

National Bank of the Republic of Macedonia
Research Department



Monthly Information
1/2010

March, 2010

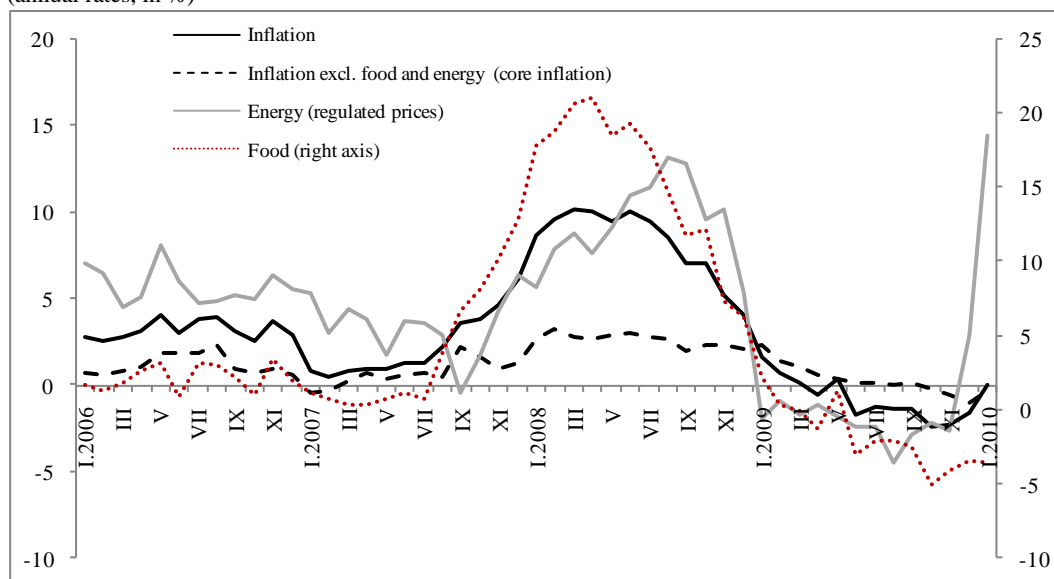
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1. PRICES

The upward trend in the consumer prices evident in the last two months continued in the first month of 2010, when monthly inflation of 0.7% was registered. Such price development on monthly basis was anticipated and it mainly resulted from the upward corrections in the administrated prices (prices of electricity and heating energy)¹, and the prices of means of transportation registered upward development. More considerable downward adjustment was registered with the food prices (mainly the fresh vegetables) and the prices of telecommunication services. Prices in the other categories remained mainly unchanged. **On annual basis**, in January 2010, for the first time after 7 months, **positive inflation rate of 0.1%** was registered. The exit of the annual inflation rate from the negative zone can be explained by the slightly more apparent positive contribution of the prices of oil derivatives because of the base effect (the low level of the price of the crude oil in the previous year) and the higher price of electricity, opposite to the effect from the lower prices of the food industry. **In January 2010, the annual drop in the core inflation²** (inflation without food and energy) considerably slowed down and it amounted to -0.3% (-1.1% in the previous month), which was mainly due to the lower price drop in the category "education and development services".

Figure No. 1
Total and core inflation
(annual rates, in %)



Source: State Statistical Office of the Republic of Macedonia and NBRM.

According to the latest assessments, in the first quarter of 2010 annual price change of -0.2% is expected. Considering the positive annual inflation of 0.1% in January, there is a large

¹ On December 28, 2009 based on the Decision of REC, the average selling price of the electricity at which "EVN Makedonija" supplies its tariff retail consumers in 2010 was determined at Denar 3.7871 per kilowatt-hour electricity (rise by 9.98%). Simultaneously, REC increased the price of the delivered electricity from "Toplifikacija" AD-Skopje and "Skopje Sever" AD-Skopje by 1.5% and 7.5%, respectively.

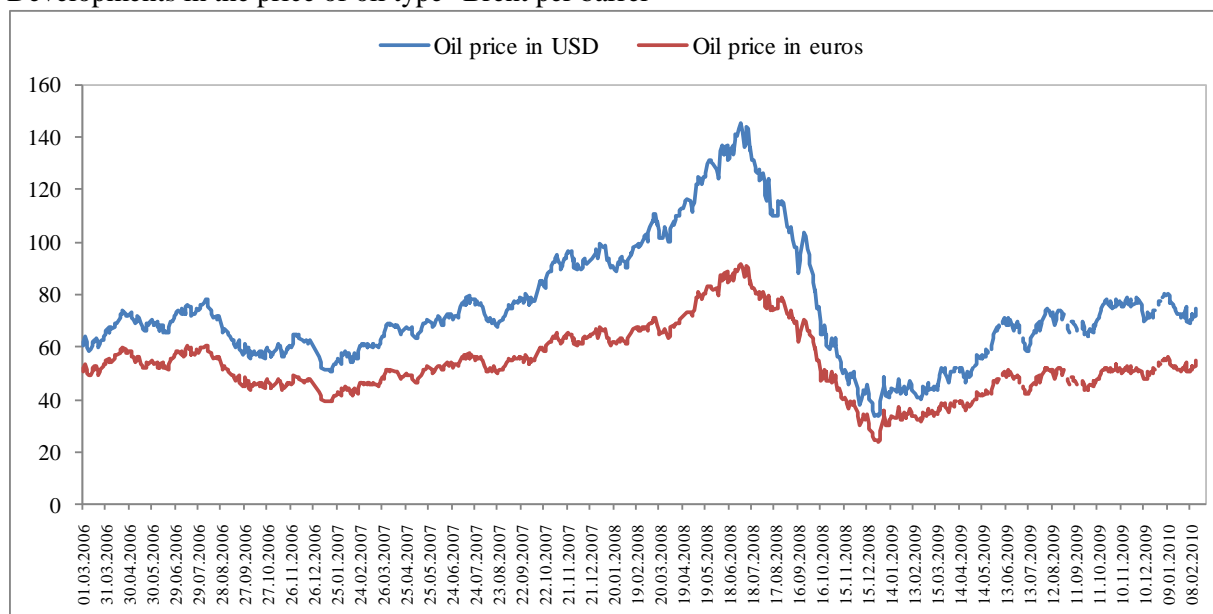
² The calculations are made by the new weights. SSO in January 2010 performed a correction of the weights in the price index, so the weight of the category "food" reduced by 2.0 percentage points.

possibility for the performances in the annual inflation to show moderate growth in the general price level in the first quarter of 2010.

After the monthly drop of 3.1% in December, the average price of the oil type Brent in January 2010 increased again by 2.3% on monthly basis, reaching up to USA Dollar 76.4 per barrel. The upward development in the oil price resulted from the data on drop in the oil reserves in USA disclosed by the Energy Information Administration, as well as to the weakening of the USA Dollar relative to the Euro and the prognoses for worsening in the weather conditions. But, in the first two weeks of February (from 1. to 12.), the oil price reduced to a lower level and it ranged about USA Dollar 71.7 per barrel, so it registered drop of 2.5% relative to the previous two week period (mainly because of the disclosed data from the USA Labor Bureau for rise in the number of newly registered unemployed persons, as well as of the increased oil reserves in USA). In accordance with the intensified weakening in the foreign exchange rate of the Denar against the USA Dollar (depreciation of 2.8%), opposite to the oil price drop of 2.5%, on February 15 the Regulatory Energy Committee adopted a decision on minimal increase in the retail prices of oil derivatives by 0.03% on average. In the last days, the oil price ranged about USA Dollar 73.7 per barrel.

Figure No. 2

Developments in the price of oil type "Brent per barrel

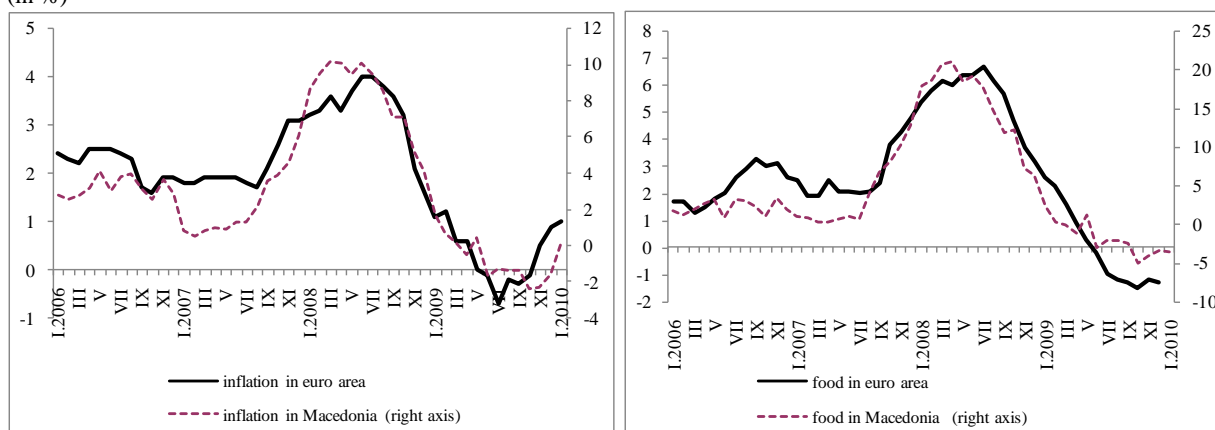


Source: The Energy Information Administration - statistical agency of the U.S. Department of Energy.

The level of the **consumer prices in the Euro area** continued to grow in December 2009 as well, so relative to the previous month, the prices went up by 0.3%, mainly because of the higher prices of the package holidays and accommodation services. On the other hand, the prices for transportation fuels and the wearing apparel registered more considerable drop. The annual inflation rate in the Euro area in December amounted to 0.9%, under the influence of the comparison basis of the transportation fuels, which was due to the low price of the crude oil in the previous year and to the higher prices of the tobacco. The prices of the gas and the automobiles registered more considerable annual drop. According to the initial assessment of Eurostat, the annual inflation rate is expected to amount to 1.0% in January 2010.

Figure No. 3

Annual inflation rates and food prices in the Euro area and in Macedonia
(in %)



Source: Eurostat and SSO.

2. WAGES

After the constant rise in the last three months, the net and the gross wages in November registered fall. The average paid **net wage** in November registered nominal drop of 1% (real drop of 1.3%). In conditions of rise in the wages in the industry of 1.5%, the fall in the average net wage was solely due to the drop in the wages in the agriculture and the services of 1% and 0.9%, respectively. Analyzed at the branch level, the deepest relative monthly drop was registered with the average net-wages in the catering services (decrease of 3.8%) and in the trade (drop of 3.7%). In November, the average **gross wage** registered monthly fall of 0.9%, on nominal basis, i.e. 1.2%, on real basis.

Relative to the same month in the previous year, the average net and gross wages, corrected for the structure change³ were steel dropping (nominally by 4.6% and 3.8%, respectively, i.e. by 7% and 6.3%, on real basis, respectively). The highest annual rise in the net-wages in November was registered with the mining (22.6%), and the lowest with the activities related to the real estate (1%). The fall in the wages in the public administration and defense and in the health care deepened (drop of 3% and 0.7%, respectively), and fall of 0.7% was registered with the wages in the trade.

³ The correction is made by the Research Department of NBRM, by supposing that the wage in December 2008 is equal with the wage in January 2009, and for the previous months (before December 2008) this amount is corrected for the monthly changes of wages disclosed by SSO. Considering the fact that the historical monthly growth rates for January did not indicate evident seasonal dynamics, as well as regarding the fact that no considerable anticipated wage increase were made in January 2009, such approach seems reasonable.

Figure No. 4
Annual growth rates in the wages* and inflation
(in %)

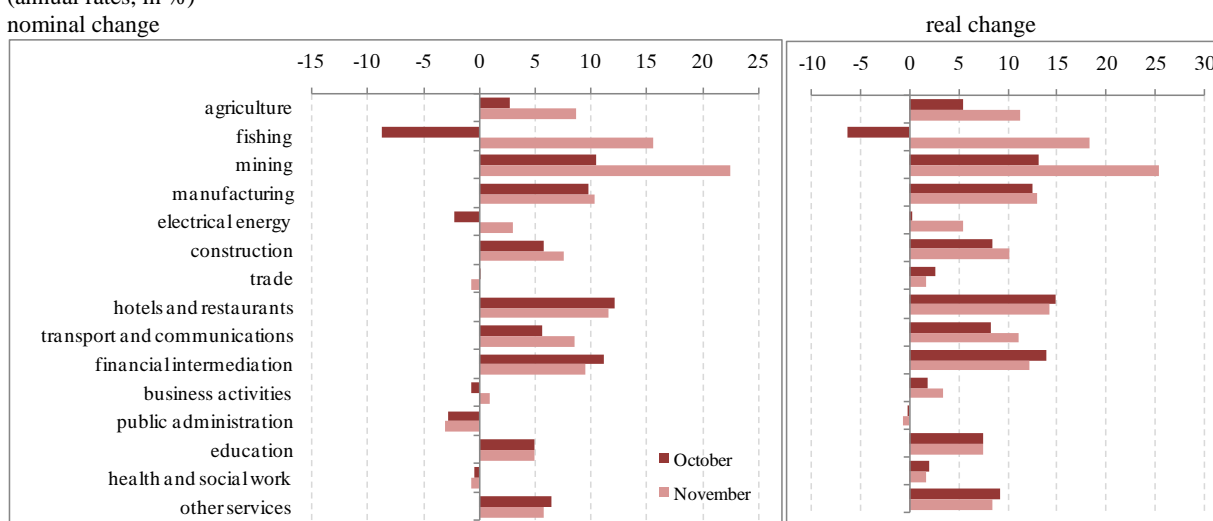


* Since January 2009, the corrected growth rates are shown.

Source: State Statistical Office of the Republic of Macedonia and NBRM calculations.

Relative to the end of the previous year, the net wage in November registered lower growth rate (1.5% nominally, 4.3% really), when the highest growth was still present in the industry, mainly with the mining (13.6%) and with the construction (5.8%). The growth in the average net wage in the service sector slowed down (0.4%), which was mainly due to the wage drop in the catering services (4.5%), the trade (3.5%) and the health care (1%). The average net wage in the agriculture went down by 0.5%. In November, the nominal and the real growth in the **gross wage** amounted to 0.8% and 3.5%, respectively, relative to the end of the previous year.

Figure No. 5
Average net wage by sectors*
(annual rates, in %)
nominal change



*The corrected rates are shown.

Source: State Statistical Office of the Republic of Macedonia and NBRM calculations.

3. ECONOMIC ACTIVITY

The constant monthly rise in the industrial output, which started in August (excluding October) continued in December as well, when the volume of the industrial output registered monthly rise of 6.6% (6.9% according to the data adjusted for seasonal effects). The industrial output went up by totally 24.6%⁴ in the last five months, thus reaching the level from the pre-crisis period (i.e. the third quarter of 2008)⁵. The high monthly rise was due to the effect of only one branch again - the output of metal products, which continued registering high growth (43%, with contribution of 6.1 percentage point). From the rest of the activities, the output of basic metals and chemical products registered rise, while the non-metal minerals and food registered drop. Total 14 out of 24 activities, i.e. 58.7% of the index, registered output growth.

On annual basis, in December 2009 the volume of the industrial output was higher by 20%, which partially resulted from the lower comparison basis (during the last quarter of 2008 the first more serious effects from the global crisis were evident in this segment). Analyzing the structure, 11 of 24 activities (53.5% of the index) registered annual rise in December. The largest positive effect, which is not related with the low comparison basis in December 2008, was registered with the output of metal products (with high individual rise of 16.5 p.p.) and the output of chemicals and chemical products (with contribution of 1 p.p.). Namely, in December 2009 the output of metal products rose by 2.7 times relative to the same month of the previous year and if the contribution of this activity is excluded, the annual rise in the industrial output would amount to moderate 3.5%. The positive effect resulting from the output of basic metals (with contribution of 4.4 p.p.), as well as from the output of oil derivatives (with contribution of 2.7 p.p.), was due to the low comparison basis. On the other hand, the highest negative contribution was registered with the output of other non-mineral metal products (1.8 p.p.), publishing (1.7 p.p.) and the output of electrical machines and appliances (1.5 p.p.). **Thus, the fall in the industrial output for the total 2009 reduced to 7.7%** (the output of basic metals contributed to the drop with 5.7 p.p.).

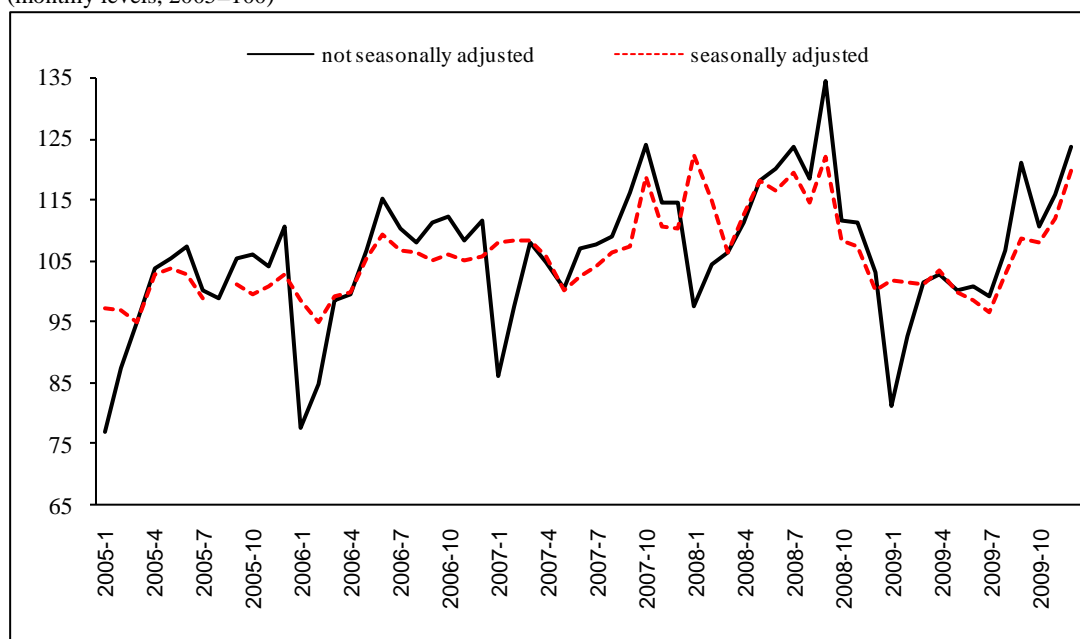
The performances with the industrial output failed to comply with the assessments of the managers in the food industry⁶, according to which the economy situation in the enterprises, the volume of the output and the percentage of utilization of the facilities in December, although slightly better than in November, were considerably worse relative to the same period of the previous year.

⁴ I.e., the volume of the output in December rose by 24.6% of the volume of output in July.

⁵ In the last 17 years, the volume of output, according to the data adjusted for seasonal effects, only in two months (January and November 2008) was higher than the volume of output in December 2009.

⁶ From the Business Tendency Survey in the manufacturing industry of SSO from January 2010.

Figure No. 6
Index of the industrial output
(monthly levels, 2005=100)



Source: State Statistical Office and NBRM calculations.

The monthly developments with the other sectors did not indicate improvement in the economic situation in November. In November, the trade turnover registered monthly drop of 5.4%, which was solely due to the seasonal effects (according to the data adjusted for seasonal effects, the trade in November was at the same level as in October). The performed building activities, after the three month rise, in November registered monthly drop of 24% (20.6% according to the data adjusted for seasonal effects), whereas the telecommunication registered monthly drop of 2% (0.7% according to the data adjusted for seasonal effects). **Observed on annual basis, all three sectors had developed positively in November.** Thus, the trade in November registered growth of 4.6%, which was mostly due to the base effect (the trade registered high fall in November 2008). Additionally, the rise in the total trade can be explained fully by the growth in the wholesales trade, when the fall in the retail trade continued. The construction continued with the high growth and in November, but with lower dynamics (17.8%), whereas the rise in the telecommunication traffic amounted to 7%.

Figure No. 7
Annual growth rates in individual economy sectors
(in percents)



Source: State Statistical Office and NBRM calculations.

The number of issued construction licenses in December registered annual drop of 19.7%, indicating potential slowing down in the construction activity in the following period. The dominant category, building construction, registered fall, same as the reconstruction, with growth in the civil engineering being registered.

The developments with the indicative categories of the personal consumption in the fourth quarter of 2009 failed to create clear image so far for the direction and the intensity of the change. The turnover in the retail trade in October and November registered real annual fall of 4.2%, which represented slight deepening in the decrease relative to the previous three quarters. In the fourth quarter, the domestic output of the consumables registered fall of 8.3%, which represented highest drop in 2009, whereas the drop in the import of joint consumption goods slowed down to 4.5% relative to the previous two quarters. Simultaneously, in the fourth quarter the VAT income in the budget registered high annual rise of 20.1%, which was due to the exquisite growth in the income in December (by 96.4%, which was due to the lower income in December in the previous year). The high real growth with the performed construction activities in October and November of 43.2%, as well as the slowing down in the drop in the domestic output of investment products, from 28.9% in the first nine months, to 6.8% in the last quarter indicated to **certain improvement in the investment demand**. On the other hand, the import of means of operation in the fourth quarter registered highest drop since the beginning of the crisis, of 19.7%. **The performances with the budget expenditures which are included in the public consumption indicated high real drop in the public consumption in the fourth quarter**, under the influence of the high fall with the costs for goods and services of 43.6%, in absence of more

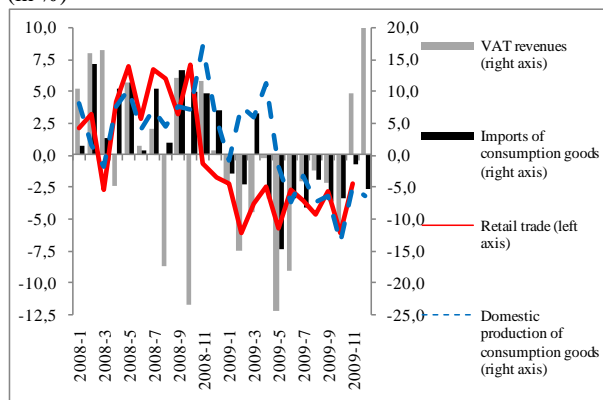
considerable rise in the other components. **Positive contribution to the net-export, although lower relative to the previous two quarters, was anticipated in the last quarter of the year as well, under the influence of the more intensive downward adjustment in the import relative to the export.**

Figure No. 8

Developments of the indicative categories for the expenditure components of GDP

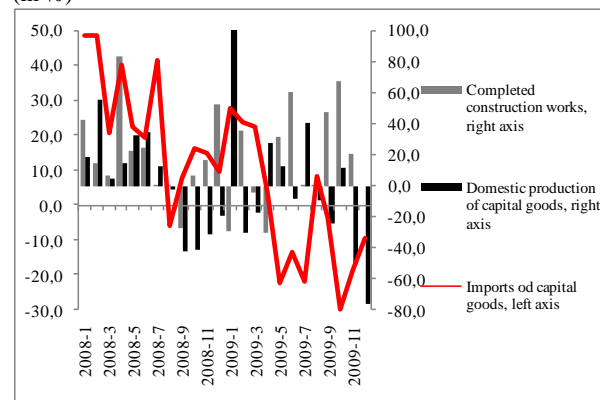
Personal consumption, annual real changes

(in %)



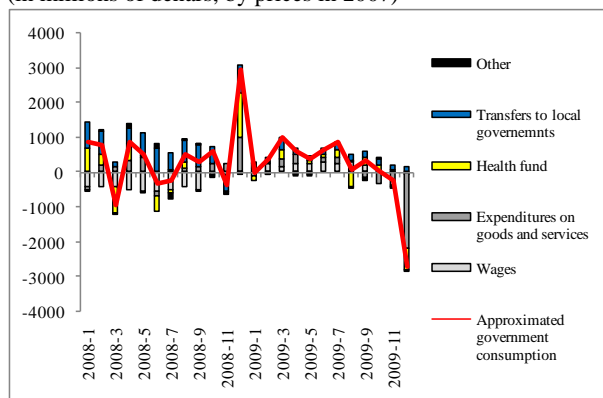
Gross investments, annual real changes

(in %)



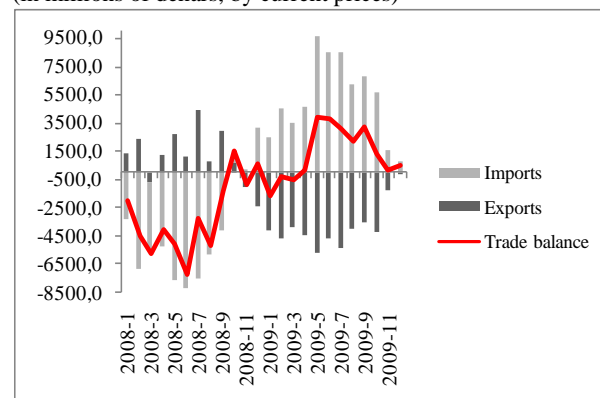
Personal consumption, annual real changes

(in millions of denars, by prices in 2007)



Net export, annual nominal changes

(in millions of denars, by current prices)



Source: State Statistical Office and NBRM calculations.

Generally, the performances with the indicative categories indicated improvement in the economic situation in the last quarter of 2009, relative to the previous three quarters. The developments were mainly in accordance with the projection in January, according to which stabilization in the economy is expected for the fourth quarter, after the annual drop in the previous three quarters.

4. BALANCE OF PAYMENTS

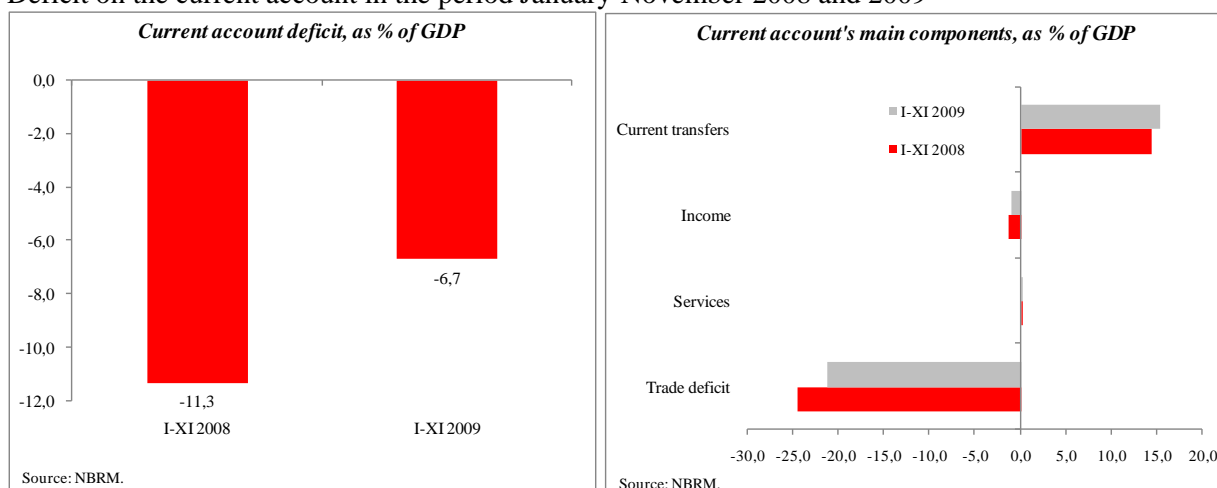
In the period January-November 2009, the negative gap on the current account of the balance of payments amounted to Euro 442.9 million, or 6.7% of GDP, which represented considerable annual narrowing of 4.6 p.p. of GDP. In conditions of more intensive fall in the import relative to the export of goods, the trade deficit reduced by 3.3 p.p. of GDP on annual basis, thus representing the factor with largest contribution to the narrowing in the deficit on the current account. Out of the other components on the current account, the net inflows based on current transfers, as well

as the lower net outflows relative to the previous year contributed considerably (with 1 and 0.3 p.p. of GDP, respectively).

The funding of the deficit on the current account was solely performed through the net inflows on the capital and financial account, which amounted to 7.5% of GDP thus enabling rise in the foreign reserves. However, analyzed from the beginning of the year till November, the capital inflows registered drop of 34.4% on annual basis, when the global financial flows registered slowing down and the foreign investors were restraining from new investments. Most of the net inflows were pertaining to the foreign indebtedness, to foreign direct investments (mainly in form of equity), to inflows from the issued second Eurobond, as well as to the trade credits. The foreign indebtedness was located generally with the private sector⁷, which in conditions of more difficult approach to financing through the domestic banks, ensured a part of the needs of financing through the international financial markets.

Figure No. 9

Deficit on the current account in the period January-November 2008 and 2009

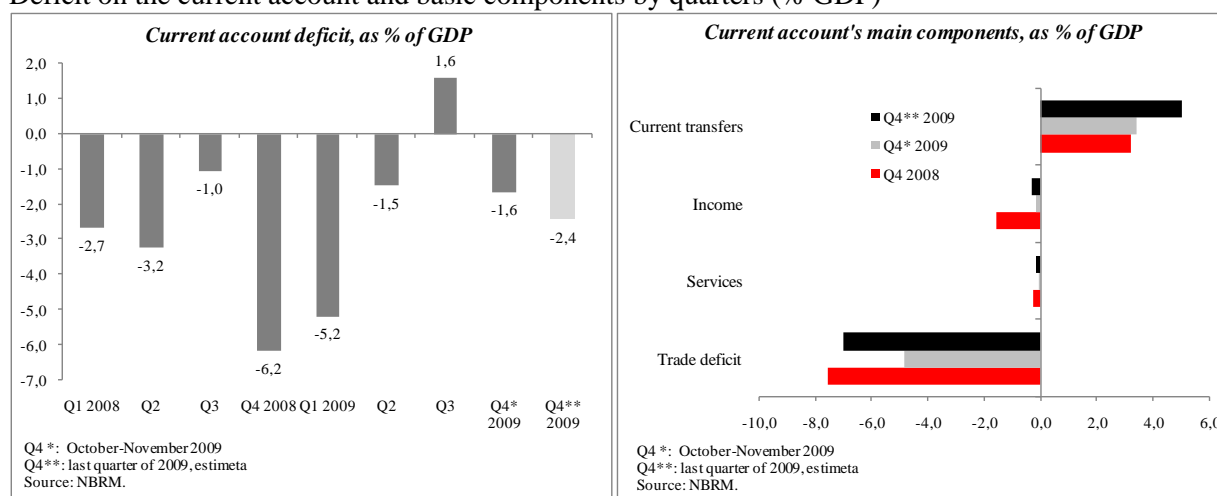


In the period October-November 2009, on the current account deficit of Euro 108.7 million was realized, which was lower by 61.5% relative to the same period of 2008. The annual narrowing of the negative balance on the current account mostly pertained to the improved income balance. Simultaneously, the positive changes with the most significant surplus item on the current account, the private transfers, acted towards the same direction and they registered rise of 33.6% on annual basis. The basic component of the private transfers, the net cash from foreign exchange operations, several months in a row registers positive dynamics, which remained till the end of the year. In December 2009, the net inflows from the currency exchange market reached their maximum (the net purchase rose by 4.2 times on annual basis). According to the last available data (31.01.2010), the net purchase on the currency exchange market amounted to Euro 51.4 million and it realized positive annual growth rate (by 2.7 times). However, the largest share from the annual positive change was due to the lower comparison basis, when lower purchase and higher sale of foreign currencies on the currency exchange market was registered, which was due to the higher psychological pressures with the domestic entities.

⁷ The private sector includes: the banks and the other sectors, including the public utilities.

Figure No. 10

Deficit on the current account and basic components by quarters (% GDP)

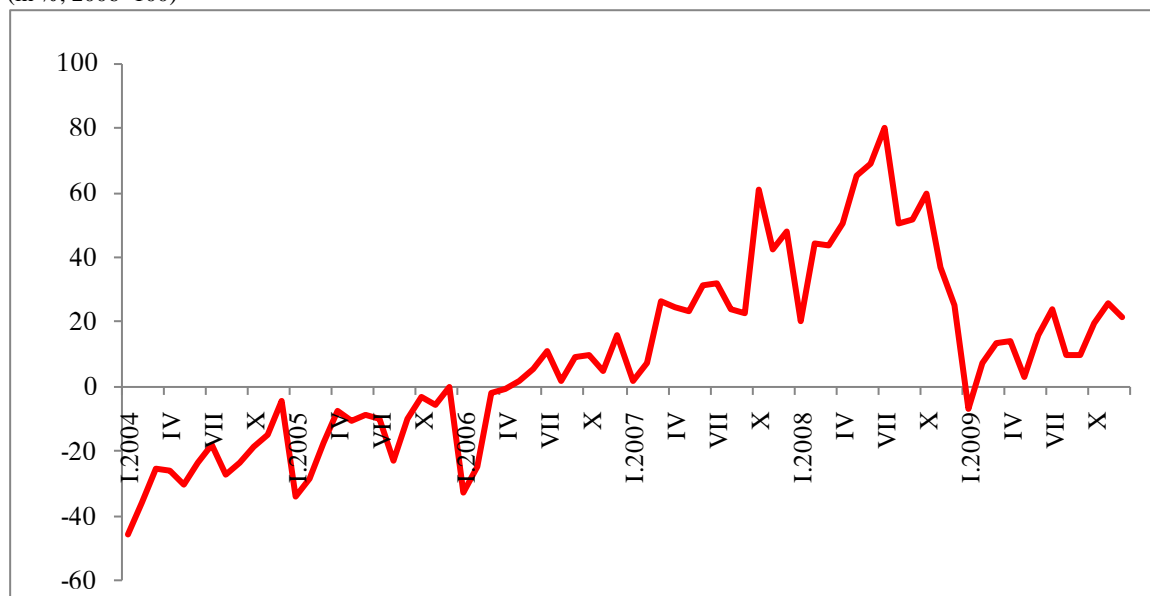


In the period October-November 2009, the net inflows on the *capital and financial account* amounted to Euro 158.8 million, which represented rise of 5% on annual basis. The realized capital net inflows were based on trade credits, foreign direct investments and based on foreign indebtedness. With the direct investments, the net inflows in these two months (October and November) represented approximately 37% of the total direct investments realized for 2009. Most of them pertained to the intercompany debt, i.e. to the credits granted by the parent companies of the residents - foreign direct investors.

The realized deficit on the current account of the balance of payments for the period January-November 2009 was in accordance with the latest assessment for 2009, made within the projection in January 2010. Simultaneously, mainly, within the capital and financial account, the realized net inflows corresponded with the anticipated amounts for the total 2009. The analysis of the structure showed a possibility for downward deviations with the trade credits, i.e. lower received credits were realized when importing so far, relative to the anticipation, with the category short-term credits as well.

The trend of monthly increase in the total foreign trade of goods in the previous three months was interrupted in *December 2009* when the trade reduced by 3.7% on *monthly basis*. The drop in the trade was determined by the monthly fall in the import (by Euro 17.5 million), whereas the value of the export remained almost unchanged on monthly basis (drop of Euro 1.3 million). The fall in the *import* in December relative to November was mostly due to the lower import of metal ore and metal waste, of oil and oil derivatives, of other means of transportation, of iron and steel and textile yarns. Within the *export* structure, the export of oil and oil derivatives and of iron and steel registered drop, whereas the export of wearing apparel realized monthly growth.

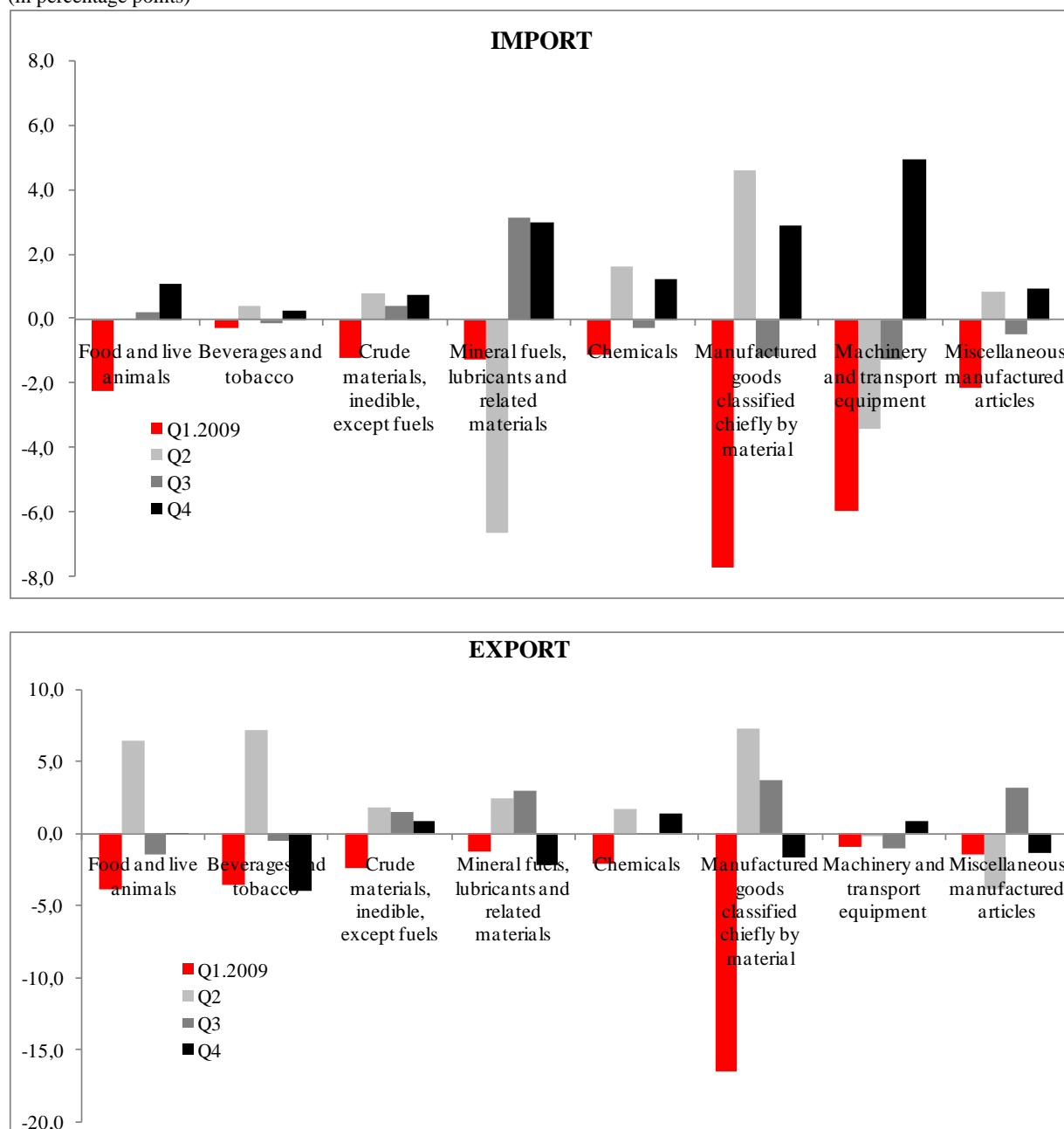
Figure No. 11
Total value of the trade (export and import)
(in %, 2006=100)



However, despite the moderate fall in the last month of 2009, the total trade in the last quarter was higher relative to the period July-September 2009 (by about Euro 100 million). The rise in the trade was solely due to the higher export of goods (by Euro 133.3 million on quarterly basis), whereas the export registered quarterly drop (by Euro 34.7 million). The registered developments with the import and the export in the last quarter of the year deviated from the dynamics registered in the previous two quarters, when the import almost stagnated on quarterly basis, and the export registered constant growth. The import of oil mostly contributed to the rise in the import (which was due to the higher quantity amount by 26.4% on quarterly basis). Simultaneously, considerable import of telecommunication equipment and textile yarns was registered in this quarter. Within the export, the export of tobacco and tobacco products and of oil and oil derivatives mostly contributed to the quarterly fall (which was due to the higher comparison basis in the previous quarter).

Figure No. 12

Contributions to the quarterly changes in the import and export of individual main categories of SMTK⁸ (in percentage points)



Source: SSO.

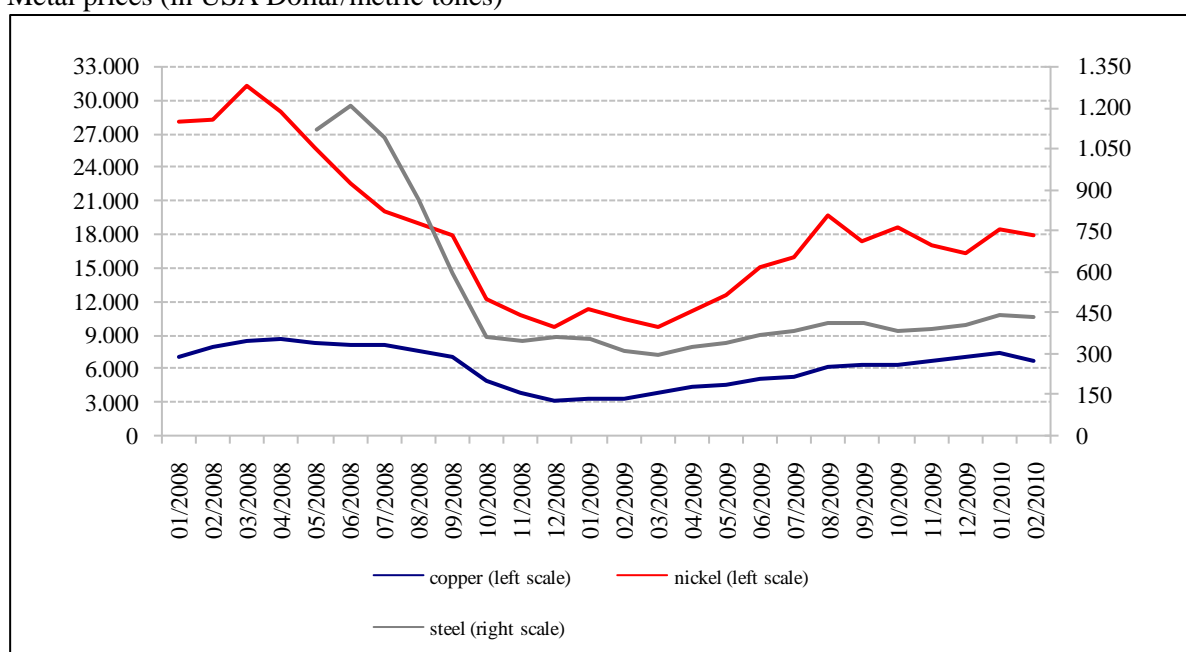
The negative effects from the global economic crisis in 2009, which resulted in slowing down in the international trade, reflected intensively on the Macedonian economy as well. **The total foreign trade reduced by Euro 9 1.792 million on annual basis and it reduced to 86.5% of GDP (opposite to 112.7% of GDP in the previous year).** The lower industrial activity with the export oriented metal manufacturing sector resulted in considerably lower import of raw materials for manufacturing. This, together with the lower price of the crude oil on the international stock exchanges and the drop in the

⁸ SITC - standard international trade classification.

domestic output, gave considerable downward effect on the value of the import. *Thus, in 2009 the import of goods reduced to Euro 3.615,8 million, which was less by 22.1% of the last year's level.* More than 70 % of the fall in the import can be explained with more than the halved import of iron and steel, with the lower import of oil and electricity. The other part pertains to the lower import of joint consumption goods and of investment goods. On the other hand, the lower investment and personal consumption in the economies of our trade partners, together with the fall in the price of metals and oil had negative effect on the value of the export. *The export in 2009 reduced to Euro 1.925,2 million, i.e. it was lower by 28.4% than the last year's.* The largest share (approximately 64%) of the drop in the total export was due to the fall in the export of iron and steel. The rest of the decrease can be explained through the lower export of oil and oil derivatives, of wearing apparel and of metal ores and metal waste.

The more considerable drop in the import than in the export demand in 2009 was the reason for the narrowing in the negative balance in the trade of goods (by Euro 263.7 million on annual basis). The trade deficit in the trade of goods reduced to 26.4% of GDP (opposite to 30% of GDP in the previous year). The improved trade of electricity contributed mostly to the improvement in the trade imbalance (realized deficit of Euro 85 million, opposite to Euro 234 million in the previous year). This improvement in the trade of electricity represented combined effect from the lower need of import (quantity drop in the import of 46.1% on annual basis which was due to the lower economic activity), from the drop in price and from the larger volume of domestic output (by 8.8% on annual basis). Despite the improved balance with the electricity, in 2009 the rapid drop in the oil price on the international stock exchanges decreased the deficit in the trade of oil and oil derivatives (by 114 million on annual basis). Such improvements were supplemented by the lower deficit with the automobiles as well (by Euro 52.5 million on annual basis), as an effect from the lower credit support by the banks and higher restraining from consumption. The lower surplus in the trade of iron and steel acted towards opposite direction (by 196 million of annual basis). The trade of wearing apparel negatively contributed to the total trade as well, and its surplus went down by Euro 58 million on annual basis.

Figure No. 13
Metal prices (in USA Dollar/metric tones)



*The data on February 2010 pertain to the period 1-15 in this month.
Source: "Bloomberg".

5. MONETARY AGGREGATES⁹

In January 2010, **the reserve money**¹⁰ registered annual rise of 19.3% (12.4% in December 2009), as a result to the increase in the total liquid assets of banks (37%, opposite to 31.8% at the end of 2009), with fall in the currency in circulation¹¹ of 0.3% being registered. On monthly basis, the rise in the reserve money (0.8%) was more moderate relative to December 2009 (3.4%). It was solely due to the monthly rise in the total liquid assets of banks (of 5.4%), in conditions of seasonal drop in the demand of currency in circulation 5.4%.

Analyzed with respect to the **flows of creating and withdrawing liquidity**, in January the net position of the Government with NBRM reduced by Denar 1.317 million, thus representing the dominant factor of growth in the reserve money on monthly basis. The interventions of NBRM on the foreign exchange market acted towards the same direction, and since May 2009 they are constantly in direction of net purchase of foreign currencies. In January 2009, the total amount of the created liquidity on such basis amounted to Denar 2.123 million (Euro 34.7 million).

As a continuation of the positive trend, which started in August 2009, **the total deposit potential of banks (with the demand deposits included)**¹², continued growing in January 2010 as well, realizing monthly rise of Denar 1.717 million or 0.9% (2.1% in December 2009). Different from the previous month, the new saving of the private sector in January was generally in foreign currencies, the growth rate of which was twice higher relative to the growth in the Denar deposits (1.2%, relative to 0.6%). Consequently, the contribution of the foreign currency component to the rise in the total deposits reached up to 71.9%. With respect to the sector structure, higher saving (of 1.6%) was registered with the households¹³, with further monthly fall in the corporate deposits by 0.5% being registered (0.7% in the previous month). Relative to the currency preferences of certain sectors, in January 2010, the household deposits were mostly in foreign currency (contribution of 61.3% to the rise in the total deposits of households), which realized rise of 1.5% on monthly basis (1.7% in December). The growth rate of the Denar deposits amounted to 1.7% (opposite to 6.4% in December). With the corporate sector, the registered fall in the deposits resulted solely from the fall in the Denar deposits by 1% (2.2% in December), whereas the foreign currency deposits remained in the zone of monthly rise and they went up by 0.4% (2.4% in December).

⁹ The analysis of the monetary and credit aggregates is based on the data from the new Methodology for preparing standard forms of monetary balance sheets and reviews and the new accounting plan (which became effective on January 1, 2009)

¹⁰ Includes the currency in circulation (including the cash in the banks' vault), the reserve requirements in denars and in foreign currencies and the excess of liquid assets above the reserve requirements (in denars). Without the foreign currency reserve requirements, the reserve money in January 2010 rose by 17.6% on annual basis.

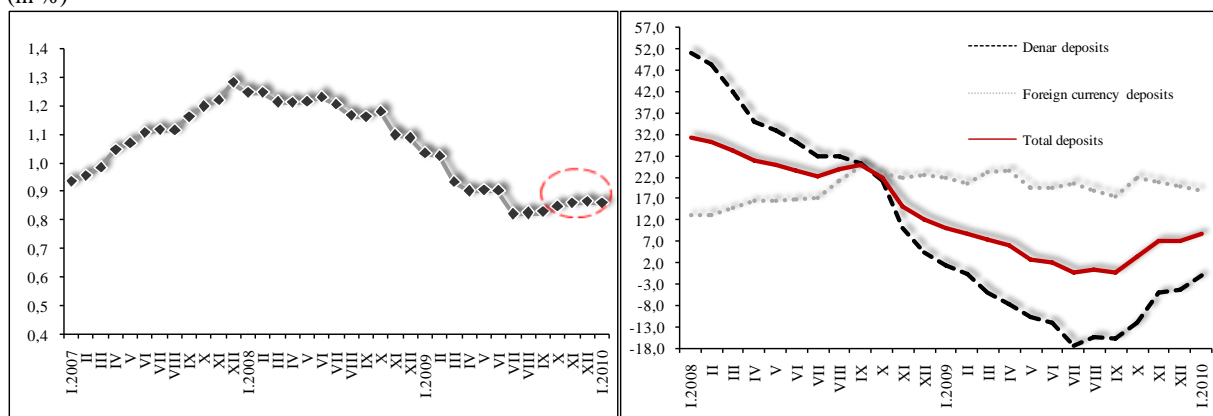
¹¹ Includes the cash in the banks' vaults.

¹² Since January 2009, the deposits include the accrued interest as well.

¹³ Pertains to the natural persons and self employed professionals.

Figure No. 14

Correlation Denar - foreign currency deposits Annual growth rates of the total deposits
(in %)

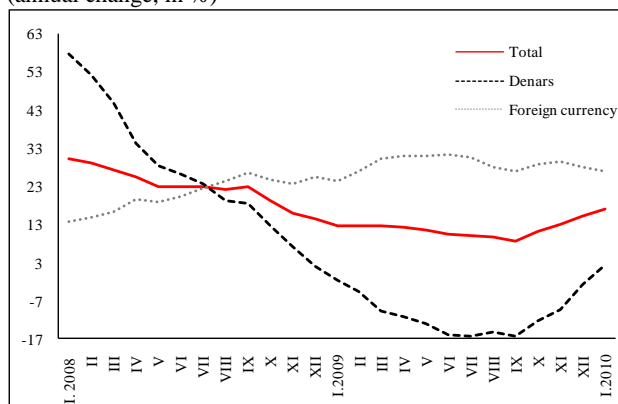


Source: National Bank of the Republic of Macedonia.

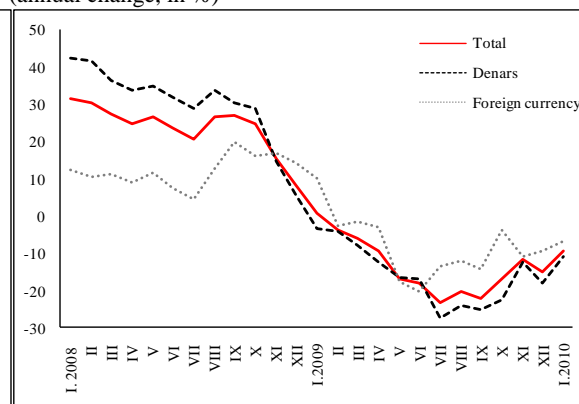
On annual basis, the total deposit potential continued to grow reaching up to a growth rate of 8.8% in January 2010, which represented intensification relative to previous two months (when the deposit rise amounted to approximately 7%). The rise in the foreign currency deposits was relatively stable (19.1%), whereas the drop in the Denar deposits relative to the previous month was considerably lower (1.1% opposite to 4.6%). Analyzed by sectors, the annual rise in the total deposits reflected the larger saving of the households which was higher by 17.3% on annual basis (15.4% at the end of 2009). Within the sector "households", the annual rise was still caused by the saving in foreign currency (growth rate of 26.9%). However, the positive performances with the investment in Denar deposits are significant to be mentioned, because after the constant fall rates in 2009, in January 2010 they went up by 2.7%. The deposits of the corporate sector (private and public enterprises)¹⁴ still registered annual fall (of 9.5%), but still with lower dynamics (at the end of 2009, their fall amounted to 15.1%). The slowing down in the fall rate was more evident with the Denar deposits (10.8% in January relative to 17.8% in December), opposite to the more moderate slowing down with the foreign currency deposits (from 9.3% in December to 7% in January).

Figure No. 15

Deposits of households
(annual change, in %)



Deposits of enterprises
(annual change, in %)



Source: National Bank of the Republic of Macedonia.

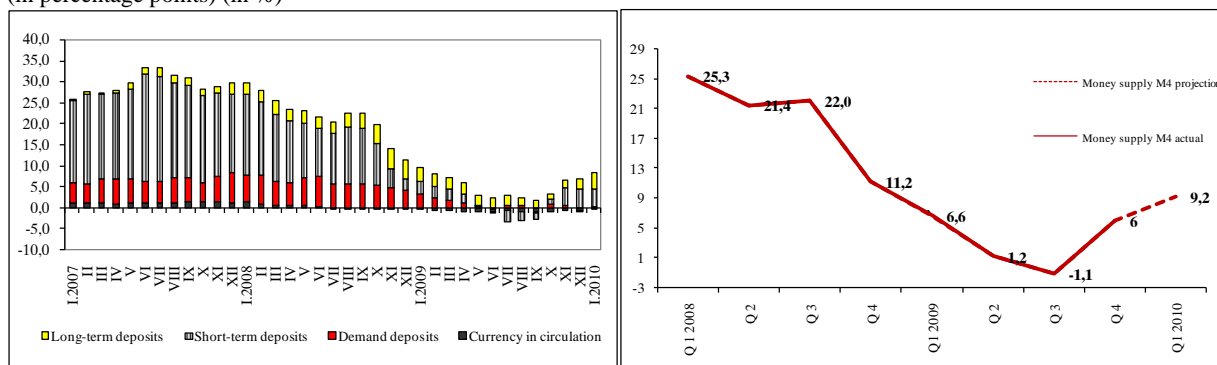
¹⁴ The deposits of the enterprises from the private sector went down by 2%, on annual basis.

Figure No. 16

Money supply M4

Contribution to the annual growth
(in percentage points) (in %)

Annual growth rates



Source: National Bank of the Republic of Macedonia.

The performances with the total deposits reflected adequately on the dynamics of the **broadest money supply M4**¹⁵. Thus, in January 2010 this monetary aggregate rose by 8% on annual basis (6% in December 2009). The upward development of the money supply was performing in conditions of improved anticipations of the private sector, as well as positive performances with the private transfers. Relative to the projection, the performances with the money supply were in accordance with the developments projected for the first quarter of 2010 (annual monetary rise of 9.2% at the end of the quarter).

6. BANK CREDITS

In January 2010, the **total credits of banks to the private sector** rose by Denar 506 million, or by 0.3% on monthly basis, which represented slowing down in the rise relative to December 2009 (realized monthly growth of Denar 1.307 million, i.e. by 0.7%). The credit support of the corporate sector by the banks continued in January 2010 as well, when the banks placed Denar 603 million in form of credits to enterprises. This contributed to the monthly rise in the credits to the enterprises of 0.6% in January, relative to the monthly growth in December 2009 of 1.7%¹⁶. In the period December 2009 - January 2010, on cumulative basis, approximately Euro 39 million were placed with the corporate sector.

On the other hand, within the household credits, the trends of stagnation or fall in the total credits on monthly basis, present in the second half of 2009, continued in the first month of 2010. In January, monthly fall in the total credits to household was realized of 0.2% (opposite to the monthly fall in December 2009 of 0.6%). The most intensive drop on monthly basis was registered with the consumer credits and credit cards, different from the lines of credits, which realized positive monthly change. After the two month downward trend, in January the amount of the suspicious and contested claims based on household credits increased again. Such flows indicated slower recovery of this segment of the credit market. On the side of the credit supply, this can be explained with the uncertainty about the future dynamics on the labor market which was still present as well as the need of maintaining

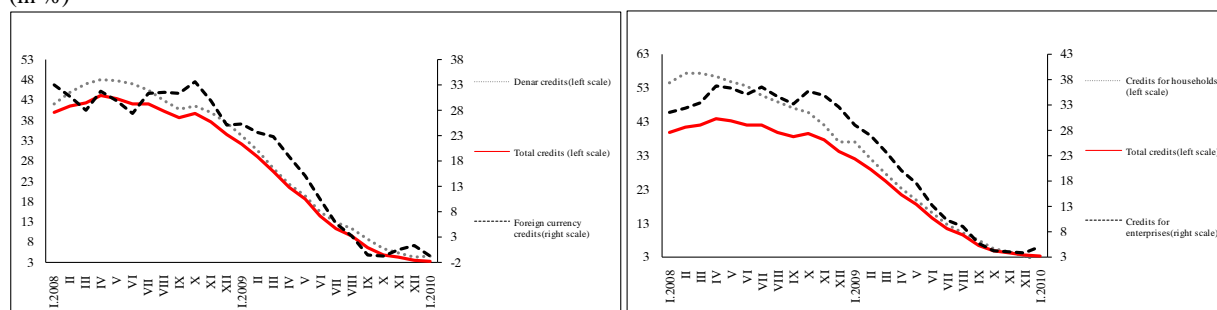
¹⁵ The analysis pertains to the money supply M4 with the accrued interest being included.

¹⁶ In December, the first tranche from the credit line from EIB in the amount of Euro 12.4 million was withdrawn. These assets were intended for support of 35 projects with accounting value Euro 35 million, so 36% of the credit funds were intended for investment credits, whereas 31% for credits for durable working assets (Source: Macedonian Bank for Development Promotion, www.mbdp.com.mk).

the quality of the credit portfolio. The generally adaptive expectations may also give contributions, with effects in direction of still precautionous consumption planning, which is reflected through the lower demand of credits. If the assessments are made based on the performances in the last three months, it can be concluded that different from the credit market of enterprises, which already started to develop, the revitalization of the credit activity to the households will probably follow the economic revitalization with certain delay.

Figure No. 17

Annual growth rates in the credit to the private sector by the currency and sector structure (in %)

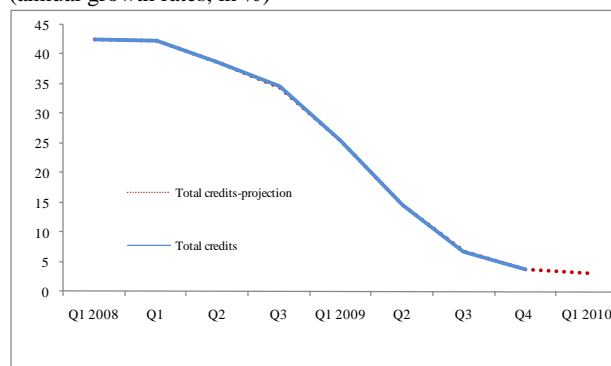


Source: National Bank of the Republic of Macedonia.

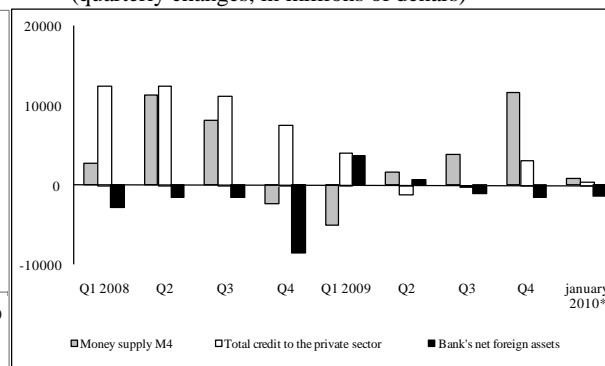
Analyzed on annual basis, the data from the last three months indicated stabilization of the credit market, considering the fact that after the realized rates of annual rise of 4.1% and 3.5% in November and December 2009, respectively, in January 2010 the annual growth rate of the total credits amounted to 3.1%. This represented considerable deviation relative to the first nine months of 2009, when the slowing down of the annual growth rate of the total credits was more intensive, ranging between 2 and 4 percentage points, on monthly basis. Analyzed with respect to the currency structure, the annual rise in the total credits of banks in January, was solely determined by the higher volume of placed Denar credits (including the Denar credits with FX clause as well), which registered rise on annual basis of 4.3% (4.1% in the previous month). With the foreign currency credit portfolio moderate narrowing of 0.8% was registered on annual basis (opposite to the rise of 1.4% in December 2009). In accordance with the realized monthly deviations, the annual growth rate of the total household credits continued to slow down, and from 3.5%, in December 2009, it reduced to 0.5% in January 2010. Opposite dynamics was registered with the enterprise credits, i.e. intensification of the annual growth rate, which in January 2010 amounted to 5% (3.7% in December 2009).

Till the end of the first quarter of 2010, in accordance with the envisaged dynamics of the sources of funding of the credit activity and dynamics of the other alternative forms of distribution of the financial assets, maintaining of the stable developments on the credit market was expected, so the annual growth rate of the total credits of banks to the private sector would amount to approximately 3% in March 2010.

Figure No. 18
Credits to the private sector
(annual growth rates, in %)



Sources of financing
(quarterly changes, in millions of denars)*



* Pertains to the cumulative changes relative to the end of the previous year.

Source: National Bank of the Republic of Macedonia.

In January 2010, the **net foreign assets of banks** reduced by Denar 1.383 million, relative to the end of the previous year, or by 91.1%, in conditions of more intensive decrease in the foreign currency assets (of Denar 3.496 million, or by 11.4%) relative to the drop in the foreign currency liabilities of banks (by Denar 2.114 million, or by 7.3%).

7. INTEREST RATES AND FOREIGN EXCHANGE RATE

On February 17, 2010 the reserve money¹⁷ amounted to Denar 33.449 million and relative to the end of January they reduced by Denar 364 million, or by 1.1%. The drop in the reserve money was solely due to the fall in the total liquid assets of banks¹⁸ by 3.4%, in conditions of rise in the currency in circulation by 1.6%. Within the analyzed period (01-17.02.2010), the Denar deposits of the Government with NBRM, the cash in the banks' vaults, as well as the reserve requirements with NBRM, acted towards liquidity creation, which was partially withdrawn through the other autonomous factors and through the auctions of CB bills.

The positive developments on the foreign currency market and the improved macroeconomic expectations for 2010 created conditions for further downward adjustment of the basic interest rate of NBRM. Thus, after the initial drop by 0.5 percentage points in November 2009, the interest rate of the CB bills reduced subsequently by additional 0.5 percentage points in January and in February 2010, respectively, thus equaling 7.5%. In the beginning of February, three auctions of CB bills were held (dated February 3, 2010, February 10, 2010 and February 17, 2010), with interest rate of 8% at the first auction, and interest rate of 7.5% at the other two auctions. Total liquidity of Denar 1.802 million was withdrawn at the three auctions. As of January 29, 2010, the gross foreign reserves amounted to Euro 1.619,7 million and relative to the end of 2009 they rose by Euro 22.2 million.

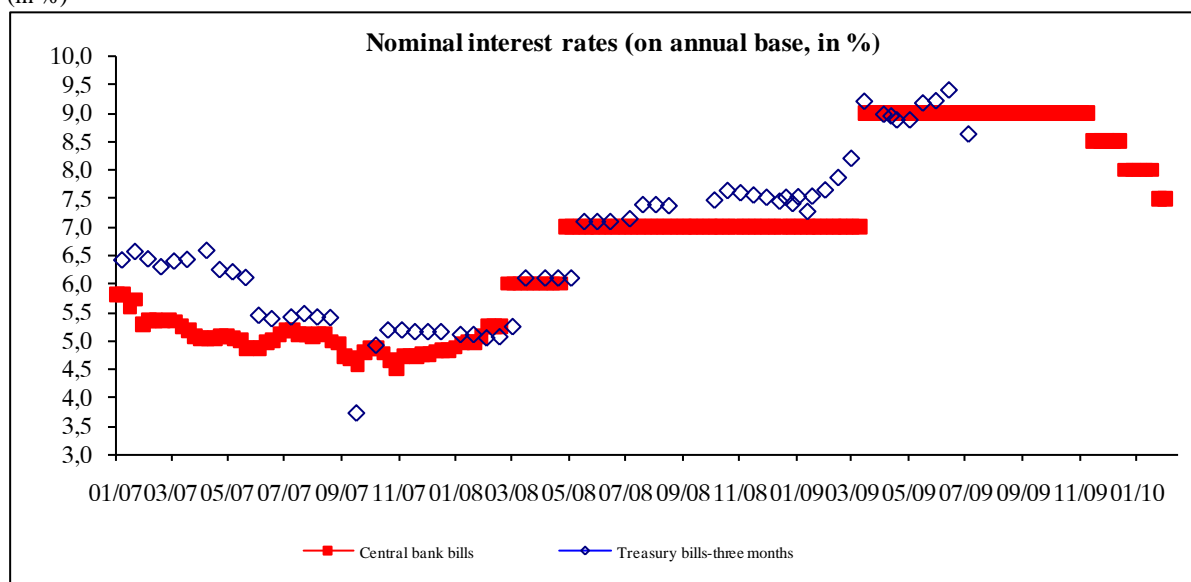
Within the analyzed period, **one auction of six months Treasury bills with FX clause** was held (on February 2, 2010) with interest rate of 5% (5.2% on the previous auction), with volume tender. In conditions of higher demand than the supply, the offered amount of Denar 1.500 million was fully realized.

¹⁷ The data for the reserve money include the currency in circulation, bank accounts with NBRM and the cash in the vaults.

¹⁸ Pertains to the banks' accounts with NBRM and the cash in the vaults.

In the period 01-16.02.2010, the **weighted interbank interest rate** amounted to 5.62% (6.08% in January 2010). In the period 1-18.02.2010, the quoted average interbank interest rate - **SKIBOR** amounted to 5.83% (over night), 7.38% (one week), 8.07% (one month) and 8.9% (three months), opposite to 6.15%, 7.67%, 8.54% and 9.27%, for the respective maturities in January. In the period 1-17.02.2010, the weighted interbank interest rate for the concluded transactions over night - **MKDONIA** amounted to 5.61%, relative to 6.06% in January 2010.

Figure No. 19
Interest rates
(in %)



Source: National Bank of the Republic of Macedonia.

In the area of **the interest policy of banks**, in December 2009, **the average weighted interest rate of Denar credits and of Denar deposits** rose by 0.1 percentage point, on monthly basis, thus equaling 10.3% and 7.5%, respectively. On monthly basis, within the *Denar lending interest rates*, more considerable change was registered with the interest rate of the short-term credits with FX clause intended for the households, which was reduced by 0.3 percentage points and it amounted to 8.2%. Within the *Denar deposit interest rates*, for the first time this year, drop of 0.1 percentage points in the interest rate of the short-term time deposits without FX clause intended for the enterprises was registered, thus equaling 7%. On annual basis, with respect to the lending interest rates, the interest rate of the long-term credits without FX clause to the households registered most considerable change from 13.4% to 14.6% as well as the short-term credits with FX clause to the enterprises, from 7.4% to 8.9%. Simultaneously, more dynamic annual changes were registered with the interest rates of the Denar deposits. The interest rates of the sight deposits without FX clause to the enterprises registered drop from 1.5% to 0.2%, whereas the long-term time deposits without FX clause to the households went up from 9.1% to 10.7%. Also, the interest rates of the time deposits with FX clause to the enterprises registered change as well, so the short-term deposits went from 5% to 3.5% and the long-term from 4.3% to 7.1%. Within the households, drop in the interest rate of the short-term time deposits with FX clause was registered, from 8.9% to 7.5%. **Within the foreign currency interest rates, the average weighted interest rate of the foreign currency credits and the weighted interest rate of the foreign currency deposits** remained at the same level of the previous month, equaling 7.6 and 3.4%, respectively.

In December, **the interest rate of the Denar newly extended credits and newly received deposits** went down by 0.4 and 0.1 percentage points, respectively and they equaled 10.1% and 5.2%, respectively. **The interest rate of the newly extended foreign currency credits** amounted to 7.5% in December (relative to 7.8% in the previous month), whereas **the interest rate of the newly received foreign currency deposits** went down by 0.1 percentage points amounting to 1.6%.

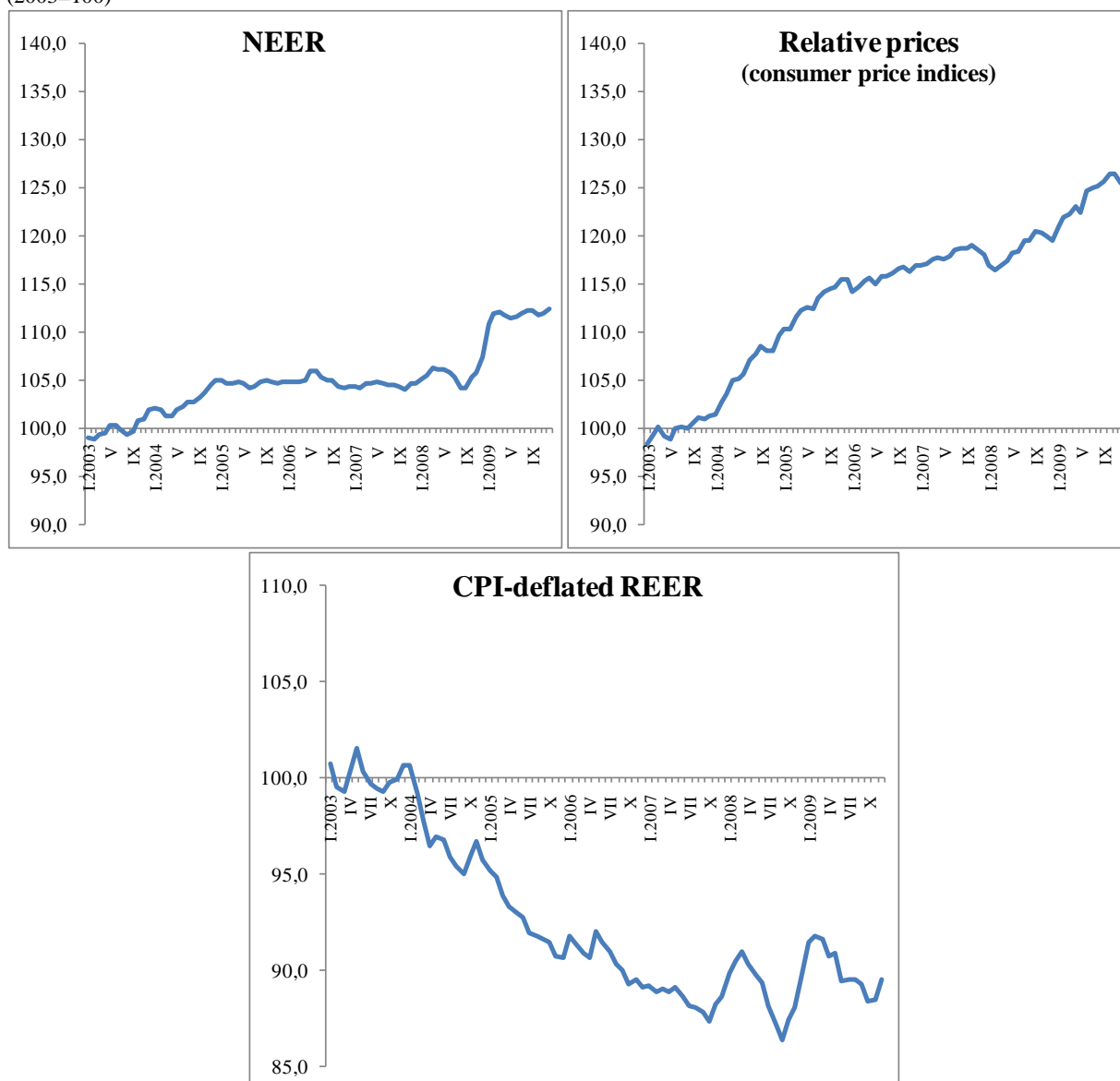
Observed by **groups of banks**, the medium-size banks increased **the lending Denar interest rates** (by 0.1 percentage point) so their lending interest rate amounted to 11.1%, opposite to the drop in the interest rates with the small-size banks by 0.1 percentage point, thus equaling 10.9%. With the large banks, the interest rate remained at the same level as in the previous month and it amounted to 9.9%. Within the **deposit interest rate**, all groups of banks increased their interest rate, the large and the medium-size banks by 0.1, thus equaling 7.7% and 7.2%, respectively. The small banks increased their interest rate by 0.2 percentage points and it amounted to 5.3%. In December, **the interest rates of the foreign currency credits** of the medium-size and small-size banks registered more considerable change, so they went up to 9% and 5.9%, respectively (rise of 0.2 and 0.4 percentage points, respectively). The interest rate of the large banks registered drop by 0.1 percentage point, thus equaling 7%. **Within the foreign currency deposits**, the interest rate rose with the medium-size and small-size banks by 0.1 and 0.3 percentage points (so they equaled 3.9% and 2.8%), respectively, whereas the large banks registered drop of 0.1 percentage point so the interest rate amounted to 3.2%.

In December 2009, **the index of the real effective exchange rate of the Denar (REER) deflated with the consumer price index** registered monthly appreciation of 1.2%, with appreciation of the NEER of 0.4% and drop in the relative prices¹⁹ being registered (which was due to the more intensive growth in the domestic relative to the rise in the foreign prices). On annual basis, the REER registered insignificant depreciation of 0.4%. Since the beginning and till the end of 2009, the cumulative change of REER indicated worsened price competitiveness. In 2009, the REER measured through the consumer prices registered appreciation of 1.2%, which was solely due to the worsened nominal value of the foreign currency effective exchange rate by 5.9%, whereas the ratio of the relative prices improved, i.e. the foreign prices registered rise of 4% on annual basis, and the domestic prices registered decline of 0.6% on annual basis.

¹⁹ The relative prices are shown as a ratio between the foreign price index and the domestic price index. If this ratio drops, in such case we witness more intensive rise in the domestic prices than the foreign prices, or more intensive drop in the foreign relative to the drop in the domestic prices, which is acting towards REER appreciation. If the ratio goes up, in such case we witness more intensive rise in the foreign than in the domestic prices, or more intensive fall in the domestic than the foreign prices which is acting towards REER depreciation.

Figure No. 20

NEER*, relative prices* and REER by the consumer prices*
(2003=100)



* The upward trend with NEER is the appreciation. With the relative prices, the upward trend is in favor of the REER depreciation, the downward trend is in favor of the appreciation. The upward trend with REER is the appreciation, and the downward trend is the depreciation.

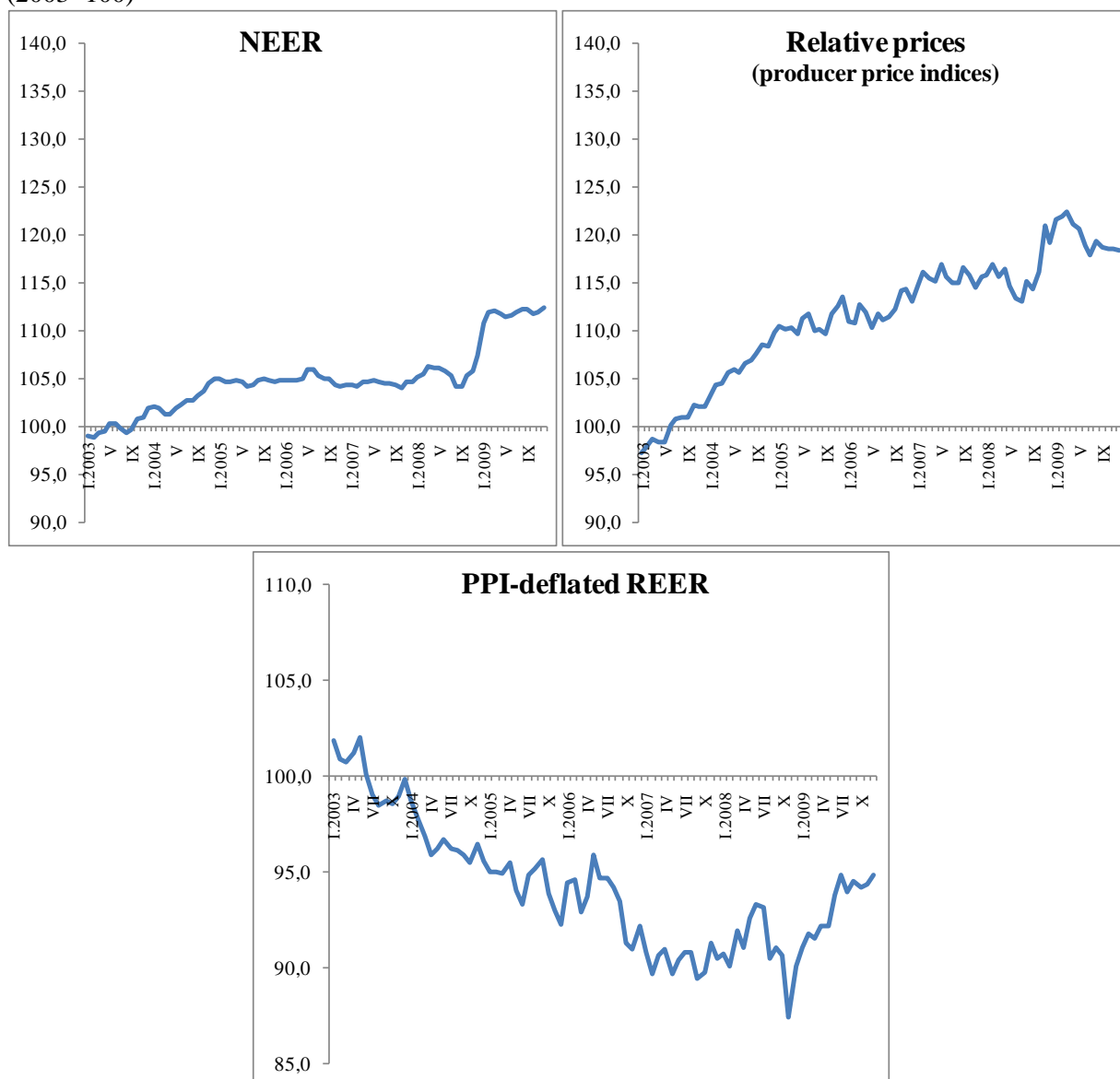
Source: NBRM, IMF-IFS for February 2010 and SSO of the Republic of Macedonia.

For those countries for which there are no IFS data, the information are from the web sites of the adequate central banks, statistical offices and EUROSTAT

In December, the index of the REER measured by the producer price index registered marginal appreciation of 0.5% and more intensive annual appreciation of 5.3%. On cumulative basis (January-December 2009), the REER measured by the producer prices appreciated with more intensive dynamics (by 2.4%), relative to the appreciation of REER measured by the consumer price index.

Figure No. 21

NEER*, relative prices* and REER by the producer prices*
(2003=100)



* The upward trend with NEER is the appreciation. With the relative prices, the upward trend is in favor of the REER depreciation, the downward trend is in favor of the appreciation. The upward trend with REER is the appreciation, and the downward trend is the depreciation.

Source: NBRM, IMF-IFS for February 2010 and SSO of the Republic of Macedonia.

For those countries for which there are no IFS data, the information are from the web sites of the adequate central banks, statistical offices and Eurostat.

ANNEX

Table 1
Consumer Price

| Consumer prices | change in % | | contribution to change in percentage points | |
|---|-------------|-------------|---|-------------|
| | I.2010 | I.2010 | I.2010 | I.2010 |
| | XII.2009 | I.2009 | XII.2009 | I.2009 |
| Total | 0.7 | 0.1 | 0.7 | 0.1 |
| Food | -0.4 | -3.5 | -0.1 | -1.3 |
| Grain products | -0.8 | -4.6 | -0.1 | -0.3 |
| Fresh and processed vegetables | -2.8 | -6.3 | -0.2 | -0.4 |
| Fresh and processed fruits | -0.1 | -9.1 | 0.0 | -0.3 |
| Meat and poultry | 0.7 | 2.7 | 0.1 | 0.2 |
| Fresh and cooked fish | -3.7 | -3.6 | 0.0 | 0.0 |
| Dairy products | 1.3 | -6.5 | 0.1 | -0.4 |
| Eggs | -1.5 | -13.2 | 0.0 | -0.2 |
| Oils and fats | -0.1 | -12.8 | 0.0 | -0.2 |
| Tobacco and beverages | 0.0 | 2.4 | 0.0 | 0.1 |
| Clothing and footwear | 0.4 | -1.3 | 0.0 | -0.1 |
| Housing | 3.9 | 5.3 | 0.6 | 0.9 |
| Flat (rent, water and other services) | 0.0 | 0.4 | 0.0 | 0.0 |
| Fuel and lighting | 6.7 | 9.5 | 0.6 | 0.9 |
| Heating and services | 0.8 | 8.8 | 0.0 | 0.3 |
| Electric power | 9.9 | 9.9 | 0.6 | 0.6 |
| Hygiene and health | 0.6 | 1.2 | 0.1 | 0.1 |
| Culture and entertainment | 1.3 | -0.5 | 0.1 | 0.0 |
| Transport and communication services | 0.4 | 3.7 | 0.1 | 0.5 |
| Fuels and lubricants | 1.1 | 29.1 | 0.0 | 0.9 |
| Public transport services & PTT | -2.0 | -2.1 | -0.1 | -0.1 |
| Restaurants and hotels | 0.6 | -0.4 | 0.0 | 0.0 |
| Other services n.e.c. | 2.4 | -0.2 | 0.0 | 0.0 |

Source: State Statistical Office of the Republic of Macedonia.

Table 2
Basic inflation, productivity and wages

| (annual rates, %) | 2007 | 2008 | 2009 | 2008 | | | | 2009 | | | | Latest months | | | |
|--|------|------|------|------|------|------|------|------|------|-------|------|---------------|--------|--------|--------|
| | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Oct-09 | Nov-09 | Dec-09 | Jan-10 |
| | | | | | | | | | | | | | | | |
| Inflation (CPI) | 2.3 | 8.3 | -0.8 | 9.5 | 9.9 | 8.4 | 5.5 | 0.9 | -0.6 | -1.4 | -2.1 | -2.4 | -2.3 | -1.6 | 0.1 |
| Core inflation (excluding food and energy) | 0.6 | 2.6 | 0.3 | 2.9 | 2.8 | 2.5 | 2.2 | 1.5 | 0.3 | 0.1 | -0.6 | -0.3 | -0.6 | -1.1 | -0.3 |
| Regulated prices | 3.3 | 9.3 | -1.9 | 7.4 | 9.2 | 12.5 | 8.3 | -1.6 | -1.8 | -3.3 | -0.7 | -2.2 | -2.6 | 2.8 | 14.4 |
| Industrial producer prices | 2.5 | 10.3 | -6.5 | 10.5 | 13.6 | 15.1 | 2.1 | -6.2 | -8.8 | -10.1 | -0.5 | -5.9 | 1.4 | 3.2 | 6.5 |
| Productivity | 2.2 | 2.2 | - | 2.7 | 4.5 | 2.5 | -0.9 | -3.7 | -5.9 | -5.4 | - | - | - | - | - |
| Nominal net-wage* | 7.9 | 10.4 | - | 10.5 | 9.9 | 10.7 | 10.3 | 12.7 | 13.4 | 8.9 | - | 4.6 | 4.6 | - | - |
| Real net-wage* | 5.5 | 1.9 | - | 0.9 | 0.0 | 2.1 | 4.5 | 11.8 | 14.1 | 10.4 | - | 7.2 | 7.0 | - | - |

*Form January 2009 data are revised from structural break due to application of gross wages concept, which includes allowances for food and transport in the wages.

Source: State Statistical Office of the Republic of Macedonia and NBRM.

Table 3
Industrial output and other economic activities

| (annual rates, %) | 2007 | 2008 | 2008 | | | | 2009 | | | | Latest months | | |
|----------------------------|------|------|------|------|------|------|-------|-------|-------|-----|---------------|--------|--------|
| | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Oct-09 | Nov-09 | Dec-09 |
| Gross domestic product | 5.9 | 4.8 | 6.4 | 7.9 | 6.4 | 1.2 | -0.9 | -1.4 | -1.8 | - | - | - | - |
| Industrial output | 3.7 | 5.5 | 5.8 | 12.0 | 13.0 | -7.7 | -10.8 | -13.2 | -13.1 | 7.5 | -1.0 | 4.3 | 20.0 |
| Construction | 7.6 | 25.6 | 29.1 | 55.7 | -2.0 | 31.5 | 0.0 | 14.7 | 12.6 | - | 62.8 | 17.8 | - |
| Retail and wholesale trade | 23.1 | 10.5 | 19.1 | 19.8 | 12.4 | -0.5 | -8.7 | -11.0 | -6.7 | - | -5.7 | 4.6 | - |
| Telecommunications | 15.6 | 8.9 | 12.1 | 7.4 | 10.1 | 6.4 | 7.4 | 5.7 | 8.3 | - | 8.3 | 7.0 | - |

Source: State Statistical Office of the Republic of Macedonia.

Table 4
Selected industrial branches

| Selected industrial activities (annual rates, %) | 2007 | 2008 | 2009 | 2008 | | | | 2009 | | | | okt.09 | |
|---|-------|------|-------|-------|-------|------------|-------|-----------|-------|-------|-------|-----------|--------------------|
| | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | | change, % | contribution, p.p. |
| Mining and quarrying | 9.8 | 0.4 | -12.3 | 11.9 | 13.6 | 3.4 | 11.2 | -12.6 | -19.2 | -11.3 | -6.5 | -8.9 | -0.5 |
| Manufacture of food products and beverages | 7.7 | 1.2 | -2.1 | 5.3 | 6.0 | 6.1 | 11.9 | -2.5 | -0.1 | -1.8 | -3.9 | -3.4 | -0.8 |
| Manufacture of tobacco products | -0.8 | 0.1 | -3.2 | 13.8 | 15.4 | 1.0 | -18.1 | -2.1 | 2.6 | -5.5 | -9.4 | -17.3 | -0.8 |
| Manufacture of wearing apparel | -14.5 | -2.0 | -11.7 | -16.5 | -22.7 | -23.4 | -18.8 | -23.7 | -16.9 | -1.6 | -3.5 | 10.4 | 0.8 |
| Printing | -12.2 | 1.6 | 34.6 | 7.8 | 72.2 | 68.4 | 85.3 | 2.6 times | 54.4 | -2.7 | -15.2 | -25.6 | -1.7 |
| Manufacture of refined petroleum products | -2.4 | 0.1 | -8.9 | 3.3 | 50.9 | 1.1 | -30.9 | 9.2 | -27.2 | -36.3 | 25.9 | 176.0 | 2.7 |
| Manufacture of other non-metallic mineral products | 3.8 | -0.3 | -12.1 | -10.9 | -3.2 | -9.9 | 15.0 | -17.0 | -4.3 | -11.8 | -19.3 | -31.6 | -1.8 |
| Manufacture of basic metals | 34.3 | -1.0 | -42.1 | 9.5 | 15.7 | -3.3 | -45.7 | -61.6 | -52.3 | -42.2 | 13.4 | 65.5 | 4.4 |
| Manufacture of fabricated metal products | 45.6 | 2.6 | 38.5 | 29.7 | 11.8 | 3 times | -22.0 | 35.0 | -12.9 | -2.8 | 186.7 | 3.7 times | 16.5 |
| Manufacture of electrical machinery and equipment | -24.4 | 0.6 | -29.0 | 45.6 | 64.9 | 32.4 | -10.6 | 1.0 | -13.5 | -51.6 | -53.1 | -40.5 | -1.5 |
| Manufacture of other transport equipment | 33.4 | -0.3 | -46.4 | 9.8 | 143.1 | -47.9 | -70.6 | -60.5 | -71.5 | -21.0 | 24.2 | 125.5 | 0.8 |
| Recycling | -35.6 | 0.5 | -11.6 | 105.6 | 262.2 | 12.5 times | -34.9 | -74.2 | -10.6 | 7.6 | 97.9 | 6.1 time | 0.8 |
| Electricity, gas, steam and hot water supply | -9.5 | -0.3 | 8.8 | -0.8 | 1.9 | 1.9 | -12.2 | -1.6 | 15.6 | 10.4 | 14.2 | 14.0 | 1.7 |

Source: State Statistical Office of the Republic of Macedonia.

Table 5
Indicative variables for private consumption and investment

| (real annual growth rates, %) | 2007 | 2008 | 2008 | | | | 2009 | | | | Latest months | | |
|--|------|------|------|------|-------|-------|-------|-------|-------|-------|---------------|--------|--------|
| | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Oct-09 | Nov-09 | Dec-09 |
| Retail trade* | 14.4 | 3.1 | 0.8 | 4.7 | 5.3 | 1.5 | -4.0 | -3.6 | -3.7 | - | -6.0 | -2.2 | - |
| VAT revenues* | 18.5 | 1.3 | 13.9 | 2.1 | -0.2 | -8.0 | -8.5 | -14.0 | -3.8 | 20.3 | -11.1 | 9.8 | 96.4 |
| Imports of consumption goods* | 19.4 | 7.8 | 6.1 | 7.4 | 8.7 | 8.9 | -0.1 | -9.5 | -6.6 | -4.5 | -6.7 | -1.3 | -5.4 |
| Domestic production of consumption goods | -1.5 | 6.7 | 2.2 | 7.2 | 6.5 | 10.1 | 4.5 | 0.2 | -5.5 | -8.3 | -13.6 | -5.0 | -6.5 |
| Imports of capital goods* | 36.9 | 21.5 | 37.5 | 26.4 | 15.6 | 13.6 | 24.4 | -10.8 | -8.6 | -19.7 | -29.8 | -18.7 | -9.5 |
| Completed construction works* | 4.9 | 16.3 | 18.0 | 41.6 | -9.6 | 24.7 | -0.8 | 15.3 | 14.2 | - | 66.8 | 20.6 | - |
| Domestic production of capital goods | 19.7 | -1.3 | 26.5 | 28.0 | -15.9 | -31.3 | -24.9 | -40.1 | -19.3 | -6.8 | -12.8 | -9.9 | 3.0 |

* real growth rates are calculated by the NBRM, by dividing the nominal growth rates with the annual CPI inflation
Source: State Statistical Office, Ministry of Finance and NBRM calculations

Table 6
Balance of payments ^{/1,3}
(in millions of euros)

| | 2008 | | | | 2008 | 2009 | | | | | | | | | 2009 | | 2009 |
|---|--------|----------|----------|----------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|
| | Q1 | Q2 | Q3 | Q4 | | I | II | III | IV | V | VI | VII | VIII | IX | Q1 | Q2 | |
| I. Current Account | -173.1 | -210.7 | -68.3 | -401.2 | -853.3 | -115.7 | -94.4 | -133.0 | -67.4 | -10.1 | -20.2 | 25.2 | 21.6 | 57.5 | -343.1 | -97.8 | -336.5 |
| GOODS, net | -374.2 | -464.0 | -419.9 | -492.6 | -1,750.7 | -143.0 | -152.0 | -151.6 | -142.6 | -79.8 | -116.6 | -120.6 | -111.3 | -69.0 | -446.6 | -339.0 | -1,086.6 |
| Exports, f.o.b. | 611.6 | 735.8 | 745.2 | 591.6 | 2,684.2 | 113.7 | 136.7 | 149.9 | 155.0 | 164.5 | 171.7 | 186.1 | 162.1 | 184.2 | 400.3 | 491.3 | 1,423.9 |
| Imports, f.o.b. /2 | -985.8 | -1,199.9 | -1,165.1 | -1,084.2 | -4,434.9 | -256.7 | -288.6 | -301.5 | -297.6 | -244.3 | -288.4 | -306.7 | -273.4 | -253.2 | -846.8 | -830.3 | -2,510.5 |
| SERVICES, net | 0.5 | -7.6 | 29.6 | -18.1 | 4.3 | -1.5 | 3.5 | -3.0 | 0.8 | -4.1 | 2.1 | 9.5 | 9.2 | 4.5 | -1.0 | -1.2 | 21.1 |
| INCOME, net | 23.8 | 0.7 | -14.4 | -101.0 | -90.9 | -13.3 | -4.8 | -6.8 | -2.3 | -10.7 | -5.1 | -5.6 | -6.8 | -3.4 | -24.9 | -18.1 | -58.8 |
| o/w: interest, net | -5.8 | -11.7 | -11.0 | -17.8 | -46.3 | -9.8 | -5.2 | -7.6 | -5.5 | -6.4 | -5.3 | -7.6 | -4.1 | -5.1 | -22.6 | -17.2 | -56.7 |
| CURRENT TRANSFERS, net | 176.8 | 260.3 | 336.4 | 210.5 | 984.0 | 42.1 | 58.8 | 28.4 | 76.7 | 84.5 | 99.4 | 141.9 | 130.5 | 125.4 | 129.4 | 260.6 | 787.8 |
| Official | 7.7 | 21.5 | 10.9 | 7.9 | 47.9 | 3.0 | 1.5 | 5.8 | 5.5 | 1.9 | 5.4 | 2.8 | 4.1 | 1.4 | 10.3 | 12.9 | 31.5 |
| Private | 169.1 | 238.8 | 325.6 | 202.6 | 936.1 | 39.2 | 57.4 | 22.6 | 71.1 | 82.5 | 94.0 | 139.1 | 126.5 | 124.0 | 119.1 | 247.7 | 756.3 |
| II. Capital and Financial Account | 184.3 | 221.3 | 56.4 | 389.2 | 851.2 | 100.9 | 92.0 | 132.9 | 71.4 | 15.5 | 27.6 | -35.7 | -21.6 | -59.4 | 325.8 | 114.5 | 323.6 |
| CAPITAL ACCOUNT, net | -0.8 | -2.6 | -0.5 | -8.3 | -12.2 | 0.1 | 0.4 | 0.3 | -0.1 | 0.3 | 1.6 | 4.2 | 3.0 | 8.0 | 0.8 | 1.7 | 17.7 |
| Capital transfers, net | -0.8 | 1.1 | -0.5 | -0.8 | -1.1 | 0.1 | 0.4 | 0.3 | -0.1 | 0.3 | 1.6 | 4.2 | 3.0 | 0.5 | 0.8 | 1.7 | 10.2 |
| Official | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | -0.8 | 1.1 | -0.5 | -0.8 | -1.1 | 0.1 | 0.4 | 0.3 | -0.1 | 0.3 | 1.6 | 4.2 | 3.0 | 0.5 | 0.8 | 1.7 | 10.2 |
| Acquisition/disposal of non-produced, | 0.0 | -3.7 | 0.0 | -7.5 | -11.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 7.5 | 0.0 | 0.0 | 7.5 |
| FINANCIAL ACCOUNT, net | 185.1 | 223.9 | 56.9 | 397.6 | 863.5 | 100.8 | 91.6 | 132.6 | 71.5 | 15.2 | 26.0 | -39.8 | -24.6 | -67.4 | 325.0 | 112.8 | 305.9 |
| Direct investment, net | 142.5 | 111.5 | 74.8 | 80.5 | 409.4 | 26.4 | 25.9 | 1.3 | 31.7 | 17.9 | 7.5 | -31.1 | 25.8 | -3.8 | 53.6 | 57.1 | 101.6 |
| Portfolio investment, net | -8.3 | -10.8 | -8.3 | -23.3 | -50.7 | -4.7 | -3.7 | -10.8 | -8.6 | -0.5 | -3.3 | 161.3 | -9.3 | -3.3 | -19.1 | -12.4 | 117.2 |
| Other investment, net | 43.0 | 146.7 | 118.0 | 145.5 | 453.2 | -8.7 | 32.7 | 13.7 | -10.3 | -36.4 | 62.4 | 20.3 | 72.1 | -40.9 | 37.7 | 15.8 | 105.0 |
| Trade credits, net | -40.4 | 87.7 | -21.2 | -41.7 | -15.7 | 2.4 | 21.1 | 29.5 | 12.8 | -15.9 | 4.7 | -16.8 | 27.6 | -28.1 | 53.0 | 1.6 | 37.3 |
| Loans, net | 11.2 | 41.2 | 82.4 | 90.8 | 225.6 | -9.3 | 4.7 | 2.6 | 3.8 | 2.3 | -7.7 | -3.2 | 2.6 | -1.7 | -1.9 | -1.6 | -5.7 |
| Currency and deposits, net | 60.8 | 7.7 | 52.0 | 86.9 | 207.4 | -4.4 | 4.2 | -21.9 | -29.0 | -25.3 | 60.3 | 38.3 | -16.0 | -19.8 | -22.1 | 6.0 | -13.6 |
| o/w: Monetary Authorities, net | 10.7 | 5.9 | 0.0 | -0.5 | 16.0 | -4.0 | -0.3 | 0.7 | -0.4 | 0.4 | 1.0 | 1.5 | 0.3 | -0.1 | -3.6 | 1.0 | -0.9 |
| o/w: Commercial Banks, net | 47.2 | 9.2 | 41.0 | 137.2 | 234.6 | -10.5 | -3.5 | -42.0 | -32.9 | -25.2 | 59.4 | 41.3 | -13.4 | -6.5 | -56.0 | 1.3 | -33.3 |
| o/w: Individuals, net | 2.9 | -7.4 | 11.0 | -49.7 | -43.2 | 10.1 | 8.0 | 19.4 | 4.2 | -0.4 | 0.0 | -4.5 | -2.9 | -13.2 | 37.5 | 3.7 | 20.7 |
| Other, net | 11.3 | 10.1 | 4.8 | 9.5 | 35.8 | 2.6 | 2.6 | 3.5 | 2.2 | 2.5 | 5.1 | 2.0 | 57.9 | 8.7 | 8.7 | 9.8 | 87.1 |
| Gross official reserves (- = increase) /4 | 8.0 | -23.5 | -127.6 | 194.8 | 51.6 | 87.7 | 36.7 | 128.4 | 58.7 | 34.2 | -40.6 | -190.3 | -113.3 | -19.4 | 252.8 | 52.2 | -18.0 |
| III. Errors and Omissions | -11.2 | -10.6 | 11.9 | 12.0 | 2.1 | 14.8 | 2.4 | 0.1 | -4.0 | -5.3 | -7.4 | 10.4 | 0.0 | 1.9 | 17.3 | -16.7 | 13.0 |

1/ Preliminary data

2/ Imports data are on fob basis in accordance with IMF V Balance of Payments Manual

Calculation of cif / fob factor as % of imports cif is 3,86%

Imports for 2006, 2007 and 2008 have been additionally adjusted with time adjustments for imports of electricity.

3/ Methodological changes: The BOP data for 2007 include estimations for certain elements in the items on direct investment and income - based on actual data from the newly introduced data source (FDI Survey DI 22) available as with end 2006

4/ Excluding monetary gold and exchange rate differences

Table 7
Foreign trade

| | XII.2009 | I-XII.2009 | XII.2009 | | XII.2009 | | I-XII.2009 | |
|--------------------|---------------|-----------------|--------------|-------------|--------------|-------------|-----------------|--------------|
| | | | XI.2009 | | XII.2008 | | I-XII.2008 | |
| | amount | | amount | % | amount | % | amount | % |
| Total trade | 495.9 | 5,541.0 | -18.9 | -3.7 | -14.2 | -2.8 | -1,791.6 | -24.4 |
| Export | 169.4 | 1,925.2 | -1.3 | -0.8 | -2.8 | -1.6 | -763.9 | -28.4 |
| Import | 326.5 | 3,615.8 | -17.5 | -5.1 | -11.4 | -3.4 | -1,027.6 | -22.1 |
| Balance | -157.1 | -1,690.5 | 16.2 | -9.3 | 8.6 | -5.2 | 263.7 | -13.5 |

Source: State Statistical Office of the Republic of Macedonia.

Table 8
Monetary developments

| | 31.01.2009 | 30.11.2009 | 31.12.2009 | 31.01.2010 | monthly changes (31.01.2010/ 31.12.2009) | | annual changes (31.01.2010/ 31.01.2009) | |
|-----------------------------|------------|------------|------------|------------|---|------|--|------|
| <i>in Denar million</i> | actual | actual | actual | actual | in Denar million | in % | vo mil.den | in % |
| Brtoad money M4 | 192,681 | 201,445 | 207,262 | 208,129 | 867 | 0.4 | 15,448 | 8.0 |
| Currency in circulation | 15,915 | 14,470 | 16,266 | 15,525 | -741 | -4.6 | -390 | -2.5 |
| Denar deposits ¹ | 91,330 | 88,351 | 90,483 | 90,856 | 373 | 0.4 | -474 | -0.5 |
| Foreign currency deposits | 85,435 | 98,624 | 100,513 | 101,748 | 1,235 | 1.2 | 16,313 | 19.1 |
| Total deposits | 176,766 | 186,975 | 190,996 | 192,604 | 1,608 | 0.8 | 15,838 | 9.0 |
| Reserve money ² | 38,835 | 44,434 | 45,952 | 46,325 | 373 | 0.8 | 7,490 | 19.3 |

¹Including demand deposits, deposits of municipalities and public entities.

²Including reserve requirement in foreign currency.

| | 31.01.2009 | 30.11.2009 | 31.12.2009 | 31.01.2010 | monthly changes (31.01.2010/ 31.12.2009) | | annual changes (31.01.2010/ 31.01.2009) | |
|------------------------------|------------|------------|------------|------------|---|-------|--|-------|
| <i>in Denar million</i> | actual | actual | actual | actual | in Denar million | in % | vo mil.den | in % |
| Credit to the private sector | 173,300 | 176,889 | 178,196 | 178,702 | 506 | 0.3 | 5,402 | 3.1 |
| In Denar | 133,924 | 138,212 | 139,197 | 139,660 | 462 | 0.3 | 5,736 | 4.3 |
| In Foreign currency | 39,376 | 38,676 | 38,998 | 39,042 | 44 | 0.1 | -334 | -0.8 |
| Banks' net foreign assets | 1,029 | -881 | 1,518 | 135 | -1,383 | -91.1 | -894 | -86.9 |

Source: National Bank of the Republic of Macedonia.

Table 9
Monetary aggregates
(in %)

| in % | end of period to the end of previous period | | | | | | | | | | | | | | | | | | | | | |
|----------|---|------|-------|------|-------|------|------|---------|----------|-----|---------|------|------|------|------|------|-------|-------|------|---------|--|--|
| | 2008 | | | | 2009 | | | | | | 2010 | | | | | 2009 | | | | 2010 | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | October | November | Q4 | January | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | January | | |
| M0 | -8.8 | 13.5 | -0.02 | 4.4 | -10.2 | 1.7 | 11.8 | 7.9 | -1.4 | 10 | 0.8 | 16.6 | 22.2 | 19.6 | 8.0 | 6.4 | -4.7 | 6.6 | 12.4 | 19.3 | | |
| M1 | -5.9 | 11.2 | 1.50 | 7.8 | -13.5 | 1.8 | 0.6 | 2.5 | -0.1 | 9.1 | -4.3 | 24.3 | 30.2 | 22.2 | 14.5 | 5.2 | -3.6 | -4.5 | -3.5 | 0.7 | | |
| M4 | 1.6 | 6.3 | 4.3 | -1.2 | -2.6 | 0.8 | 2.0 | 2.2 | 0.8 | 5.9 | 0.4 | 25.3 | 21.4 | 22.0 | 11.2 | 6.6 | 1.2 | -1.1 | 6 | 8 | | |
| M4-denar | -1.4 | 6.6 | 2.0 | -3.2 | -9.5 | -0.7 | -1.7 | 3 | 1.2 | 8.3 | -0.3 | 33.5 | 24.7 | 20.0 | 3.9 | -4.7 | -11.3 | -14.5 | -4.4 | -0.8 | | |

Source: National Bank of the Republic of Macedonia.

Table 10
Deposits of the private sector*
(in millions of denars)

in millions of denars)

| | | Balance as of 31.01.2010 | monthly changes | | annual changes | |
|-----------------------------------|-------------|-----------------------------|---------------------|------|---------------------|-------|
| | | | in Denar million | in % | in Denar million | in % |
| Total deposits | | 189,304 | 1,717 | 0.9 | 15,382 | 8.8 |
| In Denar | Households | 44,096 | 758 | 1.7 | 1,173 | 2.7 |
| | Enterprises | 34,187 | -339 | -1.0 | -4,127 | -10.8 |
| | Total | 87,556 | 483 | 0.6 | -931 | -1.1 |
| In Foreign currency | Households | 82,275 | 1,199 | 1.5 | 17,460 | 26.9 |
| | Enterprises | 18,101 | 63 | 0.4 | -1,358 | -7.0 |
| | Total | 101,748 | 1,234 | 1.2 | 16,313 | 19.1 |
| Total households deposits | | 126,371 | 1,957 | 1.6 | 18,633 | 17.3 |
| Total enterprises deposits | | 52,288 | -276 | -0.5 | -5,485 | -9.5 |

* the Denar deposits do not include the deposit money.

Source: National Bank of the Republic of Macedonia.

Table 11

Credits to the private sector
(in millions of denars)

| | | Balance as of 31.12.2009 | monthly changes | | annual changes | |
|---|-------------|-----------------------------|---------------------|------|---------------------|-------|
| | | | in Denar million | in % | in Denar million | in % |
| Total credit to the private sector | | 178,702 | 506 | 0.3 | 5,401 | 3.1 |
| In Denar | Households | 67,954 | -94 | -0.1 | 954 | 1.4 |
| | Enterprises | 71,573 | 548 | 0.8 | 4,873 | 7.3 |
| | Total | 139,660 | 462 | 0.3 | 5,735 | 4.3 |
| In Foreign currency | Households | 3,795 | -17 | -0.4 | -572 | -13.1 |
| | Enterprises | 35,190 | 54 | 0.2 | 207 | 0.6 |
| | Total | 39,042 | 44 | 0.1 | -334 | -0.8 |
| Total credit to the households | | 71,749 | -110 | -0.2 | 383 | 0.5 |
| Total credit to the enterprises | | 106,763 | 603 | 0.6 | 5,080 | 5.0 |

Source: National Bank of the Republic of Macedonia.

Table 12

Interest rates

| | January | monthly changes | annual changes |
|--|----------|----------------------|----------------|
| | in % | in percentage points | |
| Average weighted interest rate on the CB bills auctions (28 days) | 8.00 | -0.5 | 1.0 |
| Average weighted interest rate on the Money Market | 6.08 | -0.1 | 0.9 |
| Interest rate on three-month treasury bills | | / | / |
| | December | monthly changes | annual changes |
| | in % | in percentage points | |
| Banks' weighted lending interest rates | 10.3 | 0.1 | 0.5 |
| Banks' weighted deposit interest rates | 7.5 | 0.1 | 1.0 |

* Pertains to bilateral trading

Source: National Bank of the Republic of Macedonia.