

National Bank of the Republic of Macedonia
Research Department



Monthly Information
5/2010

June, 2010

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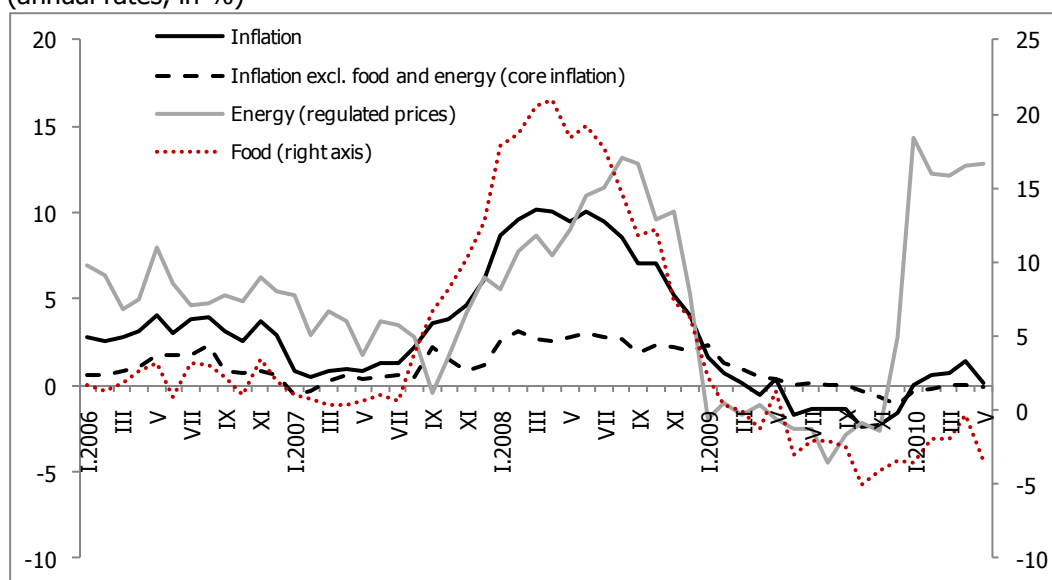
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1. PRICES

In May 2010, the **consumer prices** reduced by 0.6% on monthly basis, with more considerable growth in the prices of food being registered, more precisely with the fresh vegetables, which was the main generator of growth last month (because of the Easter holidays). Opposite to this, the prices of oil derivatives registered more considerable rise, but with slower dynamics. **On annual basis**, the consumer price index registered considerable slowing down in the growth rate from 1.4% in April to 0.2% in May 2010, which was due to the disappearance of the single effect of growth in the prices of food which was caused by the moving of the seasonal effect from Easter holidays (last year this effect was registered in May). The higher prices of housing (which was due to the rise in the prices of the electricity and central heating in the beginning of the year), as well as the rise in the prices of oil derivatives, in accordance with the low comparison basis in the previous year, were mostly neutralized by the fall in the food prices (fresh vegetables). The developments in the annual inflation rate determined moderate slowing down in the **average inflation rate**, which in the first five months of 2010 amounted to 0.6%.

The core inflation¹ (inflation without food and energy) registered no considerable changes and in May 2010 it amounted to 0% on annual basis (0.1% in April). Namely, the rise in the prices of footwear and of means of transport was almost solely compensated by the annual drop in the prices of traffic and PTT services.

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



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

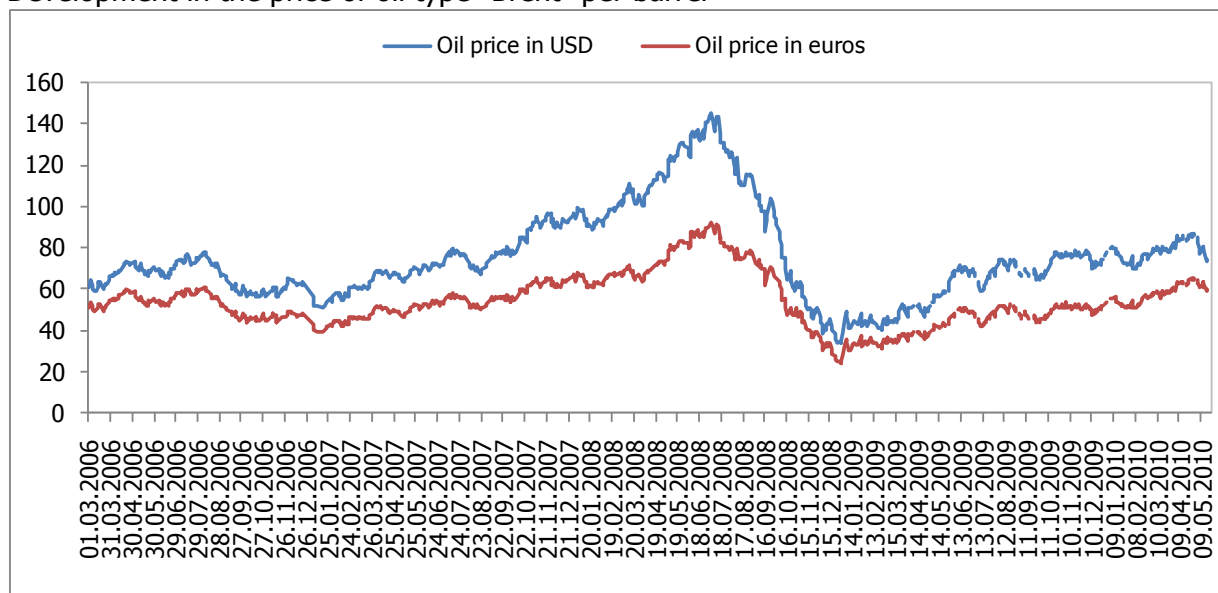
The development in the consumer costs was within the inflation projection. The realized annual inflation rate of 0.2% in May was almost identical with the projected rate

¹ The calculations are made by the new weights. SSO in January 2010 performed regular consolidation of the weights in the price index, so the weight of the food category was reduced by 2.0 percentage points.

(0%). In the second quarter an annual inflation of 1% was anticipated, and for the first six months the **average inflation rate** was anticipated to reach up to 0.7%.

The continuous fall in **the oil price**, which began in April 2010, maintained in May as well. In May, the average oil price was USA Dollar 76.3 per barrel and relative to the previous month it registered drop of 10.3%. Within this period, on May 25, 2010 the price of the crude oil type "Brent" registered the lowest level in 2010 of USA Dollar 67.6 CAD per barrel. The downward trend was supported by the depreciation of the Euro relative to the USA Dollar (worry about the indebtedness of the European countries), the anticipations for lower demand of oil related with the possible slowing down of the Chinese economy, the drop in the prices on the capital markets, as well as some indicators on the US economy (negative information on the labor market, assessments on higher reserves of crude oil, as well as data on unchanged consumption in April). The trends continued in the beginning of June as well, so on June 7, 2010 the Regulatory Energy Committee (REC) adopted a decision on increasing the domestic refinery and retail prices again, by 2.45% and 1.45%, on average, respectively. The latest developments on the international oil price showed upward trend and in the period from June 7 till June 17 the average price of the crude oil type "Brent" amounted to USA Dollar 74.3 per barrel and it went up by 3.7% relative to the last two week period. The rise resulted from the anticipations on decrease in the offer (which was due to the Gulf oil spill, the start of the hurricane season in the Mexican Gulf and the larger drop in the oil reserves than the expected one), the gradual recovery of the Euro, as well as the positive data on the US labor market. Simultaneously the Denar depreciation relative to the USA Dollar continued (by 1.5% compared to the previous two week period), and on June 21, the REC adopted a decision on increasing the domestic refinery and retail prices of the oil derivatives by 3.52% and 2.43%, on average, respectively.

Figure No. 2
Development in the price of oil type "Brent" per barrel



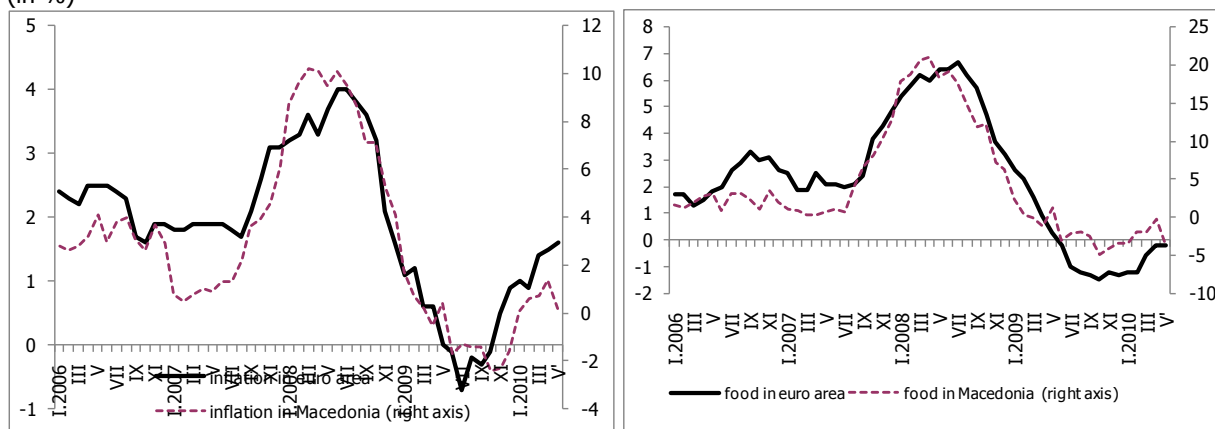
Source: The Energy Information Administration - statistical agency of the U.S. Department of Energy.

In May 2010, the **consumer prices in the Euro area** registered minimal monthly rise of 0.1%, which mainly resulted from the higher prices of transport fuels, vegetables and

tourist package holidays, while the prices of vegetables gave most negative contribution. In May, the growth in the annual inflation rate in the Euro area was still registering intensification, thus amounting to 1.6% (1.5% in April), in conditions of rise in the prices of transport fuels (due to the low price of the crude oil in the previous year), higher price of the fuel oil, as well as higher tobacco prices. The average inflation rate in the Euro area amounted to 1.3% in the first five months of 2010.

Figure No. 3

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



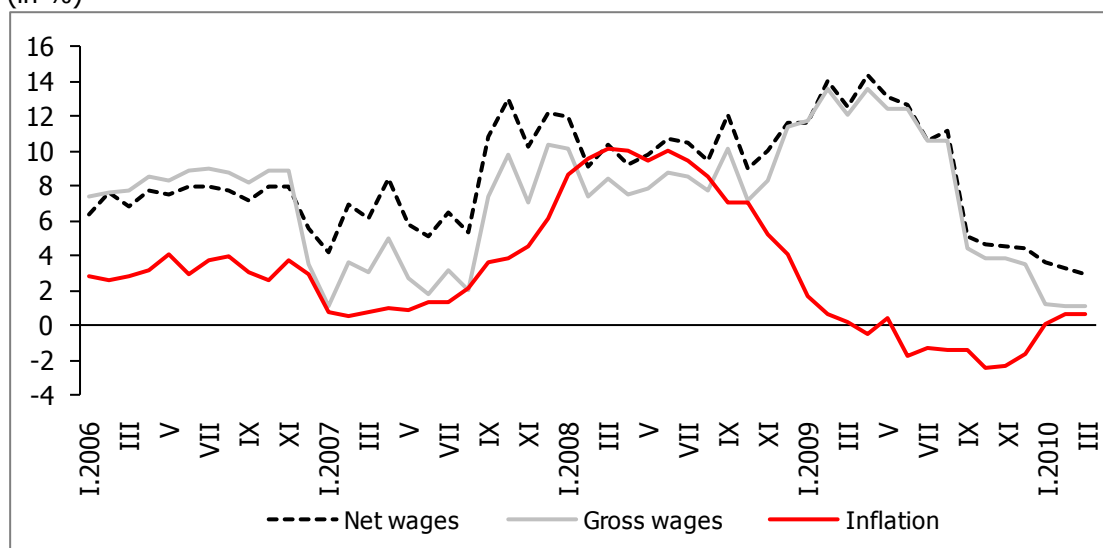
Source: Eurostat and SSO.

2. WAGES AND EMPLOYMENT

In March 2010, **the net and the gross wages registered increase relative to the previous month**, of 0.5% and 0.6%, on nominal basis, which represented an interruption of the downward trend in the wages which begun at the beginning of the year. With monthly inflation of 0.5% being registered, this still indicated real wage stagnation. Observed by individual sectors, in conditions of drop in the net wages by 2% in agriculture and service sector, each, the rise in the average net wage was solely due to the increment in the industry wages (of 1.7%). At the level of branches, the wages in the manufacturing industry and education registered the largest growth² (of 6.1% and 6.4%, respectively), whereas the wages in the postal activities and telecommunications registered drop, as well as the other business activities (of 18.4% and 11.5%, respectively).

² The rise in the wages in the education in March relative to February 2010 was due to the changes in the Collective Labor Agreement for the elementary and secondary education in the Republic of Macedonia, which pertained to the coefficient of job complexity and resulted in higher minimal wage in the education.

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

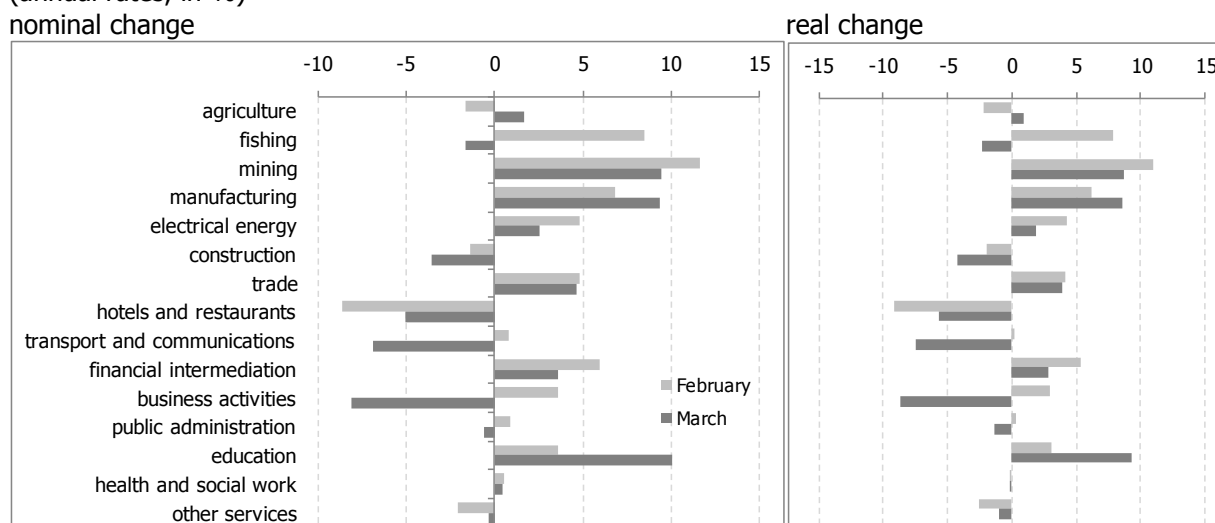


* For 2009, the corrected growth rates are shown.

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

Compared with the same period of the previous year, the trend of slowing down in the rise of the net and gross wages continued in March as well, when the nominal growth reduced to 3% and 1.1%, which with annual inflation of 0.7% being registered, represented real annual growth in the net and gross wages of 2.3% and 0.4%, respectively. The branch analysis showed that the higher nominal growth was registered with the net wages in the education (10.1%), mining (9.4%) and food industry (9.4%). Opposite to this, the wages with other services activities registered higher annual drop (8.1%), together with the wages in the communications (6.9%) and in the hotels and restaurant (5%). **Relative to December 2009,** in March 2010 the average net and gross wage were nominally lower by 0.7% and 2.2%, respectively. **Cumulatively,** in the first quarter, the net and the gross wage were nominally higher by 3.3% and 1.1%, respectively, and really by 2.8% and 0.6%, respectively.

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



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

3. ECONOMIC ACTIVITY

In April 2010, the volume of industrial output was by 3.1% higher relative to the previous month, but still by only 0.6% according to the seasonally adjusted data. Total thirteen out of twenty four activities (48.6% of the index) registered output growth, with the largest positive contribution being registered in the output of non-metal minerals (contribution of 2.8 p.p.), the output of oil derivatives (contribution of 1.6 p.p., which was due to the low comparison basis in the previous month³), the recycling (contribution of 1.5 p.p.) and the food industry (contribution of 0.8 p.p.). Simultaneously, the seasonally lower output of electricity gave the largest negative contribution⁴ (of 1 p.p.), whereas after the last month positive contribution of the output of basic metals (of 2.5 p.p.), this branch contributed negatively with 0.7 p.p. in April.

Compared with the same month of the previous year, in April 2010 the industrial output registered large fall again, of 9.6%, which was mostly due to the drop in the printing (contribution of -4.8 p.p., as a consequence from the high volume in the previous year due to the elections), the output of tobacco products (-2.7 p.p.), the output of non-metal minerals (-2.5 p.p.), as well as with the output of oil derivatives⁵ (contribution of -2.1 p.p.). In the same time, in April the positive annual contribution of the output of electricity and of wearing apparel intensified (contribution of 3.1 p.p. and 1.3 p.p., respectively). Overall, fourteen activities (out of totally twenty four), which created 56.2% of the index, registered fall in the output in April. **In the first four months of 2010, relative to the same period in the previous year**, the industrial output registered drop of 9.4%, which was at the level of the cumulative fall registered in the first quarter of the year.

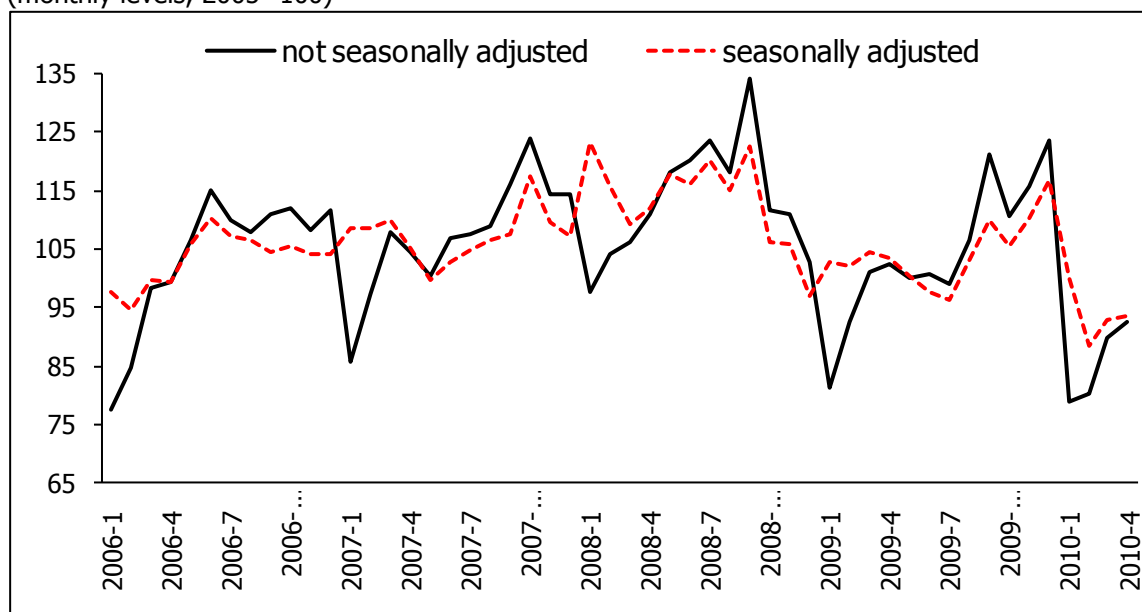
³ Lower output as a result of the regular overhaul.

⁴ Lower output of electricity after the end of the heating season.

⁵ The regular overhaul which started in March, ended in the second half of April 2010.

The performances in the industrial output were in accordance with the assessments of the managers in the manufacturing industry⁶, according to which the business conditions and the volume of output in April were more positive relative to the previous months. The percentage of facility utilization registered small improvement in April (56.1%), which was the highest level in the last eight months. Simultaneously, in April the optimism with the managers of the business entities in the manufacturing sector registered considerable rise, with respect to the volume of the future output in the following three-months period. Moderate strengthening of the optimism was registered with respect to the domestic demand as well, although still large share (17.7%) of the total number of weighted answers for all factors indicated the insufficient domestic demand as one of the major restricting factors of output (19.3% in March). On the other hand, 26.5% of the total number of weighted answers for all factors indicated the insufficient foreign demand as the restrictive factor for the domestic manufacturing sector (26.3% in March).

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



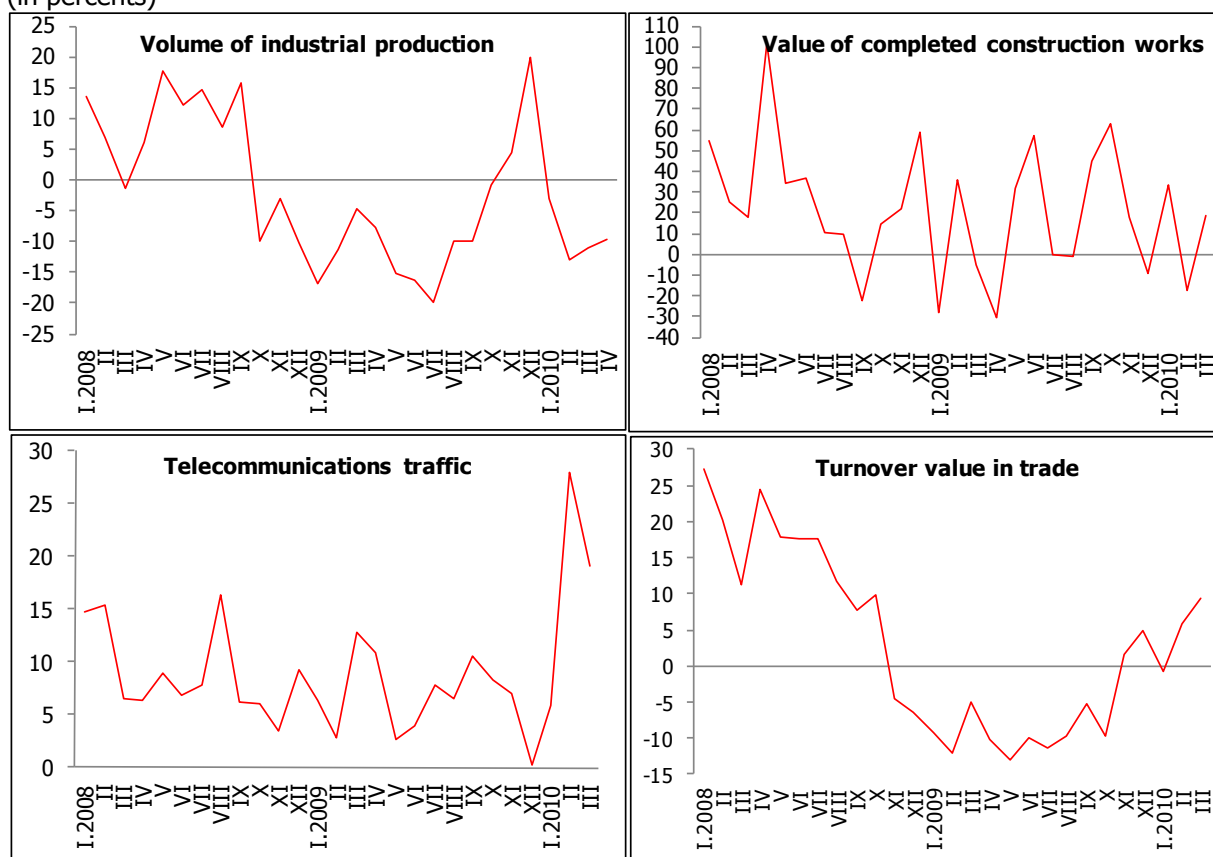
Source: State Statistical Office of the Republic of Macedonia and NBRM.

The other economy sectors registered recovery in March 2010. In March, the **total trade turnover** registered monthly rise of 16.1% (3.1% according to the seasonally adjusted data). Therefore, in the last eight months (excluding January) positive rates of monthly changes were registered (according to the seasonally adjusted data). The improved condition was registered from the annual rates as well, according to which the total trade turnover registered growth of 9.4% in March (5% in the first quarter). The termination of the fall in the retail trade turnover in March was significant, and the cumulative fall reduced to 0.2% in the first quarter. The **telecommunications** in March registered monthly growth of 5.6% according to the seasonally unadjusted data (fall of 5.5% to the seasonally adjusted

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

data, as a reflection of the high comparison basis). The telecommunications in March registered high annual growth of 19.1% (17.3% in the first quarter). The monthly rise in the **construction** in March of 43.2% (8.6% to the seasonally adjusted data) indicated improvement in the conditions, which was evident by the annual growth rate in March as well, which equaled 18.8% (11.6% in the first quarter).

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



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

After the high growth in March, in April the value of the issued construction licenses registered fall of 9.3%, on annual basis. In conditions of growth in the value of the issued construction licenses in the sphere of the civil engineering (of 2.6 times) and reconstruction (of 46.3%), the fall was solely due to the lower value of the issued licenses for building construction (of 15.7%), as the largest category. However, the approved amount with this category in April was largest since the beginning of the year and it registered growth on monthly basis, and the annual fall was mostly due to the high comparison basis (in April 2009, the approved amount was the second highest monthly amount for the respective year).

The data available for the indicative categories gave no signals for more considerable revival in the personal consumption in the first quarter of 2010. Namely, the retail trade in the first three months registered real annual fall of 0.6% (same as in the previous quarter), and the domestic output of consumer goods registered real fall of

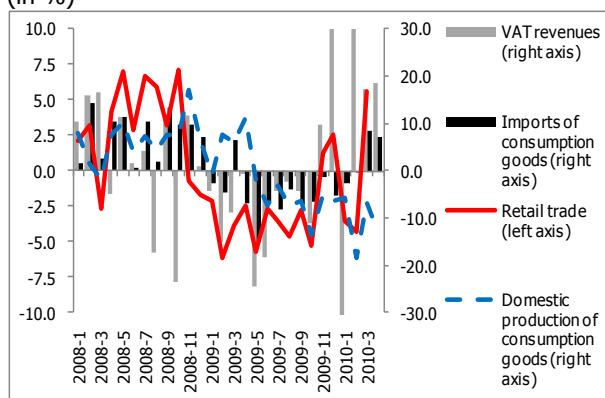
10.4% (fall of 8.3% in the previous quarter). Only the import of joint consumption goods registered improvement, which had real growth of 2.4%, for the first time in the last five quarters. Simultaneously, the VAT income registered minimal real growth of 0.1% in the first quarter. **In the first quarter, further worsening in the investment activity was anticipated** based on the intensification in the real fall with the domestic output and the import of the investment goods, of 34.1% and 35.5%, respectively (for comparison, in the previous quarter, the fall rates amounted to 6.8% and 20%, respectively), and as a result of the slower real rise in the performed construction activities as well (7.1%). Only the government capital investments had real annual rise (24%), which can contribute to eventual faster recovery of investments. **The assessment for public consumption in the first quarter was that it moderately contributed to the economic growth. Positive contribution of the net export to the GDP growth can be expected in the first quarter as well,** considering the rise in the export in the first quarter (nominally of 20.4%) and the fall in the import (nominally of 8.2%).

The available data on the indicative categories did not indicate to larger deviations with the economic activity in the first quarter, i.e. they indicated that the developments are relatively close to the April projection for the first quarter, according to which small GDP growth⁷ was anticipated in the first quarter of 0.4%, developed by the positive contribution of the net export, with still weak domestic demand being registered. More considerable revival of the economy was anticipated in the second quarter, which resulted mainly from the anticipations for strengthening of the domestic demand.

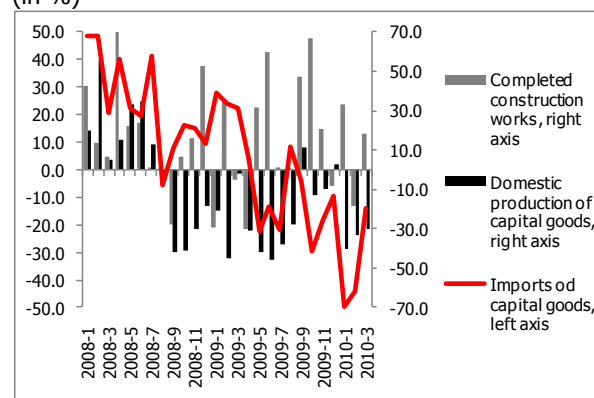
Figure No. 8

Developments of the indicative categories for the expenditure components of GDP

Personal consumption, annual real changes
(in %)



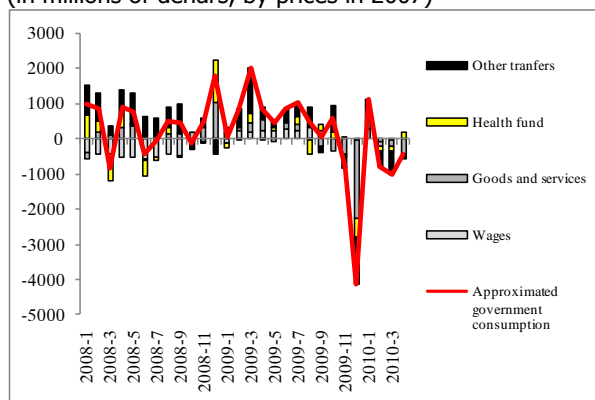
Gross investments, annual real changes
(in %)



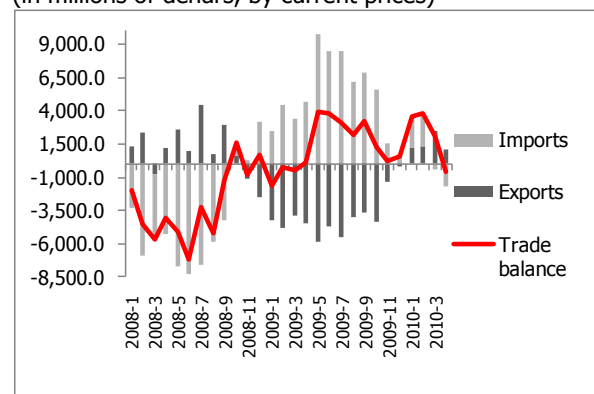
⁷ According to the final data from SSO, the gross domestic product in 2008 realized real rise of 5%, which represented small upward revision relative to the previously issued preliminary data for 2008 (4.8%). Upward revisions were made to the growth rates of the public consumption and the import of goods and services (increase in the growth from 8.8% to 10.6% and from 0% to 0.8%, respectively), downward revisions in the growth rates with the personal consumption and the gross investments (drop from 8% to 7.4% and from 7.3% to 5.4%, respectively), as well as drop in the fall rate of the export of goods and services (from 7.6% to 6.3%).

Developments of the indicative categories for the expenditure components of GDP

Budget expenditures, annual real changes
(in millions of denars, by prices in 2007)



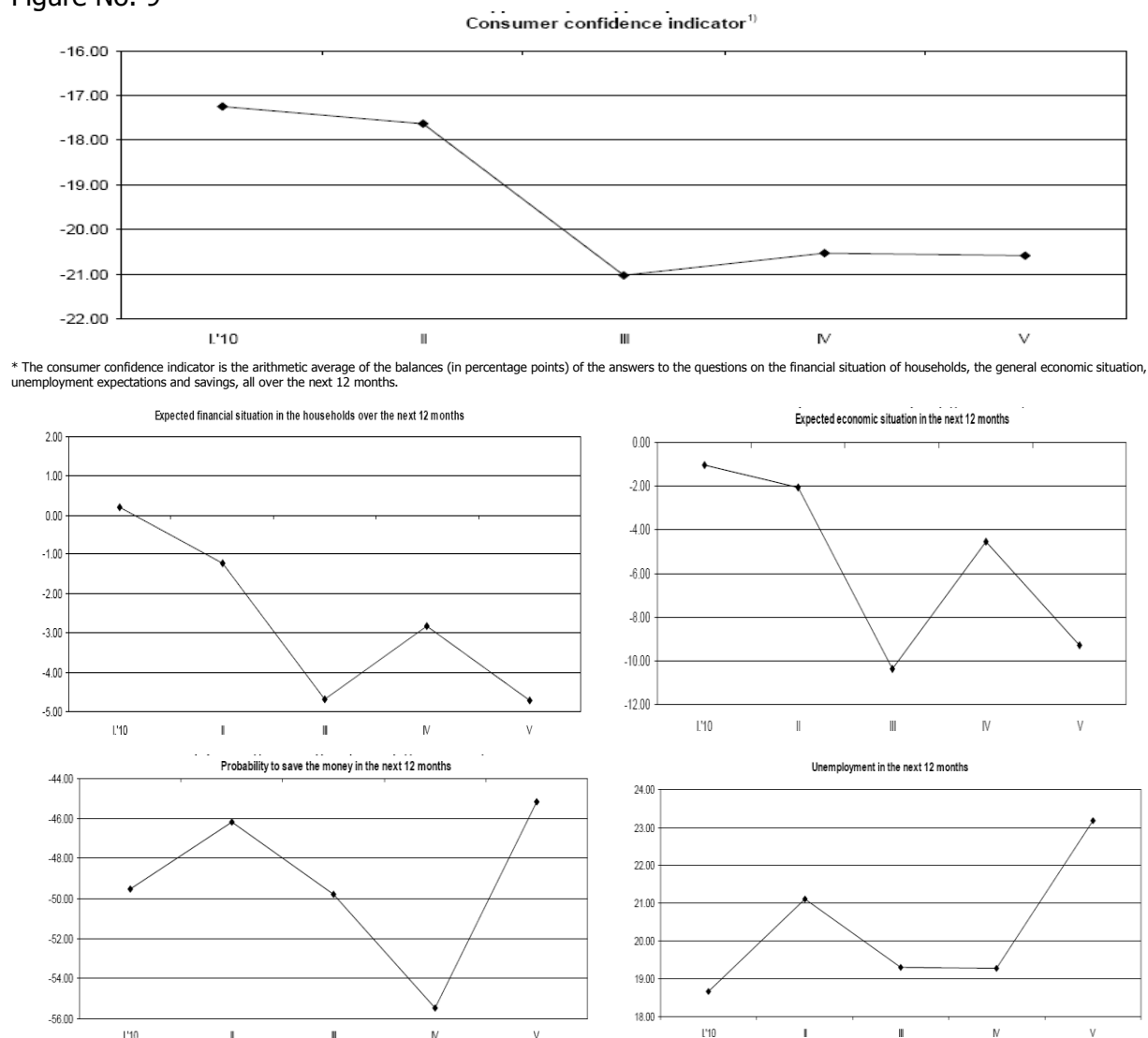
Net export, annual nominal changes
(in millions of denars, by current prices)



Source: State Statistical Office, Ministry of Finance and NBRM calculations.

In May 2010, the SSO started disclosing data from the **Consumers Opinion Survey**, the goal of which is to monitor the behavior of the consumers and their expectations on the economy development, the opinions for the unemployment and for the market development, in order to perceive the consumers' tendencies on short term. The survey encompasses the households on the entire territory of the Republic of Macedonia, through stratified random sample and it is conducted from 1th till 15th each month. The assessments are in form of balances. Only graphical data for the first five months of 2010 have been published so far. They showed worsening with the trust indicator at the end of the first quarter of 2010 and its stabilization in the last two months. This indicator is calculated as an arithmetical mean of the balances of questions on the financial standing of households, the general economic condition in the country, the expectations on the unemployment and saving for the following twelve months. In May 2010, the consumers had more optimistic expectations for the saving, but simultaneously more negative assessments for their financial standing, the economic condition in the country and the unemployment in the following twelve months, relative to their expectations for the previous month.

Figure No. 9

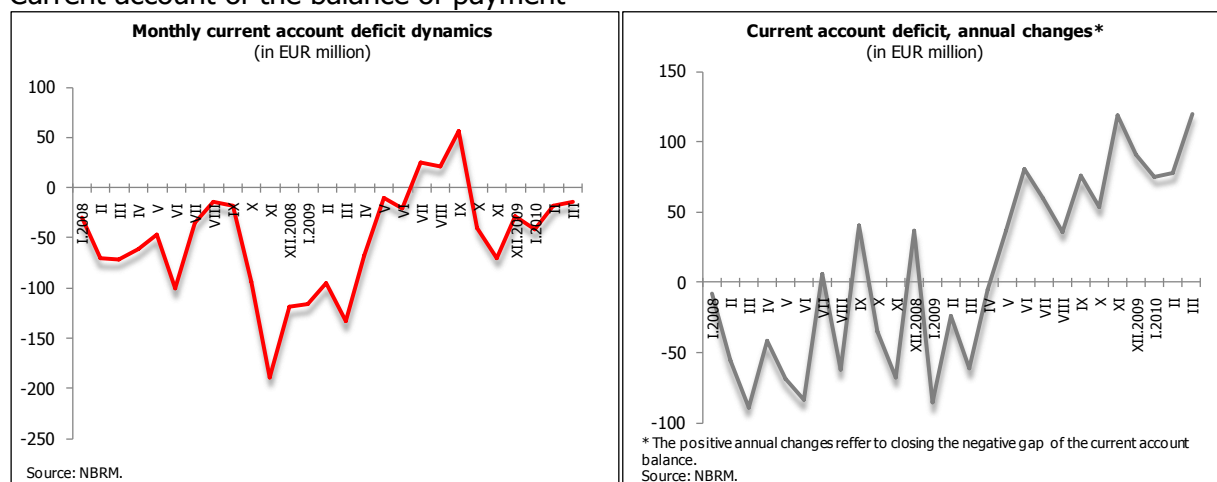


Source: www.stat.gov.mk, State Statistical Office.

4. BALANCE OF PAYMENT

In March 2010, the deficit on the current account amounted to Euro 13.9 million and it registered monthly drop of 23.6%, which mainly resulted from the higher net inflows from current transfers. On annual basis, the deficit on the current account reduced by 89.6% or by 1.8 p.p. of GDP. The annual improvement of the negative balance on the current account resulted mostly from the higher net inflows based on current transfers (by 1.1 p.p. of GDP) and less by the narrowing in the trade deficit (by 0.6 p.p. of GDP).

Figure No. 10
Current account of the balance of payment



In March 2010, the balance of the capital and financial account (without the official reserves) equaled to zero, in conditions of registered net inflows with the foreign direct and portfolio investments and realized net outflows with the other more important financing categories. The total amount of net outflows based on foreign indebtedness, trade credits and currencies and deposits amounted to Euro 41.6 million. With respect to the annual dynamics, the neutral position of the capital and financial account indicated its worsening, considering the fact that in March 2009 it registered net inflows in the amount of Euro 5.6 million. This came as a result of the realized net outflows with the trade credits and loans, which was opposite to the realized net inflows with these categories in March 2009.

The cumulative deficit on the current account in the first quarter of 2010 amounted to Euro 74 million or 1.1% of GDP, which relative to the same period of 2009 represented considerable drop by 4.1 p.p. of GDP. The high positive change on the current account was mostly due to the base effect, i.e. to the high comparison basis in the previous year, when the tendencies in the foreign trade were still in favor of the import, when already lower export was registered, and when the dynamics of the private transfers was considerably negative. Consequently, the contribution of the trade to the annual narrowing in the deficit on the current account was positive and it amounted to 2.4 p.p. of GDP, while the net inflows based on private transfers contributed positively with 1.8 p.p. of GDP. The positive developments with the private transfers continued in the following period as well. The last available data on the currency exchange market for May 2010 indicated realized net purchase of foreign currencies in the amount of Euro 76.3 million (opposite to the net purchase of Euro 58.3 million in the same month of the previous year). The realized net purchase from foreign exchange operation in April and May 2010 amounted to 84.7% of the projected amount for the second quarter according to the projection in April, which indicated the possibility for exceeding the projected amount of private transfers.

In the first quarter of 2010, the net inflows to the capital and financial account amounted to Euro 56.1 million, or 0.8% of GDP and they covered large share of the deficit on the current account. The largest share of the net inflows realized

on the basis of foreign direct investments (mainly, reinvested gain and equity) and based on currencies and deposits (withdrawal of foreign currency assets of the foreign commercial banks). Net outflows were realized within the indebtedness, which was mainly due to the higher net payments of the long term loans by the private sector. **However, compared to the first quarter of 2009, the capital inflows were lower by 24.7%**, so the negative annual trend which started in the beginning of the crisis, continued (excluding the third quarter of 2009 when the Eurobond was issued). This emphasized the still present level of restraining of the foreign economic entities from investing in other countries, as well as the higher need of international liquidity.

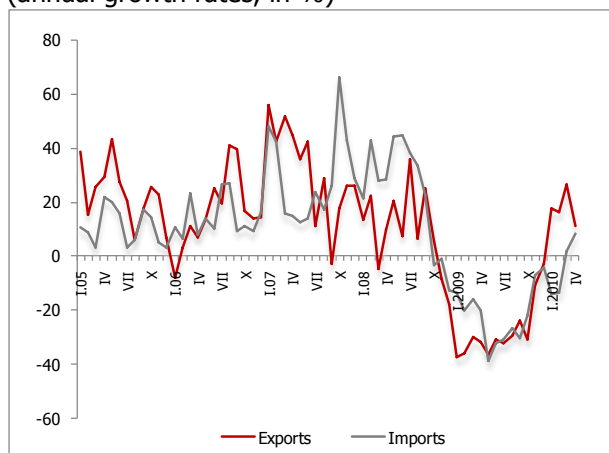
The realized deficit on the current account in the first quarter of 2010 was lower than the projected one in accordance with the projection of the balance of payments in April 2010 (realization percentage of 78.8%). Lower deviations in positive direction were realized with all components on the current account, i.e. higher net inflows were realized with the current transfers and services, relative to the anticipated one, whereas the income and the trade deficit realized lower net outflows than the planned.

On the other hand, **the performances with the capital and financial account were below the anticipations in the April projection.** Largest negative deviations were registered with the long-term credits, i.e. approximately 50% lower withdrawal of assets from abroad than the anticipated was registered, as well as higher payments than the planned ones, which mainly pertained to the private sector. The realizations of the currencies and deposits acted towards the same direction, i.e. lower net inflows were realized than the projected ones, as a result to the withdrawal of the foreign currency assets of households from the banking system. On the other hand, the positive deviations were registered with the foreign direct investments (higher net inflows than the planned), with the portfolio investments (lower net outflows than the anticipated one), with the trade credits (lower net outflows than the expected) and with other investments, where net inflows were registered.

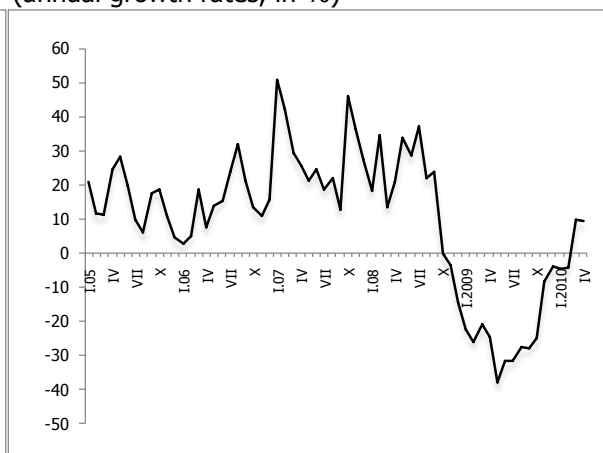
In accordance with the latest data from the foreign trade in April 2010 the total trade of goods registered insignificant drop on monthly basis and rise of 9.4% on annual basis. The positive annual change was due to the intensive rise in the export and the moderate growth in the import. The export-import coverage ratio amounted to 51.2%, which represented annual improvement by 1.1 percentage point.

Figure No. 12

Export and import of goods
(annual growth rates, in %)



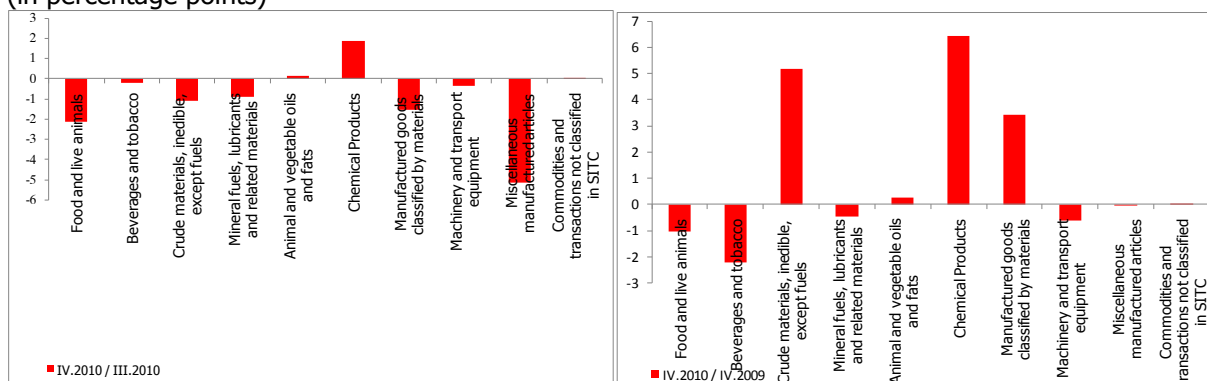
Total value of trade of goods
(annual growth rates, in %)



After the realized relatively high export in March, in April 2010 the export of goods amounted to Euro 172.6 million (monthly drop of 9.3%), which was still higher than the average for 2009. The lower export relative to March was due to the drop in the export of wearing apparel, meat and meat products, and iron and steel. On the other hand, the export of chemical materials and products and the export of fruits and vegetables registered more considerable growth. **The annual rise in the export in April reduced to 11%** (opposite to 15.9% and 26.6% in February and March). The export of chemical materials and products, of metal ores and metal waste and of iron and steel gave the largest positive contribution to the annual growth. The higher export of chemical materials and products represented a combined effect of the higher prices and quantities, the higher export prices had the main role in the realization of higher export of iron and steel, whereas the rise in the export of metal ore and metal waste resulted mostly from the higher exported quantities.

Figure No. 13

Contribution of individual categories to the monthly and annual change in the export of goods
(in percentage points)

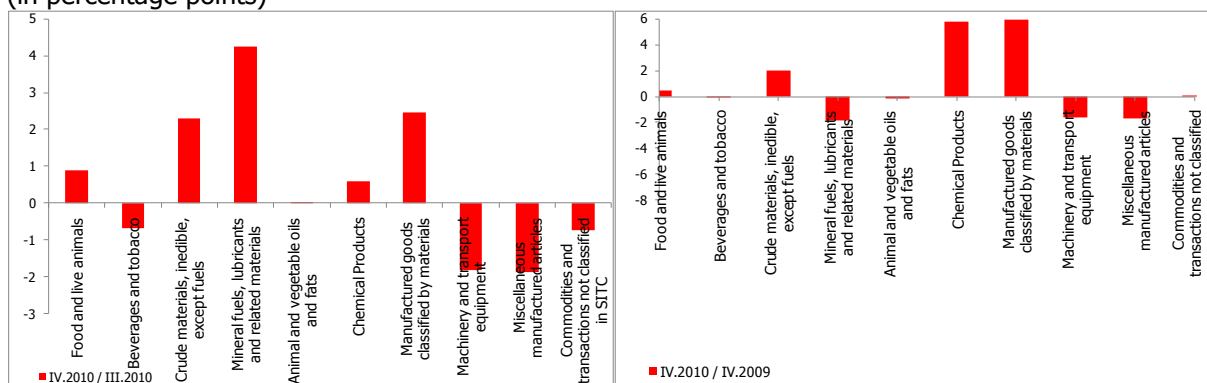


In April, the import of goods amounted to Euro 336.8 million and already third month in a row it registers monthly rise (in April by 5.4%). Most of the growth resulted from the higher import of oil and oil products, colored metals and of metal ore and

metal waste. **On annual basis, the import registered considerable upward development, i.e. it increases second month in a row (opposite to the fall in January and February).** Thus, after the annual growth in March of 1.8%, in April the import went up by 8.7%, on annual basis, which was mostly due to the higher import of inorganic chemical products. The rise of the value of import with this category represented an effect from the higher import prices, more than from the rise in the volume of import of these goods. On the other hand, the import of plant machinery and devices and of oil and oil derivatives registered more considerable annual drop as a result to the lower domestic demand for these products.

Figure No. 14

Contribution of individual categories to the monthly and annual change in the import of goods (in percentage points)



In conditions of monthly fall in the export and rise in the import, the trade deficit in April registered the highest monthly rise since the beginning of the year (by Euro 35 million). Such broadening in the negative trade balance resulted mainly from the higher deficit in the trade of oil and oil products and of colored metals, but also from the lower surplus in the trade of metal ore and metal waste. **On annual basis, for the first time after twelve months the trade deficit registered broadening.** Thus, in April, the deficit in the trade of goods was higher by Euro 9.7 million on annual basis, which was mostly due to the higher deficit in the trade of inorganic chemical products, road vehicles and colored metals. The worsening in the balance with the road vehicles was an effect from the drop in the import costs for used vehicles.⁸ In April, the import of road vehicles registered annual increase of 63%, and in March (when the law amendments were adopted) of 15.6%, opposite to the rise of 2.1% and 1.3% in January and February, respectively and the continuous annual fall in the period December 2008 - December 2009.

In coordination with the performances in the import and export in the first four months of 2010, the cumulative deficit in the trade of goods reached up to Euro 490.4 million, which represented narrowing by Euro 145 million or by 22.8% on annual basis. This can be explained by the rise in the export of goods of 17.8% in conditions of drop in the import of goods by 3.8% on annual basis. Analyzed with respect to the balances, the narrowing in the trade deficit represented a combined effect from the lower

⁸ With the amendments to the Excise Law dated March 11, 2010 the excise rates of motor vehicles dropped and they changed progressively in accordance with their value. Simultaneously, the amendments to the Law on customs tariff dated March 12, 2010 decreased the customs duties when importing used motor vehicles from the current 10% to 5%, i.e. the customs duties for new and old vehicles equaled.

deficits in the trade of machines and transport equipment and of energy and the broader surpluses in the trade of metal ore and metal waste and of iron and steel.

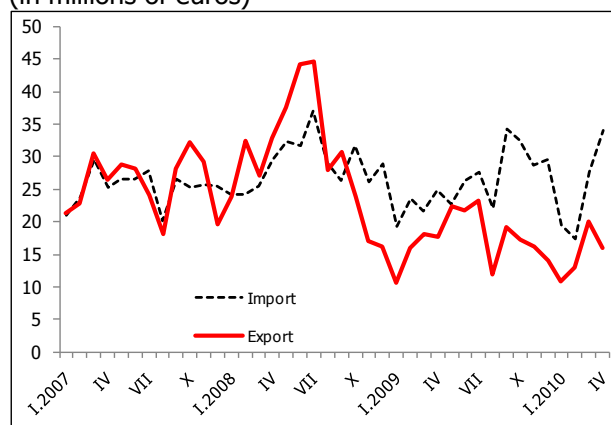
The trade deficit in April 2010 indicated that the performances are in line with the projection so far. Namely, the export and the import were within the projection with performance of 31.9% and 33.6%, respectively. In the structure of the export, the export of oil and oil derivatives failed to realize the projections, whereas within the import, the import of iron and steel and of vehicles reregistered higher performances, while the import of oil and oil derivatives had lower realization than the projected one.

The analysis of the trade in the Republic of Macedonia according to the trade partners, for the first four months of 2010 indicated to considerably improved trade with the European Union (EU). The deficit in the trade of goods with EU narrowed by Euro 73.2 million on annual basis, i.e. out of total twenty seven EU members, the Republic of Macedonia had surplus with eight member-states, i.e. improvement in the balances in the trade had with total twenty one EU member-countries. In conditions of more considerable rise in the export, the position of net exporter with Bulgaria, Germany and Spain was recovered, and there was broadening in the positive balance with Belgium. On the other hand, considerably higher deficit was registered with Great Britain.

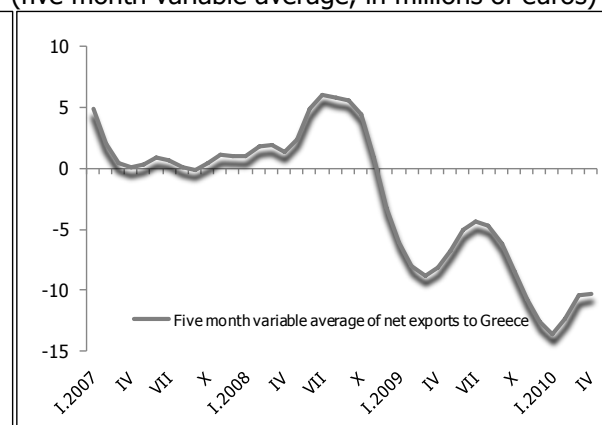
The cumulative deficit in the trade with Greece in the first four months of 2010 reached up to Euro 35 million, which represented broadening by Euro 8 on annual basis. After the good performances of the export in March, in April it registered fall of 13.3% on annual basis, i.e. it was under the average level of 2009. On the other hand, the import of goods from Greece already second month in a row registers annual rise (in March and April of 27.4% and 20.5%, respectively) and it maintained over the average level of 2009. The data as of April indicated the possibility for unfavorable effect of the risks from the Greek crises⁹ on the Macedonian export.

Figure No. 15

Trade of goods with Greece
(in millions of euros)



Net export to Greece
(five month variable average, in millions of euros)



Opposite to the positive dynamics of the metal prices in the last few months in May 2010 they registered monthly fall. The fall in the metal price can be related with the

⁹ According to Consensus Forecast, the GDP rise for 2010 in Greece was continuously downwards revised: from -2.6% in April to -3.6% in May and to -3.9% in June; and the rise for 2011 from -0.5% in April to -1.6% in May and -2.3% in June.

strengthening of the Dollar value (which negatively influenced the demand), the expectations of China for it to range within controlled values and the uncertainty from the potential broadening of the Greek debt crisis. Namely, the prices of copper, steel and the nickel on the international exchanges registered monthly fall of 11.7%, 16.7% and 15.3%, respectively in May.

5. MONETARY AGGREGATES

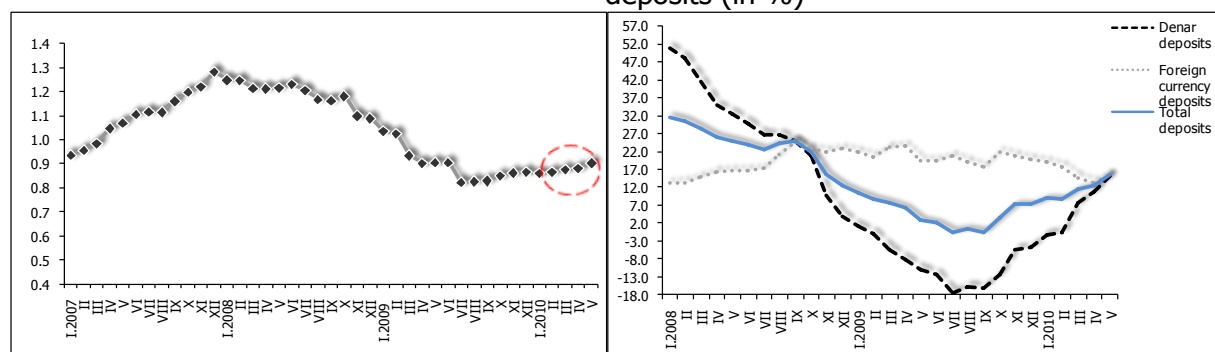
In April 2010, the reserve money¹⁰ registered an annual growth of 28.4% (23.2% in April), given the simultaneous increase in both components. Thus the banks' total liquid assets in May incremented annually by 47.1% (41.3% in April), while the annual growth in the currency in circulation¹¹ equaled 8.4% (3.1% in April). The annual increase in the reserve money is higher in May than 17.2% as projected for the end of June, mainly as a result of the increased bank deposits and consequently, higher allocated reserve requirement on the bank accounts with NBRM. On a monthly basis, the reserve money incremented by 1%, which is completely due to the higher demand for cash (by 3.6%), given the simultaneous decrease in the banks' total liquid assets of 0.7%. From the aspect of the NBRM balance sheet, the main factor influencing towards increase in the reserve money in May is the net foreign currency assets of NBRM, which surged by Denar 2,244 million (in comparison with the increase of Denar 2,320 million on a monthly basis). The net foreign currency assets augmented when the NBRM realized net purchase of foreign exchange on the foreign exchange market (of Euro 17.3 million, or about Denar 1,063 million). The Government's net position with the NBRM also contributed to the reserve money growth, appropriate to the monthly decrease in the Government's Denar deposits with the NBRM of Denar 839 million. In May, the monetary instruments acted towards decline in the reserve money (of Denar 1.583 million), with the change with "other items, net" category being in the same direction.

The comparison with the end of the preceding year shows decrease in the reserve money, in circumstances when the effect of the Government's net position with NBRM and the NBRM net foreign currency assets towards reserve money growth was fully neutralized through the NBRM monetary instruments, as well as through "other items, net" category.

¹⁰ It includes currency in circulation (including also the cash in the banks' vault), the reserve requirement in Denars and in foreign exchange and the excess of liquid assets over the reserve requirement (in denars). If reserve requirement is excluded, in May 2010 the reserve money increased by 36.5%, annually.

¹¹ It also includes cash in the banks.

Figure 16
Denar - foreign currency correlation



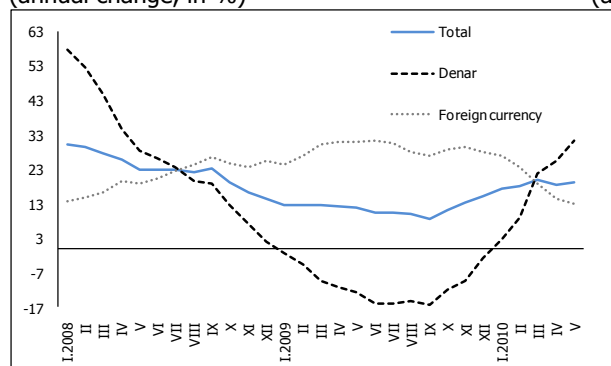
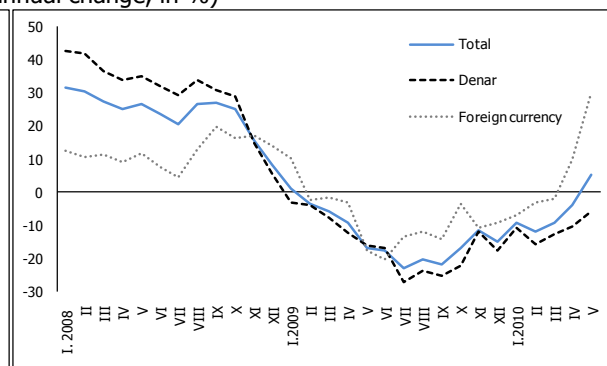
Source: National Bank of the Republic of Macedonia

In May, the increase in the **banks' total deposit potential (with demand deposits being included)**¹² continued to intensify and equal Denar 4,199 million, or 2.1% on a monthly basis, compared to Denar 3,849 million, or 2% in April. The monthly rise in the total deposits in May is due to the increase in the Denar deposits of 3.5% (share in the increase in the total deposits of 77%), given the simultaneous rise in the foreign currency deposits of 0.9%. The analysis of the sector structure shows slight deceleration in the monthly growth in the households' deposits¹³ (with included demand deposits), which equaled Denar 1,184 million, or 0.9% in May, compared to 1.1% in the preceding month. The new households' saving in May was fully allocated in form of Denar deposits (monthly rise of 2.6%), while the foreign currency deposits registered identical decline as in the previous month of 0.1%. The monthly increase in the deposits of the corporate sector, which began in April, continued also in May, thus registering more intensive monthly growth of 5.5% (relative to 5.1% in the previous month). The monthly increase in the total deposits is mostly due to the increase in the Denar deposits of 5.6% (share in the increase in the total enterprises' deposits of 64%), given the simultaneous rise in the foreign currency deposits of 5.3%. Also, the increase in the deposits of the corporate sector is fully due to the deposits of the enterprises from the private sector.

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

¹³ It pertains to the natural persons and self employed professionals.

Figure 17

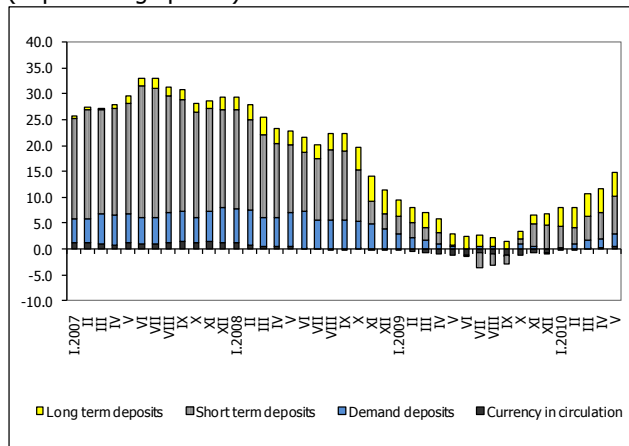
Households' deposits
(annual change, in %)Enterprises' deposits
(annual change, in %)

Source: National Bank of the Republic of Macedonia

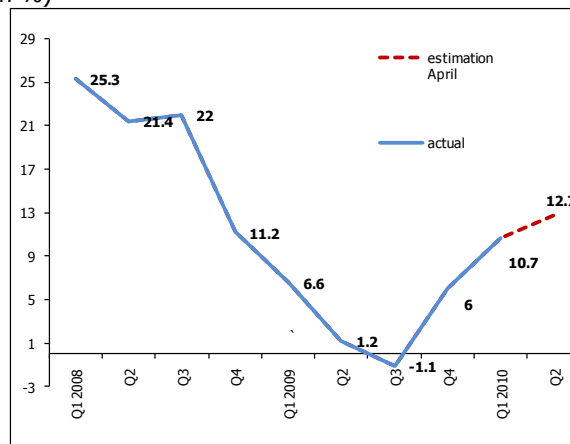
In May 2010, **the annual growth rate of the total deposits with banks** continued to accelerate, reaching the level of 15.7%, compared to 12.3% in the previous month. The April projection pertaining to the annual growth rate of the total deposits, envisaging an increase of 13.4% at the end of the second quarter, was exceeded. The Denar deposits went up annually by 15.6% (10.9% in April), while the growth rate of the foreign currency deposits equaled 15.9% (13.6% in the previous month). Observed from the aspect of the sector structure, the enterprises' deposits (private and public)¹⁴ registered positive annual growth rate of 5.2% for the first time in May, compared to the negative annual growth rates registered in February 2009. This increase is completely due to the intensive annual growth in the enterprises' foreign currency deposits of 30.3% (compared to 9.7% in April), given the slower decrease in the Denar deposits of 5.8% (drop of 10.7% in the previous month). The annual growth rate of the households' deposits augmented by 19.3% (compared to 18.5% in April), given the increase in both the Denar and the foreign currency deposits of 31.3% and 13%, respectively (compared to 25.4% and 14.7%, respectively in the previous month).

¹⁴ The deposits of the private sector enterprise increased by 9.7%, annually.

Figure 18
Money supply M4
Contribution to the annual growth
(in percentage points)



Annual growth rates
(in %)



Source: National Bank of the Republic of Macedonia

The annual growth rate **of the broadest money supply M4¹⁵** in May 2010 equaled 15%, compared to 11.7% in April. In conditions of continuous increase in the banks' deposit base, in May, the April projection pertaining to the annual growth in the broadest money supply at the end of the second quarter of 12.7% was exceeded. In comparison with the end of 2009, in May 2010 the broadest money supply went up by 5.9%.

6. BANKS' CREDITS

The movements evidenced on the credit market in May 2010 indicated further credit growth, although with slower dynamics compared to the preceding month. Namely, **the total bank credits with the private sector** augmented by Denar 1,006 million, or by 0.6% on a monthly basis, compared to the increase of 1.1% (or Denar 1,940 million) in April. The foreign currency credits were the main driving force of the increase, which went higher by Denar 880 million, or 2.1% (1.7% in the preceding month) and contributed with 87.6% to the monthly increase in the total credits. The Denar credits registered monthly increase of 0.1%.

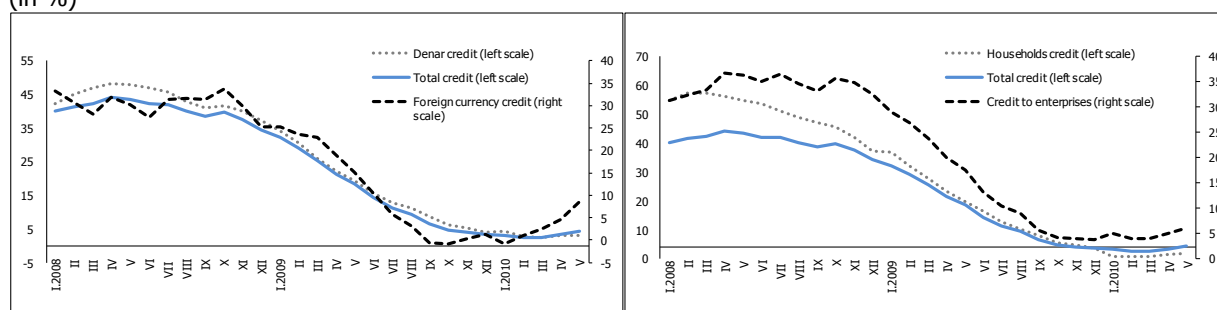
Compared to the previous month, most of the crediting in May (71.3%, or 717 million) was directed towards the sector "households" which registered monthly growth of 1% (0.7% in April). However, the analysis of the individual types of households' credits points to unfavorable structure compared to the previous month. Namely, the households' credit products with higher risk, such as the overdrafts on the current accounts and consumer credits, are the main driving force of the credit growth in the households' sector with their share being equal to approximately 60%. Observed on cumulative basis, in the January - May 2010 period, total of Denar 1,310 million were placed with the households, and since March these credits have been registering a continuous monthly growth, which gradually accelerates.

¹⁵ The analysis refers to the money supply M4 with the accrued interest on deposit liabilities being included.

The credit flows towards the corporate sector in May were moderate and the total corporate credits incremented by 0.3%. In conditions of a monthly decrease in the Denar corporate credits by 0.7%, the new credits extended to the enterprises in May were completely denominated in foreign exchange, with the monthly growth rate being equal to 2.1%. Within December 2009 - May 2010 period, approximately Denar 4,143 million, cumulatively, were placed with the corporate sector.

Figure 19

Annual growth rates of the credits to the private sector according to the currency and sector structure
(in %)

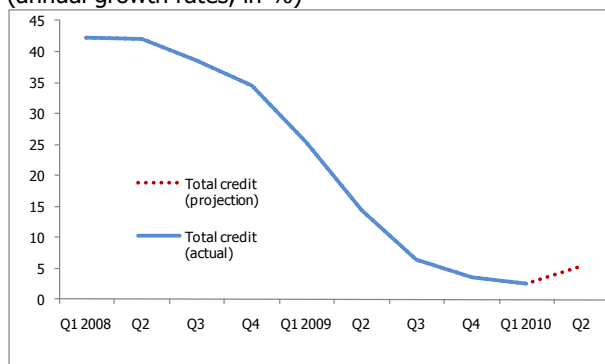


Source: National Bank of the Republic of Macedonia

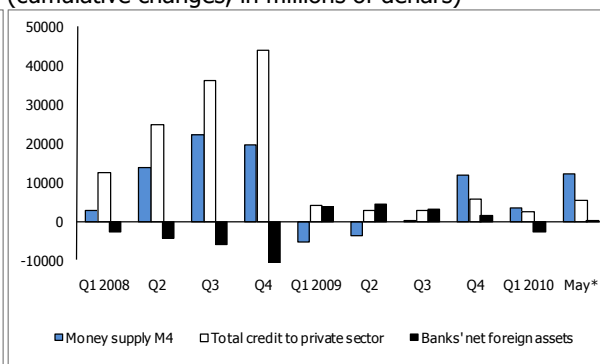
As in April, the bank's credit activity continued to increase with intensified dynamics and in May it rose by 4.2% (compared to 3.3% and 2.5% in April and March, respectively). Such movements on the credit market point to gradual intensification of the financial support to the private sector. Namely, after the banks' crediting significantly reduced in 2009, the stabilized macroeconomic environment, the constant widening of the deposit base and the improved perceptions for the future are factors that created possibility for the credit market revival in 2010. From the aspect of the currency structure, the Denar component remains to be the dominant driving force of the annual credit growth (with a share of 54.4%). However, starting from February 2010 the share of the Denar crediting registers a downward trend, as a result of the intensified crediting in foreign currency, the growth rate of which in May increased to 8.7% (compared to 4.6% and 2.4% in April and March). From the aspect of the sector, the banks pursue with dominant crediting of the enterprises on annual basis (with a share of 83.5%), where the credit growth rate in May equaled 6%. The annual growth rate of the households' credits equaled 1.9% (1.2% in April).

Compared to the April projection, the credit flows are in accordance with the projected movements, which in line with the presumed dynamics of the sources of financing of the credit activity (the deposit base, the banks' foreign currency assets and the external indebtedness) and the dynamics of the other alternative forms of financial assets allocation (Government securities and CB bills), until the second quarter assume annual credit growth of 5.3%.

Figure 20
Credits to the private sector
(annual growth rates, in %)



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



*It refers to the cumulative changes relative to the end of the previous year.

Source: National Bank of the Republic of Macedonia

The banks' net foreign currency assets, in May 2010, relative to the end of the previous year, increased by Denar 360 million, or by 23.7%, in conditions of more intensive decrease in the foreign currency liabilities (of Denar 733 million, or 2.5%) relative to the decrease in the banks' foreign assets (of Denar 373 million, or 1.2%).

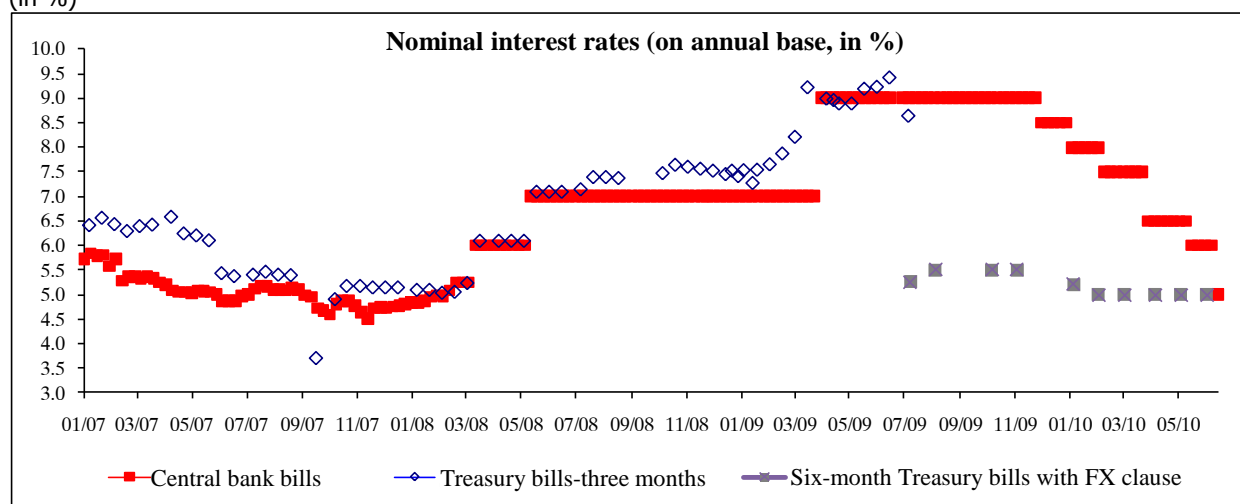
7. INTEREST RATES AND FOREIGN EXCHANGE RATE

The positive movements on the foreign exchange market created conditions for further downward adjustment of the **basic interest rate of NBRM**. Thus on June 15, 2010, the interest rate on the CB bills declined by 1 percentage point and it equaled 5%. Three auctions of CB bills since the beginning of June were held (June 02, 2010, June 09, 2010 and June 16, 2010), and on the first two auctions that were realized according to the interest rate of 6%, liquidity of Denar 2,511 million was withdrawn, while on the last auction according to the new interest rate of 5% total amount of withdrawn liquidity equaled Denar 2,351 million. As of June 11, 2010, the **gross foreign reserves** equaled Euro 1,710.6 million, which were higher by Euro 113.1 million compared to the end of 2009.

Within the analyzed period, **two auctions of six-month Treasury bills with FX clause** (on June 02, 2010 and June 15, 2010) according to the volume tender and interest rate of 4.99% were held (as at the previous auctions). In environment of larger supply than demand, amount of Denar 3,227.6 million was realized.

The weighted interbank interest rate equaled 3.31% within June 1 - 16, 2010 period (3.88% in May 2010). The listed average interbank interest rate - **SKIBOR** in the June 1 - 17, 2010 period equaled 3.82% (overnight), 5.63% (one week), 6.17% (one month) and 7.17% (three months), compared to 4.06%, 5.94%, 6.52% and 7.48%, for the respective maturities in May. The weighted interbank interest rate for the concluded overnight transactions - **MKDONIA** within June 1 - 16, 2010 period equaled 3.25%, compared to 3.86% in May 2010.

Figure 21
Interest rates¹⁶
(in %)

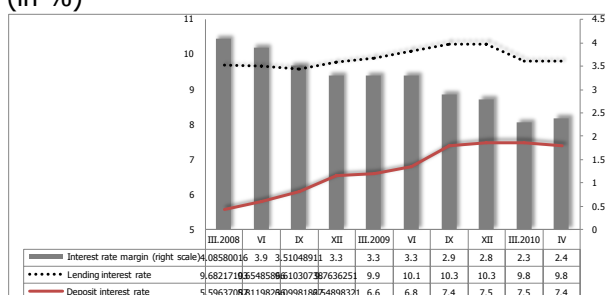


Source: National Bank of the Republic of Macedonia

The continuous trend of the banks' monetary policy relaxation that started from the beginning of 2010, registered a deceleration in April. Thus the lending Denar interest rate preserved the same level as in the previous month of 9.8%, while the interest rate on the Denar deposits fell by 0.1 percentage point and it equaled 7.4%. The detailed analysis shows that in April, observed on a monthly basis, the largest portion of the interest rates on the Denar credits for households and enterprises remained unchanged. Exception are the interest rates on short-term credits intended for the enterprises (with and without currency clause), as well as the interest rate on the short-term credits intended for households (with currency clause), which registered monthly decrease of 0.1 percentage point. On the other hand, the *decrease in the deposit interest rate* was triggered by the fall in the interest rates with all categories of households and enterprises' deposits without FX clause (the decrease ranges between 0.1 and 0.2 percentage points). Increase in the interest rate was solely registered with the enterprises' short-term time deposits with FX clause of 0.1 percentage point. In April the continuous contraction in the interest rate spread between the lending and the deposit interest rate that began in January 2010 ceased. Thus in conditions of decelerated decrease in the lending interest rate, the interest rate spread registered monthly rise of 0.1 percentage point. From the aspect of the foreign currency credits and deposits, **the interest rate on the foreign exchange credits** preserved the same level of 7.3% for third consecutive month (7.5% in January), while **the interest rate on the foreign currency deposits** maintained at the same level as in the previous month and equaled 3.2% (3.3% in February).

¹⁶ The last auction of the three-month Treasury bills was held in July 2009, while since June 2009 auctions with Treasury bills with currency clause are carried out (three-month, six-month and twelve months), with the largest number of the auctions referring to the six-month Treasury bills with foreign currency clause.

Figure 22
Interest rate on total Denar
credits and deposits and interest rate spread
(in %)



Interest rate on the new
credits and deposits and interest rate spread
(in %)

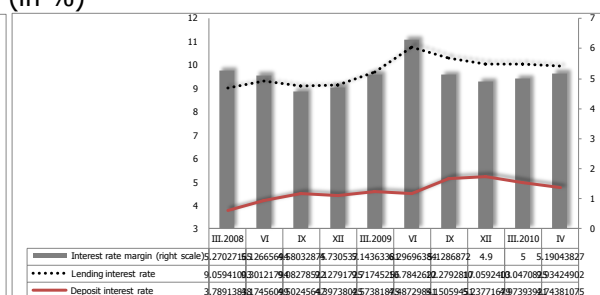
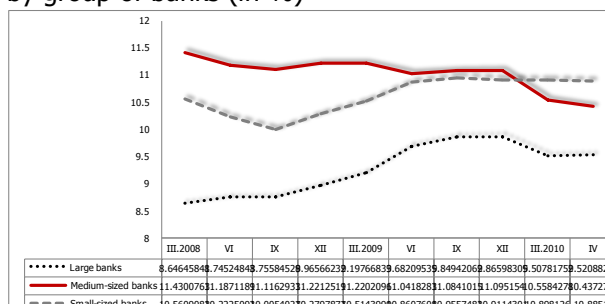


Figure 23
Interest rate on Denar credits
by group of banks (in %)



Interest rate on Denar deposits
by group of banks (in %)

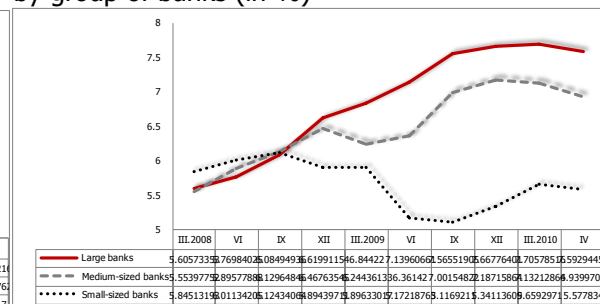
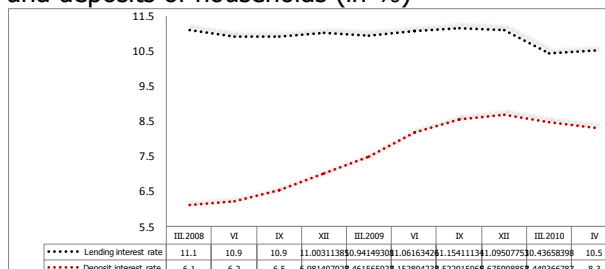
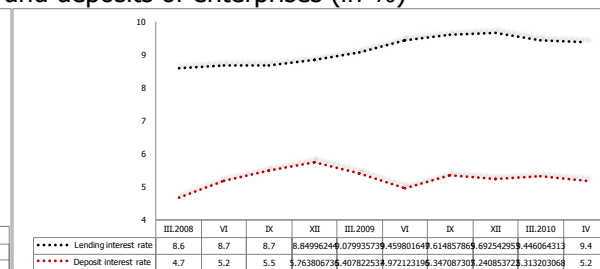


Figure 24
Interest rate on Denar credits
and deposits of households (in %)



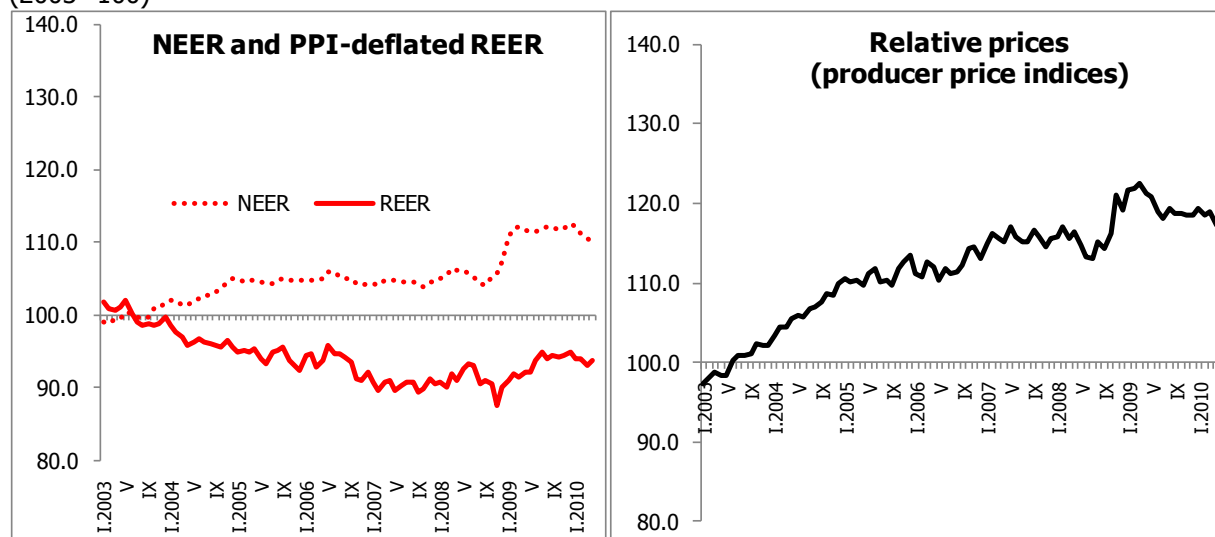
Interest rate on Denar credits
and deposits of enterprises (in %)



In April 2010, the real effective Denar exchange rate (REER) calculated according to the consumer price index registered monthly depreciation of 0.5%, which is a result of depreciation of the nominal effective exchange rate (NEER), while the relative prices¹⁷ remained unchanged. According to this index, REER depreciated on both the annual and the cumulative basis by 3.3% and 3%, respectively, due to the intensified increase in the foreign prices compared the domestic ones and due to the NEER depreciation (of 1.5% and 0.5%, respectively).

¹⁷ The relative prices are given as a correlation between the foreign prices and the domestic prices index. If this correlation reduces, in such circumstances, we have more intensive growth in the domestic than in the foreign prices, or more intensive decrease in the foreign relative to the decrease in the domestic prices, which influence towards REER appreciation. If this ratio increases, then we have more intensive growth in the foreign than in the domestic prices, or intensified decrease in the domestic than in the foreign prices, which influence on REER depreciation.

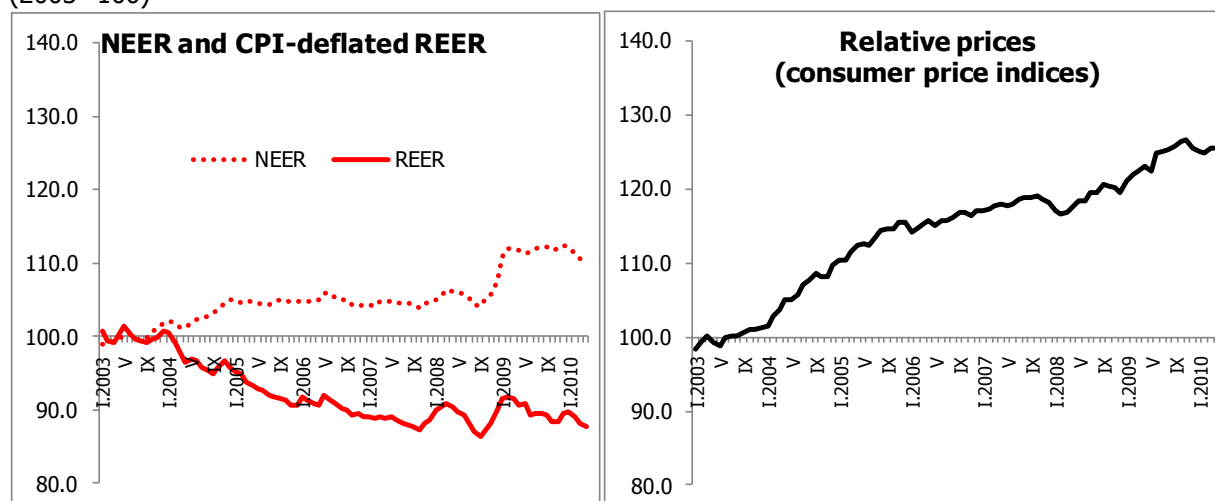
Figure 25
NEER*, relative prices* and REER by consumer prices*
(2003=100)



*Preliminary data.

In April, the REER deflated by the prices of the producers of industrial products registered slight monthly appreciation of 0.8%, which arises from the unfavorable correlation of the relative prices¹ (faster increase in the prices of the domestic producers compared to the increase in the prices of the foreign producers). However, according to this index, REER showed smaller competitiveness on annual and cumulative basis, i.e. it appreciated by 1.8% and 2.3%, respectively. In environment of NEER depreciation, it is due to the unfavorable price ratio, i.e. intensified rise in the prices of the domestic producers than the increase in the prices of the foreign producers.

Figure 26
REER*, relative prices* and NEER according to the prices of the producers of industrial products*
(2003=100)



*Preliminary data

ANNEX

Table 1
Consumer Price

Consumer prices	change in %			contribution to change in percentage points		
	<u>V.2010</u> IV.2010	<u>V.2010</u> V.2009	<u>I-V.2010</u> I-V.2009	<u>V.2010</u> IV.2010	<u>V.2010</u> V.2009	<u>I-V.2010</u> I-V.2009
Total	-0.6	0.2	0.6	-0.6	0.2	0.6
Food	-1.7	-3.4	-2.2	-0.7	-1.3	-0.9
Grain products	0.1	-2.4	-4.0	0.0	-0.2	-0.3
Fresh and processed vegetables	-10.8	-14.9	-3.7	-0.7	-1.1	-0.3
Fresh and processed fruits	0.0	-6.6	-5.4	0.0	-0.2	-0.1
Meat and poultry	0.0	0.2	1.5	0.0	0.0	0.1
Fresh and cooked fish	0.0	-2.7	-3.1	0.0	0.0	0.0
Dairy products	0.9	2.5	-1.9	0.0	0.1	-0.1
Eggs	-0.2	-8.5	-11.9	0.0	-0.1	-0.2
Oils and fats	0.8	-6.0	-10.3	0.0	-0.1	-0.2
Tobacco and beverages	-0.1	0.0	0.8	0.0	0.0	0.0
Clothing and footwear	0.3	1.2	0.1	0.0	0.1	0.0
Housing	0.0	4.7	4.8	0.0	0.8	0.8
Flat (rent, water and other services)	0.1	-0.3	0.1	0.0	0.0	0.0
Fuel and lighting	-0.1	8.3	8.5	0.0	0.8	0.8
Heating and services	-0.3	5.4	6.0	0.0	0.2	0.2
Electric power	0.0	9.8	9.9	0.0	0.6	0.6
Hygiene and health	0.0	-0.3	0.7	0.0	0.0	0.1
Culture and entertainment	-0.3	0.0	0.2	0.0	0.0	0.0
Transport and communication services	0.5	5.7	4.6	0.1	0.7	0.6
Fuels and lubricants	1.8	26.6	26.2	0.1	0.8	0.7
Public transport services & PTT	0.0	-2.5	-2.3	0.0	-0.1	-0.1
Restaurants and hotels	0.2	-0.1	-0.4	0.0	0.0	0.0
Other services n.e.c.	0.0	-6.9	-4.2	0.0	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	2009				2010	Latest months			
				Q1	Q2	Q3	Q4		Feb-10	Mar-10	Apr-10	May-10
Inflation (CPI)	2.3	8.3	-0.8	0.9	-0.6	-1.4	-2.1	0.5	0.6	0.7	1.4	0.2
Inflation (CPI) - cumulative average	2.3	8.3	-0.8	0.9	0.1	-0.4	-0.8	0.5	0.3	0.5	0.7	0.6
Core inflation (excluding food and energy)	0.6	2.6	0.3	1.5	0.3	0.1	-0.6	-0.2	-0.2	0.0	0.1	0.0
Regulated prices	3.3	9.3	-1.9	-1.6	-1.8	-3.3	-0.7	12.9	12.3	12.2	12.8	12.8
Industrial producer prices	2.6	10.3	-6.5	-6.2	-8.8	-10.1	-0.4	7.5	7.4	8.7	10.5	-
Productivity	2.2	2.2	-4.0	-3.7	-6.0	-5.2	-1.1	-	-	-	-	-
Nominal net-wage*	7.9	10.4	9.8	12.7	13.4	8.9	4.5	3.3	3.3	3.0	-	-
Real net-wage*	5.5	1.9	10.8	11.8	14.1	10.4	6.8	2.8	2.7	2.3	-	-

*For 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	2009	2009				2010	Latest months		
				Q1	Q2	Q3	Q4		Feb-10	Mar-10	Apr-10
Gross domestic product	5.9	4.8	-0.7	-0.9	-1.4	-1.8	1.2	-	-	-	-
Industrial output	3.7	5.5	-7.7	-10.8	-13.2	-13.1	7.5	-9.4	-13.1	-11.2	-9.6
Construction	7.6	25.6	13.7	0.0	14.7	12.6	20.3	7.6	-17.8	18.8	
Retail and wholesale trade	23.1	11.8	-7.4	-8.7	-11.0	-8.8	-1.3	5.0	5.8	9.4	
Telecommunications	15.6	8.9	6.6	7.4	5.7	8.3	4.9	17.3	27.9	19.1	

Source: State Statistical Office of the Republic of Macedonia.

Table 4
Selected industrial branches

Selected industrial activities (annual rates, %)	2007	2008	2009	2009				2010	anp.10	
				Q1	Q2	Q3	Q4		change, %	contribution p.p.
Mining and quarrying	9.8	9.9	-12.3	-12.6	-19.2	-11.3	-6.5	-5.8	-14.2	-0.7
Manufacture of food products and beverages	7.7	7.6	-2.1	-2.5	-0.1	-1.8	-3.9	2.3	-0.9	-0.1
Manufacture of tobacco products	-0.8	1.9	-3.2	-2.1	2.6	-5.5	-9.4	15.4	-36.3	-2.7
Manufacture of wearing apparel	-14.5	-20.4	-11.7	-23.7	-16.9	-1.6	-3.5	-6.4	23.4	1.3
Printing	-12.2	59.4	34.6	2.6 times	54.4	-2.7	-15.2	-49.5	-54.3	-4.8
Manufacture of refined petroleum products	-2.4	1.6	-8.9	9.2	-27.2	-36.3	25.9	-49.1	-49.6	-2.1
Manufacture of other non-metalic mineral products	3.8	-3.2	-12.1	-17.0	-4.3	-11.8	-19.3	-27.7	-25.8	-2.5
Manufacture of basic metals	34.3	-6.6	-42.1	-61.6	-52.3	-42.2	13.4	48.1	0.5	0.0
Manufacture of fabricated metal products	45.6	51.4	38.5	35.0	-12.9	-2.8	2.9 times	-55.6	-3.5	-0.1
Manufacture of electrical machinery and equipment	-24.4	25.8	-29.0	1.0	-13.5	-51.6	-53.1	-55.5	-49.4	-1.3
Manufacture of other transport equipment	33.4	-18.4	-46.4	-60.5	-71.5	-21.0	24.2	7.1	4.4	0.0
Recycling*	-35.6	117.1	-11.6	-74.2	-10.6	7.6	97.9	227.8	75.6	1.0
Electricity, gas, steam and hot water supply	-9.5	-3.1	8.8	-1.6	15.6	10.4	14.2	19.0	29.5	3.1

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				2010	Latest months			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Jan-09	Feb-09	Mar-09	Apr-09
Retail trade*	14.4	3.1	0.8	4.7	5.3	1.5	-4.0	-3.6	-3.7	-0.6	-0.2	-3.5	-4.3	5.6	-
VAT revenues*	18.5	1.3	13.9	2.1	-0.2	-8.0	-8.5	-14.0	-3.8	20.3	-0.1	-31.3	30.3	17.3	18.5
Imports of consumption goods*	19.4	7.8	6.1	7.4	8.7	8.9	-0.1	-9.5	-6.6	-4.5	2.4	-2.7	-0.4	8.3	7.1
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	-10.4	-5.7	-18.3	-6.6	-13.3
Imports of capital goods*	36.9	21.5	37.5	26.4	15.6	13.6	24.2	-11.2	-9.7	-20.2	-35.5	-49.8	-43.9	-14.1	-23.9
Completed construction works*	4.9	16.3	18.0	41.6	-9.6	24.7	-0.8	15.3	14.2	22.9	7.1	33.5	-18.3	18.0	-
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	-34.1	-40.0	-33.6	-30.3	-35.7

* 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 6Balance of payments ^{1,3}

(in millions of euros)

	2009												2010				
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Q1	Q2	Q3	Q4	
I. Current Account	-116.6	-95.3	-133.7	-68.2	-11.0	-20.9	24.8	20.9	56.7	-41.1	-70.2	-28.7	-345.6	-41.9	-18.1	-13.5	-73.5
GOODS, net	-143.0	-152.0	-151.6	-142.6	-79.9	-116.6	-120.6	-111.3	-69.0	-159.8	-160.0	-144.5	-446.6	-339.1	-301.0	-464.3	-296.5
Exports f.o.b.	113.7	136.7	149.9	155.0	171.7	186.1	162.1	184.2	157.6	170.2	169.2	163.2	400.3	491.3	532.4	497.0	482.4
Imports f.o.b. /2	-256.7	-288.6	-301.5	-297.6	-244.3	-288.4	-306.7	-273.4	-253.2	-317.4	-330.2	-313.7	-846.8	-830.3	-833.4	-961.3	-778.9
SERVICES, net	-1.5	3.5	-3.0	0.8	-4.1	2.1	9.5	9.2	4.5	-0.4	-2.8	10.1	-1.0	-1.2	23.3	6.9	6.2
INCOME, net	-14.2	-5.7	-7.5	-3.1	-11.5	-5.8	-6.0	-7.5	-4.2	-7.7	-6.4	-12.2	-27.4	-20.4	-17.6	-26.3	-3.9
o/w: interest, net	-9.7	-5.1	-7.3	-5.3	-6.2	-5.1	-7.4	-3.8	-4.9	-5.3	-5.2	-7.5	-22.1	-16.5	-16.1	-18.0	-5.2
CURRENT TRANSFERS, net	42.1	58.8	28.4	76.7	84.5	99.4	141.9	130.5	125.4	126.8	98.9	117.9	129.4	260.6	397.8	343.6	258.9
Official	3.0	1.5	5.8	5.5	1.9	5.4	2.8	4.1	1.4	15.0	2.4	5.0	10.3	12.9	8.3	22.4	17.7
Private	39.2	57.4	22.6	71.1	82.5	94.0	139.1	126.5	124.0	111.8	96.6	112.9	119.1	247.7	389.5	321.3	254.5
II. Capital and Financial Account	101.0	92.4	134.0	71.5	16.6	27.8	-33.1	-20.3	-58.1	44.3	69.7	20.3	327.4	115.9	-111.5	134.4	70.9
CAPITAL ACCOUNT, net	0.1	0.4	0.3	-0.1	0.3	1.6	4.2	3.0	8.0	0.9	0.5	0.8	0.8	1.7	15.2	2.3	0.9
Capital transfers, net	0.1	0.4	0.3	-0.1	0.3	1.6	4.2	3.0	8.0	0.9	0.5	0.8	0.8	1.7	15.2	2.3	0.9
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	0.1	0.4	0.3	-0.1	0.3	1.6	4.2	3.0	8.0	0.9	0.5	0.8	0.8	1.7	15.2	2.3	0.9
Acquisition/disposal of non-produced, non-financial	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
FINANCIAL ACCOUNT, net	100.9	92.0	133.6	71.6	16.4	26.2	-37.3	-23.3	-66.1	43.5	69.2	19.4	326.6	114.2	-126.7	132.1	60.0
Direct investment, net	27.4	26.8	2.3	32.7	19.0	8.6	-29.9	26.9	-2.9	32.2	29.7	-1.0	56.5	60.3	-5.8	60.9	43.0
Portfolio investment, net	-4.7	-3.7	-10.8	-8.6	-0.5	-3.3	161.3	-9.3	-3.3	-4.2	-4.6	-4.1	-19.1	-12.4	148.7	-12.8	-1.0
Other investment, net	-9.5	32.2	13.7	-11.2	-36.3	61.6	21.5	72.4	-40.5	36.7	70.0	28.7	36.4	14.0	53.4	135.4	-39.3
Trade credits, net	2.1	21.1	29.2	12.8	-15.5	5.1	-15.4	28.0	-27.2	40.5	22.1	63.8	52.3	2.4	-14.6	126.4	-16.3
Loans, net	-11.3	4.8	3.7	4.2	2.9	-13.5	-1.0	0.4	-4.1	8.5	5.1	45.7	-2.8	-6.3	-4.8	59.4	-29.6
Currency and deposits, net	-2.1	3.8	-21.3	-29.7	-24.9	67.9	37.0	-12.7	-18.0	-14.6	37.9	-85.4	-19.5	13.3	6.3	-62.1	-29.4
o/w: Monetary Authorities, net	-4.0	-0.3	0.7	-0.4	0.4	1.0	1.5	0.3	-0.1	0.4	0.1	0.4	-3.6	1.0	1.7	0.9	0.1
o/w: Commercial Banks, net	-8.2	-3.9	-41.3	-33.5	-24.9	67.0	40.0	-10.1	-4.7	-6.1	43.5	-77.7	-53.5	8.6	25.1	-40.3	55.5
o/w: Other sectors, net	10.1	8.0	19.4	4.2	-0.4	0.0	-4.5	-2.9	-13.2	-8.9	-5.7	-8.1	37.5	3.7	-20.5	-22.7	-26.3
Other, net	1.7	2.5	2.1	1.4	1.2	2.0	1.0	56.8	8.8	2.3	4.9	4.6	6.3	4.7	66.5	11.8	23.4
Gross official reserves (= increase) /3	87.7	36.7	128.4	58.7	34.2	-40.6	-190.3	-113.3	-19.4	-21.3	-25.9	-4.2	252.8	52.2	-323.0	-51.4	11.0
III. Errors and Omissions	15.6	2.9	-0.2	-3.3	-5.6	-6.9	8.3	-0.6	1.4	-3.2	0.4	8.4	18.2	-15.8	9.1	5.6	12.6

1/ Preliminary data

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

3/ Calculation of df / fob factor as % of imports cf is 3.86%

4/ The data might be inconsistent with the Macedonian language version, as the BOP data has been revised.

Source: National Bank of the Republic of Macedonia.

Table 7

Total Foreign Trade
(in millions of Euros)

		I-IV.2010 / IX-XII.2009		I-IV.2010 / I-IV.2009	
	in MEur	in MEur	%	in MEur	%
Total foreign trade	1801.8	-146.3	-7.5	53.5	3.1
Export	655.7	-27.2	-4.0	99.0	17.8
Import	1146.1	-119.1	-9.4	-45.5	-3.8
Trade Balance	-490.4	91.8	-15.8	144.5	-22.8

Source: State Statistical Office of the Republic of Macedonia.

Table 8

Export of Goods (according to SITC)

Export of goods	I-IV 2009 I-IV 2010		y-o-y change		contributions	
	in millions of EUR		in millions of EUR	%	percentage points	%
Total	556.7	655.7	99.0	17.8	17.8	100
Food and live animals	55.8	63.6	7.8	14.0	1.4	7.9
<i>of which:</i>						
- meat and meat preparations	11.6	12.7	1.1	9.4	0.2	1.1
- cereals and cereal preparations	9.4	10.7	1.3	14.1	0.2	1.3
- fruits and vegetables	23.6	27.9	4.3	18.2	0.8	4.3
Beverages and tobacco	34.2	42.8	8.6	25.0	1.5	8.7
Crude materials, inedible, except fuels	28.7	63.2	34.5	120.3	6.2	34.9
<i>of which:</i>						
- metalliferous ores and metal scrap	21.5	52.5	31.0	143.8	5.6	31.3
Mineral fuels, lubricants and related materials	35.2	46.6	11.4	32.4	2.0	11.5
<i>of which:</i>						
- petroleum and petroleum products	33.9	43.7	9.8	28.8	1.8	9.9
- electric energy	0.3	2.2	2.0	714.8	0.4	2.0
Animal and vegetable oils and fats	2.4	2.4	0.0	0.3	0.0	0.0
Chemical Products	33.5	58.3	24.7	73.8	4.4	25.0
Manufactured goods classified by materials	156.6	189.0	32.4	20.7	5.8	32.7
<i>of which:</i>						
- iron and steel	106.4	147.5	41.1	38.7	7.4	41.6
- non ferrous metals	0.9	1.9	1.0	111.0	0.2	1.0
- manufactures of metals	19.3	10.6	-8.7	-44.9	-1.6	-8.8
Machinery and transport equipment	36.1	26.4	-9.7	-26.9	-1.7	-9.8
<i>of which:</i>						
- road vehicles	5.0	5.7	0.7	13.5	0.1	0.7
- other transport equipment	1.2	1.4	0.2	14.7	0.0	0.2
Miscellaneous manufactured articles	174.1	163.3	-10.8	-6.2	-1.9	-10.9
<i>of which:</i>						
- furniture and parts thereof	6.6	6.7	0.1	1.4	0.0	0.1
- articles of apparel and clothing accessories	141.3	132.1	-9.2	-6.5	-1.7	-9.3
- footwear	16.9	15.0	-1.9	-11.4	-0.3	-1.9

Source: State Statistical Office of the Republic of Macedonia.

Table 9

Import of Goods (according to SITC)

Import of Goods	I-IV 2009 I-IV 2010		y-o-y change		contributions	
	in millions of EUR		in millions of EUR	%	percentage points	%
Total	1191.6	1146.1	-45.5	-3.8	-3.8	100
Food and live animals	133.3	130.6	-2.7	-2.0	-0.2	5.9
<i>of which:</i>						
- meat and meat preparations	30.1	28.4	-1.7	-5.6	-0.1	3.7
- cereals and cereal preparations	24.1	18.3	-5.8	-23.9	-0.5	12.6
- fruits and vegetables	19.3	19.0	-0.4	-1.9	0.0	0.8
Beverages and tobacco	9.6	12.0	2.4	24.9	0.2	-5.3
Crude materials, inedible, except fuels	36.9	42.8	5.8	15.8	0.5	-12.8
<i>of which:</i>						
- metalliferous ores and metal scrap	17.7	25.0	7.3	41.5	0.6	-16.1
Mineral fuels, lubricants and related material	222.8	189.9	-32.9	-14.8	-2.8	72.2
<i>of which:</i>						
- petroleum and petroleum products	149.4	137.4	-11.9	-8.0	-1.0	26.2
- electric energy	54.0	25.8	-28.2	-52.3	-2.4	62.0
Animal and vegetable oils and fats	12.5	9.4	-3.0	-24.4	-0.3	6.7
Chemical Products	123.0	161.3	38.3	31.2	3.2	-84.2
Manufactured goods classified by materials	250.2	273.9	23.7	9.5	2.0	-52.0
<i>of which:</i>						
- iron and steel	63.7	87.1	23.5	36.9	2.0	-51.5
- non ferrous metals	10.8	21.4	10.6	97.8	0.9	-23.2
- manufactures of metals	23.1	18.9	-4.2	-18.2	-0.4	9.2
Machinery and transport equipment	309.4	240.3	-69.0	-22.3	-5.8	151.6
<i>of which:</i>						
- road vehicles	73.1	88.4	15.3	20.9	1.3	-33.6
- other transport equipment	34.0	2.6	-31.4	-92.3	-2.6	68.9
Miscellaneous manufactured articles	91.7	83.1	-8.6	-9.4	-0.7	18.9
<i>of which:</i>						
- furniture and parts thereof	7.8	8.2	0.4	5.6	0.0	-1.0
- articles of apparel and clothing accessories	19.0	15.2	-3.9	-20.3	-0.3	8.5
- footwear	9.5	8.0	-1.6	-16.3	-0.1	3.4
<i>Commodities and transactions not classified in SITC</i>	2.2	2.8	0.6	26.4	0.0	-1.3

Source: State Statistical Office of the Republic of Macedonia.

Table 10

Trade balance of Goods (according to SITC)

Trade balance, Goods	I-IV 2009 I-IV 2010		y-o-y change		contributions	
	in millions of EUR		in millions of EUR	%	percentage points	%
Total	-635.0	-490.4	144.5	-22.8	-22.8	100
Food and live animals	-77.6	-67.1	10.5	-13.5	-1.7	7.3
<i>of which:</i>						
- meat and meat preparations	-18.5	-15.7	2.8	-15.1	-0.4	1.9
- cereals and cereal preparations	-14.7	-7.6	7.1	-48.1	-1.1	4.9
- fruits and vegetables	4.2	8.9	4.7	110.1	-0.7	3.2
Beverages and tobacco	24.6	30.8	6.2	25.1	-1.0	4.3
Crude materials, inedible, except fuels	-8.2	20.5	28.7	-348.7	-4.5	19.9
<i>of which:</i>						
- metalliferous ores and metal scrap	3.8	27.5	23.6	615.2	-3.7	16.3
Mineral fuels, lubricants and related materials	-187.6	-143.3	44.3	-23.6	-7.0	30.6
<i>of which:</i>						
- petroleum and petroleum products	-115.5	-93.8	21.7	-18.8	-3.4	15.0
- electric energy	-53.7	-23.5	30.2	-56.2	-4.8	20.9
Animal and vegetable oils and fats	-10.1	-7.0	3.1	-30.3	-0.5	2.1
Chemical Products	-89.5	-103.0	-13.6	15.2	2.1	-9.4
Manufactured goods classified by materials	-93.7	-84.9	8.8	-9.3	-1.4	6.1
<i>of which:</i>						
- iron and steel	42.7	60.4	17.7	41.4	-2.8	12.2
- non ferrous metals	-9.9	-19.4	-9.6	96.6	1.5	-6.6
- manufactures of metals	-3.8	-8.2	-4.5	118.6	0.7	-3.1
Machinery and transport equipment	-273.3	-214.0	59.4	-21.7	-9.3	41.1
<i>of which:</i>						
- road vehicles	-68.1	-82.7	-14.6	21.5	2.3	-10.1
- other transport equipment	-32.8	-1.2	31.6	-96.2	-5.0	21.8
Miscellaneous manufactured articles	82.4	80.2	-2.2	-2.7	0.3	-1.5
<i>of which:</i>						
- furniture and parts thereof	-1.1	-1.5	-0.3	30.3	0.1	-0.2
- articles of apparel and clothing accessories	122.3	116.9	-5.4	-4.4	0.8	-3.7
- footwear	7.4	7.0	-0.4	-5.0	0.1	-0.3

Source: State Statistical Office of the Republic of Macedonia.

Table 11

Trade balance of Goods, according to trading partners

	I-IV.2009	I-IV.2010	I-IV.2010 / I-IV.2009	
	in millions of EUR		Y-O-Y (%)	contribution (%)
Total	-635.0	-490.4	144.5	100.0
European Union	-279.2	-206.0	73.2	50.6
Germany	-4.9	7.3	12.2	8.4
Greece	-27.1	-35.1	-8.0	-5.5
Slovenia	-38.3	-28.2	10.0	6.9
Bulgaria	-20.0	7.4	27.4	19.0
Belgium	0.8	16.7	15.8	10.9
United Kingdom	-3.3	-52.2	-48.9	-33.8
Other developed countries*	-67.3	-52.7	14.6	10.1
EFTA	-44.4	-18.3	26.1	18.1
Western Balkans	78.2	72.9	-5.3	-3.6
Developing countries**	-314.3	-276.1	38.2	26.5
Low income countries	-8.0	-10.3	-2.3	-1.6

* USA, Japan, other developed countries

** Russia, Ukraine, Turkey, other developing countries

Table 12
Monetary developments

	31.01.2010	28.02.2010	31.03.2010	30.04.2010	31.05.2010	monthly change (31.05.2010/30.04.2010)		annual change (31.05.2010/ 31.05.2009)
<i>in Denar million</i>	actual	actual	actual	actual	actual	in Denar million	80 %	80 %
Money supply M4	208,129	208,271	210,735	214,990	219,446	4,456	2.1	15.0
Currency in circulation ¹	15,525	15,087	14,844	15,224	15,505	281	1.8	7.4
Denar deposits ²	90,856	91,503	93,356	95,421	98,649	3,228	3.4	15.4
Foreign currency deposits	101,748	101,681	102,535	104,345	105,292	947	0.9	15.9
Total deposits	192,604	193,183	195,891	199,766	203,941	4,175	2.1	15.6
Reserve money	46,325	45,039	43,996	45,270	45,742	472	1.0	28.4

¹ Refers to currency in circulation, excluding banks' cash in vaults.

² Includes demand deposits and demand deposits of other financial institutions held with NBRM.

	31.01.2010	28.02.2010	31.03.2010	30.04.2010	31.05.2010	monthly change (31.05.2010/30.04.2010)		annual change (31.05.2010/ 31.05.2009)
<i>in Denar million</i>	actual	actual	actual	actual	actual	in Denar million	80 %	80 %
Credit to private sector	178,702	179,611	180,722	182,662	183,668	1,006	0.6	4.2
In Denar	139,660	139,771	140,391	141,241	141,366	125	0.1	2.9
In foreign currency	39,042	39,840	40,331	41,421	42,302	881	2.1	8.7
Banks' net foreign assets	135	-2,061	-1,271	377	1,877	1,500	398.0	-74.1

Source: National Bank of the Republic of Macedonia.

Table 13
Monetary aggregates
(in %)

in %	end of period to the end of previous period											annual change (in %)												
	2008				2009				2010			2009				2010								
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	April	May	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	January	February	Q1	April	May
M0	-8.8	13.5	-0.02	4.4	-10.2	1.7	11.8	10	-4.3	2.9	1.0	16.6	22.2	19.6	8.0	6.4	-4.7	6.6	12.4	19.3	15.4	19.8	23.2	28.4
M1	-5.9	11.2	1.50	7.8	-13.5	1.8	0.6	9.1	-3.7	0.6	4.7	24.3	30.2	22.2	14.5	5.2	-3.6	-4.5	-3.5	0.7	3.8	7.4	8	11.9
M4	1.6	6.3	4.3	-1.2	-2.6	0.8	2.0	5.9	1.7	2.0	2.1	25.3	21.4	22.0	11.2	6.6	1.2	-1.1	6	8	8.0	10.7	11.7	15.0
M4-denar	-1.4	6.6	2.0	-3.2	-9.5	-0.7	-1.7	8.3	1.4	2.3	3.2	33.5	24.7	20.0	3.9	-4.7	-11.3	-14.5	-4.4	-0.8	0.01	7.04	9.9	14.2

Source: National Bank of the Republic of Macedonia.

Table 14
Deposits of the private sector*
(in millions of denars)

in millions of denars)

		Balance as of 31.05.2010	monthly changes		annual changes	
			in Denar million	in %	in Denar million	in %
Total deposits		200,480	4,198	2.1	27,221	15.7
In Denar	Households	50,327	1,290	2.6	11,989	31.3
	Enterprises	34,840	1,852	5.6	-2,130	-5.8
	Total	95,189	3,252	3.5	12,814	15.6
In Foreign currency	Households	82,952	-106	-0.1	9,569	13.0
	Enterprises	21,058	1,058	5.3	4,893	30.3
	Total	105,292	947	0.9	14,407	15.9
Total households deposits		133,279	1,184	0.9	21,558	19.3
Total enterprises deposits		55,898	2,910	5.5	2,763	5.2

* the Denar deposits do not include the deposit money.

Source: National Bank of the Republic of Macedonia.

Table 15

Credits to the private sector

(in millions of denars)

		Balance as of 31.05.2010	monthly changes		annual changes	
			in Denar million	in %	in Denar million	in %
Total credit to the private sector		183,668	1,006	0.6	7,407	4.2
In Denar	Households	69,103	630	0.9	1,427	2.1
	Enterprises	72,122	-497	-0.7	2,624	3.8
	Total	141,366	125	0.1	4,032	2.9
In Foreign currency	Households	4,066	87	2.2	-93	-2.2
	Enterprises	38,181	794	2.1	3,557	10.3
	Total	42,302	881	2.1	3,375	8.7
Total credit to the households		73,169	717	1.0	1,334	1.9
Total credit to the enterprises		110,304	298	0.3	6,181	5.9

Source: National Bank of the Republic of Macedonia.

Table 16

Interest rates

	May, 2010	monthly changes	annual changes
	in %	in percentage points	
Average weighted interest rate on the CB bills auctions (28 days)	6.24	-0.3	-2.8
Average weighted interest rate on the Money Market	3.86	0.08	-2.5
Interest rate on three-month treasury bills		/	/
	May, 2010	monthly changes	annual changes
	in %	in percentage points	
Banks' weighted lending interest rates	9.8	0.0	-0.1
Banks' weighted deposit interest rates	7.4	-0.1	0.7

Source: National Bank of the Republic of Macedonia.