

National Bank of the Republic of Macedonia
Research Department



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

- ❖ On July 1, "Macedonian Railways" - AD "Transport" and AD "Infrastructure" started operating as two different entities which resulted from the division of the Railway Infrastructure public enterprise, within the privatization process of "Macedonian Railways".
- ❖ On July 2, the municipalities started submitting the applications to enter the second phase of the decentralization process, where the municipalities fulfilling the conditions will be allowed to enter the new phase.
- ❖ On July 6 in Athens, a regional Memorandum for cooperation in the area of banking supervision was signed by the governors of the central banks of Macedonia, Greece, Bulgaria, Romania, Albania, Serbia and Cyprus. This Memorandum should improve the regional cooperation among the central banks responsible for conducting supervision on the internationally active banks, i.e. on their subsidiaries and branches, so that increase in the efficiency of the supervisory function and strengthening the financial stability in South-East Europe could be expected.
- ❖ On July 9, the Energy Regulatory Commission took a decision on increasing the refinery and retail prices of oil derivatives by 209% and 139%, on average, respectively, ("Official Gazette of RM" no. 85/2007), and in accordance with the decision of July 23 the prices were increased by 2.48% and 2.11%, on average, respectively ("Official Gazette of RM" no. 91/2007).
- ❖ In the period from July 10 till July 23, Macedonia hosted the regular of IMF Mission the task of which was to perceive the achievement of the quantity targets, as of the second quarter of 2007, as well as the performance of the preparation activities for the Third Review of the "Stand by" - arrangement, which is to be implemented in September this year.
- ❖ On July 11, Macedonia and Italy signed an Agreement on consolidation and repayment of the debt of the Macedonian companies that were using credits from Italy through banks from other former Yugoslav republics within the Paris Club of Creditors. With the agreement, Italy wrote of a debt of US Dollar 1.8 million which, instead of being repaid it will be replaced with a grant intended for social development projects, mainly for implementing the project for computerization of the elementary schools.
- ❖ On 12 July, the factory for bio-diesel fuel of Makpetrol Company, located in the vicinity of Skopje, officially started working. The bio-refinery has a capacity for producing 30 thousand tones of bio-diesel fuel per year. The investment totals Euro 12 million, Euro 8 million of which invested in equipment.
- ❖ On July 12, an agreement on forming joint company "Teteks Jarn" in Tetovo for production of yarn and wool tread was signed between AD "Teteks" from Tetovo and two Norwegian companies "Sandnes Uldvarefabrik AS" and "Vigo Eriksen Holding AS". This was the first joint firm between Norway and Macedonia, where the three partners participate equally with total of Euro 1.050.000 of initial capital. The factory is intended to start working on August 1, 2007 and initially, to employ 256 people.
- ❖ On July 14 in REK Bitola, the 400 kilo volt long-distance power line Bitola - Lerin, which connects the energy systems of the Republic of Macedonia and Greece was officially commissioned.
- ❖ On July 16 in Skopje, an agreement on cooperation and mutual support for customs issues was signed between the Customs Administration of the Republic of Macedonia and Republic of Slovakia. The main goal of this agreement is to promote cooperation between the two customs services and to create legal framework for mutual and constructive cooperation in the field of facilitation and development of the trade and transport.
- ❖ On July 18, the Council of the National Bank of the Republic of Macedonia adopted the first Financial Stability Report 2006 for making the National Bank a part of the group of about fifty central banks in the world that publish this kind of report.
- ❖ On July 24, the fourth meeting of the Stabilization and Association Council between the Republic of Macedonia and the European Union was held in Brussels.
- ❖ On July 27 the payment of the stimulations for tobacco delivered in Tutunski kombinat in Radovis started, so the tobacco producers will each get Denar 15 for a kilo of tobacco. The payment of the stimulations was included in the Program for financing the activities in the primary tobacco production based on which about Denar 265 million are paid and Denar 31 million remained.

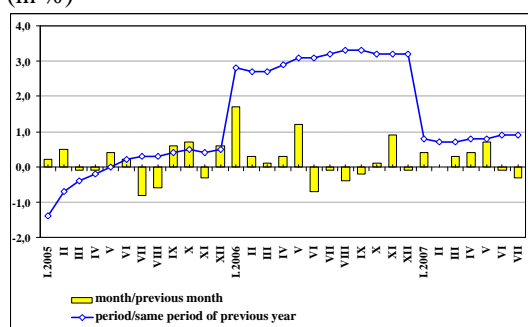


- ❖ *On July 30 the National Bank of the Republic of Macedonia approved the application of the private investing company "Milestone" from Island for purchasing 100% of the common shares in "Komerrijalno investiciona banka" AD Kumanovo (KIB).*
- ❖ *New regulations:*
 - *Decision by the Commission on Protecting the Competition (for committing a regional state support to the enterprise DPTU Jonson Controls Macedonia DOOEL by the Government of the Republic of Macedonia) ("Official Gazette of RM" no. 83/2007);*
 - *Law on amending the Law on transformation of the companies with social capital ("Official Gazette of RM" no. 84/2007);*
 - *Law on amending the Law on controlling the export of goods and double use technologies ("Official Gazette of RM" no. 84/2007);*
 - *Law on amending the Bankruptcy Law ("Official Gazette of RM" no. 84/2007);*
 - *Law on volunteering ("Official Gazette of RM" no. 85/2007);*
 - *Law on ratification of the Agreement between the Governments of the Republic of Macedonia and of the Federal Republic of Germany on avoiding the double taxation concerning the income and property taxes ("Official Gazette of RM" no. 86/2007);*
 - *Law on security and health at work ("Official Gazette of RM" no. 92/2007);*
 - *Law on amending the Law on property taxes ("Official Gazette of RM" no. 92/2007).*

I. Real sector development

In July 2007 a decrease of 0.3% in the general price level was registered, compared to the previous month which resulted from the lower prices of the food (mostly because of the seasonal effect with the vegetables - price fall of 15.5%) and the footwear (1.1%). The growth in the prices of the education means and services and the fuel prices acted in opposite direction (increase by 1.78% on 26.06.2007; 1.39% on 10.07.2007; and by 2.11% on 24.07.2007)².

Figure 1
Consumer prices
(in %)



Source: State Statistical Office.

The overall annual growth rate of prices in July was identical with the growth rate from the previous month (1.3%), without any significant changes in the categories, except in the costs of culture and recreation which registered faster growth (by 4.2% due to the change in the prices of education means in June 2007). In the period January-July 2007, the average inflation rate kept the same level of 0.9%, still under influence of the higher prices of heating and electricity, food, education means and catering services and under the influence of lower prices in the category "transport equipment and services".

The increase in the *producer prices*³ continued in July 2007, with registered growth of 0.5% compared to the previous month. The monthly growth resulted mainly from the higher prices of the producers of oil derivatives (contribution of 0.57 p.p. in the total growth, in accordance with the increase in the refinery prices by the decisions of REC dated June 25 and July 9, 2007). The rest of the manufacturing branches registered stable producer prices, except in the prices of producers of food and beverages, as well as the building

materials which acted towards mitigating the total monthly growth in producer prices. The energy sector also had additional marginal contribution to the overall growth in the prices of industrial products (growth of 0.9%).

On annual basis, the producer prices remained unchanged and that slowed down the average growth rate which equaled 0.6% in the period January - July 2007. The higher prices of energy had the largest inflationary influence on cumulative basis (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 in the producer prices, under the influence of lower prices of producers of oil derivatives. However, within the manufacturing sector, the prices of the producers of food and beverages, of building materials and of the basic metals registered further growth.

In July 2007, the *actual volume of the industrial output*⁴ registered small growth of 0.6% on monthly basis. The modest performances of this sector were expected, considering the generally lower activity during the summer. Positive developments are registered in the energy and in the mining sector, while the production in the manufacturing sector reduced. The growth in the output in the energy sector on monthly basis was a result of the reactivating of part of the producing capacities, which in the same time also had positive effects that initiated higher extraction of ores. On the other hand, the negative implications of the manufacturing sector over the total industrial output, largely, resulted from the lower output of electrical machinery apparatus, of metal products in the manufacturing phase and of clothes. However, in July 2007, the output of other transport equipment and of oil derivatives registered high performances, which was not enough to offset in total the negative developments in the manufacturing sector (fall in 15 out of 20 manufacturing branches, accounting for 2/3 of the overall output of the manufacturing industry).

The growth in the industrial output on monthly basis, as well as the annual fall of 2.2% slowed down the cumulative growth rate, which equaled 2.7% in the period January-July 2007 (as of June

² Source: Energy Regulatory Commission.

³ Preliminary SSO data.

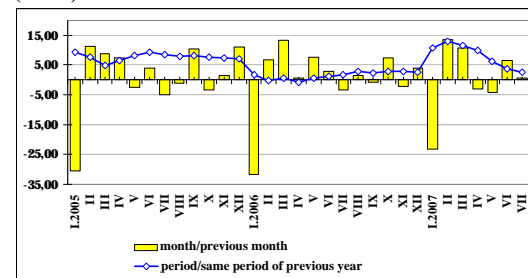
⁴ Preliminary SSO data.



2007, the cumulative growth equaled 3.6%). The higher output of basic metals and the further intensive growth in the production of building materials remained main generators of the cumulative growth, registering high cumulative growth rates. The production of food and beverages continued making significant contribution to the cumulative growth in the industrial output, i.e. it registered cumulative growth rate of 6.1%. The downward trend in the cumulative growth rates in the tobacco industry continued, which coincided with the partial increase in the cigarette price in April 2007, because of the increase in the excise taxes. In total, growth in the production was registered in ten manufacturing branches, composing more than a half of the total output in the manufacturing industry, while the output of the remaining branches decreased. The production of clothes and electrical machinery apparatus had dominant negative effect. Within the mining

sector, only the higher extraction of metal ores continued making positive contribution on cumulative basis. Unlike the positive developments in the manufacturing and mining sector, the lower production of electricity adversely affected the total industrial output in the first seven months of 2007 (of 14.7%).

Figure 2
Industrial output
(in %)



Source: State Statistical Office.

II. Monetary developments

July 2007, the reserve money⁴ equaled Denar 29,778 million and they were higher by 19.6% on monthly basis. The growth in the reserve money arises mostly from the significant increase in the total liquidity of the banks⁵, as preparation for the payment of the dividend by one larger foreign investor, and from the higher demand for currency in circulation (by 5.2%).

Observing the liquidity, *NBRM foreign currency transactions* (net-purchase of foreign currencies on the foreign exchange market) and the *CB bills* acted towards creating liquidity, which was partially withdrawn through the *currency in circulation*, *government Denar deposits with NBRM* and the *Treasury bills for monetary purposes*. In July 2007, the banks allocated 17.9% over the reserve requirement (in denars)⁶, which represented an increase of 14.2 percentage points⁷, compared to the preceding accounting period.

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

	30.06.2007	31.07.2007	31.07.2007/30.06.2007
	in millions of denars		changes in millions of denars
Banks' liquidity (banks' account with the NBRM)	7,455	11,364	3,909
Liquidity creation			4,889
1. Net domestic assets	-62,901	-59,881	3,020
of which:			
Government Denar deposits with NBRM ¹⁾	-13,725	-15,420	-1,695
CB bills	-15,095	-10,110	4,985
Treasury bills for monetary policy purposes	-8,082	-8,520	-438
Other items, net	-21,337	-21,509	-172
2. Net foreign assets	87,790	89,659	1,869
Liquidity withdrawal			-980
1. Banks' cash in vaults	1,590	1,741	151
2. Currency in circulation	15,844	16,673	829

¹⁾ Treasury bills for monetary purposes are excluded.

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

Source: National Bank of the Republic of Macedonia.

At the CB bills auctions, in July 2007, an average weighted interest rate of 5.13% was realized (4.90% in June 2007), while the average weighted interest rate of Treasury bills (with maturity of three months) equaled 5.44% in July (5.41% in the previous month).

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

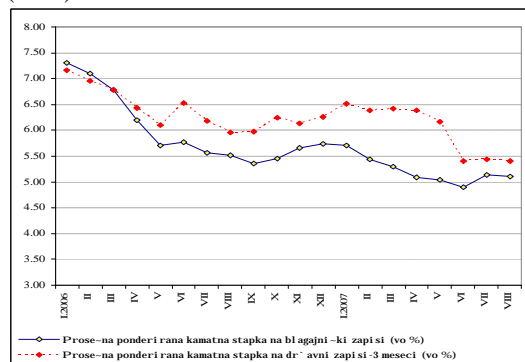
⁵ Includes the cash in the vaults and banks' accounts with the NBRM.

⁶ The 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.

⁷ The high level of allocated reserve requirement of the banks resulted from the preparation for payment of higher amount of dividend.



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



Source: NBRM and the Ministry of finance.

The growth in the currency in circulation (by 5.2% on monthly basis), combined with the effect of the higher level of transaction deposits (by 3.8%), resulted in a monthly growth of 4.4% in the monetary aggregate M1. The broader monetary aggregates M2 and M4, on monthly basis, were higher by 2.3% and 2.6%, respectively, while on annual basis (July 2007 / July 2006), the broader monetary aggregates M2 and M4 were higher by 30.7% and 32.2%, respectively.

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

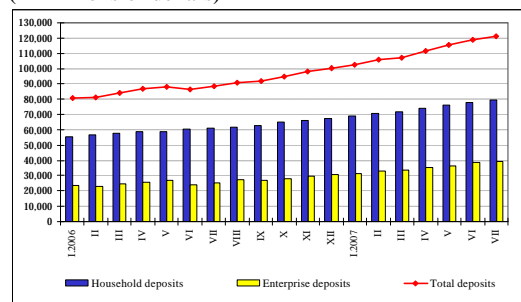
	31.07.2007	Monthly changes	Annual changes
		in %	in %
Currency in circulation	16,673	5.2	8.8
Demand deposits	21,243	3.8	26.2
Monetary aggregate M1	37,916	4.4	17.9
Short-term Denar deposits	49,353	2.0	69.8
Monetary aggregate M2-Denar component	87,269	3.0	42.6
Short-term foreign exchange deposits	62,877	1.4	17.1
Monetary aggregate M2	150,146	2.3	30.7
Non-monetary deposits	9,062	7.3	63.1
- Denar	5,167	5.7	58.7
- foreign exchange	3,895	9.6	69.4
Monetary aggregate M4	159,208	2.6	32.2

Source: National Bank of the Republic of Macedonia.

The upward trend of the total banks' deposit potential continued during July 2007 and the total deposits rose by Denar 2,459 million, or by 2.1%, compared to the previous month. Observed by maturity, the monthly growth in the total deposits resulted largely from the higher level of short-term deposits (share of 74.8% in the growth in the total deposits), while with respect to the denomination structure, the Denar and foreign currency deposits registered almost identical contribution. The sector-by-sector analysis showed simultaneous growth in the corporate and household deposits, registering more significant contribution to the monthly growth in the total household deposits (65.3%). During the month,

household Denar deposits, with maturity from six months to one year and foreign currency sight deposits of the corporate sector were growing most intensively. On annual basis (July 2007 / July 2006), the growth rate of the total banks' deposit potential equaled 37.3%

Figure 4
Dynamics of deposits
(In millions of denars)

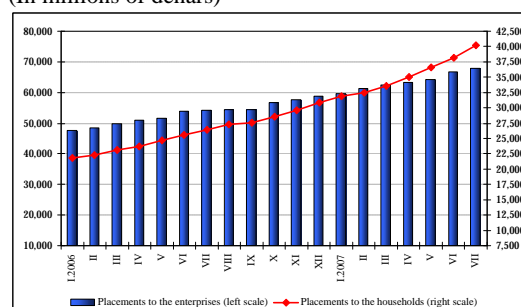


Source: National Bank of the Republic of Macedonia.

At the end of July 2007, the total banks' placements rose by Denar 3,453 million, or by 3.3% relative to the end of the previous month. The analysis of the maturity structure showed simultaneous growth in the short-term and long-term credits, where the long-term credits made dominant contribution to the monthly growth in the total credits (71.8%). From the aspect of the denomination structure, the upward trend in the Denar loans to the private sector continued and its growth made up 90% of the growth in the total credits in July 2007. Observed by sectors, the household credits registered more intensified monthly growth compared to the growth in the credits to the corporate sector, which could partially be explained with the seasonal effects from the vacations.

In July 2007, the annual growth rate of total banks' credits to the private sector equaled 34.3%.

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

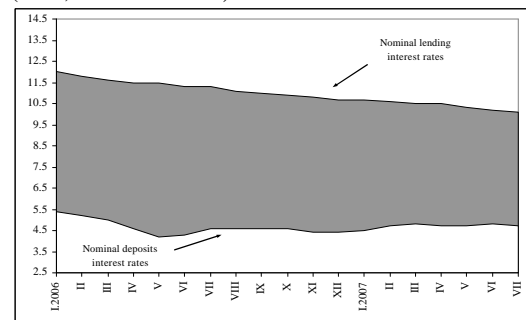


Source: National Bank of the Republic of Macedonia.



The developments in the field of *banks' interest rate policy* were stable in July 2007. Thus, in July 2007, the average weighted deposit interest rate on Denar deposits for all maturities and sectors registered monthly fall of 0.1 percentage point, equaling 4.7%, while the average weighted lending interest rate on Denar credits for all maturities and sectors went down by 0.1 percentage point, equaling 10.1% 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.

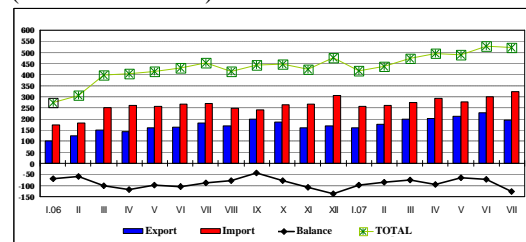
In July 2007, the average weighted foreign currency lending and deposit interest rates for all maturities, sectors and currencies did not registered changes, relative to the previous month and equaled 8.4% and 1.9%.

III. Foreign trade and foreign exchange developments

In July 2007, the total foreign trade⁹ equaled Euro 520.3 million and registered fall of 1.8%, on monthly basis, with monthly fall in the export of goods being registered. In July 2007, *the export of goods* went down by 14.3% compared to June 2007 equaling Euro 196.6 million, which was mainly due to the lower export of iron and steel, vegetables and beverages. The annual export growth equaled 7.4% and resulted mainly from the higher export of iron and steel and products thereof, wearing apparel and textile and of ores. In July 2007, *the import of goods* equaled Euro 323.7 million and went up by 7.8% compared to the previous month. The analysis by products showed higher import of mineral fuels and of iron and steel, as main factors for the monthly growth in import of goods. On annual basis, the import went up by 19.5%, registering higher import of mineral fuels, 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.

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



Source: State Statistical Office of the Republic of Macedonia.

Such dynamics of both components of foreign trade contributed to significant growth in the trade deficit, by 79.1% on monthly basis and in July 2007 it equaled Euro 127.1 million. Simultaneously, the import-export coverage ratio went down by 15.6 percentage points and equaled 60.7%, on monthly basis.

Cumulatively, in the first seven months of 2007, the overall foreign trade equaled Euro 3,363.5 million, which represented annual growth of 25.2%, as a result of the increase in both trade categories. Thus, in the period January-July 2007, the export of goods registered cumulative growth of 34.1% and equaled Euro 1,375 million. Analyzing by products, the increase was mainly due to the higher export of iron and steel and products thereof and also to the higher export of wearing apparel and textile, ores and footwear. In

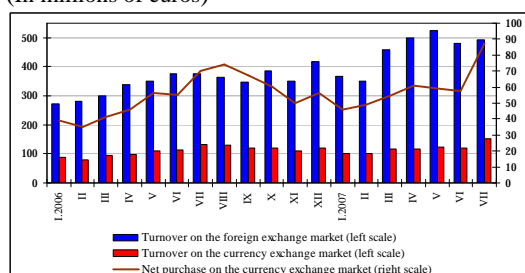


the first seven months, the overall import of goods went up by 19.7% and equaled Euro 1,988.5 million, which was mostly due to the higher import of iron and steel and products thereof, ores, equipment, vehicles and electrical machines. The negative trade balance went down by 3.6%, relative to the same period of 2006 and equaled Euro 613.5 million. The import-export coverage ratio rose by 7.4 percentage points and equaled 69.1%.

In July 2007, the total turnover on the *foreign exchange market* increased by 2.6% on monthly basis and equaled Euro 494.2 million. Having faster growth in the supply over the demand for foreign currencies (by 11.1% and 0.1%, respectively), the net-purchase of foreign currencies by the banks equaled Euro 41.1 million. On the foreign exchange market, NBRM realized monthly net-purchase of foreign currencies of Euro 30 million and in the first seven months of 2007 the net-purchase of foreign currencies on the foreign exchange market by NBRM reached Euro 243.2 million on cumulative basis. The net-purchase on the foreign exchange market by NBRM contributed to further growth in the gross foreign reserves. Thus, on 31.07.2007, *gross foreign reserves* went up by Euro 30.7 million, reaching Euro 1,449.1 million, on monthly basis, while compared to 31.12.2006, they were higher by Euro 32,4 million.

In July 2007, the total turnover on the *currency exchange market* equaled Euro 151.2 million and rose by 25.8% on monthly basis. Given the faster monthly growth in the supply relative to the demand of foreign currencies (of 34.2% and 2%, respectively), in July 2007 the net-purchase of foreign currencies was higher (by Euro 29.7 million) reaching Euro 87.1 million. On cumulative basis, in the first seven months of 2007, the net-purchase on the foreign exchange market rose by 20.2%, compared to the same period of 2006, reaching Euro 413 million.

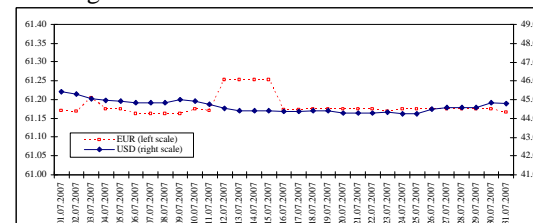
Figure 8
Movement of the total turnover on the foreign exchange and currency exchange market
(In millions of euros)



Source: National Bank of the Republic of Macedonia.

On 31.07.2007, the exchange rate of the Denar against the Euro on the *foreign exchange market* was stable and equaled Denar 61.17 per one Euro. At the end of July 2007, the exchange rate of the Denar against the US Dollar equaled Denar 44.78 per US Dollar and compared to the end of the previous month it appreciated by 1.1% (at the end of June, Denar 45.29 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 31.07.2007, the *external debt*¹⁰ of the Republic of Macedonia based on long-term credits and loans rose by Euro 2.5 million relative to the previous month and equaled Euro 1,647.2 million. In July 2007, the total repaid liabilities equaled Euro 14.3 million (out of which Euro 10.4 million of principal and Euro 3.9 million of interest). Simultaneously, funds in amount of Euro 12.3 million were used out of which the larger part (59.5%) was for the public sector. The overall long-term debt of the private sector rose by Euro 4 million, compared to the previous month, and equaled Euro 635.9 million, with dominant participation of the debt of the non-banking private sector (76.7%). At the end of July 2007, the *short-term external debt* equaled Euro 126.9 million and went up by Euro 1.9 million compared to June. Based on the granted short-term credits, funds in amount of Euro 3.9 million were used and the repaid liabilities equaled Euro 2.2 million.

In July 2007, credits in amount of Euro 29.2 million were concluded solely by the private sector and 86% of them were long-term credits.

¹⁰ Preliminary NBRM data.



Appendix

Developments in Real Sector in the Republic of Macedonia

Table 1
Costs of living and retail prices

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

Source: State Statistical Office of the Republic of Macedonia



Table 2
Prices of producers of industrial products*

	<u>VII.2007</u> <u>VI.2007</u>	<u>VII.2007</u> <u>VII.2006</u>	<u>I-VII.2007</u> <u>I-VII.2006</u>
	in %		
Prices of producers of industrial products	0,5	0,0	0,6
Energy	2,7	1,7	-1,2
Intermediate goods, except energy	0,0	3,1	4,9
Capital products	0,0	0,9	1,7
Durable consumer goods	0,0	0,0	0,4
Non-durable consumer goods	-0,3	-3,0	-1,4
<i>Mining and quarrying</i>	<i>-0,1</i>	<i>0,2</i>	<i>0,8</i>
<i>Manufacturing</i>	<i>0,5</i>	<i>-1,9</i>	<i>-1,0</i>
Manufacturing of food products and beverages	-0,2	-1,4	0,9
Manufacturing of tobacco products	0,0	-0,6	-0,1
Manufacturing of textiles	0,0	-0,5	-0,5
Manufacturing of wearing apparel; dressing and dyeing of fur	0,0	-2,3	-2,2
Publishing, printing and reproduction of recorded media	0,0	0,0	-0,5
Manufacture of coke, refined petroleum products and nuclear fuel	4,3	-8,5	-12,2
Manufacture of chemicals and chemical products	0,0	-2,1	-0,8
Manufacture of rubber and plastic products	0,0	-2,0	0,3
Manufacture of other non-metallic mineral products	-0,3	1,0	2,4
Manufacture of basic metals	-0,1	6,6	11,8
Manufacture of fabricated metal products, except machinery and equipment	0,0	2,1	3,3
Manufacture of electrical machinery and apparatus n.e.c.	0,0	3,3	5,4
<i>Electricity, gas and water supply</i>	<i>0,9</i>	<i>16,5</i>	<i>13,6</i>

* Previous data

Source: State Statistical Office of the Republic of Macedonia



Table 3
Industrial output*

	Structure in %	<u>VII.2007</u> <u>VI.2007</u>	<u>VII.2007</u> <u>VII.2006</u>	<u>I-VII.2007</u> <u>I-VII.2006</u>
		in %		
Total	100,0	0,6	-2,2	2,7
Energy	18,3	42,0	-11,1	-8,7
Intermediate goods, except energy	34,1	-6,1	6,9	13,7
Capital products	5,1	-1,6	4,0	11,2
Durable consumer goods	2,2	-9,9	8,4	16,5
Non-durable consumer goods	40,3	-2,4	-7,0	-2,7
Mining and quarrying	3,9	14,8	56,1	19,9
Mining of coal and lignite; extraction of peat	1,6	26,6	1,7	-0,5
Mining of metal ores	0,7	21,7	3 times	2,5 times
Other mining and quarrying	1,5	4,7	46,3	-2,0
Manufacturing	83,9	-2,5	-2,1	4,6
Manufacturing of food products and beverages	16,1	8,4	9,2	6,1
Manufacturing of tobacco products	5,7	-5,1	-6,9	-5,7
Manufacturing of textiles	1,7	-26,6	-9,2	-11,0
Manufacturing of wearing apparel; dressing and dyeing of fur	11,1	-7,4	-22,8	-14,4
Tanning and dressing of leather; manufacture of luggage, handbags, saddles, harness and footwear	1,5	6,1	10,2	-1,8
Manufacture of wood and products of wood and cork, except furniture, manufacture of articles of straw and plaiting materials	1,2	-15,8	-6,1	18,6
Manufacture of pulp, paper and paper products	1,1	-14,3	-15,9	-3,5
Publishing, printing and reproduction of recorded media	3,1	-8,1	-24,5	-4,7
Manufacture of coke, refined petroleum products and nuclear fuel	4,5	57,9	3,5	5,9
Manufacture of chemicals and chemical products	4,6	-15,0	-2,1	7,9
Manufacture of rubber and plastic products	1,9	-14,9	-5,5	5,4
Manufacture of other non-metallic mineral products	7,3	-1,1	1,2	15,5
Manufacture of basic metals	11,2	7,5	19,1	40,1
Manufacture of fabricated metal products, except machinery and equipment	3,3	-36,0	-27,2	0,8
Manufacture of machinery and equipment n.e.c.	1,4	-15,5	46,8	45,6
Manufacture of electrical machinery and apparatus n.e.c.	3,5	-71,2	-40,1	-41,6
Manufacture of motor vehicles, trailers and semi- trailers	1,1	-35	-50,4	-27,1
Manufacture of other transport equipment	1,1	4,3 times	2,6 times	18,2
Manufacture of furniture, manufacturing n.e.c.	2,0	-33,6	-38,1	-7,1
Recycling	0,6	-13,7	-98,2	-38,6
Electricity, gas and water supply	12,2	36,3	-18,9	-14,7

* 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	VII.07
I. Net Foreign Assets	85116	83884	83221	85066	87857	90799	87790	89659
Assets	87761	86503	85676	87526	90111	90799	87849	89718
Liabilities	2645	2619	2455	2460	2254	0	59	59
II. Net Domestic Assets	-53852	-55452	-54084	-55711	-56502	-60195	-55952	-52894
Credit to banks, net	-9422	-11596	-11137	-11274	-11726	-13755	-15067	-10082
<i>Credit to banks</i>	34	34	29	29	29	29	28	28
Credits extended at auction	0	0	0	0	0	0	0	0
Repurchased agreement	0	0	0	0	0	0	0	0
Credits based on securities	0	0	0	0	0	0	0	0
Long - term credits	24	24	19	19	19	19	18	18
Advances	0	0	0	0	0	0	0	0
Other	10	10	10	10	10	10	10	10
Instruments	-9456	-11630	-11166	-11303	-11755	-13784	-15095	-10110
Auctions of bills	-9456	-11630	-11166	-11303	-11755	-13784	-15095	-10110
Net, Government	-30690	-29827	-28241	-29969	-30240	-32124	-26497	-28290
1. Claims on Government	2267	2267	2267	2267	1039	1039	1039	1039
Use of Fund credit	0	0	0	0	0	0	0	0
Ordinary credit	0	0	0	0	0	0	0	0
Purchased Government sec.	1039	1039	1039	1039	1039	1039	1039	1039
Other	1228	1228	1228	1228	0	0	0	0
2. Government Deposits	-32957	-32094	-30508	-32236	-31279	-33163	-27536	-29329
A) In denar	-15326	-17161	-17647	-20106	-19997	-21803	-21807	-23940
Demand deposits	-15326	-17161	-17647	-20106	-19997	-21803	-21807	-23940
- Budget account	-10303	-12307	-12416	-14093	-13228	-14135	-13209	-14923
- Other budget funds	-5023	-4854	-5231	-6013	-6769	-7668	-8598	-9017
o/w - Government securities for monetary purpose	-4573	-4391	-4756	-5537	-6284	-7166	-8082	-8520
Fund for monetary policy support	0	0	0	0	0	0	0	0
B) In foreign currency	-17631	-14933	-12861	-12130	-11282	-11360	-5729	-5389
Central Gov.dep.	-17515	-14820	-12745	-12015	-11168	-11247	-5599	-5261
o/w Telecom	0	0	0	0	0	0	0	0
o/w Road fund	-81	-81	-81	-81	-81	-81	-81	-81
Other Government deposits	-116	-113	-116	-115	-114	-113	-130	-128
3. External account	0	0	0	0	0	0	0	0
Other items, net	-13740	-14029	-14706	-14468	-14536	-14316	-14388	-14522
Other assets	5727	5746	5760	5691	5612	5689	5610	5692
Other liabilities	-5732	-5503	-5512	-5554	-5593	-5605	-5605	-5514
o/w Transitory account	-171	-25	-66	-58	-46	-25	-68	-33
Capital account	-11819	-12335	-12463	-12257	-12137	-12046	-11994	-12169
Residual items	-1916	-1937	-2491	-2348	-2418	-2354	-2399	-2531
Reserve money	31264	28432	29137	29355	31355	30604	31838	36765
Currency in circulation	16206	14527	14986	15034	15531	15359	15844	16673
Cash in vaults	1526	1397	1520	1468	1567	1644	1590	1741
Giro - accounts	13532	12508	12631	12853	14257	13601	14404	18351
o/w Reserve requirement	6373	6462	6509	6595	6675	6740	6949	6987

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	VII.07
I. Net Foreign Assets	108042	106455	107140	108475	110951	113778	107566	110631
<i>National Bank</i>	85116	83884	83221	85066	87857	90799	87790	89659
Assets	87761	86503	85676	87526	90111	90799	87849	89718
Liabilities	2645	2619	2455	2460	2254	0	59	59
<i>Deposit Money Banks</i>	22926	22571	23919	23409	23094	22979	19776	20972
Assets	39707	38257	38837	39614	39419	39424	39000	39182
Liabilities	16781	15686	14918	16205	16325	16445	19224	18210
II. Net Domestic Assets	28288	29824	33173	34538	37587	38540	48712	49613
<i>1.Domestic credit</i>	77176	79487	83921	85601	88305	89928	100434	101445
of which: Claims on Gov.	-17184	-16633	-14556	-15513	-14956	-15969	-9477	-11370
a) Deposit Money Banks	107866	109314	112162	115570	118545	122052	126931	129735
-in denar	84368	85822	87861	90626	93354	96169	99837	102258
Government	13377	13067	13562	14337	15165	16041	16907	16770
Credits	13355	13045	13539	14314	15142	16018	16883	16746
a) Budget and Line Ministries	13095	12762	13241	14052	14994	15893	16777	16661
b) Funds	260	283	298	262	148	125	106	85
c) Ins. of Central Gov.: Courts, etc.	0	0	0	0	0	0	0	0
Accrued interest	22	22	23	23	23	23	24	24
Non Government sector	70991	72755	74299	76289	78189	80128	82930	85488
Credits	66410	68057	69569	71537	73380	75288	78031	81138
of which: Overdue claims	9810	9737	9721	9560	9848	10180	10049	9653
Accrued interest	4581	4698	4730	4752	4809	4840	4899	4350
-in foreign currency	23498	23492	24301	24944	25191	25883	27094	27477
Government	129	127	123	119	119	114	113	150
of which: Overdue	0	0	0	0	0	0	0	0
Non Government sector	23369	23365	24178	24825	25072	25769	26981	27327
of which: Overdue	1650	1625	1473	1511	1566	1630	1611	1591
b) Nat. Bank Claims on Government	-30690	-29827	-28241	-29969	-30240	-32124	-26497	-28290
<i>2.Other items, net</i>	-48888	-49663	-50748	-51063	-50718	-51388	-51722	-51832
of which: Claims on Gov.	0	0	0	0	0	0	0	0
for frozen f.c. deposits	-4603	-4720	-4753	-4775	-4832	-4863	-4923	-4374
Accrued interest	-44285	-44943	-45995	-46288	-45886	-46525	-46799	-47458
Others								



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

	XII.06 ¹⁾	I.07	II.07	III.07	IV.07	V.07	VI.07	VII.07
M4Total	136330	136279	140313	143013	148538	152318	156278	160244
M4 (nonGovernment)	135131	135262	139216	141473	147468	151242	155152	159208
M1(Total)	35436	33102	34022	35281	36164	36484	36864	38448
M1 (nonGovernment)	34747	32583	33433	34254	35708	35954	36319	37916
Currency in Circulation	16206	14527	14986	15034	15531	15359	15844	16673
Demand deposits(total)	19230	18575	19036	20247	20633	21125	21020	21775
Demand deposits(NonGov.)	18541	18056	18447	19220	20177	20595	20475	21243
Deposit Money Banks	19207	18479	18705	19824	20159	20748	20814	21552
NonGov. Demand deposits	18518	17960	18116	18797	19703	20218	20269	21020
Government Demand deposits	689	519	589	1027	456	530	545	532
a) Budget and Line Ministries	551	234	262	226	219	227	232	304
b) Funds	138	284	327	801	236	302	312	227
c) Ins. of C.Gov.: Courts, etc.	0	1	0	0	1	1	1	1
Nation. Bank NonGov.Demand dep.	23	96	331	423	474	377	206	223
M2 (Total)	129644	129731	133527	136240	140944	143911	147785	151132
M2 (nonGovernment)	128494	128763	132480	134750	139924	142885	146709	150146
Quasi money (Total)	94208	96629	99505	100959	104780	107427	110921	112684
Quasi money (non Government)	93747	96180	99047	100496	104216	106931	110390	112230
Deposit Money banks	94208	96629	99505	100959	104780	107427	110921	112684
Non Government sector	93747	96180	99047	100496	104216	106931	110390	112230
Denar	36317	37295	39293	40511	43540	45648	48389	49353
Foreign currency	57430	58885	59754	59985	60676	61283	62001	62877
Government deposits	461	449	458	463	564	496	531	454
Denar	460	448	457	462	563	496	531	454
Foreign currency	1	1	1	1	1	0	0	0
NBM quasi deposits	0	0	0	0	0	0	0	0
Nonmonetary Deposits (Total)	6686	6548	6786	6773	7594	8407	8493	9112
<i>Denar nonm. deposits (total)</i>	3678	3641	3739	3799	4536	4734	4938	5217
<i>F.C. nonm. deposits (total)</i>	3008	2907	3047	2974	3058	3673	3555	3895
Nonmonetary Deposits (nonGov.)	6637	6499	6736	6723	7544	8357	8443	9062
<i>Denar nonm. dep.(nonG)</i>	3629	3592	3689	3749	4486	4684	4888	5167
<i>F.C. nonm. dep (nonG)</i>	3008	2907	3047	2974	3058	3673	3555	3895
-Deposit Money Banks	6686	6548	6786	6773	7594	8407	8493	9112
Denar nonGov. nonmonetary dep.	3629	3592	3689	3749	4486	4684	4888	5167
F. C. nonGovern. nonmon. dep.	3008	2907	3047	2974	3058	3673	3555	3895
Denar Gov. nonmon. deposits	49	49	50	50	50	50	50	50
F. C. Govern. nonmon. deposits	0	0	0	0	0	0	0	0
-NBM NonGov. nonm. deposits	0	0	0	0	0	0	0	0
Denar	0	0	0	0	0	0	0	0
Foreign currency	0	0	0	0	0	0	0	0
Total Deposits	120124	121752	125327	127979	133007	136959	140434	143571
Total Deposits (nonGov.)	118925	120735	124230	126439	131937	135883	139308	142535

1) Definite data

Source: National Bank of the Republic of Macedonia



Table 6
Total deposits of the non-government sector

	31.07.2007 Monthly changes			Annual changes		structure
	in Denar million	in Denar million	in %	in Denar million	in %	in %
Total deposits	121,292	2,459	2.1	32,982	37.3	100
1. According to maturity						
-short-term	112,230	1,840	1.7	29,475	35.6	93
-long-term	9,062	619	7.3	3,507	63.1	7
2. According to currency of denomination						
- In denar	54,520	1,243	2.3	22,205	68.7	45
- In foreign currency	66,772	1,216	1.9	10,777	19.2	55

Source: National Bank of the Republic of Macedonia

Table 7
Households and enterprises deposits

	structure in %	31.07.2007 Monthly changes			Annual changes	
		in Denar million	in Denar million	in %	in Denar million	in %
Total households deposits	100.0	79,623	1,606	2	18,431	30
1. According to maturity						
-short-term	93.3	74,306	1,289	2	16,342	28
-long-term	6.7	5,317	317	6	2,089	65
2. According to currency of denomination						
- In denar	39.7	31,621	941	3	13,097	71
- In foreign currency	60.3	48,002	665	1	5,334	13
Total enterprises deposits	100.0	39,313	875	2	13,957	55
1. According to maturity						
-short-term	94.4	37,110	561	2	13,094	55
-long-term	5.6	2,203	314	17	863	64
2. According to currency of denomination						
- In denar	52.8	20,771	320	2	8,483	69
- In foreign currency	47.2	18,542	555	3	5,474	42

Source: National Bank of the Republic of Macedonia



Table 8
Demand deposits of households and enterprises

	31.07.2007	Monthly changes		Annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Demand deposits	21,243	768	3.8	4,411	26.2
- Demand deposits of households	4,341	63	1.4	1,065	30.9
- Demand deposits of enterprises	14,419	621	4.5	3,168	28.2

Source: National Bank of the Republic of Macedonia

Table 9
Placements to households and enterprises

	31.07.2007	Monthly changes		Annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Total placements	108,465	3,453	3.3	27,725	34.3
<i>Denar placements</i>	81,138	3,107	4.0	21,372	35.8
<i>of which:</i>					
-enterprises	42,610	946	2.3	7,910	22.8
-households	38,266	2,007	5.5	13,280	53.1
<i>Foreign currency placements</i>	27,327	346	1.3	6,353	30.3
<i>of which:</i>					
-enterprises	25,348	316	1.3	5,804	29.7
-households	1,968	26	1.3	542	38.0

Source: National Bank of the Republic of Macedonia


Table 10

Maturity and sector structure of Denar and foreign currency placements

	31.07.2007	Monthly changes	Annual changes
	(in %)	(in percentage points)	
Denar placements	100.0		
maturity structure			
-short-term	43.3	-0.1	-6.2
-long-term	56.7	0.1	6.2
structure by sectors			
- enterprises	52.5	-0.9	-5.6
- households	47.2	0.7	5.4
- other	0.3	0.2	0.2
Foreign currency placements	100.0		
maturity structure			
-short-term	26.2	-1.5	-0.7
-long-term	73.8	1.5	0.7
structure by sectors	0.0	0.0	0.0
- enterprises	92.8	0.0	-0.4
- households	7.2	0.0	0.4
- other	0.0	0.0	0.0

Source: National Bank of the Republic of Macedonia

Table 11

Interest rates

	July, 2007	Monthly changes	Annual changes
	in %	in percentage points	
Average weighted interest rate on the CB bills auctions (28 days)	5.1	0.2	-0.4
Average weighted interest rate on the Money Market	3.5	0.0	-1.5
Interest rate on three-month treasury bills	5.4	0.0	-0.7
Banks' weighted lending interest rates	10.1	-0.1	-1.2
Banks' weighted deposit interest rates	4.7	-0.1	0.1

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				
10.07.2007	1.395	1.821	1.395	5,41
24.07.2007	2.100	1.852	1.837	5,47
Treasury bills auctions, 6 month				
10.07.2007	200	416	200	5,56
Treasury bills auctions, 12 month				
24.07.2007	100			0,00

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)

	VII.2007	I-VII.2007	VII.2007		VII.2007		I-VII.2007	
	amount		VI.2007	%	VII.2006	%	amount	%
Foreign trade	520.3	3,363.5	-3.9	-0.8	104.9	25.2	261.7	8.4
Export	196.6	1,375.0	0.0	0.0	28.4	16.9	181.7	15.2
Import	323.7	1,988.5	-3.9	-1.2	76.4	30.9	80.0	4.2
Balance	-127.1	-613.5	3.9	-3.0	-48.0	60.7	101.7	-14.2

Source: State Statistical Office.

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

	Foreign trade		Exports		Imports		Import-export coverage ratio
	amount	Share	amount	Share	amount	Share	
Republic of MACEDONIA	3,363.5	100.0	1,375.0	100.0	1,988.5	100.0	69.1
<i>out of which:</i>							
Serbia	394.8	11.7	242.1	17.6	152.7	7.7	158.5
Germany	387.0	11.5	187.4	13.6	199.6	10.0	93.9
Greece	357.4	10.6	179.2	13.0	178.3	9.0	100.5
Italy	278.9	8.3	153.0	11.1	125.9	6.3	121.6
Russia	246.4	7.3	9.4	0.7	237.0	11.9	4.0
Bulgaria	188.1	5.6	92.8	6.8	95.3	4.8	97.4
Spain	117.7	3.5	95.2	6.9	22.5	1.1	423.8
Croatia	105.6	3.1	59.6	4.3	46.0	2.3	129.4
Turkey	94.6	2.8	18.9	1.4	75.8	3.8	24.9
China	90.9	2.7	0.1	0.0	90.8	4.6	0.1
Total (10 largest trading partners)	2,261.5	67.2	1,037.6	75.5	1,223.9	61.5	84.8

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	
	30.06.2007	31.07.2007	VI 2007	VII 2007	VI 2007	VII 2007
Long-term debt	1,644.7	1,647.2	35.9	12.3	110.5	14.3
Public sector	1,012.8	1,011.3	18.0	7.3	98.7	10.5
Official creditors	782.7	785.9	18.0	7.3	97.2	4.4
Multilateral creditors	696.7	700.2	8.2	6.8	97.1	3.3
Bilateral creditors	86.0	85.7	9.7	0.5	0.2	1.1
Private creditors	230.1	225.3	0.0	0.0	1.4	6.1
Eurobonds	150.0	150.0	0.0	0.0	0.0	0.0
Other private creditors	80.1	75.3	0.0	0.0	1.4	6.1
Private sector	631.9	635.9	17.9	5.0	11.9	3.7
Private banks	146.7	148.1	10.5	1.5	2.9	0.2
Non-banking private sector	485.2	487.7	7.5	3.5	9.0	3.6
Short-term debt	125.1	126.9	8.5	3.9	0.9	2.2
Public sector	0.0	0.0	0.0	0.0	0.0	0.0
Private sector	125.1	126.9	8.5	3.9	0.9	2.2
Private banks	32.4	32.4	6.5	0.0	0.4	0.0
Non-banking private sector	92.7	94.5	2.0	3.9	0.5	2.2
TOTAL	1,769.8	1,774.1	44.4	16.2	111.5	16.5

Source: National Bank of the Republic of Macedonia

National Bank of the Republic of Macedonia Balance sheet

Table 16

NBRM Balance sheet on 31.07.2007
(in million Denars)

Assets	Amount	Liabilities	Amount
Foreign assets	89,718	Reserve money	29,778
Claims on Government	1,626	NBRM instruments	10,110
Claims on banks and other financial institutions	1,345	Restricted deposits	707
Other assets	2,427	Foreign liabilities	59
		Government deposits	31,608
		Capital accounts	12,169
		Other liabilities	10,685
Total	95,116	Total	95,116

Source: National Bank of the Republic of Macedonia