

National Bank of the Republic of Macedonia
Research Department



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CONTENTS

Important economic events and amendments to the legal regulations in the Republic of Macedonia in September 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 September 2007

- ❖ *On September 9, the Energy Regulatory Commission took a decision on decreasing the refinery and retail prices of oil derivatives by 0.95% and 0.65%, on average, respectively, ("Official Gazette of RM" no. 105/2007), and in accordance with the decision of September 17 the prices were increased by 6.79% and 4.75%, on average, respectively ("Official Gazette of RM" no. 111/2007).*
- ❖ *On September 10, the Government of the Republic of Macedonia and the Government of Austria signed an agreement on avoiding the double taxing based on income and capital taxes.*
- ❖ *In the period from September 11 to September 23, Macedonia hosted the regular of IMF Mission the task of which was to make consultations for the Third Review of "Stand-by" - arrangement.*
- ❖ *On September 13, the Japanese Credit Rating Agency "JCR" for the first time assigned ratings to the Macedonian credit rating: on the long-term debt in foreign currency BB+ rating-stabile outlook and on the long-term debt in domestic currency BBB- rating-stabile outlook. The assigned credit rating came out mostly from the permanent economic and fiscal stability, supported by prudent economic and fiscal policy, as well as from the implementation of the structural reforms and from acquiring a membership status for entering the European Union.*
- ❖ *On September 13 an agreement was signed by the Switzerland Agency for Development and Cooperation on supporting the Association of the Units of Local Governments (AULG) in the process of building financial persistence of the association and for improving the services to municipalities. By the agreement, the Switzerland Agency on Development and Cooperation, till the end of 2010, shall grant ZELS a financial help in amount of about Swiss Franks 2.5 million, for developing and strengthening the municipalities and for increasing their capacity for giving services to citizens in aim to be prepared to meet the challenges of the second phase of decentralization.*
- ❖ *On September 17, the USA Agency for International Development (USAID) signed an agreement on partnership with "Uni Bank" and with "NLB Leasing", and they provided funds in amount of Dollar 20 million for the Republic of Macedonia within the insurance program for development of small and medium enterprises and within the projects on energy efficiency and infrastructure in municipalities in Macedonia.*
- ❖ *On September 18, three loan agreements were signed with the World Bank, in total amount of Euro 53 million. The deadline for payment is 17 years, with five years of grace-period and Libor plus interest rate 0.3%. It is about an agreement on the Second Programmatic Development Policy Loan (PDPL 2), on the Trade and Transport Facilitation in Southeast Europe Project (TTFSE 2) and on Agriculture Strengthening Project.*
- ❖ *On September 19 the third mobile operator in the Republic of Macedonia "New Operator", which is a member of the "Mobilecom Austria" group, started operating on the Macedonian market under the brand "VIP". The offers from the new mobile operator became available for the users on September 20.*
- ❖ *On September 24 in Skopje, the Center for Development of was opened Center for Entrepreneurship and Executive Development (CEED), the task of which is to initiate the development of small and medium enterprises through training the entrepreneurs and their managing groups, conducted by 25 successful domestic and regional entrepreneurs. The Center was supported by the USA Agency for International Development (USAID) and by the Small Enterprise Assistance Funds (SEAF).*
- ❖ *On September 28 in Ohrid, the ministers of economy held a meeting within the Joint Committee of the Central European Free Trade Agreement (CEFTA). Representatives from Croatia, Albania, Macedonia, Bosnia and Herzegovina, Moldavia and UNMIK-Kosovo, which are CEFTA members, took part at the meeting, and also Serbia and Montenegro, which will join this agreement, as well as representatives from the international association.*



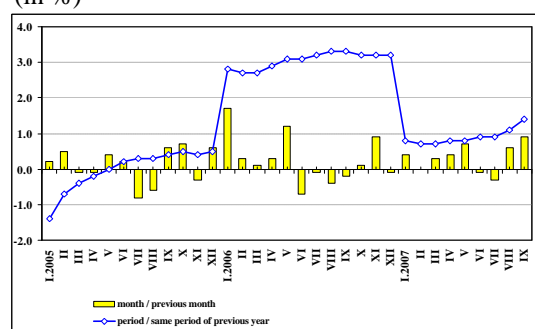
❖ *New regulations:*

- *Law on amending the Law on Customs Administration ("Official Gazette RM" no. 107/2007);*
- *Law on establishing network for collecting accounting data from the agriculture economies ("Official Gazette RM" no. 110/2007);*
- *Law on Payment Operations ("Official Gazette RM" no. 113/2007);*
- *Law on amending the Law on Value Added Tax ("Official Gazette RM" no. 114/2007);*
- *Law on ratification of the Agreement between the Government of the Republic of Macedonia and the Government of the Republic of Italy on consolidation and repayment of certain debts ("Official Gazette RM" no. 114/2007);*

I. Real sector development

Moderate increase in the inflation rate continued in September 2007, when on monthly basis it equaled 0.9%, which was fully due to the growth in the prices of personal consumption goods. The monthly inflation was almost completely determined by the growth in the prices of the category "food" (by 2.3%, or contribution of 0.8 percentage points in the total inflation), because of the more significant negative effect from the drought period on the agriculture production. Within this category, the largest inflationary pressures came out of the growth in the prices of fresh vegetables, vegetable oils (which was due to the continuous growth in the price of cooking oil) and cereal products. The monthly growth in the prices of wearing apparel, as well as in the food and beverages in the catering facilities, had marginal effect on the total level of consumer prices, whereas the fuel prices reduced by 2.7% (decrease by 4.5% since August 20 and by 0.7% since September 3, 2007)².

Figure 1
Consumer prices
(in %)



Source: State Statistical Office.

The annual growth rate in the consumer prices continued intensifying and in September 2007 it equaled 3.6%, with significant effect of the changes in food costs, which registered higher intensity of growth (by 6.7%), mainly because of the higher prices of fresh vegetables, vegetable oils and cereal products. The increase in the global level of consumer prices, on monthly and on annual basis, determined intensification in the *annual inflation rate* (by 0.3 p.p.), which in the period January-September 2007 reached 1.4%. The annual inflation rate was still under influence of higher prices of electrical and thermal energy, food, means for education and catering services,

with further deflationary influence of the lower prices of telecommunication services and fuels.

In September 2007, the *producer prices*³ registered law fall, relative to the previous month, by 0.3%. The monthly fall was fully determined by the lower producer prices in the energetic sector, which contributed with 0.3 p.p. in the total fall in the producer prices. The prices in the manufacturing kept the same level from the previous month, and the manufacturing branches registered divergent developments. Thus, producer prices of food and beverages registered most significant price growth, and on the other hand the producer prices of oil derivatives registered most significant fall (in accordance with the decrease in the refinery prices by the decisions of REC dated August 20 and September 3, 2007). The producer prices in the mining sector were almost unchanged (minimal increase by 0.1%).

On annual basis, the producer prices were higher by 2%, as a result of the growth in the prices in all three industrial sectors. The intensive growth in the prices, on annual basis, determined moderate intensification of the cumulative growth in the producer prices, which in the period January - September 2007 reached 0.8%. The higher energy prices still had the largest inflationary influence, on cumulative basis (because of the higher prices of electricity and thermal energy) and also the prices of food and beverages, building materials and basic metals, whereas the prices of domestic production of oil derivatives were still lower compared to the previous year.

After the small increase in the monthly output in July and August, the *industrial output*⁴ registered more intensive growth by 6.6% in September 2007. The higher production came out solely of the positive developments in the manufacturing sector (output increase by 6.6%), with growth in production in 60% of manufacturing branches being registered. The recycling processes represented dominant factor for growth in this sector, which in September exceeded the production in the last month by 14.4 times, as a result of the reactivation of the recycling process

³ Preliminary SSO data.

⁴ Preliminary SSO data.

² Source: Energy Regulatory Commission.

of waste and metal product leftovers⁵. The higher output of metal products in manufacturing phase gave an additional significant contribution to the monthly growth and in September it registered intensive growth of 2.1 times relative to the previous period⁶, as well as the higher production of chemical products and wearing apparel. On the other hand, negative developments were registered in the production of electrical machinery apparatus, food and beverages (which was mainly due to the seasonally reduced production of beverages), basic metals and building materials. Relative to the other sectors from the industry, the production in the energy sector kept the same level of the previous month, whereas the production in the mining sector registered minimal fall.

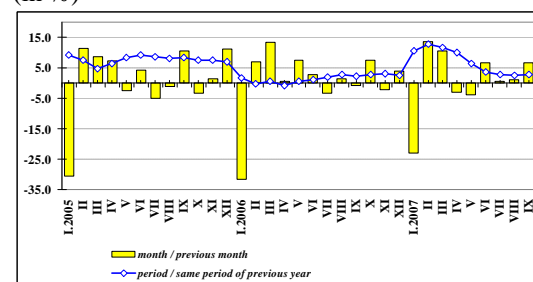
The realized monthly growth in September determined the annual growth rate of the industrial output, which reached 4.5% and it was determined by the positive performances in manufacturing and energy sector. In the period January-September 2007, the cumulative growth in the industrial output equaled 2.7% and registered small intensification, reflecting the positive developments on monthly and annual

⁵ As a result of termination of the interdiction for inland trade, purchase and export waste and leftovers from iron, aluminum, copper, lead, zinc, tin, bronze and brass.

⁶ As a result of the restarting of one manufacturing facility.

basis. The output of basic metals remained the main generator of the cumulative growth, initiated by positive developments on the world metal stock exchanges. Additionally, the growth was supported by the higher output of food products, building materials and metal products in process of manufacturing. Summarized, ten manufacturing branches, which participated with about 53% in the total index, registered cumulative growth, whereas the others registered fall. Within the mining sector, the higher extraction of metal ores still had positive contribution, on cumulative basis. In the first ten months of 2007, opposite of the positive developments in the manufacturing and the mining sector, the low performances in the production of electricity (fall of 12.6%) negatively influenced on the total industrial production.

Figure 2
Industrial output
(in %)



Source: State Statistical Office.

II. Monetary developments

At the end of September 2007, the *reserve money*⁶ equaled Denar 25,304 million and on monthly basis, they were lower by 3.3%, which in conditions of higher demand of *currency in circulation*, was due to the fall in the total *liquidity assets of banks*⁷.

In September, the *NBRM foreign currency transactions* acted towards creating liquidity (realized net-purchase of foreign currencies at the foreign exchange market), which was completely withdrawn through the *monetary instruments* (growth in the level of CB bills, with simultaneous fall in the Treasury bills for monetary purposes) and *currency in circulation*. The *Government Denar deposits with NBRM*, concerning the insignificant monthly change, did not have

⁶ The analysis refers to the reserve money, excluding reserve requirement on foreign currency deposits.

⁷ Includes the cash in the vaults and banks' accounts with the NBRM.

significant liquidity effect. In September 2007, the banks allocated 5% over the reserve requirements (in Denars)⁸, which relative to the preceding accounting period represented decrease of 6.2 percentage points.

⁸ The period for maintaining (fulfilling) the bank's reserve requirement covers the period from the 11th in the current month to the 10th in the following month. The excess pertains to funds allocated to the bank's accounts with NBRM over the reserve requirement.



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

	31.08.2007	30.09.2007	changes in millions of denars
Banks' liquidity (banks' accounts with NBRM)	7,959	6,790	-1,169
Liquidity creation			2,303
1. Banks' cash in vaults	1,816	1,768	48
2. Net foreign assets	91,954	94,209	2,255
Liquidity withdrawal			-3,472
1. Net domestic assets	-65,799	-68,905	-3,106
of which:			
Government Denar deposits with NBRM ¹	-19,809	-19,816	-7
CB bills	-10,460	-16,339	-5,879
Treasury bills for monetary policy purposes	-9,412	-6,312	3,100
Other items, net	-22,193	-22,665	-472
2. Currency in circulation	16,380	16,746	-366

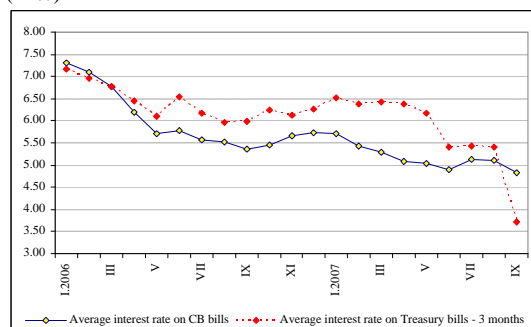
¹ Treasury bills for monetary purposes are excluded.

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

Source: National Bank of the Republic of Macedonia.

On the auctions of CB bills, in September 2007, average weighted interest rate of 4.83% was realized (5.11% in August 2007), whereas the average weighted interest rate on Government bonds (with maturity of three months) in September equaled 3.71% (5.41% in the previous month⁹).

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

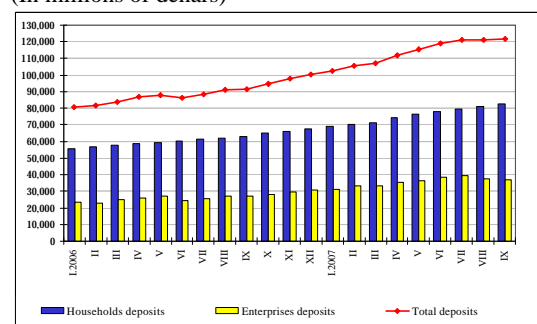


Source: NBRM and Ministry of finance.

In September 2007, in conditions of higher demand of currency in circulation (by 2.2% on monthly basis), with simultaneous fall in the transactional deposits (by 0.3%), the monetary aggregate M1 realized monthly growth of 0.8%. The broader monetary aggregates M2 and M4, in September 2007, registered monthly growth rate of 0.3% and 0.5%, respectively, while on annual basis (September 2007 / September 2006) the interest rates equaled 28.4% and 29.9%, respectively.

⁹ The fall in the interest rate of the Government bonds in September reflects the change in conditions of performing the auctions of CB Bills by the Ministry of finance.

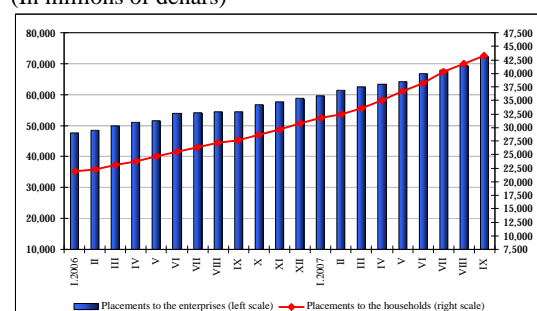
Figure 4
Dynamics of deposits
(In millions of denars)



Source: National Bank of the Republic of Macedonia.

At the end of September 2007, the total banks' placements to the private sector rose by 3.8%, relative to the end of the previous month. The analysis of the maturity structure of total placements showed simultaneous growth of short-term and long-term credits, where the short-term credits more significantly contributed in the monthly growth of total credits (60.9%). With respect to the currency structure, the upward trend of Denar credits to the private sector continued (including the Denar credits with FX clause) and their growth in September 2007 explains the 76.6% of the total credit growth. Observed by sectors, the credits to corporate sector registered more intensive monthly growth, relative to the growth in households, contributing with 65% to the growth in the total credits. In September 2007, the annual growth rate in the total banks' credits to the private sector equaled 41%.¹⁰

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



Source: National Bank of the Republic of Macedonia.

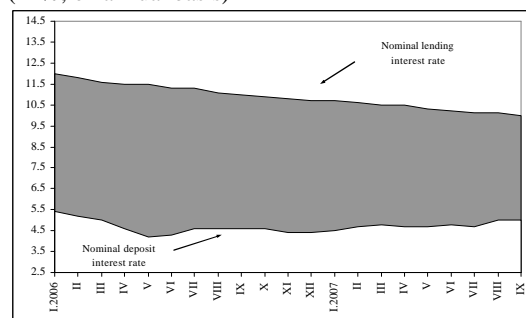
In September 2007, the sphere of banks' interest policy did not register significant changes. Thus,

¹⁰ The high annual rate partially resulted from the lower comparison basis in September 2006, when suspicious and contested claims on Denar placements and other claims on non-financial legal entities in amount of Denar 944 million were definitely written off.



the average weighted lending interest rates on Denar credits for all maturities and sectors, in September 2007, amounted to 10% (10.1% in the previous month), while the average weighted deposit interest rates on Denar deposits for all maturities and sectors remained at the same level of the previous month equaling 5.0%. Such developments resulted in lowest level of interest margins of banks ever of 5 p.p.

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.

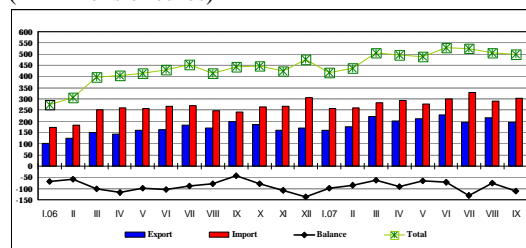
In September 2007, the average weighted lending interest rates on foreign currency credits for all maturities, sectors and currencies equaled 8.6% (8.5% in the previous month), whereas the average weighted deposit interest rates on foreign currency deposits for all maturities, sectors and currencies remained at the level of the previous month equaling 1.9%.

III. Foreign trade and foreign exchange developments

In September 2007, the total foreign trade¹² amounted to Euro 499.2 million and on monthly basis registered fall of 1.1%, with monthly decrease in the export of goods being registered. The *export of goods* in September 2007, amounted to Euro 194.5 million and relative to August 2007, decreased by 9.6%, which was mainly due to the lower export of iron and steel and products thereof, oil derivatives and beverages. The annual decrease in the export equaled 2.5% which mainly reflected the lower export of oil derivatives, stone, plaster and cement, tobacco and iron and steel and products thereof. In September 2007, the *import of goods* equaled Euro 304.7 million and relative to the previous month it rose by 5.2%. The analysis by products showed higher import of iron and steel for further processing, mineral fuels, textile for further processing, ores and vehicles, as main factors for the monthly growth in the export of goods. On annual basis, the export registered growth of 25.5%, given the higher export of iron and steel and products thereof, ores, mineral fuels, equipment and vehicles.

¹² 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 in both components of the foreign trade contributed for significant increase in the trade deficit (by 48.4% on monthly basis) and in September 2007 it equaled Euro 110.2 million. In the same time, on monthly basis, the import-export coverage ratio decreased by 10.5 percentage points equaling 63.8%.

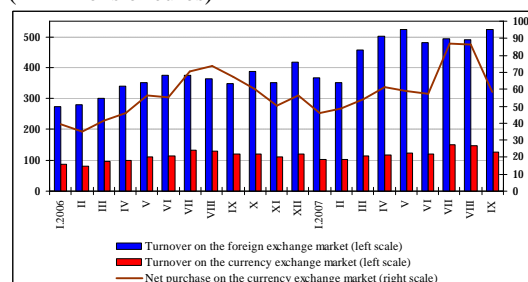
Cumulative, in the first nine months of 2007, the total realized foreign trade amounted to Euro 4,407.1 million which represented annual growth of 24.4%, as a result of the increase in the both categories of foreign trade. Thus, in the period January-September 2007, the export of goods equaled Euro 1,808.9 million registering annual growth rate of 29.9%. Still, the rate of cumulative export growth, in the last three months slowed down, as a result of the worsening in the terms of trade, compared to the

beginning of the year. Analyzed by certain products, the realized performances were mainly due to the higher export of iron and steel and products thereof (contribution of 82.7% in the growth), then to the higher export of wearing apparel and textile and of ores. In the first nine months, the total import of goods rose by 20.8% equaling Euro 2.598.2 million, which was mainly a result of the higher import of iron and steel and products thereof, ores, equipment, vehicles and electrical machines. The negative trend balance grew up by 4.1%, relative to the same period of 2006, equaling Euro 789.3 million. The import-export coverage ratio went up by 4.9 percentage points, equaling 69.6%.

The total turnover on the foreign exchange market in September 2007 amounted to Euro 522 million and on monthly basis it realized growth of 6.4%. In conditions of more intensive growth of the demand over the supply of foreign currencies (by 12.3% and 8.6%, respectively), the net-sale of foreign currencies of banks to the corporate rose and equaled Euro 39.6 million. On the foreign exchange market, NBRM realized monthly net purchase of foreign assets of Euro 32.9 million and on cumulative basis, in the first nine months of 2007, the net purchase of foreign currencies by NBRM reached Euro 314.3 million. The realized net purchase by NBRM on the foreign exchange market in September 2007 determined almost 90% of the monthly growth in the gross foreign reserves. Thus, on September 30, 2007 the gross foreign reserves reached Euro 1,522.1 million and on monthly basis they grew up by Euro 36.7 million, whereas relative to December 31, 2006 they were higher by Euro 105.4 million.

In September 2007, the total turnover of the foreign currencies on the foreign exchange market equaled Euro 126.1 million, which on monthly basis represented fall of 14.7%. In conditions of registered fall in the supply of foreign currencies (of 21.2%) and growth in the demand of foreign currencies (of 10.1%), in September 2007, the realized net purchase of foreign currencies in amount of Euro 58.5 million decreased by 32.3%. For the first time, since December 2004, in September 2007 an annual fall of 8.5% was registered. On cumulative basis, in the first nine months of 2007, net purchase on the foreign exchange market rose by 15.2%, relative to the same period of 2006 equaling Euro 557.9 million.

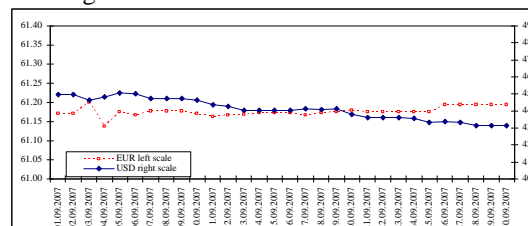
Figure 8
Development in the total turnover on the foreign exchange and currency exchange market
(in millions of euros)



Source: National Bank of the Republic of Macedonia.

On the foreign exchange market, the exchange rate of the Denar relative to the Euro was stabile and on September 30, 2007 it equaled Denar 61.19 per one Euro. At the end of September 2007, the exchange rate of the Denar relative to the USA Dollar equaled Denar 43.16 per one USA Dollar and relative to the end of the previous month, it appreciated by 4% (at the end of August, Denar 44.95 were exchanged per one USA Dollar).

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



Source: National Bank of the Republic of Macedonia.

On September 30, 2007, the external debt ¹³ of the Republic of Macedonia based on long-term credits and loans amounted to Euro 1,646.3 million and relative to the previous month, went down by Euro 17 million, when larger part of principal was repaid relative to the used assets. Thus, in September 2007, the total repaid liabilities equaled Euro 15.2 million (out of which Euro 9.6 of principal and Euro 5.6 million of interest). Simultaneously, funds in amount of Euro 6.5 million were used, out of which the larger (67.8%) part went to the private sector. The total long-term debt on the private sector, reduced by Euro 4.6 million, relative to the previous month, and it equaled Euro 652.4 million, with dominant participation of the debt to the non-banking private sector (77.1%). Short-term external debt, at the end of September 2007 equaled Euro 153.5 million and relative to August it went up by Euro 4.6 million. Based on granted short-term credits, assets were used in amount

¹³ Preliminary NBRM data.



of Euro 5.5 million, and the repaid liabilities equaled Euro 1.1 million.

In September 2007 credits were granted in amount of Euro 76 million out of which 91.9% were long-term credits. 76.3% of the new long-term credits went to the public sector, referring solely to the concluded credits with MBOR, in amount of Euro

53.3 million, out of which Euro 23.3 million were for the Second Programmatic Development Policy Loan (PDPL II), Euro 15 million for the Second Project on Trade and Transport Facilitation in Southeast Europe (TTFSE II) and Euro 15 million for the Agriculture Strengthening and Accession Project.



Appendix

Developments in Real Sector in the Republic of Macedonia

Table 1
Costs of living and retail prices

	<u>IX.2007</u> <u>VIII.2007</u>	<u>IX.2007</u> <u>IX.2006</u>	<u>I-IX.2007</u> <u>I-IX.2006</u>
	in %		
Consumer prices	0.9	3.6	1.4
Food	2.3	6.7	1.7
Tobacco and beverages	0.1	2.4	1.5
Clothing and footwear	0.9	1.7	1.2
Housing	0.1	3.5	5.4
Flat (rent, water, services)	0.4	9.7	5.2
Fuel and lighting	0.0	2.1	7.5
Hygiene and health	0.1	0.9	0.5
Culture and entertainment	-0.5	2.3	3.4
Transport and communication services	-0.7	-0.6	-4.1
Restaurants and hotels	2.5	5.7	3.5
Other services n.e.c.	0.1	13.0	7.1
<i>Goods</i>	<i>1.1</i>	<i>3.9</i>	<i>1.9</i>
<i>Services</i>	<i>0.4</i>	<i>2.6</i>	<i>-0.5</i>
Retail prices	0.3	2.9	2.2
Agricultural products	0.7	16.0	2.0
Non-food industrial products	-0.2	2.0	3.0
Industrial food products	2.3	4.8	1.4
Beverages	0.2	0.9	0.6
<i>Goods</i>	<i>0.5</i>	<i>3.4</i>	<i>2.4</i>
<i>Services</i>	<i>0.0</i>	<i>2.0</i>	<i>1.9</i>

Source: State Statistical Office of the Republic of Macedonia



Table 2
Prices of producers of industrial products*

	<u>IX.2007</u> <u>VIII.2007</u>	<u>IX.2007</u> <u>IX.2006</u>	<u>I-IX.2007</u> <u>I-IX.2006</u>
	in %		
Prices of producers of industrial products	-0.3	2.0	0.8
Energy	-4.7	1.2	-0.5
Intermediate goods, except energy	1.6	7.0	5.1
Capital products	0.2	0.8	1.4
Durable consumer goods	0.0	0.0	0.3
Non-durable consumer goods	0.9	-0.8	-1.3
<i>Mining and quarrying</i>	<i>0.1</i>	<i>0.4</i>	<i>0.6</i>
<i>Manufacturing</i>	<i>0.0</i>	<i>0.6</i>	<i>-0.8</i>
Manufacturing of food products and beverages	2.4	4.2	1.3
Manufacturing of tobacco products	-0.1	-0.6	-0.2
Manufacturing of textiles	0.0	0.0	-0.4
Manufacturing of wearing apparel; dressing and dyeing of fur	0.1	-2.3	-2.2
Publishing, printing and reproduction of recorded media	0.0	-0.3	-0.4
Manufacture of coke, refined petroleum products and nuclear fuel	-6.5	-8.7	-11.5
Manufacture of chemicals and chemical products	0.0	-1.5	-0.9
Manufacture of rubber and plastic products	-0.1	2.7	0.3
Manufacture of other non-metallic mineral products	0.1	1.1	2.0
Manufacture of basic metals	1.3	10.6	11.3
Manufacture of fabricated metal products, except machinery and equipment	0.3	2.2	3.0
Manufacture of electrical machinery and apparatus n.e.c.	0.0	3.3	4.9
<i>Electricity, gas and water supply</i>	<i>-2.6</i>	<i>14.5</i>	<i>14.5</i>

* Previous data

Source: State Statistical Office of the Republic of Macedonia



Table 3
Industrial output*

	Structure in %	IX.2007 VIII.2007	IX.2007 IX.2006	I-IX.2007 I-IX.2006
		in %		
Total	100.0	6.6	4.5	2.7
Energy	18.3	1.1	9.0	-7.2
Intermediate goods, except energy	34.1	0.1	1.9	12.1
Capital products	5.1	62.1	77.6	17.7
Durable consumer goods	2.2	24.1	-15.4	9.7
Non-durable consumer goods	40.3	6.7	-2.4	-3.3
Mining and quarrying	3.9	-4.3	0.6	15.2
Mining of coal and lignite; extraction of peat	1.6	17.2	11.1	0.8
Mining of metal ores	0.7	-23.2	15.8	95.5
Other mining and quarrying	1.5	-2.1	-13.2	-3.7
Manufacturing	83.9	7.8	4.3	4.3
Manufacturing of food products and beverages	16.1	-5.7	6.6	6.9
Manufacturing of tobacco products	5.7	-0.9	-13.3	-10.4
Manufacturing of textiles	1.7	64.4	8.3	-9.3
Manufacturing of wearing apparel; dressing and dyeing of fur	11.1	22.0	-8.4	-14.5
Tanning and dressing of leather; manufacture of luggage, handbags, saddles, harness and footwear	1.5	26.8	8.0	-0.8
Manufacture of wood and products of wood and cork, except furniture, manufacture of articles of straw and plaiting materials	1.2	-11.9	-24.3	9.0
Manufacture of pulp, paper and paper products	1.1	38.1	14.5	-1.4
Publishing, printing and reproduction of recorded media	3.1	-7.9	-22.7	-7.5
Manufacture of coke, refined petroleum products and nuclear fuel	4.5	-1.1	7.5	4.5
Manufacture of chemicals and chemical products	4.6	51.6	-24.6	0.7
Manufacture of rubber and plastic products	1.9	12.9	13.1	7.1
Manufacture of other non-metallic mineral products	7.3	-9.6	-12.8	10.0
Manufacture of basic metals	11.2	-7.0	16.4	37.2
Manufacture of fabricated metal products, except machinery and equipment	3.3	2,1 times	2,5 times	21.6
Manufacture of machinery and equipment n.e.c.	1.4	20.3	34.5	44.8
Manufacture of electrical machinery and apparatus n.e.c.	3.5	-35.6	-11.7	-34.1
Manufacture of motor vehicles, trailers and semi-trailers	1.1	42.2	-13.3	-29.6
Manufacture of other transport equipment	1.1	59.1	93.7	26.3
Manufacture of furniture, manufacturing n.e.c.	2.0	25	-50.0	-16.1
Recycling	0.6	14,4 times	-50.1	-48.9
Electricity, gas and water supply	12.2	0.0	9.5	-12.6

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

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	VIII.07	IX.07
I. Net Foreign Assets	108042	106455	107140	108475	110951	113778	107566	110631	113010	111578
<i>National Bank</i>	85116	83884	83221	85066	87857	90799	87790	89659	91954	94209
Assets	87761	86503	85676	87526	90111	90799	87849	89718	91954	94209
Liabilities	2645	2619	2455	2460	2254	0	59	59	0	0
<i>Deposit Money Banks</i>	22926	22571	23919	23409	23094	22979	19776	20972	21056	17369
Assets	39707	38257	38837	39614	39419	39424	39000	39182	40996	38175
Liabilities	16781	15686	14918	16205	16325	16445	19224	18210	19940	20806
II. Net Domestic Assets	28288	29824	33173	34538	37587	38540	48712	49613	48103	50327
<i>I.Domestic credit</i>	77176	79487	83921	85601	88305	89928	100434	101445	100551	104481
of which: Claims on Gov.	-17184	-16633	-14556	-15513	-14956	-15969	-9477	-11370	-15450	-15736
a) Deposit Money Banks	107866	109314	112162	115570	118545	122052	126931	129735	133725	134410
-in denar	84368	85822	87861	90626	93354	96169	99837	102258	105693	105391
Government	13377	13067	13562	14337	15165	16041	16907	16770	17557	14020
Credits	13355	13045	13539	14314	15142	16018	16883	16746	17533	13999
a) Budget and Line Ministries	13095	12762	13241	14052	14994	15893	16777	16661	17469	13946
b) Funds	260	283	298	262	148	125	106	85	64	53
c) Ins. of Central Gov.: Courts, etc.	0	0	0	0	0	0	0	0	0	0
Accrued interest	22	22	23	23	23	23	24	24	24	21
Non Government sector	70991	72755	74299	76289	78189	80128	82930	85488	88136	91371
Credits	66410	68057	69569	71537	73380	75288	78031	81138	83694	86908
of which: Overdue claims	9810	9737	9721	9560	9848	10180	10049	9653	9756	10125
Accrued interest	4581	4698	4730	4752	4809	4840	4899	4350	4442	4463
-in foreign currency	23498	23492	24301	24944	25191	25883	27094	27477	28032	29019
Government	129	127	123	119	119	114	113	150	167	173
of which: Overdue	0	0	0	0	0	0	0	0	0	0
Non Government sector	23369	23365	24178	24825	25072	25769	26981	27327	27865	28846
of which: Overdue	1650	1625	1473	1511	1566	1630	1611	1591	1748	1763
b) Nat. Bank Claims on Government	-30690	-29827	-28241	-29969	-30240	-32124	-26497	-28290	-33174	-29929
<i>2.Other items, net</i>	-48888	-49663	-50748	-51063	-50718	-51388	-51722	-51832	-52448	-54154
of which: Claims on Gov.	0	0	0	0	0	0	0	0	0	0
for frozen f.c. deposits	-4603	-4720	-4753	-4775	-4832	-4863	-4923	-4374	-4466	-4484
Accrued interest	-44285	-44943	-45995	-46288	-45886	-46525	-46799	-47458	-47982	-49670
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	IX.07
M4Total	136330	136279	140313	143013	148538	152318	156278	160244	161113	161905
M4 (nonGovernment)	135131	135262	139216	141473	147468	151242	155152	159208	160102	160861
M1(Total)	35436	33102	34022	35281	36164	36484	36864	38448	39556	39864
M1 (nonGovernment)	34747	32583	33433	34254	35708	35954	36319	37916	39051	39348
Currency in Circulation	16206	14527	14986	15034	15531	15359	15844	16673	16380	16746
Demand deposits(total)	19230	18575	19036	20247	20633	21125	21020	21775	23176	23118
Demand deposits(NonGov.)	18541	18056	18447	19220	20177	20595	20475	21243	22671	22602
Deposit Money Banks	19207	18479	18705	19824	20159	20748	20814	21552	22699	22645
NonGov. Demand deposits	18518	17960	18116	18797	19703	20218	20269	21020	22194	22129
Government Demand deposits	689	519	589	1027	456	530	545	532	505	516
a) Budget and Line Ministries	551	234	262	226	219	227	232	304	243	276
b) Funds	138	284	327	801	236	302	312	227	261	239
c) Ins. of C.Gov.: Courts, etc.	0	1	0	0	1	1	1	1	1	1
Nation. Bank NonGov.Demand dep.	23	96	331	423	474	377	206	223	477	473
M2 (Total)	129644	129731	133527	136240	140944	143911	147785	151132	152010	152443
M2 (nonGovernment)	128494	128763	132480	134750	139924	142885	146709	150146	151049	151450
Quasi money (Total)	94208	96629	99505	100959	104780	107427	110921	112684	112454	112579
Quasi money (non Government)	93747	96180	99047	100496	104216	106931	110390	112230	111998	112102
Deposit Money banks	94208	96629	99505	100959	104780	107427	110921	112684	112454	112579
Non Government sector	93747	96180	99047	100496	104216	106931	110390	112230	111998	112102
Denar	36317	37295	39293	40511	43540	45648	48389	49353	48434	50045
Foreign currency	57430	58885	59754	59985	60676	61283	62001	62877	63564	62057
Government deposits	461	449	458	463	564	496	531	454	456	477
Denar	460	448	457	462	563	496	531	454	456	477
Foreign currency	1	1	1	1	1	0	0	0	0	0
NBM quasi deposits	0	0	0	0	0	0	0	0	0	0
Nonmonetary Deposits (Total)	6686	6548	6786	6773	7594	8407	8493	9112	9103	9462
Denar nonm. deposits (total)	3678	3641	3739	3799	4536	4734	4938	5217	5407	5549
F.C. nonm. deposits (total)	3008	2907	3047	2974	3058	3673	3555	3895	3696	3913
Nonmonetary Deposits (nonGov.)	6637	6499	6736	6723	7544	8357	8443	9062	9053	9411
Denar nonm. dep.(nonG)	3629	3592	3689	3749	4486	4684	4888	5167	5357	5498
F.C. nonm. dep (nonG)	3008	2907	3047	2974	3058	3673	3555	3895	3696	3913
-Deposit Money Banks	6686	6548	6786	6773	7594	8407	8493	9112	9103	9462
Denar nonGov. nonmonetary dep.	3629	3592	3689	3749	4486	4684	4888	5167	5357	5498
F. C. nonGovern. nonmon. dep.	3008	2907	3047	2974	3058	3673	3555	3895	3696	3913
Denar Gov. nonmon. deposits	49	49	50	50	50	50	50	50	50	51
F. C. Govern. nonmon. deposits	0	0	0	0	0	0	0	0	0	0
-NBM NonGov. nonm. deposits	0	0	0	0	0	0	0	0	0	0
Denar	0	0	0	0	0	0	0	0	0	0
Foreign currency	0	0	0	0	0	0	0	0	0	0
Total Deposits	120124	121752	125327	127979	133007	136959	140434	143571	144733	145159
Total Deposits (nonGov.)	118925	120735	124230	126439	131937	135883	139308	142535	143722	144115

1) Final data

Source: National Bank of the Republic of Macedonia



Table 6
Total deposits of the non-government sector

	30.09.2007	Monthly changes		Annual changes		structure
	in Denar million	in Denar million	in %	in Denar million	in %	in %
Total deposits	121,513	462	0.4	29,734	32	100.0
1. According to maturity						
-short-term	112,102	104	0.1	26,240	31	92.3
-long-term	9,411	358	4.0	3,494	59	7.7
2. According to currency of denomination						
- In denar	55,543	1,752	3.3	21,662	64	45.7
- In foreign currency	65,970	-1,290	-1.9	8,072	14	54.3

Source: National Bank of the Republic of Macedonia

Table 7
Households and enterprises deposits

	structure in	30.09.2007	Monthly changes		Annual changes	
	%	in Denar million	in Denar million	in %	in Denar million	in %
Total households deposits	100.0	82438	1343	1.7	19671	31.3
1. According to maturity						
-short-term	93.0	76704	1146	1.5	17471	29.5
-long-term	7.0	5734	197	3.6	2200	62.3
2. According to currency of denomination						
- In denar	40.6	33501	1182	3.7	14523	76.5
- In foreign currency	59.4	48937	161	0.3	5148	11.8
Total enterprises deposits	100.0	36726	-887	-2.4	9565	35.2
1. According to maturity						
-short-term	94.2	34596	-1049	-2.9	8814	34.2
-long-term	5.8	2130	162	8.2	751	54.5
2. According to currency of denomination						
- In denar	54.1	19886	543	2.8	6506	48.6
- In foreign currency	45.9	16840	-1430	-7.8	3059	22.2

Source: National Bank of the Republic of Macedonia



Table 8
Demand deposits of households and enterprises

	30.09.2007	Monthly changes		Annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Demand deposits	22,602	-69	-0.3	5,322	30.8
- Demand deposits of households	4,415	81	1.9	1,097	33.1
- Demand deposits of enterprises	15,341	-240	-1.5	3,791	32.8

Source: National Bank of the Republic of Macedonia

Table 9
Placements to households and enterprises

	30.09.2007	Monthly changes		Annual changes	
	in Denar million	in Denar million	in %	in Denar million	in %
Total placements	115,754	4,195	3.8	33,670	41.0
<i>Denar placements</i>	86,908	3,214	3.8	26,559	44.0
<i>of which:</i>					
-enterprises	45,428	1,787	4.1	11,256	32.9
-households	41,216	1,425	3.6	15,118	57.9
<i>Foreign currency placements</i>	28,846	981	3.5	7,111	32.7
<i>of which:</i>					
-enterprises	26,798	941	3.6	6,590	32.6
-households	2,038	41	2.1	513	33.6

Source: National Bank of the Republic of Macedonia


Table 10

Maturity and sector structure of Denar and foreign currency placements

	30.09.2007	Monthly changes	Annual changes
	(in %)	(in percentage points)	
Denar placements	100.0	0.0	0.0
maturity structure			
-short-term	44.3	1.1	-3.4
-long-term	55.7	-1.1	3.4
structure by sectors			
- enterprises	52.3	0.1	-4.4
- households	47.4	-0.1	4.2
- other	0.3	0.0	0.2
Foreign currency placements	100.0	0.0	0.0
maturity structure			
-short-term	26.5	-0.1	-0.1
-long-term	73.5	0.1	0.1
structure by sectors			
- enterprises	92.9	-0.2	-0.1
- households	7.1	0.2	0.0
- other	0.0	0.0	0.0

Source: National Bank of the Republic of Macedonia

Table 11

Interest rates

	September, 2007	Monthly changes	Annual changes
	in %	in percentage points	
Average weighted interest rate on the CB bills auctions (28 days)	4.8	-0.3	-0.5
Average weighted interest rate on the Money Market*	3.2	-0.3	-1.5
Interest rate on three-month treasury bills	3.7	-1.7	-2.3
Banks' weighted lending interest rates	10.0	-0.1	-1.0
Banks' weighted deposit interest rates	5.0	0.0	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				
18.09.2007	2,100	415	415	3.71
Treasury bills auctions, 12 months				
18.09.2007	600	120	120	5.13

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)

	IX.2007	I-IX.2007	IX.2007		IX.2007		I-IX.2007	
	amount		VIII.2007	%	IX.2006	%	I-IX.2006	%
Foreign trade	499.2	4,407.1	-5.5	-1.1	56.8	12.8	863.0	24.4
Export	194.5	1,808.9	-20.7	-9.6	-5.1	-2.5	416.1	29.9
Import	304.7	2,598.2	15.2	5.2	61.9	25.5	446.9	20.8
Balance	-110.2	-789.3	-35.9	48.4	-67.0	155.0	-30.8	4.1

Source: State Statistical Office.

Source: State Statistical Office.

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

	Foreign trade		Exports		Imports		Import-export coverage ratio
	amount	Share %	amount	Share %	amount	Share %	%
Republic of MACEDONIA	4,407.1	100.0	1,808.9	100.0	2,598.2	100.0	69.6
<i>out of which:</i>							
Serbia	545.2	12.4	336.7	18.6	208.5	8.0	161.5
Germany	520.7	11.8	261.8	14.5	258.9	10.0	101.1
Greece	451.3	10.2	226.0	12.5	225.3	8.7	100.3
Italy	341.1	7.7	185.4	10.2	155.7	6.0	119.0
Russia	330.2	7.5	12.7	0.7	317.5	12.2	4.0
Bulgaria	259.8	5.9	127.4	7.0	132.5	5.1	96.1
Croatia	139.8	3.2	80.2	4.4	59.6	2.3	134.6
Spain	139.8	3.2	112.3	6.2	27.5	1.1	409.1
Turkey	129.6	2.9	29.1	1.6	100.5	3.9	28.9
Slovenia	117.4	2.7	39.7	2.2	77.7	3.0	51.1
Total (10 largest trading partners)	2,974.8	67.5	1,411.2	78.0	1,563.6	60.2	90.3

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	
	31.08.2007	30.09.2007	VIII 2007	IX 2007	VIII 2007	IX 2007
Long-term debt	1,663.3	1,646.3	23.1	6.5	17.9	15.2
Public sector	1,006.3	993.9	3.0	2.1	11.9	6.3
Official creditors	780.8	771.1	3.0	2.1	11.9	5.5
Multilateral creditors	694.8	686.3	2.1	1.9	10.7	5.3
Bilateral creditors	86.0	84.8	0.9	0.2	1.2	0.2
Private creditors	225.5	222.8	0.0	0.0	0.0	0.7
Eurobonds	150.0	150.0	0.0	0.0	0.0	0.0
Other private creditors	75.5	72.8	0.0	0.0	0.0	0.7
Private sector	657.0	652.4	20.1	4.4	6.0	9.0
Private banks	153.7	149.3	7.7	3.5	2.9	6.6
Non-banking private sector	503.4	503.1	12.4	0.9	3.1	2.3
Short-term debt	148.9	153.5	13.0	5.5	3.5	1.1
Public sector	0.0	0.0	0.0	0.0	0.0	0.0
Private sector	148.9	153.5	13.0	5.5	3.5	1.1
Private banks	43.3	43.3	8.8	0.0	0.0	0.0
Non-banking private sector	105.6	110.2	4.2	5.5	3.4	1.1
TOTAL	1,812.2	1,799.9	36.1	12.1	21.4	16.4

Source: National Bank of the Republic of Macedonia

National Bank of the Republic of Macedonia Balance sheet

Table 16

NBRM Balance sheet on 30.09.2007
(in million Denars)

Assets	Amount	Liabilities	Amount
Foreign assets	94,209	Reserve money	25,304
Claims on Government	1,626	NBRM instruments	16,339
Claims on banks and other financial institutions	1,346	Restricted deposits	650
Other assets	4,380	Foreign liabilities	0
		Government deposits	33,193
		Capital accounts	12,590
		Other liabilities	13,485
Total	101,561	Total	101,561

Source: National Bank of the Republic of Macedonia