

National Bank of the Republic of Macedonia
Research Department



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

- ❖ *On February 4, "Mobikom Avstrija" was elected a third operator of public mobile communication networks and services throughout the territory of the Republic of Macedonia.*
- ❖ *On February 5 and on February 19, the Regulatory Energy Committee made a decision on increasing the refinery and retail prices of oil derivatives by 5.67% and 3.34% on average, respectively ("Official Gazette of the Republic of Macedonia" no. 13/2007), and by 1.36% and 0.77% on average, respectively ("Official Gazette of the Republic of Macedonia" no. 19/2007).*
- ❖ *On February 9, the first facility for production of bio-diesel fuel in Macedonia started operating in Makedonska Kamenica, financed by the Global Environment Fund and the Embassy of Great Britain in Macedonia. The production capacity of the facility is approximately thousand tons of bio-diesel a year, intended for the needs of the agricultural producers in the region, and the first quantities will be used by the agricultural association "Agro Vinka".*
- ❖ *On February 12, the company Mavrovo Engineering started constructing the plant of "Johnson Controls" at the free economic zone Bunardzik, which is to be completed within seven months.*
- ❖ *On February 12, the market of the Macedonian Stock Exchange started segmenting, and a new sub-segment Super Quotation has been separated within the Official Market. Komercijalna banka AD Skopje, Investbanka AD Skopje, "Toplifikacija" AD Skopje and "Beton" AD Skopje list their shares at this sub-segment. With the Super Quotation, the companies accept stricter rules among which: publishing more price sensitive information, submission of audited financial statements for the last three years and making profit at least in the last three years, minimum market capitalization of Euro 10 million, at least 200 shareholders and at least 20% of the principal to be in public ownership.*
- ❖ *On February 14, the Ministry of Economy published a public invitation in the domestic and foreign media for rendering 20-year concession of water for production of electricity in 60 small hydro plants on the river basins of the rivers of Vardar, Strumica and Crn Drim.*
- ❖ *On February 15, the first constitutional meeting of the Board of Directors of the newly formed Wood Industry Cluster was held, encompassing over 100 major wood and furniture manufacturers, which is the sixth within the National Entrepreneurship and Competitiveness Council. The purpose of the Cluster is to improve the competitiveness in this industrial branch.*
- ❖ *On February 16, in Brussels, the Electro-Communication Agency of the Republic of Macedonia became a member of the European Group of Regulators.*
- ❖ *On February 16, an Agreement on Leasing Buildings in the Mariovo village of Manastir was signed for a period of 99 years, by the Macedonian-Finnish firm „Life Style“ aimed at protection of the architecture, natural resources and tourism development in Mariovo. The implementation of the project should start in 12 months.*
- ❖ *On February 20, the City of Skopje Council adopted a decision on increasing the price of potable water by 98%, reaching Denar 28 for spent cubic meter of water. So far, it cost Denar 14.9.*
- ❖ *On February 20, Microsoft Academy was opened within the Faculty of Electro and Information Technology (FEIT) in Skopje, intended for the students at the University of Sts. Cyril and Methodius. This Academy is a joint project of the Microsoft company and FEIT.*
- ❖ *On February 21, the factory Vitaminka signed a Loan Agreement with the European Bank for Reconstruction and Development in the amount of Euro 4 million. The funds will be used for purchasing new modern equipment for production of cookies and biscuits.*



- ❖ *On February 22, AD ELEM signed a loan agreement in the amount of Euro 16.6 million with the German KFW bank for purchasing equipment for opening the coalmine Brod-Gneotino, which is to facilitate the operations of REK Bitola to 2025.*
- ❖ *On February 23, the Banking Association at the Chamber of Commerce of Macedonia announced its decision according to which the banks will issue backed-up checks to the citizens to June 15, and the deadline for taking the checks is December 15, 2007. The decision was adopted as a response of the initiative of the Ministry of Finance for rescinding or amending the Agreement on Issuance and Operating with Current Account Checks of the citizens, aimed at larger use of the payment cards.*
- ❖ *On February 26, the World Bank approved a grant to Macedonia in the amount of US Dollar 5.5 million for energy efficiency and sustainable energy, US Dollar 800,000 of which will be used by AD MEPSO for establishing a company for energy efficiency services and project support, and US Dollar 3.1 million will be placed through the Macedonian Bank for Development Promotion as energy efficiency loans.*
- ❖ *On February 27-28, a government and economic delegation of the Republic of Slovenia paid official visit to the Republic of Macedonia, within which a Macedonian-Slovenian business forum was held, an Agreement on Interstate Adoption and Agreement on Employment of Seasonal Workers were concluded and a new business-production complex of the company Droga Kolinska from Slovenia was opened in Skopje.*
- ❖ *In February, the Austrian group Hipo Alpe Adria, through its representative office in Skopje started providing leasing services in Macedonia, predominantly in the area of sale of automobiles and equipment.*
- ❖ *In February, the business plan of development of Sasa - lead and zinc mine, which was restarted in July 2006, was adopted, which anticipates an annual production of one million tons of ore and opening of 300 new jobs.*
- ❖ *In February, one million of euros were allocated for projects related to the Macedonian-Bulgarian trans-boundary cooperation within the FARE/KARDS Neighborhood Program between Macedonia and Bulgaria 2004-2006, concerning the activities in the area of tourism and culture. The Program has been funded by the EU, under the management of the European Agency for Reconstruction.*
- ❖ *New regulations:*
 - *Law on Amending the Law on One-Stop Shop and Maintaining Trade Registry and Registry of Other Legal Entities ("Official Gazette of the Republic of Macedonia" no. 13/2007);*
 - *Law on Technological Industrial Development Zones ("Official Gazette of the Republic of Macedonia" no. 14/2007);*
 - *Rules for Amending the Rules for the Method and Procedure for Trading in and Settling Securities Transactions on the Over the Counter Markets ("Official Gazette of the Republic of Macedonia" no. 14/2007);*
 - *Decision on Establishing Interdepartmental Rural Development Body ("Official Gazette of the Republic of Macedonia" no. 15/2007);*
 - *Law on Amending the State Statistics Law ("Official Gazette of the Republic of Macedonia" no. 21/2007);*
 - *Law on Public Internal financial Audit ("Official Gazette of the Republic of Macedonia" no. 22/2007);*
 - *Law on Amending the Competition Protection Law ("Official Gazette of the Republic of Macedonia" no. 22/2007);*
 - *Law on Amending the Law on Internal Audit in the Public Sector ("Official Gazette of the Republic of Macedonia" no. 22/2007);*
 - *Decision on the Sixth Issue of Denationalization Bonds ("Official Gazette of the Republic of Macedonia" no. 22/2007). The issue is Euro 18 million worth, with interest rate of 2% p.a. and bonds' maturity date to June 1, 2017.*

I. Economic Developments in the Republic of Macedonia¹

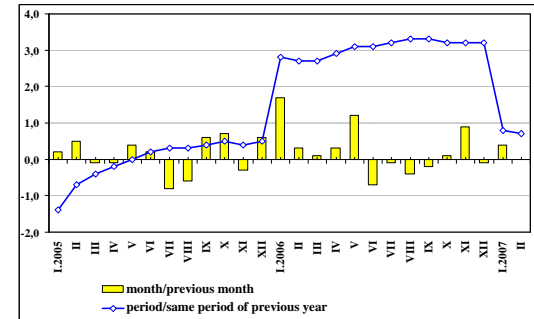
In February 2007, the level of consumer prices (measured through the consumer price index²) remained unchanged relative to the preceding month, registering a stable level of prices of the personal consumption goods and marginal fall in the service prices. Still, some index categories registered divergent movements. Thus the categories of food, culture and entertainment and health care went up slightly. On the other hand, the prices in the category of transport equipment and services decreased by 0.8% (even though the prices of oil derivatives increased according to the decisions of the Regulatory Energy Committee adopted on February 5 and February 19, 2007, reflecting the steep cut of the prices in January 2007), with a simultaneous drop being registered in the prices of wearing apparel and footwear and other services.

The stable level of prices in February resulted in lower annual and average inflation rate. On annual basis, the inflation rate in February 2007 equals 0.5%. The average inflation rate in the first two months of 2007 equals 0.7%, predominantly due to the higher prices in the housing category resulting from the higher prices of heating and electricity (due to the lower comparison base) in the food category and the category of restaurants and hotels (contribution of 0.8, 0.3 and 0.2 percentage points, respectively). On the other hand, the 5.3% lower prices in the category of transport equipment and services contribute with 0.8% to the lowering the average inflation.

¹ Source: State Statistical Office and NBRM calculations.

² Since January 2007, the consumer price index has been calculated on the basis of weights derived from the Survey of Household Consumption of 2005. Also, the index structure was modified from the aspect of the major categories, by adding two new items: Restaurants and Hotels and Other Services, making up 5.2% of the index. As a result, the share of categories of Food, Tobacco and Beverages, Wearing Apparel and Footwear and Transport Equipment and Services significantly dropped.

Figure 1
Consumer prices
(in %)



manufacturing sector were inverse, owing to the substantially lower prices of the producers of oil derivatives the effect of which was partially offset by the higher producer prices of food products and beverages, other non-metal minerals and basic metals.

The actual volume of industrial output⁴ in February 2007 registers a monthly increase of 13.5%, taking into account the low comparison base of the preceding month. The growth stems from the positive developments in the manufacturing and mining sector. The accelerated activity in the manufacturing sector contributed more to the total monthly increase in the industrial output (of 15 percentage points), due to the higher output in 15 out of 20 manufacturing branches, with the production of electrical machines and apparatuses, food products and beverages oil derivatives and tobacco products being the major contributors. The contribution of the mining sector to the overall growth in the industrial output is marginal, in spite of the increase of 21.5% (due to the lower share in the total industrial output), whereas the lower output in the energy has a negative contribution of 2 percentage points

⁴ Preliminary SSO data. Since January 2007, the State Statistical Office has applied the new National Nomenclature of Industrial Products 2005 - NNIP 2005 ("Official Gazette of the Republic of Macedonia" no. 43/2006) in the calculations of the index of actual industrial output volume and developed a new weighting structure.

II. Monetary developments

At the end of February 2007, the reserve money⁵ stood at Denar 22,628 million, increasing by Denar 658 million, or by 3% relative to the end of January. The increase in the reserve money is a result of the higher demand for currency in circulation (by Denar 459 million) and the higher level of total liquidity of the banks⁶ (by Denar 199 million).

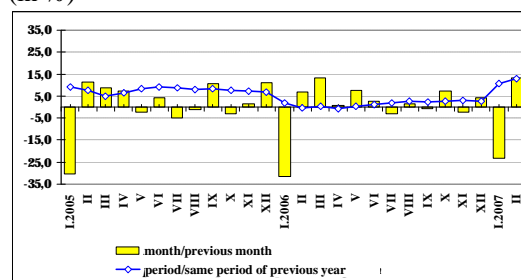
With respect to the liquidity, the NBRM foreign currency transactions⁷ in February 2007 were

⁵ The analysis refers to the reserve money, excluding reserve requirement of foreign currency deposits.

⁶ Includes cash in the vaults and banks' accounts with the NBRM.

⁷ The lower NBRM net foreign assets in January 2007 (presented in Table 1) reflects the fall in the government foreign currency deposits with the NBRM due to the repayment of the EBRD credit for pre-privatization of ESM-

Figure 2
Industrial output
(in %)



Source: State Statistical Office.

Although the fast monthly increase partially results from the low comparison base, the volume of industrial output registered in February 2007 has been higher by remarkable 14.9% relative to the same month of the preceding year, reflecting the growth in the output in the manufacturing and mining sector. Such developments resulted in fast cumulative growth of 12.9% in the industrial output in the first two months of 2007. The higher output in the manufacturing and mining sector are determinants of the growth, aggregately contributing with 14 percentage points to the cumulative growth, whereby the energy sector has a negative contribution of 1.1 percentage point. The manufacturing industry went up by 17.2%, cumulatively, as a result of the higher output in 70% of the manufacturing branches with the higher production of basic metals, products of other non-metal minerals, other transport equipment and tobacco products being the major contributors to the increase.

also directed towards liquidity creation (net purchase of foreign currency on the foreign exchange market) whereas the other autonomous factors (*Government Denar deposits with NBRM and currency in circulation*) acted towards withdrawing liquidity from the banking system. The monetary instruments in February acted towards creating liquidity on a net basis in the amount of Denar 99 million, solely due to the lower level of CB bills by Denar 464 million, and higher amount of Treasury bills for monetary purposes by Denar 365 million. The excess allocated liquidity over the reserve requirement (in Denars)⁸ in February 2007 equals 7%, which

Distribucija and the early payment of a portion of the debt to the Paris Club of Creditors.

⁸The period for maintaining (fulfilling) the banks' reserve requirement covers the period from the 11th in the current month to the 10th in the following month. The excess pertains



is by 1.3 percentage points higher relative to the preceding accounting period.

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

	31.01.2007	28.02.2007	28.02.2007 / 31.01.2007
	in millions of denars		changes in millions of denars
Liquidity of the banks (banks' account with the NBRM)	6.046	6.122	76
Liquidity creation			1.321
1. Net domestic assets	-61.914	-60.593	1.321
of t on:			
Government Denar deposits with NBRM ¹⁾	-12.770	-12.891	-121
CB bills	-11.630	-11.166	464
Treasury bills for monetary policy purposes	-4.391	-4.756	-365
Other items, net	-20.491	-21.215	-724
Liquidity withdrawal			-1.845
1. Net foreign assets	83.884	83.221	-663
2. Currency in circulation	14.527	14.986	459
3. Banks' cash in vault	1.397	1.520	123

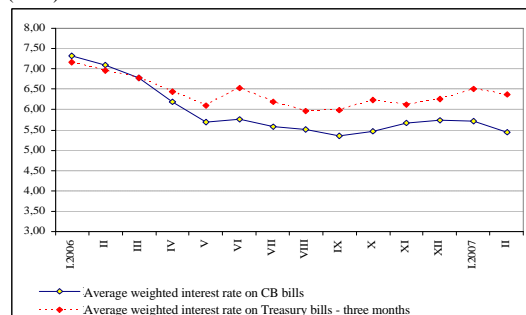
¹⁾ Treasury bills for monetary policy purposes are excluded.

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

Source: National Bank of the Republic of Macedonia.

The average weighted interest rate at the CB bills auctions equaled 5.44% in February 2007 (5.71% in January 2007), and the average weighted interest rate on three-month treasury bills in February equaled 6.38% (6.51% in the previous month).

Figure 3
Average interest rates on CB bills and Treasury bills
(in %)



Source: NBRM and Ministry of Finance.

Given the increase in the currency in circulation (of 3.2%), and in the transaction deposits (of 2.2%), in February 2007 the monthly growth rate of the monetary aggregate M1 went up by 2.6%. The monetary aggregates M2 and M4 registered an identical growth of 2.9% compared to the preceding month, and on annual basis (February 2007 / February 2006) the broader monetary aggregates M2 and M4 surged by 26.4% and 26.6%, respectively.

to funds allocated to the banks' accounts with NBRM over the reserve requirement.

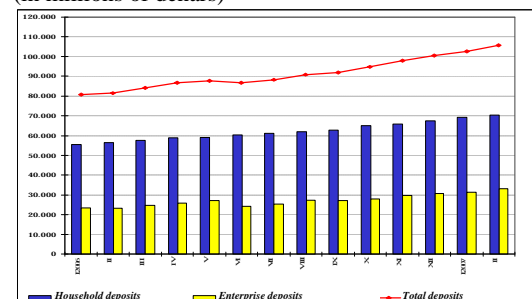
Table 2
Monetary aggregates and their components
(in millions of denars)

	28.02.2007	Monthly changes	Annual changes
		in %	in %
Currency in circulation	14.986	3,2	9,9
Demand deposits	18.447	2,2	23,3
Monetary aggregate M1	33.433	2,6	16,9
Short-term Denar deposits	39.293	5,4	49,8
Monetary aggregate M2-Denar component	72.726	4,1	32,6
Short-term foreign exchange deposits	59.754	1,5	19,6
Monetary aggregate M2	132.480	2,9	26,4
Non-monetary deposits	6.736	3,6	29,9
-Denar	3.689	2,7	17,6
- foreign exchange	3.047	4,8	48,6
Monetary aggregate M4	139.216	2,9	26,6

Source: National Bank of the Republic of Macedonia.

In February 2007, the total bank's deposits kept on growing and compared to the preceding month they rose by Denar 3,104 million, i.e. 3%. Observing the maturity, the increase in the short-term deposits makes up 92.4% of the growth in the total deposits, while analyzing the currency of denomination structure, faster increase was registered in the Denar deposits relative to the foreign currency deposits. The sector-by-sector analysis shows simultaneous growth in both the households and the corporate deposits, with the contribution of the corporate deposits playing more important role in the monthly growth in the total bank's deposits (61.3%). The steeper growth was registered in the corporate Denar deposits with maturity of up to one month, the corporate foreign currency sight deposits and Denar household deposits with maturity from six months to one year. The total deposits of the private sector in February 2007 compared to the same month of the preceding year surged by 29.9%.

Figure 4
Dynamics of deposits
(in millions of denars)

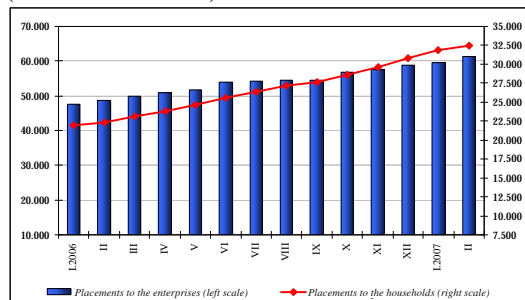


Source: National Bank of the Republic of Macedonia.

Along with the increase in the total deposits, in February 2007, the banks carried on placing funds with the private sector. Thus the total banks' placements to the private sector in February 2007 rose by Denar 2,325 million or by 2.5% on a monthly basis. With respect to maturity, the long-term credits (74.5%) are a dominant contributors to the monthly growth in

the total placements, and analyzing the currency of denomination, the contribution of the Denar placements (65%) is more significant. Analyzing the sectors, the banks increased the lending to both the households and the companies, with the credits to the corporate sector (74.8%) being dominant contributors to the monthly increase in the total placements. On annual basis (February 2007 / February 2006), the total banks' placements to the private sector went up by 32.2%.

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

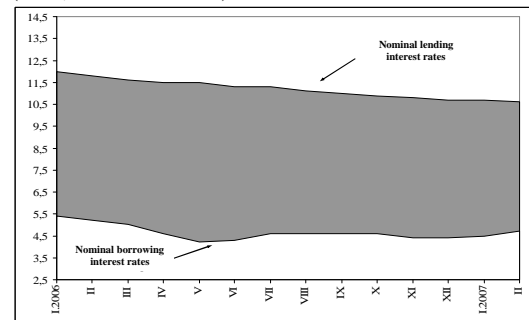


Source: National Bank of the Republic of Macedonia.

There are no considerable changes in the *banks' interest rate policy* in February 2007. The average weighted lending interest rate on Denar credits in all maturities and sectors in February 2007 equals 10.6% (10.7% in the preceding

month), whereas the average weighted deposit interest rate on Denar deposits in all maturities and sectors rose by 0.2 percentage points on a monthly basis, reaching 4.7%.

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



Source: National Bank of the Republic of Macedonia.

***Pertain to Denar loans and deposits in all maturities and sectors, including the foreign currency indexed loans and deposits.

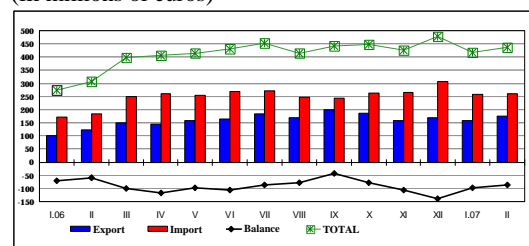
The average weighted lending and deposit interest rates on foreign currency credits and deposits in all maturities, sectors and currencies remained at the level of the previous month, and in February 2007, they equaled 8.4% and 1.8%, respectively.

III. Foreign trade and foreign exchange developments

*The foreign trade*⁹ of the Republic of Macedonia in February 2007 equaled Euro 436.3 million, being by 4.6% higher compared to the previous month, with a growth being registered in both trade components. *The export of goods* in February 2007 equals Euro 175.3 million, registering a monthly increase of 9.9%, primarily a result of the high export of wearing apparel and textile, pharmaceutical products and rocks, gypsum and cement. On annual basis, the exports went up sharply by 41.6%, mainly owing to the higher export of iron and steel and products thereof¹⁰. *The import of goods* in February 2007 stood at Euro 261 million, which is by 1.2% higher compared to January 2007. Analyzing by product, the higher imports results from the high import of vehicles, fertilizers and electrical machines and appliances. Compared to the same month of the

preceding year, the import of goods in February went up steeply by 42.1%, mainly given the higher import of iron and steel, mineral fuels and ores.

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



Source: State Statistical Office.

In February 2007, the trade deficit was valued at Euro 85.7 million, and in environment of faster increase in the exports relative to the imports, it fell by 12.9% on a monthly basis. At the same time, the import-export coverage ration equals 67.2%, which is by 5.3 percentage points higher compared to the preceding month.

⁹ Preliminary data from State Statistical Office. The export of goods is presented on f.o.b. basis, while the import of goods is presented on c.i.f. basis.

¹⁰ The activity of a larger metallurgical plant that accelerated at the end of the preceding year is a large contributor to the higher exports.



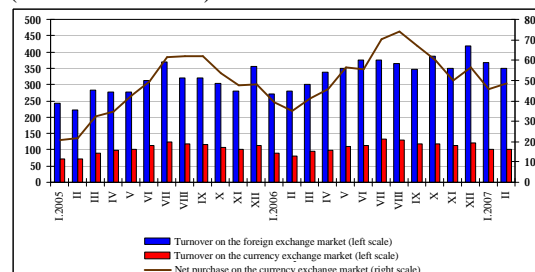
In the January-February 2007 period, the total volume of foreign trade amounted to Euro 853.5 million, and compared to the same period of the previous year it considerably rose by Euro 272.6 million or 46.9%. The growth is a result of the faster increase in the export relative to the import of goods. The export of goods was valued at Euro 334.8 million in the analyzed period, registering a cumulative growth of 48.4%, primarily owing to the higher export of iron and steel and products thereof, wearing apparel and textile and footwear (constituting 81.2% of the total growth). Furthermore, the total import of goods in the January-February 2007 period was valued at Euro 518.7 million, which is by 46% more on annual basis. The higher import in the analyzed period largely results from the higher import of iron and steel, mineral fuels and ores. In the first two months of 2007, the trade deficit stood at Euro 184 million, which is an upsurge of 41.7% compared to the same period of 2006. Still, the export-import coverage ratio went up by 1.1 percentage points and equals 64.5%.

In February 2007, the turnover on the *foreign exchange market* totaled Euro 350.4 million, which is by 4.6% less compared to the previous month. Having a higher supply of foreign currency (by 2.3%) and lower demand for foreign currency (by 4.5%), the net sale of foreign currency by the banks is by 28.2% lower on a monthly basis. The NBRM made a net purchase of foreign currency on the foreign exchange market, thus the cumulative net purchase of foreign currency on the foreign exchange market by the NBRM in the January-February period reached Euro 33.9 million. The net purchase on the foreign exchange market by the NBRM partially offset the outflow of the government foreign currency deposits due to the repayment of a portion of the debt to the Paris Club of Creditors (in February the debt to the Netherlands) and repayment of credits to EBRD for the pre-privatization of ESM. Accordingly, the *gross foreign reserves* on February 28, 2007 reached Euro 1,382.6 million, which is by Euro 34.1 million less compared to December 31, 2006.

The turnover on the *currency exchange market* in February was valued at Euro 101.8 million, which is the same as in the previous month. Having a 2% increase in the supply and 5.5% fall in the demand, a net purchase of foreign currency was made on the foreign exchange market in the total amount of Euro 48.7 million (6.6% increase on a monthly basis). The net purchase on the currency

exchange market in the January-February 2007 period was Euro 94.4 million, which is by 27.1% more relative to the same period of 2006.

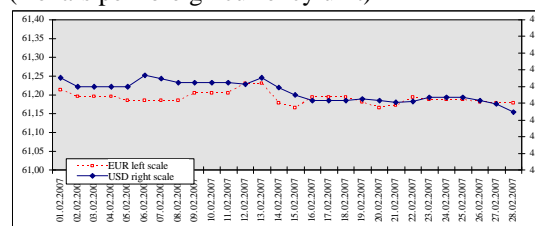
Figure 8
Movement of the total turnover on the foreign exchange and currency exchange market
(in millions of euros)



Source: National Bank of the Republic of Macedonia.

On February 28, 2007, the exchange rate of the *Denar* against the Euro on the *foreign exchange market* was Denar 61.18 per one Euro, which is virtually unchanged relative to the end of the preceding month. The exchange rate of the Denar against the US Dollar at the end of February 2007 equaled Denar 46.24 per one US Dollar, thus registering a monthly appreciation of 2% (on January 31, 2007, Denar 47.19 were exchanged per one US Dollar).

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



Source: National Bank of the Republic of Macedonia.

The *external debt of the Republic of Macedonia on the basis of long-term credits and loans* on February 28, 2007 was worth Euro 1,721.9 million, which is by Euro 24.6 million less compared to the previous month, mostly as a result of the larger payment of debts relative to funds used. In February 2007, Euro 15.5 million were withdrawn, and the repaid liabilities totaled Euro 36.6 million (Euro 32.6 million of principal and Euro 4.1 million of interest). Most of them were repayments of debt principal to EBRD by the commercial banks (Euro 20 million), whereas the lower amount is repayment of a debt to the Paris Club of Creditors (Euro 2.6 million). The



total long-term debt of the private sector amounts to Euro 555.6 million, and compared to January 2007 it reduced by Euro 14.6 million. The share of the non-banking private sector in the total debt of the private sector is higher (76.7%), and the residue is a debt of the commercial banks. *The short-term external debt*, at the end of February 2007, totals Euro 68.6 million¹¹ which is by

13.4% less on a monthly basis. In February, Euro 8 million were used on the basis of extended short-term credits, while the repaid liabilities amounted to Euro 0.1 million.

The newly concluded long-term and short-term credits in February 2007 totaled Euro 26.8 million, which is solely a debt of the private sector.

¹¹ Preliminary NBRM data.



Appendix

Developments in Real Sector in the Republic of Macedonia

Table 1
Costs of living and retail prices

	II.2007	II.2007	I-II.2007
	I.2007	II.2006	I-II.2006
	in %		
Consumer prices	0,0	0,5	0,7
Food	0,2	0,8	0,9
Tobacco and beverages	0,0	0,0	0,0
Clothing and footwear	-0,3	1,8	1,5
Housing	0,0	4,5	4,6
Flat (rent, water, services)	0,0	-0,6	-0,7
Fuel and lighting	0,0	8,7	9,0
Hygiene and health	0,3	0,1	0,0
Culture and entertainment	0,3	3,5	3,5
Transport and communication services	-0,8	-5,8	-5,3
Restaurants and hotels	0,3	3,3	3,3
Other services n.e.c.	-1,4	-1,1	-0,4
<i>Goods</i>	<i>0,0</i>	<i>1,1</i>	<i>1,2</i>
<i>Services</i>	<i>-0,1</i>	<i>-1,3</i>	<i>-1,2</i>
Retail prices	-0,1	1,2	1,4
Agricultural products	-0,5	-1,9	-0,8
Non-food industrial products	-0,5	1,3	1,8
Industrial food products	0,5	0,9	0,9
Beverages	0,0	0,2	0,4
<i>Goods</i>	<i>-0,3</i>	<i>1,0</i>	<i>1,4</i>
<i>Services</i>	<i>0,1</i>	<i>1,5</i>	<i>1,4</i>

Source: State Statistical Office of the Republic of Macedonia



Table 2
Prices of producers of industrial products*

	II.2007 I.2007	II.2007 II.2006	I-II.2007 I-II.2006
	in %		
Prices of producers of industrial products	-0,3	0,3	0,8
Energy	-0,9	-4,6	-3,1
Intermediate goods, except energy	0,0	5,6	5,0
Capital products	0,0	1,5	3,7
Durable consumer goods	0,0	0,3	1,1
Non-durable consumer goods	-0,3	-0,6	-0,1
Mining and quarrying	0,1	3,0	3,0
Manufacturing	-0,5	-1,2	-0,4
Manufacturing of food products and beverages	-0,1	1,8	2,0
Manufacturing of tobacco products	-0,1	0,6	0,6
Manufacturing of textiles	0,0	-0,5	-0,3
Manufacturing of wearing apparel; dressing and dyeing of fur	-2,7	-2,2	-1,9
Publishing, printing and reproduction of recorded media	0,2	-0,8	-1,0
Manufacture of coke, refined petroleum products and nuclear fuel	-2,8	-17,4	-13,9
Manufacture of chemicals and chemical products	-0,7	-0,1	-0,4
Manufacture of rubber and plastic products	-4,3	0,3	2,6
Manufacture of other non-metallic mineral products	0,6	2,6	2,9
Manufacture of basic metals	-0,1	14,4	12,1
Manufacture of fabricated metal products, except machinery and equipment	0,0	2,7	6,4
Manufacture of electrical machinery and apparatus n.e.c.	0,0	7,2	7,7
Electricity, gas and water supply	1,0	12,5	10,6

* Previous data

Source: State Statistical Office of the Republic of Macedonia



Table 3
Industrial output*

	Structure in %	<u>II.2007</u> <u>I.2007</u>	<u>II.2007</u> <u>II.2006</u>	<u>I-II.2007</u> <u>I-II.2006</u>
		in %		
Total	100,0	13,5	14,9	12,9
Energy	18,3	5,2	13,4	-0,3
Intermediate goods, except energy	34,1	13,3	23,7	27,4
Capital products	5,1	14,4	33,3	58,5
Durable consumer goods	2,2	10,9	-8,8	12,9
Non-durable consumer goods	40,3	19,4	7,6	5,7
Mining and quarrying	3,9	21,5	29,9	21,0
Mining of coal and lignite; extraction of peat	1,6	17,1	14,3	-0,6
Mining of metal ores	0,7	-10,4	116,1	132,2
Other mining and quarrying	1,5	57,1	19,8	10,3
Manufacturing	83,9	18,8	17,8	17,2
Manufacturing of food products and beverages	16,1	17,5	13,7	9,1
Manufacturing of tobacco products	5,7	38,4	33,7	30,9
Manufacturing of textiles	1,7	68,6	-1,3	4,5
Manufacturing of wearing apparel; dressing and dyeing of fur	11,1	16,4	-1,2	-2,4
Tanning and dressing of leather; manufacture of luggage, handbags, saddles, harness and footwear	1,5	47,1	-10,7	-14,0
Manufacture of wood and products of wood and cork, except furniture, manufacture of articles of straw and plaiting materials	1,2	-34,4	63,8	99,0
Manufacture of pulp, paper and paper products	1,1	13,4	2,6	8,0
Publishing, printing and reproduction of recorded media	3,1	-6,1	11,7	17,7
Manufacture of coke, refined petroleum products and nuclear fuel	4,5	63,1	72,0	22,5
Manufacture of chemicals and chemical products	4,6	27,1	4,9	5,6
Manufacture of rubber and plastic products	1,9	117,0	67,4	40,9
Manufacture of other non-metallic mineral products	7,3	28,9	69,7	70,1
Manufacture of basic metals	11,2	-6,5	45,7	48,1
Manufacture of fabricated metal products, except machinery and equipment	3,3	25,2	-3,5	16,5
Manufacture of machinery and equipment n.e.c.	1,4	40,7	49	44,3
Manufacture of electrical machinery and apparatus n.e.c.	3,5	96,9	-40,1	-45,0
Manufacture of motor vehicles, trailers and semi-trailers	1,1	54,3	-23,5	-20,4
Manufacture of other transport equipment	1,1	-28,2	239,4	403,3
Manufacture of furniture, manufacturing n.e.c.	2,0	-0,1	-26,3	-11,6
Recycling	0,6	18,8	-11,5	-1,2
Electricity, gas and water supply	12,2	-12,8	-4,2	-7,3

* Previous data

Source: State Statistical Office of the Republic of Macedonia



Monetary developments in the Republic of Macedonia

Table 4

National Bank accounts

(current exchange rate, in million denar)

	XII.06 ¹⁾	I.07	II.07
I. Net Foreign Assets	85116	83884	83221
Assets	87761	86503	85676
Liabilities	2645	2619	2455
II. Net Domestic Assets	-53852	-55452	-54084
Credit to banks, net	-9422	-11596	-11137
<i>Credit to banks</i>	34	34	29
Credits extended at auction	0	0	0
Repurchased agreement	0	0	0
Credits based on securities	0	0	0
Long - term credits	24	24	19
Advances	0	0	0
Other	10	10	10
Instruments	-9456	-11630	-11166
Auctions of bills	-9456	-11630	-11166
Net, Government	-30690	-29827	-28241
1. Claims on Government	2267	2267	2267
Use of Fund credit	0	0	0
Ordinary credit	0	0	0
Purchased Government sec.	1039	1039	1039
Other	1228	1228	1228
2. Government Deposits	-32957	-32094	-30508
A) In denar	-15326	-17161	-17647
Demand deposits	-15326	-17161	-17647
- Budget account	-10303	-12307	-12416
- Other budget funds	-5023	-4854	-5231
o/w - Government securities for monetary purpose	-4573	-4391	-4756
Fund for monetary policy support	0	0	0
B) In foreign currency	-17631	-14933	-12861
Central Gov.dep.	-17515	-14820	-12745
o/w Telecom	0	0	0
o/w Road fund	-81	-81	-81
Other Government deposits	-116	-113	-116
3. External account	0	0	0
Other items, net	-13740	-14029	-14706
Other assets	5727	5746	5760
Other liabilities	-5732	-5503	-5512
o/w Transitory account	-171	-25	-66
Capital account	-11819	-12335	-12463
Residual items	-1916	-1937	-2491
Reserve money	31264	28432	29137
Currency in circulation	16206	14527	14986
Cash in vaults	1526	1397	1520
Giro - accounts	13532	12508	12631
o/w Reserve requirement	6373	6462	6509

1) Definite data

Source: National Bank of the Republic of Macedonia



Table 5
Monetary Survey
(current exchange rate, in million denar)

	XII.06 ¹⁾	I.07	II.07
I. Net Foreign Assets	108042	106455	107140
<i>National Bank</i>	85116	83884	83221
Assets	87761	86503	85676
Liabilities	2645	2619	2455
<i>Deposit Money Banks</i>	22926	22571	23919
Assets	39707	38257	38837
Liabilities	16781	15686	14918
II. Net Domestic Assets	28288	29824	33173
1.Domestic credit	77176	79487	83921
of which: Claims on Gov.	-17184	-16633	-14556
a) Deposit Money Banks	107866	109314	112162
-in denar	84368	85822	87861
Government	13377	13067	13562
Credits	13355	13045	13539
a) Budget and Line Ministries	13095	12762	13241
b) Funds	260	283	298
c) Ins. of Central Gov.: Courts, etc.	0	0	0
Accrued interest	22	22	23
Non Government sector	70991	72755	74299
Credits	66410	68057	69569
of which: Overdue claims	9810	9737	9721
Accrued interest	4581	4698	4730
-in foreign currency	23498	23492	24301
Government	129	127	123
of which: Overdue	0	0	0
Non Government sector	23369	23365	24178
of which: Overdue	1650	1625	1473
b) Nat. Bank Claims on Government	-30690	-29827	-28241
2.Other items, net	-48888	-49663	-50748
of which: Claims on Gov.			
for frozen f.c. deposits	0	0	0
Accrued interest	-4603	-4720	-4753
Others	-44285	-44943	-45995



Monetary Survey (continuous)
(current exchange rate, in million denar)

	XII.06 ¹⁾	I.07	II.07
M4Total	136330	136279	140313
M4 (nonGovernment)	135131	135262	139216
M1(Total)	35436	33102	34022
M1 (nonGovernment)	34747	32583	33433
Currency in Circulation	16206	14527	14986
Demand deposits(total)	19230	18575	19036
Demand deposits(NonGov.)	18541	18056	18447
Deposit Money Banks	19207	18479	18705
NonGov. Demand deposits	18518	17960	18116
Government Demand deposits	689	519	589
a) Budget and Line Ministries	551	234	262
b) Funds	138	284	327
c) Ins. of C.Gov.: Courts, etc.	0	1	0
Nation. Bank NonGov.Demand dep.	23	96	331
M2 (Total)	129644	129731	133527
M2 (nonGovernment)	128494	128763	132480
Quasi money (Total)	94208	96629	99505
Quasi money (non Government)	93747	96180	99047
Deposit Money banks	94208	96629	99505
Non Government sector	93747	96180	99047
Denar	36317	37295	39293
Foreign currency	57430	58885	59754
Government deposits	461	449	458
Denar	460	448	457
Foreign currency	1	1	1
NBM quasi deposits	0	0	0
Nonmonetary Deposits (Total)	6686	6548	6786
Denar nonm. deposits (total)	3678	3641	3739
F.C. nonm. deposits (total)	3008	2907	3047
Nonmonetary Deposits (nonGov.)	6637	6499	6736
Denar nonm. dep.(nonG)	3629	3592	3689
F.C. nonm. dep (nonG)	3008	2907	3047
-Deposit Money Banks	6686	6548	6786
Denar nonGov. nonmonetary dep.	3629	3592	3689
F. C. nonGovern. nonmon. dep.	3008	2907	3047
Denar Gov. nonmon. deposits	49	49	50
F. C. Govern. nonmon. deposits	0	0	0
-NBM NonGov. nonm. deposits	0	0	0
Denar	0	0	0
Foreign currency	0	0	0
Total Deposits	120124	121752	125327
Total Deposits (nonGov.)	118925	120735	124230

1) Definite data

Source: National Bank of the Republic of Macedonia



Table 6
Total deposits of the non-government sector

	28.02.2007	monthly changes		annual changes		structure
	in Denar million	in Denar million	in %	in Denar million	in %	in %
Total deposits	105.783	3.104	3,0	24.380	29,9	100,0
1. According to maturity						
- short-term	99.047	2.867	3,0	22.831	30,0	93,6
- long-term	6.736	237	3,6	1.549	29,9	6,4
2. According to currency of denomination						
- In denar	42.982	2.095	5,1	13.609	46,3	40,6
- In foreign currency	62.801	1.009	1,6	10.771	20,7	59,4

Source: National Bank of the Republic of Macedonia

Table 7
Households and enterprises deposits

	structure in %	28.02.2007	monthly changes		annual changes	
		in Denar million	in Denar million	in %	in Denar million	in %
Total households deposits	100,0	70.395	1.205	1,7	13.854	24,5
1. According to maturity						
- short-term	94,2	66.325	1.099	1,7	12.678	23,6
- long-term	5,8	4.070	106	2,7	1.176	40,6
2. According to currency of denomination						
- In denar	34,7	24.418	975	4,2	8.342	51,9
- In foreign currency	65,3	45.977	230	0,5	5.512	13,6
Total enterprises deposits	100,0	33.122	1.901	6,1	10.062	43,6
1. According to maturity						
- short-term	96,2	31.870	1.783	5,9	10.141	46,7
- long-term	3,8	1.252	118	10,4	-79	-5,9
2. According to currency of denomination						
- In denar	50,0	16.560	1.109	7,2	4.847	41,4
- In foreign currency	50,0	16.562	792	5,0	5.215	46,0

Source: National Bank of the Republic of Macedonia



Table 8

Demand deposits of households and enterprises

	28.02.2007	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Demand deposits	18.447	391	2,2	3.486	23,3
- Demand deposits of households	3.702	96	2,5	836	27,4
- Demand deposits of enterprises	12.366	24	0,2	2.383	23,9

Source: National Bank of the Republic of Macedonia

Table 9

Placements to households and enterprises

	28.02.2007	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Total placements	93.747	2.325	2,5	22.844	32,2
<i>Denar placements</i>	69.569	1.512	2,2	16.420	30,9
<i>of which:</i>					
- enterprises	38.766	916	2,4	7.124	22,5
- households	30.689	583	1,9	9.280	43,3
<i>Foreign currency placements</i>	24.178	813	3,5	6.424	36,2
<i>of which:</i>					
- enterprises	22.472	822	3,8	5.579	33,0
- households	1.705	-9	-0,5	852	2 ,times

Source: National Bank of the Republic of Macedonia



Table 10

Maturity and sector structure of Denar and foreign currency placements

	Share on 28.02.2007 (in %)	Monthly change (in percentage points)	Annual change (in percentage points)
Denar placements	100,0		
maturity structure			
- short-term	46,0	-0,4	-5,7
- long-term	54,0	0,4	5,7
structure by sectors			
- enterprises	55,7	0,1	-3,8
- households	44,1	-0,1	3,8
- other	0,2	0,0	0,0
Foreign currency placements	100,0	0,0	0,0
maturity structure			
- short-term	24,8	-0,1	-1,7
- long-term	75,2	0,1	1,7
structure by sectors			
- enterprises	92,9	0,3	-2,2
- households	7,1	-0,3	2,2
- other	0,0	0,0	0,0

Source: National Bank of the Republic of Macedonia

Table 11

Interest rates

	February, 2007	Monthly changes	Annual changes
	in %	in percentage points	
Average weighted interest rate on the CB bills auctions (28 days)	5,4	-0,3	-1,7
Average weighted interest rate on the Money Market	4,2	-0,6	-2,5
Interest rate on three-month treasury bills	6,4	-0,1	-0,6
Banks' weighted lending interest rates	10,6	-0,1	-1,2
Banks' weighted deposit interest rates	4,7	0,2	-0,5

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				
06.02.2007	900,0	1.083,7	900,0	6,44
20.02.2007	850,0	704,3	704,3	6,30
Treasury bills auctions, 6 month				
06.02.2007	350,0	302,9	302,9	6,78

Source: Ministry of finance

Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia

Table 13
Foreign trade of the Republic of Macedonia
(in EURO million)

	II.2007	I-II.2007	II.2007		II.2007		I-II.2007	
	amount		amount	%	amount	%	amount	%
Foreign trade	436,3	853,5	19,1	4,6	128,8	41,9	272,6	46,9
Exports	175,3	334,8	15,9	9,9	51,5	41,6	109,2	48,4
Imports	261,0	518,7	3,2	1,2	77,3	42,1	163,4	46,0
Balance	-85,7	-184,0	12,6	-12,9	-25,8	43,0	-54,2	41,7

Source: State Statistical Office.

Table 14
Ten most important trading partners of the Republic of Macedonia, January-February, 2007
(in EURO million)

	Foreign trade		Exports		Imports		Import- export coverage ratio
	amount	Share	amount	Share	amount	Share	ratio
Republic of MACEDONIA	853,5	100,0	334,8	100,0	518,7	100,0	64,5
<i>out of which:</i>							
Germany	109,4	12,8	56,7	16,9	52,7	10,2	107,5
Serbia	95,5	11,2	58,7	17,5	36,9	7,1	159,2
Greece	88,4	10,4	44,2	13,2	44,2	8,5	99,9
Russia	81,0	9,5	2,6	0,8	78,4	15,1	3,3
Italy	58,3	6,8	32,6	9,7	25,7	5,0	126,7
Bulgaria	46,5	5,4	19,8	5,9	26,7	5,1	74,3
Spain	29,9	3,5	24,3	7,2	5,6	1,1	429,6
Croatia	26,9	3,1	15,3	4,6	11,6	2,2	132,2
Belgium	22,7	2,7	0,0	0,0	22,7	4,4	0,0
Romania	21,0	2,5	18,4	5,5	2,6	0,5	710,1
Total (10 largest trading partners)	579,6	67,9	272,5	81,4	307,2	59,2	88,7

Source: State Statistical Office.


Table 15

External long-term debt of the Republic of Macedonia, used credits and paid liabilities
(in EURO million)

	External debt		Credits used		Paid liabilities	
	31.01.2007	28.02.2007	I 2007	II 2007	I 2007	II 2007
Long-term debt	1.746,5	1.721,9	10,5	15,5	57,5	36,6
Public sector	1.176,3	1.166,3	0,9	4,1	53,5	9,7
Official creditors	944,3	935,4	0,9	4,1	50,9	9,6
Multilateral creditors	837,0	830,4	0,7	2,3	5,1	5,7
Bilateral creditors	107,3	105,0	0,2	1,8	45,9	3,9
Private creditors	232,0	230,9	0,0	0,0	2,6	0,0
Eurobonds	150,0	150,0	0,0	0,0	0,0	0,0
Other private creditors	82,0	80,9	0,0	0,0	2,6	0,0
Private sector	570,2	555,6	9,6	11,4	4,0	27,0
Private banks	141,9	129,6	5,2	10,4	0,2	23,8
Non-banking private sector	428,3	426,0	4,5	0,9	3,7	3,2
Short-term debt	60,5	68,6	12,3	8,0	0,2	0,1
Public sector	0,0	0,0	0,0	0,0	0,0	0,0
Private sector	60,5	68,6	12,3	8,0	0,2	0,1
Private banks	11,4	16,0	9,8	4,6	0,0	0,0
Non-banking private sector	49,1	52,6	2,5	3,5	0,2	0,1
TOTAL	1.807,1	1.790,5	22,8	23,5	57,7	36,7

Source: National Bank of the Republic of Macedonia

National Bank of the Republic of Macedonia Balance sheet

Table 16

NBRM Balance sheet on 28.02.2007
(in million Denars)

Assets	Amount	Liabilities	Amount
Foreign assets	85.676	Reserve money	22.628
Claims on Government	2.854	NBRM instruments	11.166
Claims on banks and other financial institutions	1.347	Restricted deposits	709
Other assets	4.443	Foreign liabilities	2.455
		Government deposits	32.702
		Capital accounts	12.463
		Other liabilities	12.197
Total	94.320	Total	94.320

Source: National Bank of the Republic of Macedonia