

National Bank of the Republic of Macedonia
Research Department



Monthly Report 1 / 2008

February, 2008

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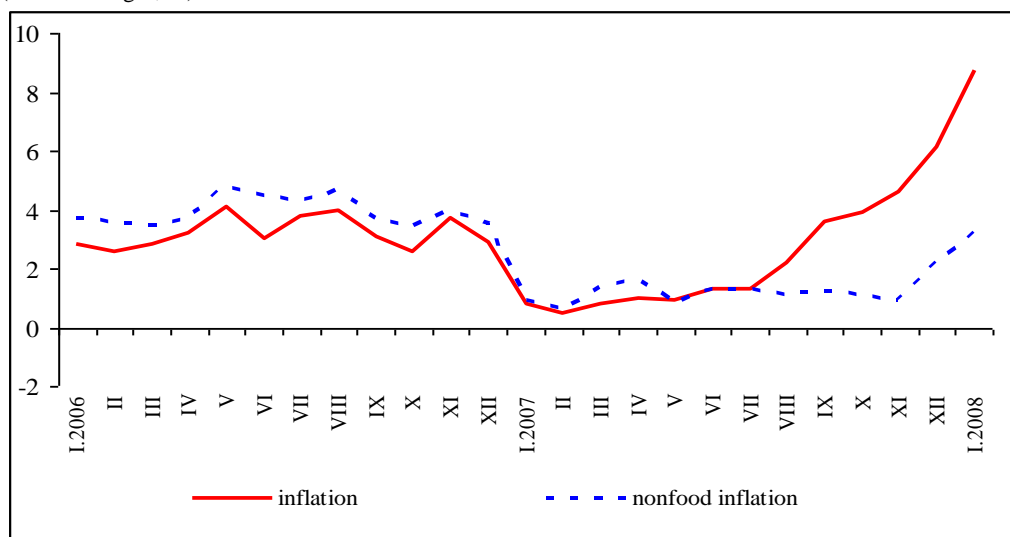
* The Monthly information includes analysis based on the available data as of February 20, 2008.

1. PRICES

The inflation pressures which started in the last quarter of 2007, continued in the first month of 2008, with continuous upward trend in the prices of food. Thus, in conditions of monthly growth in the prices of certain food products (vegetables by 22.4%, dairy products by 4.5%, cereal products by 4.2%, fresh milk and yogurt by 2.8%, eggs by 2.3%, fruits by 2.1%), the monthly level of consumer prices registered growth of 1.6%. On annual level, the inflation was more intensive reaching up to 8.7%, which was mainly due to the effect of the increase in the food prices (contribution of 78% in the annual price growth), but also to the low comparison base. If the influence of the food is excluded, the annual inflation rate equals 3.2%, and the basic inflation which excludes the food and the energy¹ on annual level in January 2008 equals 2.6% (in December it equaled 1.2%).

Figure 1

Inflation rate and inflation without the food
(annual changes, %)



Source: State Statistical Office of the Republic of Macedonia.

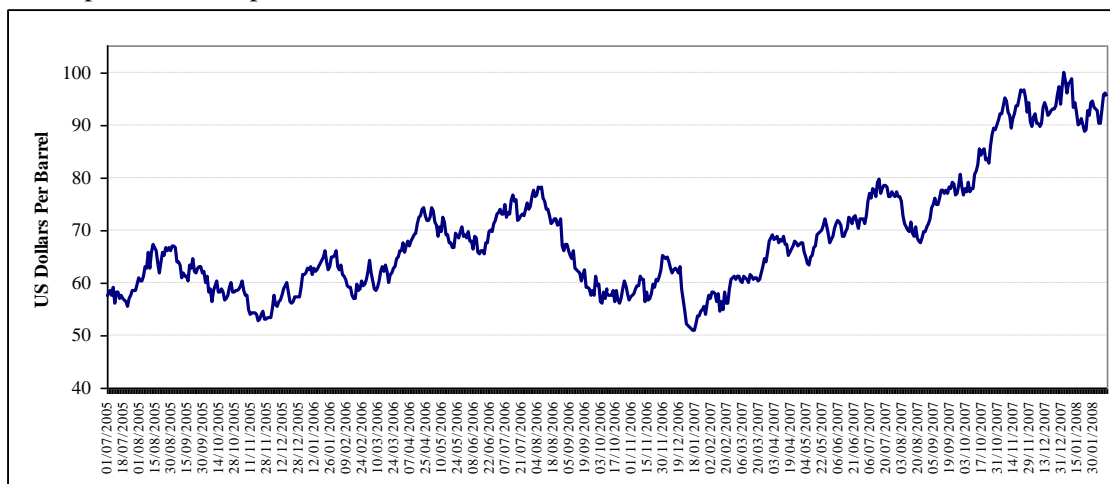
The measures undertaken by the Government of the Republic of Macedonia for increasing the prices of the bread, flour and milk in February 2008 are expected to contribute for decrease in the annual level of inflation in February by about 1.5 p.p., relative to the one in January, assuming that the prices in the rest of the categories of the inflation index will remain unchanged. Still, relative to the development of the inflation, the eventual continuing of the increase in the prices of food and the eventual more dramatic upward fluctuations in the development of the oil prices at the international stock exchanges remained the main risks. Also, the identified inflationary pressures on the side of the demand are of great importance, considering the credit growth and the growth in the salaries over the growth in the economy productivity.

The prices of the crude oil on the international stock exchanges in January 2008 on monthly basis realized small growth of 1.4%. As a result of that, the domestic prices of oil derivatives also increased, contributing with 0.6 percentage points in the annual inflation rate. After the decrease in the beginning of February, the **price of crude oil** on the international stock exchanges in the last two weeks (February 4 - February 15, 2008) registered growth, so the

¹ The calculations are made by the new weights. SSO in January 2008 has made small corrections in the weights in the price index, so the weight in the category of food rose by 2.3 percentage points.

average price of the "brent" oil amounted to USA Dollars 93.2 for a barrel² (growth of 1.5% relative to the previous two weeks). The growth in the price of crude oil resulted mainly of the fears of insufficient supply, because of the Venezuela threatening for stopping the export of oil to USA³, as well as due to the continuous riots in Nigeria⁴. In accordance with the explained developments of the oil prices in the last two weeks, as well as due to the depreciation of the Denar relative to the USA-Dollar by 0.2%, the Energy Regulatory Committee, on its last meeting on February 18, 2008, adopted a decision on small increase in the domestic prices of oil derivatives (in the refinery prices by 2.93% and in the retail prices by 2.28%).

Figure 2
Developments in the price of the "brent" oil



Source: The Energy Information Administration (EIA) - statistical agency of the U.S. Department of Energy.

In accordance with the assessments issued by EUROSTAT, in January 2008 the annual **inflation in the Euro-zone** is expected to amount to 3.2% (in December 2007, the annual inflation in the Euro-zone equaled 3.1%, where the growth in the food amounted to 4.8% on annual level). Also, EUROSTAT states that the assessment is less precise than usually (as a result of excluding Germany from the assessments, where currently certain revision of the consumer price index is in process).

² WTI – West Texas Intermediate, in global frameworks is used as a benchmark for the oil price and in the previous two weeks it equaled on average USA Dollars 90.6 for barrel (price growth by 0.3% relative to the previous two weeks).

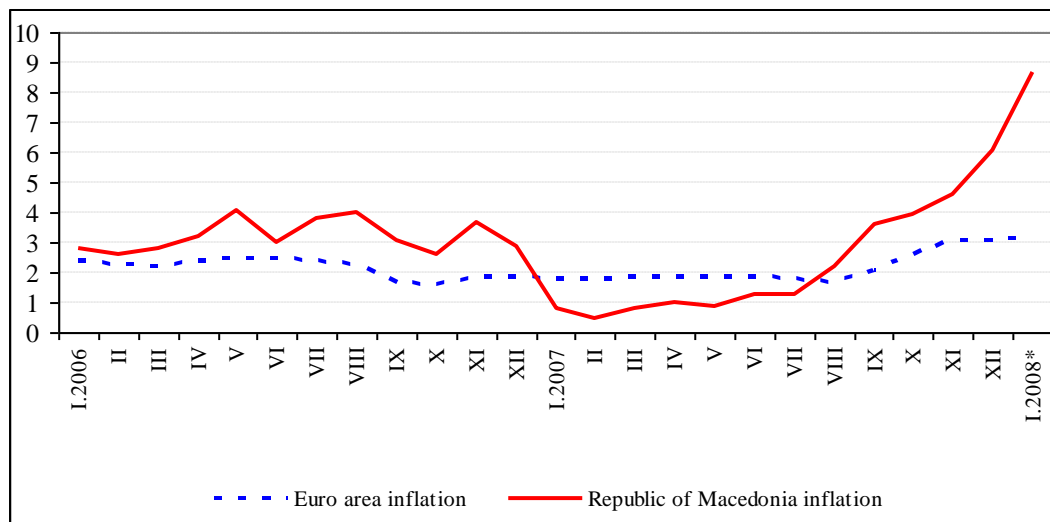
³ Venezuela is the third largest oil exporter in OPEK and one of the largest suppliers of USA. In accordance with the mentioned announcements, the Venezuela state oil company "Petroleos de Venezuela" in February 13, 2008 has stopped the oil shipments isporakite to the American enterprise "ExxonMobil".

⁴ Associated Press, AFX, Reuters, Bloomberg, AFP.

Figure 3

Inflation rate developments in the Euro-zone (the harmonized consumer price index) and in the Republic of Macedonia

(annual rates, in %)



* assessed data for the Euro-zone.

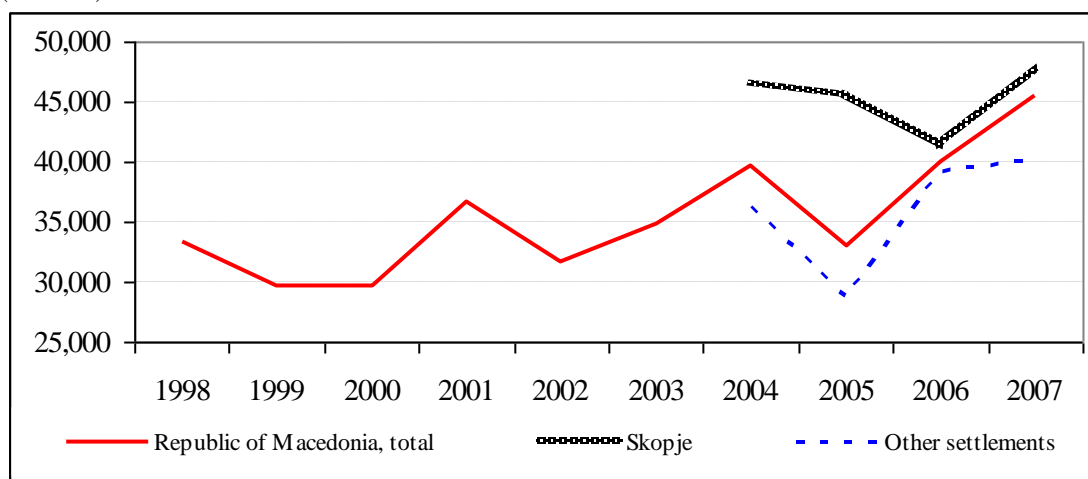
Source: EUROSTAT and SSO.

The growth in the **average price of 1m² of housing area**⁵ in the Republic of Macedonia continued in 2007 reaching up to Denar 45,485 or Euro 743 (increase by 13.8% compared to 2006). The growth in the prices of the new apartments came as a result of the increase in all costs included in the price, but the higher expenditures for construction contributed mostly. The price of 1m² of housing area in Skopje was higher than the average price in the country equaling Denar 47,859 or Euro 782, and relative to 2006 it went up by 15.8%.

Figure 4

Average price of 1m² of housing area in Republic of Macedonia

(in denars)



Source: State Statistical Office of the Republic of Macedonia.

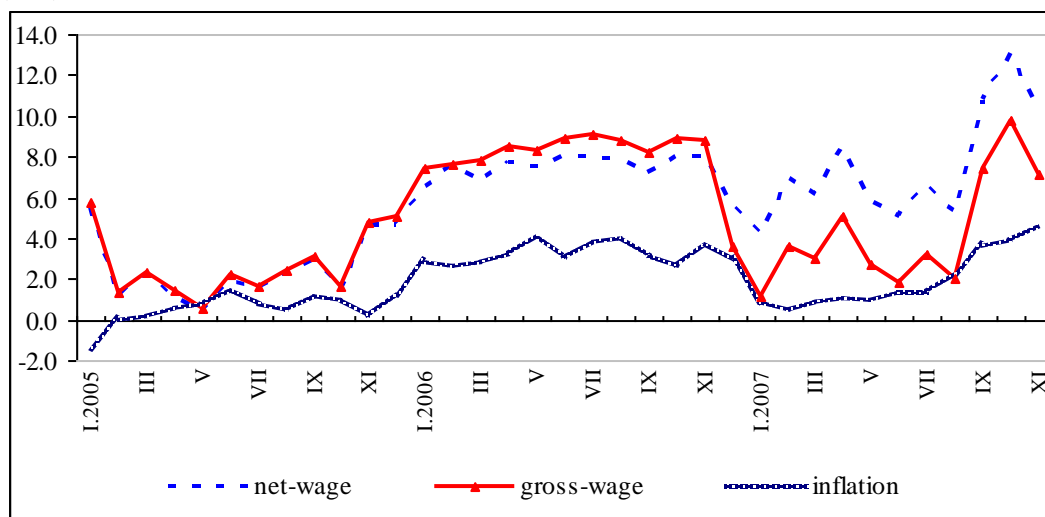
⁵ The price of 1m² includes the costs for construction land, expenses for construction and other costs (providing approval for constructing, projecting, surveying of land, expert oversight etc.). The total price of 1m² of housing area does not include VAT.

2. SALARIES

In November 2007, decrease in the prices of registered fall in the average paid net salary relative to the previous month by 1.8%, in nominal terms (or by 3.2% in real terms)⁶. The average nominal net salary paid in November was higher by considerable 10.3% on annual basis, whereas the nominal gross salaries⁷ registered growth of 7.1% (due to the lower rate of the income taxation in the beginning of the year). The real annual growth in the net salaries, considering the intensified inflation rate, in November 2007 amounted to 5.4%.

Figure 5

Annual nominal changes in the paid salaries and inflation rate
(in %)



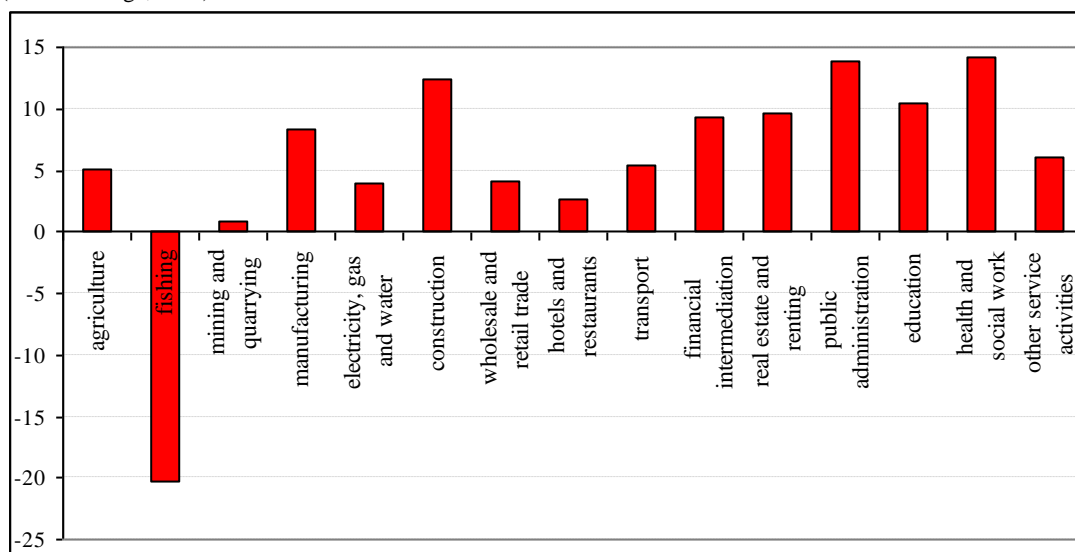
Source: State Statistical Office of the Republic of Macedonia.

In accordance with the sector structure, the growth in the net salaries was determined by the higher paid salaries in all economy activities, with exception of the fishery. The activities in the public sector registered most intensive annual salary growth (public administration and defense by 13.9%, education by 10.5% and health by 14.2%). Simultaneously, the private sector registered considerable increase in the net salaries, in the following activities: agriculture, manufacturing industry, construction, financial intermediation and activities concerning the real estate.

⁶ By SSO information, the monthly fall in the net salaries came as a result of the higher number of employees who did not received salaries.

⁷ Source: State Statistical Office. The total paid gross salaries include: paid net salaries for the reporting month, paid personal tax and paid contributions (on pension and invalid insurance, on health insurance, on employment, on occupational diseases and on water-supply).

Figure 6
Paid net-salary in November, by sectors
(annual change, in %)



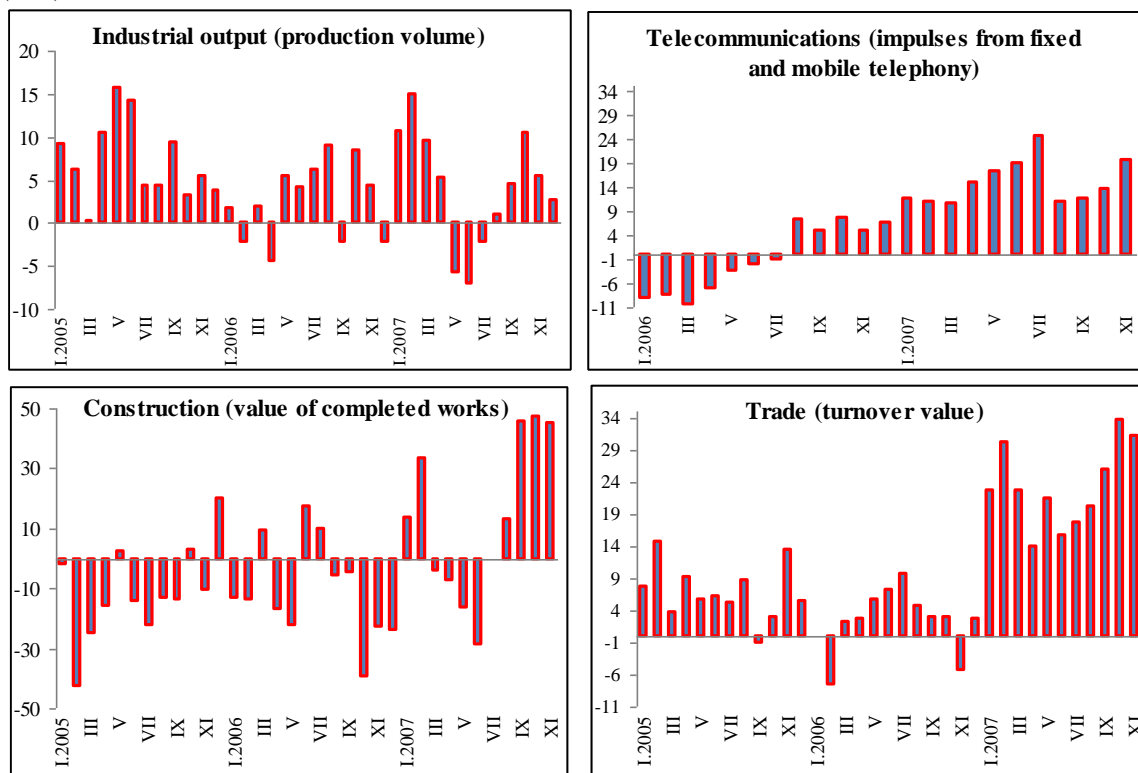
Source: State Statistical Office of the Republic of Macedonia.

3. ECONOMY ACTIVITIES

According the annual GDP evaluations⁸ and concerning the data on the three quarters of 2007, annual rate of economic growth of 5.2% is expected for the last quarter. The latest data concerning the performances in the last quarter of 2007 were in accordance with such expectations. The dominant sector in the economy - the industry, in the last quarter registered intensified activity (especially in the period October - November), so the actual volume of the output in the last quarter of the year registered annual growth of 6.2%. Also, the last available data, including November 2007, indicated continuous positive tendencies in the period October - November in the domestic trade (annual growth of 32.6%), in the construction activities (annual growth in the value of the performed construction activities of 46.2%) and further intensification in the telecommunication activities (annual growth in the realized impulses of 16.7%).

⁸ SSO estimations.

Figure 7
Annual growth rates in certain sectors of the economy
(in %)



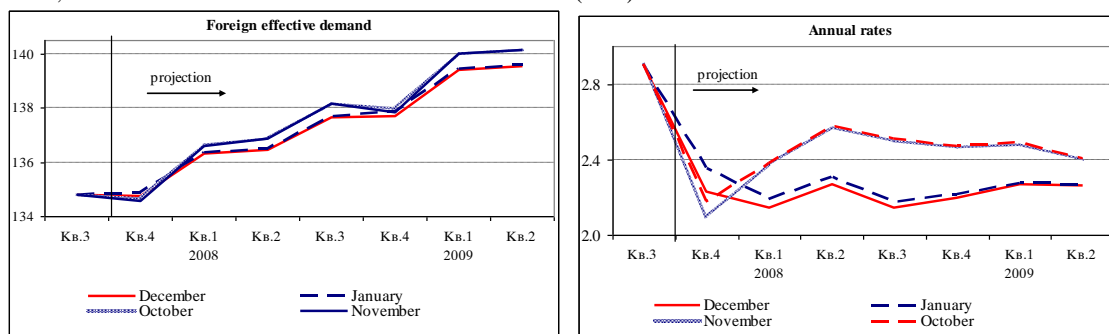
Source: State Statistical Office of the Republic of Macedonia.

Considering the available indicators on the economy real sector development, it can be stated that there are probabilities on realization of the projected real annual GDP growth of about 4% in the first quarter of 2008. The growth in the tax income by 13.1% in the first month of 2008 was positive indicator, relative to the same month of 2007, with exceptional growth in the income arising from the profit tax (by 71%), as well as growth in the income from VAT (by 20%) and the total contributions (by 14.6%) on annual basis. The considerable import of means of operations in the last quarter of 2007 (high annual growth of 90%), as well as the significant amount of Government capital expenditures in the last quarter of 2007 (growth by 2.6 times relative to the last quarter of 2006 which came mainly as a result of the funds intended for construction of state owned apartments and sport facilities), also indicated possibilities for positive developments in the manufacturing activity in the first quarter, and especially in the construction activity and its more significant contribution in GDP creation .

Yet, the projection of the foreign demand⁹, which represents significant initiator of the economic activity in small and open economies, after preparing the projection of domestic GDP, in two occasions, was revised downwards, reflecting to a great extent the uncertainty of the global growth, resulting from the crises on the USA financial markets. Such revision creates possibilities for risk of lower domestic economic activity relative to the projected one, and in the same time, the uncertainty concerning the situations in the area can influence negatively.

⁹ The foreign effective demand is calculated as a sum of the weighted indices of gross domestic product of the most important trade partners of Republic of Macedonia. The weights are being calculated based on the participation of these countries in the Macedonian export. The data on the gross domestic products on countries which are trade partners to Macedonia are from the database of EUROSTAT (New Cronos database), except for the data on the fourth quarter for all countries, the Greek and German data on the third quarter which are from the publication "Consensus Forecast", October 2007. The calculation of the index includes Germany, Greece, Italy, Nederland, Belgium and Spain.

Figure 8
Foreign effective demand *
index, 1995=100

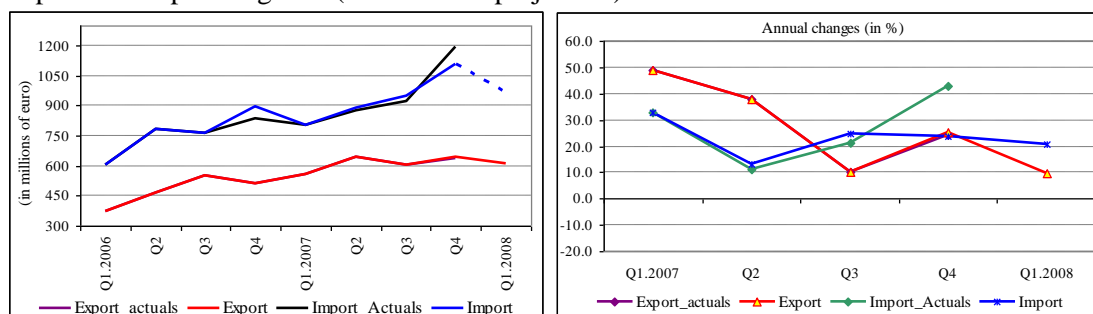


*Projections of Consensus Forecast.

4. BALANCE OF PAYMENTS

In 2007 the export of goods realized annual growth of 28.3%, which mainly reflected the higher export of iron and steel and products thereof (contribution of 75.8%), as well as the higher export of wearing apparel and textile, whereas the overall import of goods in 2007 registered annual growth of 27%, which was mainly due to the higher import of iron and steel and products thereof, mineral fuels, electrical machines, ores, vehicles and equipment. The trade deficit in 2007 became worse by 24.7% on annual basis. By the preliminary data, the trade deficit in 2007 (on f.o.b. basis) created 21.4% of GDP and went up by 0.9 percentage point relative to the projected one.

Figure 9
Export and import of goods (realized and projection)



Source: National Bank of the Republic of Macedonia.

In the current account of the balance of payments, in the period January - November 2007, deficit of Euro 25.2 million was registered. Regarding the November projection, by the end of 2007 its additional deepening is assessed, so it will amount up to about 2.8% of GDP. The deviation concerning the projection (2.3% of GDP) came as a result of the higher trade deficit and lower inflows of private transfers in the last four months of the year.

In the period January - November 2007, in the capital and financial account, net inflows of Euro 150 million were registered. Within the financial account, the foreign direct and portfolio investments (which as of November equaled Euro 195 million and Euro 119 million, respectively), at the end of 2007 are expected to be near the projection.

Deficit on the current account in the balance of payments in amount of Euro 113 million was projected for the first three months of 2008 and a realization of negative trade balance is expected, in conditions of more intensive growth in the import over the export of goods. Such

dynamics of the import of goods came as a result of the expected high import of investment and intermediary products (within which the import component of the projected SDI was included), as well as of the expected growth in the prices of electricity. The data on the foreign trade in January 2008¹⁰ confirms the stated expectations. In January, the export of goods went up by 13.3%, whereas the import registered more intensive growth of 18.9% relative to the same month of 2007. The trade deficit in January equaled Euro 124.6 million and it rose by 28.4% on annual basis.

In January 2008, the prices of metals on the international stock exchanges registered growth on monthly basis. Thus, the prices of precious metals (gold and silver) registered monthly growth (10.8% and 12.2%, respectively), which was mainly due to the decrease in the value of the Dollar relative to the Euro and the expectations for recession in USA, so the precious metals imposed as an alternative investment. Such trend is expected to continue in the first three months of 2008 and the average price of the gold to reach up a historical record. Besides the several month downward trend, the nickel prices in January 2008 registered monthly growth of 6.5%, but they are still under the level registered in the first quarter of 2007.

Table 1
Prices of metals

| | 2006 | 2007 | jan-march 2007 | april-june 2007 | july-sept 2007 | oct-dec 2007 | december 2007 | january 2008 |
|-----------------------------------|----------|----------|-------------------|--------------------|-------------------|-----------------|------------------|-----------------|
| <i>US dollars per ounce</i> | | | | | | | | |
| Gold | 604.3 | 696.7 | 650.3 | 667.4 | 681.1 | 788.0 | 803.2 | 889.6 |
| <i>US dollars per ounce</i> | | | | | | | | |
| Silver | 1,156.9 | 1,341.3 | 1,332.5 | 1,335.8 | 1,273.2 | 1,423.5 | 14.3 | 1,605.9 |
| <i>US dollars per metric tons</i> | | | | | | | | |
| Steel cr coilsheet | 693.8 | 650.0 | 650.0 | 650.0 | 650.0 | 650.0 | 650.0 | 687.5 |
| Steel hr coilsheet | 600.0 | 550.0 | 550.0 | 550.0 | 550.0 | 550.0 | 550.0 | 600.0 |
| <i>US dollars per metric tons</i> | | | | | | | | |
| Nickel | 24,254.4 | 37,229.8 | 41,440.1 | 48,054.8 | 30,205.2 | 29,219.2 | 25,991.9 | 27,689.5 |

Source: World Bank.

By the last available data, as of January 31, 2008, net purchase of Euro 38.2 million was realized on the exchange market, representing annual fall of 16.5%. Such developments indicated the decrease in the private transfers and risk of projection failure. Also, the receiving of the donation from Nederland in amount of Euro 7 million, which was envisaged for the first quarter, was delayed for April 2008.

In accordance with the available data, in the capital and financial account the realization of the payment for concession on using the 3G technology came as an inflow in the first three months, as well as the entering of few foreign direct investments in total amount of about Euro 90 million. In January 2008, on the Macedonian Stock Exchange, the trading of non-residents registered higher participation on the side of the sell (41%), compared with the security purchasing (28%).

5. MONETARY AGGREGATES

In January 2008, the reserve money¹¹ registered annual growth rate of 23.1%, with growth in both components being registered. Thus, the currency in circulation on annual basis went up by 13%, whereas the annual growth rate of the total banks' liquidity assets¹² amounted to 33.6%. On monthly basis, the reserve money decreased by 6.9%, which regarding the structure, came a result to the usual seasonal normalization of the currency in circulation, as well as to the lower level of total banks' liquidity assets. With respect to the creating liquidity and liquidity withdrawal, the fall in the reserve money was a combined effect of the realized net

¹⁰ Previous NBRM data.

¹¹ Includes the reserve requirements of foreign exchange deposits. Without this component, the annual growth rate of the reserve money in January 2008 amounted to 25.5%.

¹² Includes the cash in the vault and the assets on the banks' accounts with NBRM.

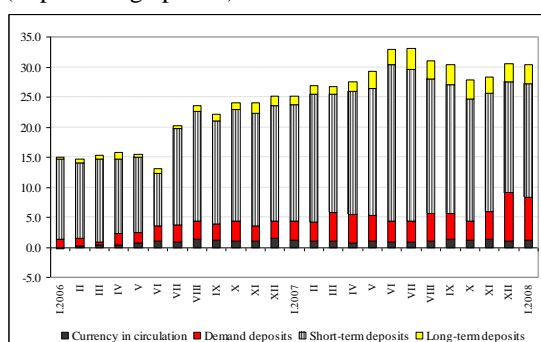
purchase of foreign currencies at the foreign exchange market by NBRM, aiming to keep the foreign exchange stability in the foreign exchange rate, and the higher net position of the Government with NBRM, which was just partially neutralized with the net emission of liquidity through the monetary instruments.

At the end of January 2008, the broadest money supply M4 went up by 29.6% relative to the same month of the previous year, which mainly reflected the further deposit growth, and above all the growth in the short-term deposit potential of banks. Such developments were in accordance with the projection for the first quarter, which envisages stabilization of the annual growth rate of the broadest money supply at the end of March 2008. This came mainly as a result of the incorporated assumption on repatriation of dividend by one larger company of the foreign investor, with expectations for further growth in the saving.

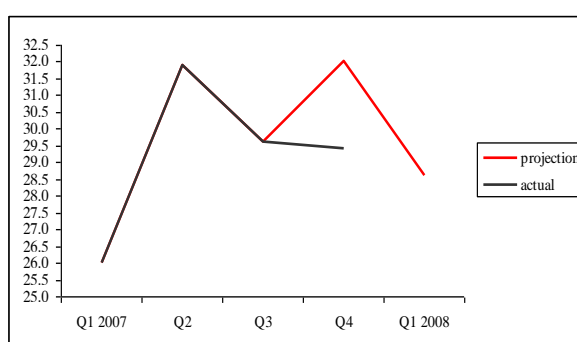
Figure 10

Money supply M4

- contribution in the annual growth
(in percentage points)



- annual growth
(in %)



Source: National Bank of the Republic of Macedonia.

In January 2008, the total deposits of the private sector with the banks rose by 2.3% on monthly basis, i.e. by 28.8% on annual basis. On monthly basis, the foreign currency deposits realized more intensive growth (2.7%), compared with the Denar deposits (1.9%). By the preliminary data, in the first decade of February, the total banks' deposits went up by 1.2% relative to the end of January.

In January 2008, the net foreign currency assets of banks registered monthly growth by Denar 810 million, or by 5.2%, with more intensive fall in the foreign currency liabilities of banks being registered¹³ (by Denar 2.803 million or by 12.2%), relative to the fall in their foreign currency assets (by Denar 1,993 million, or by 5.2%).

6. BANK CREDITS

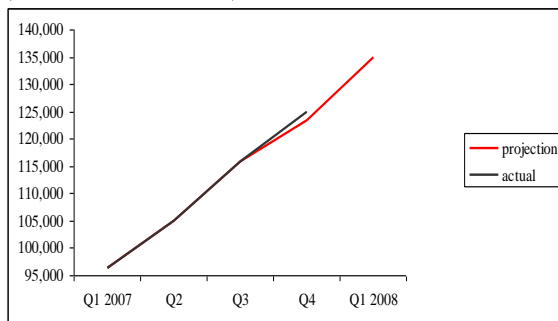
At the beginning of 2008, the credits continued realizing high two numbered annual growth rates, indicating continuous trend of rapid credit growth. Thus, in January 2008, the total bank credits to the private sector rose by 39.9%, relative to the same month of the previous year, which represents additional intensification of the annual growth rate of 0.8 percentage points relative to December 2007. In such conditions, in the first quarter of 2008 its additional intensification is expected. The higher credit activity of banks is expected to be financed initially through the higher deposit potential, as well as through active usage of other financial sources. With respect to the structure, the placements with the households kept the high annual

¹³ Withdrawn deposit of non-resident of a bank.

growth rate also in January 2008 (56%, relative to the annual growth in the placements with the enterprises of 31%).

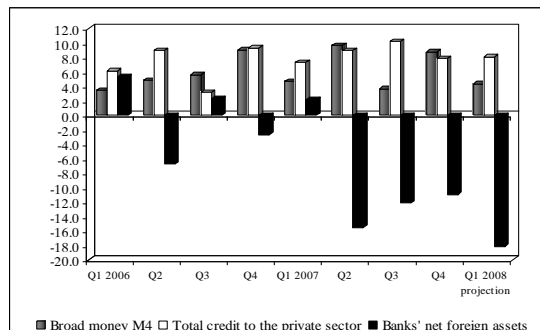
Figure 11

Credits to the private sector
(in millions of denars)



Source: National Bank of the Republic of Macedonia.

Sources of financing
(quarterly changes, in%)

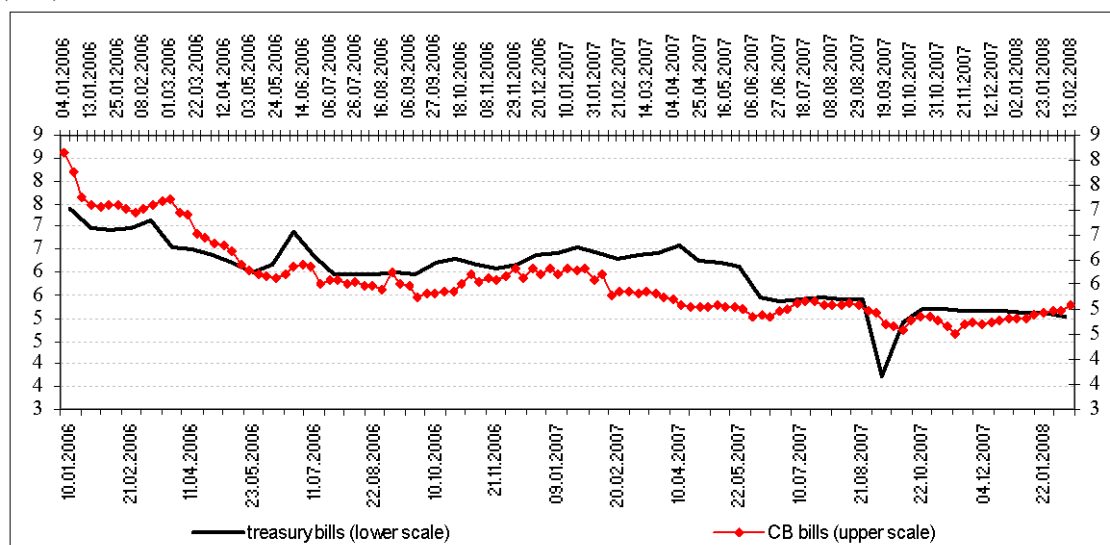


In accordance to the preliminary data, the growth in the credit activity of banks in the beginning of February was with smaller intensity relative to the increase in the deposits. Thus, on February 10, 2008, the total banks' placements to the private sector registered increase by 0.7%, relative to the end of January.

7. INTEREST RATES AND FOREIGN EXCHANGE

In conditions of higher demand of foreign currencies at the foreign exchange market and NBRM intervention with net sale of foreign currencies on the exchange market in aim to keep the stability of the nominal exchange rate of the Denar, the interest rates of CB bills of NBRM registered gradual upward trend in January. The average weighted interest rate on the auctions of CB bills of NBRM, in January 2008 equaled 4.9%, which represented monthly growth of 0.1 percentage point, i.e. small upward growth. In conditions of intensified inflation expectations and the need for sterilization of the liquidity excess, the interest rates of NBRM continued the moderate growth also in the first half of February 2008. In the beginning of February, two auctions of CB bills were held (on February 6, 2008 and February 13, 2008), when in conditions of average higher supply over the demand of CB bills, average interest rates of 4.98% and 5.08%, respectively, were realized. On February 5, 2008, an auction of three month Treasury bills was held, where in conditions of higher demand over the supply, average interest rate of 5.04% was realized (5.1% on the previous auction), as well as auction of six month Treasury bills, when the demand was higher than the supply, and average interest rate of 5.27% was realized (5.37% on the previous auction).

Figure 12
Interest rates
(in %)

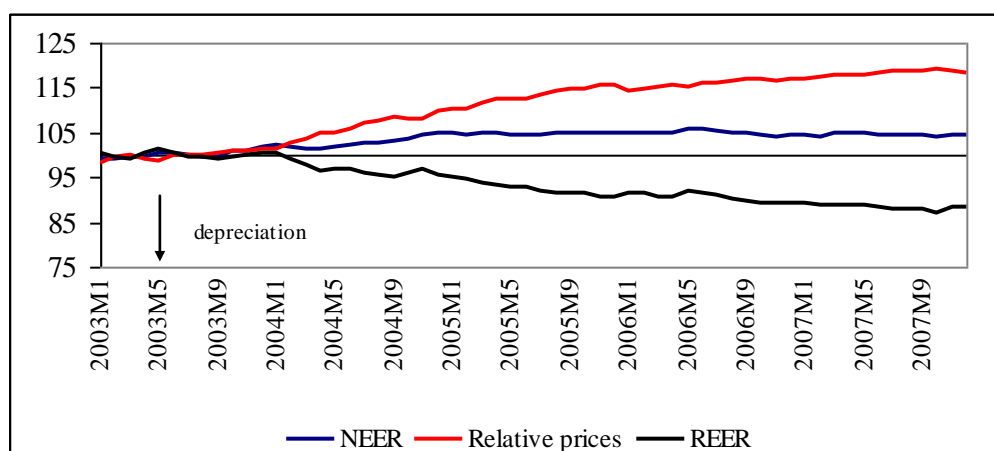


Source: National Bank of the Republic of Macedonia.

Considering the stronger inflationary pressures and higher risks of inflation on middle term, in conditions of credit growth and growth in the salaries over the productivity in the economy, as well as the fact that the inflation for now is largely determined by the growth in the prices of food, which represents global trend, NBRM adopted a decision on small increase in the basic interest rate. Thus, on the auction of CB bills, dated February 20, 2008, NBRM switched to volume tender, so the interest rate was positioned at 5.25% (which represents small increase relative to the previous auction when the interest rate tender was applied and an average interest rate of 5.08% was realized).

On January 31, 2008, the gross foreign reserves amounted to Euro 1,535.8 million, which relative to the end of the previous year represent increase by Euro 4.4 million. Such growth was mainly due to the inflow of interests, in conditions of fall in the Government foreign currency deposits of Euro 8.6 million and realized net-sale of foreign currency by NBRM of Euro 15.4 million (on cumulative basis in the beginning of the year).

Figure 13
Indices of NEER and REER of the Denar



Source: IFS on January 2008 and SSO of the Republic of Macedonia.

The countries on which there is no available data from IFS, the information is taken over from the web sites of the adequate central banks, statistical offices and from EUROSTAT.

The real effective foreign currency exchange (with deflator-index of the consumer prices), on annual and cumulative basis, kept registering depreciation, whereas only the monthly changes in November and December 2007 indicated small depreciation (determined by the changes in the relative prices and partially by the change in the nominal effective foreign exchange). The annual depreciation of the REER of 2.3% on cumulative basis (I-XII 2007 / I-XII 2006) came mainly as a result of the more intensive annual growth in the foreign over the domestic consumer prices, as well as of the depreciation of the NEER (which almost solely came as a result of the depreciation of the Denar relative to the Serbian Dinar).

ANNEX

Table 1
Consumer Price, January 2008

| | Jan.08 | Jan.08 | Impact | |
|---------------------------------------|---------------|---------------|---------------------|-------------|
| | Dec.07 | Jan.07 | monthly | annual |
| | % | | (percentage points) | |
| Consumer Price | 1.6 | 8.7 | 1.60 | 8.70 |
| Food | 4.3 | 17.8 | 1.63 | 6.82 |
| Tobacco and beverages | 0.0 | 2.5 | 0.00 | 0.13 |
| Clothing and footwear | -3.3 | 2.2 | -0.26 | 0.18 |
| Housing | 0.3 | 3.0 | 0.05 | 0.46 |
| Flat (rent, water and other services) | 0.6 | 9.5 | 0.02 | 0.34 |
| Fuel and lighting | 0.3 | 1.4 | 0.03 | 0.12 |
| Heating and services | 0.9 | -0.4 | 0.03 | -0.01 |
| Electric power | 0.0 | 2.4 | 0.00 | 0.14 |
| Hygiene and health | 0.4 | 1.9 | 0.03 | 0.15 |
| Culture and entertainment | -0.1 | -0.7 | 0.00 | -0.04 |
| Transport and communication services | 0.6 | 3.4 | 0.08 | 0.48 |
| Public transport services & PTT | -0.7 | -6.2 | -0.04 | -0.37 |
| Fuels and lubricants | 0.9 | 15.4 | 0.04 | 0.59 |
| Restaurants and hotels | 0.6 | 10.6 | 0.03 | 0.54 |
| Other services n.e.c. | -0.1 | 14.8 | 0.00 | 0.05 |

Source: State Statistical Office of the Republic of Macedonia.

Table 2
Basic inflation, productivity and wages

| (annual rates, %) | 2006 | 2007 | 2007 | | | | Latest months | | |
|--|------|------|------|-----|-----|-----|---------------|--------|--------|
| | | | 1Q | 2Q | 3Q | 4Q | Nov-07 | Dec-07 | Jan-08 |
| Inflation (CPI) | 3.2 | 2.3 | 0.7 | 1.1 | 2.4 | 4.9 | 4.6 | 6.1 | 8.7 |
| Core inflation (without food and energy) | 1.1 | 0.7 | 0.2 | 0.8 | 1.1 | 1.2 | 0.9 | 1.2 | 2.6 |
| Regulated prices | 5.7 | 3.3 | 4.2 | 3.0 | 2.0 | 4.1 | 4.2 | 6.3 | 1.6 |
| Producer prices of industrial products | 4.5 | 1.6 | 1.0 | 1.2 | 1.6 | 4.1 | 4.8 | 4.2 | - |
| Productivity | 0.3 | - | 4.3 | 0.8 | 1.2 | - | - | - | - |
| Nominal net-wage | 7.3 | 7.9 | 5.7 | 6.4 | 7.5 | - | 10.3 | - | - |
| Real net-wage | 4.0 | 5.5 | 5.0 | 5.3 | 5.0 | - | 5.4 | - | - |

Source: State Statistical Office of the Republic of Macedonia and NBRM.

Table 3
Industrial output and other economic activities

| (annual rates, %) | 2006 | 2007 | 2007 | | | | Latest months | | |
|----------------------------|-------|------|------|-------|------|-----|---------------|--------|--------|
| | | | 1Q | 2Q | 3Q | 4Q | Oct-07 | Nov-07 | Dec-07 |
| Industrial output | 2.5 | 3.7 | 11.6 | -2.8 | 1.1 | 6.2 | 10.5 | 5.5 | 2.6 |
| Construction | -12.3 | - | 9.4 | -18.6 | 18.0 | - | 47.3 | 45.2 | - |
| Retail and wholesale trade | 2.5 | - | 25.1 | 17.2 | 21.2 | - | 33.8 | 31.3 | - |
| Telecommunications | -1.0 | - | 11.1 | 17.1 | 15.9 | - | 13.8 | 19.6 | - |

Source: State Statistical Office of the Republic of Macedonia.

Table 4
Selected industrial branches

| (annual rates, %) | 2006 | 2007 | 2007 | | | | Impact for 2007 increase (percentage points) |
|--|------|-------|------|-------|-------|-------|---|
| | | | 1Q | 2Q | 3Q | 4Q | |
| Manufacturing of food products and beverages | 0.1 | 7.7 | 12.0 | 0.6 | 9.5 | 9.6 | 4.7 |
| Manufacturing of tobacco products | 5.5 | -0.8 | 19.0 | -14.4 | -16.8 | 41.1 | 2.0 |
| Manufacturing of wearing apparel | -3.7 | -14.5 | -4.6 | -19.8 | -17.9 | -14.2 | -1.7 |
| Manufacture of basic metals | 11.8 | 34.3 | 57.4 | 35.2 | 25.3 | 26.7 | 8.5 |
| Manufacture of fabricated metal products, except machinery and equipment | 5.7 | 45.6 | 6.0 | 5.4 | 51.7 | 112.0 | 5.9 |
| Electricity, gas and water supply | -0.6 | -9.5 | -9.1 | -20.8 | -8.7 | -1.1 | -0.3 |

Source: State Statistical Office of the Republic of Macedonia.

Table 5
Balance of payments ^{/1}
(in millions of euros)

| | 2006 | 2007 | | | | | | | | | | | 2007 |
|---|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|---------------|---------------|---------------|-----------------|
| | I-XII | I | II | III | IV | V | VI | VII | VIII | IX | X | XI | I-XI |
| I. Current account | -44.9 | -3.5 | 6.9 | 40.2 | 0.6 | 46.8 | 7.1 | -20.2 | 69.0 | -37.3 | -36.2 | -98.7 | -25.2 |
| GOODS, net | -1,020.4 | -81.1 | -74.5 | -55.5 | -83.6 | -56.1 | -68.0 | -125.1 | -64.5 | -108.8 | -136.1 | -152.5 | -1,005.6 |
| Export, f.o.b | 1,902.6 | 160.5 | 175.7 | 222.5 | 200.5 | 212.0 | 229.3 | 196.4 | 214.4 | 194.3 | 215.5 | 208.1 | 2,229.1 |
| Import, f.o.b /2 | -2,923.1 | -241.6 | -250.2 | -277.9 | -284.1 | -268.1 | -297.3 | -321.5 | -278.9 | -303.1 | -351.6 | -360.6 | -3,234.7 |
| SERVICES, net | 22.2 | -2.0 | 1.0 | -0.1 | 1.3 | -0.6 | 0.4 | 5.5 | 7.6 | 10.3 | 9.9 | -0.6 | 32.5 |
| INCOME, net | -28.4 | 11.1 | 9.4 | 11.8 | -6.4 | 14.0 | -13.2 | -20.1 | 13.0 | -27.5 | 6.0 | -16.0 | -18.0 |
| of which: interest, net | -19.4 | -0.2 | -1.7 | -0.1 | -1.5 | 0.1 | -2.9 | 0.0 | 1.5 | -3.5 | -2.1 | -0.2 | -10.6 |
| CURRENT TRANSFERS, net | 981.8 | 68.5 | 70.9 | 84.0 | 89.4 | 89.4 | 87.9 | 119.5 | 112.9 | 88.7 | 84.1 | 70.5 | 966.0 |
| Official | 58.7 | 3.2 | 1.5 | 3.9 | 5.4 | 5.9 | 5.8 | 5.2 | 2.2 | 3.3 | 3.1 | 8.1 | 47.6 |
| Private | 923.1 | 65.3 | 69.5 | 80.1 | 84.0 | 83.5 | 82.2 | 114.3 | 110.7 | 85.5 | 81.0 | 62.4 | 918.4 |
| II. Capital and financial account | 38.0 | 2.8 | -9.6 | -38.2 | 2.0 | -41.9 | -10.3 | 29.4 | -65.5 | 37.5 | 38.3 | 101.5 | 46.1 |
| CAPITAL ACCOUNT, net | -0.8 | -1.2 | 0.1 | -0.2 | 0.6 | 0.3 | 0.6 | 4.3 | -0.2 | -0.3 | -0.1 | -0.8 | 3.0 |
| Capital transfers, net | -0.8 | -1.2 | 0.1 | -0.2 | 0.6 | 0.3 | 0.6 | 1.1 | -0.2 | -0.3 | 0.0 | -0.3 | 0.5 |
| Official | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Others | -0.8 | -1.2 | 0.1 | -0.2 | 0.6 | 0.3 | 0.6 | 1.1 | -0.2 | -0.3 | 0.0 | -0.3 | 0.5 |
| acquisition/disposal of non-produced | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3.1 | 0.0 | 0.0 | -0.1 | -0.5 | 2.4 |
| FINANCIAL ACCOUNT, net | 38.8 | 4.0 | -9.7 | -38.1 | 1.5 | -42.2 | -10.9 | 25.1 | -65.3 | 37.9 | 38.4 | 102.3 | 43.1 |
| Direct investments, net | 344.6 | 3.1 | 6.9 | 7.6 | 43.6 | 20.2 | -2.4 | 24.3 | -7.8 | 20.0 | 34.6 | 45.3 | 195.5 |
| Portfolio investments, net | 73.1 | 12.2 | -7.6 | 16.0 | 25.9 | 16.7 | 3.0 | 6.2 | 8.8 | 9.5 | 24.3 | 4.0 | 118.9 |
| Other investments, net | -81.4 | -38.4 | -21.5 | -27.2 | -21.8 | -69.3 | -56.2 | 25.1 | -31.0 | 44.0 | 5.2 | 52.4 | -138.8 |
| Trade credits, net | 2.9 | -3.1 | 6.6 | -37.4 | 5.1 | -56.8 | -13.1 | 45.4 | -37.8 | -9.0 | 19.0 | 20.1 | -60.9 |
| Loans, net | -22.3 | -42.3 | -15.3 | 15.9 | -23.0 | -18.5 | -77.9 | 6.9 | 6.4 | -0.8 | -13.8 | 17.7 | -144.7 |
| Currency and deposits, net | -83.7 | 5.9 | -14.3 | -8.3 | -10.7 | -0.6 | 31.4 | -29.0 | -2.7 | 44.5 | -4.0 | 11.9 | 24.1 |
| of which : monetary authorities, net | -5.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.3 | 0.2 | -0.2 |
| commercial banks, net | -10.4 | 3.7 | -8.2 | 0.7 | -1.6 | 4.9 | 37.9 | -22.1 | -1.6 | 50.6 | 1.8 | 19.8 | 85.8 |
| other sectors, net | -67.6 | 2.2 | -6.1 | -9.0 | -9.1 | -5.4 | -6.4 | -6.9 | -1.1 | -6.0 | -5.6 | -8.2 | -61.6 |
| Others, net | 21.7 | 1.2 | 1.4 | 2.7 | 6.7 | 6.5 | 3.4 | 1.8 | 3.1 | 9.2 | 4.0 | 2.7 | 42.8 |
| Gross official reserves, (- = increase) /4 | -297.6 | 27.1 | 12.6 | -34.4 | -46.3 | -9.8 | 44.8 | -30.5 | -35.3 | -35.6 | -25.7 | 0.6 | -132.5 |
| III. Errors and omissions | 6.9 | 0.8 | 2.8 | -2.0 | -2.7 | -4.9 | 3.2 | -9.2 | -3.5 | -0.3 | -2.1 | -2.8 | -20.9 |

1/ Preliminary data

2/ Imports data are on fob basis in accordance with IMF V Balance of Payments Manual

Calculation of cif / fob factor as % of imports cif is 4,14%

Imports for 2006 and 2007 have been additionally adjusted with time adjustments for imports of electricity.

3/ Methodological changes: The BOP data for 2007 include estimations for certain elements in the items on direct investment and income - based on actual data from the newly introduced data source (FDI Survey DI 22) available as with end 2006

4/ Excluding monetary gold and exchange rate differences

Source: National bank of the Republic of Macedonia.

Table 6

Monetary developments in January 2008

| | 31.12.2006 | 31.12.2007 | 31.01.2008 | monthly changes (31.01.2008/ 31.12.2007) | | annual changes (31.01.2008/ 31.01.2007) |
|------------------------------|------------|------------|------------|---|------|--|
| | actual | actual | actual | in Denar million | in % | in % |
| <i>in Denar million</i> | | | | | | |
| Brtoad money M4 | 135,641 | 175,553 | 176,258 | 705 | 0.4 | 29.8 |
| Currency in circulation | 16,206 | 17,927 | 16,419 | -1,508 | -8.4 | 13.0 |
| Denar deposits ^{1/} | 58,997 | 89,077 | 89,469 | 392 | 0.4 | 50.5 |
| Foreign currency deposits | 60,438 | 68,549 | 70,370 | 1,821 | 2.7 | 13.9 |
| Total deposits | 119,435 | 157,626 | 159,839 | 2,213 | 1.4 | 31.8 |
| Reserve money ^{2/} | 31,264 | 37,586 | 34,997 | -2,589 | -6.9 | 23.1 |

^{1/}Including demand deposits, deposits of municipalities and public entities.^{2/}Including reserve requirement in foreign currency.

| | 31.12.2006 | 31.12.2007 | 31.01.2008 | monthly changes (31.01.2008/ 31.12.2007) | | annual changes (31.01.2008/ 31.01.2007) |
|------------------------------|------------|------------|------------|---|------|--|
| | actual | actual | actual | in Denar million | in % | in % |
| <i>in Denar million</i> | | | | | | |
| Credit to the private sector | 89,782 | 124,875 | 127,908 | 3,033 | 2.4 | 39.9 |
| In Denar | 66,413 | 94,496 | 96,822 | 2,326 | 2.5 | 42.3 |
| In Foreign currency | 23,369 | 30,379 | 31,086 | 707 | 2.3 | 33.0 |
| Banks' net foreign assets | 22,926 | 15,459 | 16,269 | 810 | 5.2 | -27.9 |

Source: National Bank of the Republic of Macedonia.

Table 7

Monetary aggregates

(in %)

| | end of period to the end of previous period | | | | | y - o - y | | | | | |
|-----------------|---|------|-----|------|---------|-----------|------|------|------|------|---------|
| | 2007 | | | | 2008 | 2006 | 2007 | | | | 2008 |
| | Q1 | Q2 | Q3 | Q4 | January | | Q1 | Q2 | Q3 | Q4 | January |
| <i>in %</i> | | | | | | | | | | | |
| M0 | -6.1 | 8.5 | 2.2 | 15.5 | -6.9 | 21.4 | 18.9 | 18.2 | 18.9 | 20.2 | 23.1 |
| M1 | -1.4 | 6.0 | 8.3 | 16.3 | -6.0 | 17.1 | 22.5 | 18.0 | 22.6 | 31.7 | 32.0 |
| M4 | 4.7 | 9.7 | 3.7 | 8.8 | 0.1 | 24.9 | 26.4 | 32.2 | 29.9 | 29.5 | 29.6 |
| M4-denar | 5.1 | 14.1 | 5.9 | 12.2 | -1.5 | 30.8 | 33.1 | 44.3 | 43.8 | 42.6 | 42.8 |

Source: National Bank of the Republic of Macedonia.

Table 8

Deposits of the private sector

(in millions of denars)

| | | Balance as of 31.01.2008 | monthly changes | | annual changes | |
|-----------------------------------|-------------|-----------------------------|---------------------|------|---------------------|------|
| | | | in Denar million | in % | in Denar million | in % |
| Total deposits | | 132,263 | 2,991 | 2.3 | 29,584 | 28.8 |
| In Denar | Households | 37,546 | -15 | 0.0 | 14,103 | 60.2 |
| | Enterprises | 21,137 | 1,132 | 5.7 | 5,686 | 36.8 |
| | Total | 61,893 | 1,170 | 1.9 | 21,006 | 51.4 |
| In Foreign currency | Households | 52,106 | 1,561 | 3.1 | 6,359 | 13.9 |
| | Enterprises | 17,692 | 259 | 1.5 | 1,922 | 12.2 |
| | Total | 70,370 | 1,821 | 2.7 | 8,578 | 13.9 |
| Total households deposits | | 89,652 | 1,546 | 1.8 | 20,462 | 29.6 |
| Total enterprises deposits | | 38,829 | 1,391 | 3.7 | 7,608 | 24.4 |

Source: National Bank of the Republic of Macedonia.

Table 9

Credits to the private sector

(in millions of denars)

| | | Balance as of 31.01.2008 | monthly changes | | annual changes | |
|---|-------------|-----------------------------|---------------------|------|---------------------|------|
| | | | in Denar million | in % | in Denar million | in % |
| Total credit to the private sector | | 127,908 | 3,033 | 2.4 | 36,486 | 39.9 |
| In Denar | Households | 47,242 | 1,313 | 2.9 | 17,136 | 56.9 |
| | Enterprises | 49,281 | 1,007 | 2.1 | 11,431 | 30.2 |
| | Total | 96,822 | 2,326 | 2.5 | 28,765 | 42.3 |
| In Foreign currency | Households | 2,408 | 65 | 2.8 | 694 | 40.5 |
| | Enterprises | 28,624 | 608 | 2.2 | 6,974 | 32.2 |
| | Total | 31,086 | 707 | 2.3 | 7,721 | 33.0 |
| Total credit to the households | | 49,650 | 1,378 | 2.9 | 17,830 | 56.0 |
| Total credit to the enterprises | | 77,905 | 1,615 | 2.1 | 18,405 | 30.9 |

Source: National Bank of the Republic of Macedonia.

Table 10

Credits to the households

| | | 2006 | | | | 2007 | | | | 2008 |
|---|-------------------------------|------|------|------|-------|-------|-------|-------|-------|---------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | January |
| Maturity structure of households credit portfolio (in %) | Short-term | 25.0 | 24.8 | 24.4 | 25.1 | 26.8 | 27.7 | 29.2 | 29.2 | 29.8 |
| | Long-term | 75.0 | 75.2 | 75.6 | 74.9 | 73.2 | 72.3 | 70.8 | 70.8 | 70.2 |
| Credit to households, y-o-y growth rate, in % | Housing | 37.1 | 33.5 | 35.4 | 40.1 | 43.4 | 45.7 | 48.2 | 47.7 | 47.8 |
| | Overdrafts | 63.9 | 68.1 | 84.9 | 103.7 | 125.2 | 136.9 | 131.4 | 112.3 | 93.1 |
| | Credits for other purposes | 32.6 | 26.8 | 26.0 | 31.0 | 33.9 | 38.8 | 45.5 | 48.7 | 51.0 |

Source: National Bank of the Republic of Macedonia.

Table 11

Credits to the enterprises

| | | 2006 | | | | 2007 | | | | 2008 |
|--|---------------------|------|------|------|------|------|------|------|------|---------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | January |
| Maturity structure of enterprises credit portfolio (in %) | Short-term | 54.4 | 53.8 | 51.0 | 48.6 | 47.1 | 46.0 | 46.2 | 43.9 | 44.5 |
| | Long-term | 45.6 | 46.2 | 49.0 | 51.4 | 52.9 | 54.0 | 53.8 | 56.1 | 55.5 |
| Credit to enterprises, y-o-y growth rate, in % | Short-term | 0.8 | 13.0 | 11.1 | 11.9 | 8.9 | 5.9 | 20.4 | 17.2 | 20.3 |
| | Long-term | 36.1 | 34.0 | 30.8 | 41.1 | 45.7 | 44.6 | 45.8 | 41.6 | 40.9 |
| | In Denar | 3.4 | 14.3 | 14.2 | 21.3 | 22.6 | 20.2 | 32.9 | 29.9 | 30.2 |
| | In Foreign currency | 42.0 | 38.5 | 31.0 | 32.4 | 31.4 | 30.2 | 32.6 | 29.4 | 32.2 |

Source: National Bank of the Republic of Macedonia.

Table 12
Liquidity creation and withdrawal

| | 31.12.2007 | 31.01.2008 | 13.02.2008 | cumulating 31.01.2008/ 31.12.2007 | 13.02.2008 / 31.01.2008 |
|---|------------------------------|----------------|----------------|---|----------------------------|
| <i>in millions of denars</i> | <i>in millions of denars</i> | | | <i>changes in millions of denars</i> | |
| Bank's liquidity (banks account with NBRM) | 10,415 | 9,243 | 9,954 | -1,172 | 711 |
| Autonomy factors (total): | 84,009 | 79,243 | 78,723 | -1,644 | 404 |
| Currency in circulation | 17,969 | 16,426 | 15,911 | 1,543 | 515 |
| Foreign currency transactions of NBRM | 73,958 | 73,226 | 73,307 | -732 | 81 |
| Government denar deposits with NBRM | -9,842 | -12,315 | -12,454 | -2,473 | -139 |
| Banks cash | 1,924 | 1,906 | 1,959 | 18 | -53 |
| Monetary instruments | -25,555 | -24,617 | -24,241 | 938 | 376 |
| CB bills | -20,995 | -21,581 | -21,818 | -586 | -237 |
| Treasury bills for monetary purpose | -4,560 | -3,036 | -2,423 | 1,524 | 613 |
| Other | -8,253 | -8,719 | -8,788 | -466 | -69 |

* Last available data for March.

Source: National Bank of the Republic of Macedonia.

Table 13
Interest rates

| | January 2008 | monthly changes | annual changes |
|--|--------------|----------------------|----------------|
| | in % | in percentage points | |
| Average weighted interest rate on the CB bills auctions (28 days) | 4.9 | 0.1 | -0.8 |
| Average weighted interest rate on the Money Market | 3.1 | 0.0 | -1.7 |
| Interest rate on three-month treasury bills | 5.1 | -0.1 | -1.4 |

* It pertains to the bilateral interbank trading.

Source: National Bank of the Republic of Macedonia.