

**National Bank of the Republic of Macedonia**  
**Research Department**



**Monthly Information**  
**4/2010**

May, 2010

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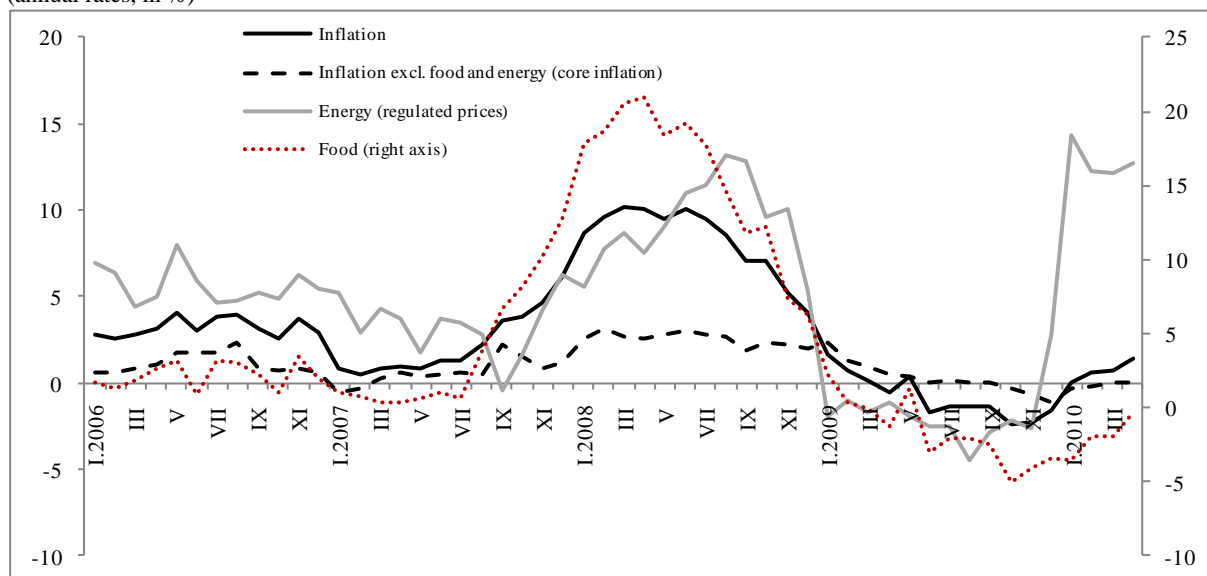
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## 1. PRICES

The monthly upward trend in **the consumer prices** continued in April 2010 as well, with moderate intensification being registered on annual basis. The monthly price growth of 0.6% resulted mainly from the rise in the food prices, i.e. from the seasonally higher prices, mainly of the fresh vegetables. The prices of oil derivatives also registered growth, in accordance with the increment in the price of the crude oil on the international stock exchanges. **On annual basis**, the consumer price index realized growth of 1.4%, which represented intensification compared with the annual inflation (0.7%). The annual inflation of 1.4% still can be explained by the higher prices of housing (which was due to the rise in the prices of the electricity and central heating since the beginning of the year), as well as by the rise in the prices of oil derivatives, in conditions of low comparison basis in the previous year. The intensification in the annual inflation in April was due to the considerably lower negative contribution of the food, which resulted from the high annual growth in the prices of fresh vegetables of almost 8.0%. Such rise can be explained by the seasonal factor (because of the Easter holidays which this year were in April, whereas last year they were in May). Therefore, such price increment is expected to have single effect, which would be depleted already in the next month. In the first four months of 2010, **the average inflation rate** also registered moderate rise and it amounted to 0.7%.

**The core inflation**<sup>1</sup> (inflation without food and energy) was stable and without considerable developments. In April 2010 it registered minimal rise on annual basis of 0.1% (0% in the previous month), which was mostly due to the intensification in the growth in the prices of footwear, education and means of transport. However, the entering of the core inflation into the positive zone indicated gradual overcoming of the negative dynamics, which was present since the last quarter of 2009.

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



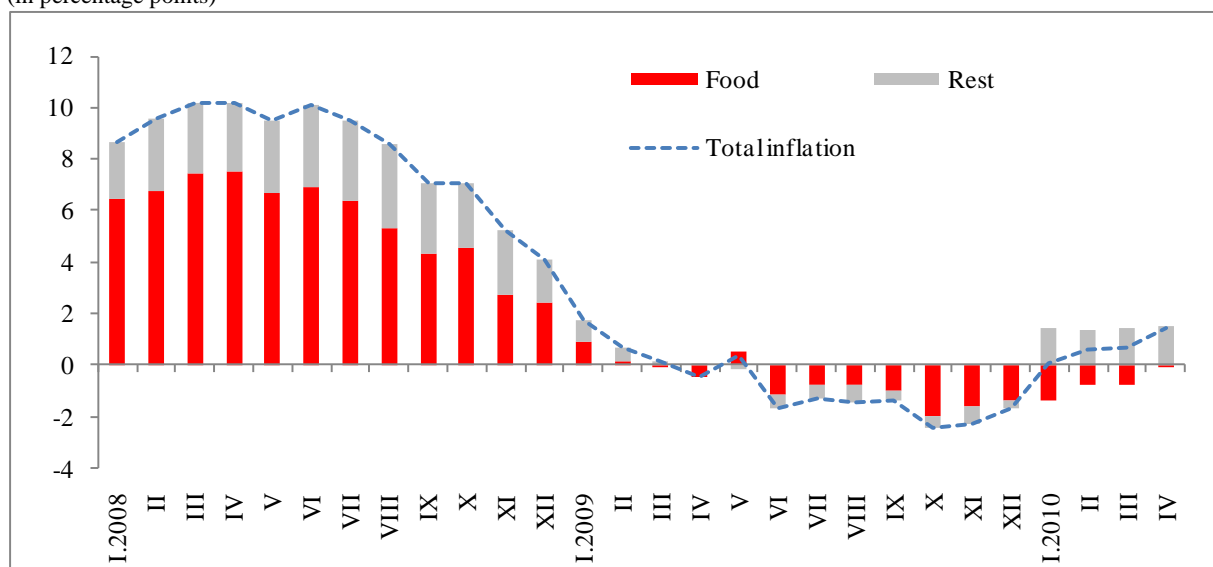
Source: State Statistical Office of the Republic of Macedonia and NBRM calculations.

<sup>1</sup>The calculations are made by the new weights. SSO in January 2010 performed regular correction of the weights in the price index, so the weight of the category "food" reduced by 2.0 percentage points.

The realized annual inflation rate in April (1.4%) was higher relative to the last projections, according to which an annual change in the prices of 0.5% was anticipated. The deviation was due to the considerably lower drop in the food prices than the anticipated one, because of the high annual growth in the prices of the fresh vegetables caused by the moving of the season for these products. The higher annual growth in the price of the crude oil relative to the projected one gave additional effect towards projection deviation. **The projected annual inflation rate for the second quarter of 2010 amounted to 0.7%.** Although the annual inflation rate in April was over the projected level, no considerable deviations were expected with the performances of the annual inflation, in the second quarter, from the average projected rate (0.7%), considering the fact that in May low inflation rate was anticipated which was due to the high comparison basis in the previous year.

Figure No. 2

Contribution of the food price to the annual inflation rate  
(in percentage points)



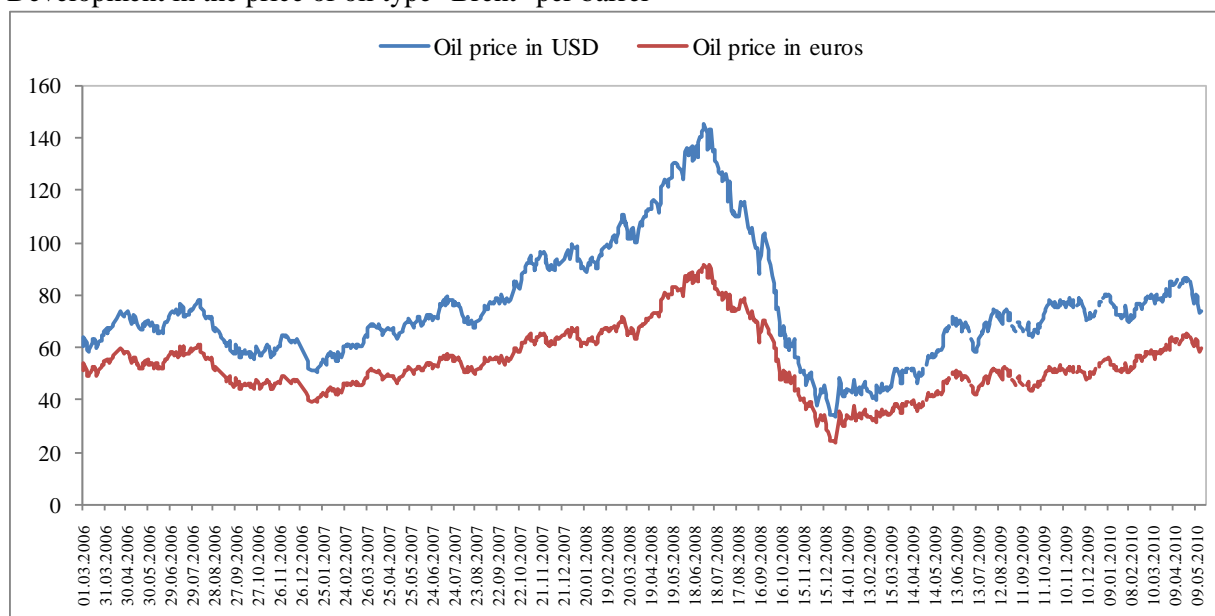
Source: State Statistical Office of the Republic of Macedonia and NBRM calculations.

After the monthly fall in February, the average **price of the oil type "Brent"** grew up constantly, so in April 2010 the upward trend continued more intensively. Thus, the average price in April 2010 amounted to USA Dollar 85 per barrel and relative to the previous month it realized growth of 7.2%. More considerable price growth was realized at the beginning of the month exceeding the level of USA Dollar 85 per barrel, as a result of the higher industrial output in USA, Europe and China, as well as of the more positive developments in the US labor market. Although, in the following period, the oil price was affected by factors which were acting towards its decrease, in the last days of April, the oil price increased again. Such change was due to the information for growth in the American economy in the first quarter of 2010, as well as the concern about the possible drop in the supply as a result of the Mexican Gulf oil spill. Thus, on April 29 the price of the oil type "Brent" reached its maximum in 2010 (USA Dollar 87 per barrel). But, at the beginning of May, the oil price stabilized and it ranged about USA Dollar 81 per barrel (which was due to the strengthening of the Dollar value, as a result of the situation in the Greek economy and the possibility for transmission effects to the other European countries). Thus, considering the fact that the Denar depreciation, relative to the USA Dollar, was more intensive than the minimal fall in the oil price, on May 10, 2010 the Regulatory Energy Committee adopted a decision on increasing the refinery and retail prices of oil derivatives by 0.95% and 0.52%, respectively, on average. The gradual drop in the oil price continued in the period from May 10 till May 19, when it reduced at the level of USA Dollar 76.6 per barrel, so it was lower by 8.6%

relative to the previous period of two weeks (which was mainly due to the further strengthening of the USA Dollar value, relative to the Euro, the negative developments on the global capital markets, as well as the higher oil reserves in USA). Considering the more intensive drop in the oil price compared to the fall in the Denar value relative to the USA Dollar (4.6%), on May 25 the REC adopted a decision on decreasing the refinery and retail prices of oil derivatives (the assessment does not include the changes in the prices of oil derivatives on the international market).

Figure No. 3

Development in the price of oil type "Brent" per barrel

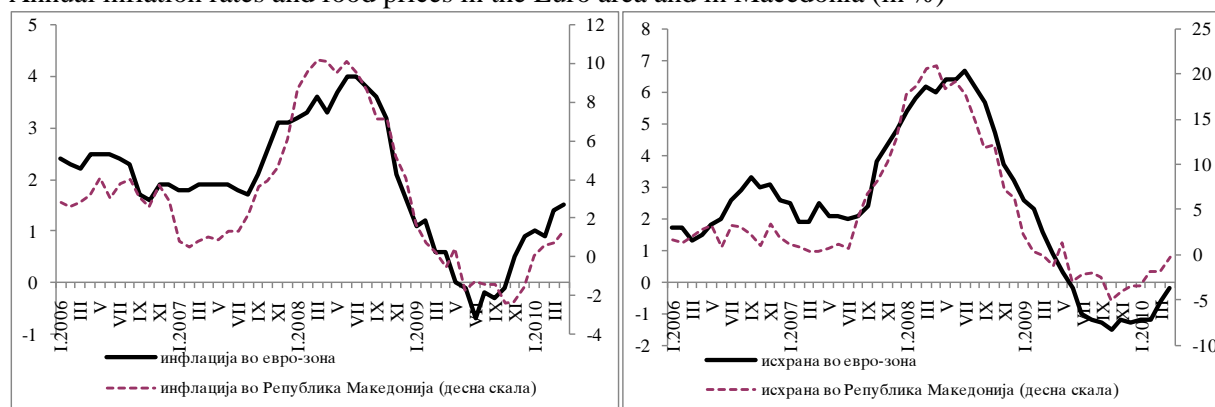


Source: The Energy Information Administration - statistical agency of the U.S. Department of Energy.

The level of **consumer prices in the Euro area** continued to grow in April 2010 as well, and compared to the previous month the prices are higher by 0.5%, which was mainly due to the higher prices of wearing apparel and transport fuels, whereas the prices of package holidays registered more considerable drop. In April, the annual inflation rate in the Euro area registered moderate intensification thus amounting to 1.5% (1.4% in March), influenced by the base effects of the prices of transport fuels (due to the low price of the crude oil in the previous year), by the higher price of the fuel oil, as well as by the higher tobacco prices. The average cumulative inflation rate in the Euro area amounted to 1.2% in the first four months of 2010.

Figure No. 4

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



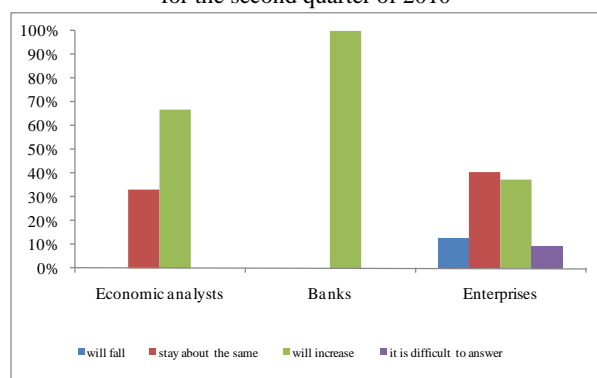
Source: Eurostat and SSO.

### 1.1. Inflation Expectations Survey

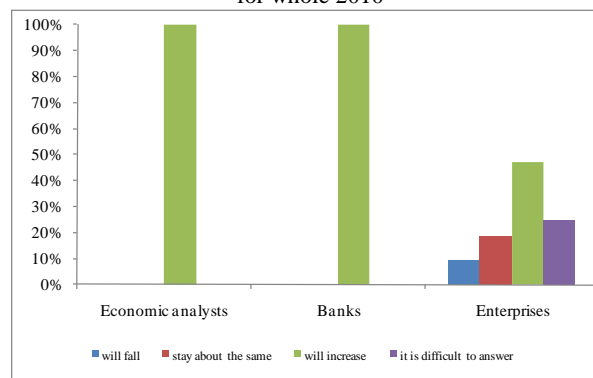
According the Inflation Expectations Survey conducted in April 2010<sup>2</sup>, most of the surveyed (49%) anticipated for the annual inflation rate at the end of the **second quarter of 2010** to be higher than the level in March (0.7%), slightly lower share (35%) considered that the inflation shall remain unchanged, and 9% anticipated decrease. With respect to the anticipations of certain groups of surveyed, considerable share (67%) of the **analysts** anticipated higher inflation, and the rest of them expected for it to remain at the current level. All surveyed **banks** considered that the inflation will increase in the second quarter. Different from the banks, most of the **enterprises** (41%) had stable inflation expectations, 38% of them anticipated rise, while just a small part (13%) expected fall in the inflation under the level of March. *The anticipated annual inflation rate for June 2010, based on the results from the Survey, amounted to 0.9%*

Figure No. 5

Distribution of answers for the inflation expectations by groups of surveyed for the second quarter of 2010



for whole 2010



Source: NBRM, Inflation Expectations Survey, April 2010.

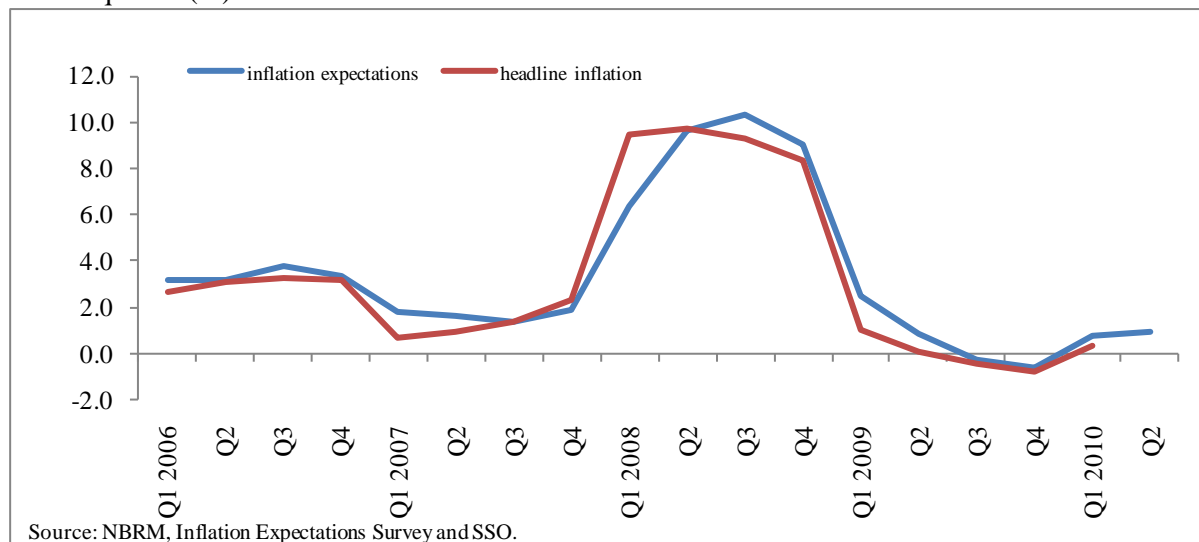
Regarding the **whole 2010**, more than half of the surveyed (60%) anticipated that the average inflation rate will be higher than the one realized in the period January-March (0.5%), 14% of the

<sup>2</sup> The survey had response of 58.9%, i.e. 47 of 73 surveyed answered the survey. Observed by groups of surveyed, the highest response was registered with the banks (71.4%), than with the enterprises (60.4%), and the lowest with the economic analysts (46.2%).

surveyed had stable inflation expectations, 19% considered that the inflation development till the end of 2010 can be hardly assessed, whereas 7% considered that the inflation will decrease. The *analysts* and *banks* anticipated that the average inflation will intensify till the end of 2010. Almost half of the *enterprises* (47%) had identical anticipations, 19% of them anticipated for the inflation to be stable, whereas 9% anticipated lower inflation. *The economic entities anticipated for the average inflation rate to amount to about 1% in 2010, which represented moderate intensification relative to the anticipations of the previous survey (about 0.7%).*

Figure No. 6

Expectations for the average inflation rate till the end of the year and realized average inflation in the current quarter (%)



Source: NBRM, Inflation Expectations Survey and SSO.

The assessments for further revitalization of the global economy and rise in the international prices of products, the improvement in the condition of countries that are our largest trade partners, the more relaxed monetary policy and the anticipations for development of the credit market were the mostly emphasized factors which influenced towards positive expectations for higher inflation with the economic entities.

## 2. WAGES AND EMPLOYMENT

In February 2010, the average **net and gross wages** per employee registered monthly nominal fall of 0.4% and 0.7%, respectively, which represented second subsequent wage drop since the beginning of the year. With monthly inflation of 0.4% being registered, this indicated to real fall in the net and gross wages of 0.8% and 1.1%. Analyzed by sectors, the agriculture and the industry registered fall in the net wages was (3.6% and 1.4%, respectively), whereas the wages in the service sector registered growth (0.6%). At the branch level, the wages in the agriculture registered largest drop (5.4%), followed by the food industry (3.5%), energy (3.3%), construction (2.9%) and health service (3%), whereas the wages in the telecommunications registered considerable upward development (17.2%). **Relative to December 2009**, in February 2010 the average net and gross wage were nominally lower by 1.2% and 2.8%, respectively. Such developments with the wages can be interpreted as signals for gradual adjustment of the conditions on the labor market to the economic activity which is still low.

Figure No. 7  
Annual growth rates in the wages\* and inflation  
(in %)

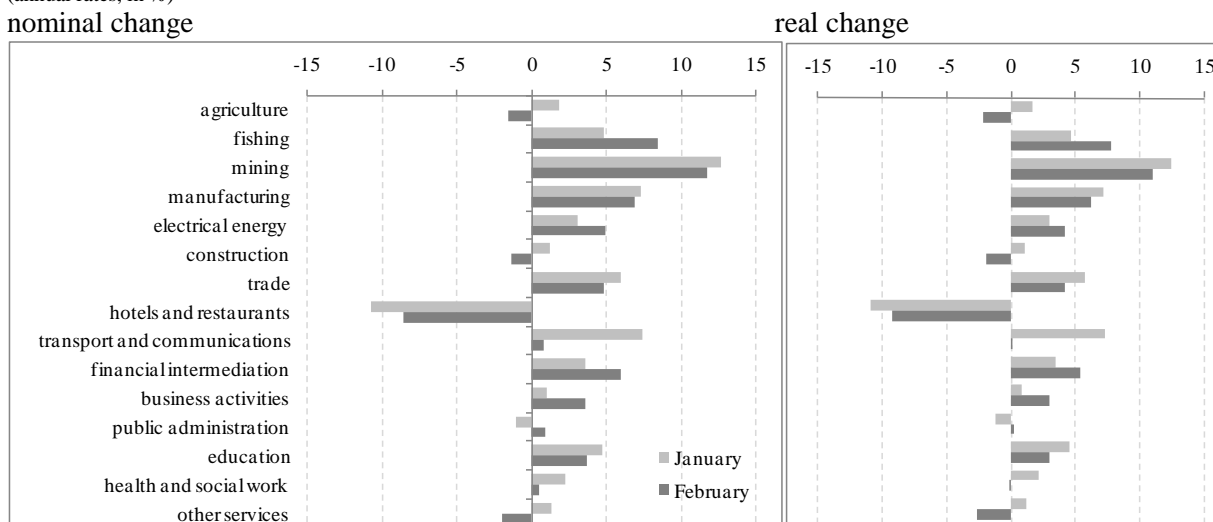


\* For 2009, the corrected growth rates are shown.

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

**On annual basis**, the trend of slowing down in the rise of the net and gross wages continued in February as well, when the nominal growth reduced to 3.3% and 1.1%, which with annual inflation of 0.6% being registered, represented real annual growth in the net and gross wages of 2.7% and 0.5%, respectively. Analyzed by individual branches, the wages in the mining registered the highest nominal annual growth (11.7%), followed by the manufacturing industry (6.8%) and financial intermediation (6%). The wages with the hotels and restaurants registered drop (8.6%), together with the agriculture (1.6%) and construction (1.3%).

Figure No. 8  
Average net wage by sectors  
(annual rates, in %)  
nominal change



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



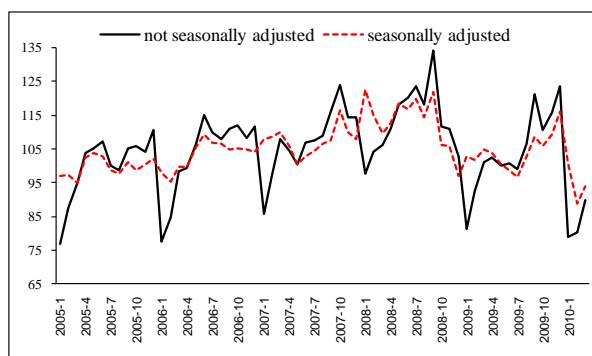
### 3. ECONOMIC ACTIVITY

**In March 2010, the volume of the industrial output was by 12% higher relative to the previous month.** The largest share of the rise was still due to the usual seasonal factor in March, when the industry usually has larger volume of output relative to February<sup>3</sup>. Consequently, according to the seasonally adjusted data, the increment in the industrial output in March, relative to February, amounted to high 5.8%, with which the downward trend in the volume of the output registered in the previous two months was stopped. Twenty of the total twenty four activities registered growth in the output (76% of the index), when the largest *manufacturing* activities - output of food, of basic metals, of wearing apparel and non-metal minerals contributed mostly. In the same time, in March the output of oil derivatives registered largest drop<sup>4</sup>.

**Compared with the same period of the previous year, the industrial output in March 2010 registered large fall of 11.2% again.** The drop was mostly due to the lower volume of output of oil derivatives (which was due to the already mentioned overhaul), with the printing (as a result of the last year's elections), as well as with the non-metal minerals and metal products. Simultaneously, the largest industrial activities - output of food, of basic metals, of wearing apparel as well as of energy, registered positive developments in March. Totally, thirteen out of totally twenty four activities registered annual fall in March (38% of the index). **In the first three months of 2010, the cumulative fall in the industry amounted to 9.4%.**

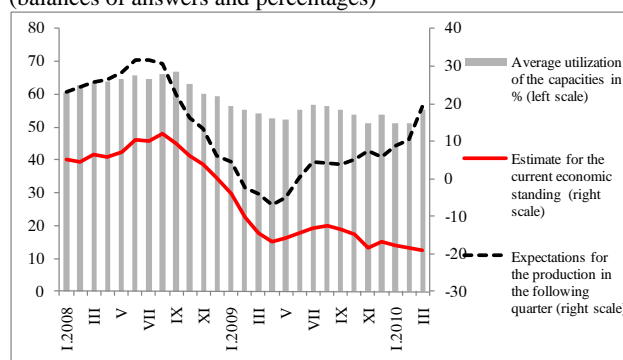
**According to the assessments of the managers in the manufacturing industry<sup>5</sup>,** still no improvement was registered in the situation in industry. Thus, the business condition and the volume of output in March were additionally worsened relative to the previous months, whereas small improvement was registered with the percentage of utilization of facilities (55.5%), which registered its highest level in the last seven months, similar with the anticipations for the future output, which already four months in a row registered growth.

Figure No. 9  
Index of the industrial output  
(monthly levels, 2005=100)



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

Figure No. 10  
Assessments of managers in  
the manufacturing industry  
(balances of answers and percentages)



Source: State Statistical Office.

**With the other economy sectors, in February 2010 improvement with the trade and the telecommunications was registered, and the construction registered worsening. In February, the**

<sup>3</sup> The seasonal effect in March, relative to February, in the last eight years amounted to 7.9%, on average, whereas in 2010 it was a bit lower and it amounted to 5.9%.

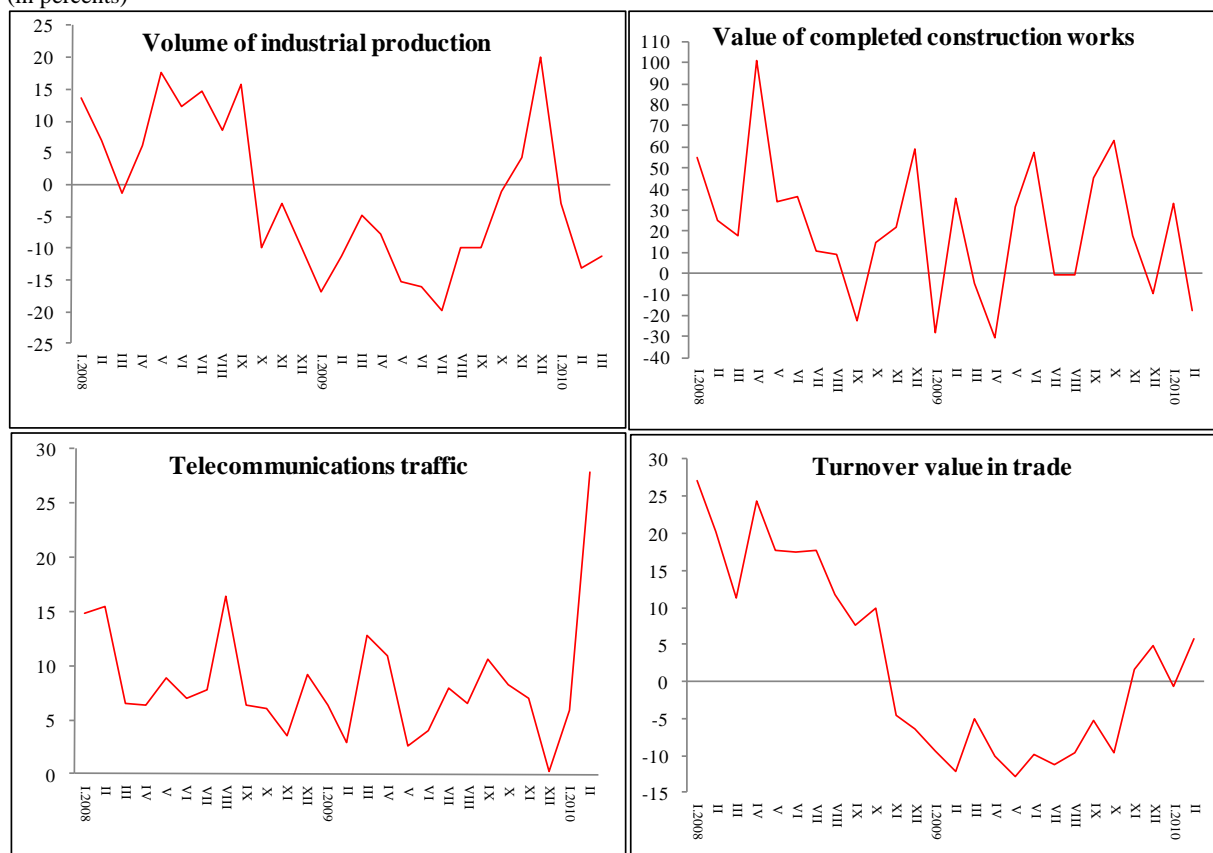
<sup>4</sup> As a result of the regular overhaul with the only enterprise in this area.

<sup>5</sup> From the Business Tendency Survey in the manufacturing industry of SSO from March 2010.

**trade turnover** registered monthly rise of 4.9% (2.7% according to the seasonally adjusted data). Therefore, in six of the last seven months positive rates of monthly changes were registered (according to the seasonally adjusted data), which indicated gradual recovery of this activity. The improved condition was registered from the annual rates as well, according to which the trade in February registered growth of 5.8%. In February, the **telecommunications** registered considerably high monthly rise of 6.9% according to the seasonally unadjusted data, and 17.8% according to the seasonally adjusted data, which actually represents the highest rate of monthly growth in the period the data refer to. In accordance with this, high growth in February was registered on annual basis as well, of 27.9%, which represented the highest rate in the last ten years. Different from these two activities, the monthly rise in the **construction** in February of 12.5% does not indicate to improvement in the condition, but it solely resulted from the usual seasonal factor, and according to the seasonally adjusted data, the construction actually registered monthly fall of 10.9% in February. Therefore, the construction already third time in the last four months had negative monthly rate, which indicated certain worsening in the condition of this activity. Worsening in the condition was registered in the annual growth rate in February as well, which amounted to -17.8%.

Figure No. 11

Annual growth rates in individual economy sectors  
(in percents)



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

The worsening in the condition in the construction in the last few months corresponded with the change in the issued construction licenses in the last period. Therefore, considering the growth in the value of the issued licenses in March of 31.4%, on annual basis, there is a possibility for revival of the construction activity in the following period as well. The growth was mostly due

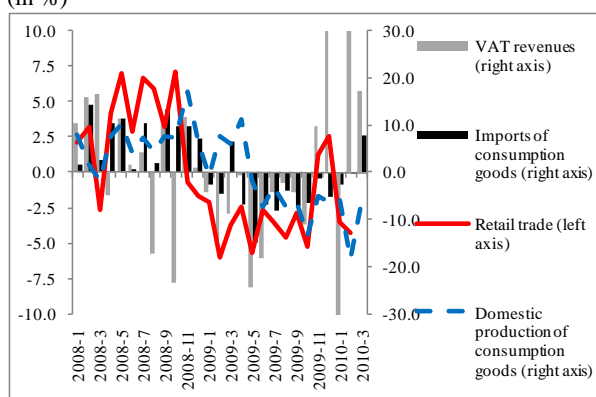
to the higher value of the licenses for reconstruction (by 11 times) and to the rise with the civil engineering (27.6%), with drop in the building constructions (17.1%) being registered.

**The data available for the indicative categories gave no signals for revival in the personal consumption in the first quarter of 2010.** The retail trade in the first two months had real annual fall of 3.9%, which represented worsening relative to the previous quarter, when the fall amounted to 0.6%. The domestic output of consumption goods registered worsening as well in the first quarter (real drop of 10.4%, with fall of 8.3% in the previous quarter), and only the import of joint consumption goods registered improvement, which had real growth of 2.1%, for the first time in the last five quarters. **In the first quarter, worsening in the investment activity was anticipated** based on the high real fall with the domestic output and the import of the investment goods, of 34% and 36%, respectively (for comparison, in the previous quarter, the fall rates amounted to 6.8% and 20%, respectively), with stagnation in the construction in the first two months of 2010. **The assessment for the public consumption in the first quarter showed real annual growth of 1.5%. Positive contribution of the net export to the GDP growth can be expected in the third quarter as well, considering the rise in the export in the first quarter (nominally of 15.9%) and the fall in the import (nominally of 9.6%).**

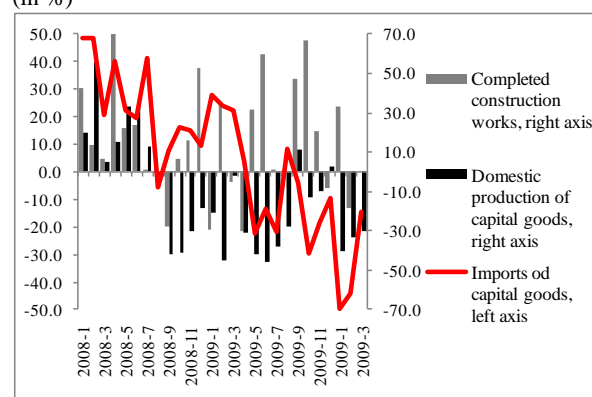
Figure No. 12

Developments of the indicative categories for the expenditure components of GDP

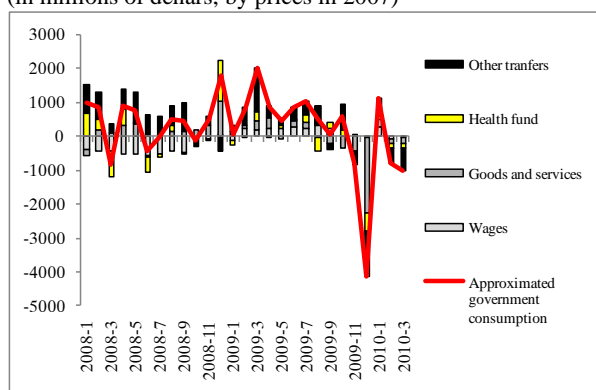
Personal consumption, annual real changes  
(in %)



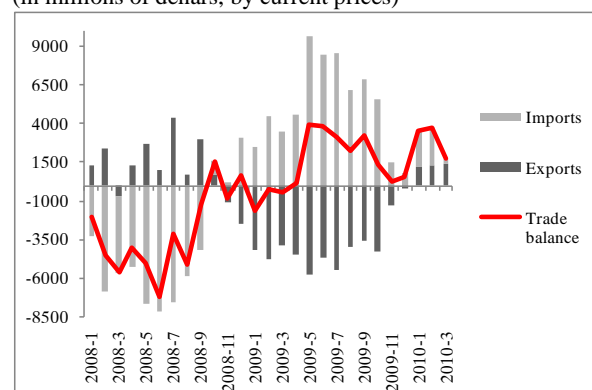
Gross investments, annual real changes  
(in %)



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)

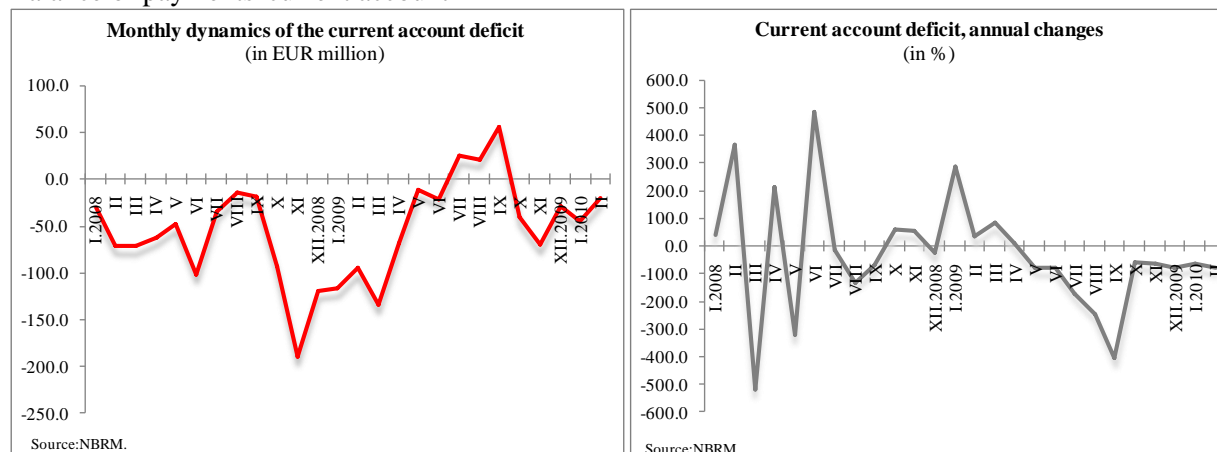


Source: State Statistical Office, Ministry of Finance and NBRM calculations.

#### 4. BALANCE OF PAYMENTS

According to the latest data, in February 2010 the current account deficit totaled Euro 20.1 million and it registered a monthly decrease, which is almost completely due to the net outflows of income. Annually, the current account deficit went down by 78.9%, or by 1.1. p.p. of GDP. The improvement of the current account's negative balance mostly arises from the trade deficit contraction (by 0.9 p.p. of GDP) and less from the higher surplus with the current transfers (by 0.3 p.p. of GDP).

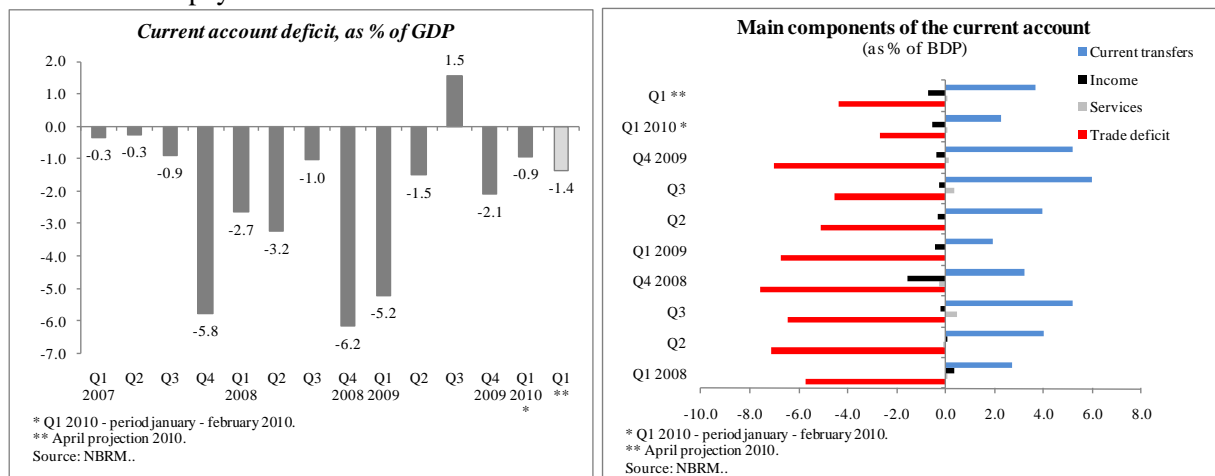
Figure 13  
Balance of payments' current account



Within the frames of the capital and financial account, in February 2010 net inflows in the amount of Euro 19.2 million were registered, mostly with "currencies and deposits" category (mainly as a result of the foreign assets the banks withdrew from abroad) and with other investments. On the other hand, net outflows in the amount of Euro 23.3 million were realized with the foreign direct investments, as a result of the increased demands of the domestic foreign investors from abroad (from parent entities). Observed on annual basis, the capital inflows were significantly lower (by 92.3%), due to the net outflows with the direct investments, which is opposite to the realized net inflows with this financing category in February 2009.

The cumulative deficit on the current account in the first two months of 2010 equaled Euro 64.3 million, or 0.9% of the GDP, which in comparison with the same period of 2009 is significant decrease of 2.3 p.p. of GDP. One of the basic factors for the negative gap contraction is the trade deficit, which went down by 1.8 p.p. of GDP annually, while the net inflows based on private transfers registered annual growth of 0.7 p.p. of GDP. The favorable movements with the private transfers continued also in the following period. The last available data pertaining to the currency exchange market for March and April 2010 point to net purchase of foreign exchange in the amount of Euro 74 million and Euro 91 million, respectively (compared to the net sale of Euro 0.7 million and the net purchase of Euro 46.3 million as in the same months of the preceding year, respectively). The realized net purchase from the currency exchange operations in April totals 46.1% of the projected amount for the second quarter according to the April projection, which points to the possibility for exceeding the projected amount of the private transfers.

Figure 14  
The balance of payments' current account



Within the January - February 2010 period, the net inflows in the capital and financial account equaled Euro 60.8 million, or 0.9% of the GDP thus completely covering the current account deficit. The largest portion of the net inflows refers to the net inflows with the currencies and the deposits (the commercial banks withdrew their foreign assets from abroad) and with other investments, while small segment accounts for the direct investments. As for the indebtedness, small net outflows were registered, in environment of net payments of long-term loans by the private sector and net withdrawals of short-term credits. However, in comparison with the same period of 2009, the capital inflows were lower by 11.9%. Thus, the still present restraint of the foreign economic to invest in other countries should be emphasized, having in mind that in the same period of 2009 lower propensity for investments was evidenced.

The realization on the current account in the first two months of 2010 corresponds to the projected deficit for the first quarter of the year, in line with the Balance of Payments Projection for 2010. **The flows through the capital and financial account match the April projection, although their structure is different than expected.** Slighter deviations with the income and services balances were registered, i.e. bigger deficit with the income was realized than projected, whereas the projected higher surplus than the attained one. These deviations represent no big risk for relaxation of the projected quarterly amount, because the projection already includes the realized movements (as of March) for the largest categories of the current account.

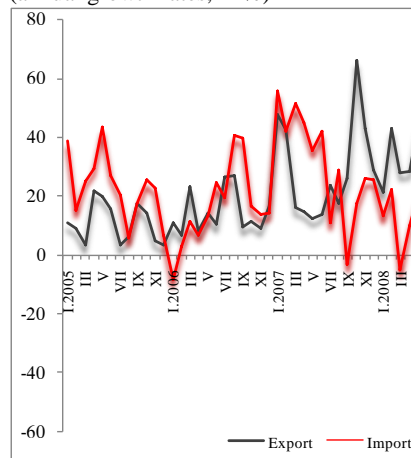
**The achievements with the capital and financial account correspond to the April projection, although the structure is different.** Larger positive deviations were registered with the trade credits, i.e. small net inflows compared to the planned higher net outflows were registered. Net inflows also with the remaining investments and the short-term net debiting were registered, opposite to the expectations for their steadiness (zero change). Negative deviations of higher significance with the net external debiting were evidenced, where lower amounts of funds that expected were withdrawn, given the simultaneously larger payments with the long-term credits than planned. The direct investments register smaller net inflows than expected, as well, mainly as a result of the extended domestic credits to the direct investors to abroad in February 2010.

In conformity with the latest data pertaining to the foreign trade, in March 2010 for the first time after 17 months of decrease, the total trade of goods registered an increase of 3.4%, annually (monthly increase for the second month in a row). The positive annual change is due to

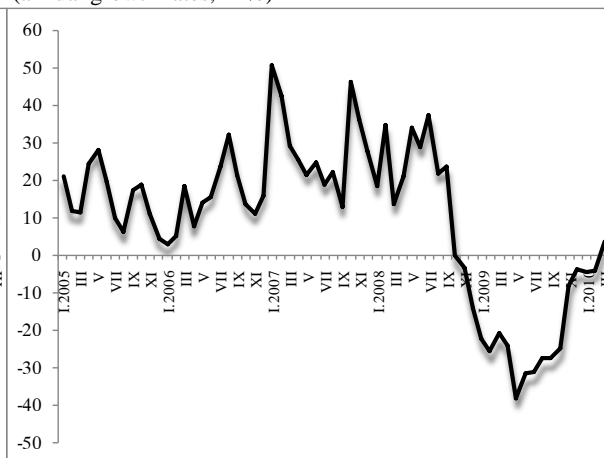
the recovery of the exports in conditions of still poor imports and its annual decrease. The import-export coverage ratio equaled 56.1%, which is annual improvement of 8.3 percentage points.

Figure 15

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



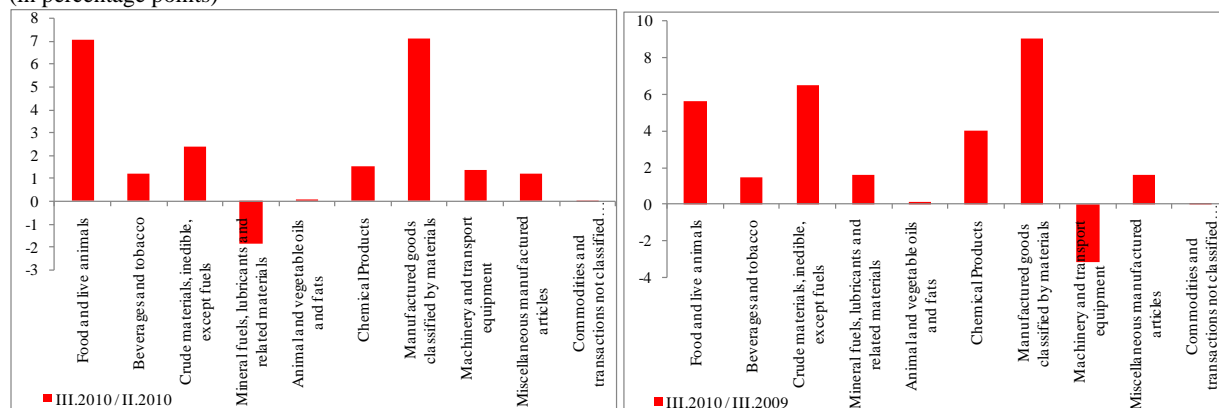
Total value of the foreign trade  
(annual growth rates, in %)



**In March the export of goods equaled Euro 172.5 million and it registered monthly growth (of 8.9%) for the second consecutive month.** The higher exports than in February is due to the larger export of food (meat and meat products, fruits and vegetables), metal ore and metal waste and clothing. On the other hand, more significant monthly decrease with the export of oil and oil products was registered, due to the repair of the oil refinery. As for the annual dynamics, the exports continued to register high growth rates (of 14.8%) also in March, which can be explained, to great extent, with the low comparison base. The largest contribution to the annual increase accounted to the export of metal ore and metal waste, iron and steel and meat and meat products, where the higher export prices influenced more than the slight increase in the export volume of these goods.

Figure 16

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



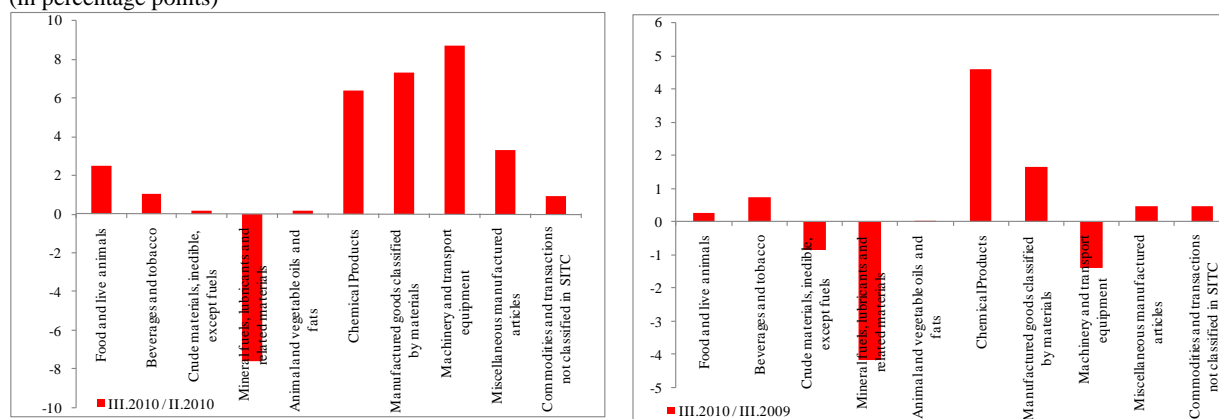
\* The graphs might be inconsistent with the Macedonian language version, as the external trade data has been revised.

**The import of goods in March equaled Euro 307.4 million, which is a monthly growth (of 18.2%) for the second month in a row, such as the exports.** The largest part of the increase is due to the higher import of non-organic chemical products, iron and steel, road vehicles, textile and yarn,

while the import of oil and oil derivatives was lower as a result of the smaller imported quantity. However, on annual basis, the imports still register negative growth rates. Thus in comparison with March 2009, the imports declined by 2.1%, which can be explained mostly with the lower import of energy sources. The annual decrease in the import of oil and oil products, in conditions of higher import price is a result of the smaller import volume, while the smaller import of electricity is a combined effect of the smaller volume and the import price. On the other hand, annual growth of higher significance with the import of non-organic chemical products was also registered, as well as with iron and steel, natural and industrial gas and with the road vehicles.

Figure 17

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



\* The graphs might be inconsistent with the Macedonian language version, as the external trade data has been revised.

**In conditions of faster monthly increase in the imports relative to the exports, in March the trade deficit deepened by Euro 33.2 million on a monthly basis.** This broadening aroused from the higher deficit in the trade of machines and transport devices, chemical products, as well as from the smaller surplus in the trade of iron and steel. Annually, for 12 consecutive months, a trend of trade deficit contraction is registered. Thus in March, the deficit in the trade of goods plunged by Euro 28.8 million, annually, which is mostly due to the lower deficit in the trade of oil and oil derivatives and electricity, as well as to the higher surplus in the trade of metal ore and metal waste.

**In line with the achievements with the exports and imports in the first three months of 2010, the cumulative deficit in the trade of goods reached Euro 332.1million, which is a contraction of 34.0% and 30.9% on a quarterly and annual basis.** The largest contribution to the quarterly contraction accounted to the smaller deficit in the trade of machines and transport devices (as a result of the high comparison base of the preceding quarter, when high import of these products was registered), then oil and oil products and textile and yarn. The higher surplus in the trade of metal ore and metal waste acted in the same direction. From the aspect of the annual dynamics, the trade deficit has been registering a contraction for the four consecutive quarters. This trend continued also in the first quarter of 2010 even despite the equalization of the comparison base. This can be explained with further low import level, i.e. with additional decrease in the import also in the first three months of 2010 (of 9.6%, annually). In comparison with the imports, in the first quarter of the year the exports registered annual increase (of 15.9%), which is the first positive annual change after five consecutive quarters of decrease. Analyzed by the aspect of the balances, the trade deficit contraction represents a combined effect of the narrowed deficits in the trade of machines and transport devices and energy sources and bigger surpluses in the trade with metal ore and metal waste and iron and steel.



**The trade analysis of the Republic of Macedonia (RM) according to the trade partners in the first quarter of 2010 points to significant improvement in the trade with the European Union (EU). The deficit in the trade of goods with EU was narrowed by Euro 80 million on annual basis, i.e. RM registered a surplus with eight out of 27 EU member states. In conditions of significant recovery of the exports, the position of a net exporter to Bulgaria was renewed, while the positive balance especially increasing with the trade with Germany and Belgium.**

Table 1

Balances of individual categories in the trade of goods according to the trade partners

	Q1 2009	Q1 2010	Q1 2010 / Q1 2009	
	in millions of EUR		Y-O-Y (%)	contribution (%)
Total	-480	-332	-30.9	100.0
European Union	-197	-118	-40.2	53.3
Germany	3	13	5 times	6.8
Greece	-20	18	-8.2	1.1
Slovenia	-28	-21	-26.0	5.0
Bulgaria	-15	11		18.0
Belgium	1	13	11 times	8.1
Other developed countries*	-52	-38	-27.4	9.6
EFTA	-38	-12	-67.0	17.0
Western Balkans	48	43	-10.5	-3.4
Developing countries**	-235	-200	-15.1	23.9
Low income countries	-7	-7	9.6	-0.4

\* USA, Japan, other developed countries

\*\* Russia, Ukraine, Turkey, other developing countries

The favorable movements with the metal prices continued also in April 2010 and they acted as positive stimulus to the domestic export oriented metal processing sector. The price of copper, steel and nickel on the international stock exchanges registered monthly growth of 3.8%, 9.7% and 15.8%, respectively.

## 5. MONETARY AGGREGATES<sup>6</sup>

In April 2010, the **reserve money**<sup>7</sup> registered an annual growth of 23.2% (19.8% in March 2010), given the simultaneous increase in both components. Thus in April the banks' total liquid assets augmented by 41.3%, annually (33.7% in the preceding quarter), while the annual increase in the

<sup>6</sup> The analysis of the monetary and credit aggregates is based on the data from the new Methodology for preparing standard forms of monetary balance sheets and reviews and the new accounting plan (which became effective on January 1, 2009).

<sup>7</sup> 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 requirements, the reserve money in April 2010 rose by 27% on annual basis.

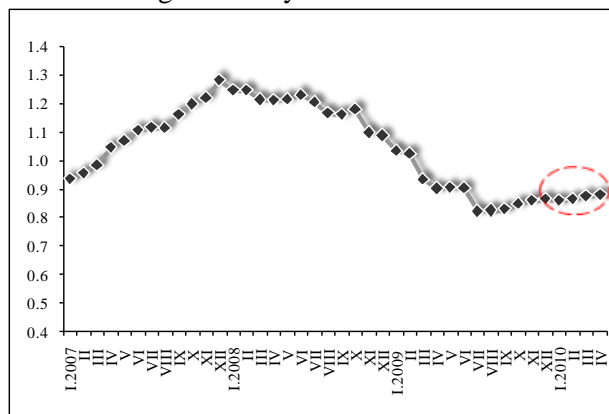


currency in circulation<sup>8</sup> equaled 3.1% (compared to 4.2% in March). On a monthly basis, the reserve money incremented by 2.9% which is completely due to the higher level of the banks' total liquid assets (by 5.2%), given registered moderate decrease in the demand for cash of 0.4%, on a monthly basis. From the aspect of the NBRM balance sheet, the main factor influencing for the increase in the reserve money in April is the net foreign currency assets of NBRM, which surged by Denar 2,320 million on a monthly basis. Within its frames, monthly increase in the Government's foreign currency deposits was registered (of Denar 1,200 million), while the foreign currency transactions of the NBRM were directed towards a decrease in the net foreign assets, with respect to the realized small net sale of foreign assets on the foreign exchange market by NBRM. The Government's net position with the NBRM also contributed towards increase in the reserve money, appropriate to the realized decrease in the Denar deposits of the Government with the NBRM of Denar 1,821 million, on a monthly basis. In April, the monetary instruments acted towards decline in the reserve money (of Denar 246 million), as well as the change with "other items, net" category.

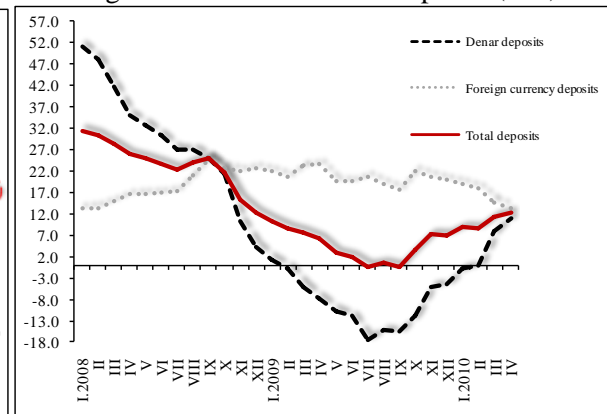
The comparison with the preceding year showed decrease in the reserve money, in circumstances when the effect of the government's net position with NBRM and the NBRM net foreign assets towards reserve money growth was mostly neutralized through the NBRM monetary instruments, as well as through "other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

Figure 18

Denar - foreign currency correlation



Annual growth rates of the total deposits (in %)



Source: National Bank of the Republic of Macedonia

In April 2010, the banks' total deposit potential (with the demand deposits being included)<sup>9</sup> once again registered annual increase of Denar 3,849 million, or of 2%, compared to Denar 2,664 million (or 1.4%), as the monthly increase in March 2010. The monthly change in the total deposits in April was almost equally apportioned with deposits in both domestic and foreign currency, with the monthly growth rates of the Denar and foreign currency deposits being equal to 2.3% and 1.8%, respectively. The analysis of the sector structure shows monthly increase in the households' deposits<sup>10</sup> (with included demand deposits) of Denar 1,405 million, or 1.1%, which despite the realized payment of the regular payment of the regular installment of the bond for the old foreign exchange saving, is a deceleration in comparison with the previous month, when monthly rise in the total households' deposits of Denar 2,182 million (or 1.7%) was registered. The households' new saving in April completely referred to the Denar deposits (monthly increase in the Denar deposits of 3.1%), while the foreign currency deposits registered slight decrease of 0.1%. The corporate sector deposits, after the several month constant decrease or stagnation on a monthly basis recorded a monthly rise of Denar

<sup>8</sup> It includes also the cash in the vault of the banks.

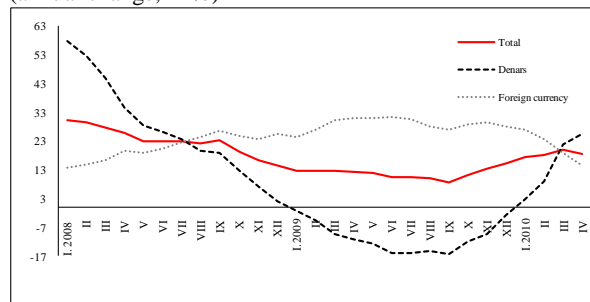
<sup>9</sup> Since January 2009, the deposits include the accrued interest as well.

<sup>10</sup> It pertains to the natural persons and self employed professionals.

2,575 million, or 5.1%. However, 93.6% of the increase in the total deposits of the corporate sector in April is due to the higher level of the deposits of the enterprises from the private sector.

Figure 19

Households' deposits  
(annual change, in %)



Enterprises' deposits  
(annual change, in %)

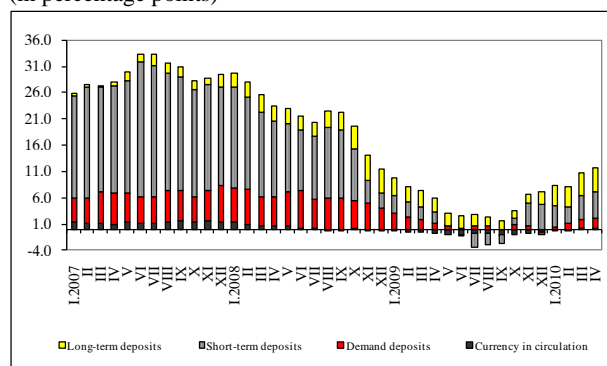


Source: National Bank of the Republic of Macedonia

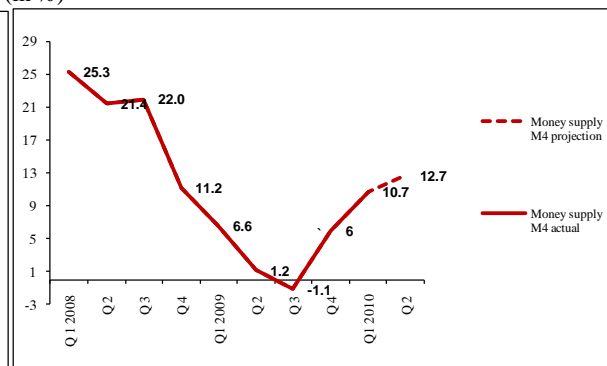
In April 2010, the annual growth rate of the total deposits with banks continued to accelerate, reaching the level of 12.3%, compared to 11.4% in the previous month. The Denar deposits went up annually by 10.9% (7.7% in March), while the growth rate of the foreign currency deposits continued to slow down to 13.6% in April (14.8% in the previous month). From the aspect of the sector structure, the households' deposits in April registered an annual growth rate of 18.5% (19.9% in the preceding month), given registered rise in the Denar and foreign currency deposits of 25.4% and 14.7%, respectively. The enterprises deposits (private and public)<sup>11</sup> dropped annually by 3.9%, compared to 9.4% in March 2010.

Figure 20

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 M4<sup>12</sup> in April 2010 equaled 11.7%, compared to 10.7% in March. Until the end of the quarter, if the favorable tendencies with the banks' deposit base continue with a dynamics characteristic for March and April 2010, it is possible to record higher annual growth rate of the broadest money supply compared to the April projection (of 12.7% in June 2010). In comparison with the end of 2009, the broadest money supply in April 2010 went up by 3.7%.

<sup>11</sup> The deposits of the private sector enterprise increased by 0.1%, annually.

<sup>12</sup> The analysis refers to the money supply M4 with the calculated interest being included.

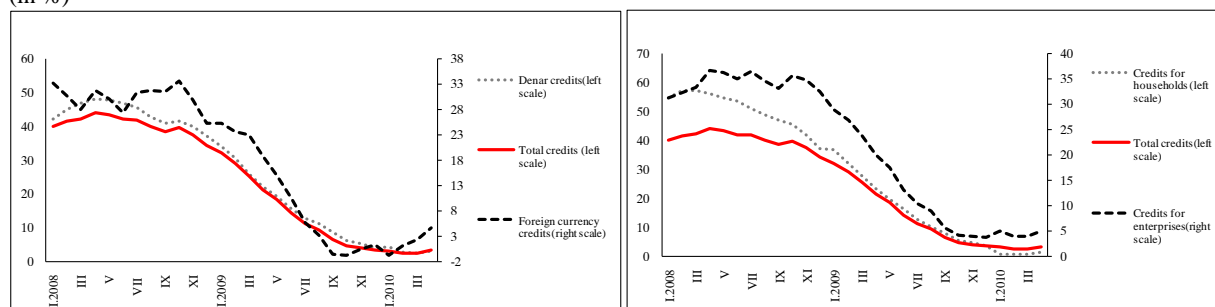
## 6. BANKS' CREDITS

In April 2010, the total banks' lending to the private sector increased by Denar 1,940 million, or by 1.1% on a monthly basis, which points to further moderate recovery of the credit market (in March, the monthly credit growth rate equaled 0.6%). The foreign currency credits were the main driving force of the increase, which increased by Denar 1,090 million, or 2.7% (1.2% in the preceding month). The higher contribution of the foreign currency credits (56.2% compared to 44.2% in March) arises from the higher amount of newly extended credits by double relative to the Denar crediting.

From the aspect of individual sectors, the largest portion of the new crediting (73.2%, or Denar 1,420 million) was directed towards the corporate sector (monthly growth of 1.3%<sup>13</sup>, compared to 0.7% in March). Within December 2009 - April 2010 period, approximately Denar 3,846 million, cumulatively, were placed with the corporate sector. On the other hand, the recovery of the households segment is even poorer. Thus the households' credits preserved the moderate growth rate of 0.7%, i.e. they increased by Denar 517 million. From the aspect of individual types of households' credits, positive movements are evident with almost all types of credits. Thus the housing credits, after the eight-month period of negative monthly changes, in March and April incremented by 0.9% and 1.2%, respectively, and together with the consumer credits (increase of 1.1%) were the main driving force of the monthly credit growth in this segment in April 2010. Such positive movements can be related to the improved confidence of the consumers, the better perceptions pertaining to the housing market and the necessity for durable goods consumption<sup>14</sup>. The monthly decrease mitigated with the car credits and credit cards, while the suspicious and contested claims increased by 1.1%, thus maintaining almost on the same level as in the previous month.

Figure 21

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

The annual credit growth dynamics indicated more intensive crediting in April in comparison with the previous two months. Namely, after the growth rates of 2.4% and 2.5% in February and March, respectively, in April 2010 the annual growth rate of the total credits equaled 3.3%. From the aspect of the currency structure, the Denar component remains to be the dominant driving force to the annual growth rate (with a share of 69.2%). However, starting from February 2010 the share of Denar crediting registers a downward trend, as a result of the intensified foreign currency crediting, the growth rate of which in April increased to 4.6% (compared to 1.1% and 2.4% in February and March). From the

<sup>13</sup> In April, the third tranche of the EIB credit line in the amount of Euro 11.4 million was withdrawn. These funds are intended as a support to 47 projects with calculating value of Euro 35 million, with 75% of the credit funds being intended for the investments credits, while 15% for credits for durable and working assets (Source: Macedonian Bank for Development Promotion [www.mbdp.com.mk](http://www.mbdp.com.mk)).

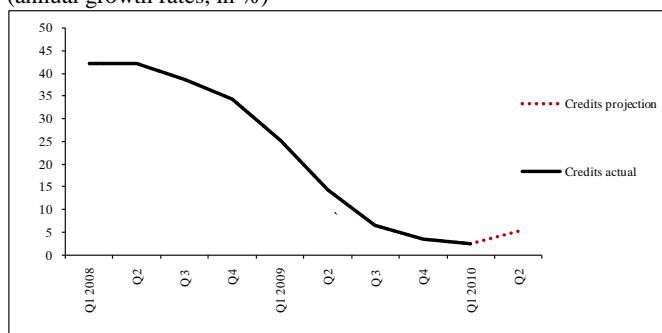
<sup>14</sup> In the last two Lending Surveys, covering the September 2009 - March 2010 period, the consumer's confidence, as a factor for higher credit demand becomes more important, while the last Lending Survey shows that the increased consumption of durable goods and improved perspectives on the housing market began to act in this direction.

aspect of individual sectors, the credit flows remained consistent to the movements registered in the previous months, as regards the individual contribution to the total credits. Thus the banks' crediting of the enterprises still dominates (with a share of 87.7%), with the credit growth rate in April being equal to 4.9%. The annual growth rate of the households' credits equaled 1.2% (0.6% in March).

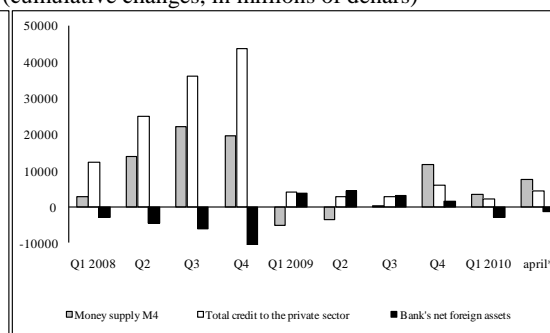
Until the end of the second quarter of 2010, in line with the assumed dynamics of the sources of financing of the credit activity (deposit base, banks' foreign assets and external indebtedness) and the dynamics of the other alternative forms of funds allocation, in line with the April projection, recuperation of the credit market is expected, with the annual growth rate of the total banks credits with the private sector being equal to 5%, annually in June 2010. Such a direction was also indicated by the credit flows data in April, as well as the qualitative banks' estimates given in the Lending Survey<sup>15</sup>.

Figure 22

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



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

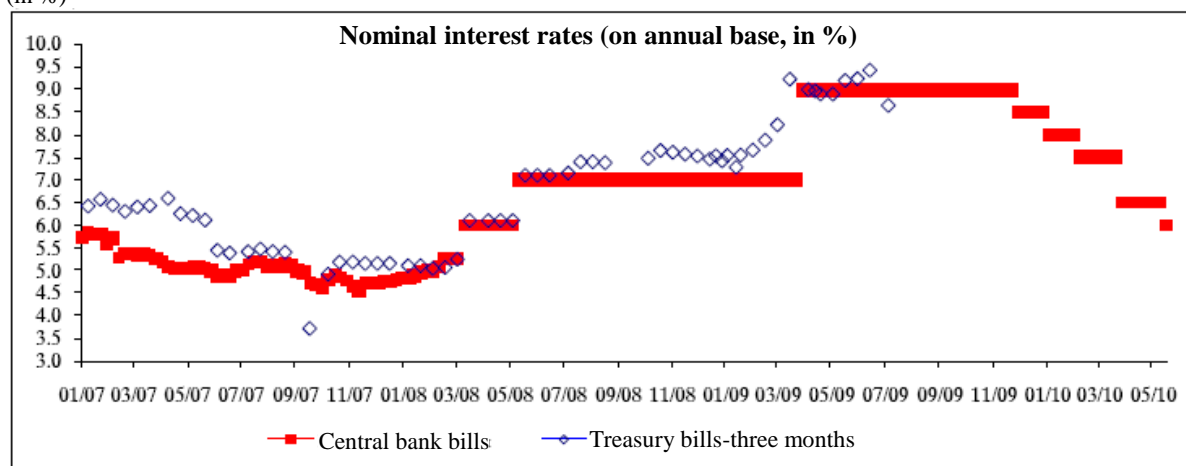


percentage points and it equaled 6%. Three auctions of CB bills since the beginning of May were held (May 05, 2010, May 12, 2010 and May 19, 2010), with the first two auctions being realized according to the interest rate of 6.5%, while the last auction according to the interest rate of 6%, and total amount of withdrawn liquidity equaled Denar 577 million. As of April 30, 2010, the gross foreign reserves equaled Euro 1,643.9 million, which were higher by Euro 46.5 million compared to the end of 2009.

Within the analyzed period, **one auction of six-month Treasury bills with FX clause** was held (on May 04, 2010), with an interest rate of 4.99% (as at the previous auction), and volume tender, and which the total offered amount of Denar 2,723.8 million was realized.

**The weighted interbank interest rate** within May 1 - 18, 2010 period equaled 3.93% (3.86% in April 2010). The listed average interbank interest rate - SKIBOR in the May 1 - 19, 2010 period equaled 4.07% (overnight), 5.99% (one week), 6.63% (one month) and 7.55% (three months), compared to 4.24%, 6.09%, 6.75% and 7.73%, for the respective maturities in April. The weighted interbank interest rate for the concluded overnight transactions - MKDONIA within May 1 - 18, 2010 period equaled 3.94%, compared to 3.78% in April 2010).

Figure 23  
Interest rates  
(in %)



Source: National Bank of the Republic of Macedonia

**In conditions of more stable environment and changes towards decrease in the NBRM basic interest rate, from the beginning of the year the banks began to adjust their interest rate policy.** Thus in the first quarter of 2010 constant decrease in the interest rate on the Denar credits was registered, and in March it equaled 9.8% (compared to 10.3% in December 2009). This decrease in the *lending Denar interest rate* in the first quarter follows the banks' tightening of the interest rate policy from more than one year ago. The largest cumulative change was registered with the interest rate on the households' long-term credits with FX clause from 9% in December 2009, to 8% in March 2010. The movements in the lending interest rate in this period correspond to the banks' expectations which were directed towards partial relaxation of the crediting terms<sup>17</sup>. Approximately 40% of the banks expect that such movements will continue also in the following periods, while the other banks estimate that the crediting conditions will not change<sup>18</sup>. From the aspect of the *deposit Denar interest rate*, in the first quarter divergent changes in the yields were registered. Thus in the first three months of 2010 the deposit interest rate declined in January to 7.3% and in February it returned to the same

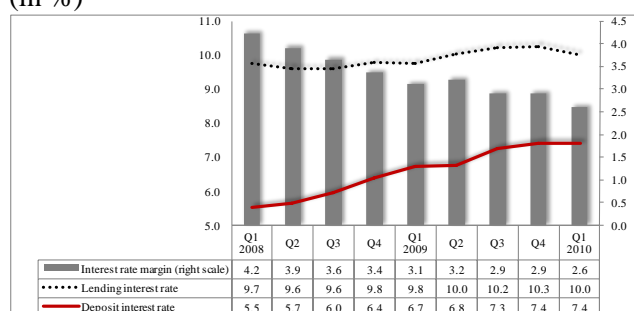
<sup>17</sup> Lending Survey, January 2010.

<sup>18</sup> Lending Survey, May 2010.

level of 7.5% registered at the end of 2009, preserving the same level also in March. The largest portion of the increase in the deposit interest rate in February was triggered by the increase in the interest rate on the short-term time deposits with FX clause of the enterprises. From the aspect of the cumulative changes, developments of higher significant were registered with the interest rate of the households' short-term time deposits with FX clause (from 7.5% to 5.3%) and the enterprises' short-term time deposits without FX clause (from 7% to 6.2%). The changes in the lending and the deposit interest rate resulted in constant narrowing of the interest rate spread in the first three months of 2010, thus indicating higher competitiveness degree in the banking system. From the aspect of the foreign currency credits and deposits, **the interest rate on the foreign currency credits** in March preserved the same level as in the previous month and it equaled 7.3% (of 7.6% in December and 7.5% in January), while **the interest rate on foreign currency deposits** reduced to 3.2% (from 4.4% in December and 3.3% in January and February, respectively).

Figure 24

Average interest rate on total Denar credits and deposits and interest rate spread (in %)



Average interest rates on the newly Denar credits and deposits and interest rate margin (in %)

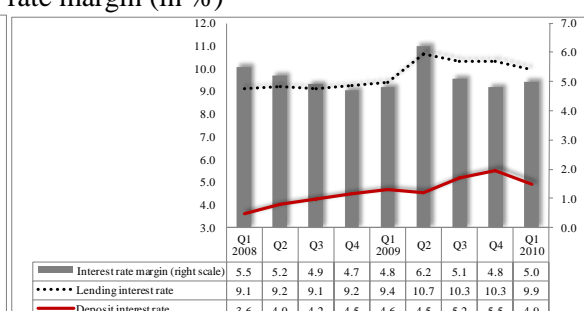
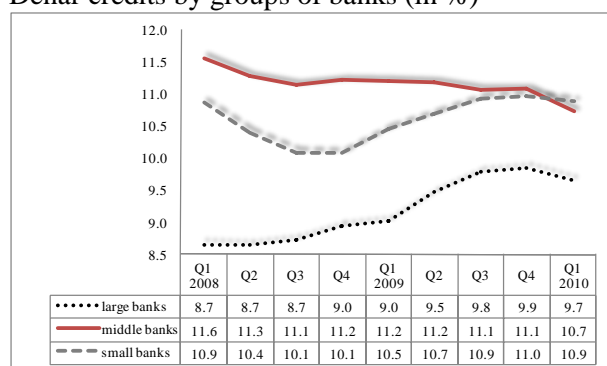


Figure 25

Average interest rate on Denar credits by groups of banks (in %)



Average interest rates on Denar deposits by groups of banks (in %)

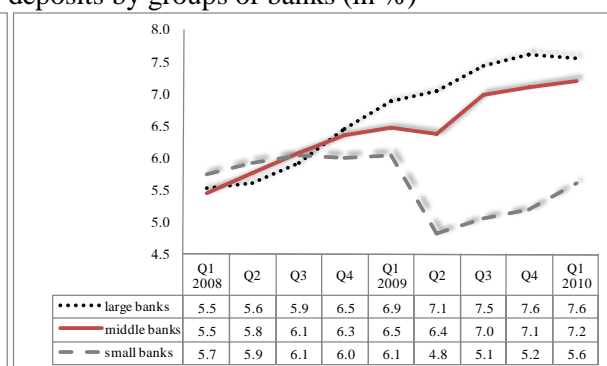
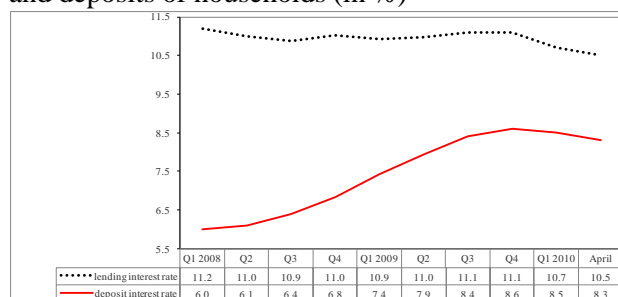
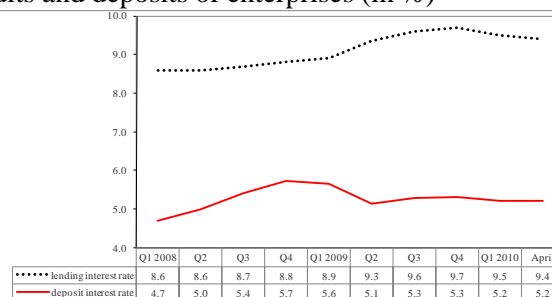


Figure 26

Average interest rate on Denar credits  
and deposits of households (in %)



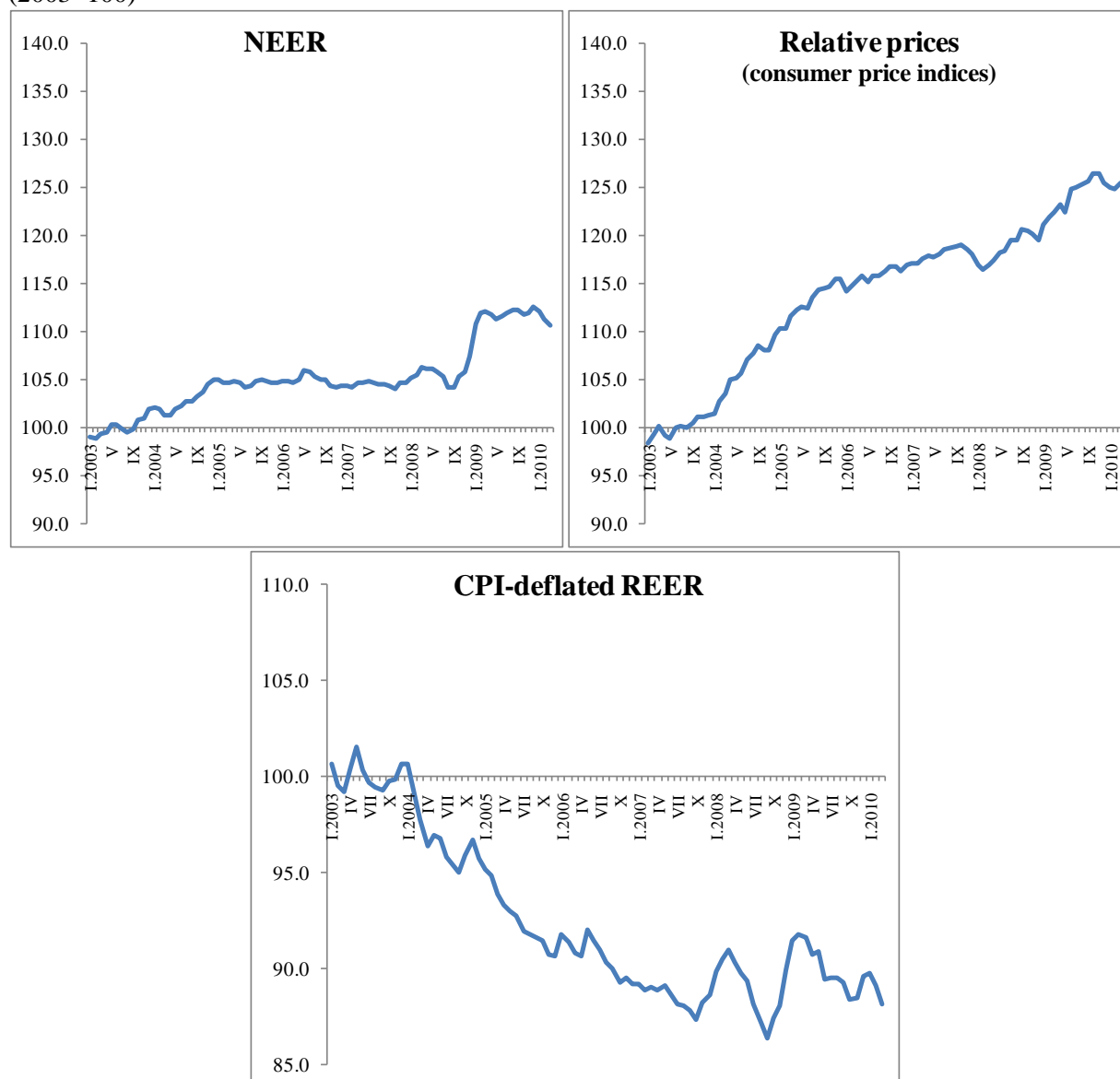
Average interest rate on Denar  
credits and deposits of enterprises (in %)



**In March 2010, the real effective Denar exchange rate (REER) calculated according to the consumer costs index registers a monthly depreciation of 1%,** in conditions of slight depreciation of the nominal effective exchange rate (NEER) and favorable ratio of the relative prices<sup>19</sup>, i.e. faster increase in the foreign inflation compared to the increase in the domestic inflation. According to this index, REER depreciated on both the cumulative and annual basis by 3.8% and 2.9%, respectively, due to the intensified increase in the foreign prices compared the domestic ones and due to the NEER depreciation (of 1.3% and 0.2%, respectively).

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

Figure 27  
NEER\*, relative prices\* and REER by consumer prices\*  
(2003=100)

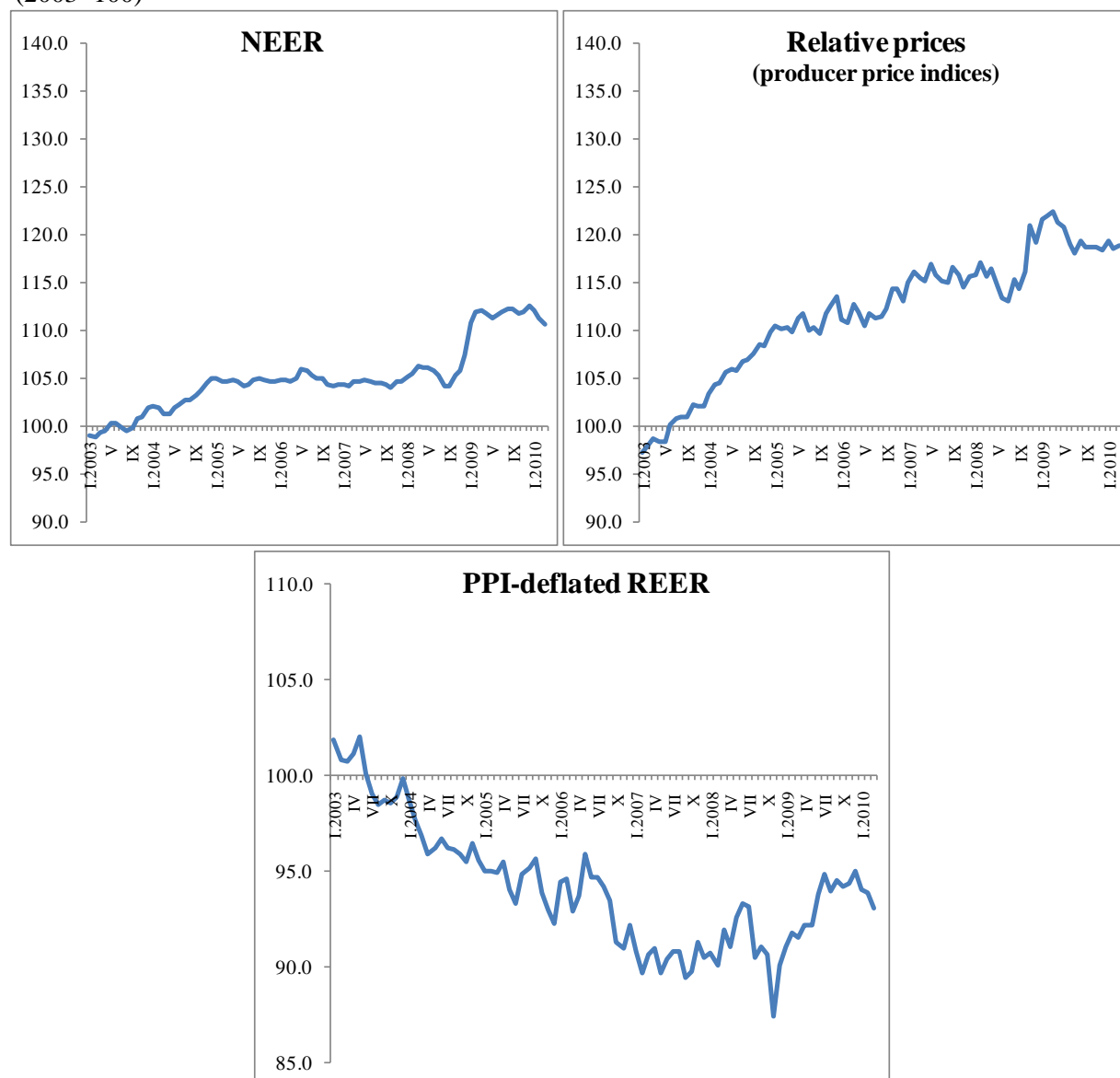


\*Preliminary data

**In March, REER deflated by the prices of the producers of industrial products registered almost the identical monthly depreciation of 0.9% as REER deflated by consumer prices.** However, according to this index, REER showed smaller competitiveness on annual and cumulative basis, i.e. it appreciated by 1.7% and 2.4%, 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 No. 28  
NEER\*, relative prices\* and REER by the producer prices\*  
(2003=100)



\*Preliminary data

## ANNEX

**Table 1**  
Consumer Price

Consumer prices	change in %			contribution to change in percentage points		
	IV.2010	IV.2010	I-IV.2010	IV.2010	IV.2010	I-IV.2010
	III.2009	IV.2009	I-IV.2009	III.2009	IV.2009	I-IV.2009
<b>Total</b>	<b>0.6</b>	<b>1.4</b>	<b>0.7</b>	<b>0.6</b>	<b>1.4</b>	<b>0.7</b>
<b>Food</b>	<b>1.2</b>	<b>-0.3</b>	<b>-1.9</b>	<b>0.4</b>	<b>-0.1</b>	<b>-0.7</b>
Grain products	-0.3	-3.3	-4.5	0.0	-0.2	-0.3
Fresh and processed vegetables	7.6	4.9	-0.9	0.5	0.3	-0.1
Fresh and processed fruits	2.1	-3.3	-5.1	0.1	-0.1	-0.1
Meat and poultry	-0.6	0.1	1.9	-0.1	0.0	0.2
Fresh and cooked fish	0.6	-3.1	-3.2	0.0	0.0	0.0
Dairy products	-0.7	0.9	-3.0	0.0	0.0	-0.2
Eggs	0.0	-11.9	-12.7	0.0	-0.2	-0.2
Oils and fats	0.2	-9.1	-11.4	0.0	-0.2	-0.2
<b>Tobacco and beverages</b>	<b>-0.1</b>	<b>0.3</b>	<b>0.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>
<b>Clothing and footwear</b>	<b>-0.3</b>	<b>0.7</b>	<b>-0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>
<b>Housing</b>	<b>0.1</b>	<b>4.7</b>	<b>4.8</b>	<b>0.0</b>	<b>0.8</b>	<b>0.8</b>
Flat (rent, water and other services)	0.0	0.0	0.2	0.0	0.0	0.0
Fuel and lighting	0.2	8.3	8.6	0.0	0.8	0.8
Heating and services	0.6	5.4	6.2	0.0	0.2	0.2
Electric power	0.0	9.8	9.9	0.0	0.6	0.6
<b>Hygiene and health</b>	<b>-1.2</b>	<b>0.2</b>	<b>1.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>0.1</b>
<b>Culture and entertainment</b>	<b>1.8</b>	<b>1.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>
<b>Transport and communication services</b>	<b>1.1</b>	<b>5.4</b>	<b>4.3</b>	<b>0.1</b>	<b>0.7</b>	<b>0.5</b>
Fuels and lubricants	3.8	26.4	26.1	0.1	0.8	0.7
Public transport services & PTT	0.0	-2.0	-2.3	0.0	-0.1	-0.1
<b>Restaurants and hotels</b>	<b>0.3</b>	<b>-0.5</b>	<b>-0.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Other services n.e.c.</b>	<b>-0.9</b>	<b>-7.4</b>	<b>-3.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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		Jan-10	Feb-10	Mar-10	Apr-10
Inflation (CPI)	2.3	8.3	-0.8	0.9	-0.6	-1.4	-2.1	0.5	0.1	0.6	0.7	1.4
Regulated prices	3.3	9.3	-1.9	-1.6	-1.8	-3.3	-0.7	12.9	14.4	12.3	12.2	12.8
Industrial producer prices	2.6	10.3	-6.5	-6.2	-8.8	-10.1	-0.4	7.5	6.5	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	-	3.6	3.3	-	-
Real net-wage*	5.5	1.9	10.8	11.8	14.1	10.4	6.8	-	3.5	2.7	-	-

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

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

**Table 3**  
Industrial output and other economic activities

(annual rates, %)	2007	2008	2009	2009				2010	Latest months		
				Q1	Q2	Q3	Q4	Q1	Jan-10	Feb-10	Mar-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	-2.9	-13.1	-11.2
Construction	7.6	25.6	13.7	0.0	14.7	12.6	20.3	-	33.6	-17.8	-
Retail and wholesale trade	23.1	11.8	-7.4	-8.7	-11.0	-8.8	-1.3	-	-0.7	5.8	-
Telecommunications	15.6	8.9	6.6	7.4	5.7	8.3	4.9	-	5.9	27.9	-

Source: State Statistical Office of the Republic of Macedonia.

**Table 4**  
Selected industrial branches

Selected industrial activities (annual rates, %)	2007	2008	2009	2009				2010	map.10	
				Q1	Q2	Q3	Q4	Q1	change, %	contribution, p.p.
Mining and quarrying	9.8	9.9	-12.3	-12.6	-19.2	-11.3	-6.5	-5.8	-23.2	-1.2
Manufacture of food products and beverages	7.7	7.6	-2.1	-2.5	-0.1	-1.8	-3.9	2.3	3.3	0.5
Manufacture of tobacco products	-0.8	1.9	-3.2	-2.1	2.6	-5.5	-9.4	15.4	-14.1	-0.7
Manufacture of wearing apparel	-14.5	-20.4	-11.7	-23.7	-16.9	-1.6	-3.5	-6.4	15.3	1.0
Printing	-12.2	59.4	34.6	2.6 times	54.4	-2.7	-15.2	-49.5	-43.8	-3.5
Manufacture of refined petroleum products	-2.4	1.6	-8.9	9.2	-27.2	-36.3	25.9	-49.1	-88.4	-5.5
Manufacture of other non-metallic mineral products	3.8	-3.2	-12.1	-17.0	-4.3	-11.8	-19.3	-27.7	-35.9	-2.8
Manufacture of basic metals	34.3	-6.6	-42.1	-61.6	-52.3	-42.2	13.4	48.1	39.6	3.0
Manufacture of fabricated metal products	45.6	51.4	38.5	35.0	-12.9	-2.8	2.9 times	-55.6	-37.5	-2.0
Manufacture of electrical machinery and equipment	-24.4	25.8	-29.0	1.0	-13.5	-51.6	-53.1	-55.5	-43.5	-1.5
Manufacture of other transport equipment	33.4	-18.4	-46.4	-60.5	-71.5	-21.0	24.2	7.1	12.5	0.1
Recycling	-35.6	117.1	-11.6	-74.2	-10.6	7.6	97.9	227.8	235.9	0.8
Electricity, gas, steam and hot water supply	-9.5	-3.1	8.8	-1.6	15.6	10.4	14.2	19.0	10.6	1.4

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	Q1	Dec-09	Jan-09	Feb-09
Retail trade*	14.4	3.1	0.8	4.7	5.3	1.5	-4.0	-3.6	-3.7	-0.6	-	2.6	-3.5	-4.3
VAT revenues*	18.5	1.3	13.9	2.1	-0.2	-8.0	-8.5	-14.0	-3.8	20.3	-0.1	96.4	-31.3	30.3
Imports of consumption goods*	19.4	7.8	6.1	7.4	8.7	8.9	-0.1	-9.5	-6.6	-4.5	2.1	-5.4	-2.7	-0.4
Domestic production of consumption goods	-1.5	6.7	2.2	7.2	6.5	10.1	4.5	0.2	-5.5	-8.3	-10.4	-6.5	-5.7	-18.3
Imports of capital goods*	36.9	21.5	37.5	26.4	15.6	13.6	24.4	-10.8	-8.6	-19.7	-35.7	-9.5	-49.8	-43.9
Completed construction works*	4.9	16.3	18.0	41.6	-9.6	24.7	-0.8	15.3	14.2	22.9	-	-7.9	33.5	-18.3
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	3.0	-40.0	-33.6

\* real growth rates are calculated by the NBRM, by dividing the nominal growth rates with the annual CPI inflation

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

**Table 6**  
Balance of payments <sup>/1,3</sup>  
(in millions of euros)

	2009																2010		
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Q 1	Q 2	Q 3	Q 4	Total	I	II
<b>I. Current Account</b>	<b>-116.6</b>	<b>-95.3</b>	<b>-133.7</b>	<b>-68.2</b>	<b>-11.0</b>	<b>-20.9</b>	<b>24.8</b>	<b>20.9</b>	<b>56.7</b>	<b>-41.1</b>	<b>-70.2</b>	<b>-28.7</b>	<b>-345.6</b>	<b>-100.1</b>	<b>102.5</b>	<b>-140.0</b>	<b>-483.3</b>	<b>-44.2</b>	<b>-20.1</b>
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	-1,551.0	-89.8	-94.2
Exports, f.o.b.	113.7	136.7	149.9	155.0	164.5	171.7	186.1	162.1	184.2	157.6	170.2	169.2	400.3	491.3	532.4	497.0	1,920.9	133.8	158.2
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	-3,471.9	-223.6	-252.5
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	28.0	1.4	0.8
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	-91.7	-29.0	-8.1
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	-72.7	-24.7	-5.1
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	1,131.4	73.1	81.5
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	53.9	0.9	3.9
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	1,077.6	72.1	77.6
<b>II. Capital and Financial Account</b>	<b>101.0</b>	<b>92.4</b>	<b>134.0</b>	<b>71.5</b>	<b>16.6</b>	<b>27.8</b>	<b>-33.1</b>	<b>-20.3</b>	<b>-58.1</b>	<b>44.3</b>	<b>69.7</b>	<b>20.3</b>	<b>327.4</b>	<b>115.9</b>	<b>-111.5</b>	<b>134.4</b>	<b>466.1</b>	<b>38.4</b>	<b>19.2</b>
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	20.0	0.1	0.3
Capital transfers, net	0.1	0.4	0.3	-0.1	0.3	1.6	4.2	3.0	0.5	0.9	0.5	0.8	0.8	1.7	7.7	2.3	12.5	0.1	0.3
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	0.0	0.0
Other	0.1	0.4	0.3	-0.1	0.3	1.6	4.2	3.0	0.5	0.9	0.5	0.8	0.8	1.7	7.7	2.3	12.5	0.1	0.3
Acquisition/d ition/d	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.5	0.0	0.0	0.0	0.0	0.0	7.5	0.0	7.5	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	446.2	38.2	18.9
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	171.9	37.0	-23.3
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	104.3	-1.6	-3.0
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	239.3	20.9	30.3
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	166.5	10.5	-8.8
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	45.5	-5.9	0.2
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	-62.1	15.2	18.8
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	0.0	0.1	0.0
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	-60.1	20.5	28.6
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	-2.1	-5.4	-9.8
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	89.3	1.2	20.0
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	-69.4	-18.1	14.9
<b>III. Errors and Omissions</b>	<b>15.6</b>	<b>2.9</b>	<b>-0.2</b>	<b>-3.3</b>	<b>-5.6</b>	<b>-6.9</b>	<b>8.3</b>	<b>-0.6</b>	<b>1.4</b>	<b>-3.2</b>	<b>0.4</b>	<b>8.4</b>	<b>18.2</b>	<b>-15.8</b>	<b>9.1</b>	<b>5.6</b>	<b>17.1</b>	<b>5.8</b>	<b>0.9</b>

1/ Preliminary data

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

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

3/ Excluding monetary gold and exchange rate differences

Source: National Bank of the Republic of Macedonia.

**Table 7**  
Monetary developments

	30.04.2009	31.12.2009	31.01.2010	28.02.2010	31.03.2010	30.04.2010	monthly changes (30.04.2010/ 31.03.2010)		annual changes (30.04.2010/ 30.04.2009)
<i>in Denar million</i>	actual	actual	actual	actual	actual	actual	in Denar million	in %	in %
Brtoad money M4	192,479	207,262	208,129	208,271	210,735	214,990	4,255	2.0	11.7
Currency in cirrculation	14,760	16,266	15,525	15,087	14,844	15,224	380	2.6	3.1
Denar deposits <sup>/1</sup>	85,885	90,483	90,856	91,503	93,356	95,421	2,065	2.2	11.1
Foreign currency deposits	91,834	100,513	101,748	101,681	102,535	104,345	1,810	1.8	13.6
Total deposits	177,719	190,996	192,604	193,183	195,891	199,766	3,875	2.0	12.4
Reserve money <sup>/2</sup>	36,735	45,952	46,325	45,039	43,996	45,270	1,274	2.9	23.2

<sup>/1</sup>Including demand deposits, deposits of municipalities and public entities.<sup>/2</sup>Including reserve requirement in foreign currency.

	30.04.2009	31.12.2009	31.01.2010	28.02.2010	31.03.2010	30.04.2010	monthly changes (30.04.2010/ 31.03.2010)		annual changes (30.04.2010/ 30.04.2009)
<i>in Denar million</i>	actual	actual	actual	actual	actual	actual	in Denar million	in %	in %
Credit to the private sector	176,758	178,196	178,702	179,611	180,722	182,662	1,940	1.1	3.3
In Denar	137,156	139,197	139,660	139,771	140,391	141,241	850	0.6	3.0
In Foreign currency	39,602	38,998	39,042	39,840	40,331	41,421	1,090	2.7	4.6
Banks' net foreign assets	5,421	1,518	135	-2,061	-1,271	377	1,648	-129.7	-93.0

Source: National Bank of the Republic of Macedonia.

**Table 8**  
Monetary aggregates  
(in %)

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

Source: National Bank of the Republic of Macedonia.

**Table 9**  
Deposits of the private sector\*  
(in millions of denars)

		Balance as of 30.04.2010	monthly changes		annual changes	
			in Denar million	in %	in Denar million	in %
<b>Total deposits</b>		196,282	3,849	2.0	21,568	12.3
<b>In Denar</b>	Households	49,037	1,461	3.1	9,942	25.4
	Enterprises	32,988	307	0.9	-3,933	-10.7
	Total	91,937	2,040	2.3	9,058	10.9
<b>In Foreign currency</b>	Households	83,058	-56	-0.1	10,638	14.7
	Enterprises	20,000	2,268	12.8	1,775	9.7
	Total	104,345	1,810	1.8	12,511	13.6
<b>Total households deposits</b>		132,095	1,405	1.1	20,580	18.5
<b>Total enterprises deposits</b>		52,988	2,575	5.1	-2,158	-3.9

\* the Denar deposits do not include the deposit money.

Source: National Bank of the Republic of Macedonia.

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

		Balance as of 30.04.2010	monthly changes		annual changes	
			in Denar million	in %	in Denar million	in %
<b>Total credit to the private sector</b>		182,662	1,940	1.1	5,904	3.3
<b>In Denar</b>	Households	68,473	360	0.5	1,092	1.6
	Enterprises	72,619	485	0.7	3,054	4.4
	Total	141,241	850	0.6	4,085	3.0
<b>In Foreign currency</b>	Households	3,979	157	4.1	-217	-5.2
	Enterprises	37,387	935	2.6	2,125	6.0
	Total	41,421	1,090	2.7	1,819	4.6
<b>Total credit to the households</b>		72,452	517	0.7	875	1.2
<b>Total credit to the enterprises</b>		110,006	1,420	1.3	5,179	4.9

Source: National Bank of the Republic of Macedonia.

**Table 11**  
Interest rates

	<b>1-Apr-2010</b>	<b>monthly changes</b>	<b>annual changes</b>
	in %	in percentage points	
<b>Average weighted interest rate on the CB bills auctions (28 days)</b>	6.50	-0.8	-2.5
<b>Average weighted interest rate on the Money Market</b>	3.78	-0.67	-2.5
<b>Interest rate on three-month treasury bills</b>		/	/
	<b>1-Mar-2010</b>	<b>monthly changes</b>	<b>annual changes</b>
	in %	in percentage points	
<b>Banks' weighted lending interest rates</b>	9.8	-0.2	-0.1
<b>Banks' weighted deposit interest rates</b>	7.5	0.0	0.9

\* Pertains to bilateral trading

Source: National Bank of the Republic of Macedonia.