

**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 June 2006***

- ❖ *On June 1, the Free Trade Agreement signed with Serbia and Montenegro became effective, the main objective of which is to expand the trade between the two countries, create fair competition conditions, eliminate the obstacles in the mutual trade, incur investments and promote the trade with third countries.*
- ❖ *On June 1, the Macedonian Economic Chamber promoted the new way of organizing and cooperation among small-size and medium-size enterprises in the country, by establishing so-called groups for exchanging experience which may comprise of up to 20 members - from the interested companies, local consultants and government representatives.*
- ❖ *On June 1, the Ministry of Finance started the payment of the regular installments of the individual issues of denationalization bonds.*
- ❖ *On June 2, the shares of Gradski Apteki, Skopje, as well as shares in shareholding companies owned by the Pension and Disability Insurance Fund of Macedonia, in the amount of Euro 12.9 million and Euro 14.4 million, respectively, were sold on the Macedonian Stock Exchange, by way of auction. The new owners of Gradski Apteki are the pharmaceutical companies: Zegin, Alkaloid and Farmakop, which will act as a consortium.*
- ❖ *On June 3, the metal plant Iskra-engineering and the factory for processing and storing of fresh fruit and vegetables DS Foods (former ZIK Kumanovo), owned by a Greek investor, were restarted.*
- ❖ *In the period 5 - 9 June, 2006, 45.1% of common shares of Macedonian Telecommunications AD Skopje owned by the Republic of Macedonia were offered on the Macedonian Stock Exchange by way of auction. Only one package of shares of 9.9% was sold in the amount of Denar 3.6 billion (Euro 60.3 million), while from the remaining portion of 5.5% of the shares offered for sale, 0.9% of the total amount of offered government shares in the amount of Denar 153.8 million were sold.*
- ❖ *On June 14, the Decision of the National Bank of the Republic of Macedonia Council on reducing the lombard interest rate by 1.5 percentage points from 11% to 9.5%, became effective. ("Official Gazette of RM" No. 70/2006).*
- ❖ *On June 8, an Agreement on investments in energy on the Balkan Peninsula and for cooperation in the field of energy in the region was signed in Luxembourg between the European Union (EU) and the Balkan countries (Macedonia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Albania, Romania, Bulgaria and the United Nations on behalf of Kosovo). As a result of the Agreement, infrastructure will be built for transport of natural gas from the Middle East and the Caspian Region for the EU, which will improve the supply of energy for Western Europe.*
- ❖ *On June 11, a multilateral Agreement of tax administrations was signed in Skopje by Macedonia, Bosnia and Herzegovina, Serbia, Montenegro and Bulgaria for more efficient fight against tax evasion.*
- ❖ *On June 12, according to the Decision of the Regulatory Energy Committee, the refinery prices of oil derivatives increased by 0.56% on average, while the retail prices of oil derivatives dropped by 0.13% on average, ("Official Gazette of RM" No. 72/2006). On June 2006, the Regulatory Energy Committee adopted a decision on increasing the refinery and retail prices of oil derivatives by 0.07% and 0.05%, respectively, on average ("Official Gazette of RM" No. 77/2006), in line with the movement of the prices of crude oil and oil derivatives on the world markets.*
- ❖ *On June 12, after a four-year standstill, the lead and zinc mine Sasa in Makedonska Kamenica, owned by the Russian company Romtrade was restarted.*



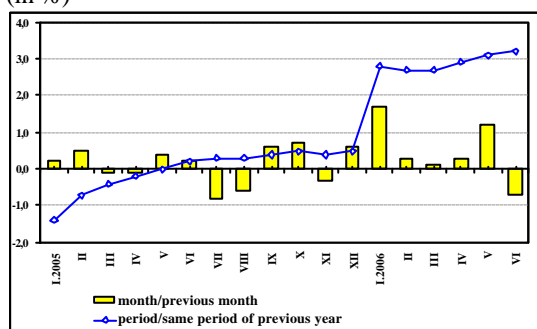
- ❖ *On June 13, the General Collective Agreement for the economy was signed by the Association of Macedonian Labor Unions and the Organization of Employers of the Republic of Macedonia.*
- ❖ *On June 13, the Fitch rating agency upgraded the credit rating for the Republic of Macedonia from current BB with positive outlook to BB+ with stable outlook for foreign and domestic currency. With the new rating, Fitch moved Macedonia by two levels on the rating scale.*
- ❖ *On June 14, the Agreement for cooperation and assistance for customs-related issues was signed in Helsinki between the Customs Administrations of Macedonia and Finland in order to deepen the cooperation in this field and improve the bilateral relations between the two countries.*
- ❖ *On June 15, the Loan Agreement for the Project on Implementation of the Reforms in the Legal and Judiciary System and Institutional Support in the amount of Euro 10 million, was signed between the World Bank and the Government of the Republic of Macedonia.*
- ❖ *On June 16, a two-day regional conference of banks and export-credit agencies was held in Struga, organized by the Macedonian Bank for Development Promotion, attended by representatives of banks and institutions from 14 countries in the region.*
- ❖ *On June 16, Macedonia and Greece signed a Protocol for cross-border cooperation along the paneuropean Corridor 10, in order to facilitate the flow of people and goods along the Corridor and to strengthen the cooperation between the signing countries.*
- ❖ *On June 21, Macedonian Bank for Development Promotion introduced the new credit line approved by the Council of the European Development Bank (CEDB), in the amount of Euro 10 million, aimed at financing small-size and medium-size enterprises in Macedonia, in order to reduce unemployment in the Republic of Macedonia.*
- ❖ *On June 26, by including KIBS a.d. Skopje in the single registry of certificate issuers, the Law on electronic data and electronic signature officially went into effect.*
- ❖ *On June 27, the Eurointegrations Sector of the Government of the Republic of Macedonia presented the new funds for pre-accession assistance of the European Union, the Instrument for pre-accession assistance (IPA), the Program for economic cooperation with the developing markets of the Dutch Government and the New Partnership Program with the Austrian Development Agency, in front of the businessmen, gathered in the Economic Chamber in Skopje.*
- ❖ *New regulations:*
 - *Law on ratifying the amendments and consolidations to the free trade agreement between the Republic of Macedonia and Bosnia and Herzegovina adopted by the mixed committee on implementation of this agreement ("Official Gazette of RM". No. 69/2006)*
 - *Law on amending and consolidating the Law on Registration of cash payments ("Official Gazette of RM. No. 70/2006)*
 - *Law on amending and consolidating the Law on Protecting Competition ("Official Gazette of RM. No. 70/2006)*
 - *Law on amending and consolidating the Law on Pension and Disability Insurance ("Official Gazette of RM. No. 70/2006)*
 - *Law on Personal Income Tax ("Official Gazette of RM" No. 74/2006)*

I. Economic Developments in the Republic of Macedonia¹

In June 2006, *monthly deflation rate* of 0.7% was registered, in an environment of a decline in the prices of goods of 0.9%, and unchanged prices of services. Such a monthly dynamics in the inflation is a result of seasonal factors, i.e. of the lower prices of raw vegetables (by 11.9%), which almost entirely contributed to the fall in the "food" category of 1.6%. Also, the drop in the retail prices of oil derivatives² reflected on the prices of "housing" and "transport equipment and services", and additionally contributed to the negative change in the inflation index.

In June 2006, the annual inflation rate equaled 3%, with the fastest increase being registered in the prices of "tobacco and beverages" (of 17.6%). The average inflation rate in the first half of 2006 equaled 3.1% mostly as a result of the increase in the prices of "tobacco and beverages" (due to the increased excise on cigarettes) and of "food". Increased prices were registered in all other categories, except for "wearing apparel and footwear", which registered an insignificant decline in the prices.

Figure 1
Consumer prices
(in %)



Source: State Statistical Office.

The prices of the producers of industrial products³ in June 2006 dropped by 1% relative to the preceding month, which is a result of the lower prices of the producers in the manufacturing industry (by 1.4%), having in mind the higher prices in the sector "electricity, gas and water

supply" (by 2.5%) and the unchanged prices in the sector "mining and quarrying". The monthly drop in the prices in the manufacturing industry is primarily a result of the lower prices of the producers of oil derivatives (by 8.3% in line with the decision of the Regulatory Energy Committee dated May 29, 2006 on reducing the refinery prices), food products and beverages (by 0.6%) and publishing activity (by 0.4%). On annual basis, the prices of the producers of industrial products went up by 5.5%. In the first half of 2006, the rise in the prices of the producers of industrial products averaged 5.7% relative to the same period of the preceding year, which is primarily due to the higher prices of the producers in the manufacturing industry of 6.5%, i.e. the rise in the prices of the producers of oil derivatives (of 34.5%) and tobacco products (of 20.1%), which corresponds with the main determinants of the inflation index. The "mining and quarrying" sector registered an average increase in the prices of 4%, while in the "electricity, gas and water supply" sector prices dropped by 0.3% on average.

In June 2006, the actual volume of the industrial output⁴ registered a monthly increase of 2.8%, as a result of the increased output in the manufacturing industry and in the mining sector (by 4.7% and 4%, respectively), being partially offset by the decline in the production in the "electricity, gas and water supply" sector (of 8.5%). The increased output in the manufacturing industry is mainly a result of the increased production of wearing apparel, chemicals and chemical products, tobacco products and basic metals.

In June 2006, the industrial output registered an annual growth rate of 4.1%. The increase was primarily a result of the higher output in the following manufacturing branches: production of products of other non-metal minerals, basic metals, tobacco products and wearing apparel.

⁴ Preliminary SSO data.

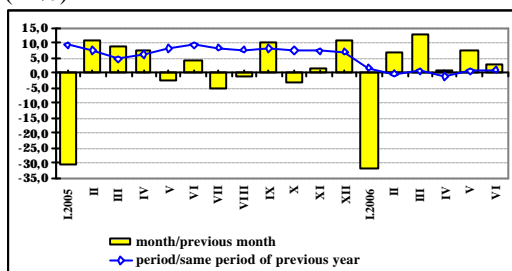
¹ Source: State Statistical Office of the Republic of Macedonia

² In line with the decisions of the Regulatory Energy Committee of 29.05.2006 and 12.06.2006 on reducing the prices of oil derivatives by 3.69% and 0.13%, respectively.

³ Preliminary SSO data.



Figure 2
Industrial output
(in %)



Source: State Statistical Office.

In the first half of 2006, the industrial output registered an increase of 1.1% relative to the same period of 2005, which arises from the increased production in the "mining and quarrying" sector

II. Monetary developments

In June 2006, the *total liquid funds of the banks* registered a monthly drop of 14.8%, equaling Denar 6,687 million at the end of the month. *Government Denar deposits with the NBRM* represented the main flow of liquidity withdrawal, and they registered a monthly increase of Denar 3,313 million. The increase in the balance of the Government Denar account with the NBRM is a result of the realization of the non-tax revenues in the budget on the basis of the sale of government shares in the corporate sector⁶. The higher level of *currency in circulation* also acted in this direction, increasing by Denar 680 million on a monthly basis (partially reflecting the pre-election period). In line with the movements determined by seasonal factors, in June, the NBRM foreign exchange transactions were the dominant autonomous factor creating liquidity in the banking system, mainly on the basis of the high foreign exchange inflows in the exchange offices. Simultaneously, additional liquidity was created through the monetary policy instruments. Thus, the *CB bills* dropped by Denar 811 million on a monthly basis, while the amount of Treasury bills for monetary policy purposes⁷ reduced by Denar 324 million. At the conducted auctions, the average interest rate on CB bills remained almost unchanged relative to May 2006 and equaled 5.8%, while the average weighted interest rates on

(by 63.7%, due to the low comparison basis from the same period of the previous year) and in the manufacturing sector, with a decline in the production being registered in the "electricity, gas and water supply" sector. In June, the activity in the manufacturing sector registered a cumulative growth rate of 0.4% for the first time since the beginning of the year. The increase in the dominant manufacturing sector is a result of the increased output in ten out of the twenty manufacturing branches (having a share of 43.8% in the total industrial output), with the production of products of other non-metal minerals, food products and beverages, textiles and oil derivatives having the largest contribution.

Treasury bills with maturities of three, six and twelve months equaled 6.53%, 6.92%, and 8.66%, respectively.

In June 2006, the *average daily liquidity of the banking system* stood at Denar 6,434.8 million, which is a moderate monthly decline of 2.3%. From a viewpoint of the daily dynamics, in the first ten days banks' liquidity registered a decline in line with the withdrawal through government deposits on the basis of inflows from the sale of government shares in the corporate sector, as well as due to the regular payment of taxes. In the second half of June, liquidity was relatively stable and in the last week of the month it was mainly above the average. The excess liquidity of banks over the reserve requirement (in Denars)⁸ fell by 5.1 percentage points on a monthly basis and equaled 7.4% in June 2006.

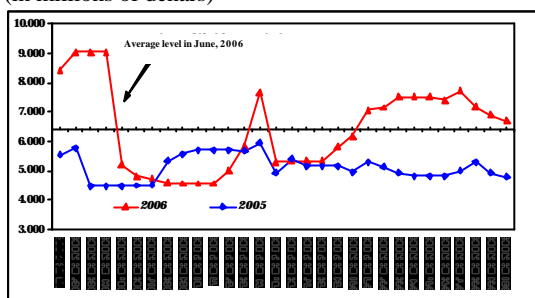
⁶ The period for maintaining (fulfilling) the banks' reserve requirement covers the period from the 11th in the current month to the 10th in the following month.

⁶ The government's residual shares in the health sector, telecommunications, and shares owned by PIOM have been sold.

⁷ On March 7, 2006, NBRM, in cooperation with the Ministry of Finance, started the issuing of Treasury bills for monetary policy purposes, with maturity of three months.



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



Source: National Bank of the Republic of Macedonia

In June, a total turnover of Denar 1,407 million was registered on the interbank money market⁹, which represents a monthly increase of 18.4%. In June, the average interest rate on the interbank money market equaled 5.4% (a decline of 0.3 percentage points relative to the previous month).

In June 2006, despite the increase in the currency in circulation (of 4.9%), reserve money¹⁰ dropped by 2.2% on a monthly basis, as a result of the decline in the banks' total liquid funds (of 14.8%). The monetary aggregate M1 registered a monthly increase of 4%, caused by the increase in both components, currency in circulation and transaction deposits (of 3.2%). The broader monetary aggregates M2 and M4 slightly dropped relative to the previous month (by 0.3% and by 0.1%, respectively), reflecting the decline in the short-term deposits with banks. On annual basis (June 2006 / June 2005), monetary aggregates M2 and M4 went up by 12.8% and 13%, respectively.

⁹ On May 15, 2006, the General Meeting of Shareholders adopted a Decision on termination of the Money and Short-Term Securities Market ("Official Gazette of RM" No. 74/2006). The electronic system for interbank trading in deposits and securities (TENFORE) started operating on May 8, 2006.

¹⁰ The analysis refers to the reserve money excluding the reserve requirement on foreign currency deposits.

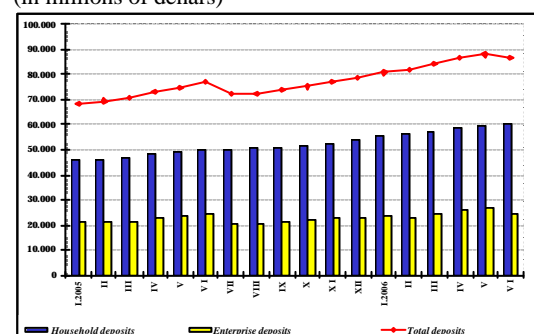
Table 1
Monetary aggregates and their components
(in millions of denars)

	30.06.2006	Monthly changes in %	Annual changes in %
Currency in circulation	14.580	4,9	8,9
Demand deposits	16.188	3,2	17,7
Monetary aggregate M1	30.768	4,0	13,4
Short-term Denar deposits	28.062	-9,1	6,6
Monetary aggregate M2-Denar component	58.830	-2,7	10,0
Short-term foreign exchange deposits	52.815	2,6	16,2
Monetary aggregate M2	111.645	-0,3	12,8
Non-monetary deposits	5.688	3,9	16,0
- Denar	3.255	-0,5	5,2
- foreign	2.433	10,4	34,5
Monetary aggregate	117.333	-0,1	13,0

Source: National Bank of the Republic of Macedonia

After a continuous nine-month increase, in June 2006, the total banks' deposits registered a decline of 1.4% relative to the previous month. Such a dynamics is a result of the decline in the deposits in domestic currency of 8.3% (fall in the short-term and in the long-term Denar deposits of 9.1% and 0.5%, respectively). The sector-by sector analysis indicates that the drop in Denar deposits (of 10.2%) is caused by the decline in the short-term Denar deposits of the corporate sector, which is a result of the realized purchase of government shares by one larger company. Households' deposits grew by 2.3% relative to May 2006, reflecting the increase in all categories of deposits from a viewpoint of the maturity and currency structure, except for the minimum decline registered in the Denar term deposits with maturity of over one year. On annual basis (June 2006 / June 2005), the total private sector deposits with banks went up by 12.9%.

Figure 4
Dynamics of deposits
(in millions of denars)



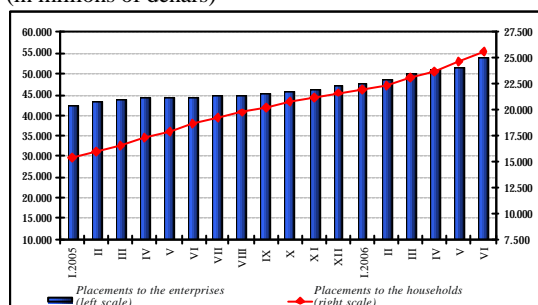
Source: National Bank of the Republic of Macedonia

In June 2006, the banks' total placements to the private sector were by 4.2% higher relative to May 2006, primarily as a result of the increased interest



in lending in domestic¹¹ currency. Total Denar credits increased by 4.2% on a monthly basis and were the main cause for the increase in the total placements with a share of 74.3%. Here, 67.3% of the increase in the total Denar credits refer to lending to enterprises. Within the foreign currency placements, in June 2006 (monthly increase of 4.2%), dominant are long-term credits extended to enterprises. Analyzing by sector, the placements to enterprises and the placements to households are higher by 4.4% and by 3.7%, respectively, on a monthly basis. The annual increase in the banks' total placements with the private sector equaled 26.3% in June 2006.

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

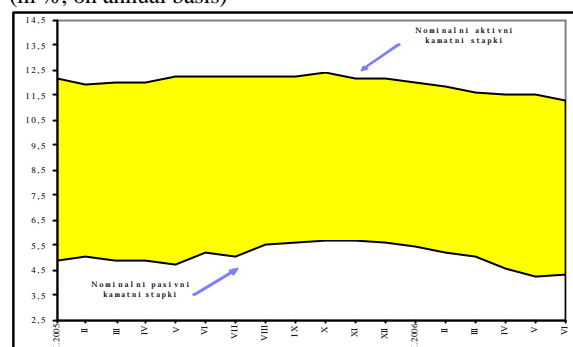


Source: National Bank of the Republic of Macedonia

¹¹ Includes also foreign currency indexed loans.

In June 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 sector in June 2006 equaled 11.3%, which is a decline of 0.2 percentage points on a monthly basis, while the average weighted deposit interest rate on Denar deposits in any maturity and sector registered a monthly increase of 0.1 percentage point and equaled 4.3%.

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 rate on foreign currency credits in any maturity, sector and currency equaled 8% in June 2006 (7.9% in May 2006). The average weighted interest rate on foreign currency deposits in any maturity, sector and currency increased by 0.1 percentage point on a monthly basis and equaled 1.5% in June 2006.

III. Foreign trade and foreign exchange developments

In June 2006, the volume of *foreign trade* of the Republic of Macedonia registered a monthly increase of 3.6%, equaling Euro 426.6¹² million, due to the favorable movements in both the export and the import of goods and services. The total *export of goods* reached Euro 161.8 million¹³ in June, which is an increase of 1.4% relative to May 2006, which is a result of the increased export of wearing apparel and textile, and food and beverages. Relative to the same month of the previous year, the export of goods increased by 23.9%, mainly due to the increased export of iron

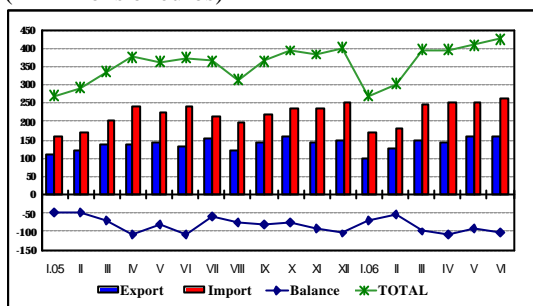
and steel and products thereof, tobacco and oil derivatives. In June 2006, the *import of goods* registered a monthly increase of 5% and stood at Euro 264.8 million. Such an increase is a result of the increased import of mineral fuels, ceramic products, iron and steel and products thereof, and pharmaceutical products. On annual basis (June 2006 / June 2005) the import of goods increased by 9.2%.

¹² Preliminary data of the NBRM. The export of goods in presented on f.o.b. basis, while the import of goods is presented on c.i.f. basis.

¹³ Historically highest monthly exports since 1996.



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.

The faster growth of the import relative to the export in June 2006, deepened the trade deficit and caused a reduction in the import-export coverage ratio. Thus, the negative trade balance in June stood at Euro 103 million (monthly increase of 11.2%), while the import-export coverage ratio equaled 61.1%, being by 2.2 percentage points lower relative to the previous month.

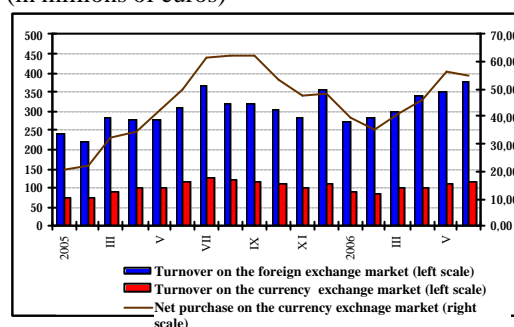
In the first half of 2006, the total foreign trade stood at Euro 2,209 million, which is an increase of 9.5% relative to the same period of the preceding year. Exports realized in the January - June 2006 period were by 8.6% higher on annual basis, amounting to Euro 840.4 million. The annual increase is a result of the higher export of oil derivatives, beverages, food, ores, wearing apparel and textile. The total import of goods in the first six months of 2006 totaled Euro 1,368.6 million, which is an increase of 10.1% relative to the January - June 2005 period, primarily due to the increased import of mineral fuels, vehicles, aircrafts¹⁴, ores and equipment. Cumulatively, the trade deficit amounted to Euro 528.2 million and registered an increase of 12.7% relative to the same period of 2005, whereas the import-export coverage ratio reduced to 61.4% (62.3% in the January - June 2005 period).

In June 2006, the total turnover on the *foreign exchange market* stood at Euro 376.6 million, which is an increase of 7.3% relative to the preceding month. In an environment of monthly increase in the demand for foreign currency of 8.6% and a simultaneous drop in the supply of foreign currency of 1.1%, banks registered higher net-sale of foreign currency to the enterprises. 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. At the end of June 2006, *gross foreign reserves* reached Euro 1,241.3 million, and they increased by Euro 28.9 million, i.e. 2.4% relative to the preceding month.

In June 2006, the turnover on the *currency exchange market* amounted to Euro 113.4 million, which is a monthly increase of 2.4%. In an environment of faster increase in the demand relative to the supply of foreign currency (by 6.6% and 1%, respectively), net-purchase of foreign currency was made on the currency exchange market in the amount of Euro 55.3 million (slight monthly decline of 0.9%). The net-purchase on the currency exchange market in the January - June 2006 period stood at Euro 273.3 million, and registered an increase of 35.4% relative to the same period of 2005.

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



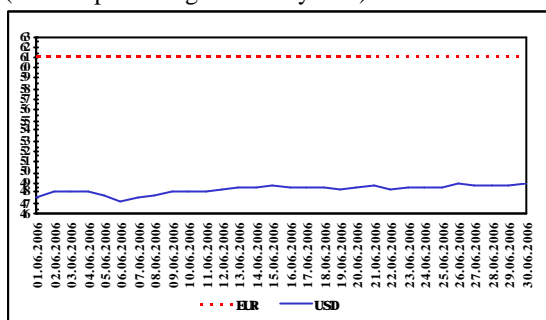
Source: National Bank of the Republic of Macedonia

The exchange rate of the Denar relative to the Euro on the foreign exchange market equaled Denar 61.17 per one Euro on June 30, 2006, and it is almost unchanged relative to the end of the preceding month (Denar 61.18 per one Euro). The exchange rate of the Denar against the US Dollar registered a monthly depreciation of 2.5%, equaling Denar 48.83 per one US Dollar (on May 31, 2006, Denar 47.65 were traded per one US Dollar).

¹⁴ One-time import of a passenger aircraft was made in April 2006.



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 June 2006, the exchange rate of the Denar against the Euro on the currency exchange market was on the same level registered in the preceding month, and Denar 61.41 were traded per one Euro, on average. At the same time, the average ask and bid exchange rate of the Denar against the US Dollar equaled Denar 48.26 per one US Dollar, with the Denar registering minimum depreciation (in May 2006, Denar 48.15 were traded per one US Dollar, on average).

The external debt of the Republic of Macedonia based on long-term credits and loans increased by Euro 16 million in June 2006, and as of June 30, 2006 it totaled Euro 1,698.8 million. The funds used

in June are slightly higher than the principal paid, which indicates that the monthly increase in the long-term external debt is mainly a result of the realized foreign exchange gains of Euro 13.4 million. In June 2006, the funds withdrawn and the total amount of liabilities paid, stood at Euro 9.2 million and Euro 11.5 million (Euro 8.5 million of principal and Euro 3.1 million of interest), respectively. In June 2006, the newly extended credits amounted to Euro 52.8 million, of which 77.7% (or Euro 41 million) pertain to public enterprises, and the remaining portion (Euro 11.8 million) refers to the private sector. The total long-term debt of the private sector registered a monthly increase of 0.8% in June, and stood at Euro 479.2 million, of which 79.3% refer to the non-banking private sector, while the remainder refers to the debt of commercial banks. At the end of June 2006, the short-term external debt¹⁵ amounted to Euro 88.2 million, and for the first time after 2001, the private sector is accompanied by the public sector as a debtor in a short run. In June 2006, funds in the amount of Euro 5.1 million were used on the basis of extended short-term credits, and the total liabilities paid stood at Euro 1.3 million.

¹⁵ Preliminary NBRM data.



Appendix

Developments in Real Sector in the Republic of Macedonia

Table 1

Costs of living and retail prices

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

Source: State Statistical Office of the Republic of Macedonia



Table 2
Prices of producers of industrial products*

	VI.2006 V.2006	VI.2006 VI.2005	I-VI.2006 I-VI.2005
	in %		
Prices of producers of industrial products	-1,0	5,5	5,7
Energy			
Intermediary goods (except Energy)	-4,2	12,4	17,9
Capital goods	1,9	0,5	-2,2
Durable consumer goods	0,0	5,2	4,2
Non durable consumer goods	-0,2	1,6	5,0
	-0,9	5,3	4,9
<i>Mining and quarrying</i>	<i>0,0</i>	<i>3,3</i>	<i>4,0</i>
<i>Manufacturing industry</i>	<i>-1,4</i>	<i>6,2</i>	<i>6,5</i>
Manufacture of food products and beverages	-0,6	0,7	0,4
Manufacture of tobacco products	0,1	23,2	20,1
Manufacture of textiles	0,0	0,3	0,6
Manufacture of wearing apparel; dressing and dyeing of fur	-0,1	-2,7	-2,7
Publishing, printing and reproduction of recorded media	-0,4	1,7	2,2
Manufacture of coke, refined petroleum products and nuclear fuel	-8,3	22,3	34,5
Manufacture of chemicals and chemical products	1,2	3,3	-0,7
Manufacture of rubber and plastic products	3,1	4,4	0,1
Manufacture of other non-metallic mineral products	0,9	3,5	2,3
Manufacture of basic metals	2,4	-2,0	-7,0
Manufacture of fabricated metal products, except machinery and equipment	0,0	9,5	7,2
Manufacture of electrical machinery and apparatus n.e.c.	0,0	11,1	6,4
<i>Electricity, gas and water supply</i>	<i>2,5</i>	<i>0,4</i>	<i>-0,3</i>

* Previous data

Source: State Statistical Office of the Republic of Macedonia



Table 3
Industrial output*

	Structure in %	<u>VI.2006</u> <u>V.2006</u>	<u>VI.2006</u> <u>VI.2005</u>	<u>I-VI.2006</u> <u>I-VI.2005</u>
		in %		
Prices of producers of industrial products	100,0	2,8	4,1	1,1
Energy	21,9	-6,3	-4,5	-0,2
Intermediary goods (except Energy)	33,8	3,9	8,2	5,3
Capital goods	4,8	6,9	13,6	6,1
Durable consumer goods	1,4	11,2	13,8	-2,7
Non durable consumer goods	38,1	5,3	2,4	-2,8
<i>Mining and quarrying</i>	1,8	4,0	11,6	63,7
<i>Manufacturing industry</i>	79,4	4,7	4,9	0,4
Manufacture of food products and beverages	20,0	-2,3	0,6	2,4
Manufacture of tobacco products	3,9	20,2	11,4	2,0
Manufacture of textiles	2,5	-29,5	15,4	12,4
Manufacture of wearing apparel; dressing and dyeing of fur	8,6	19,6	4,7	-6,8
Publishing, printing and reproduction of recorded media	3,9	9,8	-21,6	-22,8
Publishing, printing and reproduction of recorded media	3,0	3,0	-10,8	8,8
Manufacture of coke, refined petroleum products and nuclear fuel	5,9	14,3	-10,3	-3,2
Manufacture of chemicals and chemical products	2,6	2,5	4,3	-10,6
Manufacture of rubber and plastic products	8,2	-1,0	34,8	26,8
Manufacture of other non-metallic mineral products	6,0	11,5	23,6	-8,4
Manufacture of basic metals	3,8	5,8	6,4	-1,7
Manufacture of fabricated metal products, except machinery and equipment	3,2	-34,5	-39,8	7,4
Manufacture of electrical machinery and apparatus n.e.c.				
<i>Electricity, gas and water supply</i>	18,8	-8,5	-2,6	-1,7

* Previous data

Source: State Statistical Office of the Republic of Macedonia



Table 4
Central Government Budget
(in Denar million)

UNDER CONSTRUCTION

* 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	VI.06
I. Net Foreign Assets	66.282	57.130	57.297	71.907	74.145	75.454	77.256
Assets	69.504	60.326	60.519	75.076	77.213	78.415	80.181
Liabilities	3.222	3.196	3.222	3.169	3.068	2.961	2.925
II. Net Domestic Assets	-40.520	-33.763	-32.079	-47.210	-47.978	-48.045	-50.327
Credit to banks, net	-8.876	-10.368	-9.329	-8.580	-8.461	-7.222	-6.415
<i>Credit to banks</i>	45	45	324	323	323	323	319
Credits extended at auction	0	0	0	0	0	0	0
Repurchased agreement	0	0	0	0	0	0	0
Credits based on securities	0	0	0	0	0	0	0
Long - term credits	31	31	31	31	31	31	27
Advances	4	4	283	282	282	282	282
Other	10	10	10	10	10	10	10
<i>Instruments</i>	-8.921	-10.413	-9.653	-8.903	-8.784	-7.545	-6.734
Auctions of bills	-8.921	-10.413	-9.653	-8.903	-8.784	-7.545	-6.734
<i>Net, Government</i>	-18.989	-11.024	-10.167	-25.762	-26.157	-27.733	-30.847
1. Claims on Government	3.290	3.290	3.290	3.290	2.983	2.983	2.983
Use of Fund credit	0	0	0	0	0	0	0
Ordinary credit	0	0	0	0	0	0	0
Purchased Government sec.	1.039	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	1.944
2. Government Deposits	-22.279	-14.314	-13.457	-29.052	-29.140	-30.716	-33.830
A) In denar	-6.993	-7.653	-6.860	-8.807	-9.141	-11.104	-14.417
Demand deposits	-6.993	-7.653	-6.860	-8.807	-9.141	-11.104	-14.417
- Budget account	-6.562	-7.214	-6.417	-6.965	-5.717	-7.678	-11.342
- Other budget funds	-431	-439	-443	-1.842	-3.424	-3.426	-3.075
o/w - Government securities for monetary purpose				-1.377	-2.951	-2.951	-2.627
Fund for monetary policy support	0	0	0	0	0	0	0
B) In foreign currency	-15.286	-6.661	-6.597	-20.245	-19.999	-19.612	-19.413
Central Gov.dep.	-15.139	-6.516	-6.450	-20.098	-19.851	-19.468	-19.267
o/w Road fund	-147	-130	-121	-102	-84	-56	-31
Other Government deposits	-147	-145	-147	-147	-148	-144	-146
3. External account	0	0	0	0	0	0	0
Other items, net	-12.655	-12.371	-12.583	-12.868	-13.360	-13.090	-13.065
Other assets	5.324	5.243	5.279	5.204	5.320	5.558	5.579
Other liabilities	-5.368	-4.794	-5.067	-4.983	-5.377	-5.416	-5.460
o/w Transitory account	-487	-14	-19	-36	-180	-44	-51
Capital account	-11.024	-11.558	-11.505	-11.608	-11.798	-11.750	-11.523
Residual items	-1.587	-1.262	-1.290	-1.481	-1.505	-1.482	-1.661
Reserve money	25.762	23.367	25.218	24.697	26.167	27.409	26.929
Currency in circulation	14.439	13.100	13.635	13.700	14.560	13.900	14.580
Cash in vaults	1.374	1.068	1.066	980	1.052	965	1.011
Giro - accounts	9.949	9.199	10.517	10.017	10.555	12.544	11.338
o/w Reserve requirement	5.323	5.417	5.413	5.505	5.572	5.657	5.662

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	VI.06
I. Net Foreign Assets	89738	80776	80899	96611	98526	99218	100288
<i>National Bank</i>	66282	57130	57297	71907	74145	75454	77256
Assets	69504	60326	60519	75076	77213	78415	80181
Liabilities	3222	3196	3222	3169	3068	2961	2925
<i>Deposit Money Banks</i>	23456	23646	23602	24704	24381	23764	23032
Assets	37786	37231	36986	36669	36249	35882	35526
Liabilities	14330	13585	13384	11965	11868	12118	12494
II. Net Domestic Assets	19545	28414	30070	16577	18786	19351	18220
1.Domestic credit	62382	71691	74396	62714	65567	66039	65763
of which: Claims on Gov.	-11791	-3271	-1913	-15747	-14773	-15925	-19421
a) Deposit Money Banks	81371	82715	84563	88476	91724	93772	96610
-in denar	64186	65363	66730	69847	72349	73937	75954
Government	7118	7672	8175	9930	11297	11722	11340
Credits	7115	7669	8171	9927	11274	11698	11317
a) Budget and Line Ministries	7033	7589	8013	9696	11071	11509	11015
b) Funds	82	80	158	231	203	189	302
c) Ins. of Central Gov.: Courts, etc.	0	0	0	0	0	0	0
Accrued interest	3	3	4	3	23	24	23
Non Government sector	57068	57691	58555	59917	61052	62215	64614
Credits	51672	52255	53149	54473	55552	56621	58993
of which: Overdue claims	9807	10314	10323	10146	10509	10581	10538
Accrued interest	5396	5436	5406	5444	5500	5594	5621
-in foreign currency	17185	17352	17833	18629	19375	19835	20656
Government	80	81	79	85	87	86	86
of which: Overdue	0	0	0	0	0	0	0
Non Government sector	17105	17271	17754	18544	19288	19749	20570
of which: Overdue	1748	1753	1587	1444	1476	1534	1693
b) Nat. Bank Claims on Government	-18989	-11024	-10167	-25762	-26157	-27733	-30847
2.Other items, net	-42837	-43277	-44326	-46137	-46781	-46688	-47543
of which: Claims on Gov.							
for frozen f.c. deposits	0	0	0	0	0	0	0
Accrued interest	-5399	-5439	-5410	-5447	-5523	-5618	-5644
Others	-37438	-37838	-38916	-40690	-41258	-41070	-41899

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	VI.06
M4Total	109283	109190	110969	113188	117312	118569	118508
M4 (nonGovernment)	108174	108320	109999	111912	116049	117406	117333
M1(Total)	30034	27933	28900	28431	29906	29954	31201
M1 (nonGovernment)	29663	27699	28596	27962	29459	29584	30768
Currency in Circulation	14439	13100	13635	13700	14560	13900	14580
Demand deposits(total)	15595	14833	15265	14731	15346	16054	16621
Demand deposits(NonGov.)	15224	14599	14961	14262	14899	15684	16188
Deposit Money Banks	15577	14752	15183	14519	15241	15940	16509
NonGov. Demand deposits	15206	14518	14879	14050	14794	15570	16076
Government Demand deposits	371	234	304	469	447	370	433
a) Budget and Line Ministries	236	55	91	132	145	73	158
b) Funds	135	179	213	323	302	297	275
c) Ins. of C.Gov.: Courts, etc.	0	0	0	14	0	0	0
Nation. Bank NonGov.Demand dep.	18	81	82	212	105	114	112
M2 (Total)	104195	104065	105734	107835	111559	113044	112772
M2 (nonGovernment)	103134	103243	104812	106607	110344	111929	111645
Quasi money (Total)	74161	76132	76834	79404	81653	83090	81571
Quasi money (non Government)	73471	75544	76216	78645	80885	82345	80877
Deposit Money banks	74161	76132	76834	79404	81653	83090	81571
Non Government sector	73471	75544	76216	78645	80885	82345	80877
Denar	24364	25614	26237	27889	29563	30864	28062
Foreign currency	49107	49930	49979	50756	51322	51481	52815
Government deposits	690	588	618	759	768	745	694
Denar	689	587	616	759	768	745	694
Foreign currency	1	1	2	0	0	0	0
NBM quasi deposits	0	0	0	0	0	0	0
Nonmonetary Deposits (Total)	5088	5125	5235	5353	5753	5525	5736
Denar nonm. deposits (total)	3105	3159	3184	3171	3305	3321	3303
F.C. nonm. deposits (total)	1983	1966	2051	2182	2448	2204	2433
Nonmonetary Deposits (nonGov.)	5040	5077	5187	5305	5705	5477	5688
Denar nonm. dep.(nonG)	3057	3111	3136	3123	3257	3273	3255
F.C. nonm. dep (nonG)	1983	1966	2051	2182	2448	2204	2433
-Deposit Money Banks	5088	5125	5235	5353	5753	5525	5736
Denar nonGov. nonmonetary dep.	3057	3111	3136	3123	3257	3273	3255
F. C. nonGovern. nonmon. dep.	1983	1966	2051	2182	2448	2204	2433
Denar Gov. nonmon. deposits	48	48	48	48	48	48	48
F. C. Govern. nonmon. deposits	0	0	0	0	0	0	0
-NBM NonGov. nonm. deposits	0	0	0	0	0	0	0
Denar	0	0	0	0	0	0	0
Foreign currency	0	0	0	0	0	0	0
Total Deposits	94844	96090	97334	99488	102752	104669	103928
Total Deposits (nonGov.)	93735	95220	96364	98212	101489	103506	102753

Source: National Bank of the Republic of Macedonia


Table 7

Total deposits of the non-government sector

	30.06.2006	monthly changes		annual changes		structure
	in Denar million	in Denar million	in %	in Denar million	in %	in %
Total deposits	86.565	-1.257	-1,4	9.866	12,9	100,0
1. According to maturity						
- short-term	80.877	-1.468	-1,8	9.080	12,6	93,4
- long-term	5.688	211	3,9	786	16,0	6,6
2. According to currency of denomination						
- In denar	31.317	-2.820	-8,3	1.889	6,4	36,2
- In foreign currency	55.248	1.563	2,9	7.977	16,9	63,8

Source: National Bank of the Republic of Macedonia

Table 8

Households and enterprises deposits

	structure in %	30.06.2006	monthly changes		annual changes	
		in Denar million	in Denar million	in %	in Denar million	in %
Total households deposits	100,0	60.436	1.351	2,3	10.556	21,2
1. According to maturity						
- short-term	94,8	57.287	1.336	2,4	9.697	20,4
- long-term	5,2	3.149	15	0,5	859	37,5
2. According to currency of denomination						
- In denar	30,3	18.291	388	2,2	4.737	34,9
- In foreign currency	69,7	42.145	963	2,3	5.819	16,0
Total enterprises deposits	100,0	24.221	-2.743	-10,2	-521	-2,1
1. According to maturity						
- short-term	93,6	22.664	-2.933	-11,5	-741	-3,2
- long-term	6,4	1.557	190	13,9	220	16,5
2. According to currency of denomination						
- In denar	46,8	11.328	-3.372	-22,9	-2.732	-19,4
- In foreign currency	53,2	12.893	629	5,1	2.211	20,7

Source: National Bank of the Republic of Macedonia


Table 9

Demand deposits of households and enterprises

	30.06.2006	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Demand deposits	16.188	504	3,2	2.436	17,7
- Demand deposits of households	3.428	165	5,1	561	19,6
- Demand deposits of enterprises	10.515	401	4,0	1.332	14,5

Source: National Bank of the Republic of Macedonia

Table 10

Placements to households and enterprises

	30.00.2006	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Total placements	79.563	3.193	4,2	16.556	26,3
<i>Denar placements</i>	58.993	2.372	4,2	10.426	21,5
<i>of which:</i>					
- enterprises	34.651	1.598	4,8	4.323	14,3
- households	24.257	785	3,3	6.113	33,7
<i>Foreign currency placements</i>	20.570	821	4,2	6.130	42,5
<i>of which:</i>					
- enterprises	19.220	691	3,7	5.340	38,5
- households	1.347	133	11,0	809	150,4

Source: National Bank of the Republic of Macedonia


Table 11

Maturity and sector structure of Denar and foreign currency placements

	Share on 30.06.2006 (in %)	Monthly change (in percentage points)	Annual change (in percentage points)
Denar placements	100,0		
maturity structure			
- short-term	50,2	-0,1	-1,3
- long-term	49,8	0,1	1,3
structure by sectors			
- enterprises	58,7	0,4	-3,7
- households	41,1	-0,3	3,8
- other	0,1	0,0	-0,1
Foreign currency placements	100,0		
maturity structure			
- short-term	28,0	-0,1	-7,3
- long-term	72,0	0,1	7,3
structure by sectors			
- enterprises	93,4	-0,4	-2,7
- households	6,5	0,4	2,8
- other	0,0	0,0	-0,1

Source: National Bank of the Republic of Macedonia

Table 12

Interest rates

	June, 2006 in %	Monthly changes in percentage points	Annual changes
Average weighted interest rate on the CB bills auctions (28 days)	5,8	0,1	-4,2
Average weighted interest rate on the Money Market*	5,4	-0,3	-3,1
Banks' weighted lending interest rates	11,3	-0,2	-0,9
Banks' weighted deposit interest rates	4,3	0,1	-0,9

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				
06.06.2006	1150	673,98	673,98	6,19
20.06.2006	1.600	645,7	646	6,89
Treasury bills auctions, 6 month				
06.06.2006	300	523,73	300	6,92
Treasury bills auctions, 12 month				
20.06.2006	350	261,67	261,67	8,66

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)

	VI.2006	I-VI.2006	VI.2006		VI.2006		I-VI.2006	
			V.2006		VI.2005		I-VI.2005	
	amount		amount	%	amount	%	amount	%
Foreign trade	426,6	2.209,0	14,8	3,6	53,5	14,3	192,1	9,5
Exports	161,8	840,4	2,2	1,4	31,2	23,9	66,2	8,6
Imports	264,8	1.368,6	12,6	5,0	22,3	9,2	125,9	10,1
Balance	-103,0	-528,2	-10,4	11,2	8,8	-7,9	59,6	12,7

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-VI, 2006
(in EURO million)

	Foreign trade	Share	Exports	Share	Imports	Share	Import- export coverage ratio
	amount	%	amount		amount	%	%
Republic of MACEDONIA	2.209,0	100,0	840,4	100,0	1.368,6	100,0	61,4
<i>out of which:</i>							
Germany	281,0	12,7	143,0	17,0	138,0	10,1	103,6
Serbia and Montenegro	279,2	12,6	186,2	22,2	93,0	6,8	200,1
Greece	249,5	11,3	127,3	15,1	122,2	8,9	104,1
Russia	197,8	9,0	10,1	1,2	187,7	13,7	5,4
Italy	171,1	7,7	88,6	10,5	82,6	6,0	107,3
Bulgaria	139,8	6,3	41,1	4,9	98,7	7,2	41,7
Croatia	76,8	3,5	50,1	6,0	26,8	2,0	186,9
Turkey	66,9	3,0	22,1	2,6	44,8	3,3	49,2
Slovenia	64,0	2,9	14,7	1,7	49,3	3,6	29,7
China	51,7	2,3	1,1	0,1	50,6	3,7	2,1
Total (10 largest trading partners)	1.577,7	71,4	684,0	81,4	893,7	65,3	76,5

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	
	31.05.2006	30.06.2006	V -2006	VI -2006	V -2006	VI -2006
Official creditors	1.038,1	1.048,5	8,9	6,1	3,7	7,0
out of which:						
Multilateral	869,7	879,3	3,7	5,3	3,6	5,3
MMF	48,4	47,8	0,0	0,0	1,6	1,3
IBRD	201,6	203,7	0,7	1,5	1,5	2,6
IFC	4,0	4,1	0,0	0,0	0,0	0,0
IDA	295,5	300,9	0,4	1,1	0,1	0,2
EIB	118,6	118,5	0,0	0,0	0,4	0,1
EUROFIMA	6,1	6,1	0,0	0,0	0,0	0,0
Council of EDB	18,5	18,5	0,0	0,0	0,1	0,0
EBRD	75,8	78,2	2,1	2,7	0,0	0,5
EU	90,0	90,0	0,0	0,0	0,0	0,4
IFAD	11,2	11,4	0,5	0,0	0,0	0,0
European Agency for Reconstruction	0,0	0,0	0,0	0,0	0,0	0,0
Bilateral	168,4	169,2	5,2	0,8	0,0	1,8
Paris club (rescheduled 1995)	88,7	89,9	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	73,1	72,8	5,2	0,8	0,0	1,8
Private creditors	644,7	650,3	3,2	3,1	2,6	4,5
out of which:						
Eurobonds	150,0	150,0	0,0	0,0	0,0	0,0
Other private creditors	494,7	500,3	3,2	3,1	2,6	4,5
Banks and financial institutions	228,0	231,5	1,1	2,9	1,7	2,9
Private non-financial sector	266,7	268,8	2,1	0,2	0,9	1,5
TOTAL	1.682,9	1.698,8	12,1	9,2	6,2	11,5

Source: National Bank of the Republic of Macedonia

National Bank of the Republic of Macedonia Balance sheet

Table 17
NBRM Balance sheet on 30.06.2006
(in million Denars)

Assets	Amount	Liabilities	Amount
Foreign assets	80.181	Reserve money	21.267
Claims on Government	3.604	NBRM instruments	6.734
Claims on banks and other financial institutions	1.354	Restricted deposits	399
Other assets	4.545	Foreign liabilities	2.925
		Government deposits	36.006
		Capital accounts	11.523
		Other liabilities	10.830
Total	89.684	Total	89.684

Source: National Bank of the Republic of Macedonia