

**National Bank
of the Republic of Macedonia**



**Monthly
Report**

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Prepared by: Research Department

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

- ❖ *On May 3, according to the decision of the Regulatory Energy Committee, the refinery and retail prices of oil derivatives increased by 4.56 % and 3.10%, respectively, on average ("Official Gazette of the Republic of Macedonia" no. 55/2006), and on May 15, 2006, the refinery and retail prices of oil derivatives decreased by 3.76% and 2.49%, respectively, on average ("Official Gazette of the Republic of Macedonia" no. 60/2006), and on May 29, 2006 they decreased by 5.52% and 3.69%, respectively, on average ("Official Gazette of the Republic of Macedonia" no. 66/2006), in line with the movements of crude oil and oil derivatives prices on the international markets.*
- ❖ *On May 5, the ministries of transports of Southeastern Europe signed an Agreement on establishing a railway network with high performances.*
- ❖ *On May 5, the International Financial Corporation (IFC) started implementing the corporate management project in Macedonia, Albania, Bosnia and Herzegovina and Serbia and Montenegro. The purpose of this three-year project is to help the companies in the region to introduce international experience in the corporate governance, thus making them more attractive for both domestic and foreign investors.*
- ❖ *On May 8, the credit agency Standard&Poor's reaffirmed the BB+ credit rating it assigned to the Republic of Macedonia with a stable prospects for foreign currency and BBB- with stable prospects for domestic currency underpinned by the improvement of the political stability, continuity in reform implementation, economic growth, prudent fiscal policy and reduction of the public debt.*
- ❖ *On May 10, Kavadarci witnessed the beginning of the reconstruction of the second technological line of „FENI industry“, in which Euro 25 million will be invested, which is likely to increase to output from 8 to 15 thousands of tons.*
- ❖ *On May 10, an Employment Intermediation Office - Dekra employment d.o.o.e.l. from Germany was opened in Skopje, which will offer its services (employment intermediation, temporary employment and human resource management consulting) to companies, institutions and small and medium enterprises.*
- ❖ *On May 11, as specified by the memorandum from September 17, 2003 concluded between Macedonia, Bosnia and Herzegovina, Serbia and Montenegro, Slovenia and Croatia for settlement of the mutual financial claims of USSR and SFRY, Russia made a decision on writing off the US Dollar 60.6 million debt of Macedonia by 2010.*
- ❖ *On May 11, the Government of the Republic of Macedonia and the US company Johnsons Control signed a Memorandum for Understanding and investing in the construction of internal electronic facility in the Republic of Macedonia The construction of internal automobile electronic facility is expected to start in early September 2006, thus providing new job opportunities.*
- ❖ *On May 16, a workshop was held for the foreign trade and foreign direct investments in the EU member states and EU membership-candidate states: Hungary, Slovenia and Macedonia, organized by the Secretariat of European Issues of the Macedonian Government and Friedrich Evert Foundation in cooperation with the World Economy Institute at the Hungarian Academy of Sciences.*
- ❖ *On May 22, a Macedonian - Croatian Business Club started operating within the Macedonian Chamber of Commerce, aimed at deepening the economic cooperation between the two countries.*
- ❖ *From May 24 to June 5, Skopje hosted the International Monetary Fund (IMF) mission within the negotiations based on Article IV of the IMF Statute.*



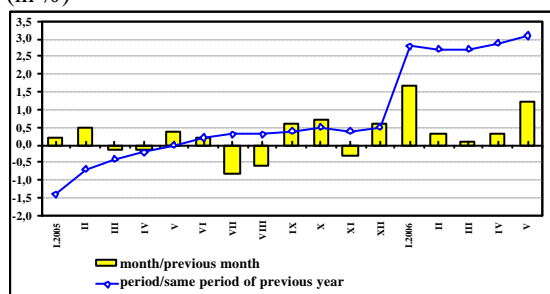
- ❖ *On May 25, the former association of Macedonia, Serbia, Bosnia and Herzegovina and Albania signed a Declaration of Understanding and Cooperation including exchange of knowledge and experience, rising initiatives, suggestions and support of projects and mutual solidarity.*
- ❖ *On May 26, Macedonia and the USA signed a Memorandum of Understanding aimed at export facilitation and acceleration of the process of approving and issuing license for double purpose goods and technologies and military purposes.*
- ❖ *On May 29, the customs administrations of Macedonia and Slovakia initialed the Customs Issues Cooperation and Assistance Agreement expected to be signed in September 2006 in Skopje. The provisions of this Agreement set out the simplification of customs procedures and formalities, exchange of information, anti-drug trafficking, suppression of smuggling and corruption, establishment of efficient coordination between customs bodies, providing professional, scholarly and technical assistance and other type of cooperation.*
- ❖ *New regulations:*
 - *Law on ratifying the Agreement on Accession of the Republic of Macedonia to the Central European Free Trade Agreement (CEFTA) ("Official Gazette of the Republic of Macedonia" no. 59/2006)*
 - *Law on ratifying the Agreement on Establishing Energy Community ("Official Gazette of the Republic of Macedonia" no. 59/2006)*
 - *Law on Energy ("Official Gazette of the Republic of Macedonia" no. 63/2006)*
 - *Law on Indebtedness of the Republic of Macedonia by a loan at the International Bank for Reconstruction and Development under a Loan Agreement for the Project on Implementation of the Reforms in the Legal and Judiciary System and Institutional Support ("Official Gazette of the Republic of Macedonia" no. 65/2006)*

I. Economic Developments in the Republic of Macedonia¹

In May 2006, the monthly inflation rate equaled 1.2%, having an increase in the prices of goods and serviced of 1.2% and 1%, respectively. Observing the major groups, the faster increase of 2.1% was registered in the group of transport equipment and services, owing to the higher prices of oil derivatives (by 6.3%, as specified by the decision of the Regulatory Energy Committee dated May 3, 2006). Higher prices were registered in all other groups within the index, other than categories of tobacco and beverages and hygiene and health that remained unchanged.

In May 2006, the annual inflation rate equaled 4.1%, with the fastest rise being registered in the prices of tobacco and beverages (by 17.6%). The average inflation rate in the first five months of 2006 equaled 3.1%, with the increase in prices of tobacco and beverages and food contributing the most. Higher prices were also registered in all other categories, except for the category of wearing apparel and footwear, which registered lower prices.

Figure 1
Consumer prices
(in %)



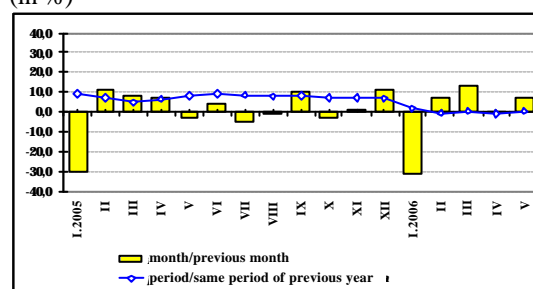
Source: State Statistical Office.

The prices of producers of industrial products² in May 2006 went up by 2% relative to the preceding month, due to the higher prices of producers in the manufacturing industry (by 2.3%). As to the manufacturing industry, fastest increase was registered in the prices of producers of oil derivatives (by 10%, as defined by the decisions of the Regulatory Energy Committee dated April 17, 2006 and May 3, 2006 on increasing the refinery prices), electrical machinery and appliances (by 2.2%) and food products and

beverages (by 1.4%). On annual basis, the prices of producers of industrial products grew by 7.3%. In the first five months of 2006, the prices of producers of industrial products went up by 5.7% on average, compared to the same period of the preceding year, primarily due to the higher prices of producers in the manufacturing industry (by 6.5%), i.e. the higher prices of producers of oil derivatives (by 37.2%) and tobacco products (by 19.5%). The mining and quarrying sector registered average price increase of 4.1%, whereas the prices of the electricity, gas and water supply sector went down by 0.5% on average. The average change in the prices of producers of industrial products in the January -May 2006 period corresponds with the inflation movements in this period.

In May 2006, the actual volume of industrial output³ registered a monthly increase of 7.6%, which is a result of the higher output in the manufacturing industry and in the mining and quarrying sector (by 11.7% and 3.4%, respectively), having a fall in the output of the electricity, gas and water supply (by 11.1%). Higher output in the manufacturing industry is mainly a result of the higher production of oil derivatives, food products and beverages, textile, tobacco products and basic metals.

Figure 2
Industrial output
(in %)



Source: State Statistical Office.

May 2006 registered acceleration of the total industrial activity on annual basis (growth of 5.4%), in environment of higher output of all three industrial sectors. Thus the increase of 4.1% in the manufacturing industry, as most important sector, is primarily a result of the higher output of food

¹ Source: State Statistical Office of the Republic of Macedonia

² Preliminary SSO data.

³ Preliminary SSO data.



products and beverages, products of other non-metal minerals, oil derivatives and textile.

Cumulatively, in the January - May 2006 period, the actual volume of industrial output registered moderate increase of 0.5% compared to the same period of 2005, owing to the higher output in the mining and quarrying sector (by 85.4%, due to the low comparison base of the same period of the previous year), having a fall in the output in the manufacturing industry and in the electricity, gas and water supply sector. The fall in the

manufacturing sector (of 0.6%) is due to the lower output in twelve out of twenty manufacturing branches, with the publishing activity, production of basic metals and wearing apparel having the largest influence. The lower activity in the aforementioned branches was partially offset by the increase in the output of the remaining eight branches, with the production of products of other non-metal ores, electrical machinery and appliances, food products and beverages and oil derivatives having the largest contribution.

II. Monetary developments

The analysis of factors that affect the liquidity of the banking system indicates liquidity creation in May 2006 through the foreign exchange transactions of the NBRM, currency in circulation and CB bills auctions. On the other hand, liquidity was withdrawn from the banking system through the government transactions.

The balance of the Government Denar account with the NBRM in May 2006 went up by Denar 1,963 million on monthly basis, largely due to the realization of non-tax revenues in the budget on the basis of sale of government shares in the banking sector, the issuance of two-year government bonds⁵, and inflows from treasury bills for fiscal purposes. The amount of treasury bills for monetary purposes⁶ in May remained unchanged compared to April 2006. After the high seasonal increase prior to the Labor Day holidays, the currency in circulation in May reduced by Denar 660 million thus acting towards liquidity creation, same as the NBRM foreign exchange transactions.

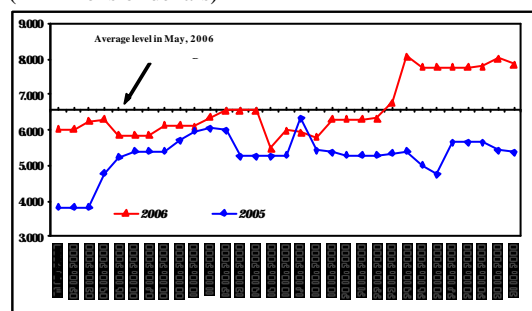
The CB bills auctions in May registered lower demand relative to supply of CB bills on average, with the average weighted interest rate on CB bills in May 2006 equaling 5.7% (6.2% in April 2006). The amount of *CB bills* relative to April 2006 was by Denar 1,239 million lower, which is additionally created liquidity.

In line with such movements, the *total liquid funds of the banks*⁷ in May 2006 registered a

monthly increase of 30.1%, reaching Denar 7,852 million at the end of the month.

The average daily liquidity of the banking system in May 2006 equals Denar 6,589.5 million, which is an inconsiderable monthly growth of 0.9%. Observing the daily dynamics, over the most of the month, the bank liquidity oscillates below the monthly average, under the influence of the common factors. In the last week of the month, in line with the expected outflows of deposits of one larger domestic enterprise (due to the purchase of government shares) the banks withdrawn a portion of CB bills, thus increasing the total bank liquidity. The excess liquidity of banks over the reserve requirement (in Denars)⁸ in May 2006 equals 12.5%, which is higher relative to the preceding month by 2 percentage points.

Figure 3
Daily dynamics of bank liquidity
(in millions of denars)



Source: National Bank of the Republic of Macedonia.

In May 2006, again, there were no transactions on the official money market⁹. On the other hand, the

⁵ The two-year government bond was issued on April 27, 2006.

⁶ On March 7, 2006, the NBRM in cooperation with the Ministry of Finance started issuing three-month treasury bills for monetary purposes.

⁷ Includes account of the banks with the NBRM and cash in the vaults of the banks.

⁸ 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.

⁹ On May 15, 2006, the General Meeting of Shareholders adopted a Decision on termination of the Money and



immediate bilateral interbank trade accelerated, with the turnover on the non-institutionalized money market¹⁰ totaling Denar 1,188 million (monthly growth of 1.8 times). In May, the average interest rate on the interbank money market equaled 5.7% (reduction of 0.7 percentage points relative to the preceding month).

Notwithstanding the fall in the currency in circulation (by 4.5%), the reserve money¹¹ in May 2006 went up by 5.6% on monthly basis, reflecting the higher bank liquidity. The monetary aggregate M1 registered a moderate monthly growth of 0.4%, which having a lower demand for currency in circulation is solely due to the higher transaction deposits (by 5.3%). The broader monetary aggregates M2 and M4 registered almost identical monthly growth (of 1.4% and 1.2%, respectively), reflecting the increase in the short-term deposits with banks. On annual basis (May 2006 / May 2005), the monetary aggregates M2 and M4 surged by 15.7% and 15.3%, respectively.

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

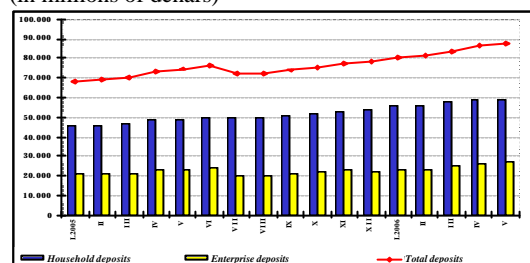
	31.05.2006	Monthly changes	Annual changes
		in %	in %
Currency in circulation	13.900	-4,5	6,2
Demand deposits	15.684	5,3	12,8
Monetary aggregate M1	29.584	0,4	9,6
Short-term Denar deposits	30.864	4,4	20,6
Monetary aggregate M2-Denar component	60.448	2,4	15,0
Short-term foreign exchange deposits	51.481	0,3	16,5
Monetary aggregate M2	111.929	1,4	15,7
Non-monetary deposits	5.477	-4,0	8,7
-Denar	3.273	0,5	6,4
- foreign exchange	2.204	-10,0	12,2
Monetary aggregate	117.406	1,2	15,3

Source: National Bank of the Republic of Macedonia.

In May 2006, the total bank deposits¹² went up by 1.4% on monthly basis, having divergent movements in their currency structure. Thus, the foreign exchange deposits on monthly basis reduced by 0.2%, as a result of the fall in the long-term foreign currency deposits (by 10%). On the other hand, the higher preferences to save in domestic currency on a short and long run

(increase in the short-term and long-term denar deposits by 4.4% and 0.5%, respectively), resulted in positive monthly change in the total Denar deposits (increase of 4%). The sector-by-sector analysis indicates moderate increase in the household deposits of 0.2%, having a higher level of Denar deposits with maturity of up to three months and foreign currency deposits of up to one year. The corporate deposits went up by 4.4% on monthly basis, primarily due to the fast monthly increase in Denar deposits to one month. On annual basis (May 2006 / May 2005), the total private sector deposits with banks surged by 17.4%.

Figure 4
Dynamics of deposits
(in millions of denars)



Source: National Bank of the Republic of Macedonia.

The total bank placements to the private sector in May 2006 went up by 2% on monthly basis, in environment of evident preferences of the households to borrow in domestic currency. The total Denar credits¹³ increased by 1.9% on a monthly basis, making up 69.9% of the increase in the total credits. Thus 77.3% of the increase in the total Denar credits are short-term and long-term placements to households. Observing the foreign currency placements, their monthly increase of 2.4%, is primarily generated from the higher long-term lending to the corporate sector. Analyzing by sector, the placements to companies went up by 1.2% on a monthly basis, having a simultaneous increase in the placements to households of 3.9%. The annual increase in the total bank placements to the private sector in May 2006 equals 22.8%.

Short-Term Securities Market ("Official Gazette of the Republic of Macedonia" no. 74/2006).

¹⁰ The electronic system for interbank trade in deposits and securities (TENFORE) started operating on May 8, 2006.

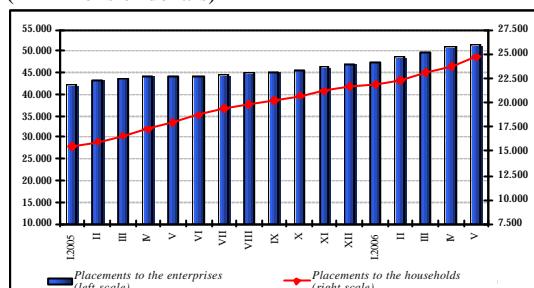
¹¹ The analysis refers to the reserve money excluding the reserve requirement of foreign currency deposits.

¹² Since May 2005, the data on the deposits and 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.

¹³ Also include foreign currency indexed loans.



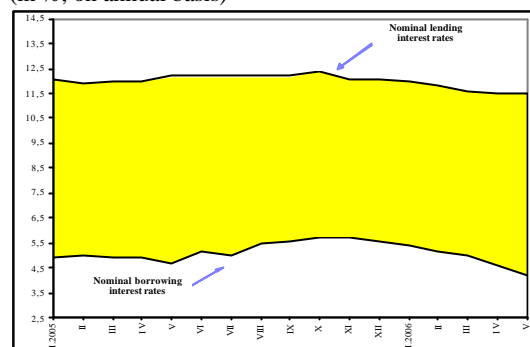
Figure 5
Bank placements by sector
(in millions of denars)



Source: National Bank of the Republic of Macedonia.

In May 2006, there were no significant movements in the *banks' interest rate policy*. Thus, the banks' average weighted lending interest rate on Denar credits in any maturity and sectors in May 2006 remain the same as in the previous month and equals 11.5%, whereas the average weighted deposit interest rate on Denar deposits in any maturity and sectors is by 0.4 percentage points lower on monthly basis and equals 4.2%. Thus, the interest rate spread was extended by 0.4 percentage points.

Figure 6
Weighted interest rates and spreads of the banks
*
(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 foreign currency indexed loans and deposits.

The average weighted interest rates on foreign currency credits and deposits in any maturity, sector and currency in May 2006 remained unchanged relative to April 2006 and equaled 7.9% and 1.4%, respectively.

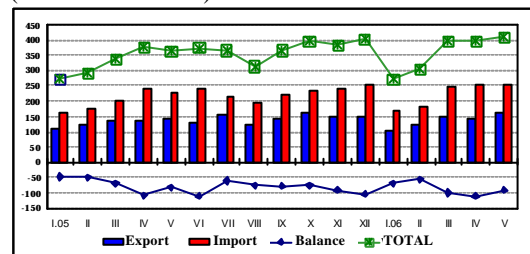
III. Foreign trade and foreign exchange developments

In May 2006, the total volume of *foreign trade* of the Republic of Macedonia equaled Euro 411.5 million¹⁴ which is by 3.5% more on monthly basis, primarily due to the increase in the export of goods. Thus, the total *export of goods* went up by 11% on monthly basis, totaling Euro 159.9 million in May 2006, which is historically highest monthly export since 1996. Analyzing by products, the higher export of iron and steel and products thereof, food, tobacco and oil derivatives contributed the most to the monthly increase in the exports. Compared to May 2005, the export of goods surged by 13.3%, having an increase export of tobacco, oil derivatives and wearing apparel. *The import of goods* in May 2006 stood at Euro 251.6 million, registering an inconsiderable fall of 0.7% relative to the preceding month, primarily owing to the lower import of mineral fuels and aircraft¹⁵. On annual basis (May 2006 / May 2005), the import of goods went up by 12.5%.

¹⁴ 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.

¹⁵ One-time import of passenger aircraft was made in April 2006.

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 line with such monthly movements, in May 2006, the trade deficit decreased on monthly basis, whereas the export-import coverage ratio increased. Thus the trade deficit in May 2006 equaled Euro 91.7 million (by 16.2% lower on monthly basis), and the export-import coverage ratio equals 63.6%, which is by 6.7 percentage points more relative to the preceding month.

Cumulatively, in the January - May 2006 period, the total foreign reserves totals Euro 1,782.1 million, which is by 8.4% higher relative to the same period of the previous year, with an increase being registered in both its components. The

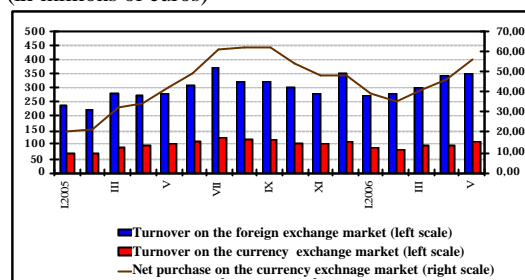


export in the first five months of 2006 worth Euro 678.9 million rose by 5.5% on annual basis, having a higher export of oil derivatives, wearing apparel, beverages, ores, food and electrical machinery. Simultaneously, the import of goods totals Euro 1,103.2 million, which is by 10.3% more primarily as a result of the higher import of mineral fuels, vehicles, aircraft, ores and electrical machinery. The import of mineral fuels, which in the first five months of 2006 reached Euro 229.9 million (increase on annual basis of 33.6%) constituted 56.2% of the increase in the import of goods, which is solely due to the increase in prices of such products. In line with the faster increase in the import relative to the increase in the export, the trade deficit of Euro 424.3 million is by 19% higher relative to the same period of 2005, whereas the export-import coverage ratio reduced to 61.5% (64.3% in the January - May 2005 period).

In May 2006, the *foreign exchange market* registered a total turnover in the amount of Euro 350.9 million, which is an increase of 3.4% on monthly basis. In environment of faster monthly increase in the demand for foreign currency relative to the increase in the supply of foreign currency (of 17% and 8%, respectively), the banks registered higher net-sale of foreign currency. This month also the NBRM made a net-purchase of foreign currency on the foreign exchange market, thus contributing to the increase in the foreign reserves. On May 31, 2006, the *gross foreign reserves* reached Euro 1,212.5 million, being higher at the end of April 2006 by Euro 19,4 million, or by 1.6%.

In May 2006, the turnover on the *currency exchange market* totaled Euro 110.8 million, which is a monthly increase of 12.6%. In environment of faster monthly increase in the supply relative to the demand for foreign currency (of 15.7% and 3.9%, respectively), net-purchase of foreign currency was made on the currency exchange market in the amount of Euro 56.3 million (monthly growth of 22.4%).

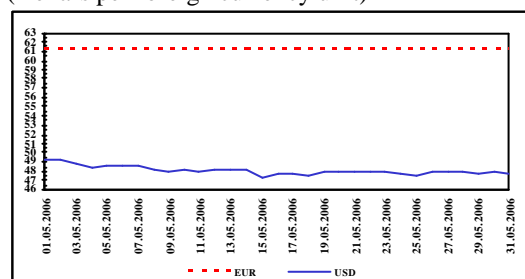
Figure 8
Movement of the total turnover on the foreign exchange and currency exchange market
(in millions of euros)



Source: National Bank of the Republic of Macedonia.

The *exchange rate of the Denar* relative to the Euro on the foreign exchange market equaled Denar 61.18 per one Euro at the end of May 2006, which is almost the same as at the end of the preceding month (Denar 61.17 per one Euro). The exchange rate of the Denar against the US Dollar at the end of May 2006 equaled Denar 47.65 per one US Dollar, with the value of the Denar against the US Dollar appreciating by 3.3% on monthly basis (on April 30, 2006, Denar 49.28 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 May 2006, the *exchange rate of the Denar* against the Euro on the *currency exchange market* equaled Denar 61.41 per one Euro, on average, remaining the same as in the preceding month (in April 2006, 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 48.15 per one US Dollar, with the Denar appreciating by 3.9% on monthly basis (in April 2006, Denar 50.09 were traded per one US Dollar, on average).



The external debt of the Republic of Macedonia, based on long-term credits and loans¹⁶ totaled Euro 1,654 million at the end of May 2006, and decreased by Euro 0.8 million compared to the previous month. The monthly decrease in the long-term external debt, given the higher used funds relative to principal paid, is solely due to the exchange rate differentials. The total long-term debt of the private sector increased by 1.5% monthly, totaling Euro 446.6 million, with most of it

(77.7%) being a debt of the non-banking private sector. In May 2006, funds in the amount of Euro 10.2 million were used, and the paid liabilities totaled Euro 6.1 million (Euro 4 million as principal and Euro 2.1 million as interest). In May 2006, new credits were concluded in the amount of Euro 4.3 million. The *short-term external debt*, which fully refers to the private sector, at the end of May 2006 equaled Euro 84.5 million. In May 2006, funds were used in the amount of Euro 0.2 million on the basis of approved short-term credits, and the total paid liabilities stood at Euro 1.4 million.

¹⁶ Preliminary NBRM data.



Appendix

Developments in Real Sector in the Republic of Macedonia

Table 1

Costs of living and retail prices

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

Source: State Statistical Office of the Republic of Macedonia



Table 2
Prices of producers of industrial products*

	V.2006 IV.2006	V.2006 V.2005	I-V.2006 I-V.2005
	in %		
Prices of producers of industrial products	2,0	7,3	5,7
Energy			
Intermediary goods (except Energy)	6,0	21,2	19,1
Capital goods	0,9	-2,0	-2,7
Durable consumer goods	0,0	5,3	4,1
Non durable consumer goods	0,0	5,8	5,7
	0,6	6,5	4,9
<i>Mining and quarrying</i>	<i>0,1</i>	<i>2,5</i>	<i>4,1</i>
<i>Manufacturing industry</i>	<i>2,3</i>	<i>8,5</i>	<i>6,5</i>
Manufacture of food products and beverages	1,4	2,0	0,3
Manufacture of tobacco products	-0,3	23,1	19,5
Manufacture of textiles	0,0	0,3	0,6
Manufacture of wearing apparel; dressing and dyeing of fur	0,1	-3,0	-2,7
Publishing, printing and reproduction of recorded media	0,0	2,2	2,3
Manufacture of coke, refined petroleum products and nuclear fuel	10,0	42,2	37,2
Manufacture of chemicals and chemical products	-0,1	-2,1	-1,5
Manufacture of rubber and plastic products	-0,2	1,1	-0,7
Manufacture of other non-metallic mineral products	0,6	3,0	2,0
Manufacture of basic metals	0,2	-4,3	-8,0
Manufacture of fabricated metal products, except machinery and equipment	0,2	9,5	6,7
Manufacture of electrical machinery and apparatus n.e.c.	2,2	7,7	5,5
<i>Electricity, gas and water supply</i>	<i>0,0</i>	<i>-2,5</i>	<i>-0,5</i>

* Previous data

Source: State Statistical Office of the Republic of Macedonia



Table 3
Industrial output*

	Structure in %	<u>V.2006</u> <u>IV.2006</u>	<u>V.2006</u> <u>V.2005</u>	<u>I-V.2006</u> <u>I-V.2005</u>
		in %		
Prices of producers of industrial products	100,0	7,6	5,4	0,5
Energy	21,9	0,2	11,5	0,5
Intermediary goods (except Energy)	33,8	8,1	7,4	4,6
Capital goods	4,8	-11,5	6,1	4,4
Durable consumer goods	1,4	24,6	-35,1	-6,2
Non durable consumer goods	38,1	13,2	2,3	-4,1
<i>Mining and quarrying</i>	1,8	3,4	42,1	85,4
<i>Manufacturing industry</i>	79,4	11,7	4,1	-0,6
Manufacture of food products and beverages	20,0	10,7	10,5	2,8
Manufacture of tobacco products	3,9	21,4	-2,6	-1,6
Manufacture of textiles	2,5	41,0	38,4	11,8
Manufacture of wearing apparel; dressing and dyeing of fur	8,6	1,0	-12,1	-9,1
Publishing, printing and reproduction of recorded media	3,9	13,3	-16,8	-23,1
Publishing, printing and reproduction of recorded media	3,0	1,1 time	36,1	14,5
Manufacture of coke, refined petroleum products and nuclear fuel	5,9	-6,2	7,6	-1,5
Manufacture of chemicals and chemical products	2,6	-1,1	2,2	-14,1
Manufacture of rubber and plastic products	8,2	9,6	18,8	24,7
Manufacture of other non-metallic mineral products	6,0	14,5	-5,8	-14,4
Manufacture of basic metals	3,8	7,5	8,1	-3,5
Manufacture of fabricated metal products, except machinery and equipment	3,2	16,8	7	20,8
Manufacture of electrical machinery and apparatus n.e.c.				
<i>Electricity, gas and water supply</i>	18,8	-11,1	6,9	-1,5

* Previous data

Source: State Statistical Office of the Republic of Macedonia



Table 4
Central Government Budget
(in Denar million)

	May 2006			January - May 2006		
	in Denar million	Monthly changes in %	Structure in %	in Denar million	Cumulative changes (2006/2005) in %	Structure in %
Total revenues	8.666	-6,4	100,0	41.018	7,2	100,0
Total budget revenues	7.532	-4,7	86,9	35.287	6,0	86,0
<i>Tax revenues (SRA):</i>	<i>8</i>	<i>-42,9</i>	<i>0,1</i>	<i>101</i>	<i>-12,9</i>	<i>0,2</i>
<i>Tax revenues:</i>	<i>5.061</i>	<i>-4,8</i>	<i>58,4</i>	<i>23.036</i>	<i>5,4</i>	<i>56,2</i>
- personal income tax	666	-5,3	7,7	3.302	3,8	8,1
- profit tax	244	-21,5	2,8	2.280	52,3	5,6
- value added tax	2.555	-9,1	29,5	10.595	1,0	25,8
- excises	965	11,2	11,1	4.375	-1,0	10,7
- custom duties	540	18,4	6,2	1.989	0,3	4,8
- other	91	-45,5	1,1	495	82,7	1,2
<i>Contributions</i>	<i>2.463</i>	<i>-4,4</i>	<i>28,4</i>	<i>12.150</i>	<i>7,3</i>	<i>29,6</i>
Non-tax revenues:	870	-23,2	10,0	4.308	-4,9	10,5
- non-tax revenues (SRA)	469	13,6	5,4	2.116	-12,9	5,2
- inflows from state property dividends	19	-94,7	0,2	481	42,3	1,2
- administrative taxes and fees	176	54,4	2,0	685	-0,6	1,7
- participation income	26	13,0	0,3	128	-39,3	0,3
- other administrative taxes	22	-18,5	0,3	114	10,7	0,3
- other non-tax revenues	4	-92,2	0,0	163	30,4	0,4
- toll	155	6,2	1,8	621	-2,2	1,5
<i>Capital revenues</i>	<i>161</i>	<i>182,5</i>	<i>1,9</i>	<i>361</i>	<i>88,0</i>	<i>0,9</i>
Donations (from abroad)	88	-30,2	1,0	969	261,6	2,4
Total budget expenditures	7.978	-4,3	100,0	39.855	3,9	100,0
<i>Current expenditures</i>	<i>7.307</i>	<i>-8,0</i>	<i>91,6</i>	<i>37.728</i>	<i>4,0</i>	<i>94,7</i>
- wages and salaries	1.927	-0,6	24,2	9.615	1,6	24,1
- goods and services	1.096	1,7	13,7	5.029	-4,2	12,6
- transfers	4.189	-9,3	52,5	21.885	6,2	54,9
- interest	95	-69,6	1,2	1.198	24,0	3,0
<i>Capital expenditures</i>	<i>670</i>	<i>70,1</i>	<i>8,4</i>	<i>2.128</i>	<i>2,1</i>	<i>5,3</i>
Budget balance	688			1163		
Financing	-688			-1.163		
<i>External financing, net</i>	<i>137</i>			<i>-8.939</i>		
<i>Financing from domestic sources, net</i>	<i>-825</i>			<i>-6.122</i>		
<i>Income from privatization</i>	<i>0</i>			<i>13.899</i>		

* Since January 2006, the central Budget has been presented in a new form encompassing the accounts of the funds and the revenues and expenditures on the own revenues accounts

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	IV.06	V.06
I. Net Foreign Assets	66,282	57,130	57,297	71,907	74,145	75,454
Assets	69,504	60,326	60,519	75,076	77,213	78,415
Liabilities	3,222	3,196	3,222	3,169	3,068	2,961
II. Net Domestic Assets	-40,520	-33,763	-32,079	-47,210	-47,978	-48,045
Credit to banks, net	-8,876	-10,368	-9,329	-8,580	-8,461	-7,222
<i>Credit to banks</i>	45	45	324	323	323	323
Credits extended at auction	0	0	0	0	0	0
Repurchased agreement	0	0	0	0	0	0
Credits based on securities	0	0	0	0	0	0
Long - term credits	31	31	31	31	31	31
Advances	4	4	283	282	282	282
Other	10	10	10	10	10	10
<i>Instruments</i>	-8,921	-10,413	-9,653	-8,903	-8,784	-7,545
Auctions of bills	-8,921	-10,413	-9,653	-8,903	-8,784	-7,545
<i>Net, Government</i>	-18,989	-11,024	-10,167	-25,762	-26,157	-27,733
1. Claims on Government	3,290	3,290	3,290	3,290	2,983	2,983
Use of Fund credit	0	0	0	0	0	0
Ordinary credit	0	0	0	0	0	0
Purchased Government sec.	1,039	1,039	1,039	1,039	1,039	1,039
Other	2,251	2,251	2,251	2,251	1,944	1,944
2. Government Deposits	-22,279	-14,314	-13,457	-29,052	-29,140	-30,716
A) In denar	-6,993	-7,653	-6,860	-8,807	-9,141	-11,104
Demand deposits	-6,993	-7,653	-6,860	-8,807	-9,141	-11,104
- Budget account	-6,562	-7,214	-6,417	-6,965	-5,717	-7,678
- Other budget funds	-431	-439	-443	-1,842	-3,424	-3,426
o/w - Government securities for monetary purpose				-1,377	-2,951	-2,951
Fund for monetary policy support	0	0	0	0	0	0
B) In foreign currency	-15,286	-6,661	-6,597	-20,245	-19,999	-19,612
Central Gov.dep.	-15,139	-6,516	-6,450	-20,098	-19,851	-19,468
o/w Road fund	-147	-130	-121	-102	-84	-56
Other Government deposits	-147	-145	-147	-147	-148	-144
3. External account	0	0	0	0	0	0
Other items, net	-12,655	-12,371	-12,583	-12,868	-13,360	-13,090
Other assets	5,324	5,243	5,279	5,204	5,320	5,558
Other liabilities	-5,368	-4,794	-5,067	-4,983	-5,377	-5,416
o/w Transitory account	-487	-14	-19	-36	-180	-44
Capital account	-11,024	-11,558	-11,505	-11,608	-11,798	-11,750
Residual items	-1,587	-1,262	-1,290	-1,481	-1,505	-1,482
Reserve money	25,762	23,367	25,218	24,697	26,167	27,409
Currency in circulation	14,439	13,100	13,635	13,700	14,560	13,900
Cash in vaults	1,374	1,068	1,066	980	1,052	965
Giro - accounts	9,949	9,199	10,517	10,017	10,555	12,544
o/w Reserve requirement	5,323	5,417	5,413	5,505	5,572	5,657

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	IV.06	V.06
I. Net Foreign Assets	89738	80776	80899	96611	98526	99218
<i>National Bank</i>	66282	57130	57297	71907	74145	75454
Assets	69504	60326	60519	75076	77213	78415
Liabilities	3222	3196	3222	3169	3068	2961
<i>Deposit Money Banks</i>	23456	23646	23602	24704	24381	23764
Assets	37786	37231	36986	36669	36249	35882
Liabilities	14330	13585	13384	11965	11868	12118
II. Net Domestic Assets	19545	28414	30070	16577	18786	19351
1.Domestic credit	62382	71691	74396	62714	65567	66039
of which: Claims on Gov.	-11791	-3271	-1913	-15747	-14773	-15925
a) Deposit Money Banks	81371	82715	84563	88476	91724	93772
-in denar	64186	65363	66730	69847	72349	73937
Government	7118	7672	8175	9930	11297	11722
Credits	7115	7669	8171	9927	11274	11698
a) Budget and Line Ministries	7033	7589	8013	9696	11071	11509
b) Funds	82	80	158	231	203	189
c) Ins. of Central Gov.: Courts, etc.	0	0	0	0	0	0
Accrued interest	3	3	4	3	23	24
Non Government sector	57068	57691	58555	59917	61052	62215
Credits	51672	52255	53149	54473	55552	56621
of which: Overdue claims	9807	10314	10323	10146	10509	10581
Accrued interest	5396	5436	5406	5444	5500	5594
-in foreign currency	17185	17352	17833	18629	19375	19835
Government	80	81	79	85	87	86
of which: Overdue	0	0	0	0	0	0
Non Government sector	17105	17271	17754	18544	19288	19749
of which: Overdue	1748	1753	1587	1444	1476	1534
b) Nat. Bank Claims on Government	-18989	-11024	-10167	-25762	-26157	-27733
2.Other items, net	-42837	-43277	-44326	-46137	-46781	-46688
of which: Claims on Gov.						
for frozen f.c. deposits	0	0	0	0	0	0
Accrued interest	-5399	-5439	-5410	-5447	-5523	-5618
Others	-37438	-37838	-38916	-40690	-41258	-41070

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	IV.06	V.06
M4Total	109283	109190	110969	113188	117312	118569
M4 (nonGovernment)	108174	108320	109999	111912	116049	117406
M1(Total)	30034	27933	28900	28431	29906	29954
M1 (nonGovernment)	29663	27699	28596	27962	29459	29584
Currency in Circulation	14439	13100	13635	13700	14560	13900
Demand deposits(total)	15595	14833	15265	14731	15346	16054
Demand deposits(NonGov.)	15224	14599	14961	14262	14899	15684
Deposit Money Banks	15577	14752	15183	14519	15241	15940
NonGov. Demand deposits	15206	14518	14879	14050	14794	15570
Government Demand deposits	371	234	304	469	447	370
a) Budget and Line Ministries	236	55	91	132	145	73
b) Funds	135	179	213	323	302	297
c) Ins. of C.Gov.: Courts, etc.	0	0	0	14	0	0
Nation. Bank NonGov.Demand dep.	18	81	82	212	105	114
M2 (Total)	104195	104065	105734	107835	111559	113044
M2 (nonGovernment)	103134	103243	104812	106607	110344	111929
Quasi money (Total)	74161	76132	76834	79404	81653	83090
Quasi money (non Government)	73471	75544	76216	78645	80885	82345
Deposit Money banks	74161	76132	76834	79404	81653	83090
Non Government sector	73471	75544	76216	78645	80885	82345
Denar	24364	25614	26237	27889	29563	30864
Foreign currency	49107	49930	49979	50756	51322	51481
Government deposits	690	588	618	759	768	745
Denar	689	587	616	759	768	745
Foreign currency	1	1	2	0	0	0
NBM quasi deposits	0	0	0	0	0	0
Nonmonetary Deposits (Total)	5088	5125	5235	5353	5753	5525
Denar nonm. deposits (total)	3105	3159	3184	3171	3305	3321
F.C. nonm. deposits (total)	1983	1966	2051	2182	2448	2204
Nonmonetary Deposits (nonGov.)	5040	5077	5187	5305	5705	5477
Denar nonm. dep.(nonG)	3057	3111	3136	3123	3257	3273
F.C. nonm. dep (nonG)	1983	1966	2051	2182	2448	2204
-Deposit Money Banks	5088	5125	5235	5353	5753	5525
Denar nonGov. nonmonetary dep.	3057	3111	3136	3123	3257	3273
F. C. nonGovern. nonmon. dep.	1983	1966	2051	2182	2448	2204
Denar Gov. nonmon. deposits	48	48	48	48	48	48
F. C. Govern. nonmon. deposits	0	0	0	0	0	0
-NBM NonGov. nonm. deposits	0	0	0	0	0	0
Denar	0	0	0	0	0	0
Foreign currency	0	0	0	0	0	0
Total Deposits	94844	96090	97334	99488	102752	104669
Total Deposits (nonGov.)	93735	95220	96364	98212	101489	103506

Source: National Bank of the Republic of Macedonia


Table 7

Total deposits of the non-government sector

	31.05.2006	monthly changes		annual changes		structure
	in Denar million	in Denar million	in %	in Denar million	in %	in %
Total deposits	87.822	1.232	1,4	13.007	17,4	100,0
1. According to maturity						
- short-term	82.345	1.460	1,8	12.570	18,0	93,8
- long-term	5.477	-228	-4,0	437	8,7	6,2
2. According to currency of denomination						
- In denar	34.137	1.317	4,0	5.469	19,1	38,9
- In foreign currency	53.685	-85	-0,2	7.538	16,3	61,1

Source: National Bank of the Republic of Macedonia

Table 8

Households and enterprises deposits

	structure in %	31.05.2006	monthly changes		annual changes	
		in Denar million	in Denar million	in %	in Denar million	in %
Total households deposits	100,0	59.085	143	0,2	10.016	20,4
1. According to maturity						
- short-term	94,7	55.951	70	0,1	9.145	19,5
- long-term	5,3	3.134	73	2,4	871	38,5
2. According to currency of denomination						
- In denar	30,3	17.903	101	0,6	4.586	34,4
- In foreign currency	69,7	41.182	42	0,1	5.430	15,2
Total enterprises deposits	100,0	26.964	1.128	4,4	3.248	13,7
1. According to maturity						
- short-term	94,9	25.597	1.451	6,0	3.386	15,2
- long-term	5,1	1.367	-323	-19,1	-138	-9,2
2. According to currency of denomination						
- In denar	54,5	14.700	1.252	9,3	1.146	8,5
- In foreign currency	45,5	12.264	-124	-1,0	2.102	20,7

Source: National Bank of the Republic of Macedonia


Table 9

Demand deposits of households and enterprises

	31.05.2006	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Demand deposits	15.684	785	5,3	1.777	12,8
- Demand deposits of households	3.263	-80	-2,4	438	15,5
- Demand deposits of enterprises	10.114	821	8,8	946	10,3

Source: National Bank of the Republic of Macedonia

Table 10

Placements to households and enterprises

	31.05.2006	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Total placements	76.370	1.530	2,0	14.157	22,8
<i>Denar placements</i>	56.621	1.069	1,9	8.458	17,6
<i>of which:</i>					
- enterprises	33.053	252	0,8	2.397	7,8
- households	23.472	826	3,6	6.053	34,7
<i>Foreign currency placements</i>	19.749	461	2,4	5.699	40,6
<i>of which:</i>					
- enterprises	18.529	357	2,0	5.006	37,0
- households	1.214	104	9,4	712	2,4 times

Source: National Bank of the Republic of Macedonia


Table 11

Maturity and sector structure of Denar and foreign currency placements

	Share on 31.05.2006 (in %)	Monthly change (in percentage points)	Annual change (in percentage points)
Denar placements	100,0		
maturity structure			
- short-term	50,3	-0,7	-2,5
- long-term	49,7	0,7	2,5
structure by sectors			
- enterprises	58,4	-0,7	-5,3
- households	41,5	0,7	5,3
- other	0,2	0,0	0,0
Foreign currency placements	100,0		
maturity structure			
- short-term	28,1	-0,3	-7,9
- long-term	71,9	0,3	7,9
structure by sectors			
- enterprises	93,8	-0,4	-2,4
- households	6,1	0,4	2,6
- other	0,0	0,0	-0,1

Source: National Bank of the Republic of Macedonia

Table 12

Interest rates

	May, 2006 in %	Monthly changes in percentage points	Annual changes
Average weighted interest rate on the CB bills auctions (28 days)	5,70	-0,49	-4,3
Average weighted interest rate on the Money Market*	5,7	-0,70	-2,6
Banks' weighted lending interest rates	11,50	0,00	-0,7
Banks' weighted deposit interest rates	4,20	-0,40	-0,5

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

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



Table 13
Auctions of Treasury bills

	Supply	Demand	Realized	Weighted interest rate
	in Denar million			in %
Treasury bills auctions, 3 month				
09.05.2006	400	708,1	400	6,23
23.05.2006	400	460,49	400	5,98
Treasury bills auctions, 6 month				
09.05.2006	350	452,52	350	7,13

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)

	V.2006	I-V.2006	V.2006		V.2006		I-V.2006	
	amount		IV.2006	%	V.2005	%	I-V.2005	%
Foreign trade	411,5	1.782,1	14,1	3,5	46,7	12,8	138,3	8,4
Exports	159,9	678,9	15,9	11,0	18,8	13,3	35,3	5,5
Imports	251,6	1.103,2	-1,8	-0,7	27,9	12,5	103,0	10,3
Balance	-91,7	-424,3	17,7	-16,2	-9,1	11,0	67,6	19,0

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, I-V, 2006
(in EURO million)

	Foreign trade		Share	Exports	Share	Imports	Share	Import-export coverage
	amount	%		amount	%	amount	%	
Republic of MACEDONIA	1.782,1	100,0		678,9	100,0	1.103,2	100,0	61,5
<i>out of which:</i>								
Germany	231,4	13,0		119,4	17,6	112,0	10,2	106,7
Serbia and Montenegro	222,6	12,5		147,5	21,7	75,1	6,8	196,5
Greece	193,2	10,8		97,8	14,4	95,3	8,6	102,6
Russia	165,4	9,3		8,2	1,2	157,2	14,2	5,2
Italy	137,8	7,7		74,9	11,0	62,9	5,7	119,2
Bulgaria	114,3	6,4		32,2	4,7	82,1	7,4	39,2
Croatia	62,8	3,5		41,2	6,1	21,6	2,0	190,9
Turkey	53,9	3,0		17,8	2,6	36,1	3,3	49,2
Slovenia	52,7	3,0		12,1	1,8	40,6	3,7	29,9
China	41,5	2,3		0,5	0,1	41,0	3,7	1,2
Total (10 largest trading partners)	1.275,6	71,6		551,7	81,3	723,9	65,6	76,2

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

	External debt		Credits used		Debt payments	
	30.04.2006	31.05.2006	IV -2006	V -2006	IV -2006	V -2006
Official creditors	1.039,0	1.038,1	8,7	8,9	6,9	3,7
out of which:						
Multilateral	874,1	869,7	3,4	3,7	6,4	3,6
MMF	50,2	48,4	0,0	0,0	1,1	1,6
IBRD	203,5	201,5	0,7	0,7	0,2	1,5
IFC	4,1	4,0	0,0	0,0	0,6	0,0
IDA	298,7	295,5	0,6	0,4	1,3	0,1
EIB	118,6	118,6	0,0	0,0	3,2	0,4
EUROFIMA	6,1	6,1	0,0	0,0	0,0	0,0
Council of EDB	18,5	18,5	1,7	0,0	0,0	0,1
EBRD	73,7	75,8	0,4	2,1	0,0	0,0
EU	90,0	90,0	0,0	0,0	0,0	0,0
IFAD	10,9	11,2	0,0	0,5	0,0	0,0
European Agency for Reconstruction	0,0	0,0	0,0	0,0	0,0	0,0
Bilateral	164,9	168,4	5,3	5,2	0,5	0,0
Paris club (rescheduled 1995)	89,8	88,7	0,0	0,0	0,1	0,0
New credits	6,6	6,6	0,0	0,0	0,0	0,0
Non-rescheduled debt	68,5	73,1	5,3	5,2	0,4	0,0
Private creditors	615,8	615,9	5,5	1,3	2,5	2,4
out of which:						
Eurobonds	150,0	150,0	0,0	0,0	0,0	0,0
Other private creditors	465,8	465,9	5,5	1,3	2,5	2,4
Banks and financial institutions	210,6	208,6	0,7	0,8	1,7	1,6
Private non-financial sector	255,2	257,3	4,8	0,5	0,9	0,8
TOTAL	1.654,8	1.654,0	14,3	10,2	9,4	6,1

Source: National Bank of the Republic of Macedonia

National Bank of the Republic of Macedonia Balance sheet

Table 17
NBRM Balance sheet on 31.05.2006
(in million Denars)

Assets	Amount	Liabilities	Amount
Foreign assets	78,415	Reserve money	21,752
Claims on Government	3,604	NBRM instruments	7,545
Claims on banks and other financial institutions	1,358	Restricted deposits	239
Other assets	4,524	Foreign liabilities	2,961
		Government deposits	32,906
		Capital accounts	11,750
		Other liabilities	10,748
Total	87,901	Total	87,901

Source: National Bank of the Republic of Macedonia