



REPUBLIC OF MACEDONIA  
MINISTRY OF FINANCE  
Macroeconomic Policy Department

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# SHORT-TERM ECONOMIC TRENDS

December 2011

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Skopje, February 2012

## SUMMARY

### OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

December 2011

- In the period January–December 2011, industrial production surged by 3.3%, compared to the same period in 2010;
- On monthly basis, inflation rate was negative, amounting to -0.1% and 2.8% on annual basis; Average inflation rate in 2011 amounted to 3.9%.
- Annual increase in the physical output of export in 2011 of 1.8%, with high nominal valuable growth of 28.0% and increase of imported quantities of goods of 9.7%, with valuable nominal growth of 22.3%;
- Increase of both total budget revenues by 3.8% and total budget expenditures by 4.2% in the period January - December 2011, compared to the same period last year; state budget deficit in the amount of Denar 11,483 million (2.5% of GDP) and central budget deficit in the amount of Denar 9,542 million (2.1% of GDP);
- Increase of both total credits to private sector by 8.5% and total deposit potential of banks by 9.2% on annual basis;
- Drop in the number of registered unemployed persons by 12.5% in December 2011 compared to the same month last year.

# 1. Real Sector

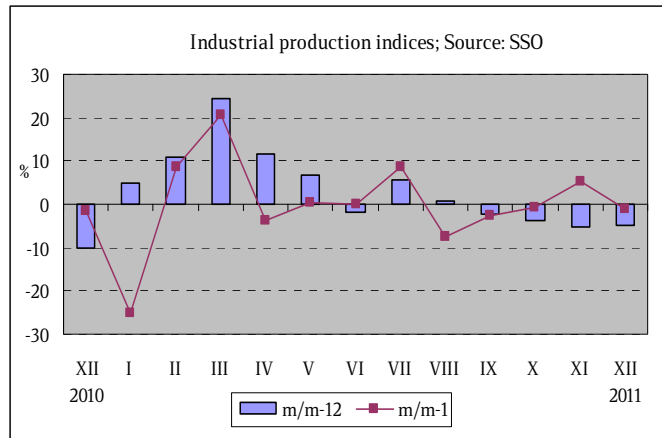
## Industrial Production

Industrial production in December 2011, compared to November 2011, dropped by 1.0%. Sector analysis points out that increase by 8.2% was registered at electricity, gas, steam and air-conditioning supply sector, while mining and quarrying sector dropped by 9.6% and processing industry decreased by 1.8%. As for processing industry, monthly growth was registered at 11 out of 23 branches, comprising 36.3% of the industrial production. De-seasoned monthly growth of industrial production in December 2011 was 2.4%, pointing out to negative seasonal effects in the industry.

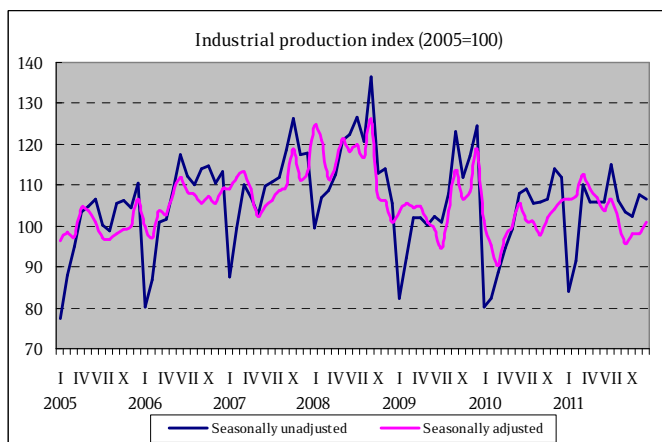
	m/m-12	m/m-1	I-XII 2011
			I-XII 2010
Total	-4.8	-1.0	3.3
Ore and stone extraction	13.2	-9.6	7.4
Processing industry	-3.8	-1.8	5.5
Electricity, gas and water supply	-15.3	8.2	-11.1

Source: SSO

Industrial production dropped by 4.8% in December 2011 compared to December 2010. Analyzed by sectors, mining and quarrying sector increased by 13.2%, while electricity, gas, steam and air-conditioning supply sector dropped by 15.3%, while processing industry sector decreased by 3.8%. As for processing industry, positive annual growth was seen at 9 out of the 23 branches, accounting for 45.9% of the industrial production, whereby growth was evidenced in two out of the



three driving branches with two-digit share in the industrial production. Thus, high growth of 17.7% was seen at production of clothing, production of food products surged by 9.0%, while production of metals decreased by 22.8%. Production of clothing (2.0 p.p.) contributed the most to the annual growth of industrial production in December 2011, while production of metals had the highest negative contribution (-2.6 p.p.).



On cumulative basis, in the period January–December 2011, industrial production surged by 3.3%, compared to the same period in 2010. Mining and quarrying sector increased by 7.4%,

processing industry surged by 5.5%, while electricity, gas, steam and air-conditioning supply sector dropped by 11.1%.

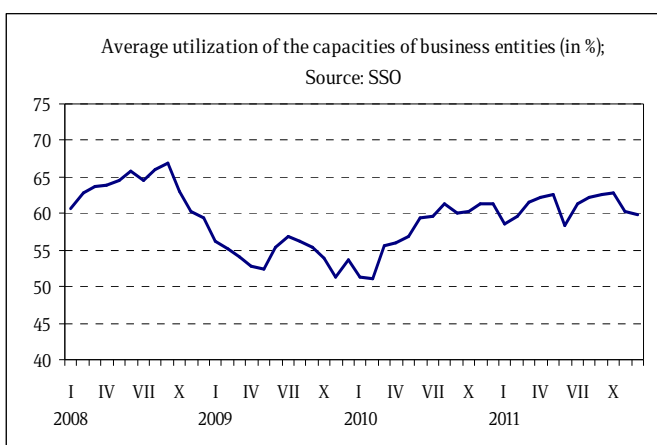
Data on industrial production by target groups in December 2011 compared to December 2010, show increase of production at the groups consumer non-durables by 5.4%. Production decline was registered at the following groups: Energy – 13.6%, capital goods - 12.7%, intermediary goods, except energy – 10.8% and consumer durables - 2.0%.

On monthly basis, data on the industrial production by target groups in December 2011 showed that there was increase in the production at the following groups: Energy – 6.7%, consumer non-durables – 2.5% and consumer durables – 2.0%. Production decline was registered at the following groups: Capital goods - 17.7% and intermediary goods, except energy – 7.0%.

Analyzed by target groups, on cumulative basis, in the period January–December 2011, compared to the same period last year, growth was recorded at the following groups: Consumer durables – 57.2%, capital goods – 41.1% consumer non-durables – 3.5% and intermediary goods, except energy – 2.1%. Energy group experienced 10.6% drop.

### Business Trends in the Processing Industry

Current economic trends of business entities in December 2011 were more favourable compared to both the previous month and December 2010. Assessment of current state of delivery-to-production is almost at the same level compared to the previous month, being more favourable compared to December 2010, whereby the improvement was due to both domestic and foreign orders. In December 2011, assessment for the production volume in the past three months was less favourable compared to November 2011 as well as compared to December 2010.



Expectations for the production volume in the next three months are more favourable compared to both the previous month and December 2010. As regards the number of employees, the expectations for the next three months are more favourable compared to the previous month, while compared to December 2010, they are significantly improved.

Average utilization of the capacities in December 2011 accounted for 59.8%, being slight decrease compared to the previous month, when it accounted for 60.3%. Compared to December 2010, the utilization of the capacities was lower by 1.6 p.p..

In December 2011, stocks of raw materials and intermediate goods, as well as on-going procurement of raw materials and intermediate goods, were below and around the average. Stock of ready-made products declined compared to both the

previous month and December 2010. In the next 3-month period, according to the assessment of managers, average purchase prices of inputs and selling prices of ready-made products are expected to increase.

According to the assessment, following factors limited the most the production volume in December 2011: insufficient foreign demand – 20.8%, insufficient domestic demand – 17.4%, financial problems – 12.5%, lack of qualified labour force – 9.6% and uncertain economic surrounding – 9.4%.

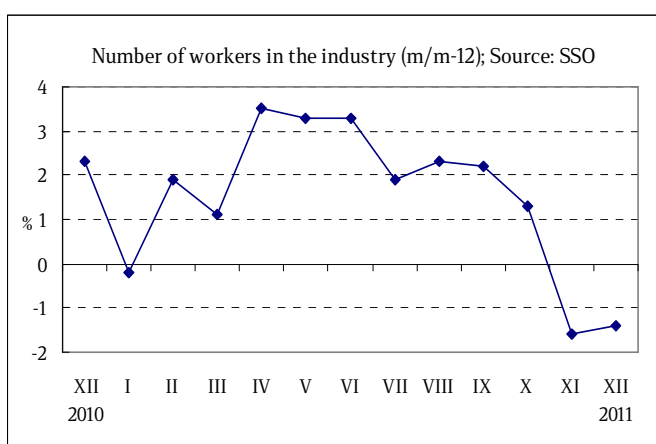
In December 2011, lower number of business entities pointed out the insufficient foreign demand and financial problems as limiting factor compared to November 2011, while bigger number of business entities pointed out the uncertain economic surrounding, insufficient domestic demand and the lack of qualified labour force.

### Number of Workers in the Industry

Number of industrial workers in December 2011 decreased by 1.4% compared to December 2010.

Number of workers in mining and quarrying sector registered minimum drop of 0.5% as a result of the drop of 4.2% in the mining of coal and lignite sector. Other mining and quarrying sector surged by 2.3%, while mining of metal ore increased by 1.3%. Processing industry

sector experienced decrease in the number of employees by 1.5%. As for processing industry, increase in the number of workers on annual basis was registered at the following sectors: production of machines and devices – 26.6%, production of rubber and plastic products – 9.0%, production of paper and paper



products – 6.0%, chemicals and chemical products – 2.8%, production of furniture – 2.6% and production of basic pharmaceutical products and pharmaceutical preparations – 2.3%. Number of workers in the electricity, gas, steam and air-conditioning supply sector experienced minimum drop by 0.9%.

On cumulative basis, in the period January–December 2011, compared to the same period in 2010, number of workers in the industry increased by 1.5%. Thereby, electricity, gas, steam and air-conditioning supply sector grew by 3.0%, mining and quarrying sector increased by 2.6% and processing industry sector surged by 1.1%.

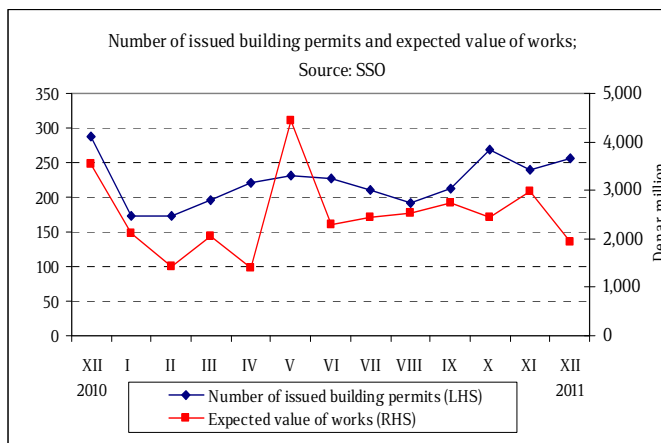
Data on the number of workers in the industry by target groups in December 2011, compared to December 2010, showed decrease in the number of workers at the following groups: Consumer durables – 4.4%, intermediary goods, except energy – 2.8%, energy – 2.5% and consumer non-durables – 0.2%. As for group capital goods, the number of workers is at same level, as in December 2010.

On cumulative basis, in the period January–December 2011, compared to the same period in 2010, data on the number of workers in the industry by target groups showed an increase in the number of workers at the following groups: Capital goods - 3.5%, energy - 2.1%, intermediary goods, except energy - 2.0%, and consumer non-durables - 0.8%, while 2.0% drop was registered at consumer durables group.

### Number of Issued Building Permits and Envisaged Value of Facilities

Envisaged value of the facilities in December 2011, according to the issued building permits amounted to Denar 1,932 million, being by 45.3% less than the same month in 2010, while compared to November 2011, the value of the facilities decreased by 35.1%. If one compares the cumulative amount in the period January-December 2011 with the same period in 2010, one can notice increase in the envisaged value of the facilities by 4.3%.

In December 2011, 256 building permits were issued, being by 11.1% less compared to the same month in the previous



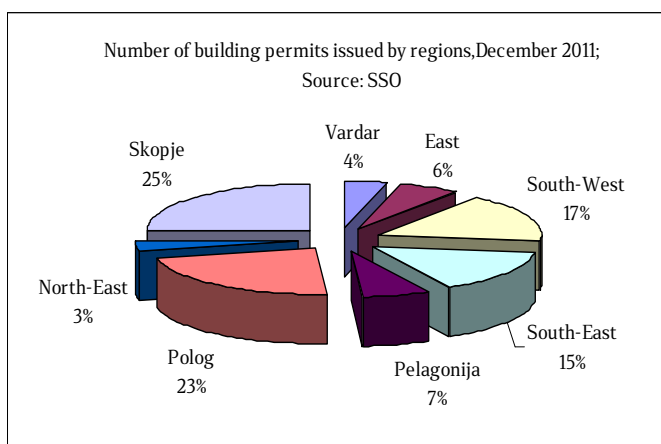
year. Total number of issued building permits compared to the previous month in 2011, when 240 permits were issued, increased by 6.7%. If one compares the data for the period January-December in 2011 with the same period in 2010 on cumulative basis, it can notice decrease of the number of issued building permits by 9.0%.

Analyzed by types of facilities, out of the total number of issued building permits, 208 (or 81.3%) are intended for buildings, 12 (or 4,7%) for civil engineering structures and 36 (or 14.1%) for reconstruction.

Analyzed by types of investors, out of total 256 facilities, natural persons were investors in 223 facilities (or 87.1%), while business entities were investors in 33 facilities (or 12.9%).

In December 2011, construction of 618 flats is envisaged, with total usable area of 54,637 m<sup>2</sup>.

Analyzed by regions, in December 2011, most building permits were issued in the Skopje region, 63 in total, 52



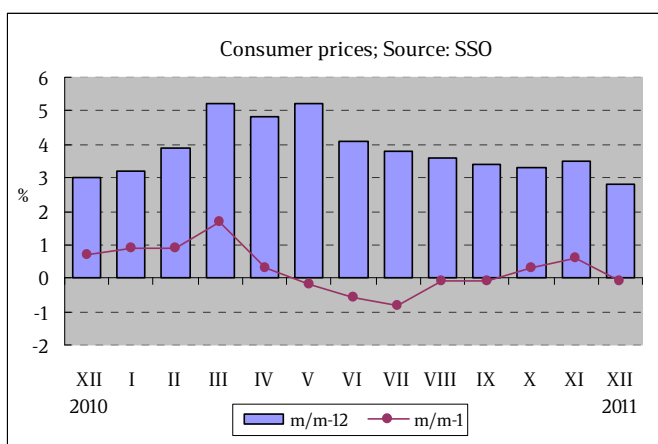
permits out of which were issued to natural persons as investors, while 13 permits were issued to business entities as investors. Least permits were issued in the Northeastern region, total of 8 permits all to natural persons.

In the period January-February 2011, most permits were issued in the Skopje region, 728 in total, 494 permits out of which were issued to natural persons as investors, while 234 permits were issued to business entities as investors. Northeastern region had least issued permits, 96 permits in total, 77 permits out of which were issued to natural persons as investors, while 19 permits were issued to business entities as investors.

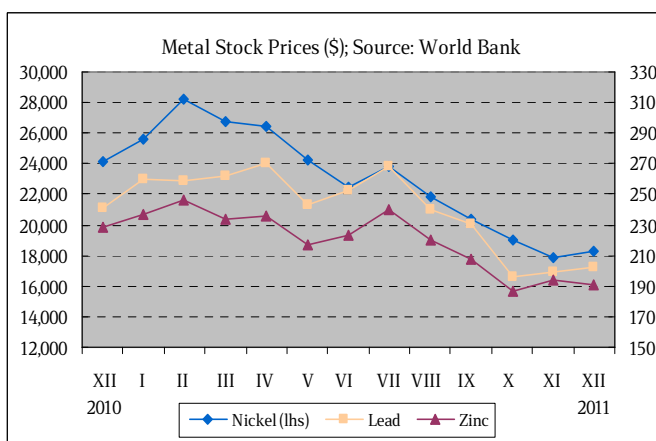
## Inflation

Inflation rate in December 2011, measured according to the CPI index amounted to 2.8% compared to the same month in the previous year, as opposed to the annual growth of 3.5% in November. Average inflation rate in 2011 amounted to 3.9%.

In December, increase of prices was highest in the food category, amounting to 4.4% on annual basis, contributing with 1.7 p.p. to the general increase of prices. Increase of prices of food was mainly due to the increase of prices of cereal products, meat and milk. Increase of prices in the other categories is as follows: Housing - 3.7%, restaurants and hotels - 2.1%, clothing and footwear - 1.9%, hygiene and health - 1.4%, means of transport and services and administrative and financial services - 1.1% and tobacco and beverages 0.2%. Drop was seen at prices in culture and entertainment category - 0.1%.



Inflation rate in December compared to the previous month was negative, amounting to -0.1%. Highest drop of prices was seen at category culture and entertainment - 0.7%, followed by the drop of prices in the categories hygiene and health -0.6%, food-0.2%, tobacco and beverages and means of transport and services -0.1%. As for category administrative and financial services, prices remained the same, while monthly increase of prices was registered in the categories clothing and footwear and restaurants and hotels by 0.1% and housing by 0.3%.



Retail prices in December 2011 were higher by 3.1% compared to December 2010. Compared to the previous month, retail prices remained unchanged. Average increase of retail prices in 2011 amounted to 4.0%.

## Stock Market Prices

In December 2011, crude oil price (Brent) on the global stock markets dropped by 2.3%, compared to the previous month, reaching the price of US\$ 107.9 per barrel. Compared to December 2010, oil price surged by 17.5%. Price of natural gas in December increased by 0.4% compared to the previous month.

As regards metal products, nickel, as product with high share in the Macedonian export, was traded at an average price of US\$ 18,267 for a metric ton (\$/mt) on the global stock markets in December, being a monthly price increase by 2.2%. Compared to December 2010, nickel price was lower by 24.2%. In fact, in December, there was slight general decrease of prices of metals and minerals by 0.6% on monthly basis, being due to the concerns related to the global economic growth. Highest monthly increase of prices in this group of products was seen at silver – 9.4%. Decrease of prices was seen at gold by 5.5%, being a result of the reduced investment demand. Tin in December was sold at a price lower than 9% compared to November, while monthly increase of price, in addition to nickel, was seen at lead and iron ore.

Price of wheat on global stock markets continued to decrease by 4.3% in December, taking into account that the big plantations and the favourable weather conditions in the USA will result in increased global reserves.

## 2. Foreign Trade

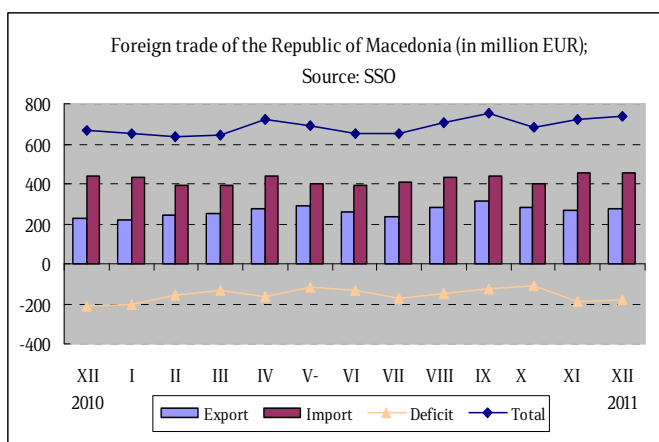
Total foreign trade in 2011 experienced high growth of 24.5%, compared to the same period in the previous year, with simultaneous increase of export and import of goods.

According to the trade dynamics, in 2011, growth rates overcome the projections for this year (22.5% for export and 21% for import of goods).

### Export

Analyzed on annual basis, in 2011, quantity export of goods experienced slower growth of 1.8%, and their value amounted to EUR 3,197.7, being the highest realized export since 2003 onwards, and compared to 2010, it experienced high growth of 28% (EUR 700 million).

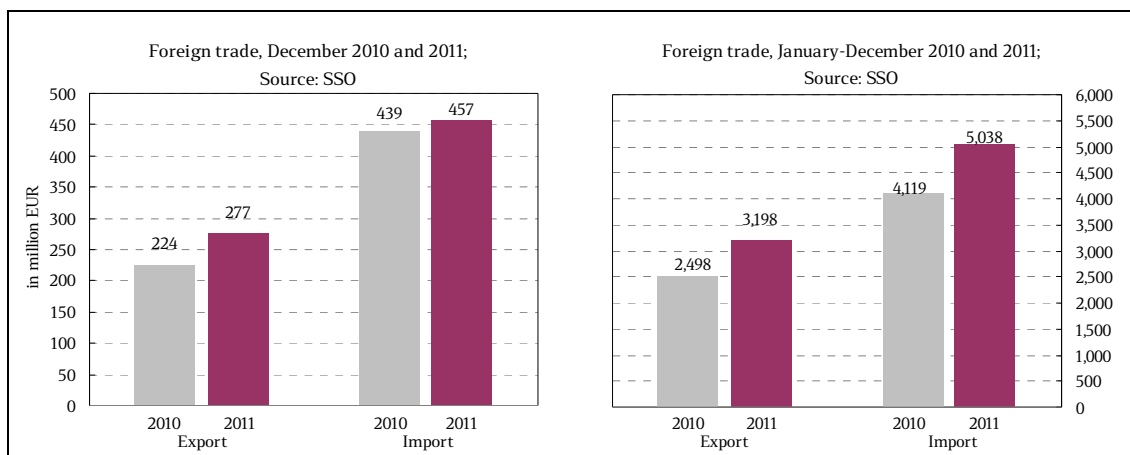
Analyzed on monthly basis, in December 2011, export increased by 4%, compared to the previous month.



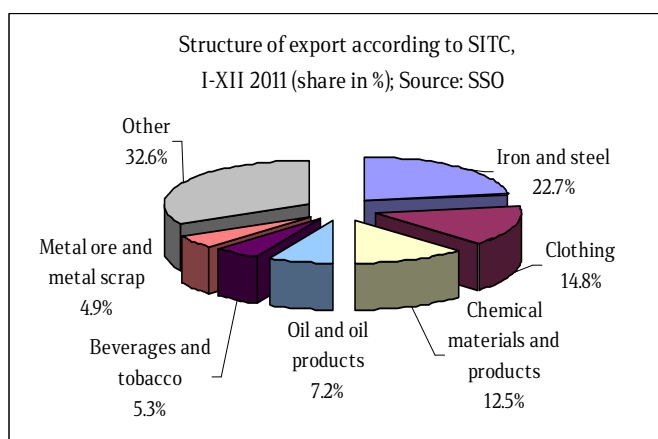
Seasonally adjusted trend of export in December increased by 9.5% on monthly basis, pointing out to negative effects of the seasonal factor (4.5 p.p.) on export this month.



In December 2011 alone, goods in the amount of EUR 276.9 million were exported, being high increase by 23.3%, compared to the same month last year, being mainly a result of the more exported iron and steel, chemical materials and metal products, machines and spare parts, clothing, etc.

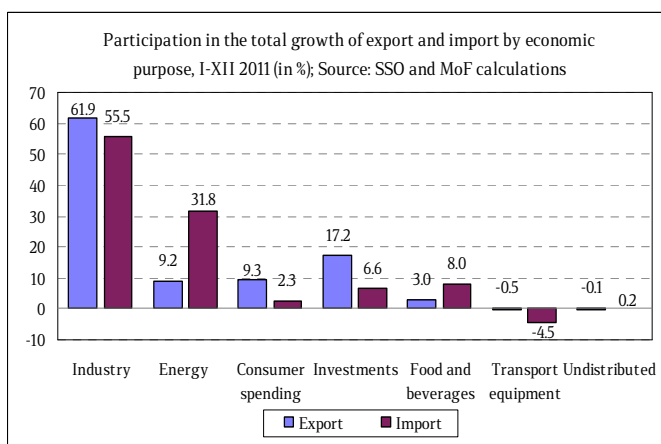


Analyzed by tariffs, the following products were most exported: Supported catalysts with precious metal or precious metal compounds as active substance, ferronickel, hot rolled flat products of iron or non-alloyed steel, of width of 600 mm, filtering or purifying machinery and apparatus for other gases by a catalytic process, men's shirts of cotton, gas oils for other purposes with a sulphur content not exceeding 0.001% and 0.005% by weight, tobacco, boards, plates, stands, tables, cabinets and other foundations, equipped; lead ore and concentrates, ferro-silicon-mangan, ferro-silicium, etc.



Main groups of goods (according to SITC) having the biggest share in export in 2011 were the following: iron and steel – 22.7%, clothing – 14.8%, chemical materials and products – 12.5%, oil and oil products – 7.2%, metal ore and metal scrap – 4.9% and beverages and tobacco – 5.3%. These six groups of products comprised 67.4% of the total export of the country.

In 2011, observed by economic



purpose, intermediary goods intended for industrial production contributed the most to the annual growth of export with 61.9%, followed by investment products with 17.2% and consumer goods with 9.3%

## Import

Imported quantities of goods in 2011 increased by 9.7%, and their value amounted to EUR 5,038.5 million, being significant increase by 22.3% (EUR 919.4 million) in relation to last year.

In December 2011 alone, goods in the amount of EUR 457.3 million were imported, being moderate increase by 4.1% compared to the same month last year.

Export of oil and oil products*)					Import of oil and oil products*)				
	I-XII 2010	I-XII 2011	Balance 2011-2010	% rate		I-XII 2010	I-XII 2011	Balance 2011-2010	% rate
000 T	327.3	361.7	34.3	10.5	.000 T	1,215.3	1,253.7	38.4	3.2
EUR mil.	164.9	229.4	64.5	39.1	EUR mil.	563.5	758.1	194.6	34.5
\$ mil.	218.1	321.3	103.2	47.3	\$ mil.	744.8	1,055.4	310.5	41.7

\*)Previous data

\*)Previous data

Analyzed on monthly basis, in December 2011, export experienced minimum increase by only 0.2%, compared to the previous month. Seasonally adjusted trend of import in December dropped by 1.6% on monthly basis, pointing out to positive effects of the seasonal factor (1.8 p.p.) on import this month.

Export of chemical products*)					Import of chemical products*)				
	I-XII 2010	I-XII 2011	Balance 2011-2010	% rate		I-XII 2010	I-XII 2011	Balance 2011-2010	% rate
000 T	27.4	25.2	-2.2	-8.1	.000 T	24.1	28.0	3.9	16.1
Мил. ЕУР	172.5	398.2	225.6	130.8	Мил. ЕУР	48.1	74.0	25.9	53.9
Мил.\$	229.2	552.6	323.4	141.1	Мил.\$	63.5	103.1	39.6	62.4

\*)Previous data

\*)Previous data

Most imported products by tariffs were the following: crude oil, textile yarns and fabrics, platinum, unwrought or in powder form, gas oils for other purpose with sulphur contents not exceeding 0.001% per mass; electricity, nickel ore and concentrates, hot rolled flat products in reels intended for second rolling, other compounds, amalgams; metal scrap; pharmaceuticals put up in measured doses; coating means; other motor vehicles for transportation of persons; telephones for cellular networks, etc.

Export of iron and steel*)					Import of iron and steel*)				
	I-XII 2010	I-XII 2011	Balance 2011-2010	% rate		I-XII 2010	I-XII 2011	Balance 2011-2010	% rate
000 T	753.6	801.7	48.0	6.4	.000 T	575.0	590.2	15.2	2.6
EUR mil.	589.2	725.5	136.3	23.1	EUR mil.	267.2	313.9	46.8	17.5
\$ mil.	777.8	1,010.9	233.1	30.0	\$ mil.	354.6	437.4	82.8	23.3

\*)Previous data

\*)Previous data

In addition to oil, non-ferrous metals, textile yarns, iron and steel, road vehicles, etc. accounted for most of the import of goods (according to groups of SITC) in 2011.

Observed by economic purpose in 2011, intermediary goods intended for industrial production with 55.5% and energy products with 31.8% accounted for the most in the annual growth of import, followed by food and beverages and investment products with 8% and 6.6% respectively.

## Trade Balance

In 2011, due to the higher absolute growth of import than export, trade deficit widened by EUR 219.2 million compared to last year, amounting to EUR 1,840.8 million, accounting for 24.8% of the estimated GDP for 2011 (in 2010, deficit amounted to EUR 1,626.6 million or 23.5% of GDP).

If we analyze the balance of export and import of goods by economic purpose, the deficit widening is a result of combined effect from: widened negative balance in trade in fuels and lubricants (in particular due to the growth of import of fuels and lubricants in 2011), industrial procurement and food products.

Narrowing of negative balance of trade in investment goods and transport equipment, as well as the increased positive balance of trade in consumer goods had opposite.

Such trends in 2011 contributed for the level of import coverage by export, amounting to 63.6%, to increase by 2.8 p.p. compared to the previous year.

Analyzed according to economic groups of countries, in 2011, export increased at all groups, whereby, export to the EU, followed by the export to Western Balkan countries and the developing countries contributed the most to the growth. Observed by countries, in addition to Germany and Kosovo, significant growth of export was seen in Ukraine, Slovakia, Serbia, Italy, Taiwan, China, etc.

In 2011, in conditions of significant increase of trade with the European Union (EU 27), in relation to the previous year, by 25.8%, share of trade with EU in the total foreign trade experienced slight increase by 0.6 p.p., accounting for 56.8%, whereby export of goods participated with 60.6% and import of goods accounted for 54.4%.

As a result of the structural changes in trade with abroad, in 2011, 46.4% of the trade deficit of the country was a result of the trade with Russia and Great Britain, followed by Greece, Turkey, China, Serbia, Bulgaria, etc. Trade surplus was realized with Germany, Kosovo, Albania, Slovakia, Montenegro, Belgium etc.

## Currency Structure

Observed by currency structure, 70.3% of the foreign trade in 2011 was realized in euros, and compared to 2010, it dropped by 2.9 percentage points. On export and import side, the euro accounted for 78% and 65.4%, respectively, whereby share of the euro was at last-year level, and the reduction of the share of the euro in import accounted for 4.8 p.p. compared to 2010. Decline of euro share in the import was due to the increased import from the Great Britain, expressed in GBP, participating with 7.9% in the currency structure of the import.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I-XII 2010					I-XII 2011					absolute change in currency value	relative change in currency value (in %)
	currency	000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %	000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar		
EUR	2,935	2,888,170,117	61.5150	177,665,784,752	70.2	3,064	3,297,345,275	61.5289	202,882,027,706	65.4	409,175,158	14.2
USD	2,784	1,333,762,063	46.4574	61,963,117,659	24.5	3,217	1,810,918,377	44.2281	80,093,479,088	25.8	477,156,315	35.8
GBP	3	158,281,878	71.7150	11,351,184,859	4.5	3	347,438,122	70.8931	24,630,965,517	7.9	189,156,244	119.5
EUR+USD	5,722			250,980,087,270	94.7	6,284			307,606,472,311	99.2		
tot. import	5,738			253,072,922,596	100.0	6,294			310,208,226,020	100.0		22.6

Source: SSO and NBRM

### 3. Fiscal Sector

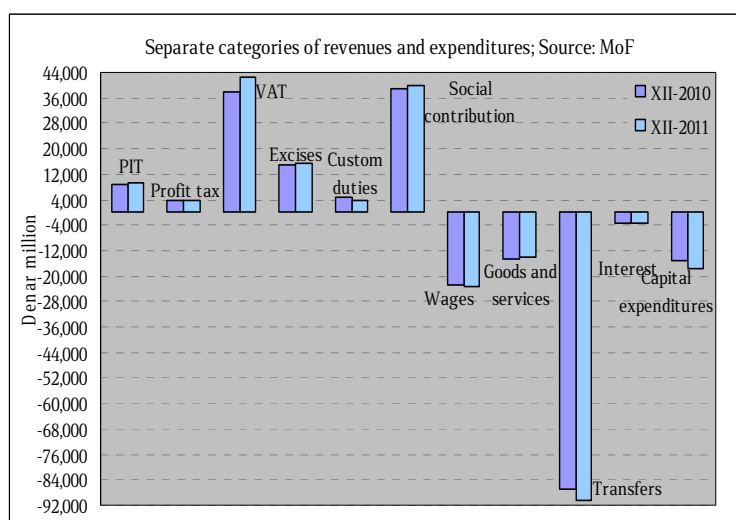
#### Budget Revenues

In the period January-December 2011, total budget revenues amounted to Denar 137,166 million, i.e. 30.1% of GDP, which was by 3.8% higher in relation to 2010.

Tax revenues in these twelve months were realized in the amount of Denar 78,206 million, i.e. 17.2% of GDP, being higher by 7.2% in relation to the same period in 2010.

Value added tax was realized in the amount of Denar 42,224 million, whereby share of VAT in total tax revenues in 2011 was dominant, amounting to 54.0%. Excises were realized in the amount of Denar 15,513 million (participating with 19.8% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 57,737 million, i.e. 73.8% of total tax revenues (12.7% of GDP). Thereby, VAT collection amounted to Denar 60,504 million on gross basis, Denar 18,280 million out of which was refunded to taxpayers (gross collection was higher by 13.7%, while VAT refund was higher by 17.8% compared to the same period in 2010).

Structure of sales in the country shows that sales of goods and services, taxed with the general tax rate of 18% surged by 13.0%, while sales taxed with preferential tax rate of 5% increased by 12.2%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 9,513 million, increasing by 7.2% on annual basis (around  $\frac{3}{4}$ , i.e. revenues on the basis of salaries account for 73.6% of the personal income tax). Compared to the same period in 2010, revenues on the basis of profit tax experienced growth of 5.4%, being mainly a result of the increase of additional



payments on the basis of annual tax balances, the annual tax on turnover, while there was decrease of the tax collected on the basis of paid dividend and other distribution of profit (it is worth to mention the fact that profit tax registered higher performance, in relation to the overall plan for the analyzed period, by 6.9%). VAT revenues experienced growth of 12.0%, while excises experienced more moderate increase, i.e. higher performance by 3.9%. Revenues on the basis of customs duties were realized in the amount of Denar 3,779 million, decreasing by 19.8%.

Non-tax revenues declined by 7.0% in relation to the same period in 2010, i.e. they amounted to Denar 13,085 million (these revenues are revenues collected on the basis of administrative fees, road toll, etc.).

Capital revenues realized on the basis of sale of construction land, flats and dividends reached Denar 3,546 million, decreasing by 3.1% compared to the same period in the previous year.

Collection of social contributions amounted to Denar 39,769 million, being higher by 2.8% compared to the same period in 2010, whereby collection of pension insurance contributions increased by 2.9%, the collection of employment insurance contribution surged by 2.9%, while health contributions rose by 2.5%.

### **Budget Expenditures**

In the period January–December 2011, total budget expenditures amounted to Denar 148,649 million, i.e. 32.6% of GDP, which was higher by 4.2% compared to 2010.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 130,939 million accounted for 88.1% (28.8% of GDP) and they increased by 2.8% in relation to the twelve months in 2010.

Transfers amounting to Denar 90,363 million (19.8% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 23,147 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 15.6% and, in relation to 2010, they increased by 2.3%.

Expenditures related to goods and services amounted to Denar 13,958 million, decreasing by 4.9% compared to the same period in 2010.

Transfers increased by 4.0% compared to the same period in 2010, participating with 60.8% in the total expenditures. Social transfers amounted to Denar 67,188 million, increasing by 5.3% and participating with 45.2% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 39,234 million, increasing by 4.3%, compared to the same period in 2010 and accounting for 26.4% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 15.1% in the total expenditures, i.e. they surged by 2.4% compared to the same period in 2010.

Interest was collected in the amount of Denar 3,471 million, being by 9.4% more compared to the same period in 2010. Such increase was mainly due to the payment of due interest on the basis of foreign borrowing. Costs related to interest on the basis of domestic borrowing increased by 8.6%, while the ones on the basis of foreign borrowing surged by 9.7%.

In the analyzed period, the funds for capital expenditures were realized in the amount of Denar 17,710 million (3.9% share in GDP), i.e. they increased by 15.5% compared to the same period last year.

## Budget Balance

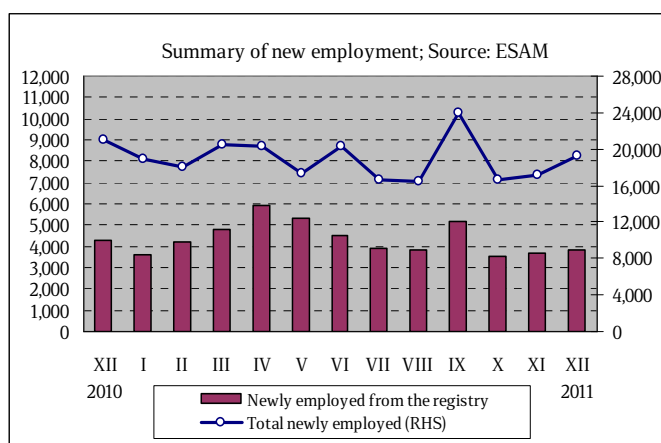
In the period January-December 2011, the budget deficit reached the amount of Denar 11,483 million, being 2.5% of GDP, while central budget deficit amounted to Denar 9,542 million or 2.1% of GDP.

## 4. Social Sector

### Number of Newly Employed and Registered Unemployed Persons in EARM

In the period January-December 2011, Employment Agency of the Republic of Macedonia registered total of 225,347 new employments. 378.2% out of the total number of newly employed was on the basis of full-time employment, while the rest of the employed were on the basis of temporary employment and seasonal workers. Compared to the same period in 2010, number of newly employed persons dropped by 3.1%.

In December, 19,190 new employments were registered, whereby 19.8% of the new employments were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 11,239 persons in December, 33.1% out of which were new employments. In December, 9,147 persons were registered as inflow to the Agency, 57.4% out of which were persons whose employment was terminated. As a result, unemployment reduced by 2,092 persons, i.e. by 0.7% compared to the previous month. Thus, in December 2011, number of unemployed persons was 281,144. Compared to the same month in 2010, number of unemployed persons declined by 12.5%.



Major percentage of the unemployed, i.e. 67.0% came from urban areas (cities), whereby 57.4% were men. Analyzed by education structure, major part, i.e. 49.9% of unemployed persons were unskilled or semi-skilled, while only 9.3% was with community college or higher education level. Observed by age, majority of the unemployed persons or 55.8% fall in the category of 25-49 years of age. According to the time they waited for a job, 48.1% of the unemployed persons sought job from 1 to 7 years, while 29.6% sought job for 8 years and more.

## Salaries

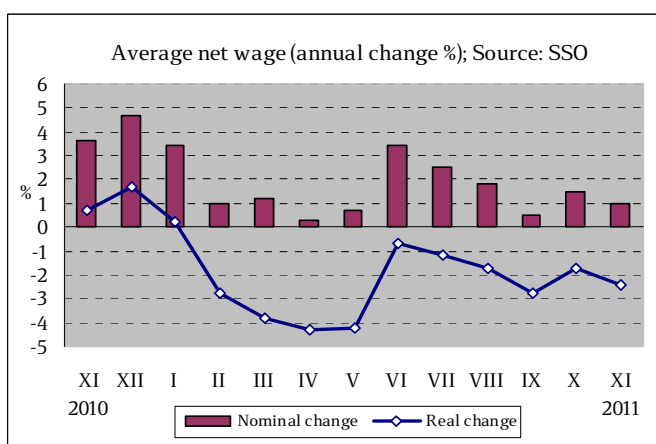
According to the data from the State Statistical Office, average monthly paid gross salary per employee in November 2012 amounted to Denar 30,591, while average monthly paid net salary amounted to Denar 20,834 1.

On monthly basis, in November 2011, average gross salary and net salary decreased by 0.3% in nominal terms, being lower by 0.9% in real terms.

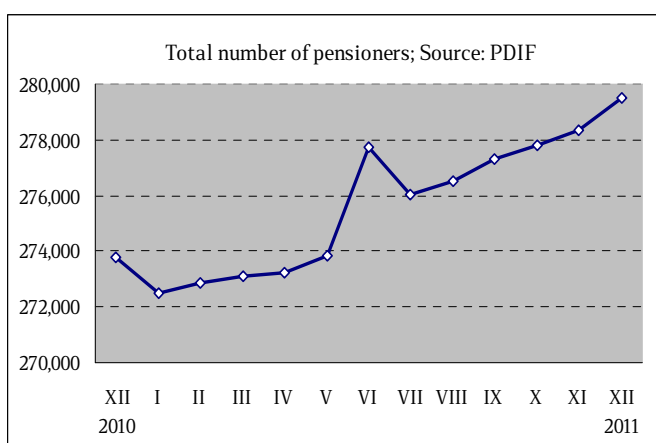
In November 2011 compared to the same month in 2010, average gross salary increased by 0.8% in nominal terms, while it was lower by 2.6% in real terms. In the same period, average net salary was higher by 1.0% in nominal terms, decreasing by 2.4% in real terms.

On cumulative basis, in the period January-November 2011, average gross salary increased by 1.4% in nominal terms, while it was lower by 2.5% in real terms. In the same period, average net salary increased by 1.6% in nominal terms, while it was lower by 2.3% in real terms.

The highest increase of average monthly gross and net salary per employee in November 2011 compared to November 2010 was recorded in the following sectors: Art, entertainment and recreation (9.7% gross salary and 9.6% net salary), expert, scientific and technical activities (9.1% gross salary and 10.1% net salary), and financial and insurance activities (7.6% gross salary and 7.1% net salary).



Reduction of average monthly gross and net salary per employee in November 2011 compared to November 2010, was seen in the sectors administrative and auxiliary services (3.6% gross salary and 2.9% net salary), information and communications (1.9% gross salary and 2% net salary) and wholesale and retail trade; repair of motor vehicles and motorcycles (1.2% gross salary and 1% net salary).



Percentage of employees who did not receive salary in November 2011 amounted to 2.4% and compared to the same month in the previous year, was higher by 0.5

<sup>1</sup> State Statistical Office, at the beginning of this year, applied the new National Classification of Activities (NCA Rev. 2) for collecting and processing data on average monthly paid gross and net salary.

percentage points, while compared to October 2011, percentage of employees who did not receive salary was identical.

## Pensions

In December 2011, Pension and Disability Insurance Fund registered 279,526 pensioners, being an increase by 2.1% compared to the same month 2010. Number of pension beneficiaries increased by 1,117 persons in relation to November 2011. 55.8% out of the total number of pensioners are beneficiaries of old-age pension, 27.4% of survival pension and 16.8% of disability pension.

In December 2011, Denar 2,923.28 million was spent for payment of pensions, accounting for 49.9% of the total social transfers<sup>2</sup>.

Average pension in December 2011 amounted to Denar 10,698, increasing by 3.5% on annual basis. Ratio between the average pension and the average paid salary in November 2011 (the most recent available data) was 51.2%.

## 5. Monetary Sector

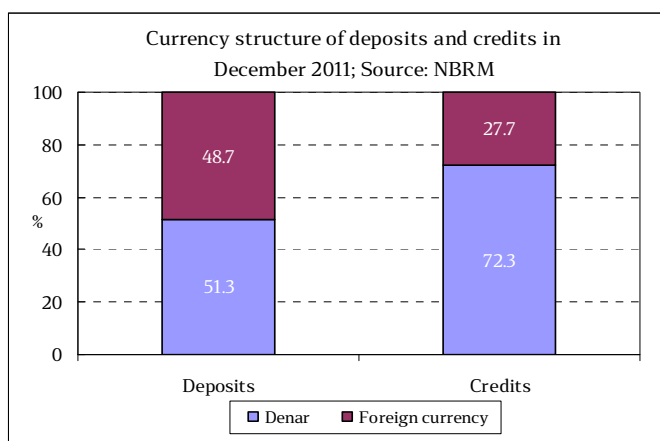
### Primary Money

In December 2011, primary money<sup>3</sup> experienced intensified growth of 9.5% on annual basis, in conditions of increase of ready money in circulation by 12.9% and increase of total liquid assets of banks by 7.1%. On monthly basis, primary money experienced growth of 11.3%, as a result of the increase of both ready money in circulation by 15.5% and total liquidity of banks by 8.5% on monthly basis.

In December 2011, National Bank of the Republic of Macedonia kept the level of interest rate on central bank bills unchanged, i.e. at 4.0%. In addition, interest rate on available overnight credits was kept at the level of 5.5%.

### Deposit Potential

Total deposit potential of banks<sup>4</sup> in December 2011 increased by 1.5% on monthly basis driven mainly by the increase of Denar deposits of households by 8.4%, while foreign currency deposits of households decreased by 1.1%. Total deposits of households increased by 2.9% and deposits of private enterprises dropped



<sup>2</sup> Category social transfers includes pensions, unemployment benefit, social assistance and expenditures for health protection.

<sup>3</sup> Primary money is calculated as a sum of ready money in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars)

<sup>4</sup> Starting January 2009, deposits include calculated interest



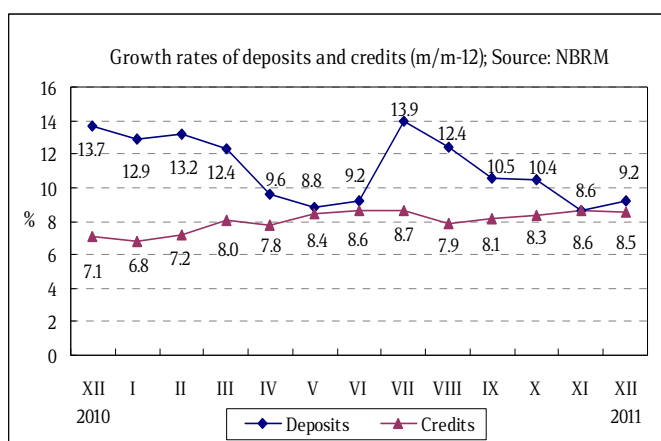
by 1.3%. From currency point of view, Denar deposits increased by 6%, while foreign currency deposits declined by 2.9%.

On annual basis, total deposits experienced accelerated their growth, reaching 9.2% compared to the annual growth of 8.6% realized last month. New saving arises mainly from the increased saving of households by 12%, while deposits of private enterprises were higher by 6.1%. Analyzed according to currency, Denar deposits were higher by 14.3% on annual basis, realizing dominant contribution to the growth of total deposits. Foreign currency deposits slowed down their growth to 4.3%. According to maturity, long-term deposits increased by 21.7%, while short-term deposits were higher by 8% on annual basis.

## Bank Credits

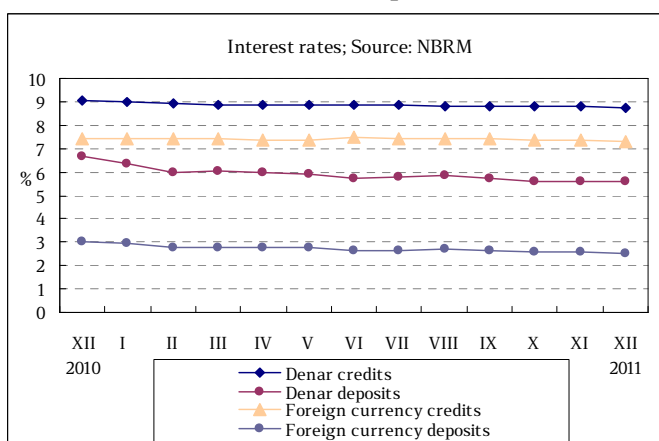
In December 2011, total credits of banks to the private sector increased by 0.3% on monthly basis. Credits to private enterprises increased by 0.6% compared to the previous month, while credits to households were lower by 0.2%. According to the currency structure, foreign currency credits increased by 1.8%, while Denar credits were lower by 0.2%.

On annual basis, growth of total credits amounted to 8.5%, in conditions of increased crediting to private enterprises and households by 8.8% and 8.1% respectively. From currency point of view, Denar credits experienced annual growth of 5.2%, while foreign currency credits registered high growth of 18.5%. As regards maturity, long-term credits increased by 11.1% on annual basis, while short-term credits were higher by 0.2%.



## Interest Rates of Deposit Banks

In December 2011, interest rates on Denar instruments of deposit banks retained the same level as in the previous month. In fact, interest rate on Denar credits, including interest rates on Denar credits without foreign currency clause and Denar credits with foreign currency clause, was 8.8%, dropping by 0.3 p.p on annual basis. Interest rate on Denar deposits was 5.6%, being lower by 1.1 p.p.



compared to December 2010.

Interest rate on foreign currency credits of banks was 7.3%, being lower by 0.1 p.p. on monthly basis, declining by 0.1 p.p. compared to December 2010. Interest rate on foreign currency deposits amounted to 2.5%, decreasing by 0.1 p.p. on monthly basis, while compared to December 2010, it was lower by 0.5 p.p..

### **Foreign Currency Reserves**

Gross foreign currency reserves at the end of December 2011 amounted to EUR 2,068.9 million and, compared to the previous month, they were higher by EUR 222.5 million, while compared to December 2010, foreign currency reserves were higher by EUR 354.4 million.

**Ministry of Finance**

**Macroeconomic Policy Department**

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