

**National Bank of the Republic of Macedonia**  
Research Department



**Monthly Report 7 / 2008**

August, 2008

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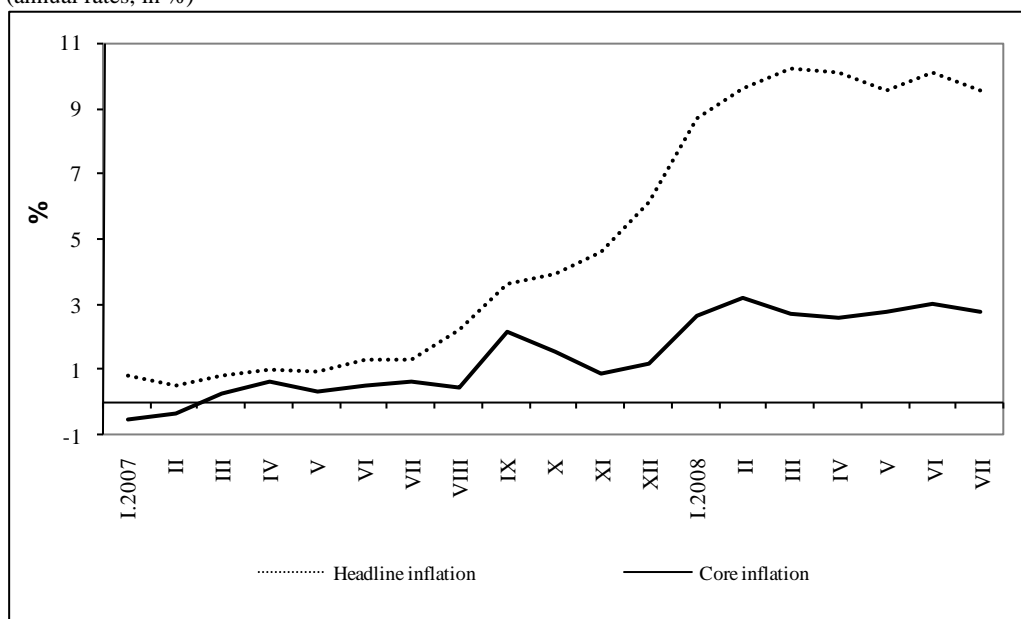
\* The Monthly information includes analysis based on the available data as of August 20, 2008.

## 1. PRICES

In July negative monthly inflation rate of 0.9% was registered, which represented usual seasonal change in the global level of the consumer prices for this month of the year. Namely, the fall was mainly due to the lower prices of food, mostly in the fresh vegetables and fresh fruit, and minimal decrease was registered in the prices of milk and oil for cooking. In accordance with the expectations, in July 2008 the annual inflation rate started to slow down and it equaled 9.5% (10.1% in June). About 71% of the annual price growth was due to the higher prices of food, whereas the joint contribution of the food and oil derivatives amounted to about 87%. The cumulative annual inflation rate in the period January - July 2008 maintained the level of June equalling 9.7%, so the contribution of the prices of food and oil derivatives amounted to about 86%.

Positive developments were registered also in the annual **core inflation rate** (inflation without food and energy), which in July reduced to 2.8% again (after the increase up to 3% in June). The slowing down in the core inflation was mainly due to the lower growth in the prices of footwear, the costs for car maintenance and the prices of means of education.

Figure 1  
Realized and core inflation  
(annual rates, in %)



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

The slowing down in the inflation in July was expected (by the simulation in April<sup>1</sup>), but still the realized inflation was lower than the expected one, because of the lower performances in the food. Till the end of the quarter, the level of prices of food is expected to fall continuously on monthly basis, so the annual and the cumulative average inflation are expected to be lower at the end of the third quarter. The current downward trend in the prices of oil in the international stock exchanges, as well as the expected slowing down in the annual growth in the prices of food

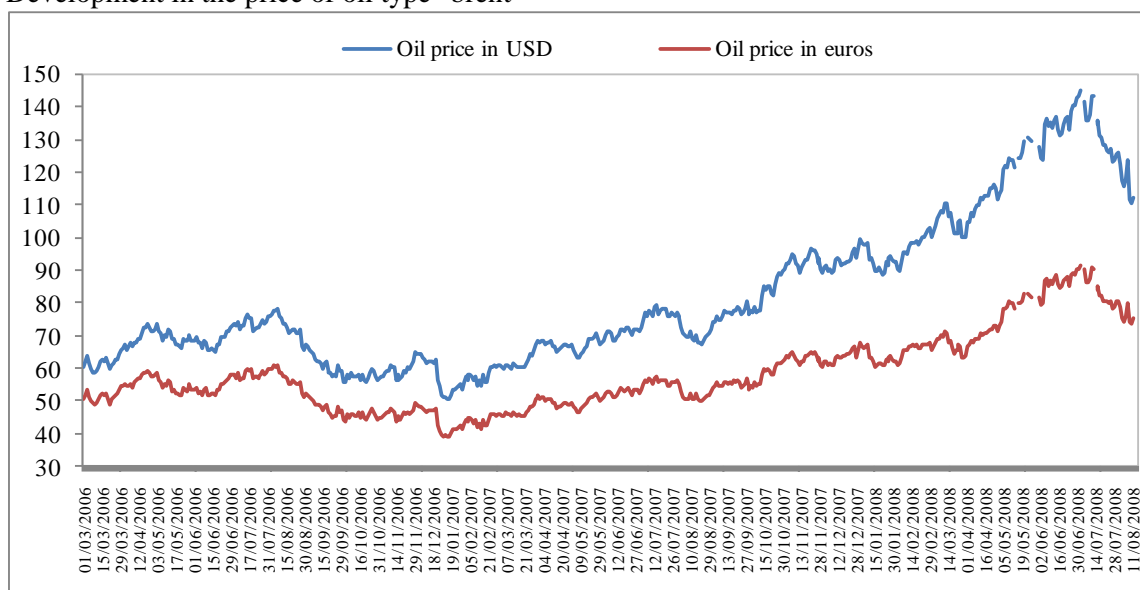
<sup>1</sup> In April 2008, the macroeconomic projections from November 2007 included the latest macroeconomic data, in order to perceive their possible influences till the end of the year.

(which already have lower performances relative to the simulation) can be considered as a contribution to the realization of such expectations, since August till the end of the year. Concerning the increase in the prices of the central heating (by 60% in "Toplifikacija" a.d. Skopje and by 30% in "Skopje-Sever"), which shall become effective in the beginning of August 2007, the low participation of these prices in the total inflation index shall be considered, because of which the estimated effect of such change on the total inflation was relatively small.

The uncertainty about the further development of the prices of oil and food in the international stock exchanges and their influence on the domestic prices still represented the main external risks considering the inflation. The announcements for eventual increase in the price of electricity for households represented a new risk, which may result in a partial neutralization of the expected positive effect from the higher comparison basis.

In July, the average price of the oil type "brent" in the international stock exchanges equaled USA Dollar 132.72 per barrel, which was by 0.3% higher level relative to the average price in June, and by significant 87.6% more relative to July in the previous year. Consequently, the domestic prices of oil derivatives increased, contributing with 1.1 percentage point to the annual inflation rate. After the continuous growth in the first half of the month, the oil price started decreasing in the middle of July. The turnabout came as a result predominantly of the lower demand for oil derivatives in USA, as a consequence of the worsened economic situation, but also of the strengthening of the USA Dollar<sup>2</sup>. As a result of the lower price of the oil in the period July 21 - August 1 by 8%, relative to the previous two week period (despite the appreciation of the USA Dollar relative to the Denar by 0.3%), the Regulatory Energy Committee, on the session held on August 4, 2008, adopted a decision for decrease in the retail prices of oil derivatives by 7.02% on average.

Figure 2  
Development in the price of oil type "brent"



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

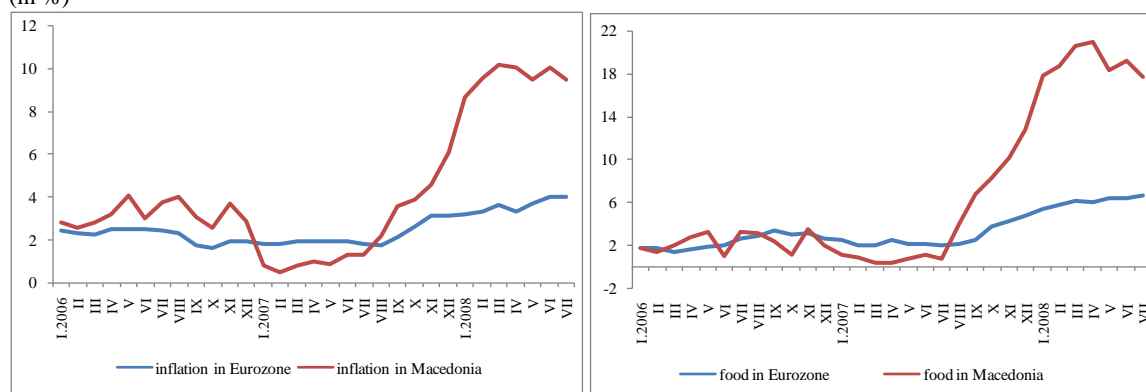
<sup>2</sup> The Energy Information Administration (EIA) - statistical agency of the U.S. Department of Energy, Oil marketer and Oil market report.

The oil price continued to fall also in the previous two week period (August 4 - 14, 008), when the average price reduced to USA Dollar 116.7 per barrel and it went down by 8% relative to the previous two weeks. The fall came as a result of the lower demand for oil derivatives in USA and in the countries of OECD, the increased supply (mainly by Norway, Canada, Argentina and Brazil), the further strengthening of the USA Dollar, as well as due to the absence of damages made by hurricanes in USA, typical for this period of the year. In the analyzed period, the Denar depreciated relative to the USA Dollar by 3% (Denar 40.05 / USA Dollar relative to 38.87 Denar/USA Dollar). Considering the more intensive fall in the oil price, relative to the Denar depreciation, the Regulatory Energy Committee, on the session dated August 18, 2008, made new decrease in the domestic prices of oil derivatives (in the refinery by 5,20%, on average and in the retail by 4.16%).

In July 2008, the annual inflation rate in the Euro-zone was stable, i.e. it maintained the level of the previous month of 4.0%. The growth in the prices of fuels and oil for households, prices of food (diary products, cereal products, fruits) and the prices of gas still contributed mostly to the inflation, under the influence of the global trends. The lower prices of wearing apparel, telecommunication services, car vehicles and the rent gave deflationary influences.

Figure 3

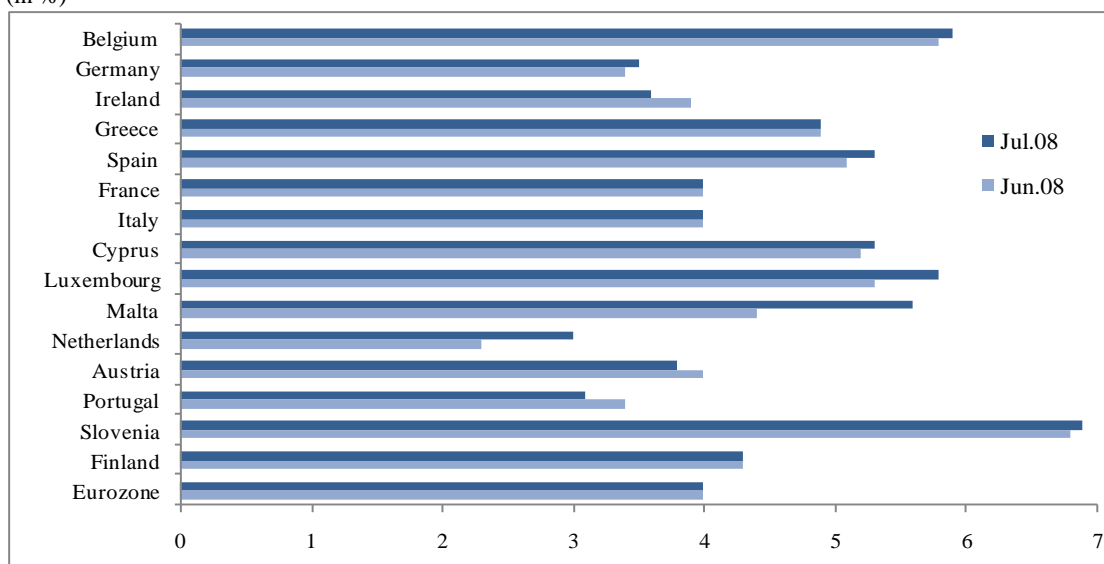
Annual inflation rates and prices of food in the Euro-zone and in Macedonia  
(in %)



Source: EUROSTAT and SSO.

In July 2008, most significant intensification in the annual inflation was registered in Malta, Nederland and Luxemburg, relative to the one realized in June 2008, whereas Ireland, Portugal and Austria registered slowing down in the inflation. Despite the intensification in the price growth, Nederland still registers the lowest annual inflation rate relative to the countries in the Euro-zone, whereas Slovenia still registers the highest rate.

Figure 4  
Annual inflation rates, by countries  
(in %)



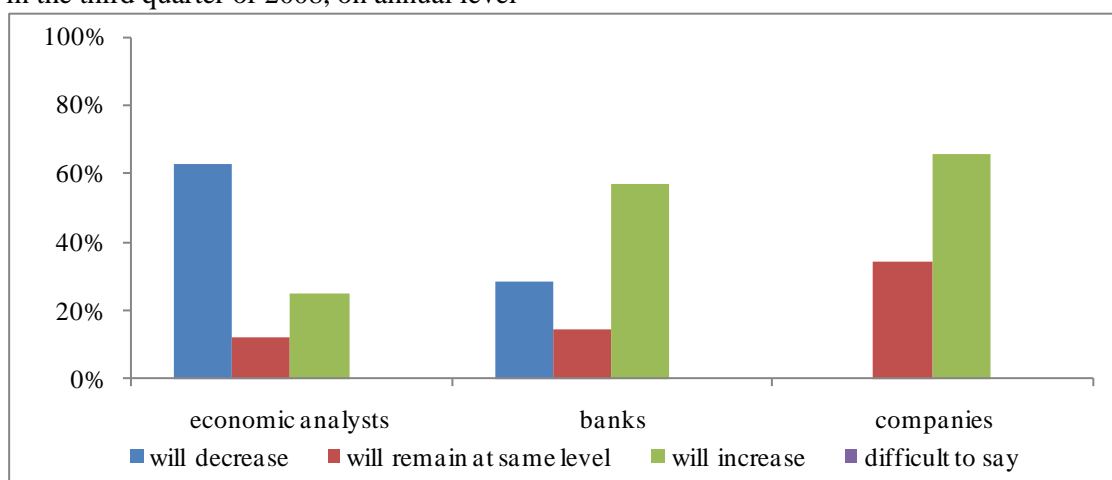
Source: EUROSTAT.

### 1.1. Inflation expectations survey

The total respond on the inflation expectations survey conducted in the third quarter of 2008 (64%) went down relative to the previous survey, with total respond in the banks, relatively high respond in the economic analysts of about 70%, as well as respond of 59% with the enterprises.

Relative to the expectations for the *third quarter*, the largest part of the surveyed (55%) expected increase in the level of prices, 26% expected for it to maintain the current level, whereas 19% considered that the level of prices will fall. Most of the surveyed which considered that the prices will growth, expected for the annual inflation to reach up to 10.5% till the end of the quarter.

Figure 5  
Distribution of the answers by groups of surveyed on the expectations for the price development in the third quarter of 2008, on annual level

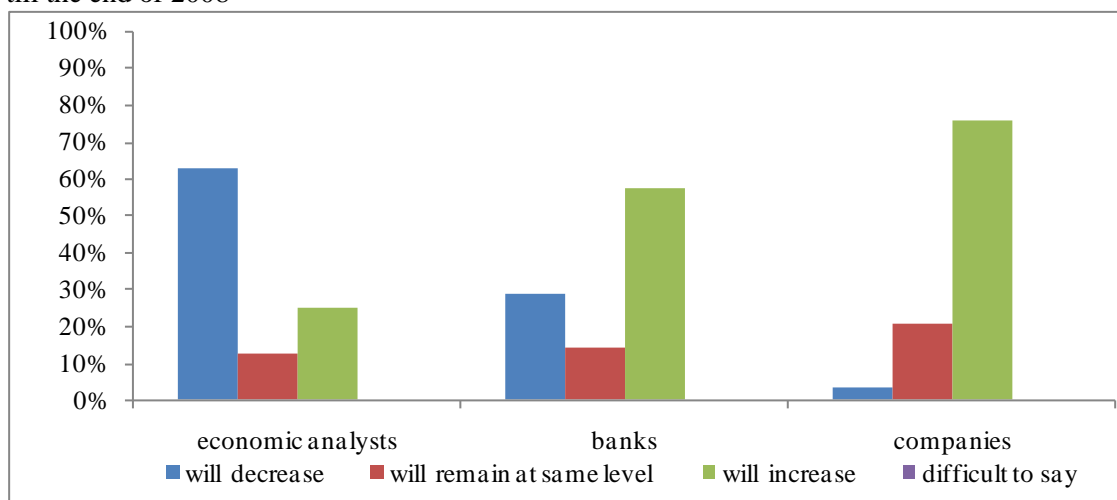


Source: NBRM, The inflation expectations survey.

Relative to the expectations till *the end of 2008*, in the last survey, 62% of the surveyed expected for the prices to grow, 19% expected their decrease, whereas 17% expected for them to keep the current level.

Figure 6

Distribution of the answers by groups of surveyed on the expectations for the price development till the end of 2008

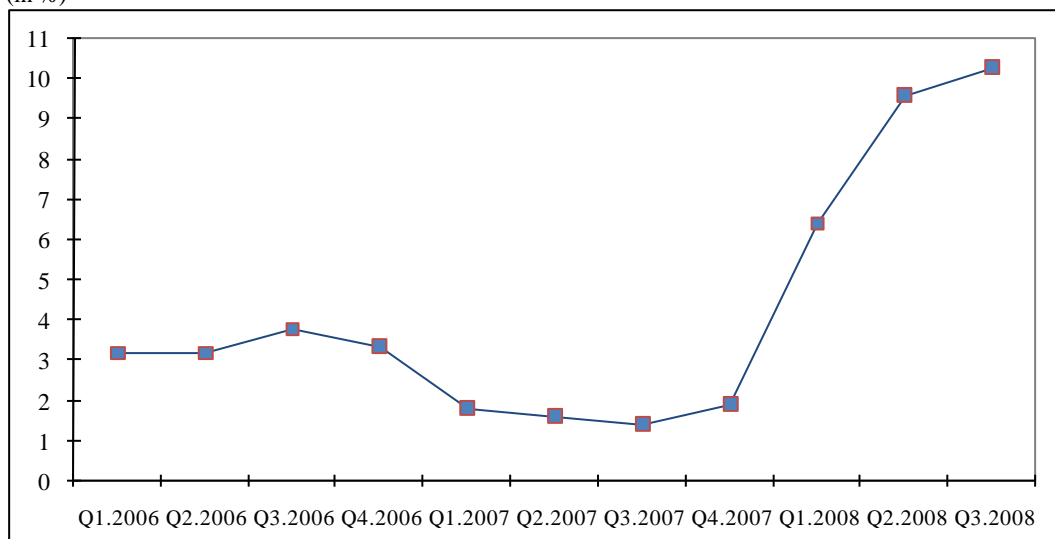


Source: NBRM, The inflation expectations survey.

Based on the answers on the survey conducted in the third quarter of 2008, the economic subjects in RM expected for the inflation to equal about 10%, on average, till the end of 2008, which represented slight intensification in the expectations relative to the previous quarter.

Figure 7

Expectations on the average inflation rate till the end of the year  
(in %)



Source: The inflation expectations survey and NBRM calculations.

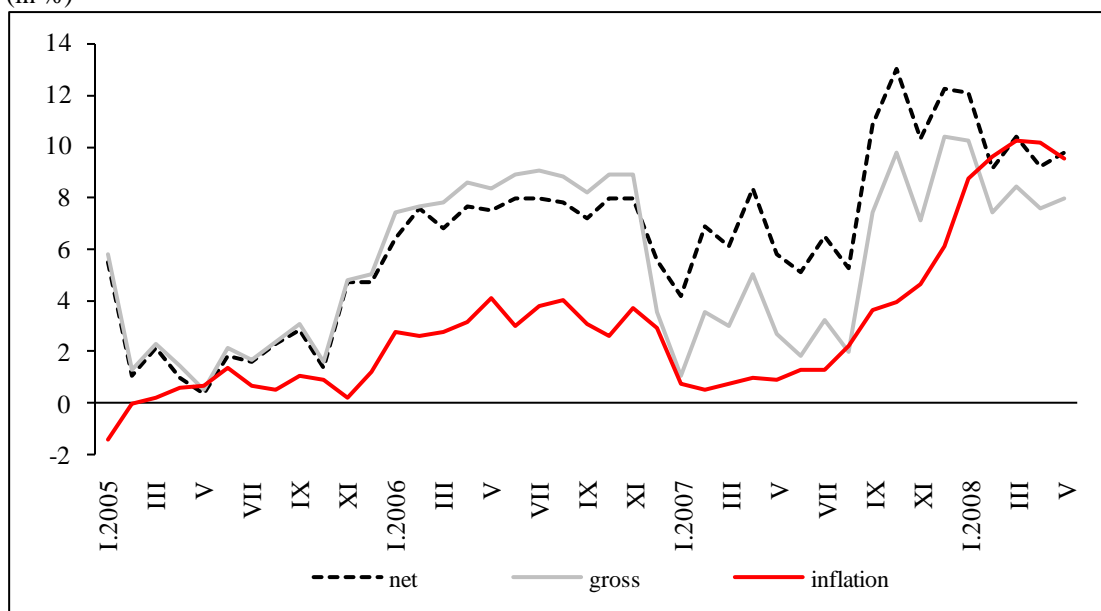
The subjects, who consider that the inflation will still grow, stated the prices of energy sources as a main factor for such expectations and to a lower extent, the prices of food and the

higher public consumption and the growth in the wages, as well as the expectations for growth in the prices of central heating and electricity. The expectations for fall in the inflation were mostly based on the expectations for stabilization in the prices of oil and food in the international stock exchanges, seasonal decrease in the domestic prices of agricultural products, the higher comparison basis in 2007 and the effects from the measures undertaken by the National Bank.

## 2. WAGES

The growth in the **paid wages** in May (net and gross) *on monthly basis* equaled 0.8%, which, with inflation of 0.2% being registered, represented a real growth in the wages of 0.6%.<sup>3</sup> *On annual basis*, the gross-wages went up by 7.9% and the net-wages by 9.8% (the differences were due to the fall in the rate of personal income tax in January 2008). The high annual inflation of 9.5% resulted in small real growth in the net-wages (0.3%) and real fall in the gross -wages of 1.5%. Relative to December 2007, the net and gross-wages in May were higher by 1.2% and 0.7%, respectively, on nominal basis, which indicated to lower growth in the wages in 2008, i.e. it indicated the fact that the high annual growth mainly resulted from the growth in the wages in the beginning of the fourth quarter of 2007.

Figure 8  
Annual growth rates in the wages and inflation  
(in %)



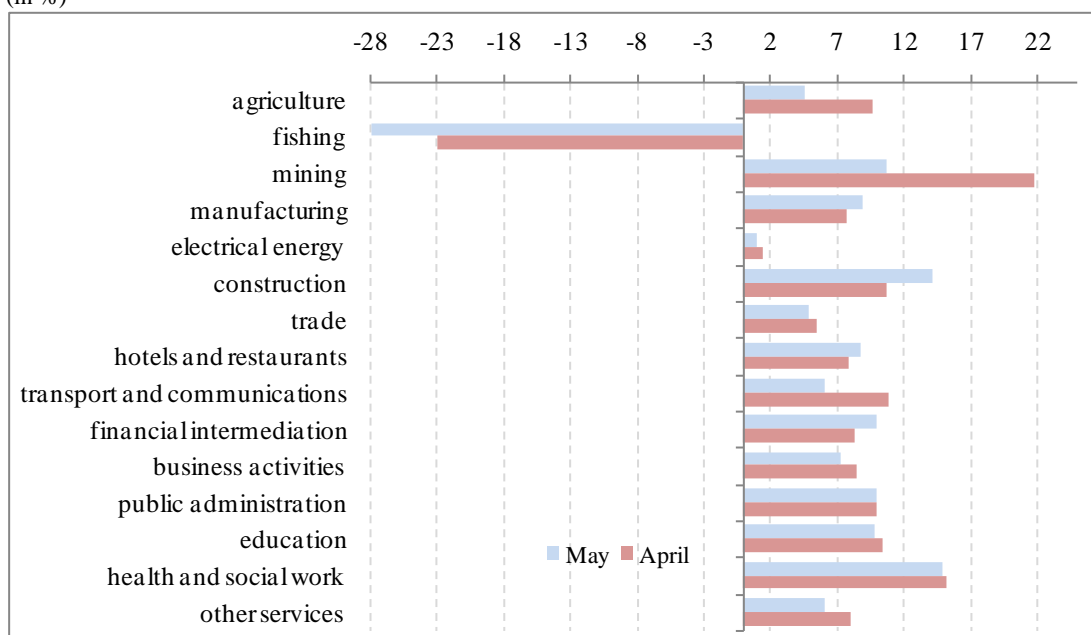
Source: State Statistical Office of the Republic of Macedonia.

Observed by certain activities, the paid wages in May, on annual basis, mostly grew in the health care (15%) and construction (14.3%), as well as in the mining (10.8%), finances (10%) and public administration (10%), whereas they decreased mostly in the fishing (27.9%).

<sup>3</sup> As the data on the wages pertains to the paid wages, and not to the calculated wages for the current month, the changes in the growth rates are sometimes result of the transfer of wages from one month to another.



**Figure 9**  
Annual growth in the average net wage, by sectors  
(in %)



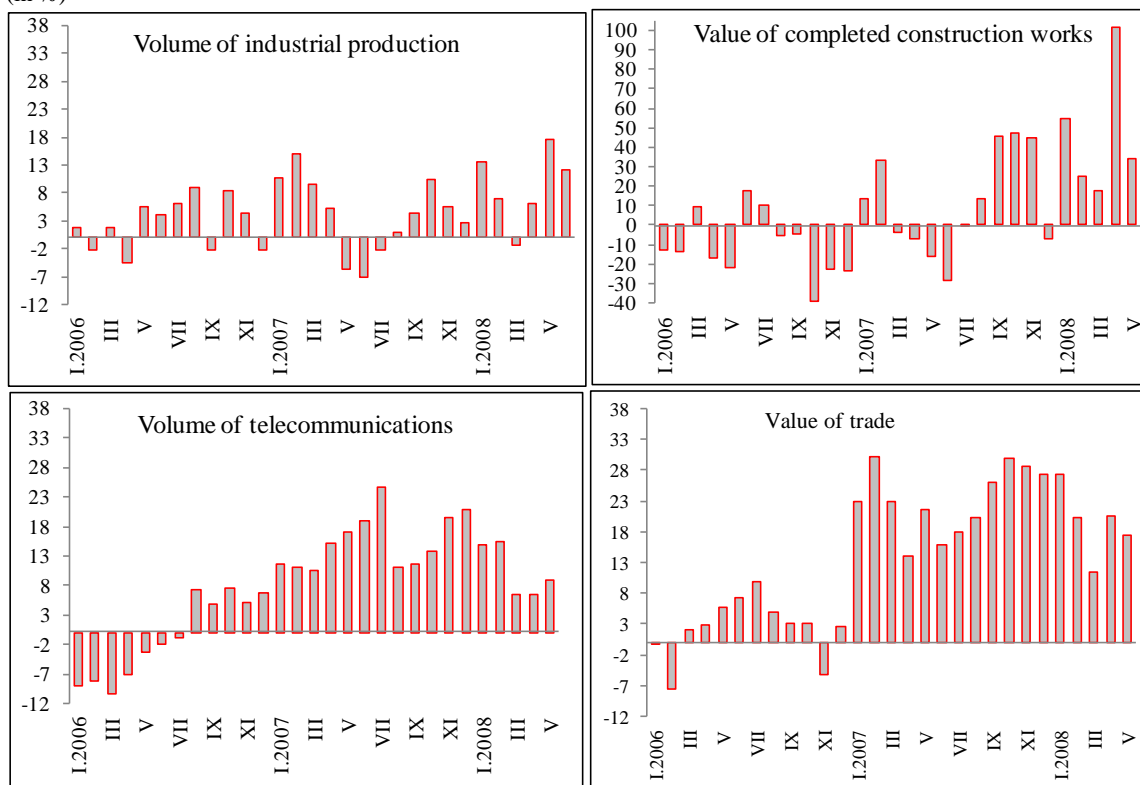
Source: State Statistical Office of the Republic of Macedonia.

### 3. ECONOMIC ACTIVITY

In May 2008, the economic activity registered moderate intensification relative to April, when the volume of trade registered growth of 4.8%, telecommunications of 9.7%, whereas the construction, after the considerably high growth in the previous month, registered fall of 24.1%<sup>4</sup>. Observed on annual basis, the growth in all three activities continued - the trade grew with rate of 17.4%, telecommunications with 8.9% and the construction with 34%. Concerning the building activity, the number of construction licenses issued by the Ministry of Urban Planning in June decreased relative to May (284 relative to 374), same as the value, which equaled Denar 1.9 billion (in May amounted to 2.6 billion). Most of the facilities were buildings (79.6%), and for 82.4% of them natural persons were investors.

<sup>4</sup> The data adjusted for seasonal effects showed growth in the volume of the trade of 2%, in telecommunications of 3.7%, whereas the construction registered fall of 28.6%

**Figure 10**  
**Annual growth rates in individual economy sectors**  
 (in %)



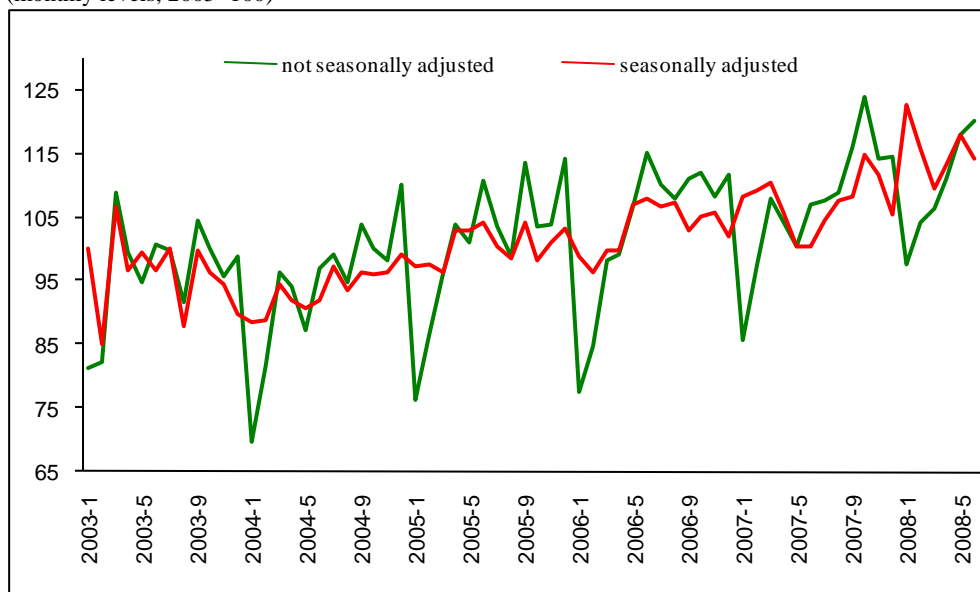
Source: State Statistical Office of the Republic of Macedonia.

In June, the industrial output realized moderate growth of 1.7%, relative to May<sup>5</sup>, whereas on annual level the industry in June registered high growth of 12.2%. When growth in the mining (24%) and in the energy sector (11.6%) being registered, the manufacturing industry, the volume of which rose by 11.7%, partially because of the lower comparison basis for the previous year, was considered as the main generator of the total annual growth. Fourteen branches registered increase in the output, creating 72.3% of the output in the manufacturing sector, out of which the industry for basic metals, for oil derivatives (where there was a low comparison basis for the last year), the printing, the industry for other means of transportation and the recycling (where there was also a low comparison basis for the previous year)<sup>6</sup> had most significant influence. On the other hand, the industry for wearing apparel and textile still registers annual fall in the volume of output. In the first half of 2008, the overall industrial output registered growth of 9%.

<sup>5</sup> Monthly fall of 2.9% in the seasonally adjusted data.

<sup>6</sup> In the oil industry, the lower comparison basis reflected the period of overhaul in the refinery of few months and the problems about the export of Kosovo in the previous year, and in the recycling, the lower comparison basis was due to the fact that no purchase of scrap iron was performed last year.

Figure 11  
Industrial output index  
(monthly levels, 2005=100)



Source: SSO and NBRM calculations.

The high annual growth rates in the industry in the second quarter (12%) and in the other economy sectors (April-May) were acting towards realization of the projected growth rate of GDP for the second quarter (about 5%).

#### 4. BALANCE OF PAYMENTS

In the first months of 2008, the current account in the balance of payments registered deficit in amount of Euro 313.9 million, relative to the surplus of Euro 86.6 million in the same period of 2007, which was mainly due to the deepened trade deficit (contribution of 75.3%), as well as to the lower net inflows from current transfers and income (contribution of 15.2% and 6.8%, respectively). The realized deficit of Euro 187 million in the first quarter of 2008 exceeded the envisaged amount in the projection for November and the simulation of April (65.8% and 51.5%, respectively). In the period April-May 2008, the current account of the balance of payments registered deficit of Euro 127 million, which was largely due to the trade deficit, partially neutralized with the net inflows from current transfers (coverage of the trade deficit of 59%). The comparison of the deficit in the current account realized so far, in the first two months of the second quarter showed significant exceeding of the deficit envisaged with the projection for November, and relative to the simulation for April, exceeding of the projected amount was expected (percent of realization of 82%).

The latest data on the foreign exchange operations for the first two decades of July 2007, despite the better results in May and June, showed intensification in the annual rate of fall of the net inflows of 13.6%. On cumulative basis, since the beginning of the year as of 20.07.2008, net purchase on the foreign exchange market of Euro 297.7 million was realized, which was by 21.4% lower relative to the same period of 2007.

In the period April-May, the net outflows from services amounted to Euro 3 million, and they resulted mainly from the net outflows based on transport services. Yet, till the end of the second quarter, net inflows of Euro 18 million were envisaged by the simulation in April. The income registered deficit in amount of Euro 9 million, which was due to the net payment of income from direct investments and the interest paid based on used credits, partially neutralized with the net inflows from the compensations for employees. By the simulation in April, a surplus of Euro 6 million was expected for the second quarter of 2008 (excluding the envisaged payment of dividend to the foreign investors by one large company, which was not realized till the end of June).

In the period April-May 2008, the capital and financial account registered net inflows of Euro 88 million, the largest part of which was due to the net inflows based on direct investments and trade credits. The realized net inflows in the capital and financial account were little under the expectations for the second quarter by the simulation in April, so 55% of the projected amount was realized so far. The withdrawal of the foreign loans had low degree, mainly because of the lower withdrawals than the envisaged by the private sector. Based on direct investments, in the first two months of the second quarter of 2008 net inflows in amount of Euro 100 million were realized, which represented exceeding of the amount envisaged with the simulation in April by twice. The portfolio investments continued registering net outflows, which in these two analyzed months reached up to Euro 8.6 million, which was in accordance with the data on trading of the foreign investors in the Macedonian stock exchange in these months. By the latest available data from the Macedonian stock exchange, after the short improvement in June, the negative trend continued in July, when the participation of the foreign investors on the side of the sale was 53.3%, whereas on the side of purchase it registered small improvement equaling 43.5% (in June, non-residents had larger participation in the purchase with 42.7%, relative to the participation in the sale of 32.9%).

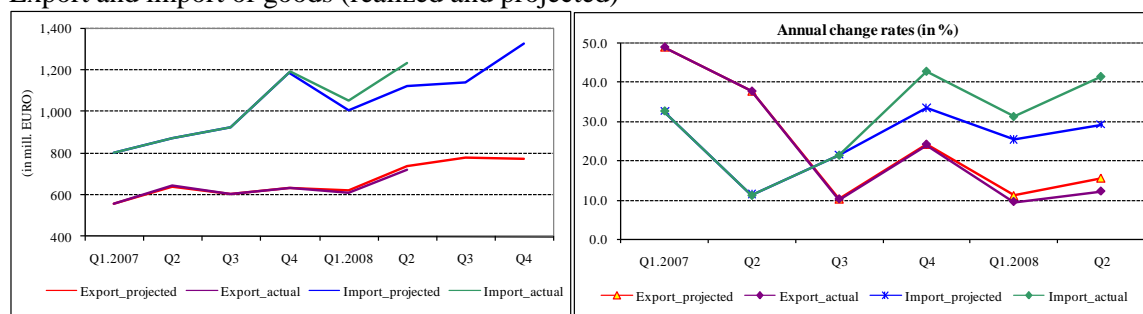
In June 2008, the trade deficit equaled Euro 202.6 million, which represented the highest realized monthly deficit in 2008 (as well as second amount of deficit which exceeded Euro 200 million<sup>7</sup>, generally). Thus, the deficit in the foreign trade registered deepening of almost three times, relative to June 2007, which in conditions of small growth in the export (1.6%), was due to the higher import (by 45.1% on annual basis). The higher import of energy sources<sup>8</sup> and of iron and steel and products thereof gave the highest contribution to the growth in the import of 40.3% and 29.8%, respectively. Also the higher import of equipment, vehicles and electrical machines gave smaller, but significant contribution to the growth with total 15.3%. On the side of the export, the higher export of oil derivatives of 11.2 times on annual basis, represented generator of the growth in the export, followed by the export of tobacco and ores. Opposite of that, the export of iron and steel and products thereof registered annual rate of fall of 13.5% (relative to the growth of 1.8% and 1.9% in April and May 2008, respectively).

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<sup>7</sup> Largest trade deficit was registered in October 2007 of Euro 218.4 million.

<sup>8</sup> As a result of the higher prices, but also of the lower comparison basis than in the previous year, when in the period May-June 2007 lower import and export of oil and oil derivatives was registered which was due to the introduction of new ecology standards on the market of our largest importer - Kosovo, as well as due to temporary termination of the production because of the annual overhaul of the domestic oil refinery in May.

Figure 12  
Export and import of goods (realized and projected)



Source: National Bank of the Republic of Macedonia.

In the second quarter of 2008 trade deficit in amount of Euro 514.8 million was realized, which considerably exceeded the simulation in April 2008, by 33%. The deficit which was higher than the envisaged was due to the higher realized import, whereas the export was within the projections. On the side of the export, positive deviations were registered in the export of tobacco, oil derivatives and in the export of companies in the steel industry, whereas the export of beverages registered more significant deviation under the projection. The exceeding on the side of the import was mainly due to the import of iron and steel, vehicles and mineral fuels (higher prices and quantities of import of oil than the envisaged).

In the first half of 2008, simultaneous annual growth in the export and import of goods (of 10.9% and 366%, respectively) was registered, so the total foreign trade realized annual growth of 25.8% relative to the same period of 2007. The increased import of energy sources contributed with almost 40% to the growth in the total import, so a price growth of 53.3% in the import of oil was registered, on annual basis, whereas the growth in the quantity amounted to 23.7%. Price growth of 51.3% and growth in the amount of 62.7% was registered in the import of electricity<sup>9</sup>. Besides the energy, the higher import of iron and steel and products thereof, vehicles, electrical machines and equipment also gave significant contribution to the growth in the total import (total contribution of 37.5%). The higher import of oil enabled growth in the output and subsequently growth in the export of oil derivatives also (contribution to the growth in the total export of 43.1%). Besides that, the ores and the products of iron and steel registered growth in the export (contribution of 26.7% and 18.1%, respectively), which was in accordance with the higher annual cumulative output of ores and metal products in the metal manufacturing industry. The export of iron and steel registered significant fall (of 9.3%), which was mainly due to the lower export of ferro-nickel. In accordance with the intensified growth in the import than the export, in the first six months of 2008, the trade deficit increased by twice, relative to the same period of 2007, reaching Euro 956.8 million. Also, the export-import coverage ratio registered decrease by 13.5 percentage points, equaling 58.2%.

<sup>9</sup> Source: Foreign trade statistics.

Table 1  
Metal prices

	2006	2007	april-june 2007	july-sept 2007	oct-dec 2007	jan-march 2008	april-june 2008	may 2007	june 2008	july 2008
<i>US dollars per ounce</i>										
<b>Gold</b>	604.3	696.7	667.4	681.1	788.0	926.8	896.0	888.7	889.5	939.8
<i>US cents per ounce</i>										
<b>Silver</b>	1,156.9	1,341.3	1,335.8	1,273.2	1,423.5	1,764.7	1,720.0	1,704.9	1,704.0	1,806.4
<i>US dollars per metric tons</i>										
<b>Steel or coil-sheet</b>	693.8	650.0	650.0	650.0	650.0	762.5	900.0	800.0	1,100.0	1,100.0
<b>Steel bar coil-sheet</b>	600.0	550.0	550.0	550.0	550.0	700.0	833.3	750.0	1,000.0	1,000.0
<i>US dollars per metric tons</i>										
<b>Nickel</b>	24,254.4	37,229.8	48,054.8	30,205.2	29,219.2	28,956.8	25,682.4	25,735.0	22,549.0	20,160.2

Source: World Bank.

In July 2008, larger part of the prices of metals in the international stock exchanges had upward trend relative to the previous month. Thus, the precious metal, gold and silver, registered monthly growth of 5.7% and 6%, respectively. Yet, the price of the nickel was an exception of such trend, registering fall since April 2008, which was due to the low demand, continuing to be the main factor for the monthly fall of 10.6%.

The future developments in the foreign trade will depend to a large extent on the development of the oil price in the international markets. Concerning the other components of the current account, no significant changes relative to the simulation in April were expected (further gradual slowing down in the annual fall in the net inflows from the foreign exchange operations and transfer of the outflows of assets for the dividend of one large company from the second to the third quarter). The development in the gross foreign reserves till the end of the year will depend to a large extent on the inflows from direct investments and the developments in the net foreign assets of banks.

## 5. MONETARY AGGREGATES

Thee data on **July 2008** indicated significant slowing down in the annual growth in **the reserve money**<sup>10</sup> to the level of 9.1% (22% in June 2008), which was partially due to the higher comparison basis of July 2007<sup>11</sup>. The total liquidity assets of banks realized annual growth of 16.2% (41.8% in the previous month), whereas the currency in circulation, on annual basis rose by 0.5% (2.1% in the previous month). On monthly basis, the reserve money went up by 3.2%, with growth in the currency in circulation and in the total liquidity assets of banks of 3.6% and 3%, respectively. With respect to the creating and withdrawing liquidity, the positive monthly change in the reserve money represented a combined effect from the realized net purchase of foreign currencies in the foreign exchange market by NBRM and the lower level of CB bills, which was partially compensated by the stronger net position of the Government with NBRM.

On cumulative basis, the net position of the Government with NBRM acted towards withdrawal of reserve money. Such withdrawn monetary base was solely compensated by the net emission of liquidity through the monetary instruments and net foreign currency assets of NBRM, which contributed to increase in the reserve money relative to the end of the previous year. Till the end of the third quarter, the reserve money will probably realize slowing down in the annual growth (relative to the previous quarter), in accordance with the expectations for payment of dividend by one large company to the Government and the foreign investor. Namely, the payment

<sup>10</sup> Includes the reserve requirements of foreign currency deposits. Without this component, the annual growth in the reserve money in July 2008 equaled 4%.

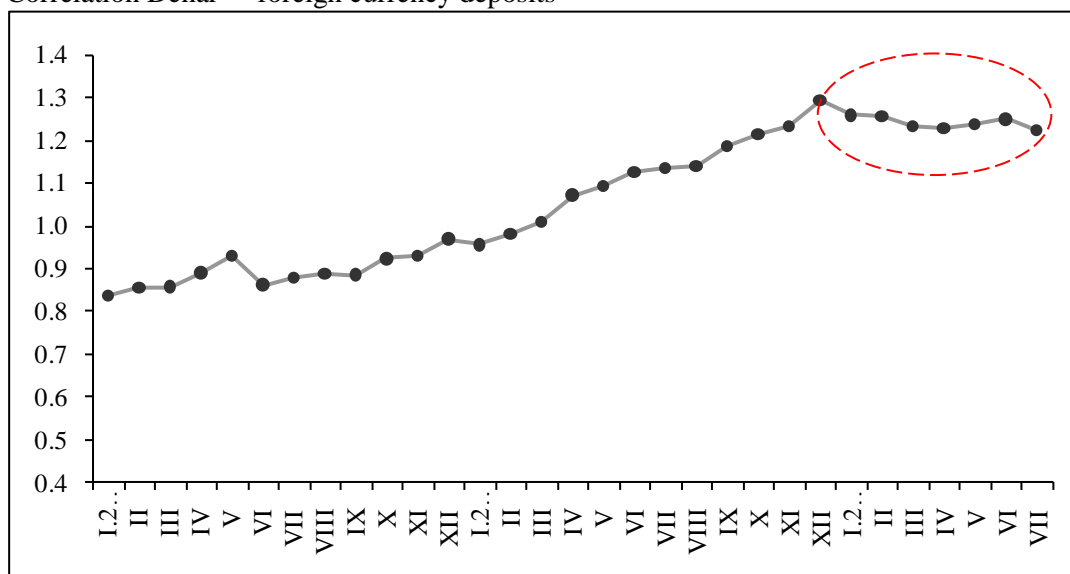
<sup>11</sup> In July 2007, for the purpose of payment of dividend by "Telecom" to the Government, the banks allocated excess of liquidity assets in amount of 26.4% over the reserve requirement (in denars), which determined monthly growth in the reserve money of 15.5%.

of dividend would result in growth in the Government deposits with NBRM and consequently, liquidity withdrawal from the banking sector, so the final effect on the reserve money will depend on the performances in the foreign exchange markets.

In July 2008, **the total deposits of banks** (excluding the deposit money), realized monthly growth of Denar 3.938 million, or by 2.8% (opposite of 1% in the previous month), which was the highest monthly growth since the beginning of the year. 52.4% of the monthly growth in the total deposits can be explained with the growth in the Denar component. Such developments, and considering the performances from the previous month<sup>12</sup>, indicated potentially increased significance of the Denar saving. However, it shall be considered that the main generator of the growth in the Denar deposits was the corporate sector, and during this month, the new saving of households, was almost solely in foreign currency (the Denar household deposits registered small fall on monthly basis). In July 2008, the monthly growth rates of the total deposits of households and enterprises equaled 1.8% and 5.5%, respectively.

Figure 13

Correlation Denar\* - foreign currency deposits



\*Includes the deposit money.

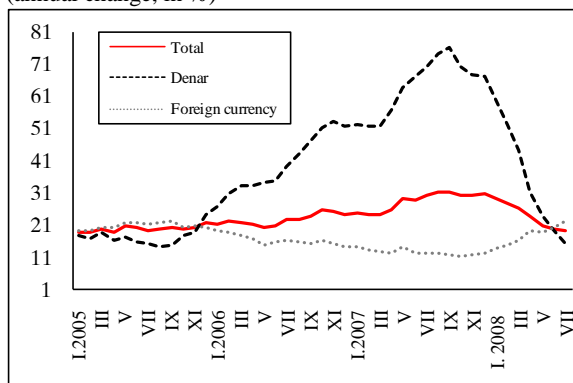
Source: National Bank of the Republic of Macedonia.

In such conditions, for the first time since the beginning of the year, the annual growth rate of Denar deposits registered upward trend, increasing from 21% in June to 22% in July 2008. The foreign currency deposits on annual basis rose by 17.5% (16.8% in June 2008). With respect to the sectors, the annual growth in the deposits of households and enterprises (of 19.7% and 17.1%, respectively) continued, resulting in annual growth in the total banks' deposits of 19.5% (18.7% in the previous month).

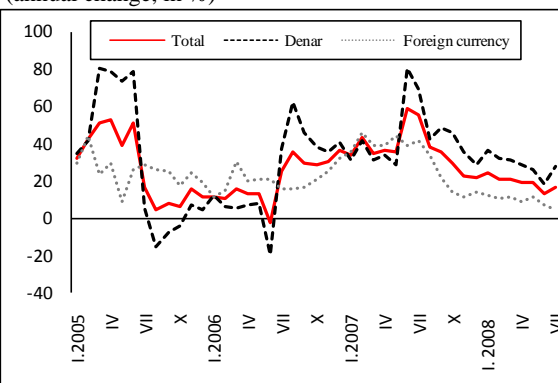
<sup>12</sup> In June 2008, the contribution of the Denar and foreign currency deposits to the monthly growth in the total deposits was almost balanced.

Figure 14

Deposits of households  
(annual change, in %)



Deposits of enterprises  
(annual change, in %)



Source: National Bank of the Republic of Macedonia.

The performances in the total deposits and currency in circulation adequately reflected on the dynamics of the **broadest money supply M4**, the annual growth rate of which of 21.4% in June 2008, reduced to 20% in July. At the end of the third quarter of 2008, by the simulation in April the monetary growth would equal about 21% on annual level. However, the latest simulation on the third quarter indicated potentially intensified slowing down in the rate of the monetary growth, in accordance with the anticipated outflow of deposits from the banking system based on payment of the higher dividend to the Government and the dividend of the foreign investor by one large company.

## 6. CREDITS OF BANKS

During July 2008 further moderate intensification in the credit activity of banks was registered, when the **total credits of banks in the private sector** on monthly basis rose by Denar 4.712 million, or by 3.2% (3% in the previous month). The total credits to the enterprises on monthly basis went up by 3%, explaining 56.5% of the monthly growth in the total credits. This month was characteristic by the higher tendency of the enterprises for foreign currency indebtedness (contribution of 46.3% of the foreign currency credits to the monthly growth in the total credits to enterprises), which was different from the current trends of domination of the Denar crediting (including the Denar credits with FX clause). In July 2008, the banks continued with the active crediting of the households, registering monthly growth of 3.4% (3.3% in the previous month), exceeding the growth rate from the Decision on a Compulsory Deposit with NMRB by about one percentage point<sup>13</sup> (of 5.6% relative to the end of May).

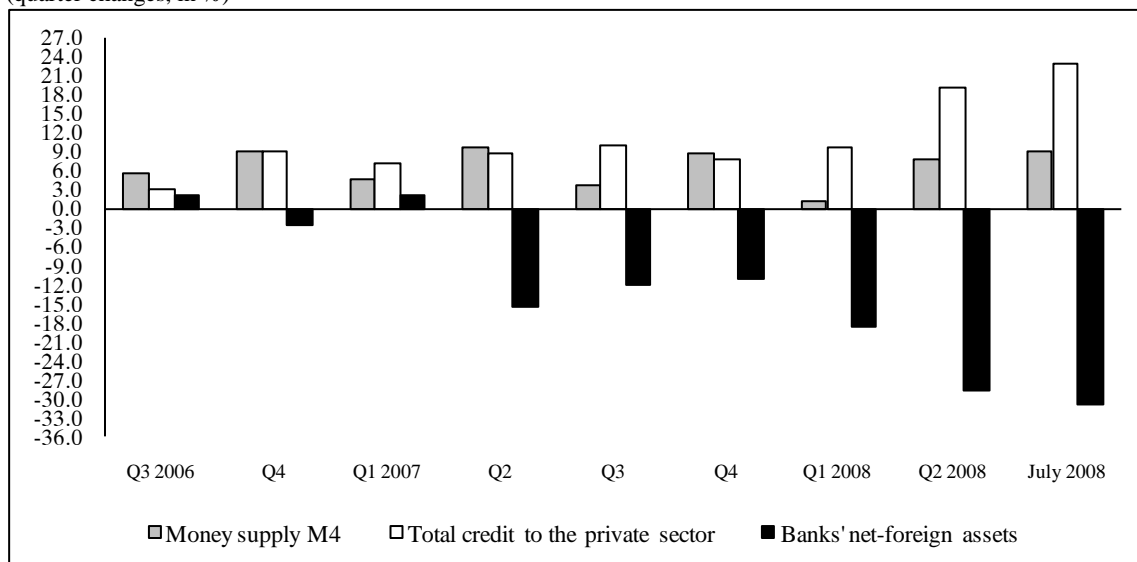
On annual basis (July 2008 / July 2007), the total credits of banks to the private sector rose by 41.9%, which indicated small slowing down in the dynamics of growth relative to the previous month (42.1%). The credits to households and enterprises realized annual growth rates of 51.7% and 36.1% (relative to 54.5% and 34.7%, respectively, in June), when the credits to the corporate sector more significantly contributed to the growth in the total credits (54%). Till the end of the third quarter, when expectations for lower growth in the money supply were registered,

<sup>13</sup> On 12.06.2008, NBRM adopted Decision on Compulsory Deposit, according to which the bank and saving houses are obliged to allocate compulsory deposit with NBRM, if they register higher growth rates in the household credits. The growth rates of household credits for every month are given in the Decision on cumulative basis, compared to the outstanding amount of the household credits on May 31, 2008.



the credit activity of banks, will largely depend on the preparedness of the banks for using additional sources of financing (through capitalization, foreign indebtedness or more active use of the available foreign currency assets). With the simulation in April was envisaged for the credit growth to equal 35.9% in the end of the third quarter.

Figure 15  
Sources of financing  
(quarter changes, in %)\*



\* The realization in the second quarter and July 2008 are cumulative changes relative to the end of the year.

Source: National Bank of the Republic of Macedonia.

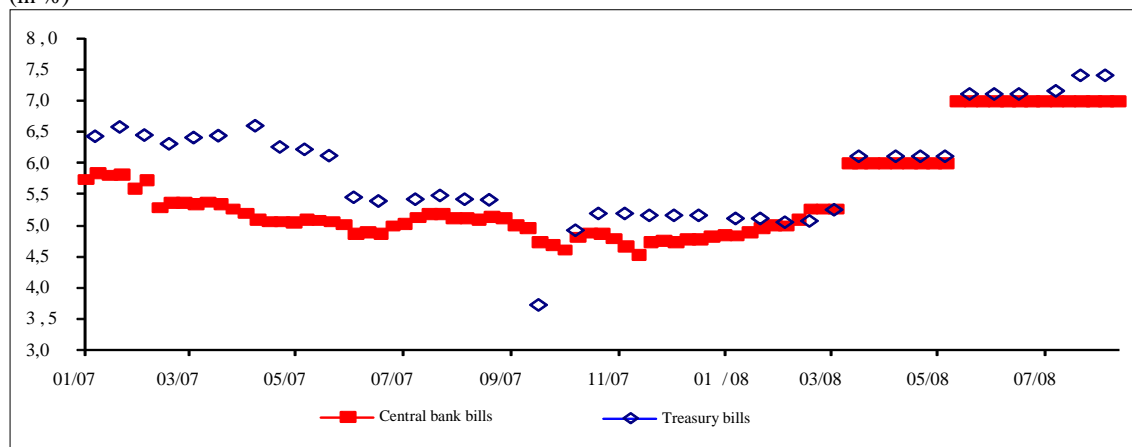
In July 2008, the net foreign currency assets of banks registered moderate monthly fall of Denar 342 million, i.e. 3.1%, in conditions of fall in the foreign currency assets of banks (by Denar 296 million, or by 0.9%) and small contribution of their foreign currency liabilities (by Denar 46 million, or by 0.2%). Relative to the end of 2007, the net foreign currency assets of banks were lower by Denar 4.799 million, or by 31.1%.

## 7. INTEREST RATES AND FOREIGN EXCHANGE RATE

In the period 01.08. - 13.08.2008, two **auctions of CB bills** were held (on 06.08.2008 and on 13.08. 2008), when, with volume tender and fixed interest rate of 7%, total Denar 1.862 million were sterilized. As of 08.08.2008, the gross foreign reserves equaled Euro 1.560 million and relative to the end of 2007 they rose by Euro 28.6 million.

On 05.08.2008, **auctions of three month and six months Treasury bills** were held when, with interest rate tender, in conditions of higher supply than the demand, interest rates of 7.40% were realized (same as on the previous auction) and 7.76%, respectively (7.30% on the previous auction, with volume tender). In the period 01-13.08.2008, the average interbank interest rate in the bilateral trading of banks amounted to 5.02% on average (4.63% in July 2008).

Figure 16  
Interest rate  
(in %)

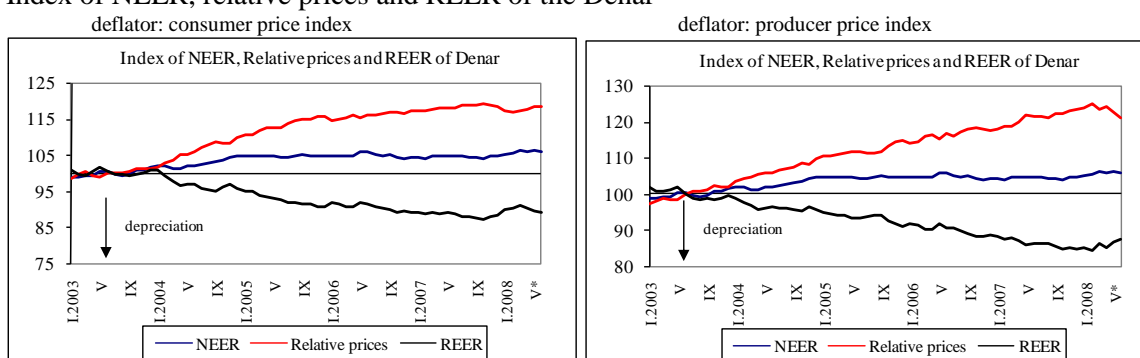


Source: National Bank of the Republic of Macedonia.

In the area of **interest policy of banks**, in June 2008, for the first time since the beginning of the year, moderate growth in the lending interest rate of banks was registered. Thus, in June 2008, the average weighted interest rate on Denar credits for all maturities and sectors equaled 9.7% (9.6% in the previous month), and simultaneously the average weighted interest rate of the Denar deposits for all maturities and sectors rose by identical 0.1 percentage point equaling 5.8%. Within the lending interest rates of the Denar credits, the interest rates of the short-term and long-term credits to enterprises without FX clause and the short-term credits to enterprises with FX clause registered increase (of 0.2 percentage points, respectively). Within the group of lending interest rates of the Denar credits to households, the interest rate of the short-term credits without FX clause registered fall of 0.1 percentage point, whereas the interests in the other categories of credits to households remained unchanged on monthly basis. However, the analysis of the newly extended credits indicated growth in the interest rates of the short-term and long-term credits for the households without FX clause. The average weighted interest rates of the foreign currency credits and deposits maintained the level of the previous month and in June 2008 they amounted to 8.1% and 2.3%, respectively.

The index of the **real effective foreign exchange rate (REER) of the Denar**, deflated with the consumer price index, continued the trend of the monthly depreciation which started in April 2008, so in June 2008, the REER realized depreciation of 0.5%, mainly as a result of the depreciation of the nominal effective foreign exchange rate of the Denar (by 0.4%), as well as of the small monthly growth in the relative price index. Still, on annual and cumulative basis, the REER of the Denar registered appreciation again, by this deflator, of 0.8% and 1.3%, respectively, which was mainly due to the further appreciation of NEER (of 1.1% and 1.2%, respectively). In June 2008, the index of REER of the Denar, deflated with the producer price index registered lower monthly appreciation of 0.9%, which in conditions of depreciation of NEER, was solely due to the higher monthly growth in the domestic than in the foreign prices. Appreciation was registered also on annual basis and in the analyzed month it equaled 1.5%, which was due to the annual appreciation of NEER, but also to the fall in the foreign prices. On cumulative basis, the REER of the Denar, deflated with the producer price index, continued the depreciation trend, but with lower dynamics (of 1.6%), which was solely due to the relative prices.

Figure 17  
Index of NEER, relative prices and REER of the Denar



For those countries for which there are no IFS data, the information are from the web sites of the adequate central banks, statistical offices and EUROSTAT.

Source: NBRM, MMF-MFS for July 2008 and SSO of the Republic of Macedonia.

## ANNEX

**Table 1**  
**Consumer Price**

	change in %			contribution to change in percentage points		
	<u>VII.2008</u> VI.2008	<u>VII.2008</u> VII.2007	<u>I-VII.2008</u> I-VII.2008	<u>VII.2008</u> VI.2008	<u>VII.2008</u> VII.2007	<u>I-VII.2008</u> I-VII.2008
<b>Consumer prices</b>	<b>-0.9</b>	<b>9.5</b>	<b>9.7</b>	<b>-0.9</b>	<b>9.5</b>	<b>9.7</b>
<b>Food</b>	<b>-2.4</b>	<b>17.7</b>	<b>19.1</b>	<b>-0.92</b>	<b>6.77</b>	<b>7.30</b>
Grain products	0.9	29.6	27.6	0.07	2.20	2.05
Fresh and processed vegetables	-12.5	5.4	23.5	-0.70	0.31	1.32
Fresh and processed fruits	-9.8	22.6	27.1	-0.30	0.69	0.82
Meat and poultry	0.2	8.8	7.5	0.01	0.67	0.57
Fresh and cooked fish	0.4	6.2	5.5	0.00	0.06	0.05
Dairy products	-0.2	21.3	20.6	-0.01	1.23	1.19
Eggs	0.3	26.6	14.8	0.00	0.33	0.18
Oils and fats	-0.3	54.4	50.4	-0.01	1.14	1.06
<b>Tobacco and beverages</b>	<b>0.3</b>	<b>3.8</b>	<b>3.8</b>	<b>0.02</b>	<b>0.20</b>	<b>0.20</b>
<b>Clothing and footwear</b>	<b>-1.8</b>	<b>2.3</b>	<b>2.5</b>	<b>-0.14</b>	<b>0.18</b>	<b>0.19</b>
<b>Housing</b>	<b>0.3</b>	<b>3.9</b>	<b>3.6</b>	<b>0.05</b>	<b>0.59</b>	<b>0.55</b>
Flat (rent, water and other services)	0.3	5.7	6.4	0.01	0.21	0.23
Fuel and lighting	0.2	3.9	3.3	0.02	0.35	0.29
Heating and services	0.6	11.4	8.2	0.02	0.35	0.25
Electric power	0.0	0.0	0.7	0.00	0.00	0.04
<b>Hygiene and health</b>	<b>0.3</b>	<b>1.3</b>	<b>1.3</b>	<b>0.02</b>	<b>0.11</b>	<b>0.11</b>
<b>Culture and entertainment</b>	<b>0.3</b>	<b>-0.4</b>	<b>0.0</b>	<b>0.02</b>	<b>-0.02</b>	<b>0.00</b>
<b>Transport and communication services</b>	<b>0.3</b>	<b>7.4</b>	<b>5.4</b>	<b>0.04</b>	<b>1.06</b>	<b>0.77</b>
Fuels and lubricants	2.9	29.1	21.6	0.11	1.11	0.82
Public transport services & PTT	0.1	-3.6	-4.9	0.01	-0.22	-0.30
<b>Restaurants and hotels</b>	<b>1.2</b>	<b>14.1</b>	<b>12.2</b>	<b>0.06</b>	<b>0.72</b>	<b>0.62</b>
<b>Other services n.e.c.</b>	<b>0.0</b>	<b>2.0</b>	<b>7.7</b>	<b>0.00</b>	<b>0.01</b>	<b>0.02</b>

Source: State Statistical Office of the Republic of Macedonia.

**Table 2**  
**Basic inflation, productivity and wages**

(annual rates, %)	2006	2007	2007				2008		Latest months		
			Q1	Q2	Q3	Q4	Q1	Q2	May-08	Jun-08	Jul-08
Inflation (CPI)	3.2	2.3	0.7	1.1	2.4	4.9	9.5	9.9	9.5	10.1	9.5
Core inflation (excluding food and energy)	1.1	0.7	0.2	0.8	1.1	1.2	2.8	2.8	2.8	3.0	2.8
Regulated prices	5.7	3.3	4.2	3.0	2.0	4.1	7.4	9.2	9.0	11.0	11.4
Industrial producer prices	4.5	1.6	1.0	1.2	1.6	4.1	10.5	13.6	14.4	15.7	17.2
Productivity	0.5	2.3	4.1	0.5	1.3	3.2	2.2	-	-	-	-
Nominal net-wage	7.3	7.9	5.7	6.4	7.5	11.8	10.5	-	9.8	-	-
Real net-wage	4.0	5.5	5.0	5.3	5.0	6.6	1.0	-	0.3	-	-

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

**Table 3**  
**Industrial output and other economic activities**

(annual rates, %)	2006	2007	2007				2008	Latest months		
			Q1	Q2	Q3	Q4		Apr-08	May-08	Jun-08
Gross domestic product	4.0	5.0	6.7	3.9	4.4	5.1	5.2	-	-	-
Industrial output	2.5	3.7	11.6	-2.8	1.1	6.2	5.8	6.2	17.6	12.2
Construction	-12.3	7.6	9.4	-18.6	18.0	23.3	29.1	101.3	33.9	-
Retail and wholesale trade	2.5	24.2	25.1	17.2	21.2	28.6	19.1	20.7	17.4	-
Telecommunications	-1.0	15.6	11.1	17.1	15.9	18.1	12.1	6.4	8.9	-

Source: State Statistical Office of the Republic of Macedonia.

**Table 4**  
Selected industrial branches

Selected industrial activities (annual rates, %)	2006	2007	2007				2008		Jun.08	
			Q1	Q2	Q3	Q4	Q1	Q2	% change	impact (p.p.)
Mining and quarrying	28.0	9.8	13.9	16.2	15.4	-3.3	11.9	13.6	24.0	1.0
Manufacture of food products and beverages	0.1	7.7	12.0	0.6	9.5	9.6	5.3	6.0	5.0	0.8
Manufacture of tobacco products	5.5	-0.8	19.0	-14.4	-16.8	41.1	13.8	15.4	0.6	0.0
Manufacture of wearing apparel	-3.7	-14.5	-4.6	-19.8	-17.9	-14.2	-16.5	-22.7	-24.5	-2.7
Printing	-17.9	-12.2	13.3	-11.5	-18.2	-22.9	7.8	72.2	64.4	1.8
Manufacture of refined petroleum products	12.3	-2.4	20.6	-11.1	1.3	-16.8	3.3	50.9	68.9	2.2
Manufacture of other non-metallic mineral products	14.0	3.8	51.5	4.2	-2.6	-15.9	-10.9	-3.2	-2.1	-0.2
Manufacture of basic metals	11.8	34.3	57.4	35.2	25.3	26.7	9.5	15.7	22.7	3.4
Manufacture of fabricated metal products	5.7	45.6	6.0	5.4	51.7	112.0	29.7	11.8	1.2	0.0
Manufacture of electrical machinery and equipment	3.7	-24.4	-45.1	-37.4	-12.3	1.0	45.6	64.9	22.4	0.8
Manufacture of other transport equipment	-6.9	33.4	128.7	-48.6	74.6	50.5	9.8	143.1	284.8	1.4
Electricity, gas, steam and hot water supply	-0.6	-9.5	-9.1	-20.8	-8.7	-1.1	-0.8	1.9	11.5	0.7

Source: State Statistical Office of the Republic of Macedonia.

**Table 5**  
Balance of payments <sup>/1,3</sup>  
(in millions of euros)

	2007				2007	2008					2008	2008
	Q1	Q2	Q3	Q4		I	II	III	IV	V	Q1	
<b>I. Current account</b>	<b>41.0</b>	<b>51.0</b>	<b>8.4</b>	<b>-271.2</b>	<b>-170.9</b>	<b>-35.4</b>	<b>-76.1</b>	<b>-75.4</b>	<b>-68.7</b>	<b>-58.3</b>	<b>-187.0</b>	<b>-313.9</b>
<b>GOODS, net</b>	<b>-211.0</b>	<b>-207.7</b>	<b>-298.4</b>	<b>-455.8</b>	<b>-1,172.8</b>	<b>-115.6</b>	<b>-131.5</b>	<b>-124.8</b>	<b>-140.0</b>	<b>-140.4</b>	<b>-371.9</b>	<b>-652.3</b>
Export, f.o.b	558.7	641.7	605.1	635.9	2,441.5	181.3	214.8	214.8	228.0	259.0	610.8	1,097.8
Import, f.o.b /2	-769.7	-849.4	-903.5	-1,091.7	-3,614.3	-296.8	-346.3	-339.5	-368.1	-399.4	-982.7	-1,750.1
<b>SERVICES, net</b>	<b>-1.2</b>	<b>1.1</b>	<b>23.3</b>	<b>2.4</b>	<b>25.5</b>	<b>8.7</b>	<b>-5.5</b>	<b>-4.0</b>	<b>-2.5</b>	<b>-0.5</b>	<b>-0.8</b>	<b>-3.8</b>
<b>INCOME, net /5</b>	<b>29.7</b>	<b>-9.2</b>	<b>-37.7</b>	<b>-16.1</b>	<b>-33.4</b>	<b>11.0</b>	<b>2.0</b>	<b>-3.1</b>	<b>-1.5</b>	<b>-7.5</b>	<b>9.9</b>	<b>0.9</b>
of which: interest, net	-2.0	-5.1	-2.5	-8.3	-17.9	0.3	-2.1	-3.6	-5.7	-8.6	-5.5	-19.7
<b>CURRENT TRANSFERS, net</b>	<b>223.5</b>	<b>266.8</b>	<b>321.2</b>	<b>198.3</b>	<b>1,009.8</b>	<b>60.4</b>	<b>58.9</b>	<b>56.5</b>	<b>75.3</b>	<b>90.1</b>	<b>175.8</b>	<b>341.3</b>
Official	8.6	17.1	10.7	-12.4	23.9	0.5	4.4	2.7	4.1	6.6	7.7	18.4
Private	214.9	249.7	310.5	210.7	985.8	59.9	54.5	53.8	71.3	83.5	168.1	322.9
<b>II. Capital and financial account</b>	<b>-42.9</b>	<b>-46.9</b>	<b>8.9</b>	<b>275.2</b>	<b>194.3</b>	<b>38.2</b>	<b>78.2</b>	<b>72.5</b>	<b>74.1</b>	<b>50.9</b>	<b>188.9</b>	<b>313.9</b>
<b>CAPITAL ACCOUNT, net</b>	<b>-1.3</b>	<b>1.4</b>	<b>3.7</b>	<b>-2.5</b>	<b>1.3</b>	<b>-0.3</b>	<b>-0.3</b>	<b>-0.4</b>	<b>0.9</b>	<b>0.2</b>	<b>-1.0</b>	<b>0.0</b>
Capital transfers, net	-1.3	1.5	0.6	-1.9	-1.1	-0.3	-0.3	-0.4	0.9	0.2	-1.0	0.0
Oficijalni	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Drugi	-1.3	1.5	0.6	-1.9	-1.1	-0.3	-0.3	-0.4	0.9	0.2	-1.0	0.0
acquisition/disposal of non-produced	0.0	0.0	3.1	-0.6	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>FINANCIAL ACCOUNT, net</b>	<b>-41.6</b>	<b>-48.3</b>	<b>5.2</b>	<b>277.7</b>	<b>192.9</b>	<b>38.5</b>	<b>78.5</b>	<b>72.9</b>	<b>73.3</b>	<b>50.7</b>	<b>189.9</b>	<b>313.8</b>
Direct investments, net	20.1	63.9	40.4	115.7	240.1	40.1	71.3	29.9	32.3	68.0	141.3	241.6
Portfolio investments, net	20.5	45.6	24.5	20.2	110.8	-0.9	-3.4	-3.9	-4.4	-4.2	-8.3	-16.9
Other investments, net	-87.5	-146.7	41.7	136.1	-56.3	-7.2	22.5	33.5	26.2	-0.1	48.8	75.0
Trade credits, net	-33.6	-65.0	1.7	63.4	-33.5	-5.5	1.8	-4.3	24.9	0.1	-8.1	16.9
Loans, net	-42.3	-124.7	12.6	46.7	-107.7	-4.9	-1.2	-10.8	2.2	-27.7	-16.8	-42.3
Currency and deposits, net	-16.8	20.2	12.8	-10.3	5.9	-4.0	19.7	45.1	-8.3	0.3	60.8	52.8
of which : monetary authorities, net	0.0	0.0	0.0	-0.1	-0.2	7.4	0.1	3.2	-0.2	6.1	10.7	16.6
commercial banks, net	-3.8	41.2	26.9	4.2	68.4	-9.4	19.4	37.2	-8.3	-1.5	47.2	37.4
other sectors, net	-12.9	-20.9	-14.0	-14.5	-62.3	-1.9	0.1	4.7	0.2	-4.3	2.9	-1.2
Others, net	5.2	22.9	14.6	36.3	78.9	7.1	2.3	3.4	7.5	27.2	12.8	47.6
Gross official reserves, ( - = increase) /4	5.3	-11.2	-101.4	5.6	-101.8	6.5	-11.9	13.4	19.2	-13.0	8.0	14.2
<b>III. Errors and omissions</b>	<b>2.0</b>	<b>-4.1</b>	<b>-17.2</b>	<b>-4.0</b>	<b>-23.4</b>	<b>-2.7</b>	<b>-2.1</b>	<b>3.0</b>	<b>-5.5</b>	<b>7.4</b>	<b>-1.9</b>	<b>0.1</b>

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

5/ Accrued interest on foreign securities is included under income since January 2008.

Source: National bank of the Republic of Macedonia.

**Table 6**  
Foreign trade

	VI.2008	I-VI.2008	VI.2008		VI.2008		I-VI.2008	
			V.2008		VI.2007		I-VI.2007	
	amount		amount	%	amount	%	amount	%
<b>Total trade</b>	<b>669.2</b>	<b>3,623.4</b>	<b>-4.4</b>	<b>-0.7</b>	<b>139.3</b>	<b>26.3</b>	<b>743.9</b>	<b>25.8</b>
Export	233.3	1,333.3	-26.0	-10.0	3.8	1.6	130.6	10.9
Import	435.9	2,290.1	21.7	5.2	135.6	45.1	613.2	36.6
<b>Balance</b>	<b>-202.6</b>	<b>-956.8</b>	<b>-47.7</b>	<b>30.8</b>	<b>-131.8</b>	<b>2,9 times</b>	<b>-482.6</b>	<b>2,0 times</b>

Source: State Statistical Office of the Republic of Macedonia.

**Table 7**  
Monetary developments in July 2008

	31.12.2007	31.03.2008	30.06.2008	31.07.2008	monthly changes (31.07.2008/ 30.06.2008)		annual changes (31.07.2008/ 31.07.2007)
	actual	actual	actual	actual	in Denar million	in %	in %
<i>in Denar million</i>							
Brtoad money M4	175,553	178,277	189,663	192,116	2,453	1.3	20.3
Currency in circulation	17,927	15,746	16,180	16,763	583	3.6	0.5
Denar deposits <sup>1</sup>	89,077	90,102	96,889	96,886	-3	0.0	27.0
Foreign currency deposits	68,549	72,429	76,594	78,467	1,873	2.4	17.5
Total deposits	157,626	162,531	173,483	175,353	1,870	1.1	22.6
Reserve money <sup>2</sup>	37,586	34,223	38,854	40,115	1,261	3.2	9.1

<sup>1</sup>Including demand deposits, deposits of municipalities and public entities.

<sup>2</sup>Including reserve requirement in foreign currency.

	31.12.2007	31.03.2008	30.06.2008	31.07.2008	monthly changes (31.07.2008/ 30.06.2008)		annual changes (31.07.2008/ 31.07.2007)
	actual	actual	actual	actual	in Denar million	in %	in %
<i>in Denar million</i>							
Credit to the private sector	124,875	137,050	149,206	153,918	4,712	3.2	41.9
In Denar	94,496	105,345	114,910	118,047	3,137	2.7	45.5
In Foreign currency	30,379	31,705	34,296	35,871	1,575	4.6	31.3
Banks' net foreign assets	15,459	12,550	10,991	10,649	-342	-3.1	-49.2

Source: National Bank of the Republic of Macedonia.

**Table 8**  
Monetary aggregates  
(in %)

in %	end of period to the end of previous period							y - o - y								
	2007				2008			2006	2007				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	July		Q1	Q2	Q3	Q4	Q1	Q2	July	
M0	-6.1	8.5	2.2	15.5	-8.9	13.5	3.2	21.4	18.9	18.2	18.9	20.2	16.6	22.0	9.1	
M1	-1.4	6.0	8.3	16.3	-6.9	11.1	-2.7	17.1	22.5	18.0	22.6	31.7	24.4	30.4	21.5	
M4	4.7	9.7	3.7	8.8	1.3	6.3	1.4	24.9	26.4	32.2	29.9	29.5	25.3	21.4	20.0	
M4-denar	5.1	14.1	5.9	12.2	-1.5	6.6	-0.2	30.8	33.1	44.3	43.8	42.6	33.6	24.8	20.7	

Source: National Bank of the Republic of Macedonia.

**Table 9**

Deposits of the private sector\*  
(in millions of denars)

		Balance as of 31.07.2008	monthly changes		annual changes	
			in Denar million	in %	in Denar million	in %
<b>Total deposits</b>		144,993	3,938	2.8	23,701	19.5
<b>In Denar</b>	Households	36,444	-131	-0.4	4,823	15.3
	Enterprises	26,610	2,375	9.8	5,839	28.1
	Total	66,526	2,065	3.2	12,006	22.0
<b>In Foreign currency</b>	Households	58,851	1,804	3.2	10,849	22.6
	Enterprises	19,415	45	0.2	873	4.7
	Total	78,467	1,873	2.4	11,695	17.5
<b>Total households deposits</b>		95,295	1,673	1.8	15,672	19.7
<b>Total enterprises deposits</b>		46,025	2,420	5.5	6,712	17.1

\* the Denar deposits do not include the deposit money.

Source: National Bank of the Republic of Macedonia.

**Table 10**

Credits to the private sector  
(in millions of denars)

		Balance as of 31.07.2008	monthly changes		annual changes	
			in Denar million	in %	in Denar million	in %
<b>Total credit to the private sector</b>		153,918	4,712	3.2	45,453	41.9
<b>In Denar</b>	Households	57,023	1,676	3.0	18,757	49.0
	Enterprises	60,694	1,427	2.4	18,084	42.4
	Total	118,047	3,137	2.7	36,909	45.5
<b>In Foreign currency</b>	Households	4,023	343	9.3	2,055	104.4
	Enterprises	31,830	1,234	4.0	6,482	25.6
	Total	35,871	1,575	4.6	8,544	31.3
<b>Total credit to the households</b>		61,046	2,019	3.4	20,812	51.7
<b>Total credit to the enterprises</b>		92,524	2,661	3.0	24,566	36.1

Source: National Bank of the Republic of Macedonia.

**Table 11**

Credits to the households

		2006				2007				2008		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	July
<b>Maturity structure of households credit portfolio (in %)</b>	Short-term	25.0	24.8	24.4	25.1	26.8	27.7	29.2	29.2	29.9	30.2	30.1
	Long-term	75.0	75.2	75.6	74.9	73.2	72.3	70.8	70.8	70.1	69.8	69.9
<b>Credit to households, y-o-y growth rate, in %</b>	Housing	37.1	33.5	35.4	40.1	43.4	45.7	48.2	47.7	48.4	53.3	54.0
	Overdrafts	63.9	68.1	84.9	103.7	125.2	136.9	131.4	112.3	89.6	72.1	64.3
	Credits for other purposes	32.6	26.8	26.0	31.0	33.9	38.8	45.5	48.7	53.2	45.8	41.8

Source: National Bank of the Republic of Macedonia.

**Table 12**  
Credits to the enterprises

		2006				2007				2008		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	July
<b>Maturity structure of enterprises credit portfolio (in %)</b>	Short-term	54.4	53.8	51.0	48.6	47.1	46.0	46.2	43.9	44.9	44.6	44.5
	Long-term	45.6	46.2	49.0	51.4	52.9	54.0	53.8	56.1	55.1	55.4	55.5
<b>Credit to enterprises, y-o-y growth rate, in %</b>	Short-term	0.8	13.0	11.1	11.9	8.9	5.9	20.4	17.2	27.0	30.7	33.5
	Long-term	36.1	34.0	30.8	41.1	45.7	44.6	45.8	41.6	38.4	38.2	38.3
	In Denar	3.4	14.3	14.2	21.3	22.6	20.2	32.9	29.9	37.4	42.2	42.4
	In Foreign currency	42.0	38.5	31.0	32.4	31.4	30.2	32.6	29.4	25.6	22.2	25.6

Source: National Bank of the Republic of Macedonia.

**Table 13**  
Liquidity creation and withdrawal\*

	31.12.2007	31.07.2008	13.08.2008	cumulatively I - VII. 2008	13.08.2008 / 31.07.2008
<i>in millions of denars</i>	balance			flow	
<b>Bank's liquidity (bank's account with NBRM)</b>	<b>10,415</b>	<b>11,080</b>	<b>11,098</b>	<b>665</b>	<b>18</b>
<b>Autonomous factors (total)</b>	<b>84,009</b>	<b>79,306</b>	<b>81,441</b>	<b>-4,701</b>	<b>2,033</b>
Currency in circulation	17,969	16,811	17,698	1,158	-887
Foreign exchange transactions of the NBRM	73,958	73,283	73,589	-675	306
Government denars deposits with NBRM	-9,842	-13,869	-12,091	-4,027	1,778
Bank's cash in valuts	1,924	3,081	2,245	-1,157	836
<b>Monetary instruments:</b>	<b>-25,555</b>	<b>-19,931</b>	<b>-21,793</b>	<b>5,624</b>	<b>-1,862</b>
CB bills auctions	-20,995	-19,931	-21,793	<b>1,064</b>	-1,862
Treasury bills for monetary policy purposes	-4,560	0	0	4,560	0
<b>Other items</b>	<b>-8,253</b>	<b>-8,511</b>	<b>-8,664</b>	<b>-258</b>	<b>-153</b>

\* Last available data on 16.07.2008.

Source: National Bank of the Republic of Macedonia.

**Table 14**  
Interest rates

	July 2008	monthly changes	annual changes
	in %	in percentage points	
<b>Average weighted interest rate on the CB bills auctions (28 days)</b>	7.0	0.0	1.9
<b>Average weighted interest rate on the Money Market*</b>	4.6	0.1	1.1
<b>Interest rate on three-month treasury bills</b>	7.3	0.2	1.9
	June 2008	monthly changes	annual changes
	in %	in percentage points	
<b>Banks' weighted lending interest rates</b>	9.7	0.1	-0.5
<b>Banks' weighted deposit interest rates</b>	5.8	0.1	1.0

\* Pertains to bilateral trading

Source: National Bank of the Republic of Macedonia.