

National Bank of the Republic of Macedonia
Research Department



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***Important economic events and amendments to the legal regulations
in November 2007***

- ❖ *On November 4, the new coalfield in the mine "Brod - Gneotino" in the Pelagonia coal basin officially started operating, and it is supposed to be giving coal for "REK - Bitola" for the next two decades.*
- ❖ *On November 6, the new stock exchange index for the Balkan "Dow Jones STOXX Balkan 50 Equal Weighted" was established, and it was created by the Swiss company "STOXX", which is leading stock exchange index provider in Europe. The index value was calculated in the beginning of the year, and it includes the shares of companies from Macedonia, Serbia, Croatia, Slovenia, Bulgaria, Romania, Greece and Turkey.*
- ❖ *On November 6, the price of the tickets in the public transportation decreased by five denars, according to the decision of the Board of Directors in the Public Transportation Company "Skopje", within the decrease in the value added tax on the public transportation from 18% to 5%.*
- ❖ *In the period from November 7 till November 16, Republic of Macedonia hosted the IMF Mission the task of which was to continue the discussions on the Third Review of the "Stand-by" arrangement.*
- ❖ *On November 12, the Energy Regulatory Commission took a decision on decreasing the refinery and retail prices of oil derivatives by 7.21% and 5.25%, on average, respectively ("Official Gazette of RM" no. 136/2007), and in accordance with the decision of November 26, they decreased by 1.44% and 0.97%, on average, respectively ("Official Gazette of RM" no. 142/2007), in accordance with the development of the average price of the crude oil on the international market.*
- ❖ *On November 16, the Slovenian Insurance Company "Triglav" acquired majority ownership of the Macedonian company "Vardar Insurance", so new products and services on the Macedonian insurance market are being planned, as well as development of the present ones.*
- ❖ *On November 23, the Croatian Dairy Industry "Dukat" signed an agreement on taking over the Bitola Dairy "Ideal - Shipka", which enabled development in the primary production and conquest of new markets.*
- ❖ *On November 30, an informative campaign was promoted dedicated to the possibilities for using the assets of the European Union funds, through the Pre-accession Assistance Instrument (PAI), which replaces and integrates the present FARE, ISPA, SAPARD and KARDS and it will be used by the candidate countries and potential EU candidates. The instrument consists of five components - help in transition and institutional development; international cooperation; regional development and financial support in the transportation area and in the environment; development of the human resources (social works, education and training) and rural development and agriculture support, whereas its total value for all user countries, in the period 2007-2013, equaled about Euro 11.5 thousands, out of which Euro 92,3 thousands are planned for the Republic of Macedonia.*
- ❖ *In November, the first investment open-ended funds were given permission to work in the Republic of Macedonia: "Ilirika Southeast Europe", "Ilirika Global - Growing Markets" and "Inovo Status Shares".*
- ❖ *In November, the Agency "Standard&Poors" gave stable ratings to the Macedonian credit rating: on the category "long-term debt in foreign currency" BB+ rating-stable outlook, and on the category "long-term debt in domestic currency" BBB- rating-stable outlook.*
- ❖ *New regulations:*
 - *Law on Electronic Trade ("Official Gazette of RM" no. 133/2007);*
 - *Law on amending the Law on Government Revision ("Official Gazette of RM" no. 133/2007);*
 - *Law on Agriculture and Rural Development ("Official Gazette of RM" no. 134/2007);*
 - *Public Procurement Law ("Official Gazette of RM" no. 136/2007);*

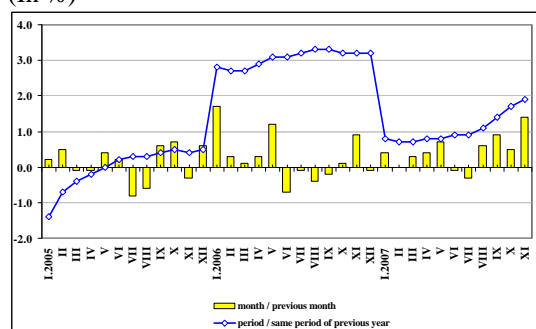


- *Program on amending the Program on initiation of agricultural development in 2007 ("Official Gazette of RM" no. 138/2007);*
- *Law on ratification of the Agreement between Republic of Macedonia and the European Union for facilitation of visa issuing procedures ("Official Gazette of RM" no. 141/2007).*

I. Real sector development

In November 2007, the inflation rate registered increase of 1.4% on monthly basis, which was totally due to the growth in the prices of the category "food" (by 3.7%). The growth in the food prices was a result of the continuous negative influence of the draught over the production. The analysis of this category showed that the inflationary pressure mainly results from the growth in the prices of cereal products (which was due to the growth in the price of the bread and baked goods, but also of cereal prices), fresh vegetables and milk. Divergent developments were registered with the rest of the categories of the inflationary index, where the prices of wearing apparel and footwear (mainly the footwear) and of the restaurants and hotels (because of the food and beverages in the catering facilities) registered growth, whereas the prices of the transport and telecommunication services and of the education and culture were acting towards opposite direction.

Figure 1
Consumer prices
(In %)



Source: State Statistical Office.

Analyzed on annual basis, in November 2007, the level of consumption rose by 4.6%, with registered significant change in the food costs, which increased with higher intensity (10.1%), reflecting the higher prices of cereal products, vegetable oils and fresh vegetable and fruit. The average inflation rate continued intensifying (by additional 0.2 p.p. in November) and in the period January-November 2007 it reached 1.9%, determined by the increase in the general level of consumer prices on monthly basis. The average inflation rate was still under influence of the higher prices of food and electricity, with further deflationary influence of the lower prices of telecommunication services.

In November 2007, the producer prices of industrial products¹ registered growth by 1.1%, relative to the previous month. The monthly growth was solely determined by the higher producer prices in the manufacturing sector, i.e. by the higher producer prices of oil derivatives (contribution of 0.7 p.p. in the total growth), in accordance with the increase in the refinery prices by the decisions of REC dated October 29 and 12 November 2007. Within the manufacturing sector, the growth in the producer prices of food and beverages gave additional contribution (0.4 p.p.) to the total growth of the prices. Stable producer prices were registered in most of the other manufacturing branches, while few of them registered minimal movements. The producer prices in the mining sector registered fall of 1%, whereas the prices in the energy sector kept the same level of the previous month.

On annual basis, the producer prices of industrial products in November went up by 4.8%, which represents higher growth rate since the beginning of the year, mainly as a result of the growth in the producer prices in the manufacturing industry. The intensive price growth determined intensification in the cumulative growth rate of the producer prices on annual basis and in the period January - November 2007 it reached 1.4%. The higher prices of energy still had the largest inflationary influence on cumulative basis (due to the higher price of electricity and thermal energy), and also the higher prices of food and beverages and of basic metals, with further partial deflationary effect of the lower producer prices of oil derivatives.

After the intensive monthly growth in the previous two months, the total volume of industrial output² in November registered monthly fall of 7.7%. The fall was mainly determined by the lower volume of output with the manufacturing sector of 10%, with lower output in 16 branches (of total 20), making 87.7% of the manufacturing sector, i.e. 73.6% of the industrial output. The fall in the metal manufacturing industry of 27.3% was most significant, as well as the fall in the industry for building materials (24.3%) and in the basic metal industry (9.8%). On the other hand, in the branches that registered growth, the growth in the tobacco industry was most significant with higher

¹ Preliminary SSO data.

² Preliminary SSO data.

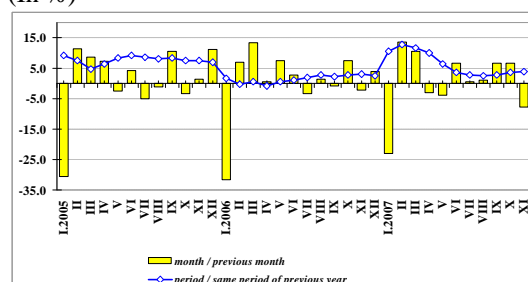


volume of output by 4.5%, on monthly basis. The mining sector went down by 13.1%, whereas the energy sector registered monthly growth of 17%.

On annual basis, in November, the volume of industrial output rose by 5.5%. In conditions of registered fall in the in the mining and energy sector (11.3% and 1%, respectively), the annual growth was solely determined by the growth in the manufacturing industry (7.3%), mainly in the metal manufacturing (twice more) and in the industry for basic metals (growth of 36.8%). With that, in the period January- November 2007, the cumulative growth rate of industrial output equaled 3.8%. The main generator of the cumulative growth was the metal industry, which had higher output volume by 36.1%. The metal manufacturing industry registered intensive cumulative growth by 48.9%, and also the food industry gave significant contribution, growing with rate of 7.2%. With the industries that registered negative changes, the fall in the industry for wearing apparel was most influential (13.9%), and the fall in the output of electrical machines and appliances of 26% was also

considerable. Summarized, the volume of the output in the analyzed period of 2007, relative to the same period of 2006, increased in 10 branches, making 58.9% of the volume of manufacturing industry. The cumulative growth in the mining equaled 10.3%, with growth in the extraction of ores and metals of 72.5%, whereas the fall in the energy sector of 11.6% still negatively influenced the overall volume of industrial output.

Figure 2
Industrial output
(In %)



Source: State Statistical Office.

II. Monetary developments

At the end of November 2007, the *reserve money*³ equaled Denar 26.582 million and on monthly basis they went down by 0.2%, in conditions of lower demand of *currency in circulation* and growth in the level of total *liquidity assets of banks*⁴.

In November, for the first time since the beginning of the year, NBRM realized net sail of foreign currencies on the exchange market, and with that the *NBRM foreign currency transactions* acted towards liquidity withdrawal from the banking system. The rest of the autonomous factors (*Government Denar deposits with NBRM* and *currency in circulation*) acted towards creating liquidity, which was largely sterilized through the *monetary instruments* (growth in the level of CB bills, with simultaneous decrease in the amount of the Treasury bills for monetary purposes). In November 2007, the banks allocated 8.3% over the reserve requirements (in Denars)⁵,

which represents fall of 0.7 percentage points, relative to the preceding accounting period.

Table 1
Liquidity creation and withdrawal*
(In millions of denars)

	31.10.2007	30.11.2007	30.11.2007 / 31.10.2007
	in millions of Denars		changes in millions of Denars
Bank liquidity (banks' account with NBRM)	8,344	8,600	256
Liquidity creation			360
1. Net domestic assets	-69,338	-69,291	47
of which:			
Government denar deposits with NBRM ⁽¹⁾	-19,994	-19,426	568
CB bills	-17,786	-19,175	-1,389
Treasury bills for monetary purposes	-5,409	-4,561	848
Other items, net	-22,970	-23,261	-291
2. Currency in circulation	16,575	16,290	285
3. Banks' cash in vaults	1,720	1,692	28
Liquidity withdrawal			-104
1. Net foreign assets	95,977	95,873	-104

* Excluding treasury bills for monetary purposes.

* Positive change-liquidity creation; negative change-liquidity withdrawal.

Source: National Bank of the Republic of Macedonia.

On the auctions of CB bills, in November 2007, average weighted interest rate of 4.66% was realized (4.78% in October 2007), whereas the average weighted interest rate on CB bills (with maturity of three months) equaled 5.17% (5.06% in the previous month).

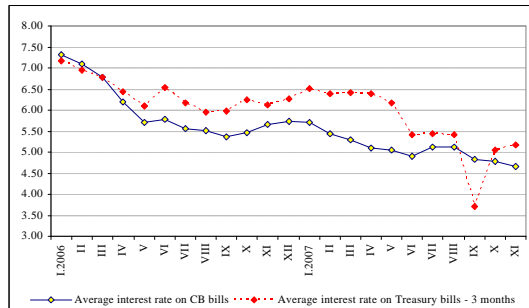
³ The analysis pertains to reserve money, excluding the reserve requirement on foreign currency deposits.

⁴ Includes the cash in the vaults and banks' accounts with NBRM.

⁵ The period for maintaining (fulfilling) the bank's reserve requirement covers the period from the 11th in the current month to the 10th in the following month. The excess pertains to funds allocated to the bank's accounts with NBRM over the reserve requirement.



Figure 3
Average interest rate on CB bills and Treasury bills
(In %)



Source: NBRM and Ministry of finance.

In November 2007, the monetary aggregate M1 registered monthly growth of 3.2%, which in conditions of lower demand of currency in circulation (by 1.7% on monthly basis), was solely due to the growth in the transactional deposits (by 6.9%). The broader monetary aggregates M2 and M4, on monthly basis, went up by identical 2.4%, while on annual basis (November 2007 / November 2006), they rose by 27% and 27.9%, respectively.

Table 2
Monetary aggregates and components thereof
(In millions of denars)

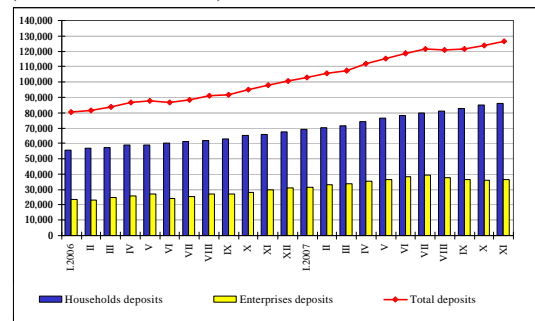
	30.11.2007	Monthly change	Annual change
		in %	in %
Currency in circulation	16,290	-1.7	13.9
Demand deposits	23,499	6.9	32.7
Monetary aggregate M1	39,789	3.2	24.3
Short-term Denar deposits	54,061	2.4	57.5
Monetary aggregate M2-Denar component	93,850	2.7	41.5
Short-term foreign exchange deposits	62,660	1.8	10.1
Monetary aggregate M2	156,510	2.4	27.0
Non-monetary deposits	9,644	2.2	45.9
-Denar	5,186	1.2	43.1
-foreign exchange	4,458	3.4	49.3
Monetary aggregate M4	166,154	2.4	27.9

Source: National Bank of the Republic of Macedonia.

In November 2007, the total banks' deposit potential⁶ realized growth of Denar 2,597 million, or by 2.1% on monthly basis. Observed with respect to the maturity structure, the monthly growth in the total deposits was mainly due to the higher level of short-term deposits (with contribution of 92% in the growth of the total deposits), while with respect to the currency, almost identical contribution of Denar and foreign currency deposits to the growth of the total deposits was registered. Analyzed by sectors, in November 2007, 43.3% of the realized inflows in

the banking sector were deposits of other clients⁷, whereas the participation of the household deposits in the growth of the total deposits amounted to 41.1%, opposite of the marginal participation of the corporate sector deposits of 10.5%. On annual basis (November 2007 / November 2006), the total banks' deposits went up by 29.1%.

Figure 4
Dynamics of deposits
(In millions of denars)



Source: National Bank of the Republic of Macedonia.

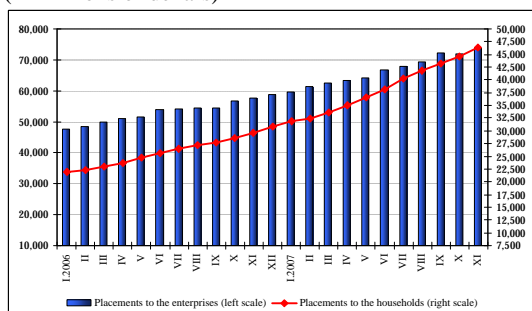
At the end of November 2007, the total banks' placements with the private sector rose by Denar 3,373 million, or by 2.9%, relative to the end of the previous month. The analysis of the maturity structure of total placements showed dominant participation of the long-term credits of 78% in the growth of the total placements, whereas with respect to the currency structure, the upward trend in the Denar credits to the private sector continued (including the Denar credits with FX clause) and, in November 2007, its growth created 74.3% of the growth in the total credits. Observed by sectors, the credits placed in November were almost equally distributed to the households and the corporate sector. In November 2007, the annual growth rate in the total banks' placements to the private sector amounted to 38%.

⁷ Transfer of the assets from the gyro account of "Makedonska Banka" AD Skopje in liquidation, to one bank.

⁶ Since October 2007, the data on the total banks' deposits and credits excludes the "Makedonska Banka" AD Skopje, to which, on 16.10.2007, NBRM suspended the founding and operating license.



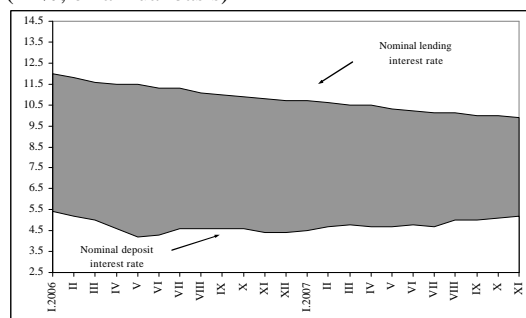
Figure 5
Bank placements by sector
(In millions of denars)



Source: National Bank of the Republic of Macedonia.

There were no considerable changes in the banks' interest policy in November 2007. Thus, the average weighted interest rate on Denar credits for all maturities and sectors equaled 9.9% (10% in the previous month), whereas the average weighted interest rate on Denar deposits for all maturities and sectors, on monthly basis, rose by 0.1 percentage point and in November 2007 it equaled 5.2%.

Figure 6
Weighted interest rates and spreads of banks*
(In %, on annual basis)



Source: National Bank of the Republic of Macedonia.

* Pertain to Denar loans and deposits in all maturities and sectors, including the Denar loans and deposits with FX clause.

The average weighted interest rate on foreign currency credits for all maturities, sectors and currencies, in November 2007, amounted to 8.4% (8.5% in the previous month), whereas the average weighted interest rate on foreign currency deposits for all maturities, sectors and currencies kept the same level of the previous month, equaling 2%.

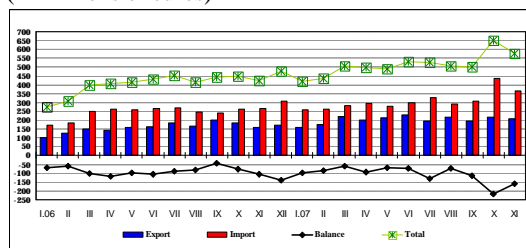
III. Foreign trade and foreign exchange developments

In November 2007, the total foreign trade⁹ equaled Euro 575.2 million and on monthly basis it registered fall of 11.5%, in conditions of monthly fall in both components of the foreign trade. Thus, in November 2007, the export of goods equaled Euro 208.5 million and relative to October 2007 it decreased by 3.5%, which was mainly due to the lower export of food, tobacco and of iron and steel. On annual basis, the export registered growth of 31.2%, as a result of the higher export of iron and steel and products thereof, as well as of the wearing apparel. In November 2007, the import of goods amounted to Euro 366.7 million and compared to the previous month it went down by 15.5%. The analyses by products showed lower import of electricity, as main factor for the monthly fall in the import of goods, which was a result of the higher comparison basis from the previous month¹⁰. The annual increase in the import amounted to 37.7%, with higher import of electrical machines, equipment, vehicles and ores.

⁹ Preliminary SSO data. The export of goods is shown on f.o.b. basis, whereas the import of goods is shown on c.i.f. basis.

¹⁰ In accordance with the customs recordings of the import of electricity, high import of electricity was registered in October, which was actually realized during the year.

Figure 7
Foreign trade of the Republic of Macedonia
(In millions of euros)



Source: State Statistical Office of the Republic of Macedonia.

Such development in the components of foreign trade contributed for narrowing the high deficit by 27.4% relative to the previous month, so in November 2007 it equaled Euro 158.2 million. In the same time, the import-export coverage ratio amounted to 56.9% and on monthly basis it went up by 7.1 percentage point.

Cumulatively, in the period January-November 2007, the total foreign trade equaled Euro 5,634.6 million, which represented annual growth of 27.6%, as a result of the increase in both components of foreign trade. Thus, the export of goods in the analyzed period equaled Euro 2,233.4 million, registering annual growth rate of 28.6%. Analyzed by certain products, the realized

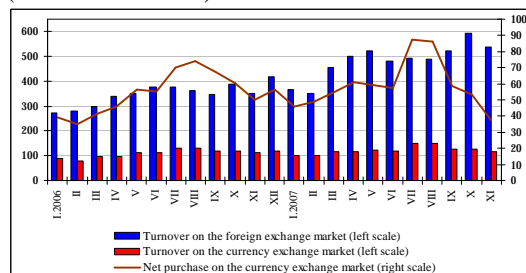


increase came as a result of the higher import of iron and steel and products thereof (contribution of 77.6% to the growth), as well as of the higher export of wearing apparel and textile and of ores. In the period January- November 2007, the total import of goods realized growth of 26.9%, equaling Euro 3,401.3 million, which was mainly due to the higher import of iron and steel and products thereof, mineral fuels, electrical machines, ores, equipment and vehicles. The negative trade balance in amount of Euro 1,167.9 million went up by 23.8%, relative to the same period of 2006. The import-export coverage ratio equaled 65.7% and it rose by 0.9 percentage points.

In November 2007, the total turnover on the *foreign exchange market* equaled Euro 539.7 million and registered fall of 9.3%, relative to October 2007. The decrease in the turnover was realized in conditions of fall in the supply and growth in the demand of foreign currencies in the segment "banks - corporations". Thus, the net sale of foreign currencies by the banks to the enterprises went up by almost 17 times relative to the previous month. As a result of the developments on the stock exchange, where in the last few months downward trend in the price index was registered, NBRM in November, performed net sale of foreign currencies in amount of Euro 2.4 million, based on used foreign currency rights for portfolio investments on non-residents. On cumulative basis, in the period January-November 2007, NBRM realized high net purchase of foreign currencies on the foreign exchange market, in amount of Euro 351.4 million. On 30.11.2007, the *gross foreign reserves* equaled Euro 1,547 million, decreasing by Euro 4.1 million, on monthly basis (because of the negative course differences and the net sale on the foreign exchange market), while relative to the end of the previous year, they were higher by Euro 130.3 million.

In November 2007, the total turnover of foreign currencies realized on the *exchange market* amounted to Euro 116.4 million and on monthly basis it decrease by 8.4%. Thus, in conditions of fall in the supply of foreign currencies (of 14.9%) and growth in the demand of foreign currencies (of 7.8%), the realized net purchase of foreign currencies registered fall of 30.5%, relative to the previous month, equaling Euro 37.2 million. In the period January-November 2007, the net purchase on the exchange market equaled Euro 648.6 million and compared to the same period of 2006, it rose by 9%.

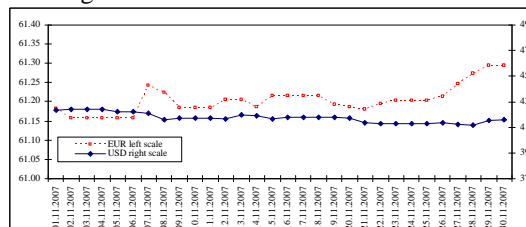
Figure 8
Development in the total turnover on the foreign exchange and currency exchange market
(In millions of euros)



Source: National Bank of the Republic of Macedonia.

The *exchange rate of the Denar* relative to the Euro on the *foreign exchange market*, at the end of November 2007, amounted to Denar 61.29 per one Euro keeping relatively stable level. On 30.11.2007, the exchange rate of the Denar relative to the USA Dollar equaled Denar 41.59 per one USA Dollar and compared with the end of the previous month, it appreciated by 2.1% (on 31.10.2007, Denar 42.47 were exchanged per one USA Dollar).

Figure 9
Daily middle exchange rate of the Denar against the Euro and the US Dollar on the foreign exchange market



Source: National Bank of the Republic of Macedonia.

On 30.11.2007, the *external debt*¹¹ of the Republic of Macedonia based on long-term credits and loans equaled Euro 1,655.8 million, increasing by Euro 15.6 million¹² on monthly basis, in conditions of higher amount of used credits from repaid liabilities. In November 2007 long-term funds in amount of Euro 26 million were used, out of which the larger part (68.7%) went for the private sector, whereas the total repaid liabilities equaled Euro 7.5 million (out of which Euro 5.3 million of principal, and Euro 2.2 million of interest). At the end of November 2007, the *short-term foreign debt* rose by Euro 5.1 million relative to the previous month amounted to Euro 176.4 million. Based on granted short-term credits, assets were used in amount of Euro 3.4 million,

¹¹ Preliminary NBRM data.

¹² The data on the debt stock on 31.10.2007 is unrevised.



and the repaid liabilities equaled Euro 3.1 million. In November 2007 credits were granted in amount of Euro 12.4 million, out of which 77.3% were long-

term credits representing private sector indebtedness.



Appendix

Developments in Real Sector in the Republic of Macedonia

Table 1
Costs of living and retail prices

	<u>XI.2007</u> <u>X.2007</u>	<u>XI.2007</u> <u>XI.2006</u>	<u>I-XI.2007</u> <u>I-XI.2006</u>
	in %		
Consumer prices	1.4	4.6	1.9
Food	3.7	10.2	3.0
Tobacco and beverages	0.1	2.4	1.7
Clothing and footwear	2.3	2.8	1.5
Housing	0.6	2.5	4.8
Flat (rent, water, services)	0.1	9.7	6.0
Fuel and lighting	0.9	0.5	6.1
Hygiene and health	0.2	-0.2	0.3
Culture and entertainment	-0.9	-0.8	2.8
Transport and communication services	-2.0	-0.8	-3.3
Restaurants and hotels	1.2	7.6	4.2
Other services n.e.c.	0.0	13.3	8.3
<i>Goods</i>	<i>2.2</i>	<i>6.1</i>	<i>2.6</i>
<i>Services</i>	<i>-1.5</i>	<i>-0.5</i>	<i>-0.4</i>
Retail prices	0.7	3.6	2.5
Agricultural products	3.6	14.0	4.2
Non-food industrial products	1.1	4.5	3.3
Industrial food products	3.5	9.4	2.6
Beverages	0.2	1.2	0.7
<i>Goods</i>	<i>1.8</i>	<i>6.1</i>	<i>3.0</i>
<i>Services</i>	<i>-1.0</i>	<i>-0.3</i>	<i>1.6</i>

Source: State Statistical Office of the Republic of Macedonia.



Table 2
Prices of producers of industrial products*

	<u>XI.2007</u> <u>X.2007</u>	<u>XI.2007</u> <u>XI.2006</u>	<u>I-XI.2007</u> <u>I-XI.2006</u>
	in %		
Prices of producers of industrial products	1.1	4.8	1.4
Energy	2.8	11.4	1.2
Intermediate goods, except energy	0.5	7.1	5.4
Capital products	0.0	0.2	1.3
Durable consumer goods	0.0	0.0	0.3
Non-durable consumer goods	0.6	-0.2	-1.2
<i>Mining and quarrying</i>	<i>-1.0</i>	<i>-2.3</i>	<i>0.2</i>
<i>Manufacturing</i>	<i>1.3</i>	<i>4.8</i>	<i>0.0</i>
Manufacturing of food products and beverages	1.3	7.3	2.3
Manufacturing of tobacco products	-0.2	-7.7	-1.6
Manufacturing of textiles	0.0	0.0	-0.3
Manufacturing of wearing apparel; dressing and dyeing of fur	0.1	-2.1	-2.2
Publishing, printing and reproduction of recorded media	0.0	0.3	-0.4
Manufacture of coke, refined petroleum products and nuclear fuel	5.5	16.2	-7.8
Manufacture of chemicals and chemical products	-0.2	-1.1	-0.9
Manufacture of rubber and plastic products	0.0	-3.2	-0.3
Manufacture of other non-metallic mineral products	0.1	0.2	1.7
Manufacture of basic metals	0.4	10.2	11.1
Manufacture of fabricated metal products, except machinery and equipment	0.0	1.1	2.8
Manufacture of electrical machinery and apparatus n.e.c.	0.0	3.3	4.6
<i>Electricity, gas and water supply</i>	<i>0.0</i>	<i>5.0</i>	<i>12.7</i>

* Preliminary data.

Source: State Statistical Office of the Republic of Macedonia.



Table 3
Industrial output*

	share in %	<u>XI.2007</u> <u>X.2007</u>	<u>XI.2007</u> <u>XI.2006</u>	<u>I-XI.2007</u> <u>I-XI.2006</u>
		in %		
Total	100.0	-7.7	5.5	3.8
Energy	18.3	9.4	-8.2	-7.4
Intermediate goods, except energy	34.1	-17.2	21.1	14.0
Capital products	5.1	-12.5	9.1	21.2
Durable consumer goods	2.2	-2.1	17.4	10.6
Non-durable consumer goods	40.3	-2.9	-1.8	-2.8
Mining and quarrying	3.9	-13.1	-11.3	10.3
Mining of coal and lignite; extraction of peat	1.6	-1.5	-15.9	-1.4
Mining of metal ores	0.7	-5.1	2.9	72.5
Other mining and quarrying	1.5	-30.8	-29.9	-7.2
Manufacturing	83.9	-10.0	7.3	5.6
Manufacturing of food products and beverages	16.1	-4.0	6.3	7.2
Manufacturing of tobacco products	5.7	4.5	20.6	-6.1
Manufacturing of textiles	1.7	-15.1	-9.0	-6.5
Manufacturing of wearing apparel; dressing and dyeing of fur	11.1	-0.7	-11.6	-13.9
Tanning and dressing of leather; manufacture of luggage, handbags, saddles, harness and footwear	1.5	2.4	2.4	0.5
Manufacture of wood and products of wood and cork, except furniture, manufacture of articles of straw and plaiting materials	1.2	-27.9	-20.6	1.8
Manufacture of pulp, paper and paper products	1.1	5.1	9.9	-0.2
Publishing, printing and reproduction of recorded media	3.1	-0.3	-28.4	-12.0
Manufacture of coke, refined petroleum products and nuclear fuel	4.5	-2.8	-20.3	1.2
Manufacture of chemicals and chemical products	4.6	-3.9	-1.6	-1.1
Manufacture of rubber and plastic products	1.9	-0.7	-11.1	2.2
Manufacture of other non-metallic mineral products	7.3	-24.3	-11.0	6.3
Manufacture of basic metals	11.2	-9.8	36.8	36.1
Manufacture of fabricated metal products, except machinery and equipment	3.3	-27.3	104.5	48.9
Manufacture of machinery and equipment n.e.c.	1.4	-26.5	10.6	43.7
Manufacture of electrical machinery and apparatus n.e.c.	3.5	-13.0	3.8	-26.0
Manufacture of motor vehicles, trailers and semi- trailers	1.1	-4.4	-30.9	-27.9
Manufacture of other transport equipment	1.1	-22.9	29.9	37.5
Manufacture of furniture, manufacturing n.e.c.	2.0	5.6	-3.1	-14.7
Recycling	0.6	-23.7	18.0	-35.5
Electricity, gas and water supply	12.2	17.0	-1.0	-11.6

* Preliminary data.

Source: State Statistical Office of the Republic of Macedonia.



Monetary developments in the Republic of Macedonia

Table 4
National Bank accounts
(current exchange rate, in millions of denars)

	XII.06 ¹⁾	I.07	II.07	III.07	IV.07	V.07	VI.07	VII.07	VIII.07	IX.07	X.07	XI.07
I. Net Foreign Assets	85116	83884	83221	85066	87857	90799	87790	89659	91954	94209	95977	95873
Assets	87761	86503	85676	87526	90111	90799	87849	89718	91954	94209	95977	95873
Liabilities	2645	2619	2455	2460	2254	0	59	59	0	0	0	0
II. Net Domestic Assets	-53852	-55452	-54084	-55711	-56502	-60195	-55952	-52894	-58655	-61676	-62021	-62093
Credit to banks, net	-9422	-11596	-11137	-11274	-11726	-13755	-15067	-10082	-10432	-16311	-17758	-19147
<i>Credit to banks</i>	34	34	29	29	29	29	28	28	28	28	28	28
Credits extended at auction	0	0	0	0	0	0	0	0	0	0	0	0
Repurchased agreement	0	0	0	0	0	0	0	0	0	0	0	0
Credits based on securities	0	0	0	0	0	0	0	0	0	0	0	0
Long - term credits	24	24	19	19	19	19	18	18	18	18	18	18
Advances	0	0	0	0	0	0	0	0	0	0	0	0
Other	10	10	10	10	10	10	10	10	10	10	10	10
Instruments	-9456	-11630	-11166	-11303	-11755	-13784	-15095	-10110	-10460	-16339	-17786	-19175
Auctions of bills	-9456	-11630	-11166	-11303	-11755	-13784	-15095	-10110	-10460	-16339	-17786	-19175
Net, Government	-30690	-29827	-28241	-29969	-30240	-32124	-26497	-28290	-33174	-29929	-28610	-26883
1. Claims on Government	2267	2267	2267	2267	1039	1039	1039	1039	1039	1039	1039	1039
Use of Fund credit	0	0	0	0	0	0	0	0	0	0	0	0
Ordinary credit	0	0	0	0	0	0	0	0	0	0	0	0
Purchased Government sec.	1039	1039	1039	1039	1039	1039	1039	1039	1039	1039	1039	1039
Other	1228	1228	1228	1228	0	0	0	0	0	0	0	0
2. Government Deposits	-32957	-32094	-30508	-32236	-31279	-33163	-27536	-29329	-34213	-30968	-29649	-27922
A) In denar	-15326	-17161	-17647	-20106	-19997	-21803	-21807	-23940	-29221	-26128	-25403	-23987
Demand deposits	-15326	-17161	-17647	-20106	-19997	-21803	-21807	-23940	-29221	-26128	-25403	-23987
- Budget account	-10303	-12307	-12416	-14093	-13228	-14135	-13209	-14923	-19309	-19302	-19467	-18893
- Other budget funds	-5023	-4854	-5231	-6013	-6769	-7668	-8598	-9017	-9912	-6826	-5936	-5094
o/w Government securities for monetary purpose	-4573	-4391	-4756	-5537	-6284	-7166	-8082	-8520	-9412	-6312	-5409	-4561
Fund for monetary policy support	0	0	0	0	0	0	0	0	0	0	0	0
B) In foreign currency	-17631	-14933	-12861	-12130	-11282	-11360	-5729	-5389	-4992	-4840	-4246	-3935
Central Gov.dep.	-17515	-14820	-12745	-12015	-11168	-11247	-5599	-5261	-4861	-4709	-4116	-3804
o/w Telecom	0	0	0	0	0	0	0	0	0	0	0	0
o/w Road fund	-81	-81	-81	-81	-81	-81	-81	-81	-81	-81	-81	-81
Other Government deposits	-116	-113	-116	-115	-114	-113	-130	-128	-131	-131	-130	-131
3. External account	0	0	0	0	0	0	0	0	0	0	0	0
Other items, net	-13740	-14029	-14706	-14468	-14536	-14316	-14388	-14522	-15049	-15436	-15653	-16063
Other assets	5727	5746	5760	5691	5612	5689	5610	5692	5732	5697	5101	5170
Other liabilities	-5732	-5503	-5512	-5554	-5593	-5605	-5605	-5514	-5624	-5749	-5030	-5054
o/w Transitory account	-171	-25	-66	-58	-46	-25	-68	-33	-41	-107	-21	-77
Capital account	-11819	-12335	-12463	-12257	-12137	-12046	-11994	-12169	-12376	-12590	-12959	-13045
Residual items	-1916	-1937	-2491	-2348	-2418	-2354	-2399	-2531	-2781	-2794	-2765	-3134
Reserve money	31264	28432	29137	29355	31355	30604	31838	36765	33299	32533	33956	33780
Currency in circulation	16206	14527	14986	15034	15531	15359	15844	16673	16380	16746	16575	16290
Cash in vaults	1526	1397	1520	1468	1567	1644	1590	1741	1816	1768	1720	1692
Giro - accounts	13532	12508	12631	12853	14257	13601	14404	18351	15103	14019	15661	15798
o/w Reserve requirement	6373	6462	6509	6595	6675	6740	6949	6987	7144	7229	7317	7198

1/ Final data

Source: National Bank of the Republic of Macedonia.



Table 5
Monetary Survey (continuous)
(current exchange rate, in millions of denars)

	XII.06 ¹⁾	I.07	II.07	III.07	IV.07	V.07	VI.07	VII.07	VIII.07	IX.07	X.07	XI.07
I. Net Foreign Assets	108042	106455	107140	108475	110951	113778	107566	110631	113010	111578	113946	112282
<i>National Bank</i>	85116	83884	83221	85066	87857	90799	87790	89659	91954	94209	95977	95873
Assets	87761	86503	85676	87526	90111	90799	87849	89718	91954	94209	95977	95873
Liabilities	2645	2619	2455	2460	2254	0	59	59	0	0	0	0
<i>Deposit Money Banks</i>	22926	22571	23919	23409	23094	22979	19776	20972	21056	17369	17969	16409
Assets	39707	38257	38837	39614	39419	39424	39000	39182	40996	38175	38541	36865
Liabilities	16781	15686	14918	16205	16325	16445	19224	18210	19940	20806	20572	20456
II. Net Domestic Assets	28288	29824	33173	34538	37587	38540	48712	49613	48103	50327	49494	54833
<i>I.Domestic credit</i>	77176	79487	83921	85601	88305	89928	100434	101445	100551	104481	105738	110889
of which: Claims on Gov.	-17184	-16633	-14556	-15513	-14956	-15969	-9477	-11370	-15450	-15736	-15595	-13800
a) Deposit Money Banks	107866	109314	112162	115570	118545	122052	126931	129735	133725	134410	134348	137772
-in denar	84368	85822	87861	90626	93354	96169	99837	102258	105693	105391	105658	108192
Government	13377	13067	13562	14337	15165	16041	16907	16770	17557	14020	12805	12851
Credits	13355	13045	13539	14314	15142	16018	16883	16746	17533	13999	12784	12830
a) Budget and Line Ministries	13095	12762	13241	14052	14994	15893	16777	16661	17469	13946	12739	12788
b) Funds	260	283	298	262	148	125	106	85	64	53	45	42
c) Ins. of Central Gov.: Courts, etc.	0	0	0	0	0	0	0	0	0	0	0	0
Accrued interest	22	22	23	23	23	23	24	24	24	21	21	21
Non Government sector	70991	72755	74299	76289	78189	80128	82930	85488	88136	91371	92853	95341
Credits	66410	68057	69569	71537	73380	75288	78031	81138	83694	86908	88517	91022
of which: Overdue claims	9810	9737	9721	9560	9848	10180	10049	9653	9756	10125	9725	9825
Accrued interest	4581	4698	4730	4752	4809	4840	4899	4350	4442	4463	4336	4319
-in foreign currency	23498	23492	24301	24944	25191	25883	27094	27477	28032	29019	28690	29580
Government	129	127	123	119	119	114	113	150	167	173	210	232
of which: Overdue	0	0	0	0	0	0	0	0	0	0	0	0
Non Government sector	23369	23365	24178	24825	25072	25769	26981	27327	27865	28846	28480	29348
of which: Overdue	1650	1625	1473	1511	1566	1630	1611	1591	1748	1763	1691	1631
b) Nat. Bank Claims on Government	-30690	-29827	-28241	-29969	-30240	-32124	-26497	-28290	-33174	-29929	-28610	-26883
<i>2.Other items, net</i>	-48888	-49663	-50748	-51063	-50718	-51388	-51722	-51832	-52448	-54154	-56244	-56056
of which: Claims on Gov.	0	0	0	0	0	0	0	0	0	0	0	0
for frozen f.c. deposits	0	0	0	0	0	0	0	0	0	0	0	0
Accrued interest	-4603	-4720	-4753	-4775	-4832	-4863	-4923	-4374	-4466	-4484	-4357	-4340
Others	-44285	-44943	-45995	-46288	-45886	-46525	-46799	-47458	-47982	-49670	-51887	-51716

1/ Final data



Monetary Survey
(current exchange rate, in millions of denars)

	XII.06 ¹⁾	I.07	II.07	III.07	IV.07	V.07	VI.07	VII.07	VIII.07	IX.07	X.07	XI.07
M4 (Total)	136330	136279	140313	143013	148538	152318	156278	160244	161113	161905	163440	167115
M4 (nonGovernment)	135131	135262	139216	141473	147468	151242	155152	159208	160102	160861	162334	166154
M1 (Total)	35436	33102	34022	35281	36164	36484	36864	38448	39556	39864	39178	40290
M1 (Non-Government)	34747	32583	33433	34254	35708	35954	36319	37916	39051	39348	38566	39789
Currency in circulation	16206	14527	14986	15034	15531	15359	15844	16673	16380	16746	16575	16290
Demand deposits (total)	19230	18575	19036	20247	20633	21125	21020	21775	23176	23118	22603	24000
Demand deposits (Non-Gov.)	18541	18056	18447	19220	20177	20595	20475	21243	22671	22602	21991	23499
Deposit Money Banks	19207	18479	18705	19824	20159	20748	20814	21552	22699	22645	22175	23752
Non-Gov. Demand deposits	18518	17960	18116	18797	19703	20218	20269	21020	22194	22129	21563	23251
Government Demand deposits	689	519	589	1027	456	530	545	532	505	516	612	501
a) Budget and Line Ministries	551	234	262	226	219	227	232	304	243	276	269	255
b) Funds	138	284	327	801	236	302	312	227	261	239	342	245
c) Ins. of C.Gov.: Courts, etc.	0	1	0	0	1	1	1	1	1	1	1	1
Nation. Bank Non-Gov. Demand dep.	23	96	331	423	474	377	206	223	477	473	428	248
M2 (Total)	129644	129731	133527	136240	140944	143911	147785	151132	152010	152443	153954	157420
M2 (Non-Government)	128494	128763	132480	134750	139924	142885	146709	150146	151049	151450	152899	156510
Quasi money (Total)	94208	96629	99505	100959	104780	107427	110921	112684	112454	112579	114776	117130
Quasi money (non Government)	93747	96180	99047	100496	104216	106931	110390	112230	111998	112102	114333	116721
Deposit Money banks	94208	96629	99505	100959	104780	107427	110921	112684	112454	112579	114776	117130
Non Government sector	93747	96180	99047	100496	104216	106931	110390	112230	111998	112102	114333	116721
Denar	36317	37295	39293	40511	43540	45648	48389	49353	48434	50045	52787	54061
Foreign currency	57430	58885	59754	59985	60676	61283	62001	62877	63564	62057	61546	62660
Government deposits	461	449	458	463	564	496	531	454	456	477	443	409
Denar	460	448	457	462	563	496	531	454	456	477	443	408
Foreign currency	1	1	1	1	1	0	0	0	0	0	0	1
NBM quasi deposits	0	0	0	0	0	0	0	0	0	0	0	0
Nonmonetary Deposits (Total)	6686	6548	6786	6773	7594	8407	8493	9112	9103	9462	9486	9695
Denar non-mon. deposits (total)	3678	3641	3739	3799	4536	4734	4938	5217	5407	5549	5175	5237
F.C. non-mon. deposits (total)	3008	2907	3047	2974	3058	3673	3555	3895	3696	3913	4311	4458
Nonmonetary Deposits (Non-Gov.)	6637	6499	6736	6723	7544	8357	8443	9062	9053	9411	9435	9644
Denar non-mon. dep. (Non-Gov.)	3629	3592	3689	3749	4486	4684	4888	5167	5357	5498	5124	5186
F.C. non-mon. dep. (Non-Gov.)	3008	2907	3047	2974	3058	3673	3555	3895	3696	3913	4311	4458
-Deposit Money Banks	6686	6548	6786	6773	7594	8407	8493	9112	9103	9462	9486	9695
Denar Non-Gov. non-monetary dep.	3629	3592	3689	3749	4486	4684	4888	5167	5357	5498	5124	5186
F. C. Non-Govern. non-mon. dep.	3008	2907	3047	2974	3058	3673	3555	3895	3696	3913	4311	4458
Denar Gov. non-mon. deposits	49	49	50	50	50	50	50	50	50	51	51	51
F. C. Govern. non-mon. deposits	0	0	0	0	0	0	0	0	0	0	0	0
-NBM Non-Gov. non-mon. deposits	0	0	0	0	0	0	0	0	0	0	0	0
Denar	0	0	0	0	0	0	0	0	0	0	0	0
Foreign currency	0	0	0	0	0	0	0	0	0	0	0	0
Total Deposits	120124	121752	125327	127979	133007	136959	140434	143571	144733	145159	146865	150825
Total Deposits (Non-Gov.)	118925	120735	124230	126439	131937	135883	139308	142535	143722	144115	145759	149864

1/ Final data

Source: National Bank of the Republic of Macedonia.



Table 6
Total deposits of the non-government sector

	30.11.2007	Monthly changes		Annual changes		Share
	in Denar million	in Denar million	in %	in Denar million	in %	in %
Total deposits	126,365	2,597	2.1	28,504	29	100.0
1. According to maturity						
- short-term	116,721	2,388	2.1	25,469	28	92.4
- long-term	9,644	209	2.2	3,035	46	7.6
2. According to currency of denomination						
- in denar	59,247	1,336	2.3	21,293	56	46.9
- in foreign currency	67,118	1,261	1.9	7,211	12	53.1

Source: National Bank of the Republic of Macedonia.

Table 7
Households and enterprises deposits

	share in %	30.11.2007	Monthly changes		Annual changes	
		in Denar million	in Denar million	in %	in Denar million	in %
Total households deposits	100.0	85857	1068	1.3	19895	30.2
1. According to maturity						
- short-term	92.7	79560	886	1.1	17346	27.9
- long-term	7.3	6297	182	3.0	2549	68.0
2. According to currency of denomination						
- in denar	42.2	36216	594	1.7	14677	68.1
- in foreign currency	57.8	49641	474	1.0	5218	11.7
Total enterprises deposits	100.0	36514	273	0.8	6848	23.1
1. According to maturity						
- short-term	96.3	35178	339	1.0	7025	25.0
- long-term	3.7	1336	-66	-4.7	-177	-11.7
2. According to currency of denomination						
- in denar	53.7	19599	-490	-2.4	5130	35.5
- in foreign currency	46.3	16915	763	4.7	1718	11.3

Source: National Bank of the Republic of Macedonia.



Table 8
Demand deposits of households and enterprises

	30.11.2007	Monthly changes		Annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Demand deposits	23,499	1,508	6.9	5,786	32.7
- Demand deposits of households	5,430	1,044	23.8	2,057	61.0
- Demand deposits of enterprises	15,391	454	3.0	3,347	27.8

Source: National Bank of the Republic of Macedonia.

Table 9
Placements to households and enterprises

	30.11.2007	Monthly changes		Annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Total placements	120,370	3,373	2.9	33,156	38.0
<i>Denar placements</i>	91,022	2,505	2.8	26,887	41.9
<i>of which:</i>					
- enterprises	46,582	881	1.9	10,457	28.9
- households	44,142	1,620	3.8	16,197	58.0
<i>Foreign currency placements</i>	29,348	868	3.0	6,269	27.2
<i>of which:</i>					
- enterprises	27,130	763	2.9	5,718	26.7
- households	2,198	97	4.6	533	32.0

Source: National Bank of the Republic of Macedonia.


Table 10

Maturity and sector structure of Denar and foreign currency placements

	30.11.2007	Monthly changes	Annual changes
	(in %)	(in percentage points)	
Denar placements	100.0	0.0	0.0
maturity structure			
- short-term	42.9	-0.6	-4.1
- long-term	57.1	0.6	4.1
structure by sectors			
- enterprises	51.2	-0.5	-5.1
- households	48.5	0.5	4.9
- other	0.3	0.0	0.2
Foreign currency placements	100.0	0.0	0.0
maturity structure			
- short-term	25.7	0.0	1.0
- long-term	74.3	0.0	-1.0
structure by sectors			
- enterprises	92.4	-0.1	-0.3
- households	7.5	0.1	0.3
- other	0.1	0.0	0.1

Source: National Bank of the Republic of Macedonia.

Table 11

Interest rates

	November 2007	Monthly changes	Annual changes
	in %	in percentage points	
Average weighted interest rate on the CB bills auctions (28 days)	4.7	-0.1	-1.0
Average weighted interest rate on the Money Market	3.3	-0.2	-1.5
Interest rate on three-month treasury bills	5.2	0.1	-1.0
Banks' weighted lending interest rates	9.9	-0.1	-0.9
Banks' weighted deposit interest rates	5.2	0.1	0.8

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

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



Table 12
Auctions of Treasury bills

	Supply	Demand	Realized	Weighted interest rate
	in Denar million			in %
Treasury bills auctions, 3 month				
06.11.2007	1,900	1,542	1,494	5.18
20.11.2007	1,700	1,250	1,245	5.15
Treasury bills auctions, 6 month				
06.11.2007	650	477	452	5.36

Source: Ministry of finance.

Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia

Table 13
Foreign trade of the Republic of Macedonia
(in millions of euros)

	XI.2007	I-XI.2007	XI.2007		XI.2007		I-XI.2007	
			X.2007		XI.2006		I-XI.2006	
	amount		amount	%	amount	%	amount	%
Foreign trade	575.2	5,634.6	-74.5	-11.5	150.0	35.3	1,217.6	27.6
Export	208.5	2,233.4	-7.5	-3.5	49.5	31.2	496.4	28.6
Import	366.7	3,401.3	-67.1	-15.5	100.5	37.7	721.2	26.9
Balance	-158.2	-1,167.9	59.6	-27.4	-50.9	47.5	-224.8	23.8

Source: State Statistical Office.

Table 14
Ten most important trading partners of the Republic of Macedonia, January-November, 2007
(in millions of euros)

	Foreign trade		Exports		Imports		Export/ Import coverage ratio
	amount	Share	amount	Share	amount	Share	
Republic of Macedonia	5,634.6	100.0	2,233.4	100.0	3,401.3	100.0	65.7
<i>out of which:</i>							
Serbia	712.0	12.6	420.2	18.8	291.8	8.6	144.0
Germany	662.6	11.8	319.1	14.3	343.4	10.1	92.9
Greece	563.0	10.0	287.0	12.9	276.0	8.1	104.0
Italy	429.2	7.6	231.3	10.4	197.9	5.8	116.9
Russia	419.1	7.4	15.5	0.7	403.6	11.9	3.8
Bulgaria	340.9	6.0	161.1	7.2	179.8	5.3	89.5
Croatia	179.9	3.2	107.1	4.8	72.8	2.1	147.1
Turkey	162.1	2.9	36.2	1.6	125.9	3.7	28.8
China	154.7	2.7	0.3	0.0	154.4	4.5	0.2
Spain	150.6	2.7	117.3	5.3	33.3	1.0	352.3
Total (10 largest trading partners)	3,774.1	67.0	1,695.1	75.9	2,079.0	61.1	81.5

Source: State Statistical Office.


Table 15

External debt of the Republic of Macedonia, used credits and paid liabilities
(in millions of euros)

	External debt		Credits used		Paid liabilities	
	31.10.2007	30.11.2007	X 2007	XI 2007	X 2007	XI 2007
Long-term debt	1,640.2	1,655.8	16.5	26.0	27.7	7.5
Public sector	987.9	989.9	4.8	8.1	9.6	3.7
Official creditors	766.0	769.0	4.8	8.1	9.5	3.6
Multilateral creditors	681.4	684.3	2.2	8.0	6.8	3.3
Bilateral creditors	84.6	84.8	2.6	0.1	2.7	0.3
Private creditors	222.0	220.9	0.0	0.0	0.1	0.0
Eurobonds	150.0	150.0	0.0	0.0	0.0	0.0
Other private creditors	72.0	70.9	0.0	0.0	0.1	0.0
Private sector	652.2	665.9	11.7	17.9	18.1	3.8
Private banks	149.9	152.6	0.0	2.8	4.5	0.9
Non-banking private sector	502.3	513.3	11.7	15.1	13.6	2.9
Short-term debt	171.3	176.4	19.6	3.4	8.7	3.1
Public sector	0.0	0.0	7.7	0.0	7.6	0.0
Private sector	171.3	176.4	12.0	3.4	1.0	3.1
Private banks	43.3	43.4	0.0	0.0	0.0	0.0
Non-banking private sector	127.9	133.0	12.0	3.4	1.0	3.1
TOTAL	1,811.4	1,832.2	36.1	29.4	36.3	10.5

Source: National Bank of the Republic of Macedonia.

National Bank of the Republic of Macedonia Balance sheet

Table 16

NBRM Balance sheet on 30.11.2007
(in millions of Denars)

Assets	Amount	Liabilities	Amount
Foreign assets	95,873	Reserve money	26,582
Claims on Government	1,626	NBRM instruments	19,175
Claims on banks and other financial institutions	1,345	Restricted deposits	1,101
Other assets	3,855	Foreign liabilities	0
		Government deposits	30,364
		Capital accounts	13,045
		Other liabilities	12,432
Total	102,699	Total	102,699

Source: National Bank of the Republic of Macedonia.