

National Bank of the Republic of Macedonia
Research Department



Monthly Information
10/2008

November, 2008

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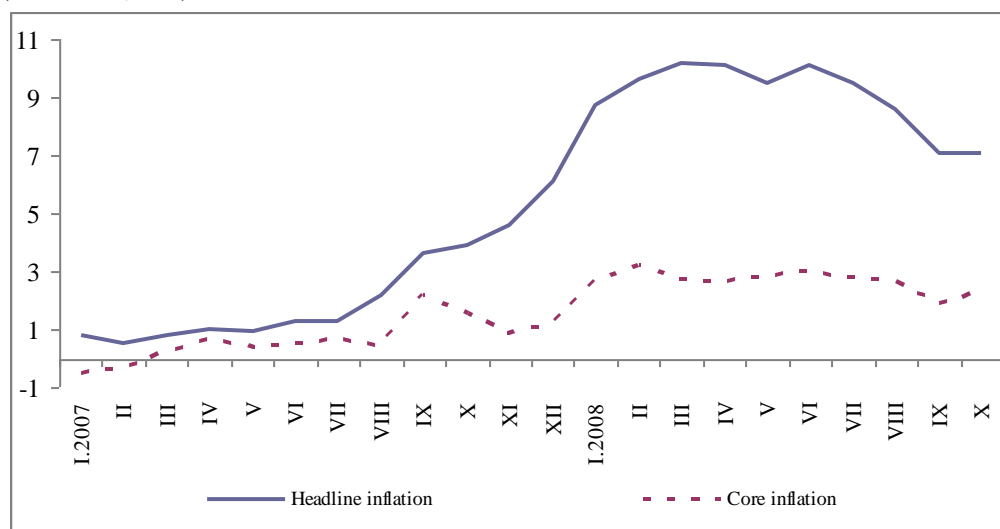
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1. PRICES

The three-month constant decrease in the **general level of consumer prices** discontinued in October 2008, given monthly rise of 0.7%. Such movement in the price level mainly results from the seasonal influence of the higher prices of raw vegetables of 28.1%, with additional contribution being recorded by the higher price of the monthly subscription for cable television¹, higher prices of means of transport and footwear. On the other hand, in accordance with the movements in the prices of crude oil on the international stock exchanges, domestic prices of oil derivatives also registered deflation movements, as well as the prices of cooking oil and raw fruit. The monthly inflation of 0.7% in October caused the annual inflation rate to preserve the same level registered in September (7.1%). The stable annual movements contributed to continuous slowing down of the cumulative rise in the prices, which equaled 9.0%, compared to 9.3% in September 2008. About 72% of the so-far cumulative rise in the prices can be explained with the higher prices of food, while the joint contribution of food and energy equaled approximately 86%.

From the aspect of the **core inflation**, downward trend of its growth in October was registered, with the annual core inflation rate being equal to 2.3% (compared to 1.9% in September). The rise in core inflation is result of the increased prices of means of transport, hygiene products and higher prices of footwear. The core inflation rate for the first ten months equals 2.7%.

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



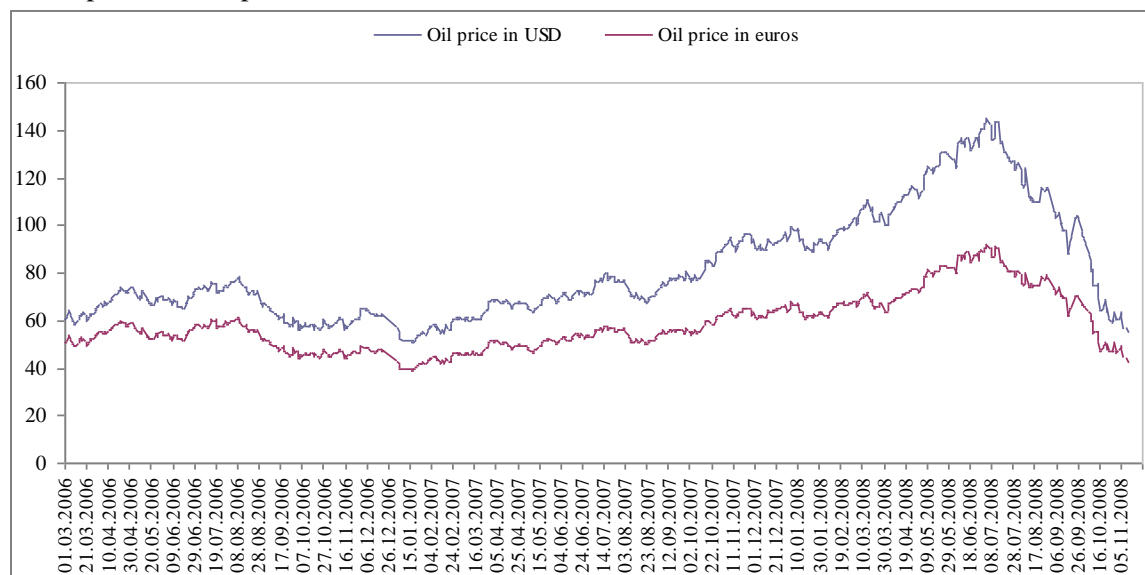
Source: State Statistical Office of the Republic of Macedonia and NBRM.

In October 2008, the price of the crude oil on the international stock exchanges registers sharp decrease, with the average price of "brent" oil being equal to US Dollar 71.6 per barrel (similar to the level in June 2007) and lower than the average price in October by 26.4%. The sharp decrease in the price can be explained with the drop in the global economic activity, the latest OPEK anticipations for further decrease in the demand also in 2009, as well as due to the published

¹ Since October 1, 2008, the cable operator "Kejbltel" increased the prices of its services by 28.5%, simultaneously launching new two services on the market: fixed telephony and television (home cinema).

reports of the United States Energy Information Administration on the rise on the crude oil stocks². In order to protect from the continuing decrease in the price of oil, on their last extraordinary session held on October 24, the OPEK member states decided to reduce their daily production of oil by 1.5 millions of barrels, starting from November 1, 2008.

Figure 2
Development in the price of "brent" oil



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

Despite the restrictive demand, the price of crude oil equaled about US Dollar 60, on average, per barrel in the first decade of November, which is lower than 16.6% compared to October 2008 average, due to anticipations for more significant reduction of the global demand for oil for the following year, the USA published data showing poor economic performances, as well as the latest data on the reduced import of oil by China in October 2008. In conformity with such movements, the Regulatory Energy Committee, on its session held on November 10, 2008, adopted a Decision on reducing the refinery and retail prices of oil derivatives by 7.8%, i.e. 5.4%, on average, respectively.

The realized annual inflation in October is lower than projected³, indicating a possibility for registering lower inflation compared to the projection for the end of 2008 (5.9%). On the other hand, with regard to the adopted decision on increasing the domestic price of electricity in November, it is possible that the annual inflation is slightly higher than projected.

The slowing down in the **annual inflation rate in the Euro area**⁴, which started in August, continued also in October 2008, when it reduced to 3.2% (compared to 3.6% in September). The sharp decrease in the price of both oil and food on the international market, especially in October 2008, is the main factor that contributed to the significant impediment of the annual inflation. However, the most significant contribution to the inflation accounts for the rise in the prices of energy sources (gas, fuel oil and transport fuel) and food prices (cereals, dairy products, eggs). Deflationary changes have still been registered in the prices of telecommunication

² Statistical Agency data on the USA oil, Energy Information Administration, Oil marketer and Oil market report.

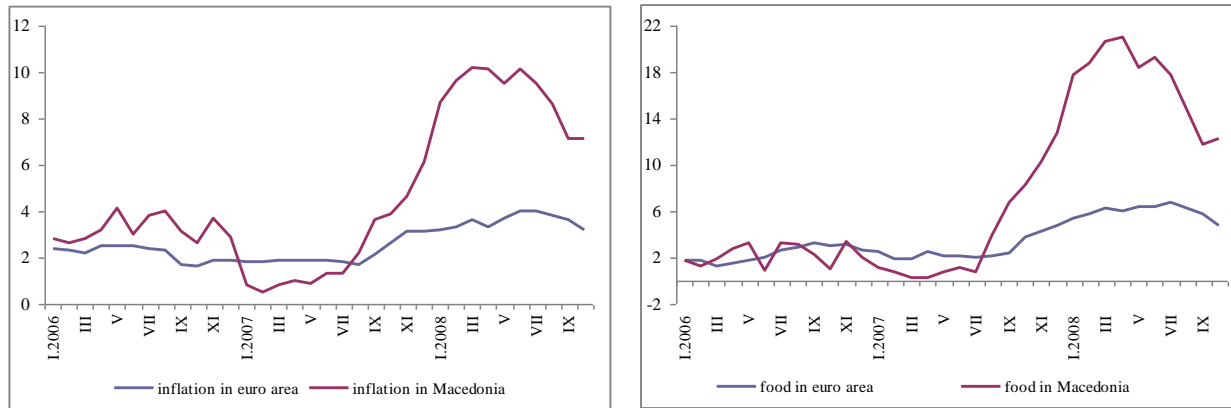
³ Pertains to the projection in August.

⁴ Preliminary data.

services, motor cars, clothing and IT equipment. In accordance with such movements, on November 06, the ECB adopted a decision on decreasing the interest rates by 0.5 percentage points, becoming effective from November 12, 2008.

Figure 3

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



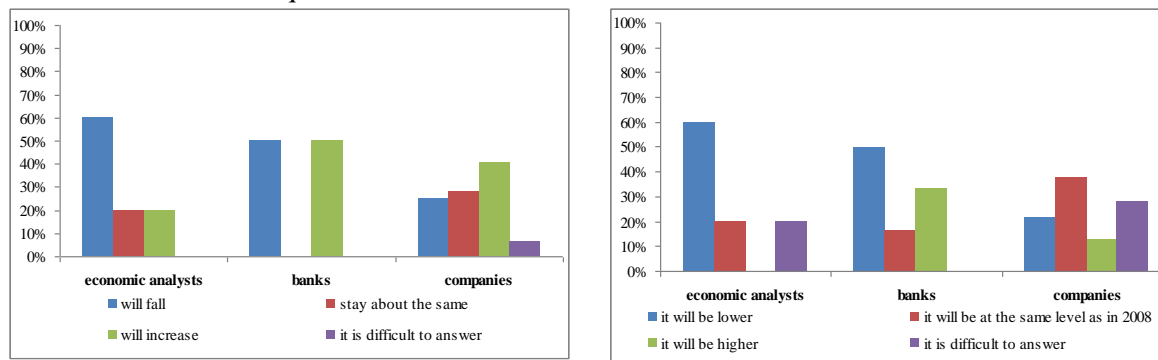
Source: EUROSTAT and SSO.

1.1. Inflation Expectations Survey

The Inflation Expectations Survey conducted in the fourth quarter of 2008 is characteristic with relatively satisfactory response from the respondents (66%), which is higher compared to the previous survey. Thus the highest response was registered with banks, followed by the relatively high response of the economic analysts of about 77%, as well as the enterprises, the response of which equaled 60%.

The expectations of the respondents for the fourth quarter and the entire 2008 are divided, with 38% expecting rise in the price level, a little bit less percentage (35%) considers that the price level will went down, while 23% expect its maintenance on the current level. Most of the respondents supposing the prices to rise, expect annual inflation for the entire 2008 to reach 9.4%, on average, while most of the respondents expecting its decrease, consider that it will reduce to 8.6%.

Figure 4
Distribution of the responses for the inflation expectations by groups of respondents
for the fourth quarter of 2008

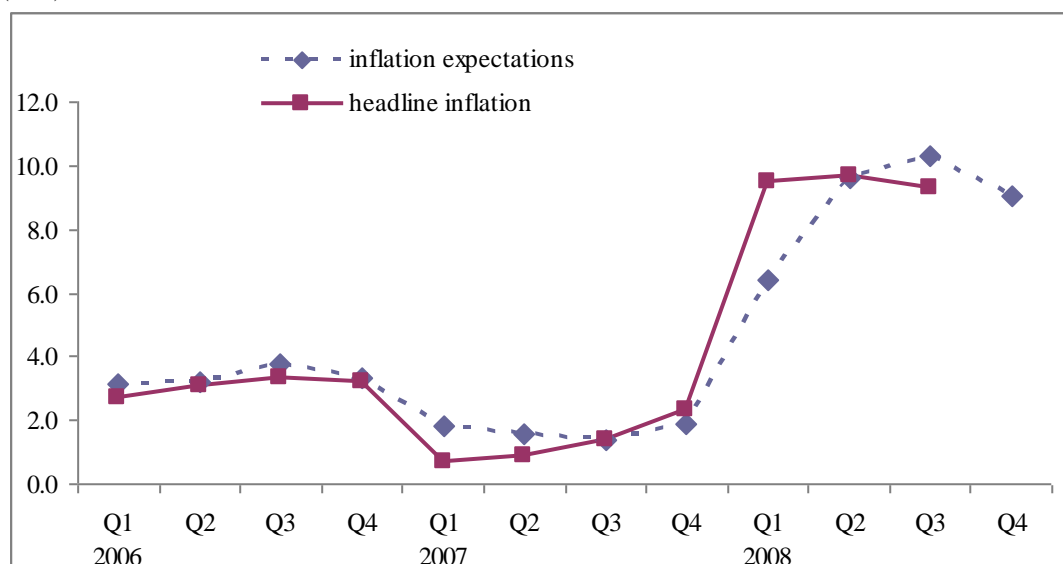


Source: NBRM, Inflation Expectations Survey.

With regard to the expectations for 2009, the largest portion (33%) of the respondents expects lower inflation rate. Similar number of respondents (31%) had stable inflation expectations for the following year, i.e. that it will remain on the level registered in 2008, about 23% finds that the movement of the inflation can hardly be estimated, while the remaining 13% of the respondents expect surge in the inflation rate. The anticipations of the entities for lower inflation in 2009 range between 3.5% and 7%, but most of them expect that it will exceed 5%.

Based on the answers obtained from the survey carried out in the fourth quarter of 2008, the economic agents in the country expect inflation of average 9% until the end of 2008, which is impediment of the expectations compared to the previous quarter.

Figure 5
Expectations for the average inflation rate until the end of the year
(in %)



Source: NBRM, Inflation Expectations Survey and SSO.

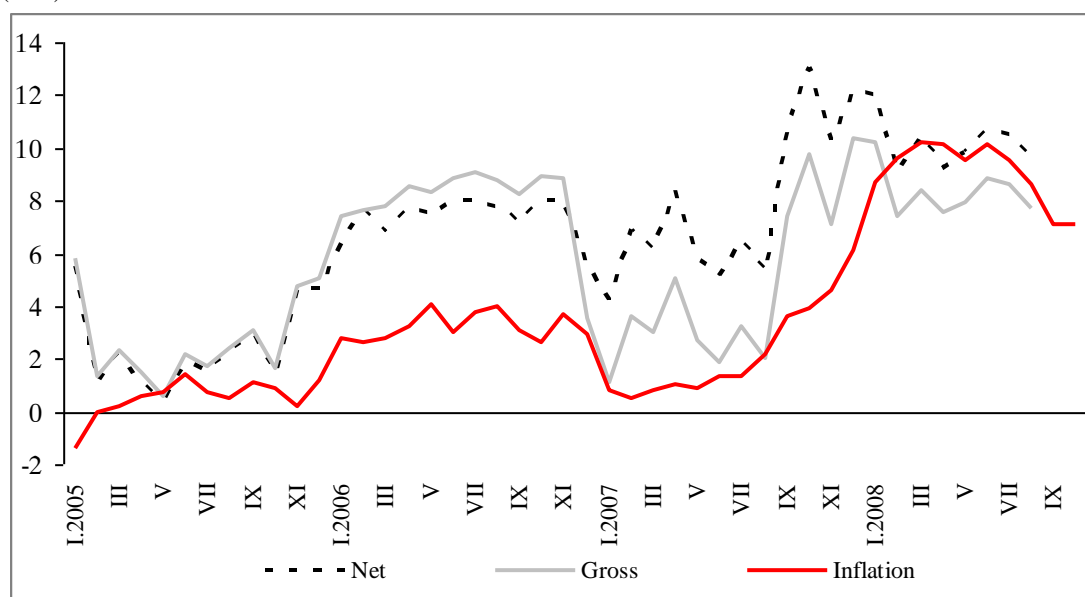
The entities considering that the inflation will further grow state mainly the rise in the prices of electricity and central heating as the main factors for such expectations, and in smaller

portion, the increased public consumption and increase in the wages. The expectations for the decrease in the inflation are mainly based on the anticipations for constant decrease in the prices of oil and food on the international stock exchanges, lower demand due to the global financial and economic crisis, as well as the expected drop in the credit activity in the country.

2. WAGES

In August the **average paid net and gross wage** (including the late payments) registered nominal monthly growth of 0.1%, which in conditions of monthly deflation of 0.2%, represented minimal real growth of 0.3%. On annual basis, despite the high nominal increment in the average net and gross wage (of 9.5% and 7.7%, respectively⁵), the real change in the net wages is minimal (of 0.8%), while in the gross wage⁶ is negative (0.8%). Compared to the end of 2007, in August the net and gross wage nominally went up by 1.8% and 1.3%, respectively, which indicated slower inflation pressures by this cost factors. However, the rise in the wages of the public administration of 10% in September will once more result in high nominal cumulative increase in the wages in 2008, which depending on the future changes in the economy productivity, can have certain influence on the inflation.

Figure 6
Annual growth rates with wages and inflation
(in %)



Source: State Statistical Office of the Republic of Macedonia.

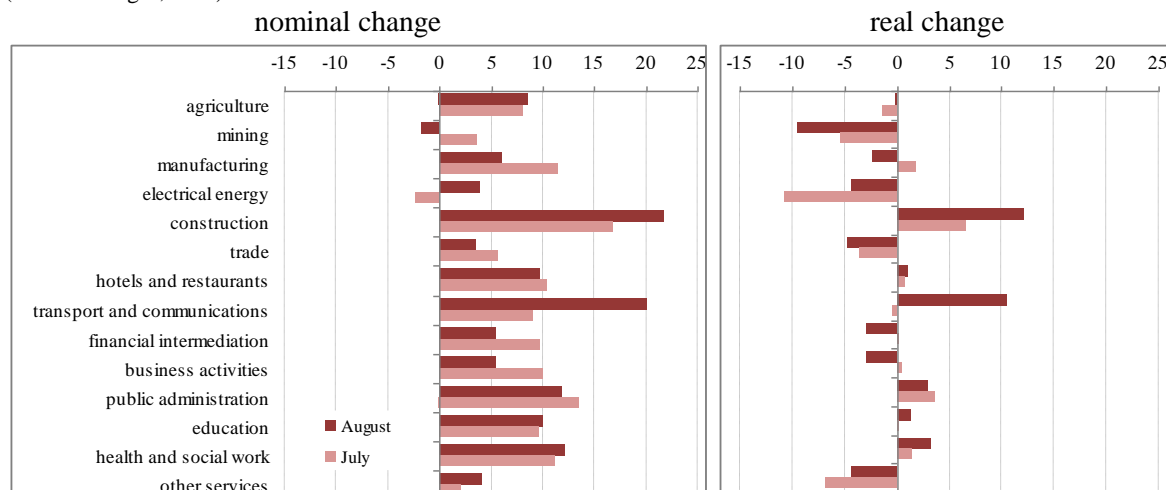
The analysis of the *nominal wages* by activities in August 2008 points to annually lower wage in mining, with annual growth in the wages with different intensity being recorded in the remaining activities. The most significant nominal rise was registered in the wage in construction and in "transport and communication" sector (of 22% and 20%, respectively on annual basis), while the wage in trade registered the smallest growth (of 3.6%). However, the high rate of annual inflation, given lower nominal growth of the wages resulted in *real* reduction of the wages in more than a half of the activities. On the other hand, in line with the high nominal rise in the wage in

⁵ The lower growth rate in the gross wage was due to the fall in the personal income tax rate in January 2008.

⁶ Since February 2008, the annual real change with the gross wage is negative.

construction and in the "transport and communications" sector, the real rise in the wages in these activities is high and it reached 12.2% and 10.5%, respectively.

Figure 7
Average net wage by sectors
(annual changes, in %)



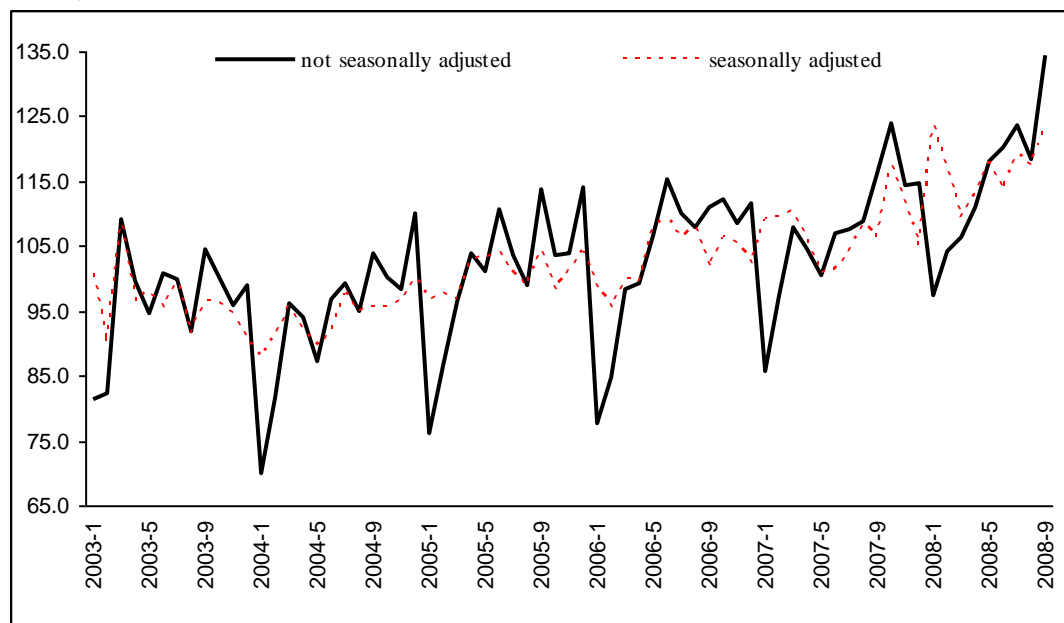
Source: State Statistical Office of the Republic of Macedonia.

3. ECONOMIC ACTIVITY

Compared to the monthly decrease registered in August, **the volume of the industrial output** in September registered high monthly increase of 13.6% (5% according to the deseasonalized data), which is the best monthly performance in the last 20 months. Besides the solid growth rates of the output in the energy sector and mining (of 9.9% and 6.5%, respectively) the main carrier of the total increase is the manufacturing industry (monthly increase in the production of 14.3%). Such movements in the manufacturing industry are mainly conditioned by the production of metal products in manufacturing phase (except machines and appliances), a branch which has been registering an expansion for several consecutive months, and, to lower extent, by the enhanced production of chemicals and products thereof and clothing. On the other hand, the unfavorable market conditions on the global metals market reflects, for third month in a row, with monthly drop in the production of basic metals.

The monthly rise in the production in September conditioned high annual increase, which in September reached 15.7% (compared to 8.6% in the previous month). The carrier of the annual increment (as well as in the previous three months) is the production of the metal products in manufacturing phase (annual surge of 2.7 times). Besides this branch, more significant positive contribution to the annual increase accounts for the production of chemicals and products thereof, publishing and production of food products and beverages. The cumulative rise in industry in the January - September 2008 period equals 10.4%.

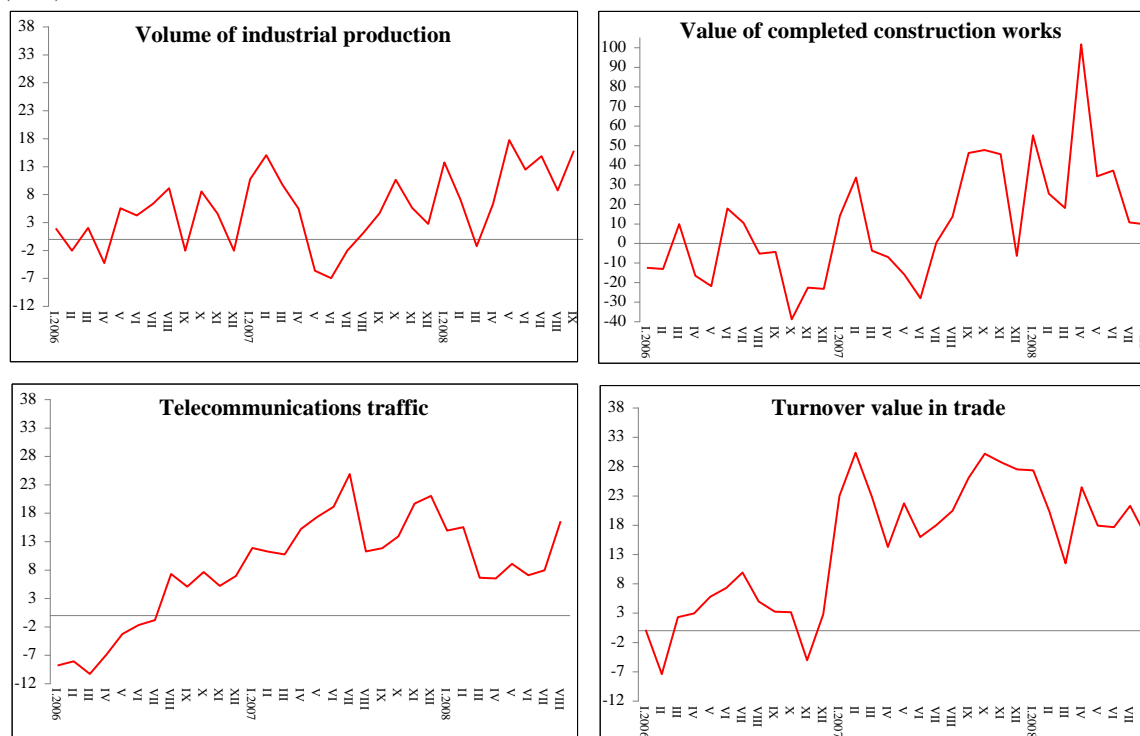
Figure 8
Industrial output index
(monthly levels, 2005=100)



Source: SSO and NBRM calculations.

According to the **latest short-term statistical data**, the domestic trade turnover registered significant annual increase in July (of 13.6%), while in August, in accordance with the seasonal dynamics, it recorded monthly decline (of 6.5%). In comparison with July, the value of the completed construction works went up by 3.1% in August, while the telecommunications went down by 2%. Observed on annual basis, the increase with the three activities - trade and telecommunications in August registered same annual growth rate of 16%, while the completed construction works augmented by 9.5%, annually.

Figure 9
Annual growth rates in individual activities
(in %)



Source: State Statistical Office of the Republic of Macedonia.

Compared to the future construction activity, the number of issued **construction licenses** by the Ministry of Urban Planning in **September** equals 273, which is by 14% less compared to August. The total envisaged value of these projects is Denar 2.2 billion, which is decrease of Denar 3 million compared to August. The largest portion of the facilities accounts for the high-rise buildings (82%) and they refer to natural persons' private constructions (83%).

The high annual rise in the volume of industrial output in the third quarter of 13% and the favorable tendencies in the domestic trade, the telecommunication sector and construction point to meeting the projected growth rates in these sectors. However, for the last quarter of the year, the expectations for more apparent reduction in the activity in individual sectors (basic metals, mining, textile industry), influenced by the global financial and economic crisis point to the possibility for moderate slowing down of the growth.

4. BALANCE OF PAYMENTS

In the first eight months of 2008, the **deficit on the balance of payments' current account** amounts to Euro 564.6 million, while deficit totaling Denar 28.6 million was registered in the same period of 2007. Considerable widening of the current account deficit is mainly due to the further trade deficit worsening, given simultaneous reduction of net inflows based on current transfers. In comparison with the August projection, the current account deficit for the July - August 2008 period is higher than the projected amount by 2.1 times, while the deficit registered in the first eight months exceeds the projection for the first three quarters by 18.4%. The exceeding of the projections is primarily a result of the larger trade deficit than the projected one.

In the July - August 2008 period, the private transfers registered net inflows of Euro 225.5 million, Euro 172.9 million of which refer to the net inflows based on currency exchange operations, having high realization percentage of 82.2% compared to the projection for the third quarter. According to the last available data from the currency exchange market, in October 2008, the registered net inflows from the currency exchange operations totaled Euro 56.1 million (annual increase of 4.9%) i.e. 44.1% of the projected amount for the last quarter of 2008. On cumulative basis, (January - October 2008), the net turnover on the currency exchange market equaled Euro 539.1 million, which is drop of 11.8% compared to the same period of 2007. In the January - August 2008 period, the net inflows from services amount to Euro 14.7 million, which mainly arise from the seasonally higher net inflows based on travelling, as well as the investment and telecommunication operations. On the other hand, net outflows of Euro 13.3 million with the net outflows were registered (which are lower by 74.2% compared to the same period of 2007), which is due to the lower payment of dividends based on foreign direct investments. If the effect of envisaged payment of dividend to foreign investors by a large company is eliminated, the net outflows of the income equal 51% of the projected ones for the third quarter.

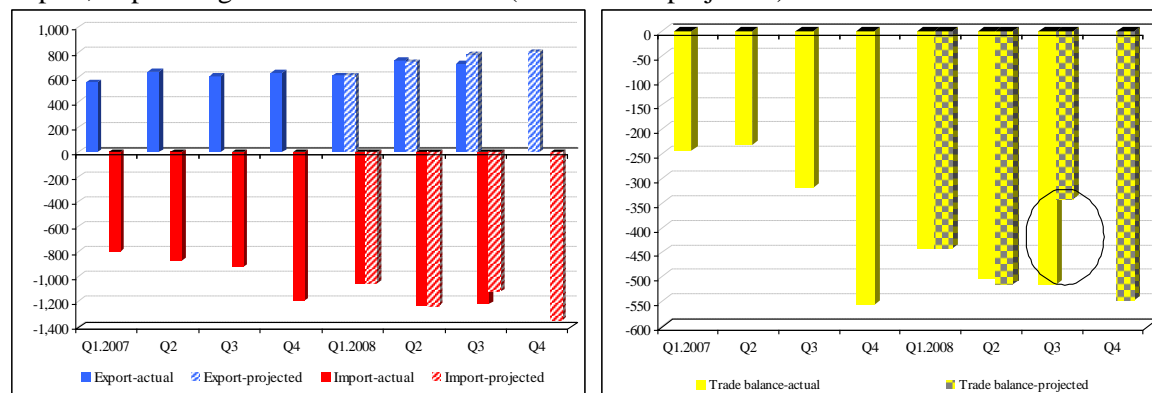
In the July - August 2008 period, the capital and financial account registered net inflows of Euro 160.4 million, the largest portion of which originates from the net inflows based on direct investments, net and trade credits (with a share of 58.7% and 35%, respectively), which represent main factors for exceeding the projection for the third quarter. The exceeding of the projection with the direct investments (of Euro 94.1 million) equals 22.2%, while with the portfolio investments, besides the positive changes in July. Net outflows of Euro 3.1 million were registered, compared to the projections for net inflows of Euro 5 million. According to the latest data of the Macedonian Stock Exchange, the negative trend continued also in October 2008, i.e. the negative share of the foreign investors on the side of the purchases equals 7.29% and it is remarkably smaller than the share on the side of the sales of 68.61%, pointing to net outflows based on the portfolio investments.

Cumulatively, net inflows in the amount of Euro 654.5 million were registered on the capital and financial account, with exceeding of the projected amount for the first nine months of 2008 being registered, as a result of the higher amounts of trade credits and direct investments, given high percent of realization of the change with the currencies and deposits (96.8%).

In September 2008, the trade deficit equals Euro 133.1 million, which is annual rise of 19%, compared to August 2008, when deepening by 2.5 times on annual basis was registered. The slowing down of the trade deficit deepening arises from the export in September (compared to the annual drop in the preceding month) and impeded increase in the import of goods. The increase in the export on annual basis (25%) is conditioned by the enhanced import of iron and steel and products thereof (primarily with one company, due to the low comparison base in September 2007⁷) and oil derivatives, with a joint contribution of 90.6%. The largest contribution on the side of the imports, registering an increase of 22.8%, accounts for the import of iron and steel and products thereof, mineral fuels and ore (share of 21.6%, 15% and 11.3 % respectively).

⁷ Reduced production and export in September 2007, due to internal technical interventions in the company's.

Figure 10
Export, import of goods and trade balance (realized and projected)



Source: NBRM.

In the third quarter of 2008, the registered amount of the trade deficit exceeded the projection by 51%. The percent of realization of the total registered value of the export equaled 90.6%, while the registered import exceeded the projection by 8.9%. The deviations on the side of export are divided, i.e. lower export is registered with all products, with the largest failure regarding the revised August projection were recorded with the export of iron and steel, as well as with the export of food and wearing apparel and textile. On the side of import, the larger deviations towards enhanced performances are mainly reflection of the augmented import of investment and intermediary goods than expected.

The trade deficit registered in the first nine months represents 79.1% of the envisaged amount for 2008 (Euro 1,845 million), simultaneously exceeding the projected amount for January - September period, as a reflection of lower than projected amount with the main products on the side of the export and the higher value of the import of investment and intermediate goods than expected.

Compared to the movements until the end of the year, the trend of sharp decrease in the price of oil on the international stock exchanges, which was not expected within the projection, goes towards registering lower import than anticipated. However, the drop in the external demand and drastic drop in the price of nickel are significant risk factor, which is expected to cause even more sharp decrease in the export and trade balance worsening.

In the January - September 2008 period, the trade deficit deepened by 84.3%, compared to the same period of the previous year, which is due to the faster annual increase in the import than the export of goods (35.2% and 13.8%, respectively). High rise in the import is result of the intensified growth in the prices of energy sources on the international stock exchanges, as well as enhanced domestic demand for goods from abroad, conditioned by the increased domestic production and its import dependence. The largest contribution to the increased import accounts for the import of energy (36.8%), primarily the import of crude oil and electricity. Thus the price and the quantity rise in the import of crude oil equals 52.7% and 9.9%, respectively, while the demand for electricity went up by 88.6%, and the price it is imported at, by 43.7%. The intensified import is also considerable due to the higher import of iron and steel and products thereof, vehicles, machines and equipment (share of 18%, 7.5%, 6.6% and 5.6%, respectively). The augmented domestic economic activity, the intensified domestic production, together with the increased external demand, conditioned higher export of goods, within which the dominant contribution accounts for oil derivatives (of 34.2%), as a result of the surge in the world price of oil and higher

exported quantities. Among other products, the most significant one is the share of the export of ore (18.9%), iron and steel and products thereof (11.4%) and clothing and textile (9.3%). In line with such movements with the export and import, the export - import coverage ratio equals 58.5%, which is annual drop of 11 percentage points.

Table 1
Metal prices

	2006	2007	Jul-Sep 2007	Oct-Dec 2007	Jan-Mar 2008	Apr-Jun 2008	Jul-Sep 2008	August 2008	September 2008	October 2008
<i>US dollars per ounce</i>										
Gold	604.3	696.7	681.1	788.0	926.8	896.0	869.6	839.0	829.9	806.6
<i>US cents per ounce</i>										
Silver	1156.9	1,341.3	1,273.2	1423.5	1764.7	1720.0	1494.5	1457.8	1219.3	1042.7
<i>US dollars per metric tons</i>										
Steel cr coilsheet	693.8	650.0	650.0	650.0	762.5	900.0	1100.0	1100.0	1100.0	1100.0
Steel hr coilsheet	600.0	550.0	550.0	550.0	700.0	833.3	1000.0	1000.0	1000.0	1000.0
<i>US dollars per metric tons</i>										
Nickel	24,254.4	37,229.8	30,205.2	29,219.2	28,956.8	25,682.4	18,960.8	18,927.8	17,794.5	12,139.8

Source: World Bank.

In October 2008, the metal prices continued to fall mainly in conformity with the strengthening of the US Dollar on the international stock exchanges and the concern about the global demand reduction. On the side of precious metals, the price of silver and gold declined by 14.5% and 2.8%, respectively, on a monthly basis. Among basic metals, the price of nickel registered monthly fall (of 31.8%), primarily as a result of the poor demand.

5. MONETARY AGGREGATES

At the end of **October 2008**, the **reserve money**⁸ rose by 19.2% on annual basis (19.4% in the previous month), which was mainly due to the growth in the total liquid assets of banks (of 38.5%), given minor rise in the currency in circulation (of 0.2%, annually). In October 2008, the monthly reserve money growth rate equals 4.2%, with the total banks' liquid assets and currency in circulation registering monthly increment of 11.2% and 0.3%, respectively.

Analyzed from the aspect of flows of liquidity creation and withdrawal, after the several month situation of excess foreign currency on the foreign exchange market, in October, the NBRM started to register net sale of foreign assets again, acting towards liquidity withdrawal from the banking sector. The liquidity withdrawal was performed through monetary instruments (including the effect of third allocation of compulsory deposit with the NBRM) and lower level of net position of the Government with the NBRM.

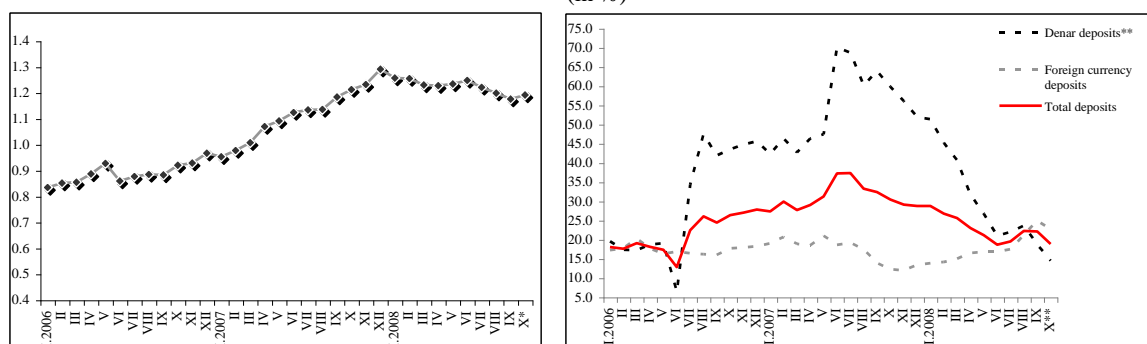
In accordance with such movements, the net position of the Government with the NBRM, on cumulative basis, acted towards withdrawal of reserve money. The monetary base withdrawn in such a manner, was completely compensated with net issue of liquidity through the net foreign currency assets of the NBRM and the monetary instruments, which contributed to rise in the reserve money compared to the end of the preceding year. Impediment of the annual growth rate of the reserve money up to 10.2% in December 2008 was projected until the end of the year, based on the expectations for considerable intensification of the budget consumption (the projection assumes meeting the projected budget deficit of 1.5% of GDP), given simultaneous reduction of the so-far accumulation of foreign reserves.

⁸ Includes the reserve requirement of foreign currency deposits. Without this component, the annual growth in the reserve money in October 2008 equals 14.7%.

In October 2008, the total banks' deposit potential (without the demand deposits), for the first time from the beginning of the year⁹ registered negative monthly change, i.e. it plunged by Denar 1,306 million, or by 0.9%. The decrease in the banks' deposit potential in this period partially points to psychological pressures conditioned by the developments on the global financial market, as well as to the movements in the economy's external sector. Thus despite the payment of the regular installment of the bond for old foreign exchange saving, the total deposits of the households went down by 0.7% on a monthly basis. The monthly drop in the enterprises' deposits (of 2.3%), dominantly influenced by the foreign currency deposits points to further worsening of the foreign trade balance and increased necessity for foreign currency liquidity of the enterprises sector, for the purpose of settling the import liabilities.

Figure 11

Denar* - foreign currency deposits correlation Annual growth rates of total deposits (in %)



*Includes also the demand deposits.

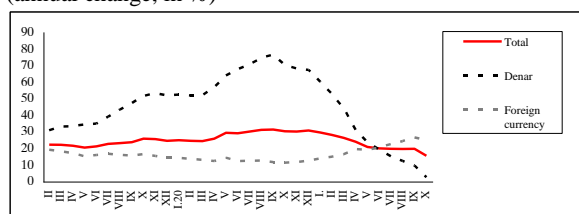
** Without demand deposits.

Source: National Bank of the Republic of Macedonia.

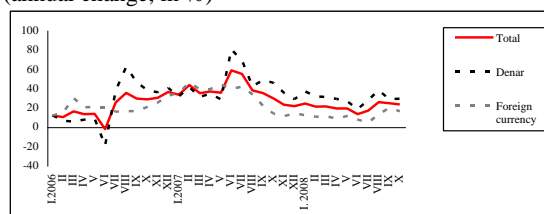
On annual basis (October 2008 / October 2007), the households and enterprises' deposits went up by 15.5% and 23.5%, respectively (19.7% and 24.7%, respectively in the previous month). Regarding the total deposit potential, the trend of slowing down of the annual growth dynamics intensified. Thus the annual growth rate of the total deposits of the private sector with banks (without demand deposits) in October 2008 equals 18.9% (compared to 22.2% in the preceding month), given registered annual rise in the Denar and foreign currency deposits of 14.5% and 22.7%, respectively (18.8% and 25%, respectively in September 2008). With the inclusion of the demand deposits, in October 2008 the annual growth rate in the total deposits equals 21.5%, compared to 34.6% in the previous month.

Figure 12

Households' deposits
(annual change, in %)



Enterprises' deposits
(annual change, in %)

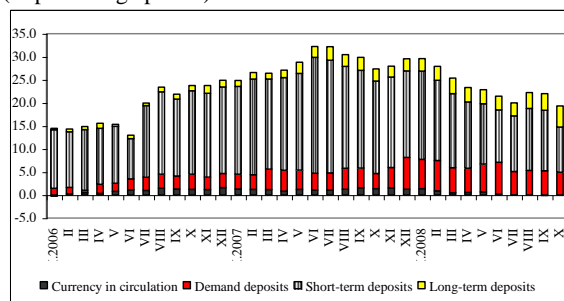


Source: National Bank of the Republic of Macedonia.

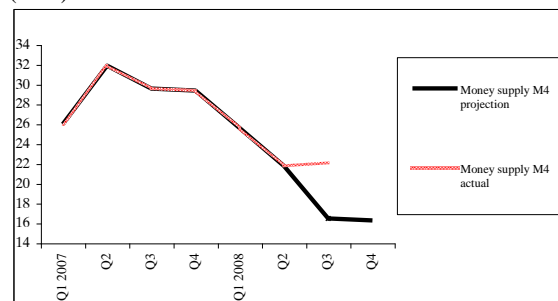
⁹ This conclusion refers to the registered monthly changes in the total deposit potential based on final data.

The performances with the total deposits had adequate reflection on the **broadest money supply M4**, which in September 2008 surged by 19.3% on annual basis (21.9% in the preceding month). Additional slowing down of the monetary growth is projected until the end of the year, with the annual rate in December 2008 would equal 16.3%. However, if during the fourth quarter the presumption for repatriation of the divided of one company to foreign investors fails to realize (in the amount of about Euro 70 million), under presumption for fast savings revitalization after exhaustion of the psychological speculative pressures, higher annual growth rate than the projected is possible.

Figure 13
Money supply M4
Contribution to the annual growth
(in percentage points)



Annual growth rates
(in %)



Source: National Bank of the Republic of Macedonia.

6. BANK CREDITS

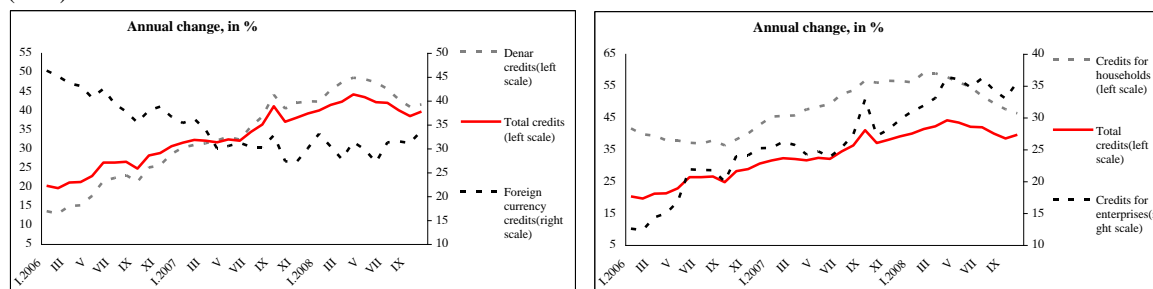
In October 2008, **the banks credit activity** characterizes with slower dynamics of the monthly growth compared to the previous month. Thus the after the enhanced credit activity in September (when the monthly increase equaled 2.6%), the total banks' credits with the private sector in October surged by Denar 3,085 million, monthly, or by 1.9%. Such movements in the credit growth velocity correspond to the banks' perceptions for the limiting effect of the costs of financing, balance sheet positions and the anticipated future activity of the credit market activity¹⁰. Significant decrease in the money supply in October, the establishment of the net foreign assets at the historically lowest level, as well as the deterioration of the conditions and approach to the external financing in conditions of global financial crisis and uncertainty about the flows of money supply in the forthcoming period, are movements which confirm the perceptions of the banks and point to the possibility for further slowing down of the credit growth.

In conditions of moderate increase in the foreign currency credits (of 0.7%), the registered increase in the credit placements is mainly conditioned by the credit component (the monthly rise of which in October equals 2.3%). With regard to the sector distribution, the banks continued allocating the largest portion of the credit placements with the corporate sector (share of 52.9%). However, the monthly growth rate of the corporate credits equaled 1.7% (compared to 2.9% in September), while the households crediting went up by 2.3%.

¹⁰ Credit Activity Survey, October 2008.

Figure 14

Annual growth rates of the credits to private sector according to the currency and sector
(in %)

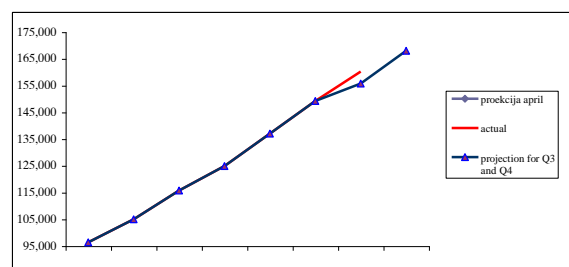


Source: National Bank of the Republic of Macedonia.

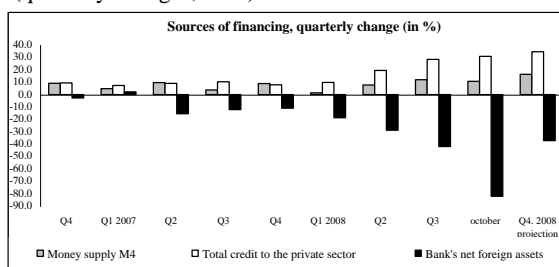
Annually, the total bank placements grew with intensified dynamics compared to the preceding month (39.6% in October, compared to 38.4% in September¹¹). From the aspect of the currency structure, in October the growth dynamics of the Denar placements increased compared to the previous month (41.5% compared to 40.8%), while the growth rate intensification was also registered with the foreign currency crediting (33.7%, compared to 31.1% in September). The growth rates of the households crediting continue to hinder, which is characteristic for the last several months, and in October its increase equals 46.3% (compared to 47.6% in September). Simultaneously, the banks' credit placements to enterprises augmented intensively, registering an annual increase of 35.5% (compared to 33% in September). In accordance with the projections, until the end of 2008, the growth rate of the credits extended to the private sector is expected to impede and to reduce to the level of 33.6%.

Figure 15

Credits to the private sector



Sources of financing
(quarterly changes, in %)*



* The realization for October, as well as the projections for the fourth quarter of 2008 are cumulative changes relative to the end of 2007.

Source: National Bank of the Republic of Macedonia.

In October 2008, the **banks' net foreign assets** registered significant monthly decline of Denar 6,211 million, i.e. 69.4% in conditions of decrease in the foreign assets for significant Denar 5,002, or 15.4%, given the simultaneous increment in the foreign liabilities of Denar 1,209 million (i.e. 5.1%). Compared to the end of 2007, the net foreign assets of the banks is lower by Denar 12,703 million, or 82.2% (in comparison with the previous month, when the cumulative drop equaled 42%).

¹¹ The intensification is due to the comparison base. Namely, since October 2007, the banks' aggregate balance excludes "Makedonska banka".

7. INTEREST RATES AND FOREIGN EXCHANGE RATE

On November 11, 2008, the reserve money equaled Denar 34,032 million, which is an increase of 11.4% compared to the end of October, as a result of the rise in the total liquid funds of the banks of 24.8, given the minimal increase in the currency in circulation of 0.2%. Within the analyzed period, the Denar government deposits and the CB bills acted towards liquidity creation, which was withdrawn through the movements of the remaining autonomous factors.

Table 2

Flows of liquidity creation and withdrawal

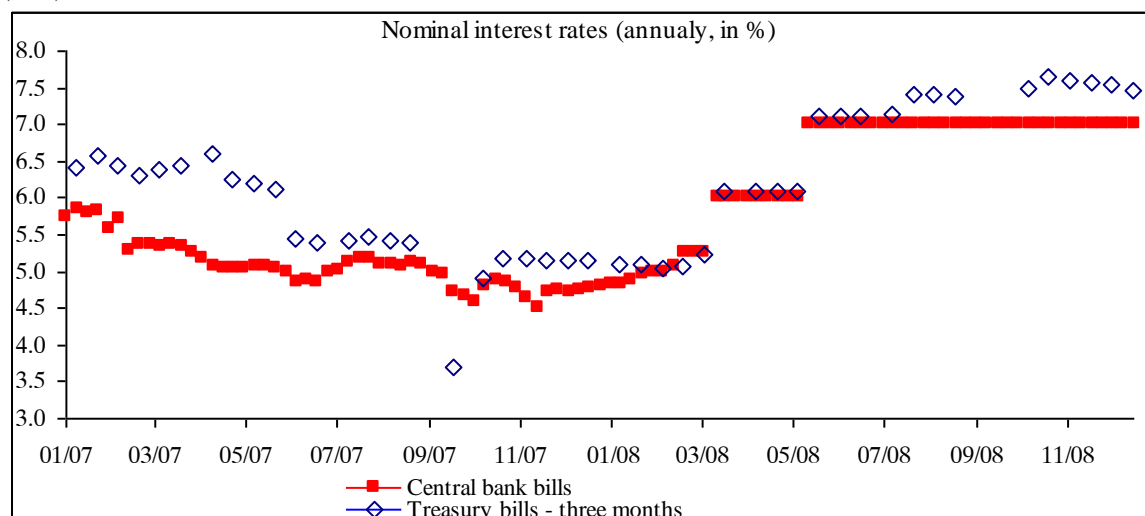
in millions of denars	31.12.2007	31.10.2008	19.11.2008	cumulatively I - X. 2008	19.11.2008 / 31.10.2008
	balance			flow	
Bank's liquidity (bank's account with NBRM)	10,415	11,587	14,930	1,172	3,343
Autonomous factors (total)	84,009	78,792	79,335	-3,355	263
Currency in circulation	17,969	16,668	16,703	1,301	-35
Foreign exchange transactions of the NBRM	73,958	79,023	76,190	5,065	-2,833
Government denars deposits with NBRM	-9,842	-19,193	-15,957	-9,351	3,236
Bank's cash in valuts	1,924	2,294	2,399	-370	-105
Monetary instruments:	-25,555	-20,150	-16,898	5,405	3,252
CB bills auctions	-20,995	-18,377	-14,879	2,618	3,498
Treasury bills for monetary policy purposes	-4,560	0	0	4,560	0
Compulsory deposit with the NBRM	0	-1,773	-2,019	-1,773	-246
Other items	-8,253	-9,131	-9,303	-878	-172

Source: National Bank of the Republic of Macedonia.

In the November 01 - 20, 2008 period, three auctions of **three-month CB bills** were held (on November 05, 2008, November 12, 2008 and November 20, 2008), where in conditions of volume tender and fixed interest rate of 7%, liquidity of Denar 3.498 million on the first two auctions was created. As of November 07, 2008, the gross foreign reserves amounted to Euro 1,651.6 million, which is rise of Euro 120.2 million, compared to the end of 2007.

On November 04, 2008 and November 18, 2008, **auctions of three month Treasury bills** were held, at which interest rates of 7.61% and 7.57%, respectively were registered (compared to 7.65% on the last auction). On November 04, 2008, auction of six-month Treasury bills was held, at which in conditions of larger supply than demand, interest rate of 7.69% was realized (compared to 7.86% on the last auction). The average interbank interest rate in the bilateral trading of the banks in the November 01 - 19, 2008 period equaled 4.77%, on average (4.77% in October 2008).

Figure 16
Interest rates
(in %)



Source: National Bank of the Republic of Macedonia.

In the area of the **banks' interest policy**, in September the average weighted interest rate on the Denar credits for all maturities and sectors preserved the level of the previous month and it equaled 9.6%, while the average weighted interest rate on the Denar deposits for all maturities and sectors registered growth and equaled 6.1% (opposite to 6% in the preceding month). Within the "enterprises" sector, monthly decline in the interest rate of the short-term credits without FX clause of 0.1 percentage point was registered, and it equaled 8.7%, while the remaining lending Denar interest rates register no changes. Also, the interest rate on the short-term time deposits with currency clause augmented by 0.7 percentage points, thus equaling 5.1%, as well as the interest rate on sight deposits without currency clause by 0.1 percentage point. In the sector "households", growth in the interest rate on the short-term credits without FX clause of 0.1 percentage point, respectively was registered. Also, the interest rate on the short-term credits with currency clause rose by 2.2 percentage points, and it equaled 9.1%. Regarding the deposit interest rates, increase in the interest rates on both short-term and long-term time deposits without FX clause of 0.1 percentage point, respectively was recorded. With regard to the foreign exchange interest rates, monthly increment in the interest rates in foreign currency credits and foreign currency deposits of 01 percentage point was evidenced, and they equaled 8.1% and 2.5%, respectively.

In September 2008, the interest rates on the newly extended credits and newly accepted deposits follows the trend of the movements of the interest rates on the total credits and deposits. Thus the interest rate on the newly extended Denar loans maintained on the same level as in the previous month and it equals 9.1%, while the interest rate on the newly extended Denar deposits augmented and it equals 4.5% (compared to 4.1% in the preceding month). The interest rate on the foreign currency newly extended credits in September incremented by 0.7 percentage points, and it equals 7.8%, while the interest rate of the newly received foreign currency deposits equals 1.9%, compared to 1.3% in the previous month.

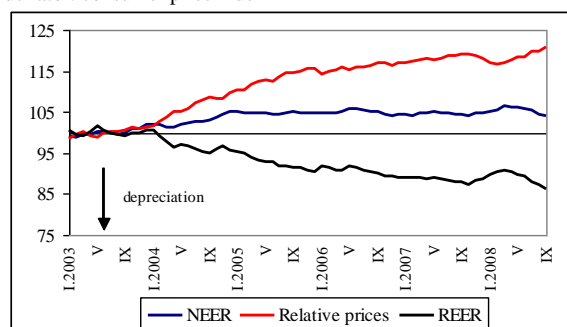
In September 2008, the index of the **real effective foreign exchange rate of the Denar** deflated, with the consumer price index continuing to register depreciation on both monthly and annual basis. Thus the depreciation of 1% compared to the previous month is almost completely a

result of the increase in the relative prices (of 0.9%), in conditions of decrease in the domestic and increase in the foreign prices, while on annual basis, it registers intensified depreciation of 1.8% (compared to 0.9% in August 2008), mainly due to the intensified monthly rise in the relative price index. On the other hand, appreciation on a cumulative basis is registered, although with slower intensity (of 0.6%), with the appreciation of NEER (of 0.8%) being partially neutralized with the increase in the relative price index. The index of the REER of the Denar deflated with the price index of the producers of industrial products in September 2008 appreciated by 2.9%, compared to the depreciation in the two previous months, which is mainly due to the more dynamic drop in the prices of foreign compared to the domestic producers. Simultaneously, appreciation of 2% annually was registered, which in conditions of depreciation of NEER (of 0.2%) is due to the decrease in the relative price index, while cumulatively, an appreciation was registered (of 1.5%), which is due to the NEER appreciation, given simultaneous faster rise in the domestic than foreign prices.

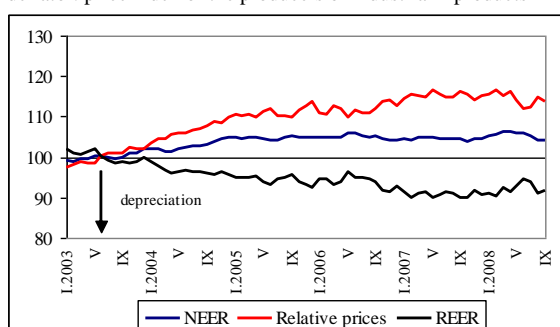
Figure 17

Index of NEER, relative prices and REER of the Denar

deflator: consumer price index



deflator: price index of the producers of industrial products



*The depreciation sign pertains to both NEER and REER. With regard to relative prices, the upward trend is in favor of the REER depreciation (and vice versa).

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

ANNEX

Table 1
Consumer Price

Consumer prices	change in %			contribution to change in percentage points		
	<u>X.2008</u> IX.2008	<u>X.2008</u> X.2007	<u>I-X.2008</u> I-X.2007	<u>X.2008</u> IX.2008	<u>X.2008</u> X.2007	<u>I-X.2008</u> I-X.2007
Total	0.7	7.1	9.0	0.7	7.1	9.0
Food	1.9	12.2	17.2	0.75	4.68	6.56
Grain products	0.9	23.9	27.3	0.06	1.77	2.03
Fresh and processed vegetables	17.5	9.9	16.9	0.98	0.56	0.95
Fresh and processed fruits	-3.7	1.3	20.8	-0.11	0.04	0.63
Meat and poultry	0.6	8.6	7.9	0.04	0.66	0.60
Fresh and cooked fish	0.6	8.8	6.3	0.01	0.08	0.06
Dairy products	0.5	19.9	20.5	0.03	1.15	1.19
Eggs	1.6	14.7	15.9	0.02	0.18	0.20
Oils and fats	-5.3	3.4	37.7	-0.11	0.07	0.79
Tobacco and beverages	0.2	4.3	4.0	0.01	0.23	0.21
Clothing and footwear	1.1	1.5	2.3	0.09	0.12	0.18
Housing	0.0	7.7	4.8	0.01	1.16	0.72
Flat (rent, water and other services)	0.1	5.7	6.2	0.00	0.21	0.22
Fuel and lighting	-0.1	10.0	5.3	0.00	0.89	0.47
Heating and services	-0.1	29.4	14.5	0.00	0.90	0.44
Electric power	0.0	0.0	0.5	0.00	0.00	0.03
Hygiene and health	0.1	2.3	1.4	0.01	0.19	0.11
Culture and entertainment	0.2	0.7	0.1	0.01	0.04	0.00
Transport and communication services	-1.6	0.7	4.7	-0.22	0.11	0.67
Fuels and lubricants	-5.9	8.6	20.0	-0.22	0.33	0.76
Public transport services & PTT	-0.8	-4.0	-4.6	-0.05	-0.24	-0.28
Restaurants and hotels	0.1	10.7	12.1	0.01	0.54	0.62
Other services n.e.c.	-0.4	-6.9	4.0	0.00	-0.02	0.01

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	Q3	Aug-08	Sep-08	Oct-08
Inflation (CPI)	3.2	2.3	0.7	1.1	2.4	4.9	9.5	9.9	8.4	8.6	7.1	7.1
Core inflation (excluding food and energy)	1.1	0.7	0.2	0.8	1.1	1.2	2.8	2.8	2.5	2.7	1.9	2.3
Regulated prices	5.7	3.3	4.2	3.0	2.0	4.1	7.4	9.2	12.5	13.2	12.8	9.6
Industrial producer prices	4.5	1.6	1.0	1.2	1.6	4.1	10.5	13.6	15.1	13.8	14.5	9.2
Productivity	-0.7	1.5	2.8	-0.2	0.6	2.7	1.3	3.4	-	-	-	-
Nominal net-wage	7.3	7.9	5.7	6.4	7.5	11.8	10.5	9.9	-	9.5	-	-
Real net-wage	4.0	5.5	5.0	5.3	5.0	6.6	0.9	0.0	-	0.8	-	-

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	Q1	Q2	Jul-08	Aug-08	Sep-08	Oct-08
Gross domestic product	4.0	5.9	6.7	3.9	4.4	5.1	5.4	6.5	-	-	-	-
Industrial output	2.5	3.7	11.6	-2.8	1.1	6.2	5.8	12.0	14.7	8.6	15.9	-9.9
Construction	-12.3	7.6	9.4	-18.6	18.0	23.3	29.1	57.3	10.3	9.4	-	-
Retail and wholesale trade	2.5	24.2	25.1	17.2	21.2	28.6	19.1	18.4	21.2	15.9	-	-
Telecommunications	-1.0	15.6	11.1	17.1	15.9	18.1	12.1	7.4	7.8	16.0	-	-

Source: State Statistical Office of the Republic of Macedonia.

Table 4
Selected industrial branches

Selected industrial activities (annual rates, %)	2006	2007	2007				2008			Sep.08	
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	% change	impact (p.p.)
Mining and quarrying	28.0	9.8	13.9	16.2	15.4	-3.3	11.9	13.6	3.4	5.5	0.2
Manufacture of food products and beverages	0.1	7.7	12.0	0.6	9.5	9.6	5.3	6.0	6.1	9.9	1.5
Manufacture of tobacco products	5.5	-0.8	19.0	-14.4	-16.8	41.1	13.8	15.4	1.0	-13.7	-0.7
Manufacture of wearing apparel	-3.7	-14.5	-4.6	-19.8	-17.9	-14.2	-16.5	-22.7	-23.4	-26.0	-2.5
Printing	-17.9	-12.2	13.3	-11.5	-18.2	-22.9	7.8	72.2	68.4	77.5	2.0
Manufacture of refined petroleum products	12.3	-2.4	20.6	-11.1	1.3	-16.8	3.3	50.9	1.1	-20.0	-0.8
Manufacture of other non-metallic mineral products	14.0	3.8	51.5	4.2	-2.6	-15.9	-10.9	-3.2	-9.9	-15.1	-1.2
Manufacture of basic metals	11.8	34.3	57.4	35.2	25.3	26.7	9.5	15.7	-3.3	-9.9	-1.4
Manufacture of fabricated metal products	5.7	45.6	6.0	5.4	51.7	112.0	29.7	11.8	3 times	2.7 times	15.0
Manufacture of electrical machinery and equipment	3.7	-24.4	-45.1	-37.4	-12.3	1.0	45.6	64.9	32.4	56.9	1.1
Manufacture of other transport equipment	-6.9	33.4	128.7	-48.6	74.6	50.5	9.8	143.1	-47.9	-76.2	-1.7
Recycling	12.8	-35.6	20.7	-57.5	-88.5	-4.2	105.6	262.2	12.5 times	4.1 times*	0.6
Electricity, gas, steam and hot water supply	-0.6	-9.5	-9.1	-20.8	-8.7	-1.1	-0.8	1.9	1.9	11.3	0.9

* high increase reflects prohibited purchase of scrap iron last year.

Source: State Statistical Office of the Republic of Macedonia.

Table 5
Balance of payments ^{1,3}
(in millions of euros)

	2007				2007	2008										2008
	Q1	Q2	Q3	Q4		I	II	III	IV	V	VI	VII	VIII	Q1	Q2	
I. Current Account	-21.6	-11.4	-54.4	-327.4	-414.8	-40.9	-81.7	-82.8	-72.9	-64.6	-112.0	-55.3	-54.5	-205.4	-249.4	-564.6
GOODS, net	-211.5	-208.2	-298.9	-456.3	-1,174.8	-115.1	-131.3	-124.8	-140.1	-141.0	-180.2	-174.7	-170.8	-371.2	-461.2	-1,177.9
Exports, f.o.b.	558.7	641.7	605.1	635.9	2,441.5	181.7	214.9	214.9	228.0	259.3	248.5	265.0	199.2	611.6	735.8	1,811.6
Imports, f.o.b. /2	-770.2	-849.9	-904.0	-1,092.2	-3,616.3	-296.8	-346.3	-339.7	-368.1	-400.2	-428.7	-439.7	-370.0	-982.8	-1,197.0	-2,989.5
SERVICES, net	-1.2	1.1	23.3	2.4	25.5	8.7	-5.5	-4.0	-2.5	-0.9	-5.2	4.3	10.3	-0.8	-8.6	5.3
INCOME, net /5	-33.0	-71.7	-100.6	-72.4	-277.7	5.1	-3.8	-10.5	-5.7	-13.2	-20.4	-5.2	-8.1	-9.3	-39.4	-61.9
o/w: interest, net	-2.0	-5.1	-2.5	-8.3	-17.9	0.3	-2.0	-5.1	-4.0	-8.3	-7.3	-4.8	-2.8	-6.8	-19.6	-33.9
CURRENT TRANSFERS, net	224.1	267.4	321.8	198.9	1,012.1	60.4	58.9	56.5	75.4	90.5	93.8	120.2	114.0	175.8	259.7	669.8
Official	8.6	17.1	10.7	-12.4	23.9	0.5	4.4	2.7	4.6	6.6	11.0	5.2	3.5	7.7	22.2	38.7
Private	215.5	250.3	311.1	211.3	988.2	59.9	54.5	53.8	70.8	83.9	82.8	115.0	110.5	168.1	237.5	631.1
II. Capital and Financial Account	20.6	18.7	71.0	337.3	447.6	46.0	83.2	88.9	76.4	67.1	117.0	59.6	46.8	218.1	260.6	585.1
CAPITAL ACCOUNT, net	-0.7	2.0	4.3	-1.9	3.7	-0.3	-0.3	-0.4	0.9	0.3	-3.8	0.2	0.1	-1.0	-2.7	-3.5
Capital transfers, net	-0.7	2.1	1.2	-1.3	1.2	-0.3	-0.3	-0.4	0.9	0.3	-0.1	0.2	0.1	-1.0	1.0	0.2
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	0.0	0.0	0.0
Other	-0.7	2.1	1.2	-1.3	1.2	-0.3	-0.3	-0.4	0.9	0.3	-0.1	0.2	0.1	-1.0	1.0	0.2
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	-3.7	0.0	0.0	0.0	-3.7	-3.7
FINANCIAL ACCOUNT, net	21.3	16.7	66.7	339.3	444.0	46.3	83.5	89.3	75.6	66.9	120.9	59.5	46.7	219.1	263.3	588.6
Direct investment, net	88.0	151.5	100.4	166.9	506.9	49.9	76.6	36.2	34.8	70.9	54.5	33.6	60.5	162.7	160.2	417.0
Portfolio investment, net	20.5	45.6	28.0	20.2	114.4	-0.9	-3.4	-3.9	-4.4	-4.2	-2.6	3.1	-6.2	-8.3	-11.2	-22.5
Other investment, net	-92.4	-169.2	39.6	146.5	-75.5	-9.2	22.2	43.6	26.0	13.1	98.7	36.7	32.4	56.6	137.8	263.6
Trade credits, net	-38.0	-75.9	-1.0	86.0	-29.0	-8.6	1.1	-6.6	25.8	-1.1	39.5	21.0	35.2	-14.1	64.2	106.3
Loans, net	-42.1	-135.7	13.9	35.3	-128.7	-3.7	-0.7	1.9	2.8	-12.6	36.8	5.3	0.1	-2.5	26.9	29.7
Currency and deposits, net	-16.8	20.2	12.8	-10.3	5.9	-4.0	19.7	45.1	-8.3	0.0	16.0	7.0	-4.9	60.8	7.7	70.7
o/w: Monetary Authorities, net	0.0	0.0	0.0	-0.1	-0.2	7.4	0.1	3.2	-0.2	6.1	0.0	0.0	0.0	10.7	5.9	16.6
o/w: Commercial Banks, net	-3.8	41.2	26.9	4.2	68.4	-9.4	19.4	37.2	-8.3	-1.8	19.4	2.7	-12.9	47.2	9.2	46.3
o/w: Individuals, net	-12.9	-20.9	-14.0	-14.5	-62.3	-1.9	0.1	4.7	0.2	-4.2	-3.4	4.3	8.0	2.9	-7.4	7.8
Other, net	4.5	22.2	13.9	35.6	76.2	7.1	2.1	3.2	5.8	26.8	6.4	3.4	2.0	12.4	39.0	56.8
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	-29.7	-14.0	-39.9	8.0	-23.5	-69.4
III. Errors and Omissions	1.0	-7.3	-16.6	-10.0	-32.8	-5.1	-1.5	-6.1	-3.5	-2.5	-5.1	-4.3	7.7	-12.7	-11.1	-20.5

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, 2007 and 2008 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.

Table 6
Foreign trade

	IX.2008	I-IX.2008	IX.2008		IX.2008		I-IX.2008	
			VIII.2008		IX.2007		I-IX.2007	
	amount		amount	%	amount	%	amount	%
Total trade	619.2	5,575.4	32.8	5.6	118.3	23.6	1,165.4	26.4
Export	243.0	2,058.1	43.4	21.7	48.5	25.0	249.1	13.8
Import	376.1	3,517.3	-10.6	-2.7	69.7	22.8	916.3	35.2
Balance	-133.1	-1,459.2	54.0	-28.9	-21.2	19.0	-667.3	84.3

Source: State Statistical Office of the Republic of Macedonia.

Table 7
Monetary developments in September 2008

	31.12.2006	31.12.2007	31.03.2008	30.06.2008	31.07.2008	31.08.2008	30.09.2008	31.10.2008	monthly changes (31.08.2008/ 31.07.2008)		annual changes (31.08.2008/ 31.08.2007)
	actual	actual	actual	actual	actual	actual	actual	actual	in Denar million	in %	in %
<i>in Denar million</i>											
Broad money M4	135,641	175,553	178,277	189,663	192,116	196,689	197,053	194,634	-2,419	-1.2	19.5
Currency in circulation	16,206	17,927	15,746	16,180	16,763	16,376	16,552	16,608	56	0.3	0.2
Denar deposits ¹	58,997	89,077	90,102	96,889	96,886	98,788	98,037	97,228	-809	-0.8	20.9
Foreign currency deposits	60,438	68,549	72,429	76,594	78,467	81,525	82,464	80,798	-1,666	-2.0	22.7
Total deposits	119,435	157,626	162,531	173,483	175,353	180,313	180,501	178,026	-2,475	-1.4	21.7
Reserve money ²	31,264	37,586	34,223	38,854	40,115	37,214	38,844	40,470	1,626	4.2	19.2

¹Including demand deposits, deposits of municipalities and public entities.

²Including reserve requirement in foreign currency.

	31.12.2006	31.12.2007	31.03.2008	30.06.2008	31.07.2008	31.08.2008	30.09.2008	31.10.2008	monthly changes (31.08.2008/ 31.07.2008)		annual changes (31.08.2008/ 31.08.2007)
	actual	actual	actual	actual	actual	actual	actual	actual	in Denar million	in %	in %
<i>in Denar million</i>											
Credit to the private sector	89,782	124,875	137,050	149,206	153,918	156,121	160,222	163,307	3,085	1.9	39.6
In Denar	66,413	94,496	105,345	114,910	118,047	119,487	122,402	125,236	2,834	2.3	41.5
In Foreign currency	23,369	30,379	31,705	34,296	35,871	36,634	37,820	38,071	251	0.7	33.7
Banks' net foreign assets	22,926	15,459	12,550	10,991	10,649	11,946	8,956	2,745	-6,211	-69.4	-84.7

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	Q3	October		Q1	Q2	Q3	Q4	Q1	Q2	Q3	October
M0	-6.1	8.5	2.2	15.5	-8.9	13.5	-0.02	4.20	21.4	18.9	18.2	18.9	20.2	16.6	22.0	19.4	19.2
M1	-1.4	6.0	8.3	16.3	-6.9	11.1	0.50	-2.10	17.1	22.5	18.0	22.6	31.7	24.4	30.4	21	20.8
M4	4.7	9.7	3.7	8.8	1.3	6.3	4.0	-1.2	24.9	26.4	32.2	29.9	29.5	25.3	21.4	21.9	19.3
M4-denar	5.1	14.1	5.9	12.2	-1.5	6.6	1.6	-0.6	30.8	33.1	44.3	43.8	42.6	33.6	24.8	19.7	17.1

Source: National Bank of the Republic of Macedonia.

Table 9

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

		Balance as of 31.10.2008	monthly changes		annual changes	
			in Denar million	in %	in Denar million	in %
Total deposits		147,127	-1,306	-0.9	23,359	18.9
In Denar	Households	36,542	-157	-0.4	920	2.6
	Enterprises	25,993	379	1.5	5,904	29.4
	Total	66,329	360	0.5	8,418	14.5
In Foreign currency	Households	61,422	-531	-0.9	12,255	24.9
	Enterprises	18,773	-1,415	-7.0	2,621	16.2
	Total	80,798	-1,666	-2.0	14,941	22.7
Total households deposits		97,964	-688	-0.7	13,175	15.5
Total enterprises deposits		44,766	-1,036	-2.3	8,525	23.5

* 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 31.10.2008	monthly changes		annual changes	
			in Denar million	in %	in Denar million	in %
Total credit to the private sector		163,307	3,085	1.9	46,310	39.6
In Denar	Households	60,909	1,411	2.4	18,387	43.2
	Enterprises	63,990	1,420	2.3	18,289	40.0
	Total	125,236	2,834	2.3	36,719	41.5
In Foreign currency	Households	4,372	39	0.9	2,271	108.1
	Enterprises	33,679	211	0.6	7,312	27.7
	Total	38,071	251	0.7	9,591	33.7
Total credit to the households		65,281	1,450	2.3	20,658	46.3
Total credit to the enterprises		97,669	1,631	1.7	25,601	35.5

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	Q3	October
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	29.9	30.2	30.5	30.2
	Long-term	75.0	75.2	75.6	74.9	73.2	72.3	70.8	70.8	70.1	69.8	69.5	69.8
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	48.4	53.3	55.7	58.5
	Overdrafts	63.9	68.1	84.9	103.7	125.2	136.9	131.4	112.3	89.6	72.1	56.2	52.2
	Credits for other purposes	32.6	26.8	26.0	31.0	33.9	38.8	45.5	48.7	53.2	45.8	36.6	35.6

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	Q3	October
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	44.9	44.6	44.9	44.5
	Long-term	45.6	46.2	49.0	51.4	52.9	54.0	53.8	56.1	55.1	55.4	55.1	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	27.0	30.7	29.2	33.7
	Long-term	36.1	34.0	30.8	41.1	45.7	44.6	45.8	41.6	38.4	38.2	36.2	37
	In Denar	3.4	14.3	14.2	21.3	22.6	20.2	32.9	29.9	37.4	42.2	37.7	40
	In Foreign currency	42.0	38.5	31.0	32.4	31.4	30.2	32.6	29.4	25.6	22.2	24.9	27.7

Source: National Bank of the Republic of Macedonia.

Table 13
Liquidity creation and withdrawal*

in millions of denars	31.12.2007	31.10.2008	19.11.2008	cumulatively I - X. 2008	19.11.2008 / 31.10.2008
	balance			flow	
Bank's liquidity (bank's account with NBRM)	10,415	11,587	14,930	1,172	3,343
Autonomous factors (total)	84,009	78,792	79,335	-3,355	263
Currency in circulation	17,969	16,668	16,703	1,301	-35
Foreign exchange transactions of the NBRM	73,958	79,023	76,190	5,065	-2,833
Government denars deposits with NBRM	-9,842	-19,193	-15,957	-9,351	3,236
Bank's cash in valuts	1,924	2,294	2,399	-370	-105
Monetary instruments:	-25,555	-20,150	-16,898	5,405	3,252
CB bills auctions	-20,995	-18,377	-14,879	2,618	3,498
Treasury bills for monetary policy purposes	-4,560	0	0	4,560	0
Compulsory deposit with the NBRM	0	-1,773	-2,019	-1,773	-246
Other items	-8,253	-9,131	-9,303	-878	-172

* Last available data on 16.07.2008.

Source: National Bank of the Republic of Macedonia.

Table 14
Interest rates

	October	monthly changes	annual changes
	in %	in percentage points	
Average weighted interest rate on the CB bills auctions (28 days)	7.0	0.0	2.2
Average weighted interest rate on the Money Market	5.14	0.1	1.7
Interest rate on three-month treasury bills	7.55	0.1	2.5
	September	monthly changes	annual changes
	in %	in percentage points	
Banks' weighted lending interest rates	9.6	0.0	-0.4
Banks' weighted deposit interest rates	6.1	0.1	1.1

* Pertains to bilateral trading

Source: National Bank of the Republic of Macedonia.