

National Bank of the Republic of Macedonia
Research Department



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***Important economic events and amendments to the legal regulations
in Cwi ww 2006***

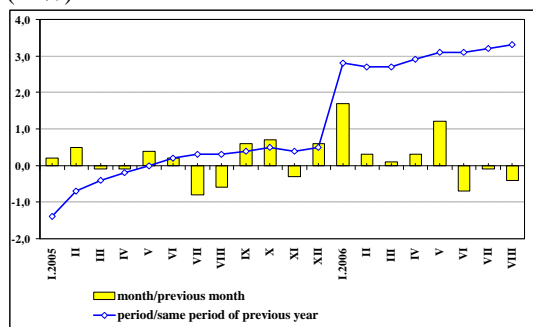
- ❖ *On August 7, the Regulatory Energy Committee made a decision on increasing the refinery and retail prices of oil derivatives by 1.08% and 0.78%, respectively, on average ("Official Gazette of the Republic of Macedonia" no. 88/2006), and on August 21, 2006, the Regulatory Energy Committee made a decision on decreasing the refinery and retail prices of oil derivatives by 1.20% and 0.76%, respectively, on average ("Official Gazette of the Republic of Macedonia" no. 91/2006), in line with the movements of the prices of crude oil and oil derivatives on the international market.*
- ❖ *From August 7 to 11, the USAID Macedonia Competitiveness Activity held the first training for media and promotion of public relations for the representatives of the Macedonian Wine Industry. The training for promoting the public relations has been a part of the efforts of the USAID to help the small- and medium-size wine cellars in Macedonia improve the quality and the renown of their products.*
- ❖ *On August 17, Bitola hosted the meeting of the mayors of the Macedonian part of the Euro region between Macedonia, Greece and Albania, that includes the cities of Bitola, Prilep, Resen, Ohrid and Struga, defining the legal framework which would allow the Macedonian cities of the Euro region to be legalized and be able to act as legal entities to the European foundations.*
- ❖ *On August 24, the Agreement signed by Macedonia on accession to CEFTA - Central European Free Trade Agreement entered into force. Hence, the bilateral agreements Macedonian signed with Croatia, Bulgaria and Romania ceases being valid.*
- ❖ *On August 29, Skopje hosted the conference on the occasion of the establishment of the Macedonian network as a part of the World Trade Network that offers information, practical advices and trainings related to the rules of the World Trade Organization, organized by the International Trade Center from Geneva, WTO - Information and Training Center and the Lawyer Association of Macedonia.*
- ❖ *On August 29, Skopje hosted a seminar organized by the Macedonian Chamber of Commerce, to introduce the requirements that are to be met by the Macedonian production companies in order to benefit from the privileges arising from the accession to the CEFTA.*
- ❖ *Transparency Macedonia, will seek to reduce the corruption in Macedonia in the next three years with a support of the Kingdom of Netherlands, in order to improve the corruption perception index in the country from 2.8, as it is now, to 3.5. The agreement on implementing the three-year program was signed in June, and made public in August 2006.*

I. Economic Developments in the Republic of Macedonia¹

In August 2006, the consumer prices registered a negative monthly change of 0.4%. The consumer price reduction is due to the fall in the prices of goods with a contribution of 0.5 percentage points, partially offset by the positive change in the service prices. With respect to the predominant categories, the lower prices are mainly caused by the reduced prices in the food category, accounting for 0.6 percentage points of the total change, primarily due to the lower prices of fruits and vegetables (by 12.2% and 9.1%, respectively). Such developments were mainly offset by the increase in the prices of the group of transport equipment and services, positively contributing with 0.2 percentage points, owing to the higher prices of fuels (under the decisions of the Regulatory Energy Committee dated July 24 and August 7, on increasing the retail prices of oil derivatives) and higher price of the compulsory insurance of motor vehicles (from August 1, 2006). The annual inflation rate in August 2006 equals 4%, with the increase in the prices in the category of tobacco and beverages and food jointly contributing roughly 60% of the total increase.

The average inflation rate in the January -August 2006 period equals 3.3%, with the highest contribution of the prices of tobacco products and food products of 37% and 26%, respectively. All other mayor categories of the inflation index registered a price increase, other than the category of wearing apparel and footwear, where the price level remains unchanged.

Figure 1
Consumer prices
(in %)



Source: State Statistical Office.

The prices of producers of industrial products² in August 2006 dropped by 0.3% compared to the preceding month, solely determined by the lower prices in the sector of electricity, gas, steam and hot water supply sector (contribution of 0.3 percentage points), having an inconsiderable increase in the prices of producers in the mining sector and unchanged price level in the manufacturing industry. The manufacturing sector registered a fall in the prices of producers of food products and beverages (contribution of 0.4 percentage points to the overall fall), offset by the increase in the prices of producers of oil derivatives (positive contribution of 0.3 percentage points, in line with the decisions of the Regulatory Energy Committee dated July 24, 2006 and August 7, 2006 on increasing the refinery prices) and other non-metal minerals (contribution of 0.1 percentage point). On annual basis, the prices of producers of industrial products went up by 4.6%, with 47.5% of the total increase arising from the higher prices of producers of oil derivatives. In the January-August 2006 period, the prices of producers of industrial products registered an average growth of 5.5% relative to the same period of the previous year. The increase is a result of the higher prices of the producers in the manufacturing industry (contribution of 5.5 percentage points), with the higher prices of the producers of oil derivatives and tobacco products contributing the most (67.9% and 20.9%, respectively, of the total increase). Observing the other two industrial sectors, the average increase in the prices in the mining sector, contributing with 0.1 percentage point, is solely offset by the lower prices in the energy sector.

In August 2006, *the actual volume of industrial output³* registered a moderate monthly growth of 1.5%. Such increase has been determined by the favorable developments in the energy and mining sector, jointly contributing with 2.2 percentage points to the overall increase in the industrial output (with the contribution of the energy sector being more apparent), whereas the manufacturing sector dropped on a monthly basis, reducing the contribution of the other two sectors by 0.7 percentage points. The monthly increase in the mining sector is mainly due to the higher activity in the mining and quarrying sector. The lower

¹ Source: State Statistical Office of the Republic of Macedonia

² Preliminary SSO data.

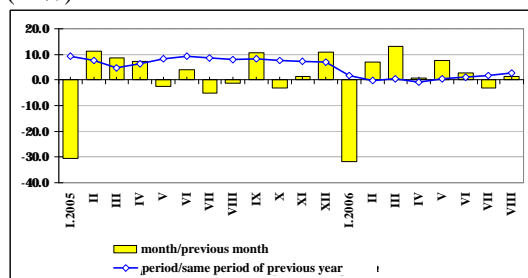
³ Preliminary SSO data.



activity in the manufacturing industry results from the fall in the output in 12 of 20 manufacturing branches in total, making up 52% of the total output of the manufacturing sector. The lower production of chemicals and chemical products, textile clothing and metal products in metal-processing stage (other than machinery) registers the highest negative contribution. The remaining eight manufacturing branches registered an increase in the output, with the substantial increase in the production of electrical appliances having the highest positive contribution (mainly due to the low comparison base of the preceding month) and the higher production of food products and beverages.

In August 2006, the industrial output registered an annual growth rate of 9%, registering an increase in the output in all three industrial sectors. Major driver of the increase, constituting 60% of the total increase, is the manufacturing industry (production of basic metals, other non-metal mineral products, electrical appliances and devices, wearing apparel and tobacco products).

Figure 2
Industrial output
(in %)



Source: State Statistical Office.

The faster cumulative growth in the industrial output carried on in August, with the growth rate in the January-August 2006 reaching 2.8%. The increase was a result of the positive contribution of all three industrial sectors, which is an improvement relative to the situation typical till the preceding month (in this period, the energy sector had negative contribution). The manufacturing sector is the driver of the cumulative growth in the industrial output, which, including the higher output (by 2.1%), accounts for 62% of the industrial growth. The improved performances of this dominant industrial sector reflect the higher output in eleven out of twenty manufacturing branches (making up 50.5% of the total industrial output), with the increased production of other non-metal mineral products, food products and beverages, oil derivatives and textile clothing contributing the most. Favorable movements were registered in the production of tobacco products, enjoying a positive cumulative growth rate since June, which reached 5.4% in August. Improvement was also registered in the production of basic metals, which exited the zone of negative cumulative developments in August, registered at the beginning of the year. The production in the mining and quarrying sector still registers high growth rate (42.3%), contributing with 28% to the total growth in the industrial output. The remaining 10% of the industrial growth results from the accelerated activity in the energy sector.

II. Monetary developments

In August 2006, the Denar Government deposits with the NBRM acted towards withdrawing liquidity from the banking system. On the other hand, the NBRM foreign exchange transactions (a net purchase of foreign currency in the amount of Euro 164.5 million in the first eight months of 2006) and the currency in circulation (seasonal decrease of Denar 497 million after the substantial increase prior to the Ilinden holiday) were directed towards creating liquidity. The net effects of the autonomous factors represented creation of liquidity. The net effect of the autonomous factors represented creation of additional liquidity, fully sterilized through the monetary instruments. Thus, Denar 367 million was withdrawn through the CB bills in August,

and additional liquidity of Denar 985 million was withdrawn through the Treasury bills for monetary purposes⁵. The average weighted interest rate on CB bills auctions held in August 2006 equaled 5.52% (5.57% in the preceding month). The changes in the factors that affect the liquidity of the banking system resulted in slight monthly change in the total liquid funds of the banks⁶ (reduction of 0.1%), standing at Denar 6,579 million at the end of August 2006.

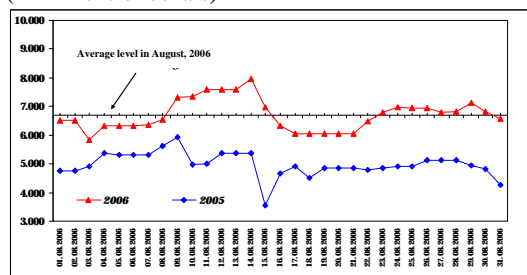
⁵On March 7, 2006, the NBRM in cooperation with the Ministry of Finance started issuing three-month treasury bills for monetary purposes.

⁶Includes cash in the vaults of the banks and account of the banks with the NBRM.



The average daily liquidity of the banking system was worth Denar 6,711.9 million in August 2006, which is by 0.4% higher on monthly basis. Analyzing the daily dynamics, in August 2006, the liquidity of the banks was relatively stable, oscillating under the influence of the common factors. The excess liquid funds of the banks over the reserve requirement (in Denars)⁷ in August 2006 equaled 8.1%, which is by 1.4 percentage points more on a monthly basis.

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



Source: National Bank of the Republic of Macedonia.

In August 2006, the turnover on the interbank money market⁸ amounted to Denar 429 million, which is by 4.9 times lower compared to the previous month. The average interest rate on the interbank money market in August equaled 4.9% (5% in July 2006).

At the end of August 2006 compared to the end of the previous month, the reserve money⁹ plunged by 2.3%, reflecting the fall in the currency in circulation (by 3.2%), having an almost unchanged level of the total bank's liquid funds. At the same time, the monetary aggregate M1 dropped by 0.8% on a monthly basis, which in environment of higher demand deposits (by 1.5%) is solely due to the lower demand for currency in circulation under the effect of the seasonal factors. The broader monetary aggregates M2 and M4 surged by 1.7% and 1.9%, respectively, on a monthly basis, reflecting the increase in the short-term and long-term

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. The excess pertains to excess funds allocated to the banks' accounts with NBRM.

⁸ 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 the Republic of Macedonia" no. 74/2006). The electronic system for interbank trade in deposits and securities (TENFORE) started operating on May 8, 2006.

⁹ The analysis refers to the reserve money excluding the reserve requirement of foreign currency deposits.

deposits with banks. On annual basis (August 2006/ August 2005), the monetary aggregates M2 and M4 picked up by 23.5% and 23.4%, respectively.

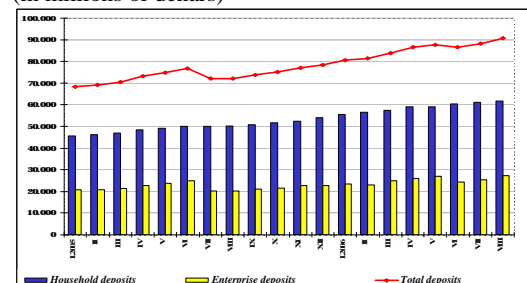
Table 1
Monetary aggregates and their components
(in millions of denars)

	31.08.2006	Monthl y in	Annual change in
Currency in circulation	14.822	-3,2	10,7
Demand deposits	17.083	1,5	21,7
Monetary aggregate M1	31.905	-0,8	16,3
Short-term Denar deposits	30.305	4,3	52,5
Monetary aggregate M2-Denar component	62.210	1,6	31,5
Short-term foreign exchange deposits	54.612	1,7	15,5
Monetary aggregate M2	116.822	1,7	23,5
Non-monetary deposits	5.897	6,2	21,0
-	3.278	0,7	13,4
Denar aggregate	2.619	13,9	32,2
Monetary aggregate M4	122.719	1,9	23,4

Source: National Bank of the Republic of Macedonia.

In August 2006, the total bank deposits registered a monthly increase of 2.8%, given the higher short-term and long-term savings (of 2.6% and 6.2%, respectively). The short-term deposits are the major driver of the increase in the total deposits, contributing with 86.3% to the increase in the total deposits. Observing the currency of denomination structure, the Denar and the foreign currency deposits contributed almost identically to the increase in the total deposits (of 50.6% and 49.4%, respectively). The sector-by-sector analysis indicates a 1% monthly growth in the household deposits. Within the household deposits, only the Denar sight deposits dropped. The enterprise deposits registered a faster monthly increase of 7.5%, particularly due to the higher Denar enterprise deposits with maturity of up to one and up to three months, and enterprise sight foreign currency deposits. On annual basis (August 2006/ August 2005), the total deposits of the private sector with the banks surged by 26.1%.

Figure 4
Dynamics of deposits
(in millions of denars)



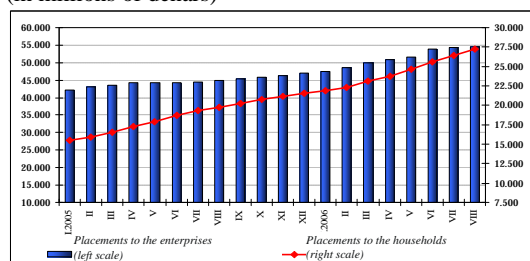
Source: National Bank of the Republic of Macedonia.

The banks' total placements to the private sector in August 2006 relative to the preceding month went up by 1.4%, given the higher lending in both



domestic¹⁰ and foreign currency (increase of 1.2% and 2%, respectively). Thus, 64.3% of the increase in the total placements pertains to Denar credits (short-term credits to the households and long-term credits to the households and enterprises). Within the foreign currency lending, most of the credits approved in August were long-term credits to enterprises. Observing by sector, the placements to the households are drivers of the total increase in the total placements, accounting for 70.6% of the increase in the total placements. The annual increase in the banks' total placements to the private sector equaled 26.5% in August 2006.

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



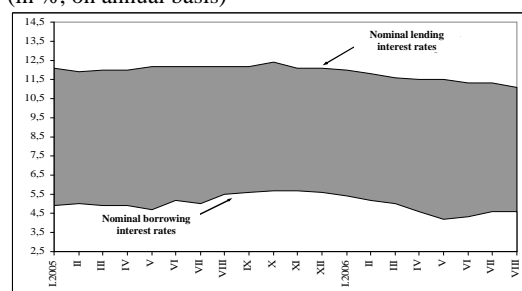
Source: National Bank of the Republic of Macedonia.

¹⁰Also include foreign currency indexed loans.

The banks' interest rate policy registered no considerable changes in August 2006. Thus, the average weighted lending interest rate of the banks on Denar credits in any maturity and sector equaled 11.1% in August 2006 (11.3% in July 2006), whereas the average weighted deposit interest rate on Denar deposit in any maturity and sector remained unchanged on a monthly basis, equaling 4.6% in August 2006.

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.

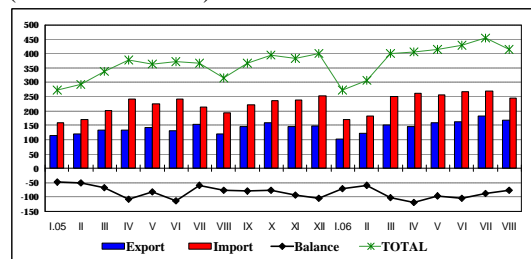
The average weighted interest rates on foreign currency credits and deposits in any maturity, sector and currency remained the same as in the preceding month and in August 2006, they equaled 8.1% and 1.5%, respectively.

III. Foreign trade and foreign exchange developments

The foreign trade of the Republic of Macedonia in August 2006 equals Euro 413.9 million, which is a monthly decrease of 8.7%¹¹, given the fall in both trade components. The total export of goods in August 2006 dropped by 7.8% on a monthly basis, reducing to Euro 168.5 million, while on annual basis it went up by 41.1%. The monthly fall in the exports is due to the lower export of iron and steel, wearing apparel and textile and tobacco, corresponding to the lower output in a part of these industrial branches. Compared to the same month of the preceding year, the higher export of goods is primarily a result of the higher export of oil derivatives, iron and steel and products thereof, tobacco and food. The import of goods in August 2006 was valued at Euro 245.4 million, which is by 9.3% less compared to July 2006, predominantly owing to the lower import of ores, iron and steel and

products thereof and cotton. On annual basis (August 2006/ August 2005) the import of goods went up by 26%.

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.

Having a faster fall in the imports relative to the exports, in August 2006 the trade deficit was cut by 12.4% relative to the preceding month, reducing to Euro 76.9 million. At the same time,

¹¹ Preliminary NBRM data. The export of goods is presented on f.o.b. basis, while the import of goods is presented on c.i.f. basis.



the export-import coverage ratio equals 68.7%, which is a monthly increase of 1.1 percentage point.

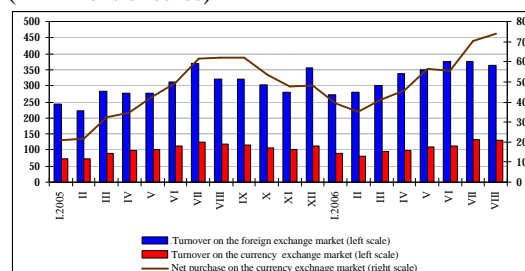
Cumulatively, in the January-August 2006 period, the total foreign trade of goods reached Euro 3,097.3 million, which is by 14.8% higher relative to the same period of the preceding year. The exports in the observed period was valued at Euro 1,192.2 million, registering an annual growth of 13.9%. Analyzing by products, the fastest increase was registered in the export of oil derivatives, iron and steel and products thereof, food and beverages, making up 63.1% of the total increase. In the January-August 2006 period, the import of goods was valued at Euro 1,905.1 million, which is an annual increase of 15.4%, mainly owing to the higher import of mineral fuels, iron and steel and products thereof, vehicles and equipment. Cumulatively, the trade deficit equals Euro 712.9 million, which is by 18% higher on annual basis, whereas the export-import coverage ratio dropped by 0.8 percentage points, equaling 61.8%.

In August 2006, the turnover on the *foreign exchange market* totaled Euro 363.5 million, which is by 3.5% less compared to the previous month. In environment of 7.4% higher demand for foreign currency and slight fall in the supply for foreign currency of 0.7% by the enterprises, the banks registered a 55.9% higher net sale of foreign currency compared to July 2006. The NBRM again made a net purchase of foreign currency on the foreign exchange market, by half less though, compared to the previous month. On August 31, 2006, the *gross foreign reserves* reached Euro 1,345.6 million, which is by Euro 69.5 million more compared to the previous month, primarily due to the net inflows in the government deposits¹² supplemented by the net purchase on the foreign exchange market.

In August, the turnover on the *currency exchange market* totals Euro 129.4 million, being by 1.7% lower on a monthly basis, owing to the monthly fall in the demand for foreign currency (of 9.5%), with the change in the supply being inconsiderable positive (by 0.7%). As a result of such monthly developments of the supply and the demand for foreign currency, in August 2006, the currency exchange market reregistered exceptionally high net purchase of foreign

currency in the amount of Euro 73.9 million, which is a monthly increase of 5.2%. Cumulatively, in the January -August 2006 period, the net purchase on the currency exchange market reached Euro 417.5 million, incrementing by 28.3% relative to the same period of 2005.

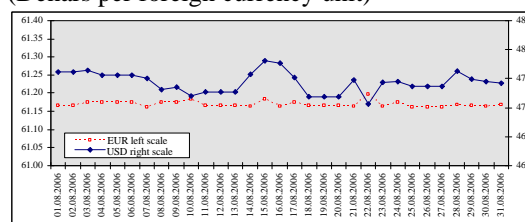
Figure 8
Movement of the total turnover on the foreign exchange and currency exchange market (in millions of euros)



Source: National Bank of the Republic of Macedonia.

On August 31, 2006, the *exchange rate of the Denar* against the Euro on the foreign exchange market is stable and equal Denar 61.17. The exchange rate of the Denar against the US Dollar, at the end of August 2006 equals Denar 47.72 per one US Dollar, appreciating by 1.2% on a monthly basis (on July 31, 2006, Denar 48.30 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 August 2006, the *exchange rate of the Denar* against the Euro on the currency exchange market equals Denar 61.41 per one Euro, on average, and remains unchanged over the last four months. The average bid and ask rate of the Denar against the US dollar equals Denar 47.83 per one US Dollar, slightly appreciating by 0.8% (in July 2006, Denar 48.23 were traded for one US Dollar, on average).

The external debt of the Republic of Macedonia on the basis of long-term credits and loans totaled Euro 1,703.5 million at the end of August 2006, which is by Euro 3.5 million lower

¹²On August 8, 2006, funds from EBOR were transferred to the government account for privatization of ESM Distribution in the amount of Euro 49.75 million, previously held on a special account.



compared to the end of the preceding month, solely as a result of the intercurrency changes. In August 2006, the used funds totals Euro 10.9 million, and the total repaid liabilities stand at Euro 12.5 million (Euro 9.2 million principal and euro 3.3 million interest). In August 2006, credits were concluded in the amount of Euro 17.4 million, fully originating from the private creditors. Observing the debtors, the total long-term debt of the private sector was valued at Euro 489.4 million on August 31, 2006, registering a minor monthly decrease of Euro 1.2 million. Thus, 78% of the total debt of the private sector is a debt of the non-banking private sector

(mostly a debt to private creditors), and the remaining is a debt of the commercial banks. On August 31, 2006, *the short-term external debt*¹³, reduced by Euro 0.5 million, totaling Euro 95.3 million (entirely a debt of the private sector). Euro 2 million were used on the basis of approved short-term credits, and the total repaid liabilities stand at Euro 2.7 million.

¹³ Preliminary NBRM data.



Appendix

Developments in Real Sector in the Republic of Macedonia

Table 1

Costs of living and retail prices

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

Source: State Statistical Office of the Republic of Macedonia


Table 2

Prices of producers of industrial products*

	VIII.2006 VII.2006	VIII.2006 VIII.2005	I-VIII.2006 I-VIII.2005
	in %		
Prices of producers of industrial products	-0,3	4,6	5,5
Energy			
Intermediary goods (except Energy)	0,2	8,6	15,4
Capital goods	-0,6	1,1	-1,3
Durable consumer goods	0,2	5,5	4,5
Non durable consumer goods	0,0	0,6	3,8
	-0,5	4,7	5,1
<i>Mining and quarrying</i>	<i>0,4</i>	<i>2,7</i>	<i>3,6</i>
<i>Manufacturing industry</i>	<i>0,0</i>	<i>5,5</i>	<i>6,3</i>
Manufacture of food products and beverages	-1,3	1,1	0,7
Manufacture of tobacco products	0,0	23,1	20,9
Manufacture of textiles	-0,5	-0,3	0,4
Manufacture of wearing apparel; dressing and dyeing of fur	-0,1	-2,5	-2,6
Publishing, printing and reproduction of recorded media	0,0	0,1	1,6
Manufacture of coke, refined petroleum products and nuclear fuel	2,3	16,3	29,0
Manufacture of chemicals and chemical products	-0,6	-1,3	-0,3
Manufacture of rubber and plastic products	-0,3	3,2	1,0
Manufacture of other non-metallic mineral products	0,6	4,4	2,7
Manufacture of basic metals	0,1	3,1	-4,6
Manufacture of fabricated metal products, except machinery and equipment	0,4	10,0	7,8
Manufacture of electrical machinery and apparatus n.e.c.	0,0	8,7	7,0
<i>Electricity, gas and water supply</i>	<i>-3,1</i>	<i>-2,1</i>	<i>-0,5</i>

* Previous data

Source: State Statistical Office of the Republic of Macedonia



Table 3
Industrial output*

	Structure in %	VIII.2006 VII.2006	VIII.2006 VIII.2005 in %	I-VIII.2006 I-VIII.2005
Prices of producers of industrial products	100,0	1,5	9,0	2,8
Energy	21,9	9,7	18,2	2,5
Intermediary goods (except Energy)	33,8	2,0	11,9	7,3
Capital goods	4,8	-14,7	1,2	2,0
Durable consumer goods	1,4	-2,8	-7,6	-0,6
Non durable consumer goods	38,1	-1,2	3,1	-1,5
<i>Mining and quarrying</i>	1,8	24,9	13,6	42,3
<i>Manufacturing industry</i>	79,4	-0,8	6,8	2,1
Manufacture of food products and beverages	20,0	4,1	-1,7	1,7
Manufacture of tobacco products	3,9	-1,4	26,0	5,4
Manufacture of textiles	2,5	-29,5	-14,8	9,2
Manufacture of wearing apparel; dressing and dyeing of fur	8,6	-3,7	15,9	-2,6
Publishing, printing and reproduction of recorded media	3,9	6,3	-20,0	-22,8
Publishing, printing and reproduction of recorded media	3,0	5,5	7,1	8,8
Manufacture of coke, refined petroleum products and nuclear fuel	5,9	-22,2	-10,0	-2,7
Manufacture of chemicals and chemical products	2,6	-0,1	-15,8	-13,1
Manufacture of rubber and plastic products	8,2	-0,4	18,2	25,5
Manufacture of other non-metallic mineral products	6,0	0,5	37,7	3,1
Manufacture of basic metals	3,8	-17,9	-10,4	-5,4
Manufacture of fabricated metal products, except machinery and equipment	3,2	100,9	45	4
Manufacture of electrical machinery and apparatus n.e.c.				
Electricity, gas and water supply	18,8	10,8	21,4	1,4

* Previous data

Source: State Statistical Office of the Republic of Macedonia



Monetary developments in the Republic of Macedonia

Table 4
National Bank accounts
(current exchange rate, in million denar)

	XII.05	I.06	II.06	III.06	IV.06	V.06	VI.06	VII.06	VIII.06
I. Net Foreign Assets	66,282	57,130	57,297	71,907	74,145	75,454	77,256	79,385	80,535
Assets	69,504	60,326	60,519	75,076	77,213	78,415	80,181	82,287	83,412
Liabilities	3,222	3,196	3,222	3,169	3,068	2,961	2,925	2,902	2,877
II. Net Domestic Assets	-40,520	-33,763	-32,079	-47,210	-47,978	-48,045	-50,327	-51,711	-53,259
Credit to banks, net	-8,876	-10,368	-9,329	-8,580	-8,461	-7,222	-6,415	-6,708	-7,075
<i>Credit to banks</i>	45	45	324	323	323	323	319	319	319
Credits extended at auction	0	0	0	0	0	0	0	0	0
Repurchased agreement	0	0	0	0	0	0	0	0	0
Credits based on securities	0	0	0	0	0	0	0	0	0
Long - term credits	31	31	31	31	31	31	27	27	27
Advances	4	4	283	282	282	282	282	282	282
Other	10	10	10	10	10	10	10	10	10
<i>Instruments</i>	-8,921	-10,413	-9,653	-8,903	-8,784	-7,545	-6,734	-7,027	-7,394
Auctions of bills	-8,921	-10,413	-9,653	-8,903	-8,784	-7,545	-6,734	-7,027	-7,394
<i>Net, Government</i>	-18,989	-11,024	-10,167	-25,762	-26,157	-27,733	-30,847	-31,396	-33,022
1. Claims on Government	3,290	3,290	3,290	3,290	2,983	2,983	2,983	2,983	2,983
Use of Fund credit	0	0	0	0	0	0	0	0	0
Ordinary credit	0	0	0	0	0	0	0	0	0
Purchased Government sec.	1,039	1,039	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	1,944	1,944
2. Government Deposits	-22,279	-14,314	-13,457	-29,052	-29,140	-30,716	-33,830	-34,379	-36,005
A) In denar	-6,993	-7,653	-6,860	-8,807	-9,141	-11,104	-14,417	-16,110	-17,528
Demand deposits	-6,993	-7,653	-6,860	-8,807	-9,141	-11,104	-14,417	-16,110	-17,528
- Budget account	-6,562	-7,214	-6,417	-6,965	-5,717	-7,678	-11,342	-11,816	-12,247
- Other budget funds	-431	-439	-443	-1,842	-3,424	-3,426	-3,075	-4,294	-5,281
o/w - Government securities for monetary purpose				-1,377	-2,951	-2,951	-2,627	-3,885	-4,870
Fund for monetary policy support	0	0	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	-18,269	-18,477
Central Gov.dep.	-15,139	-6,516	-6,450	-20,098	-19,851	-19,468	-19,267	-18,125	-18,333
o/w Road fund	-147	-130	-121	-102	-84	-56	-31	-31	-213
Other Government deposits	-147	-145	-147	-147	-148	-144	-146	-144	-144
3. External account	0	0	0	0	0	0	0	0	0
Other items, net	-12,655	-12,371	-12,583	-12,868	-13,360	-13,090	-13,065	-13,607	-13,162
Other assets	5,324	5,243	5,279	5,204	5,320	5,558	5,579	5,569	5,630
Other liabilities	-5,368	-4,794	-5,067	-4,983	-5,377	-5,416	-5,460	-5,713	-5,451
o/w Transitory account	-487	-14	-19	-36	-180	-44	-51	-352	-48
Capital account	-11,024	-11,558	-11,505	-11,608	-11,798	-11,750	-11,523	-11,888	-11,656
Residual items	-1,587	-1,262	-1,290	-1,481	-1,505	-1,482	-1,661	-1,575	-1,685
Reserve money	25,762	23,367	25,218	24,697	26,167	27,409	26,929	27,674	27,276
Currency in circulation	14,439	13,100	13,635	13,700	14,560	13,900	14,580	15,319	14,822
Cash in vaults	1,374	1,068	1,066	980	1,052	965	1,011	1,112	1,082
Giro - accounts	9,949	9,199	10,517	10,017	10,555	12,544	11,338	11,243	11,372
o/w Reserve requirement	5,323	5,417	5,413	5,505	5,572	5,657	5,662	5,767	5,875

Source: National Bank of the Republic of Macedonia



Table 5
Monetary Survey
(current exchange rate, in million denar)

	XII.05	I.06	II.06	III.06	IV.06	V.06	VI.06	VII.06	VIII.06
I. Net Foreign Assets	89738	80776	80899	96611	98526	99218	100288	102625	104646
<i>National Bank</i>	66282	57130	57297	71907	74145	75454	77256	79385	80535
Assets	69504	60326	60519	75076	77213	78415	80181	82287	83412
Liabilities	3222	3196	3222	3169	3068	2961	2925	2902	2877
<i>Deposit Money Banks</i>	23456	23646	23602	24704	24381	23764	23032	23240	24111
Assets	37786	37231	36986	36669	36249	35882	35526	35808	36862
Liabilities	14330	13585	13384	11965	11868	12118	12494	12568	12751
II. Net Domestic Assets	19545	28414	30070	16577	18786	19351	18220	18953	19123
1.Domestic credit	62382	71691	74396	62714	65567	66039	65763	67436	67795
of which: Claims on Gov.	-11791	-3271	-1913	-15747	-14773	-15925	-19421	-19004	-19875
a) Deposit Money Banks	81371	82715	84563	88476	91724	93772	96610	98832	100817
-in denar	64186	65363	66730	69847	72349	73937	75954	77766	79303
Government	7118	7672	8175	9930	11297	11722	11340	12300	13021
Credits	7115	7669	8171	9927	11274	11698	11317	12276	12996
a) Budget and Line Ministries	7033	7589	8013	9696	11071	11509	11015	12048	12843
b) Funds	82	80	158	231	203	189	302	228	153
c) Ins. of Central Gov.: Courts, etc.	0	0	0	0	0	0	0	0	0
Accrued interest	3	3	4	3	23	24	23	24	25
Non Government sector	57068	57691	58555	59917	61052	62215	64614	65466	66282
Credits	51672	52255	53149	54473	55552	56621	58993	59766	60513
of which: Overdue claims	9807	10314	10323	10146	10509	10581	10538	10690	10908
Accrued interest	5396	5436	5406	5444	5500	5594	5621	5700	5769
-in foreign currency	17185	17352	17833	18629	19375	19835	20656	21066	21514
Government	80	81	79	85	87	86	86	92	126
of which: Overdue	0	0	0	0	0	0	0	0	0
Non Government sector	17105	17271	17754	18544	19288	19749	20570	20974	21388
of which: Overdue	1748	1753	1587	1444	1476	1534	1693	1806	1723
b) Nat. Bank Claims on Government	-18989	-11024	-10167	-25762	-26157	-27733	-30847	-31396	-33022
2.Other items, net	-42837	-43277	-44326	-46137	-46781	-46688	-47543	-48483	-48672
of which: Claims on Gov.	0	0	0	0	0	0	0	0	0
for frozen f.c. deposits	0	0	0	0	0	0	0	0	0
Accrued interest	-5399	-5439	-5410	-5447	-5523	-5618	-5644	-5724	-5794
Others	-37438	-37838	-38916	-40690	-41258	-41070	-41899	-42759	-42878

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	VII.06	VIII.06
M4Total	109283	109190	110969	113188	117312	118569	118508	121578	123769
M4 (nonGovernment)	108174	108320	109999	111912	116049	117406	117333	120461	122719
M1(Total)	30034	27933	28900	28431	29906	29954	31201	32503	32197
M1 (nonGovernment)	29663	27699	28596	27962	29459	29584	30768	32151	31905
Currency in Circulation	14439	13100	13635	13700	14560	13900	14580	15319	14822
Demand deposits(total)	15595	14833	15265	14731	15346	16054	16621	17184	17375
Demand deposits(NonGov.)	15224	14599	14961	14262	14899	15684	16188	16832	17083
Deposit Money Banks	15577	14752	15183	14519	15241	15940	16509	17072	17215
NonGov. Demand deposits	15206	14518	14879	14050	14794	15570	16076	16720	16923
Government Demand deposits	371	234	304	469	447	370	433	352	292
a) Budget and Line Ministries	236	55	91	132	145	73	158	98	84
b) Funds	135	179	213	323	302	297	275	253	207
c) Ins. of C.Gov.: Courts, etc.	0	0	0	14	0	0	0	1	1
Nation. Bank NonGov.Demand dep.	18	81	82	212	105	114	112	112	160
M2 (Total)	104195	104065	105734	107835	111559	113044	112772	115974	117823
M2 (nonGovernment)	103134	103243	104812	106607	110344	111929	111645	114906	116822
Quasi money (Total)	74161	76132	76834	79404	81653	83090	81571	83471	85626
Quasi money (non Government)	73471	75544	76216	78645	80885	82345	80877	82755	84917
Deposit Money banks	74161	76132	76834	79404	81653	83090	81571	83471	85626
Non Government sector	73471	75544	76216	78645	80885	82345	80877	82755	84917
Denar	24364	25614	26237	27889	29563	30864	28062	29059	30305
Foreign currency	49107	49930	49979	50756	51322	51481	52815	53696	54612
Government deposits	690	588	618	759	768	745	694	716	709
Denar	689	587	616	759	768	745	694	716	708
Foreign currency	1	1	2	0	0	0	0	0	1
NBM quasi deposits	0	0	0	0	0	0	0	0	0
Nonmonetary Deposits (Total)	5088	5125	5235	5353	5753	5525	5736	5604	5946
Denar nonm. deposits (total)	3105	3159	3184	3171	3305	3321	3303	3305	3327
F.C. nonm. deposits (total)	1983	1966	2051	2182	2448	2204	2433	2299	2619
Nonmonetary Deposits (nonGov.)	5040	5077	5187	5305	5705	5477	5688	5555	5897
Denar nonm. dep.(nonG)	3057	3111	3136	3123	3257	3273	3255	3256	3278
F.C. nonm. dep (nonG)	1983	1966	2051	2182	2448	2204	2433	2299	2619
-Deposit Money Banks	5088	5125	5235	5353	5753	5525	5736	5604	5946
Denar nonGov. nonmonetary dep.	3057	3111	3136	3123	3257	3273	3255	3256	3278
F. C. nonGovern. nonmon. dep.	1983	1966	2051	2182	2448	2204	2433	2299	2619
Denar Gov. nonmon. deposits	48	48	48	48	48	48	48	49	49
F. C. Govern. nonmon. deposits	0	0	0	0	0	0	0	0	0
-NBM NonGov. nonm. deposits	0	0	0	0	0	0	0	0	0
Denar	0	0	0	0	0	0	0	0	0
Foreign currency	0	0	0	0	0	0	0	0	0
Total Deposits	94844	96090	97334	99488	102752	104669	103928	106259	108947
Total Deposits (nonGov.)	93735	95220	96364	98212	101489	103506	102753	105142	107897

Source: National Bank of the Republic of Macedonia


Table 6

Total deposits of the non-government sector

	31.08.2006	monthly changes		annual changes		structure
	in Denar million	in Denar million	in %	in Denar million	in %	in %
Total deposits	90.814	2.504	2,8	18.803	26,1	100,0
1. According to maturity						
- short-term	84.917	2.162	2,6	17.778	26,5	93,5
- long-term	5.897	342	6,2	1.025	21,0	6,5
2. According to currency of denomination						
- In denar	33.583	1.268	3,9	10.816	47,5	37,0
- In foreign currency	57.231	1.236	2,2	7.987	16,2	63,0

Source: National Bank of the Republic of Macedonia

Table 7

Households and enterprises deposits

	structure	31.08.2006	monthly changes		annual changes	
	in %	in Denar million	in Denar million	in %	in Denar million	in %
Total households deposits	100,0	61.827	635	1,0	11.604	23,1
1. According to maturity						
- short-term	94,6	58.467	503	0,9	10.697	22,4
- long-term	5,4	3.360	132	4,1	907	37,0
2. According to currency of denomination						
- In denar	29,9	18.511	-13	-0,1	5.600	43,4
- In foreign currency	70,1	43.316	648	1,5	6.004	16,1
Total enterprises deposits	100,0	27.247	1.891	7,5	7.131	35,4
1. According to maturity						
- short-term	94,2	25.678	1.662	6,9	7.042	37,8
- long-term	5,8	1.569	229	17,1	89	6,0
2. According to currency of denomination						
- In denar	49,9	13.599	1.311	10,7	5.222	62,3
- In foreign currency	50,1	13.648	580	4,4	1.909	16,3

Source: National Bank of the Republic of Macedonia


Table 8

Demand deposits of households and enterprises

	31.08.2006	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Demand deposits	17.083	251	1,5	3.043	21,7
- Demand deposits of households	3.254	-198	-5,7	539	19,9
- Demand deposits of enterprises	11.781	530	4,7	2.373	25,2

Source: National Bank of the Republic of Macedonia

Table 9

Placements to households and enterprises

	31.08.2006	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Total placements	81.901	1.161	1,4	17.148	26,5
<i>Denar placements</i>	60.513	747	1,2	11.297	23,0
<i>of which:</i>					
- enterprises	34.668	-32	-0,1	4.762	15,9
- households	25.766	780	3,1	6.573	34,2
<i>Foreign currency placements</i>	21.388	414	2,0	5.851	37,7
<i>of which:</i>					
- enterprises	19.919	375	1,9	4.978	33,3
- households	1.466	40	2,8	888	2,5 times

Source: National Bank of the Republic of Macedonia


Table 10

Maturity and sector structure of Denar and foreign currency placements

	Share on 31.08.2006 (in %)	Monthly change (in percentage points)	Annual change (in percentage points)
Denar placements	100,0		
maturity structure			
- short-term	49,1	-0,4	-2,1
- long-term	50,9	0,4	2,1
structure by sectors			
- enterprises	57,3	-0,8	-3,5
- households	42,6	0,8	3,6
- other	0,1	0,0	-0,1
Foreign currency placements	100,0		
maturity structure			
- short-term	26,6	-0,3	-2,8
- long-term	73,4	0,3	2,8
structure by sectors			
- enterprises	93,1	-0,1	-3,0
- households	6,9	0,1	3,1
- other	0,0	0,0	-0,1

Source: National Bank of the Republic of Macedonia

Table 11

Interest rates

	August, 2006 in	Monthly changes in percentage points	Annual changes
Average weighted interest rate on the CB bills auctions (28 days	5,	-	-
Average weighted interest rate on the Money Market*	4,	-	-
Banks' weighted lending interest rate	11,	-	-
Banks' weighted deposit interest rate	4,	0,	-

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 12
Auctions of Treasury bills

	Supply	Deman	Realized	Weighted interest rate
	in Denar million			in %
Treasury bills auctions, 3 month				
08.08.2006	700,	909,	700,	5,97
22.08.2006	800,	942,	800,	5,9
Treasury bills auctions, 6 month				
08.08.2006	400,	351,	351,	6,5

Source: Ministry of finance

Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia

Table 13
Foreign trade of the Republic of Macedonia
(in EURO million)

	VIII.200		I-		VIII.200		VIII.200		I-	
	amoun		amoun	%	amoun	%	amoun	%	amoun	%
Foreign trade	413,	3.097,	-	-	99,	31,	399,	14,		
Exports	168,	1.192,	-	-	49,	41,	145,	13,		
Imports	245,	1.905,	-	-	50,	26,	254,	15,		
Balance	-	-	10,	-	-	2,	109,	18,		

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 14
Ten most important trading partners of the Republic of Macedonia, January-August, 2006
(in EURO million)

	Foreign trade		Exports		Imports		Import- export coverage ratio
	amoun	Share %	amoun	Share %	amoun	Share %	%
Republic of MACEDONIA	3.097,3	100,0	1.192,2	100,0	1.905,1	100,0	62,6
<i>out of which:</i>							
Serbia and Montenegro	410,3	13,2	274,8	23,0	135,5	7,1	202,8
German	384,3	12,4	195,4	16,4	188,9	9,9	103,4
Greece	349,8	11,3	187,2	15,7	162,6	8,5	115,1
Russia	285,2	9,2	14,7	1,2	270,5	14,2	5,4
Ital	232,2	7,5	116,4	9,8	115,8	6,1	100,5
Bulgaria	191,1	6,2	59,2	5,0	131,9	6,9	44,9
Croatia	105,2	3,4	65,5	5,5	39,7	2,1	165,0
Turkey	91,2	2,9	30,5	2,6	60,7	3,2	50,2
Slovenia	88,9	2,9	21,0	1,8	67,9	3,6	30,9
China	71,1	2,3	1,1	0,1	70,0	3,7	1,6
Total (10 largest trading partners)	2.209,2	71,3	965,	81,0	1.243,6	65,3	77,7

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

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

	External		Credits		Debt payments	
	31.07.200	31.08.200	VII -	VIII -	VII -	VIII -
Official creditors	1.043,6	1.042,5	12,5	6,5	15,3	5,7
out of which:						
Multilateral	881,3	880,7	8,5	5,1	4,1	3,9
BRD	47,5	47,0	0,0	0,0	0,0	0,5
IFC	202,9	201,2	1,4	0,8	1,7	2,2
EIB	4,2	4,2	0,0	0,0	0,0	0,0
	298,6	296,2	0,4	0,3	0,5	0,4
Council of EDB	123,5	123,5	5,0	0,0	0,0	0,0
EBRD	6,1	6,1	0,0	0,0	0,0	0,1
	18,5	18,5	0,0	0,0	0,0	0,1
IFA	78,0	81,8	1,0	3,6	1,6	0,5
European Agency for Reconstruction	90,0	90,0	0,0	0,0	0,3	0,2
	12,0	12,3	0,7	0,4	0,0	0,0
	0,0	0,0	0,0	0,0	0,0	0,0
Bilateral	162,3	161,8	4,0	1,4	11,2	1,8
Paris club (rescheduled 1995)	80,4	79,8	0,0	0,0	10,9	0,0
New credits	6,6	6,6	0,0	0,0	0,0	0,0
Non -rescheduled debt	75,3	75,4	4,0	1,4	0,2	1,8
Private creditors	663,3	660,9	24,5	4,4	20,2	6,8
out of which:						
Eurobonds	150,0	150,0	0,0	0,0	0,0	0,0
Other private creditors	513,3	510,9	24,5	4,4	20,2	6,8
Banks and financial institutions	248,5	245,1	20,0	1,0	8,4	4,6
Private non -financial sector	264,8	265,8	4,5	3,4	11,8	2,2
TOTAL	1.706,9	1.703,5	37,0	10,9	35,5	12,5



	External		Credits		Debt payments	
	30.06.200	31.07.200	VI -	VII -	VI -	VII -
Official creditors	1.048,8	1.044,3	6,2	12,5	7,0	15,3
out of which:						
	879,4	881,3	5,3	8,5	5,3	4,1
MMF	47,8	47,5	0,0	0,0	1,3	0,0
BRD	203,7	202,9	1,5	1,4	2,6	1,7
IFC	4,2	4,2	0,0	0,0	0,0	0,0
	300,9	298,6	1,1	0,4	0,2	0,5
EIB	118,5	123,5	0,0	5,0	0,1	0,0
EUROFIMA	6,1	6,1	0,0	0,0	0,0	0,0
Council of EDB	18,5	18,5	0,0	0,0	0,0	0,0
EBRD	78,2	78,0	2,7	1,0	0,5	1,6
EU	90,0	90,0	0,0	0,0	0,4	0,3
IFAD	11,4	12,0	0,0	0,7	0,0	0,0
European Agency for Reconstruction	0,0	0,0	0,0	0,0	0,0	0,0
	169,4	163,0	0,9	4,0	1,8	11,2
Paris club (rescheduled 1995)	89,9	80,4	0,0	0,0	0,0	10,9
New	6,6	6,6	0,0	0,0	0,0	0,0
Non-rescheduled debt	72,9	76,0	0,9	4,0	1,8	0,2
Private creditors	652,4	653,5	9,8	16,8	4,7	19,5
out of which:						
	150,0	150,0	0,0	0,0	0,0	0,0
Other private creditors	502,4	503,5	9,8	16,8	4,7	19,5
Banks and financial institutions	234,0	242,0	3,9	14,5	3,0	7,9
Private nonfinancial sector	268,5	261,5	5,9	2,4	1,7	11,6
TOTAL	1.701,2	1.697,8	16,0	29,3	11,8	34,8

Source: National Bank of the Republic of Macedonia

National Bank of the Republic of Macedonia Balance sheet

Table 16

NBRM Balance sheet on 31.08.2006

(in million Denars)

Assets	Amount	Liabilities	Amount
Foreign assets	83.412	Reserve money	21.401
Claims on Government	3.604	NBRM instruments	7.394
Claims on banks and other financial institutions	1.354	Restricted deposits	249
Other assets	4.596	Foreign liabilities	2.877
		Government deposits	38.211
		Capital accounts	11.656
		Other liabilities	11.178
Total	92.966	Total	92.966

Source: National Bank of the Republic of Macedonia