

National Bank of the Republic of Macedonia
Research Department



Monthly Information
8/2010

September, 2010

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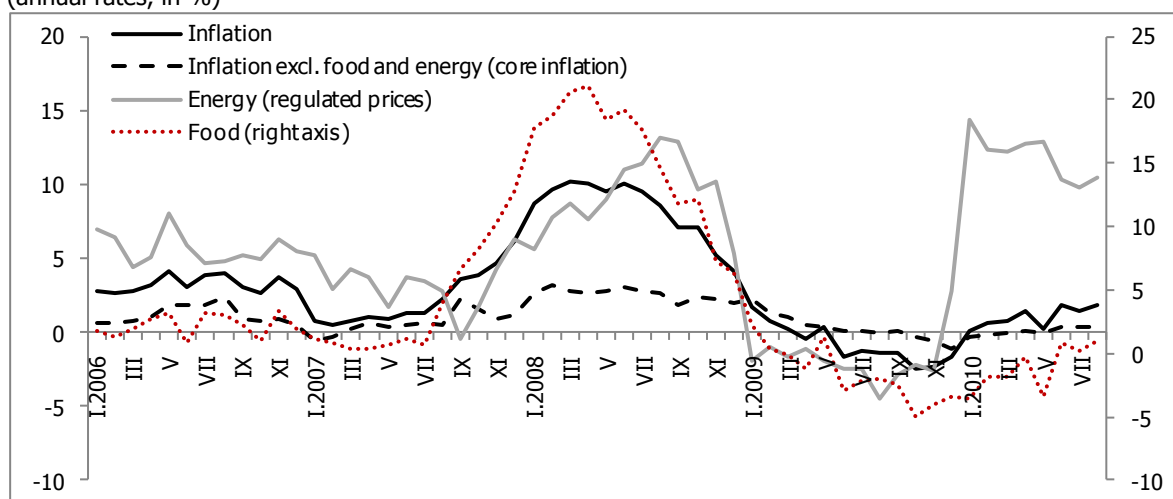
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1. PRICES

After the fall in the previous month, the level of the **consumer prices** in August 2010 rose by 0.1% on monthly level. The minimal rise in the general price level resulted mainly from the upward correction in the price of the heating energy¹, as well as from the minimal rise in the food prices (which mainly resulted from the higher prices of the cooking oil by 10.8% and eggs by 1.9%, in conditions of seasonal drop in the prices of the fresh fruits and vegetables). In August, the prices of oil derivatives registered more considerable drop as well. **On annual basis**, the consumer price index intensified moderately again, realizing rise of 1.9% (1.5% in July 2010), which was due to the more intensive contribution of the food prices. The developments in the annual inflation rate determined small intensification in the **average inflation rate** as well, which in the first eight months of 2010 amounted to 1.0% (0.9% for the first seven months).

The core inflation² (inflation without food and energy) registered annual growth of 0.4% and it remained unchanged relative to July. Analyzed by components, the rise in the prices of culture and recreation services registered small intensification, but it was almost solely neutralized by the fall in the prices of transport and PTT services. All other main groups of products registered no considerable changes in the price levels.

Figure 1
Total and core inflation
(annual rates, in %)



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

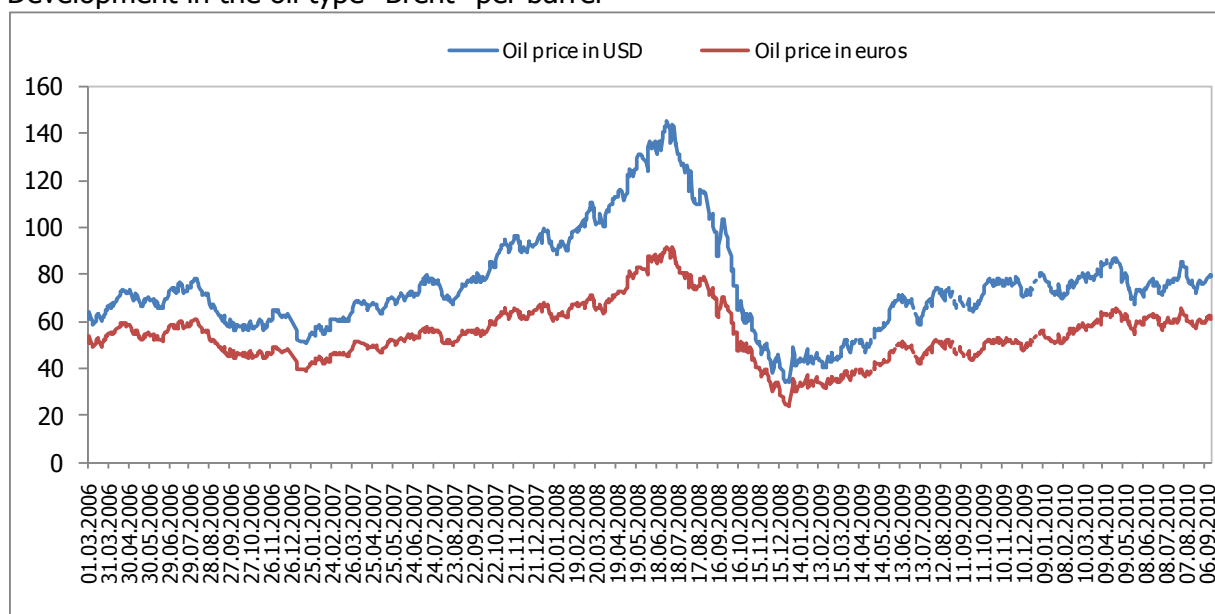
In the first two months of the third quarter, the annual inflation rate equaled 1.7% on average, which was identical to the projected annual rate for the third quarter of 2010 (1.7%). Considering the current performances, moderate upward deviation from the projection for the third quarter is possible.

¹ On July 29 2010, the Regulatory Energy Committee adopted a decision on increasing the price of the delivered heating energy to "Skopje Sever" AD Skopje, and "Toplifikacija" AD Skopje, by 15% and 11.3%, respectively effective from August 1, 2010. The rise in the price of the heating energy reflected with monthly growth in the prices in the category fuel and lightening of 1%, the contribution of which to the total monthly inflation amounted to 0.1 percentage points.

² 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.

The average oil price in August 2010 reached up to USA Dollar 78.4 per barrel, which represented monthly rise of 4.9%. The increase was mainly due to the high level of the price in the first decade of the month, considering the fact that in the other two decades the price dropped almost continuously, under the influence of the strengthening of the USA Dollar value and the indicators on slow recovery of the global economy and the low demand for oil. Such trend lasted until the last days of the month, when there was a small rise in the oil price on the international stock exchanges again. The upward trend continued in September as well, and in the period 30.08-10.09.2010 the average price of the oil type "Brent" amounted to USA Dollar 77.1 per barrel, which was by 2.7% higher relative to the previous two-week period. In conditions of almost unchanged value of the Denar against the USA Dollar, the Regulatory Energy Committee (REC) on September 13, 2010 adopted a decision on increasing the refinery and retail prices of the oil derivatives by 3.13% and 2.25%, respectively, on average. **Relative to the latest performances in the last week** (September 13 - September 16), the price of the oil type "Brent" additionally rose and it amounted to USA Dollar 79.4 per barrel, on average.

Figure 2
Development in the oil type "Brent" per barrel

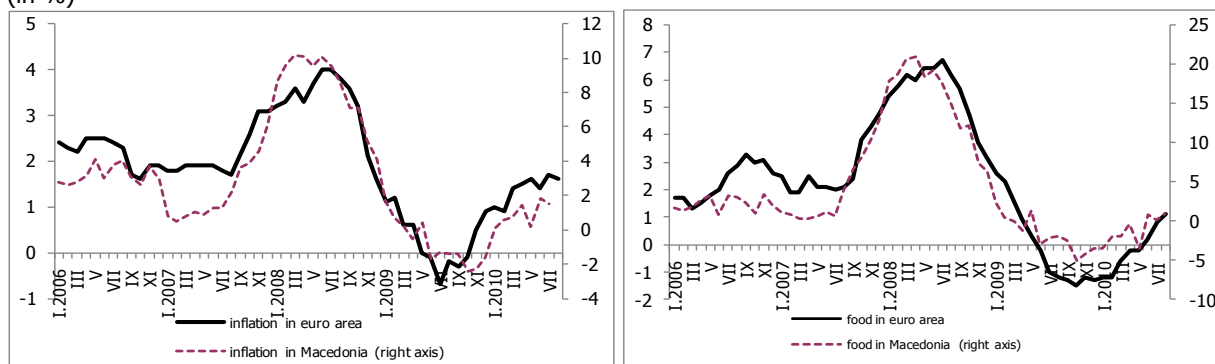


Source: The Energy Information Administration - Statistical Agency of the U.S. Department of Energy.

In August 2010, the level of the **consumer prices in the Euro area** rose by 0.2% on monthly basis, which was mainly due to the higher prices of wearing apparel, as well as to the higher prices of package holidays and the air transportation. The annual inflation rate in the Euro area amounted to 1.6% in August (1.7% in July), in conditions of rise in the prices of transport fuels (in accordance with the lower price of the crude oil in the previous year), of the higher price of the cooking oil, as well due to the higher prices of vegetables and tobacco. More considerable price drop was registered with the telecommunication services. The average inflation rate in the Euro area amounted to 1.4% in the January - August period of 2010.

Figure 3

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



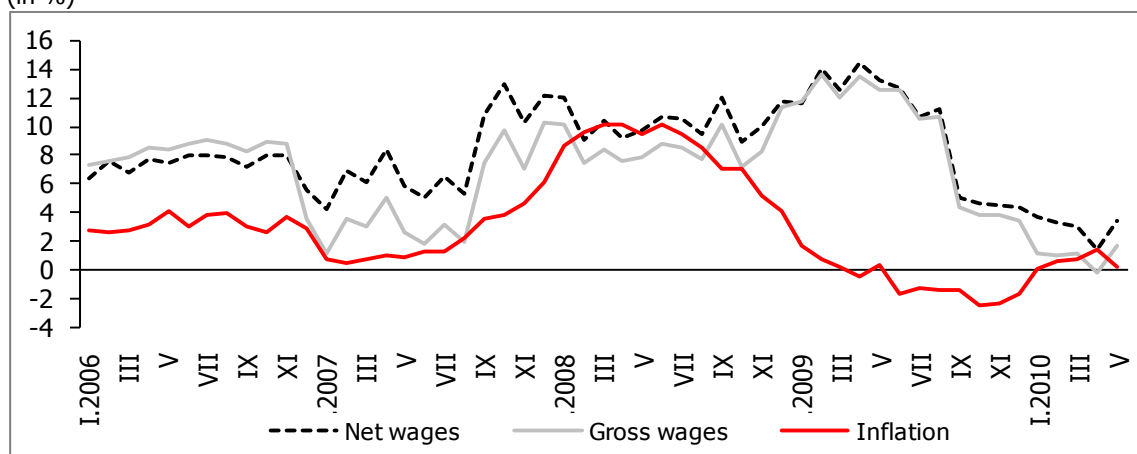
Source: EUROSTAT and SSO.

2. WAGES AND EMPLOYMENT

In June 2010, **the net and the gross wages registered nominal monthly fall of 1.8%**. The drop was anticipated and it mainly represented normalization of the level of the average wage after the incidental payment of bonuses in the previous month to certain sectors. With monthly inflation of 0.2% being registered, the real drop in the wages went up and it amounted to 2%. Analyzed by individual sectors, drop was registered with the net wage in all three sectors: with the agriculture of 1.7%, with the industry of 0.6% and the services of 1.4%. At the branch level, monthly rise was registered only with the wages in the construction (5.6%), trade (3%), financial intermediation (0.8%), as well as minimal growth in the wages of the education (0.1%). All other branches registered monthly fall in the average net wage. The largest fall was registered with the transport and communications (7.7%), as well as with the hotels and restaurants (5.6%).

Figure 4

Annual growth rates with the wages* and inflation
(in %)

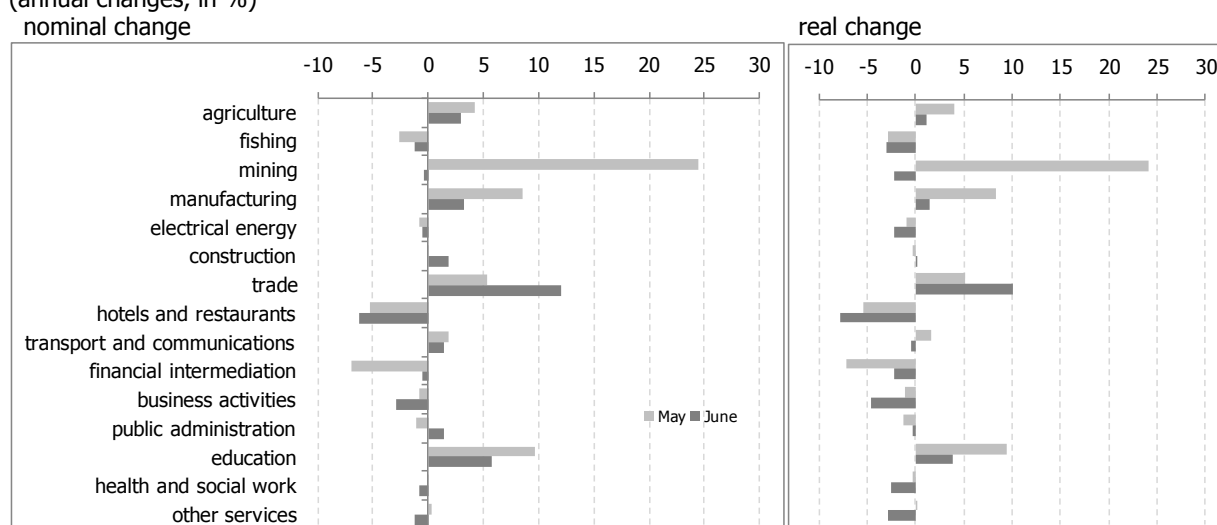


* For 2009, the corrected growth rates are shown.

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

On annual level, the net wage was nominally higher by 1.8% (so the growth rate in June registered slowing down relative to the average annual growth rate in the net wage which for the first five months amounted to 2.9%), whereas in real amount, it showed stagnation. In June 2010, the gross wage went down by 0.5% relative to the wage in June 2009 (different from the fall in June, the gross wage in the first five months registered average annual growth rate of 1%), whereas in real indicators, the drop amounted to 2.2%. **Relative to December 2009**, in June 2010 the average net wage had nominal rise of 0.3%, whereas the gross wage dropped by 1.9%. **Cumulatively**, in the first half of the year, the net and the gross wage nominally went up by 2.7% and 0.7%³, respectively. In real amounts, the nominal net wage rose by 1.9%, whereas the gross wage registered minimal real fall of 0.1%.

Figure 5
Average net wage by sectors
(annual changes, in %)
nominal change



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

3. ECONOMIC ACTIVITY

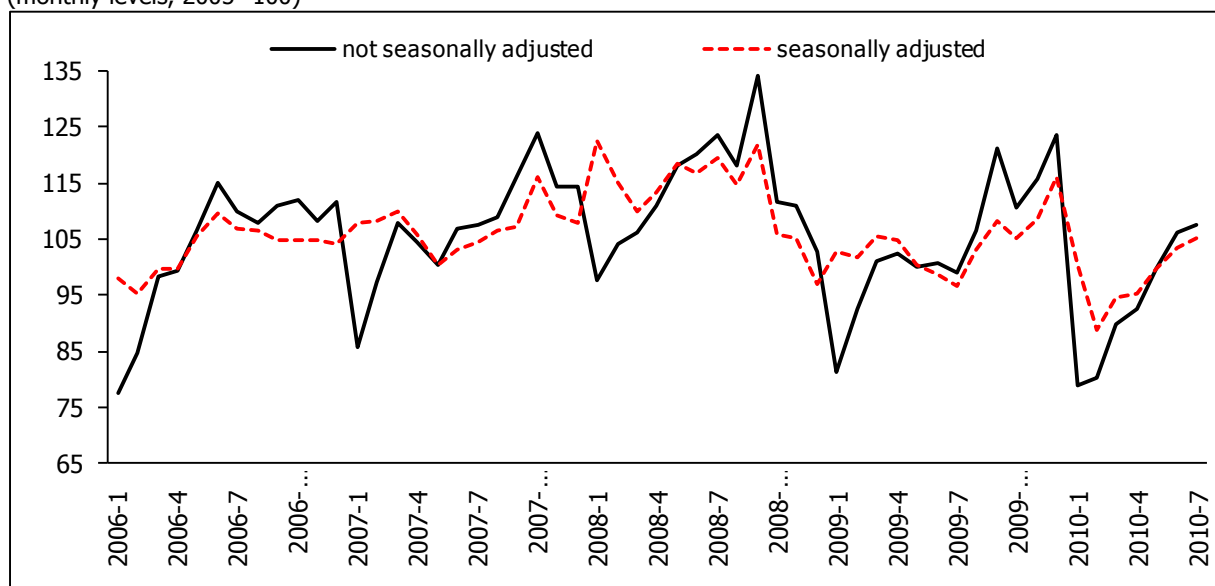
The volume of the industrial output in July 2010 realized monthly rise of 1.2% (1.4% according to the seasonally adjusted data). Therefore, the industry remained in the zone of positive monthly performances already five months in a row (according to both, the unadjusted and the seasonally adjusted data). The rise was mostly due to the larger output of wearing apparel and processed fur (contribution of 3.9 p.p., with higher export

³ The difference in the growth rate of the net and gross wages was due to the following changes: the contribution for pension insurance reduced from the current 21.2% in 2008 to 19% in 2009, i.e. to 18% in 2010; the health insurance contribution reduced from 9.2% in 2008 to 7.5% in 2009, i.e. to 7.3% in 2010. The employment contribution from 1.6% in 2008, reduced to 1.4% in 2009, i.e. to 1.2% in 2010. The additional contribution for professional health insurance of 0.5% became compulsory, i.e. since 2009 it is included in the group of compulsory social contributions (in 2010 this item remained unchanged). The contribution for water economy of 0.2% stopped being calculated since 2009.

being registered⁴), as well as to the food products and beverages⁵ (contribution of 1.7 p.p.), with growth in total 11 out of 24 branches being registered.

Positive developments in the industry were registered on annual basis as well. The annual growth rate in July amounted to 8.3%, which represented intensification relative to the rate in June, when for the first time in 2010 the industrial output registered positive annual change. In July, same as in June, the positive performances with the industry were mostly due to the higher output of electricity, with annual rise of 35.1% (contribution of 3.3 p.p.). The output of wearing apparel and output of basic metals registered large rise in July (contribution of 2.3 p.p. and 1.9 p.p., respectively). On the other hand, most considerable annual fall in July was registered with the output of chemicals and chemical products and with the output of tobacco products (contribution of -0.7 p.p. and -0.6 p.p., respectively). Totally, 15 out of 24 branches registered annual rise in July (72.4% of the index, which represented considerably more positive dispersion of the positive developments, different from the 11 branches in June or 44% of the index). Therefore, **in the first seven months of the year** the cumulative fall in the industrial output reduced to 3.3% (opposite to the fall of 5.3% in the first half of the year). However, despite the indications and the anticipations for most possible keeping of the positive monthly trends with the industrial output in the other months of the year as well, the maintenance of the dynamics of recovery on annual basis was uncertain, considering the high comparison basis at the end of the third quarter and during the whole last quarter of 2009.

Figure 6
Industrial output index
(monthly levels, 2005=100)



Source: State Statistical Office and NBRM calculations.

⁴ The export of wearing apparel in July was nominally higher by 18.4% relative to June, and of the natural and artificial fur by 11%.

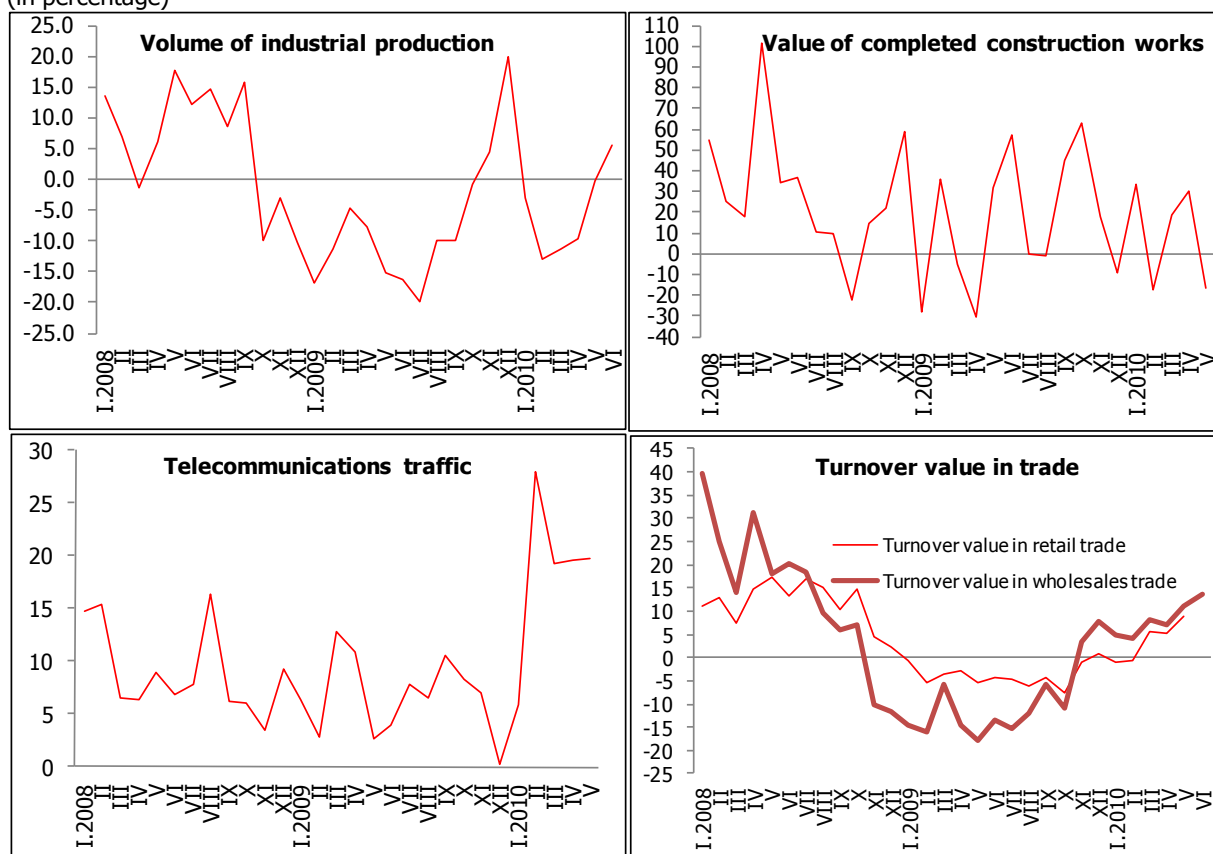
⁵ Most of the rise resulted from the usual seasonal growth in the output of beer and refreshing beverages during the summer period.

With respect to the assessments of the managers in the manufacturing industry⁶ for their current economic situation, after the considerable improvement in the previous month, in July they registered further improvement, but with considerably lower intensity. Simultaneously, the average exploitation of the manufacturing facilities since March showed continuous upward trend and in July it registered the highest level since 2009 (59.6%). The insufficient foreign demand in July was perceived as considerably less restricting factor for increasing the output of the business entities, which indicated that the revival of the domestic economy was still determined by the recovery of the world economy. However, the anticipations of the managers of the business entities in the manufacturing sector for the volume of output in the next three months are more negative than in the previous several months, and such trend was registered with the expectations for the sale prices of their products.

In June 2010, the other economy sectors registered positive monthly deviations. The turnover in the wholesale and retail trade in June, relative to May registered rise of 9.5% and 1.6%, respectively (4.8% and 0.9% according to the seasonally adjusted data). The annual rates also showed improvement in the situation, according to which the wholesale and the retail trade registered rise of 9.2% and 13.5%, respectively (8.8% and 11% in May, respectively). In June, with the **telecommunications**, considerable slowing down in the monthly growth rate was registered (0.4% in June compared to 1.7% in May) according to the unadjusted data (while according to the seasonally adjusted data, fall of -0.6% was registered). On annual basis, the telecommunications still registers high rise, which in June amounted to 17.1%. In June, **the construction**, after the fall in May, returned to the path of positive performances (monthly increase of 10.5%, i.e. 9.3% according to the seasonally adjusted data). However, the annual rate deepened its negative dynamics (drop of 21.7% in June, opposite to the annual fall of 16.7% in May). **In the second quarter of 2010, excluding the construction, the upper mentioned sectors showed positive annual change rates, with tendency for intensification in the positive dynamics.** In the second quarter, the wholesale and the retail trade registered annual rise of 10.5% and 7.7%, respectively (annual growth of 5.7% and 1.4%, respectively in the first quarter), the telecommunications - rise of 18.8% (17.3% in the first quarter), different from the construction, which registered decline of 7.4% (annual increase of 7.6% in the first quarter) compared to the same period of 2009.

⁶ From the Business Tendencies Survey in the manufacturing industry of SSO, July, 2010.

Figure 7
Annual growth rates with individual economy sectors
(in percentage)



Source: State Statistical Office and NBRM calculations.

After the rise in June, in July the value of the issued construction licenses registered drop of 10.4% again on annual basis. The drop was solely due to the fall in the value of the issued building construction licenses (by 12.7%), as the largest category, which registered fall in the previous month as well (by 1.4%). With this category growth was registered on monthly basis, which could be a signal for certain revival of the demand in this sphere. The higher value of the issued reconstruction licenses (by 18.1%), as well as the rise in the civil engineering (by 74.8%) indicated possible revival of the building activity for the following period.

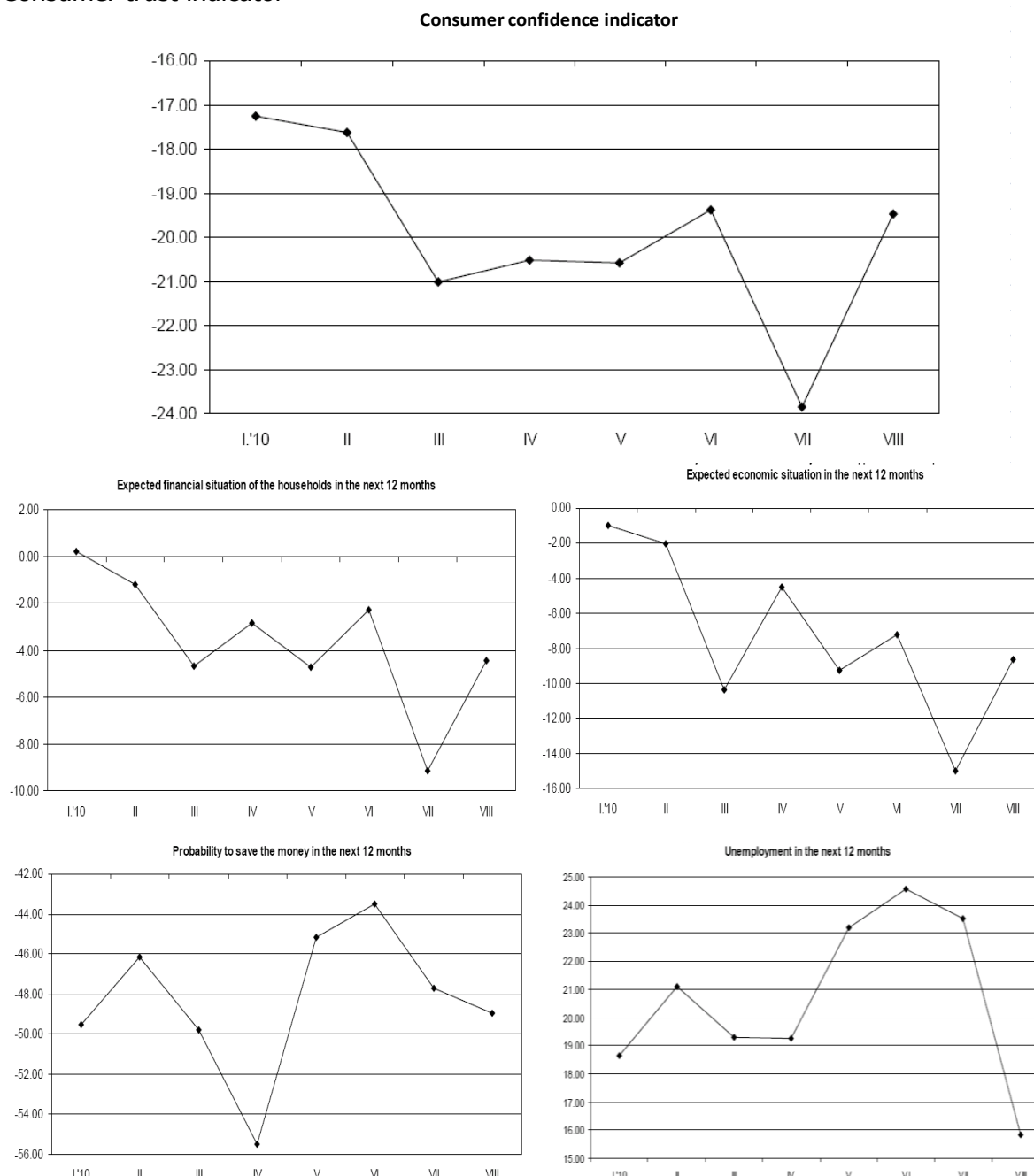
The available data on the indicative categories for the economic activity, in the second quarter showed that the developments were relatively close to the projection in July for the second quarter, according to which GDP rise of 0.5% was anticipated.

In August upward deviation with the **consumer trust indicator**⁷ was registered relative to the level in July, which resulted from the more positive perceptions of the consumers regarding the financial and economic standing of the households, as well as regarding the adjustment on the labor market, i.e. the number of households that expected increase in the unemployment rate in the following 12 months considerably dropped. On the

⁷ From the Consumer Opinion Survey of SSO, August, 2010.

other hand, the consumers showed higher pessimism regarding the possibility to save in the next 12 months. Such developments in the trust indicator signaled that certain, although not much intensive, revival in the personal consumption can be expected in the following period.

Figure 8
Consumer trust indicator⁸



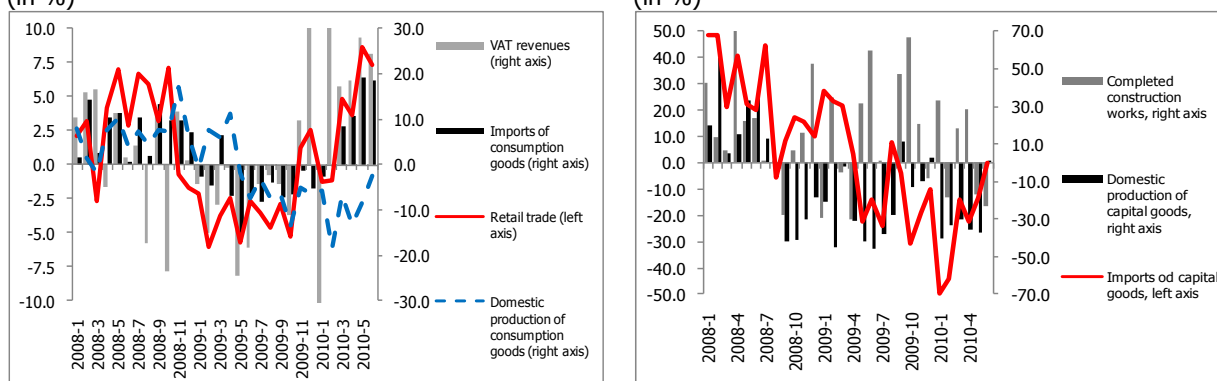
Source: State Statistical Office.

⁸ The trust indicator in the Consumer Opinion Survey is calculated as an arithmetical mean of the balances (in percentage points) of answers to the questions on the financial standing of the households, general economic situation in the country, the expectations on the unemployment and the saving in the next 12 months.

According to the available data for the indicative categories for the personal consumption, in the second quarter of 2010 more positive movements were registered. Thus, in the second quarter, the VAT income registered considerable rise of 23.1% (-0.1 in the previous quarter), and the rise in the import of joint consumption goods registered intensification of 16.1% (2.4% in the first quarter). In the second quarter of 2010, the retail trade registered real annual rise of 6.5%, which represented rise intensification compared to the first quarter (0.9%). The average paid net wage registered real rise (of 1.1%) together with the private transfers from abroad (of 32.9%). Only the domestic output of consumer goods in the second quarter realized annual drop of 8.1%. According to the projections in July, the personal consumption is anticipated to register moderate annual fall of 0.5%. **Further worsening in the investment activity in the second quarter was anticipated** in conditions of considerable fall with the Government capital investments in the second quarter, with real fall of 26.5% (opposite to the rise of 24% in the first quarter), real drop in the foreign direct investments of 83.4%, real drop of 8.4% with the performed construction activities, as well as decline but with smaller intensity with the domestic output and the import of investment goods, of 24.9% and 12.5%, respectively. Simultaneously, the income tax gain registered insignificant upward movement (real growth of 0.3% in the second quarter, opposite to the fall of 56.2% in the first quarter⁹). **In the second quarter, the public consumption was assessed to have moderate negative contribution to the economic rise. With the net export,** in the second quarter more intensive nominal annual growth in the import was registered relative to the export, and broadening in the trade deficit was registered.

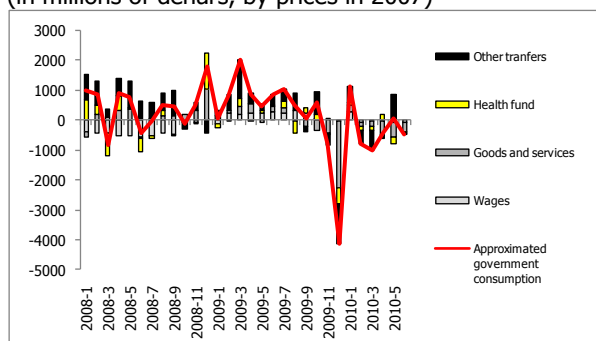
Figure 9

Development of the indicative categories for the expenditure components of the GDP
 Personal consumption, annual real changes (in %)
 Gross investments, annual real changes (in %)

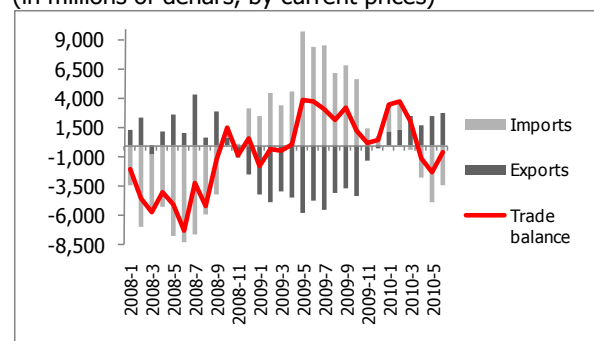


⁹ According to the preliminary assessments, the effect from the income tax gain on the investments is transmitted with delay of one quarter.

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)

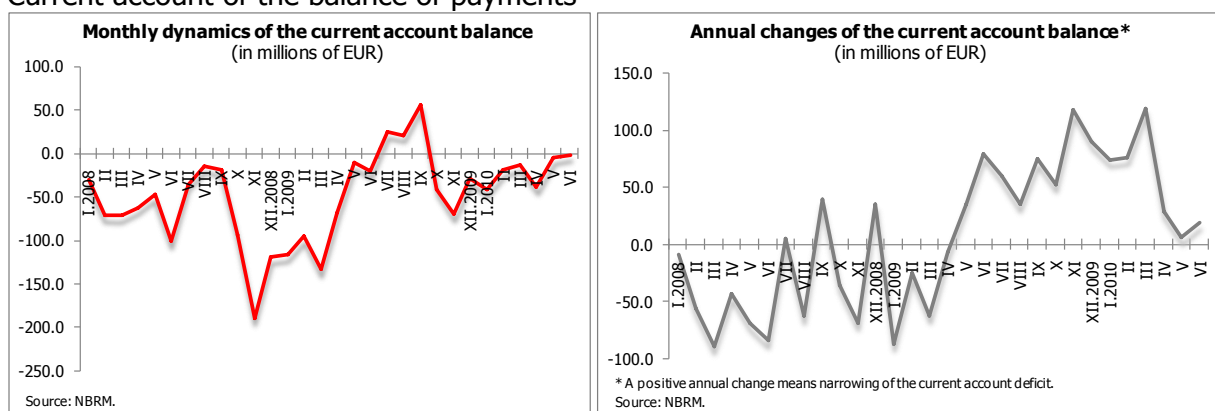


Source: State Statistical Office, Ministry of Finance and NBRM calculations.

4. BALANCE OF PAYMENT

In the second quarter of 2010, the deficit on the current account of the balance of payments amounted to Euro 44.9 (or 0.6% of the GDP), which represented halving of the deficit relative to the same quarter of 2009. The narrowing in the deficit on the current account was mostly due to the higher net inflows from current transfers (by 1.1 p.p. of the GDP), whereas the trade deficit registered broadening of 0.6 p.p. of the GDP on annual basis. The surplus registered with the income sub-balance (of 0.3% of the GDP) moderately contributed to the improvement in the balance on the current account as well, while the deficit with the income remained almost unchanged relative to the previous year.

Figure 10
Current account of the balance of payments



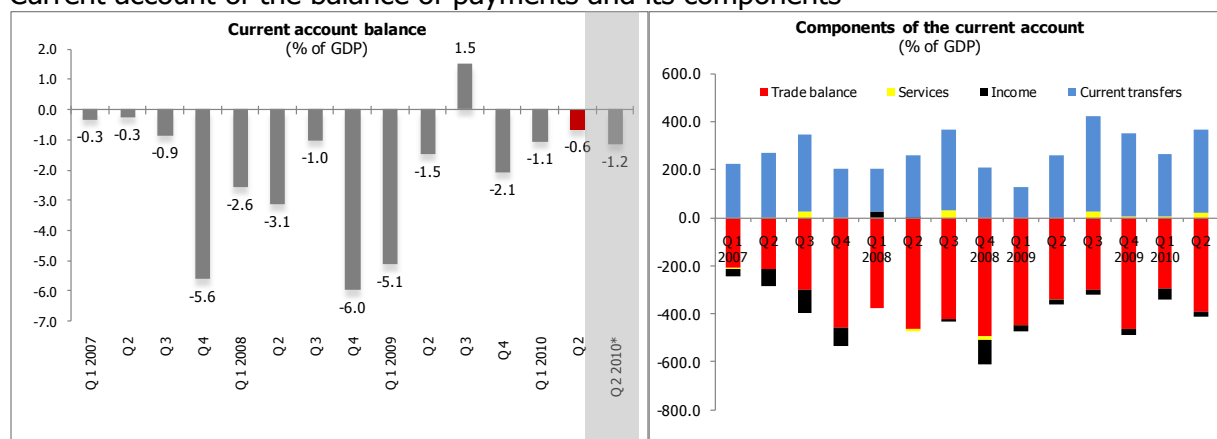
With the capital and financial account (excluding the official reserves), in the second quarter of 2010 net inflows of Euro 81.7 million were realized (or 1.2% of the GDP). Capital net inflows were realized on the basis of foreign indebtedness, foreign direct investments and trade credits, whereas net outflows were registered on the basis of foreign currencies and deposits and portfolio investments. *The structure analysis* showed that, with the loans, which amounted to Euro 97.2 million, approximately 64% of the total indebtedness pertained to long term crediting, within which in this period the withdrawn

assets by the banking sector dominated, while the indebtedness of other sectors dominated in the short-term credits (which include the publically held companies as well). With the foreign direct investments in the amount of Euro 71.4 million, the largest share (65.6%) resulted from the intercompany debt, i.e. the granted credits by the foreign direct investors. *On annual basis*, the improved stock on the capital and financial account (by 28.2%) resulted mainly from the higher net indebtedness based on loans, i.e. rise in the net inflows from borrowings by Euro 103.5 million (with almost equal maturity distribution). The net inflows from trade credits registered considerable annual rise (by Euro 27.8 million), whereas high net outflows were registered based on currencies and deposits (increase of Euro 121.2 million on annual basis).

Compared to the projection of the Balance of payments in July 2010, the realized deficit on the current account in the second quarter of the year amounted to 55.9% of the planned amount for the same period. Such positive deviation from the projection was mainly due to the realized surplus with the services, opposite to the anticipated small deficit with this category. With the capital and financial account, the realized net inflows are in line with the projected amount for the second quarter of 2010.

In the first half of 2010, the deficit on the current account of the Balance of payments amounted to Euro 119 million or 1.7% of the GDP, which compared to the same period of 2009, represented considerable narrowing of 4.9 p.p. of the GDP. **The positive** change on the current account was largely due to the base effect, i.e. to the high comparison basis in the previous year (especially in the first quarter of the year), when the tendencies in the foreign trade were still in favor of the import, with already lower export being registered, and when the dynamics of the private transfers was exquisitely unfavorable. Consequently, the contribution of the net inflows based on current transfers was positive and it amounted to 2.9 p.p. of the GDP, whereas the narrowed trade deficit contributed positively with 1.8 p.p. of the GDP. According to the latest data for the **currency exchange market** in August 2010, net purchase of foreign currencies in the amount of Euro 106.5 million was realized, which represented rise of 4.8% on annual basis. Compared to the projection in July, the net inflows in the currency exchange market in the July-August period of 2010 represented 79.7% of the planned net assets for the third quarter of the year, which showed possible exceeding of the projection. On cumulative basis, in the January-August period the purchase on the currency exchange market reached up to Euro 643 million, registering annual increment of 47.9%.

Figure 11
Current account of the balance of payments and its components



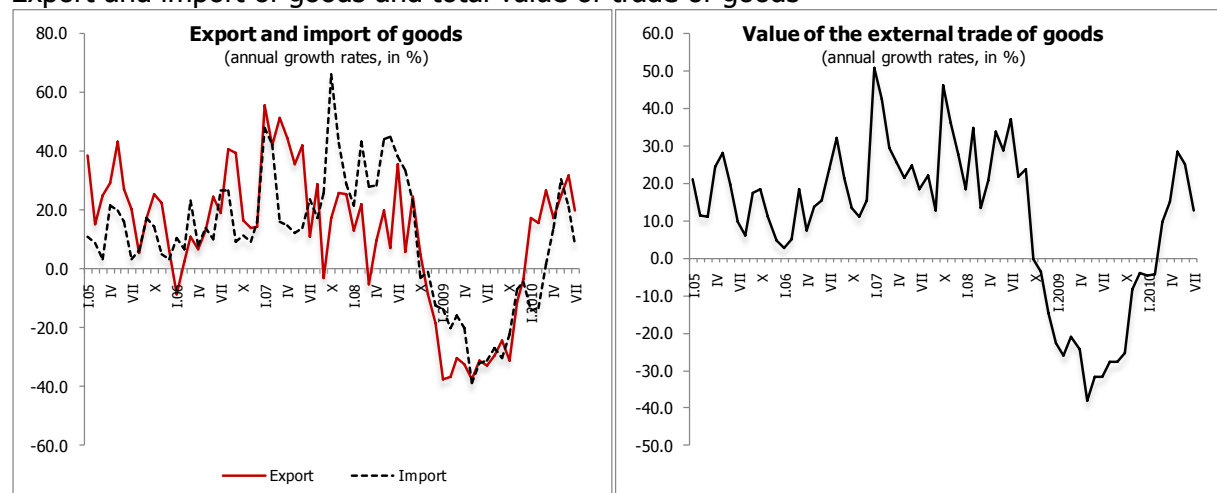
In the first half of 2010, the net inflows on the capital and financial account (without official reserves) equaled Euro 132.2 million, or 1.9% of GDP (compared to 2% of GDP in the same period of the previous year), thus enabling full coverage of the current account deficit, and additional accumulation of foreign reserves. The largest part of the capital inflows was generated through foreign direct investments, in the amount of 1.7% of GDP, primarily as a result of the net inflows from the intercompany debt and the reinvestment gain. Significant part of the net inflows was also realized on the basis of loans and other investments (of 1% and 0.4% of GDP, respectively). Opposite to that, within this period, the currency and deposits position registered high net outflows (of 1.1% of GDP, which mostly resulted from the lower foreign assets of other sectors). *On annual basis*, the net inflows on the capital and financial account are slightly lower (by Euro 6 million) in comparison with 2009. The significantly higher net outflows with the currencies and deposits and the lower net inflows with the trade credits were neutralized by the bigger borrowing from abroad and to small extent, to the lower net outflows on the basis of portfolio investments and the increase in the other short-term liabilities of "other sectors"¹⁰.

On August 31, 2010, the level of the gross foreign reserves reached Euro 1,718.7 million, which is an increase of Euro 121.2 million relative to the end of 2009.

In accordance with the latest data on the foreign trade, in July 2010 the total foreign trade of goods, for the first time since February, registered monthly decrease (of 3.5%), in conditions of bigger drop in the import compared to the decrease in the export of goods. Annually, the foreign trade of goods augmented by 12.7%, as a result of the significant growth in both, exports and imports. The export-import coverage ratio in July equaled 64.8% (the highest level since October 2009), which is annual improvement by 6.4 percentage points.

¹⁰ "Other sectors" in the economy encompasses: non-bank financial mediators, non-financial trade companies, households and non-profit institutions.

Figure 12
Export and import of goods and total value of trade of goods



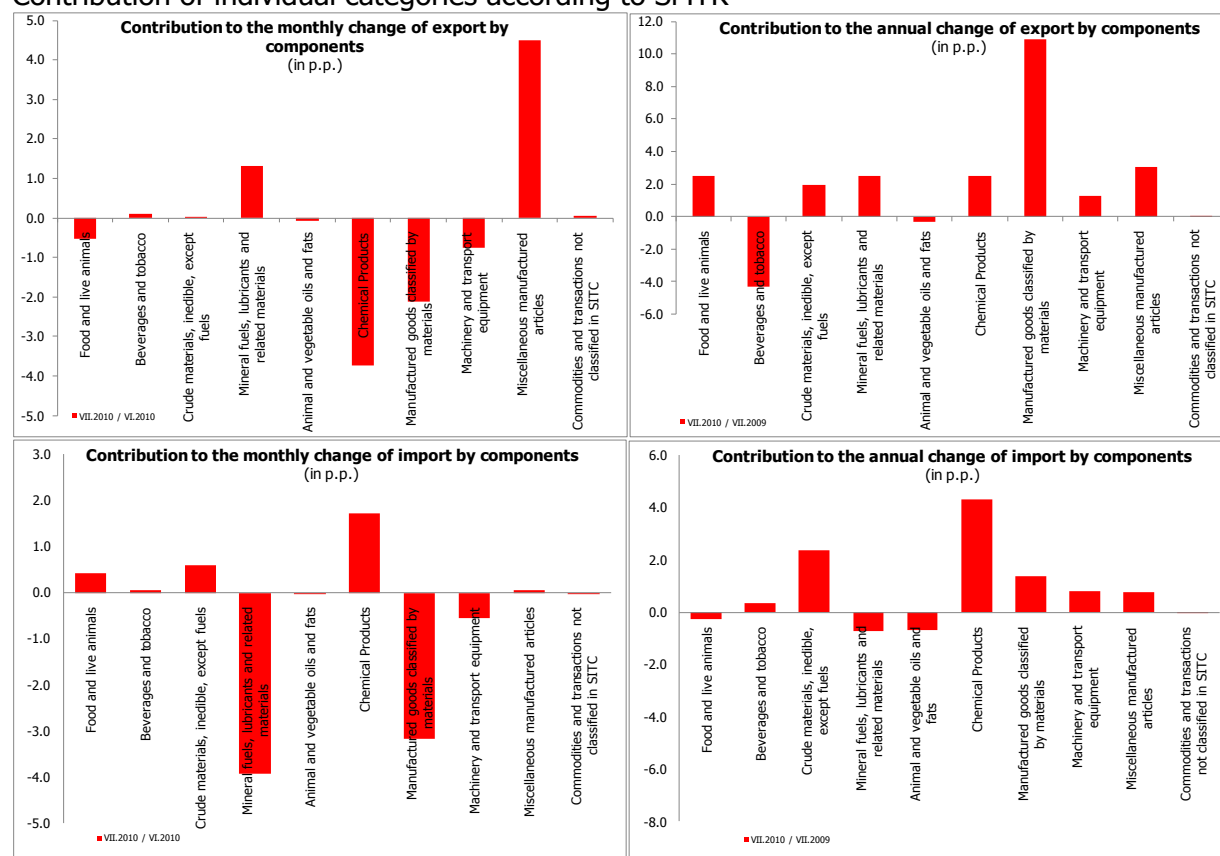
Source: SSO.

In July 2010, the export of goods totaled Euro 224.1 million, which is monthly decrease of 1.3% (by 5.3% according to the seasonally adjusted data). The slight monthly decrease in the exports is mostly due to the lower export of chemical materials and products and iron and steel, while more significant growth was registered with the export of clothing. Pertaining to the export of energy sources, the export of oil products in July was higher than the export in June, while the export of electricity, for a third consecutive month, registers monthly growth, maintaining on the highest level in the last previous years. In July, the export registered an annual growth of 20.1% (compared to the growth rate of 32% in the previous month), with the export of iron and steel, chemical materials and products and cloths having the largest positive contribution to the export. **In July, the import of goods** equaled Euro 346.1 million, which is monthly decrease of 4.8% (according to the seasonally adjusted data by 6.6%), given more significant monthly decrease in the import of oil and oil products, textile and iron and steel. Simultaneously, the import of nonorganic chemical products, plant machinery and devices and metal ore and metal waste increased on a monthly basis. On annual basis, the import registers an upward movement fifth consecutive month already. Thus after the two-digit annual growth rate in the imports of 21.1% in June, the growth rate in July equaled 8.3% and it was mostly conditioned by the rise in the import of non-organic chemical products, road vehicles and metal ore and metal waste. The increase in the import of road vehicles reflects the effects of the decrease in the import duties for used cars¹¹, while the increase in the import of metal ore and metal waste is mostly a reflection of the higher import prices. The reduced import of oil and oil products, iron and steel and electricity is conditioned by the lower imported quantities, in conditions of annual growth in the prices of these products. The higher absolute monthly drop in both imports and exports conditioned monthly narrowing of the **trade deficit of goods in July** (by Euro 14.6 million, compared to the widening of Euro 11.2 million in June). Such a decrease in the negative trade balance mainly aroused from the narrowed deficit in the trade of oil and oil products and textile and the higher surplus in the trade of clothing. Observed on annual basis, the trade

¹¹ The amendments to the Law on Excises dated March 11, 2010, prescribe progressive decrease and change in the excise rates on motor cars in accordance with their value. Also, with the amendments to the Law on Customs Tariff dated March 12, 2010, the customs duties in the import of used motor cars reduced from the current 10% to 5%, i.e. the customs duty for new and old cars has been equalized.

deficit dropped by 8.3%, with the largest positive contribution to the annual deficit contraction accounting for the increased surplus in the trade of iron and steel and clothing, the narrowed negative trade balance with the industrial machines and with oil and oil products, as well as to the move from deficit into surplus of chemical materials and products and electricity.

Figure 13
Contribution of individual categories according to SMTK

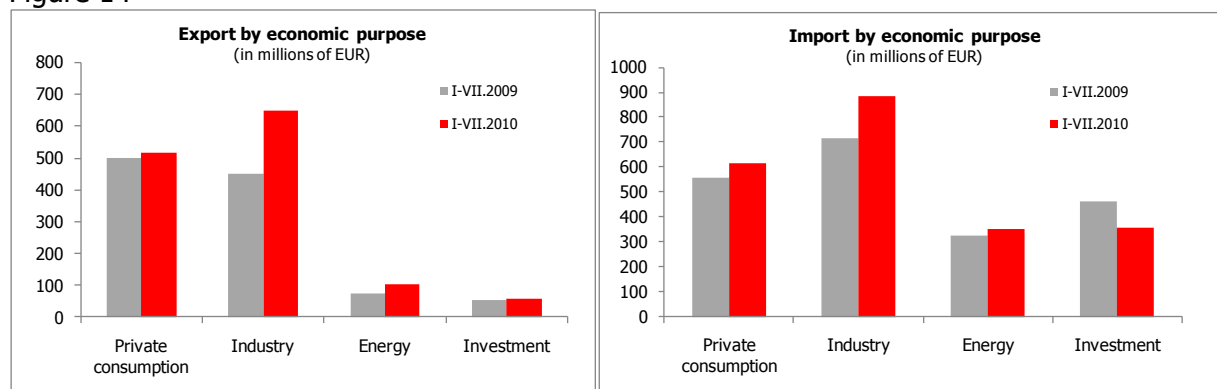


Source: SSO.

Within January - July 2010 period, the cumulative deficit in the trade of goods equaled Euro 880.4 million, which is contraction by 10.7% on annual basis. This can be explained with the intensified annual growth in the export of goods (of 22.6%) in comparison with the increase in the import of goods (of 6.7%). Analyzed from the aspect of the economic activity, the increased export of the domestic **industry** is the main determinant of the positive annual change with the total export. Within the frames of industry exports, the export of iron and steel, chemical materials and products and the export of metal ore and metal waste significantly augmented during the analyzed period. Regarding the export of **energy sources**, it registered annual increase, but with slower pace. The export of oil products augmented by 24.8%, annually, while the export of electricity increased by eleven times on annual basis, in conditions of higher domestic production as a result of the favorable hydro potential. The export of **products for personal consumption** registered slight increase (signaling the slow revival of the optimism with the foreign investors), while the export of **investments products** (which is small segment) was lower than in the previous

year. On the side of the imports, the industry, once again, was the main factor for the annual growth (i.e. export-import dependence), with the import of the products for personal consumption contributing to the growth, which is fully explained with the increase in the import of road vehicles (as an effect of the administrative change). The import of energy sources augmented, mainly as a result of the higher import of oil and oil products, and the import of gas, while the import of electricity registered an annual decrease. Unfavorable tendencies with the import of investments products (machines and transport equipment) were registered, pointing to lower domestic investment activity.

Figure 14

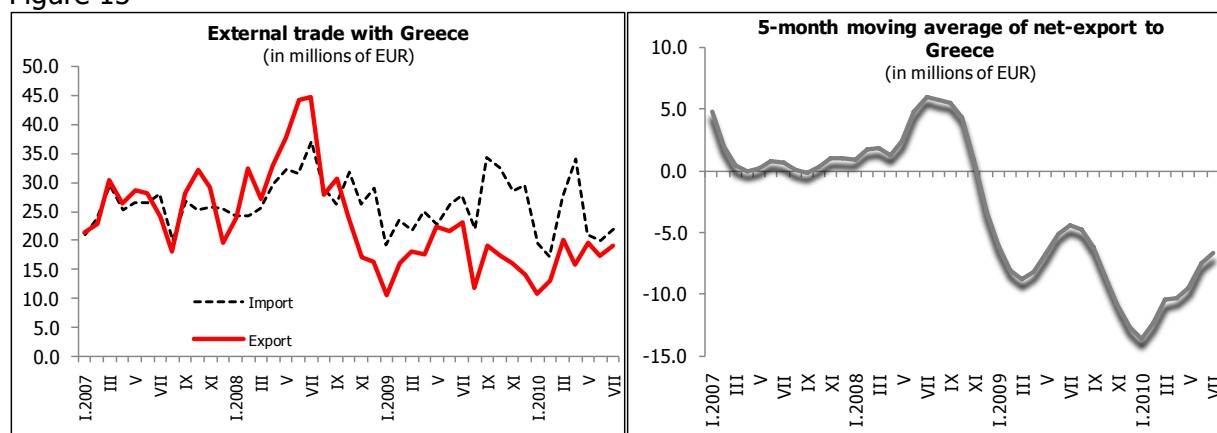


In July 2010, the trade deficit indicates that the performances are so far in line with the projections. Namely, both, the exports and imports are within the projection having the same realization percentage (of 35.1%). In the export structure, the export of various chemical products failed, while within the imports, better realization with the import of vehicles and ore was registered so far, while the import of electricity registered lower realization relative to the projections.

The analysis of the trade of the Republic of Macedonia (RM) according to the trading partners for the January - July 2010 period points to significantly improved trade with European Union (EU). The deficit in the trade of goods declined by Euro 124.3 million annually, i.e. the Republic of Macedonia registered a surplus with eight out of total 27 EU member states, while it registered improved trade balances with total of 19 EU member-states. In conditions of more evident rise in the exports, its the position as a net exporter with Germany, Bulgaria and Spain recuperated, while remarkable narrowing of the negative balance with Italy and Slovenia was registered. On the other, the deficit in the trade with the Great Britain significantly rose. Opposite to the improved trade with EU, the deficit in the trade with the developing countries during the analyzed period widened (to large extent due to the bigger import of crude oil from Russia and the hot-rolled products from Ukraine), while the surplus with the Western Balkan countries registered insignificant decrease.

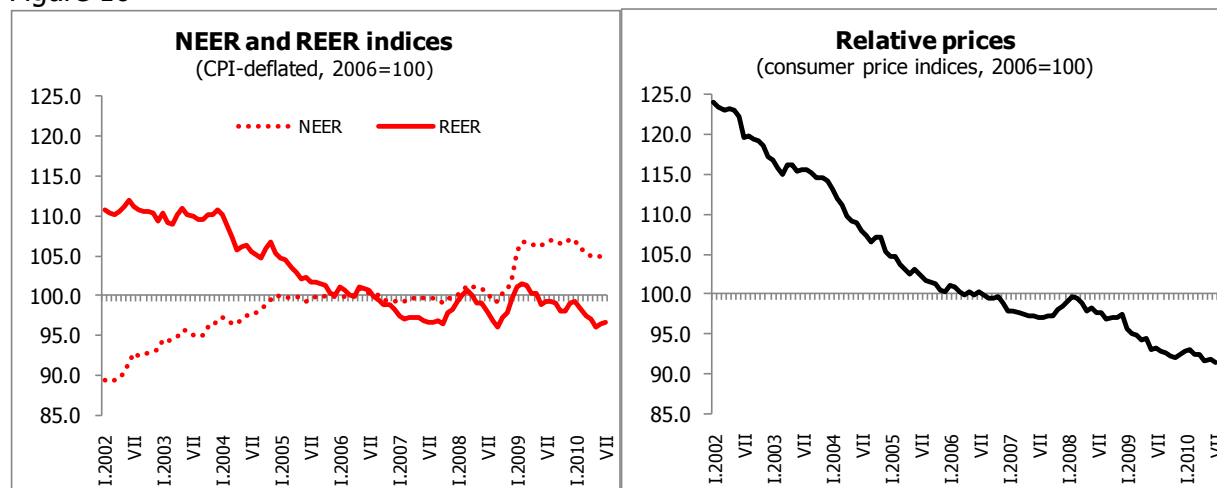
The cumulative deficit in the trade with Greece in the first seven months of 2010 reached Euro 45.3 million, which is widening by Euro 9 million, on annual basis. The export of goods decreased by Euro 13.7 million annually, given small decline in the import of goods (of Euro 4.7 million). According to the last seasonally adjusted data, in July, the exports registered monthly growth (of 10%), while the growth with the imports is smaller (2%).

Figure 15



In July 2010, the real effective Denar exchange rate (REER) calculated according to the consumer price index registered slight monthly appreciation of 0.3%. The REER appreciation arises from the appreciation of the nominal effective exchange rate (NEER) of 0.7% despite the favorable price correlation between the relative prices¹² (decrease of 0.4%, in circumstances of unchanged monthly foreign effective prices and minimal monthly domestic deflation). However, on annual and cumulative bases, REER continues to depreciate, by 2.7% and 3.0%, respectively, due to the more intensive growth in foreign compared to domestic prices and due to the annual and cumulative depreciation of NEER in July, which equaled 0.8%.

Figure 16

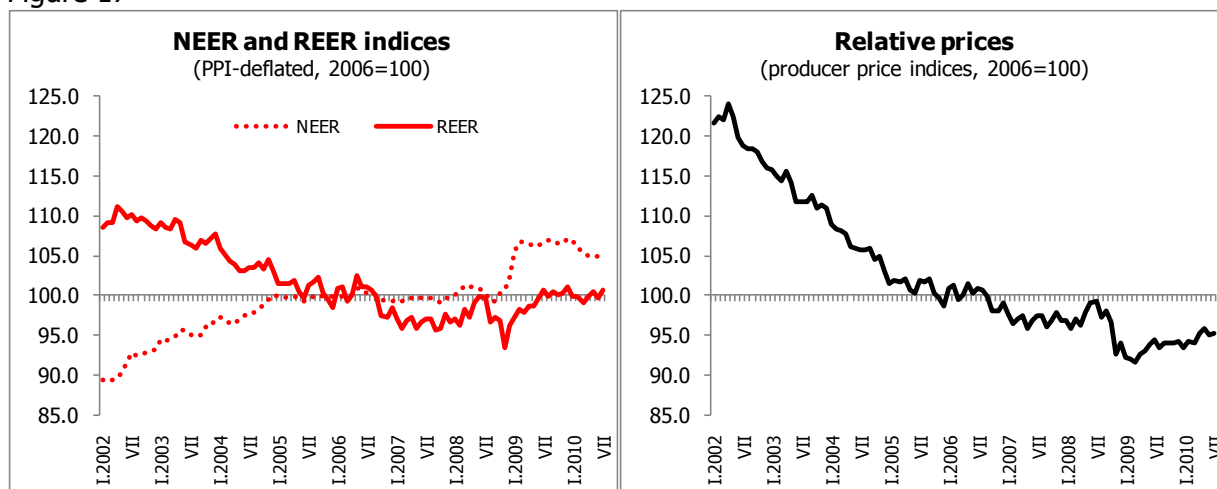


REER deflated with the prices of the producers of industrial products in July registered monthly appreciation of 1.1%, in conditions of monthly appreciation of NEER and growth in the relative prices. Namely, in July, the prices of the domestic industrial products registered faster growth compared to the prices of the foreign producers of industrial

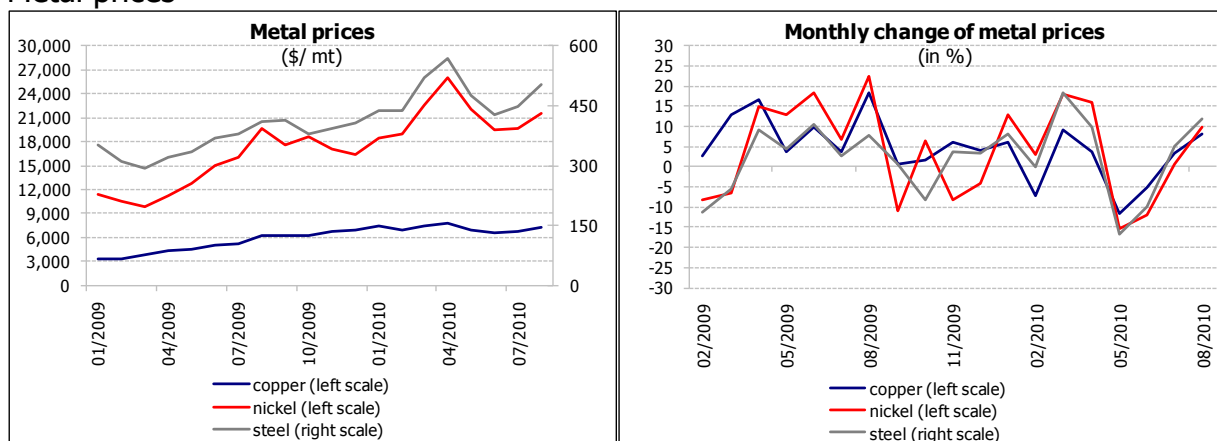
¹² The relative prices are given as a ratio between the foreign prices and the domestic price index. If case this ratio reduces, we have more intensive growth in the domestic prices than in the foreign prices, or more intensive decrease in the foreign prices relative to the decrease in the domestic prices, which influence towards REER appreciation. If this ratio increases, then we have more intensive growth in the foreign prices than in the domestic prices, or intensified decrease in the domestic prices compared to the foreign prices, which influence on REER depreciation.

products. On annual basis, in July, according to this index, REER remained on the level registered in 2009, while on cumulative basis, REER appreciated by 1.3%, due to the unfavorable price ratio, i.e. due to the more intensive increase in the prices of the domestic producers than the increase in the prices of foreign producers of industrial products.

Figure 17



In August 2010, the monthly growth in the **metal prices** was significant and results from the lower stocks, limited offer, as well as the revival of the demand also outside the Chinese economy. The prices of steel on the international stock exchanges were higher by 12% on a monthly basis, while the prices of nickel surged by 9.7% (inter alia supported also by the production breaks in Canada and large demand for stainless steel in China) and copper of 8.1% (as a reflection of the slow growth in the ore extraction and the relatively big demand). However, the price of nickel realized so far (taken as an average from July 01 - September 10, 2010) is higher than that envisaged in the July projection, while on the other hand, the realized price of copper is below the projections.

Figure 18
Metal prices

5. MONETARY AGGREGATES

In August 2010, the **reserve money**¹³ registered annual growth of 10.9% (11.3% in July 2010) given the simultaneous growth in both components. Thus in August, the total liquid assets of the banks registered annual rise of 11.7% (12.9% in the preceding month), while the annual increase in the cash currency in circulation¹⁴ equaled 9.7% (opposite to 9.3% in July). Observed on a monthly basis, the reserve money augmented by 0.9% which is fully due to the higher level of the banks' total liquid assets (by 3.1%), given registered monthly decrease in the cash foreign currency of 3.1%. The net foreign currency assets of NBRM surged monthly by Denar 4,416 million, while the net domestic assets plunged by Denar 3,997 million.

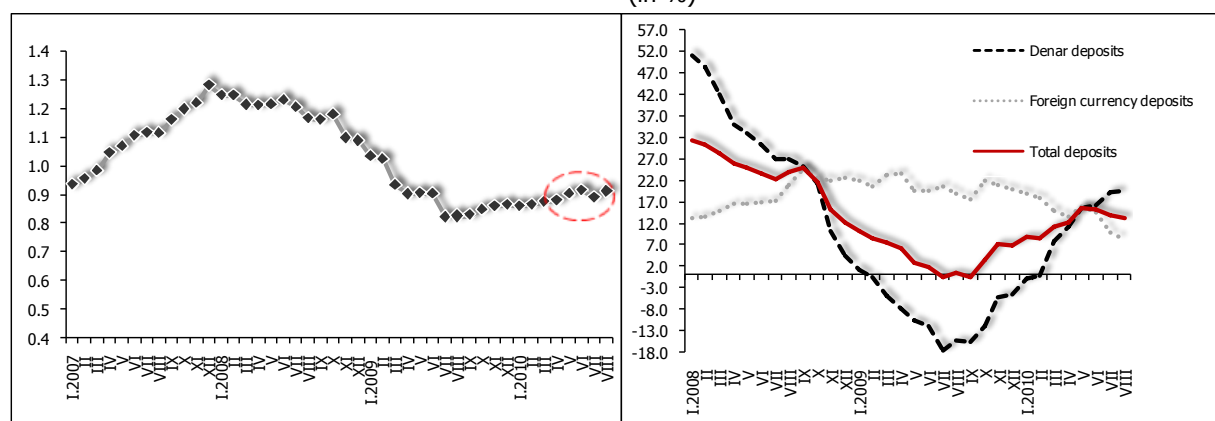
Analyzed from the aspect of the flows of creation and withdrawal of reserve money, in August, dominant influence towards rise in the reserve money accounted for the foreign exchange transactions of NBRM, in line with the realized net purchase of foreign exchange on the foreign exchange market by NBRM within the NBRM segment - banks (of Denar 2.529 million). Small contribution (of Denar 143 million) towards increase in the reserve money in August accounted for the "other items" category, while the CB bill and the Government deposits with NBRM acted towards reserve money withdrawal (of Denar 1,616 million and Denar 624 million, respectively).

On cumulative basis, within the January - August 2010 period, the foreign exchange transactions of NBRM were the main flow of reserve money creation (realized total net purchase of foreign exchange of Denar 8,938 million), while the changes with other items (of Denar 2,671 million) also contributed towards the same direction. The CB bills and the Government deposits within this period represented a flow of reserve money withdrawal (in the amount of Denar 8,551 million and Denar 2,524 million, respectively).

Figure 19

Denar - foreign currency deposits ratio

Annual growth rates in the total deposits
(in %)



Source: National Bank of the Republic of Macedonia.

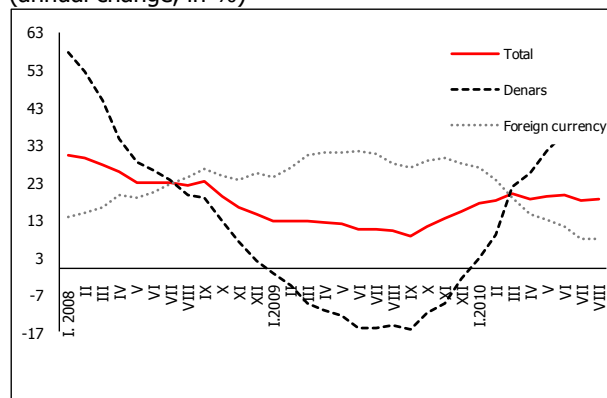
¹³ It includes the currency in circulation (including the cash in the banks' vault), the reserve requirements in Denars and in foreign currencies and the excess of liquid assets above the reserve requirements (in Denars). Without the foreign currency reserve requirement, the reserve money in August 2010 rose by 10.9% on annual basis.

¹⁴ It includes also the cash in the vault of the banks.

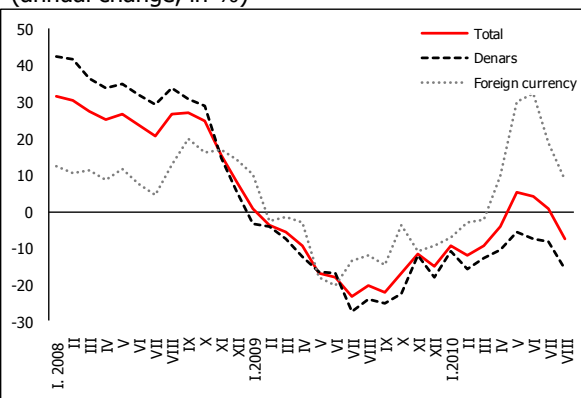
In August 2010, the **total deposit potential of the banks (with demand deposits being included)**¹⁵ registered high monthly growth of Denar 4,418 million, or 2.2% compared to the drop of Denar 4.064 million, or 2% in the previous month, given the payment of a dividend by Telekom to the Government and the foreign investor. The analysis of the currency structure of the total deposits shows more intensive monthly increase in the Denar deposits of 3.5%, thus contributing with 73.9% to the increase in the total deposits in August. The foreign currency deposits registered monthly growth of 1.1%. Analyzed by sectors, more significant contribution to the rise in the total deposits in August accounted for the enterprises' deposits¹⁶ (of 52.6%), which went up by 4.9%, annually. After the last month evident deceleration (outflow of Denar 666 million in form of households' bank deposits, i.e. 0.5% monthly growth), certain recovery with the households' deposits in August was registered, realizing a monthly rise of Denar 1,305 million, or 1%.

Figure 20

Households deposits
(annual change, in %)



Deposits of enterprises
(annual change, in %)



Source: National Bank of the Republic of Macedonia.

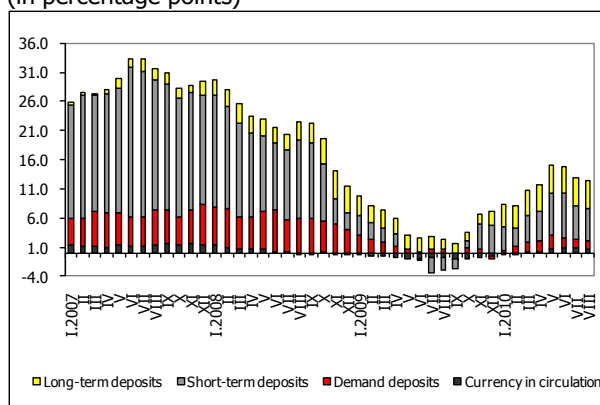
In August 2010, **the annual growth rate of the total deposits with the banks** equaled 13.5%, which is slowdown relative to the annual growth registered in the previous month (of 14%). The Denar deposits augmented annually by 19.5% (19% in July), while the growth rate of the foreign currency deposits continued to decelerate up to 8.4% in August (9.9% in the previous month). From the aspect of the sector structure, the households' deposits realized annual growth rate of 18.5% (18% in the preceding month), given registered increase in both the Denar and the foreign currency deposits of 40.4% and 7.9%, respectively. The enterprises' deposits¹⁷ increased by 1.4% annually, opposite to the annual growth of 3.3% registered in July 2010.

¹⁵ Since January 2009, the deposits include the accrued interest, as well.

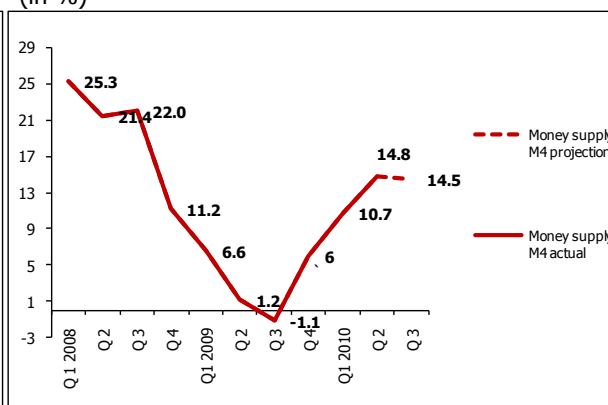
¹⁶ Starting from this information, the analyses of the enterprises' deposits refer only to deposits of enterprises from the private sector (previously, the total enterprises' deposits were analyzed, which besides the private sector's deposits, also include the deposits of the public enterprises).

¹⁷ In August, the total enterprises' deposits (private and public) were lower on annual basis by 1.2%, compared to the annual growth in July of 0.8%.

Figure 21
Money supply M4
Contribution to the annual rise
(in percentage points)



Annual growth rates
(in %)



Source: National Bank of the Republic of Macedonia.

The annual growth rate of the **broadest money supply M4¹⁸** in August 2010 equaled 12.4% (opposite to 12.8% in July), while the projection for the end of the third quarter envisages annual growth in the money supply up to 14.5%. If the money supply continues to increase with the same intensity in September as in August, it can be expected that at the end of the third quarter the achievements with the money supply can be in line with the projection. In comparison with the end of 2010, the broadest money supply in August 2010 went up by 6.1%.

6. BANKS' CREDITS

In August 2010, the total banks' credits with the private sector increased by Denar 1,506 million, or by 0.8% on a monthly basis, opposite to the growth in the previous month which equaled Denar 972 million (or 0.5%). The new crediting in August was almost equally divided between the Denar credits and foreign currency credits, with the Denar loans registering monthly increase of 0.5%. More intensive monthly growth of 1.8% was registered with the foreign currency credits, which is explained with the lower comparison base, having in mind that in July the foreign currency credits registered a decrease on a monthly basis.

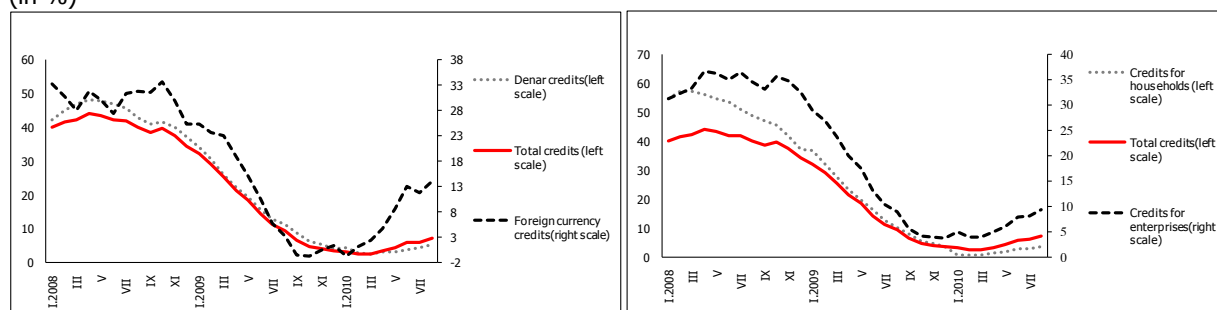
From the aspect of individual sectors, in August, larger part of the new crediting of the private sector (Denar 907 million, or 60.2% of the total credits growth) was directed towards the corporate sector, the credits of which registered monthly growth of 0.8% (0.7% in July). Within January - August 2010 period, total of Denar 6,535 million with the corporate sector was placed on cumulative basis. The households' credits in August registered an increase of Denar 594 million, or 0.8%, which is enhanced credit support of the banks to households in comparison with the preceding month (in July Denar 245 million were placed with households). Analyzed by type of credits, the increase in the total households' credits in August was triggered by the higher level of approved consumer loans and used negative balances on the current accounts (increase of Denar 219 million and Denar 214 million,

¹⁸ The analysis refers to the money supply M4 with accrued interest on deposit liabilities being included.

respectively), while rise with the housing credits (of Denar 112 million) was also registered. In August, the suspicious and contested claims with "households" sector registered monthly rise of Denar 176 million. Within January - August 2010 period, Denar 2,981 million with the households sector were placed on cumulative basis.

Figure 22

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



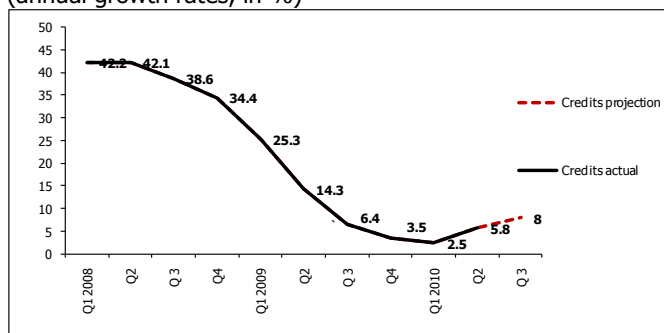
Source: National Bank of the Republic of Macedonia.

In August 2010, **the annual growth rate of the total credits** equaled 7.1%, compared to 6% in July. From the aspect of the currency structure, more significant contribution of 56.7% to the annual growth of the total credits in August accounted to the Denar loans, which incremented by 5.1% on annual basis (4.4% in the preceding month). In August 2010, the annual growth rate of the foreign currency credits equaled 14.1%, compared to 11.7% in the previous month. In August, analyzed by sectors, the households and enterprises' credits evidenced annual rise of 3.7% and 9.4%, respectively, in comparison with 2.9% and 8.2%, respectively in July.

Until the end of the third quarter of 2010, in line with the presumed dynamics of the sources of financing of the credit activity (deposit base, foreign currency assets of the banks and external debiting) and dynamics of other alternative forms of financial assets allocation (Government securities, CB bills), July projection anticipates further increase in the banks' credit activity, and at the end of September 2010 annual growth rate of 8% is estimated. In case the credit growth continues in September with the same intensity as in August, at the end of the third quarter the total credits would be in line with the projection.

Figure 24

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



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

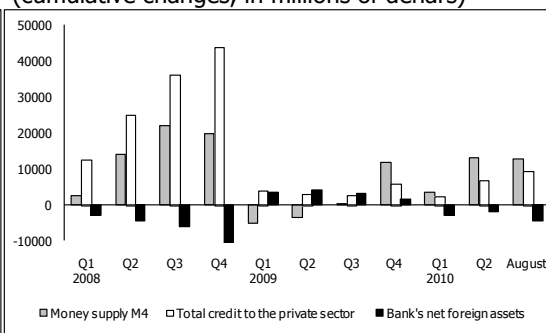
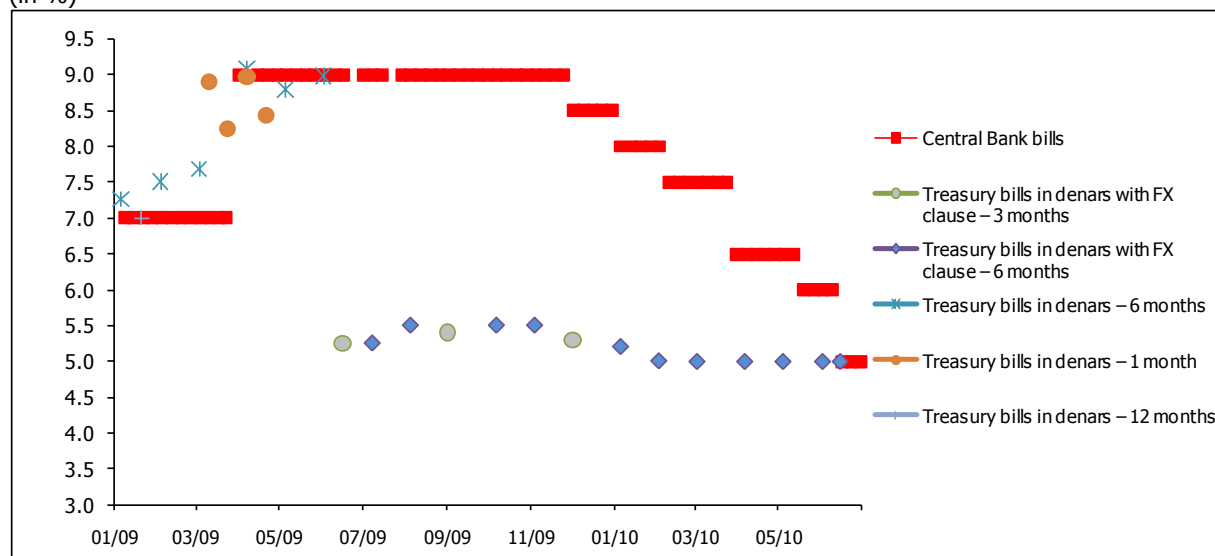


Figure 25
Nominal interest rates
(in %)



Source: National Bank of the Republic of Macedonia.

In July 2010, the changes with the **lending interest rates of the banks** moved generally towards a decrease, with the weighted interest rate on the Denar loans being reduced by 0.4 percentage points on a monthly basis (which is the most intensive monthly decrease since the beginning of the year) and it equaled 9.2%. The intensive monthly decrease in the lending interest rate in July can partially be explained with the harmonization with the contractual interest rates of the banks, in conformity with the provisions of the Law on Obligations¹⁹. However, within the set of lending Denar interest rates, the most intensive decrease was registered with the interest rates on households' long-term and short-term credits without currency clause of 1.8 percentage points and 1.7 percentage points, respectively. On the other hand, **the average weighted interest rate on Denar deposits** registered insignificant upward change relative to the level registered in the preceding month (of 0.1 percentage point) and in July 2010 it equaled 7.1%. In July, **the weighted interest rate on foreign currency credits** registered monthly increase of 0.1 percentage point and it equaled 7.4%, while the **weighted interest rate on foreign currency deposits** evidenced monthly decline (of 0.1 percentage point) and it equaled 3%. **The interest rate on the newly extended Denar loans**²⁰ in July registered a decrease (of 0.3 percentage points on a monthly basis) and it equaled 9.4%, while **the interest rate on the newly accepted Denar deposits**, observed on a monthly basis, remained unchanged and equaled 4.3%. **The interest rates on the newly extended foreign currency credits and the**

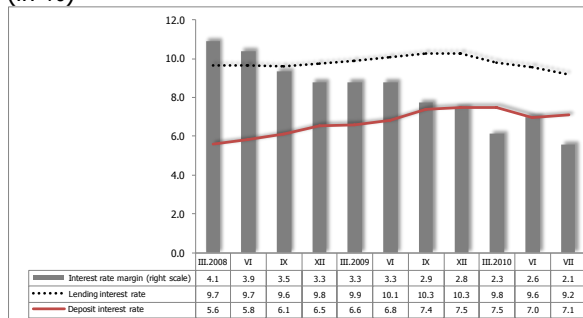
¹⁹ Pursuant to the Law on Amendments to the Law on Obligations ("Official Gazette of RM" no. 161/2009). This Law prescribes the highest contractual interest rate, with the legal penalty interest rate being used as a calculation basis. The basis for determining the legal penalty interest rate depend on the basic interest rate on the open market interventions of NBRM and it is published at the beginning of every six-month period. Regarding the significant decrease in the interest rate on CB bills in the first half of the year, at the beginning of July the reference interest rate for calculation of the penalty interest rate decreased from 8.5% to 5%.

²⁰ The changes in the interest rates on the newly extended credits and newly accepted deposits are more evident since they are influenced by the type of credits or deposits that were dominant during the respective month, and they can differ significantly from the previous credit and deposit structure.

newly accepted foreign currency deposits in July equaled 7.5% and 1.1%, respectively (compared to 7.8% and 1.1%, respectively in the previous month).

Figure 26

Interest rate of the total Denar credits and deposits and interest spread (in %)



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

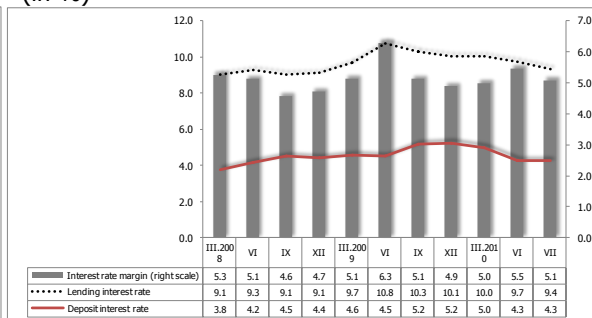
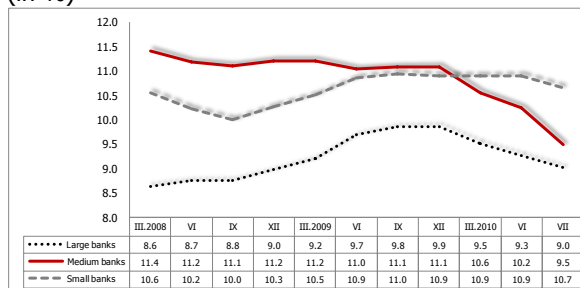


Figure 27

Interest rate of the Denar credits by groups of banks (in %)



Interest rate of the Denar deposits by groups of banks (in %)

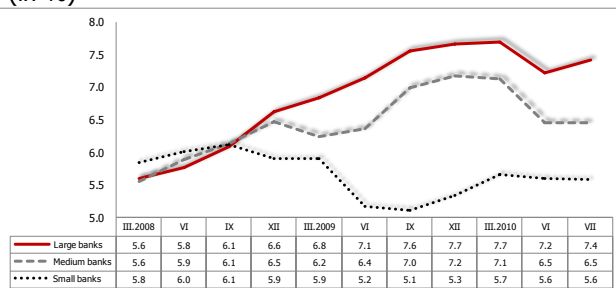
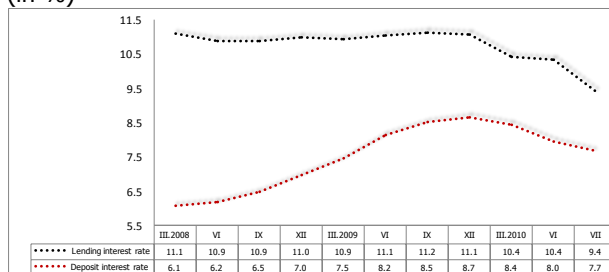
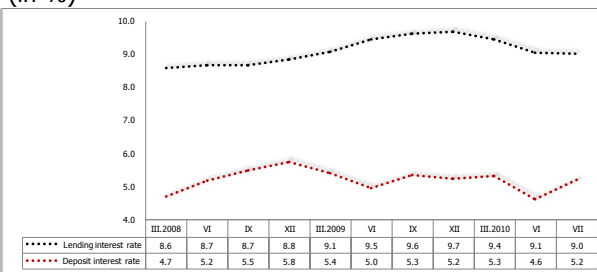


Figure 28

Interest rate of the Denar credits and deposits to households (in %)



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



Source: National Bank of the Republic of Macedonia.

ANNEX

Table 1
Consumer Price

Consumer prices	change in %			contribution to change in percentage points		
	<u>VIII.2010</u> VII.2010	<u>VIII.2010</u> VIII.2009	<u>I-VIII.2010</u> I-VIII.2009	<u>VIII.2010</u> VII.2010	<u>VIII.2010</u> VIII.2009	<u>I-VIII.2010</u> I-VIII.2009
Total	0.1	1.9	1.0	0.1	1.9	1.0
Food	0.1	1.0	-1.1	0.0	0.4	-0.4
Grain products	-0.2	-1.0	-3.0	0.0	-0.1	-0.2
Fresh and processed vegetables	-1.0	2.1	-1.1	-0.1	0.1	-0.1
Fresh and processed fruits	-1.7	2.4	-3.3	0.0	0.1	-0.1
Meat and poultry	0.1	0.6	1.2	0.0	0.1	0.1
Fresh and cooked fish	0.0	-1.4	-2.6	0.0	0.0	0.0
Dairy products	-0.2	2.2	-0.3	0.0	0.1	0.0
Eggs	1.9	-3.1	-9.6	0.0	0.0	-0.1
Oils and fats	10.8	6.0	-7.0	0.2	0.1	-0.1
Tobacco and beverages	-0.1	-0.3	0.4	0.0	0.0	0.0
Clothing and footwear	0.0	1.2	0.5	0.0	0.1	0.0
Housing	0.5	5.5	4.8	0.1	0.9	0.8
Flat (rent, water and other services)	0.0	-0.2	0.0	0.0	0.0	0.0
Fuel and lighting	1.0	9.5	8.6	0.1	0.9	0.8
Heating and services	3.0	9.0	6.1	0.1	0.3	0.2
Electric power	0.0	9.8	9.8	0.0	0.6	0.6
Hygiene and health	-0.4	-0.1	0.3	0.0	0.0	0.0
Culture and entertainment	0.5	3.0	0.9	0.0	0.2	0.0
Transport and communication services	-0.3	2.8	4.2	0.0	0.4	0.5
Fuels and lubricants	-1.3	13.1	21.9	0.0	0.4	0.6
Public transport services & PTT	0.0	-0.6	-1.5	0.0	0.0	-0.1
Restaurants and hotels	0.0	0.6	0.0	0.0	0.0	0.0
Other services n.e.c.	0.3	-6.8	-5.3	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	Q1	Q2	May-10	Jun-10	Jul-10	Aug-10
Inflation (CPI)	2.3	8.3	-0.8	0.9	-0.6	-1.4	-2.1	0.5	1.7	0.2	1.8	1.5	1.9
Inflation (CPI) - cumulative average	2.3	8.3	-0.8	0.9	0.1	-0.4	-0.8	0.5	0.9	0.6	0.8	0.9	1.0
Core inflation (excluding food and energy)	0.6	2.6	0.3	1.5	0.3	0.1	-0.6	-0.2	0.4	0.0	0.3	0.4	0.4
Regulated prices	3.3	9.3	-1.9	-1.6	-1.8	-3.3	-0.7	12.9	10.1	12.8	10.3	9.8	10.4
Industrial producer prices	2.6	10.3	-6.5	-6.2	-8.8	-10.1	-0.4	7.5	7.6	10.9	7.6	7.5	7.7
Productivity	2.5	1.7	-3.8	-3.4	-5.7	-4.8	-1.2	-0.4	-	-	-	-	-
Nominal net-wage*	7.9	10.4	9.8	12.7	13.4	8.9	4.5	3.3	-	3.4	1.8	-	-
Real net-wage*	5.5	1.9	10.8	11.8	14.1	10.4	6.8	2.8	-	3.2	0.0	-	-

*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	Q1	Q2	May-10	Jun-10	Jul-10
Gross domestic product	5.9	4.8	-0.5	-0.6	-1.2	-1.4	1.2	-0.9	-	-	-	-
Industrial output	3.7	5.5	-7.7	-10.8	-13.2	-13.1	7.5	-9.4	-1.6	-0.4	5.4	8.3
Construction	7.6	25.6	13.7	0.0	14.7	12.6	20.3	7.6	-	-16.7	-21.7	0.0
Retail and wholesale trade	23.1	11.8	-7.4	-8.7	-11.0	-8.8	-1.3	3.9	-	10.0	11.7	-
Telecommunications	15.6	8.9	6.6	7.4	5.7	8.3	4.9	17.3	-	19.7	17.1	-

Source: State Statistical Office of the Republic of Macedonia.

Table 4
Selected industrial branches

Selected industrial activities (annual rates, %)	2007	2008	2009	2009				2010		jyn.10	
				Q1	Q2	Q3	Q4	Q1	Q2	change, %	contribution, p.p.
Mining and quarrying	9.8	9.9	-12.3	-12.6	-19.2	-11.3	-6.5	-5.8	0.2	11.2	0.5
Manufacture of food products and beverages	7.7	7.6	-2.1	-2.5	-0.1	-1.8	-3.9	2.3	-1.0	0.1	0.0
Manufacture of tobacco products	-0.8	1.9	-3.2	-2.1	2.6	-5.5	-9.4	15.4	-14.0	-6.6	-0.6
Manufacture of wearing apparel	-14.5	-20.4	-11.7	-23.7	-16.9	-1.6	-3.5	-6.4	12.3	26.0	2.3
Printing	-12.2	59.4	34.6	2.6 times	54.4	-2.7	-15.2	-49.5	-43.7	-0.7	0.0
Manufacture of refined petroleum products	-2.4	1.6	-8.9	9.2	-27.2	-36.3	25.9	-49.1	10.1	0.1	0.0
Manufacture of other non-metallic mineral products	3.8	-3.2	-12.1	-17.0	-4.3	-11.8	-19.3	-27.7	-23.6	-5.2	-0.4
Manufacture of basic metals	34.3	-6.6	-42.1	-61.6	-52.3	-42.2	13.4	48.1	15.5	20.9	1.9
Manufacture of fabricated metal products	45.6	51.4	38.5	35.0	-12.9	-2.8	2.9 times	-55.6	20.2	33.6	1.3
Manufacture of electrical machinery and equipment	-24.4	25.8	-29.0	1.0	-13.5	-51.6	-53.1	-55.5	-62.6	22.0	0.3
Manufacture of other transport equipment	33.4	-18.4	-46.4	-60.5	-71.5	-21.0	24.2	7.1	-11.9	22.8	0.1
Recycling*	-35.6	117.1	-11.6	-74.2	-10.6	7.6	97.9	3.3 times	57.9	28.4	0.4
Electricity, gas, steam and hot water supply	-9.5	-3.1	8.8	-1.6	15.6	10.4	14.2	19.0	38.5	35.1	3.2

Source: State Statistical Office of the Republic of Macedonia.

Table 5
Indicative variables for private consumption and investment

(real annual growth rates, %)	2007	2008	2009	2009				2010		Latest months		
				Q1	Q2	Q3	Q4	Q1	Q2	Apr-10	May-10	Jun-10
Retail trade*	14.4	3.1	-2.9	-4.0	-3.6	-3.7	-0.6	0.9	-	3.6	8.6	7.3
VAT revenues*	18.5	1.3	-1.9	-8.5	-14.0	-3.8	20.3	-0.1	23.1	18.5	28.2	24.6
Imports of consumption goods*	19.4	7.8	-5.3	-0.1	-9.5	-6.6	-4.5	2.4	16.1	10.7	19.4	18.7
Domestic production of consumption goods	-1.5	6.7	-2.8	4.5	0.2	-5.5	-8.3	-10.4	-8.1	-13.3	-8.5	-2.6
Imports of capital goods*	36.9	22.2	-6.4	24.2	-11.2	-9.7	-20.2	-35.5	-12.5	-22.4	-13.3	-0.1
Completed construction works*	4.9	16.3	15.0	-0.8	15.3	14.2	22.9	7.1	-	28.3	-16.9	-23.0
Domestic production of capital goods	19.7	-1.3	-24.5	-24.9	-40.1	-19.3	-6.8	-34.1	-24.9	-35.7	-37.3	0.7

* 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 6**Table 7**

Total Foreign Trade
(in millions of Euros)

	VII.2010	I-VII.2010	VII.2010		VII.2010		I-VII.2010	
			VI.2010		VII.2009		I-VII.2009	
	amount		amount	%	amount	%	amount	%
Total trade	570.2	3,528.3	-20.4	-3.5	64.1	12.7	382.3	12.2
Export	224.1	1,323.9	-2.9	-1.3	37.5	20.1	243.9	22.6
Import	346.1	2,204.3	-17.5	-4.8	26.5	8.3	138.4	6.7
Balance	-122.0	-880.4	14.6	-10.7	11.0	-8.3	105.5	-10.7

Source: State Statistical Office of the Republic of Macedonia.

Table 8

Import of Goods (according to SITC)

Import of goods	I-VII 2009	I-VII 2010	y-o-y change		contributions	
	in millions of EUR		in millions of EUR	%	percentage points	%
Total	2,065.9	2,204.3	138.4	6.7	6.7	100
Food and live animals	229.6	230.5	1.0	0.4	0.0	0.7
<i>of which:</i>						
- meat and meat preparations	56.9	52.9	-4.0	-7.0	-0.2	-2.9
- cereals and cereal preparations	37.6	33.1	-4.5	-12.1	-0.2	-3.3
- fruits and vegetables	29.6	29.5	-0.1	-0.2	0.0	0.0
Beverages and tobacco	20.4	24.9	4.6	22.4	0.2	3.3
Crude materials, inedible, except fuels	73.0	102.5	29.5	40.3	1.4	21.3
<i>of which:</i>						
- metalliferous ores and metal scrap	38.8	68.8	30.0	77.3	1.5	21.7
Mineral fuels, lubricants and related materials	333.4	362.5	29.0	8.7	1.4	21.0
<i>of which:</i>						
- petroleum and petroleum products	240.4	283.5	43.1	17.9	2.1	31.2
- natural or industrial gas	23.3	35.1	11.8	50.4	0.6	8.5
- electric energy	65.7	35.4	-30.3	-46.1	-1.5	-21.9
Animal and vegetable oils and fats	21.2	17.1	-4.1	-19.3	-0.2	-3.0
Chemical Products	228.5	288.3	59.7	26.1	2.9	43.2
- inorganic chemical products	6.4	61.9	55.4	865.4	2.7	40.1
- medical and pharmaceutical products	55.8	56.8	0.9	1.7	0.0	0.7
- chemical materials and products	25.1	26.4	1.3	5.1	0.1	0.9
Manufactured goods classified by materials	482.9	551.5	68.6	14.2	3.3	49.6
<i>of which:</i>						
- textile yarn, fabrics, and related products	161.6	168.0	6.4	4.0	0.3	4.6
- non metallic mineral manufactures	44.3	54.9	10.6	23.9	0.5	7.6
- iron and steel	112.7	151.8	39.1	34.7	1.9	28.3
- non ferrous metals	20.6	40.9	20.4	98.9	1.0	14.7
- manufactures of metals	46.2	41.1	-5.1	-11.1	-0.2	-3.7
Machinery and transport equipment	510.9	461.6	-49.3	-9.7	-2.4	-35.6
<i>of which:</i>						
- power generating machinery and equipment	42.3	10.8	-31.5	-74.4	-1.5	-22.7
- general industrial machinery and equipment, n.e.s., and	78.0	52.0	-26.0	-33.4	-1.3	-18.8
- road vehicles	128.3	175.7	47.5	37.0	2.3	34.3
- other transport equipment	35.0	5.8	-29.3	-83.5	-1.4	-21.1
Miscellaneous manufactured articles	162.3	162.4	0.1	0.1	0.0	0.1
<i>of which:</i>						
- furniture and parts thereof	16.1	17.5	1.4	8.9	0.1	1.0
- articles of apparel and clothing accessories	31.7	27.4	-4.3	-13.6	-0.2	-3.1
- footwear	14.9	14.1	-0.9	-5.9	0.0	-0.6

Source: State Statistical Office of the Republic of Macedonia.

Table 9

Export of Goods (according to SITC)

Export of goods	I-VII 2009 I-VII 2010		y-o-y change		contributions	
	in millions of EUR		in millions of EUR	%	percentage points	%
Total	1,080.0	1,323.9	243.9	22.6	22.6	100
Food and live animals	112.2	129.0	16.7	14.9	1.5	6.9
<i>of which:</i>						
- meat and meat preparations	16.6	18.4	1.8	10.9	0.2	0.7
- cereals and cereal preparations	16.5	19.2	2.7	16.5	0.3	1.1
- fruits and vegetables	56.7	67.1	10.4	18.3	1.0	4.3
Beverages and tobacco	92.6	87.7	-4.8	-5.2	-0.4	-2.0
Crude materials, inedible, except fuels	60.6	114.8	54.2	89.4	5.0	22.2
<i>of which:</i>						
- metalliferous ores and metal scrap	44.2	89.9	45.8	103.6	4.2	18.8
Mineral fuels, lubricants and related materials	74.7	104.6	29.9	40.0	2.8	12.3
<i>of which:</i>						
- petroleum and petroleum products	71.4	89.2	17.7	24.8	1.6	7.3
- electric energy	1.2	13.1	11.9	1,006.3	1.1	4.9
Animal and vegetable oils and fats	4.2	3.5	-0.7	-16.2	-0.1	-0.3
Chemical Products	65.5	118.2	52.7	80.5	4.9	21.6
- medical and pharmaceutical products	25.3	29.2	3.9	15.4	0.4	1.6
- chemical materials and products	2.6	56.6	54.1	22 times	5.0	22.2
Manufactured goods classified by materials	294.7	401.0	106.3	36.1	9.8	43.6
<i>of which:</i>						
- non metallic mineral manufactures, n.e.s	34.7	30.7	-4.0	-11.6	-0.4	-1.6
- iron and steel	199.7	315.2	115.5	57.9	10.7	47.4
- non ferrous metals	1.9	3.6	1.7	87.1	0.2	0.7
- manufactures of metals	32.0	21.3	-10.7	-33.4	-1.0	-4.4
Machinery and transport equipment	62.6	58.0	-4.6	-7.4	-0.4	-1.9
<i>of which:</i>						
- road vehicles	8.8	12.2	3.4	38.1	0.3	1.4
Miscellaneous manufactured articles	312.6	306.2	-6.4	-2.0	-0.6	-2.6
<i>of which:</i>						
- furniture and parts thereof	12.6	13.4	0.8	6.3	0.1	0.3
- articles of apparel and clothing accessories	247.3	242.5	-4.8	-1.9	-0.4	-2.0
- footwear	33.7	32.3	-1.4	-4.2	-0.1	-0.6

Source: State Statistical Office of the Republic of Macedonia.

Table 10

Trade balance of Goods (according to SITC)

Trade balance, Goods	I-VII 2009 I-VII 2010		y-o-y change		contributions	
	in millions of EUR		in millions of EUR	%	percentage points	%
Total	-986.0	-880.4	105.5	-10.7	-10.7	100
Food and live animals	-117.3	-101.6	15.7	-13.4	-1.6	14.9
<i>of which:</i>						
- meat and meat preparations	-40.3	-34.5	5.8	-14.3	-0.6	5.5
- cereals and cereal preparations	-21.1	-13.9	7.3	-34.4	-0.7	6.9
- fruits and vegetables	27.1	37.6	10.5	38.6	-1.1	9.9
Beverages and tobacco	72.2	62.8	-9.4	-13.0	1.0	-8.9
Crude materials, inedible, except fuels	-12.4	12.3	24.7	-198.9	-2.5	23.4
<i>of which:</i>						
- metalliferous ores and metal scrap	5.4	21.1	15.7	293.2	-1.6	14.9
Mineral fuels, lubricants and related materials	-258.7	-257.9	0.8	-0.3	-0.1	0.8
<i>of which:</i>						
- petroleum and petroleum products	-169.0	-194.3	-25.4	15.0	2.6	-24.1
- natural or industrial gas	-21.4	-33.7	-12.4	57.9	1.3	-11.7
- electric energy	-64.5	-22.3	42.2	-65.4	-4.3	40.0
Animal and vegetable oils and fats	-17.0	-13.6	3.4	-20.0	-0.3	3.2
Chemical Products	-163.0	-170.0	-7.0	4.3	0.7	-6.6
- inorganic chemical products	-1.9	-57.3	-55.4	31 times	5.6	-52.5
- chemical materials and products	-22.5	30.3	52.8	-234.5	-5.4	50.0
Manufactured goods classified by material	-188.1	-150.4	37.7	-20.0	-3.8	35.7
<i>of which:</i>						
- non metallic mineral manufactures, n.e.s	-9.6	-24.2	-14.6	151.8	1.5	-13.8
- iron and steel	87.0	163.4	76.4	87.9	-7.8	72.4
- non ferrous metals	-18.7	-37.4	-18.7	100.1	1.9	-17.7
- manufactures of metals	-14.2	-19.8	-5.6	39.2	0.6	-5.3
Machinery and transport equipment	-448.3	-403.6	44.7	-10.0	-4.5	42.3
<i>of which:</i>						
- road vehicles	-119.4	-163.5	-44.1	36.9	4.5	-41.8
- other transport equipment	-33.0	-3.5	29.5	-89.5	-3.0	28.0
Miscellaneous manufactured articles	150.2	143.8	-6.5	-4.3	0.7	-6.1
<i>of which:</i>						
- furniture and parts thereof	-3.5	-4.2	-0.6	18.3	0.1	-0.6
- articles of apparel and clothing accessories	215.6	215.2	-0.5	-0.2	0.0	-0.4
- footwear	18.7	18.2	-0.5	-2.9	0.1	-0.5

Source: State Statistical Office of the Republic of Macedonia.

Table 11
Monetary developments

	30.06.2010	31.07.2010	31.08.2010	monthly changes (31.08.2010/ 31.07.2010)		annual changes (31.08.2010/ 31.08.2009)
<i>in Denar million</i>	actual	actual	actual	in Denar million	in %	in %
Brtoad money M4	220,359	216,146	219,965	3,819	1.8	12.4
Currency in cirrculation	15,662	16,728	16,204	-524	-3.1	9.7
Denar deposits ^{/1}	99,681	95,228	98,422	3,193	3.4	17.5
Foreign currency deposits	105,016	104,190	105,340	1,150	1.1	8.4
Total deposits	204,697	199,418	203,762	4,343	2.2	12.6
Reserve money ^{/2}	47,463	46,919	47,338	419	0.9	10.9

^{/1}Including demand deposits, deposits of municipalities and public entities.

^{/2} Including reserve requirement in foreign currency.

	30.06.2010	31.07.2010	31.08.2010	monthly changes (31.08.2010/ 31.07.2010)		annual changes (31.08.2010/ 31.08.2009)
<i>in Denar million</i>	actual	actual	actual	in Denar million	in %	in %
Credit to the private sector	185,259	186,222	187,728	1,506	0.8	7.1
In Denar	141,971	143,432	144,184	752	0.5	5.1
In Foreign currency	43,287	42,790	43,544	755	1.8	14.1
Banks' net foreign assets	-360	-2,064	-3,049	-986	47.8	-207.6

Source: National Bank of the Republic of Macedonia.

Table 12
Monetary aggregates
(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	Q2	July	August	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	July	August
M0	-8.8	13.5	-0.02	4.4	-10.2	1.7	11.8	10	-4.3	7.9	-1.1	0.9	16.6	22.2	19.6	8.0	6.4	-4.7	6.6	12.4	19.8	27.1	11.3	10.9
M1	-5.9	11.2	1.50	7.8	-13.5	1.8	0.6	9.1	-3.7	4.5	0.3	1.7	24.3	30.2	22.2	14.5	5.2	-3.6	-4.5	-3.5	7.4	10.3	9.1	8.0
M4	1.6	6.3	4.3	-1.2	-2.6	0.8	2.0	5.9	1.7	4.6	-1.9	1.8	25.3	21.4	22.0	11.2	6.6	1.2	-1.1	6	10.7	14.8	12.8	12.4
M4-denar	-1.4	6.6	2.0	-3.2	-9.5	-0.7	-1.7	8.3	1.4	6.6	-2.9	2.4	33.5	24.7	20.0	3.9	-4.7	-11.3	-14.5	-4.4	7.04	15.0	15.6	16.3

Source: National Bank of the Republic of Macedonia.

Table 13

Deposits of the private sector*

(in millions of denars)

		Balance as of 31.08.2010	monthly changes		annual changes	
			in Denar million	in %	in Denar million	in %
Total deposits		201,567	4,419	2.2	23,925	13.5
In Denar	Households	52,691	243	0.5	15,150	40.4
	Enterprises	29,945	2,195	7.9	-1,331	-4.3
	Total	96,227	3,269	3.5	15,730	19.5
In Foreign currency	Households	83,927	1,063	1.3	6,151	7.9
	Enterprises	19,660	129	0.7	2,019	11.4
	Total	105,340	1,150	1.1	8,195	8.4
Total households deposits		136,618	1,305	1.0	21,300	18.5
Total enterprises deposits		49,605	2,324	4.9	688	1.4

* the Denar deposits do not include the deposit money.

Source: National Bank of the Republic of Macedonia.

Table 14

Credits to the private sector

(in millions of denars)

		Balance as of 31.08.2010	monthly changes		annual changes	
			in Denar million	in %	in Denar million	in %
Total credit to the private		187,728	1,506	0.8	12,403	7.1
In Denar	Households	70,424	510	0.7	2,244	3.3
	Enterprises	73,632	237	0.3	4,778	6.9
	Total	144,184	752	0.5	7,033	5.1
In Foreign currency	Households	4,416	84	1.9	449	11.3
	Enterprises	39,064	670	1.7	4,940	14.5
	Total	43,544	755	1.8	5,370	14.1
Total credit to the households		74,840	594	0.8	2,693	3.7
Total credit to the enterprises		112,695	907	0.8	9,718	9.4

Source: National Bank of the Republic of Macedonia.

Table 15
Interest rates

	Aug-10	monthly changes	annual changes
	in %	in percentage points	
Average weighted interest rate on the CB bills auctions (28 days)	4.68	-0.3	-4.3
Average weighted interest rate on the Money Market	2.89	-0.28	-3.5
Interest rate on three-month treasury bills		/	/
	Jul-10	monthly changes	annual changes
	in %	in percentage points	
Banks' weighted lending interest rates	9.2	-0.4	-1.0
Banks' weighted deposit interest rates	7.1	0.1	-0.1

Source: National Bank of the Republic of Macedonia.