



REPUBLIC OF MACEDONIA  
MINISTRY OF FINANCE  
Macroeconomic Policy Department

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# SHORT-TERM ECONOMIC TRENDS

June 2011

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August 2011, Skopje

## SUMMARY

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

June 2011

- Industrial production increase by 9.2% in the first half of 2011 compared to the same period on 2010;
- Negative inflation rate of 0.6% on monthly basis, with downward trend of the annual inflation rate, amounting to 4.1% (5.2% in May) in June;
- Annual increase in the physical output of export in the first half of 2011 of 4.7%, with high nominal valuable growth of 35.8% ; increase in imported quantities of goods of 11.3%, with valuable nominal growth of 30.4%;
- Increase of both total budget revenues by 9.1% and total budget expenditures by 10.7% in the first half of 2011, compared to the same period last year; state budget deficit in the amount of Denar 7,727 million (1.7% of GDP) and central budget deficit in the amount of Denar 6,129 million (1.3% of GDP);
- Increase of total credits to private sector by 8.6% on annual basis, with simultaneous increase of total deposit potential of banks by 9.2%;
- Reduction of the number of unemployed by 4,098 persons in June 2011, i.e. by 1.3% compared to the previous month.

# 1. Real Sector

## Industrial Production

Industrial production in June 2011 compared to June 2010 dropped by 1.8%, interrupting the trend of high positive growth rates this year. Such tendency was partially a result of the high comparison base as well, taking into account that there was growth of 5.5% in June last year.

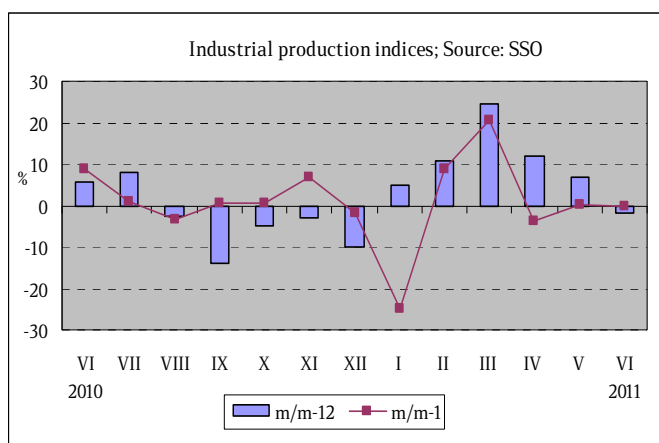
Analyzed by sectors, positive growth in the processing industry sector continued with a rate of 3.4% on annual basis, while the other two sectors experienced drop. Mining and quarrying sector moderately dropped by 2.8%, while supply of

	m/m-12	m/m-1	I-VI 2011
			I-VI 2010
Total	-1.8	0.0	9.2
Ore and stone extraction	-2.8	-16.9	11.3
Processing industry	3.4	3.2	13.5
Electricity, gas and water supply	-33.5	-17.1	-12.0

Source: SSO

electricity, gas, steam and air-conditioning experienced high drop by 33.5%.

As for processing industry, positive annual growth was seen at 9 out of the 23 branches, accounting for 44.6% of the industrial production, whereby significant growth was evidenced in two driving branches with two-digit share in the industrial production. Thus, high growth was seen at production of clothing - 20% and production of food products - 5.7%, while metal production slightly dropped by 3% for the first time after October 2009. High industrial production growth was also registered at production of electrical equipment - 193.5%, production of other transportation equipment - 92.9%, production of furniture - 77.3% and production of tobacco products - 47.9%. Production of electrical equipment (8 p.p.) contributed



the most to the annual growth of industrial production in June, the same as in the past months, while production of coke and refined oil products had the highest negative contribution (-3.8 p.p.).

Industrial production in June 2011 did not change compared to the previous month. Sector analysis points out that processing industry sector surged by 3.2%. Mining and quarrying and supply of electricity, gas, steam and air-conditioning sectors decreased by 16.9% and 17.1%, respectively. As for processing industry, monthly growth was registered at 12 out of 23 branches, comprising 54.2% of the industrial production. On monthly basis, production of food products increased by 3.4% and production of clothing grew by 1.3%, while production of metals dropped by 22.6%

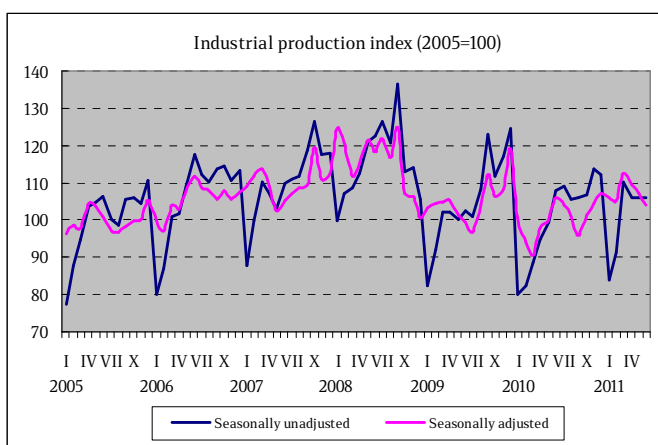
on monthly basis. De-seasoned monthly growth of industrial production in June 2011 was -3.1%, pointing out to positive seasonal effects in the industry in June.

On cumulative basis, industrial production in the period January–June 2011 decreased by 9.2% compared to the same period in 2010. Processing industry sector experienced high growth of 13.5%, mining and quarrying sector increased by 11.3%, while electricity, gas, steam and air-conditioning supply sector decreased by 12%.

Data on the industrial production by target groups in June 2011, compared to June 2010, show that there was increase in the production at the following groups:

Consumer durables -139.8%, capital goods - 17.6%, and consumer non-durables - 11.4%. Intermediary goods except energy drooped by 3.6% and energy by 45.7%.

On monthly basis, data on industrial production by target groups in June 2011 show increase of production at the groups consumer durables -



43.8% and consumer non-durables 9.9%. Production decline was registered at the following groups: Capital goods - 1.4%, intermediary goods, except energy - 6.9%, and energy - 22.1%.

On cumulative basis in the period January-June 2011 compared to the same period last year, analyzed by target groups, growth was seen at all groups except energy (-8%). They are ranked according to the amount of the growth rate, as follows: Consumer durables - 91.6%, capital goods - 54%, intermediary goods, except energy - 10.6%, and consumer non-durables - 7.1%.

### Business Trends in the Processing Industry

According to the assessments, current economic trends of business entities in June 2011 showed significant improvement in relation to the previous month and continuous upward trend of the assessment for the current economic trends in the last eight months.

Assessment of the current state of delivery-to-production was more favourable compared to both the previous month and June 2010 (-14.8 in June 2011, compared to -21.9 in June 2010), whereby such improvement was due to both domestic and foreign orders.

In June 2011, assessment of the volume of production in the past three months showed downward trend compared to May 2011, being a little bit more favourable in relation to June 2010.

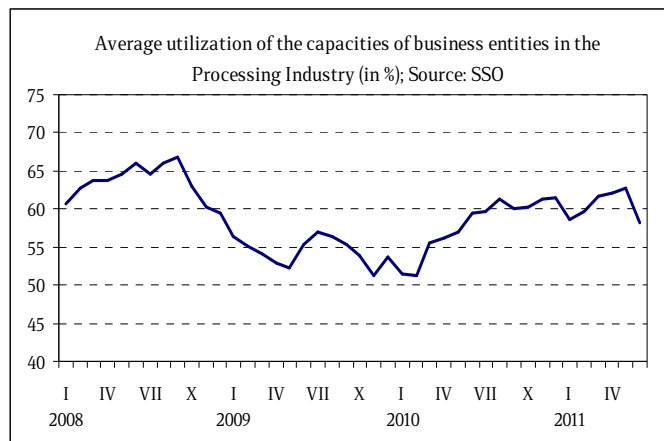
In June 2011, the expectations for the production volume in the coming three months are less favourable compared to the previous month, while compared to June 2010, the expectations are more favourable (23.5 in June 2010, compared to 18.0 in June 2010), pointing out to further positive performance in the processing

industry.

As regards number of employed persons, the expectations in June 2011 for the coming three months experienced upward trend compared to the previous month, as well as compared to June 2010 (4.2 in June 2011, compared to -8.2 in June 2010).

Average utilization of the capacities of business entities in June 2011 was 58.3%, being decrease compared to last month, when it accounted for 62.7%, being partially due to the seasonal effects. Compared to June 2010, utilization of capacities was lower by 1.2 p.p., as a result of the cyclical trends in the industry.

In June 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 in June 2011 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. Materialization of the



expectations for the trends of purchase and selling prices may have effects on the slowdown of the growth dynamics of production in the processing industry.

Following factors limited the most the production volume in June 2011: insufficient foreign demand – 18.8%, insufficient domestic demand – 18.1%, financial problems – 12.8% and lack of qualified labour force - 10.1%.

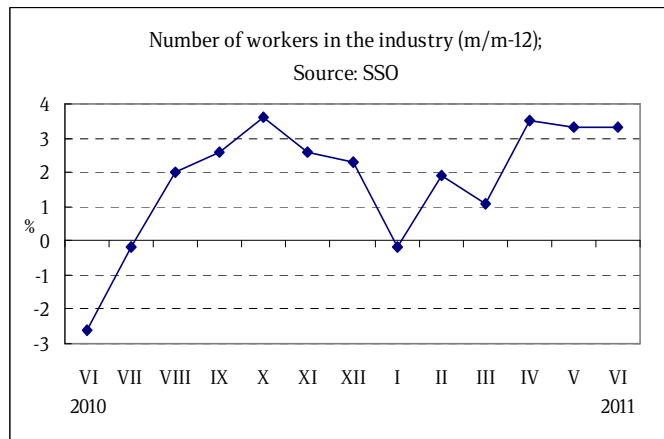
In June 2011, lower number of business entities (reduction by 0.8 p.p. compared to May) pointed out the lack of equipment as limiting factor compared to May 2010, and higher number of business entities (increase by 2.1 p.p. compared to May) pointed out the competitive import as limiting factor for the production increase. It is also worth mentioning the reduction of the share of insufficient foreign demand as limiting factor for the production increase (by 0.7 p.p.).

### Number of Workers in the Industry

Number of workers in the industry in June 2011 compared to June 2010 increased by 3.3%. 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 2.8% as a result of the high growth of 7.0% in the extraction of coal and lignite sector and growth of 5.7% in other mining and quarrying sector. Mining of metal ore sector dropped by 1.7%. Processing industry sector surged by 1.8%, whereby increase in the number of employees on annual basis was seen in 11 out of 23 branches. 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 – 25.3%, production of metals – 16.5%, food products – 12.2%, production

of fabricated metal products – 5.2%, production of leather – 4.5% and production of furniture 3.0%. Number of workers in the electricity, gas, steam and air-conditioning supply sector increased by 4.2%.

On cumulative basis, in the period January–June 2011, compared to the same period in 2010, number of workers in the industry increased by 2.2%. Thereby, mining and quarrying sector increased by 3.3%, processing industry sector surged by 1.6% and electricity, gas, steam and air-conditioning supply sector grew by 3.7%.



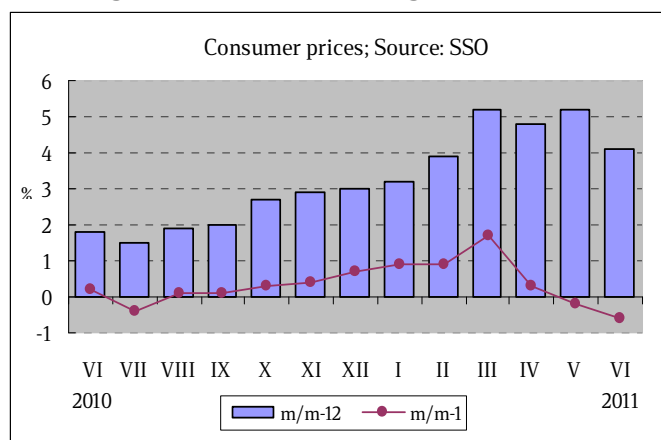
Analyzed by target groups, in June 2011 compared to June 2010, increase in the number of workers was registered at the following groups: Capital goods - 5.5%, energy – 3.2%, intermediary goods, except energy - 2.8% and consumer non-durables – 1.2%, while 2.7% drop was registered only at the group consumer durables.

On cumulative basis, in the period January–June 2011 compared to the same period in 2010, increase in the number of workers was seen at the following groups: Capital goods - 5.1%, intermediary goods, except energy - 3.9%, energy 2.7% and consumer non-durables -0.5%, while 1.5% drop was registered at the group consumer durables.

## Inflation

In June 2011, inflation (CPI) amounted to 4.1% compared to the same month in the previous year, while compared to the previous month, inflation declined by 0.6%. Inflation rate in the first half of 2011 amounted to 4.4%.

Price increase on annual basis was the highest in the food category by 7.2%, mainly as a result of the higher prices of cereal products, vegetable oil products and fresh fruit. In 2011, food category participated with 38% in the Consumer Price Index structure. Price increase was also registered at the following categories: Housing – 4.3%, hygiene and health – 3.9%, administrative and financial services - 2.5%, transportation means and services – 1.7%, restaurants and hotels and clothing and footwear – 1.2% and tobacco and beverages – 1.1%. Drop was seen at prices in culture and entertainment category – 2.8%.

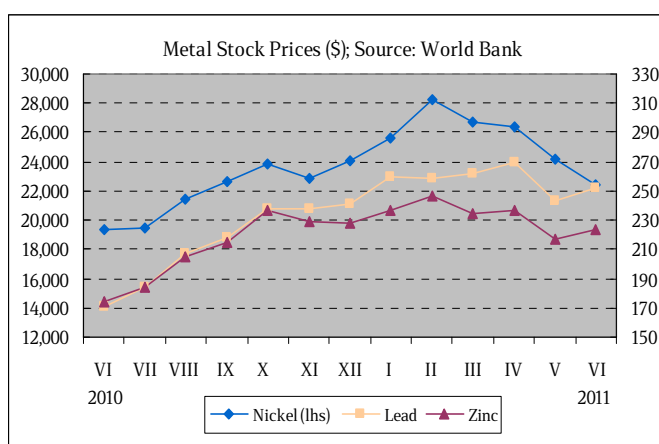


Retail prices in June 2011 were higher by 4.0% compared to June 2010.

## Stock Market Prices

In June 2011, crude oil price (Brent) on world stock markets slightly dropped by 0.6%, compared to the previous month, reaching the price of US\$ 113.8 per barrel. Compared to June 2010, oil price surged by 52.0%. Price of natural gas in June increased by 1.5% 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\$ 22,421 for a metric ton (\$/mt) on the global stock markets in June, being a monthly drop of the price by 7.5%. Compared to June 2010, nickel price surged by 15.6%. In June, there was general drop of prices of metals and minerals by 1.2% on monthly basis, reflecting the continuous concern for the slowdown of global demand. Price of iron ore in June reduced by 3.5%, being due to the slowdown of the growth of steel production, in particular in Europe and China. Price of gold continued to increase in June as well, registering monthly growth of 1.1%.



Price of wheat in June dropped by 8.1% compared to May, as a result of the plan of Russia for eliminating the prohibition for export of wheat starting 1<sup>st</sup> July, as well as the abolishment of export quotas in Ukraine. Such observations are very important for Macedonian economy as well, in particular for the inflation rate trend in the country.

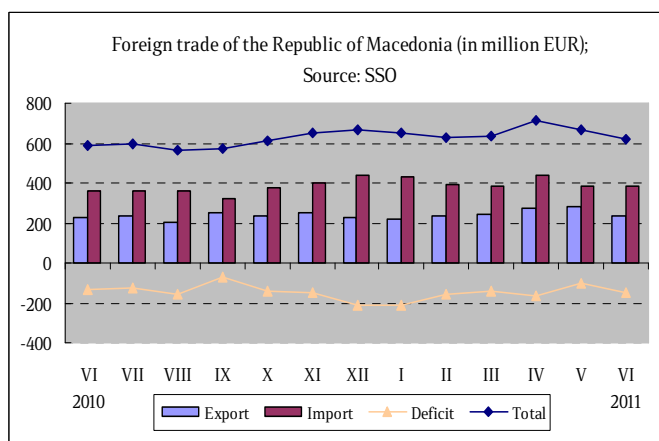
## 2. Foreign Trade

Total foreign trade in the first half of 2011 experienced high growth of 32.4%, compared to the same period in the previous year, as a result of simultaneous increase of export and import of goods.

### Export

Analyzed on annual basis, in the first half of 2011, export quantities of goods surged by 4.7%, and its value reached EUR 1,492.2 million, being high increase by 35.8% compared to the same period last year.

In June 2011, export reduced by 15.9% compared to the previous month. Seasonal adjusted trend

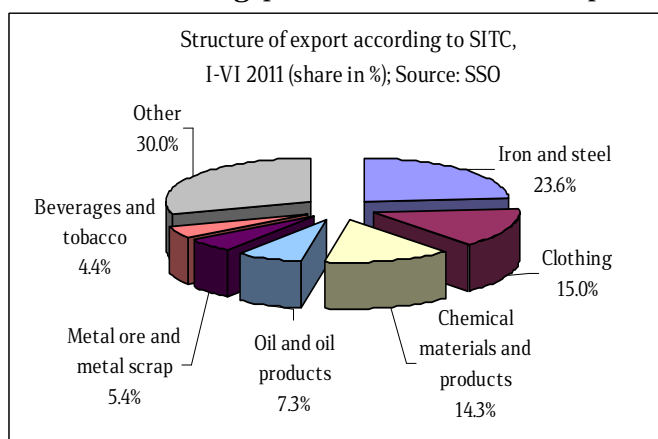




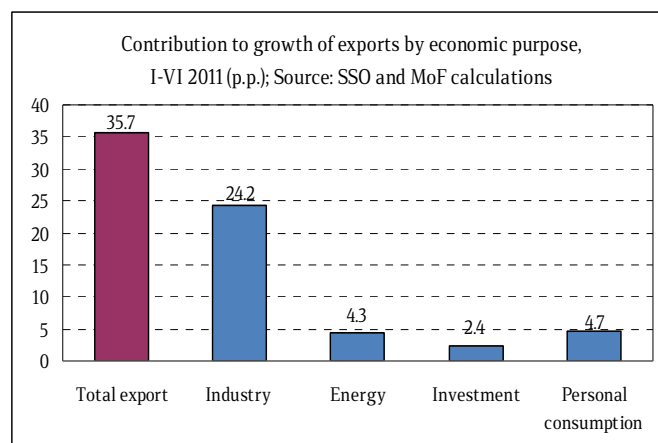
of export in June registered minimum drop by 18.4%, pointing out to positive effects of the seasonal factor (2.5 p.p.) on export this month.

In line with the changed structure, the following products were most exported:

catalysts with precious metals or precious metal compounds, ferronickel, petroleum oils and oil obtained from bituminous minerals, followed by iron and steel products (hot rolled and cold rolled products), male and female clothing, ferro silicon mangan, ferrosilicium, etc.



Main groups of goods (according to SITC) having the biggest share in export in the first six months in 2011 were the following: iron and steel – 23.6%, clothing - 15%, chemical materials and products – 14.3%, oil and oil products - 7.3%, metal ore and metal scrap - 5.4% and beverages and tobacco - 4.4%. These six groups of products comprised 70% of the total export of the country.



Analyzed by economic purpose, in the first half of 2011, significant increase of export was registered at the industrial products (raw materials and intermediary goods from our industry) by 48.7% (EUR 266.6 million), compared to the same period last year. Export of personal consumption goods and energy products moderately increased by EUR 52 million and EUR 47 million respectively.

Export of chemical products*)				
	I-VI 2010	I-VI 2011	Balance 2011-2010	% rate
.000 T	11.5	12.6	1.1	9.6
Мил. ЕУР	50.7	213.4	162.7	320.9
Мил. \$	66.2	298.5	232.3	350.9

\*)Previous data

Import of chemical products*)				
	I-VI 2010	I-VI 2011	Balance 2011-2010	% rate
.000 T	9.9	12.8	2.9	29.3
Мил. ЕУР	22.0	44.0	22.0	100.0
Мил. \$	29.0	63.0	34.0	117.2

\*)Previous data

## Import

Imported quantities of goods in the first six months in 2011 increased by 11.3% and their value amounted to EUR 2,424.1 million, or high increase by 30.4% in relation to January-June last year.

In June 2011 alone, goods in the amount of EUR 369.9 million were imported, increasing by 2% compared to the same month last year. Analyzed on monthly basis, in June 2011, import reduced by 8.2%, being mainly due to the reduced import



of non-ferrous metals, yarn fabrics and textile products, electrical machines and devices, etc. Seasonal adjusted trend of import in June dropped by 10.4% on monthly basis, pointing out to positive effects of the seasonal factor (2.2 p.p.). on import this month.

Export of oil and oil products*)				
	I-VI 2010	I-VI 2011	Balance 2011-2010	% rate
.000 T	148.6	172.4	23.8	16.0
EUR mil.	73.5	108.4	34.9	47.5
\$ mil.	97.0	153.0	56.0	57.7

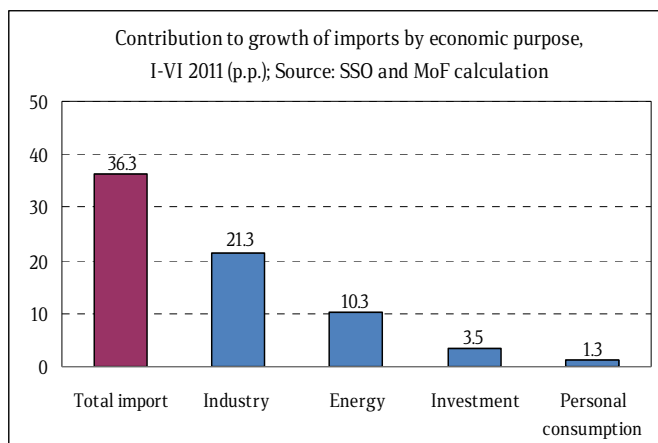
\*)Previous data

Import of oil and oil products*)				
	I-VI 2010	I-VI 2011	Balance 2011-2010	% rate
.000 T	559.0	576.0	17.0	3.0
EUR mil.	239.0	332.0	93.0	38.9
\$ mil.	315.0	467.0	152.0	48.3

\*)Previous data

Crude oil, platinum and platinum alloys unwrought or in powder form, hot rolled flat products in reels, colloidal precious metals and their inorganic or organic compounds, gas oils for other purposes with sulphur contents not exceeding 0,001% per mass, electricity, other compounds amalgams, metal scrap, nickel ore and concentrates, pharmaceuticals, colours and varnishes, motor vehicles for transportation of persons etc. were the most imported products.

Following participated the most in the import of goods, (according to SITC), in the first six months in 2011: crude oil and oil products (EUR 332.3 million, 13.7%), non-ferrous metals (EUR 188 million, 7.8%), textile yarns and similar (EUR 168 million, 6.9%), iron and steel (EUR 151 million, 6.2%), road vehicles (EUR 120 million, 5%), electrical machines - devices and spare parts (EUR 88 million, 3.7%), metal ore and metal scrap (EUR 86.7 million, 3.6%), electricity (EUR 77.2 million, 3.2%), etc.



In the first half of 2011, observed by economic purpose, significant increase of import was seen at industrial raw materials (products intended for industrial production) by 53.4% or EUR 317.6 million, compared to the same period last year. Value of imported energy products amounted to EUR 392.6 million, increasing by EUR 153.5 million in relation to the first six months in 2010.

Export of iron and steel*)				
	I-VI 2010	I-VI 2011	Balance 2011-2010	% rate
.000 T	350.5	408.9	58.4	16.7
EUR mil.	262.8	351.9	89.1	33.9
\$ mil.	344.9	495.3	150.4	43.6

\*)Previous data

Import of iron and steel*)				
	I-VI 2010	I-VI 2011	Balance 2011-2010	% rate
.000 T	289.0	313.0	24.0	8.3
EUR mil.	136.0	150.0	14.0	10.3
\$ mil.	180.0	211.0	31.0	17.2

\*)Previous data

## Trade Balance

Trade balance in the first half of 2011 amounted to EUR 931.9 million, increasing by EUR 172.3 million compared to the same period last year. Disaggregated, increase of negative trade balance was a result of combined effect from 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 of the trade in metal ore and metal scrap, compared to the positive balance last year. Increased positive balance in the trade in chemical materials and products, iron and steel, clothing, fruit and vegetable, as well as narrowing of negative balance in the trade in road vehicles, IT office supplies, etc., had opposite effect. Such trends in the first half of 2011 contributed for the level of import coverage by export, amounting to 60.5%, to increase by 2.5 p.p. compared to the same period in the previous year.

Analyzed according to the economic groups of countries, in the first six months, export in the EU, EFTA, Western Balkans and the developing countries, continued to increase, except in the undeveloped countries, while import from all groups of countries increased.

In the first half of 2011, in conditions of significant increase of trade with the European Union (EU 27), in relation to January-June last year, by 45.5%, share of trade with the EU in the total foreign trade increased by 1.8 percentage point, accounting for 57.7%, whereby export of goods participated with 61.7% and import of goods accounted for 55.3%.

As a result of the structural changes in trade with abroad, in the first half of 2011, 51% of the trade deficit of the country was a result of the trade with Great Britain and Russia, followed by Greece, Turkey, China, Serbia, Italia, Switzerland, Bulgaria, etc. Trade surplus was realized with Germany, Kosovo, Albania, Montenegro, Croatia, etc.

## Currency Structure

Observed by currency structure, 69.4% of the foreign trade in the first half of 2011 was realized in euros, and compared to the same period in 2010, it dropped by 4.5 percentage points. On export and import side, the euro accounted for 77% and 65%, respectively, whereby share of the euro in export was at last year's level, and the reduction of the share of the euro in import accounted for 8 p.p. compared to the first six months of 2010. Decline of euro share in the import was due to the increased import from the Great Britain, expressed in GBP, participating with 10% in the currency structure of the import.

Foreign trade of the Republic of Macedonia (by currency ); calculations: MoF												
import	I-VI 2010					I-VI 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	1,452	1,327,869,162	61.4744	81,629,960,012	71.8	1,442	1,574,944,734	61.5330	96,911,074,317	64.7	247,075,572	18.6
USD	1,083	583,320,381	46.3760	27,052,065,989	23.8	1,384	827,879,294	42.8841	35,502,858,432	23.7	244,558,913	41.9
GBP	1	59,913,848	70.6309	4,231,769,033	3.7	1	210,838,495	70.8908	14,946,509,547	10.0	150,924,646	251.9
EUR+USD+GBP	2,536			112,913,795,035	95.6	2,827			147,360,442,296	98.3		
tot. import	2,545			113,670,613,242	100.0	2,833			149,854,331,785	100.0		31.8

Source: SSO and NBRM

### 3. Fiscal Sector

#### Budget Revenues

In the first half of 2011, total budget revenues amounted to Denar 67,462 million, which was higher performance by 9.1% compared to 2010, i.e. 14.8% of GDP.

Tax revenues in this period were realized in the amount of Denar 37,413 million, being higher by 8.3% in relation to the same period in 2010.

Value added tax was realized in the amount of Denar 19,974 million, whereby share of VAT in total tax revenues in 2011 was dominant, amounting to 53.4%. Excises

were realized in the amount of Denar 7,110 million (participating with 19.0% in the tax revenues). Hence, revenues realized on the basis of these two taxes

amounted to Denar 27,084 million, i.e. almost 3/4 of the total tax revenues (almost 6.0% of GDP). Thereby, VAT collection amounted to

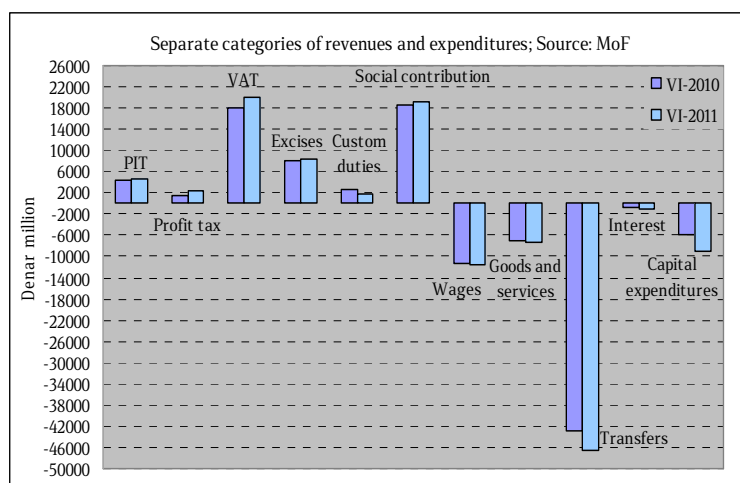
Denar 29,286 million on gross basis, Denar 9,312 million out of which was refunded to taxpayers.

Structure of sales in the country shows that sales of goods and services, taxed with the general tax rate of 18% surged by 15.0%, 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 4,567 million, increasing by 8.0% on annual basis. Compared to 2010, revenues on the basis of profit tax experienced record growth of 60.9%, 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. VAT revenues experienced growth of 11.4%, while excises experienced higher performance by 6.4%.

Non-tax revenues declined by 1.3% in relation to the same period in 2010, i.e. they amounted to Denar 6,635 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 and flats and dividends reached Denar 3,032 million, being higher by 5 times than the funds realized in the previous year. Reason for such increase was mostly due to the payment of Telecom dividend in April.

Collection of social contributions amounted to Denar 19,101 million, being higher by 2.9% compared to the same period in 2010, whereby collection of pension



insurance contributions increased by 3%, the collection of health insurance contribution surged by 2.6%, while employment contributions rose by 1.8%.

### **Budget Expenditures**

In the first half of 2011, total budget expenditures amounted to Denar 75,189 million, i.e. higher by 10.7% compared to 2010, i.e. 16.5% of GDP.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 66,311 million accounted for 88.2% (14.6% of GDP) and they increased by 7.0% in relation to the same period last year, while capital expenditures, amounting to Denar 8,878 million, participated with 11.8% in the total expenditures, increasing by 49.0% compared to the same period last year.

Transfers amounting to Denar 46,457 million accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 11,527 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 15.3% and, in relation to 2010, they increased by 1.2%.

Expenditures related to goods and services amounted to Denar 7,232 million, increasing by 4.7% compared to the same period in 2010.

Transfers increased by 8.6% compared to 2010, participating with 61.8% in the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 17.2% in the total expenditures. Transfers to the Pension and Disability Insurance Fund amounted to Denar 19,318 million, accounting for 25.7% in the total expenditures.

Interest was collected in the amount of Denar 1,095 million, being by 22.8% more compared to the same period in 2010. Costs related to interest on the basis of domestic borrowing increased by 13.7%, while the ones on the basis of foreign borrowing surged by 38.4%.

### **Budget Balance**

In the first half of 2011, state budget deficit reached the amount of Denar 7,727 million, being 1.7% of GDP, while central budget deficit amounted to Denar 6,129 million or 1.3% of GDP.

## **4. Social Sector**

### **Number of newly employed and registered unemployed persons in EARM**

In the period January-June 2011, Employment Agency of the Republic of Macedonia registered total of 115,416 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 1.2%.

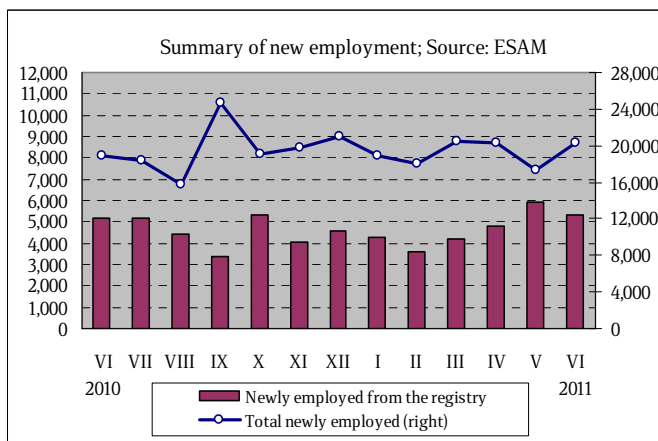
In the course of June, 20,306 new employments were registered, 22.3% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 10,401 persons in June,

42.2% out of which were new employments.. In June, 6,303 persons were registered as inflow to the Agency, 53% out of which were persons whose employment was terminated. As a result, unemployment reduced by 4,098 persons, i.e. by 1.3% compared to the previous month. Thus, in June 2011, 311,374 persons were registered as unemployed. Compared to the same month in 2010, number of unemployed persons declined by 5.8%.

Major percentage of the unemployed, i.e. 65.6% came from urban areas (cities), whereby 57.6% were men.

Analyzed by education structure, major part, i.e. 52.2% of unemployed persons were unskilled or semi-skilled, while only 8.3% was with community college or higher education level. Observed by age, majority of the unemployed persons or 57.3% fall in the category of 25-49 years of age. According to the time they waited for a job,

49.5% of the unemployed persons sought job from 1 to 7 years, while 29.8% sought job for 8 years and more.

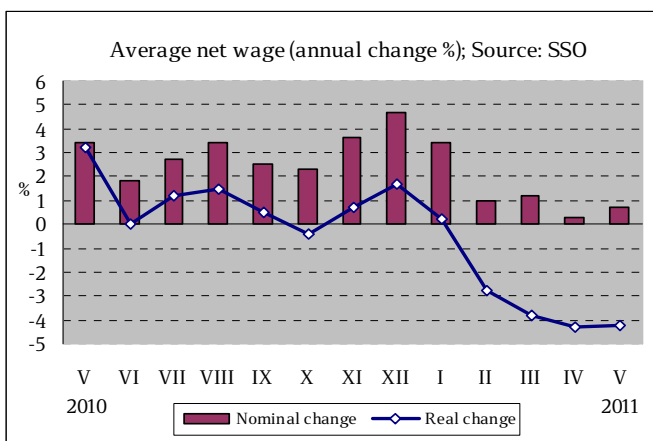


### Salaries

According to the data from the State Statistical Office, average monthly paid gross salary per employee in May 2011 (most recent available data) amounted to Denar 30,736, while average paid net salary in the same month amounted to Denar 20,954<sup>1</sup>.

Average net salary in May 2011 compared to April 2011 was higher by 2.1% in nominal terms, while it was higher by 2.3% in real terms. Average gross salary per employee compared to April 2011 was higher by 1.9% in nominal terms, while it was higher by 2.1% in real terms.

In May 2011, compared to the same month in 2010, average monthly net salary increased by 0.7% in nominal terms, while real average salary was lower by 4.2%. Average gross salary per employee compared to May 2010 was higher by 0.5% in nominal terms, while it was lower by 4.5% in real terms.



<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.

On cumulative basis, in the period January-May 2011 average net salary increased by 1.3% in nominal terms, while it was lower by 3% in real terms. In the same period, average gross salary increased by 1.2% in nominal terms, while it was lower by 3.2% in real terms.

The highest increase of average monthly gross and net salary per employee in May 2011 compared to May 2010 was recorded in the following sectors: Other services (26.6% gross salary and 26.8% net salary), construction (7.2% gross salary and 7.8% net salary) and information and communications (7.0% gross salary and 6.6% net salary).

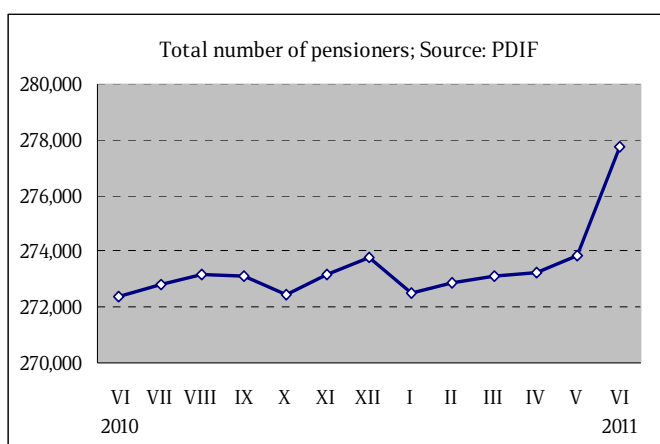
The highest increase of average monthly gross and net salary per employee in May 2011 compared to April 2011 was recorded in the following sectors: Information and communications (11.1% gross salary and 12.8% net salary), construction (4.7% gross salary and 4.6% net salary) and processing industry (4.2% gross salary and 4.8% net salary).

Percentage of employed persons who did not receive salary in May 2011 amounted to 2.0%, decreasing by 2.4 percentage points compared to the same month in the previous year, while compared to April 2011, percentage of employees who did not receive salary was identical.

### Pensions

In June 2011, Pension and Disability Insurance Fund registered 277,741 pensioners, increasing by 1.9% compared to the same month in 2010. Number of pension beneficiaries increased by 3,910 persons in relation to May 2011. 55.3% out of the total number of pensioners are beneficiaries of old-age pension, 27.5% of survival pension and 17.2% of disability pension.

In June 2011, Denar 2,861.46 million was spent for payment of pensions, accounting for 51.4% of the total social transfers<sup>2</sup>.



Average pension in June 2011 amounted to Denar 10,279, increasing by 1.4% on annual basis. Ratio between average pension and average paid salary in May 2011 (the most recent available data) amounted to 50%.

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

## 5. Monetary Sector

### Primary Money

In June 2011, primary money<sup>3</sup> showed slowed down growth of 2.1% on annual basis in conditions of slowed down growth of total liquid assets of banks of 2.3% and slowed down growth of ready money in circulation of 9.1%.

On monthly basis, primary money dropped by 3.9%, despite the 1% growth last month, as a result of the drop of ready money in circulation by 2.2% and total liquidity of banks by 5%.

### Deposit Potential

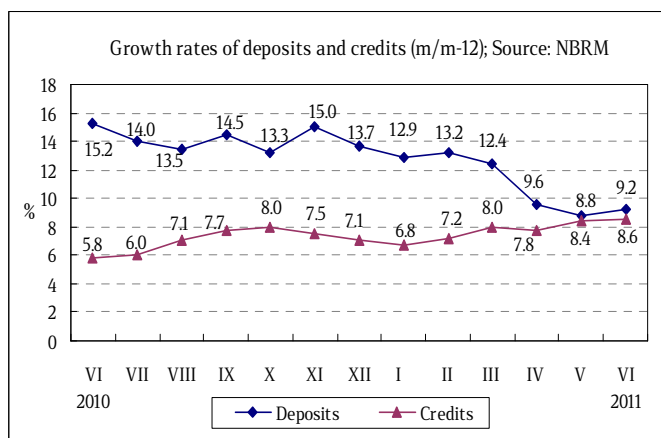
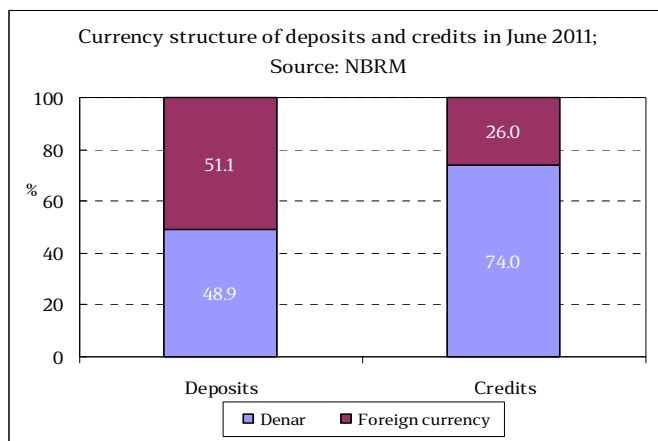
Total deposit potential of banks<sup>4</sup> in June 2011 increased by 0.7% on monthly basis, in conditions of increase of both deposits of households by 0.7% and deposits of private enterprises by 1.5%. From currency point of view, Denar deposits increased by 0.7%, while foreign currency deposits surged by 0.8%.

On annual basis, certain intensification of the increase of deposits was recorded. In fact, total deposits in June 2011 increased by 9.2% on annual basis (8.8% in May 2011). From the point of view of sector structure, growth was driven by the growth of deposits of households by 14.2%, in conditions of reduction of deposits of private enterprises by 1.7% due to the comparative basis, taking into account that dividend from a larger company was paid in July in 2010, unlike in 2011, when it was paid in April.

Analyzed according to currency, Denar deposits continued to slow down, whereby their growth in June amounted to 11.8%, compared

to 12.2% in the previous month, while foreign currency deposits surged by 6.8%, compared to the increase by 5.7% in May in 2011.

According to maturity, short-term deposits increased by 2.1% on annual basis, while long-term deposits experienced high growth of 39.1%.



<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



## Bank Credits

In June 2011, total credits of banks to the private sector were higher by 1% on monthly basis. According to the currency structure, Denar credits increased by 0.8%, while foreign currency credits surged by 1.6% in June 2011. According to the sector analysis, credits to private enterprises increased by 0.9% compared to the previous month, while credits to households were higher by 1.2%.

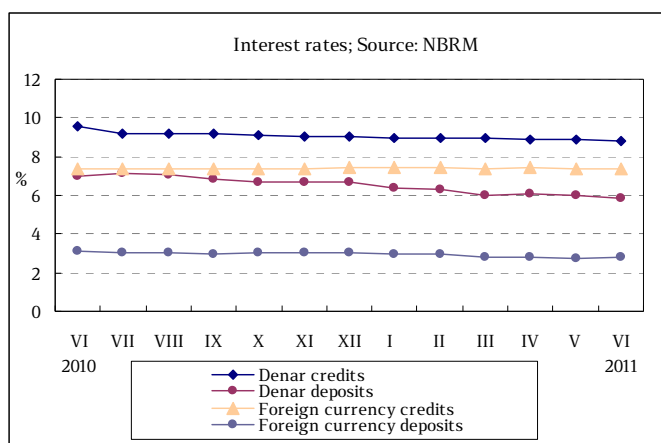
On annual basis, intensity of crediting by banks intensified, whereby growth rate of credits amounted to 8.6% (8.4% in May 2011). From sector point of view, credits to private enterprises contributed the most to the growth of total credits with 68.6%, increasing by 9.9% on annual basis. Growth of credits to households in June accounted for 7%.

From currency point of view, Denar credits experienced annual growth of 4.8%, while foreign currency credits registered high growth of 20.69%. As for maturity, long-term credits increased by 15.4% on annual basis, while short-term credits were lower by 2%.

## Interest rates

In June 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 overnight credits was kept at the level of 5.5%.

In June 2011, no more significant change was registered at interest on credit balance and interest on debit balance of banks compared to the previous month. Interest



on debit balance of Denar credits, including interest rates on Denar credits without foreign currency clause and Denar credits with foreign currency clause, was 8.8%, which, compared to June 2010, dropped by 0.7 p.p.. On monthly basis, it was lower by 0.1 p.p.. Interest on Denar credit balance, including interest rates on Denar deposits without foreign currency clause and Denar deposits with foreign currency clause, was 5.9%, which, compared to June 2010, dropped by 1.1 p.p, being lower by 0.1 p.p. on monthly basis.

Interest rate on foreign currency credits was 7.4% and compared to June 2010 it did not change. Interest rate on foreign currency deposits amounted to 2.8%, decreasing by 0.3 p.p. compared to June 2010. On monthly basis, they remained the same.

## Foreign Currency Reserves

Gross foreign currency reserves at the end of June 2011 amounted to EUR 1,832.4 million and compared to May 2011 were lower by EUR 50.4 million, while compared to June 2010 foreign currency reserves were higher by EUR 124.1 million.

Report is prepared by:

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**Macroeconomic Policy Department**

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Skopje, July 2011