | 44.8 | 49.8 | 55.1 | 52.9 |
| Enterprises | 42.9 | 30.2 | 28.8 | 31.1 | 29.6 | 29.7 | 33.4 | 36.2 | 32.9 |
| Households | 3.6 | 3.2 | 3.6 | 4.3 | 3.9 | 4.1 | 4.6 | 5.3 | 4.9 |
| Others | 2.1 | 2.3 | 2.9 | 1.8 | 1.9 | 1.9 | 1.4 | 2.9 | 2.7 |
| Overdue and non-performing loans | 5.8 | 10.6 | 10.6 | 11.6 | 11.5 | 9.2 | 10.4 | 10.8 | 12.4 |
| Credit to banks | 1.0 | 2.8 | 2.5 | 2.2 | 1.9 | 1.7 | 2.1 | 2.4 | 2.5 |
| Other assets | 20.2 | 16.9 | 20.5 | 18.7 | 18.2 | 14.7 | 15.9 | 16.2 | 17.6 |
| Accrued interest | 4.1 | 2.7 | 2.1 | 2.1 | 2.1 | 1.6 | 1.4 | 1.2 | 1.5 |
| Other assets 1/ | 8.3 /1 | 6.6 | 10.9 | 8.9 | 8.7 | 6.1 | 6.4 | 5.9 | 7.0 |
| Capital investments and fixed assets | 7.8 | 7.6 | 7.4 | 7.7 | 7.4 | 7.0 | 8.2 | 9.0 | 9.1 |
| Provisions | -12.4 | -15.7 | -18.2 | -18.9 | -17.7 | -15.7 | -14.8 | -15.9 | -16.5 |
| Memorandum items: | | | | | | | | | |
| Total off-balance sheet items | 24.9 | 19.4 | 18.9 | 20.5 | 19.2 | 17.1 | 19.5 | 22.3 | 19.2 |
| Uncovered letters of credit and guarantees | 16.6 | 12.9 | 12.2 | 12.7 | 12.3 | 11.0 | 11.4 | 12.8 | 11.1 |
| Covered letters of credit and guarantees | 3.0 | 2.6 | 3.1 | 3.2 | 2.3 | 1.9 | 3.1 | 3.8 | 3.1 |
| Other off-balance sheet items | 5.3 | 3.9 | 3.6 | 4.6 | 4.5 | 4.1 | 5.0 | 5.7 | 5.0 |
| Total risk-weighted assets | 86.9 | 70.4 | 70.8 | 70.5 | 66.5 | 62.4 | 69.5 | 74.8 | 71.1 |
| Risk-weighted on-balance | 71.8 | 58.3 | 58.1 | 58.2 | 54.9 | 50.9 | 57.7 | 61.7 | 59.9 |
| Risk-weighted off-balance | 17.7 | 13.7 | 13.0 | 13.6 | 13.3 | 11.9 | 12.5 | 14.1 | 12.2 |
| Unallocated provisions and other items 2/ | -2.6 | -1.5 | -0.3 | -1.3 | -1.6 | -0.4 | -0.7 | -1.0 | -1.0 |
| Total banking system assets (in millions of denars) | 59,093 | 72,279 | 72,393 | 72,536 | 77,808 | 81,999 | 74,922 | 70,797 | 73,087 |

Sources: National Bank of Macedonia (NBM), 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 NBM. Prior to that includes uncovered losses and capital investments as per the Banking Act.

Table II-3. FYRM: Banking System Liabilities, 1998-2001

| | 1998 | 1999 | 2000 | | | | 2001 | | |
|--|---|--------|--------|--------|--------|--------|--------|--------|--------|
| | Dec. | Dec. | Mar. | Jun. | Sep. | Dec. | Mar. | Jun. | Sep. |
| | (In percent of total liabilities, unless otherwise indicated) | | | | | | | | |
| Deposits of non-banks | 49.8 | 56.4 | 55.8 | 54.3 | 54.1 | 56.9 | 53.5 | 52.0 | 52.9 |
| Sight and short-term deposits | 44.3 | 50.3 | 50.6 | 48.9 | 49.1 | 53.1 | 48.6 | 46.9 | 47.7 |
| Of which: in foreign exchange | 21.2 | 23.3 | 23.3 | 23.1 | 23.7 | 23.3 | 22.2 | 19.8 | 18.8 |
| By economic classification: | | | | | | | | | |
| Enterprises | 28.7 | 34.5 | 34.5 | 32.1 | 31.4 | 27.7 | 26.5 | 22.7 | 22.7 |
| Households | 10.1 | 9.7 | 10.2 | 10.7 | 11.3 | 13.0 | 14.0 | 14.6 | 16.0 |
| Others | 5.5 | 6.1 | 5.9 | 6.1 | 6.4 | 12.4 | 8.1 | 9.6 | 9.0 |
| Long-term deposits | 5.6 | 6.1 | 5.2 | 5.4 | 5.0 | 3.7 | 4.9 | 5.1 | 5.1 |
| Of which: in foreign exchange | 0.6 | 0.7 | 0.8 | 0.9 | 1.0 | 1.1 | 1.5 | 1.9 | 2.1 |
| By economic classification: | | | | | | | | | |
| Enterprises | 0.7 | 1.2 | 0.7 | 0.7 | 0.4 | 0.1 | 0.2 | 0.2 | 0.1 |
| households | 3.9 | 3.6 | 3.4 | 3.5 | 3.4 | 3.5 | 4.1 | 4.7 | 4.7 |
| others | 1.0 | 1.4 | 1.1 | 1.2 | 1.1 | 0.2 | 0.6 | 0.3 | 0.3 |
| Borrowings | 15.9 | 13.3 | 12.6 | 11.8 | 10.0 | 9.5 | 11.0 | 12.9 | 12.3 |
| Short-term borrowings | 7.2 | 6.2 | 5.3 | 4.6 | 3.9 | 2.9 | 3.4 | 5.0 | 4.8 |
| Of which: in foreign exchange | 3.6 | 3.7 | 3.6 | 3.5 | 2.8 | 2.0 | 2.2 | 3.4 | 4.1 |
| | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Long-term borrowings | 8.6 | 7.1 | 7.3 | 7.2 | 6.1 | 6.7 | 7.7 | 7.9 | 7.4 |
| Of which: in foreign exchange | 7.9 | 6.0 | 6.1 | 6.1 | 5.0 | 4.7 | 5.1 | 5.1 | 4.7 |
| Owned funds | 25.1 | 20.7 | 22.0 | 21.9 | 22.2 | 23.3 | 25.5 | 27.1 | 26.1 |
| Others | 9.2 | 9.6 | 9.6 | 12.1 | 13.8 | 10.3 | 9.9 | 7.9 | 8.7 |
| Memorandum items: | | | | | | | | | |
| Total banking system liabilities (in millions of denars) | 59,093 | 72,279 | 72,393 | 72,536 | 77,808 | 81,999 | 74,922 | 70,797 | 73,087 |
| Foreign exchange deposits (in millions of U.S. dollars) | 249 | 288 | 275 | 272 | 280 | 306 | 258 | 214 | 230 |
| (In percent of total banking system liabilities) | 21.8 | 24.0 | 24.1 | 24.0 | 24.7 | 24.4 | 23.7 | 21.7 | 20.8 |

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

Table II-4. FYRM: Credit to the Private Sector, 1999-2001

(In millions of denars; unless otherwise specified)

| | 1999 | 2000 | | | | 2001 | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Dec | Mar | Jun | Sep | Dec | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct |
| Credit to private sector | 30,267 | 31,392 | 33,676 | 34,851 | 35,749 | 36,382 | 36,348 | 36,777 | 36,350 | 35,563 | 35,829 | 36,299 | 35,995 |
| In denars | 23,834 | 24,699 | 27,709 | 28,931 | 30,737 | 31,959 | 31,908 | 32,392 | 31,545 | 30,743 | 30,643 | 30,678 | 30,269 |
| Of which: denar loans indexed to a foreign currency | ... | ... | ... | ... | ... | ... | 11,815 | 10,925 | 9,574 | 8,687 | 8,672 | 8,606 | 8,467 |
| In foreign currency ^{1/} | 6,433 | 6,693 | 5,967 | 5,920 | 5,012 | 4,423 | 4,440 | 4,385 | 4,805 | 4,820 | 5,186 | 5,621 | 5,726 |
| Memorandum items: | | | | | | | | | | | | | |
| Ratio of indexed loans to total denar loans (in percent) | ... | ... | ... | ... | ... | ... | 37.0 | 33.7 | 30.3 | 28.3 | 28.3 | 28.1 | 28.0 |
| Ratio of foreign currency loans to total credit (in percent) | 21.3 | 21.3 | 17.7 | 17.0 | 14.0 | 12.2 | 12.2 | 11.9 | 13.2 | 13.6 | 14.5 | 15.5 | 15.9 |
| Ratio of indexed loans and foreign currency loans to total credit to private sector (in percent) | ... | ... | ... | ... | ... | ... | 44.7 | 41.6 | 39.6 | 38.0 | 38.7 | 39.2 | 39.4 |

Source: National Bank of Macedonia.

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

Table II-5. FYRM: Credit and Off-Balance Sheet Activity, 2000-2001 1/

| | 2000 Mar | 2000 Jun | 2000 Sep | 2000 Dec | 2001 Mar | 2001 Jun | 2001 Sep |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| (In percent) | | | | | | | |
| All banks | | | | | | | |
| Credit due to off-balance sheet activity (In percent of total credit; cumulative) 2/ 3/ | 34.7 | 7.8 | 9.6 | 3.1 | 16.4 | 9.0 | 11.7 |
| Two major banks | | | | | | | |
| Credit due to off-balance sheet activity (In percent of total credit; cumulative) 2/ 3/ | 14.3 | 0.6 | 4.1 | 0.2 | 17.5 | 9.1 | 13.1 |
| Default rates 4/ | | | | | | | |
| All banks | | | | | | | |
| Off-balance sheet items 5/ | 20.3 | 16.6 | 18.5 | 6.6 | 20.0 | 12.5 | 14.5 |
| Letters of credit | 38.4 | 28.8 | 29.4 | 13.4 | 33.2 | 34.1 | 20.4 |
| Guarantees | 5.7 | 9.2 | 10.1 | 3.5 | 12.5 | 3.4 | 12.1 |
| Two major banks | | | | | | | |
| Off-balance sheet items 5/ | 14.2 | 13.6 | 24.4 | 6.7 | 22.4 | 12.1 | 23.0 |
| Letters of credit | 23.2 | 22.7 | 37.7 | 14.8 | 33.3 | 23.0 | 53.0 |
| Guarantees | 8.3 | 9.8 | 13.5 | 4.5 | 16.3 | 5.0 | 17.0 |
| Memorandum items: | | | | | | | |
| (In millions of denars) | | | | | | | |
| All banks | | | | | | | |
| Off-balance sheet items 5/ | | | | | | | |
| Current due | 1,360 | 1,626 | 1,604 | 2,981 | 1,456 | 1,948 | 1,026 |
| Paid (by the bank) | 276 | 270 | 296 | 197 | 292 | 243 | 149 |
| Letters of credit (L/Cs) | | | | | | | |
| Current due | 605 | 616 | 698 | 943 | 532 | 578 | 303 |
| Paid (by the bank) | 233 | 177 | 205 | 127 | 176 | 197 | 62 |
| Collection of overdue L/Cs | 180 | 236 | 202 | 398 | 212 | 365 | 72 |
| Of which: collection of overdue L/Cs (current month) | 100 | 65 | 103 | 59 | 104 | 66 | 15 |
| Guarantees | | | | | | | |
| Current due | 754 | 1,010 | 906 | 2,037 | 925 | 1,370 | 723 |
| Paid (by the bank) | 43 | 93 | 92 | 71 | 115 | 47 | 87 |
| Collection of overdue guarantees | 164 | 180 | 42 | 145 | 75 | 211 | 35 |
| Of which: collection of overdue guarantees (current month) | 16 | 28 | 19 | 39 | 46 | 12 | 0 |
| Credit flow due to off-balance sheet activity (cumulative) 2/ 3/ | 339 | 293 | 480 | 187 | 234 | 241 | 323 |
| Two major banks | | | | | | | |
| Off-balance sheet items 5/ | | | | | | | |
| Current due | 706 | 736 | 819 | 1,663 | 552 | 866 | 464 |
| Paid (by the bank) | 100 | 100 | 200 | 111 | 123 | 105 | 107 |
| Letters of credit (L/Cs) | | | | | | | |
| Current due | 278 | 217 | 367 | 348 | 197 | 343 | 77 |
| Paid (by the bank) | 65 | 49 | 139 | 52 | 65 | 79 | 41 |
| Collection of overdue L/Cs | 79 | 110 | 126 | 188 | 92 | 68 | 43 |
| Of which: collection of overdue L/Cs (current month) | 26 | 27 | 84 | 26 | 46 | 14 | 4 |
| Guarantees | | | | | | | |
| Current due | 428 | 519 | 452 | 1,315 | 355 | 523 | 387 |
| Paid (by the bank) | 36 | 51 | 61 | 59 | 58 | 26 | 66 |
| Collection of overdue guarantees | 62 | 159 | 24 | 97 | 36 | 85 | 17 |
| Of which: collection of overdue guarantees (current month) | 5 | 22 | 4 | 36 | 8 | 0 | 0 |
| Credit flow due to off-balance sheet activity (cumulative) 2/ 3/ | 140 | 22 | 207 | 15 | 250 | 243 | 360 |

Sources: National Bank of Macedonia, and staff estimates.

- 1/ Based on monthly off-balance sheet reports submitted by banks to the NBM.
2/ Credit measured from the monetary survey (excluding exchange rate valuation effects).
3/ Cumulative beginning January of each year.
4/ In percent of current due.
5/ Uncovered letters of credit (L/Cs) and uncovered guarantees.

Table II-6. FYRM: Credit Classification by Risk, 1998-2001

| | 1998 | 1999 | | | | 2000 | | | | 2001 | | | |
|---|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--|
| | Dec. | Mar. | Jun. | Sep. | Dec. | Mar. | Jun. | Sep. | Dec. | Mar. | Jun. | Sep. | |
| | (In millions of denars) | | | | | | | | | | | | |
| By risk classification | 49,944 | 52,270 | 52,018 | 53,008 | 50,634 | 49,006 | 50,234 | 51,228 | 50,576 | 51,019 | 53,721 | 52,099 | |
| Pass (A) | 20,358 | 20,934 | 20,225 | 18,587 | 21,617 | 21,369 | 23,186 | 22,641 | 21,530 | 21,693 | 23,011 | 21,125 | |
| Watch (B) | 13,174 | 13,645 | 10,018 | 10,659 | 8,083 | 8,013 | 7,420 | 9,487 | 11,432 | 12,701 | 13,180 | 13,289 | |
| Substandard (C) | 7,788 | 8,647 | 11,622 | 10,290 | 8,218 | 7,344 | 7,570 | 6,927 | 6,121 | 5,847 | 6,802 | 7,608 | |
| Doubtful (D) | 7,075 | 7,454 | 8,274 | 7,122 | 9,175 | 9,165 | 7,070 | 7,635 | 7,122 | 7,640 | 7,576 | 7,022 | |
| Loss (E) | 1,550 | 1,592 | 1,879 | 6,350 | 3,541 | 3,115 | 4,987 | 4,538 | 4,372 | 3,139 | 3,152 | 3,055 | |
| | (in percent of credit exposure) | | | | | | | | | | | | |
| By risk classification | | | | | | | | | | | | | |
| Pass (A) | 40.8 | 40.0 | 38.9 | 35.1 | 42.7 | 43.6 | 46.2 | 44.2 | 42.6 | 42.5 | 42.8 | 40.5 | |
| Watch (B) | 26.4 | 26.1 | 19.3 | 20.1 | 16.0 | 16.4 | 14.8 | 18.5 | 22.6 | 24.9 | 24.5 | 25.5 | |
| Substandard (C) | 15.6 | 16.5 | 22.3 | 19.4 | 16.2 | 15.0 | 15.1 | 13.5 | 12.1 | 11.5 | 12.7 | 14.6 | |
| Doubtful (D) | 14.2 | 14.3 | 15.9 | 13.4 | 18.1 | 18.7 | 14.1 | 14.9 | 14.1 | 15.0 | 14.1 | 13.5 | |
| Loss (E) | 3.1 | 3.0 | 3.6 | 12.0 | 7.0 | 6.4 | 9.9 | 8.9 | 8.6 | 6.2 | 5.9 | 5.9 | |
| Allocated provisions | 16.3 | 15.9 | 18.0 | 17.8 | 22.4 | 23.1 | 22.4 | 21.2 | 22.7 | 19.5 | 18.9 | 18.2 | |
| Memorandum items: | | | | | | | | | | | | | |
| Cumulative stock of claims removed | | | | | | | | | | | | | |
| from banks' books (in millions of denars) 1/ | 4,656 | 4,669 | 4,903 | 4,609 | 4,088 | 4,089 | 4,720 | 5,301 | 5,732 | 7,153 | 8,322 | 8,910 | |
| E-adjusted (in millions of denars) 2/ | 6,206 | 6,261 | 6,782 | 10,959 | 7,629 | 7,204 | 9,707 | 9,839 | 10,104 | 10,292 | 11,474 | 11,965 | |
| Ratio of E-adjusted to total credit (in percent) | 11.4 | 11.0 | 11.9 | 19.0 | 13.9 | 13.6 | 17.7 | 17.4 | 17.9 | 17.7 | 18.5 | 19.6 | |
| Ratio of C, D, and E-adjusted to total credit (in percent) | 38.6 | 39.3 | 46.9 | 49.2 | 45.7 | 44.7 | 44.3 | 43.2 | 41.5 | 40.9 | 41.7 | 43.6 | |
| Credit exposure (in percent of total banking system assets) | 84.5 | 90.9 | 84.6 | 82.1 | 70.1 | 67.7 | 69.3 | 65.8 | 61.7 | 68.1 | 75.9 | 71.3 | |
| Guaranty capital (in millions of denars) | 13,304 | 14,068 | 13,612 | 10,174 | 14,404 | 15,546 | 15,451 | 17,031 | 18,705 | 18,638 | 18,413 | 18,103 | |
| Allocated provisions (in millions of denars) | 8,119 | 8,322 | 9,377 | 9,444 | 11,363 | 11,312 | 11,267 | 10,843 | 11,503 | 9,946 | 10,140 | 9,461 | |

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

1/ According to the Supervisory guidelines issued by the NBM, 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 II-7. FYRM: Banking System Soundness, 1997-2001

| | 1997 | 1998 | 1999 | | | 2000 | | | 2001 | | | | |
|---|------|------|------|------|------|------|------|------|------|------|------|------|------|
| | Dec. | Dec. | Mar. | Jun. | Sep. | Dec. | Mar. | Jun. | Sep. | Dec. | Mar. | Jun. | Sep. |
| (In percent, unless otherwise indicated) | | | | | | | | | | | | | |
| Asset Quality | | | | | | | | | | | | | |
| Classified exposure/ total credit exposure 1/ | 35.6 | 32.9 | 33.8 | 41.9 | 44.8 | 41.3 | 40.0 | 39.1 | 37.3 | 34.8 | 32.6 | 32.6 | 33.9 |
| Provisions/classified exposure | 64.7 | 49.5 | 47.0 | 43.1 | 39.7 | 54.3 | 57.6 | 57.4 | 56.8 | 65.3 | 59.8 | 57.8 | 53.5 |
| Provisions shortfall/ classified exposure 2/ | 2.0 | 5.1 | 4.6 | 6.7 | 20.6 | 5.2 | 1.1 | 4.7 | 6.7 | 1.8 | 2.9 | 3.9 | 4.0 |
| Accrued interest/net loans 3/ | 10.5 | 9.5 | 11.2 | 11.2 | 11.7 | 8.2 | 6.5 | 5.9 | 6.0 | 4.7 | 3.4 | 2.7 | 3.5 |
| Capitalization | | | | | | | | | | | | | |
| Guaranty capital/risk-weighted assets (C.A.R.) 4/ | 27.3 | 25.9 | 26.5 | 26.1 | 20.2 | 28.7 | 30.6 | 30.7 | 33.3 | 36.7 | 36.1 | 35.4 | 35.6 |
| Total capital/total assets 5/ | 23.5 | 23.6 | 25.5 | 23.3 | 22.2 | 20.9 | 22.1 | 21.9 | 22.3 | 23.2 | 25.3 | 26.6 | 25.3 |
| Total capital (millions of EURO) 5/ | ... | ... | ... | ... | ... | 249 | 264 | 262 | 285 | 313 | 312 | 309 | 304 |
| Liquidity | | | | | | | | | | | | | |
| Short-term debt/total liabilities | 12.0 | 7.2 | 8.2 | 7.8 | 5.3 | 6.2 | 5.3 | 4.6 | 3.9 | 2.9 | 3.4 | 5.0 | 4.8 |
| NBM debt/total liabilities | 4.6 | 3.9 | 4.3 | 3.3 | 1.6 | 1.8 | 0.9 | 0.8 | 0.9 | 0.8 | 0.6 | 1.0 | 0.6 |
| Liquid assets/short-term liabilities | 70.1 | 65.4 | 61.2 | 62.9 | 70.4 | 82.0 | 83.1 | 85.1 | 87.0 | 87.8 | 83.9 | 76.3 | 76.7 |
| Profitability | | | | | | | | | | | | | |
| Net interest margin/total assets | 4.1 | 5.5 | 1.5 | 1.8 | 2.7 | 3.0 | 0.9 | 1.6 | 2.4 | 3.2 | 0.5 | 1.2 | 2.0 |
| Net income/total assets 6/ | 2.3 | 1.9 | 0.0 | 0.4 | -6.4 | -0.6 | 0.5 | -0.6 | 0.0 | 0.6 | -0.3 | -1.0 | -0.8 |
| Memorandum items: | | | | | | | | | | | | | |
| Classified exposure/ total credit exposure (adjusted) | 35.6 | 38.6 | 39.3 | 46.9 | 49.2 | 45.7 | 44.7 | 44.3 | 43.2 | 41.5 | 40.9 | 41.7 | 43.6 |

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 1.5 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.

6/ Assets and income adjusted for unallocated provisions.

Table II-8. Banking System Income Statement and Profitability, 1998-2001 1/

| | 1998 | 1999 | 2000 | | | 2001 | | | |
|--|---|------|------|------|------|------|------|------|------|
| | Dec. | Dec. | Mar. | Jun. | Sep. | Dec. | Mar. | Jun. | Sep. |
| | (In percent of total banking system assets, unless otherwise indicated) | | | | | | | | |
| Total income | 16.6 | 14.8 | 3.1 | 6.7 | 9.1 | 12.5 | 2.9 | 6.1 | 8.6 |
| Interest income | 9.2 | 6.7 | 1.6 | 3.3 | 4.7 | 6.3 | 1.3 | 2.9 | 4.5 |
| Fees | 3.3 | 2.8 | 0.8 | 1.6 | 2.1 | 2.3 | 0.6 | 1.2 | 1.7 |
| Foreign exchange income | 0.9 | 1.3 | 0.5 | 0.7 | 1.0 | 0.7 | 0.2 | 0.6 | 0.7 |
| Other income | 3.3 | 4.1 | 0.2 | 1.0 | 1.3 | 3.2 | 0.8 | 1.4 | 1.7 |
| Total expenses | 14.4 | 13.9 | 2.4 | 6.0 | 7.5 | 11.5 | 2.5 | 6.1 | 8.4 |
| Interest expense | 3.6 | 3.7 | 0.7 | 1.7 | 2.3 | 3.1 | 0.8 | 1.7 | 2.5 |
| Provisions | 4.8 | 4.7 | 0.3 | 1.5 | 1.4 | 3.6 | 0.4 | 1.4 | 1.7 |
| Wages | 2.5 | 2.3 | 0.5 | 1.2 | 1.7 | 2.3 | 0.6 | 1.4 | 2.0 |
| Other expenses | 3.5 | 3.2 | 0.7 | 1.7 | 2.1 | 2.6 | 0.7 | 1.6 | 2.3 |
| Gross income | 2.2 | 0.9 | 0.8 | 0.6 | 1.6 | 1.0 | 0.3 | -0.1 | 0.2 |
| Unallocated provisions for potential loan losses | 1.4 | 1.5 | 0.3 | 1.3 | 1.6 | 0.4 | 0.7 | 1.0 | 1.0 |
| Net income | 0.8 | -0.6 | 0.5 | -0.6 | 0.0 | 0.6 | -0.3 | -1.0 | -0.8 |
| (In millions of U.S. dollars) | 9 | -7 | 5 | -7 | 0 | 7 | -3 | -10 | -9 |

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

1/ Cumulative starting January of each year.

FYRM: Tax Summary as of January 15, 2002

| Tax | Nature of tax | Exemptions and Reductions | Rates |
|---------------------------------------|--|--|-----------------------------------|
| Central Government | | | |
| I. Taxes on Income and Profits | | | |
| <p>1.1 Profit Tax</p> | <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 if profit is already taxed.</p> | <p>Statutory rate: 15 percent</p> |

| Tax | Nature of tax | Exemptions and Reductions | Rates |
|---------------------------------------|---|--|--|
| <p>1.2 <i>Personal Income Tax</i></p> | <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 30,000 denars annually, that is 2,500 denars monthly.</p> <p>Investments in land improvement or in land consolidation is deductible by 50 percent and 100 percent, respectively.</p> <p>Investments in farm buildings and agricultural machinery and materials are deductible for up to 30 percent of the cadastral income.</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 |
|--|--|---|--|
| <p>2. Indirect Taxes</p> <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: 19 percent</p> <p>Reduced or preferential rate: 5 percent</p> <p>The reduced rate applies to: food products, except alcoholic beverages and soft drinks; basic agricultural products; water; electricity, coal, wood, gas, air conditioning and heating; drugs; personal care products; books, pamphlets, newspapers, and periodicals; public transportation; waste disposal and public sanitation; and services of lawyers, accountants, and auditors; mineral and chemical fertilizers; products for plant protection; medical materials; the first supply of residential building if made within five years after the construction; and polyethylene linen (nylon) for use in agriculture.</p> |

| Tax | Nature of tax | Exemptions and Reductions | Rates |
|-----------------------|--|---|---|
| <p>2.2 Excise Tax</p> | <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>MINERAL OILS</p> <p>Petrol and airplane petrol at 32.923 den/kg.</p> <p>Unleaded petrol at 29.274 den/kg.</p> <p>Gas oil, for use as: (i) fuel at 14.746 den/kg, and (ii) heating fuel at 3.742 den/kg.</p> <p>Liquid petrol gas and marsh gas, for: (i) fuel at 4.900 den/kg, and (ii) heating fuel at 4.876 den/kg.</p> <p>Kerosene, for use as: (i) fuel 9.000 den/kg, and (ii) heating fuel .800 den/kg.</p> <p>Stoking oil at 0,100 den/kg.</p> <p>Mineral oils stipulated in article 29 of the Law are taxed up to 10 percent.</p> <p>ALCOHOL AND ALCOHOL BEVERAGES</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 30 denars/liter.</p> <p>The excise on other non-sparkling drinks is 30 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>TOBACCO COMMODITIES 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>MOTOR CARS 7.5 percent, any car size.</p> |

| Tax | Nature of tax | Exemptions and Reductions | Rates |
|----------------------------|------------------------|--|---|
| 3. Taxes on Imports | | | |
| <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 corensponding 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>Lower rates on raw materials.</p> <p>No duty on cotton or crude oil.</p> <p>Trade agreements specifying 1 percent statistics charge apply to trade with Slovenia, Yugoslavia, and Croatia.</p> <p>Trade agreements, without specifying 1 percent statistics charge, apply to trade with Turkey, EFTA, Albania, Ukraine, and Bulgaria.</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 will be applied from 01/01/2002 in accordance to Chapter 17 of the Law, and amounts to 19 Euros per tariff position in each custom declaration.</p> |

| Tax | Nature of tax | Exemptions and Reductions | Rates |
|---------------------------------|---|--|---|
| | | | New law on Customs tariff from 01/01/2002 harmonizes with HS , in accordance to recommendation from WTO and harmonization with EU nomenclature. |
| 4. Taxes on Property | | | |
| 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> |
| 5. Social Security Funds | | | |
| 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 & 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 |
|-------------------------------|---|---|--------------|
| Local Government | | | |
| 6. Taxes on Property | | | |
| 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). | Exemptions for: (i) buildings used by government, (ii) buildings used for education, health, sport, and cultural purposes, (iii) buildings used for religious and humanitarian purposes, (iv) land, (v) buildings registered as historical monuments, and (vi) buildings housing foreign diplomatic or consular representatives, or international organizations. Residential buildings enjoy a 50 percent deduction. | 0.10 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, 1997–2001

| | 1997 | 1998 | 1999 | 2000 | 2001 Est. |
|---|----------------------------------|--------|--------|-------|--------------|
| Real economy | | | | | |
| | (Percent change) | | | | |
| Real GDP | 1.4 | 3.4 | 4.3 | 4.6 | -4.6 |
| Consumer prices, period average | 2.5 | -0.1 | -0.7 | 5.8 | 5.3 |
| Real wages, period average | 0.4 | 3.7 | 3.6 | -0.3 | -1.5 |
| Unemployment rate (average) 1/ | 36.0 | 34.5 | 32.4 | 32.2 | 30.5 |
| Government finances 2/ | | | | | |
| | (In percent of GDP) | | | | |
| General government balance (accrual) | -0.4 | -1.7 | 0.0 | 2.5 | -6.0 |
| Central government balance (accrual) | -1.2 | -0.8 | 0.8 | 2.7 | -5.7 |
| Government debt (gross) 3/ | 47.9 | 44.8 | 49.1 | 48.3 | 46.9 |
| Money and credit | | | | | |
| | (Percent change, end of period) | | | | |
| Broad money (M3) 4/ | 15.8 | 14.9 | 29.7 | 25.6 | 54.4 |
| Total credit to private sector | 18.9 | 10.4 | 9.4 | 17.2 | 7.8 |
| Short-term lending rate | 21.6 | 20.5 | 20.0 | 19.0 | 19.2 |
| Money market rate | 19.7 | 18.1 | 11.6 | 7.2 | 11.9 |
| Balance of payments | | | | | |
| Trade balance (percent of GDP) | -10.3 | -11.2 | -10.7 | -15.5 | -11.8 |
| Current account balance (percent of GDP) | -7.7 | -9.7 | -3.4 | -3.1 | -10.2 |
| Official gross reserves (US\$ million; end of period) | 280 | 334 | 478 | 714 | 779 |
| Reserve cover (in months of c.i.f. imports) | 1.8 | 2.0 | 3.0 | 3.8 | 4.9 |
| External debt-service ratio 5/ | 8.7 | 9.9 | 13.9 | 13.1 | 19.0 |
| External debt-to-GDP ratio (in percent) 6/ | 31.3 | 40.1 | 40.5 | 41.5 | 40.7 |
| Exchange rates 7/ | | | | | |
| | (Percent change, period average) | | | | |
| Nominal effective exchange rate | 45.1 | -4.4 | 2.9 | 0.1 | 2.5 |
| Real effective exchange rate (CPI-based) | -14.1 | -13.3 | -2.3 | -0.6 | 1.6 |
| Geographic, demographic, and social indicators | | | | | |
| Land area (in sq. km.) | 25,430 | 25,430 | 25,430 | ... | ... |
| Population (in thousands) | 1,997 | 2,009 | 2,022 | ... | ... |
| Per capita GDP (in U.S. dollars; at market rates) | 1,870 | 1,783 | 1,821 | ... | ... |
| Population density (people per sq. km.) | 78.5 | 79.0 | 79.5 | ... | ... |
| Population growth (in percent) | 0.7 | 0.6 | 0.6 | ... | ... |
| Life expectancy at birth (years) | 72.3 | ... | 72.8 | ... | ... |
| Male | 70.3 | ... | 70.6 | ... | ... |
| Female | 74.5 | ... | 75.1 | ... | ... |
| Crude birth rate | 15.0 | 14.8 | 14.5 | ... | ... |
| Infant mortality rate (per 1,000 live births) | 17.2 | 17.6 | 17.0 | ... | ... |
| Crude death rate (per 1,000 people) | 8.3 | 8.4 | 8.4 | ... | ... |

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 revenue and expenditure of the special revenue and expenditure accounts of line ministries.

3/ Total debt of central government and external debt of general government; includes liabilities assumed by the government upon the sale or closure of loss-making enterprises and associated with the cleaning up of Stopanska Banka's balance sheet prior to its sale.

4/ Includes foreign currency deposits.

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

6/ Including IMF.

7/ Partner countries exclude FR Yugoslavia; data for 2001 is through end-September.

Table A2. FYRM: Selected Real Sector Indicators, 1996–2001
(Annual percentage change)

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 Est. |
|------------------------------------|------|------|------|------|------|--------------|
| Real GDP 1/ | 1.2 | 1.4 | 3.4 | 4.3 | 4.6 | -4.6 |
| Domestic demand 1/ | 1.6 | 3.0 | 3.7 | 3.0 | 8.4 | -6.4 |
| Industrial output | 5.0 | 2.9 | 4.4 | -2.6 | 3.5 | -8.7 |
| Consumer price index | | | | | | |
| Average | 2.3 | 2.5 | -0.1 | -0.7 | 5.8 | 5.3 |
| End of period | -0.8 | 3.2 | -3.1 | 2.4 | 6.1 | 3.7 |
| Employment (LFS), total 2/ | -2.1 | -4.7 | 5.4 | 1.0 | 0.8 | ... |
| Economic sector | -3.1 | -6.1 | 6.2 | 1.2 | 0.7 | ... |
| Of which: industry | -4.0 | -9.7 | 8.3 | -0.7 | -1.6 | ... |
| Noneconomic sector | 0.9 | 1.4 | 1.2 | 0.0 | 0.6 | ... |
| Of which: state administration | 0.6 | 0.6 | 8.3 | 6.0 | 0.9 | ... |
| Unemployment rate | 31.9 | 36.0 | 34.5 | 32.4 | 32.2 | 30.5 |
| Nominal net average wage, total 3/ | 2.7 | 2.9 | 3.6 | 2.9 | 5.5 | 3.8 |
| Economic sector | 3.2 | 3.7 | 4.5 | 3.6 | 7.2 | 4.2 |
| Of which: industry | 3.6 | 2.3 | 3.1 | 1.5 | 6.2 | 5.9 |
| Non-economic sector | 0.8 | 0.3 | 1.6 | 1.4 | 1.9 | 3.1 |
| Of which: state administration | 1.4 | 2.3 | 1.3 | 2.8 | 2.2 | 4.7 |
| Real net average wage, total | 0.4 | 0.4 | 3.7 | 3.6 | -0.3 | -1.5 |
| Productivity in industry | 3.3 | 4.5 | 7.9 | -0.7 | -1.3 | -3.4 |
| Unit labor costs in industry 4/ | 0.3 | -2.4 | -4.7 | 2.1 | 7.2 | 6.0 |

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

1/ Data for 2000 is an estimate.

2/ For 1996–2000 based on labor force survey.

3/ Nominal data for January–September.

4/ Based on net average wages in industry.

Table A3. FYRM: Gross Domestic Product at Current and Constant Market Prices by Economic Activity, 1997-2000

| | 1997 | 1998 | 1999 | 2000 Est. | 1997 | 1998 | 1999 | 2000 Est. |
|--|---|---------|---------|--------------|--|---------|---------|--------------|
| | (In million denars, at current market prices) | | | | (In million denars, at constant 1997 prices) | | | |
| Agriculture, hunting, and forestry | 20,361 | 22,224 | 23,094 | 23,339 | 20,361 | 21,013 | 21,182 | 21,411 |
| Fishing | 51 | 52 | 29 | 29 | 51 | 70 | 91 | 92 |
| Mining and quarrying | 1,893 | 1,584 | 1,620 | 2,071 | 1,893 | 1,982 | 2,025 | 2,377 |
| Manufacturing | 35,079 | 35,202 | 36,764 | 41,589 | 35,079 | 35,248 | 36,117 | 37,517 |
| Electricity, gas, and water supply | 8,346 | 8,868 | 9,203 | 10,085 | 8,346 | 8,739 | 8,608 | 8,653 |
| Construction | 9,867 | 11,267 | 10,880 | 11,675 | 9,867 | 10,627 | 11,732 | 11,603 |
| Wholesale and retail trade | 21,297 | 21,914 | 22,383 | 28,596 | 21,297 | 21,377 | 22,024 | 24,631 |
| Hotels and restaurants | 2,819 | 3,063 | 3,984 | 4,176 | 2,819 | 3,024 | 3,771 | 3,808 |
| Transport, storage, and communications | 11,372 | 14,309 | 17,233 | 19,569 | 11,372 | 14,385 | 16,853 | 18,229 |
| Financial intermediation | 6,259 | 7,229 | 6,977 | 7,697 | 6,259 | 7,052 | 6,749 | 7,228 |
| Real estate, renting, and business activities | 5,490 | 5,206 | 5,890 | 6,498 | 5,490 | 5,112 | 5,765 | 6,175 |
| Public administration and defense | 11,326 | 12,067 | 14,351 | 14,779 | 11,326 | 11,447 | 12,445 | 12,816 |
| Education | 7,739 | 8,030 | 8,769 | 8,883 | 7,739 | 7,902 | 7,949 | 8,053 |
| Health and social work | 8,003 | 8,310 | 8,592 | 8,644 | 8,003 | 8,046 | 8,125 | 8,174 |
| Other community, social, and personal services | 5,295 | 4,887 | 4,967 | 5,116 | 5,295 | 4,826 | 4,892 | 5,039 |
| Others 1/ | 30,822 | 30,768 | 34,274 | 43,465 | 30,822 | 31,439 | 32,182 | 33,915 |
| Gross domestic product | 186,019 | 194,981 | 209,010 | 236,211 | 186,019 | 192,289 | 200,510 | 209,721 |
| | (In percent of GDP) | | | | (Annual percent change) | | | |
| Agriculture, hunting, and forestry | 10.9 | 11.4 | 11.0 | 9.9 | ... | 3.2 | 0.8 | 1.1 |
| Fishing | 0.0 | 0.0 | 0.0 | 0.0 | ... | 37.3 | 30.0 | 1.1 |
| Mining and quarrying | 1.0 | 0.8 | 0.8 | 0.9 | ... | 4.7 | 2.2 | 17.4 |
| Manufacturing | 18.9 | 18.1 | 17.6 | 17.6 | ... | 0.5 | 2.5 | 3.9 |
| Electricity, gas, and water supply | 4.5 | 4.5 | 4.4 | 4.3 | ... | 4.7 | -1.5 | 0.5 |
| Construction | 5.3 | 5.8 | 5.2 | 4.9 | ... | 7.7 | 10.4 | -1.1 |
| Wholesale and retail trade | 11.4 | 11.2 | 10.7 | 12.1 | ... | 0.4 | 3.0 | 11.8 |
| Hotels and restaurants | 1.5 | 1.6 | 1.9 | 1.8 | ... | 7.3 | 24.7 | 1.0 |
| Transport, storage, and communications | 6.1 | 7.3 | 8.2 | 8.3 | ... | 26.5 | 17.2 | 8.2 |
| Financial intermediation | 3.4 | 3.7 | 3.3 | 3.3 | ... | 12.7 | -4.3 | 7.1 |
| Real estate, renting, and business activities | 3.0 | 2.7 | 2.8 | 2.8 | ... | -6.9 | 12.8 | 7.1 |
| Public administration and defense | 6.1 | 6.2 | 6.9 | 6.3 | ... | 1.1 | 8.7 | 3.0 |
| Education | 4.2 | 4.1 | 4.2 | 3.8 | ... | 2.1 | 0.6 | 1.3 |
| Health and social work | 4.3 | 4.3 | 4.1 | 3.7 | ... | 0.5 | 1.0 | 0.6 |
| Other community, social, and personal services | 2.8 | 2.5 | 2.4 | 2.2 | ... | -8.9 | 1.4 | 3.0 |
| Others 1/ | 16.6 | 15.8 | 16.4 | 18.4 | ... | 2.0 | 2.4 | 5.4 |
| Gross domestic product | 100.0 | 100.0 | 100.0 | 100.0 | ... | 3.4 | 4.3 | 4.6 |

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, 1997-1999

| | 1997 | 1998 | 1999 | 1997 | 1998 | 1999 |
|---|---|---------|---------|-------------------------|-------|-------|
| | (In million denars, at current market prices) | | | (In percent of GDP) | | |
| Gross domestic product | 186,019 | 194,981 | 209,010 | 100.0 | 100.0 | 100.0 |
| Total domestic demand | 211,201 | 223,994 | 229,873 | 113.5 | 114.9 | 110.0 |
| Consumption | 172,187 | 180,582 | 188,702 | 92.6 | 92.6 | 90.3 |
| Private | 135,487 | 141,078 | 145,693 | 72.8 | 72.4 | 69.7 |
| Public | 36,700 | 39,504 | 43,009 | 19.7 | 20.3 | 20.6 |
| Gross investment | 39,014 | 43,412 | 41,171 | 21.0 | 22.3 | 19.7 |
| Gross fixed capital formation | 32,236 | 33,982 | 34,710 | 17.3 | 17.4 | 16.6 |
| Changes in inventories | 6,778 | 9,430 | 6,461 | 3.6 | 4.8 | 3.1 |
| Foreign balance | -25,182 | -29,011 | -20,864 | -13.5 | -14.9 | -10.0 |
| Exports of goods and services | 69,408 | 80,344 | 88,143 | 37.3 | 41.2 | 42.2 |
| Exports of goods | 61,630 | 70,618 | 67,988 | 33.1 | 36.2 | 32.5 |
| Exports of services | 6,393 | 7,146 | 14,367 | 3.4 | 3.7 | 6.9 |
| Non-resident purchases | 1,385 | 2,580 | 5,788 | 0.7 | 1.3 | 2.8 |
| Imports of goods and services | 94,590 | 109,355 | 109,007 | 50.8 | 56.1 | 52.2 |
| Imports of goods | 80,872 | 92,845 | 90,554 | 43.5 | 47.6 | 43.3 |
| Imports of services | 13,718 | 16,510 | 18,453 | 7.4 | 8.5 | 8.8 |
| | (In million denars, at constant 1997 prices) | | | (Annual percent change) | | |
| Gross domestic product | 186,019 | 192,289 | 200,510 | ... | 3.4 | 4.3 |
| Total domestic demand | 211,201 | 218,974 | 225,484 | ... | 3.7 | 3.0 |
| Consumption | 172,187 | 178,059 | 184,752 | ... | 3.4 | 3.8 |
| Private | 135,487 | 139,958 | 144,972 | ... | 3.3 | 3.6 |
| Public | 36,700 | 38,095 | 39,765 | ... | 3.8 | 4.4 |
| Gross investment | 39,014 | 40,922 | 40,718 | ... | 4.9 | -0.5 |
| Gross fixed capital formation | 32,236 | 31,407 | 30,964 | ... | -2.6 | -1.4 |
| Changes in inventories | 6,778 | 9,059 | 9,246 | ... | 33.7 | 2.1 |
| Foreign balance | -25,182 | -26,714 | -24,876 | ... | 6.1 | -6.9 |
| Exports of goods and services | 69,408 | 75,131 | 76,282 | ... | 8.2 | 1.5 |
| Imports of goods and services | 94,590 | 101,850 | 101,180 | ... | 7.7 | -0.7 |
| Memorandum items: | | | | | | |
| GDP per capita (in US\$) | 1,870 | 1,783 | 1,821 | | | |
| Gross domestic saving (as percent of GDP) | 7.4 | 7.4 | 9.7 | | | |
| Implicit GDP deflator (annual percent change) | ... | 1.4 | 2.8 | | | |

Source: Data provided by the Statistical Office.

Table A5. FYRM: Price Indices, 1995-2001
(Year-on-Year Percent Change)

| | | CPI | | | | | | | | | | |
|------|-----------|-------|------|--------------------|--------------------|---------|-----------------|--------------------|--------------------|---------------|----------------------------|------------------------------|
| | | Total | Food | Tobacco, Beverages | Clothing, Footwear | Housing | Hygiene, Health | Education, Culture | Transport, Telecom | Retail Prices | Industrial Producer Prices | Agricultural Producer Prices |
| 1995 | | 15.8 | 8.7 | 3.9 | 12.4 | 92.6 | 14.2 | 18.0 | 9.6 | 15.8 | 4.7 | 1.2 |
| 1996 | | 2.3 | -0.1 | 1.4 | 0.1 | 6.0 | 1.9 | 5.6 | 3.4 | 2.9 | -0.4 | 0.3 |
| 1997 | | 2.5 | 4.1 | -4.0 | -1.5 | 0.3 | -0.5 | -8.6 | 19.4 | 4.4 | 4.2 | 73.2 |
| 1998 | | -0.1 | -0.2 | 3.6 | 2.4 | 0.0 | 0.1 | -10.4 | 2.3 | 0.8 | 4.0 | -14.6 |
| 1999 | | -0.7 | -1.6 | 0.2 | 1.2 | 0.1 | -1.4 | -2.2 | -0.8 | -1.1 | -0.1 | -5.2 |
| 2000 | | 5.8 | -0.4 | 13.9 | -2.3 | 8.8 | -1.7 | -1.6 | 22.4 | 10.6 | 8.9 | -3.1 |
| 2001 | | 5.3 | 5.5 | 2.6 | 1.4 | 12.5 | -0.8 | 2.2 | 9.9 | 5.3 | ... | ... |
| 1998 | January | 1.5 | 5.7 | -1.5 | 0.9 | 0.8 | 1.1 | -16.7 | 2.5 | 1.6 | 7.4 | 91.7 |
| | February | 2.2 | 6.2 | 6.8 | 1.3 | 0.8 | 0.5 | -16.1 | 2.7 | 2.4 | 5.6 | 91.9 |
| | March | 2.3 | 6.6 | 6.6 | 2.2 | 0.8 | 0.8 | -18.1 | 2.7 | 2.5 | 6.0 | 79.7 |
| | April | 3.3 | 8.5 | 6.3 | 2.8 | 1.0 | 1.2 | -18.0 | 3.2 | 3.1 | 6.1 | 96.2 |
| | May | 4.2 | 8.2 | 6.7 | 3.0 | 0.6 | 2.3 | -6.2 | 3.3 | 3.9 | 6.8 | -46.0 |
| | June | 0.3 | -1.0 | 6.3 | 3.2 | 0.6 | 3.5 | -6.2 | 3.3 | 2.1 | 6.8 | -19.6 |
| | July | -1.3 | -5.3 | 3.0 | 4.1 | 0.5 | 3.0 | -1.3 | 3.3 | 1.2 | 6.8 | -28.2 |
| | August | -2.3 | -5.4 | 2.4 | 2.3 | -0.5 | -1.7 | -6.1 | 1.9 | -0.2 | 1.9 | -49.1 |
| | September | -2.3 | -5.2 | 2.2 | 2.7 | -0.3 | -1.5 | -7.9 | 1.6 | -0.4 | 2.0 | -0.6 |
| | October | -2.1 | -4.9 | 1.0 | 2.3 | 0.1 | -2.4 | -7.7 | 1.6 | -0.5 | -0.1 | -4.4 |
| | November | -3.1 | -7.1 | 2.1 | 1.5 | 0.1 | -2.1 | -7.5 | 1.6 | -1.3 | -0.1 | -56.8 |
| | December | -3.1 | -7.5 | 2.4 | 2.4 | 0.1 | -2.5 | -6.8 | 2.2 | -1.1 | -0.1 | -57.2 |
| 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 | -2.8 | -3.1 | -1.5 | -59.4 |
| | March | -2.9 | -5.9 | -2.3 | 2.7 | 0.0 | -1.0 | -3.6 | -2.5 | -2.5 | -2.2 | -60.2 |
| | April | -3.9 | -7.9 | -2.1 | 2.6 | -0.1 | -1.0 | -4.1 | -2.9 | -3.2 | -1.8 | -60.2 |
| | May | -4.1 | -8.3 | -2.1 | 2.4 | 0.1 | -1.3 | -4.5 | -3.1 | -3.3 | -2.0 | -4.9 |
| | June | -2.0 | -3.2 | -1.6 | 1.7 | -0.2 | -1.9 | -5.0 | -3.2 | -2.4 | -2.0 | 20.5 |
| | July | -1.6 | -2.0 | -1.1 | 0.6 | -0.3 | -1.8 | -5.0 | -3.2 | -2.2 | 0.2 | -33.1 |
| | August | 0.8 | 1.2 | 2.4 | 0.6 | 0.6 | -1.3 | 0.3 | -0.1 | -0.5 | -0.1 | -6.0 |
| | September | 0.7 | 0.3 | 2.6 | -0.3 | 1.0 | -1.4 | 2.2 | 1.0 | -0.1 | 0.1 | 5.4 |
| | October | 0.9 | 0.5 | 3.7 | -0.1 | 0.9 | -1.2 | 2.1 | 1.3 | 0.1 | 2.6 | -8.5 |
| | November | 1.3 | 1.7 | 3.7 | -0.5 | 0.8 | -1.8 | 2.4 | 1.4 | 0.6 | 2.9 | -12.8 |
| | December | 2.4 | 3.1 | 3.4 | -0.8 | 0.8 | -1.2 | 2.4 | 7.0 | 2.3 | 4.1 | -12.0 |
| 2000 | January | 1.7 | 1.3 | 5.4 | -5.4 | 4.7 | -0.6 | -5.2 | 8.2 | 3.3 | 5.3 | -0.8 |
| | February | 2.2 | 0.9 | 5.5 | -5.7 | 6.0 | -0.6 | -5.0 | 8.3 | 4.4 | 7.8 | -4.2 |
| | March | 1.6 | -1.4 | 5.7 | -6.4 | 6.4 | -1.5 | -5.0 | 11.6 | 4.9 | 8.4 | 2.6 |
| | April | 8.9 | 2.9 | 18.5 | -3.6 | 6.9 | -2.8 | -1.9 | 24.7 | 14.0 | 9.5 | -1.1 |
| | May | 9.5 | 3.4 | 18.5 | -2.2 | 10.6 | -1.6 | -1.8 | 25.0 | 14.4 | 10.3 | -62.3 |
| | June | 8.8 | 0.2 | 18.4 | -2.0 | 11.2 | -1.0 | -1.3 | 29.0 | 15.2 | 12.2 | -61.2 |
| | July | 9.1 | 0.3 | 18.4 | -1.4 | 14.1 | -1.4 | -1.3 | 28.7 | 15.6 | 9.5 | -14.1 |
| | August | 6.9 | -2.0 | 14.3 | -1.6 | 7.9 | -2.3 | -1.4 | 25.1 | 13.3 | 10.0 | 9.2 |
| | September | 8.1 | 0.3 | 14.9 | -0.1 | 8.0 | -2.1 | -0.2 | 24.2 | 13.5 | 9.8 | -0.8 |
| | October | 5.3 | -0.4 | 15.0 | 0.0 | 8.1 | -2.3 | -0.1 | 24.0 | 9.6 | 7.3 | 12.3 |
| | November | 6.8 | -0.4 | 15.9 | 0.5 | 10.0 | -2.1 | 2.1 | 32.3 | 12.6 | 9.3 | 18.3 |
| | December | 6.1 | -0.8 | 16.1 | 0.8 | 10.9 | -2.4 | 2.0 | 26.9 | 10.8 | 7.9 | 9.0 |
| 2001 | January | 5.5 | -1.2 | 12.8 | 0.3 | 14.7 | -2.0 | 2.5 | 25.1 | 9.9 | 5.9 | 11.1 |
| | February | 5.9 | 1.4 | 12.9 | 1.5 | 13.4 | -2.6 | 2.1 | 24.0 | 9.2 | 5.4 | 12.1 |
| | March | 6.9 | 4.0 | 13.0 | 2.1 | 14.4 | -1.8 | 1.9 | 21.1 | 8.8 | 5.1 | 9.2 |
| | April | 3.6 | 2.6 | 0.0 | 0.3 | 13.7 | -0.4 | 1.7 | 8.1 | 4.2 | 5.6 | 4.7 |
| | May | 3.7 | 2.9 | 0.3 | 0.4 | 10.8 | -1.0 | 1.8 | 7.8 | 4.4 | 4.3 | 12.0 |
| | June | 7.0 | 10.4 | 0.3 | 2.0 | 12.7 | -0.5 | 1.7 | 6.8 | 6.1 | 3.2 | 8.6 |
| | July | 6.0 | 8.9 | 0.1 | 1.8 | 10.7 | -0.1 | 1.6 | 7.1 | 5.0 | 3.2 | 12.3 |
| | August | 6.6 | 9.3 | -0.4 | 1.9 | 10.6 | -0.3 | 1.6 | 10.3 | 5.6 | 2.4 | 8.5 |
| | September | 5.6 | 7.4 | -1.0 | 1.5 | 13.8 | -0.4 | 1.8 | 9.5 | 4.9 | 1.9 | -6.8 |
| | October | 4.9 | 6.4 | -1.0 | 1.6 | 13.6 | 0.1 | 2.3 | 7.8 | 4.1 | 0.2 | ... |
| | November | 4.0 | 7.1 | -1.4 | 2.2 | 11.6 | 0.1 | 3.6 | 0.3 | 1.7 | -2.0 | ... |
| | December | 3.7 | 7.7 | -1.3 | 1.3 | 10.8 | -0.4 | 3.5 | -2.0 | 1.2 | ... | ... |

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) | | 2000 (October) |
|--|--------------|---------|--------------|---------|--------------|---------|--------------|---------|----------------|
| | Adm. | LFS | Adm. | LFS | Adm. | LFS | Adm. | LFS | LFS |
| Number of Employees | | | | | | | | | |
| Total employment | 331,525 | 512,301 | 315,525 | 539,762 | 313,647 | 545,222 | 303,669 | 549,846 | 599,308 |
| Economic activities | 247,411 | 409,625 | 230,980 | 435,141 | 226,581 | 440,341 | 220,877 | 443,446 | 492,869 |
| Industry and mining | 123,598 | 140,413 | 117,792 | 152,096 | 116,341 | 151,063 | 112,493 | 148,633 | 157,433 |
| Agriculture and fisheries | 20,602 | 90,403 | 17,639 | 102,201 | 16,181 | 111,701 | 12,750 | 116,451 | 144,782 |
| Forestry | 3,810 | 4,529 | 3,502 | 5,048 | 3,280 | 3,660 | 2,847 | 3,520 | 3,979 |
| Water management | 2,529 | 2,219 | 2,592 | 2,780 | 2,413 | 2,923 | 2,410 | 2,721 | 3,067 |
| Construction | 30,212 | 32,020 | 26,583 | 35,798 | 25,290 | 31,297 | 24,223 | 35,712 | 33,339 |
| Transport and communications | 19,907 | 24,800 | 19,043 | 26,792 | 19,267 | 27,515 | 20,659 | 27,486 | 30,359 |
| Trade | 19,104 | 55,212 | 17,745 | 53,571 | 17,222 | 55,270 | 17,305 | 52,992 | 60,507 |
| Catering and tourism | 6,343 | 16,602 | 5,365 | 14,801 | 5,779 | 14,563 | 5,816 | 15,740 | 13,465 |
| Crafts and personal services | 3,658 | 16,745 | 3,728 | 18,582 | 3,678 | 15,768 | 3,499 | 13,887 | 17,658 |
| Utilities and services | 8,164 | 10,046 | 8,152 | 8,840 | 8,119 | 9,555 | 8,769 | 10,627 | 11,031 |
| Financial and other services | 9,502 | 16,636 | 8,857 | 14,632 | 9,029 | 17,026 | 10,126 | 15,677 | 17,249 |
| Non-economic activities | 84,114 | 102,675 | 84,545 | 103,916 | 87,066 | 103,948 | 82,792 | 104,532 | 106,439 |
| Education | 36,723 | 41,442 | 35,668 | 41,636 | 36,491 | 40,526 | 34,306 | 40,312 | 36,610 |
| Health and social welfare | 32,685 | 33,139 | 33,229 | 31,862 | 33,414 | 31,191 | 32,446 | 31,712 | 28,884 |
| Administration and defense | 14,688 | 28,094 | 15,630 | 30,418 | 17,143 | 32,231 | 16,020 | 32,508 | 40,945 |
| Percent change | | | | | | | | | |
| Total employment | -5.0 | -4.7 | -4.8 | 5.4 | -0.6 | 1.0 | -3.2 | 0.8 | 9.0 |
| Economic activities | -6.1 | -6.1 | -6.6 | 6.2 | -1.9 | 1.2 | -2.5 | 0.7 | 11.1 |
| Industry and mining | -5.7 | -9.7 | -4.7 | 8.3 | -1.2 | -0.7 | -3.3 | -1.6 | 5.9 |
| Agriculture and fisheries | -7.5 | -5.1 | -14.4 | 13.1 | -8.3 | 9.3 | -21.2 | 4.3 | 24.3 |
| Forestry | 12.1 | -5.6 | -8.1 | 11.5 | -6.3 | -27.5 | -13.2 | -3.8 | 13.0 |
| Water management | 8.1 | -19.2 | 2.5 | 25.3 | -6.9 | 5.1 | -0.1 | -6.9 | 12.7 |
| Construction | -3.1 | -10.5 | -12.0 | 11.8 | -4.9 | -12.6 | -4.2 | 14.1 | -6.6 |
| Transport and communications | -4.6 | -7.1 | -4.3 | 8.0 | 1.2 | 2.7 | 7.2 | -0.1 | 10.5 |
| Trade | -11.8 | -11.6 | -7.1 | -3.0 | -2.9 | 3.2 | 0.5 | -4.1 | 14.2 |
| Catering and tourism | -16.3 | 11.7 | -15.4 | -10.8 | 7.7 | -1.6 | 0.6 | 8.1 | -14.5 |
| Crafts and personal services | -14.1 | 17.1 | 1.9 | 11.0 | -1.3 | -15.1 | -4.9 | -11.9 | 27.2 |
| Utilities and services | -0.2 | 10.4 | -0.1 | -12.0 | -0.4 | 8.1 | 8.0 | 11.2 | 3.8 |
| Financial and other services | -12.2 | 11.9 | -6.8 | -12.0 | 1.9 | 16.4 | 12.1 | -7.9 | 10.0 |
| Non-economic activities | -1.5 | 1.4 | 0.5 | 1.2 | 3.0 | 0.0 | -4.9 | 0.6 | 1.8 |
| Education | 0.6 | -3.6 | -2.9 | 0.5 | 2.3 | -2.7 | -6.0 | -0.5 | -9.2 |
| Health and social welfare | -2.3 | 9.2 | 1.7 | -3.9 | 0.6 | -2.1 | -2.9 | 1.7 | -8.9 |
| Administration and defense | -4.7 | 0.6 | 6.4 | 8.3 | 9.7 | 6.0 | -6.6 | 0.9 | 26.0 |
| 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 A7. FYRM: Nominal and Real Net Average Wages by Sector, 1997-2001

| | 1997 | 1998 | 1999 | 2000 | 2001 Jan-Sep | 1997 | 1998 | 1999 | 2000 | 2001 Jan-Sep |
|--|-------------|--------|--------|--------|-----------------|------------------|------|------|------|-----------------|
| 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 | -1.8 |
| Economic activities | 8,817 | 9,223 | 9,620 | 9,750 | 9,528 | 1.2 | 4.6 | 4.3 | 1.4 | -1.4 |
| Industry and mining | 8,712 | 8,994 | 9,192 | 9,223 | 9,134 | -0.2 | 3.2 | 2.2 | 0.4 | -2.5 |
| Agriculture and fisheries | 7,659 | 7,903 | 8,498 | 8,473 | 8,510 | 3.9 | 3.2 | 7.5 | -0.3 | 0.3 |
| Forestry | 7,965 | 7,893 | 8,945 | 9,096 | 8,602 | 0.2 | -0.9 | 13.2 | 1.8 | 0.2 |
| Water management | 8,117 | 8,403 | 8,716 | 8,686 | 8,325 | -6.2 | 3.5 | 3.7 | -0.4 | -4.6 |
| Construction | 6,500 | 6,803 | 7,232 | 7,278 | 7,081 | -2.1 | 4.7 | 6.3 | 0.7 | -5.6 |
| Transport and Communication | 10,149 | 10,137 | 10,874 | 11,415 | 11,199 | 0.2 | -0.1 | 7.2 | 5.3 | -2.9 |
| Trade | 10,631 | 11,803 | 11,899 | 11,641 | 9,477 | 5.7 | 11.0 | 0.8 | -2.3 | -0.7 |
| Catering and tourism | 7,708 | 8,375 | 8,873 | 8,477 | 7,878 | 0.9 | 8.6 | 5.9 | -4.7 | -19.5 |
| Crafts and services | 7,795 | 7,995 | 8,929 | 9,154 | 7,890 | -1.4 | 2.6 | 11.6 | 2.7 | -7.4 |
| Housing-communal services | 9,663 | 9,903 | 10,613 | 10,527 | 10,419 | -1.9 | 2.5 | 7.1 | -0.9 | -14.0 |
| Financial and other services | 13,063 | 14,529 | 15,543 | 16,806 | 16,382 | 6.1 | 11.2 | 6.9 | 8.6 | -0.9 |
| Non-economic activities | 9,394 | 9,556 | 9,754 | 9,397 | 9,146 | -2.2 | 1.7 | 2.1 | -3.9 | -1.3 |
| Education | 9,158 | 9,341 | 9,434 | 9,044 | 8,747 | -2.6 | 2.0 | 1.0 | -4.4 | -3.2 |
| Health and social care | 9,303 | 9,437 | 9,671 | 9,335 | 9,050 | -3.0 | 1.4 | 2.5 | -3.7 | -3.0 |
| State administration | 10,046 | 10,183 | 10,542 | 10,184 | 10,076 | -0.2 | 1.4 | 3.5 | -3.6 | -0.9 |

Source: Data provided by the FYRM authorities.

Table A8. FYRM: Monetary Survey, 1997-2001 1/
(In million of denars, end of period)

| | 1997 | 1998 | 1999 | 2000 | | | | 2001 | | | |
|-------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Dec. | Dec. | Dec. | Mar. | Jun. | Sep. | Dec. | Mar. | Jun. | Sep. | Nov. |
| Net foreign assets | 16,500 | 16,772 | 30,377 | 31,799 | 40,271 | 49,661 | 54,815 | 71,702 | 65,392 | 58,262 | 65,123 |
| National Bank 2/ | 10,903 | 12,227 | 21,812 | 22,352 | 29,367 | 36,118 | 41,704 | 59,444 | 55,420 | 48,806 | 49,277 |
| Assets | 15,785 | 17,535 | 27,949 | 28,364 | 35,976 | 42,711 | 48,015 | 64,647 | 60,650 | 53,731 | 54,169 |
| Liabilities | 4,882 | 5,308 | 6,137 | 6,012 | 6,609 | 6,593 | 6,311 | 5,203 | 5,230 | 4,925 | 4,892 |
| Domestic money banks | 5,597 | 4,545 | 8,565 | 9,447 | 10,904 | 13,543 | 13,111 | 12,258 | 9,972 | 9,456 | 15,846 |
| Assets | 15,892 | 17,507 | 24,390 | 25,146 | 25,824 | 28,561 | 28,571 | 25,046 | 21,103 | 20,238 | 28,217 |
| Liabilities | 10,295 | 12,962 | 15,825 | 15,699 | 14,920 | 15,018 | 15,460 | 12,788 | 11,131 | 10,782 | 12,371 |
| Net domestic assets | 11,588 | 15,262 | 11,259 | 11,101 | 2,755 | -3,902 | -2,547 | -22,476 | -18,458 | -9,978 | -7,545 |
| Domestic credit | 55,872 | 38,133 | 43,014 | 42,907 | 37,602 | 37,698 | 38,424 | 17,601 | 22,449 | 30,583 | 32,642 |
| of which to government | 4,919 | 3,283 | 6,429 | 4,562 | -2,682 | -4,347 | -4,372 | -25,522 | -20,757 | -13,047 | -10,860 |
| Domestic money banks | 52,734 | 36,134 | 45,156 | 46,818 | 48,296 | 49,941 | 49,974 | 50,416 | 50,750 | 51,180 | 51,860 |
| Denar | 46,277 | 29,165 | 29,730 | 30,872 | 33,015 | 34,267 | 35,958 | 36,741 | 36,490 | 36,679 | 36,246 |
| Government | 1,781 | 1,284 | 1,285 | 1,208 | 728 | 567 | 371 | 474 | 720 | 908 | 858 |
| Credit | 1,768 | 1,265 | 1,260 | 1,179 | 712 | 548 | 352 | 360 | 699 | 802 | 831 |
| Accrued interest | 13 | 19 | 25 | 29 | 16 | 19 | 19 | 114 | 21 | 106 | 27 |
| Social and private | 44,496 | 27,881 | 28,445 | 29,664 | 32,287 | 33,700 | 35,587 | 36,267 | 35,770 | 35,771 | 35,388 |
| New credit | 19,703 | 24,502 | 23,834 | 24,699 | 27,709 | 28,931 | 30,737 | 31,959 | 31,545 | 30,678 | 30,402 |
| Accrued interest | 24,793 | 3,379 | 4,611 | 4,965 | 4,578 | 4,769 | 4,850 | 4,308 | 4,225 | 5,093 | 4,986 |
| Foreign currency | 6,457 | 6,969 | 15,426 | 15,946 | 15,281 | 15,674 | 14,016 | 13,675 | 14,260 | 14,679 | 14,934 |
| Government | 0 | 0 | 7,286 | 7,265 | 7,284 | 7,329 | 6,807 | 6,818 | 6,824 | 6,820 | 6,820 |
| Non-government | 6,457 | 6,969 | 8,140 | 8,681 | 7,997 | 8,345 | 7,209 | 6,857 | 7,436 | 7,859 | 8,114 |
| NBM credit to government, net | 3,138 | 1,999 | -2,142 | -3,911 | -10,694 | -12,243 | -11,550 | -32,815 | -28,301 | -20,775 | -18,538 |
| Other assets net | -44,284 | -22,871 | -31,755 | -31,806 | -34,847 | -41,600 | -40,971 | -40,077 | -40,907 | -40,561 | -40,187 |
| Accrued interest | -24,806 | -3,398 | -4,636 | -4,994 | -4,594 | -4,788 | -4,869 | -4,422 | -4,246 | -5,199 | -5,013 |
| Other | -19,478 | -19,473 | -27,119 | -26,812 | -30,253 | -36,812 | -36,102 | -35,655 | -36,661 | -35,362 | -35,174 |
| M1 | 14,257 | 15,821 | 20,620 | 19,995 | 19,433 | 20,044 | 25,271 | 22,526 | 21,611 | 21,141 | 21,968 |
| M1, non-government | 13,985 | 15,178 | 19,694 | 19,335 | 18,753 | 19,144 | 24,326 | 21,635 | 20,505 | 20,191 | 20,732 |
| Currency in circulation | 7,130 | 7,137 | 8,169 | 7,148 | 7,182 | 7,980 | 9,521 | 10,886 | 10,100 | 9,146 | 10,354 |
| Demand deposits | 7,127 | 8,684 | 12,451 | 12,847 | 12,251 | 12,064 | 15,750 | 11,640 | 11,511 | 11,995 | 11,614 |
| Banks | 6,552 | 7,979 | 11,385 | 11,602 | 10,699 | 10,646 | 14,777 | 10,612 | 10,238 | 10,998 | 10,717 |
| Non-government | 6,280 | 7,336 | 10,459 | 10,942 | 10,019 | 9,746 | 13,832 | 9,721 | 9,132 | 10,048 | 9,481 |
| Government | 272 | 643 | 926 | 660 | 680 | 900 | 945 | 891 | 1,106 | 950 | 1,236 |
| Demand deposits with NBM | 575 | 705 | 1,066 | 1,245 | 1,552 | 1,418 | 973 | 1,028 | 1,273 | 997 | 897 |
| M2 | 23,360 | 26,930 | 35,247 | 36,115 | 36,260 | 39,271 | 45,550 | 42,313 | 39,754 | 41,109 | 49,911 |
| M2, non-government | 22,726 | 26,003 | 33,720 | 34,733 | 34,642 | 37,590 | 43,895 | 40,465 | 37,581 | 38,982 | 46,888 |
| Quasi money - non-government | 8,741 | 10,825 | 14,026 | 15,398 | 15,889 | 18,446 | 19,569 | 18,830 | 17,076 | 18,791 | 26,156 |
| Denar | 3,887 | 4,683 | 6,815 | 7,298 | 7,075 | 7,873 | 8,767 | 8,548 | 7,884 | 8,982 | 9,057 |
| Foreign currency | 4,854 | 6,142 | 7,211 | 8,100 | 8,814 | 10,573 | 10,802 | 10,282 | 9,192 | 9,809 | 17,099 |
| Government | 362 | 284 | 601 | 722 | 938 | 781 | 710 | 957 | 1,067 | 1,177 | 1,787 |
| Denar | 351 | 271 | 570 | 680 | 684 | 690 | 684 | 908 | 1,065 | 1,171 | 1,783 |
| Foreign currency | 11 | 13 | 31 | 42 | 254 | 91 | 26 | 49 | 2 | 6 | 4 |
| NBM quasi deposits | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| M3 | 28,088 | 32,034 | 41,636 | 42,900 | 43,026 | 45,759 | 52,268 | 49,227 | 46,935 | 48,284 | 57,578 |
| M3, private sector | 26,707 | 30,273 | 39,227 | 40,632 | 40,506 | 43,170 | 49,701 | 46,788 | 44,410 | 45,800 | 54,195 |
| Non-monetary deposits | 4,728 | 5,104 | 6,389 | 6,785 | 6,766 | 6,488 | 6,718 | 6,914 | 7,181 | 7,175 | 7,667 |
| Domestic banks | 4,726 | 5,104 | 6,389 | 6,785 | 6,766 | 6,488 | 6,718 | 6,914 | 7,181 | 7,175 | 7,667 |
| Denar | 3,640 | 3,810 | 4,698 | 4,549 | 4,688 | 4,630 | 4,513 | 4,847 | 4,517 | 4,445 | 4,439 |
| Social and private | 2,893 | 2,976 | 3,816 | 3,663 | 3,791 | 3,727 | 3,606 | 4,261 | 4,165 | 4,088 | 4,079 |
| Government | 747 | 834 | 882 | 886 | 897 | 903 | 907 | 586 | 352 | 357 | 360 |
| Foreign currency | 1,086 | 1,294 | 1,691 | 2,236 | 2,078 | 1,858 | 2,205 | 2,067 | 2,664 | 2,730 | 3,228 |
| Social and private | 1,086 | 1,294 | 1,691 | 2,236 | 2,073 | 1,853 | 2,200 | 2,062 | 2,664 | 2,730 | 3,228 |
| Government | 0 | 0 | 0 | 0 | 5 | 5 | 5 | 5 | 0 | 0 | 0 |
| NBM (non-government) | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Denar | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign currency | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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

1/ At current exchange rates.

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

Table A9. FYRM: National Bank Accounts, 1997-2001 1/
(In million of denars, end of period)

| | 1997 Dec. | 1998 Dec. | 1999 Dec. | 2000 | | | | 2001 | | | |
|-------------------------------|--------------|--------------|--------------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | | | Mar. | Jun. | Sep. | Dec. | Mar. | Jun. | Sep. | Nov. |
| Net foreign assets | 10,903 | 12,227 | 21,812 | 22,352 | 29,367 | 36,118 | 41,704 | 59,444 | 55,420 | 48,806 | 49,277 |
| Net domestic assets | -3,348 | -4,568 | -13,297 | -14,526 | -21,533 | -27,630 | -29,615 | -48,183 | -44,890 | -39,334 | -38,439 |
| Banks | 942 | 526 | -2,858 | -2,020 | -1,558 | -2,280 | -6,278 | -2,731 | -1,975 | -5,234 | -5,885 |
| Credits | 2,720 | 2,557 | 984 | 557 | 494 | 580 | 462 | 443 | 703 | 443 | 424 |
| Instruments 2/ | -1,778 | -2,031 | -3,842 | -2,577 | -2,052 | -2,860 | -6,740 | -3,174 | -2,678 | -5,677 | -6,309 |
| Government | 3,138 | 1,999 | -2,142 | -3,911 | -10,694 | -12,243 | -11,550 | -32,815 | -28,301 | -20,775 | -18,538 |
| Credit | 6,010 | 5,592 | 5,219 | 5,355 | 4,842 | 4,786 | 4,447 | 4,362 | 4,380 | 4,264 | 4,270 |
| Deposit | -5,077 | -6,152 | -9,734 | -12,239 | -16,332 | -19,776 | -16,895 | -39,807 | -33,914 | -29,326 | -27,464 |
| Credit for external operation | 2,205 | 2,559 | 2,373 | 2,973 | 796 | 2,747 | 898 | 2,630 | 1,233 | 4,287 | 4,656 |
| Other, net 3/ | -7,428 | -7,093 | -8,297 | -8,595 | -9,281 | -13,107 | -11,787 | -12,637 | -14,614 | -13,325 | -14,016 |
| Reserve money | 7,556 | 7,659 | 8,515 | 7,826 | 7,834 | 8,488 | 12,089 | 11,262 | 10,530 | 9,472 | 10,838 |
| Currency | 7,130 | 7,137 | 8,169 | 7,148 | 7,182 | 7,980 | 9,521 | 10,886 | 10,100 | 9,146 | 10,354 |
| Other 4/ | 426 | 522 | 346 | 678 | 652 | 508 | 2,568 | 376 | 430 | 326 | 484 |

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 NBM.

4/ Vault cash and banks' excess reserves.

Table A10. FYRM: Deposit Money Bank Accounts, 1997-2001 1/

(In million of denars, end of period)

| | 1997 | 1998 | 1999 | 2000 | | | | 2001 | | | |
|------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Dec. | Dec. | Dec. | Mar. | Jun. | Sep. | Dec. | Mar. | Jun. | Sep. | Nov. |
| Net foreign assets | 5,597 | 4,545 | 8,565 | 9,447 | 10,904 | 13,543 | 13,111 | 12,258 | 9,972 | 9,456 | 15,846 |
| Assets | 15,892 | 17,507 | 24,390 | 25,146 | 25,824 | 28,561 | 28,571 | 25,046 | 21,103 | 20,238 | 28,217 |
| Liabilities | 10,295 | 12,962 | 15,825 | 15,699 | 14,920 | 15,018 | 15,460 | 12,788 | 11,131 | 10,782 | 12,371 |
| Net domestic assets | 14,784 | 19,647 | 23,837 | 25,061 | 23,398 | 22,819 | 28,663 | 25,055 | 25,589 | 28,685 | 30,481 |
| In denar | 46,277 | 29,165 | 29,731 | 30,872 | 33,015 | 34,267 | 35,958 | 36,741 | 36,490 | 36,679 | 36,246 |
| 1. Government | 1,781 | 1,284 | 1,286 | 1,208 | 728 | 567 | 371 | 474 | 720 | 908 | 858 |
| Credits | 1,768 | 1,265 | 1,261 | 1,179 | 712 | 548 | 352 | 360 | 699 | 802 | 831 |
| Of which: overdue claims | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accrued interest | 13 | 19 | 25 | 29 | 16 | 19 | 19 | 114 | 21 | 106 | 27 |
| 2. Social and private sector | 44,496 | 27,881 | 28,445 | 29,664 | 32,287 | 33,700 | 35,587 | 36,267 | 35,770 | 35,771 | 35,388 |
| Credits | 19,703 | 24,502 | 23,834 | 24,699 | 27,709 | 28,931 | 30,737 | 31,959 | 31,545 | 30,678 | 30,402 |
| Of which: overdue claims | 5,910 | 2,997 | 5,606 | 6,161 | 6,853 | 7,415 | 8,537 | 8,265 | 8,087 | 8,884 | 8,841 |
| Accrued interest | 24,793 | 3,379 | 4,611 | 4,965 | 4,578 | 4,769 | 4,850 | 4,308 | 4,225 | 5,093 | 4,986 |
| In foreign currency | 6,457 | 6,969 | 15,426 | 15,947 | 15,281 | 15,674 | 14,016 | 13,675 | 14,260 | 14,679 | 14,934 |
| 1. Government | 0 | 0 | 7,286 | 7,266 | 7,284 | 7,329 | 6,807 | 6,818 | 6,824 | 6,820 | 6,820 |
| Of which: overdue claims | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Social and Private sector | 6,457 | 6,969 | 8,140 | 8,681 | 7,997 | 8,345 | 7,209 | 6,857 | 7,436 | 7,859 | 8,114 |
| Of which: overdue claims | 633 | 343 | 1,594 | 1,812 | 1,866 | 2,182 | 1,822 | 2,178 | 1,836 | 2,466 | 2,307 |
| Other items net | -37,950 | -16,487 | -21,320 | -21,758 | -24,898 | -27,122 | -21,311 | -25,361 | -25,161 | -22,673 | -20,699 |
| Total liabilities | 20,381 | 24,192 | 32,401 | 34,507 | 34,302 | 36,362 | 41,774 | 37,313 | 35,562 | 38,141 | 46,327 |
| Demand deposits | 6,552 | 7,979 | 11,385 | 11,602 | 10,699 | 10,646 | 14,777 | 10,612 | 10,238 | 10,998 | 10,717 |
| Social and private | 6,280 | 7,336 | 10,459 | 10,942 | 10,019 | 9,746 | 13,832 | 9,721 | 9,132 | 10,048 | 9,481 |
| Of which: self-management funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Government deposits | 272 | 643 | 926 | 660 | 680 | 900 | 945 | 891 | 1,106 | 950 | 1,236 |
| Sight and short term time deposits | 9,103 | 11,109 | 14,627 | 16,120 | 16,837 | 19,227 | 20,279 | 19,787 | 18,143 | 19,968 | 27,943 |
| Denar | 3,887 | 4,683 | 6,815 | 7,298 | 7,075 | 7,873 | 8,767 | 8,548 | 7,884 | 8,982 | 9,057 |
| Foreign currency | 4,854 | 6,142 | 7,211 | 8,100 | 8,814 | 10,573 | 10,802 | 10,282 | 9,192 | 9,809 | 17,099 |
| Government | 362 | 284 | 601 | 722 | 948 | 781 | 710 | 957 | 1,067 | 1,177 | 1,787 |
| Non-monetary deposits | 4,726 | 5,104 | 6,389 | 6,785 | 6,766 | 6,489 | 6,718 | 6,914 | 7,181 | 7,175 | 7,667 |
| Denar | 2,893 | 2,976 | 3,816 | 3,663 | 3,791 | 3,727 | 3,606 | 4,261 | 4,165 | 4,088 | 4,079 |
| Foreign currency | 1,086 | 1,294 | 1,691 | 2,236 | 2,073 | 1,854 | 2,200 | 2,062 | 2,664 | 2,730 | 3,228 |
| Government | 747 | 834 | 882 | 886 | 902 | 908 | 912 | 591 | 352 | 357 | 360 |

Sources: Data provided by the National Bank of Macedonia.

1/ At current exchange rates.

Table A11. FYRM: Interest Rates, 1997-2001
(In percent, monthly average)

| | 1997 | 1998 | 1999 | 2000 | | | | 2001 | | |
|---------------------------------------|--------|---------|--------|--------|--------|--------|-------|--------|-------|--------|
| | Dec. | Dec. | Dec. | Mar. | Jun. | Sep. | Dec. | Mar. | Jun. | Sep. |
| NBM interest rates | | | | | | | | | | |
| Discount rate | 8.9 | 8.9 | 8.9 | 8.9 | 7.9 | 7.9 | 7.9 | 7.9 | 10.7 | 10.7 |
| Interest on lombard credit | 14.4 | 18.5 | 18.5 | 18.5 | 17.5 | 17.5 | 17.5 | 17.5 | 23.0 | 23.0 |
| Default interest rate | 26.7 | 26.7 | 26.7 | 26.7 | 23.7 | 23.7 | 23.7 | 23.7 | 32.1 | 32.1 |
| Interest on Central Bank bills 1/ | 8.2 | 10.0 | 9.5 | 9.5 | 9.3 | 8.3 | 6.8 | 7.8 | 15.0 | 18.0 |
| Interest on required reserves | 3.4 | 6.2 | 6.2 | 6.2 | 5.5 | 5.5 | 5.5 | 6.3 | 9.5 | 9.5 |
| Commercial bank interest rates | | | | | | | | | | |
| Deposit rates | | | | | | | | | | |
| Household sight deposit | 3-6.1 | 3-6.3 | 3-7 | 3-7 | 3-7 | 3-7 | 3-7 | 3-7 | 3-6.3 | 3-6.3 |
| Household time deposit (3-6 months) | 9-20.5 | 9-20.5 | 9-19.2 | 9-16 | 9-16 | 9-16 | 8-15 | 7.5-15 | 7-15 | 7-15 |
| Enterprises sight deposit | 2.5-8 | 2.5-8 | 2.5-7 | 2.5-7 | 3-7 | 3-7 | 3-7 | 3-7 | 3-5 | 3-5 |
| Enterprises time deposit (3-6 months) | 5-20.5 | 5-19.2 | 5-16 | 5-16 | 5-16 | 5-16 | 5-12 | 5-12 | 6-12 | 5.8-18 |
| Lending rates | | | | | | | | | | |
| Short-term rates | 17-47 | 16-47 | 12-47 | 12-47 | 6-47 | 6-47 | 6-46 | 6-46 | 6-49 | 6-49 |
| Long-term working capital | 9-27 | 9-27 | 9-31.9 | 9-31.9 | 6-31.9 | 6-31.9 | 6-29 | 6-31.9 | 6-29 | 6-28 |
| Small-scale industry | 20-36 | 17-26.7 | 18-26 | 18-26 | 18-26 | 18-25 | 18-25 | 9-25 | 9-23 | 10-23 |

Source: National Bank of Macedonia (NBM).

1/ Interest rates on 30-day NBM 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: Privatization by Model of Transformation, 1997-2001 1/

| Model of transformation | 1997 | 1998 | 1999 | 2000 | 2001 2/ | 1997 | 1998 | 1999 | 2000 | 2001 2/ |
|-----------------------------|----------------------------|---------|---------|---------|---------|-----------------------|-------|-------|-------|---------|
| | Number of firms | | | | | (As percent of total) | | | | |
| Old Law | 66 | 67 | 66 | 66 | 66 | 5.8 | 4.7 | 4.4 | 4.1 | 4.0 |
| Buy-outs | 649 | 764 | 780 | 808 | 807 | 57.3 | 53.2 | 52.4 | 50.0 | 48.6 |
| Employee buy-out | 331 | 363 | 384 | 395 | 395 | 29.2 | 25.3 | 25.8 | 24.4 | 23.8 |
| Management buy-out | 190 | 253 | 247 | 240 | 239 | 16.8 | 17.6 | 16.6 | 14.9 | 14.4 |
| Other buy-out | 128 | 148 | 149 | 173 | 173 | 11.3 | 10.3 | 10.0 | 10.7 | 10.4 |
| Sale of ideal participation | 35 | 59 | 67 | 143 | 180 | 3.1 | 4.1 | 4.5 | 8.8 | 10.8 |
| Leasing | 4 | 4 | 4 | 4 | 4 | 0.4 | 0.3 | 0.3 | 0.2 | 0.2 |
| Additional capital | 16 | 19 | 20 | 25 | 27 | 1.4 | 1.3 | 1.3 | 1.5 | 1.6 |
| Residual | 27 | 26 | 28 | 28 | 28 | 2.4 | 1.8 | 1.9 | 1.7 | 1.7 |
| Debt/equity conversion | 36 | 63 | 75 | 86 | 89 | 3.2 | 4.4 | 5.0 | 5.3 | 5.4 |
| Foreign equity | 156 | 156 | 156 | 155 | 155 | 13.8 | 10.9 | 10.5 | 9.6 | 9.3 |
| Private equity | 95 | 113 | 128 | 135 | 138 | 8.4 | 7.9 | 8.6 | 8.4 | 8.3 |
| Liquidations | 48 | 164 | 164 | 166 | 168 | 4.2 | 11.4 | 11.0 | 10.3 | 10.1 |
| Total | 1,132 | 1,435 | 1,488 | 1,616 | 1,662 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| | Number of employees | | | | | (As percent of total) | | | | |
| Old law | 11,548 | 11,548 | 11,522 | 11,522 | 11,522 | 6.2 | 5.4 | 5.3 | 5.1 | 5.0 |
| Buy-outs | 127,048 | 141,495 | 140,043 | 140,504 | 139,222 | 68.2 | 66.4 | 64.8 | 62.2 | 61.0 |
| Employee buy-out | 16,520 | 17,894 | 17,738 | 17,322 | 17,216 | 8.9 | 8.4 | 8.2 | 7.7 | 7.5 |
| Management buy-out | 66,349 | 74,358 | 72,720 | 72,132 | 71,667 | 35.6 | 34.9 | 33.7 | 31.9 | 31.4 |
| Other buy-out | 44,179 | 49,243 | 49,585 | 51,050 | 50,339 | 23.7 | 23.1 | 23.0 | 22.6 | 22.1 |
| Sale of ideal participation | 11,016 | 14,979 | 15,812 | 21,850 | 26,799 | 5.9 | 7.0 | 7.3 | 9.7 | 11.7 |
| Leasing | 217 | 217 | 217 | 217 | 217 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Additional capital | 4,993 | 5,613 | 6,924 | 7,140 | 7,620 | 2.7 | 2.6 | 3.2 | 3.2 | 3.3 |
| Residual | 15,519 | 14,663 | 14,717 | 14,717 | 14,717 | 8.3 | 6.9 | 6.8 | 6.5 | 6.4 |
| Debt/equity conversion | 9,519 | 16,587 | 18,656 | 22,186 | 20,497 | 5.1 | 7.8 | 8.6 | 9.8 | 9.0 |
| Foreign equity | 1,933 | 1,933 | 1,933 | 1,843 | 1,843 | 1.0 | 0.9 | 0.9 | 0.8 | 0.8 |
| Private equity | 3,370 | 4,994 | 5,143 | 4,813 | 4,817 | 1.8 | 2.3 | 2.4 | 2.1 | 2.1 |
| Liquidations | 1,096 | 984 | 984 | 998 | 1,016 | 0.6 | 0.5 | 0.5 | 0.4 | 0.4 |
| Total | 186,259 | 213,013 | 215,951 | 225,790 | 228,270 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| | Equity (in millions of DM) | | | | | (As percent of total) | | | | |
| Old law | 114 | 114 | 114 | 114 | 114 | 3.2 | 2.9 | 2.8 | 2.6 | 2.5 |
| Buy-outs | 2,359 | 2,599 | 2,551 | 2,593 | 2,589 | 66.7 | 65.1 | 61.6 | 57.8 | 57.4 |
| Employee buy-out | 145 | 157 | 155 | 156 | 158 | 4.1 | 3.9 | 3.8 | 3.5 | 3.5 |
| Management buy-out | 1,312 | 1,433 | 1,391 | 1,394 | 1,386 | 37.1 | 35.9 | 33.6 | 31.1 | 30.7 |
| Other buy-out | 902 | 1,009 | 1,005 | 1,044 | 1,045 | 25.5 | 25.3 | 24.3 | 23.3 | 23.2 |
| Sale of ideal participation | 182 | 239 | 364 | 556 | 617 | 5.1 | 6.0 | 8.8 | 12.4 | 13.7 |
| Leasing | 2 | 2 | 2 | 2 | 2 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Additional capital | 87 | 103 | 137 | 170 | 171 | 2.5 | 2.6 | 3.3 | 3.8 | 3.8 |
| Residual | 295 | 295 | 307 | 305 | 305 | 8.3 | 7.4 | 7.4 | 6.8 | 6.8 |
| Debt/equity conversion | 401 | 529 | 552 | 628 | 596 | 11.3 | 13.3 | 13.3 | 14.0 | 13.2 |
| Foreign equity | 53 | 53 | 53 | 49 | 49 | 1.5 | 1.3 | 1.3 | 1.1 | 1.1 |
| Private equity | 45 | 58 | 58 | 67 | 67 | 1.3 | 1.4 | 1.4 | 1.5 | 1.5 |
| Liquidations | 0 | 0 | 0 | 0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 3,537 | 3,991 | 4,138 | 4,485 | 4,512 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Data provided by the Privatization Agency.

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

2/ Data as of end-September.

Table A13. FYRM: Summary of Central Government Operations, 1997-2002

| | 1997 | 1998 | 1999 | 2000 | 2001 Estimate | 2002 Budget | 1997 | 1998 | 1999 | 2000 | 2001 Estimate | 2002 Budget |
|---|-------------------------|---------|---------|---------|------------------|----------------|---------------------|------|------|------|------------------|----------------|
| | (In millions of denars) | | | | | | (In percent of GDP) | | | | | |
| Total revenues and grants | 38,501 | 39,818 | 47,205 | 57,805 | 51,905 | 53,089 | 20.7 | 20.4 | 22.6 | 24.5 | 22.1 | 21.2 |
| Current revenue | 38,464 | 39,730 | 44,574 | 54,142 | 50,991 | 52,837 | 20.7 | 20.4 | 21.3 | 22.9 | 21.7 | 21.1 |
| Tax revenues | 35,500 | 36,862 | 41,850 | 51,115 | 47,566 | 50,010 | 19.1 | 18.9 | 20.0 | 21.6 | 20.3 | 19.9 |
| Individual income tax | 8,753 | 9,177 | 10,230 | 10,793 | 7,248 | 7,384 | 4.7 | 4.7 | 4.9 | 4.6 | 3.1 | 2.9 |
| Profit tax | 1,295 | 1,752 | 2,560 | 2,793 | 3,006 | 3,031 | 0.7 | 0.9 | 1.2 | 1.2 | 1.3 | 1.2 |
| VAT/sales tax | 8,816 | 8,804 | 9,959 | 17,452 | 17,132 | 17,898 | 4.7 | 4.5 | 4.8 | 7.4 | 7.3 | 7.1 |
| Excise taxes | 11,052 | 10,236 | 10,674 | 12,281 | 10,680 | 10,942 | 5.9 | 5.2 | 5.1 | 5.2 | 4.6 | 4.4 |
| Import duties | 5,525 | 6,811 | 8,302 | 7,733 | 6,111 | 5,321 | 3.0 | 3.5 | 4.0 | 3.3 | 2.6 | 2.1 |
| Other taxes | 59 | 81 | 125 | 63 | 3,389 | 5,434 | 0.0 | 0.0 | 0.1 | 0.0 | 1.4 | 2.2 |
| Non-tax revenue | 2,964 | 2,869 | 2,724 | 3,028 | 3,425 | 2,827 | 1.6 | 1.5 | 1.3 | 1.3 | 1.5 | 1.1 |
| Capital revenue | 37 | 88 | 153 | 424 | 499 | 216 | 0.0 | 0.0 | 0.1 | 0.2 | 0.2 | 0.1 |
| Grants | 0 | 0 | 2,477 | 3,239 | 415 | 36 | 0.0 | 0.0 | 1.2 | 1.4 | 0.2 | 0.0 |
| Total expenditures | 40,792 | 41,391 | 45,613 | 51,520 | 65,384 | 59,979 | 21.9 | 21.2 | 21.8 | 21.8 | 27.9 | 23.9 |
| Current expenditure | 38,168 | 38,840 | 43,127 | 45,027 | 56,686 | 50,053 | 20.5 | 19.9 | 20.6 | 19.1 | 24.2 | 19.9 |
| Goods and services | 19,929 | 21,541 | 22,981 | 22,422 | 36,232 | 29,685 | 10.7 | 11.0 | 11.0 | 9.5 | 15.4 | 11.8 |
| Wages and salaries | 15,148 | 15,939 | 17,757 | 16,285 | 16,407 | 17,709 | 8.1 | 8.2 | 8.5 | 6.9 | 7.0 | 7.1 |
| Goods and nonlabor services | 4,781 | 5,602 | 5,224 | 6,137 | 19,825 | 11,976 | 2.6 | 2.9 | 2.5 | 2.6 | 8.4 | 4.8 |
| Refugee and poverty-related expenditures | 23 | 24 | 2,456 | 1,482 | 582 | 236 | 0.0 | 0.0 | 1.2 | 0.6 | 0.2 | 0.1 |
| Transfers | 14,260 | 13,839 | 14,671 | 17,174 | 15,672 | 16,503 | 7.7 | 7.1 | 7.0 | 7.3 | 6.7 | 6.6 |
| Pension fund | 4,066 | 3,620 | 3,302 | 4,138 | 5,215 | 5,871 | 2.2 | 1.9 | 1.6 | 1.8 | 2.2 | 2.3 |
| Social programs | 7,101 | 7,701 | 8,962 | 9,687 | 7,264 | 7,315 | 3.8 | 3.9 | 4.3 | 4.1 | 3.1 | 2.9 |
| Social assistance program | 2,822 | 2,550 | 2,990 | 3,476 | 3,193 | 3,247 | 1.5 | 1.3 | 1.4 | 1.5 | 1.4 | 1.3 |
| Employment fund | 2,981 | 3,263 | 3,099 | 3,931 | 3,584 | 3,568 | 1.6 | 1.7 | 1.5 | 1.7 | 1.5 | 1.4 |
| Other social programs | 1,298 | 1,888 | 2,873 | 2,280 | 487 | 500 | 0.7 | 1.0 | 1.4 | 1.0 | 0.2 | 0.2 |
| Subsidies | 475 | 167 | 270 | 369 | 160 | 148 | 0.3 | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 |
| Other transfers | 2,618 | 2,351 | 2,137 | 2,980 | 3,033 | 3,170 | 1.4 | 1.2 | 1.0 | 1.3 | 1.3 | 1.3 |
| Interest | 3,956 | 3,436 | 3,019 | 3,949 | 4,200 | 3,629 | 2.1 | 1.8 | 1.4 | 1.7 | 1.8 | 1.4 |
| Domestic | 1,488 | 1,213 | 1,285 | 1,183 | 1,066 | 1,232 | 0.8 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 |
| Foreign | 2,468 | 2,223 | 1,734 | 2,767 | 3,134 | 2,397 | 1.3 | 1.1 | 0.8 | 1.2 | 1.3 | 1.0 |
| Capital expenditure | 2,505 | 2,626 | 2,957 | 5,751 | 7,178 | 8,342 | 1.3 | 1.3 | 1.4 | 2.4 | 3.1 | 3.3 |
| Reserves | 98 | 98 | 107 | 154 | 166 | 170 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Arrears (increase + / repayment -) | 55 | -289 | -494 | 0 | 0 | 0 | 0.0 | -0.1 | -0.2 | 0.0 | 0.0 | 0.0 |
| Enterprise sector reform costs, gross | 0 | 0 | 0 | 344 | 239 | 1,025 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.4 |
| Public administration reform costs, gross | 0 | 0 | 0 | 60 | 944 | 389 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 | 0.2 |
| Discrepancy | -34 | 126 | -84 | 184 | 171 | 0 | 0.0 | 0.1 | 0.0 | 0.1 | 0.1 | 0.0 |
| Balance | -2,291 | -1,572 | 1,591 | 6,285 | -13,479 | -6,890 | -1.2 | -0.8 | 0.8 | 2.7 | -5.7 | -2.7 |
| Financing | 2,291 | 1,572 | -1,591 | -6,285 | 13,479 | 6,890 | 1.2 | 0.8 | -0.8 | -2.7 | 5.7 | 2.7 |
| Domestic | 1,631 | 77 | -4,118 | -11,780 | -5,945 | -3,318 | 0.9 | 0.0 | -2.0 | -5.0 | -2.5 | -1.3 |
| Arrears | 1,215 | 547 | 459 | 113 | 0 | 0 | 0.7 | 0.3 | 0.2 | 0.0 | 0.0 | 0.0 |
| Interest on FFCD 1/ | 1,160 | 836 | 953 | 113 | 0 | 0 | 0.6 | 0.4 | 0.5 | 0.0 | 0.0 | 0.0 |
| Other arrears | 55 | -289 | -494 | 0 | 0 | 0 | 0.0 | -0.1 | -0.2 | 0.0 | 0.0 | 0.0 |
| Central bank, net | 4,061 | -869 | -4,274 | -9,328 | -5,507 | -1,160 | 2.2 | -0.4 | -2.0 | -3.9 | -2.3 | -0.5 |
| Commercial banking system, net | -4,180 | -476 | -303 | -905 | -438 | -518 | -2.2 | -0.2 | -0.1 | -0.4 | -0.2 | -0.2 |
| Other | 535 | 875 | 0 | -1,660 | 0 | -1,640 | 0.3 | 0.4 | 0.0 | -0.7 | 0.0 | -0.7 |
| Foreign financing, net | 660 | 385 | 2,527 | 2,872 | -5,169 | 8,736 | 0.4 | 0.2 | 1.2 | 1.2 | -2.2 | 3.5 |
| Disbursements | ... | 2,768 | 3,337 | 3,397 | 763 | 12,543 | ... | 1.4 | 1.6 | 1.4 | 0.3 | 5.0 |
| Amortization (-) | ... | -2,248 | -2,351 | -2,135 | -3,560 | -3,807 | ... | -1.2 | -1.1 | -0.9 | -1.5 | -1.5 |
| Rescheduling, arrears and other | ... | -136 | 1,541 | 1,611 | -2,372 | 0 | ... | -0.1 | 0.7 | 0.7 | -1.0 | 0.0 |
| Privatization receipts | 0 | 1,110 | 0 | 2,622 | 24,593 | 1,471 | 0.0 | 0.6 | 0.0 | 1.1 | 10.5 | 0.6 |
| Memorandum items: | | | | | | | | | | | | |
| Government debt (gross) | 89,168 | 87,270 | 102,659 | 114,040 | 110,010 | 122,547 | 47.9 | 44.8 | 49.1 | 48.3 | 46.9 | 48.8 |
| Domestic debt 2/ | 46,606 | 41,194 | 44,204 | 43,799 | 44,039 | 41,405 | 25.1 | 21.1 | 21.1 | 18.5 | 18.8 | 16.5 |
| External debt 3/ | 42,561 | 46,075 | 58,454 | 70,241 | 65,971 | 81,142 | 22.9 | 23.6 | 28.0 | 29.7 | 28.1 | 32.3 |
| Defense expenditures 4/ | 4,041 | 3,900 | 3,808 | 4,652 | 15,909 | 7,620 | 2.2 | 2.0 | 1.8 | 2.0 | 6.8 | 3.0 |
| Defense and security expenditures 5/ | 7,068 | 6,899 | 6,822 | 7,861 | 24,092 | 14,720 | 3.8 | 3.5 | 3.3 | 3.3 | 10.3 | 5.9 |
| Nominal GDP | 186,019 | 194,981 | 209,010 | 236,211 | 234,718 | 250,942 | | | | | | |

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

1/ FFCD stands for frozen foreign currency deposits.

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 A14. FYRM: Summary of General Government Operations, 1997-2002

| | 1997 | 1998 | 1999 | 2000 | 2001 Estimate | 2002 Budget | 1997 | 1998 | 1999 | 2000 | 2001 Estimate | 2002 Budget |
|--|-------------------------|---------|---------|---------|------------------|----------------|---------------------|------|------|------|------------------|----------------|
| | (In millions of denars) | | | | | | (In percent of GDP) | | | | | |
| Total revenue and grants | 64,649 | 64,944 | 74,007 | 86,583 | 80,652 | 83,876 | 34.8 | 33.3 | 35.4 | 36.7 | 34.4 | 33.4 |
| Current revenue | 64,564 | 64,806 | 71,310 | 82,866 | 79,604 | 83,594 | 34.7 | 33.2 | 34.1 | 35.1 | 33.9 | 33.3 |
| Tax revenues | 59,876 | 60,239 | 66,521 | 78,059 | 74,800 | 78,957 | 32.2 | 30.9 | 31.8 | 33.0 | 31.9 | 31.5 |
| Taxes on income and profits | 10,048 | 10,929 | 12,790 | 13,586 | 10,254 | 10,415 | 5.4 | 5.6 | 6.1 | 5.8 | 4.4 | 4.2 |
| Social insurance contributions | 22,701 | 21,680 | 23,055 | 25,091 | 25,465 | 27,153 | 12.2 | 11.1 | 11.0 | 10.6 | 10.8 | 10.8 |
| Local taxes | 944 | 1,006 | 984 | 1,050 | 1,050 | 1,050 | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 |
| VAT/sales tax and excise taxes | 20,599 | 19,732 | 21,265 | 30,537 | 28,531 | 29,584 | 11.1 | 10.1 | 10.2 | 12.9 | 12.2 | 11.8 |
| Import duties | 5,525 | 6,811 | 8,302 | 7,733 | 6,111 | 5,321 | 3.0 | 3.5 | 4.0 | 3.3 | 2.6 | 2.1 |
| Other taxes | 59 | 81 | 125 | 63 | 3,389 | 5,434 | 0.0 | 0.0 | 0.1 | 0.0 | 1.4 | 2.2 |
| Non-tax revenue | 4,688 | 4,567 | 4,789 | 4,807 | 4,803 | 4,637 | 2.5 | 2.3 | 2.3 | 2.0 | 2.0 | 1.8 |
| Capital revenue | 85 | 138 | 220 | 477 | 542 | 246 | 0.0 | 0.1 | 0.1 | 0.2 | 0.2 | 0.1 |
| Grants | 0 | 0 | 2,477 | 3,239 | 506 | 36 | 0.0 | 0.0 | 1.2 | 1.4 | 0.2 | 0.0 |
| Total expenditures | 65,352 | 68,280 | 73,946 | 80,678 | 94,812 | 92,429 | 35.1 | 35.0 | 35.4 | 34.2 | 40.4 | 36.8 |
| Current expenditure | 62,663 | 64,842 | 69,421 | 73,748 | 85,650 | 81,107 | 33.7 | 33.3 | 33.2 | 31.2 | 36.5 | 32.3 |
| Goods and services | 21,166 | 22,876 | 24,396 | 24,053 | 37,770 | 31,426 | 11.4 | 11.7 | 11.7 | 10.2 | 16.1 | 12.5 |
| Wages and salaries | 15,603 | 16,477 | 18,343 | 16,863 | 16,921 | 18,294 | 8.4 | 8.5 | 8.8 | 7.1 | 7.2 | 7.3 |
| Goods and nonlabor services | 5,563 | 6,400 | 6,053 | 7,191 | 20,850 | 13,132 | 3.0 | 3.3 | 2.9 | 3.0 | 8.9 | 5.2 |
| Refugee and poverty-related expenditures | 23 | 24 | 2,456 | 1,482 | 582 | 236 | 0.0 | 0.0 | 1.2 | 0.6 | 0.2 | 0.1 |
| Transfers | 26,200 | 26,339 | 26,621 | 30,566 | 29,829 | 31,004 | 14.1 | 13.5 | 12.7 | 12.9 | 12.7 | 12.4 |
| Subsidies | 475 | 167 | 270 | 369 | 160 | 148 | 0.3 | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 |
| Social programs | 6,234 | 5,916 | 6,280 | 7,296 | 5,489 | 5,526 | 3.4 | 3.0 | 3.0 | 3.1 | 2.3 | 2.2 |
| Unemployment benefits | 2,114 | 2,073 | 1,755 | 1,845 | 1,809 | 1,779 | 1.1 | 1.1 | 0.8 | 0.8 | 0.8 | 0.7 |
| Other social programs | 4,120 | 3,843 | 4,525 | 5,451 | 3,680 | 3,747 | 2.2 | 2.0 | 2.2 | 2.3 | 1.6 | 1.5 |
| Pensions and disability payments | 16,873 | 17,906 | 17,933 | 19,921 | 21,147 | 22,160 | 9.1 | 9.2 | 8.6 | 8.4 | 9.0 | 8.8 |
| Other transfers | 2,618 | 2,351 | 2,137 | 2,980 | 3,033 | 3,170 | 1.4 | 1.2 | 1.0 | 1.3 | 1.3 | 1.3 |
| Unclassified current expenditures | 11,254 | 11,903 | 12,781 | 13,486 | 13,138 | 14,478 | 6.0 | 6.1 | 6.1 | 5.7 | 5.6 | 5.8 |
| Interest | 4,020 | 3,700 | 3,167 | 4,161 | 4,330 | 3,964 | 2.2 | 1.9 | 1.5 | 1.8 | 1.8 | 1.6 |
| Domestic | 1,488 | 1,213 | 1,285 | 1,183 | 1,066 | 1,232 | 0.8 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 |
| Foreign | 2,532 | 2,487 | 1,882 | 2,978 | 3,264 | 2,732 | 1.4 | 1.3 | 0.9 | 1.3 | 1.4 | 1.1 |
| Capital expenditure | 2,577 | 3,472 | 4,746 | 6,327 | 7,995 | 9,870 | 1.4 | 1.8 | 2.3 | 2.7 | 3.4 | 3.9 |
| Reserves | 98 | 98 | 107 | 154 | 166 | 170 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Arrears (increase + / repayment -) | 55 | -289 | -494 | 0 | 0 | 0 | 0.0 | -0.1 | -0.2 | 0.0 | 0.0 | 0.0 |
| Enterprise sector reform costs, net | 0 | 0 | 0 | 173 | 180 | 903 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.4 |
| Public administration reform costs, net | 0 | 0 | 0 | 60 | 695 | 379 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.2 |
| Discrepancy | -42 | 157 | 167 | 215 | 126 | 0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 |
| Balance | -703 | -3,336 | 61 | 5,905 | -14,160 | -8,553 | -0.4 | -1.7 | 0.0 | 2.5 | -6.0 | -3.4 |
| Financing | 703 | 3,336 | -61 | -5,905 | 14,160 | 8,553 | 0.4 | 1.7 | 0.0 | -2.5 | 6.0 | 3.4 |
| Domestic | 217 | 307 | -4,665 | -11,993 | -6,247 | -3,358 | 0.1 | 0.2 | -2.2 | -5.1 | -2.7 | -1.3 |
| Arrears | 483 | 547 | 459 | 113 | 0 | 0 | 0.3 | 0.3 | 0.2 | 0.0 | 0.0 | 0.0 |
| Interest on FFCD 1/ | 1,160 | 836 | 953 | 113 | 0 | 0 | 0.6 | 0.4 | 0.5 | 0.0 | 0.0 | 0.0 |
| Other arrears | -677 | -289 | -494 | 0 | 0 | 0 | -0.4 | -0.1 | -0.2 | 0.0 | 0.0 | 0.0 |
| Central bank, net | 3,379 | -639 | -4,491 | -9,367 | -5,463 | -1,100 | 1.8 | -0.3 | -2.1 | -4.0 | -2.3 | -0.4 |
| Commercial banking system, net | -4,180 | -476 | -633 | -1,079 | -784 | -618 | -2.2 | -0.2 | -0.3 | -0.5 | -0.3 | -0.2 |
| Other | 335 | 875 | 0 | -1,660 | 0 | -1,640 | 0.3 | 0.4 | 0.0 | -0.7 | 0.0 | -0.7 |
| Foreign financing, net | 486 | 1,349 | 4,426 | 3,450 | -4,347 | 10,339 | 0.3 | 0.7 | 2.1 | 1.5 | -1.9 | 4.1 |
| Privatization receipts | 0 | 1,680 | 178 | 2,637 | 24,755 | 1,571 | 0.0 | 0.9 | 0.1 | 1.1 | 10.5 | 0.6 |
| Memorandum item: | | | | | | | | | | | | |
| Nominal GDP | 186,019 | 194,981 | 209,010 | 236,211 | 234,718 | 250,942 | | | | | | |

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

1/ FFCD stands for frozen foreign currency deposits.

Table A15. FYRM: Summary of Special Fund Operations, 1997-2002

| | 1997 | 1998 | 1999 | 2000 | 2001 Estimate | 2002 Budget | 1997 | 1998 | 1999 | 2000 | 2001 Estimate | 2002 Budget |
|-------------------------------------|-------------------------|---------|---------|---------|------------------|----------------|---------------------|------|------|------|------------------|----------------|
| | (In millions of denars) | | | | | | (In percent of GDP) | | | | | |
| Pension Fund | | | | | | | | | | | | |
| Revenue | 20,686 | 19,960 | 20,886 | 22,893 | 24,358 | 26,017 | 11.1 | 10.7 | 11.2 | 12.3 | 13.1 | 14.0 |
| Revenue before transfers | 15,791 | 14,949 | 15,875 | 17,280 | 17,483 | 18,581 | 8.5 | 8.0 | 8.5 | 9.3 | 9.4 | 10.0 |
| Transfers | 4,895 | 5,011 | 5,011 | 5,613 | 6,876 | 7,437 | 2.6 | 2.7 | 2.7 | 3.0 | 3.7 | 4.0 |
| Expenditure | 19,516 | 20,529 | 20,776 | 22,939 | 24,195 | 26,017 | 10.5 | 11.0 | 11.2 | 12.3 | 13.0 | 14.0 |
| Pensions | 16,694 | 17,730 | 17,756 | 19,774 | 21,228 | 22,291 | 9.0 | 9.5 | 9.5 | 10.6 | 11.4 | 12.0 |
| Other | 2,822 | 2,799 | 3,020 | 3,165 | 2,967 | 3,726 | 1.5 | 1.5 | 1.6 | 1.7 | 1.6 | 2.0 |
| Balance | 1,170 | -569 | 110 | -46 | 164 | 0 | 0.6 | -0.3 | 0.1 | 0.0 | 0.1 | 0.0 |
| Health Fund | | | | | | | | | | | | |
| Revenue | 10,492 | 10,655 | 12,098 | 12,710 | 12,206 | 13,064 | 5.6 | 5.7 | 6.5 | 6.8 | 6.6 | 7.0 |
| Revenue before transfers | 7,314 | 7,141 | 7,859 | 7,969 | 7,762 | 8,524 | 3.9 | 3.8 | 4.2 | 4.3 | 4.2 | 4.6 |
| Transfers | 3,178 | 3,514 | 4,239 | 4,741 | 4,444 | 4,540 | 1.7 | 1.9 | 2.3 | 2.5 | 2.4 | 2.4 |
| Expenditure | 10,320 | 10,885 | 11,830 | 12,477 | 12,075 | 13,065 | 5.5 | 5.9 | 6.4 | 6.7 | 6.5 | 7.0 |
| Balance | 172 | -230 | 268 | 233 | 130 | 0 | 0.1 | -0.1 | 0.1 | 0.1 | 0.1 | 0.0 |
| Employment Fund | | | | | | | | | | | | |
| Revenue | 3,982 | 4,262 | 4,162 | 5,118 | 4,914 | 5,172 | 2.1 | 2.3 | 2.2 | 2.8 | 2.6 | 2.8 |
| Revenue before transfers | 1,001 | 976 | 1,009 | 1,101 | 1,168 | 1,242 | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | 0.7 |
| Transfers | 2,981 | 3,286 | 3,154 | 4,017 | 3,746 | 3,930 | 1.6 | 1.8 | 1.7 | 2.2 | 2.0 | 2.1 |
| Expenditure | 3,982 | 4,263 | 4,137 | 5,105 | 4,880 | 5,172 | 2.1 | 2.3 | 2.2 | 2.7 | 2.6 | 2.8 |
| Unemployment benefits | 2,114 | 2,073 | 1,755 | 1,874 | 1,880 | 1,973 | 1.1 | 1.1 | 0.9 | 1.0 | 1.0 | 1.1 |
| Transfers | 1,715 | 2,011 | 2,216 | 3,038 | 2,771 | 2,774 | 0.9 | 1.1 | 1.2 | 1.6 | 1.5 | 1.5 |
| Other | 153 | 179 | 166 | 193 | 230 | 425 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 |
| Balance | 0 | -1 | 26 | 13 | 34 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Road Fund | | | | | | | | | | | | |
| Revenue and grants | 1,643 | 1,721 | 2,000 | 2,968 | 2,788 | 2,695 | 0.9 | 0.9 | 1.1 | 1.6 | 1.5 | 1.4 |
| Revenue and grants before transfers | 1,098 | 1,053 | 1,076 | 1,378 | 1,283 | 1,390 | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 |
| Transfers | 545 | 668 | 924 | 1,590 | 1,505 | 1,305 | 0.3 | 0.4 | 0.5 | 0.9 | 0.8 | 0.7 |
| Expenditure | 1,397 | 2,684 | 3,934 | 3,547 | 3,799 | 4,358 | 0.8 | 1.4 | 2.1 | 1.9 | 2.0 | 2.3 |
| Balance | 246 | -963 | -1,934 | -580 | -1,010 | -1,663 | 0.1 | -0.5 | -1.0 | -0.3 | -0.5 | -0.9 |
| Memorandum item: | | | | | | | | | | | | |
| Nominal GDP | 186,019 | 194,981 | 209,010 | 236,211 | 234,718 | 250,942 | | | | | | |

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

Table A16. FYRM: Special Revenue Accounts and Expenditure Financed from Special Revenue Accounts, 2000–2001

| | 2000 | 2001 | 2000 | 2001 | 2001 | 2000 | 2001 | 2000 | 2001 | 2001 |
|-------------------------------------|----------------------|-------|-------------------------------|-------|------------------|-------------------------|-------|------------------------------------|-------|------------------|
| | Revenue | | | | | Expenditure | | | | |
| | (In millions denars) | | (In percent of total revenue) | | (percent change) | (In millions of denars) | | (In percent of total expenditures) | | (percent change) |
| Common Services Unit | 187 | 68 | 1.7 | 0.8 | -63.4 | 197 | 65 | 1.7 | 0.7 | -66.8 |
| Ministry of Defense | 854 | 551 | 7.5 | 6.4 | -35.5 | 812 | 566 | 6.9 | 6.4 | -30.4 |
| Ministry of Interior | 619 | 486 | 5.5 | 5.6 | -21.5 | 609 | 504 | 5.1 | 5.7 | -17.3 |
| Ministry of Finance | 289 | 184 | 2.6 | 2.1 | -36.3 | 333 | 206 | 2.8 | 2.3 | -38.1 |
| Customs | 321 | 110 | 2.8 | 1.3 | -65.6 | 491 | 112 | 4.2 | 1.3 | -77.3 |
| Ministry of Economy | 209 | 162 | 1.8 | 1.9 | -22.5 | 102 | 194 | 0.9 | 2.2 | 89.7 |
| Ministry of Transportation | 198 | 197 | 1.7 | 2.3 | -0.5 | 188 | 187 | 1.6 | 2.1 | -0.6 |
| Air Traffic Control | 205 | 584 | 1.8 | 6.7 | 184.7 | 374 | 594 | 3.2 | 6.8 | 58.9 |
| Ministry of Agriculture | 266 | 434 | 2.4 | 5.0 | 63.2 | 269 | 440 | 2.3 | 5.0 | 63.4 |
| Social protection of children | 265 | 219 | 2.3 | 2.5 | -17.4 | 284 | 228 | 2.4 | 2.6 | -19.7 |
| Ministry of Education | 2,605 | 2,142 | 23.0 | 24.7 | -17.8 | 2,888 | 2,260 | 24.4 | 25.7 | -21.7 |
| Ministry of Sports | 16 | 2 | 0.1 | 0.0 | -89.3 | 23 | 2 | 0.2 | 0.0 | -93.0 |
| Sports clubs | 345 | 0 | 3.0 | 0.0 | ... | 363 | 0 | 3.1 | 0.0 | ... |
| Cultural activities 1/ | 311 | 174 | 2.8 | 2.0 | -43.9 | 312 | 176 | 2.6 | 2.0 | -43.5 |
| Ministry of Health | 26 | 173 | 0.2 | 2.0 | 568.2 | 32 | 170 | 0.3 | 1.9 | 425.0 |
| Geodesics Institute | 76 | 59 | 0.7 | 0.7 | -22.0 | 75 | 56 | 0.6 | 0.6 | -25.3 |
| Agency for Economic Development | 15 | 66 | 0.1 | 0.8 | 348.6 | 16 | 66 | 0.1 | 0.8 | 322.5 |
| Courts, prosecutors, and prisons 2/ | 231 | 42 | 2.0 | 0.5 | -81.8 | 240 | 40 | 2.0 | 0.5 | -83.2 |
| Others | 4,273 | 3,014 | 37.8 | 34.8 | -29.5 | 4,229 | 2,929 | 35.7 | 33.3 | -30.7 |
| Total | 11,311 | 8,667 | 100.0 | 100.0 | -23.4 | 11,838 | 8,796 | 100.0 | 100.0 | -25.7 |
| Memorandum items: | | | | | | | | | | |
| Strategic Reserve Fund 3/ | 3,564 | 2,208 | 31.5 | 25.5 | -38.1 | 3,519 | 2,005 | 29.7 | 22.8 | -43.0 |
| Expenditure by economic category | | | | | | | | | | |
| Current expenditure | | | | | | 6,787 | 4,461 | 57.3 | 50.7 | -34.3 |
| Wages and contributions | | | | | | 1,053 | 656 | 8.9 | 7.5 | -37.7 |
| Goods and services | | | | | | 5,733 | 3,786 | 48.4 | 43.0 | -34.0 |
| Interest payments | | | | | | 1 | 19 | 0.0 | 0.2 | 1,546.8 |
| Capital expenditure | | | | | | 731 | 1,622 | 6.2 | 18.4 | 121.8 |

Sources: Ministry of Finance; and IMF staff calculations.

1/ Line item cultural activities 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.

3/ Revenues and expenditures of Strategic Reserve Fund are included in line item others.

Table A17. FYRM: Expenditure Financed from Special Revenue Accounts by Agency and Economic Category, 2000–2001
(In million of denars)

| | Wages and contributions | | Goods and services | | Interest | | Capital | | Others | | Total | |
|-------------------------------------|-------------------------|------------|--------------------|--------------|----------|-----------|------------|--------------|--------------|--------------|---------------|--------------|
| | 2000 | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 | 2001 |
| Common Services Unit | 1 | 0 | 101 | 65 | 0 | 0 | 95 | 0 | 0 | 0 | 197 | 65 |
| Ministry of Defense | 81 | 18 | 598 | 480 | 0 | 0 | 133 | 66 | 0 | 2 | 812 | 566 |
| Ministry of Interior | 108 | 0 | 501 | 494 | 0 | 0 | 0 | 0 | 0 | 10 | 609 | 504 |
| Ministry of Finance | 20 | 53 | 273 | 131 | 0 | 0 | 40 | 22 | 0 | 0 | 333 | 206 |
| Customs | 100 | 37 | 391 | 64 | 0 | 0 | 0 | 11 | 0 | 0 | 491 | 112 |
| Ministry of Economy | 8 | 2 | 80 | 36 | 0 | 0 | 12 | 9 | 2 | 147 | 102 | 194 |
| Ministry of Transportation | 8 | 21 | 180 | 8 | 0 | 0 | 0 | 62 | 0 | 97 | 188 | 187 |
| Air Traffic Control | 99 | 170 | 245 | 191 | 0 | 7 | 30 | 227 | 0 | 0 | 374 | 594 |
| Ministry of Agriculture | 0 | 0 | 55 | 78 | 0 | 0 | 78 | 293 | 136 | 69 | 269 | 440 |
| Social protection of children | 19 | 10 | 258 | 204 | 0 | 0 | 6 | 13 | 0 | 0 | 284 | 228 |
| Ministry of Education | 365 | 306 | 1,626 | 1,512 | 1 | 0 | 225 | 131 | 671 | 311 | 2,888 | 2,260 |
| Ministry of Sports | 1 | 0 | 15 | 0 | 0 | 0 | 3 | 0 | 4 | 1 | 23 | 2 |
| Sports clubs | 44 | ... | 310 | ... | 0 | ... | 7 | ... | 2 | ... | 363 | ... |
| Cultural activities 1/ | 23 | 7 | 68 | 90 | 0 | 0 | 15 | 6 | 206 | 73 | 312 | 176 |
| Ministry of Health | 1 | 0 | 26 | 14 | 0 | 0 | 5 | 155 | 0 | 1 | 32 | 170 |
| Geodesics Institute | 1 | 2 | 58 | 41 | 0 | 0 | 16 | 13 | 0 | 0 | 75 | 56 |
| Agency for Economic Development | 2 | 0 | 13 | 4 | 0 | 12 | 1 | 50 | 0 | 0 | 16 | 66 |
| Courts, prosecutors, and prisons 2/ | 35 | 10 | 193 | 30 | 0 | 0 | 6 | 0 | 5 | 0 | 240 | 40 |
| Others | 137 | 20 | 742 | 343 | 0 | 0 | 59 | 564 | 3,292 | 2,001 | 4,229 | 2,929 |
| Total | 1,053 | 656 | 5,733 | 3,786 | 1 | 19 | 731 | 1,622 | 4,320 | 2,713 | 11,838 | 8,796 |
| Memorandum item: | | | | | | | | | | | | |
| Strategic Reserve Fund | | | | | | | | | | | 3,519 | 2,005 |

Source: Ministry of Finance.

1/ Line item cultural activities 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 A18. FYRM: Balance of Payments, 1997-2001
(In millions of U.S. dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 | |
|---|-------|-------|-------|-------|---------|-------|
| | | | | | Jan-Sep | Est. |
| Current account | -289 | -346 | -125 | -110 | -221 | -345 |
| Trade balance (fob) | -386 | -400 | -392 | -556 | -253 | -397 |
| Exports | 1,237 | 1,311 | 1,191 | 1,319 | 872 | 1,183 |
| Imports | 1,623 | 1,711 | 1,584 | 1,875 | 1,125 | 1,580 |
| Services | -147 | -171 | -75 | -55 | -76 | -97 |
| Receipts | 128 | 131 | 248 | 303 | 166 | 237 |
| Payments | 275 | 302 | 324 | 358 | 242 | -334 |
| Income | -39 | -50 | -62 | -46 | -36 | -54 |
| Receipts | 39 | 24 | 22 | 41 | 32 | 49 |
| Payments | 78 | 74 | 83 | 80 | 68 | 77 |
| Transfers (net) | 283 | 277 | 389 | 546 | 143 | 203 |
| Official | 1 | 7 | 62 | 92 | 15 | 18 |
| Private | 283 | 270 | 327 | 454 | 128 | 185 |
| Capital account | 72 | 285 | 44 | 141 | 403 | 404 |
| Disbursements | 131 | 216 | 164 | 136 | 63 | 91 |
| Public | 121 | 107 | 117 | 114 | 48 | 80 |
| Private | 10 | 108 | 47 | 22 | 15 | 11 |
| Amortization | 48 | 75 | 106 | 120 | 129 | 187 |
| Direct and portfolio investment (net) | 18 | 175 | 27 | 175 | 402 | 445 |
| Commercial banks' position (net) | -29 | -31 | -40 | -50 | 67 | -285 |
| Euro conversion effect | 0 | 0 | 0 | 0 | 0 | 340 |
| Errors and omissions and short-term capital 1/ | 232 | 107 | 199 | 174 | -126 | 20 |
| Overall balance | 16 | 46 | 117 | 204 | 56 | 79 |
| Financing | -16 | -46 | -117 | -204 | -56 | -79 |
| Net foreign assets (increase, -) | 10 | -44 | -142 | -237 | -69 | -87 |
| O+A21f which: IMF (net change) | 22 | 10 | 3 | -1 | -21 | -22 |
| Change in arrears | -106 | -2 | 1 | 14 | 13 | 8 |
| New arrears | 8 | 0 | 1 | 40 | 21 | 21 |
| Repayment of arrears | 114 | 2 | 0 | 26 | 8 | 13 |
| Rescheduling | 80 | 0 | 24 | 18 | 0 | 0 |
| Memorandum items: | | | | | | |
| Current account (in percent of GDP) | -7.7 | -9.7 | -3.4 | -3.1 | -6.6 | -10.2 |
| External debt-service ratio (in percent) 2/ | 8.7 | 9.9 | 13.9 | 13.1 | ... | 19.0 |
| External debt-to-GDP ratio (in percent) 3/ | 31.3 | 40.1 | 40.5 | 41.5 | 41.5 | 40.7 |
| Gross reserves (in months of next year's imports) | 1.7 | 2.1 | 2.6 | 4.5 | 4.6 | 4.7 |

Source: National Bank of Macedonia; and IMF staff estimates.

1/ Includes trade credits.

2/ Debt service due including IMF as percent of exports of goods and services.

3/ Including IMF.

Table A19. FYRM: Commodity Composition of Exports and Imports, 1997-2001

| | 1997 | 1998 | 1999 | 2000 | 2001 Jan-Sep | 1997 | 1998 | 1999 | 2000 | 2001 Jan-Sep |
|--|-------------------------------|-------|-------|-------|-----------------|-----------------------|-------|-------|-------|-----------------|
| | (In millions of U.S. dollars) | | | | | (In percent of total) | | | | |
| Total exports | 1,237 | 1,311 | 1,191 | 1,319 | 872 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Food and live animals | 71 | 66 | 67 | 66 | 49 | 5.7 | 5.1 | 5.6 | 5.0 | 5.6 |
| Beverages and tobacco | 177 | 144 | 160 | 129 | 86 | 14.3 | 11.0 | 13.4 | 9.8 | 9.8 |
| Crude materials, inedible, except fuels | 69 | 57 | 51 | 49 | 29 | 5.6 | 4.3 | 4.3 | 3.7 | 3.3 |
| Mineral fuels, lubricants and related materials | 6 | 11 | 23 | 63 | 33 | 0.5 | 0.8 | 1.9 | 4.8 | 3.7 |
| Animal and vegetable oils, and fats | 0 | 0 | 1 | 2 | 1 | 0.0 | 0.0 | 0.1 | 0.2 | 0.1 |
| Chemicals | 73 | 65 | 55 | 60 | 44 | 5.9 | 5.0 | 4.6 | 4.5 | 5.0 |
| Manufactured goods | 423 | 448 | 354 | 486 | 284 | 34.2 | 34.2 | 29.7 | 36.8 | 32.6 |
| Machinery and transport equipment | 96 | 98 | 83 | 83 | 57 | 7.8 | 7.5 | 7.0 | 6.3 | 6.5 |
| Miscellaneous manufactured articles | 321 | 419 | 372 | 377 | 289 | 26.0 | 32.0 | 31.2 | 28.6 | 33.1 |
| Unclassified | 1 | 2 | 26 | 4 | 2 | 0.1 | 0.2 | 2.2 | 0.3 | 0.2 |
| Total imports, c.i.f. | 1,779 | 1,915 | 1,776 | 2,085 | 1,250 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Food and live animals | 243 | 256 | 212 | 210 | 128 | 13.7 | 13.4 | 11.9 | 10.1 | 10.2 |
| Beverages and tobacco | 20 | 26 | 32 | 22 | 12 | 1.1 | 1.4 | 1.8 | 1.1 | 1.0 |
| Crude materials, inedible, except fuels | 69 | 67 | 57 | 55 | 35 | 3.9 | 3.5 | 3.2 | 2.6 | 2.8 |
| Mineral fuels, lubricants, and related materials | 197 | 163 | 162 | 290 | 175 | 11.1 | 8.5 | 9.1 | 13.9 | 14.0 |
| Animal and vegetable oils, and fats | 16 | 26 | 23 | 14 | 9 | 0.9 | 1.3 | 1.3 | 0.7 | 0.7 |
| Chemicals | 192 | 203 | 184 | 188 | 124 | 10.8 | 10.6 | 10.4 | 9.0 | 9.9 |
| Manufactured goods | 344 | 278 | 273 | 268 | 147 | 19.3 | 14.5 | 15.4 | 12.9 | 11.7 |
| Machinery and transport equipment | 302 | 366 | 355 | 408 | 188 | 17.0 | 19.1 | 20.0 | 19.6 | 15.0 |
| Miscellaneous manufactured articles | 214 | 94 | 98 | 103 | 67 | 12.0 | 4.9 | 5.5 | 4.9 | 5.4 |
| Unclassified 1/ | 182 | 436 | 380 | 528 | 366 | 10.2 | 22.8 | 21.4 | 25.3 | 29.3 |

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 A20. FYRM: Destination of Merchandise Exports, 1997-2001
(In millions of U.S. dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 Jan-Sep |
|------------------------------|-------|-------|-------|-------|-----------------|
| Total exports | 1,237 | 1,311 | 1,191 | 1,319 | 872 |
| Industrial countries | 694 | 811 | 717 | 790 | 549 |
| European Union | 462 | 578 | 540 | 561 | 423 |
| France | 6 | 18 | 13 | 15 | 13 |
| Italy | 44 | 92 | 78 | 88 | 63 |
| Netherlands | 42 | 44 | 41 | 36 | 34 |
| Germany | 199 | 281 | 254 | 256 | 184 |
| United Kingdom | 32 | 24 | 28 | 27 | 19 |
| Greece | 99 | 83 | 86 | 84 | 76 |
| Austria | 18 | 10 | 6 | 10 | 4 |
| Other | 22 | 27 | 35 | 46 | 31 |
| EFTA | 87 | 42 | 24 | 40 | 35 |
| Switzerland | 71 | 37 | 22 | 40 | 35 |
| Other | 16 | 5 | 2 | 0 | 0 |
| Other industrial countries | 145 | 191 | 153 | 189 | 90 |
| Japan | 1 | 2 | 2 | 2 | 3 |
| United States | 117 | 174 | 136 | 166 | 79 |
| Turkey | 24 | 9 | 8 | 9 | 5 |
| Other | 3 | 6 | 7 | 12 | 3 |
| Former CMEA area | 83 | 93 | 58 | 46 | 33 |
| Bulgaria | 35 | 43 | 26 | 27 | 16 |
| Russia | 27 | 26 | 15 | 10 | 10 |
| Ukraine | 3 | 4 | 4 | 1 | 1 |
| Other | 19 | 20 | 13 | 8 | 7 |
| Developing countries | 24 | 33 | 33 | 34 | 10 |
| Republics of the former SFRY | 393 | 355 | 357 | 430 | 270 |
| SR Yugoslavia | 274 | 240 | 255 | 333 | 199 |
| Croatia | 39 | 54 | 49 | 48 | 43 |
| Slovenia | 59 | 41 | 34 | 26 | 15 |
| Bosnia and Herzegovina | 21 | 20 | 19 | 23 | 13 |
| Other countries | 43 | 19 | 27 | 19 | 10 |

Source: Data provided by the Statistical Office.

Table A21. FYRM: Origin of Merchandise Imports, 1997-2001
(In millions of U.S. dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 Jan-Sep |
|------------------------------|-------|-------|-------|-------|-----------------|
| Total imports, c.i.f. | 1,779 | 1,915 | 1,776 | 2,085 | 1,250 |
| Industrial countries | 862 | 928 | 896 | 1,004 | 610 |
| European Union | 659 | 695 | 723 | 795 | 498 |
| France | 37 | 37 | 40 | 39 | 21 |
| Italy | 96 | 109 | 93 | 111 | 72 |
| Netherlands | 40 | 43 | 40 | 45 | 34 |
| Germany | 239 | 255 | 246 | 252 | 155 |
| United Kingdom | 23 | 30 | 34 | 32 | 18 |
| Greece | 130 | 113 | 165 | 200 | 130 |
| Austria | 44 | 54 | 45 | 40 | 27 |
| Other | 49 | 54 | 62 | 77 | 43 |
| EFTA | 29 | 36 | 24 | 30 | 19 |
| Switzerland | 24 | 28 | 22 | 27 | 17 |
| Other | 5 | 8 | 2 | 3 | 1 |
| Other industrial countries | 174 | 198 | 149 | 179 | 93 |
| Japan | 13 | 17 | 18 | 22 | 7 |
| United States | 83 | 102 | 55 | 83 | 41 |
| Turkey | 50 | 51 | 54 | 53 | 31 |
| Other | 28 | 28 | 23 | 22 | 14 |
| Former CMEA area | 331 | 381 | 366 | 579 | 290 |
| Bulgaria | 99 | 86 | 92 | 97 | 75 |
| Russia | 69 | 91 | 91 | 192 | 112 |
| Ukraine | 92 | 120 | 115 | 206 | 64 |
| Other | 71 | 84 | 68 | 84 | 40 |
| Developing countries | 85 | 113 | 96 | 101 | 64 |
| Republics of the former SFRY | 420 | 467 | 412 | 397 | 226 |
| SR Yugoslavia | 206 | 246 | 184 | 190 | 107 |
| Croatia | 70 | 65 | 62 | 57 | 31 |
| Slovenia | 138 | 149 | 157 | 144 | 84 |
| Bosnia and Herzegovina | 7 | 8 | 9 | 5 | 3 |
| Other countries 1/ | 81 | 27 | 7 | 5 | 60 |

Source: 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 A22. FYRM: Exports and Imports by Final Use, 1997-2001

| | 1997 | 1998 | 1999 | 2000 | 2001 Jan-Sep |
|----------------------------------|-------------------------------|-------|-------|-------|-----------------|
| | (In millions of U.S. dollars) | | | | |
| Exports | 1,237 | 1,311 | 1,191 | 1,319 | 872 |
| Industrial supplies | 650 | 637 | 565 | 718 | 428 |
| Investment goods and spare parts | 42 | 53 | 37 | 33 | 21 |
| Consumption goods | 543 | 620 | 564 | 564 | 423 |
| Other | 1 | 1 | 25 | 4 | 1 |
| Imports, c.i.f. | 1,779 | 1,915 | 1,776 | 2,085 | 1,250 |
| Industrial supplies | 1,088 | 1,242 | 1,135 | 1,411 | 818 |
| Investment goods and spare parts | 189 | 248 | 229 | 262 | 137 |
| Consumption goods | 492 | 413 | 404 | 407 | 231 |
| Other 1/ | 11 | 12 | 8 | 6 | 64 |
| | (In percent of total) | | | | |
| Exports | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Industrial supplies | 52.6 | 48.6 | 47.4 | 54.4 | 49.0 |
| Investment goods and spare parts | 3.4 | 4.0 | 3.1 | 2.5 | 2.4 |
| Consumption goods | 43.9 | 47.3 | 47.3 | 42.8 | 48.5 |
| Other | 0.1 | 0.1 | 2.1 | 0.3 | 0.1 |
| Imports, c.i.f. | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Industrial supplies | 61.2 | 64.9 | 63.9 | 67.7 | 65.4 |
| Investment goods and spare parts | 10.6 | 13.0 | 12.9 | 12.5 | 11.0 |
| Consumption goods | 27.6 | 21.5 | 22.8 | 19.5 | 18.5 |
| Other 1/ | 0.6 | 0.6 | 0.5 | 0.3 | 5.1 |

Source: 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 A23. FYRM: Services Account, 1997-2001
(In millions of U.S. dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 Jan-Sep |
|----------------|------|------|------|------|-----------------|
| Total services | -147 | -171 | -75 | -55 | -76 |
| Receipts | 128 | 131 | 248 | 303 | 166 |
| Payments | -275 | -302 | -324 | -358 | -242 |
| Travel | -13 | -15 | 5 | 3 | -11 |
| Receipts | 14 | 15 | 37 | 37 | 18 |
| Payments | -27 | -30 | -32 | -34 | -29 |
| Transportation | -79 | -83 | -66 | -54 | -47 |
| Receipts | 54 | 61 | 87 | 116 | 55 |
| Payments | -133 | -144 | -153 | -170 | -102 |
| Other services | -55 | -73 | -15 | -4 | -18 |
| Receipts | 60 | 55 | 124 | 149 | 93 |
| Payments | -115 | -128 | -139 | -153 | -111 |

Source: National Bank of Macedonia.

Table A24. FYRM: External Debt Disbursements, 1997-2001
(In millions of U.S. dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 Jan-Sep |
|-------------------------|------|------|------|------|-----------------|
| Total | 153 | 228 | 183 | 139 | 63 |
| Multilateral | 131 | 112 | 107 | 94 | 47 |
| IMF | 22 | 12 | 19 | 4 | 0 |
| IBRD/IDA | 48 | 49 | 56 | 52 | 16 |
| EBRD | 32 | 14 | 5 | 20 | 4 |
| EUROFIMA | 0 | 0 | 0 | 1 | 1 |
| EIB | 0 | 18 | 24 | 6 | 14 |
| IFAD | 0 | 1 | 1 | 1 | 1 |
| CEB | 0 | 0 | 0 | 4 | 0 |
| IFC | 0 | 1 | 2 | 6 | 2 |
| EU | 29 | 16 | 0 | 0 | 10 |
| Bilateral creditors | 6 | 0 | 26 | 16 | 1 |
| Commercial creditors | 16 | 116 | 50 | 29 | 15 |
| Commercial banks | 6 | 8 | 3 | 7 | 9 |
| Other private creditors | 10 | 108 | 47 | 22 | 6 |

Source: National Bank of Macedonia.

Table A25. FYRM: External Debt-Service Obligations, 1997-2001
(In millions of U.S. dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 Jan-Sep |
|---------------------------|------|------|------|------|-----------------|
| By creditor | | | | | |
| Principal | 48 | 77 | 123 | 139 | 135 |
| Multilateral institutions | 21 | 30 | 44 | 50 | 49 |
| IMF | 0 | 2 | 17 | 19 | 6 |
| IBRD/IDA | 6 | 6 | 3 | 3 | 3 |
| EBRD | 8 | 14 | 16 | 16 | 12 |
| IFC | 1 | 0 | 1 | 6 | 19 |
| EIB | 2 | 2 | 2 | 3 | 3 |
| EUROFIMA | 2 | 5 | 4 | 1 | 4 |
| CEB | 1 | 1 | 1 | 1 | 1 |
| IFAD | 0 | 0 | 0 | 0 | 0 |
| EU | 0 | 0 | 0 | 1 | 0 |
| Bilateral creditors | 18 | 28 | 27 | 26 | 39 |
| Commercial creditors | 9 | 20 | 51 | 63 | 48 |
| London Club | 0 | 0 | 0 | 0 | 22 |
| Other | 9 | 19 | 51 | 63 | 26 |
| Interest | 71 | 68 | 77 | 73 | 68 |
| Multilateral institutions | 20 | 19 | 24 | 27 | 22 |
| IMF | 3 | 3 | 2 | 3 | 2 |
| IBRD/IDA | 6 | 5 | 6 | 9 | 8 |
| IFC | 0 | 0 | 5 | 6 | 3 |
| EIB | 5 | 3 | 4 | 3 | 3 |
| CEB | 0 | 0 | 0 | 0 | 0 |
| EBRD | 4 | 5 | 4 | 5 | 4 |
| EUROFIMA | 1 | 1 | 1 | 1 | 1 |
| EU | 0 | 2 | 1 | 1 | 2 |
| IFAD | 0 | 0 | 0 | 0 | 0 |
| Bilateral creditors | 27 | 21 | 19 | 16 | 15 |
| Commercial creditors | 23 | 27 | 34 | 30 | 29 |
| London Club | 23 | 24 | 24 | 17 | 19 |
| Other | 7 | 11 | 15 | 20 | 11 |
| Total debt service | 119 | 145 | 200 | 212 | 203 |

Source: National Bank of Macedonia.

Table A26. FYRM: External Debt Stock, 1997-2001
(In millions of U.S. dollars; end of period)

| | 1997 | 1998 | 1999 | 2000 | 2001 Jan-Sep |
|---------------------------|-------|-------|-------|-------|-----------------|
| Total external debt | 1,167 | 1,437 | 1,490 | 1,488 | 1,399 |
| By debtor | | | | | |
| Public sector | 1,035 | 1,222 | 1,305 | 1,330 | 1,189 |
| Government | 803 | 890 | 975 | 1,066 | 997 |
| Central government | 795 | 864 | 932 | 1,018 | 955 |
| Road fund | 0 | 18 | 33 | 48 | 43 |
| Health fund | 1 | 1 | 3 | 0 | 0 |
| Other | 7 | 7 | 7 | 0 | 0 |
| National bank | 99 | 114 | 113 | 96 | 74 |
| Public enterprises | 133 | 218 | 217 | 168 | 118 |
| Private sector | 132 | 215 | 185 | 158 | 210 |
| Commercial banks | 92 | 110 | 93 | 66 | 70 |
| Nonbank private sector | 40 | 105 | 92 | 92 | 140 |
| By creditor | | | | | |
| Multilateral | 519 | 687 | 714 | 715 | 704 |
| IMF | 103 | 114 | 113 | 82 | 74 |
| IBRD/IDA | 237 | 296 | 339 | 373 | 380 |
| IFC | 1 | 56 | 57 | 57 | 39 |
| EIB | 37 | 54 | 68 | 67 | 78 |
| EBRD | 83 | 90 | 72 | 72 | 65 |
| EUROFIMA | 25 | 23 | 17 | 17 | 14 |
| Council of Europe | 5 | 5 | 5 | 7 | 6 |
| EU | 28 | 48 | 41 | 37 | 46 |
| IFAD | 0 | 1 | 2 | 3 | 4 |
| Bilateral creditors | 377 | 289 | 317 | 316 | 292 |
| Commercial creditors | 271 | 400 | 404 | 405 | 353 |
| Commercial bank creditors | 241 | 243 | 250 | 253 | 198 |
| Other | 30 | 157 | 154 | 152 | 155 |
| Short-term debt | 0 | 60 | 55 | 52 | 50 |
| (In percent of total) | | | | | |
| Memorandum items: | | | | | |
| Total external debt | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Multilateral | 44.5 | 47.8 | 47.9 | 48.1 | 50.3 |
| Bilateral | 32.3 | 20.1 | 21.3 | 21.2 | 20.9 |
| Commercial | 23.2 | 27.9 | 27.1 | 27.2 | 25.2 |
| Short-term | 0.0 | 4.2 | 3.7 | 3.5 | 3.6 |
| (In percent of GDP) | | | | | |
| External Debt | 31.3 | 40.1 | 40.5 | 41.5 | 41.5 |

Source: National Bank of Macedonia.

Table A27. FYRM: Official Gold and Convertible Foreign Exchange, 1997-2001
(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 | 783.8 | 836.1 |
| | Q3 | 56.6 | 0.3 | 0.0 | 726.5 | 783.4 |

Source: National Bank of Macedonia.

1/ At national valuation.

Table A28. FYRM: Exchange Rate Developments, 1995–2001
(Period average)

| | Official Exchange Rates | | Real Effective Exchange Rate Indices 1/ | |
|-----------|-------------------------|----------|---|---------------------------------------|
| | Denar/US\$ | Denar/DM | 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 | 99.7 | 90.0 |
| 1997 | 49.6 | 28.9 | 85.6 | 75.3 |
| 1998 | 54.6 | 31.0 | 74.2 | 67.3 |
| 1999 | 56.8 | 31.0 | 72.6 | 66.6 |
| 2000 | 65.9 | 31.0 | 72.1 | 69.1 |
| 2001 | 68.1 | 31.1 | ... | ... |
| 1999 | | | | |
| January | 52.2 | 31.0 | 74.5 | 67.1 |
| February | 54.0 | 31.0 | 74.8 | 66.8 |
| March | 55.6 | 31.0 | 74.5 | 64.9 |
| April | 56.6 | 31.0 | 72.2 | 65.2 |
| May | 57.0 | 31.0 | 72.1 | 66.5 |
| June | 58.4 | 31.0 | 71.6 | 65.4 |
| July | 58.7 | 31.0 | 69.9 | 67.0 |
| August | 57.2 | 31.0 | 71.2 | 67.9 |
| September | 57.8 | 31.0 | 70.5 | 67.5 |
| October | 56.5 | 31.0 | 72.7 | 65.3 |
| November | 58.5 | 31.0 | 72.4 | 67.8 |
| December | 58.5 | 31.0 | 74.3 | 68.6 |
| 2000 | | | | |
| January | 59.8 | 31.0 | 72.2 | 67.9 |
| February | 61.7 | 31.0 | 72.4 | 67.1 |
| March | 62.9 | 31.0 | 71.5 | 69.4 |
| April | 64.1 | 31.0 | 74.4 | 67.8 |
| May | 67.2 | 31.0 | 74.2 | 67.8 |
| June | 64.1 | 31.1 | 73.4 | 70.5 |
| July | 64.8 | 31.1 | 72.4 | 69.2 |
| August | 67.0 | 31.1 | 71.6 | 70.9 |
| September | 69.5 | 31.1 | 71.4 | 70.9 |
| October | 71.0 | 31.1 | 71.1 | 70.7 |
| November | 71.1 | 31.1 | 71.9 | 67.1 |
| December | 67.8 | 31.1 | 69.0 | 69.7 |
| 2001 | | | | |
| January | 64.9 | 31.1 | 72.2 | 70.8 |
| February | 66.0 | 31.1 | 73.2 | 70.9 |
| March | 66.8 | 31.1 | 73.6 | 72.4 |
| April | 68.3 | 31.1 | 74.3 | 71.7 |
| May | 69.6 | 31.1 | 73.8 | 71.8 |
| June | 71.4 | 31.2 | 74.8 | 70.5 |
| July | 70.9 | 31.2 | 74.4 | 73.6 |
| August | 67.7 | 31.2 | 72.9 | 70.1 |
| September | 66.9 | 31.2 | 74.7 | 71.8 |
| October | 67.3 | 31.2 | 74.6 | ... |
| November | 68.6 | 31.2 | ... | ... |
| December | 68.4 | 31.2 | ... | ... |

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.