



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

August 2011



October 2011, Skopje

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

August 2011

- Industrial production grew by 0.9% in August 2011 compared to August 2010;
- Negative inflation rate of 0.1% on monthly basis and downward trend of the annual inflation rate, accounting for 3.6% in August;
- Annual increase in the physical output of export in the first eight months in 2011 of 3.5%, with high nominal valuable growth of 31.1% and increase of imported quantities of goods of 12%, with valuable nominal growth of 27%;
- Increase of both total budget revenues by 3.9% and total budget expenditures by 7.8% in the first eight months in 2011, compared to the same period last year; state budget deficit in the amount of Denar 9,225 million (2.0% of GDP) and central budget deficit in the amount of Denar 6,584 million (1.4% of GDP);
- Increase of total credits to private sector by 7.9% on annual basis, with simultaneous increase of total deposit potential of banks by 12.4%;
- Drop in the number of registered unemployed persons by 6.8% in August 2011 compared to the same month last year.

1. Real Sector

Industrial Production

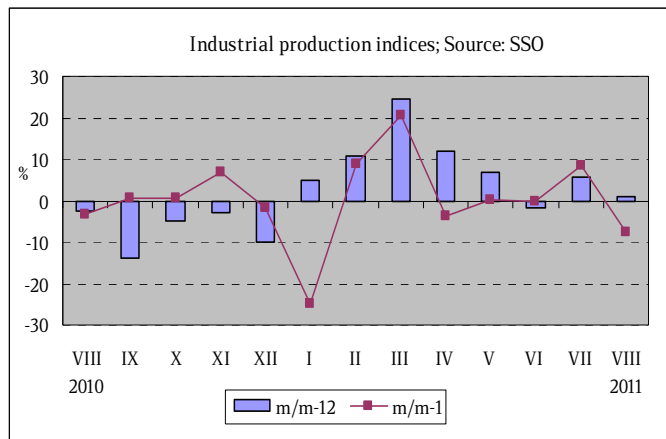
Industrial production grew by 0.9% in August 2011 compared to August 2010. Analyzed by sectors, positive trend in the processing industry sector continued with a high growth rate of 3.1% on annual basis, being of special importance due to the high share of this sector (83.7%) in the industrial production. Mining and quarrying sector dropped by 8.9%, while supply of electricity, gas, steam and air-conditioning dropped by 12.9%.

	m/m-12	m/m-1	I-VIII 2011 I-VIII 2010
Total	0.9	-7.6	7.5
Ore and stone extraction	-8.9	-10.2	7.3
Processing industry	3.1	-7.5	11.3
Electricity, gas and water supply	-12.9	-6.8	-12.8

Source: SSO

As for processing industry, positive annual growth was seen at 11 out of the 23 branches, accounting for 47.3% of the industrial production, whereby significant growth was evidenced in two out of the three driving branches with two-digit share in the industrial production. Thus, production of metals surged by 37.9%, production of clothing increased by 13.3%, while production of food products dropped by 6.3%. High growth of 301.9% and 83% was seen at production of other transportation equipment and production of electrical equipment respectively. Production of metals (4.3 p.p.) contributed the most to the annual growth of industrial production in August 2011, while production of coke and refined oil products had the highest negative contribution (-1.8 p.p.).

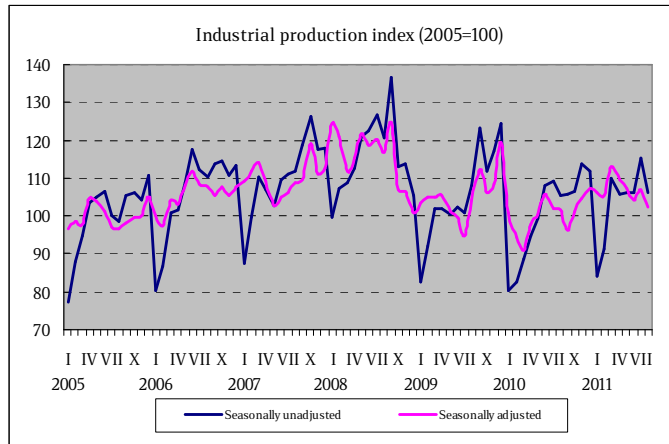
Industrial production dropped by 7.6% in August 2011 compared to July 2011; Sector analysis points out that production decline was seen in all sectors. Thereby, mining and quarrying decreased by 10.2%, processing industry dropped by 7.5%, while electricity, gas, steam and air-conditioning supply declined by 6.8%. De-seasoned monthly growth of industrial production in August 2011 was -4.3%, pointing out to negative seasonal effects in the industry in August.



On cumulative basis, in the period January–August 2011, industrial production surged by 7.5%, compared to the same period in 2010. Processing industry sector experienced high growth of 11.3%, mining and quarrying sector increased by 7.3%, while electricity, gas, steam and air-conditioning supply sector experienced 12.8% decline.

Data on the industrial production by target groups in August 2011, compared to August 2010, show that there was increase in the production at the following groups: Capital goods – 55%, intermediary goods, except energy – 9.9% and consumer durables – 3.8%. Drop of production was registered at the groups energy 21.1% and consumer non-durables - 3.1%.

On monthly basis, data on the industrial production by target groups in August 2011 showed that there was increase in the production at the following groups: Capital goods - 11.2% and intermediary goods, except energy – 10.9%. Production decline was registered at the following groups: Consumer durables – 58.9%, consumer non-durables – 16.3% and energy - 12.6%.



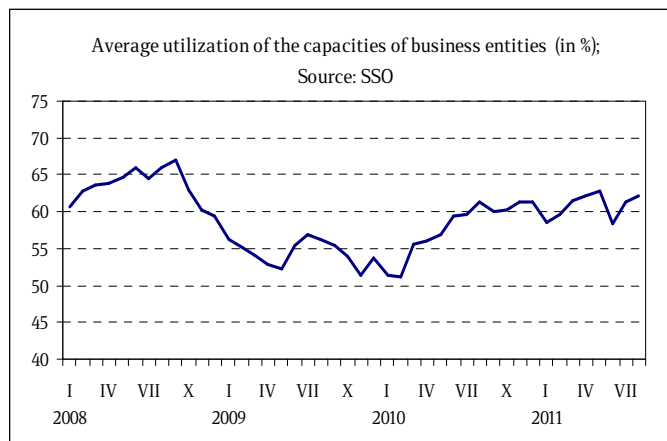
Analyzed by target groups, on cumulative basis, in the period January–August 2011, compared to the same period last year, growth was recorded at the following groups: Consumer durables – 90.7%, capital goods – 50.5%, intermediary goods, except energy – 9.3% and consumer non-durables – 5.6%. Energy group experienced 10.4% drop.

Business Trends in the Processing Industry

Current economic trends of business entities in August 2011 showed improvement in relation to the previous month and continuous upward trend in the last nine months. Assessment of current state of delivery-to-production was more favourable compared to the previous month as well as compared to August 2010, whereby such improvement was due to both domestic and foreign orders.

In August 2011, assessment of the volume of production in the past three months showed upward trend compared to July 2011, as well as compared to August 2010.

In August 2011, the expectations for the production volume in the coming three months are more favourable compared to the previous month, while compared to August 2010, the expectations are significantly more favourable, pointing out to further positive performance in the processing industry, which should be realized in the coming months.



As regards the number of employees, the expectations in August 2011 for the next three months are the same as the last month, while compared to August 2010, the expectations have significantly

improved.

Average utilization of the capacities of business entities in August 2011 was 62.2%, being an increase compared to the previous month, when it accounted for 61.3%. Compared to August 2010, the utilization of the capacities was higher by 0.9 p.p..

In August 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 surged compared to the previous month. In the next 3-month period, according to the assessment of managers, average purchase prices of inputs are expected to increase, while selling prices of ready-made products are expected to decrease.

According to the assessment, following factors limited the most the production volume in August 2011: insufficient foreign demand – 20.9%, insufficient domestic demand – 19%, financial problems – 12.0% and lack of qualified labour force - 11.3%.

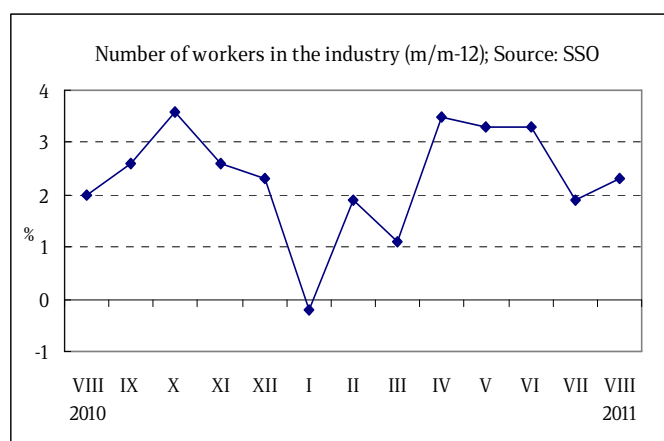
In August 2011, smaller number of business entities pointed out the insufficient foreign demand as limiting factor compared to July 2011, as well as compared to the same month last year. As regards other factors, there are no significant changes.

Number of Workers in the Industry

Number of workers in the industry in August 2011, compared to August 2010, increased by 2.3%. Sector analysis points out to increase of the number of workers on annual basis in all sectors.

Number of workers increased in mining and quarrying sector by 3.7% as a result of the high growth of 6.7% in the extraction of coal and lignite sector and growth of 6.2% in other mining and quarrying sector. Mining of metal ore sector surged by 0.3%.

Processing industry sector experienced increase in the number of employees by 2.0%. As for processing industry, high increase in the number of employees on annual basis was registered at the following branches: Production of machines and devices – 24.5%, production of metals – 10.7%, production of leather – 7.0% and production of rubber and plastic mass – 6.4%. Number of workers in the electricity, gas, steam and air-conditioning supply sector increased by 4.1%.



On cumulative basis, in the period January-August 2011 compared to the same period in 2010, the number of workers in the industry surged by 2.1%, whereby electricity, gas, steam and air-conditioning supply sector experienced increase by

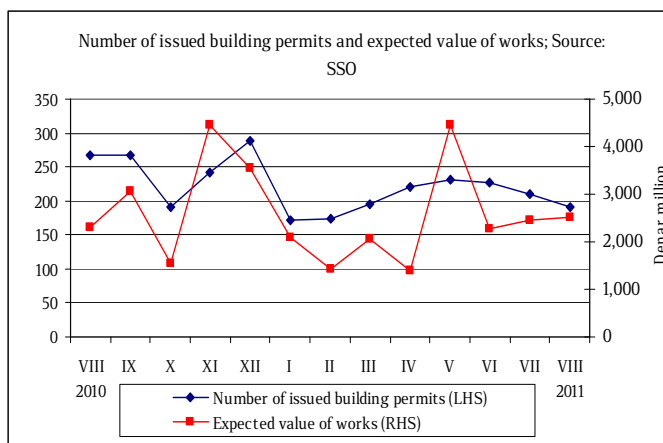
3.9%, the number of workers in the mining and quarrying sector grew by 3.4%, while it increased by 1.7% in the processing industry sector.

Data on the number of workers in the industry by target groups on annual basis in August 2011 showed increase in the number of workers at the following groups: Energy – 3.5%, capital goods - 3.4%, consumer non-durables - 2.4%, intermediary goods, except energy - 1.8%, while 1.5% drop was registered only at consumer durables.

On cumulative basis, in the period January–August 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 - 4.4%, intermediary goods, except energy - 3.4%, energy - 3.0% and consumer non-durables - 0.9%, while 1.4% drop was registered at the consumer durables group.

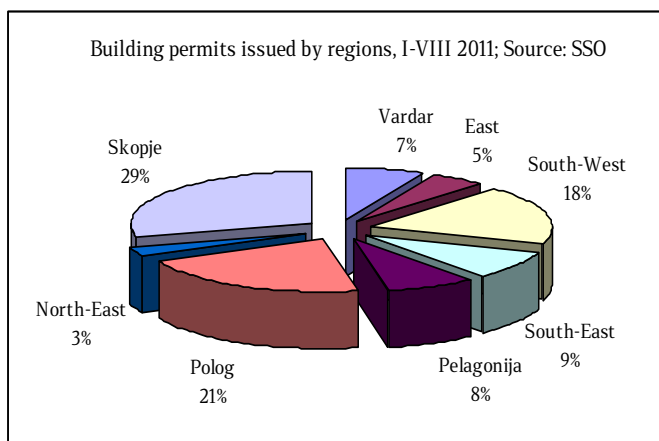
Number of Issued Building Permits and Envisaged Value of Facilities

Envisaged value of facilities analyzed according to the number of issued building permits amounted to Denar 2,520 thousand in August 2011, showing an increase compared to August 2010, as well as compared to July in the same year (9.8% and 3.1% respectively). If one compares the cumulative amount in the period January–August 2011 with the same period in 2010, one can again notice increase in the envisaged value of the facilities by 24.4%.



Analyzed on annual basis, in the first eight months of 2011, there was decrease of the number of issued building permits by 13.2% compared to the same period last year.

In August 2011, 191 building permits were issued, being decrease of the issue permits by 28.5% compared to the same month in 2010. Compared to the previous month in 2011, when 120 permits were issued, there was decrease by 9.1%.



Analyzed by types of facilities, out of the total number of issued building permits in August 2011, most of the permits – 149 (or 78%) are intended for buildings, 17 (or 8.9%) for civil engineering structures and 25 (or 13.1%) for reconstruction.

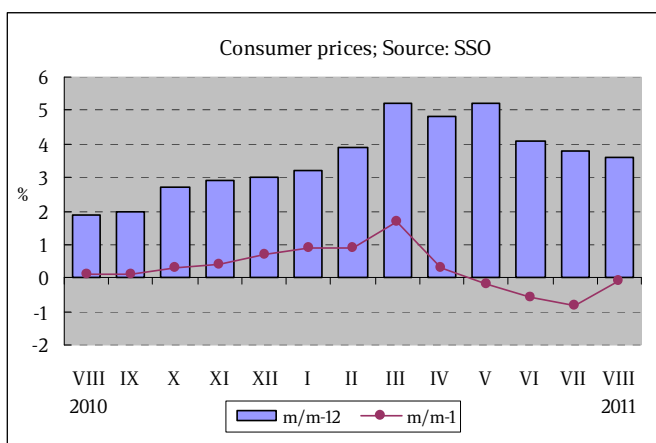
Analyzed by types of investors, in August 2011, out of total 191 facilities, natural persons were investors in 140 (or 73.3%), while business entities were investors in 51 facilities (or 26.7%).

In the period January-August 2011, most permits were issued in the Skopje region, i.e. 459 in total (29% of the total issued approvals), 305 permits out of which were issued to natural persons as investors, while 154 permits were issued to business entities as investors.

Inflation

Inflation rate in August 2011, measured according to the CPI index amounted to 3.6% compared to the same month in the previous year. In fact, starting June 2011, there was disinflation process, i.e. downward trend of increase of prices, being a result of the trends in food prices. Thus, cumulative inflation rate (January-August) experienced slight downward trend, amounting to 4.2%.

In August, increase of prices in the food category amounted to 5.6% on annual basis, contributing with 2.1 p.p. to the general increase of prices. Increase of prices of food was mainly due to the increase of prices of cereal products, vegetable oils and meat. Price increase was also registered at the following categories: Hygiene and health – 4.2%, housing – 3.9%, transportation means and services – 2.4%, administrative and financial services – 2.1%, restaurants and hotels – 1.6%, clothing and footwear – 1.4% and tobacco and beverages – 1.2%. Drop was seen at prices in culture and entertainment category – 1.7%.



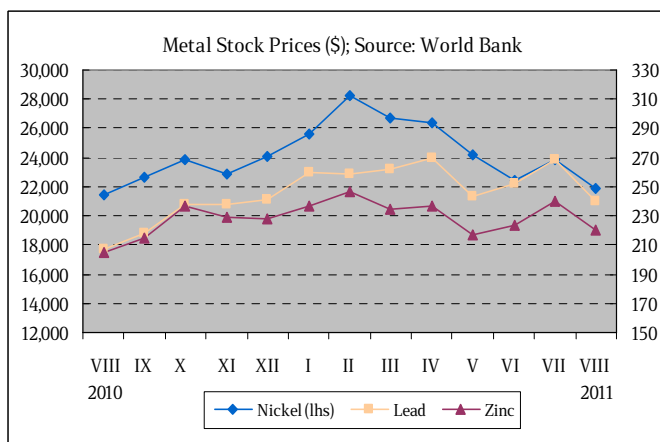
In August, compared to the previous month, the inflation rate remained in the negative zone, amounting to -0.1%. Highest drop of prices was seen in the food category - 0.5% mainly as a result of the reduced prices of fruit by 14.6%, while more moderate drop of prices was seen at vegetables by 3.3%. Drop of prices was seen in the categories clothing and footwear by 0.4% and restaurants and hotels by 0.1%, while prices in the other categories did not change, i.e. they increased.

Retail prices in August 2011 were higher by 3.8% compared to August 2010, while compared to the previous month, retail prices did not change. Average increase of retail prices in the period January-August amounted to 4.1%.

Stock Market Prices

In August 2011, crude oil price (Brent) on world stock markets dropped by 5.5%, compared to the previous month, reaching the price of US\$ 110.1 per barrel. Compared to August 2010, oil price surged by even 43.6%. Price of natural gas in August decreased by 3.3% compared to the previous month.

As regards metal products, nickel, as product with high share in Macedonian export, was traded at an average price of US\$ 21,845 for a metric ton (\$/mt) on the global stock markets in August, being a monthly drop of the price by 8.4%. Compared to August 2010, nickel price surged by 2.0%. In fact, in August general reduction of prices of metals and minerals by 4.4% on monthly basis was seen, being a result of the increasing concerns for slowdown of the economic growth and accordingly the demand for metals. In fact, reduction of prices in August was seen for all base metals, whereby lead registered monthly drop by 10.6%, zinc by 8.3% and copper by 6.7%. Upward trend of price of gold on the global stock markets continued in August as well, reaching record level of US\$ 1,757 per ounce (\$/toz), being increase of the price by 11.8% compared to July.



Price of wheat, following the drop in the previous two months, registered monthly increase by 7.6% in August as a result of the postponed harvest in Europe and the deteriorated trends in the supply of wheat in the USA.

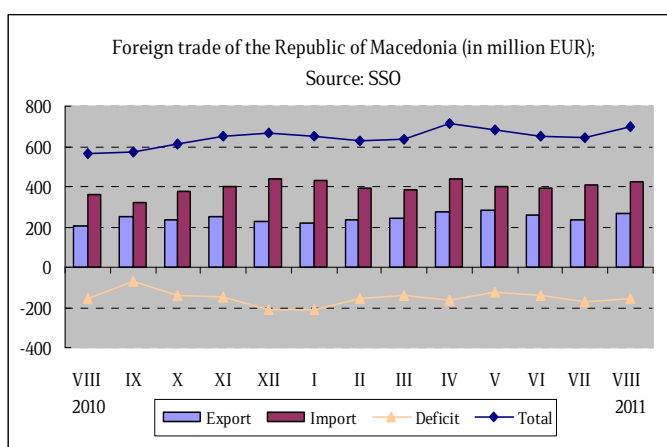
2. Foreign Trade

Total foreign trade in the first eight months in 2011 experienced high growth of 28.5%, compared to the same period in the previous year, with simultaneous increase of export and import of goods.

Export

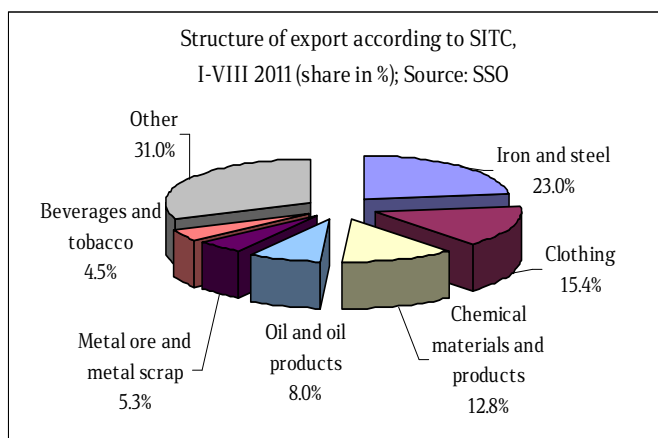
Analyzed on annual basis, in the first eight months in 2011, exported quantities of goods surged by 3.5%, and their value reached EUR 2,013.8 million, being a high increase by 31.1% compared to the same period last year.

Analyzed on monthly basis, in August 2011, export increased by 14.2% compared to the previous month, being mainly a result of the increased export of chemical products and oil and oil products. Seasonal adjusted trend of export in August increased by 33.7% on monthly basis, pointing out to negative effects of the seasonal factor (19.5 p.p.) on export this month.

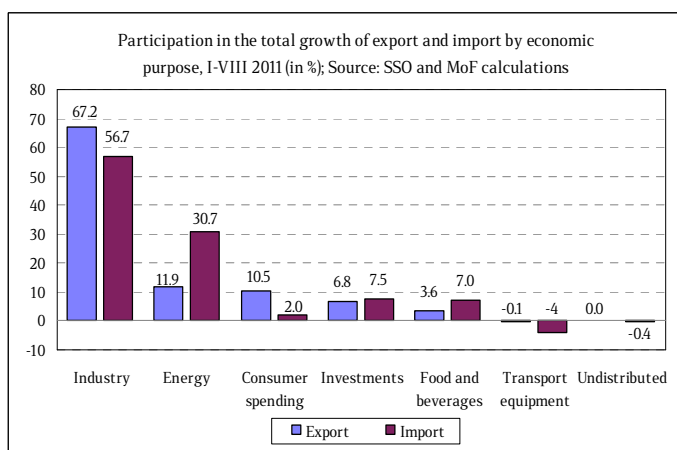


In August 2011 alone, goods in the amount of EUR 268.2 million were imported, being an increase by 31.8% compared to the same month last year.

In line with the changed structure, following products were most exported: catalysts with precious metals as active matter, ferronickel, petroleum oils and oils obtained from bituminous minerals, followed by iron and steel products (hot rolled and cold rolled products), menswear and women's wear, machines and devices for filtering and purification of liquids or gases ferrosilicon mangan, lead ore and concentrate, ferrosilicium, etc.



Main groups of goods (according to SITC) having the biggest share in export in the first eight months of 2011 were the following: iron and steel – 23%, clothing – 15.4%, chemical materials and products – 12.8%, oil and oil products – 8%, metal ore and metal scrap – 5.3% and beverages and tobacco – 4.5%. These six groups of products comprised 69% of the total export of the country.



Analyzed by economic purpose, in the first eight months in 2011, significant increase of the export was registered at the industrial products (raw materials and intermediary goods from our industry) by 42.9% (EUR 320.8 million) and at the investment products - excluding transportation equipment by 71.7% (EUR 32.6 million), compared to the same period last year. Export of energy products and general consumption goods increased by EUR 56.8 and EUR 50.2 million, i.e. 44.9% and 12.6% respectively.

Export of chemical products*)				
	I-VIII 2010	I-VIII 2011	Balance 2011-2010	% rate
000 T	16.5	16.5	0.0	0.0
Мил. ЕУР	67.5	257.6	190.1	281.6
Мил.\$	87.7	362.2	274.5	313.0

*)Previous data

Import of chemical products*)				
	I-VIII 2010	I-VIII 2011	Balance 2011-2010	% rate
.000 T	14.4	18.2	3.8	26.4
Мил. ЕУР	31.5	54.2	22.7	72.1
Мил.\$	41.1	76.2	35.1	85.4

*)Previous data

Import

Imported quantities of goods in the first eight months in 2011 increased by 12% and their value amounted to EUR 3,279.7 million, i.e. being a high increase by 27% in relation to January-August last year.

In August 2011 alone, goods in the amount of EUR 425.9 million were imported, increasing by 17.1% compared to the same month last year. Analyzed on monthly basis, in August 2011, import surged by 4.9% compared to the previous month, being mainly a result of the increased import of motor vehicles for transportation of 10 or more persons (import of buses for Skopje). Seasonal adjusted trend of import in August increased by 9.4% on monthly basis, pointing out to negative effects of the seasonal factor (4.8 p.p.) on import this month.

Export of oil and oil products*)				
	I-VIII 2010	I-VIII 2011	Balance 2011-2010	% rate
000 T	215.1	252.5	37.4	17.4
EUR mil.	108.6	160.7	52.1	48.0
\$ mil.	142.3	228.2	85.9	60.4

*)Previous data

Import of oil and oil products*)				
	I-VIII 2010	I-VIII 2011	Balance 2011-2010	% rate
.000 T	788.1	851.3	63.2	8.0
EUR mil.	343.9	494.8	150.9	43.9
\$ mil.	449.5	700.1	250.6	55.8

*)Previous data

Following products accounted the most in the import structure: petroleum oils obtained from bituminous minerals, platinum and platinum alloys unwrought or in powder form, electricity, hot rolled flat products in reels, other motor vehicles for transportation of persons, colloidal precious metals and their inorganic or organic compounds, metal scarp, nickel ore and concentrates, pharmaceuticals, colours and varnishes, etc.

Following participated the most in the import of goods, (according to SITC groups), in the first eight months in 2011: crude oil and oil products (EUR 494.8 million, 15.1%), textile yarns and similar (EUR 218.8 million, 6.7%), non-ferrous metals (EUR 214 million, 6.5%), iron and steel (EUR 206.7 million, 6.3%), road vehicles (EUR 174.6 million, 5.3%), metal ore and metal scarp (EUR 119.9 million, 3.7%), electrical machines - devices and spare parts (EUR 118.3 million, 3.6%), electricity (EUR 101 million, 3.1%), etc.

Analyzed by economic purpose, in the first eight months in 2011, significant increase of import was seen at industrial raw materials (industrial products) by 39.8% or EUR 353 million and fuel and lubricants by 51.2% or EUR 185.5 million, compared to the same period last year. Thereby, investment products (excluding transportation equipment) also experienced growth by 21% or EUR 57 million, food and beverages by 18.2% or EUR 45 million.

Export of iron and steel*)				
	I-VIII 2010	I-VIII 2011	Balance 2011-2010	% rate
000 T	465.4	529.7	64.3	13.8
EUR mil.	357.3	462.9	105.6	29.6
\$ mil.	466.2	654.0	187.8	40.3

*)Previous data

Import of iron and steel*)				
	I-VIII 2010	I-VIII 2011	Balance 2011-2010	% rate
.000 T	386.9	389.5	2.6	0.7
EUR mil.	174.2	206.7	32.5	18.7
\$ mil.	229.1	291.3	62.2	27.1

*)Previous data

Trade Balance

Trade balance in the first eight months in 2011 amounted to EUR 1,265.9 million, being an increase of the deficit by EUR 220 million compared to the same period last year. Disaggregated, increase of negative trade balance was a result of combined effect of: the widened negative balance in the trade in non-ferrous metals, oil and oil products, electricity, products for colouring and tanning, as well as the realized negative balance in the trade in metal ore and metal scarp, compared to the positive balance last year.

Increased positive balance in the trade in chemical materials and products, iron and steel, clothing, fruit and vegetables, as well as narrowing of negative balance in the trade in road vehicles, IT office supplies, etc., had opposite effect. Such trends in the period January-August in 2011 contributed for the level of import coverage by export, amounting to 61.4%, to increase by 2 p.p. compared to the same period in the previous year.

Analyzed according to the economic groups of the countries in the first eight months of 2011, export in the EU, EFTA and the developing countries continued to increase (significantly improved trend was seen at export in Russia – 75.7%, China – 34.9% and Western Balkans – 17.7%).

In the first eight months in 2011, in conditions of significant increase of trade with the European Union (EU 27), in relation to January-August last year, by 31.9%, share of trade with EU in the total foreign trade increased by 1.4 percentage point, accounting for 56.5%, whereby export of goods participated with 60.5% and import of goods accounted for 54.1%.

As a result of the structural changes in the trade with abroad, in the first half in 2011, 47.8% of the trade deficit of the country was a result of the trade with Russia and Great Britain, followed by Greece, Turkey, China, Serbia, Italy, Bulgaria, Switzerland, etc. Trade surplus was realized with Kosovo, Germany, Albania, Montenegro, the Netherlands, Croatia, etc.

Currency Structure

Observed by currency structure, 69.7% of the foreign trade in the first eight months in 2011 was realized in euros, and compared to the same period in 2010, it dropped by 3.5 percentage points. On export and import side, the euro accounted for 76.7% and 65.3%, respectively, whereby share of the euro in export was lower by 0.6 p.p., while share of the euro in import dropped by 5.4 p.p. compared to the first eight months in 2010. Decline of euro share in the import was due to the increased import from the Great Britain, expressed in GBP, participating with 8.3% in the currency structure of the import.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I-VIII 2010					I-VIII 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	structure in %		
EUR	1,944	1,821,207,034	61.4844	111,975,821,761	70.7	2,017	2,150,022,291	61.5406	132,313,661,802	65.3	328,815,257	18.1
USD	1,641	834,937,297	46.7844	39,062,040,478	24.7	2,004	1,180,378,787	43.6649	51,541,121,696	25.4	345,441,490	41.4
GBP	2	82,810,437	71.5267	5,923,157,262	3.7	2	237,826,897	70.6294	16,797,571,009	8.3	155,016,460	187.2
EUR+USD	3,587			156,961,019,501	95.4	4,023			200,652,354,507	99.0		
tot. import	3,598			158,397,005,339	100.0	4,030			202,633,213,608	100.0		27.9

Source: SSO and NBRM

3. Fiscal Sector

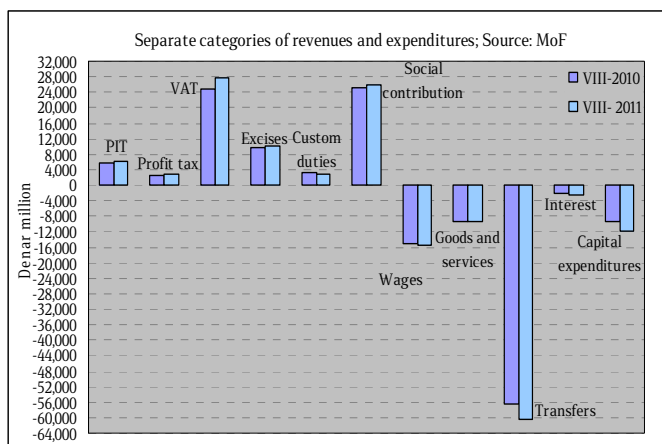
Budget Revenues

In the period January-August 2011, total budget revenues reached an amount of Denar 90,279 million, i.e. 19.8% of GDP, which was by 3.9% higher in relation to 2010.

Tax revenues in the first eight months were realized in the amount of Denar 50,973 million, i.e. 11.2% of GDP, being higher by 6.8% in relation to the same period in 2010.

Value added tax was realized in the amount of Denar 27,517 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 9,916 million (participating with 19.5% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 37,433 million, i.e. almost 3/4 of the total tax revenues, i.e. 73.4% (8.2% of GDP). Thereby, VAT collection amounted to Denar 39,785 million on gross basis, Denar 12,268 million out of which was refunded to taxpayers.

Structure of sales in the country shows that sales of goods and services, taxed with the general tax rate of 18% surged by 13.6%, while sales taxed with preferential tax rate of 5% increased by 13%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 6,056 million, increasing by 8% on annual basis. Compared to 2010, revenues on the basis of profit tax experienced growth of 20.7%, being mainly a result of the increase of additional payments on the basis of annual tax balances, as well as increase of 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 15.9%). VAT revenues experienced growth of 10.8%,



while excises experienced more moderate increase, i.e. higher performance by 2.8%. Revenues on the basis of customs duties were realized in the amount of Denar 2,441 million, decreasing by 24.4%.

Non-tax revenues declined by 1.8% in relation to the same period in 2010, i.e. they amounted to Denar 8,801 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 3,121 million, showing increase by 4.4% compared to the same period in the previous year.

Collection of social contributions amounted to Denar 25,790 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 health insurance contribution surged by 2.7%, while employment contributions rose by 2,6%.

Budget Expenditures

In the period January-August 2011, total budget expenditures amounted to Denar 99,504 million, i.e. 21.9% of GDP, which was higher by 7.8% compared to 2010.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 87,676 million accounted for 88.1% (19.3% of GDP) and they increased by 5.6% in relation to the same eight months in 2010, while capital expenditures, amounting to Denar 11,828 million, participated with 11.9% in the total expenditures, increasing by 26.8% compared to the same period last year.

Transfers amounting to Denar 60,518 million accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 15,425 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 15.5% and, in relation to 2010, they increased by 2.1%.

Expenditures related to goods and services amounted to Denar 9,278 million, increasing by 1% compared to the same period in 2010.

Transfers increased by 7% compared to 2010, participating with 60.8% in the total expenditures. Social transfers amounted to Denar 44,237 million, increasing by 4.6% and participating with 44.5% in the total expenditures. Transfers to the Pension and Disability Insurance Fund accounted for the most in the social transfers. They amounted to Denar 25,813 million, increasing by 3.8% in relation to the same period in 2010, accounting for 25.9% in the total expenditures. Category Other Transfers, which includes transfers to local government units, accounted for 15.8% in the total expenditures, i.e. they surged by 16.8% compared to the same period in 2010.

Interest was collected in the amount of Denar 2,455 million, being by 13.8% 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 13.8%, while the ones on the basis of foreign borrowing surged by 13.7%.

Budget Balance

In the period January – August 2011, the budget deficit reached the amount of Denar 9,225 million, being 2% of GDP, while central budget deficit amounted to Denar 6,584 million or 1.4% of GDP.

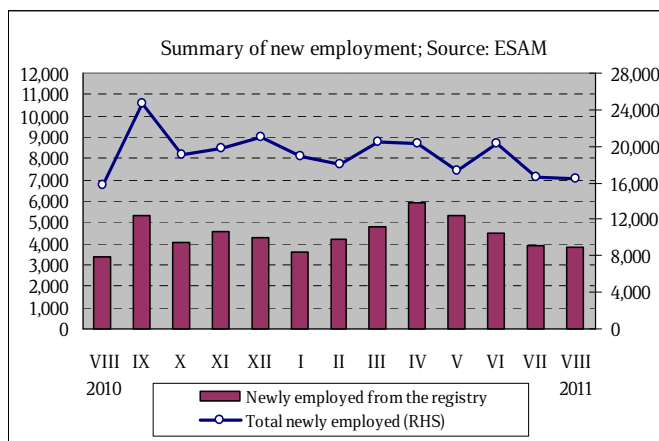
4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM

In the period January-August 2011, Employment Agency of the Republic of Macedonia registered total of 148,441 new employments. 37.2% 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 was higher by 0.2%.

In August, 16,430 new employments were registered, 23.1% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 12,723 persons in August,

29.1% out of which were new employments. In August, 9,572 persons were registered as inflow to the Agency, 46.3% out of which were persons whose employment was terminated. As a result, unemployment reduced by 3,151 persons, i.e. by 1% compared to the previous month. Thus, in August 2011, 303,906 persons were registered as unemployed. Compared to the same month in 2010, number of unemployed persons declined by 6.8%.

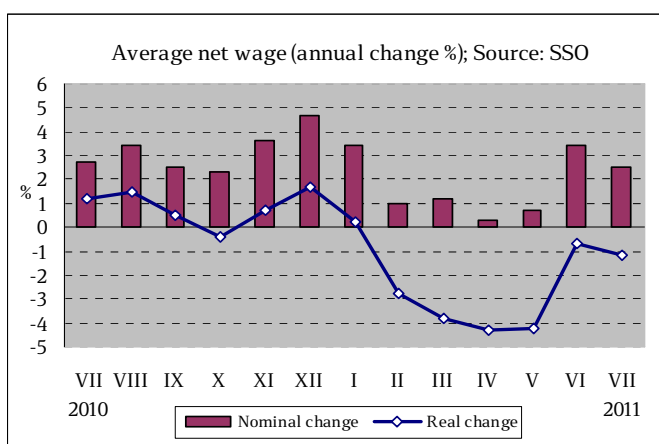


Major percentage of the unemployed, i.e. 65.9%, came from urban areas (cities), whereby 57.5% were men. Analyzed by education structure, major part, i.e. 51.7% of unemployed persons were unskilled or semi-skilled, while only 8.7% was with community college or higher education level. Observed by age, majority of the unemployed persons or 57.2% fall in the category of 25-49 years of age. According to the time they waited for a job, 49% 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 July 2011 amounted to Denar 30,528, while average monthly paid net salary amounted to Denar 20,813¹.

Average gross salary in July 2011 compared to June 2011 was lower by 1.5% in nominal terms, while average net salary in the same period was lower by 1.4% in nominal terms. They were lower by 0.7% in real terms.



In July 2011, compared to the same month in 2010, average monthly net salary increased by 2.5% in nominal terms, while it was lower by 1.2% in real terms. Average gross salary per employee compared to July 2010 was higher by 2.4% in nominal terms, while it was lower by 1.4% in real terms.

On cumulative basis, in the period January-July 2011, average net salary increased by 1.8% in nominal terms, while it was lower by 2.4% in real terms. In the same

¹ 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.

period, average gross salary increased by 1.6% in nominal terms, while it was lower by 2.6% in real terms.

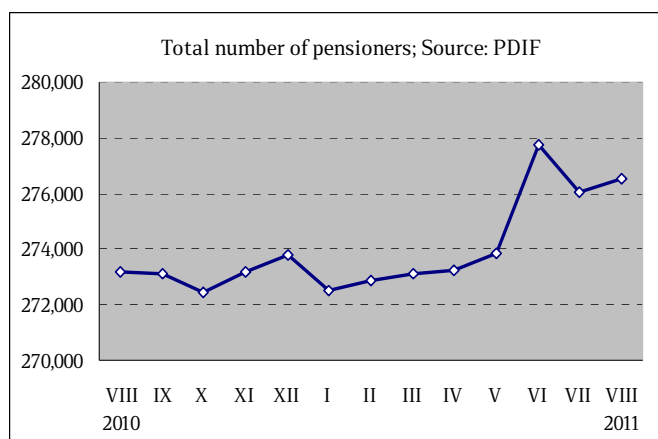
Highest increase of average monthly gross salary per employee in July 2011 compared to July 2010 was seen in the activities other services (38.1%), activities related to real estate (13.7%) and transport and storage (11.8%). Highest increase of average monthly net salary per employee in July 2011 compared to July 2010 was seen in the activities other services (41.4%), transport and storage (13.0%) and expert, scientific and technical activities (12.4%).

Increase of average monthly gross and net salary per employee in July 2011 compared to June 2011 was seen in the activities expert, scientific and technical activities (8.4% gross salary and 11.1% net salary), activities related to real estate (6.5% gross salary and 6.5% net salary) and wholesale and retail trade, repair of motor vehicles and motorcycles (2.3% gross salary and 3.4% net salary).

Employees who did not receive salary in July 2011 accounted for 2.2%, whereby, compared to the same month in the previous year, it reduced by 0.4 p.p., while compared to June 2011, percentage of employees who did not receive salary was lower by 0.3 p.p..

Pensions

In August 2011, Pension and Disability Insurance Fund registered 276,545 pensioners, being an increase by 1.2% compared to the same month in 2010. Number of pension beneficiaries increased by 495 persons in relation to July 2011. 55.4% out of the total number of pensioners are beneficiaries of old-age pension, 27.5% of survival pension and 17% of disability pension.



In August 2011, Denar 2,828.42 million was spent for payment of pensions, accounting for 51.2% of the total social transfers².

Average pension in August 2011 amounted to Denar 10,345, increasing by 1.9% on annual basis. Ratio between average pension and average paid salary in July 2011 (most recent available data) amounted to 49.8%.

² Category social transfers includes pensions, unemployment benefit, social assistance and expenditures for health care

5. Monetary Sector

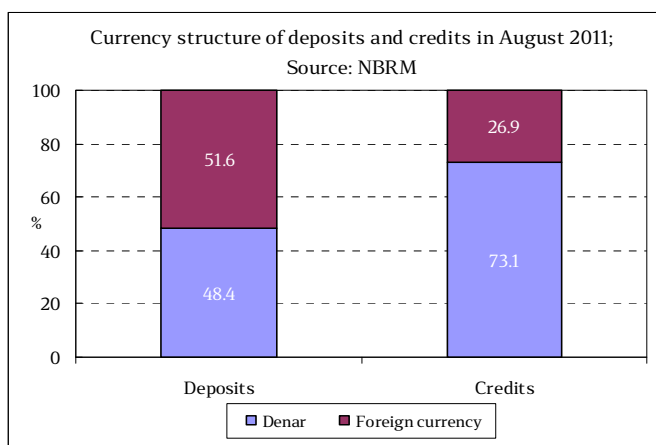
Primary Money

In August 2011, primary money³ experienced growth of 6.1% on annual basis, in conditions of growth of ready money in circulation by 7.8% and increase of total liquid assets of banks by 4.9%.

On monthly basis, primary money dropped by 0.1% (compared to 3.7% growth in the previous month), as a result of the drop of ready money in circulation by 2.7%. Total liquidity of banks surged by 1.9%.

In August 2011, National Bank of the Republic of Macedonia

kept the level of interest rate on central bank bills unchanged, i.e. at 4%. In addition, interest rate on available overnight credits was kept at the level of 5.5%.



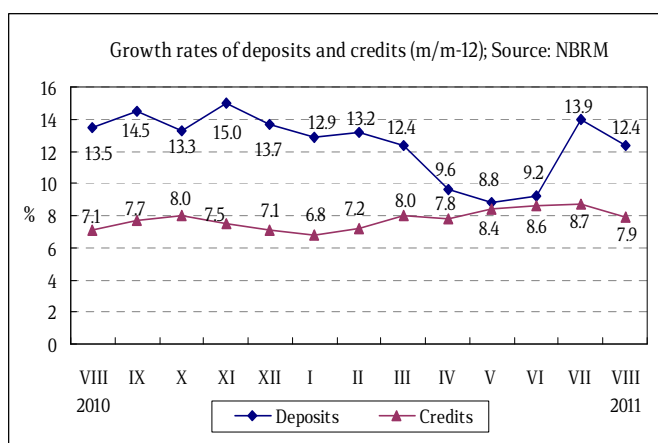
Deposit Potential

Total deposit potential of banks⁴ in August 2011 increased by 0.9% on monthly basis, to which deposits of private enterprises contributed with 0.6%. They increased by 2.3% on monthly basis, while deposits of households surged by 0.4%. From currency point of view, Denar deposits increased by 1.2%, while foreign currency deposits surged by 0.6%. Thus, Denar deposits realized dominant contribution to the monthly growth of deposits.

Total deposits increased by 12.4% on annual basis, driven by the growth of deposits of households, increasing by 13.8%, thus contributing with 9.3 p.p. to the growth of total deposits. Deposits of private enterprises were higher by 13%.

Analyzed according to the currency, Denar deposits grew by 14.1%, while foreign currency deposits were higher by 11% on annual basis.

According to maturity, long-term deposits experienced high increase by 35.7%, while short-term deposits were higher by 9% on annual basis.



³ 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).

⁴ Starting January 2009, deposits include calculated interest

Bank Credits

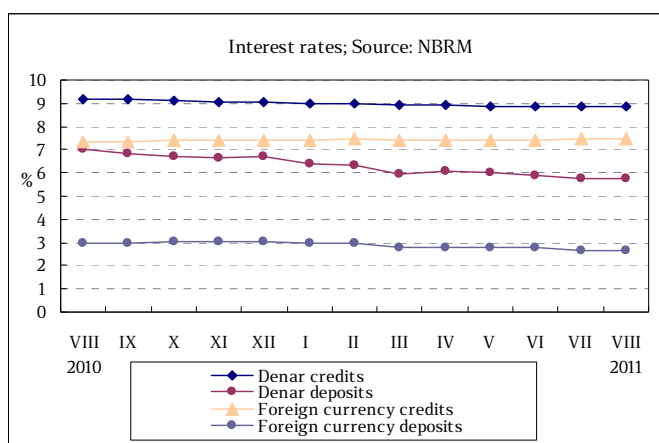
In August 2011, total credits of banks to the private sector increased by 0.1% on monthly basis. According to the currency structure, credit growth was totally driven by foreign currency credits, which increased by 1.6%, while Denar credits dropped by 0.5%. According to the sector analysis, credits to private enterprises decreased by 0.3% compared to the previous month, while credits to households were higher by 0.7%.

On annual basis, growth rate of credits amounted to 7.9%. From the point of view of sector structure, crediting to private enterprises had dominant contribution of 5 p.p. to growth of total credits, increasing by 8.3%. Household credits increased by 7.5% in August.

From currency point of view, Denar credits experienced annual growth of 2.7%, while foreign currency credits registered high growth of 25.2%. As regards maturity, long-term credits increased by 15.2% on annual basis, while short-term credits were lower by 4.3%.

Interest Rates of Deposit Banks

In August 2011, interest rates 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 on Denar credit balance, including interest rates on Denar deposits without foreign currency clause and Denar deposits with foreign currency clause, was 5.8%, which, compared to August 2010, dropped by 1.2 p.p.



Interest rate on foreign currency credits was 7.4%, being higher by 0.1 p.p. on annual basis. Interest rate on foreign currency deposits amounted to 2.7%, decreasing by 0.4 p.p. compared to August 2010.

Foreign Currency Reserves

Gross foreign currency reserves at the end of August 2011 amounted to EUR 1,843.5 million and, compared to the previous month, they were lower by EUR 32.1 million, while compared to August 2010, foreign currency reserves were higher by EUR 124.8 million.

Report is prepared by:

Ministry of Finance

Macroeconomic Policy Department

www.finance.gov.mk

Persons in charge:

Aneta Acevska

Bojana Ilievska

Gjoko Gjorgjeski

Koprinka Sapunova

Nedzati Kurtisi

Sami Asani

Checked by: Snezana Delevska

Approved by: Jordan Trajkovski

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