

**National Bank  
of the Republic of Macedonia**



**Monthly  
Report**

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*July 2005*



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### **Important economic events and amendments to the legal regulations in May 2005**

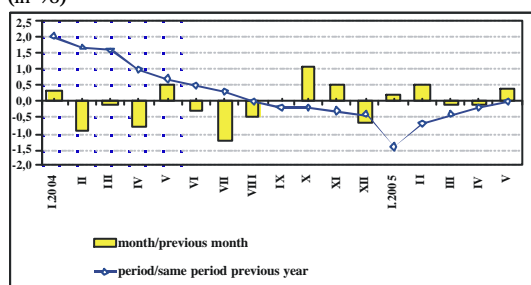
- ❖ *On May 4, the Government of the Republic of Macedonia and the World Bank Mission commenced the official negotiations for conclusion of a new three-year Programmatic Development Policy Loan (PDPL), aimed at carrying out reforms of the judiciary, labor market and the financial sector, as well as improvement of the business environment, totaling US Dollar 90 million.*
- ❖ *On May 4, the Regulatory Energy Committee adopted a Decision on determining the highest prices of certain oil derivatives set under the Methodology ("Official Gazette of the Republic of Macedonia" no. 29/2005) according to which the retail and the refinery prices of the oil derivatives decrease by 2.52% and 2.61%, respectively, on average. Also, on May 16, the Regulatory Energy Committee adopted a Decision on decreasing the retail and the refinery prices of the oil derivatives by 1.73% and 3.46%, respectively, on average ("Official Gazette of the Republic of Macedonia" no. 34/2005).*
- ❖ *On May 6, Bucim copper mine resumed operating after a two-year standstill, after being taken over by a foreign investor.*
- ❖ *On May 11, the Ministry of Economy and the World Bank Mission commenced the negotiations for the Business Environment Reform and Institutional Strengthening Project (BERIS) which will be implemented in the following four years, that is by the end of September 2009.*
- ❖ *On May 17, the Ministry of Transport and Communications and the World Bank completed their negotiations for the loan in the amount of EUR 15 million intended for transformation of the Macedonian Railways public enterprise. The World Bank Board is expected to extend this loan in July.*
- ❖ *On May 20, the NBRM adopted instructions according to which the listing and the purchase and sale of foreign currency among the authorized banks will be carried out through the Tenfore Banking Package information system. These instructions enters into force on June 1, 2005 ("Official Gazette of the Republic of Macedonia" no. 36/2005).*
- ❖ *On May 25, Struzanka, textile factory from Struga, was sold to Avel company from Tirana, Albania.*
- ❖ *On May 25, the Government of the Republic of Macedonia and the IMF Mission completed the negotiations for the three-year Stand By Arrangement, having an emphasized structural nature. The IMF Board is expected to extend the arrangement in August.*
- ❖ *On May 27, the NBRM revoked the funding and operating license of Radobank a.d. Skopje.*

## I. Economic Developments in the Republic of Macedonia

In May 2005, the consumer prices, as an inflation rate measure, equaled 0.4% on a monthly basis. With respect to the more important components in the structure of the consumer price index, the monthly growth was primarily due to the increase in the costs of food (12.4% higher prices of fresh vegetables). On the other hand, the adoption of the decisions of the Regulatory Energy Committee on decreasing the retail prices of the oil derivatives (by 0.23%<sup>1</sup> and 2.52%, respectively, on average) resulted in lower costs of transport equipment and services (by 0.7%), owing to the lower costs of liquid fuels and lubricants (by 0.9%) and lower costs of heating and lighting (by 0.4%) within the housing category, in line with the lower costs of oil used in the households (by 8.2%).

On annual basis, the inflation rate equaled 0.7%, primarily due to the higher costs of transport equipment and services and the costs of tobacco. On average, in the first five months of 2005, the consumer prices remained unchanged (0%), due to the lower costs of food<sup>2</sup>. Thus the inflation is no longer in the zone of negative growth rates. Also, the core inflation rate equaled 1.64%<sup>3</sup>.

Chart 1  
Consumer prices  
(in %)



In May 2005, the retail prices remained almost unchanged (minimum monthly fall of 0.1%)

<sup>1</sup> Effect of the decision of the Regulatory Energy Committee adopted in the second half of April, due to which the retail prices of the oil derivatives went down by 0.23%.

<sup>2</sup> The fall in the costs of food reflects the effect of the lower customs duties of the agricultural and food products, in line with the membership of the Republic of Macedonia in the WTO.

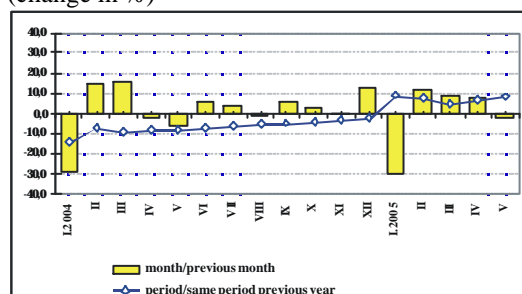
<sup>3</sup> The base inflation rate was calculated in the NBRM, exempting the food and energy categories.

compared to the previous month. Of the more relevant categories within the index, an increase was registered only in the prices of agricultural products (of 5%), while the prices of non-food products, the food industrial products and the beverages went down in May 2005 (by 0.4%, 0.2% and 0.3%, respectively on a monthly basis). On annual basis and on average, the retail prices went up by 2.1% and 1.6%, respectively, and analyzing by the structure, the increase is due to the higher prices of non-food industrial products and beverages.

In May 2005, the prices of producers of industrial products decreased by 0.2% on a monthly basis, primarily due to the lower prices of the producers of oil derivatives. On annual basis and on average, the prices of producers of industrial products surged by 2.5% and 2.3%, respectively, primarily due to the higher prices in the manufacturing industry (increase in the prices of producers of oil derivatives in line with the trend of increase in the price of crude oil in early 2005).

The three-month permanent upward trend of the actual volume of the industrial output was interrupted in May 2005, registering a negative rate of 2.4% on a monthly basis. The fall in the industrial output, however, is common for this period of the year and entirely determined by the lower output volume in the electricity, gas and water supply sector (fall of 25.5%), unlike the mining and quarrying sector and the manufacturing industry which rose on a monthly basis (by 49.8% and 1.8%, respectively).

Chart 2  
Industrial output  
(change in %)



Notwithstanding the monthly fall, the industrial output went up by 15.8% on annual basis, owing to the higher output in the manufacturing industry (increase in the production of basic metals, food products and beverages, tobacco products, etc.)



and in the mining and quarrying sector. On average, in the first five months of 2005, the industrial output was by 8.3% higher, owing to the higher output in the manufacturing industry and

in the electricity, gas and water supply (by 10.4% and 2.3%, respectively).

## II. Monetary developments in the Republic of Macedonia

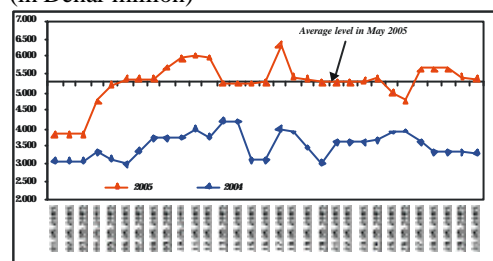
In May 2005, from the aspect of liquidity management, the budget spending was restrained, while the NBRM foreign exchange transactions, the currency in circulation and the CB bills auctions acted towards liquidity creation.

In May 2005, the *total liquid funds of the banks*<sup>4</sup> compared to the preceding month were by Denar 1,524 million (or by 39.7%) higher. The NBRM interventions (net purchase of foreign currency) on the foreign exchange market acted towards liquidity creation. The currency in circulation, which was also directed towards liquidity creation, after the seasonal growth prior to the Labor Day and the Easter holidays, went down by Denar 1,105 million in May (the most significant seasonal monthly fall ever). Liquidity was also created through the *CB bills auctions* the level of which (on a monthly basis) was by Denar 449 million lower. On the other hand, liquidity was withdrawn through the increase in the *Government Denar deposits with the NBRM* (by Denar 230 million).

In May 2005, the *average daily liquidity of the banking system* equaled Denar 5,272.9 million, which is a monthly increment of 2.7%. Having lower average spending of funds from the Government Denar account with the NBRM and the almost unchanged average level of currency in circulation, the higher average daily liquidity is a result of the NBRM foreign exchange transactions (aimed at net purchasing of foreign currency) and the lower average amount of subscribed CB bills. Analyzing the dynamics, at the beginning of the month, in line with the non-working days during the Labor Day and Easter holidays, the liquidity of the banks was lower, which resulted in its maintenance at higher level in the second week of the month (owing to the fulfilling of the reserve requirement). In the second half of the month, after the depletion of a portion of the liquidity due to payment of the tax liabilities, the total liquid funds of the banks permanently

fluctuated. More substantial growth in the liquidity was registered at the end of the month, having net-outflows from the Government account and lower interest of the banks for investing in CB bills. The excess liquidity of the banks over the reserve requirement<sup>5</sup> equaled 11.6% in May 2005, compared to 8% in the preceding month.

Chart 3  
Daily dynamics of the banks' liquidity  
(in Denar million)



In May 2005, the *total turnover on the institutionalized money market* registered a monthly increase of 34.5% and reached Denar 452.5 million. In spite of the higher demand for relative to supply of liquid funds, the average weighted interest rate was lower and equaled 8.51% (8.59% in the preceding month). On the *non-institutionalized money market*, the executed transactions amounted to Denar 830 million, which is a decrease of 16.5% compared to the preceding month. The average interbank interest rate on these two markets equaled 8.3% in May 2005, compared to 8.1% in the previous month.

In May 2005, compared to the preceding month, the reserve money<sup>6</sup> went up by 2.3%, which given the fall in the currency in circulation (of 7.8%), is solely due to the higher level of liquid funds of the banks.

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

<sup>6</sup> The reserve money analysis excludes the reserve requirement of foreign currency deposits.

<sup>4</sup> Includes account of the banks with the NBRM and cash in the vaults of the banks.



Notwithstanding the registered monthly increment in the demand deposits (of 7.6%), the considerable seasonal fall in the currency in circulation resulted in 0.4% decrease in the monetary aggregate M1 on a monthly basis. The broader monetary aggregates M2 and M4 went up by 1% and 1.4%, respectively, as a result of the increase in the total deposit potential of the banks.

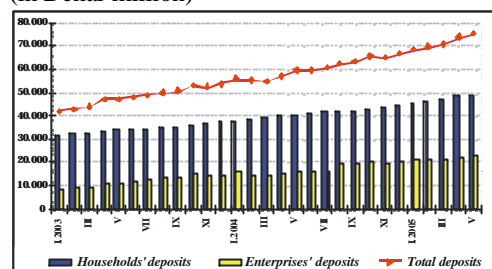
Table 1  
Monetary aggregates and their components  
(in Denar million)

	31.05.2005	monthly change	annual change
		1.4%	1.4%
Currency in circulation	13.086	-7.8	-0.8
Demand deposits	13.907	7.6	6.1
Monetary aggregate M1	26.993	-0.4	2.7
Short-term Denar deposits	25.593	4.4	49.7
Monetary aggregate M2 - Denar alone	52.586	1.9	21.2
Short-term foreign currency deposits	44.182	0.0	19.2
Monetary aggregate M2	96.768	1.0	20.3
Non-monetary deposits	5.040	9.5	-0.9
- Denar	3.075	-1.0	-11.3
- Foreign currency	1.965	31.3	21.4
Monetary aggregate M4	101.808	1.4	19.0

In May 2005, the banks' total deposits<sup>7</sup> went up by 2.1% on a monthly basis, as a result of the higher short-term and long-term savings (by 1.6% and 9.5%, respectively). Thus the short-term Denar deposits went up by 4.4% on a monthly basis, having an almost unchanged level of foreign currency deposits on a short run. On the other hand, the positive dynamics of the long-term deposits is solely due to the increase in their foreign exchange component (by 31.3%, on a monthly basis). Analyzing by sector, the deposits of the households went up by 1.2% on a monthly basis, with a simultaneous increment being registered in the short- and long-term deposits (by 1.2% and 2%, respectively). With respect to the structure of currency of denomination, a slight decrease of 0.2% was registered in the Denar deposits of the households sector, whereas the foreign currency deposits registered a monthly growth of 1.7% (primarily due to the higher time deposits with maturity of up to one year and the sight deposits). The enterprises' deposits are by 4.1% higher on a monthly basis, mainly due to the higher Denar time deposits with maturity of up to three months and the restricted deposits in foreign currency. On annual basis (May 2005/May 2004), the total

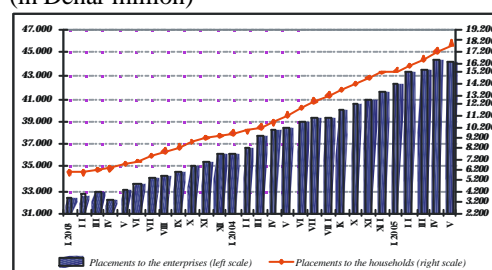
deposits of the private sector in the banks were by 26.3% higher.

Chart 4  
Deposit timeframes  
(in Denar million)



In May 2005, the banks' total placements to the private sector<sup>8</sup> registered a moderate monthly growth of 0.7%, given the divergent movements in the credits in local and foreign currency. Thus the Denar<sup>9</sup> credits went down by 0.2% on a monthly basis, reflecting the lower lending on a short run. On the other hand, the foreign currency placements registered a positive monthly change (an increment of 4.2%), generated by the intensified long-term lending to the households and the enterprises. The structural analysis shows an increment in the credits extended to the households sector (by 4%), having a simultaneous decline in the loans to the corporate sector (of 0.4%). The fall in the loans to the enterprises is due to the lower amount of short-term loans extended in local currency, and lowering of the overdue claims based on short-term Denar loans. On annual basis (May 2005 / May 2004), the banks' total placements went up by 24.2%.

Chart 5  
Banks' placements by sector  
(in Denar million)



<sup>7</sup> 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.

<sup>8</sup> Since January 2005, the banks' credits have been analyzed without the amount of the accrued interest by credit.

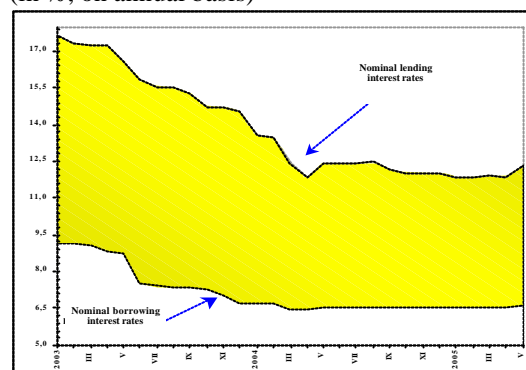
<sup>9</sup> They also include Denar indexed loans.



In May 2005, the *banks' interest rate policy* was directed towards increasing the interest rates, i.e. towards extending the interest rate spread. Thus the banks' average weighted lending interest rate (on the short-term Denar credits) went up by 0.4 percentage points in May relative to the preceding month and equaled 12.32%. Also, the average weighted deposit interest rate (on the three-month Denar deposits) equaled 6.61% (6.59% in April 2005).

Chart 6

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



\*Pertain to Denar loans and deposits, including the Denar indexed loans.

In May 2005, the average weighted interest rate on the short-term foreign currency loans went up by 0.15 percentage points compared to the preceding month, and reached 7.39%. The interest rate on the three-month Euro deposits ranged from 1% to 3.26%, while the interest rate on the restricted three-month US Dollar deposits ranged from 0.86% to 2.50%.

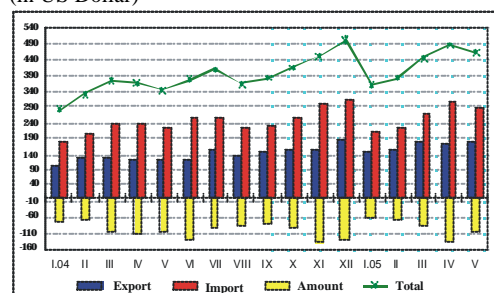
### III. Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia

In May 2005, the *foreign trade*<sup>10</sup> of the Republic of Macedonia equaled US Dollar 462.8 million, which is a monthly decrease of 5%, thus registering favorable movements in the export and the import of goods. In May 2005, the *export of goods* totaled US Dollar 178.5 million, thus being the second highest monthly export since 1996<sup>11</sup>. The export of goods registered an increase of 2.2% compared to the preceding month, and relative to the same month of the preceding year, it was by 51.3% higher. Analyzing by product, the monthly increase in the exports is primarily due to the higher export of iron and steel, vegetable and tobacco. The total *import of goods* stood at US Dollar 284.3 million in May 2005, which is by 9% less compared to the preceding month (27.1% increase on annual basis). The monthly fall in the import of goods is mostly due to the

lower import of oil, other transport equipment<sup>12</sup>, iron and steel and products thereof, and fertilizers.

Chart 7

Foreign trade of the Republic of Macedonia  
(in US Dollar)



Source: State Statistical Office

In May 2005, given the monthly increase in the export and fall in the import of goods, the trade deficit went down, and the export-import

<sup>10</sup> Preliminary data of the State Statistical Office. The export of goods is presented on f.o.b. basis, while the import of goods is presented on c.i.f. basis

<sup>11</sup> Higher monthly export of goods was registered in December 2004 in the amount of US Dollar 185.2 million.

<sup>12</sup> In the previous month, this category included the imported aircraft for the needs of the Government of the Republic of Macedonia.





coverage ratio went up. Thus the deficit in the foreign trade totaled US Dollar 105.8 million in May 2005 (fall of 23.2% on a monthly basis), and the export-import coverage ratio reached 62.8% (by 6.9 percentage points higher relative to the preceding month).

Cumulatively, in the January - May 2005 period, the export and the import of goods went up by 37.1% and 20.3%, respectively. The increase in the exports is primarily a result of the higher export of iron and steel and products thereof and of oil derivatives, while the increase in the import of goods is due to the higher import of iron and steel and products thereof, and the import of mineral fuels. As a result of the faster increment in the export relative to the import of goods, the trade deficit of US Dollar 461.7 million was by 1.5% lower relative to the same period of 2004, and the export-import coverage ratio went up to 64.4% (56.5% in the January - May 2004 period).

In May 2005, the export of goods in Euro<sup>13</sup>, equaled 140.6 million and registered a monthly growth of 4.2%, and the import of goods equaled 223.4 million, and on a monthly basis it dropped by 7.5%. The deficit in the foreign trade in May 2005 was by 22.2% lower compared to April 2005.

On cumulative basis, in the January - May 2005 period, the export of goods totaled Euro 643.1 million, and the imports stood at Euro 999 million, with the both components registering a cumulative growth of 29.8% and 13.7%, respectively. The deficit in the foreign trade stands at Euro 355.9 million, which is a fall of 7% compared to the same period of 2004.

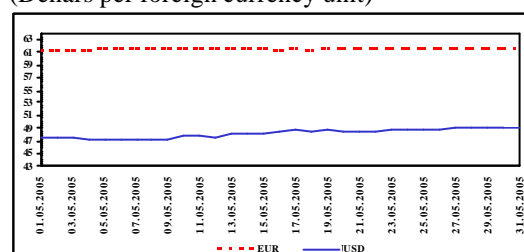
In May 2005, *the total turnover on the foreign exchange market* equaled US Dollar 352.9 million, which is by 1.7% less compared to the preceding month. In May 2005, the favorable movements remained on the foreign exchange market. Given the stable demand and higher supply of foreign currency by the enterprises, the banks made a lower net-sale of foreign currency. In this month, the NBRM also made a net-purchase of foreign currency on the foreign exchange market. *The gross foreign reserves* reached US Dollar 944.3 million at the end of

May 2005 and went down by US Dollar 28.9 million relative to the end of the preceding month, particularly due to the negative exchange rate differentials (US Dollar 29.4 million). The gross foreign reserves in Euro totaled 757.2 million at the end of May 2005, which is by Euro 6 million more compared to the end of the preceding month.

At the end of May 2005, *the exchange rate of the Denar against the Euro on the foreign exchange market* equaled Denar 61.41 per one Euro (Denar 61.37 per one Euro at the end of April 2005). Simultaneously, the value of the Denar against the US Dollar on the foreign exchange market depreciated by 3.5%, and at the end of May 2005, Denar 49.23 were traded per one US Dollar (Denar 47.56 per one US Dollar, at the end of April 2005).

Chart 8

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 May 2005, *the total turnover on the currency exchange market* amounted to US Dollar 124.7 million, which is a minimum monthly decrease of 1.2%. Having a higher supply of and lower demand for foreign currency, a net-purchase of US Dollar 53.3 million was made on the currency exchange market (monthly growth of 18.8%).

*The exchange rate of the Denar against the Euro on the exchange offices market* remained stable in May 2005, and Denar 61.62 were traded per one Euro, on average, while relative to the US Dollar, the Denar depreciated by 1.6%, and in May 2005, Denar 48.17 were traded per one US Dollar, compared to Denar 47.41 per one US Dollar in April 2005.

At the end of May 2005, *the external debt of the Republic of Macedonia based on long-*

<sup>13</sup> The official data of the State Statistical Office are presented in US Dollar, and the calculations in Euro were made in the National Bank of the Republic of Macedonia.



*term credits and loans*<sup>14</sup> reached US Dollar 1,908.1 million, which is by US Dollar 41.9 million less relative to the end of the previous month. Having a higher amount of used funds (US Dollar 7.7 million) based on paid principal (US Dollar 5.5 million), the external debt reduction is solely due to the negative exchange rate differentials. *The short-term external debt* equaled US Dollar 76.1 million at the end of May 2005, which is by US Dollar 0.5 million lower relative to the end of the preceding month.

In Euro, the external debt of the Republic of Macedonia reached 1,529.9 million at the end of May 2005, which is a monthly increase of Euro 24.7 million. Such monthly change is particularly due to the positive exchange rate differentials (Euro 22.8 million), as well as to the higher usage relative to the paid principal (Euro 6 million and Euro 4.3 million, respectively). At the end of May 2005, the short-term debt stands at Euro 61 million.

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<sup>14</sup> Preliminary data of the NBRM.



## Appendix

### Developments in Real Sector in the Republic of Macedonia

**Table 1**

Costs of living and retail prices

	V.2005 IV.2005	V.2005 V.2004	I-V.2005 I-V.2004
	in %		
<b>Costs of living</b>	<b>0,4</b>	<b>0,7</b>	<b>0,0</b>
Food	1,2	-1,0	-2,7
Tobacco and beverages	-0,1	6,6	6,2
Clothing and footwear	0,7	2,4	3,5
Housing	-0,2	0,4	0,0
Flat (rent, water, services)	0,0	1,3	-0,1
Fuel and lighting	-0,4	0,7	0,6
Hygiene	0,3	-3,7	-3,3
Culture and entertainment	-0,8	-0,8	-0,6
Transport, communications, services	-0,7	5,1	4,3
<i>Goods</i>	<i>0,6</i>	<i>0,3</i>	<i>-0,5</i>
<i>Services</i>	<i>-0,5</i>	<i>2,9</i>	<i>2,3</i>
<b>Retail prices</b>	<b>-0,1</b>	<b>2,1</b>	<b>1,6</b>
Agricultural products	5,0	-2,4	-4,3
Non-food industrial products	-0,4	2,2	2,1
Processed food products	-0,2	-0,8	-2,3
Beverages	-0,3	3,9	2,8
<i>Goods</i>	<i>0,0</i>	<i>1,2</i>	<i>0,5</i>
<i>Services</i>	<i>-0,2</i>	<i>3,6</i>	<i>3,4</i>

Source: State Statistical Office of the Republic of Macedonia


**Table 2**

Prices of producers of industrial products\*

	V.2005 IV.2005	V.2005 V.2004	I-V.2005 I-V.2004
	in %		
<b>Prices of producers of industrial products</b>	<b>-0,2</b>	<b>2,5</b>	<b>2,3</b>
Energy	-0,7	8,5	7,3
Intermediary goods (except Energy)	0,0	0,2	1,7
Capital goods	0,0	0,0	0,0
Durable consumer goods	0,0	3,0	3,0
Non durable consumer goods	0,0	1,2	-0,3
	0,0	0,8	0,3
<i>Mining and quarrying</i>	-0,2	3,0	2,7
<i>Manufacturing industry</i>	0,0	0,9	-0,9
Manufacture of food products and beverages	0,0	0,2	0,3
Manufacture of tobacco products	0,0	0,0	-0,9
Manufacture of textiles	0,0	0,0	0,0
Manufacture of wearing apparel; dressing and dyeing of fur	0,0	0,0	0,0
Publishing, printing and reproduction of recorded media	-1,6	23,5	21,0
Manufacture of coke, refined petroleum products and nuclear fuel	0,0	0,1	0,1
Manufacture of chemicals and chemical products	0,0	0,0	0,0
Manufacture of rubber and plastic products	0,0	0,3	-0,1
Manufacture of other non-metallic mineral products	-0,1	-0,1	0,0
Manufacture of basic metals			
Manufacture of fabricated metal products, except machinery and equipment	0,0	0,0	0,0
Manufacture of electrical machinery and apparatus n.e.c.	0,0	0,0	7,6
<i>Electricity, gas and water supply</i>	0,0	0,0	0,0

\* Previous data

Source: State Statistical Office of the Republic of Macedonia



**Table 3**  
Industrial output\*

	Structure in %	V.2005 IV.2005	V.2005 V.2004	I-V.2005 I-V.2004
			in %	
<b>Total</b>	<b>100,0</b>	<b>-2,4</b>	<b>15,8</b>	<b>8,3</b>
Energy	<b>21,8</b>	-24,6	10,5	2,6
Intermediary goods (except Energy)	<b>33,8</b>	0,2	24,9	19,2
Capital goods	<b>4,8</b>	9,6	-3,7	-5,1
Durable consumer goods	<b>1,4</b>	95,2	36,6	-5,3
Non durable consumer goods	<b>38,1</b>	4,5	11,0	4,3
<i>Mining and quarrying</i>	<b>1,8</b>	<b>49,8</b>	<b>21,8</b>	<b>-10,0</b>
<i>Manufacturing industry</i>	<b>79,4</b>	<b>1,8</b>	<b>20,3</b>	<b>10,4</b>
	20,0	4,8	13,6	-0,2
	3,9	49,7	29,2	-7,4
Manufacture of food products and beverages	2,5	10,7	3,3	-6,6
Manufacture of tobacco products	8,6	-5,6	4,7	10,0
Manufacture of textiles	3,9	-5,4	2,7	4,0
Manufacture of wearing apparel; dressing and dyeing of fur	3,0	-20,0	...*	5,0
Publishing, printing and reproduction of recorded media	5,9	-8,8	-17,1	1,6
Manufacture of coke, refined petroleum products and nuclear fuel	2,6	-9,3	-2,0	-3,4
Manufacture of chemicals and chemical products	8,1	-0,7	23,2	14,1
Manufacture of rubber and plastic products	6,0	3,1	2,1 times	93,3
Manufacture of other non-metallic mineral products	3,8	-0,9	34,0	30,9
Manufacture of basic metals	3,2	-1,9	40,8	15,1
Manufacture of fabricated metal products, except machinery and equipment				
Manufacture of electrical machinery and apparatus n.e.c.				
<i>Electricity, gas and water supply</i>	<b>18,8</b>	<b>-25,5</b>	<b>-6,2</b>	<b>2,3</b>

\* Previous data

...\* Data over 1000

Source: State Statistical Office of the Republic of Macedonia



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

	May 2005			January-May 2005		
	in Denar million	Monthly changes in %	Structure in %	in Denar million	Cumulative changes (2005/2004) in %	Structure in %
<b>Total budget revenues</b>	<b>4673</b>	<b>-14,1</b>	<b>100,0</b>	<b>22.942</b>	<b>-2,7</b>	<b>100,0</b>
<i>Tax revenues:</i>						
- personal income tax	4.265	-17,3	91,3	21.595	0,2	94,1
- profit tax	586	-23,1	12,5	3.182	4,9	13,9
- value added tax	197	-10,5	4,2	1.497	16,1	6,5
- excises	1.968	-29,2	42,1	10.492	-2,3	45,7
- custom duties	1.009	19,7	21,6	4.169	4,5	18,2
- other	459	-8,0	9,8	1.984	-11,7	8,6
	46	-19,3	1,0	271	8,0	1,2
<i>Non-tax revenues:</i>						
- inflows from state property dividends	373	56,7	8,0	1.155	-33,5	5,0
- administrative taxes and fees	205	4,8 times	4,4	330	-62,0	1,4
- other administrative taxes	143	-10,1	3,1	689	15,2	3,0
- other non-tax revenues	23	4,5	0,5	103	-1,0	0,4
	2	-85,7	0,0	33	-80,2	0,1
<i>Capital revenues</i>	35	-22,2	0,7	192	-34,9	0,8
<b>Total budget expenditures</b>	<b>4.302</b>	<b>-14,9</b>	<b>100,0</b>	<b>23.187</b>	<b>2,7</b>	<b>100,0</b>
<i>Current expenditures</i>	4.009	-8,9	93,2	21.269	0,9	91,7
- wages and salaries	1.839	3,1	42,7	8.995	4,0	38,8
- goods and services	448	-29,1	10,4	2.983	0,0	12,9
- transfers	1.642	-6,1	38,2	8.416	-1,7	36,3
- interest	80	-66,7	1,9	875	2,9	3,8
<i>Capital expenditures</i>	293	-55,0	6,8	1.918	27,9	8,3
<b>Budget balance</b>	<b>371</b>			<b>-245</b>		
<b>Financing</b>	<b>-371</b>			<b>245</b>		
<i>Inflows</i>	<i>-148</i>			<i>3.521</i>		
<i>Outflows</i>	<i>223</i>			<i>3.276</i>		

Source: Ministry of Finance

**Table 5**  
Total revenues and expenditures of the budget funds  
(in Denar million)

	May 2005				January-May 2005			
	Total revenues monthly changes		Total expenditures monthly changes		Total revenues cumulative changes		Total expenditures cumulative changes	
	Amount	in %	Amount	in %	Amount	in %	Amount	in %
<b>Social Funds</b>	<b>3.900</b>	<b>-15,1</b>	<b>4.005</b>	<b>-10,8</b>	<b>20.680</b>	<b>0,5</b>	<b>21.025</b>	<b>0,9</b>
- pension and disability insurance	2.252	-12,3	2.311	-9,5	11.770	1,2	11.991	1,3
- health insurance	1.061	-24,9	1.124	-16,1	5.927	0,9	6.057	2,0
- employment	587	-4,4	570	-4,5	2.983	-3,0	2.977	-2,7
<b>Road Fund</b>	<b>253</b>	<b>-26,0</b>	<b>176</b>	<b>-10,7</b>	<b>1.149</b>	<b>-18,1</b>	<b>848</b>	<b>-37,6</b>

Source: Ministry of Finance



## Monetary developments in the Republic of Macedonia

**Table 6**

National Bank accounts

(current exchange rate, in million denar)

	XII.04	I.05	II.05	III.05	IV.05
<b>I. Net Foreign Assets</b>	41824	41909	42743	43139	43547
Assets	44686	44791	45618	46026	46364
Liabilities	2862	2882	2875	2887	2817
<b>II. Net Domestic Assets</b>	-19509	-20227	-19730	-19930	-20078
<b>Domestic credit (a+b)</b>	-8014	-7400	-6680	-6700	-6731
<b>a) Credit to banks</b>	61	61	54	51	50
Credits extended at auction	0	0	0	0	0
Repurchased agreement	0	0	0	0	0
Credits based on securities	0	0	0	0	0
Long - term credits	37	37	37	37	37
Advances	14	14	7	4	3
Other	10	10	10	10	10
<b>b) Net, Government</b>	-8075	-7461	-6734	-6751	-6781
1. Credit to Government	2881	2881	2881	2881	2574
Use of Fund credit	0	0	0	0	0
Ordinary credit	0	0	0	0	0
Purchased Government sec.	1039	1039	1039	1039	1039
Other	1842	1842	1842	1842	1535
2. Government Deposits	-10956	-10342	-9615	-9632	-9355
<b>A) In denar</b>	-4696	-5053	-4552	-5060	-4922
- Demand deposits	-4696	-5053	-4552	-5060	-4922
<b>B) In foreign currency (1+2+3)</b>	-6260	-5289	-5063	-4572	-4433
1) Sight deposits					
<b>2) Deposits for special purposes</b>	-6115	-5144	-4918	-4425	-4285
Central Government institutions	-6046	-5082	-4856	-4363	-4223
Other funds and agency	-69	-62	-62	-62	-62
o/w Road fund	-69	-61	-61	-61	-61
<b>3) Other Government deposits</b>	-145	-145	-145	-147	-148
3. External account	0	0	0	0	0
In foreign currency	0	0	0	0	0
In denar	0	0	0	0	0
<b>Other items, net</b>	-11495	-12827	-13050	-13230	-13347
o/w : Remittance	-223	-229	-255	-234	-257
Other deposits	-1550	-1576	-1606	-1633	-1663
Transitory account	-166	-20	-57	-15	-14
Unclaimed portion of Gov. bonds	-1743	-1725	-1712	-1700	-1682
<b>Instruments</b>	-4552	-3409	-5737	-6034	-5386
Auctions of bills	-4552	-3409	-5737	-6034	-5386
<b>Total Liabilities</b>	17763	18273	17276	17175	18083
<b>Reserve money</b>	17745	18170	17206	17054	18034
Currency in circulation	14162	13364	13362	13207	14191
Cash in vaults	909	1023	918	796	902
Giro - accounts	2674	3783	2926	3051	2941
<b>Non Government deposits</b>	18	103	70	121	49
o/w Demand deposits	18	82	70	121	49
Quasi deposits	0	21	0	0	0
Restricted deposits in denars	0	0	0	0	0

Source: National Bank of the Republic of Macedonia



**Table 7**  
**Monetary Survey**  
(current exchange rate, in million denar)

	XII.04	I.05	II.05	III.05	IV.05
<b>I. Net Foreign Assets</b>	68865	69089	68359	68421	69502
<i>National Bank</i>	41824	41909	42743	43139	43547
Assets	44686	44791	45618	46026	46364
Liabilities	2862	2882	2875	2887	2817
<i>Deposit Money Banks</i>	27041	27180	25616	25282	25955
Assets	37105	37308	36604	37303	37856
Liabilities	10064	10128	10988	12021	11901
<b>II. Net Domestic Assets</b>	26206	27050	28953	30116	32036
<b>1.Domestic credit</b>	61356	62654	65358	66792	68696
of which: Claims on Gov.	-916	-449	749	1118	1608
a) Deposit Money Banks	69431	70115	72092	73543	75477
-in denar	52575	52792	54327	55178	56524
Government	1650	1497	1952	2414	2918
Credits	1648	1495	1950	2413	2917
a) Budget and Line Ministries	1403	1274	1390	1898	2463
b) Funds	245	221	560	515	454
c) Ins. of Central Gov.	0	0	0	0	0
Accrued interest	2	2	2	1	1
Non Government sector	50925	51295	52375	52764	53606
Credits	45750	46024	47071	47410	48278
<i>Adjusted</i>					
of which: Overdue claims	9160	9336	9468	9548	9595
Accrued interest	5175	5271	5304	5354	5328
-in foreign currency	16856	17323	17765	18365	18953
Government	5509	5515	5531	5455	5471
of which: Overdue	0	0	0	0	0
Non Government sector	11347	11808	12234	12910	13482
<i>Adjusted</i>					
of which: Overdue	1600	1294	1342	1372	1333
b) Nat. Bank Claims on Government	-8075	-7461	-6734	-6751	-6781
<b>2.Other items, net</b>	-35150	-35604	-36405	-36676	-36660
of which: Claims on Gov.					
for frozen f.c. deposits	0	0	0	0	0
Accrued interest	-5177	-5273	-5306	-5355	-5329
Others	-29973	-30331	-31099	-31321	-31331

Source: National Bank of the Republic of Macedonia





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

	XII.04	I.05	II.05	III.05	IV.05
<b>M4Total</b>	95071	96139	97312	98537	101538
<b>M4 ( nonGovernment)</b>	93947	94855	96211	97423	100417
<b>M1(Total)</b>	27885	27123	27406	27303	27455
<b>M1 (nonGovernment)</b>	27595	26584	27006	26948	27111
<b>Currency in Circulation</b>	14162	13364	13362	13207	14191
<b>Demand deposits(total)</b>	13723	13759	14044	14096	13264
<b>Demand deposits(NonGov.)</b>	13433	13220	13644	13741	12920
Deposit Money Banks	13705	13677	13974	13975	13215
NonGov. Demand deposits	13415	13138	13574	13620	12871
Government Demand deposits	290	539	400	355	344
a) Budget and Line Ministries	115	304	148	80	91
b) Funds	171	232	249	273	252
c) Ins. of C.Gov.: Courts, etc.	4	3	3	2	1
Nation. Bank NonGov.Demand dep.	18	82	70	121	49
<b>M2 (Total)</b>	89906	91300	92666	93845	96886
<b>M2 (nonGovernment)</b>	88886	90063	91613	92779	95813
<b>Quasi money (Total)</b>	62021	64177	65260	66542	69431
<b>Quasi money (non Government)</b>	61291	63479	64607	65831	68702
Deposit Money banks	62021	64156	65260	66542	69431
Non Government sector	61291	63458	64607	65831	68702
Denar	20483	20968	21948	23336	24517
Foreign currency	40808	42490	42659	42495	44185
Government deposits	730	698	653	711	729
Denar	703	684	646	703	723
Foreign currency	27	14	7	8	6
NBM quasi deposits	0	21	0	0	0
<b>Nonmonetary Deposits (Total)</b>	5165	4839	4646	4692	4652
Denar nonm. deposits (total)	3464	3078	3122	3159	3155
F.C. nonm. deposits (total)	1701	1761	1524	1533	1497
<b>Nonmonetary Deposits (nonGov.)</b>	5061	4792	4598	4644	4604
Denar nonm. dep.(nonG)	3360	3031	3074	3111	3107
F.C. nonm. dep (nonG)	1701	1761	1524	1533	1497
-Deposit Money Banks	5165	4839	4646	4692	4652
Denar nonGov. nonmonetary dep.	3360	3031	3074	3111	3107
F. C. nonGovern. nonmon. dep.	1701	1761	1524	1533	1497
Denar Gov. nonmon. deposits	104	47	48	48	48
F. C. Govern. nonmon. deposits	0	0	0	0	0
-NBM NonGov. nonm. deposits	0	0	0	0	0
Denar	0	0	0	0	0
Foreign currency	0	0	0	0	0
<b>Total Deposits</b>	80909	82775	83950	85330	87347
<b>Total Deposits (nonGov.)</b>	79785	81491	82849	84216	86226

Source: National Bank of the Republic of Macedonia


**Table 8**

Total deposits of the non-government sector

	<b>31.05.2005</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>74.815</b>	<b>1.509</b>	<b>2,1</b>	<b>15.569</b>	<b>26,3</b>	<b>100,0</b>
<b>1. According to maturity</b>						
- short-term	69.775	1.073	1,6	15.616	28,8	93,3
- long-term	5.040	436	9,5	-47	-0,9	6,7
<b>2. According to currency of denomination</b>						
- In denar	28.668	1.044	3,8	8.105	39,4	38,3
- In foreign currency	46.147	465	1,0	7.464	19,3	61,7

Source: National Bank of the Republic of Macedonia

**Table 9**

Households and enterprises deposits

	<b>structure in %</b>	<b>31.05.2005</b>	<b>monthly changes</b>		<b>annual changes</b>	
		in Denar million	in Denar million	in %	in Denar million	in %
<b>Total households deposits</b>	<b>100,0</b>	<b>49.069</b>	<b>588</b>	<b>1,2</b>	<b>8.453</b>	<b>20,8</b>
<b>1. According to maturity</b>						
- short-term	95,4	46.806	544	1,2	9.172	24,4
- long-term	4,6	2.263	44	2,0	-719	-24,1
<b>2. According to currency of denomination</b>						
- In denar	27,1	13.317	-24	-0,2	1.948	17,1
- In foreign currency	72,9	35.752	612	1,7	6.505	22,2
<b>Total enterprises deposits</b>	<b>100,0</b>	<b>23.716</b>	<b>936</b>	<b>4,1</b>	<b>6.618</b>	<b>38,7</b>
<b>1. According to maturity</b>						
- short-term	93,7	22.211	534	2,5	6.214	38,8
- long-term	6,3	1.505	402	36,4	404	36,7
<b>2. According to currency of denomination</b>						
- In denar	57,2	13.554	1.050	8,4	5.756	73,8
- In foreign currency	42,8	10.162	-114	-1,1	862	9,3

Source: National Bank of the Republic of Macedonia


**Table 10**

Demand deposits of households and enterprises

	31.05.2005 in Denar million	monthly changes		annual changes	
		in Denar million	in %	in Denar million	in %
<b>Demand deposits</b>	<b>13.907</b>	<b>987</b>	<b>7,6</b>	<b>801</b>	<b>6,1</b>
- Demand deposits of households	2.825	-138	-4,7	-19	-0,7
- Demand deposits of enterprises	9.168	893	10,8	869	10,5

Source: National Bank of the Republic of Macedonia

**Table 11**

Maturity and sector structure of Denar and foreign currency placements

	Share on 31.05.2005 (in %)	Monthly change (in percentage points)	Annual change (in percentage points)
<b>Denar placements</b>	<b>100,0</b>		
maturity structure			
- short-term	52,8	-1,2	-8,7
- long-term	47,2	1,2	8,7
structure by sectors			
- enterprises	63,7	-1,4	-9,7
- households	36,2	1,5	9,7
- other	0,2	0,0	0,1
<b>Foreign currency placements</b>	<b>100,0</b>		
maturity structure			
- short-term	36,0	-1,7	-4,3
- long-term	64,0	1,7	4,3
structure by sectors			
- enterprises	96,2	0,5	-0,1
- households	3,6	-0,1	2,7
- other	0,2	-0,4	-2,6

Source: National Bank of the Republic of Macedonia



**Table 12**  
Interest rates

	May 2005	Monthly changes	Annual changes
	in %	in percentage points	
Average weighted interest rate on the CB bills auctions (28 days)	10,00	0,00	2,0
Average weighted interest rate on the Money Market	8,51	-0,08	2,0
Banks' weighted lending interest rates	12,32	0,43	-0,1
Banks' weighted deposit interest rates	6,61	0,02	0,1

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

**Table 13**  
Auctions of Treasury bills

Date	Supply	Demand	Realized	Weighted interest rate
	in Denar million			in %
<b>Treasury bills auctions, three month</b>				
10.05.2005	600	647,9	600	10,84
24.05.2005	600	633,1	600	10,67
<b>Treasury bills auctions, six month</b>				
10.05.2005	95	55,6	55,6	10,53

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 US Dollar million)

	V.2005	I-V.2005	V.2005 IV.2005		V.2005 V.2004		I-V.2005 I-V.2004	
	amount		amount	%	amount	%	amount	%
<b>Foreign trade</b>	<b>462,8</b>	<b>2.131,9</b>	<b>-24,3</b>	<b>-5,0</b>	<b>121,1</b>	<b>35,4</b>	<b>444,7</b>	<b>26,4</b>
Exports	178,5	835,1	3,8	2,2	60,5	51,3	225,8	37,1
Imports	284,3	1.296,8	-28,1	-9,0	60,5	27,1	218,8	20,3
<b>Balance</b>	<b>-105,8</b>	<b>-461,7</b>	<b>31,9</b>	<b>-23,2</b>	<b>0,0</b>	<b>0,0</b>	<b>7,0</b>	<b>-1,5</b>

Source: State Statistical Office of the Republic of Macedonia


**Table 15**

Foreign trade of the Republic of Macedonia  
(in EURO million)

	V.2005	I-V.2005	V.2005		V.2005		I-V.2005	
			IV.2005		V.2004		I-V.2004	
			amount	%	amount	%	amount	%
<b>Foreign trade</b>	<b>364,0</b>	<b>1.642,1</b>	<b>-12,4</b>	<b>-3,3</b>	<b>79,5</b>	<b>27,9</b>	<b>268,1</b>	<b>19,5</b>
Exports	140,6	643,1	5,6	4,2	42,3	43,1	147,5	29,8
Imports	223,4	999,0	-18,0	-7,5	37,1	19,9	120,6	13,7
<b>Balance</b>	<b>-82,9</b>	<b>-355,9</b>	<b>23,6</b>	<b>-22,2</b>	<b>5,2</b>	<b>-5,9</b>	<b>26,9</b>	<b>-7,0</b>

Source: State Statistical Office of the Republic of Macedonia

**Table 16**

Ten most important trading partners of the Republic of Macedonia, I-V, 2005

Ten most important trading partners of the Republic of Macedonia, I-V, 2005							
	Foreign trade (in US Dollar		Exports (in US Dollar		Imports (in US Dollar		Import- export coverage
	Share		Share		Share		
	I-V 2005						
Republic of MACEDONIA	2.131,9	100,0	835,1	100,0	1.296,8	100,0	64,4
out of which:							
Germany	295,0	13,8	164,5	19,7	130,5	10,1	126,0
Serbia and Montenegro	264,5	12,4	156,7	18,8	107,8	8,3	145,4
Greece	251,1	11,8	129,8	15,5	121,2	9,3	107,1
Italy	144,6	6,8	70,9	8,5	73,8	5,7	96,0
Russia	141,7	6,6	8,7	1,0	133,0	10,3	6,5
Bulgaria	129,0	6,0	24,6	2,9	104,4	8,0	23,6
Turkey	71,6	3,4	24,7	3,0	46,9	3,6	52,7
Slovenia	67,4	3,2	15,0	1,8	52,4	4,0	28,5
Croatia	63,7	3,0	35,4	4,2	28,3	2,2	124,8
China	58,1	2,7	9,7	1,2	48,4	3,7	20,0
Total (10 largest trading partners)	1.486,6	69,7	639,9	76,6	846,7	65,3	75,6

Source: State Statistical Office of the Republic of Macedonia


**Table 16**

External long-term debt of the Republic of Macedonia  
(in US Dollar million)

	External debt		Credits used		Debt payments	
	30.04.2005	31.05.2005	IV-2005	V-2005	IV-2005	V-2005
<b>Official creditors</b>	<b>1.273,6</b>	<b>1.239,2</b>	<b>8,1</b>	<b>4,1</b>	<b>8,0</b>	<b>5,6</b>
out of which:						
<b>Multilateral</b>	<b>1.042,8</b>	<b>1.013,0</b>	<b>6,9</b>	<b>3,5</b>	<b>7,3</b>	<b>5,2</b>
MMF	59,5	54,9	0,0	0,0	1,4	3,5
IBRD	215,0	210,0	0,4	0,4	0,0	1,2
IFC	7,4	7,2	0,0	0,0	0,8	0,0
IDA	378,6	370,4	0,1	0,8	0,4	0,2
EIB	140,2	135,0	0,0	0,0	4,2	0,3
EUROFIMA	7,9	7,6	0,0	0,0	0,0	0,0
Council of EDB	21,9	21,1	0,0	0,0	0,1	0,1
EBRD	83,8	82,2	6,1	1,6	0,2	0,0
EU	116,6	112,2	0,0	0,0	0,0	0,0
IFAD	11,5	12,0	0,3	0,8	0,0	0,0
European Agency for Reconstruction	0,3	0,3	0,0	0,0	0,3	0,0
<b>Bilateral</b>	<b>230,9</b>	<b>226,2</b>	<b>1,3</b>	<b>0,5</b>	<b>0,7</b>	<b>0,4</b>
Paris club (rescheduled 1995)	137,4	135,0	0,0	0,0	0,1	0,0
Paris club (rescheduled 2000)	8,6	8,3	0,0	0,0	0,0	0,0
New credits	4,6	4,5	0,0	0,0	0,0	0,0
Non-rescheduled debt	80,3	78,5	1,3	0,5	0,6	0,4
<b>Private creditors</b>	<b>676,4</b>	<b>669,0</b>	<b>19,8</b>	<b>3,6</b>	<b>4,5</b>	<b>1,4</b>
out of which:						
<b>London Club of Creditors</b>	<b>227,6</b>	<b>227,6</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Other private creditors</b>	<b>448,8</b>	<b>441,4</b>	<b>19,8</b>	<b>3,6</b>	<b>4,5</b>	<b>1,4</b>
Banks and financial institutions	252,9	249,8	0,3	2,4	1,5	0,9
Enterprises	195,9	191,6	19,5	1,2	3,0	0,5
<b>TOTAL</b>	<b>1.950,1</b>	<b>1.908,1</b>	<b>27,9</b>	<b>7,7</b>	<b>12,5</b>	<b>7,1</b>

Source: National Bank of the Republic of Macedonia

## National Bank of the Republic of Macedonia Balance sheet

**Table 17**

NBRM Balance sheet on May 31, 2005  
(in million Denars)

Assets	Amount	Liabilities	Amount
Foreign assets	46,779	Reserve money	18,453
Claims on Government	3,160	NBRM instruments	4,937
Claims on banks and other financial institutions	50	Restricted deposits	234
Other assets	2,494	Foreign liabilities	2,704
		Government deposits	11,144
		Capital accounts	8,031
		Other liabilities	6,980
<b>Total</b>	<b>52,483</b>	<b>Total</b>	<b>52,483</b>

Source: National Bank of the Republic of Macedonia