

National Bank of the Republic of Macedonia
Research Department



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CONTENTS

Important economic events and amendments to the legal regulations in the Republic of Macedonia in October 2006	3
I. Economic Developments in the Republic of Macedonia	4
II. Monetary developments in the Republic of Macedonia	5
III. Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia	7
Appendix - tables	10



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

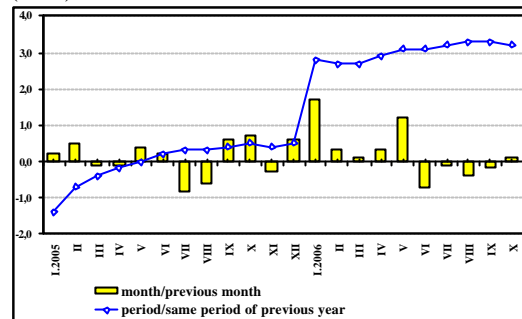
- ❖ *On October 2, Incebo doo became the first official body for authorization of HACCP and EUREPGAP standards for food safety in the country, which will issue both nationally and internationally accredited certificates.*
- ❖ *On October 2, according to decision of the Regulatory Energy Committee, the refinery and retail prices of oil derivatives decreased on average by 5.19% and 3.69%, respectively ("Official Gazette of RM" No. 103/2006), while according to the decision dated October 16, 2006, they went down on average by 1.58% and 1.04%, respectively ("Official Gazette of RM", No. 107/2006), and on October 30, the Regulatory Energy Committee adopted a decision on increasing the refinery prices of oil derivatives by 0.75%, on average, while the retail prices remained unchanged ("Official Gazette of RM" No. 112/2006) in conformity with the movement of the prices of crude oil and oil derivatives on the international market.*
- ❖ *On October 4, a symposium on the subject of the "Importance of the statistical data in the process of creating dominant policy and the accession to EU" organized by the State Statistical Office of the Republic of Macedonia in cooperation with the Swedish Statistical Office was held in Skopje. The main objective of this symposium is emphasizing the role of the impartial and quality statistical data in the market economies, as well as in the process of integration into the EU.*
- ❖ *On October 4, European Bank for Reconstruction and Development (EBRD) became the owner of 25% of TTK Bank (established by a merger between Teteks-Kreditna Banka and Tetovska Banka), with an agreement for investing Euro 3.7 million being signed.*
- ❖ *On October 5, a foundation for building a car electronics factory was laid in the free economic zone Bunardzik, an investment of the American company Johnson Controls, the production process of which should commence in a year.*
- ❖ *On October 5, the Ninth International Symposium Energy 2006 was opened by the Association of Power Engineers of Macedonia (ZEMAK). Lectures related to the energy supply projections and the hydroelectric situation in the Europe were held on the plenary session.*
- ❖ *On October 12, the Ohrid Institute for Economic Strategies and International Affairs was launched in Skopje, which will function as a "think-tank" - an independent public research organization dealing with alternative perspectives of the economy and international affairs area issues.*
- ❖ *On October 20, agreements for realization of the second stage of the Project for Rural Development were signed in the Ministry of Agriculture, Forestry and Water Supply, which is a preparation for the utilization of the funds from the pre-accession assistance of the European Union.*
- ❖ *On October 30, Macedonia and Albania signed a bilateral protocol which defines the entry-exit points of the oil pipeline AMBO on the territory of both countries.*
- ❖ *On October 31, the "Clean FOOD Group" from Sweden became the owner of an industrial construction land in Skopje, where the new modern dairy plant "Swedmilk Makedonija" will be built.*
- ❖ *New regulations:*
 - Decision on approving new tariff rates for delivery of heat energy to the tariff consumers connected to the hot water network of Skopje Sever - AD, Skopje in September 15 2006 - December 31, 2006 period ("Official Gazette of RM" NO. 105/2006);*
 - Decision on approving tariff rates for delivery of heat energy to the tariff consumers connected to the hot water network of Toplifikacija Bitola - DOO Skopje in September 15 2006 - December 31, 2006 period ("Official Gazette of RM" NO. 105/2006);*
 - With these decisions, since October the price of heat energy distributed from both hot water network Skopje Sever - AD Skopje and Toplifikacija Bitola DOO Skopje is higher by approximately 48% and 30%, respectively, compared to the prices applied so far.*

I. Economic Developments in the Republic of Macedonia¹

In October 2006, the level of the consumer prices remained almost unchanged relative to the previous month (minimal increase of 0.01%), as a result of the divergent movements in the prices of goods and services. Analyzed by the inflation index structure, the largest contribution to the monthly inflation (of 0.2 percentage points) accounts for the increase in the prices in the category "housing", which is completely due to the higher price of central heating (by 25.6%). However, the final effect of this increase on the general price level is relatively small, due to the minor share of the costs of central heating in the total inflation index (in line with the low share of this type of heating). The prices of food products in October were insignificantly higher in comparison with September (a contribution of 0.1 percentage point), reflecting mainly the increase in the prices of raw vegetable partially neutralized by the decrease in the prices of fresh fruit. Additional positive contribution to the monthly inflation accounts for the prices of education (growth of 2.5%) and the prices of medicines (increase of 1.7%). However, the rise in the prices with the stated categories is relativized with the lower prices of oil derivatives (negative contribution in the total inflation index of 0.3 percentage points).

In October 2006, the annual rate of inflation equaled 2.6% (3.1% in the preceding month). The average rate of inflation in the January - October 2006 period registered minimal decrease compared to the previous month, and it equaled 3.2%. However, 91% of the average inflation is determined by the increase in the prices of goods, while the remaining part of the inflation is determined by more moderate rise in the services. All index categories registered average increase in the prices, with the effect of the increase in the price of tobacco (of 39%) still being dominant. The higher prices of the producers of food (mainly raw vegetable, fresh and processed meat and sugar) determined 25% of the total average inflation. Additional share of 12% accounts for the incremented prices of oil derivatives, while 8% of the inflation was due to the higher prices of education. The effect of the increase in the price of central heating and electricity on the total inflation equals 1.1% and 3.5%, respectively.

Figure 1
Consumer prices
(in %)



Source: National Bank of the Republic of Macedonia

The prices of the producers of industrial products² continue their downward trend, i.e. they are lower by 0.8% in October 2006 compared to the previous month. The monthly decrease is due to the lower prices in the sector "manufacturing" (a contribution of 1.9 percentage points) and the minimal share of the lower prices in the sector "mining and quarrying", the effect of which was partially neutralized by the increase in the prices of the producers in the sector "electricity, gas and water supply" (rise of 10.7%, i.e. a contribution towards increase in the prices of 1.1 percentage point). The decline in the prices of the producers in the manufacturing is mainly due to the lower prices of the producers of oil derivatives (contributing by 1.6 percentage points to the total drop, in line with the decrease in the refinery prices with the decisions of the Regulatory Energy Committee dated September 18, 2006 and October 2, 2006) and the decrease in the prices of food products and beverages (as a result of which the decrease equaled 0.3 percentage points).

On annual basis, the prices of the producers of industrial products went up by 1.8%, with 68.7% of the total increase being a result of the higher prices of the producers of tobacco products, which completely neutralized the effect of the reduced prices of oil derivatives. In the January - October 2006 period, the prices of the producers of industrial products register an average increase of 4.8%, compared to the same period of the previous year. Most of the realized increase is a

¹ Source: State Statistical Office of the Republic of Macedonia and NBRM calculations

² Preliminary data of the SSO.

result of the higher prices of the producers of manufacturing (a share of 4.7 percentage points), with the largest contribution accounting for the higher prices of the producers of oil derivatives and tobacco products. Also, average increase in the prices of 3.4% and 0.5%, respectively was registered in both mining and energy sector, having slight joint contribution of 0.1 percentage point in the total increase in the production prices.

*The actual volume of the industrial output*³ registered monthly growth of 7.4% in October 2006, caused by the positive movements in both energy and processing sector (given more apparent positive contribution of the energy sector), while the mining sector evidenced a minimal drop. The increased production in the energy sector is a result of the lower comparison base registered in the previous month (when repair in an energy facility was made). The intensified activity in the manufacturing sector is a result of the production in 9 out of 20 branches of the manufacturing, comprising about 60% of the total output of the manufacturing sector. The largest positive contribution of them accounts for the enhanced production of electrical machines and apparatus (mainly as a result of the low comparison base in the previous month), chemicals and chemical products, food products and beverages, textile clothing and oil derivatives.

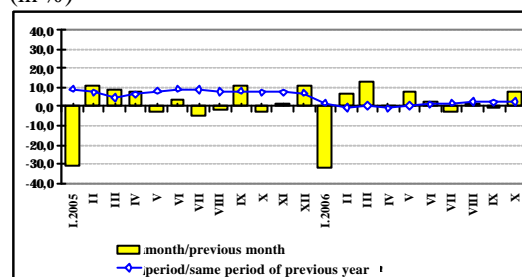
In October 2006, the industrial output increased by 8.4%, annually, given rise in the production in

³ Preliminary Data of the SSO.

mining and manufacturing sector, while a minimal decrease was registered in the energy sector.

The enhanced production on a monthly basis intensifies the cumulative increase in the industrial output, which reached 2.8% in the January - October 2006 period, compared to the same period of 2005. The registered increase is due to the rise in the manufacturing and mining sector (of 2.4 percentage points and 0.7% percentage points, respectively), while reduced activity was registered in the energy sector (negative contribution of 0.3 percentage points). The augmented production in the dominant manufacturing sector (by 2.9%) is reflection of the higher production in 13 out of total 20 manufacturing branches) with a share of 75.8% in the total production of the manufacturing sector), the largest contribution of which had the enhanced production of products from other non-metal minerals, basic metals, food products and beverages, tobacco products, textile clothing, electrical machines and apparatus and oil derivatives.

Figure 2
Industrial output
(in %)



Source: State Statistical Office

II. Monetary developments

In October 2006, the NBRM continued purchasing foreign currency on the foreign exchange market, thus acting towards liquidity creation in the banking system. The effect of the *foreign exchange transactions of the NBRM* was partially neutralized through the increase in the *government Denar deposits with the NBRM*⁴ (of Denar 403 million on a monthly basis), while the *currency in circulation*, having in mind their insignificant monthly change (decrease of Denar

⁴ The analysis pertains to the government Denar deposits with the NBRM without the Treasury bills for monetary purposes.

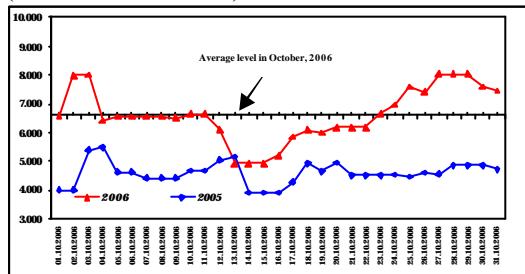
14 million) had no larger liquidity effect. In October, the monetary instruments represented a flow of liquidity withdrawal, given more intensive monthly increase in the level of the *Treasury bills for monetary purposes*⁵ compared to the increase in the *CB bills* (of Denar 470 million and Denar 141 million, respectively). The average weighted interest rate on the CB bills equals 5.46% in October 2006 (5.36% in the preceding month). The changes in the autonomous factors and the

⁵ On March 07, 2006 the NBRM in cooperation with the Ministry of Finance commenced issuing Treasury bills for monetary purposes, with maturity of up to three months

monetary instruments resulted in an increase in the banks' total liquid funds⁶ of 13.5% on a monthly basis, and at the end of October they reached Denar 7,432 million.

In October 2006, the average daily liquidity of the banking system amounts to Denar 6,619.2 million, which is a monthly decrease of 1.1%. From the aspect of the daily dynamics, at the beginning of the month an increase in the bank liquidity is registered, reflecting the effect of regular payment of the Government based on old foreign currency savings bonds. In the period of payment of tax obligations (in the mid-October), the banks liquidity dropped. In the second half of the month, the bank liquidity registered an upward trend, corresponding to the realized net purchase of foreign currency on the foreign currency market by the NBRM and the reduced interest of the banks to invest in CB bills. In October 2006, the excess liquid funds of the banks over the reserve requirement (in Denars)⁷ equals 5.9% and it is lower by 0.5 percentage points compared to the previous calculation period.

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



Source: National Bank of the Republic of Macedonia

In October 2006, after two-month decline in the turnover, the total turnover on the interbank Money Market⁸ registered a monthly growth of 3.2 times and it equals Denar 612 million. The average interest rate on the interbank Money

⁶ It includes banks' account with the NBRM and the banks' cash in vault.

⁷ The period for maintaining (fulfilling) the banks' reserve requirement covers the 11th day of the current month to the 10th day of the following month

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 RM" No. 74/2006). Since May 08, 2006 the electronic system for interbank trading with deposits and securities (TENFORE) commenced operating.

Market equals 4.8% in October (4.7% in the previous month).

At the end of October 2006, the reserve money⁹ went up by 4.1% on a monthly basis, as a result of the higher liquidity of the banks, given simultaneous minor decrease in the currency in circulation (of 0.1%). Consequently, the monthly growth in the monetary aggregate M1 of 1.5% is completely due to the higher level of transaction deposits (by 3%). The broad monetary aggregates M2 and M4 registered identical monthly increase of 2.9%, in environment of significant rise in the total deposits with the banks.

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

	31.10.2006	Monthly changes in %	Annual changes in %
Currency in circulation	14.796	-0.1	9.4
Demand deposits	17.791	3.0	23.5
Monetary aggregate M1	32.587	1.5	16.6
Short-term Denar deposits	32.915	7.4	47.3
Monetary aggregate M2-Denar component	65.502	4.4	30.3
Short-term foreign exchange deposits	55.845	1.1	16.9
Monetary aggregate M2	121.347	2.9	23.7
Non-monetary deposits	6.113	3.3	23.9
- Denar	3.318	2.3	14.1
- foreign exchange	2.795	4.5	38.1
Monetary aggregate M4	127.460	2.9	23.7

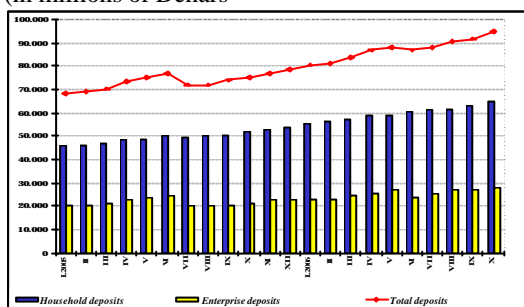
Source: National Bank of the Republic of Macedonia

At the end of October 2006, the total bank deposits registered monthly increase of 3.4% and they totalled Denar 3.094 million. The surge in the total deposits is primarily due to the growth in the short-term deposits (of 3.4%), which have dominant share of 93.6% in the increase in the total deposits. From the aspect of the currency structure, the Denar deposits evidenced more intensive rise than the foreign currency deposits, thus contributing with 76% to the increase in the total deposits. The analysis of the sector structure indicates dominant share of the sector "households" in the deposit base creation, which corresponds to the additionally created households' income on the basis of the payment of the regular instalment of the foreign exchange savings bonds, as well as the intensified increase in the private transfers during this period. Thus the households' deposits augmented by 3.7% on a monthly basis, contributing with 74.5% to the increase in the total deposits. The largest increase was recorded with the Denar sight deposits and the deposits with three-month maturity, which are the reason for the increase in

⁹ The analysis refers to the reserve money without the reserve requirement of the foreign currency deposits

the total households' deposits of 82.2%. The deposits of the corporate sector incremented by 2.9% on a monthly basis, primarily as a result of the higher amount of Denar deposits up to three-month maturity and the short-term foreign currency deposits. On annual basis (October 2006 / October 2005), the total deposits of the private sector with the banks increased by 26.4%.

Figure 4
Deposit dynamics
(in millions of Denars)



Source: National Bank of the Republic of Macedonia

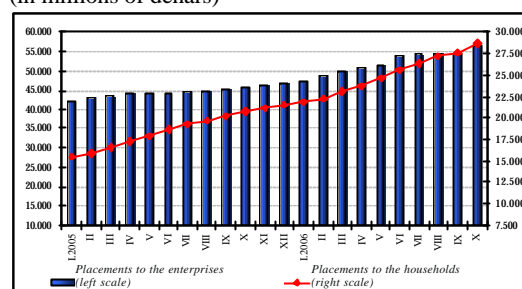
In October 2006, a significant intensification of the credit activity of the banks was registered. Thus, *the total banks' placements* with the private sector registered monthly increase of Denar 3,340 million, or 4.1%. From the aspect of the currency structure, the increase in the total credits is mostly due to the enhanced crediting in domestic currency. Namely, the Denar loans¹⁰ went up by 4.5%, on a monthly basis (rise of 3% , contributing with 80.8% to the increase in the total loans. The analysis of the maturity structure shows almost identical share of the short-term and long-term credits in the growth of the total loans (of 49.5% and 50.5%, respectively). Analyzed by sectors, the placements to households and enterprises went up on a monthly basis (by 3.6% and 4.2%, respectively), with the loans to the corporate sector having larger share in the increase in the total placements of 69.2%. The annual increase in the banks' total placements with the private sector in October 2006 equals 28.2%.

¹⁰ It includes also the foreign exchange indexed loans

III. Foreign trade and foreign exchange developments

In October 2006, *the foreign trade of the Republic*

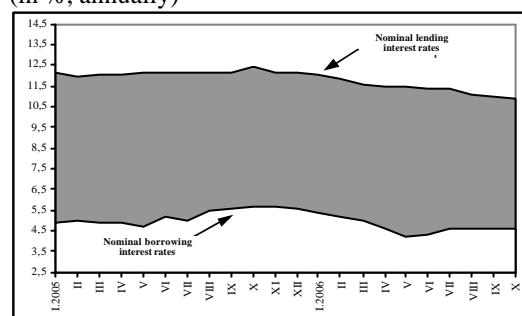
Figure 5
Banks' placements by sector
(in millions of denars)



Source: National Bank of the Republic of Macedonia

Within the *banks' interest rate policy*, no significant changes were registered in October 2006. Thus the banks' average weighted lending interest rate on the Denar loans for all maturities and sectors declined by 0.1 percentage point and it equaled 10.9%. The average weighted deposit interest rate on the Denar deposits for all maturities and sectors equaled 4.6% and it remained unchanged relative to the previous month.

Figure 6
Banks' weighted interest rates and spreads*
(in %, annually)



Source: National Bank of the Republic of Macedonia

*Pertain to Denar loans and deposits for all maturities and sectors, with the foreign exchange indexed loans also being included

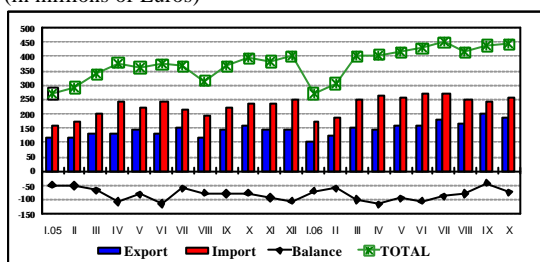
In October 2006, the average weighted interest rates on the foreign currency credits and deposits for all maturities, sectors and currencies increased by 0.1 percentage point compared to the previous month and they equaled 8.3% and 1.7%, respectively.

of Macedonia amounted to Euro 442.8 million¹¹,

¹¹ Source: State Statistical Office of the Republic of Macedonia, calculations in Euros are made in the NBRM.

which is a monthly increase of 0.4%. The *total export of goods* in October amounted to Euro 184.9 million, which is a monthly decline of 7.0%, which is result of the lower export of lime and cement, oil derivatives and clothing and textile. Compared to the same month of the preceding year, the export of goods augmented by 16.2%, mainly due to the higher export of iron and steel and products thereof, food, pharmaceutical products and beverages. In October 2006, the *import of goods* amounts to Euro 257.9 million, which is a monthly rise of 6.5%. Such an increase results from enhanced import of tobacco, electrical machines and equipment, ore, slag, and cinder, as well as iron and steel. On annual basis (October 2006 / October 2005) higher import of goods of 9.4% was registered, which is due to the higher import of iron and steel and products thereof.

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



Source: State Statistical Office of the Republic of Macedonia, while the calculations in Euro are made by the NBRM

The increase in the import and the decrease in the export in October 2006 caused widening of the trade deficit and decrease in the export - import coverage ratio. Thus in October 2006 the negative trade balance amounts to Euro 73 million and it rose by 68.5% on a monthly basis, as a result of the high comparison base¹². The export - import coverage ratio equals 71.7% and it is lower by 10.4 percentage point.

In the January - October 2006 period, the total foreign trade equals Euro 3,981.7 million, which is an increment of 15.1% relative to the same period of the previous year. The realized export in this period rose by 16.6% annually and it totals Euro 1,574.1 million. Analyzed by products, the largest

increase was registered in the export of iron and steel and products thereof, oil derivatives, beverages, food and tobacco, comprising 73.3% of the total increase. The total import of goods in this period of 2006 amounts to Euro 2,407.6 million, which is a growth of 14.2%, as a result of the higher import of iron and steel and products thereof, mineral fuels, vehicles and equipment. On cumulative basis, the trade deficit amounts to Euro 833.5 million, i.e. increase of 9.8% compared to the January - October 2005 period, while the export - import coverage ratio surged by 1.4 percentage points and it equals 65.4%.

In October 2006, total turnover in the amount of Euro 387 million was registered on the *foreign exchange market*, which is an increase of 11.3% relative to the previous month. In terms of monthly increase in the supply compared to the demand for foreign currency (8.3% and 4.3%, respectively), the net sale of foreign currency by the banks dropped by 9.5% on a monthly basis. The NBRM once again realized net purchase on the foreign exchange market, which was higher by 2.3 times than the previous month. On October 30, 2006, the *gross foreign reserves* reached Euro 1,401.7 million thus registering an increase of Euro 31.7 million compared to the previous month, mainly as a result of the net purchase realized by the NBRM on the foreign exchange market.

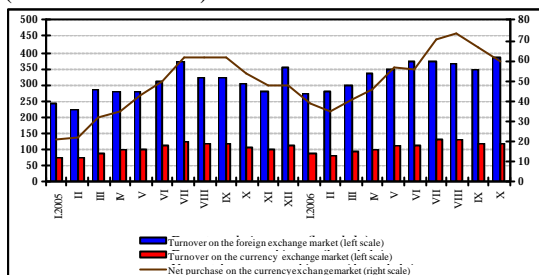
In October, turnover in the amount of Euro 119.4 million was registered on the *currency exchange market*, which is the same level as that registered in the previous month. In terms of moderate decline in the supply (of 3.6%) and more apparent increase in the demand (of 13%), net purchase of foreign currency in the total amount of Euro 60.2 million was recorded on the currency exchange market (monthly drop of 10.2%). The net purchase on the currency exchange market in the January - October 2006 period stood at Euro 544.7 million, which is an increase of 23.5% compared to the same period of 2005.

The export of goods is presented on f.o.b. basis, while the import of goods is presented on a c.i.f. basis.

¹² The low comparison base is a result of the record level of export in September 2006.

Figure 8

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

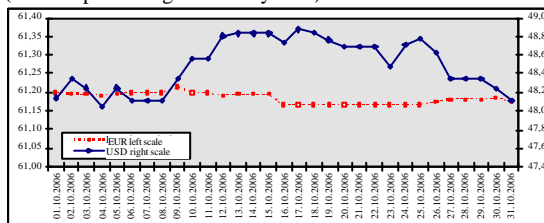


Source: National Bank of the Republic of Macedonia

On October 31, 2006, the *Denar exchange rate against the Euro on the foreign exchange market* equaled Denar 61.17 per one Euro and it is relatively stable relative to the end of the preceding month (Denar 61.20 per one Euro). The Denar exchange rate relative to the US Dollar registered monthly appreciation of 0.1% and Denar 48.1 per one US Dollar were traded at the end of October (Denar 48.14 per one US Dollar were traded on September 30, 2006).

Figure 9

Daily middle Denar exchange rate relative to 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 October 2006, the *Denar exchange rate* against the Euro on the currency exchange market remained on the same level as in the previous month and Denar 61.41 for one Euro, on average, were traded. Simultaneously, the average purchase and sale Denar exchange rate against the US Dollar equaled Denar 48.43 per one US Dollar, which is a monthly depreciation of the Denar of 0.9% (in September 2006, Denar 47.99 per one US Dollar, on average, were traded).

In October 2006, the *external debt of the Republic of Macedonia based on long-term credits and loans* surged by Euro 3.7 million and on October 31, 2006 it equals Euro 1,725 million. In October 2006, Euro 16.6 million and Euro 17.9 million were paid on the basis of withdrawn funds and total paid liabilities, respectively (Euro 13.3 million are principal and Euro 4.6 million are interest). The newly concluded credits amount to Euro 11.8 million in October 2006, which is fully a debt of the non-bank private sector. In October, the total external long-term debt of the private sector rose by Euro 3.7 million and it equals Euro 505.2 million, 76.9% of which refer to the non-bank private sector, while the remaining share accounts for the debt of the commercial banks. The *short-term external debt*¹³ declined insignificantly at the end of October 2006 (by Euro 0.3 million) and it equals Euro 85.2 million. In October 2006, funds in the amount of Euro 0.5 million on the basis of extended short-term credits were used, while the amount of repaid liabilities equaled Euro 1.3 million.

¹³ Preliminary data of the NBRM



Appendix

Developments in Real Sector in the Republic of Macedonia

Table 1

Costs of living and retail prices

	X.2006	X.2006	I-X.2006
	IX.2006	X.2005	I-X.2005
	in %		
Costs of living	0,1	2,6	3,2
Food	0,1	1,0	2,1
Tobacco and beverages	0,0	17,8	17,7
Clothing and footwear	0,1	-0,2	0,0
Housing	1,1	4,5	1,5
Flat (rent, water, services)	0,1	-2,2	-0,4
Fuel and lighting	1,7	8,5	2,9
Hygiene	0,6	3,1	1,8
Culture and entertainment	1,6	6,9	6,6
Transport, communications, services	-1,4	-2,3	2,4
<i>Goods</i>	<i>-0,1</i>	<i>2,9</i>	<i>3,6</i>
<i>Services</i>	<i>1,3</i>	<i>1,1</i>	<i>1,5</i>

Source: State Statistical Office of the Republic of Macedonia


Table 2

Prices of producers of industrial products*

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

* Previous data

Source: State Statistical Office of the Republic of Macedonia



Table 3
Industrial output*

	Structure in %	<u>X.2006</u> <u>IX.2006</u>	<u>X.2006</u> <u>X.2005</u>	<u>I-X.2006</u> <u>I-X.2005</u>
		in %		
Prices of producers of industrial products	100,0	7,4	8,4	2,8
Energy	21,9	49,0	-0,7	-0,3
Intermediary goods (except Energy)	33,8	1,1	14,8	8,4
Capital goods	4,8	-1,6	38,2	6,0
Durable consumer goods	1,4	-8,0	-14,4	-3,3
Non durable consumer goods	38,1	-0,5	5,9	-1,3
<i>Mining and quarrying</i>	1,8	-15,4	6,8	35,2
Manufacturing industry	79,4	1,4	10,5	2,9
Manufacture of food products and beverages	20,0	3,6	16,4	1,8
Manufacture of tobacco products	3,9	-38,7	0,7	7,1
Manufacture of textiles	2,5	20,0	7,2	7,3
Manufacture of wearing apparel; dressing and dyeing of fur	8,6	1,9	-8,4	-3,8
Publishing, printing and reproduction of recorded media	3,9	-0,5	-9,9	-20,5
Manufacture of coke, refined petroleum products and nuclear fuel	3,0	16,0	-3,1	5,7
Manufacture of chemicals and chemical products	5,9	17,1	26,8	2,2
Manufacture of rubber and plastic products	2,6	11,0	14,8	-11,1
Manufacture of other non-metallic mineral products	8,2	-6,4	0,0	18,9
Manufacture of basic metals	6,0	-2,2	53,2	11,8
Manufacture of fabricated metal products, except machinery and equipment	3,8	-6,6	43,5	1,1
Manufacture of electrical machinery and apparatus n.e.c.	3,2	60,3	25,9	5,6
Electricity, gas and water supply	18,8	58,7	-0,2	-1,5

* 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	IX.06	X.06
I. Net Foreign Assets	66.282	57.130	57.297	71.907	74.145	75.454	77.256	79.385	80.535	82.064	84.044
Assets	69.504	60.326	60.519	75.076	77.213	78.415	80.181	82.287	83.412	84.956	86.863
Liabilities	3.222	3.196	3.222	3.169	3.068	2.961	2.925	2.902	2.877	2.892	2.819
II. Net Domestic Assets	-40.520	-33.763	-32.079	-47.210	-47.978	-48.045	-50.327	-51.711	-53.259	-54.700	-55.701
Credit to banks, net	-8.876	-10.368	-9.329	-8.580	-8.461	-7.222	-6.415	-6.708	-7.075	-7.103	-7.244
<i>Credit to banks</i>	45	45	324	323	323	323	319	319	319	319	319
Credits extended at auction	0	0	0	0	0	0	0	0	0	0	0
Repurchased agreement	0	0	0	0	0	0	0	0	0	0	0
Credits based on securities	0	0	0	0	0	0	0	0	0	0	0
Long - term credits	31	31	31	31	31	31	27	27	27	27	27
Advances	4	4	283	282	282	282	282	282	282	282	282
Other	10	10	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	-7.422	-7.563
Auctions of bills	-8.921	-10.413	-9.653	-8.903	-8.784	-7.545	-6.734	-7.027	-7.394	-7.422	-7.563
<i>Net, Government</i>	-18.989	-11.024	-10.167	-25.762	-26.157	-27.733	-30.847	-31.396	-33.022	-34.154	-35.140
1. Claims on Government	3.290	3.290	3.290	3.290	2.983	2.983	2.983	2.983	2.983	2.983	2.983
Use of Fund credit	0	0	0	0	0	0	0	0	0	0	0
Ordinary credit	0	0	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	1.039	1.039
Other	2.251	2.251	2.251	2.251	1.944	1.944	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	-37.137	-38.123
A) In denar	-6.993	-7.653	-6.860	-8.807	-9.141	-11.104	-14.417	-16.110	-17.528	-18.728	-19.601
Demand deposits	-6.993	-7.653	-6.860	-8.807	-9.141	-11.104	-14.417	-16.110	-17.528	-18.728	-19.601
- Budget account	-6.562	-7.214	-6.417	-6.965	-5.717	-7.678	-11.342	-11.816	-12.247	-13.656	-14.038
- Other budget funds	-431	-439	-443	-1.842	-3.424	-3.426	-3.075	-4.294	-5.281	-5.072	-5.563
o/w - Government securities for monetary purpose	0	0	0	0	0	0	0	0	0	0	0
Fund for monetary policy support	-15.286	-6.661	-6.597	-20.245	-19.999	-19.612	-19.413	-18.269	-18.477	-18.409	-18.522
B) In foreign currency	-15.139	-6.516	-6.450	-20.098	-19.851	-19.468	-19.267	-18.125	-18.333	-18.261	-18.378
Central Gov.dep.	0	0	0	0	0	0	0	0	0	0	0
o/w Road fund	-147	-130	-121	-102	-84	-56	-31	-31	-213	-213	-173
Other Government deposits	-147	-145	-147	-147	-148	-144	-146	-144	-144	-148	-144
3. External account	0	0	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	-13.443	-13.317
Other assets	5.324	5.243	5.279	5.204	5.320	5.558	5.579	5.569	5.630	5.704	5.533
Other liabilities	-5.368	-4.794	-5.067	-4.983	-5.377	-5.416	-5.460	-5.713	-5.451	-5.850	-5.503
o/w Transitory account	-487	-14	-19	-36	-180	-44	-51	-352	-48	-300	-16
Capital account	-11.024	-11.558	-11.505	-11.608	-11.798	-11.750	-11.523	-11.888	-11.656	-11.653	-11.686
Residual items	-1.587	-1.262	-1.290	-1.481	-1.505	-1.482	-1.661	-1.575	-1.685	-1.644	-1.661
Reserve money	25.762	23.367	25.218	24.697	26.167	27.409	26.929	27.674	27.276	27.364	28.343
Currency in circulation	14.439	13.100	13.635	13.700	14.560	13.900	14.580	15.319	14.822	14.810	14.796
Cash in vaults	1.374	1.068	1.066	980	1.052	965	1.011	1.112	1.082	1.058	1.187
Giro - accounts	9.949	9.199	10.517	10.017	10.555	12.544	11.338	11.243	11.372	11.496	12.360
o/w Reserve requirement	5.323	5.417	5.413	5.505	5.572	5.657	5.662	5.767	5.875	6.006	6.115

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	IX.06	X.06
I. Net Foreign Assets	89738	80776	80899	96611	98526	99218	100288	102625	104646	105619	106406
<i>National Bank</i>	66282	57130	57297	71907	74145	75454	77256	79385	80535	82064	84044
Assets	69504	60326	60519	75076	77213	78415	80181	82287	83412	84956	86863
Liabilities	3222	3196	3222	3169	3068	2961	2925	2902	2877	2892	2819
<i>Deposit Money Banks</i>	23456	23646	23602	24704	24381	23764	23032	23240	24111	23555	22362
Assets	37786	37231	36986	36669	36249	35882	35526	35808	36862	36867	37044
Liabilities	14330	13585	13384	11965	11868	12118	12494	12568	12751	13312	14682
II. Net Domestic Assets	19545	28414	30070	16577	18786	19351	18220	18953	19123	19219	22021
1.Domestic credit	62382	71691	74396	62714	65567	66039	65763	67436	67795	65575	68949
of which: Claims on Gov.	-11791	-3271	-1913	-15747	-14773	-15925	-19421	-19004	-19875	-21017	-21098
a) Deposit Money Banks	81371	82715	84563	88476	91724	93772	96610	98832	100817	99729	104089
-in denar	64186	65363	66730	69847	72349	73937	75954	77766	79303	77855	81572
Government	7118	7672	8175	9930	11297	11722	11340	12300	13021	12998	13902
Credits	7115	7669	8171	9927	11274	11698	11317	12276	12996	12974	13879
a) Budget and Line Ministries	7033	7589	8013	9696	11071	11509	11015	12048	12843	12834	13651
b) Funds	82	80	158	231	203	189	302	228	153	140	228
c) Ins. of Central Gov.: Courts, etc.	0	0	0	0	0	0	0	0	0	0	0
Accrued interest	3	3	4	3	23	24	23	24	25	24	23
Non Government sector	57068	57691	58555	59917	61052	62215	64614	65466	66282	64857	67670
Credits	51672	52255	53149	54473	55552	56621	58993	59766	60513	60349	63047
of which: Overdue claims	9807	10314	10323	10146	10509	10581	10538	10690	10908	9682	10344
Accrued interest	5396	5436	5406	5444	5500	5594	5621	5700	5769	4508	4623
-in foreign currency	17185	17352	17833	18629	19375	19835	20656	21066	21514	21874	22517
Government	80	81	79	85	87	86	86	92	126	139	140
of which: Overdue	0	0	0	0	0	0	0	0	0	0	0
Non Government sector	17105	17271	17754	18544	19288	19749	20570	20974	21388	21735	22377
of which: Overdue	1748	1753	1587	1444	1476	1534	1693	1806	1723	1532	1717
b) Nat. Bank Claims on Government	-18989	-11024	-10167	-25762	-26157	-27733	-30847	-31396	-33022	-34154	-35140
2.Other items, net	-42837	-43277	-44326	-46137	-46781	-46688	-47543	-48483	-48672	-46356	-46928
of which: Claims on Gov.	0	0	0	0	0	0	0	0	0	0	0
for frozen f.c. deposits	-5399	-5439	-5410	-5447	-5523	-5618	-5644	-5724	-5794	-4532	-4646
Accrued interest	-37438	-37838	-38916	-40690	-41258	-41070	-41899	-42759	-42878	-41824	-42282
Others											
M4Total											
M4 (nonGovernment)											
M1(Total)	109283	109190	110969	113188	117312	118569	118508	121578	123769	124838	128427
M1 (nonGovernment)	108174	108320	109999	111912	116049	117406	117333	120461	122719	123869	127460
Currency in Circulation											
Demand deposits(total)	30034	27933	28900	28431	29906	29954	31201	32503	32197	32419	32972
Demand deposits(NonGov.)	29663	27699	28596	27962	29459	29584	30768	32151	31905	32090	32587
Deposit Money Banks	14439	13100	13635	13700	14560	13900	14580	15319	14822	14810	14796
NonGov. Demand deposits	15595	14833	15265	14731	15346	16054	16621	17184	17375	17609	18176
Government Demand deposits	15224	14599	14961	14262	14899	15684	16188	16832	17083	17280	17791
a) Budget and Line Ministries	15577	14752	15183	14519	15241	15940	16509	17072	17215	17482	17980
b) Funds	15206	14518	14879	14050	14794	15570	16076	16720	16923	17153	17595
c) Ins. of C.Gov.: Courts, etc.	371	234	304	469	447	370	433	352	292	329	385
Nation. Bank NonGov.Demand dep.	236	55	91	132	145	73	158	98	84	92	156
	135	179	213	323	302	297	275	253	207	236	228
M2 (Total)	0	0	0	14	0	0	0	1	1	1	1
M2 (nonGovernment)	18	81	82	212	105	114	112	112	160	127	196
Quasi money (Total)											
Quasi money (non Government)	104195	104065	105734	107835	111559	113044	112772	115974	117823	118872	122265
Deposit Money banks	103134	103243	104812	106607	110344	111929	111645	114906	116822	117952	121347
Non Government sector	74161	76132	76834	79404	81653	83090	81571	83471	85626	86453	89293
Denar	73471	75544	76216	78645	80885	82345	80877	82755	84917	85862	88760
Foreign currency	74161	76132	76834	79404	81653	83090	81571	83471	85626	86453	89293
Government deposits	73471	75544	76216	78645	80885	82345	80877	82755	84917	85862	88760
Denar	24364	25614	26237	27889	29563	30864	28062	29059	30305	30638	32915
Foreign currency	49107	49930	49979	50756	51322	51481	52815	53696	54612	55224	55845
NBM quasi deposits	690	588	618	759	768	745	694	716	709	591	533

Source: National Bank of the Republic of Macedonia


Table 6

Total deposits of the non-government sector

	31.10.2006	monthly changes		annual changes		structure
	in Denar million	in Denar million	in %	in Denar million	in %	in %
Total deposits	94.873	3.094	3,4	19.812	26,4	100,0
1. According to maturity						
- short-term	88.760	2.898	3,4	18.631	26,6	93,6
- long-term	6.113	196	3,3	1.181	23,9	6,4
2. According to currency of denomination						
- In denar	36.233	2.352	6,9	10.985	43,5	38,2
- In foreign currency	58.640	742	1,3	8.827	17,7	61,8

Source: National Bank of the Republic of Macedonia

Table 7

Households and enterprises deposits

	structure in %	31.10.2006	monthly changes		annual changes	
		in Denar million	in Denar million	in %	in Denar million	in %
Total households deposits	100,0	65.072	2.305	3,7	13.383	25,9
1. According to maturity						
- short-term	94,4	61.417	2.184	3,7	12.287	25,0
- long-term	5,6	3.655	121	3,4	1.096	42,8
2. According to currency of denomination						
- In denar	32,1	20.920	1.942	10,2	7.117	51,6
- In foreign currency	67,9	44.152	363	0,8	6.266	16,5
Total enterprises deposits	100,0	27.960	799	2,9	6.249	28,8
1. According to maturity						
- short-term	94,8	26.515	733	2,8	6.284	31,1
- long-term	5,2	1.445	66	4,8	-35	-2,4
2. According to currency of denomination						
- In denar	49,3	13.773	393	2,9	3.819	38,4
- In foreign currency	50,7	14.187	406	2,9	2.430	20,7

Source: National Bank of the Republic of Macedonia


Table 8

Demand deposits of households and enterprises

	31.10.2006	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Demand deposits	17.791	511	3,0	3.380	23,5
- Demand deposits of households	3.536	218	6,6	867	32,5
- Demand deposits of enterprises	11.718	168	1,5	1.995	20,5

Source: National Bank of the Republic of Macedonia

Table 9

Placements to households and enterprises

	31.10.2006	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Total placements	85.424	3.340	4,1	18.765	28,2
<i>Denar placements</i>	63.047	2.698	4,5	12.614	25,0
<i>of which:</i>					
- enterprises	35.926	1.754	5,1	5.770	19,1
- households	27.016	918	3,5	6.916	34,4
<i>Foreign currency placements</i>	22.377	642	3,0	6.151	37,9
<i>of which:</i>					
- enterprises	20.765	557	2,8	5.177	33,2
- households	1.609	84	5,5	984	2,6 times

Source: National Bank of the Republic of Macedonia


Table 10

Maturity and sector structure of Denar and foreign currency placements

	Share on 31.10.2006 (in %)	Monthly change (in percentage points)	Annual change (in percentage points)
Denar placements	100,0		
maturity structure			
- short-term	48,1	0,4	-2,9
- long-term	51,9	-0,4	2,9
structure by sectors			
- enterprises	57,0	0,4	-2,8
- households	42,9	-0,4	3,0
- other	0,2	0,0	-0,2
Foreign currency placements	100,0	0,0	0,0
maturity structure			
- short-term	26,3	-0,3	-2,0
- long-term	73,7	0,3	2,0
structure by sectors			
- enterprises	92,8	-0,2	-3,3
- households	7,2	0,2	3,3
- other	0,0	0,0	-0,1

Source: National Bank of the Republic of Macedonia

Table 11

Interest rates

	October, 2006 in %	Monthly changes in percentage points	Annual changes
Average weighted interest rate on the CB bills auctions (28 days)	5,5	0,1	-4,5
Average weighted interest rate on the Money Market*	4,8	0,1	-4,2
Banks' weighted lending interest rates	10,9	-0,1	-1,5
Banks' weighted deposit interest rates	4,6	0,0	-1,1

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

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



Table 12
Auctions of Treasury bills

	Supply	Demand	Realized	Weighted interest rate
	in Denar million			in %
Treasury bills auctions, 3 month				
03.10.2006	600,0	922,5	600,0	6,11
10.10.2006	1.745,0	1.221,0	1.221,0	6,22
24.10.2006	1.350,0	1.482,4	1.350,0	6,31
Treasury bills auctions, 6 month				
10.10.2006	350,0	536,6	350,0	6,88

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)

	X.2006	I-X.2006	X.2006		X.2006		I-X.2006	
			IX.2006		X.2005		I-X.2005	
			amount	%	amount	%	amount	%
Foreign trade	442,8	3.981,7	1,7	0,4	47,9	12,1	523,1	15,1
Exports	184,9	1.574,1	-14,0	-7,0	25,8	16,2	224,4	16,6
Imports	257,9	2.407,6	15,7	6,5	22,1	9,4	298,7	14,2
Balance	-73,0	-833,5	-29,7	68,5	3,7	-4,9	-74,4	9,8

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-October, 2006
(in EURO million)

	Foreign trade		Export		Import		Import- export coverage ratio
	amount	Shar	amount	Shar	amount	Shar	
	amount	%	amount	%	amount	%	%
Republic of MACEDONIA	3.981,7	100,0	1.574,1	100,0	2.407,6	100,0	65,4
<i>out of which:</i>							
Serbia and Montenegro	544,5	13,7	367,7	23,4	176,8	7,3	208,0
Germany	480,3	12,1	242,7	15,4	237,6	9,9	102,1
Greece	452,7	11,4	246,7	15,7	205,9	8,6	119,8
Russia	359,0	9,0	18,3	1,2	340,7	14,2	5,4
Italy	301,5	7,6	155,6	9,9	145,9	6,1	106,6
Bulgaria	245,7	6,2	81,9	5,2	163,8	6,8	50,0
Croatia	134,4	3,4	83,0	5,3	51,4	2,1	161,5
Turkey	114,3	2,9	36,3	2,3	78,0	3,2	46,5
Slovenia	114,1	2,9	27,7	1,8	86,3	3,6	32,1
China	92,0	2,3	1,2	0,1	90,8	3,8	1,3
Total (10 largest trading partners)	2.838,5	71,3	1.261,2	80,1	1.577,3	65,5	80,0

Source: State Statistical Office of the Republic of Macedonia, and the calculations in Euro were made at the National Bank of the Republic of Macedonia.


Table 15

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

	External debt		Credits used		Debt payments	
	30.09.2006	31.10.2006	IX -2006	X -2006	IX -2006	X -2006
Official creditors	1.047,1	1.051,0	4,6	10,9	5,1	7,0
out of which:						
Multilateral	883,7	884,1	3,8	6,7	4,9	6,4
MMF	47,3	46,1	0,0	0,0	0,0	1,1
IBRD	203,6	203,5	1,5	0,2	0,0	0,1
IFC	3,8	3,3	0,0	0,0	0,5	0,6
IDA	298,0	296,5	0,3	0,3	0,0	1,3
EIB	122,0	119,7	0,0	0,0	2,3	3,2
EUROFIMA	6,1	6,1	0,0	0,0	0,0	0,0
Council of EDB	18,4	23,4	0,0	5,0	0,2	0,1
EBRD	82,2	83,4	2,0	1,2	1,5	0,0
EU	90,0	90,0	0,0	0,0	0,4	0,0
IFAD	12,4	12,2	0,0	0,0	0,0	0,1
European Agency for Reconstruction	0,0	0,0	0,0	0,0	0,0	0,0
Bilateral	163,3	166,8	0,7	4,2	0,2	0,5
Paris club (rescheduled 1995)	80,3	80,2	0,0	0,0	0,0	0,1
New credits	6,6	6,6	0,0	0,0	0,0	0,0
Paris club (rescheduled 2000)	0,0	0,0	0,0	0,0	0,0	0,0
Non-rescheduled debt	76,4	80,1	0,7	4,2	0,2	0,4
Private creditors	674,2	674,0	7,6	5,7	5,0	10,9
out of which:						
Eurobonds	150,0	150,0	0,0	0,0	0,0	0,0
Other private creditors	524,2	524,0	7,6	5,7	5,0	10,9
Banks and financial institutions	248,9	248,1	5,7	2,1	3,2	4,4
Private nonfinancial sector	275,4	275,9	1,8	3,6	1,8	6,5
TOTAL	1.721,3	1.725,0	12,1	16,6	10,1	17,9

Source: National Bank of the Republic of Macedonia

National Bank of the Republic of Macedonia Balance sheet

Table 16

NBRM Balance sheet on 31.10.2006
(in million Denars)

Assets	Amount	Liabilities	Amount
Foreign assets	86,863	Reserve money	22,228
Claims on Government	3,604	NBRM instruments	7,563
Claims on banks and other financial institutions	1,354	Restricted deposits	221
Other assets	4,500	Foreign liabilities	2,819
		Government deposits	40,344
		Capital accounts	11,686
		Other liabilities	11,460
Total	96,321	Total	96,321

Source: National Bank of the Republic of Macedonia