



**REPUBLIC OF MACEDONIA**  
**MINISTRY OF FINANCE**  
**Macroeconomic Policy Department**

**SHORT-TERM ECONOMIC TRENDS**

**April 2010**



**June 2010, Skopje**

## **SUMMARY**

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

**April 2010**

- **Index of industrial production in April 2010, compared to the March 2010, increased by 3.1%, while compared to the same month last year, it dropped by 9.6%, showing further slower decline**
- **General price level grew by 1.4%, with 0.6% monthly inflation**
- **Physical output of export in the period January-April 2010 increased by 5.9%, its value surged by 17.7%, while imported quantities of goods increased by 8.4%, and their value surged by 3.8% in relation to the same period last year**
- **Central budget revenues dropped by 4.7% (5.8% of GDP) and total expenditures declined by 3.1% (6.8% of GDP) in April 2010 compared to the same month in 2009**
- **Number of newly employed persons declined by 3.1% in April 2010 compared to the same month in 2009**

## 1. Real Sector

### 1.1. Index of industrial production in April 2010 declined by 9.6%, compared to the same month in 2009, showing further slower decline.

Analyzed by sectors, electricity, gas and water supply sector registered positive growth for twelve consecutive months, whereby it reached 29.5% in April 2010. Ore and stone extraction sector and processing industry registered almost identical two-digit decline by 14.2% and 14.1% respectively.

As for the processing industry, positive annual growth was seen at 40% of the branches, whereby growth was evidenced in two, out of three, branches with the two-digit share in the industrial production. Thus, intensified growth of 23.4% was registered in the clothing production, followed by increase in the textile production, while production of base metals surged by 0.5%.

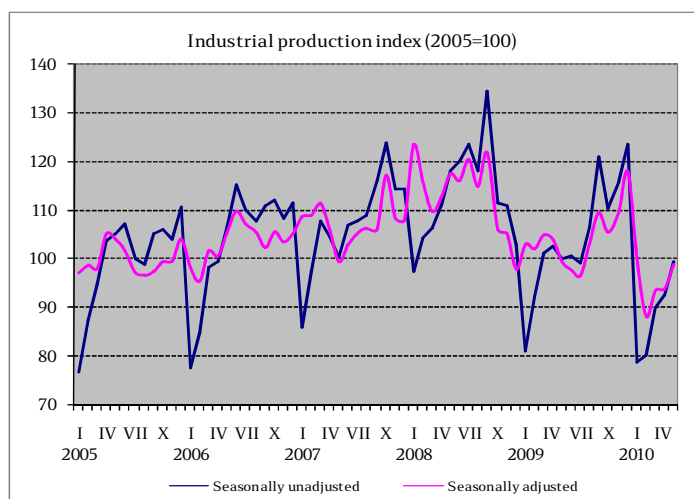
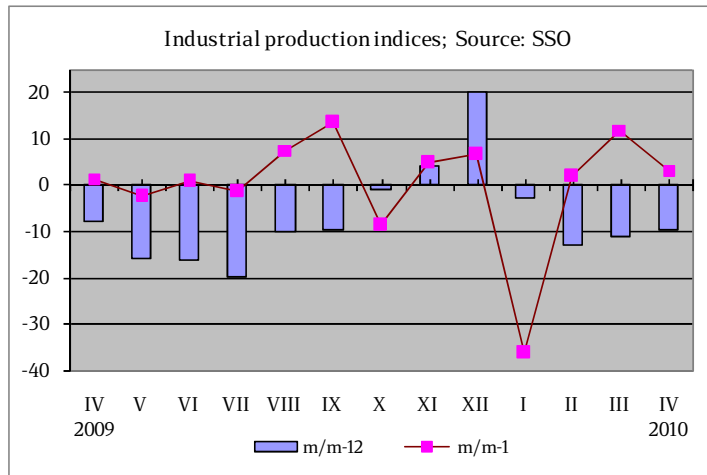
Increased clothing production contributed the most to the annual growth of industrial production (2.6 percentage points), while production of coke and oil derivatives had the highest negative contribution (-2.2 percentage points).

Index of industrial production in April 2010, compared to the previous month, increased by 3.1%.

De-seasoned monthly growth of industrial production in April 2010 was 0.26%, showing that if seasonal component is excluded, growth was by 2.8 percentage points lower.

According to the expectations of enterprise managers, economic situation present in the enterprises and current state of delivery-to-production in April 2010 were more favourable compared to the previous month.

According to the managers, following factors limited the most the production volume in April 2010: insufficient foreign demand - 26.5%, insufficient domestic demand - 17.7%, financial problems - 13.3% and uncertain economic surrounding - 11.2%.

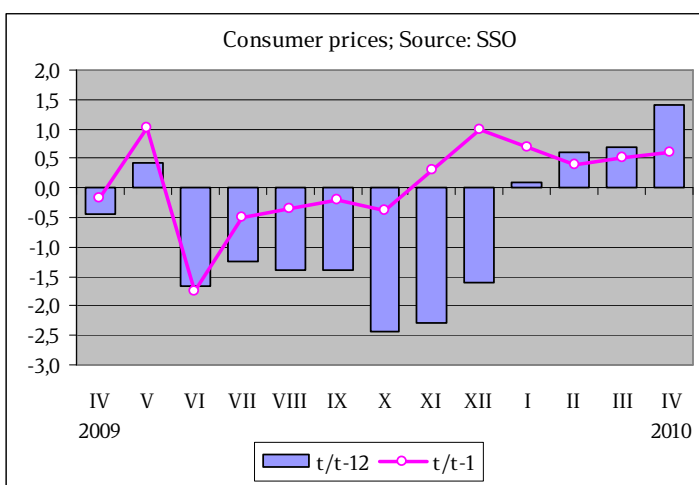


Number of workers in the industry in April 2010, compared to April 2009, dropped by 7.9%, showing intensified decline in the number of workers compared to March, when it was 6.5%.

Sector analysis showed slower decline of 1.8 p.p. in the number of workers in the ore and stone extraction sector, accounting for -5.8%. Processing industry registered stronger decline, whereby the decline rate accounted for -8.7%, being the highest decline since the beginning of the year, while electricity supply sector showed declining trend in the number of workers identical to the one in the previous month, accounting for -2.3%, which was among the lower declines compared to the rates registered in the previous months. In general, the highest annual decline was registered in the processing industry, while the decline was the smallest in the electricity, gas and water supply sector.

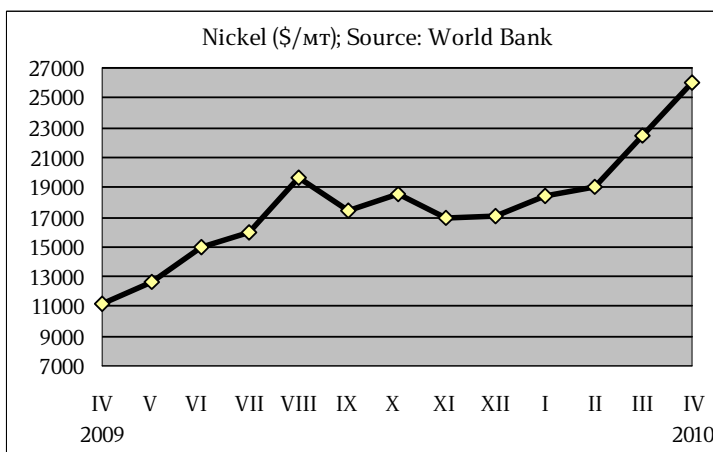
**1.2. In April 2010, prices of personal consumption goods, measured through the CPI index, increased by 1.4% compared to the same month in 2009.**

Increase of general price level was mostly due to increase of prices in the category means of transport and services by 5.4%, due to increase of prices of liquid fuels and oils by 26.4%. Prices in the housing category grew by 4.7%. Prices in culture and entertainment category increased by 1.1%, while prices in clothing and footwear category surged by 0.7%. Slight increase of prices was observed at the tobacco and beverages category by 0.3% and hygiene and health category by 0.2%. Decline of prices was registered at the food category by 0.3%, at the same time having the highest share of 38.6% in the structure. Price decline was also registered at the following categories: restaurants and hotels (0.5%) and other services (7.4%) as a result of decline of prices of financial services by 14.1%.



CPI index in April 2009, compared to March 2009, was higher by 0.6%.

Value of the consumer basket of food and beverages for a four-member household in April 2010, calculated on the basis of retail prices, was Denar 12,656, and compared to the previous month, it was by 2.6% higher.



Retail price index in April 2010, in relation to April 2009, increased by 2.7%.

**1.3. In April 2010, global stock markets showed monthly increase of prices of energy sources, metals, as well as most of food products.**

In April, oil price on world stock markets increased by 7.2% compared to the previous month, reaching the price of US\$ 84.98 per barrel. Compared to April last year, oil price surged by 67.1%.

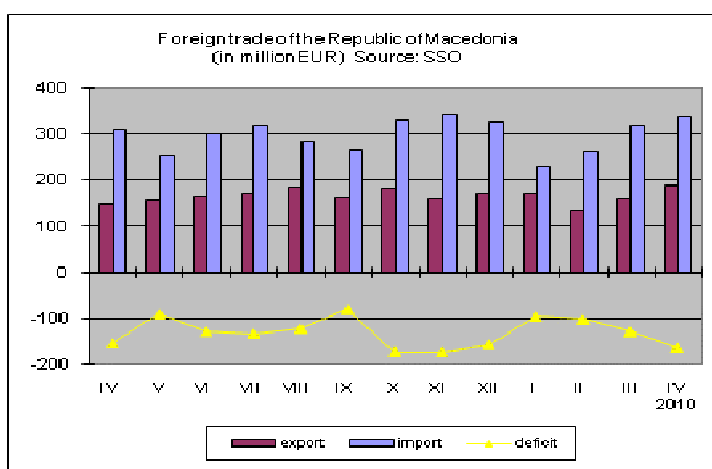
Regarding metal products, price of nickel, as a product having high share in the Macedonian export, increased by 15.9% on monthly basis, reaching US\$ 26,031 for a metric ton (\$/mt). Compared to April last year, nickel price was higher by 133.1%, while aluminum price increased by 5.0%. In addition, prices of zinc and copper increased by 4.0% and 3.8% respectively.

## 2. External Sector

### 2.1. In the first four months in 2010, total foreign trade (expressed in euros) increased by 3% in relation to the same period last year.

Thereby, physical output of export in this period surged by 5.9%, while its value reached EUR 655 million, being a significant increase by 17.7% compared to the first four months in 2009. Imported quantity of goods increased by 8.4%, and it amounted to EUR 1,146 million, being a drop by 3.8%.

In conditions of such trends at import and export of goods, trade deficit in the period January-April 2010 amounted to EUR 491 million, narrowing by 22.7% on annual basis (EUR 144 million), as a result of further low level of import, i.e. import decline by 3.8% and export growth by 17.7%. Analyzed from balances point of view, decline in negative trade balance was a result



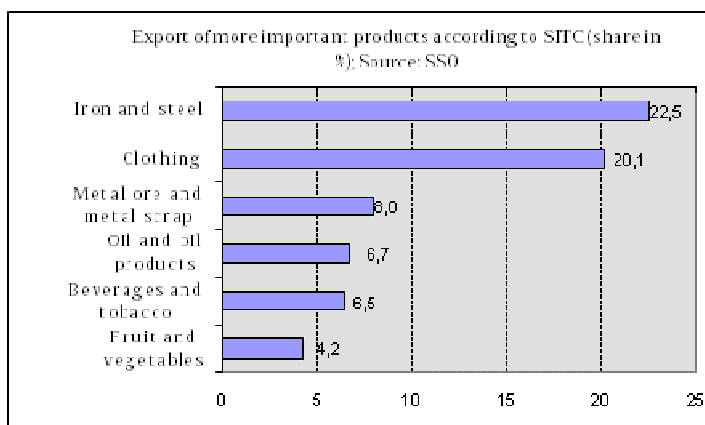
Export of iron and steel*)				
	I-IV-2009	I-IV-2010	Balance 2010-2009	% rate
.000T	176,0	214,0	38,0	21,6
EUR mil.	106,0	147,0	41,0	38,7
\$ mil.	138,0	201,0	63,0	45,7

\*)Previous data

Import of iron and steel*)				
	I-IV-2009	I-IV-2010	Balance 2010-2009	% rate
.000T	157,0	216,0	59,0	37,6
EUR mil.	64,0	87,0	23,0	35,9
\$ mil.	83,0	119,0	36,0	43,4

\*)Previous data

of combined effect of the reduced negative balance in trade with machines and transportation devices and energy sources, as well as the increased positive balance in trade with iron and steel and their products. Such trends led to higher level of coverage of import with export in the first four months, accounting for 57.2%, showing an annual increase by 10.5 p.p.



**2.2. Main groups of products (according to SITC) having the biggest share in export in this period were the following: iron and steel – 22.5%, clothing – 20.1%, metal ore and metal scrap – 8.0%, oil and oil products – 6.7%, beverages and tobacco – 6.5%, and fruit and vegetables – 4.2%.** These six groups of products comprised 68% of the total export in the country.

The following participated the most in the import of goods in the first quarter on cumulative basis: oil and oil products (EUR 137.4 million, 12%), road vehicles (EUR 88.4 million, 7.7%), iron and steel (EUR 87.1 million, 7.6%), textile yarns and similar (EUR 79.5 million, 6.8%), electrical machines and devices and spare parts (EUR 36.6 million, 2.9%), etc.

**2.3.** Analysed by regions, during the first four months in 2010, in conditions of significantly improved trade with the European Union (EU 27), share of trade with EU in the total external trade experienced an increase by 3.9 percentage points, accounting for 56.4%, whereby export of goods participated with 61.7% and share of import of goods was 57.4%. Export to the European Union increased significantly by 26%, while the import experienced slower increase by 2% compared to the same period in 2009.

In the period January-April 2010, 88.4% of the trade deficit of the country was realized in the trade with Russia, Great Britain, China, Serbia, Turkey, Greece, Slovenia, Romania,

	I-IV-2009	I-IV-2010	Balance 2010-2009	% rate
.000T	103,0	92,4	-10,6	-10,3
EUR mil.	33,9	46,6	12,7	37,5
\$ mil.	44,2	59,9	15,7	35,5

\*Previous data

	I-IV-2009	I-IV-2010	Balance 2010-2009	% rate
.000T	578,0	338,0	-240,0	-41,5
EUR mil.	151,0	137,0	-14,0	-9,3
\$ mil.	197,0	188,0	-9,0	-4,6

\*Previous data

Ukraine and Italy, while it was adjusted with the surplus realized in the trade with Kosovo, Belgium, Albania, Bosnia and Herzegovina, Bulgaria, Germany, etc.

**2.4.** Observed by currency structure, 73.6% of the foreign trade was realized in euros, and compared to the same period last year, it dropped by 3 percentage points. On export and import side, EURO accounted for 77.5% and 71.4% respectively, and in relation to the same period last year, decline was evidenced at export and import by 6.7 p.p. and 1.6 p.p. respectively. Such trend was due to growth of import from Great Britain, calculated in GBP.

Foreign trade of the republic of Macedonia (by currency); calculations: MoF

- by currency -

export	I-IV 2009					I-IV 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		
EUR	616	468.464.578	61,3920	28.759.977.373	84,2	661	506.118.856	61,4508	31.101.408.596	77,5	37.654.278	8,0
USD	182	110.173.711	46,3087	5.102.001.331	14,9	183	201.411.160	44,7520	9.013.552.232	22,5	91.237.449	82,8
EUR+USD	798			33.861.978.703	99,1	844			40.114.960.829	99,9		
tot. export:	799			34.152.503.531	100,0	846			40.148.540.695	100,0		17,6

Source: SSO and NBRM

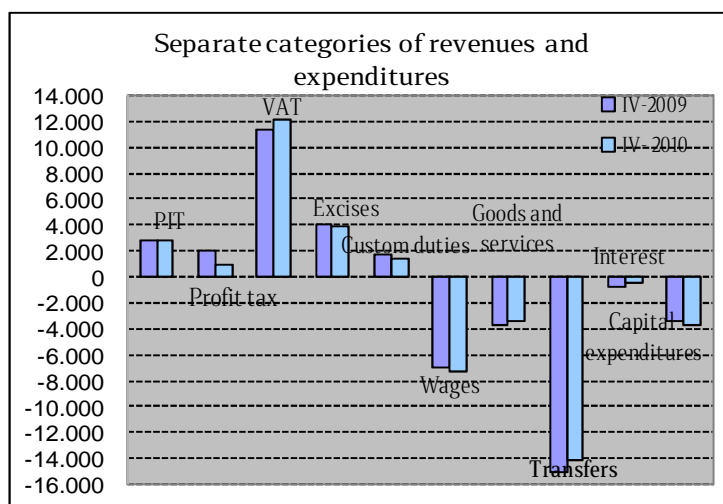
### 3. Fiscal Sector

**3.1. In the first four months in 2010, total central government budget revenues amounted to Denar 24,470 million (5.8% of GDP), which was 4.7% underperformance compared to the same period last year.**

Tax revenues in this period were realized in the amount of Denar 22,379 million, being lower by 3.1% in relation to same period last year.

Share of VAT in total tax revenues in the first four months in 2010 was dominant and it amounted to 54.0%, while excises accounted for 17.9%, whereby revenues in the amount of Denar 16,084 million were realized on the basis of these two taxes, i.e. 71.9% or almost 3/4 of the total tax revenues (3.8% of GDP).

Observed by certain categories of taxes, revenues on the basis of profit tax experienced the highest drop of 55.6% (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, and in 2010, as a result of amendments to the regulations, it is paid only on non-exempted expenditures determined in the 2008 tax balance), personal income tax revenues were lower by 1.9%, revenues on the basis of customs duties dropped by 12.8%, while excises showed almost the same performance compared to the same period last year. VAT revenues grew by 6.0%.



Non-tax revenues dropped by 19.9% compared to the same period in 2009.

Social contributions during this period were realized in the amount of Denar 12,514.4 million, accounting for 92.4% of the projections in 2010, i.e. 4.9% less compared to the previous year.

**3.2. In the period January - April 2010, total central budget expenditures amounted to Denar 28,742 million (6.8% of GDP), being by 3.1% less compared to the same period in 2009.**

With respect to the structure of total realized expenditures, current expenditures (Denar 25,050 million) accounted for 87.2% and were lower by 4.9% compared to the same period last year, while capital expenditures participated with 12.8%.

The biggest expenditure items were transfers (Denar 14,083 million), followed by salaries and allowances (Denar 7,173 million). With respect to the total expenditures in the central government budget, expenditures related to wages and salaries and allowances accounted for 25.0% and, compared to April 2009, they increased by 4.2%.

Expenditures for goods and services reached the amount of Denar 3,411 million, i.e. under-execution by 8.8% compared to 2009.

With regard to transfers, 6.7% less resources were spent compared to the same period in 2009, and they were the largest expenditure item, i.e. their share in total expenditures was 49.0% (3.3% 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 73 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 4,758 million or by Denar 74 million lower (1.5% drop).

Interest was collected in the amount of Denar 383 million, being by twice lower compared to the same period in 2009.

During the analysed period, capital expenditures amounted to Denar 3,692 million, being an increase by 11.4% compared to the same period in 2009, accounting for 0.9% of GDP.

**3.3. Thus, in the first four months in 2010, central government budget deficit reached the amount of Denar 4,272 million (1.0% of GDP), while consolidated budget deficit amounted to Denar 4,756 million or 1.1% of GDP.**

#### 4. Monetary Sector

**4.1. In April 2010, primary money<sup>1</sup> increased by 23.2% on annual basis (19.8% increase in March), in conditions of growth of total liquid assets of the banks by 41.3% and increase of the demand for ready money in circulation by 3.1%.**

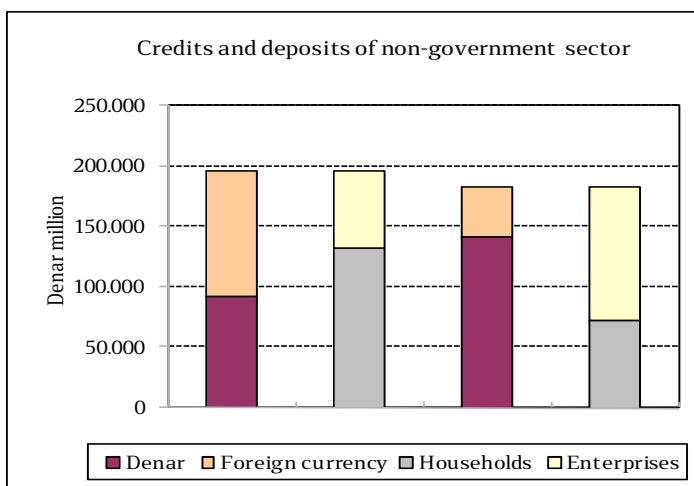
On monthly basis, primary money grew by 2.9%, due to the higher level of total liquid assets of the banks by 5.2% and moderate decline of demand for ready money in circulation by 0.4%.

In April 2010, with respect to the requirements for volume tenders, interest rate on central bank bills was lower by 1.0 p.p. than the one in March, and it was 6.5% (note that interest rate was reduced on 31 March).

As for interest rate on government securities, it was 4.99% 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 April increased by 12.3% on**



<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.



**annual basis (increase by 11.4% in March 2010). Total deposits experienced slower increase by 2.0% on monthly basis (1.4% increase in the previous month), due to the increase of total deposits of households which grew by 1.1% on monthly basis, while total deposits of enterprises showed high increase of 5.1% on monthly basis.**

On annual basis, Denar deposits increased by 10.9%, while foreign currency deposits increased by 13.6%.<sup>3</sup> On monthly basis, Denar deposits increased by 2.3%, while foreign currency deposits grew by 1.8%.<sup>4</sup>

From the point of view of sector structure, deposits of corporate sector grew by 5.1% on monthly basis, while savings of households increased by 1.1%. With respect to last year, deposits of households increased by 18.5%, while deposits and of enterprises dropped by 3.9%.

**4.3. In April 2010, total credits to private sector experienced moderate growth by 3.3% on annual basis (compared to 32.4% in February and 2.5% in March). March growth continued with faster pace, surging by 1.1%, mainly due to increased credits to corporate sector by 2.7%.**

Annually, credits to households and enterprises surged by 1.2% and 4.9% respectively.

From currency point of view, Denar credits (including credits with foreign currency clause) registered slower increase of 2.2% annual basis. Foreign currency credits experienced strong growth of 6.2% annual basis.

**4.4. In April 2010, average weighted interest rate on Denar credits amounted to 9.8% and it was the same as in March 2010.** Average interest rate on foreign currency credits was identical with the rate in the previous two months, being at the level of 7.3%. With respect to last year, interest and credit requirements of the banks were loosed, i.e. average interest rate on Denar credits dropped by 0.5 p.p.. On the other hand, interest rate on foreign currency credits declined by 0.3 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, 9.5% on Denar credits and 7.0% on foreign currency credits. In April 2010, interest rate on credit balance on Denar deposits was lower by 0.1 percentage point compared to March, amounting to 7.4%, and it surged by 0.7 percentage points on annual basis. Average interest rate on foreign currency deposits was the same as the one in March, amounting to 3.2%, and it was identical to the rate in April 2009 on annual basis.

**4.5. Gross foreign exchange reserves amounted to EUR 1,643.9 million in April 2010, and compared to December 2009, they grew by EUR 46.5 million). NBRM created liquidity through transaction on the foreign exchange market.**

## 5. Social Sector

**5.1. In the period January-April 2010, Employment Agency of the Republic of Macedonia registered total of 77,534 new employments. In fact, 38.4% out of the total number of newly employed was on the basis of full-time employment, while the rest**

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

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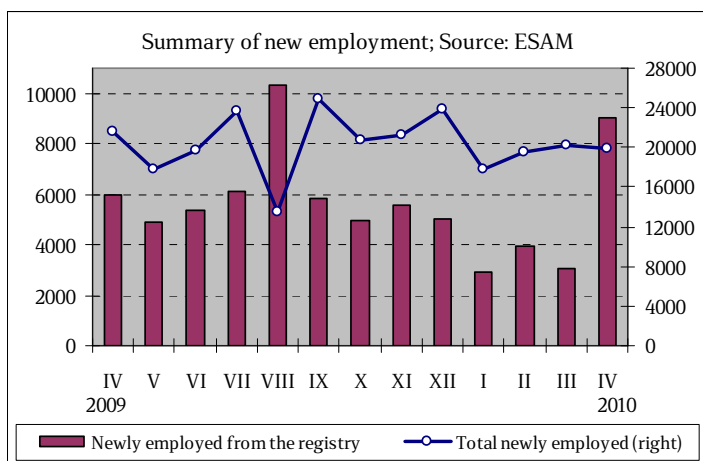
**was temporary employment and seasonal works. Compared to the same period last year, number of newly employed persons declined by 3.1%.**

In April, 19,985 new employments were registered, whereby 45.1% of the new employments were from the unemployed records. Outflow of persons from the Employment Agency Registry amounted to 10,588 persons in April, 51.7% out of which were new employments. 8,090 persons were registered as inflow to the Agency, 20.8% of which was persons whose employment was terminated.

**As a result, unemployment reduced by 2,498 persons, i.e. by 0.7% compared to the previous month. There were 339,222 unemployed persons in April 2010.**

Number of unemployed persons, compared to April 2009, declined by 3%.

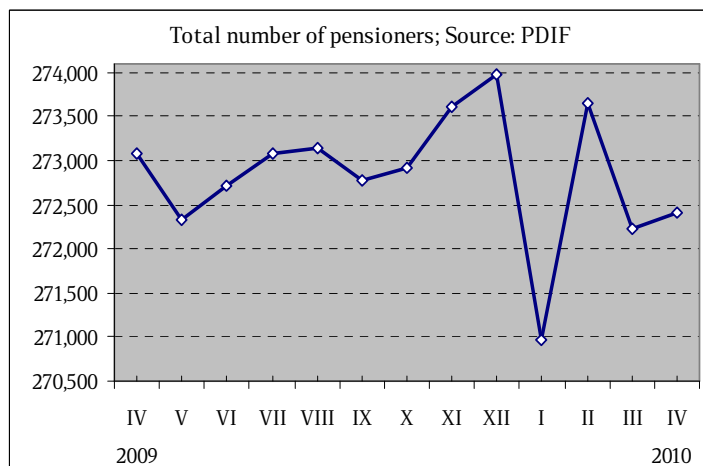
Major percentage of the unemployed, i.e. 66.5%, came from urban areas (cities), whereby 57.5% were men. Analyzed by education structure, major part, i.e. 52.5% of unemployed persons were unskilled or semi-skilled, while only 7.7% was with community college or higher education level. Observed by age, majority of unemployed or 58.5% fall in the category of 25-49 years of age. According to the time they waited for a job, around 49.6% of the unemployed persons sought job from one to seven years, while 29.8% sought job for eight and more years.



**5.2. In April 2010, Pension and Disability Insurance Fund registered 272,403 pensioners, being a decline by 0.2% compared to April 2009. Number of pension beneficiaries increased by 175 persons in relation to March.**

In April, Denar 2,709.8 million was spent for payment of pensions, being 49.5% of the total social transfers in the state Budget.

Average pension in March 2010 amounted to Denar 10,104, being an increase by 2.4% on annual level. Ratio between the average pension and the average paid salary in March 2010 (the most recent available data) amounted to 49.7%.



**5.3. Number of social welfare beneficiaries in March 2010 (most recent available data) was 50,882 households, which is an increase by 8,502 beneficiaries compared to previous month.**

Thereby, around Denar 125.7 million was spent for payment of social welfare, i.e. 49.3% of social welfare payments under all bases. Around Denar 98.9 million was spent on the basis of third person care for 21,735 persons in March, i.e. 38.7% of payments of social welfare under all bases. In this month, 5,575 persons were registered as beneficiaries of permanent pecuniary allowance, for which around Denar 22 million was spent, while 5,747 persons used healthcare for which Denar 8.5 million were spent.

These welfare-related payments accounted for 4.8% of the total social transfers realized in March.

**5.4. In the period January-March 2010 (the most recent available data), compared to the same period in 2009, there was an increase of the average nominal and real monthly net salary by 3.3% and by 2.8% respectively.**

In March 2010, average net salary per employee amounted to Denar 20,338. In March 2010, compared to the same month in 2009, there was an increase of the average nominal and real net salary by 3% and 2.3% respectively. Percentage of employees who did not receive salary in March 2010 was 3.6%, being by 0.3 p.p. higher in relation to the same period in 2009.

