



REPUBLIC OF MACEDONIA  
MINISTRY OF FINANCE  
Macroeconomic Policy Department

## SHORT-TERM ECONOMIC TRENDS

November 2010



Skopje, January 2011

## SUMMARY

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

November 2011

- Industrial production index in November 2010, compared to October, significantly increased by 8%.
- Annual increase of general price level by 2.9%, with 0.4% monthly inflation;
- Increase in the physical output of export in the period January-November 2010 by 12.9%, whereby nominal growth was 29% compared to the same period last year. Increase in imported quantities of goods was 9.2%, with valuable nominal growth of 11.4%;
- Total central budget revenues amounted to Denar 73,445 million, increasing by 3.6% compared to the same period previous year, while total expenditures accounted for Denar 80,840 million increasing by 0.8% compared to the same period in 2009. Central budget deficit amounted to Denar 7,385 million, while consolidated budget deficit accounted for Denar 8,662 million.
- Growth of total credits to the private sector, with 7.5% rate on annual basis, by simultaneous increase of total deposit potential of banks by 15%;

## 1. Real Sector

1.1. Industrial production index in November 2010, compared to October, significantly increased by 8%.

Thereby, processing industry increased by 9.7%, electricity, gas and water supply sector increased by 0.7%, ore and stone extraction sector dropped by 7.3%, on monthly basis.

As for processing industry, high monthly growth was realized at the production of food products and beverages - 47.3%, production of clothing - 21.4%, production of tobacco products and tobacco fermentation - 15.9%, being of special importance, taking into account that these branches participated the most in the industrial production. Production of electrical machines and devices contributed the most to the monthly growth with 81.5%.

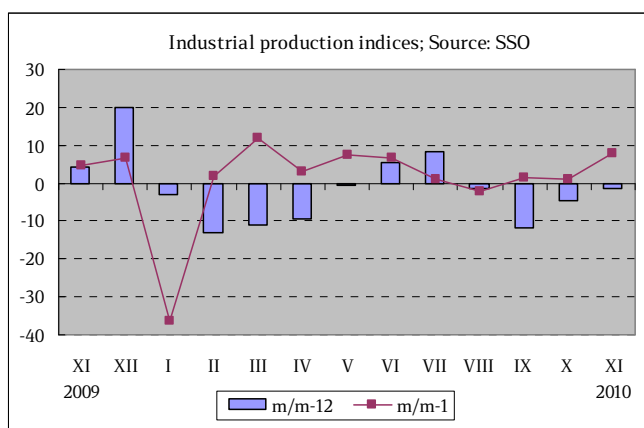
|                                   | m/m-1 | m/m-12 | I-XI 2010 |
|-----------------------------------|-------|--------|-----------|
|                                   |       |        | I-XI 2009 |
| Total                             | 8.0   | -1.5   | -4.0      |
| Ore and stone extraction          | -7.3  | -10.6  | -2.1      |
| Processing industry               | 9.7   | 0.7    | -6.6      |
| Electricity, gas and water supply | 0.7   | -14.3  | 14.8      |

Source: SSO

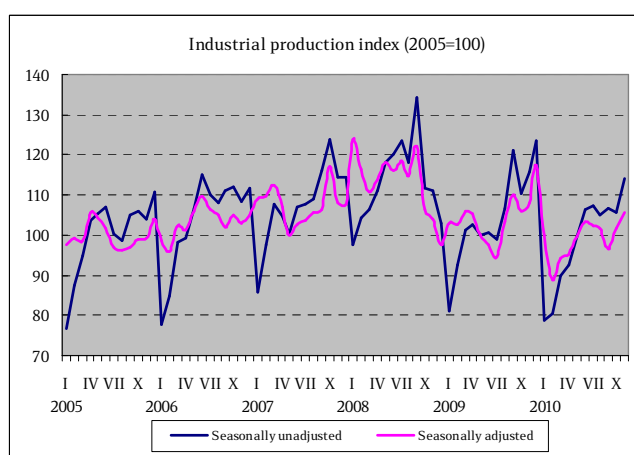
De-seasoned monthly growth of industrial production in November 2010 was 4%, pointing out to positive seasonal effects in the industry.

Industrial production index in November 2010, compared to the same month previous year, dropped by 1.5%.

Analyzed by sectors, ore and stone extraction sector decreased by 10.6%, electricity, gas and water supply sector dropped by 14.3%, while processing industry sector increased by 0.7% on annual basis.



As for processing industry, positive annual growth was seen at 13 out of 20 branches, whereby growth was evidenced at three driving branches, with two-digit share in the industrial production. Thus, production of food products and beverages increased by 5.4%, production of clothing surged by 14.9% and production of base metals increased by 20.5%.



Production of electrical machines and devices (7.1 p.p.) contributed the most to the annual growth of industrial production, while production of metal products in the metal processing stage (-1.9 p.p.) had the highest negative contribution.

Industrial production index in the period January-November 2010, compared to the same period last year, dropped by 4% on cumulative basis.

### *Business tendencies in the processing industry*

According to the assessment of enterprise managers, economic situation present in the enterprises in November 2010 was more favourable compared to both the previous month and the same month in 2009.

Assessment of current state of delivery-to-production was more favourable compared to the previous month. Production volume of business entities in November 2010 experienced slight decline compared to the previous month, expectations for the production volume in the coming three months are more favourable, while expectations for the number of employees are less favourable.

Average utilization of the capacities of business entities in November 2010 was 61.3% of the regular utilization, being minimum increase compared to last month, when it accounted for 60.2%.

According to the managers, following factors limited the most the production volume in November 2010: insufficient foreign demand -20.5%, insufficient domestic demand - 17.1%, financial problems - 10.7% and uncertain economic surrounding - 10.4%.

### *Number of industrial workers*

Total number of industrial workers in November compared to October 2010, increased by 0.5%. Analyzed by sectors, ore and stone extraction sector increased by 4%, electricity, gas and water supply sector surged by 2.8%, while processing industry sector dropped by 0.2%.

Total number of workers in the industry in November 2010 decreased by 1.6% compared to November 2009.

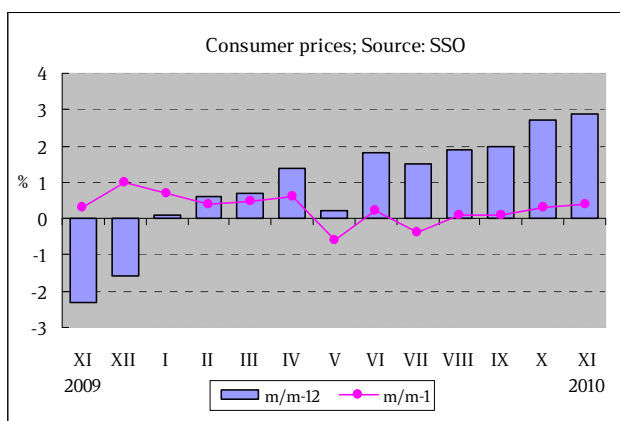
Analyzed by sectors, ore and stone extraction sector increased by 3.0%, electricity, gas and water supply sector surged by 2.7%, while processing industry sector dropped by 2.6% on annual basis.

Number of industrial workers in the first eleven months of 2010 declined by 4.6% on cumulative basis, being lower decline rate (in the period January-October, it was -4.9%). Decline registered in the ore and stone extraction sector was 3.3%, 5.2% in the processing industry, while the decline in the electricity, gas and water supply sector accounted for 1.2%.

1.2 In November 2010, the inflation (CPI) amounted to 2.9% compared to the same month last year, i.e. 0.4% in relation to October 2010.

Increase of prices on annual basis was the highest in the housing category by 5.9%, as a result of the increase of prices for electricity and heating. Increase of prices was also registered at the food category by 3.4%, at the same time having the

highest share of almost 39% in the structure. Increase of prices was also noticed at the categories means of transport and services by 2.5%, restaurants and hotels by 2.2%, clothing and footwear by 1.5%, tobacco and beverages by 0.9%, hygiene and health by 0.6% and culture and entertainment by 0.3%. Reduction of prices was registered in the categories administrative and financial services by 6.1%.



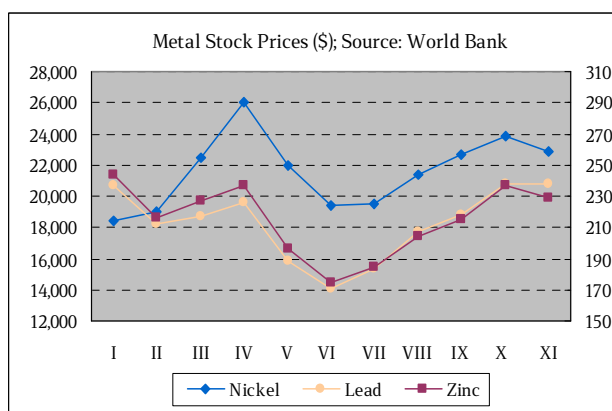
Value of the consumer basket of food and beverages for a four-member household in November 2010, calculated on the basis of retail prices, was Denar 12,212, and compared to the previous month, it was by 0.9% higher.

Retail price index in November 2010, in relation to November 2009, increased by 3.4%.

1.3. In November 2010, world stock markets experienced monthly decrease of prices of metals, while price of natural gas increased by 8.6%.

In November, oil price on world stock markets increased by 3.3% compared to the previous month, reaching the price of US\$ 85.7 per barrel. Compared to September last year, oil price surged by 11.2%.

Regarding metal products, price of nickel, as a product having high share in the Macedonian export, dropped by 3.8% on monthly basis, reaching US\$ 22,909 for a metric ton (\$/mt). Compared to November last year, nickel price was higher by 34.8%. Price decrease on monthly basis was also noticed at zinc by 3.4% aluminum by 0.6%, while prices of copper and gold increased by 2.1% on monthly basis.

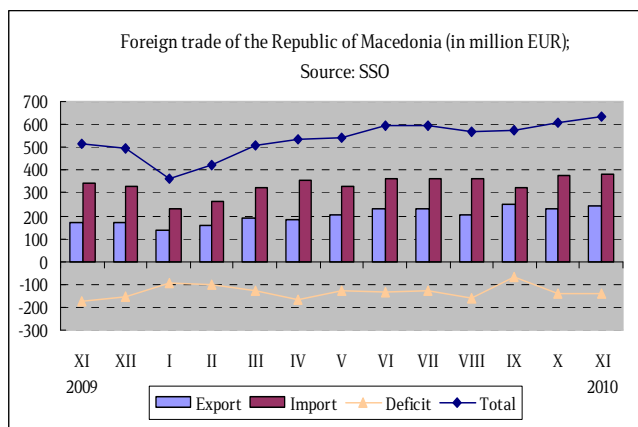


## 2. External Sector

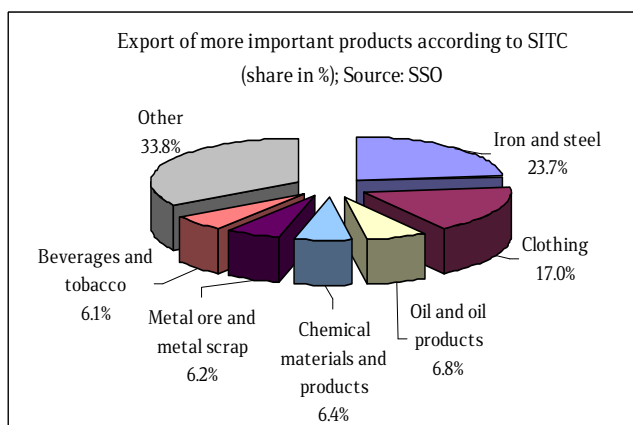
2.1. In the period January-November 2010, total foreign trade (expressed in euros) surged by 17.5% in relation to last year.

Thereby, physical output of export increased by 12.9%, the value of which amounted to EUR 2,265.7 million, being a significant and the highest increase by 29% this year compared to the same period last year. Imported quantities of goods increased by 9.2%, and it amounted to EUR 3,664.1 million, increasing by 11.4%. In conditions of such trends, trade deficit realized by the end of November amounted to EUR 1,398.4 million, narrowing by 8.8% on annual basis (EUR 135 million), as a

result of more intensive growth of export (29%) than import (11.4%). Analyzed from balances point of view, decline in negative trade balance was a result of combined effect of the reduced negative balance of trade in electricity, industrial machines and spare parts, other transport equipment, telecommunication devices, meat and meat processings, medical and pharmaceutical products, as well as the increased positive balance of trade in iron and steel and their products, metal ore and metal scrap, chemical materials and metal products. Increased negative balance of trade in raw chemicals, road vehicles, oil and oil products, non-ferrous metals, items from non-metal minerals etc., had opposite effect. Such trends also led to higher level of coverage of import with export in the eleven months, accounting for 61.8%, showing an annual increase by 8.5 p.p.



2.2. Main groups of goods (according to SITC) having the biggest share in export by the end of November 2010 were the following: iron and steel 23.7%, clothing 17.0%, oil and oil products 6.8%, chemical materials and products 6.4%, metal ore and metal scrap 6.2% and beverages and tobacco 6.1%. These six groups of products comprised 66.2% of the total export of the country. According to the carried out analysis, in November 2010, export and import of goods increased by 5.8% and 2.1% on monthly basis respectively. Seasonal adjusted trend of export in November increased by 8.5% on monthly basis, pointing out to negative effects of the seasonal factor (- 2.7 p.p.) on export this month as well.



The following participated the most in the import of goods in the eleven months on cumulative basis: oil and oil products (EUR 491,1 million, 13,4% in the total import), textile yarns and similar (EUR 273.6 million, 7,5%), road vehicles (EUR 262.8 million, 7,2%), iron and steel (EUR 249.8 million, 6,8%), metal ore and metal scrap (EUR 136 million, 3,7%), electrical machines, devices and spare parts (EUR 120 million, 3,3%), etc.

As for import of goods, de-seasoned trends show increase by 5.1% on monthly basis, pointing out to unfavourable impact of the seasonal factors (3 p.p.) on the import of goods.

| Import of main 10 products according to SITC in I-XI 2009 and I-XI 2010 |  |                              |                              |                            |                            |                      |
|---|--|------------------------------|------------------------------|----------------------------|----------------------------|----------------------|
| Rank  | Group of products                            | Value in EUR mill. I-XI 2009 | Value in EUR mill. I-XI 2010 | Share in total import 2009 | Share in total import 2010 | Changes in the share |
| 1   | Oil and oil products                         | 398.0                        | 491.1                        | 12.1                       | 13.4                       | 1.3                  |
| 2   | Textile yarns and similar                    | 250.6                        | 273.6                        | 7.6                        | 7.5                        | -0.2                 |
| 3   | Road vehicles                                | 194.1                        | 262.8                        | 5.9                        | 7.2                        | 1.3                  |
| 4   | Iron and steel                               | 196.3                        | 249.8                        | 6.0                        | 6.8                        | 0.8                  |
| 5   | Metal ore and metal scrap                    | 71.8                         | 136.1                        | 2.2                        | 3.7                        | 1.5                  |
| 6   | Electrical machines, devices and spare parts | 117.2                        | 120.1                        | 3.6                        | 3.3                        | -0.3                 |
| 7   | Miscellaneous manufactured articles, n.e.s   | 96.9                         | 113.9                        | 3.0                        | 3.1                        | 0.2                  |
| 8   | Telecommunication apparatus and equipment    | 109.6                        | 96.3                         | 3.3                        | 2.6                        | -0.7                 |
| 9   | Inorganic chemicals                          | 12.1                         | 95.5                         | 0.4                        | 2.6                        | 2.2                  |
| 10  | Medical and pharmaceutical products          | 94.1                         | 92.7                         | 2.9                        | 2.5                        | -0.3                 |
|   | Total (1-10)                                 | 1,446.6                      | 1,839.4                      | 44.1                       | 50.2                       | 6.1                  |
|   | Total RM                                     | 3,281.6                      | 3,664.1                      | 100.0                      | 100.0                      | 0.0                  |

Source: SSO

2.3. Analyzed by economic purpose, in the period January-November 2010, significant increase of export was registered at industrial products by 50% (EUR 375.8 million) contributing with 21.4 p.p. to the increase, compared to the same period last year. Export of personal consumption goods and energy increased by EUR 66.3 million and EUR 50 million, contributing with 3.8 p.p. and 2.9 p.p. to the increase respectively. Similar tendencies were also noted at import, where industrial products significantly increased by 24.8% (EUR 294 million), contributing with 8.9% to the increase, amounting to EUR 1,477.6 million, while the amount of imported energy products in the analyzed period was EUR 615.2 million, increasing by 19.3%, contributing with 3 p.p. to the increase, compared to the same period last year. 5.3% drop was seen at import of products intended for investments, being of course unfavourable trend in relation to the import structure.

| Export of iron and steel*) |           |           |                   |        | Import of iron and steel*) |           |           |                   |        |
|----------------------------|-----------|-----------|-------------------|--------|----------------------------|-----------|-----------|-------------------|--------|
|                            | I-XI 2009 | I-XI 2010 | Balance 2010-2009 | % rate |                            | I-XI 2009 | I-XI 2010 | Balance 2010-2009 | % rate |
| .000T                      | 569.8     | 681.0     | 111.2             | 19.5   | .000T                      | 501.7     | 540.8     | 39.1              | 7.8    |
| EUR mil.                   | 347.6     | 537.8     | 190.2             | 54.7   | EUR mil.                   | 196.3     | 249.7     | 53.4              | 27.2   |
| \$ mil.                    | 484.6     | 709.8     | 225.2             | 46.5   | \$ mil.                    | 273.9     | 331.6     | 57.7              | 21.1   |

\*)Previous data

\*)Previous data

2.4. Analysis of export by activities (NACE Ref.1) in the period January-February 2010, compared to the same period last year, points out to significant increase of export at: processing industry by EUR 226.6 million, being primarily a result of the increase at: production of base metals by 55.6% (EUR 208 million) contributing with 11.9 p.p. to the increase, production of chemicals and chemical products by 2.4 times (EUR 144 million), contributing with 8.3 p.p. to the increase, production of coke, oil derivatives and nuclear fuel by 23.3% (EUR 29.5 million) contributing with 1.7 p.p. to the increase and production of food products and beverages by 11.6% (EUR 21.3 million, contributing with 1.2 p.p. to the total increase).

In the period January-November 2010, export in the field of agriculture increased by 21.6%.

As for extraction of ore and stone sector, increase of export by 67.3% (EUR 53.9 million) was due to the increase at the branches metal ore extraction by 77.3% (EUR 48.2 million, contributing with 2.8 p.p. to the total increase of export).

The increase of export by EUR 21.4 million in the electricity, gas and water supply sector is mainly a result of the high increase of export of electricity in the eleven months in 2010.

| Export of oil and oil products*) |           |           |                   |        | Import of oil and oil products*) |           |           |                   |        |
|----------------------------------|-----------|-----------|-------------------|--------|----------------------------------|-----------|-----------|-------------------|--------|
|                                  | I-XI 2009 | I-XI 2010 | Balance 2010-2009 | % rate |                                  | I-XI 2009 | I-XI 2010 | Balance 2010-2009 | % rate |
| .000T                            | 321.8     | 308.0     | -13.8             | -4.3   | .000T                            | 1,215.3   | 1,078.0   | -137.3            | -11.3  |
| EUR mil.                         | 124.2     | 154.7     | 30.5              | 24.6   | EUR mil.                         | 398.0     | 491.1     | 93.1              | 23.4   |
| \$ mil.                          | 173.6     | 207.4     | 33.8              | 19.5   | \$ mil.                          | 553.7     | 649.3     | 95.6              | 17.3   |

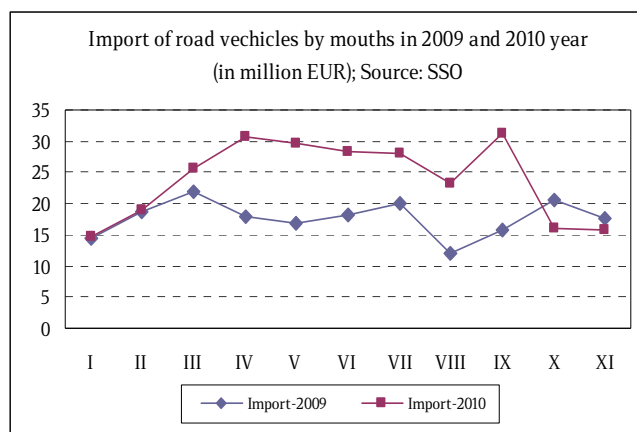
\*)Previous data

\*)Previous data

Given the analysis of import by activities for the period January-November 2010 compared to the same period in 2009, it is concluded that the processing industry with its increase by 9.9% or by EUR 218 million is driving force of the cumulative growth of import, being due to the increase at the following: production of chemicals and chemical products by EUR 83.3 million or 30.6%, production of base metals by EUR 82.9 million or 40.3%, production of motor vehicles, trailers and semi-trailers by EUR 76 million or 51% and production of coke, oil derivatives and nuclear fuel by EUR 45 million or 46.6%.

Import at ore and stone extraction sector increased by 32% or by EUR 87.9 million, being due to the increase at the following: extraction of crude oil and natural gas by 20.2% or by EUR 48 million and metal ore extraction by twice or by EUR 33 million.

As a result of the reduced import of electricity, import at electricity, gas and water supply sector dropped by 32.8% or by EUR 25 million.



Import in the agriculture increased by 4.3% or by EUR 2.7 million.

Results as regards foreign trade achieved in the period January-November 2010 inspire optimism for further trends and over performance of the projected growth of export (22.7%) and realization of the projected import (10.9%) for 2010.

2.4. Analyzed according to the economic groups of countries in November, export in the EU, EFTA and the developing countries continued to increase, while import from all groups of countries increased, except import from EFTA countries.

In the period January-November 2010, in conditions of significantly improved trade with the European Union (EU 27) by 24.1%, compared to the same period last year, share of trade with the EU in the total external trade experienced an increase by 3 percentage points, accounting for 56.4%, whereby export of goods participated with 61.4% and share of import of goods was 53.3%. Export to the European Union



increased significantly by 41.7%, while import increased by 14.1% compared to the same period in 2009.

By the end of November 2010, 89% of the trade deficit of the country was realized in the trade with Russia, Turkey, Greece, China, Great Britain, Serbia, Ukraine, Slovenia, Italy and the USA, while it was adjusted with the surplus realized in the trade with Kosovo, Germany, Albania, Belgium, Bosnia and Herzegovina, Montenegro, Spain, etc.

2.6. Observed by currency structure, 73.4% of the foreign trade in the first eleven months in 2010 was realized in euros, and compared to the same period last year, it dropped by 3.6 percentage points. On export and import side, the euro accounted for 77.6% and 70.8% respectively, and in relation to the same period last year, decline was evidenced at export and import by 3.9 p.p. and 3.8 p.p. respectively.

| Foreign trade of the Republic of Macedonia (by currency); calculations: MoF |           |                    |   |                 |                |           |                    |   |                 |                |                                   |  |  |
|---|-----------|--------------------|---|-----------------|----------------|-----------|--------------------|---|-----------------|----------------|-----------------------------------|--|--|
| - by currency -   |           |                    |   |                 |                |           |                    |   |                 |                |                                   |  |  |
| export  | I-XI 2009 |                    |   |                 |                | I-XI 2010 |                    |   |                 |                | absolute change in currency value | relative change in currency value (in %) |  |
| currency  | .000 T    | export in currency | avrage Denar exch. Rate in relation to currencies | export in denar | structure in % | .000 T    | export in currency | avrage Denar exch. Rate in relation to currencies | export in denar | structure in % |                                   |  |  |
| EUR   | 2,165     | 1,431,109,276      | 61.2816   | 87,700,666,208  | 81.5           | 2,459     | 1,756,354,852      | 61.5161   | 108,044,100,711 | 77.6           | 325,245,576                       | 22.7                                     |  |
| USD   | 549       | 439,410,694        | 44.2867   | 19,460,049,582  | 18.1           | 600       | 658,350,652        | 46.4484   | 30,579,334,424  | 22.0           | 218,939,958                       | 49.8                                     |  |
| EUR+USD   | 2,714     |                    |   | 107,160,715,790 | 99.5           | 3,059     |                    |   | 138,623,435,135 | 99.5           |                                   |  |  |
| tot. export:  | 2,719     |                    |   | 107,662,433,496 | 100.0          | 3,064     |                    |   | 139,294,379,128 | 100.0          |                                   | 29.4                                     |  |

Source: SSO and NBRM

### 3. Fiscal Sector

3.1. In the period January-November 2010, total central budget revenues amounted to Denar 73,445 million, i.e. 17.26% of GDP, increasing by 3.6% compared to the same period last year.

Tax revenues in this period were realized in the amount of Denar 64,890 million, experiencing better performance six months in a row. In relation to the same period last year, they increased by 2.8%.

Share of VAT in total tax revenues in the first eleven months in 2010 was dominant and it amounted to 52.4%, while excises accounted for 19.9%, whereby revenues in the amount of Denar 46,890 million were realized on the basis of these two taxes, i.e. almost 3/4 of the total tax revenues (11% of GDP). Thereby, VAT collection amounted to Denar 48,299.6 million on gross basis, Denar 14,307.4 million out of which was refunded to taxpayers. Structure of trading in the country points out that the sales of goods and services taxed with the general tax rate of 18% reduced by 0.2%, while sales taxed with preferential tax rate of 5% increased by 7.2%, and the sales exempt from VAT significantly increased by 52.4%. Analyzed by certain tax categories, revenues on the basis of personal income tax were realized in almost the same amount (0.8% increase) compared to the same period in 2009. Compared to the same period in 2009, VAT revenues experienced record growth of 7.8%, while excises increased by 1.8%. Revenues on the basis of profit tax experienced the highest drop of 22.5% (decline was significant on the basis of monthly advance payments, since in 2009, advance payments in January

and February were made on the profit realized in 2007 when it was taxed, while in 2010, as a result of amendments to the regulations, it is paid only on non-exempted expenditures determined in the 2008 tax balance). Starting April 2010, revenue on the basis of tax on paid dividend and other profit distribution was registered, participating with 28.7% in the structure of this tax, while revenues on the basis of customs duties decreased by 8.5% compared to the same period last year. Non-tax revenues increased by 8.8% in relation to the same period last year, while share of revenues on the basis of administrative fees, road tolls and dividends was higher.

Capital revenues on the basis of sale of construction land and flats reached Denar 959 million, being lower by 5.1% compared to the same period last year.

Social contributions during this period were realized in the amount of Denar 34,661 million, which was by 0.5% less compared to the same period in 2009. Thereby, pension and disability insurance contributions amounted to Denar 23,511 million, health insurance contributions amounted to Denar 9,668 million and employment contributions accounted for Denar 1,482 million.

3.2. In the period January-November 2010, total central budget revenues amounted to Denar 80,840 million, i.e. 19% of GDP, increasing by 0.8% compared to the same period in 2009.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 70,807 million accounted for 87.6% and were almost the same compared to the same period in 2009, (they increased by only 0.2%), while capital expenditures participated with 12.4%.

Transfers (Denar 40,558 million) accounted for the most in the current expenditure items, followed by salaries and allowances (Denar 19,416 million). With respect to total central budget expenditures, expenditures related to wages and salaries and allowances accounted for 24%, and in relation to the same period last year they increased by minimum 0.8%.

Expenditures related to goods and services amounted to Denar 8,475 million, decreasing by 9.4% compared to the same period in 2009.

With regard to transfers, almost the same amount of funds was spent, i.e. 0.3% increase compared to the same period in 2009, participating with 50.2% in the total expenditures. Share of category other transfers, including the transfers to local government units, accounted for 27.3% in the total expenditures. Transfers to the

| Total revenues and expenditures (Denar million) |           |           |
|---|-----------|-----------|
|   | I-XI 2009 | I-XI 2010 |
| Total revenues                                  | 70,933    | 73,455    |
| Taxes   | 63,121    | 64,890    |
| Personal tax                                    | 7,723     | 7,786     |
| Profit tax                                      | 4,035     | 3,126     |
| VAT   | 31,527    | 33,992    |
| Excises   | 12,669    | 12,898    |
| Customs duties                                  | 4,731     | 4,330     |
| Other taxes                                     | 2,436     | 2,758     |
| Non-tax revenues                                | 6,568     | 7,149     |
| Other   | 1,244     | 1,416     |
| Total expenditures                              | 80,182    | 80,840    |
| Current expenditures                            | 70,646    | 70,807    |
| Transfers                                       | 40,447    | 40,558    |
| Goods and services                              | 9,355     | 8,475     |
| Salaries  | 19,255    | 19,416    |
| Interest  | 1,589     | 2,358     |
| Capital expenditures                            | 9,536     | 10,033    |

Pension and Disability Insurance Fund were in the amount of Denar 13,266 million, being 16.4% of the total expenditures.

Interest was collected in the amount of Denar 2,358 million, being by 48.4% more compared to the same period in 2009. Such increase was mainly due to the payment of due interest for the second Eurobond in July.

Funds related to capital expenditures accounted for Denar 10,033 million, increasing by 5.2% compared to the same period in 2009.

3.3. In the period January-November 2010, central government budget deficit reached the amount of Denar 7,385 million, being 1.7% of GDP, while consolidated budget deficit amounted to Denar 8,662 million or 2.0% of GDP.

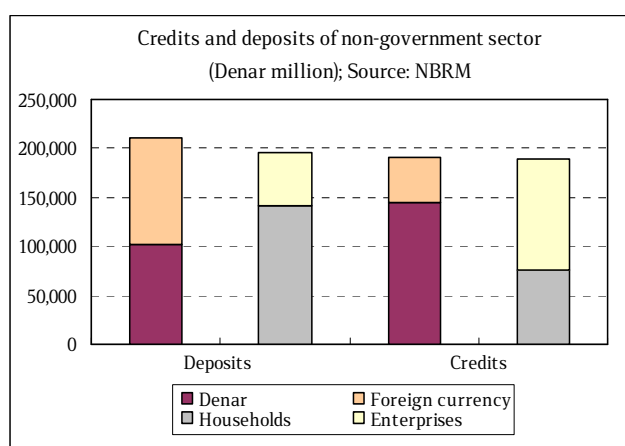
## 4. Monetary Sector

4.1. In November 2010, primary money<sup>1</sup> experienced slowdown growth of 6.4% on annual basis (compared to the growth of 7.5% in October), in conditions of slowdown growth of ready money in circulation<sup>2</sup> - 6.1% and growth of total liquid assets of banks - 6.6%.

On monthly basis, primary money dropped by 2.4%, despite the 6% growth in October, as a result of the lower liquidity of banks by 2.3% and the drop of ready money in circulation by 2.6% on monthly basis.

National Bank of the Republic of Macedonia in November 2010 retained the interest rate on CB bills at the same level of 4.5% and the interest rate on overnight credits (Lombard credits) at the level of 6.0%.

4.2. Total deposit potential of banks<sup>3</sup> in November 2010 experienced intensified monthly growth of 2.5% (compared to the increase by 1.2% in October) whereby Denar deposits grew by 3% and foreign currency deposits grew by 2%. From the point of view of sector structure, deposits of households increased by 1.9%, while increase of deposits of private enterprises more significantly intensified with 4.3% rate (compared to 1% in October).



On annual basis, total deposits increased by 15% (compared to 13.3% in October 2010). Thereby, from the point of view of sector structure, growth was mainly a result of the increase of deposits of households by 17.8% (compared to 17.0% in October), contributing with 77.8%. On the other hand, deposits of enterprises

<sup>1</sup> Primary money is calculated as a sum of ready money in circulation (including cash in hand), the denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars)

<sup>2</sup> Including cash in hand of the banks

<sup>3</sup> Starting January 2009, deposits include calculated interest

experienced intensified growth of 8.7% on annual basis (compared to 4.4% in September). From currency point of view, both denar and foreign currency deposits intensified the growth, whereby with 20.8% growth rate, denar deposits had dominant contribution to growth of deposit potential (contributing with 64.1%). Foreign currency deposits increased by 10%.

According to maturity, 68.2% of total deposits are short-term, increasing by 9.9% on annual basis, while long-term deposits highly increased by 46%.

4.3. In November 2010, total credits of banks to the private sector increased by 0.4% on monthly basis, whereby credits to both households and private enterprises also increased by 0.4%. From the currency point of view, monthly credit increase was driven by foreign currency credits, increasing by 2.4%, while Denar credits were lower by 0.2% compared to last month.

On annual basis, growth rate of credits slowed down to 7.5%, compared to 8% in October. From the point of view of sector structure, crediting to private enterprises had dominant contribution of almost 72.3% to growth of total credits, increasing by 9.2% on annual basis. Crediting to households continued to strengthen in November, amounting to 5.2%. From currency point of view, Denar credits experienced annual growth of 4.8%, while foreign currency credits continued to realize high growth of 17.3%.

As regards maturity, 60.4% of total credits are long-term, increasing by 8.9% on annual basis, while short-term credits were higher by 2.8%.

4.4. In November 2010, interest rates remained the same compared to the previous month, while they decreased on annual basis. In fact, interest on Denar debit balance amounted to 9.1%, reducing by 1.2 p.p. compared to November last year. On the other hand, interest on Denar credit balance amounted to 6.7%, decreasing by 0.8 p.p. compared to last year.

Interest rates on foreign currency credits/deposits did not change on monthly basis. Interest rate on foreign currency credits amounted to 7.4%, decreasing by 0.2 p.p. compared to November 2009, while interest rate on foreign currency deposits amounted to 3.0%, decreasing by 0.4 p.p. in the analyzed period.

4.5. Gross foreign currency reserves amounted to EUR 1,686.2 million at the end of November 2010, and compared to December 2009, they were higher by EUR 88.5 million. Gross foreign currency reserves, despite the monthly fluctuations, showed upward trend in the past period.

## 5. Social Sector

5.1. In the period January-November 2010, Employment Agency of the Republic of Macedonia registered total of 211,564 new employments. 37.7% out of the total number of newly employed was on the basis of full-time employment, while the rest was temporary employment and seasonal works. Compared to the same period last year, number of newly employed persons declined by 4.5%.

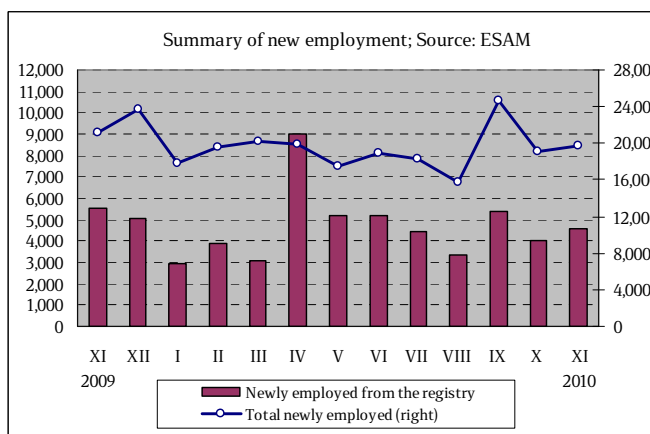
During November, 19,739 new employments were registered, 23.1% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 10,028 persons in November, 43.4% out of which were new employments. 9,720 persons were registered as inflow to the Agency, 49.7% out of which were persons whose employment was terminated.

As a result, unemployment reduced by 308 persons, i.e. by 0.1% compared to the previous month. Thus, there were 321,626 unemployed persons in November 2010.

Number of unemployed persons, compared to the same month last year, declined by 5.8%.

Major percentage of the unemployed, i.e. 66.1%, came from urban areas (cities), whereby 57.6% were men.

Analyzed by education structure, major part, i.e. 52.4% of unemployed persons were unskilled or semi-skilled, while only 8% was with community college or higher education level. Observed by age, majority of unemployed or 58% fall in the category of 25-49 years of age. According to the time they waited for a job, 50.7% of the unemployed persons sought job from 1 to 7 years, while 30.2% sought job for 8 years and more.

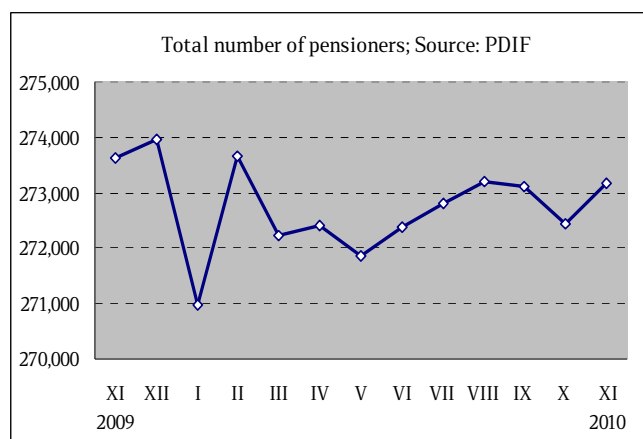


5.2. In November 2010, Pension and Disability Insurance Fund registered 273,179 pensioners, declining by 0.2% compared to the same month last year. Number of pension beneficiaries increased by 733 persons in relation to the previous month.

In November, Denar 2,758.56 million was spent for payment of pensions, being 53.3% of the total social transfers in the state Budget.

Average pension in November 2010 amounted to Denar 10,272, increasing by 2.1% on annual basis. Ratio between average pension and average paid salary in October 2010 (the most recent available data) amounted to 49.9%.

5.3. Number of social welfare beneficiaries in October 2010 (most recent available data, with no data for Center for Social Affairs Bitola, Demir Hisar, Strumica and Struga) was 44,790 households, declining by 6,298 beneficiaries compared to previous month.



Thereby, around Denar 109.7 million was spent for payment of

social welfare, i.e. 49.7% of social welfare payments under all bases. Around Denar 82.2 million was spent on the basis of third person care for 19,118 persons in October, i.e. 37.2% of payments of social welfare under all bases. This month, 5,260 persons were registered as beneficiaries of permanent pecuniary allowance, for which Denar 21.1 million was spent, while 5,204 persons used healthcare, for which Denar 7.7 million was spent. These welfare-related payments accounted for 4.1% of the total social transfers realized in October.

5.4. In the period January-October 2010 (the most recent available data), compared to the same period in 2009, average monthly net salary increased by 2.7% in nominal terms, while real average salary was higher by 1.4%.

In October 2010, average net salary per employee amounted to Denar 20,584. In October 2010, compared to the same month in 2009, average monthly net salary increased by 2.3% in nominal terms, while real average salary was higher by 0.4%. Percentage of employees who did not receive salary in October 2010 was 2.3%, being by 0.6 p.p. lower in relation to the same period last year.

