

National Bank of the Republic of Macedonia
Research Department



Monthly Report 6 / 2007

August, 2007

CONTENTS

Important economic events and amendments to the legal regulations in the Republic of Macedonia in June 2007	3
I. Real sector development	5
II. Monetary developments in the Republic of Macedonia	6
III. Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia	8
Appendix - tables	11



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

- ❖ *In the period from June 1 till June 15 the State Statistical Office conducted a Census of Agriculture, which is expected to provide relevant information about the number of individual agriculture economies, on the total used land estate for agriculture, fishing and forestry, about the cattle fund by species and by categories, the agricultural mechanization and equipment, the agrotechnical measures by type and by the area of the land they are applied on, the labor force engaged in this activity etc.*
- ❖ *On June 1, the regular installments of the existing issues of Government denationalization bonds fell due.*
- ❖ *On June 4, an Agreement on buying the Macedonian insurance company „Vardar Osiguruvanje“ was signed by the Slovenian group „Zavarovalnica Triglav“ in Belgrade.*
- ❖ *On June 11, the Energy Regulatory Commission took a decision on increasing the refinery and retail prices of oil derivatives by 1.45% and 1.35%, on average, respectively, ("Official Gazette of RM" no. 72/2007), and in accordance with the decision of June 25 the prices were increased by 2.27% and 1.78%, on average, respectively ("Official Gazette of RM" no. 79/2007).*
- ❖ *In the second decade of June, in the Republic of Macedonia the World Bank conducted a preparatory mission, discussing the improvement in implementing the reforms planned with the third Programmatic Development Policy Loan - PDPL 3, which envisages support of the activities for reforming the judiciary, the labor market, the business environment and the regulatory reform, the reforms in the financial and banking sectors, the public health and the process of decentralization.*
- ❖ *On June 11, The Ministry for Finance made an early repayment of five credits to the World Bank, in total amount of Euro 96.1 million.*
- ❖ *On June 12, The Credit Rating Agency „Standard & Poor's“ improved the credit rating of the Republic of Macedonia on non-guaranteed debt in foreign currency from "BB+" to "BBB-", as a result of the new method called "credit rating renewal" in the segment of the capability of countries to service the non-guaranteed debt in foreign currency.*
- ❖ *On June 12, an agreement was concluded between ESM-EVN Macedonia and the Government of the Republic of Macedonia on building energetic objects in the technological-industrial development zone "Bunardzik", and this company will start with the construction of 110 kilo-volt transformer station "Bunardzik" and connecting 110 kilo volt long-distance power line.*
- ❖ *On June 12, funds in the amount of Euro 15 million were granted to the Republic of Macedonia by the World Bank, for the Project on reinforcement of the agricultural sector. This Project should improve the providing of the Government support to the agricultural sector in a way that corresponds with the pre-accession requirements for admission to the European Union.*
- ❖ *On June 13, started the building of the dam Knezevo on the Osogovo Mountains, as a part of the hydro-system Zletovica.*
- ❖ *On June 14 in Brussels, the fourth meeting of the Stabilization and Association Committee between EU and Macedonia was held.*
- ❖ *On June 14, an organized export of agricultural products from Macedonia to Croatia started, with intermediation of the Croatian company „Agrokor“. In the next two years this company is expected to invest Euro 200 million for building more purchasing centers for agricultural products in the Republic of Macedonia.*
- ❖ *On June 15, the Commission on Stock Exchange Index conducted the regular revision of the MBI - 10 Index, when a limitation was established related to the participation of a particular share in the Index, which should not go over 25 percents. The participation of a single share in the Index is determined by the amount of its market capitalization on the day of revision divided with the total market capitalization of all shares that are part of the Index on the day of revision.*
- ❖ *On June 28, the Greek company "Cosmotel Co" and the Bulgarian company "Nekskom Macedonia" were granted permits for fixed wireless internet-access at the national level, known as WiMAX.*
- ❖ *On June 29, the National Strategy for Development of the Agronomy and of the Rural Environments in the period 2007-2013 was presented whose goals are the following: competitive agriculture, production of safe and quality food and rational using of the land, woods and water.*
- ❖ *New regulations:*
 - Banking Law ("Official Gazette of RM" no. 67/2007);
 - Law on ratification of Protocol 2 of the Agreement on Free Trade between the Republic of Macedonia and the Republic of Turkey ("Official Gazette of RM" no. 68/2007);

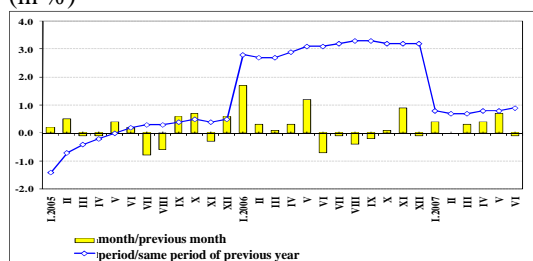


- *Law on ratification of the Protocol of the Agreement between the Government of the Republic of Macedonia and the Government of the Republic of Bulgaria on mutual protection and stimulation of the investments ("Official Gazette of RM" no. 68/2007);*
- *Law on ratification of the Agreement for amending and joining Central-European Agreement on free trade ("Official Gazette of RM" no. 69/2007);*
- *Law on employment and work of foreigners ("Official Gazette of RM" no. 70/2007);*
- *Law on foundation an Agency for Financial Support of the Agricultural and Rural Development ("Official Gazette of RM" no. 72/2007);*
- *Law on ratification of the Trilateral Convention related to the Trans Balkan oil-pipeline system between Republic of Albania, Republic of Bulgaria and Republic of Macedonia ("Official Gazette of RM" no. 74/2007);*
- *Law on amending the Law for Consumer Protection ("Official Gazette of RM" no. 77/2007);*
- *Law on amending the Law on Insurance Supervision ("Official Gazette of RM" no. 79/2007);*
- *Law on amending the Law on Industrial Property ("Official Gazette of RM" no. 79/2007);*
- *Law on ratification of the Agreement between the Government of the Republic of Macedonia and the Government of the Republic of Slovenia on employment of seasonal workers ("Official Gazette of RM" no. 81/2007).*

I. Real sector development

In June 2007, the inflation rate registered minimal decrease of 0.1%, on monthly basis, mainly reflecting the fall in the prices of goods used for personal consumption, in condition of minimal growth of service prices. The negative change of the inflation index was solely due to the price fall in the category "food" (by 0.8%, or contribution of 0.3 p.p. in the total monthly deflation), mainly as a result of the seasonal growth of the prices of fresh vegetable. The decreased prices of the education means and the prices of the services for education and development also had minimal additional contribution in the same direction. On the other hand, the prices in the category "transport equipment and services" acted towards increasing the inflation (growth of 0.7%, or contribution of 0.1 p.p., mainly due to the higher prices of oil derivatives, in accordance with the decisions of the Energy Regulatory Commission - ERC, dated May 28 and June 11, 2007), as well as the minimal contribution of the increased prices in the category "hygiene and health".

Figure 1
Consumer prices
(in %)



Source: State Statistical Office.

On annual basis, in June 2007, the inflation equaled 1.3%, which determined minimal growth of the average inflation rate (by 0.1 p.p.) that equaled 0.9% in the period January-June 2007. In conditions of an increase in the prices of goods and decrease in the service prices, the average inflation rate was still under the influence of the same determinants as in the first five months of the year (higher prices for heating and electricity, growth of food prices as well as of the prices in the categories "culture and entertainment" and "restaurants and hotels", with continuous negative contribution of the prices in the category "transport equipment and services").

In June 2007, the producer prices² registered increase by 1.1% compared to the previous month. The monthly growth was a result mainly of the higher prices of the producers of oil derivatives (contribution of 1.0 p.p. to the total growth, in accordance with the increase in the refinery prices by the decisions of REC dated May 28 and June 11, 2007). In most of the manufacturing branches stable producer prices were registered, while just some of them registered minimal developments. The energetic sector also gave an additional minimal contribution to the total growth of producer prices (growth of 1.7%), while the producer prices in the mining sector had minimal negative effect.

The growth of the producer prices, on monthly basis, determined their increase on annual basis by 1.0% and minimal intensifying of the average growth rate, which in the first half of 2007 reached 0.7%. The largest inflationary influence on cumulative basis had the higher electricity prices (contribution of 1.4 p.p., because of the higher prices of heating and electricity). The prices in the manufacturing sector partially mitigated the total growth of the producer prices, under the influence of the effect from the lower prices of the producers of oil derivatives. However, the prices of the producers of food products and beverages, construction materials and basic metals, which are part of the manufacturing sector, registered further growth.

After reducing the monthly production in April and May, in June 2007, the actual volume of the industrial output³ again registered growth of 6.6% on monthly basis. The increased production came out solely from the positive developments in the manufacturing sector (increase in the production of about 10%), with output growth being registered in 80% of the manufacturing branches. Dominant factor for the growth in this sector was the oil industry, which in June exceeded the output from the last month by 4 times, but these developments emanated from the low comparison basis from the previous month⁴. The production of electrical machinery apparatus had a significant contribution, which was by 2.7

² Preliminary SSO data..

³ Preliminary SSO data.

⁴ Due to the general overhaul of the production facilities in May 2007.

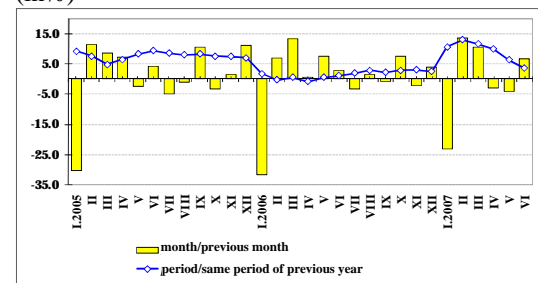


times higher compared to the previous month, as well as the higher output of tobacco products and clothes. The energetic and the mining sectors continued registering low performances on a monthly basis, due to the overhauls in two thermal power stations, which determined also the decrease in the extraction of hard coal and lignite (mainly intended for one of the thermal power stations), so these sectors in June had a negative effect on the total industrial output.

Despite the positive monthly growth rate, the fall of the industrial output intensified on annual basis and reached 7.1% in June which was mainly due to the lower production of electricity, wearing apparel and oil derivatives. In the same time, the cumulative growth rate went down from 6.3% in May, to 3.6% in June, with negative annual growth rate of the industry of 2.5% in the second quarter of 2007. The increased output of basic metals, as well as the continuous intensive growth of the production of construction materials (products of other non-metal minerals) continued being the main generators of the cumulative growth and in the first half of the year they registered high cumulative growth rates. The production of food products and beverages registered respectable growth rate of 5.5% and had significant contribution as a dominant branch. In the second quarter, were registered negative annual growth rates in the tobacco industry (that coincided with the partial increase of the cigarette prices from April 2007, due to the

increase in the excise duties), which in the same time resulted with negative cumulative growth rate in this branch, in the first half of the year. Generally observed, growth of the production was registered in half of the manufacturing branches, which created 53% of the overall production in the manufacturing industry. The rest of them registered output growth with dominant negative influence of the production of the electrical machinery apparatus and of wearing apparel. Within the mining sector, only the increase in the extraction of metal ores continued to contribute positively. In the first half of 2007, the sharper fall of the electricity output had the most negative influence over the total industrial output which equaled 14.1%.

Figure 2
Industrial output
(in%)



Source: State Statistical Office.

II. Monetary developments

In June 2007, the *reserve money*⁴ registered increase of 4.3%, on monthly basis, as a result of the simultaneous growth of the *demand for the currency in circulation* and of the *total banks' liquid assets*⁵.

During the month, the *NBRM foreign currency transactions*⁶ (realized net purchase of foreign currencies on the foreign exchange market) and the *Government Denar deposits with the NBRM* acted towards creating liquidity, which was mostly sterilized through the *monetary instruments* and the *currency in circulation*. In June 2007, the

banks allocated 3.7% over the reserve requirement (in Denars)⁷, which represented historically lowest liquidity excess, compared to the reserve requirement (decrease of 5.1 percentage points relative to the preceding accounting period).

⁴ The analysis refers to the reserve money, excluding reserve requirement on foreign currency deposits.

⁵ Includes the cash in the vaults and banks' accounts with the NBRM.

⁶ The decrease in the net foreign assets of NBRM (shown in Figure 1) was due to the fall of the Government foreign currency deposits with NBRM because of the early repayment of the debt to the World Bank.

⁷ The 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 to funds allocated to the banks' accounts with NBRM over the reserve requirement.



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

	31.05.2007	30.06.2007	30.06.2007/31.05.2007
	in millions of denars		changes in millions of denars
Liquidity of the banks (banks' account with the NBRM)	6.861	7.455	594
Liquidity creation			4.088
1. Net domestic assets	-66.935	-62.901	4.034
of which:			
Government Denar deposits with NBRM ¹	-14.637	-13.725	912
CB bills	-13.784	-15.095	-1.311
Treasury bills for monetary policy purposes	-7.166	-8.082	-916
Other items, net	-21.056	-21.337	-281
2. Banks' cash in vault	1.644	1.590	54
Liquidity withdrawal			-3.494
1. Net foreign assets	90.799	87.790	-3.009
2. Currency in circulation	15.359	15.844	485

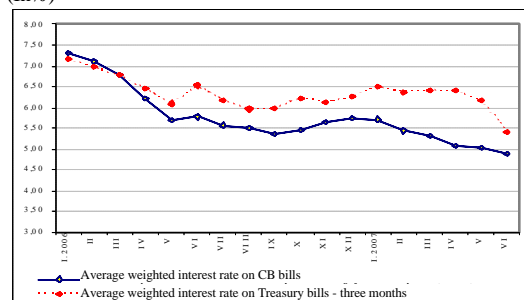
¹ Treasury bills for monetary policy purposes are excluded.

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

Source: National Bank of the Republic of Macedonia.

In conditions of a reduction of the maximum interest rate by the Ministry of Finance⁸, the interest rate on the Treasury bills (with maturity of three months) registered intensive monthly fall and was followed by decrease in the interest rate on the CB bills. Thus, in June 2007, the average weighted interest rate on Treasury bills with maturity of three months, equaled 5.41% (6.16% in the previous month) while on the auctions of CB bills, average weighted interest rate of 4.90% was realized (5.04% in May 2007).

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



Source: NBRM and the Ministry of finance.

In June 2007, the monetary aggregate M1 registered growth of 1% on monthly basis, which in conditions of decrease of the demand deposits (by 0.6%), was solely due to the increased demand for currency in circulation (monthly growth of 3.2%). These developments, together with the intensified growth of the total deposits resulted in monthly growth in the broader monetary aggregates M2 and M4 of 2.7% and 2.6%, respectively. On annual basis (June 2007 / June 2006), the broader monetary aggregates M2 and M4 were higher by 31.4% and 32.2%,

⁸ At the auction for three month Treasury bills, dated 19.06.2007, the maximum interest rate equaled 5.60%, compared to 6.35% at the last auction held in May 2007.

respectively, which was partially due to the lower comparison basis from June 2006⁹.

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

	30.06.2007	mesecna promena	godina promena
	godina	vo %	vo %
Gotovi pari vo optek	15.844	3,2	8,7
Depozitni pari	20.475	-0,6	26,5
Monetaren agregat M1	36.319	1,0	18,0
Kratkoročni denarski depoziti	48.389	6,0	72,4
Monetaren agregat M2-denarski del	84.708	3,8	44,0
Kratkoročni devizni depoziti	62.001	1,2	17,4
Monetaren agregat M2	146.709	2,7	31,4
Nemonetarni depoziti	8.443	1,0	48,4
-denarski	4.888	4,4	50,2
-devizni	3.555	-3,2	46,1
Monetaren agregat M4	155.152	2,6	32,2

Source: National Bank of the Republic of Macedonia.

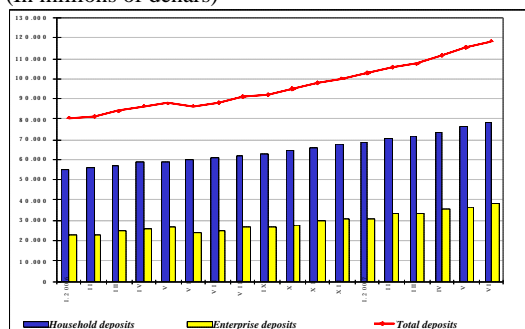
During June 2007, the banks' deposit base continued to grow and on monthly basis it rose by Denar 3,545 million, or by 3.1%. The saving of the private sector on short term continued being the main creator of the additional deposit potential of banks, which determined 97.5% of the monthly change of the total deposits. With respect to the currency of denomination that the private sector prefers to save in, the Denar deposits had dominant contribution of 83.1% in the growth of total deposits. In conditions of simultaneous growth of the household and corporate deposits, the sector analysis showed higher contribution of the corporate sector in the monthly change of the total deposit base. On annual basis (June 2007 / June 2006), the growth rate of the total banks' deposit potential equaled 37.3%¹⁰.

⁹ In June 2006, due to the purchase of the Government bonds, significant outflow of the corporate deposits from the banking system was registered, which determined monthly decrease in the total deposits and moderate decrease in the broader monetary aggregates.

¹⁰ The high annual growth of the total banks' deposits partially reflects the lower comparison basis from June 2006 (see footnote 9).



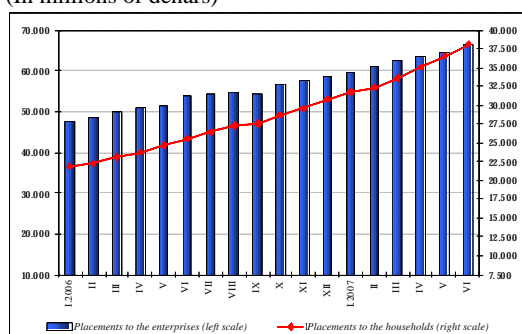
Figure 4
Dynamics of deposits
(In millions of denars)



Source: National Bank of the Republic of Macedonia.

In June 2007, the total banks' credits to the private sector were higher by Denar 3,955 million, or by 3.9% on monthly basis. According to the analysis of the maturity, 71.6% of the growth of the total banks' credits resulted from the long-term debt of the private sector. Regarding the currency of denomination, the contribution of Denar loans¹¹ maintained the dominant position in the growth of the banks' credit activity, while according to the distribution by sectors, the corporate sector remained the more significant credit user (with contribution of 60.3% in the monthly growth of the total credits). In June 2007, the annual growth rate of the total banks' credits to the private sector equaled 32%.

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



Source: National Bank of the Republic of Macedonia.

¹¹ Includes Denar credits with FX clause.

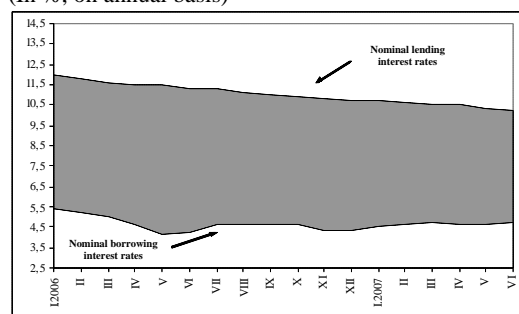
III. Foreign trade and foreign exchange developments

In June 2007, the total foreign trade¹³ equaled Euro 529.4 million and compared to the previous month

¹³ 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.

There were no considerable changes in the banks' interest policy in June 2007. Thus, the average weighted lending interest rate on Denar credits for all maturities and sectors, in June 2007 equaled 10.2%, which represents a decrease of 0.1 percentage point relative to the previous month, while the average weighted deposit interest rate on Denar deposits for all maturities and sectors went up by 0.1 percentage point and equaled 4.8%, on monthly basis.

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



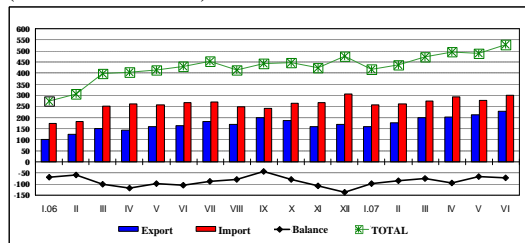
Source: National Bank of the Republic of Macedonia.

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

In June 2007, the average weighted lending and deposit interest rates on foreign currency credits and deposits for all maturities, sectors and currencies equaled 8.4% and 1.9%, respectively, and compared to the previous month did not register any changes.

the higher export of wearing apparel and textile, tobacco, footwear and iron and steel. Compared to the same month of the previous year, the export was higher by 40.5%, which mainly resulted from the higher export of iron and steel and products thereof, wearing apparel and textile, footwear, ores and tobacco. In June 2007, the import of goods equaled Euro 300.3 million and compared to May 2007 realized growth of 7.9%. Analyzing by products, such import growth resulted from the increase registered in the import of ores, mineral fuels, sugar and products thereof and pharmaceutical products. On annual basis, the import went up by 12.1%, with more significant participation of the higher import of ores, vehicles, equipment and electrical machines.

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



Source: State Statistical Office of the Republic of Macedonia.

Given the simultaneous growth of both components of foreign trade, the trade deficit went down by 7.9%, on monthly basis. In June 2007, the import-export coverage ratio remained unchanged, compared to the previous month and equaled 76.3%.

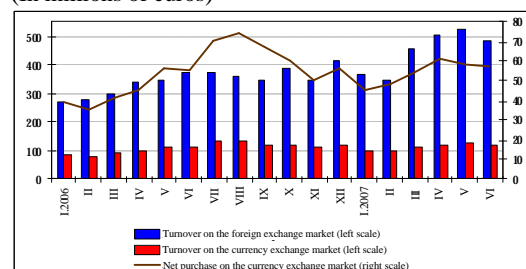
In the period January - June 2007, the overall foreign trade equaled Euro 2.842,2 million and compared to the same period of the previous year, went up by 27.3%, with simultaneous growth of both trade categories. The export of goods in the analyzed period registered cumulative growth of 39.8% and equaled Euro 1,177.7 million. Such growth was result mainly of the higher export of iron and steel and products thereof by 2.2 times and also of the higher export of wearing apparel and textile, ores, footwear, food and beverages. In the period January - June 2007, the total import of goods equaled Euro 1,664.5 million and compared to the same period of 2006 registered growth of 19.7%, which was mainly due to the higher import of iron and steel and products thereof, ores, vehicles, equipment and electrical machines. In the period January - June 2007, compared to the same period of 2006, trade deficit of Euro 486.8 million was realized, which was by 11.2% lower on annual basis. The import-

export coverage ratio went up by 10.2 percentage points, reaching 70.8%.

In June 2007, the total turnover on the *foreign exchange market* equaled Euro 481.7 million and on a monthly basis went dropped by 8%. In conditions of more intensified fall of the supply relative to the demand for foreign exchange (by 18.9% and 3.7%, respectively), the banks' foreign currency net sale to the companies registered a twofold increase. NBRM realized net purchase of foreign exchange at the foreign exchange market in the amount of Euro 36.1 million, which was by 17.2% lower compared to the previous month. In the period January - June 2007, the net purchase of foreign exchange on the foreign exchange market by NBRM amounted to Euro 213.2 million. On June 30, 2007, *gross foreign reserves* equaled Euro 1,418.4 million and on monthly basis went down by 3.2%, which was mainly due to the early repayment of the debt to the World Bank.

In June 2007, the turnover on the *currency exchange market* equaled Euro 120.2 million and compared to the previous month it went down by 2.2%. In conditions of simultaneous decrease of the supply and the demand for foreign currencies (of 2.3% and 1.7%, respectively), net purchase in amount of Euro 57.3 million was realized, which represented monthly fall of 2.7%. On cumulative basis, in the period January - June 2007, the net purchase on the currency exchange market reached Euro 325.9 million, which represented growth of 19.2% compared to the same period of the last year.

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



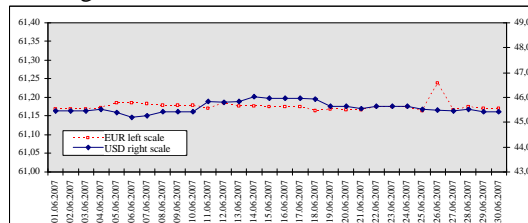
Source: National Bank of the Republic of Macedonia.

On June 30, 2007, the *exchange rate of the Denar* against the Euro was stable and amounted to Denar 61.17 per one Euro (at the end of May 61.19 were exchanged per Euro). At the end of June 2007, the exchange rate of the Denar against the US Dollar equaled Denar 45.42 per US Dollar and compared to the end of the previous



month registered appreciation of 0.4% (at the end of May Denar 45.60 were exchanged per US 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 30.06.2007, the external debt¹⁴ of the Republic of Macedonia based on long-term credits and loans equaled Euro 1.646,8 million

¹⁴ Preliminary NBRM data.

and compared to the previous month it was lower by Euro 68.3 million which was a result of the higher amount of repaid liabilities (repayment of the debt to the World Bank). Thus, the total repaid liabilities in June 2007 amounted to Euro 106.7 million (out of which Euro 101.3 million of principal and Euro 5.5 million of interest). In the same time, funds in the amount of Euro 33.9 million were used, out of which the largest part was for the public sector (53%). On June 30, 2007, the total long-term debt of the private sector equaled Euro 634 million and on monthly basis went up by Euro 12.9 million. Such monthly dynamics was determined solely by the debt of the non-banking private sector (participation of 77.1%). The short-term external debt went up by Euro 7.2 million, on a monthly basis reaching Euro 123.5 million. In June 2007, credits in the amount of Euro 4.3 million were concluded solely by the private sector and 74.9% of them were long-term credits.



Appendix

Developments in Real Sector in the Republic of Macedonia

Table 1
Costs of living and retail prices

	<u>VI.2007</u> <u>V.2007</u>	<u>VI.2007</u> <u>VI.2006</u>	<u>I-VI.2007</u> <u>I-VI.2006</u>
	in %		
Consumer prices	-0,1	1,3	0,9
Food	-0,8	1,1	0,7
Tobacco and beverages	0,0	2,1	1,1
Clothing and footwear	0,0	0,8	1,4
Housing	0,0	6,0	5,5
Flat (rent, water, services)	0,0	6,3	4,1
Fuel and lighting	0,0	7,9	8,3
Hygiene and health	0,4	1,0	0,2
Culture and entertainment	-0,3	2,4	3,3
Transport and communication services	0,7	-3,7	-4,6
Restaurants and hotels	0,0	3,1	3,3
Other services n.e.c.	0,0	11,7	4,4
<i>Goods</i>	<i>-0,2</i>	<i>1,9</i>	<i>1,4</i>
<i>Services</i>	<i>0,1</i>	<i>-0,6</i>	<i>-0,9</i>
Retail prices	0,1	2,6	2,0
Agricultural products	-2,7	3,9	-1,3
Non-food industrial products	0,5	3,8	2,8
Industrial food products	0,1	0,7	0,8
Beverages	0,0	0,4	0,5
<i>Goods</i>	<i>0,2</i>	<i>2,9</i>	<i>1,9</i>
<i>Services</i>	<i>0,1</i>	<i>2,2</i>	<i>2,1</i>

Source: State Statistical Office of the Republic of Macedonia



Table 2
Prices of producers of industrial products*

	<u>VI.2007</u> <u>V.2007</u>	<u>VI.2007</u> <u>VI.2006</u>	<u>I-VI.2007</u> <u>I-VI.2006</u>
	in %		
Prices of producers of industrial products	1,1	1,0	0,7
Energy	4,7	2,9	-1,7
Intermediate goods, except energy	0,0	3,5	5,2
Capital products	0,0	0,9	1,8
Durable consumer goods	0,0	0,0	0,5
Non-durable consumer goods	-0,1	-1,7	-1,1
<i>Mining and quarrying</i>	<i>-0,4</i>	<i>-0,6</i>	<i>0,9</i>
<i>Manufacturing</i>	<i>1,0</i>	<i>-0,6</i>	<i>-0,8</i>
Manufacturing of food products and beverages	0,0	0,4	1,3
Manufacturing of tobacco products	0,0	-0,6	0,0
Manufacturing of textiles	0,0	-0,5	-0,5
Manufacturing of wearing apparel; dressing and dyeing of fur	0,0	-2,3	-2,1
Publishing, printing and reproduction of recorded media	0,0	0,0	-0,6
Manufacture of coke, refined petroleum products and nuclear fuel	7,7	-6,6	-12,9
Manufacture of chemicals and chemical products	-0,8	-2,1	-0,6
Manufacture of rubber and plastic products	0,4	-2,1	0,7
Manufacture of other non-metallic mineral products	0,0	1,6	2,6
Manufacture of basic metals	-0,2	10,5	12,7
Manufacture of fabricated metal products, except machinery and equipment	0,0	2,1	3,5
Manufacture of electrical machinery and apparatus n.e.c.	0,0	3,3	5,8
<i>Electricity, gas and water supply</i>	<i>1,7</i>	<i>15,4</i>	<i>13,2</i>

* Previous data

Source: State Statistical Office of the Republic of Macedonia



Table 3
Industrial output*

	Structure in %	<u>VI.2007</u> <u>V.2007</u>	<u>VI.2007</u> <u>VI.2006</u>	<u>I-VI.2007</u> <u>I-VI.2006</u>
		in %		
Total	100,0	6,6	-7,1	3,6
Energy	18,3	4,3	-29,6	-8,4
Intermediate goods, except energy	34,1	4,0	2,9	15,0
Capital products	5,1	-4,1	-13,0	12,5
Durable consumer goods	2,2	13,4	23,1	18,1
Non-durable consumer goods	40,3	11,0	-8,3	-1,8
Mining and quarrying	3,9	-7,2	14,6	15,0
Mining of coal and lignite; extraction of peat	1,6	-31,7	-9,3	-0,8
Mining of metal ores	0,7	-14,6	2,5 times	2,4 times
Other mining and quarrying	1,5	19,6	-7,6	-8,3
Manufacturing	83,9	9,8	-5,4	6,0
Manufacturing of food products and beverages	16,1	2,2	0,7	5,5
Manufacturing of tobacco products	5,7	28,7	-4,0	-5,4
Manufacturing of textiles	1,7	17,9	-13,8	-11,2
Manufacturing of wearing apparel; dressing and dyeing of fur	11,1	12,6	-21,4	-12,8
Tanning and dressing of leather; manufacture of luggage, handbags, saddles, harness and footwear	1,5	21,8	-9,7	-3,9
Manufacture of wood and products of wood and cork, except furniture, manufacture of articles of straw and plaiting materials	1,2	55,6	8,1	26,8
Manufacture of pulp, paper and paper products	1,1	1,2	-16,9	-1,1
Publishing, printing and reproduction of recorded media	3,1	4,9	-17,9	-0,5
Manufacture of coke, refined petroleum products and nuclear fuel	4,5	4 times	-28,8	6,3
Manufacture of chemicals and chemical products	4,6	6,2	8,2	9,7
Manufacture of rubber and plastic products	1,9	34,3	15,9	7,9
Manufacture of other non-metallic mineral products	7,3	-10,7	-1,8	18,6
Manufacture of basic metals	11,2	-3,8	13,3	44,8
Manufacture of fabricated metal products, except machinery and equipment	3,3	2,7	-8,2	5,7
Manufacture of machinery and equipment n.e.c.	1,4	29,4	22,6	45,4
Manufacture of electrical machinery and apparatus n.e.c.	3,5	2,7 times	12,6	-41,7
Manufacture of motor vehicles, trailers and semi-trailers	1,1	53,2	-15,5	-22,2
Manufacture of other transport equipment	1,1	-54,3	-70,4	0,2
Manufacture of furniture, manufacturing n.e.c.	2,0	8,3	3,6	-0,8
Recycling	0,6	-97,3	-98,4	-28,1
Electricity, gas and water supply	12,2	-19,3	-32,1	-14,1

* 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	III.07	IV.07	V.07	VI.07
I. Net Foreign Assets	85116	83884	83221	85066	87857	90799	87790
Assets	87761	86503	85676	87526	90111	90799	87849
Liabilities	2645	2619	2455	2460	2254	0	59
II. Net Domestic Assets	-53852	-55452	-54084	-55711	-56502	-60195	-55952
Credit to banks, net	-9422	-11596	-11137	-11274	-11726	-13755	-15067
<i>Credit to banks</i>	34	34	29	29	29	29	28
Credits extended at auction	0	0	0	0	0	0	0
Repurchased agreement	0	0	0	0	0	0	0
Credits based on securities	0	0	0	0	0	0	0
Long - term credits	24	24	19	19	19	19	18
Advances	0	0	0	0	0	0	0
Other	10	10	10	10	10	10	10
Instruments	-9456	-11630	-11166	-11303	-11755	-13784	-15095
Auctions of bills	-9456	-11630	-11166	-11303	-11755	-13784	-15095
Net, Government	-30690	-29827	-28241	-29969	-30240	-32124	-26497
1. Claims on Government	2267	2267	2267	2267	1039	1039	1039
Use of Fund credit	0	0	0	0	0	0	0
Ordinary credit	0	0	0	0	0	0	0
Purchased Government sec.	1039	1039	1039	1039	1039	1039	1039
Other	1228	1228	1228	1228	0	0	0
2. Government Deposits	-32957	-32094	-30508	-32236	-31279	-33163	-27536
A) In denar	-15326	-17161	-17647	-20106	-19997	-21803	-21807
Demand deposits	-15326	-17161	-17647	-20106	-19997	-21803	-21807
- Budget account	-10303	-12307	-12416	-14093	-13228	-14135	-13209
- Other budget funds	-5023	-4854	-5231	-6013	-6769	-7668	-8598
o/w - Government securities for monetary purpose	-4573	-4391	-4756	-5537	-6284	-7166	-8082
Fund for monetary policy support	0	0	0	0	0	0	0
B) In foreign currency	-17631	-14933	-12861	-12130	-11282	-11360	-5729
Central Gov.dep.	-17515	-14820	-12745	-12015	-11168	-11247	-5599
o/w Telecom	0	0	0	0	0	0	0
o/w Road fund	-81	-81	-81	-81	-81	-81	-81
Other Government deposits	-116	-113	-116	-115	-114	-113	-130
3. External account	0	0	0	0	0	0	0
Other items, net	-13740	-14029	-14706	-14468	-14536	-14316	-14388
Other assets	5727	5746	5760	5691	5612	5689	5610
Other liabilities	-5732	-5503	-5512	-5554	-5593	-5605	-5605
o/w Transitory account	-171	-25	-66	-58	-46	-25	-68
Capital account	-11819	-12335	-12463	-12257	-12137	-12046	-11994
Residual items	-1916	-1937	-2491	-2348	-2418	-2354	-2399
Reserve money	31264	28432	29137	29355	31355	30604	31838
Currency in circulation	16206	14527	14986	15034	15531	15359	15844
Cash in vaults	1526	1397	1520	1468	1567	1644	1590
Giro - accounts	13532	12508	12631	12853	14257	13601	14404
o/w Reserve requirement	6373	6462	6509	6595	6675	6740	6949

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	III.07	IV.07	V.07	VI.07
I. Net Foreign Assets	108042	106455	107140	108475	110951	113778	107566
<i>National Bank</i>	85116	83884	83221	85066	87857	90799	87790
Assets	87761	86503	85676	87526	90111	90799	87849
Liabilities	2645	2619	2455	2460	2254	0	59
<i>Deposit Money Banks</i>	22926	22571	23919	23409	23094	22979	19776
Assets	39707	38257	38837	39614	39419	39424	39000
Liabilities	16781	15686	14918	16205	16325	16445	19224
II. Net Domestic Assets	28288	29824	33173	34538	37587	38540	48712
1.Domestic credit	77176	79487	83921	85601	88305	89928	100434
of which: Claims on Gov.	-17184	-16633	-14556	-15513	-14956	-15969	-9477
a) Deposit Money Banks	107866	109314	112162	115570	118545	122052	126931
-in denar	84368	85822	87861	90626	93354	96169	99837
Government	13377	13067	13562	14337	15165	16041	16907
Credits	13355	13045	13539	14314	15142	16018	16883
a) Budget and Line Ministries	13095	12762	13241	14052	14994	15893	16777
b) Funds	260	283	298	262	148	125	106
c) Ins. of Central Gov.: Courts, etc.	0	0	0	0	0	0	0
Accrued interest	22	22	23	23	23	23	24
Non Government sector	70991	72755	74299	76289	78189	80128	82930
Credits	66410	68057	69569	71537	73380	75288	78031
of which: Overdue claims	9810	9737	9721	9560	9848	10180	10049
Accrued interest	4581	4698	4730	4752	4809	4840	4899
-in foreign currency	23498	23492	24301	24944	25191	25883	27094
Government	129	127	123	119	119	114	113
of which: Overdue	0	0	0	0	0	0	0
Non Government sector	23369	23365	24178	24825	25072	25769	26981
of which: Overdue	1650	1625	1473	1511	1566	1630	1611
b) Nat. Bank Claims on Government	-30690	-29827	-28241	-29969	-30240	-32124	-26497
2.Other items, net	-48888	-49663	-50748	-51063	-50718	-51388	-51722
of which: Claims on Gov.							
for frozen f.c. deposits	0	0	0	0	0	0	0
Accrued interest	-4603	-4720	-4753	-4775	-4832	-4863	-4923
Others	-44285	-44943	-45995	-46288	-45886	-46525	-46799



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

	XII.06 ¹⁾	I.07	II.07	III.07	IV.07	V.07	VI.07
M4Total	136330	136279	140313	143013	148538	152318	156278
M4 (nonGovernment)	135131	135262	139216	141473	147468	151242	155152
M1(Total)	35436	33102	34022	35281	36164	36484	36864
M1 (nonGovernment)	34747	32583	33433	34254	35708	35954	36319
Currency in Circulation	16206	14527	14986	15034	15531	15359	15844
Demand deposits(total)	19230	18575	19036	20247	20633	21125	21020
Demand deposits(NonGov.)	18541	18056	18447	19220	20177	20595	20475
Deposit Money Banks	19207	18479	18705	19824	20159	20748	20814
NonGov. Demand deposits	18518	17960	18116	18797	19703	20218	20269
Government Demand deposits	689	519	589	1027	456	530	545
a) Budget and Line Ministries	551	234	262	226	219	227	232
b) Funds	138	284	327	801	236	302	312
c) Ins. of C.Gov.: Courts, etc.	0	1	0	0	1	1	1
Nation. Bank NonGov.Demand dep.	23	96	331	423	474	377	206
M2 (Total)	129644	129731	133527	136240	140944	143911	147785
M2 (nonGovernment)	128494	128763	132480	134750	139924	142885	146709
Quasi money (Total)	94208	96629	99505	100959	104780	107427	110921
Quasi money (non Government)	93747	96180	99047	100496	104216	106931	110390
Deposit Money banks	94208	96629	99505	100959	104780	107427	110921
Non Government sector	93747	96180	99047	100496	104216	106931	110390
Denar	36317	37295	39293	40511	43540	45648	48389
Foreign currency	57430	58885	59754	59985	60676	61283	62001
Government deposits	461	449	458	463	564	496	531
Denar	460	448	457	462	563	496	531
Foreign currency	1	1	1	1	1	0	0
NBM quasi deposits	0	0	0	0	0	0	0
Nonmonetary Deposits (Total)	6686	6548	6786	6773	7594	8407	8493
Denar nonm. deposits (total)	3678	3641	3739	3799	4536	4734	4938
F.C. nonm. deposits (total)	3008	2907	3047	2974	3058	3673	3555
Nonmonetary Deposits (nonGov.)	6637	6499	6736	6723	7544	8357	8443
Denar nonm. dep.(nonG)	3629	3592	3689	3749	4486	4684	4888
F.C. nonm. dep (nonG)	3008	2907	3047	2974	3058	3673	3555
-Deposit Money Banks	6686	6548	6786	6773	7594	8407	8493
Denar nonGov. nonmonetary dep.	3629	3592	3689	3749	4486	4684	4888
F. C. nonGovern. nonmon. dep.	3008	2907	3047	2974	3058	3673	3555
Denar Gov. nonmon. deposits	49	49	50	50	50	50	50
F. C. Govern. nonmon. deposits	0	0	0	0	0	0	0
-NBM NonGov. nonm. deposits	0	0	0	0	0	0	0
Denar	0	0	0	0	0	0	0
Foreign currency	0	0	0	0	0	0	0
Total Deposits	120124	121752	125327	127979	133007	136959	140434
Total Deposits (nonGov.)	118925	120735	124230	126439	131937	135883	139308

1) Definite data

Source: National Bank of the Republic of Macedonia



Table 6
Total deposits of the non-government sector

	30.06.2007	monthly changes		annual changes		structure
	in Denar million	in Denar million	in %	in Denar million	in %	in %
Total deposits	118.833	3.545	3,1	32.268	37,3	100,0
1. According to maturity						
- short-term	110.390	3.459	3,2	29.513	36,5	92,9
- long-term	8.443	86	1,0	2.755	48,4	7,1
2. According to currency of denomination						
- In denar	53.277	2.945	5,9	21.960	70,1	44,8
- In foreign currency	65.556	600	0,9	10.308	18,7	55,2

Source: National Bank of the Republic of Macedonia

Table 7
Households and enterprises deposits

	structure	30.06.2007	monthly changes		annual changes	
	in %	in Denar million	in Denar million	in %	in Denar million	in %
Total households deposits	100,0	78.017	1.594	2,1	17.581	29,1
1. According to maturity						
- short-term	93,6	73.017	1.425	2,0	15.730	27,5
- long-term	6,4	5.000	169	3,5	1.851	58,8
2. According to currency of denomination						
- In denar	39,3	30.680	1.319	4,5	12.389	67,7
- In foreign currency	60,7	47.337	275	0,6	5.192	12,3
Total enterprises deposits	100,0	38.438	1.875	5,1	14.217	58,7
1. According to maturity						
- short-term	95,1	36.549	2.047	5,9	13.885	61,3
- long-term	4,9	1.889	-172	-8,3	332	21,3
2. According to currency of denomination						
- In denar	53,2	20.451	1.538	8,1	9.123	80,5
- In foreign currency	46,8	17.987	337	1,9	5.094	39,5

Source: National Bank of the Republic of Macedonia



Table 8

Demand deposits of households and enterprises

	30.06.2007	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Demand deposits	20.475	-120	-0,6	4.287	26,5
- Demand deposits of households	4.341	30	0,7	1.026	29,9
- Demand deposits of enterprises	13.798	-58	-0,4	3.283	31,2

Source: National Bank of the Republic of Macedonia

Table 9

Placements to households and enterprises

	30.06.2007	monthly changes		annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Total placements	105.012	3.955	3,9	25.449	32,0
<i>Denar placements</i>	78.031	2.743	3,6	19.038	32,3
<i>of which:</i>					
- enterprises	41.664	1.248	3,1	7.013	20,2
- households	36.259	1.502	4,3	12.002	49,5
<i>Foreign currency placements</i>	26.981	1.212	4,7	6.411	31,2
<i>of which:</i>					
- enterprises	25.032	1.138	4,8	5.812	30,2
- households	1.942	73	3,9	595	44,2

Source: National Bank of the Republic of Macedonia


Table 10

Maturity and sector structure of Denar and foreign currency placements

	Share on 30.06.2007 (in %)	Monthly change (in percentage points)	Annual change (in percentage points)
Denar placements	100,0		
maturity structure			
- short-term	43,4	-1,0	-6,8
- long-term	56,6	1,0	6,8
structure by sectors			
- enterprises	53,4	-0,3	-5,3
- households	46,5	0,3	5,3
- other	0,1	0,0	0,0
Foreign currency placements	100,0	0,0	0,0
maturity structure			
- short-term	27,7	1,4	-0,3
- long-term	72,3	-1,4	0,3
structure by sectors			
- enterprises	92,8	0,1	-0,7
- households	7,2	-0,1	0,6
- other	0,0	0,0	0,0

Source: National Bank of the Republic of Macedonia

Table 11

Interest rates

	June, 2007	Monthly changes	Annual changes
	in %	in percentage points	
Average weighted interest rate on the CB bills auctions (28 days)	4,9	-0,1	-0,9
Average weighted interest rate on the Money Market	3,5	-0,2	-1,9
Interest rate on three-month treasury bills	5,4	-0,8	-1,1
Banks' weighted lending interest rates	10,2	-0,1	-1,1
Banks' weighted deposit interest rates	4,8	0,1	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				
05.06.2007	1.800	2.068	1.758	5,44
19.06..2007	1.900	2.173	1.900	5,38
Treasury bills auctions, 6 month				
05.06.2007	200	517,9	200	5,49
Treasury bills auctions, 12 month				
19.06.2007	200	184	174	5,81

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)

	VI.2007	I-VI.2007	VI.2007		VI.2007		I-VI.2007	
			V.2007		VI.2006		I-VI.2006	
	amount		amount	%	amount	%	amount	%
Foreign trade	529,4	2.842,2	38,7	7,9	98,4	22,8	609,7	27,3
Exports	229,1	1.177,7	16,8	7,9	66,0	40,5	335,6	39,8
Imports	300,3	1.664,5	22,0	7,9	32,4	12,1	274,1	19,7
Balance	-71,2	-486,8	-5,2	7,9	33,6	-32,1	61,5	-11,2

Source: State Statistical Office.

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

	Foreign trade		Exports		Imports		Import- export coverage ratio	
	amount	Share	amount	Share	amount	Share	amount	ratio
	amount	%	amount	%	amount	%	amount	%
Republic of MACEDONIA	2.842,2	100,0	1.177,7	100,0	1.664,5	100,0	70,8	
<i>out of which:</i>								
Germany	334,4	11,8	205,8	17,5	128,6	7,7	160,1	
Serbia	325,2	11,4	158,0	13,4	167,2	10,0	94,5	
Greece	305,8	10,8	155,5	13,2	150,4	9,0	103,4	
Italy	234,1	8,2	129,0	11,0	105,1	6,3	122,8	
Russia	201,3	7,1	7,6	0,6	193,6	11,6	3,9	
Bulgaria	159,7	5,6	78,0	6,6	81,7	4,9	95,5	
Spain	114,2	4,0	94,9	8,1	19,2	1,2	493,6	
Croatia	91,7	3,2	52,0	4,4	39,8	2,4	130,7	
Belgium	79,6	2,8	69,7	5,9	9,8	0,6	710,0	
Turkey	77,5	2,7	14,8	1,3	62,7	3,8	23,7	
Total (10 largest trading partners)	1.923,4	67,7	965,4	82,0	958,0	57,6	100,8	

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	
	31.05.2007	30.06.2007	V.2007	VI.2007	V.2007	VI.2007
Long-term debt	1.715,1	1.646,8	41,8	33,9	46,5	106,7
Public sector	1.093,9	1.012,8	4,3	18,0	39,9	98,7
Official creditors	862,8	782,7	4,3	18,0	39,9	97,2
Multilateral creditors	786,2	696,7	2,8	8,2	39,9	97,1
Bilateral creditors	76,6	86,0	1,6	9,7	0,0	0,2
Private creditors	231,1	230,1	0,0	0,0	0,0	1,4
Eurobonds	150,0	150,0	0,0	0,0	0,0	0,0
Other private creditors	81,1	80,1	0,0	0,0	0,0	1,4
Private sector	621,2	634,0	37,4	16,0	6,6	8,1
Private banks	138,1	145,0	0,0	8,7	2,7	2,9
Non-banking private sector	483,1	489,1	37,4	7,2	3,9	5,2
Short-term debt	116,3	123,5	21,8	7,0	0,4	0,7
Public sector	0,0	0,0	0,0	0,0	0,0	0,0
Private sector	116,3	123,5	21,8	7,0	0,4	0,7
Private banks	25,8	32,4	0,0	6,5	0,0	0,4
Non-banking private sector	90,4	91,1	21,8	0,4	0,4	0,3
TOTAL	1.831,4	1.770,3	63,5	40,9	46,9	107,4

Source: National Bank of the Republic of Macedonia

National Bank of the Republic of Macedonia Balance sheet

Table 16

NBRM Balance sheet on 30.06.2007
(in million Denars)

Assets	Amount	Liabilities	Amount
Foreign assets	87.849	Reserve money	24.889
Claims on Government	1.626	NBRM instruments	15.095
Claims on banks and other financial institutions	1.344	Restricted deposits	521
Other assets	4.297	Foreign liabilities	59
		Government deposits	29.950
		Capital accounts	11.994
		Other liabilities	12.608
Total	95.116	Total	95.116

Source: National Bank of the Republic of Macedonia