

**National Bank
of the Republic of Macedonia**



**Monthly
Report**

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Important economic events and amendments to the legal regulations in February 2006

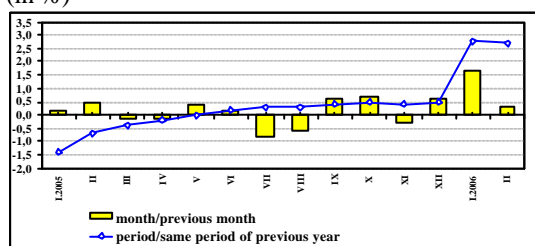
- ❖ *On February 1, the Business Service Center started operating in Macedonia within the established network in Albania, Bosnia and Herzegovina, Croatia and Serbia and Montenegro. The project is under auspices of the Stability Pact and its primary goal is to improve the regional cooperation and to facilitate the access of the Macedonian companies to the markets of the countries of Southeast Europe.*
- ❖ *On February 6, according to the Energy Regulatory Committee, the retail and refinery prices increased by 1.2% and 1.6%, respectively, on average ("Official Gazette of the Republic of Macedonia" no. 15/2006), and on February 20, 2006, the Energy Regulatory Committee passed a decision on decreasing the retail and refinery prices of the oil derivatives by 2.5% and 4.1%, respectively, on average ("Official Gazette of the Republic of Macedonia" no. 21/2006) in line with the movement of the prices of the crude oil and oil derivatives on the international market.*
- ❖ *On February 10, JP „Makedonski Zeleznici“ (Macedonian Railways - public enterprise) signed a Credit Agreement with the World Bank intended for completing the process of transformation of the company.*
- ❖ *On February 14, a Macedonian-Chinese Business Center was established within the Macedonian Economic Chamber, the purpose of which is to develop the cooperation between the businessmen from Macedonia and China .*
- ❖ *On February 15, the „World Business Center“ was sold to the Austrian company "Soravia Dautregeg GMBH", at a public auction for Euro 10.3 million.*
- ❖ *On February 16, the Decision on changing the NBRM interest rates started being applied, by which the interest rate on the Lombard credit reduced from 13% to 11% ("Official Gazette of the Republic of Macedonia" no.16/2006).*
- ❖ *On February 20, the fur manufacturing plant - „Velur“, restarted operating, the production of which is fully intended for the markets of Western Europe, particularly the Scandinavian countries.*
- ❖ *On February 22, a Memorandum of Understanding was signed between the Customs Administration of the Republic of Macedonia and the Group of International Freight Forwarders, establishing a Customs-Freight Forwarding Committee, the purpose of which is to facilitate and accelerate the customs procedures and the international trade.*
- ❖ *On February 25, the Program for Supporting the Entrepreneurship and Creating Competitiveness in the Retail Business ("Official Gazette of the Republic of Macedonia" no. 23/2006) started being applied.*
- ❖ *On February 27, the Republic of Macedonia signed the Central Europe Free Trade Agreement (CEFTA), which made it equal member of this organization. Also, all concluded bilateral agreements with the CEFTA member states (Croatia, Romania and Bulgaria) ceased being valid.*
- ❖ *New legal regulations:*
 - *Law on Tax Procedure ("Official Gazette of the Republic of Macedonia" no. 13/2006)*
 - *Rulebook for the manner and the terms for regulating the heating energy prices ("Official Gazette of the Republic of Macedonia" no. 16/2006)*
 - *Law on Tobacco and Tobacco Products ("Official Gazette of the Republic of Macedonia" no. 24/2006)*

I. Economic Developments in the Republic of Macedonia

In February 2006, the inflation rate, measured through the *consumer price index*² equaled 0.3% on monthly basis, primarily due to the 0.6% higher prices of food (owing to the higher prices of vegetables, meat and fish processed products). Higher prices are also registered in all other categories within the index, other than the prices of wearing apparel and footwear. Structurally observed, monthly increase was registered in the prices of goods and services (by 0.4% and 0.2%, respectively).

The annual inflation rate in February 2006, equals 2.6%, with the increase in the tobacco and beverages being the most evident (by 17.7%). The average inflation rate in the first two months of 2006 equals 2.7%, with the prices of tobacco and beverages having the highest contribution to the increase, registering an average growth of 17.7% (in line with the higher taxes on tobacco products starting from January 1, 2006). Higher prices were also registered in the categories of "food", "culture and entertainment" and "transportation equipment and services".

Figure 1
Consumer prices
(in %)



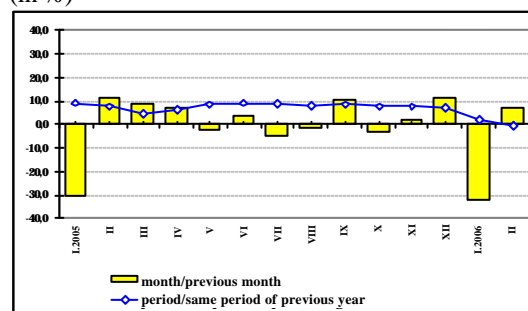
Source: State Statistical Office.

The prices of producers of industrial products³ in February 2006, are by 0.7% higher compared to the preceding month, primarily owing to the higher prices of producers in the manufacturing industry (by 1.1%, having higher production prices in most

activities). The prices of producers of food products and beverages (structural share of 20% in the total industrial output) went up by 0.3%. Considerable increase was registered in the prices of producers of oil derivatives (by 5.6%, as specified by the decisions of the Energy Regulatory Committee dated January 23, 2006 and February 6, 2006 on increasing the refinery prices of oil derivatives by 4.5% and 1.6%, respectively) and the prices of producers of metal products in metal processing stage (by 7.5%). On annual basis, the prices of producers of industrial products surged by 6.1%. They picked up by 6.3%, on average, primarily owing to the higher prices of producers of tobacco products (by 17.1%) and oil derivatives (by 48.7%).

In February 2006, the actual volume of industrial output⁴ registered a monthly growth of 6.9%, having a low comparison base of the previous month. Major determinant of the increase is the higher output in the manufacturing industry (by 15.3%), given the higher output in virtually all manufacturing activities. The highest contribution to the increase was made by the production of metal products in the metal processing stage, which rose by 79.8% in February. Fast increase in the industrial output was also registered in the "production of electrical machinery and appliances", "production of products of other non-metal minerals", "production of wearing apparel", "tobacco products" and "chemicals and products thereof".

Figure 2
Industrial output
(in %)



Source: State Statistical Office.

On annual basis, the actual volume of the industrial output declined by 2.2%, reflecting the

¹ Source: State Statistical Office of the Republic of Macedonia

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

³ Preliminary SSO data.

⁴ Preliminary SSO data.



fall in the output in the manufacturing industry and in the sector of "electricity, gas and water supply". In the first two months of 2006, the industrial output slightly declined by 0.3%, almost entirely due to the fall in the output in the manufacturing industry (by 2.2%), owing to the lower production of basic metals, tobacco products and metal products in the metal processing stage (by 21.1%, 23.4% and 19.5%, respectively). In the sector of "electricity, gas and water supply", the output was by 0.3% lower on

II. Monetary Developments

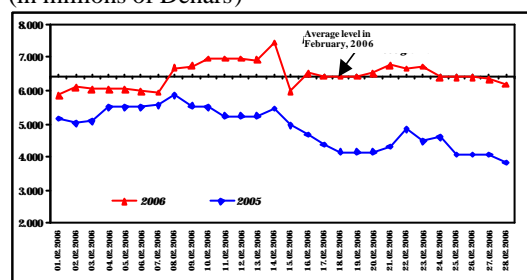
In February 2006, the total liquidity of the banks⁵ went up by 27.2%, on monthly basis, reaching Denar 6,170 million at the end of the month. Liquidity was created on the basis of the *net-purchase of foreign currency on the foreign exchange market* by the NBRM, and the monthly decrease in the *Denar government deposit with the NBRM* (by Denar 794 million). At the same time, the level of *CB bills* relative to January went down by Denar 760 million, which is an additionally created liquidity. On average, the supply of CB bills was higher than the demand, and the average weighted interest rate reduced, equaling 7.1% in February 2006 (7.31% in the preceding month). Since February, the CB bills auctions are held once a week (previously they were held twice a week)⁶. The currency in circulation went up by Denar 535 million, on monthly basis, acting towards withdrawing liquidity from the banking sector.

The average daily liquidity of the banking system in February 2006, equals Denar 6451.7 million, which is an increase of 14.3% relative to the preceding month. With respect to the daily dynamics, relatively lower level of liquidity in the banking sector was registered at the beginning of the month. In order to fulfill the reserve requirement⁷, the banks withdrawn a portion of the funds invested in CB bills, leading to a higher level of liquidity in the second week of the month. In the second half of the month, after depleting a portion of the liquidity for settling the tax liabilities by the clients, the total liquid funds of the banks were stable, shifting around the average. The

average, whereas in the sector of "mining and quarrying" the output went up by roughly 2.3 times, owing to the low comparison base (restarting of one mining plant in May 2005). In the first two months of 2006 relative to the same period of the previous year, an increase was registered only in seven industrial branches, making up 23.4% of the total industrial output (notwithstanding the fast increase in the credits to the private sector).

banks' excess liquidity over the reserve requirement (in Denar) in February 2006, equals 12.8% which is higher relative to the preceding month (5.1%).

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



Source: National Bank of the Republic of Macedonia.

In February 2006, the activity on the money market accelerated. Thus after the two-month termination of the trade, February registered transactions on the official money market in the amount of Denar 68 million. Simultaneously, the turnover within the direct bilateral trade of the banks amounted to Denar 763 million, which is an increase of 8.2 times relative to the preceding month. The average interest rate on the interbank money market (on both segments) equaled 6.7% in February (7.1% in the preceding month).

The reserve money⁸ went up by 10.3%, on monthly basis, as a result of the increase in the currency in circulation (by 4.1%) and the total liquid funds of the banks. The higher demand for currency in circulation, having a simultaneous increase in the transaction deposits (by 2.5%), led to 3.2% higher monetary aggregate M1, on monthly basis. The broader monetary aggregates M2 and M4 registered almost identical monthly

⁵ Includes account of the banks with the NBRM and cash in the vaults of the banks.

⁶ In line with the plan of activities for introducing government securities for monetary purposes.

⁷ The period for maintaining (fulfilling) the banks' reserve requirement covers the period from the 11th in the current month to the 10th in the following month.

⁸ The analysis refers to the reserve money excluding the reserve requirement of foreign currency deposits.



increase (of 1.5% and 1.6%, respectively), reflecting the increase in both the short-term and the long-term deposits with the banks. On annual basis (February 2006 / February 2005), the monetary aggregates M2 and M4 went up by 14.4% and 14.3%, respectively.

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

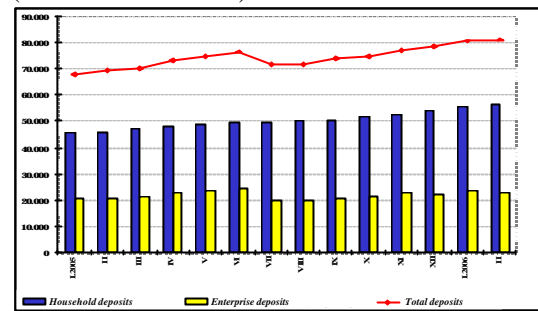
	28.02.2006	Monthly changes	Annual changes
		in %	in %
Currency in circulation	13.635	4,1	2,0
Demand deposits	14.961	2,5	9,7
Monetary aggregate M1	28.596	3,2	5,9
Short-term Denar deposits	26.237	2,4	19,5
Monetary aggregate M2-Denar component	54.833	2,9	12,0
Short-term foreign exchange deposits	49.979	0,1	17,2
Monetary aggregate M2	104.812	1,5	14,4
Non-monetary deposits	5.187	2,2	12,8
-Denar	3.136	0,8	2,0
- foreign exchange	2.051	4,3	34,6
Monetary aggregate	109.999	1,6	14,3

Source: National Bank of the Republic of Macedonia.

The banks' total deposits in February 2006, registered a monthly increase of 1%, as a result of the higher short-term and long-term savings (by 0.9% and 2.2%, respectively). Thus the short-term Denar deposits registered a monthly increase of 2.4%, in the environment of virtually unchanged level of foreign exchange short-term deposits. Within the long-term deposit potential, an increase was registered in both Denar and foreign exchange deposits (by 0.8% and 4.3%, respectively). Observing by sector, the households deposits went up by 2.1% on monthly basis, as a result of the increase in all deposit categories from the aspect of the maturity and currency of denomination structure. The fastest monthly increase was registered in the Denar sight deposits of the households. The enterprises' deposits went down by 1.4% on monthly basis, particularly owing to the lower level of foreign exchange deposits with maturity of up to one month. On annual basis (February 2006 / February 2005), the total deposits of the private sector with the banks⁹ surged by 17.6%.

⁹ Since May 2005, the data on the deposits and the loans of the banks exclude "Radobank" a.d. Skopje, the founding and operating license of which was revoked by the NBRM on May 27, 2005.

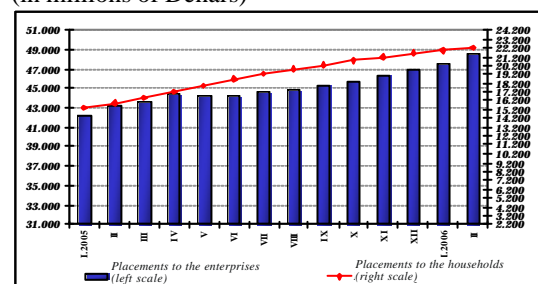
Figure 4
Deposit dynamics
(in millions of Denars)



Source: National Bank of the Republic of Macedonia.

In February 2006, the banks' total placements to the private sector picked up by 2% on monthly basis, reflecting the higher lending in domestic¹⁰ and foreign currency (increase of 1.7% and 2.8%, respectively). In February, the banks mainly lent to the corporate sector. The Denar credits to the enterprises surged by 1.9% on monthly basis, accounting for 67.2% of the increase in the total Denar credits. Simultaneously, most of the newly approved foreign currency placements in February are allocated to the corporate sector. Consequently, faster monthly increase of 2.2% was registered in the placements to the enterprises, relative to the placements to the households, which were by 1.6% higher on monthly basis. The annual increase in the total banks' placements to the private sector in February 2006, equals 19.6%.

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



Source: National Bank of the Republic of Macedonia.

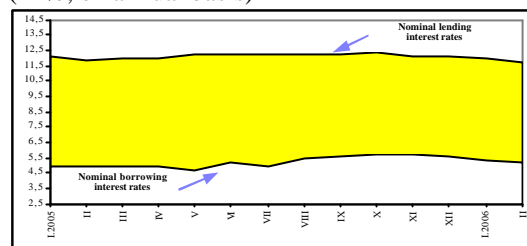
As to the *interest rate policy of the banks*, positive changes were registered in February 2006. Thus the average weighted lending interest rate of the banks on Denar credits in any maturity and sector reduced by 0.2 percentage points on a monthly basis and equals 11.8% (12.0% in the preceding month). Identical monthly decline (of

¹⁰ Also include the Denar indexed loans.



0.2 percentage points) was also registered in the average weighted deposit interest rate on Denar deposits in any maturity and sector, thus reducing to 5.2%. The reduction in the banks' interest rates corresponds to the downward trend of the reference interest rate on the CB bills, that started in October 2005.

Figure 6
Banks' weighted interest rates and spreads*
(in %, on annual basis)



Source: National Bank of the Republic of Macedonia.

* Pertain to Denar loans and deposits in any maturity and sector, including the Denar indexed loans and deposits.

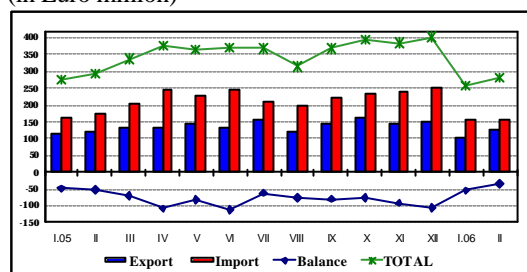
The average weighted interest rate on the foreign currency credits in any maturity and sector equaled 7.8% in February 2006 (7.9% in January 2006). The average weighted interest rate on the foreign exchange deposits in any maturity and sector remained at the level of the preceding two months and in February 2006 equaled 1.4%.

III. Foreign Trade and Foreign Exchange Movements

The foreign trade of the Republic of Macedonia in February 2006 was valued at Euro 281.5 million¹¹ thus being by 9.4% higher on monthly basis. The export of goods was Euro 123.8 million worth, being by 22% higher relative to the preceding month. The monthly increase in the export is a result of the higher export of wearing apparel and textile, iron and steel and products thereof, oil derivatives and tobacco. Compared to February 2005, the export of goods went up by 2.8%, primarily owing to the higher export of oil derivatives, food products and wearing apparel and textile. The import of goods in February 2006 totaled Euro 157.8 million, being by 1.3% higher, on a monthly basis. Such monthly dynamics particularly results from the higher import of equipment, electrical machinery and vehicles. On annual basis (February 2006 / February 2005) the import of goods went down by 8.3%.

¹¹ Preliminary data of the State Statistical Office, and the calculations in Euro were made at the NBRM. The export of goods is presented on f.o.b. basis, while the import of goods is presented on c.i.f. basis.

Figure 7
Foreign trade of the Republic of Macedonia
(in Euro million)



Source: State Statistical Office and the calculations in Euro were made at the NBRM.

Having a faster monthly increase in the export relative to the import of goods, in February 2006 the trade deficit was lower, whereas the export-import coverage ratio went up. Thus, the trade deficit in February 2006 stood at Euro 34 million (by 37.4% lower on monthly basis), and the export-import coverage ratio equaled 78.4% (the highest coverage after September 2001), being by 13.3 percentage points higher relative to the preceding month.

Cumulatively, in the first two months of 2006, the total foreign trade totaled Euro 538.8 million, which is by 4.7% lower relative to the same period of the previous year, having a fall

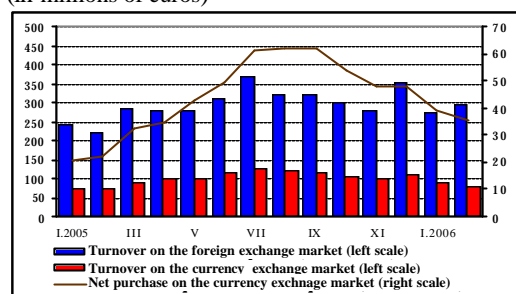
in its both components. Thus the export of goods totals Euro 225.2 million, and dropped by 3.4%, mainly due to the lower export of iron and steel and products thereof and tobacco. Simultaneously, the import of goods amounted to Euro 313.6 million, being by 5.6% lower, mainly due to the lower import of iron and steel and mineral fuels. In the environment of faster fall in the import relative to the export of goods, the January-February 2006 period registered lower trade deficit and higher export-import coverage ratio. The trade deficit in the first two months of 2006 was valued at Euro 88.3 million, registering an annual fall of Euro 10.8 million, or 10.9%, and the export-import coverage ratio equals 71.8% and compared to the same period of 2005, it is by 1.7 percentage points higher.

In February 2006, *the foreign exchange market* registered a total turnover of Euro 280.6 million, which is a 3% increase on monthly basis. Having a monthly increase in the supply of 18.2% and monthly fall in the demand for foreign currency of 1.4%, the commercial banks registered higher net-sale of foreign currency to the enterprises. In February 2006, the NBRM made a net-purchase of foreign currency on the foreign exchange market. *The gross foreign reserves* on February 28, 2006 were Euro 976 million worth, which is by Euro 6,6 million, or by 0.7% more relative to the end of the preceding month. The monthly growth is primarily a result of the net purchase on the foreign exchange market and the exchange rate differentials.

In February 2006, the turnover on the *currency exchange market* was valued at Euro 80.1 million, which is by 9.3% less on a monthly basis. The fall in the turnover was registered in the environment of a monthly fall in the supply of and the demand for foreign currency of 9.7% and 8.3%, respectively. Such monthly developments of the supply and the demand resulted in a monthly decline in the net-purchase of foreign currency of 10.7%, which in February 2006 equaled Euro 35.1 million.

Figure 8

Movement of the total turnover on the foreign exchange and currency exchange market
(in millions of euros)

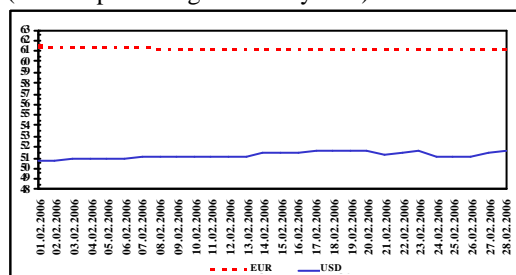


Source: National Bank of the Republic of Macedonia.

The Denar exchange rate relative to the Euro on the foreign exchange market equaled Denar 61.18 per one Euro at the end of February 2006, appreciating by 0.4% on monthly basis (at the end of January 2006, Denar 61.41 were traded per one Euro). The exchange rate of the Denar against the US Dollar at the end of February 2006 equaled Denar 51.62 per one US Dollar, with the value of the Denar against the US Dollar depreciating by 1.6% on monthly basis (on January 31, 2006, Denar 50.83 were traded per one US Dollar).

Figure 9

Daily middle exchange rate of the Denar against 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 February 2006, *the exchange rate of the Denar* against the Euro on the currency exchange market was stable, and Denar 61.44 were traded per one Euro, on average. Simultaneously, the average ask and bid exchange rate of the Denar against the US Dollar equaled Denar 51.16 per one US Dollar, with the Denar depreciating by 1% on monthly basis (in January 2006, Denar 50.67 were traded per one US Dollar, on average).

The external debt of the Republic of Macedonia, based on long-term credits and



loans totaled Euro 1,671.7 million at the end of February 2006, and increased by Euro 39.4 million relative to the end of January 2006. The monthly increase in the long-term external debt is primarily due to the higher amount of used funds with respect to principal paid, and to the

exchange rate differentials, to a lower extent. In February 2006, funds were used in the amount of Euro 33 million, and the total paid liabilities stood at Euro 6.8 million (Euro 4 million as principal and Euro 2.8 million as interest).



Appendix

Developments in Real Sector in the Republic of Macedonia

Table 1

Costs of living and retail prices

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

Source: State Statistical Office of the Republic of Macedonia


Table 2

Prices of producers of industrial products*

	II.2006 I.2006	II.2006 II.2005	I-II.2006 I-II.2005
	in %		
Prices of producers of industrial products	0,7	6,1	6,3
Energy	2,2	23,1	24,8
Intermediary goods (except Energy)	-1,2	-3,4	-2,9
Capital goods	4,4	5,0	2,3
Durable consumer goods	1,7	6,3	5,3
Non durable consumer goods	0,8	4,5	4,0
<i>Mining and quarrying</i>	<i>0,1</i>	<i>2,3</i>	<i>3,8</i>
<i>Manufacturing industry</i>	<i>1,1</i>	<i>6,9</i>	<i>6,9</i>
Manufacture of food products and beverages	0,3	0,1	-0,3
Manufacture of tobacco products	0,1	17,2	17,1
Manufacture of textiles	0,4	0,8	0,6
Manufacture of wearing apparel; dressing and dyeing of fur	-2,2	-3,1	-2,2
Publishing, printing and reproduction of recorded media	-0,1	2,3	2,3
Manufacture of coke, refined petroleum products and nuclear fuel	5,6	45,3	48,7
Manufacture of chemicals and chemical products	-1,4	-1,7	-1,1
Manufacture of rubber and plastic products	0,1	-0,5	-2,4
Manufacture of other non-metallic mineral products	1,2	1,8	1,4
Manufacture of basic metals	-4,0	-10,7	-9,1
Manufacture of fabricated metal products, except machinery and equipment	7,5	7,4	3,7
Manufacture of electrical machinery and apparatus n.e.c.	0,9	3,7	5,3
<i>Electricity, gas and water supply</i>	<i>-2,5</i>	<i>0,1</i>	<i>1,3</i>

* Previous data

Source: State Statistical Office of the Republic of Macedonia



Table 3
Industrial output*

	Structure in %	<u>II.2006</u> <u>I.2006</u>	<u>II.2006</u> <u>II.2005</u>	<u>I-II.2006</u> <u>I-II.2005</u>
			in %	
Prices of producers of industrial products	100,0	6,9	-2,2	-0,3
Energy	21,9	-15,1	-5,7	1,7
Intermediary goods (except Energy)	33,8	20,6	7,3	6,2
Capital goods	4,8	36,2	-27,7	-19,3
Durable consumer goods	1,4	73,1	35,1	5,8
Non durable consumer goods	38,1	12,3	-5,5	-5,8
<i>Mining and quarrying</i>	1,8	16,5	2,2times	2,3times
Manufacturing industry	79,4	15,3	-2,9	-2,2
Manufacture of food products and beverages				
Manufacture of tobacco products	20,0	5,0	3,5	-0,8
Manufacture of textiles	3,9	31,6	-20,2	-23,4
Manufacture of wearing apparel; dressing and dyeing of fur	2,5	46,6	-17,8	-9,1
Publishing, printing and reproduction of recorded media	8,6	28,2	1,8	-4,6
Publishing, printing and reproduction of recorded media	3,9	-2,7	-27,3	-11,6
Manufacture of coke, refined petroleum products and nuclear fuel	3,0	-19,1	-4,1	15,8
Manufacture of chemicals and chemical products	5,9	21,9	1,0	4,5
Manufacture of rubber and plastic products	2,6	5,5	-18,8	-18,9
Manufacture of other non-metallic mineral products	8,2	19,5	63,5	58,5
Manufacture of basic metals	6,0	-1,7	-20,3	-21,1
Manufacture of fabricated metal products, except machinery and equipment	3,8	79,8	-18,1	-19,5
Manufacture of electrical machinery and apparatus n.e.c.	3,2	65,6	14,6	39,6
Electricity, gas and water supply	18,8	-14,4	-6,0	-0,3

* Previous data

Source: State Statistical Office of the Republic of Macedonia



Table 4
Central Government Budget
(in Denar million)

	February 2006			January - February 2006		
	in Denar million	Monthly changes in %	Structure in %	in Denar million	Cumulative changes (2006/2005) in %	Structure in %
Total revenues	6.756	-8,3	100,0	14.121	1,7	100,0
Total budget revenues	5.933	-0,4	87,8	11.890	-2,2	84,2
<i>Tax revenues:</i>	<i>3.382</i>	<i>-15,7</i>	<i>50,1</i>	<i>7.396</i>	<i>-6,1</i>	<i>52,4</i>
- personal income tax	662	29,5	9,8	1.173	-0,1	8,3
- profit tax	383	2,1 times	5,7	563	26,0	4,0
- value added tax	1.284	-27,0	19,0	3.044	-19,5	21,6
- excises	653	-45,2	9,7	1.844	5,1	13,1
- custom duties	327	16,8	4,8	607	0,5	4,3
- other	73	-20,7	1,1	165	38,7	1,2
<i>Contributions</i>	<i>2.530</i>	<i>31,5</i>	<i>37,4</i>	<i>4.454</i>	<i>5,2</i>	<i>31,5</i>
<i>Non-tax revenues:</i>	<i>704</i>	<i>2,9</i>	<i>10,4</i>	<i>1.388</i>	<i>-11,3</i>	<i>9,8</i>
- inflows from state property dividends	13	-84,3	0,2	96	2,4 times	0,7
- administrative taxes and fees	131	22,4	1,9	238	3,0	1,7
- participation income	27	-3,6	0,4	54	-31,6	0,4
- other administrative taxes	20	0,0	0,3	40	17,6	0,3
- other non-tax revenues	38	-19,1	0,6	85	80,9	0,6
- toll	103	6,2	1,5	199	-2,5	1,4
<i>Capital revenues</i>	<i>49</i>	<i>-5,8</i>	<i>0,7</i>	<i>101</i>	<i>32,9</i>	<i>0,7</i>
Total budget expenditures	8.206	18,9	100,0	15.109	3,1	100,0
<i>Current expenditures</i>	<i>7.679</i>	<i>14,8</i>	<i>93,6</i>	<i>14.366</i>	<i>4,1</i>	<i>95,1</i>
- wages and salaries	1.933	3,4	23,6	3.802	1,8	25,2
- goods and services	933	32,9	11,4	1.635	-13,1	10,8
- transfers	4.740	30,8	57,8	8.363	7,8	55,4
- interest	73	-85,2	0,9	565	32,9	3,7
<i>Capital expenditures</i>	<i>527</i>	<i>2,4 times</i>	<i>6,4</i>	<i>743</i>	<i>-13,2</i>	<i>4,9</i>
Budget balance	-1450			-988		
Financing	1.450			988		
<i>External financing, net</i>	<i>11</i>			<i>-8.895</i>		
<i>Financing from domestic sources, net</i>	<i>1.419</i>			<i>9.862</i>		
<i>Income from privatization</i>	<i>21</i>			<i>21</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	II.06
I. Net Foreign Assets	66.282	57.130	57.297
Assets	69.504	60.326	60.519
Liabilities	3.222	3.196	3.222
II. Net Domestic Assets	-40.520	-33.763	-32.079
Credit to banks, net	-8.876	-10.368	-9.329
<i>Credit to banks</i>	45	45	324
Credits extended at auction	0	0	0
Repurchased agreement	0	0	0
Credits based on securities	0	0	0
Long - term credits	31	31	31
Advances	4	4	283
Other	10	10	10
<i>Instruments</i>	-8.921	-10.413	-9.653
Auctions of bills	-8.921	-10.413	-9.653
<i>Net, Government</i>	-18.989	-11.024	-10.167
1. Claims on Government	3.290	3.290	3.290
Use of Fund credit	0	0	0
Ordinary credit	0	0	0
Purchased Government sec.	1.039	1.039	1.039
Other	2.251	2.251	2.251
2. Government Deposits	-22.279	-14.314	-13.457
A) In denar	-6.993	-7.653	-6.860
Demand deposits	-6.993	-7.653	-6.860
- Budget account	-6.562	-7.214	-6.417
- Other budget funds	-431	-439	-443
Fund for monetary policy support	0	0	0
B) In foreign currency	-15.286	-6.661	-6.597
Central Gov.dep.	-15.139	-6.516	-6.450
o/w Road fund	-147	-130	-121
Other Government deposits	-147	-145	-147
3. External account	0	0	0
Other items, net	-12.655	-12.371	-12.583
Other assets	5.324	5.243	5.279
Other liabilities	-5.368	-4.794	-5.067
o/w Transitory account	-487	-14	-19
Capital account	-11.024	-11.558	-11.505
Residual items	-1.587	-1.262	-1.290
Reserve money	25.762	23.367	25.218
Currency in circulation	14.439	13.100	13.635
Cash in vaults	1.374	1.068	1.066
Giro - accounts	9.949	9.199	10.517
o/w Reserve requirement	5.323	5.417	5.413

Source: National Bank of the Republic of Macedonia



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

	XII.05	I.06	II.06
I. Net Foreign Assets	89738	80776	80899
<i>National Bank</i>	66282	57130	57297
Assets	69504	60326	60519
Liabilities	3222	3196	3222
<i>Deposit Money Banks</i>	23456	23646	23602
Assets	37786	37231	36986
Liabilities	14330	13585	13384
II. Net Domestic Assets	19545	28414	30070
1.Domestic credit	62382	71691	74396
of which: Claims on Gov.	-11791	-3271	-1913
a) Deposit Money Banks	81371	82715	84563
-in denar	64186	65363	66730
Government	7118	7672	8175
Credits	7115	7669	8171
a) Budget and Line Ministries	7033	7589	8013
b) Funds	82	80	158
c) Ins. of Central Gov.: Courts, etc.	0	0	0
Accrued interest	3	3	4
Non Government sector	57068	57691	58555
Credits	51672	52255	53149
<i>Adjusted</i>			
of which: Overdue claims	9807	10314	10323
Accrued interest	5396	5436	5406
-in foreign currency	17185	17352	17833
Government	80	81	79
of which: Overdue	0	0	0
Non Government sector	17105	17271	17754
<i>Adjusted</i>			
of which: Overdue	1748	1753	1587
b) Nat. Bank Claims on Government	-18989	-11024	-10167
2.Other items, net	-42837	-43277	-44326
of which: Claims on Gov.			
for frozen f.c. deposits	0	0	0
Accrued interest	-5399	-5439	-5410
Others	-37438	-37838	-38916

Source: National Bank of the Republic of Macedonia



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

	XII.05	I.06	II.06
M4Total	109283	109190	110969
M4 (nonGovernment)	108174	108320	109999
M1(Total)	30034	27933	28900
M1 (nonGovernment)	29663	27699	28596
Currency in Circulation	14439	13100	13635
Demand deposits(total)	15595	14833	15265
Demand deposits(NonGov.)	15224	14599	14961
Deposit Money Banks	15577	14752	15183
NonGov. Demand deposits	15206	14518	14879
Government Demand deposits	371	234	304
a) Budget and Line Ministries	236	55	91
b) Funds	135	179	213
c) Ins. of C.Gov.: Courts, etc.	0	0	0
Nation. Bank NonGov.Demand dep.	18	81	82
M2 (Total)	104195	104065	105734
M2 (nonGovernment)	103134	103243	104812
Quasi money (Total)	74161	76132	76834
Quasi money (non Government)	73471	75544	76216
Deposit Money banks	74161	76132	76834
Non Government sector	73471	75544	76216
Denar	24364	25614	26237
Foreign currency	49107	49930	49979
Government deposits	690	588	618
Denar	689	587	616
Foreign currency	1	1	2
NBM quasi deposits	0	0	0
Nonmonetary Deposits (Total)	5088	5125	5235
<i>Denar nonm. deposits (total)</i>	3105	3159	3184
<i>F.C. nonm. deposits (total)</i>	1983	1966	2051
Nonmonetary Deposits (nonGov.)	5040	5077	5187
<i>Denar nonm. dep.(nonG)</i>	3057	3111	3136
<i>F.C. nonm. dep (nonG)</i>	1983	1966	2051
-Deposit Money Banks	5088	5125	5235
Denar nonGov. nonmonetary dep.	3057	3111	3136
F. C. nonGovern. nonmon. dep.	1983	1966	2051
Denar Gov. nonmon. deposits	48	48	48
F. C. Govern. nonmon. deposits	0	0	0
-NBM NonGov. nonm. deposits	0	0	0
Denar	0	0	0
Foreign currency	0	0	0
Total Deposits	94844	96090	97334
Total Deposits (nonGov.)	93735	95220	96364

Source: National Bank of the Republic of Macedonia


Table 7

Total deposits of the non-government sector

	28.02.2006	monthly changes		annual changes		structure
	in Denar million	in Denar million	in %	in Denar million	in %	in %
Total deposits	81.403	782	1,0	12.198	17,6	100,0
1. According to maturity						
- short-term	76.216	672	0,9	11.609	18,0	93,6
- long-term	5.187	110	2,2	589	12,8	6,4
2. According to currency of denomination						
- In denar	29.373	648	2,3	4.351	17,4	36,1
- In foreign currency	52.030	134	0,3	7.847	17,8	63,9

Source: National Bank of the Republic of Macedonia

Table 8

Households and enterprises deposits

	structure in %	28.02.2006	monthly changes		annual changes	
		in Denar million	in Denar million	in %	in Denar million	in %
Total households deposits	100,0	56.541	1.141	2,1	10.297	22,3
1. According to maturity						
- short-term	94,9	53.647	1.073	2,0	9.565	21,7
- long-term	5,1	2.894	68	2,4	732	33,9
2. According to currency of denomination						
- In denar	28,4	16.076	695	4,5	3.796	30,9
- In foreign currency	71,6	40.465	446	1,1	6.501	19,1
Total enterprises deposits	100,0	23.060	-318	-1,4	2.163	10,4
1. According to maturity						
- short-term	94,2	21.729	-359	-1,6	1.890	9,5
- long-term	5,8	1.331	41	3,2	273	25,8
2. According to currency of denomination						
- In denar	50,8	11.713	-18	-0,2	708	6,4
- In foreign currency	49,2	11.347	-300	-2,6	1.455	14,7

Source: National Bank of the Republic of Macedonia


Table 9

Demand deposits of households and enterprises

	28.02.2006	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Demand deposits	14.961	362	2,5	1.317	9,7
- Demand deposits of households	3.047	210	7,4	231	8,2
- Demand deposits of enterprises	9.983	268	2,8	900	9,9

Source: National Bank of the Republic of Macedonia

Table 10

Placements to households and enterprises

	28.02.2006	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Total placements	70.903	1.377	2,0	11.598	19,6
<i>Denar placements</i>	53.149	894	1,7	6.078	12,9
<i>of which:</i>					
- enterprises	31.642	601	1,9	153	0,5
- households	21.409	287	1,4	5.895	38,0
<i>Foreign currency placements</i>	17.754	483	2,8	5.520	45,1
<i>of which:</i>					
- enterprises	16.893	421	2,6	5.169	44,1
- households	853	63	8,0	431	2 times

Source: National Bank of the Republic of Macedonia


Table 11

Maturity and sector structure of Denar and foreign currency placements

	Share on 28.02.2006 (in %)	Monthly change (in percentage points)	Annual change (in percentage points)
Denar placements	100,0		
maturity structure			
- short-term	51,7	-0,2	-4,1
- long-term	48,3	0,2	4,1
structure by sectors			
- enterprises	59,5	0,1	-7,4
- households	40,3	-0,1	7,3
- other	0,2	0,0	0,0
Foreign currency placements	100,0		
maturity structure			
- short-term	26,6	0,3	-13,5
- long-term	73,4	-0,3	13,5
structure by sectors			
- enterprises	95,2	-0,2	-0,7
- households	4,8	0,2	1,4
- other	0,0	0,0	-0,7

Source: National Bank of the Republic of Macedonia

Table 12

Interest rates

	February, 2006 in %	Monthly changes in percentage points	Annual changes
Average weighted interest rate on the CB bills auctions (28 days)	7,10	-0,20	-2,9
Average weighted interest rate on the Money Market*	6,7	-0,40	-1,4
Banks' weighted lending interest rates	11,80	-0,20	-0,1
Banks' weighted deposit interest rates	5,20	-0,20	0,2

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 %
Treasury bills auctions, three month				
07.02.2006	400	382,80	382,8	6,93
22.02.2006	400	827,30	400	6,99
Treasury bills auctions, six month				
07.02.2006	300	226,4	226,4	7,08

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)

	II.2006	I-II.2006	II.2006		II.2006		I-II.2006	
			I.2006		II.2005		I-II.2005	
			amount	%	amount	%	amount	%
Foreign trade	281,5	538,8	24,3	9,4	-10,8	-3,7	-26,5	-4,7
Exports	123,8	225,2	22,3	22,0	3,4	2,8	-7,8	-3,4
Imports	157,8	313,6	2,0	1,3	-14,2	-8,3	-18,6	-5,6
Balance	-34,0	-88,3	20,3	-37,4	17,6	-34,1	10,8	-10,9

Source: State Statistical Office of the Republic of Macedonia, and the calculations in Euro were made at the National Bank of the Republic of Macedonia.

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

	Foreign trade		Exports		Imports (in		Import-export coverage ratio
	(in EURO million)	Share in %	(in EURO million)	Share in %	EURO million)	Share in %	
Republic of MACEDONIA	538,8	100,0	225,2	100,0	313,6	100,0	71,8
<i>out of which:</i>							
Germany	83,1	15,4	46,2	20,5	36,9	11,8	125,3
Serbia and Montenegro	64,3	11,9	43,1	19,2	21,1	6,7	204,0
Greece	57,8	10,7	28,5	12,6	29,4	9,4	97,0
Italy	46,8	8,7	26,8	11,9	20,1	6,4	133,3
Russia	39,9	7,4	3,3	1,5	36,6	11,7	9,1
Bulgaria	31,4	5,8	9,9	4,4	21,5	6,8	46,1
Croatia	19,4	3,6	12,9	5,7	6,5	2,1	198,1
Turkey	18,3	3,4	6,7	3,0	11,6	3,7	57,5
Slovenia	16,2	3,0	3,6	1,6	12,6	4,0	28,8
China	15,2	2,8	0,1	0,0	15,1	4,8	0,5
Total (10 largest trading partners)	392,5	72,9	181,1	80,4	211,4	67,4	85,7

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	
	31.01.2006	28.02.2006	I-2006	II-2006	I-2006	II-2006
Official creditors	1.045,4	1.055,7	0,9	5,8	16,0	4,3
out of which:						
Multilateral	882,3	891,7	0,1	5,4	4,0	3,0
MMF	52,0	52,7	0,0	0,0	0,0	0,4
IBRD	207,0	207,6	0,0	0,4	1,8	0,9
IFC	5,0	5,1	0,0	0,0	0,0	0,0
IDA	303,2	307,2	0,1	0,4	0,5	0,4
EIB	118,3	122,4	0,0	4,0	0,0	0,0
EUROFIMA	6,1	6,1	0,0	0,0	0,0	0,0
Council of EDB	16,8	16,8	0,0	0,0	0,0	0,0
EBRD	73,0	73,0	0,0	0,6	1,4	1,2
EU	90,0	90,0	0,0	0,0	0,2	0,2
IFAD	10,8	11,0	0,0	0,0	0,0	0,0
European Agency for Reconstruction	0,0	0,0	0,0	0,0	0,0	0,0
Bilateral	163,1	164,0	0,8	0,4	12,0	1,3
Paris club (rescheduled 1995)	91,8	92,7	0,0	0,0	11,2	0,0
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	64,7	64,6	0,8	0,4	0,8	1,3
Private creditors	586,9	616,0	3,3	27,2	198,4	2,5
out of which:						
London Club of Creditors	0,0	0,0	0,0	0,0	188,6	0,0
Eurobonds	150,0	150,0	0,0	0,0	0,0	0,0
Other private creditors	436,9	466,0	3,3	27,2	9,8	2,5
Banks and financial institutions	217,5	219,9	0,8	1,2	7,3	1,5
Private non-financial sector	219,4	246,1	2,5	26,0	2,5	1,0
TOTAL	1.632,3	1.671,7	4,2	33,0	214,4	6,8

National Bank of the Republic of Macedonia Balance sheet

Table 17

NBRM Balance sheet on 28.02.2006
(in million Denars)

Assets	Amount	Liabilities	Amount
Foreign assets	60.519	Reserve money	19.805
Claims on Government	3.911	NBRM instruments	9.653
Claims on banks and other financial institutions	1.359	Restricted deposits	259
Other assets	4.247	Foreign liabilities	3.222
		Government deposits	15.373
		Capital accounts	11.505
		Other liabilities	10.219
Total	70.036	Total	70.036

Source: National Bank of the Republic of Macedonia