

National Bank of the Republic of Macedonia
Research Department



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

- ❖ *On September 1, the Law on free access to public information became effective, which should ensure transparency in the operations of information holders, and enable natural persons and legal entities exercise their right to free access to information.*
- ❖ *On September 1, the Croatian group M SAN acquired the Macedonian computer company PAKOM. This foreign investment should lead to development of the domestic IT market, to its approximation to the IT developments in the world and to an increased competition in the sector.*
- ❖ *Starting from September 1, the prices of electricity for the households went up by 9.14% (the price of one kwh. of high electricity tariff will be 2.62 Denars instead of 2,4 Denars, while one kwh. of low electricity tariff will cost 1.31 Denars instead of 1,2 Denars.*
- ❖ *On September 4, according to a decision of the Regulatory Energy Committee, refinery and retail prices of oil derivatives dropped by 7.72% and 4.38%, respectively ("Official Gazette of RM" No. 94/2006), while on September 18, 2006, the Regulatory Energy Committee adopted a decision on reducing the refinery and retail prices of oil derivatives by 7.6% and 5.12% respectively, on average ("Official Gazette of RM" No. 99/2006), in line with the movement of the prices of crude oil and oil derivatives on the world markets.*
- ❖ *On September 13, in Brussels, the third round of negotiations for concluding an agreement among the countries - parties to the Central European Free Trade Agreement (CEFTA). Representatives of Macedonia, Croatia, Bosnia and Herzegovina, Albania, Bulgaria, Moldavia, Montenegro, Serbia and the United Nations Mission in Kosovo (UNMIK) reviewed the text which should replace 31 bilateral free trade agreements among the CEFTA member states.*
- ❖ *On September 15, a Memorandum of understanding between the Ministry of Transport and the USAID was signed, the purpose of which is a transparent process in issuing CEMT licenses, which will eliminate the human factor in their allocation.*
- ❖ *From September 18 - 19 a meeting of the Stabilization and Association Committee was held between Macedonia and the European Commission, which is the first of the kind after the Republic of Macedonia was granted the status of a candidate country in December last year.*
- ❖ *On September 20, in Skopje a meeting was held between the Sector for European Issues and the EU General Enlargement Directorate, which announced the beginning of the implementation of the last KARDS action program for 2006, whose value is Euro 30.5 million, with a possibility to extend another Euro 14 million intended for regional programs which will be mandated directly from Brussels.*
- ❖ *On September 20, in Kumanovo, the Center for Shoe-Making Technology "ModEur" in Macedonia was promoted, as a joint venture between "Korimpex" and the "E-biz" project financed by the USAID.*
- ❖ *On September 26, a Memorandum of Cooperation was signed between the Macedonian Stock Exchange and the Vienna Stock Exchange, whose objective is broadening of the cooperation, exchange of experience and information, as well as joint presentation on the European market.*
- ❖ *On September 26, Macedonian textile company "Macedonia jeans" was sold to the Turkish company "Yaya Mezler".*
- ❖ *On September 29, the city of Skopje and the Public Transport Enterprise - Skopje, signed a mandate letter for development of the city transport with the European Bank for Reconstruction and*



Development, which will provide credit in the amount of Euro 12 million for financing the "Urban Transport" project.

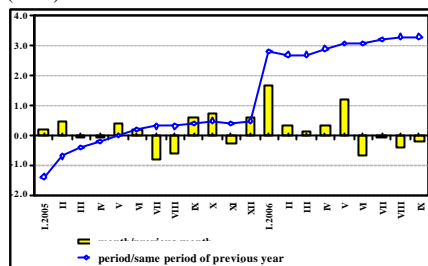
- ❖ *On September 30, in Delcevo, the textile factory "Arlen Macedonia" was put into operation. It is a Macedonian - Polish joint venture in the amount of Euro 1.2 million, which employs 110 workers. The factory products are intended for the European markets.*
- ❖ *New regulations:
Law on amending and consolidating the Law on Value Added Tax ("Official Gazette of RM. No. 101/2006). According to this Law, seed and planting material for production of agricultural plants, fertilizers, plant protection items, plastic foils for use in the agriculture, and agricultural mechanization, will be subject to privileged VAT rate (5%), starting from October 1, 2006.*

I. Economic Developments in the Republic of Macedonia¹

In September 2006, the level of prices within the inflation index in the Republic of Macedonia registered a decline of 0.2%. The decline in the consumer prices was caused by the lower prices of services (with contribution of 0.4 percentage points), despite the positive changes in the prices of goods (contribution of 0.2 percentage points). From the viewpoint of the main categories, the lower prices in the category "transport equipment and services" had the largest contribution to the negative change in the inflation index (negative contribution of 0.5 percentage points in the total index) due to the adjustment of the domestic prices of oil derivatives to the movement of the prices on the world markets (decline on September 4 and again on September 18) and lower prices of the food products (negative contribution of 0.3 percentage points in the total index) caused mainly by the reduced prices of fruit. Such movements were partially offset by the increase in the prices in the category "housing" (positive contribution of 0.5 percentage points) caused by the higher prices of electricity for households (by 9%). On annual basis, in September 2006, consumer prices registered slower growth intensity, so that the annual inflation rate equaled 3.1% (4% in the preceding month).

The average inflation rate in the January-September 2006 period remained unchanged relative to the preceding month, i.e. it retained the level of 3.3%. All categories within the inflation index registered an average increase in the prices. Thus, 38% of the average inflation in the January - September 2006 period come as a result of the higher prices of tobacco due to the higher excise and the new duties, 26% are a result of the higher prices of the food products, while the higher prices of fuels caused about 15% of the average inflation. The increase in the prices of electricity in September 2006 caused only 2% of the total average inflation in the observed period.

Figure 1
Consumer prices
(in %)



Source: State Statistical Office.

The prices of the producers of industrial products² in September 2006, were by 1.1% lower compared with the previous month. The monthly decline was mainly a result of the lower prices in the sector "manufacturing" (contribution of 1.3 percentage point). Lower prices in the sector "mining and quarrying" had a smaller contribution (only 0.1 percentage points) to the decline in the producers' prices, while the prices of the producers in the sector "electricity, gas and water supply" registered an increase of 2.7%. The fall in the prices of the producers in the manufacturing is a result mainly of the lower prices of the producers of oil derivatives (contribution of 0.9 percentage points to the total decline, in accordance with the decisions of the Regulatory Energy Committee from 21.08.2006 and 04.09.2006 for reducing the refinery prices).

On annual basis, the prices of the producers of industrial products went up by 2.4%, with 52% of the total increase being a result of the higher prices of the producers of tobacco products. In the January-September 2006 period, the prices of the producers of industrial products registered an average increase of 5.2% relative to the same period of the preceding year. The accomplished increase was a result of the higher prices of the producers in the manufacturing (contribution of 5.2 percentage points), with the increased prices of the producers of oil derivatives and tobacco products having the largest contribution (63.4% and 22.8% of the total increase, respectively). From the viewpoint of the other two industrial sectors, the average rise in the prices in the

¹ Source: State Statistical Office.

² Preliminary SSO data.



mining sector with a share of 0.1 percentage point has been fully offset with the reduced prices in the energy sector.

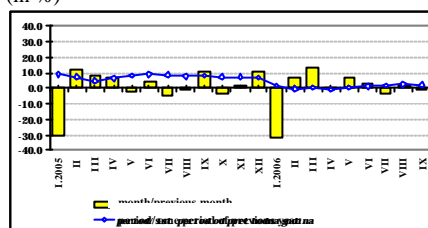
The volume of the industrial output³ in September 2006 registered a monthly decline of 0.9%, which was mainly a result of the negative contribution of the sector "electricity, gas and water supply", due to the reduced production in one energy plant with a dominant share in the energy sector. The negative contribution of the energy sector was partially offset with the increase in the manufacturing and in the mining sector. The increased activity in the manufacturing on a monthly basis is a result of the increased production in 13 out of 20 manufacturing branches, comprising 74% of the total production in the manufacturing sector. The increased production of chemicals and chemical products had the largest positive contribution (mainly due to the low comparison basis from the previous month), manufacture of fabricated metal products (except machines), textiles, and food products and beverages.

In September 2006, industrial output registered negative annual growth rate of 2.2% relative to the same month of 2005, entirely a result of the sharp decline in the sector "electricity, gas, and water supply." Positive annual movements registered in the other sectors (manufacturing and mining sector) were insufficient to fully offset the high negative contribution of the energy sector in the total industrial output.

³ Preliminary SSO data.

The unfavorable movements on a monthly basis partially slowed down the cumulative increase in the industrial output, which in the January - September 2006 period equaled 2.2% relative to the same period of the preceding year. The increase is a result of the positive contribution of the manufacturing and of the mining sector (2.5 percentage points). The increased production in the dominant manufacturing sector (by 2%) is a reflection of the increased production in 11 out of 20 processing branches (with a share of 50.5% in the total industrial output), of which the largest contribution was on the part of the increased production of products of other non-metal minerals, basic metals (since August it has registered cumulative growth, which in September equaled 7.8%), production of tobacco products (since June it has registered positive cumulative growth rate, which in September equaled 7.6%), oil derivatives and textiles. Improvement was registered also in the production of electrical machinery and apparatus, which after the decline in July, again registered a trend of positive cumulative changes.

Figure 2
Industrial output
(in %)



Source: State Statistical Office.

II. Monetary developments

At the end of September 2006, banks' total liquid funds⁴ stood at Denar 6,548 million, which was a monthly decline of 0.5%. From the viewpoint of the flows of liquidity creation and withdrawal, Government Denar deposits with the NBRM represent the main flow of liquidity withdrawal, and they registered a net monthly increase of Denar 1,200 million. Additional liquidity was created through the foreign exchange transactions of the NBRM, while currency in circulation registered an insignificant monthly

⁴ Includes cash in the vaults of the banks and the funds on the banks' account with the NBRM.

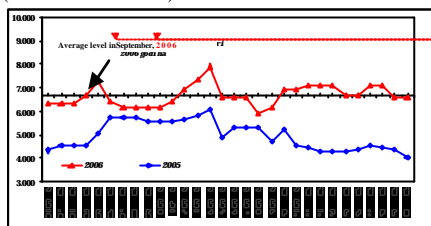
decline. Monetary instruments of the NBRM, on net basis, acted towards liquidity creation, which is entirely due to the lower amount of Treasury bills for monetary policy purposes⁵ (by Denar 214 million relative to the preceding month), while through the CB bills liquidity was withdrawn, in the amount of Denar 28 million. The average weighted interest rate on CB bills auctions equaled 5.36% (5.52% in the preceding month).

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



The average daily liquidity of the banking system amounted to Denar 6,690.5 million in September 2006, which is an insignificant fall of 0.3% on a monthly basis. Analyzing the daily dynamics, banks' liquidity was relatively stable and it oscillated under the influence of the common factors. The excess liquidity of banks over the reserve requirement (in Denars)⁶ fell by 1.7 percentage points on a monthly basis, and equaled 6.4% in September 2006.

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



Source: National Bank of the Republic of Macedonia

In September 2006, the turnover on the interbank money market⁷ stood at Denar 190 million, which is by 2.3 times lower compared to the previous month. The average interest rate on the interbank money market in September equaled 4.7% (4.9% in the preceding month).

At the end of September 2006, reserve money⁸ registered a minimum decline of 0.2% on a monthly basis, as a result of the lower banks' liquidity and reduced demand for currency in circulation (by 0.1%). The monetary aggregate M1 went up by 0.6% on a monthly basis, reflecting the higher level of transaction deposits (by 1.2% on a monthly basis). The increase in the M1 monetary aggregate, with a simultaneous increase in the total banks' deposit potential resulted in a monthly increase in the monetary aggregates M2 and M4 by 1% and 0.9%,

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 the excess funds on banks' accounts with the NBRM, over the reserve requirement.

⁷ 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.

⁸ The analysis refers to the reserve money excluding the reserve requirement on foreign currency deposits

respectively. On annual basis (September 2006 / September 2005), monetary aggregates M2 and M4 registered an identical increase of 21.9%.

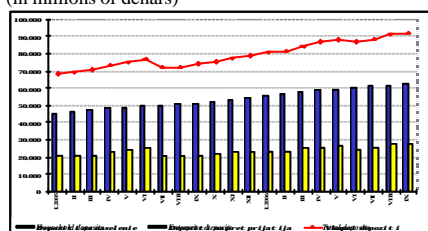
Table 1
Monetary aggregates and their components
(in millions of denars)

	30.09.2006	Monthly changes -06%	Annual changes -06%
Currency in circulation	14.810	-0.1	9.8
Demand deposits	17.280	1.2	19.9
Monetary aggregate M1	32.090	0.6	15.0
Short term Denar deposits	30.638	1.1	47.8
Monetary aggregate M2-Denar component	62.728	0.8	29.0
Short term foreign exchange deposits	55.224	1.1	14.7
Monetary aggregate M2	117.952	1.0	21.9
Non-monetary deposits	5.917	0.3	21.5
- Denar	3.243	-1.1	3.6
- foreign exchange	2.674	2.1	53.6
Monetary aggregate M4	123.869	0.9	21.9

Source: National Bank of the Republic of Macedonia

At the end of September 2006, the total bank deposits registered a monthly increase of Denar 965 million, or 1.1%. The increase in total deposits is due to the higher short-term and long-term deposits (by 1.1% and 0.3%, respectively), with the short-term deposits being dominant (with a share of 98%) in the increase in total deposits. Observing the currency of denomination structure, foreign currency deposits grew faster than Denar deposits, with a share of 69% in the increase in total deposits. Analyzed by sector, the increase in the total bank deposits with the private sector is entirely due to the upsurge in the households' deposits. Thus, on a monthly basis, households' deposits picked up by 1.5%, reflecting the increase in all categories of deposits from the viewpoint of the maturity and currency of denomination structures. On the other hand, corporate deposits dropped by 0.3% relative to the preceding month, primarily reflecting the decline in the foreign currency sight deposits. On annual basis (September 2006 / September 2005), the total private sector deposits with banks went up by 24.5%.

Figure 4
Dynamics of deposits
(in millions of denars)



Source: National Bank of the Republic of Macedonia

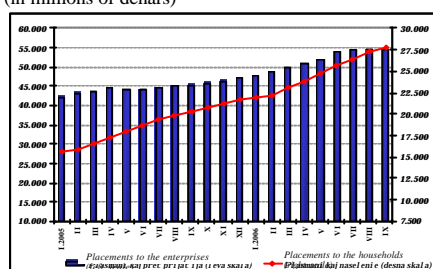
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The growth of *banks' total placements* to the private sector in September 2006 slowed down (monthly increase of only 0.2%). Such movements in the total placements were mostly a result of the significant decline in the doubtful and contested claims on the basis of placements and other claims on non-financial legal entities⁹, which caused a monthly decline in the total short-term denar credits of 3.1%. Consequently, total Denar placements¹⁰ registered negative monthly change (decline of 0.3%) unlike the foreign currency placements which went up by 1.6%. The sector-by-sector analysis indicates monthly growth in the placements to households (of 1.4%), while placements with enterprises plunged by 0.4%. The annual increase in the banks' total placements with the private sector equaled 24.7% in September 2006.

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



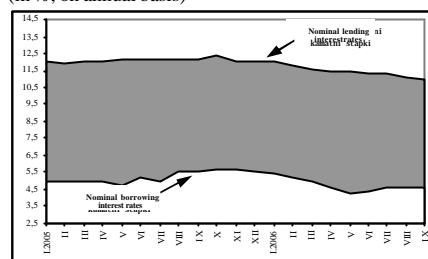
Source: National Bank of the Republic of Macedonia

⁹ Definitive write-off of due uncollected claims.

¹⁰ Also include foreign currency indexed loans.

The *banks' interest rate policy* registered no considerable changes in September 2006. Thus, the banks' average weighted lending interest rate on Denar credits in any maturity and sector equaled 11% (monthly decline of 0.1 percentage point), while the average weighted deposit interest rate on Denar deposits in any maturity and sector remained unchanged and equaled 4.6%.

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 equaled 8.2% and 1.6% in September 2006, and relative to the preceding month they increased by 0.1 percentage point.

III. Foreign trade and foreign exchange developments

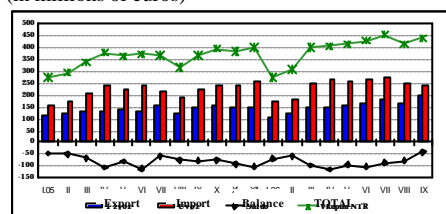
The *foreign trade*¹¹ of the Republic of Macedonia in September 2006, stood at Euro 440.7 million, which is a monthly increment of 6.4% and it is mainly a result of the significant increase in the export of goods. Thus, in September 2006, the highest monthly *export of goods* in the past ten years was registered, in the amount of Euro 198.8 million, which represents monthly and annual increase of 18.9% and 38.2%, respectively. The monthly increase in exports was primarily generated by the increased exports of iron and steel, and products thereof, stone, gypsum and

cement, and of wearing apparel and textile. The *import of goods* in September 2006, dropped by 2.1% relative to the preceding month and it amounted to Euro 241.8 million. Analyzed by product, the most significant decline was registered in the import of iron and steel, mineral fuels and equipment. On annual basis (September 2006 / September 2005), the import of goods went up by 8.8%, mainly as a result of the higher import of iron and steel and products thereof.

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.



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.

Given the increase in the exports and decrease in the imports, in September 2006, the trade deficit registered a significant decline of 46.2% relative to the preceding month and stood at Euro 43 million. At the same time, the import-export coverage ratio (82.2%) increased by 14.5 percentage points on a monthly basis.

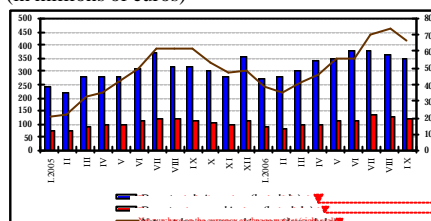
On cumulative basis, in the January - September 2006 period, the total foreign trade reached Euro 3,538.8 million, and compared with the same period of the preceding year it was by 15.5% higher. The exports in the January - September period amounted to Euro 1,389.4 million, when a cumulative increase of 16.7% was registered. Such an increase was caused by the higher export of iron and steel and products thereof, oil derivatives, beverages, tobacco and food, which comprise 68.7% of the total increase. In the first nine months of 2006, goods in the amount of Euro 2,149.4 million were imported, which represents an annual rise of 14.8%, primarily as a result of the increased imports of mineral fuels, iron and steel and products thereof, vehicles and equipment. On cumulative basis, trade deficit reached Euro 760 million, and it was by 11.4% higher compared with the same period of 2005, while the import-export coverage ratio increased by 1.1 percentage point, and it equaled 64.6%.

In September 2006, the total turnover on the *foreign exchange market* amounted to Euro 347.9 million, which is a decline of 4.3% relative to the preceding month. In circumstances of reduced demand for and supply of foreign exchange by the enterprises by 2.1% and 4.8%, respectively, the net sale of foreign exchange by the banks went up by 8.2% on a monthly basis. Transactions of the NBRM on the foreign exchange market again were directed towards net-purchasing of foreign exchange, with the cumulative purchase of foreign exchange by the NBRM on the foreign exchange market reached

Euro 180.9 million in the first nine months of 2006. On September 30, 2006, *gross foreign reserves* reached Euro 1,370.1 million, which is an increase of Euro 24.5 million relative to the preceding month, mainly due to the realized net-purchase of NBRM on the foreign exchange market.

In September, the turnover on the *currency exchange market* stood at Euro 119.4 million, which is by 7.7% less compared with the previous month, as a result of the monthly decline in the supply of and in the demand for foreign currency (of 8.3% and 5.4%, respectively). As a result of such monthly oscillations in the supply of and demand for foreign currency, in September 2006 a net-purchase of Euro 67 million was realized on the currency exchange market, which is a decline of 9.4% on a monthly basis. The net-purchase on the currency exchange market in the January - September 2006 period stood at Euro 484.5 million, and registered an increase of 25.1% relative to the same period of 2005.

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



Source: National Bank of the Republic of Macedonia

The *exchange rate of the Denar* against the Euro on the foreign exchange market is stable and on September 30, 2006 it equaled Denar 61.20. At the end of September, 2006, the exchange rate of the Denar against the US Dollar registered a monthly depreciation of 0.9%, equaling Denar 48.14 per one US Dollar (on August 31, 2006, Denar 47.72 were traded per one US Dollar).

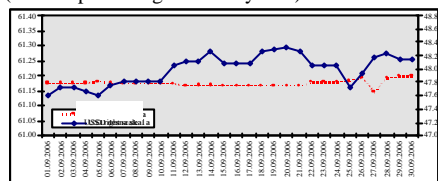
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Figure 9
Daily middle exchange rate of the Denar against
the Euro and the US Dollar on the foreign
exchange market
(Denars per foreign currency unit)



Source: National Bank of the Republic of Macedonia

In September 2006, the exchange rate of the Denar against the Euro on the currency exchange market equaled Denar 61.41 per one Euro, on average, and it has not been changed since May 2006. At the same time, the average exchange rate of the Denar against the US Dollar equaled Denar 47.99 per one US Dollar, with the Denar registering depreciation of 0.3% (in August 2006, Denar 47.83 were traded per one US Dollar, on average).

*The external debt of the Republic of Macedonia
on the basis of long-term credits and loans*

totaled Euro 1,714 million at the end of September 2006, which is by Euro 8.1 million more compared with the previous month, mostly as a result of the cross-currency changes. In September 2006, funds in the amount of Euro 5.2 million were used, while the total repaid liabilities stood at Euro 6.9 million (Euro 4.8 of principal and Euro 2.1 million of interest). In September 2006, credits were concluded in the amount of Euro 7 million, which were extended solely to the private sector. Observing the debtors, the total long-term debt of the private sector amounted to Euro 494.2 million on September 30, 2006, registering a monthly increase of Euro 2.3 million. Here, 78.2% of the total debt of the private sector pertains to the non-banking private sector (mostly debt to the private creditors), while the remaining portion is debt of private banks. At the end of September 2006, the short-term external debt¹² stood at Euro 89.7 million (entirely a debt of the private sector). The total repaid liabilities amounted to Euro 0.8 million, while the used funds are insignificant.

¹² Preliminary NBRM data.



Appendix

Developments in Real Sector in the Republic of Macedonia

Table 1

Costs of living and retail prices

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

Source: State Statistical Office of the Republic of Macedonia


Table 2

Prices of producers of industrial products*

	IX.2006 VIII.2006	IX.2006 IX.2005	I-IX.2006 I-IX.2005
	in %		
Prices of producers of industrial products	-1,1	2,4	5,2
Energy			
Intermediary goods (except Energy)	-3,3	-0,5	13,4
Capital goods	-0,9	2,0	-1,0
Durable consumer goods	0,0	5,4	4,6
Non durable consumer goods	0,0	0,6	3,5
	0,0	4,4	5,0
<i>Mining and quarrying</i>	-0,5	2,5	3,5
<i>Manufacturing industry</i>	-1,5	2,8	5,9
Manufacture of food products and beverages	-0,3	1,6	0,8
Manufacture of tobacco products	0,0	23,1	21,1
Manufacture of textiles	0,0	-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	-2,0	1,2
Manufacture of coke, refined petroleum products and nuclear fuel	-6,9	-0,1	25,0
Manufacture of chemicals and chemical products	0,0	0,3	-0,3
Manufacture of rubber and plastic products	-4,3	-0,7	0,8
Manufacture of other non-metallic mineral products	-0,5	4,1	2,9
Manufacture of basic metals	-0,8	2,5	-3,8
Manufacture of fabricated metal products, except machinery and equipment	0,0	10,0	8,1
Manufacture of electrical machinery and apparatus n.e.c.	0,0	8,7	7,2
<i>Electricity, gas and water supply</i>	2,7	-1,1	-0,5

* Previous data

Source: State Statistical Office of the Republic of Macedonia



Table 3
Industrial output*

	Structure in %	IX.2005 VIII.2006	IX.2005 IX.2005	I-IX.2005 I-IX.2005
			in %	
Prices of producers of industrial products	100,0	-0,9	-2,2	2,2
Energy	21,9	-25,3	-22,8	-0,2
Intermediary goods (except Energy)	33,8	8,0	10,3	7,6
Capital goods	4,8	15,4	15,5	3,4
Durable consumer goods	1,4	21,8	-6,8	-1,6
Non durable consumer goods	38,1	0,3	-6,1	-2,1
<i>Mining and quarrying</i>	1,8	15,0	27,9	39,9
<i>Manufacturing industry</i>	79,4	3,6	1,3	2,0
Manufacture of food products and beverages	20,0	4,8	-9,9	0,1
Manufacture of tobacco products	3,9	-23,0	26,0	7,6
Manufacture of textiles	2,5	43,8	-6,6	7,3
Manufacture of wearing apparel; dressing and dyeing of fur	8,6	-3,2	-7,5	-3,2
Publishing, printing and reproduction of recorded media	3,9	3,1	-11,3	-21,6
Manufacture of coke, refined petroleum products and nuclear fuel	3,0	-15,8	-5,9	7,0
Manufacture of chemicals and chemical products	5,9	33,3	19,7	-0,5
Manufacture of rubber and plastic products	2,6	15,7	-20,7	-14,3
Manufacture of other non-metallic mineral products	8,2	1,8	1,9	21,8
Manufacture of basic metals	6,0	10,4	50,9	7,8
Manufacture of fabricated metal products, except machinery and equipment	3,8	34,2	21,7	-2,5
Manufacture of electrical machinery and apparatus n.e.c.	3,2	-22,7	-4,6	3,1
<i>Electricity, gas and water supply</i>	18,8	-27,7	-26,8	-1,6

* 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
I. Net Foreign Assets	66,282	57,130	57,297	71,907	74,145	75,454	77,256	79,385	80,535	82,064
Assets	69,504	60,326	60,519	75,076	77,213	78,415	80,181	82,287	83,412	84,956
Liabilities	3,222	3,196	3,222	3,169	3,068	2,961	2,925	2,902	2,877	2,892
II. Net Domestic Assets	-40,520	-33,763	-32,079	-47,210	-47,978	-48,045	-50,327	-51,711	-53,259	-54,700
Credit to banks, net	-8,876	-10,368	-9,329	-8,580	-8,461	-7,222	-6,415	-6,708	-7,075	-7,103
<i>Credit to banks</i>	45	45	324	323	323	323	319	319	319	319
Credits extended at auction	0	0	0	0	0	0	0	0	0	0
Repurchased agreement	0	0	0	0	0	0	0	0	0	0
Credits based on securities	0	0	0	0	0	0	0	0	0	0
Long - term credits	31	31	31	31	31	31	27	27	27	27
Advances	4	4	283	282	282	282	282	282	282	282
Other	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
Auctions of bills	-8,921	-10,413	-9,653	-8,903	-8,784	-7,545	-6,734	-7,027	-7,394	-7,422
<i>Net, Government</i>	-18,989	-11,024	-10,167	-25,762	-26,157	-27,733	-30,847	-31,396	-33,022	-34,154
1. Claims on Government	3,290	3,290	3,290	3,290	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
Ordinary credit	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
Other	2,251	2,251	2,251	2,251	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
A) In denar	-6,993	-7,653	-6,860	-8,807	-9,141	-11,104	-14,417	-16,110	-17,528	-18,728
Demand deposits	-6,993	-7,653	-6,860	-8,807	-9,141	-11,104	-14,417	-16,110	-17,528	-18,728
- Budget account	-6,562	-7,214	-6,417	-6,965	-5,717	-7,678	-11,342	-11,816	-12,247	-13,656
- Other budget funds	-431	-439	-443	-1,842	-3,424	-3,426	-3,075	-4,294	-5,281	-5,072
o/w - Government securities for monetary purpose	0	0	0	-1,377	-2,951	-2,951	-2,627	-3,885	-4,870	-4,656
Fund for monetary policy support	0	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	-18,409
Central Gov. dep.	-15,139	-6,516	-6,450	-20,098	-19,851	-19,468	-19,267	-18,125	-18,333	-18,261
o/w Road fund	-147	-130	-121	-102	-84	-56	-31	-31	-213	-213
Other Government deposits	-147	-145	-147	-147	-148	-144	-146	-144	-144	-148
3. External account	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
Other assets	5,324	5,243	5,279	5,204	5,320	5,558	5,579	5,569	5,630	5,704
Other liabilities	-5,368	-4,794	-5,067	-4,983	-5,377	-5,416	-5,460	-5,713	-5,451	-5,850
o/w Transitory account	-487	-14	-19	-36	-180	-44	-51	-352	-48	-300
Capital account	-11,024	-11,558	-11,505	-11,608	-11,798	-11,750	-11,523	-11,888	-11,656	-11,653
Residual items	-1,587	-1,262	-1,290	-1,481	-1,505	-1,482	-1,661	-1,575	-1,685	-1,644
Reserve money	25,762	23,367	25,218	24,697	26,167	27,409	26,929	27,674	27,276	27,364
Currency in circulation	14,439	13,100	13,635	13,700	14,560	13,900	14,580	15,319	14,822	14,810
Cash in vaults	1,374	1,068	1,066	980	1,052	965	1,011	1,112	1,082	1,058
Giro - accounts	9,949	9,199	10,517	10,017	10,555	12,544	11,338	11,243	11,372	11,496
o/w Reserve requirement	5,323	5,417	5,413	5,505	5,572	5,657	5,662	5,767	5,875	6,006

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
I. Net Foreign Assets	89738	80776	80899	96611	98526	99218	100288	102625	104646	105619
<i>National Bank</i>	66282	57130	57297	71907	74145	75454	77256	79385	80535	82064
Assets	69504	60326	60519	75076	77213	78415	80181	82287	83412	84956
Liabilities	3222	3196	3222	3169	3068	2961	2925	2902	2877	2892
<i>Deposit Money Banks</i>	23456	23646	23602	24704	24381	23764	23032	23240	24111	23555
Assets	37786	37231	36986	36669	36249	35882	35526	35808	36862	36867
Liabilities	14330	13585	13384	11965	11868	12118	12494	12568	12751	13312
II. Net Domestic Assets	19545	28414	30070	16577	18786	19351	18220	18953	19123	19219
1.Domestic credit	62382	71691	74396	62714	65567	66039	65763	67436	67795	65575
of which: Claims on Gov.	-11791	-3271	-1913	-15747	-14773	-15925	-19421	-19004	-19875	-21017
a) Deposit Money Banks	81371	82715	84563	88476	91724	93772	96610	98832	100817	99729
-in denar	64186	65363	66730	69847	72349	73937	75954	77766	79303	77855
Government	7118	7672	8175	9930	11297	11722	11340	12300	13021	12998
Credits	7115	7669	8171	9927	11274	11698	11317	12276	12996	12974
a) Budget and Line Ministries	7033	7589	8013	9696	11071	11509	11015	12048	12843	12834
b) Funds	82	80	158	231	203	189	302	228	153	140
c) Ins. of Central Gov.: Courts, etc.	0	0	0	0	0	0	0	0	0	0
Accrued interest	3	3	4	3	23	24	23	24	25	24
Non Government sector	57068	57691	58555	59917	61052	62215	64614	65466	66282	64857
Credits	51672	52255	53149	54473	55552	56621	58993	59766	60513	60349
of which: Overdue claims	9807	10314	10323	10146	10509	10581	10538	10690	10908	9682
Accrued interest	5396	5436	5406	5444	5500	5594	5621	5700	5769	4508
-in foreign currency	17185	17352	17833	18629	19375	19835	20656	21066	21514	21874
Government	80	81	79	85	87	86	86	92	126	139
of which: Overdue	0	0	0	0	0	0	0	0	0	0
Non Government sector	17105	17271	17754	18544	19288	19749	20570	20974	21388	21735
of which: Overdue	1748	1753	1587	1444	1476	1534	1693	1806	1723	1532
b) Nat. Bank Claims on Government	-18989	-11024	-10167	-25762	-26157	-27733	-30847	-31396	-33022	-34154
2.Other items, net	-42837	-43277	-44326	-46137	-46781	-46688	-47543	-48483	-48672	-46356
of which: Claims on Gov.										
for frozen f.c. deposits	0	0	0	0	0	0	0	0	0	0
Accrued interest	-5399	-5439	-5410	-5447	-5523	-5618	-5644	-5724	-5794	-4532
Others	-37438	-37838	-38916	-40690	-41258	-41070	-41899	-42759	-42878	-41824

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	IX.06
M4Total	109283	109190	110969	113188	117312	118569	118508	121578	123769	124838
M4 (nonGovernment)	108174	108320	109999	111912	116049	117406	117333	120461	122719	123869
M1(Total)	30034	27933	28900	28431	29906	29954	31201	32503	32197	32419
M1 (nonGovernment)	29663	27699	28596	27962	29459	29584	30768	32151	31905	32090
Currency in Circulation	14439	13100	13635	13700	14560	13900	14580	15319	14822	14810
Demand deposits(total)	15595	14833	15265	14731	15346	16054	16621	17184	17375	17609
Demand deposits(NonGov.)	15224	14599	14961	14262	14899	15684	16188	16832	17083	17280
Deposit Money Banks	15577	14752	15183	14519	15241	15940	16509	17072	17215	17482
NonGov. Demand deposits	15206	14518	14879	14050	14794	15570	16076	16720	16923	17153
Government Demand deposits	371	234	304	469	447	370	433	352	292	329
a) Budget and Line Ministries	236	55	91	132	145	73	158	98	84	92
b) Funds	135	179	213	323	302	297	275	253	207	236
c) Ins. of C.Gov.: Courts, etc.	0	0	0	14	0	0	0	1	1	1
Nation. Bank NonGov.Demand dep.	18	81	82	212	105	114	112	112	160	127
M2 (Total)	104195	104065	105734	107835	111559	113044	112772	115974	117823	118872
M2 (nonGovernment)	103134	103243	104812	106607	110344	111929	111645	114906	116822	117952
Quasi money (Total)	74161	76132	76834	79404	81653	83090	81571	83471	85626	86453
Quasi money (non Government)	73471	75544	76216	78645	80885	82345	80877	82755	84917	85862
Deposit Money banks	74161	76132	76834	79404	81653	83090	81571	83471	85626	86453
Non Government sector	73471	75544	76216	78645	80885	82345	80877	82755	84917	85862
Denar	24364	25614	26237	27889	29563	30864	28062	29059	30305	30638
Foreign currency	49107	49930	49979	50756	51322	51481	52815	53696	54612	55224
Government deposits	690	588	618	759	768	745	694	716	709	591
Denar	689	587	616	759	768	745	694	716	708	590
Foreign currency	1	1	2	0	0	0	0	0	1	1
NBM quasi deposits	0	0	0	0	0	0	0	0	0	0
Nonmonetary Deposits (Total)	5088	5125	5235	5353	5753	5525	5736	5604	5946	5966
Denar nonm. deposits (total)	3105	3159	3184	3171	3305	3321	3303	3305	3327	3292
F.C. nonm. deposits (total)	1983	1966	2051	2182	2448	2204	2433	2299	2619	2674
Nonmonetary Deposits (nonGov.)	5040	5077	5187	5305	5705	5477	5688	5555	5897	5917
Denar nonm. dep.(nonG)	3057	3111	3136	3123	3257	3273	3255	3256	3278	3243
F.C. nonm. dep (nonG)	1983	1966	2051	2182	2448	2204	2433	2299	2619	2674
-Deposit Money Banks	5088	5125	5235	5353	5753	5525	5736	5604	5946	5966
Denar nonGov. nonmonetary dep.	3057	3111	3136	3123	3257	3273	3255	3256	3278	3243
F. C. nonGovern. nonmon. dep.	1983	1966	2051	2182	2448	2204	2433	2299	2619	2674
Denar Gov. nonmon. deposits	48	48	48	48	48	48	48	49	49	49
F. C. Govern. nonmon. deposits	0	0	0	0	0	0	0	0	0	0
-NBM NonGov. nonm. deposits	0	0	0	0	0	0	0	0	0	0
Denar	0	0	0	0	0	0	0	0	0	0
Foreign currency	0	0	0	0	0	0	0	0	0	0
Total Deposits	94844	96090	97334	99488	102752	104669	103928	106259	108947	110028
Total Deposits (nonGov.)	93735	95220	96364	98212	101489	103506	102753	105142	107897	109059

Source: National Bank of the Republic of Macedonia


Table 6

Total deposits of the non-government sector

	30.09.2006	monthly changes		annual changes		structure
	in Denar million	in Denar million	in %	in Denar million	in %	in %
Total deposits	91.779	965	1,1	18.034	24,5	100,0
1. According to maturity						
- short-term	85.862	945	1,1	16.988	24,7	93,6
- long-term	5.917	20	0,3	1.046	21,5	6,4
2. According to currency of denomination						
- In denar	33.881	298	0,9	10.019	42,0	36,9
- In foreign currency	57.898	667	1,2	8.015	16,1	63,1

Source: National Bank of the Republic of Macedonia

Table 7

Households and enterprises deposits

	structure	30.09.2006	monthly changes		annual changes	
	in %	in Denar million	in Denar million	in %	in Denar million	in %
Total households deposits	100,0	62.767	940	1,5	12.025	23,7
1. According to maturity						
- short-term	94,4	59.233	766	1,3	11.000	22,8
- long-term	5,6	3.534	174	5,2	1.025	40,9
2. According to currency of denomination						
- In denar	30,2	18.978	467	2,5	6.098	47,3
- In foreign currency	69,8	43.789	473	1,1	5.927	15,7
Total enterprises deposits	100,0	27.161	-86	-0,3	6.194	29,5
1. According to maturity						
- short-term	94,9	25.782	104	0,4	5.950	30,0
- long-term	5,1	1.379	-190	-12,1	244	21,5
2. According to currency of denomination						
- In denar	49,3	13.380	-219	-1,6	4.223	46,1
- In foreign currency	50,7	13.781	133	1,0	1.971	16,7

Source: National Bank of the Republic of Macedonia


Table 8

Demand deposits of households and enterprises

	30.09.2006	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Demand deposits	17.280	197	1,2	2.864	19,9
- Demand deposits of households	3.318	64	2,0	635	23,7
- Demand deposits of enterprises	11.550	-231	-2,0	1.725	17,6

Source: National Bank of the Republic of Macedonia

Table 9

Placements to households and enterprises

	30.09.2006	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Total placements	82.084	183	0,2	16.259	24,7
<i>Denar placements</i>	60.349	-164	-0,3	10.576	21,2
<i>of which:</i>					
- enterprises	34.172	-496	-1,4	4.251	14,2
- households	26.098	332	1,3	6.430	32,7
<i>Foreign currency placements</i>	21.735	347	1,6	5.683	35,4
<i>of which:</i>					
- enterprises	20.208	289	1,5	4.780	31,0
- households	1.525	59	4,0	916	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 30.09.2006 (in %)	Monthly change (in percentage points)	Annual change (in percentage points)
Denar placements	100,0		
maturity structure			
- short-term	47,7	-1,4	-3,2
- long-term	52,3	1,4	3,2
structure by sectors			
- enterprises	56,6	-0,7	-3,5
- households	43,2	0,6	3,7
- other	0,1	0,0	-0,3
Foreign currency placements	100,0		
maturity structure			
- short-term	26,6	0,0	-2,2
- long-term	73,4	0,0	2,2
structure by sectors			
- enterprises	93,0	-0,1	-3,1
- households	7,0	0,1	3,2
- other	0,0	0,0	-0,1

Source: National Bank of the Republic of Macedonia

Table 11

Interest rates

	September, 2006 in %	Monthly changes in percentage points	Annual changes in percentage points
Average weighted interest rate on the CB bills auctions (28 days)	5,4	-0,2	-4,6
Average weighted interest rate on the Money Market*	4,7	-0,2	-4,4
Banks' weighted lending interest rates	11,0	-0,1	-1,2
Banks' weighted deposit interest rates	4,6	0,0	-1,0

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	Demand	Realized	Weighted interest rate
	in Denar million			in %
Treasury bills auctions, 3 month				
05.09.06	1.070.0	1.507.6	1.070.0	5.99
19.09.06	1.950.0	1.012.7	1.012.7	5.96
Treasury bills auctions, 6 month				
05.09.06	400.0	287.5	287.5	6.97
Treasury bills auctions, 1 year				
19.09.06	300.0	300.8	300.0	8.66

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)

	IX.2006	I-IX.2006	IX.2006		IX.2006		I-IX.2006	
	amount		amount	%	amount	%	amount	%
Foreign trade	440,7	3.538,8	26,3	6,4	74,5	20,3	475,1	15,5
Exports	198,8	1.389,4	31,6	18,9	54,9	38,2	198,7	16,7
Imports	241,8	2.149,4	-5,3	-2,1	19,6	8,8	276,4	14,8
Balance	42,0	760,0	26,0	46,2	35,2	45,1	27,7	11,4

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-September, 2006
(in EURO million)

	Foreign trade		Exports		Imports		Import - export coverage ratio	
	amount	Share %	amount	Share %	amount	Share %	amount	Share %
Republic of MACEDONIA	3.538,8	100,0	1.389,4	100,0	2.149,4	100,0	64,6	
<i>out of which:</i>								
Serbia and Montenegro	481,5	13,6	325,2	23,4	156,3	7,3	208,1	
Germany	432,3	12,2	221,6	15,9	210,7	9,8	105,2	
Greece	402,2	11,4	220,1	15,8	182,1	8,5	120,8	
Russia	327,6	9,3	16,6	1,2	311,0	14,5	5,3	
Italy	266,0	7,5	137,8	9,9	128,2	6,0	107,5	
Bulgaria	217,2	6,1	70,3	5,1	146,8	6,8	47,9	
Croatia	119,4	3,4	74,0	5,3	45,4	2,1	163,1	
Turkey	101,4	2,9	32,5	2,3	68,8	3,2	47,3	
Slovenia	100,7	2,8	24,7	1,8	76,0	3,5	32,4	
China	80,8	2,3	1,1	0,1	79,7	3,7	1,4	
Total (10 largest trading partners)	2.520,1	71,5	1.124,0	80,9	1.405,1	65,4	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	
	31.08.2006	30.09.2006	VIII 2006	IX 2006	VIII 2006	IX 2006
Official creditors	1.041,8	1.047,9	6,5	4,5	6,3	4,3
out of which:						
Multilateral	880,0	884,4	5,1	3,8	4,5	4,2
MMF	47,0	47,3	0,0	0,0	0,5	0,0
IBRD	201,2	203,6	0,8	1,5	2,2	0,0
IFC	4,2	4,3	0,0	0,0	0,0	0,0
IDA	296,2	298,0	0,3	0,3	0,4	0,0
EIB	123,5	122,0	0,0	0,0	0,0	2,3
EUROFIMA	6,1	6,1	0,0	0,0	0,1	0,0
Council of EDB	18,5	18,4	0,0	0,0	0,1	0,2
EBRD	81,0	82,3	3,6	2,0	1,1	1,4
EU	90,0	90,0	0,0	0,0	0,2	0,4
IFAD	12,3	12,4	0,4	0,0	0,0	0,0
European Agency for Reconstruction	0,0	0,0	0,0	0,0	0,0	0,0
Bilateral	161,8	163,5	1,4	0,7	1,8	0,1
Paris club (rescheduled 1995)	79,8	80,3	0,0	0,0	0,0	0,0
New credits	6,6	6,6	0,0	0,0	0,0	0,0
Non-rescheduled debt	75,4	76,5	1,4	0,7	1,8	0,1
Private creditors	664,2	666,1	4,4	0,7	7,3	2,6
out of which:						
Eurobonds	150,0	150,0	0,0	0,0	0,0	0,0
Other private creditors	514,2	516,1	4,4	0,7	7,3	2,6
Banks and financial institutions	246,4	247,1	1,0	0,5	4,8	1,4
Private nonfinancial sector	267,8	269,0	3,4	0,1	2,5	1,2
TOTAL	1.705,0	1.714,0	10,9	5,2	12,6	6,9

Source: National Bank of the Republic of Macedonia

**National Bank of the Republic of Macedonia Balance sheet****Table 16**

NBRM Balance sheet on 30.09.2006

(in million Denars)

Assets	Amount	Liabilities	Amount
Foreign assets	84,956	Reserve money	21,358
Claims on Government	3,604	NBRM instruments	7,422
Claims on banks and other financial institutions	1,354	Restricted deposits	299
Other assets	4,673	Foreign liabilities	2,892
		Government deposits	39,221
		Capital accounts	11,653
		Other liabilities	11,742
Total	94,587	Total	94,587

Source: National Bank of the Republic of Macedonia