



REPUBLIC OF MACEDONIA  
MINISTRY OF FINANCE  
Macroeconomic Policy Department

**SHORT-TERM ECONOMIC TRENDS**  
January 2010



**SUMMARY**  
**OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS**

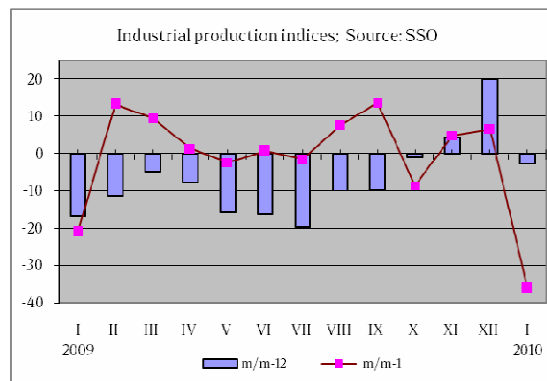
**January 2010**

- **Index of industrial production in January 2010, compared to the same month previous year, dropped by 2.9%.**
- **Slight annual increase of general price level by 0.1%, with 0.7% monthly inflation**
- **Lower realization of central budget revenues by 17% (1.4% of GDP) and decline of total expenditures by 20.8% (1.9% of GDP) in January 2010 compared to the same month in 2009**
- **Increase of gross foreign exchange reserves by 12.3% (EUR 177.9 million) in January 2010 compared to January 2009, with a simultaneous monthly increase by 1.4% or EUR 22.2 million, in conditions of net purchase on the foreign exchange market in the amount of EUR 34.7 million**
- **Decrease in the number of newly employed persons by 6.1% in January 2010 compared to the same month in 2009**

## 1. Real Sector

### 1.1. Index of industrial production in January 2010, compared to the same month previous year, dropped by 2.9%, following a two-digit growth of 20% in December.

Analyzed by sectors, electricity, gas and water supply sector continued realizing two-digit growth, amounting to 16.7% in January 2010. Ore and stone extraction sector also registered two-digit increase by 11.4%, being the first increase of the sectoral production after 9 months. On the other hand, 8.2% drop in industrial output was registered in the processing industry only.

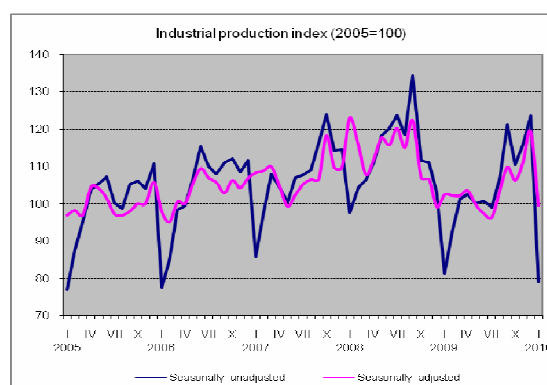


As for the processing industry, positive annual growth was seen at 6 out of 20 branches, whereby growth was evidenced in all branches with the highest weight in the industrial production. Production of base metals, as a branch with high share in the industrial production index, intensified and increased by 109.7%, production of food products surged by 6.7%, production of tobacco products increased by 35.4%, and production of products from other non-metal minerals increased by 2.2%.

Production of base metals contributed the most to the annual growth of industrial production (12 percentage points).

Index of industrial production in January 2010, compared to December 2009, dropped by 36.2%.

De-seasoned monthly decline of industrial production in January 2010 was 16.7%, showing that if seasonal component is excluded, decline was by 19.5% percentage points lower.



According to the expectations of enterprise managers, economic situation present in the enterprises in December 2009 was unfavourable, while current state of delivery-to-production was slightly unfavourable compared to December 2009.

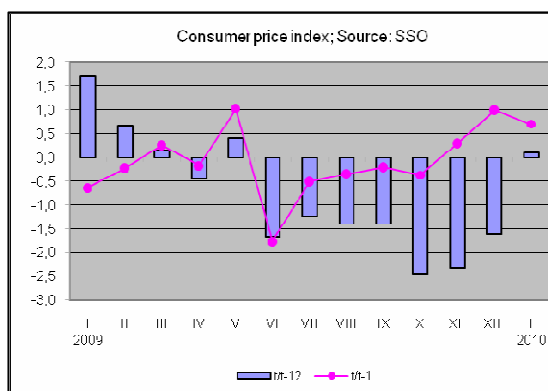
According to the managers, following factors limited the most the production volume in January 2010: insufficient foreign demand – 26.8%, insufficient domestic demand – 19.4%, financial problems – 11.6% and uncertain economic surrounding – 10.5%.

### Number of workers in the industry in January 2010, compared to January 2009, dropped by 7.1% (decline rate in December 2009 was 6.7%).

As for the separate sectors, different decline trends in the number of workers were seen in January. Thereby, slighter decline was registered at the ore and stone extraction sector, however, it was the highest annual drop by 9.3%. Processing industry experienced higher decline (-7.3%), while electricity, gas and water supply sector remained at the same level as in December 2009 (-2.9%).

**1.2. In January 2010, prices of personal consumption goods, measured through the CPI, increased by 0.1% compared to the same month in 2009.**

Increase of general price level was mostly due to increase of prices in the housing category due to increase of heating and lighting prices by 9.5%. Means of transport and services category showed price increase of 3.7%, while prices in tobacco and beverages category surged by 2.4%. Decline of prices in food category by 3.5%, at the same time having the highest share of 38.6% in the structure, caused for the increase of general price level to be minimal. Price decline was also registered at the following categories: clothing and footwear (1.2%), culture and entertainment (0.5%) and restaurants and hotels (0.4%).



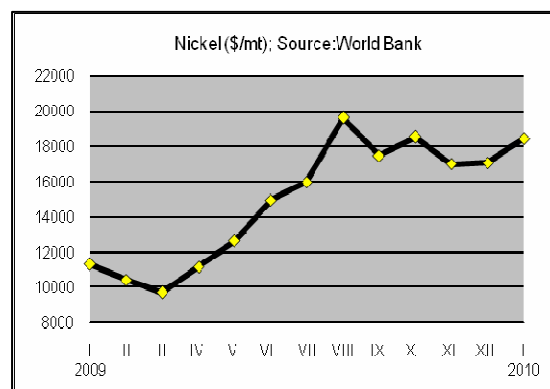
CPI index in January 2010, compared to December 2009, was higher by 0.7%.

Value of the consumer basket of food and beverages for a four-member household in January 2010, calculated on the basis of retail prices, was Denar 12,151, and compared to the December 2009, it was by 0.2% higher.

Retail price index in January 2010, in relation to January 2009, increased by 0.7%.

**1.3. In January 2010, global stock markets showed monthly increase of prices of energy sources and most of food products.**

In January, oil price on world stock markets increased by 2.3% compared to December 2009, reaching the price of US\$ 76.37 per barrel. Compared to January last year, oil price surged by 70.2%.



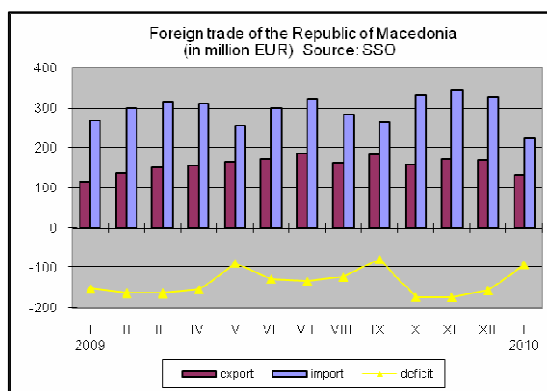
Regarding metal products, price of nickel, as a product having high share in the Macedonian export, increased by 8% on monthly basis, reaching US\$ 18.439 for a metric ton (\$/mt). Compared to January last year, nickel price was higher by 63.1%.

Monthly price increase was also seen at other metals and minerals, copper experiencing the highest price increase of 5.8%. Aluminum price surged by 2.5%, while zinc price grew by 2.4%.

## 2. External Sector

**2.1. In January 2010, foreign trade (expressed in euros) experienced drop by 6.9% in relation to the same month last year.**

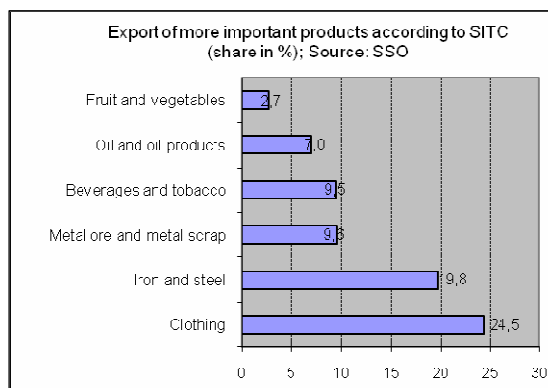
Thereby, physical output of export grew by 13.5%, while its value reached EUR 130.8 million, being an increase by 14.9%. Imported quantity of goods dropped by 19.7%, and its value was EUR 224.1



million, being a drop by 16.1%. As a result of the combined effect of export increase and import decline, trade deficit in January 2010 dropped by EUR 60 million (39.2%) in relation to the deficit realized in January 2009, amounting to EUR 93.2 million.

**2.2. Following products (according to SITC) had the largest share in the export structure in January 2010: clothing – 24.5%, iron and steel – 19.8%, metal ore and metal scrap – 9.6%, beverages and tobacco – 9.5%, oil and oil products – 7%, fruit and vegetables – 2.7%. These six groups of products comprise around 72.4% of the total export from the country.**

Higher export realized in January 2010, compared to January 2009, was result of the increased export of iron and steel (63.9%), oil and oil products (39.4%), tobacco and tobacco products (increased by 6 times), metal ore and metal scrap (increased by 3 times), etc.



Export of oil and oil products*)					Import of oil and oil products*)				
	I-2009	I-2010	Balance 2009-2008	% rate		I-2009	I-2010	Balance 2009-2008	% rate
.000T	20,3	19,3	-1,0	-4,9	.000T	140,3	91,3	-49,0	-34,9
EUR mil.	6,6	9,2	2,6	39,4	EUR mil.	33,1	38,5	5,4	16,3
\$ mil.	8,7	13,2	4,5	51,7	\$ mil.	44,1	54,9	10,8	24,5
* Previous data					* Previous data				

**2.3. Following participated the most in the import of goods in January this year: oil and oil products – 16.3%, iron and steel 8.2%, textile yarns - 7%, road vehicles – 6.5%, other transport equipment - 5.9%, industrial machines and spare parts – 3.9%, gas, natural or industrial - 3%, etc.**

Lower import (according to SITC) in January 2010, compared to January 2009, was mainly result of the declined import of: transport equipment by EUR 31.2 million (43.3%), machines and spare parts by EUR 7 million (91%), industrial machines and spare parts by EUR 6.4 million (63.5%), textile yarns and similar by EUR 3.1 million (16.3%), etc.

Export of iron and steel*)					Import of iron and steel*)				
	I-2009	I-2010	Balance 2009-2008	% rate		I-2009	I-2010	Balance 2009-2008	% rate
.000T	25,2	36,2	11,0	43,7	.000T	28,9	49,2	20,3	70,2
EUR mil.	15,8	25,9	10,1	63,9	EUR mil.	12,9	18,4	5,5	42,6
\$ mil.	20,8	37,3	16,5	79,3	\$ mil.	17,2	26,2	9,0	52,3
*) Претходни податоци					*) Претходни податоци				

**2.4. In January 2010, 68.5% of the total exported goods were placed on the European Union market (EU27), while 47.2% of the total goods imported in the Republic of Macedonia originated from the European Union. Export to the European Union was higher by 24.4%, while import dropped by 13.6% compared to January 2009. In January 2010, around 80% of the**

trade deficit of the country was realized in the trade with Russia, China, Greece, Romania, Turkey, Serbia and Switzerland.

**2.5. According to the currency structure, in January 2010, 71.3% of the foreign trade was realized in euros and it dropped by 1 p.p. compared to January 2009, part of the export realized on the US\$ market increased by 3%, while export in euros remained at the same level as in January 2009.**

Foreign trade of the republic of Macedonia (by currency); calculations: MoF												
- by currency -												
export	I- 2009					I- 2010					absolute change in currency value	relative change in currency value (in %)
	currency	.000 T	export in currency	average Denar exch. Rate in relation to currencies	export in denar	structure in %	.000 T	export in currency	average Denar exch. Rate in relation to currencies	export in denar		
EUR	92	97.009.607	61,3998	5.956.370.468	85,8	103	97.827.685	61,2728	5.994.176.177	74,7	818.078	0,8
USD	36	20.983.728	46,0763	966.852.546	13,9	42	46.491.685	44,0766	2.049.195.403	25,6	25.507.957	121,6
EUR+USD	128			6.923.223.014	99,7	146			8.043.371.581	100,3		
tot. export:	129			6.941.472.192	100,0	146			8.019.008.484	100,0		15,5

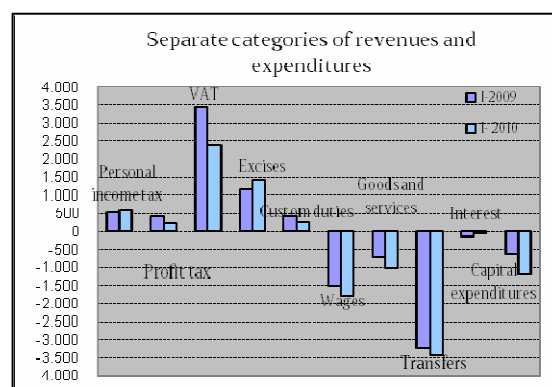
Source: SSO and NBRM

### 3. Fiscal Sector

**3.1. In January 2010, total central government budget revenues reached an amount of Denar 5,550 million (1.4% of GDP), which was 17.0% less in relation to the same month in 2009.**

Tax revenues in this period were realized in the amount of Denar 5,177 million, which was lower by 17.4% in relation to same period in 2009.

Share of VAT in total tax revenues in January 2010 was dominant and it accounted for 45.7%, while excises accounted for 27.7%, whereby revenues in the amount of Denar 3,798 million were realized on the basis of these two taxes, i.e. 73.4% or almost 3/4 of total tax revenues (1.0% of GDP). Analyzed by categories, VAT revenues dropped by 31.3%, profit tax revenues declined by 41.9% (partially due to changes in the regulations - starting 2009, no undistributed profit tax is paid), customs revenues decreased by 36.6%, while excises experienced an increase by 25.6% and PIT revenues surged by 8.6% compared to the same period in 2009. Non-tax revenues declined by 10.6%.



**3.2. In January 2010, total central budget expenditures amounted to Denar 7,519 million (1.9% of GDP), being by 20.8% more compared to the same month in 2009.**

With respect to the structure of total realized expenditures, current expenditures (Denar 6,341 million) accounted for 84.3% and were higher by 13.0% compared to the same period last year, while capital expenditures participated with 16.7%.

The biggest expenditure items were transfers (Denar 3,463 million), followed by salaries and allowances (Denar 1,796 million). With respect to the total expenditures in the central government budget, expenditures related to wages and salaries and allowances accounted for 23.9%, which was 17.8% increase in relation to the same month in 2009.

Expenditures for goods and services reached the amount of Denar 1,022 million, i.e. significantly lower execution by 42.9% compared to 2009.

With regard to transfers, more resources (Denar 244 million) were spent in January 2010, and were the largest expenditure item, i.e. their share in total expenditures was 46.1% (0.9% of GDP). Such performance was partially due to the fact that grants transferred to LGUs included part of VAT, number of LGUs moving to the second phase of decentralization also rose, whereby block grants were paid to 69 municipalities for financing the transferred competences (funds for payment of salaries and allowances to the employees in local public institutions and operating costs). In addition, significant portion of the transfers were intended for agricultural subsidies. Transfers to the Pension and Disability Insurance Fund were in the amount of Denar 1,161 million or by Denar 48 million lower (4.0% drop).

Interest was collected in the amount of Denar 60 million, being by 2.5 times less compared to the same month in 2009.

During the analysed period, capital expenditures amounted to Denar 1,178 million, increasing by almost twice (91.9% compared to January 2009), accounting for 0.3% of GDP.

**3.3. Thus, in January 2010, central government budget deficit reached the amount of Denar 1,969 million (0.5% of GDP), while consolidated budget deficit amounted to Denar 2,310 million, accounting for 0.6% of GDP.**

#### 4. Monetary Sector

**4.1. In January 2010, primary money<sup>1</sup> increased by 19.3% on annual basis (increase by 12.4% in December), in conditions of growth of total liquid assets of banks by 37% and decline of demand for ready money in circulation by 0.3%.**

On monthly basis, primary money slightly grew by 0.8%, due to the higher level of total liquid assets of the banks by 5.4% and the lower demand for ready money in circulation by 5.4%.

In January 2010, with respect to the requirements for volume tenders, interest rate on central bank bills was lower compared to December 2009, amounting to 8%.

Interest rates on government securities were 5.2% on six-month treasury bills with foreign exchange clause.

Only one auction was held by applying volume tender (with predetermined price) for six-month government securities.

**4.2. Total deposit potential of non-government sector<sup>2</sup> in January increased by 8.8% on annual basis (increase by 7.2% in December 2009). Total deposits experienced slight increase by 0.9% on monthly basis (2.1% increase in the previous month), due to the increase of total deposits of households which grew by 1.6% on monthly basis, while total deposits of enterprises dropped by 0.5% on monthly basis.**

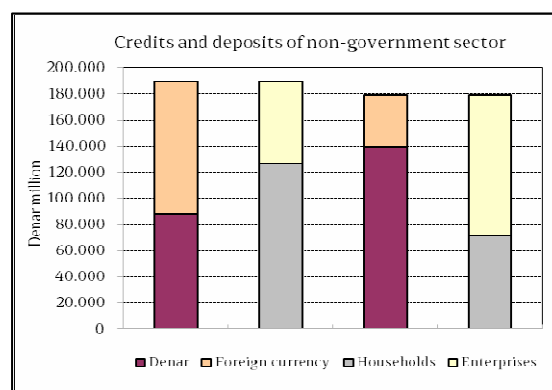
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<sup>1</sup> Primary money is calculated as a sum of cash in circulation, cash in hand and on the accounts of the bank, including the reserve requirement of foreign currency deposits

<sup>2</sup> Total deposit potential includes non-monetary and quasi-deposits

On annual basis, Denar deposits declined by 1.1%, while foreign currency deposits increased by 19.1%.<sup>3</sup> On monthly basis, Denar deposits increased by 0.6%, while foreign currency deposits grew by 1.2%.<sup>4</sup>

From the point of view of sector structure, deposits of the corporate sector dropped by 0.5% on monthly basis, while savings of households increased by 1.6%. With respect to last year, household deposits were higher by 26.9%, while deposits of enterprises were lower by 9.5%.



**4.3. In January 2010, total credits to private sector experienced further slowdown – growth by 3.1% on annual basis (compared to 4.1% in November and 3.5% in December). December growth continued, however with slower pace, surging by 0.3%, mainly due to increased credits to corporate sector by 0.6%.**

Annually, credits to households and enterprises surged by 0.5% and 5%, respectively.

From currency point of view, Denar credits (including credits with foreign currency clause) registered slower increase by 4.3% annually. Foreign currency credits experienced modest growth by 0.8% annually.

**4.4. In January 2010, average weighted interest rate on Denar credits was 10.2% and was lower by 0.1 p.p. compared to December 2009.** Average interest rate on foreign currency credits was higher by 0.1 p.p., however, lower compared to December 2009, being at the level of 7.5%. With respect to last year, interest requirements of the banks were tightened, i.e. average interest rate on Denar credits grew by 0.5 p.p.. On the other hand, interest rate on foreign currency credits declined by 0.1 p.p. on annual basis. When analyzing the banks on the basis of their size, large banks had the lowest weighted interest on debit balance, 9.8% on Denar credits and 7.0% on foreign currency credits. In January 2010, interest rate on credit balance on Denar deposits was higher by 0.2 p.p. compared to December 2009, amounting to 7.3%, and it surged by 0.5 p.p. on annual basis. Average interest rate on foreign currency deposits was lower by 0.1 p.p. compared to December 2009, amounting to 3.3%, and it increased by 0.2 p.p. on annual basis.

**4.5. Gross foreign exchange reserves amounted to EUR 1,619.7 million in January 2010, and compared to January 2009, they increased by 12.3% (EUR 177.9 million). On monthly basis, they increased by 1.4% (EUR 22.2 million), in conditions of net purchase on the foreign exchange market in the amount of EUR 34.7 million. NBRM created liquidity through transaction on the foreign exchange market.**

## 5. Social Sector

**5.1. In January 2010, Employment Agency of the Republic of Macedonia registered total of 17,846 new employments. In fact, 30.2% out of the total number of newly employed**

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

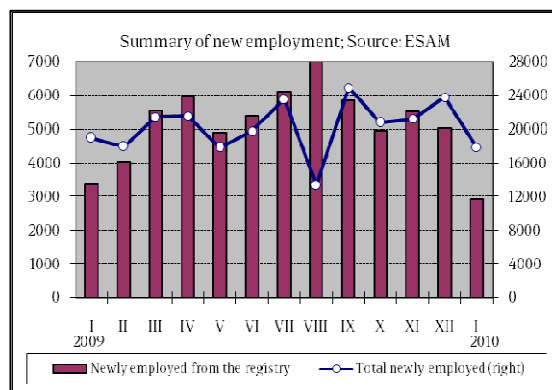
<sup>4</sup> Starting January 2009, deposits include calculated interest.



was on the basis of full-time employment, while the rest was temporary employment and seasonal works. Compared to the same period in 2009, number of newly employed persons declined by 6.1%.

Outflow of persons from the Employment Agency Registry amounted to 7,617 persons in January, 36.5% out of which were new employments. 10,289 persons were registered as inflow to the Agency, 50.2% of which was persons whose employment was terminated.

As a result, unemployment increased by 2,672 persons, i.e. 0.8% compared to December 2009. There were 343,967 unemployed persons in January 2010.

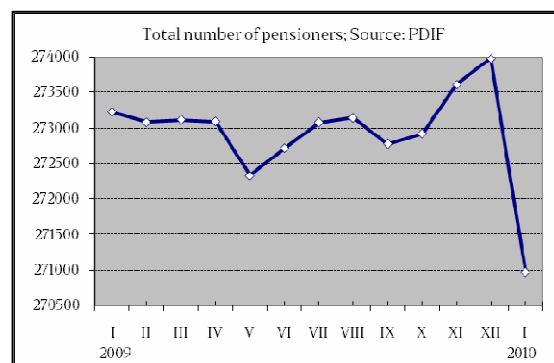


Number of unemployed persons, compared to January 2009, declined by 1.3%.

Major percentage of the unemployed, i.e. 65.7%, came from urban areas (cities), whereby 57.4% were men. Analyzed by education structure, major part, i.e. 52.5% of unemployed persons were unskilled or semi-skilled, while only 7.7% was with community college or higher education level. Observed by age, majority of unemployed or 58.9% fall in the category of 25-49 years of age. According to the time they waited for a job, around 50.2% of the unemployed persons sought job from one to seven years, while 29.7% sought job for eight and more years.

**5.2. In January 2010, Pension and Disability Insurance Fund registered 270,970 pensioners, being a decline by 0.8% compared to January 2009. Number of pension beneficiaries dropped by 3,007 persons in relation to December 2009.**

In January, Denar 2,693.55 million was spent for payment of pensions, being 51.9% of the total social transfers in the state Budget.



Average pension in January 2010 amounted to Denar 10,082, being an increase by 2.2% on annual level. Ratio between the average pension and the average paid salary in January 2010 (the most recent available data) amounted to 49.1%.

**5.3. In the period January-December 2009 (the most recent available data), compared to the same period in 2008, there was an increase of the average monthly nominal and real net salary by 24% and 25% respectively.**

In December 2009, average net salary per employee amounted to Denar 20,483, which was an increase by 18% on monthly basis in nominal terms, while on annual basis, there was 19.9% increase recorded in real terms. Percentage of employees who did not receive salary in December 2009 was 2.9%, being lower by 4.6 p.p. compared to the same period in 2008.

