

**National Bank  
of the Republic of Macedonia**



**Monthly  
Report**

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### **Important economic events and amendments to the legal regulations in January 2006**

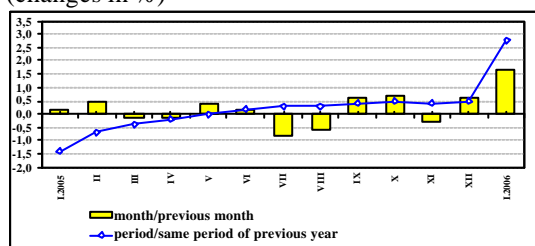
- ❖ *Since January 1, customs duties on about 3,700 out of total 12,000 tariff numbers decreased, with the average customs rate being reduced from 10.5% in 2005 to 9.5% in 2006. The reduction of the customs duties is conditioned by the joining of the Republic of Macedonia in the WTO.*
- ❖ *On January 1, the excise on cigarettes augmented, which is within the gradual harmonization of the taxes on cigarettes with the EU Directives in the 2005 - 2007 period. Since the beginning of January 2006, the amendments to the Health Care Law were enforced, with calculation and payment of compensation for production and import of tobacco products being envisaged.*
- ❖ *On January 1, the two-pillar pension system was launched officially, which is obligatory for all persons employed after January 1, 2003.*
- ❖ *On January 4, the functioning of the one stop-shop system commenced, the main objective of which is providing costs and time saving when registering new enterprise.*
- ❖ *On January 4, "IK Banka" was the first among the banks in the Republic of Macedonia that introduced international quality management standard (EN ISO 9001:2000).*
- ❖ *On January 9, according to decision of the Regulatory Energy Committee, the retail and refinery prices increased on average by 1.2% and 2.7%, respectively ("Official Gazette of RM" No. 2/2006), in accordance with the movement of the prices of crude oil and oil derivatives on the world market. On January 23, 2006, the Regulatory Energy Committee adopted a decision on increasing the retail and refinery prices of oil derivatives on average by 1.2% and 4.53%, respectively ("Official Gazette of RM", No. 89/2006).*
- ❖ *On January 23, the Regulatory Energy Committee adopted a decision on increasing the price of heating energy by 2.03%. The implementation of the decision will start on February 1, 2006 ("Official Gazette of RM", No. 9/2006).*
- ❖ *On January 25, the Agreement on Scientific and Technological Cooperation between the USA and the Republic of Macedonia was signed, which will be effective until 2016, for the purpose of continuing the initiated exchange of scientific and technical knowledge, as well as improving the scientific and technical potential.*
- ❖ *On January 27, within the cooperation process of the South-Eastern Europe, a Declaration for construction of modern railway network was signed, that should provide railroad connection in the region through creating an efficient transportation system.*
- ❖ *New regulations:*
  - *Law on Mandatory Fully Funded Pension Insurance ("Official Gazette of RM" No. 11/2006).*

## I. Economic Developments in the Republic of Macedonia

In January 2006, the monthly rate of inflation measured through the consumer prices<sup>2</sup> equaled 1.7%. The monthly increase is primarily caused by the increase in the excise on cigarettes (in order to comply with the EU Directives) and amendments to the Health Care Law in January 2006, which led to an increase in the prices of tobacco of 36.9), and consequently, to the increase in the costs in the category "tobacco and beverages" (17.9%). The monthly inflation is partially conditioned by the higher prices of food (by 0.8%, as a result of the higher prices of vegetables, meat products, fruits and dairy products), as well as by the increase in the prices of hygiene and health and transportation equipment and services (higher prices of liquid fuels by 2.8%). From the aspect of the structure, the monthly increase is completely caused by the higher prices of goods (by 2.1%), while the prices of services remained unchanged.

In January 2006, the annual rate of inflation equals 2.8%, and mainly it is due to the low comparison base registered in the previous year. However, increase in the consumer prices was registered in all categories (except in hygiene and health), with the largest contribution for that accounting for the augmented prices of tobacco and beverages and food (by 17.6% and 1.7%, respectively). From the structural aspect, more intensive increase in the process of goods (by 3.3%) than in the prices of services (by 0.9%) was registered.

Figure 1  
Consumer prices  
(changes in %)



Source: National Bank of the Republic of Macedonia

<sup>1</sup> Source: State Statistical Office of the Republic of Macedonia

<sup>2</sup> Starting from January 2006, the statistical price monitoring of oil derivatives is made from 26th in the previous month until 25th in the current month, in order to cover the multiple changes in the prices during the month. The statistical monitoring period of the remaining prices encompassed in the inflation index remains unchained (from 1st to 15th in the month).

In January 2005, the retail price registered a monthly growth of 1.2%, given the increase in the prices agricultural products, non-food industrial products, industrial food products (of 2.5%, 2.6%, and 0.3%, respectively). Analyzed from the aspect of the structure, the monthly increase is caused by the higher prices of goods (by 1.9%).

On annual basis, the retail prices augmented by 4.3% as a reflection of the increase in the prices of agricultural and non-food industrial products (identical increase of 6.8%).

In January 2006, the prices of the producers of industrial products went up by 1.6% compared to the previous month, reflecting the higher prices of the producers in the manufacturing industry. Within the manufacturing industry, the monthly increase is mainly a result of the increase in the prices of the producers of tobacco products (of 21.9%, in line with the higher taxes on tobacco products since January 1, 2006), as well as the higher prices of the producers of oil derivatives (by 5.3% in accordance with the decision of the Regulatory Energy Committee dating from January 09, 2006 on increasing the refinery prices of oil derivatives by 2.7%). On annual basis, higher prices in all three industrial sectors were registered, with the most apparent one being evident with the producers of tobacco products and oil derivatives. Consequently, the prices of the producers of industrial products registered annual increment of 6.4%.

In January 2006<sup>3</sup>, the actual volume of the industrial output registered monthly decrease of 31.7%, which is a common movement in the first month of the year influenced by the seasonal factors (smaller number of working days). The decrease is mainly due to the lower production in the manufacturing industry, as the most important sector, by 40.4%, having in mind the reduced output in all activities. The decrease is primarily a result of the reduced production of food products and beverages, tobacco products and clothing apparel (by 53.4%, 58.9% and 30.7%, respectively), comprising one third of the total industrial output. Their decline led to a lower production in the group "non-durable consumption products" (by 46.7%). More intensive decrease is registered also

<sup>3</sup> Preliminary data of the State Statistical Office.

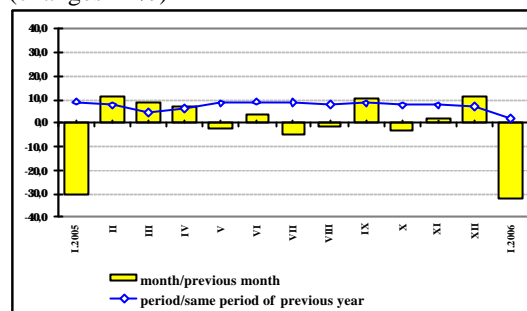


in the activity "products made of other non-metal minerals", which partially was a reason for the decline in the production in the group of "intermediary products, except energy". The industrial output in the sector "mining and quarrying" went down by 44.3%, while the sector "electricity, gas and water supply" registered an enlarged production by 8.7%.

However, on annual basis, the actual volume of the industrial output rose by 1.8%, reflecting the positive performances in the sectors "mining and quarrying" and "electricity, gas and water supply" (increase of 1.4 times and 5.2%, respectively). The high increase in the sector "mining and quarrying" is due to the low comparison base (restartation of a mining facility in May 2005). Negative annual rate of 1.4% was recorded in the manufacturing industry, given lower production in most of the activities, the most significant decrease of which

is registered in the production of food products and beverages, tobacco products and basic metals.

Figure 2  
Industrial output  
(changes in %)



Source: National Bank of the Republic of Macedonia

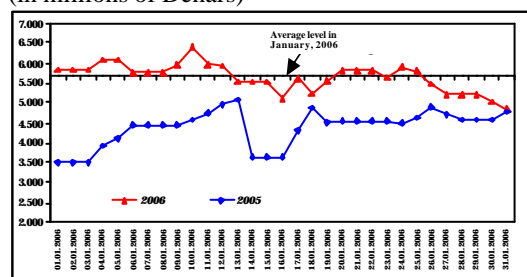
## II. Monetary Developments

In January 2006, the foreign exchange transactions and the monetary instruments of the NBRM, as well as the government Denar deposits were in function of liquidity absorption created through lower demand for cash. Namely, in January, after the high seasonal increase prior to the New Year and Christmas Holidays, *the currency in circulation* reduced by Denar 1,339 million on a monthly basis. The created liquidity on this basis was completely neutralized through the increase in *the government Denar deposits with the NBRM* (of Denar 660 million) and the *CB bills auctions* (the level of the CB bills registered monthly increase of Denar 1,492 million). Higher demand, on average, than supply of CB bills was registered on the auctions held in January, with the average weighted interest rate on CB bills being reduced from 8.52% in December 2005, to 7.31% in January. In terms of higher demand than supply of foreign assets (of the banks - enterprises segment), *net sale of foreign exchange* was registered on the foreign exchange market by the NBRM, acting in direction of withdrawing liquidity. As a result of such movements, *the banks' total liquid funds*<sup>4</sup> declined by 19.2% on a monthly basis, and at the end of the month they equaled Denar 4,850 million.

In January 2006, *the average daily liquidity of the banking system* equaled Denar 5,644.9 million, which is a monthly increase of 1.6%. From the

aspect of the daily dynamics, the banks' liquidity was relatively stable, registering certain oscillations under the influence of the common factors. More significant decrease in the liquidity is registered at the end of the month, having in mind the higher interest of the banks to invest in CB bills and the net-inflows on the Government's account. The banks' excess liquid funds over the reserve requirement (in Denars)<sup>5</sup>, equals 5.1% in January 2006 (24.2% in the previous month).

Figure 3  
Daily dynamics of the banks' liquidity  
(in millions of Denars)



Source: National Bank of the Republic of Macedonia

In January 2005, no transactions on the official Money Market were registered. Within immediate bilateral trading of banks, total turnover in the amount of Denar 93 million was registered, which is a drop of 22.5% in comparison with the previous

<sup>4</sup> It encompasses the banks' account with the NBRM and cash in vault of the banks.

<sup>5</sup> The period for maintaining (fulfilling) the banks' reserve requirement covers the 11th day of the current month to the 10th day of the following month



month. In January, the average interest rate on the interbank Money Market equals 7.1% (8.7% in the previous month).

At the end of January 2006, compared to the end of the previous month, the reserve money<sup>6</sup> reduced by 12.2%, reflecting the decline in the currency in circulation (of 9.3%) and the total liquid funds of the banks. Such movements together with the effect of the decline in the transaction deposits (of 4.1%) conditioned negative monthly change with the monetary aggregate M1 (decrease of 6.6%). Identical minimal increase of 0.1% was registered with the broad monetary aggregates M2 and M4, mainly because of the increase in the short-term deposit potential of the banks. On annual basis (January 2006 / January 2005), the monetary aggregates M2 and M4 are higher by 14.6% and 14.2%, respectively.

Table 1  
Monetary aggregates and their components  
(in millions of Denars)

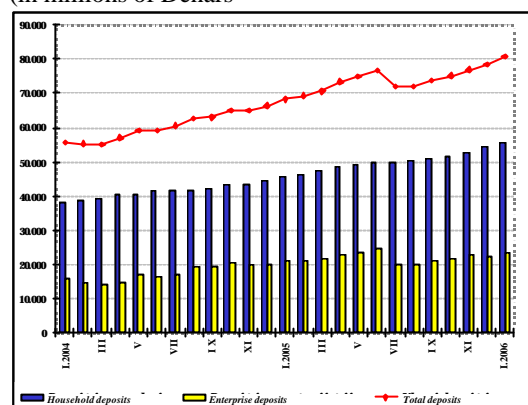
	31.01.2006	Monthly changes	Annual changes
		in %	in %
Currency in circulation	13.100	-9,3	-2,0
Demand deposits	14.599	-4,1	10,4
<b>Monetary aggregate M1</b>	<b>27.699</b>	<b>-6,6</b>	<b>4,2</b>
Short-term Denar deposits	25.614	5,1	22,0
<b>Monetary aggregate M2-Denar component</b>	<b>53.313</b>	<b>-1,3</b>	<b>12,1</b>
Short-term foreign exchange deposits	49.930	1,7	17,5
<b>Monetary aggregate M2</b>	<b>103.243</b>	<b>0,1</b>	<b>14,6</b>
Non-monetary deposits	5.077	0,7	5,9
-Denar	3.111	1,8	2,6
- foreign exchange	1.966	-0,9	11,6
<b>Monetary aggregate</b>	<b>108.320</b>	<b>0,1</b>	<b>14,2</b>

Source: National Bank of the Republic of Macedonia

The total bank deposits<sup>7</sup> registered monthly increase of 2.7% in January 2006. The increase in the total deposits is primarily due to the increase in the short-term deposits (of 2.8%), given the simultaneously growth in the Denar and foreign exchange component (of 5.1% and 1.7%, respectively). Moderate monthly increase of 0.7% in the long-term deposits was registered, having in mind divergent movements in their currency structure. The analysis by sectors indicates increment in the households' deposits of 2.4% on a monthly basis. Positive monthly change was registered in all categories of households' deposits (from the aspect of both maturity and

currency structure), except to the Denar sight deposits. The enterprises' deposits went up by 3.6%, mainly as a result of the time Denar deposits with maturity of one and three months. On annual basis (January 2006 / January 2005), the total deposits of the private sector with the banks rose by 18.1%.

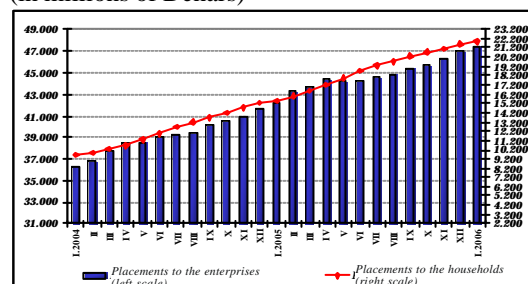
Figure 4  
Deposit dynamics  
(in millions of Denars)



Source: National Bank of the Republic of Macedonia

The total banks' placements with the private sector registered monthly increase of 1.1%, given the simultaneous increase in the placements in both domestic and foreign currency. Thus the Denar loans<sup>8</sup> augmented by 1.1% on a monthly basis, reflecting the increased short-term crediting of the households and the corporate sector. An increase of 1% was evidenced in the foreign currency placements, generated from the intensified crediting of the enterprises. Observed by sectors, the households and the enterprises' placements went up by 1.3% and 1.1%, respectively. The annual increase in the total bank placements with the private sector equals 20.2% in January 2006.

Figure 5  
Banks' placements by sectors  
(in millions of Denars)



Source: National Bank of the Republic of Macedonia

<sup>6</sup> The analysis refers to the reserve money without the reserve requirement of the foreign currency deposits

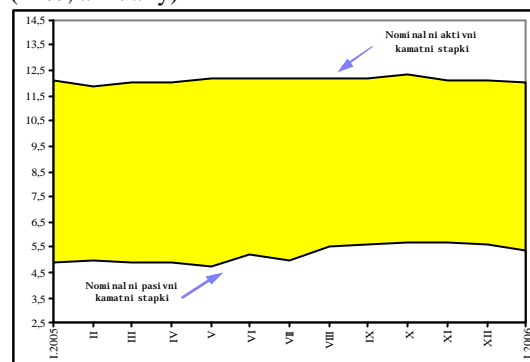
<sup>7</sup> Since May 2005, the data on the deposits and loans of banks exclude Radobank a.d. Skopje, the founding and operating license of which was revoked by the NBRM on May 27, 2005.

<sup>8</sup> It includes also the Denar indexed loans.



Regarding the *banks' interest rate policy*, no significant changes were registered in January 2006. Thus the banks' average weighted lending interest rate on the Denar loans for all maturities and sectors equals 12% in January 2006 (12.1% in the previous month), while the average weighted deposit interest rate on the Denar deposits for all maturities and sectors relative to the previous month is lower by 0.2 percentage points and it equals 5.4%.

Figure 6  
Banks' weighted interest rates and spreads\*  
(in %, annually)



Source: National Bank of the Republic of Macedonia

\*Pertain to Denar credits and deposits for all maturities and sectors, with the Denar indexed loans also being included

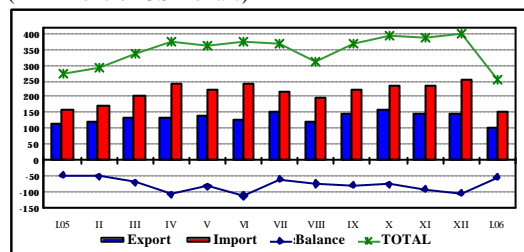
In January 2006, the average weighted interest rate on the foreign currency credits for all maturities and sectors equals 7.9% (7.8% in December 2005). The average weighted interest rate on the foreign currency deposits for all maturities and sectors preserved the level registered in the previous month, and in January 2006 it equals 1.4%.

### III. Foreign Trade and Foreign Exchange Movements

In January 2005, the foreign trade of the Republic of Macedonia amounted to US Dollar 260.9 million<sup>9</sup>, which is a monthly decrease of 35.1%, having in mind the seasonal drop in both its components. Thus in January 2006, the export of goods, in the amount of Euro 106.2 million, recorded a monthly decline of 28.3%, while it was lower by 5.7% in comparison with the previous year. Analyzed by products, the annual decrease in the export is primarily due to the lower export of iron and steel and product thereof and tobacco. The total import of goods amounts to Euro 154.6 million, which is a monthly drop of 39%, while compared to January 2005, it went down by 3.5%. The annual decrease in the import is due to the lower import of iron and steel and products thereof and mineral fuels.

<sup>9</sup> Source: State Statistical Office of the Republic of Macedonia, calculations in Euros are made in the NBRM. The export of goods is presented on f.o.b. basis, while the import of goods is presented on a c.i.f. basis.

Figure 7  
Foreign trade of the Republic of Macedonia  
(in millions of US Dollars)



Source: State Statistical Office of the Republic of Macedonia, while the calculations in Euro are made by the NBRM

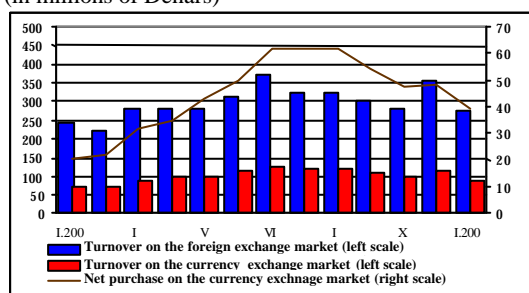
Given more intensive monthly decrease in the import than decrease in the export of goods, in January 2006, lower trade deficit and higher export - import coverage ratio was registered. Thus the trade deficit registered in the first month of 2006 in the amount of Euro 48.4 million is lower by 54.1% on a monthly basis, while the export - import coverage ratio is higher by 10.3 percentage points and it equals 68.7%. On annual basis, the trade deficit registered small increase of 1.9%, while the export - import coverage ratio declined by 1.7 percentage points.



In January 2006, total turnover in the amount of Euro 272.5 million was registered on the *foreign exchange market*, which is a decrease of 23.2% relative to the previous month. In terms of more intensive monthly decrease in the supply of than demand for foreign currency (of 30.3% and 14.8%, respectively), the commercial banks realized higher net sale of foreign currency to the enterprises. In January 2006, the NBRM registered a net sale of foreign assets on the foreign exchange market. On January 31, 2006, the *gross foreign reserves* reached US Dollar 969 million thus registering a decrease of Euro 153.5 million, or 13.7% compared to the end of the previous month. The monthly decrease primarily reflects the total payment of the debt to the London Club of Creditors on the basis of inflow originating from Eurobonds realized in the previous month.

In January 2006, Euro 88.3 million were registered on the currency exchange market, which is a monthly decrease of 20.8%. The reduced turnover was registered in terms of monthly decline in the demand for and supply of foreign currency of 22.5% and 20.1%, respectively. Such movements on a monthly basis were the reason for lower monthly net purchase of foreign currency of 18.6%, which equals Euro 39.3 million in January 2006.

Figure 8  
Movement of the total turnover on the foreign exchange and currency exchange market  
(in millions of Denars)

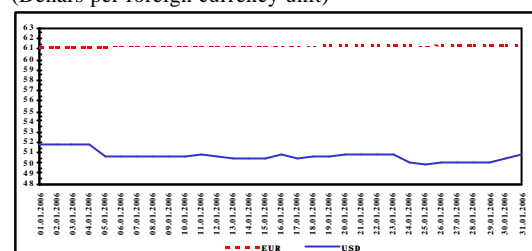


Source: National Bank of the Republic of Macedonia

At the end of January 2006, the *Denar exchange rate against the Euro on the foreign exchange market* equaled Denar 61.41 per one Euro, which is monthly depreciation of 0.4% (in December 2005, Denar 61.17 per one Euro were traded). At the end of January 2006, Denar 50.83 per one US Dollar were traded, which means that Denar appreciated by 1.7% on a monthly basis (Denar 51.73 per one US Dollar were traded on December 31, 2005).

Figure 9  
Daily middle Denar exchange rate relative to the Euro and the US Dollar on the foreign exchange market

(Denars per foreign currency unit)



Source: National Bank of the Republic of Macedonia

In January 2006, the *Denar exchange rate against the Euro on the currency exchange market* is stable, with Denar 61.43 for one Euro being traded in comparison with Denar 61.42 per one Euro in December 2005). Simultaneously, the average purchase and sale Denar exchange rate against the US Dollar equaled Denar 50.67 per one US Dollar, which is a monthly appreciation of the Denar of 1.8% (in December 2005, Denar 51.60 per one US Dollar, on average, were traded).

At the end of January 2006, the external debt of the Republic of Macedonia based on long-term credits and loans equals US Dollar 1,625 million, which is by US Dollar 213.1 million less compared to December 2006. The monthly decrease in the external long-term debt is mainly due to the full repayment of the debt to the London Club of Creditors, as well as to the realized exchange rate differentials, which equal Euro 16.2 million. In January 2006, funds in the amount of Euro 3.4 million are used, while the amount of the total repaid liabilities equal Euro 213.9 million (Euro 204.3 million are principal and Euro 9.6 million account for interest). In January 2006, new credits in the amount of Euro 2.4 million were concluded, which completely account for the borrowings of the private sector. The short-term external debt<sup>10</sup>, which refers exclusively to the private sector, equals US Dollar 79.3 million at the end of January 2006. In January 2006, funds in the amount of Euro 0.8 million are used on the basis of extended short-term credits, while the amount of repaid liabilities equaled Euro 0.6 million.

<sup>10</sup> Preliminary data of the NBRM.



# Appendix

## Developments in Real Sector in the Republic of Macedonia

**Table 1**

Costs of living and retail prices

	I.2006 XII.2005	I.2006 I.2005
<b>Costs of living</b>	<b>1,7</b>	<b>2,8</b>
Food	0,8	1,7
Tobacco and beverages	17,9	17,6
Clothing and footwear	0,0	0,2
Housing	0,1	0,9
Flat (rent, water, services)	-0,1	-0,4
Fuel and lighting	0,2	1,7
Hygiene	0,8	-0,9
Culture and entertainment	-0,2	5,5
Transport, communications, services	0,3	3,5
<i>Goods</i>	<i>2,1</i>	<i>3,3</i>
<i>Services</i>	<i>0,0</i>	<i>0,9</i>
<b>Retail prices</b>	<b>1,2</b>	<b>4,3</b>
Agricultural products	2,5	6,8
Non-food industrial products	2,6	6,8
Processed food products	0,3	-0,3
Beverages	-0,2	-0,6
<i>Goods</i>	<i>1,9</i>	<i>4,6</i>
<i>Services</i>	<i>0,0</i>	<i>3,9</i>

Source: State Statistical Office of the Republic of Macedonia

**Table 2**

Prices of producers of industrial products\*

	I.2006 XII.2005	I.2006 I.2005
<b>Prices of producers of industrial products</b>	<b>1,6</b>	<b>6,4</b>
Energy	3,0	26,6
Intermediary goods (except Energy)	0,3	-2,4
Capital goods	0,0	-0,3
Durable consumer goods	-1,4	4,3
Non durable consumer goods	1,9	3,4
<i>Mining and quarrying</i>	<i>-0,4</i>	<i>5,4</i>
<i>Manufacturing industry</i>	<i>1,9</i>	<i>6,9</i>
Manufacture of food products and beverages	-1,2	-0,8
Manufacture of tobacco products	21,9	17,1
Manufacture of textiles	-0,2	0,4
Manufacture of wearing apparel; dressing and dyeing of fur	0,1	-1,4
Publishing, printing and reproduction of recorded media	0,0	2,3
Manufacture of coke, refined petroleum products and nuclear fuel	5,3	52,5
Manufacture of chemicals and chemical products	0,0	-0,6
Manufacture of rubber and plastic products	0,1	-4,3
Manufacture of other non-metallic mineral products	0,3	1,0
Manufacture of basic metals	-0,5	-7,4
Manufacture of fabricated metal products, except machinery and equipment	0,0	0,0
Manufacture of electrical machinery and apparatus n.e.c.	3,6	6,9
<i>Electricity, gas and water supply</i>	<i>0,0</i>	<i>2,5</i>

\* Previous data

Source: State Statistical Office of the Republic of Macedonia



**Table 3**  
Industrial output\*

	vo %	I.2006 XII.2005	I.2006 I.2005
<b>Prices of producers of industrial products</b>	<b>100,0</b>	<b>-31,7</b>	<b>1,8</b>
Energy	<b>21,8</b>	<b>6,2</b>	<b>9,0</b>
Intermediary goods (except Energy)	<b>33,8</b>	<b>-35,8</b>	<b>4,8</b>
Capital goods	<b>4,8</b>	<b>-42,0</b>	<b>-4,0</b>
Durable consumer goods	<b>1,4</b>	<b>-61,3</b>	<b>-23,1</b>
Non durable consumer goods	<b>38,1</b>	<b>-46,7</b>	<b>-6,2</b>
<i>Mining and quarrying</i>	<b>1,8</b>	<b>-44,3</b>	<b>138,4</b>
<i>Manufacturing industry</i>	<b>79,4</b>	<b>-40,4</b>	<b>-1,4</b>
Manufacture of food products and beverages	20,0	-53,4	-5,0
Manufacture of tobacco products	3,9	-58,9	-27,2
Manufacture of textiles	2,5	-35,6	7,8
Manufacture of wearing apparel; dressing and dyeing of fur	8,6	-30,7	-11,8
Publishing, printing and reproduction of recorded media	3,9	-39,8	12,1
Manufacture of coke, refined petroleum products and nuclear fuel	3,0	-5,9	39,3
Manufacture of chemicals and chemical products	5,9	-25,5	9,1
Manufacture of rubber and plastic products	2,6	-46,0	-19,0
Manufacture of other non-metallic mineral products	8,1	-46,4	53,0
Manufacture of basic metals	6,0	-15,9	-21,8
Manufacture of fabricated metal products, except machinery and equipment	3,8	-36,1	-21,8
Manufacture of electrical machinery and apparatus n.e.c.	3,2	-45,9	118,5
<i>Electricity, gas and water supply</i>	<b>18,8</b>	<b>8,7</b>	<b>5,2</b>

\* Previous data

Source: State Statistical Office of the Republic of Macedonia



**Table 4**  
Central Government Budget  
(in Denar million)

	January 2005		
	in Denar million	Monthly changes in %	Structure in %
<b>Total budget revenues</b>	<b>5.298</b>	<b>-11,7</b>	<b>100,0</b>
<i>Tax revenues:</i>	<i>3.976</i>	<i>-21,1</i>	<i>75,0</i>
- personal income tax	511	-46,3	9,6
- profit tax	180	-18,6	3,4
- value added tax	1.760	-24,0	33,2
- excises	1.132	19,5	21,4
- custom duties	280	-44,1	5,3
- other	92	31,4	1,7
<i>Non-tax revenues:</i>	<i>650</i>	<i>-16,1</i>	<i>12,3</i>
- inflows from state property dividends	83	13,8 times	1,6
- administrative taxes and fees	107	-36,7	2,0
- other administrative taxes	20	-9,1	0,4
- other non-tax revenues	1	-75,0	0,0
<i>Capital revenues</i>	<i>52</i>	<i>-7,1</i>	<i>1,0</i>
<b>Total budget expenditures</b>	<b>5.008</b>	<b>-42,0</b>	<b>100,0</b>
<i>Current expenditures</i>	<i>4.718</i>	<i>-24,9</i>	<i>94,2</i>
- wages and salaries	1.859	-4,0	37,1
- goods and services	813	-58,3	16,2
- transfers	1.563	-29,6	31,2
- interest	483	2,7 pati	9,6
<i>Capital expenditures</i>	<i>290</i>	<i>-87,7</i>	<i>5,8</i>
<b>Budget balance</b>	<b>290</b>		
<b>Financing</b>	<b>-290</b>		
<i>Inflows</i>	<i>8.643</i>		
<i>Outflows</i>	<i>8.933</i>		

\* Since January 2006, the central Budget has been presented in a new form encompassing the accounts of the funds and the special revenues account

Source: Ministry of Finance



## Monetary developments in the Republic of Macedonia

**Table 5**

National Bank accounts

(current exchange rate, in million denar)

	XII.05	I.06
<b>I. Net Foreign Assets</b>	66,282	57,130
Assets	69,504	60,326
Liabilities	3,222	3,196
<b>II. Net Domestic Assets</b>	-40,520	-33,763
<b>Credit to banks, net</b>	-8,876	-10,368
<b>Credit to banks</b>	45	45
Credits extended at auction	0	0
Repurchased agreement	0	0
Credits based on securities	0	0
Long - term credits	31	31
Advances	4	4
Other	10	10
<b>Instruments</b>	-8,921	-10,413
Auctions of bills	-8,921	-10,413
<b>Net, Government</b>	-18,989	-11,024
1.Claims on Government	3,290	3,290
Use of Fund credit	0	0
Ordinary credit	0	0
Purchased Government sec.	1,039	1,039
Other	2,251	2,251
2. Government Deposits	-22,279	-14,314
A) In denar	-6,993	-7,653
Demand deposits	-6,993	-7,653
- Budget account	-6,562	-7,214
- Other budget funds	-431	-439
Fund for monetary policy support	0	0
B) In foreign currency	-15,286	-6,661
Central Gov.dep.	-15,139	-6,516
o/w Road fund	-147	-130
Other Government deposits	-147	-145
3.External account	0	0
<b>Other items, net</b>	-12,655	-12,371
<b>Other assets</b>	5,324	5,243
<b>Other liabilities</b>	-5,368	-4,794
o/wTransitory account	-487	-14
<b>Capital account</b>	-11,024	-11,558
<b>Residual items</b>	-1,587	-1,262
<b>Reserve money</b>	25,762	23,367
Currency in circulation	14,439	13,100
Cash in vaults	1,374	1,068
Giro - accounts	9,949	9,199
o/w Reserve requirement	5,323	5,417

Source: National Bank of the Republic of Macedonia



**Table 6**  
Monetary Survey  
(current exchange rate, in million denar)

	XII.05	I.06
<b>I. Net Foreign Assets</b>	89738	80776
<i>National Bank</i>	66282	57130
Assets	69504	60326
Liabilities	3222	3196
<i>Deposit Money Banks</i>	23456	23646
Assets	37786	37231
Liabilities	14330	13585
<b>II. Net Domestic Assets</b>	19545	28414
<b>1.Domestic credit</b>	62382	71691
of which: Claims on Gov.	-11791	-3271
a) Deposit Money Banks	81371	82715
-in denar	64186	65363
Government	7118	7672
Credits	7115	7669
a) Budget and Line Ministries	7033	7589
b) Funds	82	80
c) Ins. of Central Gov.: Courts, etc.	0	0
Accrued interest	3	3
Non Government sector	57068	57691
Credits	51672	52255
<i>Adjusted</i>		
of which: Overdue claims	9807	10314
Accrued interest	5396	5436
-in foreign currency	17185	17352
Government	80	81
of which: Overdue	0	0
Non Government sector	17105	17271
<i>Adjusted</i>		
of which: Overdue	1748	1753
b) Nat. Bank Claims on Government	-18989	-11024
<b>2.Other items, net</b>	-42837	-43277
of which: Claims on Gov.		
for frozen f.c. deposits	0	0
Accrued interest	-5399	-5439
Others	-37438	-37838

Source: National Bank of the Republic of Macedonia



Monetary Survey (continuous)  
(current exchange rate, in million denar)

	XII.05	I.06
<b>M4Total</b>	109283	109190
<b>M4 ( nonGovernment)</b>	108174	108320
<b>M1(Total)</b>	30034	27933
<b>M1 (nonGovernment)</b>	29663	27699
<b>Currency in Circulation</b>	14439	13100
<b>Demand deposits(total)</b>	15595	14833
<b>Demand deposits(NonGov.)</b>	15224	14599
Deposit Money Banks	15577	14752
NonGov. Demand deposits	15206	14518
Government Demand deposits	371	234
a) Budget and Line Ministries	236	55
b) Funds	135	179
c) Ins. of C.Gov.: Courts, etc.	0	0
Nation. Bank NonGov.Demand dep.	18	81
<b>M2 (Total)</b>	104195	104065
<b>M2 (nonGovernment)</b>	103134	103243
<b>Quasi money (Total)</b>	74161	76132
<b>Quasi money (non Government)</b>	73471	75544
Deposit Money banks	74161	76132
Non Government sector	73471	75544
Denar	24364	25614
Foreign currency	49107	49930
Government deposits	690	588
Denar	689	587
Foreign currency	1	1
NBM quasi deposits	0	0
<b>Nonmonetary Deposits (Total)</b>	5088	5125
<i>Denar nonm. deposits (total)</i>	3105	3159
<i>F.C. nonm. deposits (total)</i>	1983	1966
<b>Nonmonetary Deposits (nonGov.)</b>	5040	5077
<i>Denar nonm. dep.(nonG)</i>	3057	3111
<i>F.C. nonm. dep (nonG)</i>	1983	1966
-Deposit Money Banks	5088	5125
Denar nonGov. nonmonetary dep.	3057	3111
F. C. nonGovern. nonmon. dep.	1983	1966
Denar Gov. nonmon. deposits	48	48
F. C. Govern. nonmon. deposits	0	0
-NBM NonGov. nonm. deposits	0	0
Denar	0	0
Foreign currency	0	0
<b>Total Deposits</b>	94844	96090
<b>Total Deposits (nonGov.)</b>	93735	95220

Source: National Bank of the Republic of Macedonia




**Table 7**

Total deposits of the non-government sector

	<b>31.01.2006</b>	<b>monthly changes</b>		<b>annual changes</b>		<b>structure</b>
	in Denar million	in Denar million	in %	in Denar million	in %	in %
<b>Total deposits</b>	<b>80.621</b>	<b>2.110</b>	<b>2,7</b>	<b>12.350</b>	<b>18,1</b>	<b>100,0</b>
<b>1. According to maturity</b>						
- short-term	75.544	2.073	2,8	12.065	19,0	93,7
- long-term	5.077	37	0,7	285	5,9	6,3
<b>2. According to currency of denomination</b>						
- In denar	28.725	1.304	4,8	4.705	19,6	35,6
- In foreign currency	51.896	806	1,6	7.645	17,3	64,4

Source: National Bank of the Republic of Macedonia

**Table 8**

Households and enterprises deposits

	<b>structure in %</b>	<b>31.01.2006</b> in Denar million	<b>monthly changes</b>		<b>annual changes</b>	
			in Denar million	in %	in Denar million	in %
<b>Total households deposits</b>	<b>100,0</b>	<b>55.400</b>	<b>1.318</b>	<b>2,4</b>	<b>9.756</b>	<b>21,4</b>
<b>1. According to maturity</b>						
- short-term	94,9	52.574	1.259	2,5	9.449	21,9
- long-term	5,1	2.826	59	2,1	307	12,2
<b>2. According to currency of denomination</b>						
- In denar	27,8	15.381	604	4,1	3.249	26,8
- In foreign currency	72,2	40.019	714	1,8	6.507	19,4
<b>Total enterprises deposits</b>	<b>100,0</b>	<b>23.378</b>	<b>819</b>	<b>3,6</b>	<b>2.508</b>	<b>12,0</b>
<b>1. According to maturity</b>						
- short-term	94,5	22.088	833	3,9	2.361	12,0
- long-term	5,5	1.290	-14	-1,1	147	12,9
<b>2. According to currency of denomination</b>						
- In denar	50,2	11.731	694	6,3	1.271	12,2
- In foreign currency	49,8	11.647	125	1,1	1.237	11,9

Source: National Bank of the Republic of Macedonia


**Table 9**

Demand deposits of households and enterprises

	31.01.2006	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
<b>Demand deposits</b>	<b>14.599</b>	<b>-625</b>	<b>-4,1</b>	<b>1.379</b>	<b>10,4</b>
- Demand deposits of households	2.837	-335	-10,6	216	8,2
- Demand deposits of enterprises	9.715	-428	-4,2	901	10,2

Source: National Bank of the Republic of Macedonia

**Table 10**

Placements to households and enterprises

	31.01.2006	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
<b>Total placements</b>	<b>69.526</b>	<b>749</b>	<b>1,1</b>	<b>11.694</b>	<b>20,2</b>
<i>Denar placements</i>	<b>52.255</b>	<b>583</b>	<b>1,1</b>	<b>6.231</b>	<b>13,5</b>
<i>of which:</i>					
- enterprises	31.041	408	1,3	150	0,5
- households	21.122	238	1,1	6.025	39,9
<i>Foreign currency placements</i>	<b>17.271</b>	<b>166</b>	<b>1,0</b>	<b>5.463</b>	<b>46,3</b>
<i>of which:</i>					
- enterprises	16.472	118	0,7	5.143	45,4
- households	790	49	6,6	406	2,1 times

Source: National Bank of the Republic of Macedonia


**Table 11**

Maturity and sector structure of Denar and foreign currency placements

	Share on 31.01.2006 (in %)	Monthly change (in percentage points)	Annual change (in percentage points)
<b>Denar placements</b>	<b>100,0</b>		
maturity structure			
- short-term	51,8	0,7	-3,6
- long-term	48,2	-0,7	3,6
structure by sectors			
- enterprises	59,4	0,1	-7,7
- households	40,4	0,0	7,6
- other	0,2	-0,1	0,1
<b>Foreign currency placements</b>	<b>100,0</b>		
maturity structure			
- short-term	26,3	0,0	-13,3
- long-term	73,7	0,0	13,3
structure by sectors			
- enterprises	95,4	-0,2	-0,6
- households	4,6	0,2	1,3
- other	0,1	0,0	-0,8

Source: National Bank of the Republic of Macedonia

**Table 12**

Interest rates

	January, 2006 in %	Monthly changes in percentage points	Annual changes
Average weighted interest rate on the CB bills auctions (28 days)	7,31	-1,21	-2,7
Average weighted interest rate on the Money Market*	7,1	-1,60	-1,0
Banks' weighted lending interest rates	12,00	-0,10	-0,1
Banks' weighted deposit interest rates	5,40	-0,20	0,5

Source: National Bank of the Republic of Macedonia and Money and Short-term Securities Market

\* Pertains to the official Money Market and the bilateral trading between banks.



**Table 13**  
Auctions of Treasury bills

	Supply	Demand	Realized	Weighted interest rate
	in Denar million			in %
<b>Treasury bills auctions, three month</b>				
10.01.2006	450	1.161,30	450	7,40
24.01.2006	500	1.035,80	500	6,96
<b>Treasury bills auctions, six month</b>				
10.01.2006	300	809,8	300	7,61

Source: Ministry of finance

## Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia

**Table 14**  
Foreign trade of the Republic of Macedonia  
(in EURO million)

	I.2006	I.2006 XII.2005		I.2006 I.2005	
	amount	amount	%	amount	%
<b>Foreign trade</b>	<b>257,2</b>	<b>-144,5</b>	<b>-36,0</b>	<b>-15,6</b>	<b>-5,7</b>
Exports	101,4	-46,7	-31,5	-11,3	-10,0
Imports	155,8	-97,8	-38,6	-4,4	-2,7
<b>Balance</b>	<b>-54,3</b>	<b>51,1</b>	<b>-48,5</b>	<b>-6,9</b>	<b>14,5</b>

Source: State Statistical Office of the Republic of Macedonia

**Table 15**  
Ten most important trading partners of the Republic of Macedonia, I, 2006

	Foreign trade (in EURO million)		Exports (in EURO million)		Imports (in EURO million)		Import-export coverage ratio
	Share in %	Share in %	Share in %	Share in %	Share in %	Share in %	
<b>Republic of MACEDONIA</b>	<b>257,2</b>	<b>100,0</b>	<b>101,4</b>	<b>100,0</b>	<b>155,8</b>	<b>100,0</b>	<b>65,1</b>
<i>out of which:</i>							
Serbia and Montenegro	39,0	15,2	21,8	21,5	17,2	11,0	127,1
Germany	28,6	11,1	18,6	18,3	10,0	6,4	186,5
Greece	27,4	10,6	13,3	13,1	14,1	9,0	94,1
Russia	26,3	10,2	1,5	1,5	24,8	15,9	6,1
Italy	20,9	8,1	12,2	12,0	8,7	5,6	139,4
Bulgaria	12,9	5,0	3,8	3,8	9,1	5,9	41,9
Turkey	9,2	3,6	3,8	3,8	5,4	3,4	71,6
Croatia	9,2	3,6	6,4	6,3	2,8	1,8	225,0
Slovenia	7,6	2,9	1,7	1,7	5,9	3,8	28,9
China	7,3	2,8	0,0	0,0	7,3	4,7	0,1
<b>Total (10 largest trading partners)</b>	<b>188,3</b>	<b>73,2</b>	<b>83,1</b>	<b>81,9</b>	<b>105,2</b>	<b>67,5</b>	<b>79,0</b>

Source: State Statistical Office of the Republic of Macedonia



**Table 16**  
External long-term debt of the Republic of Macedonia  
(in EURO million)

	External debt		Credits used		Debt payments	
	31.12.2005	31.01.2006	XII-2005	I-2006	XII-2005	I-2006
<b>Official creditors</b>	<b>1.065,8</b>	<b>1.045,4</b>	<b>32,9</b>	<b>0,9</b>	<b>6,5</b>	<b>16,0</b>
out of which:						
<b>Multilateral</b>	<b>891,8</b>	<b>882,3</b>	<b>32,0</b>	<b>0,1</b>	<b>4,5</b>	<b>4,0</b>
MMF	52,7	52,0	0,0	0,0	1,1	0,0
IBRD	210,4	207,0	24,9	0,0	2,5	1,8
IFC	5,1	5,0	0,0	0,0	0,0	0,0
IDA	307,1	303,2	1,1	0,1	0,2	0,5
EIB	118,4	118,3	3,0	0,0	0,1	0,0
EUROFIMA	6,1	6,1	0,0	0,0	0,2	0,0
Council of EDB	16,8	16,8	0,0	0,0	0,1	0,0
EBRD	74,2	73,0	2,9	0,0	0,0	1,4
EU	90,0	90,0	0,0	0,0	0,3	0,2
IFAD	11,0	10,8	0,0	0,0	0,0	0,0
European Agency for Reconstruction	0,0	0,0	0,0	0,0	0,0	0,0
<b>Bilateral</b>	<b>174,0</b>	<b>163,1</b>	<b>0,9</b>	<b>0,8</b>	<b>2,1</b>	<b>12,0</b>
Paris club (rescheduled 1995)	102,3	91,8	0,0	0,0	0,0	11,2
Paris club (rescheduled 2000)	6,6	6,6	0,0	0,0	0,0	0,0
New credits	0,0	0,0	0,0	0,0	0,0	0,0
Non-rescheduled debt	65,1	64,7	0,9	0,8	2,0	0,8
<b>Private creditors</b>	<b>772,2</b>	<b>579,6</b>	<b>151,9</b>	<b>2,4</b>	<b>6,1</b>	<b>197,9</b>
out of which:						
<b>London Club of Creditors</b>	<b>188,5</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>188,6</b>
<b>Other private creditors</b>	<b>583,7</b>	<b>579,6</b>	<b>151,9</b>	<b>2,4</b>	<b>6,1</b>	<b>9,3</b>
Banks and financial institutions	368,8	364,7	151,0	0,0	2,6	7,2
Private non-financial sector	215,0	214,9	0,9	2,4	3,5	2,1
<b>TOTAL</b>	<b>1.838,0</b>	<b>1.625,0</b>	<b>184,9</b>	<b>3,4</b>	<b>12,6</b>	<b>213,9</b>

## National Bank of the Republic of Macedonia Balance sheet

**Table 17**  
NBRM Balance sheet on 31.01.2006  
(in million Denars)

Assets	Amount	Liabilities	Amount
Foreign assets	60,326	Reserve money	17,950
Claims on Government	3,911	NBRM instruments	10,413
Claims on banks and other financial institutions	1,080	Restricted deposits	241
Other assets	4,211	Foreign liabilities	3,196
		Government deposits	16,243
		Capital accounts	11,558
		Other liabilities	9,927
<b>Total</b>	<b>69,528</b>	<b>Total</b>	<b>69,528</b>

Source: National Bank of the Republic of Macedonia