

National Bank of the Republic of Macedonia
Research Department



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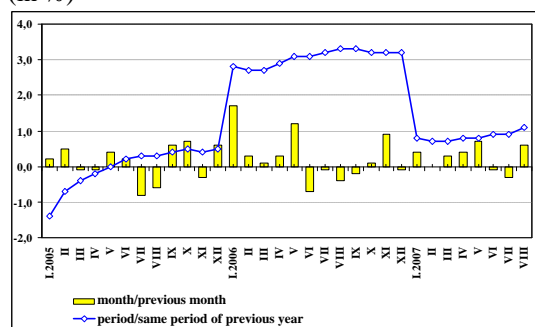
***Important economic events and amendments to the legal regulations
in August 2007***

- ❖ *On August 6, the Regulatory Energy Committee adopted a decision on decreasing the refinery and retail prices of petroleum products by 1.81% and 1.08%, respectively, on average ("Official Gazette of the Republic of Macedonia" no. 97/2007), and according to the decision dated August 20, they decreased by 6.53% and 4.52%, respectively, on average ("Official Gazette of the Republic of Macedonia" no. 101/2007).*
- ❖ *On August 7, the Government of the Republic of Macedonia announced the second group of recommendations of the Regulatory Guillotine Project, concerning the amendments to regulations for compliance and reduction of the required documentation and for simplification of procedures.*
- ❖ *On August 15, Fitch rating agency upgraded the long-term credit rating of the Republic of Macedonia from BB+ Rating - Outlook Stable to BB+ Rating - Outlook Positive for foreign and domestic currency.*
- ❖ *On August 15, the Ministry of Finance made a full early repurchase of two credits from the European Investment Bank, totaling Euro 6.82 million, generating interest savings of Euro 385 thousand in the Budget of the Republic of Macedonia within the next three years.*
- ❖ *On August 22, the Government of the Republic of Macedonia passed a decision on increasing the wages of the government and public administration by about 34%, in the period from October 2007 to October 2009. The wage increase is to start in October 2007, by 10% every year. The pensions are also planned to increase starting from January 1, 2008 by roughly 20% within a period of three years.*
- ❖ *On August 22, the new extended CEFTA-agreement entered into force regulating the trade relations among SEE countries. The multilateral free trade agreement will be applied in Macedonia, Croatia, Albania, Kosovo, Montenegro and Moldova, and is expected to be ratified by Bosnia and Herzegovina and Serbia.*
- ❖ *On August 31, the 76th international fair was opened in Izmir, Republic of Turkey, attended by government economic delegation of the Republic of Macedonia, represented by about ten Macedonian companies. The fair has been important because of the presentation of products from all around the world and our promotion on the Turkish market, creating opportunities for building partnerships and business contacts.*
- ❖ *In August, the Customs Administration issued the first 0% bank guarantee for financially reliable companies.*
- ❖ *In August, the first financial company - Production, trade and services company MM Investment DOO Skopje, was incorporated in Macedonia by the pharmaceutical company Zegin and the Island company Milestone. The company from Island has been the major distributor of financial investments on the Balkans, and apart from the pharmaceutical industry, it has also been present in the banking sector, the investment funds, electronics and insurance companies.*
- ❖ *New regulations:*
 - *Amendments to the Budget of the Republic of Macedonia for 2007 ("Official Gazette of the Republic of Macedonia" no. 96/2007);*
 - *Decision on execution of the purchase and sale of government owned shares in AD TEC Negotino ("Official Gazette of the Republic of Macedonia" no. 97/2007).*

I. Real sector development

In August 2007, the inflation rate increased by 0.6% on a monthly basis, almost solely a result of the increase in the food prices (by 1.4%, i.e. contribution of 0.5 p.p. to the overall monthly inflation). The increase in the food prices primarily resulted from the negative impact of the drought period on the agricultural production, leading to higher export demand. The increase in the prices of fresh vegetables, vegetable oils (higher prices of cooking oil) and fresh meat had greater inflation effect. The higher prices of transport and telecommunication services (increase of 0.4%) and means of education had marginal effects on the total consumer prices.

Figure 1
Consumer prices
(in %)



Source: State Statistical Office.

The annual growth rate in the consumer prices in August accelerated and equaled 2.2%, registering a significant change in the food prices which rose in a faster pace (by 3.9%). The monthly and annual increase in the general consumer price level led to acceleration of the *average inflation rate* (by 0.2 p.p.), reaching 1.1%, in the January-August 2007 period. It remained under the influence of the higher prices of electricity and thermal energy, food, means of education and catering, while the lower prices of telecommunication services and fuels had deflation influence.

In August 2007, the *producer prices*² surged by 0.8% relative to the preceding month. The monthly growth entirely resulted from the higher production prices in the manufacturing sector, i.e. from the higher food and beverage producer prices (contribution of 0.5 p.p. to the overall growth). Within the manufacturing sector, the higher producer prices of petroleum products

made additional contribution (0.2 p.p.) to the total price growth (in line with the Decision of the Regulatory Energy Committee on increasing the refinery prices, dated July 23, 2007). Other manufacturing branches registered stable production prices, while only few registered slight movements. Insignificant contribution to the overall rise in the producer prices was also made by the energy sector (growth of 0.5%), whereas the production prices in the mining sector remained stable.

The monthly growth in the producer prices induced their increase on annual basis by 1.2%, while the average rate was still stable, remaining at 0.6%, in the January-August 2007 period. The cumulative growth rate of the producer prices remained under the influence of the higher prices of energy (due to the higher price of electricity and thermal energy), food products and beverages, construction materials and basic metals, having a partial offsetting effect of the lower prices of producers of petroleum products.

Unlike the expected seasonal pace - slower output during summer period, August 2007 witnessed moderate growth in the *industrial output*³. The favorable developments in the mining and manufacturing sector resulted in a monthly growth in the overall volume of industrial output of 1.1%. Main driver of the monthly growth, in line with the high structural share in the total index, was the manufacturing sector as a result of the favorable performances in the leading manufacturing branches - production of food and beverages, construction materials and basic metals. On the other hand, adverse developments were registered in the production of tobacco products, textile products, petroleum products and chemical products. The higher production of electrical machines and appliances was a significant contributor to the monthly growth, which in August was by 3.4 times faster compared to the preceding month. Unlike the fast increase in the production of electricity in the preceding month, due to the launching of electricity production in one thermal power plant, in August, the production in the energy sector dropped. The reason was the underemployed capacity of this thermal power plant in August, and the lower output of several hydro power plants due to the drought period.

² Preliminary SSO data.

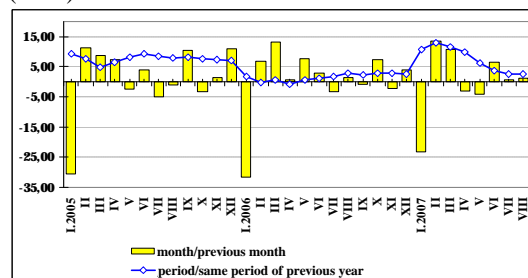
³ Preliminary SSO data.



The annual growth of 1.1% in August was not sufficient to offset the effect of the negative annual rates in the previous three months. Thus, the cumulative growth in the industrial output in the January-August 2007 period further slowed down, reducing to 2.5% compared to the same period of the previous year. The production of basic metals remained a driving force of the cumulative growth, induced by the favorable developments on the international metal exchanges. Additionally, the growth was also supported by the higher production of food products and construction materials. In summary, ten manufacturing branches making up roughly 53% of the total index registered cumulative growth, whereas the remaining slowed down. The positive performances in the mining sector were due to the higher production of metal ores. The poor performances of the energy sector

(cumulative fall of 14.4%) still had a negative effect on the growth in the overall industrial output.

Figure 2
Industrial output
(in %)



Source: State Statistical Office.

II. Monetary developments

In August 2007, the *reserve money*³ totaled Denar 26,155 million, reducing by 12.2% compared to the end of the preceding month. The fall in the reserve money resulted from the lower balance of total *liquid assets of the banks*⁴, as a result of the payment of dividend by one larger investor, and the lower demand for *currency in circulation* (by 1.8%).

With respect to liquidity, the *NBRM foreign currency transactions* (net purchase of foreign currency on the foreign exchange market) and the *currency in circulation* acted towards liquidity creation, which was fully withdrawn through the *Government Denar deposits with the NBRM* and the *monetary instruments*. In August 2007, the banks allocated 11.2% over the reserve requirement (in Denars)⁵, which is by 6.7 percentage points less compared to the preceding accounting period.

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

	31.07.2007	31.08.2007	31.08.2007/31.07.2007
	in millions of denars		changes in millions of denars
Banks' liquidity (banks' accounts with NBRM)	11.364	7.959	-3.405
Liquidity creation			2.588
1. Currency in circulation	16.673	16.380	293
2. Net foreign assets	89.659	91.954	2.295
Liquidity withdrawal			-5.993
1. Net domestic assets	-59.881	-65.799	-5.918
of which:			
Government Denar deposits with NBRM ¹	-15.420	-19.809	-4.389
CB bills	-10.110	-10.460	-350
Treasury bills for monetary policy purposes	-8.520	-9.412	-892
Other items, net	-21.509	-22.193	-684
2. Banks' cash in vaults	1.741	1.816	-75

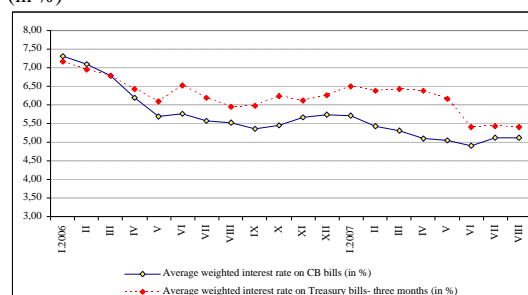
¹ Treasury bills for monetary purposes are excluded.

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

Source: National Bank of the Republic of Macedonia.

At the CB bills auctions held in August 2007, the average weighted interest rate reached 5.11% (5.13% in July 2007), and the average weighted interest rate on three-month treasury bills in August equaled 5.41% (5.44% in the preceding month).

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



Source: NBRM and Ministry of Finance.

³ The analysis refers to the reserve money, excluding reserve requirement of foreign currency deposits.

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

⁵ 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.



In August 2007, the monetary aggregate M1 surged by 3% on a monthly basis, due to the increase in the transaction deposits of 6.7%, in environment of 1.8% lower demand for currency in circulation. The broader monetary aggregates M2 and M4 registered identical monthly growth of 0.6%, and on annual basis (August 2007/ August 2006), the broader monetary aggregates M2 and M4 went up by 29.3% and 30.5%, respectively.

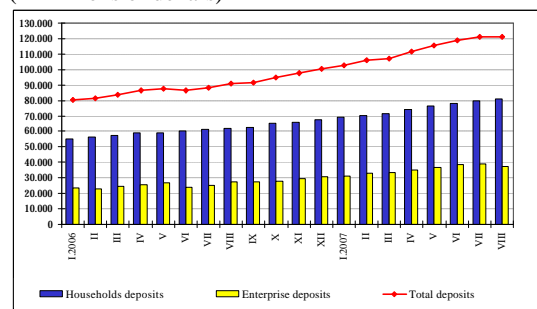
Table 2
Monetary aggregates and their components
(in millions of denars)

	31.08.2007 godina	Monthly changes in %	Annual changes in %
Currency in circulation	16.380	-1,8	10,5
Demand deposits	22.671	6,7	32,7
Monetary aggregate M1	39.051	3,0	22,4
Short-term Denar deposits	48.434	-1,9	59,8
Monetary aggregate M2-Denar component	87.485	0,2	40,6
Short-term foreign exchange deposits	63.564	1,1	16,4
Monetary aggregate M2	151.049	0,6	29,3
Non-monetary deposits	9.053	-0,1	53,5
- Denar	5.357	3,7	63,4
- foreign exchange	3.696	-5,1	41,1
Monetary aggregate M4	160.102	0,6	30,5

Source: National Bank of the Republic of Macedonia.

In August 2007, the total deposit potential of the banks decreased by Denar 241 million, or by 0.2%, compared to the preceding month, given the outflow of Telecom's deposits for payment of dividend to the government. Thus, the sector-by-sector analysis showed higher household deposits (by 1.8%), whereas the corporate deposits fell (by 4.3%). Observing the maturity, the monthly fall in the total deposits was mainly due to the lower level of short-term deposits (accounting for 96.3% of the fall in the total deposits). Analyzing the currency structure, the Denar deposits went down (by 1.3%), whereas the foreign currency deposits went up (by 0.7%). The annual growth rate (August 2007 / August 2006) of the total deposit potential of the banks equaled 33.3%.

Figure 4
Dynamics of deposits
(in millions of denars)



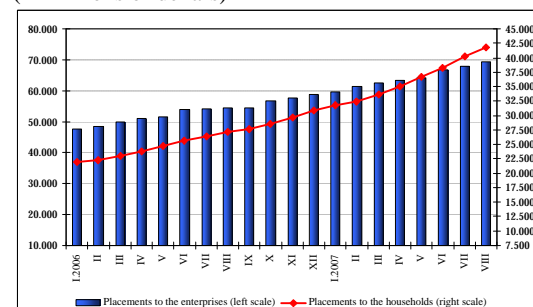
Source: National Bank of the Republic of Macedonia.

At the end of August 2007, the total banks' placements surged by Denar 3,094 million, or by

2.9%, relative to the end of the preceding month. The maturity structure analysis showed growth in the both short-term and long-term credits, with the long-term credits dominating (58%) in the monthly growth of the total credits. Observing the currency structure, the trend of Denar lending to the private sector continued⁶, the growth of which in August 2007 accounted for 82.6% of the growth in the total credits. The sector-by-sector analysis indicated by 3.9% higher lending to the households, registering simultaneous increase in the corporate lending of 2.3%.

The annual growth rate of the banks' lending to the private sector equaled 36.2 % in August 2007.

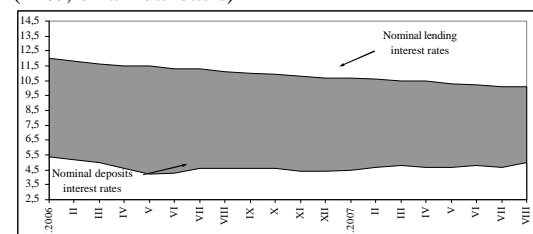
Figure 5
Bank placements by sector
(in millions of denars)



Source: National Bank of the Republic of Macedonia.

In August 2007, in the area of *banks' interest rate policy*, the average weighted lending interest rate on Denar credits in all maturities and sectors maintained the level of the preceding month, equaling 10.1%. On the other hand, the average weighted interest rate on Denar deposits in all maturities and sectors increased by 0.3 percentage points on monthly basis and equaled 5.0%, reflecting the pressures of the competition on the deposit market.

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



Source: National Bank of the Republic of Macedonia.

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

⁶ Denar lending also includes foreign currency indexed loans in Denars.



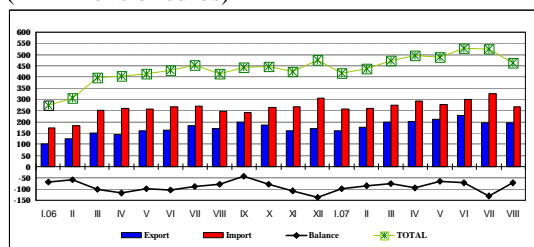
In August 2007, the average weighted foreign currency deposit interest rate for all maturities, sectors and currencies registered no changes relative to the preceding month and equaled 1.9%, whereas the average weighted foreign currency

lending interest rate for all maturities, sectors and currencies surged by 0.1 percentage points, compared to the end of July, and equaled 8.5%.

III. Foreign trade and foreign exchange developments

In August 2007, the *foreign trade*⁸ totaled Euro 463.7 million, and compared to the preceding month it reduced by 11.5%, primarily due to the fall in the imports. The *import of goods* in August 2007 was valued at Euro 266.9 million, reducing by 18.5% compared to July 2007. Analyzing by product, such fall in the imports resulted from the lower import of mineral fuels, reprocessing of textile, vehicles and electrical machines. On annual basis, the imports was by 7.9% higher, with the higher import of ores, iron and steel and products thereof and of electrical machines registering more significant share in the growth. In August 2007, the *export of goods* reached Euro 196.8 million, generating monthly growth of 0.1%, primarily resulting from the higher export of iron and steel and products thereof, and petroleum products. Compared to the same month of the previous year, the exports was by 17% higher, mainly a result of the greater export of iron and steel.

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



Source: State Statistical Office.

Such dynamics of the two components of the foreign trade brought about narrowing of the trade deficit by 46.5% on a monthly basis. In August 2007, the export-import coverage ratio surged by 13.7 percentage points compared to the preceding month, and equaled 73.7%

In the January-August 2007 period, the foreign trade totaled Euro 3,831.8 million, and compared to the same period of the previous year, it was by 23.5% higher, given the simultaneous increase in the both trade categories. In the analyzed period, the export of goods went up by 31.7%

cumulatively, and amounted to Euro 1,571.8 million. Such growth primarily resulted from the higher export of iron and steel and products thereof, and the higher export of clothing and textile, ores and footwear. In the January-August 2007 period, the total import of goods equaled Euro 2,260 million, registering an increase of 18.4%, compared to the same period of 2006, mainly due to the higher import of iron and steel and products thereof, ores, equipment, electrical machines and vehicles. In the January-August 2007 period, the trade deficit was valued at Euro 688.3 million, which is by 3.8% lower compared to the same period of 2006. The export-import coverage ratio surged by 7 percentage points and equaled 69.5%.

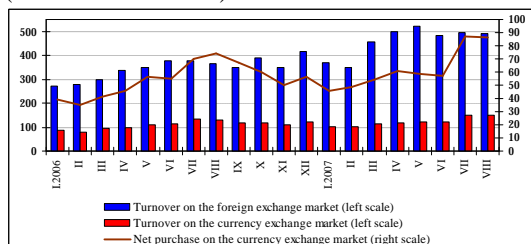
In August 2007, the *foreign exchange market* turnover totaled Euro 490.6 million, reducing by 0.7% on a monthly basis. Having faster fall in the demand relative to the supply of foreign currency (by 5.8% and 0.7%, respectively), the net sale of foreign currency by banks to enterprises reduced by almost one third, compared to the preceding month. On the foreign exchange market, the NBRM purchased a net amount of foreign currency of Euro 38.2 million, which is by 27.2% higher relative to the preceding month. In the January-August 2007 period, the net purchase of foreign currency on the foreign exchange market by the NBRM amounted to Euro 281.4 million. The *gross foreign reserves* reached Euro 1,485.4 million, on August 31, 2007, increasing by 2.5% on a monthly basis, mainly due to the net purchase on the foreign exchange market by the NBRM.

In August 2007, the *currency exchange market* turnover totaled Euro 147.9 million, which is by 2.2% less compared to the preceding month. Having simultaneous decrease in the demand for and the supply of foreign currency (of 4.3% and 1.7%, respectively), the net purchase was by 0.7% lower on a monthly basis, and amounted to Euro 86.5 million. On cumulative basis, in the January-August 2007 period, the net purchase on the currency exchange market reached Euro 499.4 million, which is an increase of 19.6% relative to the same period of the previous year.

⁸ Source: NBRM. The export of goods is presented on f.o.b. basis, while the import of goods is presented on c.i.f. basis.



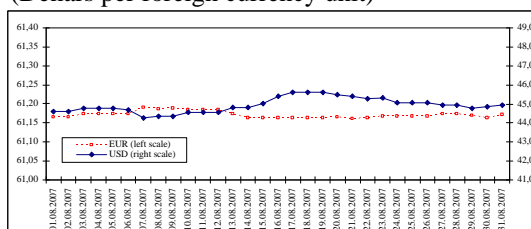
Figure 8
Movement of the total turnover on the foreign
exchange and currency exchange market
(in millions of euros)



Source: National Bank of the Republic of Macedonia.

The exchange rate of the Denar against the Euro on the foreign exchange market was stable, and on August 31, 2007 it equaled Denar 61.17 per one Euro. At the end of August 2007, the exchange rate of the Denar against the US Dollar equaled Denar 44.95 per one US Dollar, and depreciated by 0.4% compared to the end of the preceding month (at the end of July, Denar 44.78 were traded per one US Dollar).

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



Source: National Bank of the Republic of Macedonia.

On August 31, 2007, the external debt⁹ of the Republic of Macedonia based on long-term credits and loans was valued at Euro 1,669.3 million, which is by Euro 17 million more compared to the preceding month, due to the larger amount of withdrawn funds relative to repaid liabilities. Thus, Euro 20.5 million were withdrawn, most of which by the private sector (85.5%). The total repaid liabilities equaled Euro 10.7 million, in August 2007 (Euro 7.9 million of which were principal and Euro 2.8 million - interest). On August 31, 2007, the total long-term debt of the private sector was valued at Euro 656.2 million, which is by Euro 15.1 million more on a monthly basis. Such monthly pace was primarily due to the borrowing of the non-banking private sector (contribution of 66.9%). The short-term external debt increased by Euro 4.4 million on a monthly basis, reaching Euro 129.5 million. In August 2007, credits in the amount of Euro 51.7 million were concluded solely by the private sector, 59.3% of which on a long run.

⁹ Preliminary NBRM data.



Appendix

Developments in Real Sector in the Republic of Macedonia

Table 1
Costs of living and retail prices

	<u>VIII.2007</u> <u>VII.2007</u>	<u>VIII.2007</u> <u>VIII.2006</u>	<u>I-VIII.2007</u> <u>I-VIII.2006</u>
	in %		
Consumer prices	0,6	2,2	1,1
Food	1,4	3,9	1,1
Tobacco and beverages	0,1	2,4	1,4
Clothing and footwear	-0,3	0,6	1,2
Housing	0,2	6,2	5,7
Flat (rent, water, services)	0,2	6,5	4,7
Fuel and lighting	0,2	8,1	8,3
Hygiene and health	0,1	1,1	0,4
Culture and entertainment	0,3	4,3	3,5
Transport and communication services	0,2	-4,9	-4,6
Restaurants and hotels	0,2	3,1	3,3
Other services n.e.c.	1,1	12,9	6,4
<i>Goods</i>	<i>0,7</i>	<i>3,3</i>	<i>1,7</i>
<i>Services</i>	<i>0,2</i>	<i>-1,3</i>	<i>-0,9</i>
Retail prices	0,4	2,6	2,1
Agricultural products	1,9	9,7	0,4
Non-food industrial products	0,1	3,8	3,1
Industrial food products	1,4	2,3	1,0
Beverages	0,2	0,8	0,5
<i>Goods</i>	<i>0,5</i>	<i>3,7</i>	<i>2,3</i>
<i>Services</i>	<i>0,3</i>	<i>1,0</i>	<i>1,9</i>

Source: State Statistical Office of the Republic of Macedonia



Table 2
Prices of producers of industrial products*

	<u>VIII.2007</u> <u>VII.2007</u>	<u>VIII.2007</u> <u>VIII.2006</u>	<u>I-VIII.2007</u> <u>I-VIII.2006</u>
	in %		
Prices of producers of industrial products	0,8	1,2	0,6
Energy	1,1	2,7	-0,7
Intermediate goods, except energy	0,7	4,4	4,8
Capital products	0,0	0,6	1,5
Durable consumer goods	0,0	0,0	0,4
Non-durable consumer goods	0,8	-1,7	-1,4
<i>Mining and quarrying</i>	<i>0,0</i>	<i>-0,2</i>	<i>0,6</i>
<i>Manufacturing</i>	<i>0,9</i>	<i>-1,0</i>	<i>-1,0</i>
Manufacturing of food products and beverages	1,6	1,4	0,9
Manufacturing of tobacco products	0,0	-0,5	-0,1
Manufacturing of textiles	0,0	0,0	-0,4
Manufacturing of wearing apparel; dressing and dyeing of fur	0,0	-2,3	-2,2
Publishing, printing and reproduction of recorded media	-0,3	-0,3	-0,5
Manufacture of coke, refined petroleum products and nuclear fuel	1,7	-9,0	-11,8
Manufacture of chemicals and chemical products	0,0	-1,5	-0,9
Manufacture of rubber and plastic products	0,0	-1,7	0,0
Manufacture of other non-metallic mineral products	0,0	0,5	2,2
Manufacture of basic metals	1,7	8,4	11,3
Manufacture of fabricated metal products, except machinery and equipment	0,3	1,9	3,2
Manufacture of electrical machinery and apparatus n.e.c.	0,0	3,3	5,1
<i>Electricity, gas and water supply</i>	<i>0,5</i>	<i>20,8</i>	<i>14,5</i>

* Previous data

Source: State Statistical Office of the Republic of Macedonia



Table 3
Industrial output*

	Structure in %	VIII.2007 VII.2007	VIII.2007 VIII.2006	I-VIII.2007 I-VIII.2006
		in %		
Total	100,0	1,1	1,0	2,5
Energy	18,3	-4,6	-8,9	-8,8
Intermediate goods, except energy	34,1	14,7	14,3	13,8
Capital products	5,1	3,2	2,5	10,0
Durable consumer goods	2,2	-8,1	4,0	14,9
Non-durable consumer goods	40,3	-8,9	-7,8	-3,4
Mining and quarrying	3,9	0,7	3,3	17,3
Mining of coal and lignite; extraction of peat	1,6	8,0	0,9	-0,4
Mining of metal ores	0,7	3,1	15,5	2,1 pati
Other mining and quarrying	1,5	-5,2	-3,7	-2,3
Manufacturing	83,9	1,8	2,2	4,3
Manufacturing of food products and beverages	16,1	2,9	12,6	7,0
Manufacturing of tobacco products	5,7	-24,1	-29,4	-10,0
Manufacturing of textiles	1,7	-10,1	-16,7	-11,5
Manufacturing of wearing apparel; dressing and dyeing of fur	11,1	-15,2	-21,8	-15,3
Tanning and dressing of leather; manufacture of luggage, handbags, saddles, harness and footwear	1,5	-32,0	-1,7	-1,8
Manufacture of wood and products of wood and cork, except furniture, manufacture of articles of straw and plaiting materials	1,2	35,4	18,4	18,6
Manufacture of pulp, paper and paper products	1,1	3,4	-5,1	-3,7
Publishing, printing and reproduction of recorded media	3,1	20,9	-6,6	-5,0
Manufacture of coke, refined petroleum products and nuclear fuel	4,5	-6,5	-6,2	4,1
Manufacture of chemicals and chemical products	4,6	-23,7	-11,6	5,8
Manufacture of rubber and plastic products	1,9	23,3	8,8	6,0
Manufacture of other non-metallic mineral products	7,3	9,0	5,0	13,9
Manufacture of basic metals	11,2	5,8	42,5	40,5
Manufacture of fabricated metal products, except machinery and equipment	3,3	67,9	29,2	4,3
Manufacture of machinery and equipment n.e.c.	1,4	-10,4	53,4	46,6
Manufacture of electrical machinery and apparatus n.e.c.	3,5	3,4 pati	0,9	-36,2
Manufacture of motor vehicles, trailers and semi- trailers	1,1	11,2	-53,8	-31,8
Manufacture of other transport equipment	1,1	-28,8	8,6	16,6
Manufacture of furniture, manufacturing n.e.c.	2,0	-18,7	-30,8	-9,7
Recycling	0,6	19	-98,5	-48,8
Electricity, gas and water supply	12,2	-5,2	-11,6	-14,4

* Previous data

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

1) Final 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	VIII.07
I. Net Foreign Assets	108042	106455	107140	108475	110951	113778	107566	110631	113010
<i>National Bank</i>	85116	83884	83221	85066	87857	90799	87790	89659	91954
Assets	87761	86503	85676	87526	90111	90799	87849	89718	91954
Liabilities	2645	2619	2455	2460	2254	0	59	59	0
<i>Deposit Money Banks</i>	22926	22571	23919	23409	23094	22979	19776	20972	21056
Assets	39707	38257	38837	39614	39419	39424	39000	39182	40996
Liabilities	16781	15686	14918	16205	16325	16445	19224	18210	19940
II. Net Domestic Assets	28288	29824	33173	34538	37587	38540	48712	49613	48103
1.Domestic credit	77176	79487	83921	85601	88305	89928	100434	101445	100551
of which: Claims on Gov.	-17184	-16633	-14556	-15513	-14956	-15969	-9477	-11370	-15450
a) Deposit Money Banks	107866	109314	112162	115570	118545	122052	126931	129735	133725
-in denar	84368	85822	87861	90626	93354	96169	99837	102258	105693
Government	13377	13067	13562	14337	15165	16041	16907	16770	17557
Credits	13355	13045	13539	14314	15142	16018	16883	16746	17533
a) Budget and Line Ministries	13095	12762	13241	14052	14994	15893	16777	16661	17469
b) Funds	260	283	298	262	148	125	106	85	64
c) Ins. of Central Gov.: Courts, etc.	0	0	0	0	0	0	0	0	0
Accrued interest	22	22	23	23	23	23	24	24	24
Non Government sector	70991	72755	74299	76289	78189	80128	82930	85488	88136
Credits	66410	68057	69569	71537	73380	75288	78031	81138	83694
of which: Overdue claims	9810	9737	9721	9560	9848	10180	10049	9653	9756
Accrued interest	4581	4698	4730	4752	4809	4840	4899	4350	4442
-in foreign currency	23498	23492	24301	24944	25191	25883	27094	27477	28032
Government	129	127	123	119	119	114	113	150	167
of which: Overdue	0	0	0	0	0	0	0	0	0
Non Government sector	23369	23365	24178	24825	25072	25769	26981	27327	27865
of which: Overdue	1650	1625	1473	1511	1566	1630	1611	1591	1748
b) Nat. Bank Claims on Government	-30690	-29827	-28241	-29969	-30240	-32124	-26497	-28290	-33174
2.Other items, net	-48888	-49663	-50748	-51063	-50718	-51388	-51722	-51832	-52448
of which: Claims on Gov.	0	0	0	0	0	0	0	0	0
for frozen f.c. deposits	-4603	-4720	-4753	-4775	-4832	-4863	-4923	-4374	-4466
Accrued interest	-44285	-44943	-45995	-46288	-45886	-46525	-46799	-47458	-47982
Others									

1) Final data



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	VIII.07
M4Total	136330	136279	140313	143013	148538	152318	156278	160244	161113
M4 (nonGovernment)	135131	135262	139216	141473	147468	151242	155152	159208	160102
M1(Total)	35436	33102	34022	35281	36164	36484	36864	38448	39556
M1 (nonGovernment)	34747	32583	33433	34254	35708	35954	36319	37916	39051
Currency in Circulation	16206	14527	14986	15034	15531	15359	15844	16673	16380
Demand deposits(total)	19230	18575	19036	20247	20633	21125	21020	21775	23176
Demand deposits(NonGov.)	18541	18056	18447	19220	20177	20595	20475	21243	22671
Deposit Money Banks	19207	18479	18705	19824	20159	20748	20814	21552	22699
NonGov. Demand deposits	18518	17960	18116	18797	19703	20218	20269	21020	22194
Government Demand deposits	689	519	589	1027	456	530	545	532	505
a) Budget and Line Ministries	551	234	262	226	219	227	232	304	243
b) Funds	138	284	327	801	236	302	312	227	261
c) Ins. of C.Gov.: Courts, etc.	0	1	0	0	1	1	1	1	1
Nation. Bank NonGov.Demand dep.	23	96	331	423	474	377	206	223	477
M2 (Total)	129644	129731	133527	136240	140944	143911	147785	151132	152010
M2 (nonGovernment)	128494	128763	132480	134750	139924	142885	146709	150146	151049
Quasi money (Total)	94208	96629	99505	100959	104780	107427	110921	112684	112454
Quasi money (non Government)	93747	96180	99047	100496	104216	106931	110390	112230	111998
Deposit Money banks	94208	96629	99505	100959	104780	107427	110921	112684	112454
Non Government sector	93747	96180	99047	100496	104216	106931	110390	112230	111998
Denar	36317	37295	39293	40511	43540	45648	48389	49353	48434
Foreign currency	57430	58885	59754	59985	60676	61283	62001	62877	63564
Government deposits	461	449	458	463	564	496	531	454	456
Denar	460	448	457	462	563	496	531	454	456
Foreign currency	1	1	1	1	1	0	0	0	0
NBM quasi deposits	0	0	0	0	0	0	0	0	0
Nonmonetary Deposits (Total)	6686	6548	6786	6773	7594	8407	8493	9112	9103
Denar nonm. deposits (total)	3678	3641	3739	3799	4536	4734	4938	5217	5407
F.C. nonm. deposits (total)	3008	2907	3047	2974	3058	3673	3555	3895	3696
Nonmonetary Deposits (nonGov.)	6637	6499	6736	6723	7544	8357	8443	9062	9053
Denar nonm. dep.(nonG)	3629	3592	3689	3749	4486	4684	4888	5167	5357
F.C. nonm. dep (nonG)	3008	2907	3047	2974	3058	3673	3555	3895	3696
-Deposit Money Banks	6686	6548	6786	6773	7594	8407	8493	9112	9103
Denar nonGov. nonmonetary dep.	3629	3592	3689	3749	4486	4684	4888	5167	5357
F. C. nonGovern. nonmon. dep.	3008	2907	3047	2974	3058	3673	3555	3895	3696
Denar Gov. nonmon. deposits	49	49	50	50	50	50	50	50	50
F. C. Govern. nonmon. deposits	0	0	0	0	0	0	0	0	0
-NBM NonGov. nonm. deposits	0	0	0	0	0	0	0	0	0
Denar	0	0	0	0	0	0	0	0	0
Foreign currency	0	0	0	0	0	0	0	0	0
Total Deposits	120124	121752	125327	127979	133007	136959	140434	143571	144733
Total Deposits (nonGov.)	118925	120735	124230	126439	131937	135883	139308	142535	143722

1) Final data

Source: National Bank of the Republic of Macedonia



Table 6
Total deposits of the non-government sector

	31.08.2007	Monthly changes		Annual changes		structure
	in Denar million	in Denar million	in %	in Denar million	in %	in %
Total deposits	121.051	-241	-0,2	30.237	33	100,0
1. According to maturity						
-short-term	111.998	-232	-0,2	27.081	32	92,5
-long-term	9.053	-9	-0,1	3.156	54	7,5
2. According to currency of denomination						
- In denar	53.791	-729	-1,3	20.208	60	44,4
- In foreign currency	67.260	488	0,7	10.029	18	55,6

Source: National Bank of the Republic of Macedonia

Table 7
Households and enterprises deposits

	structure in	31.08.2007	Monthly changes		Annual changes	
	%	in Denar million	in Denar million	in %	in Denar million	in %
Total households deposits	100,0	81095	1472	1,8	19268	31,2
1. According to maturity						
-short-term	93,2	75558	1252	1,7	17091	29,2
-long-term	6,8	5537	220	4,1	2177	64,8
2. According to currency of denomination						
- In denar	39,9	32319	698	2,2	13808	74,6
- In foreign currency	60,1	48776	774	1,6	5460	12,6
Total enterprises deposits	100,0	37613	-1700	-4,3	10366	38,0
1. According to maturity						
-short-term	94,8	35645	-1465	-3,9	9967	38,8
-long-term	5,2	1968	-235	-10,7	399	25,4
2. According to currency of denomination						
- In denar	51,4	19343	-1428	-6,9	5744	42,2
- In foreign currency	48,6	18270	-272	-1,5	4622	33,9

Source: National Bank of the Republic of Macedonia



Table 8
Demand deposits of households and enterprises

	31.08.2007			Monthly changes		Annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %	in Denar million	in %
Demand deposits	22.671	1.428	6,7	5.588	32,7		
- Demand deposits of households	4.334	-183	-4,1	1.080	33,2		
- Deman deposits of enterprises	15.581	1.162	8,1	3.800	32,3		

Source: National Bank of the Republic of Macedonia

Table 9
Placements to households and enterprises

	31.08.2007			Monthly changes		Annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %	in Denar million	in %
Total placements	111.559	3.094	2,9	29.658	36,2		
<i>Denar placements</i>	83.694	2.556	3,2	23.181	38,3		
<i>of which:</i>	0	0	0,0	0	0,0		
-enterprises	43.641	1.031	2,4	8.973	25,9		
-housholds	39.791	1.525	4,0	14.025	54,4		
	0	0	0,0	0	0,0		
<i>Foreign currency placements</i>	27.865	538	2,0	6.477	30,3		
<i>of which:</i>	0	0	0,0	0	0,0		
-enterprises	25.857	509	2,0	5.938	29,8		
-housholds	1.997	29	1,5	531	36,2		

Source: National Bank of the Republic of Macedonia


Table 10

Maturity and sector structure of Denar and foreign currency placements

	31.08.2007	Monthly changes	Annual changes
	(in %)	(in percentage points)	
Denar placements	100,0	0,0	0,0
maturity structure	0,0	0,0	0,0
-short-term	43,2	-0,1	-5,9
-long-term	56,8	0,1	5,9
structure by sectors	0,0	0,0	0,0
- enterprises	52,1	-0,4	-5,1
- households	47,5	0,3	5,0
- other	0,3	0,0	0,2
Foreign currency placements	100,0	0,0	0,0
maturity structure	0,0	0,0	0,0
-short-term	26,6	0,4	0,0
-long-term	73,4	-0,4	0,0
structure by sectors	0,0	0,0	0,0
- enterprises	93,1	0,3	0,3
- households	6,9	-0,3	-0,3
- other	0,0	0,0	0,0

Source: National Bank of the Republic of Macedonia

Table 11

Interest rates

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

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				
07.08.2007	1.750	1.825	1.750	5,41
21.08.2007	1.500	1.715	1.500	5,40
Treasury bills auctions, 6 month				
07.08.2007	200	332	200	5,54

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)

	VIII.2007	I-VIII.2007	VIII.2007		VIII.2007		I-VIII.2007	
	amount		amount	%	amount	%	amount	%
Foreign trade	463,7	3.831,8	-60,5	-11,5	48,3	11,6	730,1	23,5
Export	196,8	1.571,8	0,2	0,1	28,6	17,0	378,5	31,7
Import	266,9	2.260,0	-60,7	-18,5	19,7	7,9	351,5	18,4
Balance	-70,2	-688,3	60,9	-46,5	9,0	-11,3	27,0	-3,8

Source: State Statistical Office.

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

	Foreign trade		Exports		Imports		Import-export coverage ratio
	amount	Share	amount	Share	amount	Share	
Republic of MACEDONIA	3.831,8	100,0	1.571,8	100,0	2.260,0	100,0	69,5
<i>out of which:</i>							
Serbia	461,7	12,0	282,3	18,0	179,4	7,9	157,4
Germany	440,2	11,5	218,9	13,9	221,3	9,8	98,9
Greece	394,8	10,3	196,8	12,5	198,0	8,8	99,4
Italy	310,3	8,1	171,2	10,9	139,1	6,2	123,1
Russia	285,6	7,5	11,5	0,7	274,2	12,1	4,2
Bulgaria	220,3	5,7	109,0	6,9	111,3	4,9	97,9
Spain	129,9	3,4	105,4	6,7	24,4	1,1	431,8
Croatia	119,6	3,1	67,9	4,3	51,7	2,3	131,2
Turkey	112,2	2,9	25,0	1,6	87,2	3,9	28,7
China	102,5	2,7	0,1	0,0	102,4	4,5	0,1
Total (10 largest trading partners)	2.576,9	67,3	1.188,0	75,6	1.388,9	61,5	85,5

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	
	31.07.2007	31.08.2007	VII 2007	VIII 2007	VII 2007	VIII 2007
Long-term debt	1.652,4	1.669,3	16,4	20,5	14,9	10,7
Public sector	1.011,3	1.013,1	7,3	3,0	10,5	4,8
Official creditors	785,9	787,6	7,3	3,0	4,4	4,8
Multilateral creditors	700,2	701,7	6,8	2,1	3,3	3,6
Bilateral creditors	85,7	86,0	0,5	0,9	1,1	1,2
Private creditors	225,3	225,5	0,0	0,0	6,1	0,0
Eurobonds	150,0	150,0	0,0	0,0	0,0	0,0
Other private creditors	75,3	75,5	0,0	0,0	6,1	0,0
Private sector	641,1	656,2	9,1	17,5	4,4	5,8
Private banks	148,1	153,2	1,5	7,2	0,2	2,9
Non-banking private sector	492,9	503,0	7,6	10,3	4,2	2,9
Short-term debt	125,1	129,5	4,4	7,1	2,3	3,4
Public sector	0,0	0,0	0,0	0,0	0,0	0,0
Private sector	125,1	129,5	4,4	7,1	2,3	3,4
Private banks	32,4	37,7	0,0	5,2	0,0	0,0
Non-banking private sector	92,7	91,9	4,4	1,9	2,3	3,4
TOTAL	1.777,5	1.798,9	20,8	27,6	17,2	14,1

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