



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

October 2011



Skopje, December 2011

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

October 2011

- Industrial production increase by 5.2% in the period January–October 2011 compared to the same period in 2010.
- Further downward trend of the annual inflation rate, amounting to 3.3% in October. On monthly basis, inflation rate amounted to 0.3%;
- Annual increase in the physical output of export in the first nine months in 2011 of 3.7%, with high nominal valuable growth of 30.5% and increase of imported quantities of goods of 8.8%, with valuable nominal growth of 25.3%;
- Increase of both total budget revenues by 3.7% and total budget expenditures by 5.3% in the period January–October 2011, compared to the same period last year; state budget deficit in the amount of Denar 9,865 million (2.2% of GDP) and central budget deficit in the amount of Denar 7,645 million (1.7% of GDP);
- Increase of total credits to private sector by 8.3% on annual basis, with simultaneous increase of total deposit potential of banks by 10.4%;
- Drop in the number of registered unemployed persons by 10.8% in October 2011 compared to the same month last year.

1. Real Sector

Industrial Production

Industrial production dropped by 3.8% in October 2011 compared to October 2010. Analyzed by sectors, mining and quarrying sector increased by 11.7%, electricity, gas, steam and air-conditioning supply sector surged by 1.2%, while processing industry sector dropped by 5.3%.

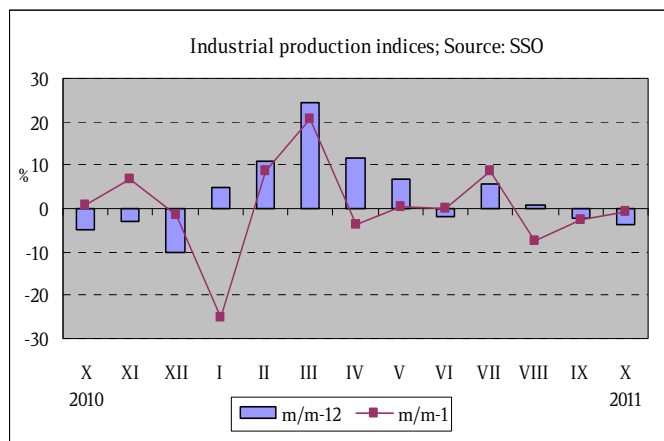
As for processing industry, positive annual growth was seen at 10 out of the 23 branches, accounting for 50.6% of the industrial production, whereby growth was evidenced in two out of the three driving branches with two-digit share in the industrial production. Thus, production of clothing surged by 5.5%, production of food products increased by 0.9%, while production of

	m/m-12	m/m-1	I-X 2011
			I-X 2010
Total	-3.8	-0.8	5.2
Ore and stone extraction	11.7	17.0	6
Processing industry	-5.3	-6.2	8.1
Electricity, gas and water supply	1.2	53.2	-12.0

Source: SSO

metals dropped by 14.5%. High annual growth was also registered at production of electrical equipment -27.6%, production of tobacco products - 26.9%, production of other transportation equipment - 25.6% and production of machines and devices - 24.6%. Production of tobacco products (1.6 p.p.) contributed the most to the annual growth of industrial production in September 2011, while production of coke and refined oil products had the highest negative contribution (-2.6 p.p.).

Industrial production dropped by 0.8% in October 2011 compared to September 2011. Sector analysis points out that growth was registered at electricity, gas, steam and air-conditioning supply sector - 53.2%, as well as in the mining and quarrying sector - 17.0%. Processing industry dropped by 6.2%. De-seasoned monthly growth of industrial production in October 2011 was 0.4%, pointing out to negative seasonal effects in the industry.

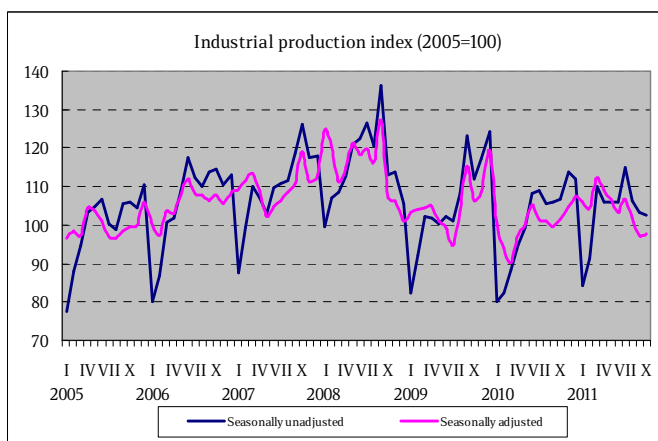


On cumulative basis, in the period January–October 2011, industrial production surged by 5.2%, compared to the same period in 2010. Processing industry sector experienced growth of 8.1%, mining and quarrying sector increased by 6.0%, while electricity, gas, steam and air-conditioning supply sector dropped by 12%.

Data on industrial production by target groups in October 2011, compared to October 2010, showed production increase in the group of capital goods - 17.3%, and consumer non- durables - 4.0%, while drop of production was registered at the

following groups: Energy – 11.3%, intermediary goods, except energy – 10.6% and consumer durables – 1.7%.

On monthly basis, data on the industrial production by target groups in October 2011 showed that there was increase in the production at the following groups: Energy – 67.4% and consumer durables – 7.3%. Production decline was registered at the following groups: Capital goods – 26.1% consumer non-durables – 7.3% and intermediary goods, except energy – 5.9%.

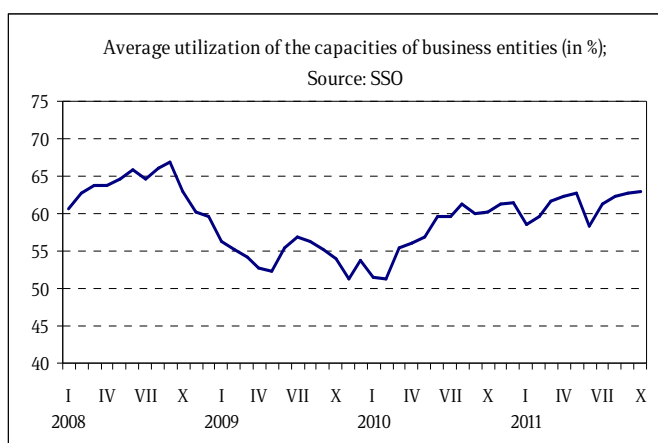


Analyzed by target groups, on cumulative basis, in the period January–October 2011, compared to the same period last year, growth was recorded at the following groups: Consumer durables – 70.7%, capital goods – 46.6%, intermediary goods, except energy – 5.1% and consumer non-durables – 4.5%. Energy group experienced 10.9% drop.

Business Trends in the Processing Industry

Current economic trends of business entities in October 2011 was less favourable compared to the previous month, being much more favourable compared to October 2010. Assessment of current state of delivery-to-production is less favourable compared to the previous month, being more favourable compared to October 2010, whereby the improvement was due to both domestic and foreign orders. In October 2011, assessment for the production volume in the past three months was less favourable compared to September 2011 and more favourable compared to October 2010.

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



Average utilization of the capacities of business entities in October 2011 accounted for 62.9%, being an increase compared to the previous month, when it

accounted for 62.7%. Compared to September 2010, the utilization of the capacities was higher by 2.7 p.p..

In October 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, average purchase prices of inputs and selling prices of ready-made products are expected to decrease.

Following factors limited the most the production volume in October 2011: insufficient foreign demand – 23.9%, insufficient domestic demand – 17.8%, financial problems – 13.3% and lack of qualified labour force - 8.3%. In October 2011, larger number of business entities pointed out the insufficient foreign demand as limiting factor compared to September 2011.

Number of Workers in the Industry

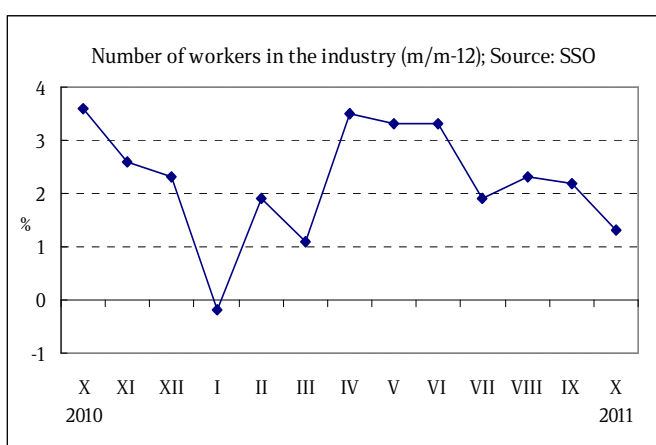
Number of workers in the industry in October 2011, compared to October 2010, increased by 1.3%. Sector analysis points out to increase of the number of workers on annual basis in all sectors.

Number of workers increased in mining and quarrying sector by 3.6% as a result of the high growth of 6.6% in the extraction of coal and lignite sector. Other mining and quarrying sector surged by 2.4%, while mining of metal ore increased by 1.9%. Number of employees increased by 0.9% in the processing industry sector, whereby increase in the number of employees on annual basis was seen in the following branches: Production of machines and devices –25.8%, production of rubber and plastic mass – 9.2%, production of leather – 8.5%, production of metals – 7.0%, and production of wood, wood products and cork – 5.0%. Number of workers in the electricity, gas, steam and air-conditioning supply sector increased by 2.7%.

On cumulative basis, in the period January–October 2011, compared to the same period in 2010, number of workers in the industry increased by 2.1%. Thereby, electricity, gas, steam and air-conditioning sector surged by 3.8%, mining and quarrying sector increased by 3.3% and processing industry grew by 1.6%.

Data on the number of workers in the industry by target groups on annual basis in

October 2011 showed increase in the number of workers at the following groups: Energy – 2.8%, capital goods - 2.0%, consumer non-durables - 1.4% and intermediary goods, except energy - 0.8%, while 3.1% drop was registered only at consumer durables.

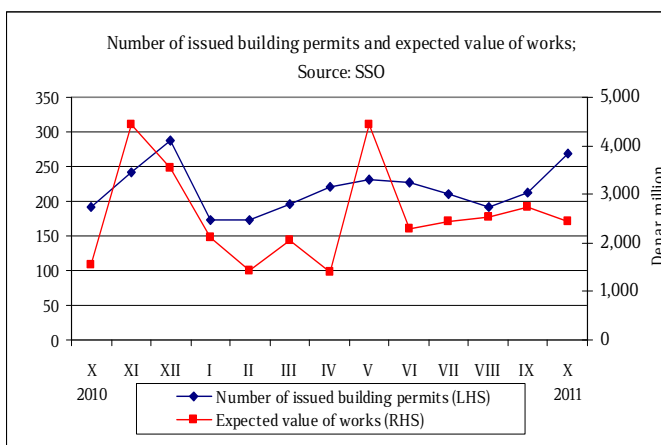


On cumulative basis, in the period January–October 2011, compared to the same period in 2010, data on the number of workers in the industry by target groups showed an increase in the number of workers at the following groups: Capital goods - 4.0%, energy - 3.0%, intermediary goods, except energy - 2.9%, and consumer non-durables - 1.1%, while 1.6% drop was registered at the consumer durables group.

Number of Issued Building Permits and Envisaged Value of Facilities

Envisaged value of the facilities, according to the issued building permits amounted to Denar 2,432 million, being by 58.1% more than the same month in 2010, while compared to September 2011, the value of the facilities decreased by 11%. If one compares the cumulative amount in the period January-October 2011 with the same period in 2010, one can notice increase in the envisaged value of the facilities by 21.6%.

In October 2011, 268 building permits were issued, being by 40.3% more compared to the same month in the previous year. Total number of issued building permits compared to the previous month in 2011, when 212 permits were issued, increased by 26%. If one compares the data for the period January-October in 2011 with the same period in 2010 on cumulative basis, it can notice decrease of the number of issued building permits by 9.7%.

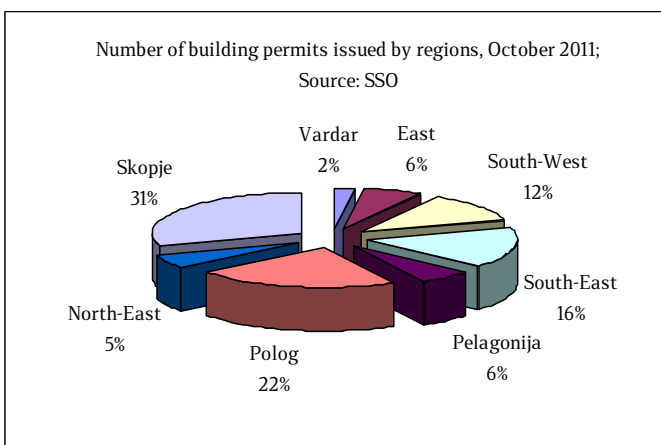


Analyzed by types of facilities, out of the total number of issued building permits, 208 (or 77.6%) are intended for buildings, 16 (or 6%) for civil engineering structures and 44 (or 16.4%) for reconstruction.

Analyzed by types of investors, out of total 268 facilities, natural persons were investors in 205 facilities (or 76.5%), while business entities were investors in 63 facilities (or 23.5%).

In October 2011, construction of 507 is envisaged, with total usable area of 46,067 m².

Analyzed by regions, in October 2011, most permits were issued in the Skopje region, 81 in total, 58 permits out of which were issued to natural persons as investors, while 23 permits were



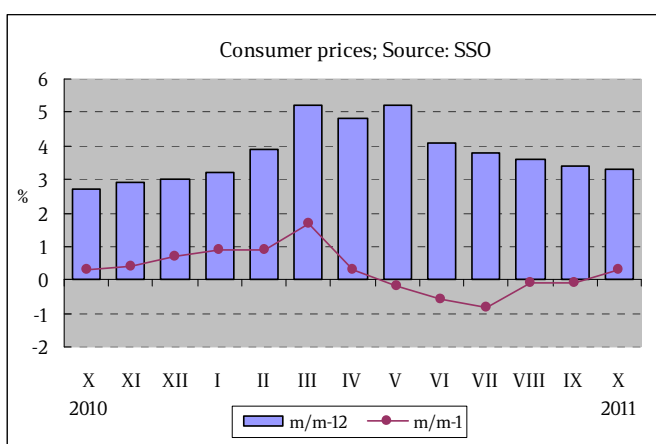
issued to business entities as investors. Vardar region had least issued permits, six permits in total, four permits out of which were issued to natural persons as investors, while 2 permits were issued to business entities as investors.

In the period January-October 2011, most permits were issued in the Skopje region, 603 in total, 407 permits out of which were issued to natural persons as investors, while 196 permits were issued to business entities as investors. Northeastern region had least issued permits, 79 permits in total, 64 permits out of which were issued to natural persons as investors, while 15 permits were issued to business entities as investors.

Inflation

Inflation rate in October 2011, measured according to the CPI index amounted to 3.3% 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. Average inflation rate in the period January-October amounted to 4.1%.

In October, increase of prices in the food category amounted to 4.3% on annual basis, contributing with 1.6 p.p. to the general increase of prices. Increase of prices of food was mainly due to the increase of prices of cereal products and meat. Increase of prices in the other categories is as follows: Hygiene and health – 3.9%, transportation means and services – 3.6%, housing – 3.4%, culture and entertainment – 2.2%, restaurants and hotels - 1.5%, administrative and financial services - 1.1%, clothing and footwear – 0.9% and tobacco and beverages – 0.3%.



In October, inflation rate was 0.3%, compared to the previous month. Highest growth was recorded in the category clothing and footwear by 1.1%, accompanied by the increase of prices by 0.5% in the food category. Reduction of prices was recorded at the category administrative and financial services by 0.5%, hygiene and health by 0.2%, housing and culture and entertainment by 0.1%. Prices did not change at the category tobacco and beverages.

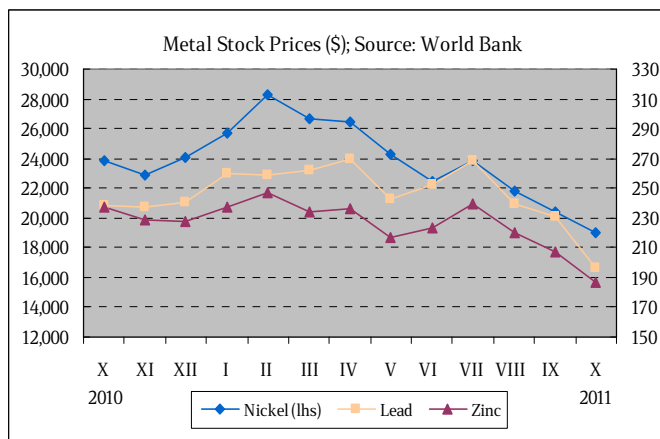
Retail prices in October 2011 were higher by 3.8% compared to October 2010. Compared to the previous month, retail prices were higher by 0.2%. Average increase of retail prices in the period January-October amounted to 4.1%.

Stock Market Prices

In October 2011, crude oil price (Brent) on the global stock markets dropped by 1.3%, compared to the previous month, reaching the price of US\$ 109.5 per barrel.

Compared to October 2010, oil price surged by even 32%. Price of natural gas in October increased by 1% 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\$ 19,039 for a metric ton (\$/mt) on the global stock markets in October, being a monthly drop of the price by 6.6%. Compared to October 2010, nickel price was lower by 20%. In fact, in October, there was high general decrease of prices of metals and minerals by 11.2% on monthly basis, being due to



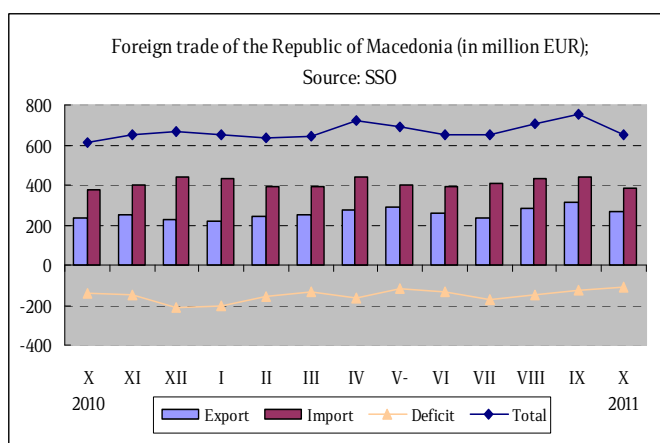
the concerns related to the global demand. Highest drop was seen at silver by 15.9%, as a result of the increased sale by investors and slowdown of demand of industrial products. Above-average monthly drop of stock market prices in October was also seen at iron ore by 15.1% and lead by 14.3%. Copper was sold at a price lower by 10.9% compared to the previous month. Monthly drop of price was also seen at gold by 6%, after long period of subsequent increase of price.

Price of wheat on global stock markets registered monthly drop by 8.5%, as a result of the improved weather conditions in Argentina, as well as the increased offer of wheat in Russia, Canada and similar.

2. Foreign Trade

Total foreign trade in the first ten months in 2011 experienced high growth of 27.3%, compared to the same period in the previous year, with simultaneous increase of export and import of goods.

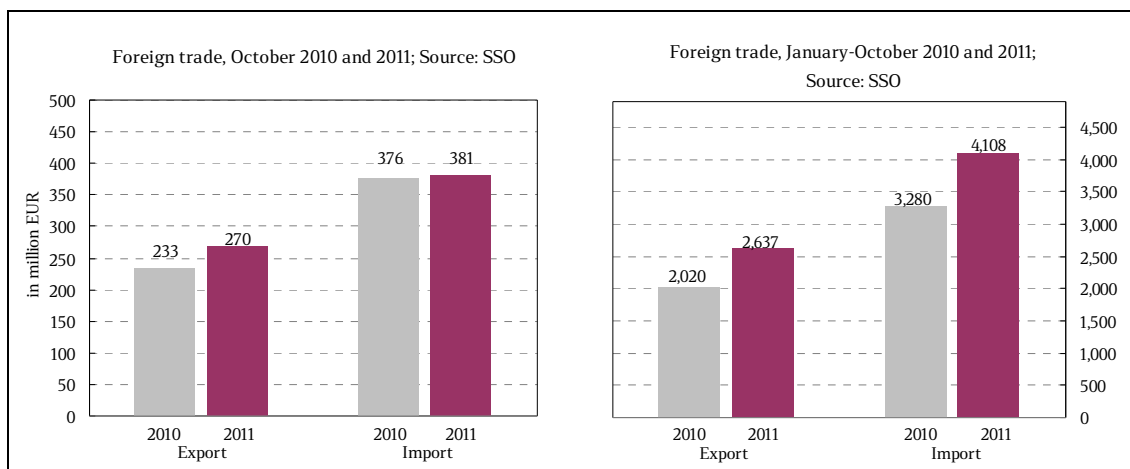
According to the so-far dynamics of the trend of foreign trade, the set projections for 2011 are expected to be realized, i.e. 22.5% for export and 21% for import of goods.



Export

Analyzed on annual basis, in the first ten months in 2011, exported quantities of goods surged by 3.7%, and their value reached EUR 2,637.2 million, being a high increase by 30.5% compared to the same period last year.

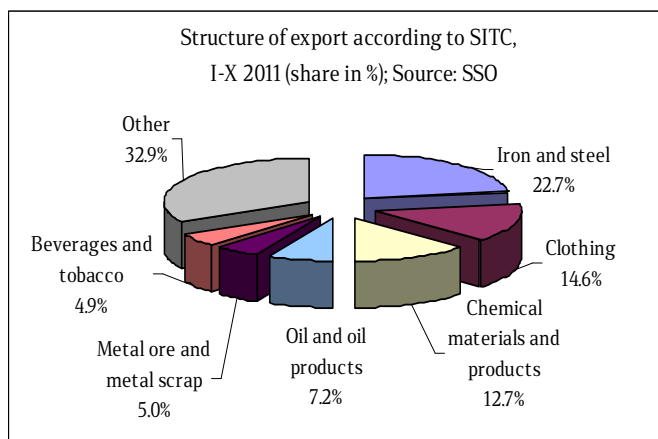
Analyzed on monthly basis, in October 2011, export dropped by 13.5% compared to the previous month, being mainly due to the reduced export of oil and oil products, tobacco and tobacco products, iron and steel, etc.



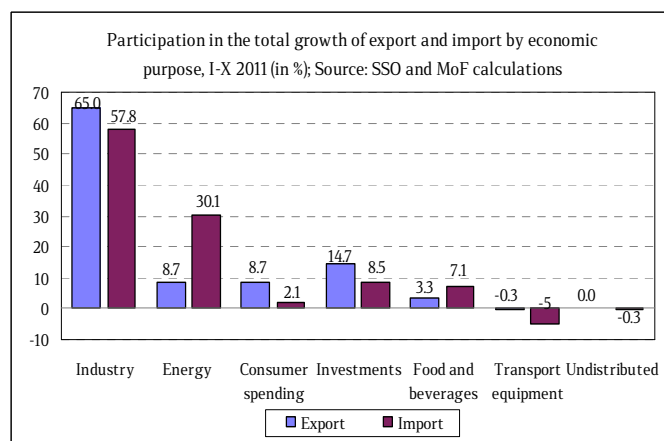
Seasonal adjusted trend of export in October decreased by 2.3% on monthly basis, pointing out to negative effects of the seasonal factor (11.2 p.p.) on export this month.

In October 2011 alone, goods in the amount of EUR 269.9 million were imported, increasing by 15.6% compared to the same month last year.

Analyzed by tariffs, the following products were most exported: Catalysts with precious metals or with precious metal compounds as active substance, ferronickel, gas oils for other purposes with sulphur up to 0.001% and up to 0.005% by mass, iron and steel (hot and cold rolled products), followed by male and female clothing, machines and devices for filtering and purification of gases or liquids, tobacco, not stemmed/stripped, ferrosilicomangan, lead ore and concentrates, ferrosilicium, etc.



Main groups of products (according to SITC) having the biggest share in export in the first ten months of 2011 were the following: iron and steel – 22.7%, clothing – 14.6%, chemical materials and products – 12.7%, oil and oil products – 7.2%, metal ore and metal scrap – 5% and beverages and tobacco – 4.9%.



These six groups of products comprised 67.1% of the total export of the country.

In the first ten months of 2011, observed by economic purpose, intermediary goods intended for industrial production contributed the most to the annual growth of export with 65%, followed by investment products with 14.7% and consumer goods with 8.7%

Export of chemical products*)				
	I-X 2010	I-X 2011	Balance 2011-2010	% rate
000 T	22.0	21.4	-0.6	-2.7
Мил. ЕУР	108.0	334.0	226.0	209.3
Мил.\$	142.0	467.2	325.2	229.0

*)Previous data

Import of chemical products*)				
	I-X 2010	I-X 2011	Balance 2011-2010	% rate
.000 T	18.9	23.1	4.2	22.2
Мил. ЕУР	39.0	63.8	24.8	63.6
Мил.\$	51.4	89.4	38.0	73.9

*)Previous data

Import

Imported quantities of goods in the period January-October 2011 increased by 8.8%, and their value amounted to EUR 4,108.1 million, being high increase by 25.3% in relation to the first ten months last year.

In October 2011 alone, goods in the amount of EUR 380.5 were imported, increasing by only 1.1% compared to the same month last year.

Analyzed on monthly basis, in October 2011, export declined by 13.2%, compared to the previous month. Seasonal adjusted trend of import in October dropped by 26.7% on monthly basis, pointing out to positive effects of the seasonal factor (13.5 p.p.) on import this month.

Export of oil and oil products*)				
	I-X 2010	I-X 2011	Balance 2011-2010	% rate
000 T	269.0	301.0	32.0	11.9
EUR mil.	135.1	190.9	55.8	41.3
\$ mil.	178.0	269.1	91.1	51.2

*)Previous data

Import of oil and oil products*)				
	I-X 2010	I-X 2011	Balance 2011-2010	% rate
.000 T	961.0	1,008.1	47.1	4.9
EUR mil.	431.0	597.2	166.2	38.6
\$ mil.	568.0	841.2	273.2	48.1

*)Previous data

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

Following participated the most in the import of goods, (according to SITC groups), in the first ten months in 2011: crude oil and oil products (12.4%), non-ferrous metals (6.7%), textile yarns and similar (6.6%), iron and steel (6.1%), road vehicles (4.9%), etc.

Export of iron and steel*)				
	I-X 2010	I-X 2011	Balance 2011-2010	% rate
000 T	612.0	669.9	57.9	9.5
EUR mil.	476.6	598.6	122.0	25.6
\$ mil.	626.0	840.8	214.8	34.3

*)Previous data

Import of iron and steel*)				
	I-X 2010	I-X 2011	Balance 2011-2010	% rate
.000 T	489.0	506.0	17.0	3.5
EUR mil.	224.0	269.8	45.8	20.4
\$ mil.	296.0	378.0	82.0	27.7

*)Previous data

Analyzed by economic purpose in the first ten months of 2011, products intended for industrial production – 57%, followed by energy products - 30% and investment

products – 8.5% contributed the most to the annual increase of import.

Trade Balance

Trade balance in the first ten months in 2011 amounted to EUR 1,470.9 million, being an increase of the deficit by EUR 211.3 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, etc., as well as the realized negative balance in 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 vegetables, as well as narrowing of negative balance in the trade in road vehicles, raw chemicals, telecommunication devices, etc., had opposite effect. Such trends in the period January-October in 2011 contributed for the level of import coverage by export, amounting to 62.4%, to increase by 2.6 p.p. compared to the same period in the previous year.

Analyzed according to the economic groups of the countries in the first ten months of 2011, export in the EU, EFTA and the developing countries continued to increase, and significant growth was seen at export in Russia – 76%, China - 40% and Western Balkans – 16.3%.

In the first ten months in 2011, in conditions of significant increase of trade with the European Union (EU 27), in relation to January-October last year, by 30.1%, share of trade with EU in the total foreign trade increased by 1 percentage point, accounting for 57%, whereby export of goods participated with 61% and import of goods accounted for 55%.

As a result of the structural changes in trade with abroad, in the first ten months of 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, Bulgaria, etc. Trade surplus was realized with Germany, Kosovo, Albania, Montenegro, Belgium etc.

Currency Structure

Observed by currency structure, 70.4% of the trade in the first ten months in 2011 was realized in euros, and compared to the same period in 2010, it dropped by 3 percentage points. On export and import side, the euro accounted for 77.8% and 65.7%, respectively, whereby share of the euro in export was higher by 0.2 p.p., while share of the euro in import accounted for 5.1 p.p. compared to the first ten 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 8.4% in the currency structure of the import.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I-X 2010					I-X 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	2,445	2,321,884,154	61.5131	142,826,292,153	70.8	2,527	2,704,238,511	61.5331	166,400,178,721	65.7	382,354,357	16.5
USD	2,176	1,050,091,798	46.5945	48,928,502,282	24.2	2,421	1,442,978,051	43.8787	63,316,001,006	25.0	392,886,253	37.4
GBP	2	112,589,358	71.6068	8,062,163,607	4.0	2	302,727,354	70.6213	21,378,999,293	8.4	190,137,997	168.9
EUR+USD	4,623			199,816,958,042	95.0	4,950			251,095,179,021	99.1		
tot. import	4,637			201,789,846,637	100.0	4,959			253,366,764,202	100.0		25.6

Source: SSO and NBRM

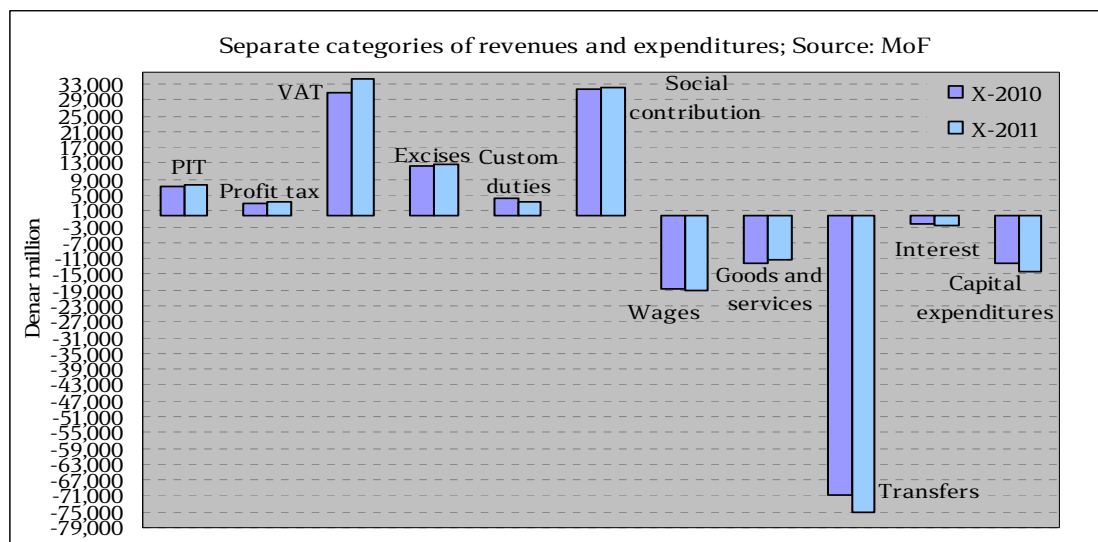
3. Fiscal Sector

Budget Revenues

In the period January-October 2011, total budget revenues reached an amount of Denar 112,767 million, i.e. 24.8% of GDP, which was by 3.7% higher in relation to 2010.

Tax revenues in the first ten months were realized in the amount of Denar 64,190 million, i.e. 14.1% of GDP, being higher by 7.4% in relation to the same period in 2010.

Value added tax was realized in the amount of Denar 34,492 million, whereby share of VAT in total tax revenues in 2011 was dominant, amounting to 53.7%. Excises were realized in the amount of Denar 12,919 million (participating with



20.1% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 47,411 million, i.e. 73.8% of total tax revenues (10.4% of GDP). Thereby, VAT collection amounted to Denar 50,412 million on gross basis, Denar 15,920 million out of which was refunded to taxpayers (VAT refund was higher by 22.4% 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 13.1%, while sales taxed with preferential tax rate of 5% increased by 12.4%. Observed by certain categories of taxes, revenues

on the basis of personal income tax were realized in the amount of Denar 7,551 million, increasing by 7.3% on annual basis (revenues on the basis of salaries account for around $\frac{3}{4}$ of the personal income tax). Compared to the same period in 2010, revenues on the basis of profit tax experienced growth of 17.3%, 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 15.3%). VAT revenues experienced growth of 11.2%, while excises experienced more moderate increase, i.e. higher performance by 4.8%. Revenues on the basis of customs duties were realized in the amount of Denar 3.107 million, decreasing by 21.8%.

Non-tax revenues declined by 6.6% in relation to the same period in 2010, i.e. they amounted to Denar 10,978 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 3,257 million, decreasing by 4.6% compared to the same period in the previous year.

Collection of social contributions amounted to Denar 32,330 million, being higher by 2.6% compared to the same period in 2010, whereby collection of pension insurance contributions increased by 2.7%, the collection of employment insurance contribution surged by 2.7%, while health contributions rose by 2.5%.

Budget Expenditures

In the period January-October 2011, total budget expenditures amounted to Denar 122,632 million, i.e. 26.9% of GDP, which was higher by 5.3% compared to 2010.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 108,408 million accounted for 88.4% (23.8% of GDP) and they increased by 4% in relation to the ten months in 2010.

Transfers amounting to Denar 75,162 million accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 19,278 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 15.7% and, in relation to 2010, they increased by 2.3%.

Expenditures related to goods and services amounted to Denar 11,269 million, decreasing by 7.6% compared to the same period in 2010.

Transfers increased by 6.2% compared to the same period in 2010, participating with 61.3% in the total expenditures. Social transfers amounted to Denar 55,566 million, increasing by 4.7% and participating with 45.3% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 32,497 million, increasing by 4.1%, compared to the same period in 2010 and accounting for 26.5% of the total expenditures. Category other transfers, which includes transfers to local

government units, accounted for 15.4% in the total expenditures, i.e. they surged by 13.5% compared to the same period in 2010.

Interest was collected in the amount of Denar 2,699 million, being by 10.5% 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 12.5%, while the ones on the basis of foreign borrowing surged by 9.4%.

In the analyzed period, the funds for capital expenditures were realized in the amount of Denar 14,224 million (3.1% share in GDP), i.e. they increased by 17.0% compared to the same period last year.

Budget Balance

In the period January-October 2011, the budget deficit reached the amount of Denar 9,865 million, being 2.2% of GDP, while central budget deficit amounted to Denar 7,645 million or 1.7% of GDP.

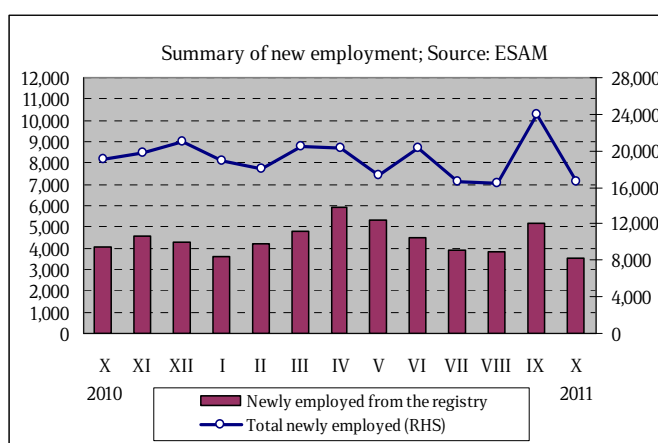
4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM

In the period January-October 2011, Employment Agency of the Republic of Macedonia registered total of 188,994 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 dropped by 1.5%.

During October, 16,539 new employments were registered, 21.2% out of which were from the unemployed records.

Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 16,167 persons in October, 21.3% out of which were new employments. In October, 7,893 persons were registered as inflow to the Agency, 50.1% out of which were persons whose employment was



terminated. As a result, unemployment reduced by 8,274 persons, i.e. by 2.8% compared to the previous month. Thus, in October 2011, 287,153 persons were registered as unemployed. Compared to the same month in 2010, number of unemployed persons declined by 10.8%.

Major percentage of the unemployed, i.e. 66.6%, came from urban areas (cities), whereby 57.4% were men. Analyzed by education structure, major part, i.e. 50.6% of unemployed persons were unskilled or semi-skilled, while only 9% was with community college or higher education level. Observed by age, majority of the unemployed persons or 56.5% fall in the category of 25-49 years of age. According to the time they waited for a job, 48.7% of the unemployed persons sought job from 1 to 7 years, while 29.6% sought job for 8 years and more.

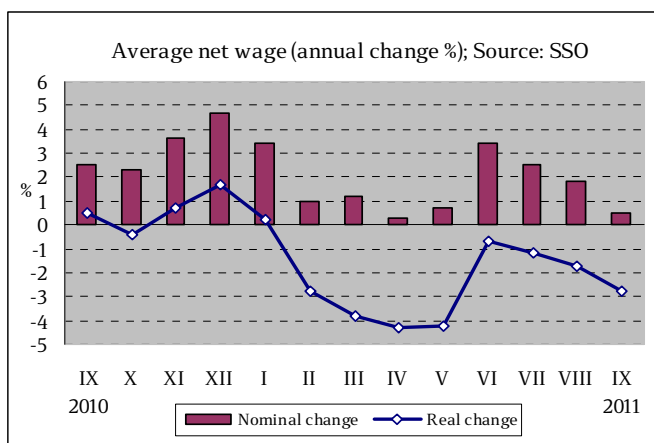
Salaries

According to the data from the State Statistical Office, average monthly paid gross salary per employee in September 2011 amounted to Denar 30,340, while average monthly paid net salary amounted to Denar 20,659¹.

On monthly basis, gross and net salaries in September 2011 dropped by 1.2% in nominal terms, being lower by 1.1% in real terms.

On annual basis, salaries in September 2011 experienced nominal growth of 0.3% (gross salary) and 0.5% (net salary), while salaries were lower by 3.0% (gross salary) and 2.8% (net salary) in real terms.

On cumulative basis, in the period January-September 2011, average gross salary increased by 1.5% in nominal terms, while it was lower by 2.5% in real terms.



In the same period, average net salary increased by 1.7% in nominal terms, while it was lower by 2.3% in real terms.

Highest increase of average monthly gross and net salary per employee in September 2011, compared to September 2010, was registered at the following: other services (14.2% gross salary and 14.3% net salary), expert, scientific and technical activities (5.4% gross salary and 5.2% net salary) and art, entertainment and recreation (4.7% gross salary and 6.0% net salary).

Decrease of average monthly gross and net salary per employee in September 2011, compared to August 2011, was registered at the following: other services (6.0% gross salary and 5.8% net salary), mining and quarrying (5.8% gross salary and 6.2% net salary) and activities related to real estate (4.8% gross salary and 4.7% net salary).

Percentage of employees who did not receive salary in September 2011 amounted to 2.3% and compared to the same month in the previous year, it was higher by 0.1 percentage points, while compared to August 2011, percentage of employees who did not receive salary was lower by 0.8 percentage points.

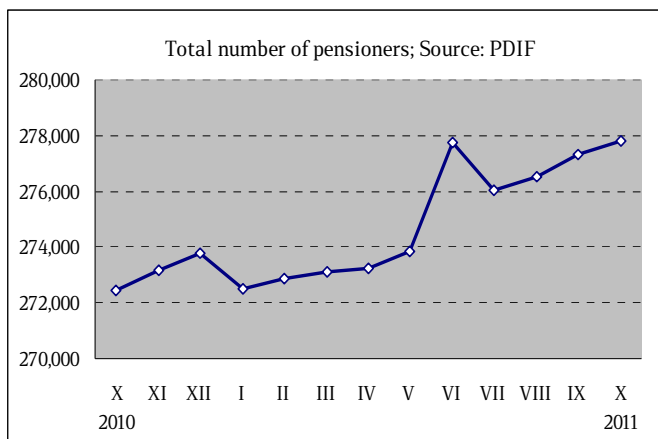
¹ State Statistical Office, at the beginning of this year, applied the new National Classification of Activities (NCA Rev. 2) for collecting and processing data on average monthly paid gross and net salary.

Pensions

In October 2011, Pension and Disability Insurance Fund registered 277,786 pensioners, increasing by 2% compared to the same month in 2010. Number of pension beneficiaries increased by 449 persons in relation to September 2011. 55.6% out of the total number of pensioners are beneficiaries of old-age pension, 27.5% of survival pension and 16.9% of disability pension.

In October 2011, Denar 2,913.15 million was spent for payment of pensions, accounting for 50.5% of the total social transfers².

Average pension in October 2011 amounted to Denar 11,618, increasing by 3.3% on annual basis. Ratio between average pension and average paid salary in September 2011 (most recent available data) amounted to 53.4%.

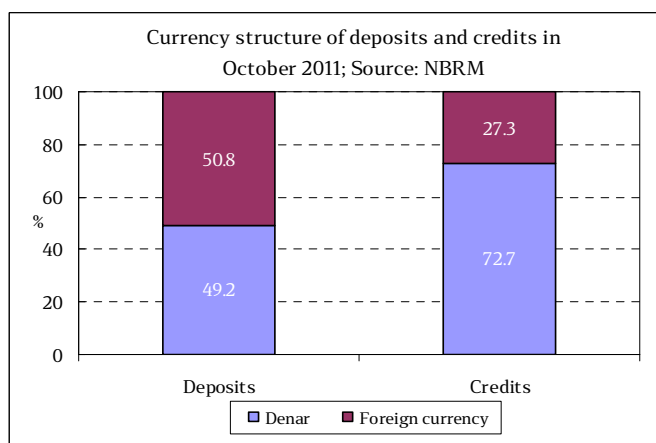


5. Monetary Sector

Primary Money

In October 2011, primary money³ showed slowed down growth of 0.7% on annual basis in conditions of drop of total liquid assets of banks by 3.3%. Ready money in circulation increased by 6.9% on annual basis. On monthly basis, primary money surged by 4.9%, as a result of the increase of total liquidity of banks by 8.8%. Ready money in circulation dropped by 0.2%.

In October 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%.



² 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.

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).

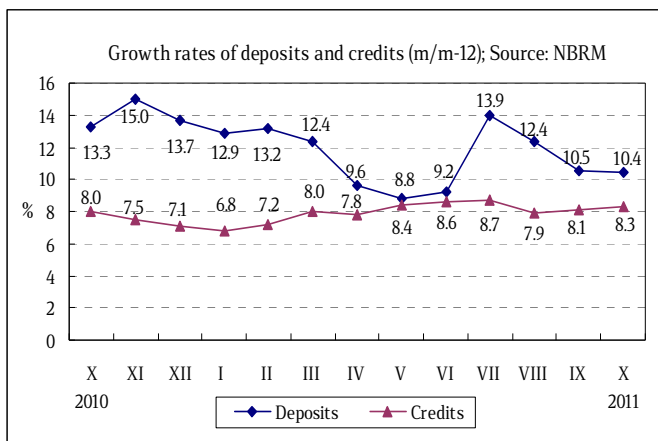
Deposit Potential

Total deposit potential of banks⁴ in October 2011 increased by 1.1% on monthly basis mainly instigated by the increase of deposits of private enterprises by 4.2%. On the other hand, deposits of households increased by 0.3%. From currency point of view, Denar deposits increased by 1.3%, while foreign currency deposits surged by 0.9%.

Total deposits increased by 10.4% on annual basis, driven by the growth of deposits of households, increasing by 13.1%, thus contributing with 8.9 p.p. to the growth of total deposits. Deposits of private enterprises were higher by 8%.

Analyzed according to the currency, Denar deposits grew by 12.2% on annual basis, while foreign currency deposits were higher by 8.8%.

According to maturity, long-term deposits experienced high increase by 33.3%, while short-term deposits were higher by 6.5% on annual basis.

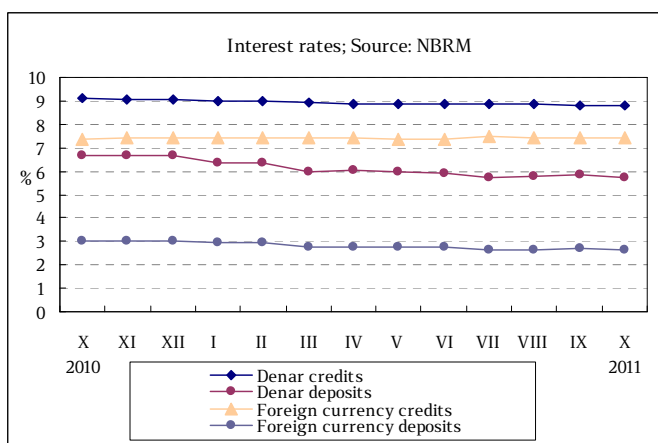


Bank Credits

In October 2011, total credits of banks to the private sector increased by 0.5% on monthly basis. Credits to private enterprises increased by 0.4% compared to the previous month, while credits to households were higher by 0.7%. According to the currency structure, foreign currency credits increased by 1.1%, while Denar credits surged by 0.4%.

On annual basis, growth rate of credits accelerated to 8.3%. From the point of view of sector structure, crediting to private enterprises had dominant contribution of 5.3 p.p. to growth of total credits, increasing by 8.9% compared to the same month last year. Household credits increased by 7.5% in October.

From currency point of view, Denar credits experienced annual growth of 2.8%, while foreign currency credits registered high growth of 26.5%. As regards maturity, long-term credits increased by 13.9% on annual basis, while short-term credits were lower by 1.2%.



⁴ Starting January 2009, deposits include calculated interest

Interest Rates of Deposit Banks

In October 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 credits with foreign currency clause, was 5.7%, which, compared to the previous month, dropped by 0.1 p.p., while in relation to October 2010, it declined by 0.9 p.p.

Interest rate on foreign currency credits amounted to 7.4% being at the same level since October 2010. Interest rate on foreign currency deposits amounted to 2.78%, decreasing by 0.4 p.p. compared to the same period in 2010.

Foreign Currency Reserves

Gross foreign currency reserves at the end of October 2011 amounted to EUR 1,838.6 million and, compared to the previous month, they were lower by EUR 9.2 million, while compared to October 2010, foreign currency reserves were higher by EUR 175.7 million.

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