

**National Bank
of the Republic of Macedonia**



**Monthly
Report**

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May 2006



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

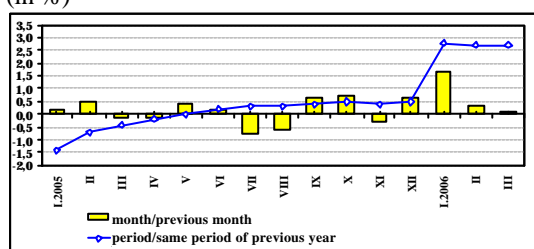
- ❖ *On March 6 according to a decision of the Energy Regulatory Commission, the refinery prices increased by 0.82% on average, while the retail prices reduced by 0.15%, respectively, on average ("Official Gazette of the Republic of Macedonia" No. 26/2006), while on March 20, 2006, the Energy Regulatory Commission passed a decision on increasing the retail and refinery prices of the oil derivatives by 1.19% and 0.94%, respectively, on average ("Official Gazette of the Republic of Macedonia" No. 33/2006) in line with the movement of the prices of the crude oil and oil derivatives on the international market.*
- ❖ *On March 7, the National Bank of the Republic of Macedonia, in cooperation with the Ministry of Finance, commenced with the issuance of Treasury bills for monetary purposes, with maturity of three months, within the activities for gradual substitution of the CB bills. This would allow for sterilization of excess liquidity in a longer run, and it would make it possible to avoid segmentation of the short-term securities market, which should ultimately contribute to an improvement in the monetary transmission through the interest rates.*
- ❖ *On March 8, the Ministers of Transport of Macedonia, Bulgaria, Albania and Italy signed a Declaration for accelerating the construction of Corridor 8.*
- ❖ *On March 14, the Macedonian Economic Chamber established the Council of Foreign Investors, which has an advisory and consultative function, regarding the issues from the economic area, for the needs of the Chamber bodies, especially with respect to the issues of encouraging the investments in the Macedonian economy.*
- ❖ *On March 15, "Telecom" - Slovenia purchased 76% of the shares of the "On.net" company for Euro 4.7 million. The new owner expects this company, which provides internet services, to become a leading alternative PSTN operator.*
- ❖ *On March 23, the Ministry of Finance of the Republic of Macedonia and the US Agency for International Development (USAID) signed an agreement for realization of several private sector development projects, in the amount of USD 10.8 million.*
- ❖ *On March 24, a block transaction was executed on the Stock Exchange, for purchasing of government-owned shares in ESM-Distribution, where the Austrian company EVN became majority owner of this company.*
- ❖ *On March 31, an Agreement for development cooperation was signed between the Republic of Macedonia and Sweden.*
- ❖ *New legal regulations:*
 - *Law on Profit Tax ("Official Gazette of RM" No. 27/2006)*
 - *Law on ratification of the Temporary Imports Convention (Istanbul Convention) ("Official Gazette of RM" No. 29/2006)*
 - *Law on guarantee of the Republic of Macedonia of the obligations arising from the Loan Agreement intended for the AD MEPSO Project, which will be concluded between AD MEPSO - Distribution of Electricity and management of the electricity system, in government ownership, and the International Bank for Reconstruction and Development ("Official Gazette of RM" No. 37/2006).*

I. Economic Developments in the Republic of Macedonia

In March 2006, minimum monthly inflation rate of 0.1% was registered, measured through the *consumer price index*. Prices of goods registered a monthly increase of 0.2%, while prices of services registered minimum decline of 0.1%. Analyzed from the viewpoint of the main groups, the increased prices of food by 0.7% and of hygiene and health of 0.4% were offset with the decline in the prices of all other categories within the index (except for the group tobacco and beverages, which retained the level from the previous month).

The annual inflation rate in March 2006, equaled 2.8%, with the increase in the prices of tobacco and beverages being the most evident (17.7%). The average inflation rate in the first quarter of 2006 equaled 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 effect of the increase in the excise on cigarettes introduced in the beginning of the year. Higher prices were also registered in the categories of "food", "transportation equipment and services" and "culture and entertainment" (by 1.6%, 2.7% and 6%, respectively).

Figure 1
Consumer prices
(in %)



Source: State Statistical Office.

The prices of producers of industrial products² in March 2006, were by 0.6% lower compared to the preceding month, primarily owing to the lower prices of producers in the manufacturing industry (by 0.7%). The prices of the producers of oil derivatives registered the sharpest decline (of 4.5%, in line with the decision of the Energy Regulatory Commission from February 20, 2006 on cutting refinery prices by 4.1% on average). On

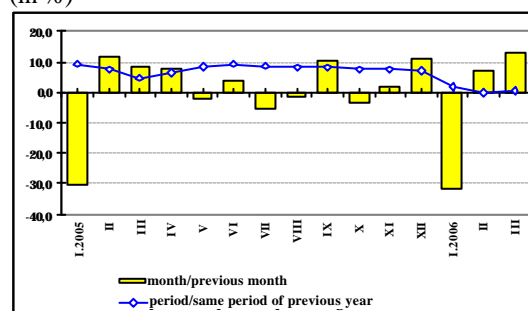
¹ Source: State Statistical Office of the Republic of Macedonia

² Preliminary data of the SSO.

annual basis, the prices of producers of industrial products rose by 4.4%. In the first quarter of 2006, they picked up by 5.6%, on average, primarily owing to the higher prices of producers in the manufacturing industry (by 6.3%). Within this group, the highest increase was registered in the prices of the producers of oil derivatives (of 40.8%) and of tobacco products (17.1%). In the mining and quarrying sector an average growth in the prices of 4.2% was registered, while the prices in the sector electricity, gas, and water supply prices registered an increase of 0.7%.

In March 2006, the actual volume of industrial output³ registered a monthly growth of 13.2%, having a relatively low comparison base from the previous month. The increase is comprehensive, i.e. the output went up in twenty out of twenty-four industrial branches. Major determinant of the increase registered in March 2006, was the higher output in the manufacturing industry (by 14.9%), given the higher production of food products and beverages, tobacco products and products of other non-metal minerals (by 11.2%, 94.8% and 66.4%, respectively). The industrial output in the mining and quarrying sector rose by 15.4%, while in the electricity, gas and water supply sector an increase in the production of 7.3% was registered.

Figure 2
Industrial output
(in %)



Source: State Statistical Office.

On annual basis, the actual volume of the industrial output increased by 1.9%, reflecting the positive results in the mining and quarrying and in the manufacturing sectors (growth of 76.3% and 1.5%, respectively). The high growth in the mining and quarrying sector is due to the low comparison basis (resuming of the operations of one mine in

³ Preliminary data of the SSO.



May 2005). The electricity, gas and water supply sector registered negative annual rate of 1.8%.

In the first three months of 2006, the volume of the industrial output registered an average increase of 0.5% with an increase in the output in the mining and quarrying sector by 2.1 times, which was to a large extent offset by identical rates of decline in the output in the manufacturing

industry and in the electricity, gas and water supply sector of 0.8%. Within the manufacturing industry, fall in the production was registered in fourteen out of twenty manufacturing branches, owing primarily to the decline in the manufacture of basic metals, publishing, rubber and plastic products, and of tobacco products (partly as a result of the reduced consumption of cigarettes, given the rise in their prices).

II. Monetary Developments

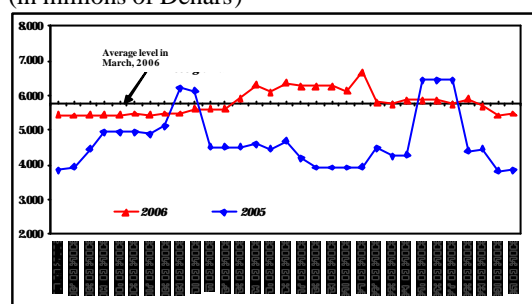
In March 2006, the total liquid funds of the banks⁴ dropped by 11%, relative to the previous month, thus reducing to Denar 5,492 million at the end of the month. Liquidity was withdrawn mostly on the basis of the monthly increment of the government Denar deposits with the NBRM of Denar 1,947 million, of which Denar 1,377 million pertain to Treasury bills for monetary policy purposes. On March 7, 2006, NBRM together with the Ministry of Finance commenced the issuance of Treasury bills for monetary policy purposes with maturity of three months in order to achieve sterilization in a longer run and gradual substitution of the CB bills. Currency in circulation, which registered a monthly rise of Denar 65 million, moderately contributed to the withdrawal recorded in March. On the other hand, the foreign exchange transactions of the NBRM created liquidity (realized net-purchase of foreign exchange on the foreign exchange market, by the NBRM). At the same time, the level of CB bills dropped by Denar 750 million, relative to February, which represents an additionally created liquidity. The average weighed interest rate on CB bills equaled 6.8% in March (7.1% in the preceding month), given the higher demand relative to the supply of CB bills, on average.

The average daily liquidity of the banking system in March 2006, equaled Denar 5,800.3 million, which is a decline of 10.1% relative to the preceding month. With respect to the daily dynamics, in March 2006, liquidity in the banking sector was relatively stable, moving around the average. In March 2006, banks' liquid funds in excess of the reserve requirement (in Denars)⁵, equaled 8.9%, which is by 12.8% less relative to the preceding month.

⁴ Includes account of the banks with the NBRM and cash in the vaults of the banks.

⁵ 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.

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



Source: National Bank of the Republic of Macedonia.

In March 2006, the activity on the money market decelerated. Thus the transactions on the official money market totaled Denar 55 million, which is a monthly decline of 19.1%. Simultaneously, the turnover within the direct bilateral trade of the banks amounted to Denar 595 million, which is a drop of 22% relative to the preceding month. The average interest rate on the interbank money market (on both segments) equaled 6.5% in March (6.7% in the preceding month).

The reserve money⁶ fell by 3.1%, on a monthly basis, as a result of the decline in the total liquid funds of the banks, while the demand for currency in circulation remained almost unchanged (increase of 0.5%). The decline in the transaction deposits (of 4.7%) led to 2.2% lower monetary aggregate M1, on monthly basis. The broader monetary aggregates M2 and M4 registered identical monthly increase (of 1.7%), reflecting the increase in both the short-term and the long-term deposits with the banks. On annual basis (March 2006 / March 2005), the monetary aggregates M2 and M4 went up by identical 14.9%.

⁶ The analysis refers to the reserve money excluding the reserve requirement of foreign currency deposits.



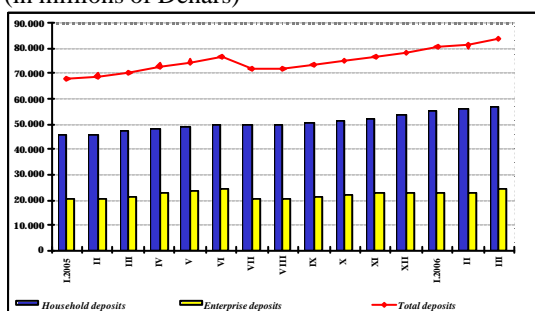
Table 1
Monetary aggregates and their components
(in millions of Denars)

	31.03.2006	Monthly changes	Annual changes
		in %	in %
Currency in circulation	27.962	-2,2	3,8
Demand deposits	27.889	6,3	19,5
Monetary aggregate M1			
Short-term Denar deposits	55.851	1,9	11,1
Monetary aggregate M2-Denar component	50.756	1,6	19,4
Short-term foreign exchange deposits	106.607	1,7	14,9
Monetary aggregate M2	5.305	2,3	14,2
Non-monetary deposits			
-Denar	3.123	-0,4	0,4
- foreign exchange	2.182	6,4	42,3
Monetary aggregate	111.912	1,7	14,9

Source: National Bank of the Republic of Macedonia.

The banks' total deposits in March 2006, registered a monthly increase of 3.1%, as a result of the higher short-term and long-term savings (by 3.2% and 2.3%, respectively). Thus the short-term Denar and foreign currency deposits registered a monthly increase of 6.3% and 1.6%, respectively. Within the long-term deposit potential, a decline was registered in Denar deposits (of 0.4%) and an increase in foreign currency deposits (of 6.4%). Observing by sector, households' deposits went up by 1.7% on a monthly basis, primarily as a result of the increasingly higher level of households' Denar deposits (3.7% rise). Enterprises' deposits increased by 7.5% on a monthly basis, owing to the fast growth of Denar deposits with maturity of up to one month. On annual basis (March 2006 / March 2005), the total deposits of the private sector with the banks⁷ went up by 19.1%.

Figure 4
Deposit dynamics
(in millions of Denars)



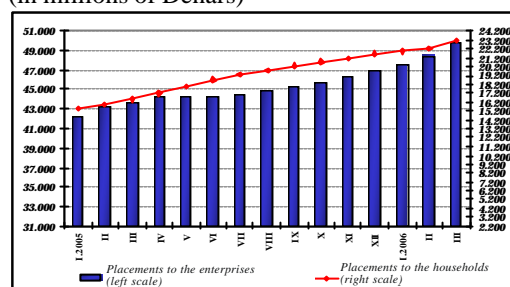
Source: National Bank of the Republic of Macedonia.

In March 2006, the banks' total placements with the private sector picked up by 3% on a monthly

⁷ 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.

basis, reflecting the higher lending in domestic⁸ and in foreign currency (increase of 2.5% and 4.4%, respectively). During March, the banks mainly lent to the corporate sector (61.8% of the total monthly increase). On a monthly basis, placements to the enterprises increased by 2.7%, with a simultaneous increase being registered in the placements to the households of 3.7%. The annual increase in the total banks' placements to the private sector in March 2006, equaled 21%.

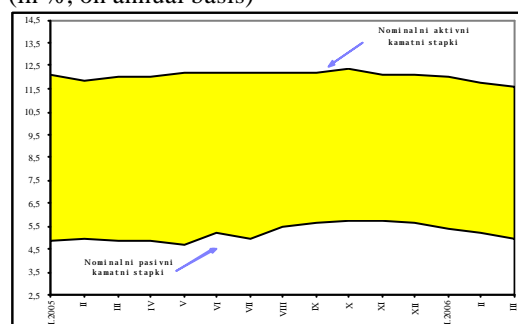
Figure 5
Banks' placements by sector
(in millions of Denars)



Source: National Bank of the Republic of Macedonia.

As to the *interest rate policy of the banks*, slight changes were registered in March 2006. Thus the average weighted lending interest rate of the banks on Denar credits in any maturity and sector equaled 11.6% (11.8% in the preceding month), while the average weighted deposit interest rate on Denar deposits in any maturity and sector reduced by 0.2 percentage points relative to the preceding month, and equaled 5.0%.

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 7.9% in March 2006 (7.8% in February

⁸ Also include the Denar indexed loans.



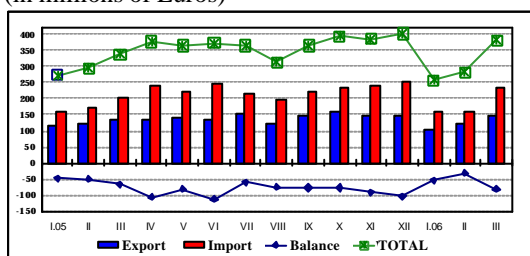
2006). The average weighted interest rate on the foreign currency deposits in any maturity, sector and currency remained at the level of the

preceding month and in March 2006, it equaled 1.4%.

III. Foreign Trade and Foreign Exchange Movements

The foreign trade of the Republic of Macedonia in March 2006 stood at Euro 382.3 million⁹ thus being by 35.8% higher on monthly basis. The exports of goods amounted to Euro 149.7 million, being by 21% higher relative to the preceding month. The monthly increase in the exports was mainly a result of the higher exports of iron and steel and products thereof, wearing apparel and textile, and beverages. Compared to March 2005, the exports of goods went up by 11.3%, primarily owing to the higher exports of oil derivatives, wearing apparel and textile, and beverages. The imports of goods in March 2006 totaled Euro 232.6 million, registering fast monthly growth of 47.5%, particularly as a result of the higher imports of mineral fuels, as well as iron and steel and products thereof, equipment and vehicles. On annual basis (March 2006 / March 2005) the imports of goods went up by 14.7%.

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



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

In March 2006, the trade deficit increased, whereas the import-export coverage ratio was lower, in line with the faster monthly increase in the imports relative to the increase in the exports. Thus, the trade deficit in March 2006 stood at Euro 82.9 million (by 2.4 times higher on a monthly basis), and the import-export coverage ratio equaled 64.4%, being by 14.1 percentage points lower relative to the preceding month.

⁹ Preliminary data of 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.

Cumulatively, in the first three months of 2006, the total foreign trade amounted to Euro 921 million, and it was by 2.1% higher relative to the same period of the previous year, having in mind the simultaneous growth in its both components. Thus, the exports of goods totaled Euro 374.9 million, which was an increase of 2%, mainly due to the increased export of oil derivatives, wearing apparel and textiles, ores, food, and beverages. Simultaneously, the imports of goods amounted to Euro 546.1 million, being by 2.1% higher, mainly due to the increased imports of vehicles, ores, electrical machinery, aluminum and products thereof. In the environment of almost identical increase in the imports and in the exports of goods, the January-March 2006 period registered an insignificant increase in the trade deficit and almost unchanged import-export coverage ratio. Thus in the first three months of 2006, the trade deficit was valued at Euro 171.2 million, registering an annual rise of Euro 4 million, or 2.4%, and the import-export coverage ratio equaled 68.6% (68.7% in the same period of 2005).

In March 2006, the foreign exchange market registered a total turnover of Euro 299.4 million, which is an increase of 6.7% on a monthly basis. Having a monthly increase in the supply of and in the demand for foreign currency of 5.4% and 3.7%, respectively, the commercial banks registered net-sale of foreign currency to the enterprises. In March 2006, the NBRM made a net-purchase of foreign currency on the foreign exchange market. The gross foreign reserves as of March 31, 2006 stood at Euro 1157.8 million, which is by Euro 181.7 million, or by 18.6% more relative to the end of the preceding month. The significant monthly growth in the gross foreign reserves was mostly generated from the increase in the government deposits of which Euro 169.8 million were on the basis of the privatization of ESM-Distribution.

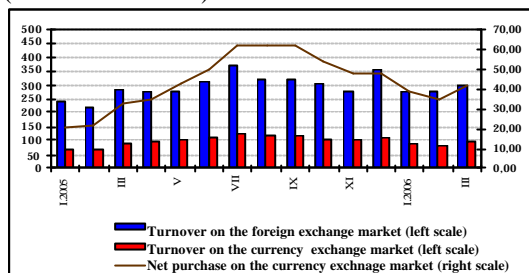
In March 2006, the turnover on the currency exchange market amounted to Euro 96.1 million, which is by 20% more on a monthly basis. In an environment of higher supply of and demand for foreign currency (of 19.4% and



21.6%, respectively), net purchase of foreign currency in the total amount of Euro 41.4 million was made on the currency exchange market (monthly increase of 18%).

Figure 8

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

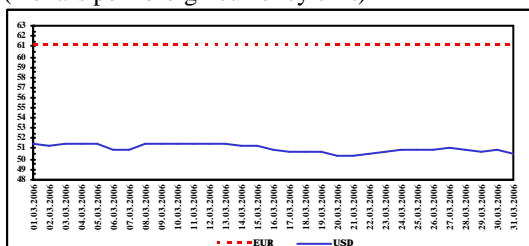


Source: National Bank of the Republic of Macedonia.

The Denar exchange rate relative to the Euro on the foreign exchange market equaled Denar 61.17 per one Euro at the end of March 2006, which is almost an identical level relative to the one registered in the previous month (Denar 61.18 per one Euro). The exchange rate of the Denar against the US Dollar at the end of March 2006 equaled Denar 50.57 per one US Dollar, with the value of the Denar against the US Dollar appreciating by 2% on a monthly basis (on February 28, 2006, Denar 51.62 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 March 2006, *the exchange rate of the Denar* against the Euro on the currency exchange market was stable, and Denar 61.43 were traded

per one Euro, on average. Simultaneously, the average ask and bid exchange rate of the Denar against the US Dollar equaled Denar 50.97 per one US Dollar, with the Denar appreciating by 0.4% on a monthly basis (in February 2006, Denar 51.16 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 1,658.9 million at the end of March 2006, and dropped by Euro 15.5 million relative to the end of February 2006. The monthly decline in the long-term external debt was primarily due to the negative foreign exchange gains in the amount of Euro 13.1 million and the lower amount of used funds relative to the principal paid. In March 2006, funds were used in the amount of Euro 2.1 million, and the total paid liabilities stood at Euro 9.4 million (Euro 6.6 million as principal and Euro 2.8 million as interest). The new credits concluded in March 2006 were in the amount of Euro 31.9 million and completely represent borrowings of the private sector. The total long-term external debt of the private sector dropped by 0.8% on a monthly basis and amounted to Euro 432.1 million, of which 77.4% pertain to the non-banking private sector, while the remaining portion is debt of the commercial banks. The *short-term external debt*¹⁰, which completely pertains to the private sector, stood at Euro 86.3 million at the end of March 2006. In this month, on the basis of extended short-term credits, funds in the amount of Euro 0.3 million were used, while the paid liabilities totaled Euro 1.7 million.

¹⁰ Preliminary data of the NBRM.



Appendix

Developments in Real Sector in the Republic of Macedonia

Table 1

Costs of living and retail prices

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

Source: State Statistical Office of the Republic of Macedonia


Table 2

Prices of producers of industrial products*

	III.2006 II.2006	III.2006 III.2005	I-III.2006 I-III.2005
	in %		
Prices of producers of industrial products	-0,6	4,4	5,6
Energy	-2,7	14,1	21,1
Intermediary goods (except Energy)	0,2	-3,0	-2,9
Capital goods	0,6	5,1	3,3
Durable consumer goods	-0,7	5,4	5,3
Non durable consumer goods	0,1	4,5	4,1
<i>Mining and quarrying</i>	<i>2,5</i>	<i>4,8</i>	<i>4,2</i>
<i>Manufacturing industry</i>	<i>-0,7</i>	<i>5,0</i>	<i>6,3</i>
Manufacture of food products and beverages	-0,1	0,0	-0,2
Manufacture of tobacco products	0,0	17,1	17,1
Manufacture of textiles	0,0	0,8	0,7
Manufacture of wearing apparel; dressing and dyeing of fur	0,1	-2,8	-2,4
Publishing, printing and reproduction of recorded media	0,0	2,3	2,3
Manufacture of coke, refined petroleum products and nuclear fuel	-4,5	27,1	40,8
Manufacture of chemicals and chemical products	0,0	-2,5	-1,6
Manufacture of rubber and plastic products	0,7	0,0	-1,6
Manufacture of other non-metallic mineral products	0,5	2,9	1,9
Manufacture of basic metals	0,0	-10,7	-9,6
Manufacture of fabricated metal products, except machinery and equipment	0,7	8,2	5,2
Manufacture of electrical machinery and apparatus n.e.c.	0,0	3,6	4,7
	<i>0,0</i>	<i>-0,4</i>	<i>0,7</i>
<i>Electricity, gas and water supply</i>			

* Previous data

Source: State Statistical Office of the Republic of Macedonia



Table 3
Industrial output*

	Structure in %	<u>III.2006</u> <u>II.2006</u>	<u>III.2006</u> <u>III.2005</u>	<u>I-III.2006</u> <u>I-III.2005</u>
		in %		
Prices of producers of industrial products	100,0	13,2	1,9	0,5
Energy	21,9	9,1	5,7	3,0
Intermediary goods (except Energy)	33,8	20,7	4,7	5,6
Capital goods	4,8	22,3	24,2	-5,6
Durable consumer goods	1,4	2,4	19,4	10,8
Non durable consumer goods	38,1	7,8	-6,5	-6,1
<i>Mining and quarrying</i>	1,8	15,4	76,3	2,1 times
<i>Manufacturing industry</i>	79,4	14,9	1,5	-0,8
Manufacture of food products and beverages				
Manufacture of tobacco products	20,0	11,2	-1,7	-1,1
Manufacture of textiles	3,9	94,8	-4,8	-14,6
Manufacture of wearing apparel; dressing and dyeing of fur	2,5	22,1	25,2	2,8
Publishing, printing and reproduction of recorded media	8,6	0,4	-5,3	-4,9
Publishing, printing and reproduction of recorded media	3,9	-15,5	-40,3	-22,5
Manufacture of coke, refined petroleum products and nuclear fuel	3,0	20,4	81,4	32,6
Manufacture of chemicals and chemical products	5,9	-22,4	-23,7	-5,9
Manufacture of rubber and plastic products	2,6	40,9	-33,1	-25,5
Manufacture of other non-metallic mineral products	8,2	66,4	30,2	43,7
Manufacture of basic metals	6,0	14,1	-10,0	-17,4
Manufacture of fabricated metal products, except machinery and equipment	3,8	18,3	10,6	-8,7
Manufacture of electrical machinery and apparatus n.e.c.	3,2	27,1	46,2	42,4
<i>Electricity, gas and water supply</i>	18,8	7,3	-1,8	-0,8

* Previous data

Source: State Statistical Office of the Republic of Macedonia



Table 4
Central Government Budget
(in Denar million)

	March 2006			January - March 2006		
	in Denar million	Monthly changes in %	Structure in %	in Denar million	Cumulative changes (2006/2005) in %	Structure in %
Total revenues	8.976	32,9	100,0	23.097	6,3	100,0
Total budget revenues	7.958	34,1	88,7	19.848	4,6	85,9
<i>Tax revenues:</i>	<i>5.262</i>	<i>55,6</i>	<i>58,6</i>	<i>12.658</i>	<i>2,8</i>	<i>54,8</i>
- personal income tax	760	14,8	8,5	1.933	5,4	8,4
- profit tax	1.162	3 pat i	12,9	1.725	59,7	7,5
- value added tax	2.184	70,1	24,3	5.228	-9,0	22,6
- excises	698	6,9	7,8	2.542	3,3	11,0
- custom duties	386	18,0	4,3	993	-3,2	4,3
- other	72	-1,4	0,8	237	41,1	1,0
<i>Contributions</i>	<i>2.657</i>	<i>5,0</i>	<i>29,6</i>	<i>7.112</i>	<i>7,9</i>	<i>30,8</i>
<i>Non-tax revenues:</i>	<i>918</i>	<i>30,4</i>	<i>10,2</i>	<i>2.305</i>	<i>-7,6</i>	<i>10,0</i>
- inflows from state property dividends	7	-43,1	0,1	103	24,8	0,4
- administrative taxes and fees	157	19,8	1,7	395	2,1	1,7
- participation income	25	-7,1	0,3	79	-37,6	0,3
- other administrative taxes	25	25,0	0,3	65	12,1	0,3
- other non-tax revenues	24	-37,9	0,3	109	25,0	0,5
- toll	121	17,5	1,3	320	-5,7	1,4
<i>Capital revenues</i>	<i>42</i>	<i>-14,3</i>	<i>0,5</i>	<i>143</i>	<i>27,7</i>	<i>0,6</i>
Total budget expenditures	8.429	2,7	100,0	23.538	3,4	100,0
<i>Current expenditures</i>	<i>8.109</i>	<i>5,6</i>	<i>96,2</i>	<i>22.475</i>	<i>3,8</i>	<i>95,5</i>
- wages and salaries	1.948	0,7	23,1	5.750	2,0	24,4
- goods and services	1.221	30,8	14,5	2.856	-10,7	12,1
- transfers	4.716	-0,5	55,9	13.079	6,8	55,6
- interest	225	3.1 times	2,7	790	38,8	3,4
<i>Capital expenditures</i>	<i>320</i>	<i>-39,3</i>	<i>3,8</i>	<i>1.063</i>	<i>-4,1</i>	<i>4,5</i>
Budget balance	547			-441		
Financing	-547			441		
<i>External financing, net</i>	<i>-112</i>			<i>-9.007</i>		
<i>Financing from domestic sources, net</i>	<i>-10.858</i>			<i>-997</i>		
<i>Income from privatization</i>	<i>10.421</i>			<i>10.442</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	III.06
I. Net Foreign Assets	66.282	57.130	57.297	71.907
Assets	69.504	60.326	60.519	75.076
Liabilities	3.222	3.196	3.222	3.169
II. Net Domestic Assets	-40.520	-33.763	-32.079	-47.210
Credit to banks, net	-8.876	-10.368	-9.329	-8.580
<i>Credit to banks</i>	45	45	324	323
Credits extended at auction	0	0	0	0
Repurchased agreement	0	0	0	0
Credits based on securities	0	0	0	0
Long - term credits	31	31	31	31
Advances	4	4	283	282
Other	10	10	10	10
<i>Instruments</i>	-8.921	-10.413	-9.653	-8.903
Auctions of bills	-8.921	-10.413	-9.653	-8.903
<i>Net, Government</i>	-18.989	-11.024	-10.167	-25.762
1.Claims on Government	3.290	3.290	3.290	3.290
Use of Fund credit	0	0	0	0
Ordinary credit	0	0	0	0
Purchased Government sec.	1.039	1.039	1.039	1.039
Other	2.251	2.251	2.251	2.251
2. Government Deposits	-22.279	-14.314	-13.457	-29.052
A) In denar	-6.993	-7.653	-6.860	-8.807
Demand deposits	-6.993	-7.653	-6.860	-8.807
- Budget account	-6.562	-7.214	-6.417	-6.965
- Other budget funds	-431	-439	-443	-1.842
o/w - Government securities for monetary purpose				-1.377
Fund for monetary policy support	0	0	0	0
B) In foreign currency	-15.286	-6.661	-6.597	-20.245
Central Gov.dep.	-15.139	-6.516	-6.450	-20.098
o/w Road fund	-147	-130	-121	-102
Other Government deposits	-147	-145	-147	-147
3.External account	0	0	0	0
Other items, net	-12.655	-12.371	-12.583	-12.868
Other assets	5.324	5.243	5.279	5.204
Other liabilities	-5.368	-4.794	-5.067	-4.983
o/wTransitory account	-487	-14	-19	-36
Capital account	-11.024	-11.558	-11.505	-11.608
Residual items	-1.587	-1.262	-1.290	-1.481
Reserve money	25.762	23.367	25.218	24.697
Currency in circulation	14.439	13.100	13.635	13.700
Cash in vaults	1.374	1.068	1.066	980
Giro - accounts	9.949	9.199	10.517	10.017
o/w Reserve requirement	5.323	5.417	5.413	5.505

Source: National Bank of the Republic of Macedonia



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

	XII.05	I.06	II.06	III.06
I. Net Foreign Assets	89738	80776	80899	96611
<i>National Bank</i>	66282	57130	57297	71907
Assets	69504	60326	60519	75076
Liabilities	3222	3196	3222	3169
<i>Deposit Money Banks</i>	23456	23646	23602	24704
Assets	37786	37231	36986	36669
Liabilities	14330	13585	13384	11965
II. Net Domestic Assets	19545	28414	30070	16577
1.Domestic credit	62382	71691	74396	62714
of which: Claims on Gov.	-11791	-3271	-1913	-15747
a) Deposit Money Banks	81371	82715	84563	88476
-in denar	64186	65363	66730	69847
Government	7118	7672	8175	9930
Credits	7115	7669	8171	9927
a) Budget and Line Ministries	7033	7589	8013	9696
b) Funds	82	80	158	231
c) Ins. of Central Gov.: Courts, etc.	0	0	0	0
Accrued interest	3	3	4	3
Non Government sector	57068	57691	58555	59917
Credits	51672	52255	53149	54473
<i>Adjusted</i>				
of which: Overdue claims	9807	10314	10323	10146
Accrued interest	5396	5436	5406	5444
-in foreign currency	17185	17352	17833	18629
Government	80	81	79	85
of which: Overdue	0	0	0	0
Non Government sector	17105	17271	17754	18544
<i>Adjusted</i>				
of which: Overdue	1748	1753	1587	1444
b) Nat. Bank Claims on Government	-18989	-11024	-10167	-25762
2.Other items, net	-42837	-43277	-44326	-46137
of which: Claims on Gov.				
for frozen f.c. deposits	0	0	0	0
Accrued interest	-5399	-5439	-5410	-5447
Others	-37438	-37838	-38916	-40690

Source: National Bank of the Republic of Macedonia



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

	XII.05	I.06	II.06	III.06
M4Total	109283	109190	110969	113188
M4 (nonGovernment)	108174	108320	109999	111912
M1(Total)	30034	27933	28900	28431
M1 (nonGovernment)	29663	27699	28596	27962
Currency in Circulation	14439	13100	13635	13700
Demand deposits(total)	15595	14833	15265	14731
Demand deposits(NonGov.)	15224	14599	14961	14262
Deposit Money Banks	15577	14752	15183	14519
NonGov. Demand deposits	15206	14518	14879	14050
Government Demand deposits	371	234	304	469
a) Budget and Line Ministries	236	55	91	132
b) Funds	135	179	213	323
c) Ins. of C.Gov.: Courts, etc.	0	0	0	14
Nation. Bank NonGov.Demand dep.	18	81	82	212
M2 (Total)	104195	104065	105734	107835
M2 (nonGovernment)	103134	103243	104812	106607
Quasi money (Total)	74161	76132	76834	79404
Quasi money (non Government)	73471	75544	76216	78645
Deposit Money banks	74161	76132	76834	79404
Non Government sector	73471	75544	76216	78645
Denar	24364	25614	26237	27889
Foreign currency	49107	49930	49979	50756
Government deposits	690	588	618	759
Denar	689	587	616	759
Foreign currency	1	1	2	0
NBM quasi deposits	0	0	0	0
Nonmonetary Deposits (Total)	5088	5125	5235	5353
<i>Denar nonm. deposits (total)</i>	3105	3159	3184	3171
<i>F.C. nonm. deposits (total)</i>	1983	1966	2051	2182
Nonmonetary Deposits (nonGov.)	5040	5077	5187	5305
<i>Denar nonm. dep.(nonG)</i>	3057	3111	3136	3123
<i>F.C. nonm. dep (nonG)</i>	1983	1966	2051	2182
-Deposit Money Banks	5088	5125	5235	5353
Denar nonGov. nonmonetary dep.	3057	3111	3136	3123
F. C. nonGovern. nonmon. dep.	1983	1966	2051	2182
Denar Gov. nonmon. deposits	48	48	48	48
F. C. Govern. nonmon. deposits	0	0	0	0
-NBM NonGov. nonm. deposits	0	0	0	0
Denar	0	0	0	0
Foreign currency	0	0	0	0
Total Deposits	94844	96090	97334	99488
Total Deposits (nonGov.)	93735	95220	96364	98212

Source: National Bank of the Republic of Macedonia


Table 7

Total deposits of the non-government sector

	31.03.2006	monthly changes		annual changes		structure
	in Denar million	in Denar million	in %	in Denar million	in %	in %
Total deposits	83.950	2.547	3,1	13.475	19,1	100,0
1. According to maturity						
- short-term	78.645	2.429	3,2	12.814	19,5	93,7
- long-term	5.305	118	2,3	661	14,2	6,3
2. According to currency of denomination						
- In denar	31.012	1.639	5,6	4.565	17,3	36,9
- In foreign currency	52.938	908	1,7	8.910	20,2	63,1

Source: National Bank of the Republic of Macedonia

Table 8

Households and enterprises deposits

	structure in %	31.03.2006 in Denar million	monthly changes		annual changes	
			in Denar million	in %	in Denar million	in %
Total households deposits	100,0	57.499	958	1,7	10.430	22,2
1. According to maturity						
- short-term	94,8	54.506	859	1,6	9.619	21,4
- long-term	5,2	2.993	99	3,4	811	37,2
2. According to currency of denomination						
- In denar	29,0	16.665	589	3,7	4.145	33,1
- In foreign currency	71,0	40.834	369	0,9	6.285	18,2
Total enterprises deposits	100,0	24.780	1.720	7,5	3.459	16,2
1. According to maturity						
- short-term	94,4	23.391	1.662	7,6	3.164	15,6
- long-term	5,6	1.389	58	4,4	295	27,0
2. According to currency of denomination						
- In denar	51,9	12.873	1.160	9,9	699	5,7
- In foreign currency	48,1	11.907	560	4,9	2.760	30,2

Source: National Bank of the Republic of Macedonia


Table 9

Demand deposits of households and enterprises

	31.03.2006	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Demand deposits	14.262	-699	-4,7	521	3,8
- Demand deposits of households	3.074	27	0,9	379	14,1
- Demand deposits of enterprises	9.226	-757	-7,6	12	0,1

Source: National Bank of the Republic of Macedonia

Table 10

Placements to households and enterprises

	31.03.2006	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Total placements	73.017	2.114	3,0	12.697	21,0
<i>Denar placements</i>	54.473	1.324	2,5	7.063	14,9
<i>of which:</i>					
- enterprises	32.293	651	2,1	1.049	3,4
- households	22.092	683	3,2	5.990	37,2
<i>Foreign currency placements</i>	18.544	790	4,4	5.634	43,6
<i>of which:</i>					
- enterprises	17.549	656	3,9	5.187	42,0
- households	987	134	15,7	522	112,3

Source: National Bank of the Republic of Macedonia


Table 11

Maturity and sector structure of Denar and foreign currency placements

	Share on 31.03.2006 (in %)	Monthly change (in percentage points)	Annual change (in percentage points)
Denar placements	100,0		
maturity structure			
- short-term	51,0	-0,7	-3,9
- long-term	49,0	0,7	3,9
structure by sectors			
- enterprises	59,3	-0,3	-6,6
- households	40,6	0,3	6,6
- other	0,2	0,0	0,0
Foreign currency placements	100,0		
maturity structure			
- short-term	27,8	1,2	-10,8
- long-term	72,2	-1,2	10,8
structure by sectors			
- enterprises	94,6	-0,5	-1,1
- households	5,3	0,5	1,7
- other	0,0	0,0	-0,6

Source: National Bank of the Republic of Macedonia

Table 12

Interest rates

	March, 2006 in %	Monthly changes in percentage points	Annual changes
Average weighted interest rate on the CB bills auctions (28 days)	6,78	-0,32	-3,2
Average weighted interest rate on the Money Market*	6,5	-0,20	-1,7
Banks' weighted lending interest rates	11,60	-0,20	-0,4
Banks' weighted deposit interest rates	5,00	-0,20	0,1

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, 3 month				
07.03.2006	650	915,50	650	7,12
21.03.2006	1.100	1.677,4	1.100	6,57
Treasury bills auctions, 6 month				
07.03.2006	300	572,3	300	7,28
Treasury bills auctions, 12 month				
21.03.2006	350	461,3	350	8,62

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)

	III.2006	I-III.2006	III.2006		III.2006		I-III.2006	
	amount	amount	amount	%	amount	%	amount	%
Foreign trade	382,3	921,0	100,8	35,8	45,0	13,4	18,5	2,1
Exports	149,7	374,9	26,0	21,0	15,2	11,3	7,3	2,0
Imports	232,6	546,1	74,9	47,5	29,9	14,7	11,2	2,1
Balance	-82,9	-171,2	-48,9	144,0	-14,7	21,6	-4,0	2,4

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, III, 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 %	
Republic of MACEDONIA	921,0	100,0	374,9	100,0	546,1	100,0	68,6
<i>out of which:</i>							
Germany	133,9	14,5	72,73	19,4	61,17	11,2	118,9
Serbia and Montenegro	112,6	12,2	73,43	19,6	39,14	7,2	187,6
Greece	101,2	11,0	49,99	13,3	51,24	9,4	97,6
Italy	77,8	8,4	43,91	11,7	33,89	6,2	129,6
Russia	67,7	7,4	5,00	1,3	62,73	11,5	8,0
Bulgaria	56,7	6,2	16,44	4,4	40,26	7,4	40,8
Croatia	33,6	3,7	22,42	6,0	11,22	2,1	199,8
Turkey	31,0	3,4	11,84	3,2	19,18	3,5	61,7
Slovenia	28,2	3,1	6,55	1,7	21,62	4,0	30,3
China	23,5	2,5	0,10	0,0	23,36	4,3	0,4
Total (10 largest trading partners)	666,2	72,3	302,4	80,7	363,8	66,6	83,1

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	
	28.02.2006	31.03.2006	II-2006	III-2006	II-2006	III-2006
Official creditors	1.055,7	1.045,5	5,8	1,5	4,3	5,1
out of which:						
Multilateral	891,7	882,9	5,4	1,2	3,0	5,1
MMF	52,7	51,8	0,0	0,0	0,4	0,0
IBRD	207,6	205,8	0,4	0,1	0,9	1,2
IFC	5,1	4,7	0,0	0,0	0,0	0,5
IDA	307,2	302,4	0,4	0,2	0,4	0,0
EIB	122,4	120,9	4,0	0,0	0,0	2,2
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	0,1
EBRD	73,0	73,3	0,6	0,7	1,2	0,9
EU	90,0	90,0	0,0	0,0	0,2	0,3
IFAD	11,0	11,0	0,0	0,2	0,0	0,0
European Agency for Reconstruction	0,0	0,0	0,0	0,0	0,0	0,0
Bilateral	164,0	162,6	0,4	0,3	1,3	0,0
Paris club (rescheduled 1995)	92,7	91,6	0,0	0,0	0,0	0,0
New credits	6,6	6,6	0,0	0,0	0,0	0,0
Non-rescheduled debt	64,6	64,4	0,4	0,3	1,3	0,0
Private creditors	618,6	613,3	28,2	0,6	2,7	4,3
out of which:						
Eurobonds	150,0	150,0	0,0	0,0	0,0	0,0
Banks and financial institutions	220,7	216,2	1,4	0,4	1,5	3,8
Private non-financial sector	248,0	247,2	26,8	0,1	1,3	0,5
TOTAL	1.674,4	1.658,8	34,0	2,1	7,0	9,4

National Bank of the Republic of Macedonia Balance sheet

Table 17

NBRM Balance sheet on 31.03.2006
(in million Denars)

Assets	Amount	Liabilities	Amount
Foreign assets	75.076	Reserve money	19.192
Claims on Government	3.911	NBRM instruments	8.903
Claims on banks and other financial institutions	1.358	Restricted deposits	253
Other assets	4.170	Foreign liabilities	3.169
		Government deposits	31.021
		Capital accounts	11.608
		Other liabilities	10.369
Total	84.515	Total	84.515

Source: National Bank of the Republic of Macedonia