



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT TERM ECONOMIC TRENDS

April 2009



Skopje, April 2009

SHORT-TERM ECONOMIC TRENDS

SUMMARY OF THE MOST IMPORTANT SHORT-TERM ECONOMIC DEVELOPMENTS

April 2009

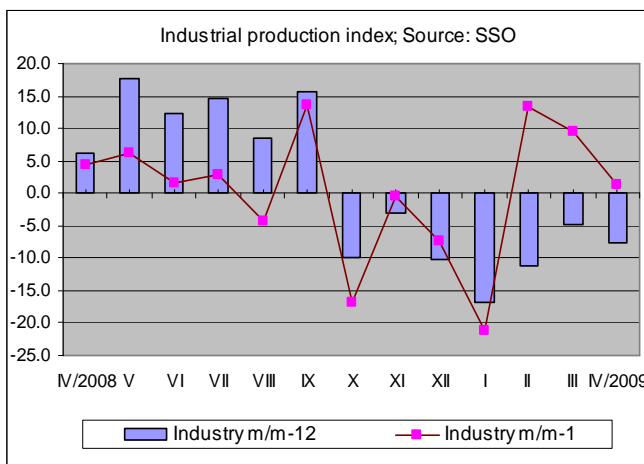
- Industrial production dropped by 7.7% on annual basis
- Average inflation rate was 0.5% in April 2009
- Slight increase of stock market prices of certain products, mainly nickel and oil derivatives
- Annual decline of export of goods (euros) by 30.1% in March 2009, with simultaneous drop of import of goods by 16.5%
- Continuation of the upward trend of the export of goods by 3.4% on monthly basis (February – 20.2%, March - 9.8%)
- In the period January - April 2009, total central budget revenues amounted to Denar 25,687 million (6.3% of GDP), being by 8.1% less compared to the same period previous year, while total expenditures accounted for Denar 29,668 million (7.2% of GDP), being by 24.6% more compared to the same period in 2008
- Gross foreign exchange reserves amounted to EUR 1,203.8 million in April 2009, and compared to December 2008, they declined by 19.5% (EUR 291.1 million). On monthly basis, they decreased by 5.1%, i.e. by EUR 64.0 million, in conditions of net purchase on the foreign exchange market in the amount of EUR 50.6 million
- In April, 21,581 new employments were registered, whereby 27.7% of the new employments were from the unemployed records

1. Real Sector

1.1. Cumulative index of industrial production in the period January - April 2009, compared to the same period last year, dropped by 9.9%.

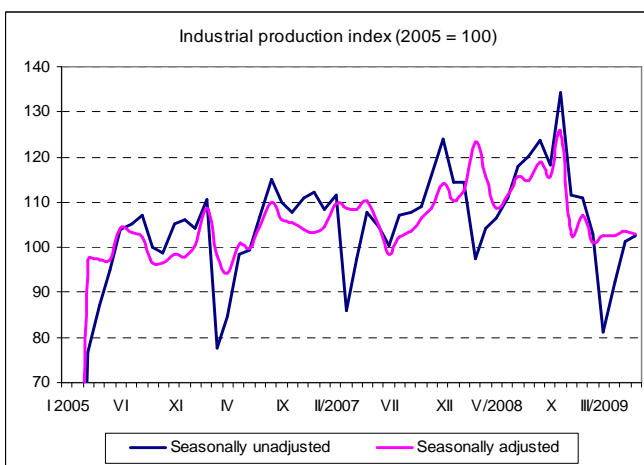
In March 2009, industrial production continued its declining trend, dropping by 7.7% annually as a result of the developments in the world economy, i.e. the global financial crisis.

Analysis of the physical production index on annual basis shows that negative results in April were due to the reduced activity in even 15 out of the 24 industrial branches. As one of the main reasons for such dynamics in the production is the weak activity in the base metals sector, experiencing annual drop of 47.8%, followed by the drop in the production of clothing by 22.1%, production of coke, oil derivatives and nuclear fuel by 14.4%, production of products of other non-metal minerals by 1.9%, etc.



Index of industrial production registered an increase by 1.3% on monthly basis.

According to the expectations of the enterprise managers, economic situation present in the enterprises in April 2009 was still estimated as much unfavourable compared to the previous months. Stocks of raw materials and intermediate goods, as well as on-going procurement of raw materials and intermediate goods, were below the production quota, while stocks of finished goods in April 2009 surged in relation to the previous month. Following factors limited the most the production volume in April 2009: insufficient foreign demand (25.7%), insufficient domestic demand (18.6%), uncertain economic surrounding (12.3%) and financial problems (12.4%). Estimate of the expected production volume in the coming period is unfavourable, as well as the estimate of the expected number of employees.



In April 2009, number of employees in the industry dropped by 4.7% in relation to the same month last year. In April 2009, number of employees in the sector for extraction of ore and stone dropped by 7.5% in relation to the same month last year, and it dropped by 4.8% in the processing industry.

1.2. In April 2009, prices of personal consumption goods, measured through the CPI index, declined by 0.5% compared to the same month last year.

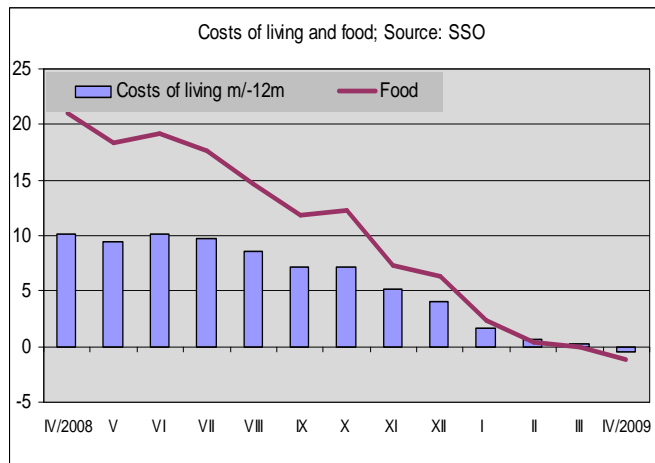
The decline was mainly due to the decline registered at food (-2%), culture and recreation (-2.7%), means of transport and services (-9.7) and good (-0.5).

CPI index in April 2009, compared to March 2009, was lower by 0.2%.

Value of the consumer basket of food and beverages for a four-member household in April 2009, calculated on the basis of retail prices, was Denar 12,730, and compared to the previous month, it was lower by 0.7%.

Retail price index in April 2009, in relation to April 2008, declined by 1.0%. Retail prices were higher by 0.2% on monthly basis.

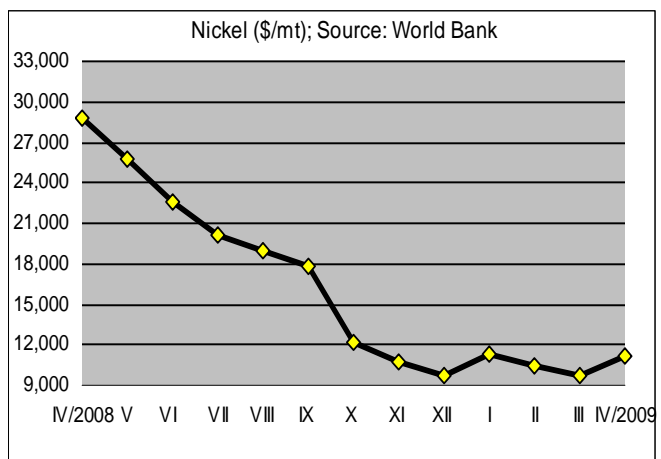
Price increase of 2.2% was evident in the group of agricultural products.



1.3. In April 2009, global stock markets experienced slight increase in oil prices and prices of most metal products.

In April, oil price on world stock markets increased by 8.5% compared to the previous month, reaching the price of US\$ 50.85 per barrel. Compared to April last year, oil price declined by 53%.

Regarding metal products, price of nickel, as a product having high share in the Macedonian export, increased by 15.2% on monthly basis, reaching US\$ 11,166 for a metric ton (\$/mt). Price of copper surged by 17.2% in April compared to March, reaching US\$ 4,407 for a metric ton (\$/mt).

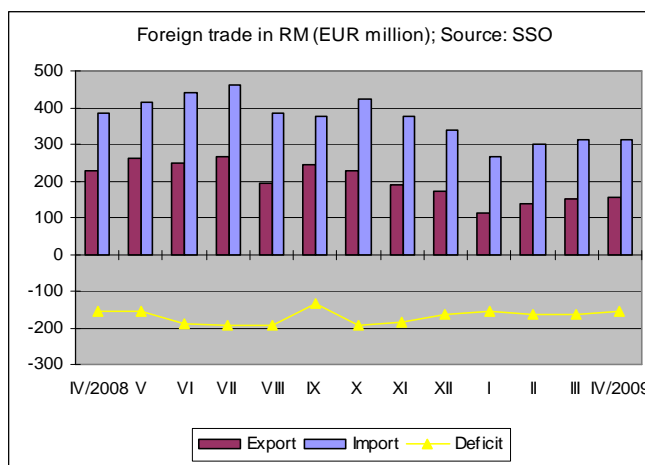


Despite such trends, April will be remembered for the continuation of the changes in the prices of steel sheets, which followed after a nine-month period when there were no price changes on the stock markets. The decline was the highest at cold-rolled steel sheets, amounting to 25%, at the hot-rolled steel sheets, amounting to 22.2%, reaching US\$ 700 and US\$ 600 per metric ton respectively.

2. External Sector

2.1. In the first four months in 2009, total foreign trade (expressed in euros) dropped by 23.1% in relation to the same period last year.

Thereby, physical output of export declined by 30.1%, while its value reached EUR 556.6 million, being a drop by 33.8%. Imported quantity of goods declined by 18.1%, and it amounted to EUR 1,193.1 million, being a drop by 16.8%. In conditions of such trends at the import and export of goods, trade deficit in the first four months in 2009 amounted to EUR 636.5 million, growing by 7.2% on annual basis (EUR 38.6 million), due to the reduced positive balance in trading iron and steel and their products.



Import to export coverage in the first four months was 46.7%, which was a significant annual decline by 12 percentage points.

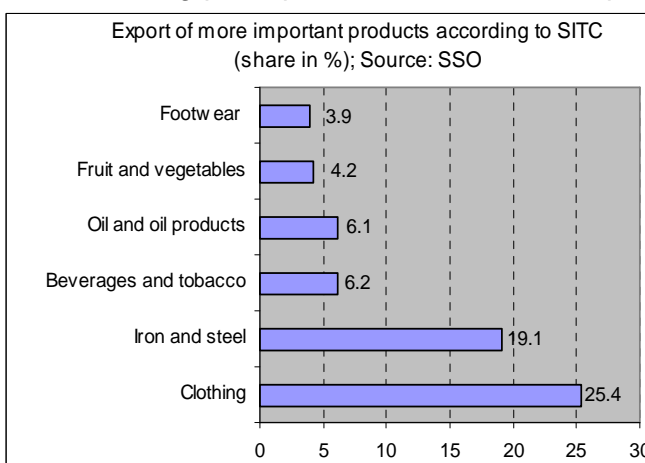
Export of oil and oil products*)				
	I-IV 2008	I-IV 2009	Balance 2009-2008	% rate
.000 T	113.4	103.0	-10.4	-9.2
EUR mil.	61.1	33.9	-27.2	-44.5
\$ mil.	92.9	44.2	-48.7	-52.4

*)Previous data

Import of oil and oil products*)				
	I-IV 2008	I-IV 2008	Balance 2008-2007	% rate
.000 T	461.7	578.7	117.0	25.3
EUR mil.	218.7	151.1	-67.6	-30.9
\$ mil.	330.8	197.6	-133.2	-40.3

*)Previous data

2.2. Main groups of products (according to SITC) having the biggest share in export in this period were the following: clothing – 25.4%, iron and steel – 19.1%, beverages and tobacco – 6.2%, oil and oil products – 6.1%, fruit and vegetables – 4.25% metal ore and metal scrap – 3.9%. These six groups of products comprise 64.9% of the total export of goods. The following participated the most in the import of goods in the first four months in 2009 on cumulative basis: oil and oil products (EUR 151 million, 12.7%), textile yarns and similar (EUR 81.6 million, 6.8%), road vehicles (EUR 73.1 million, 6.1%), iron and steel (EUR 46.9 million, 3.9%), industrial machines and spare parts (EUR 45.9 million, 3.9%), telecommunication devices (EUR 39.5 million, 3.3%), etc.



2.3. Analyzed by regions, during the first four in 2009, despite the reduced intensity of the trade with the European Union (EU 27), trade share with EU participated with 52.4% in the total trade (57.4% export of goods and 50.1% import of goods). Export to the European Union was significantly lower by 39%, while the import experienced slower decline by 9.5% compared to the same period in 2008.

During the analyzed period, 73.2% of the trade deficit of the country was realized in the trade with Russia, China, Switzerland, Turkey, Slovenia, Italy, Greece, the USA, Finland and Bulgaria.

Export of iron and steel *)				
	I-IV 2008	I-IV 2009	Balance 2009-2008	% rate
.000 T	384.2	176.4	-207.8	-54.1
EUR mil.	285.4	106.4	-179.0	-62.7
\$ mil.	434.4	138.5	-295.9	-68.1

*Previous data

Import of iron and steel *)				
	I-IV 2008	I-IV 2009	Balance 2009-2008	rate%
.000 T	300.8	157.6	-143.2	-47.6
EUR mil.	137.4	63.6	-73.8	-53.7
\$ mil.	209.7	83.1	-126.6	-60.4

*Previous data

2.4. Observed by currency structure, 76.5% of the foreign trade in the period January-April 2009 was realized in euros, and compared to the same period last year, it increased by 3.3 percentage points. On export and import side, EURO accounted for 84.2% and 72.9% respectively, and in relation to the first four months last year, increase was evidenced at export by 7 percentage points, while import increased by 2 percentage points.

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

Export	I-IV 2008					I-IV 2009					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	947	649,179,139	61.3111	39,801,887,109	77.2	616	468,458,300	61.3920	28,759,591,954	84.2	-180,720,839	27.8
USD	206	284,723,299	40.4310	11,511,647,702	22.3	182	110,173,711	46.9087	5,168,105,557	15.1	-174,549,588	61.3
EUR+USD	1,153			51,313,534,811	99.6	798			33,927,697,511	99.3		
tot.export:	1,559			51,537,836,390	100.0	799			34,152,118,043	100.0		33.7

Source: State Statistics Office and NBRM

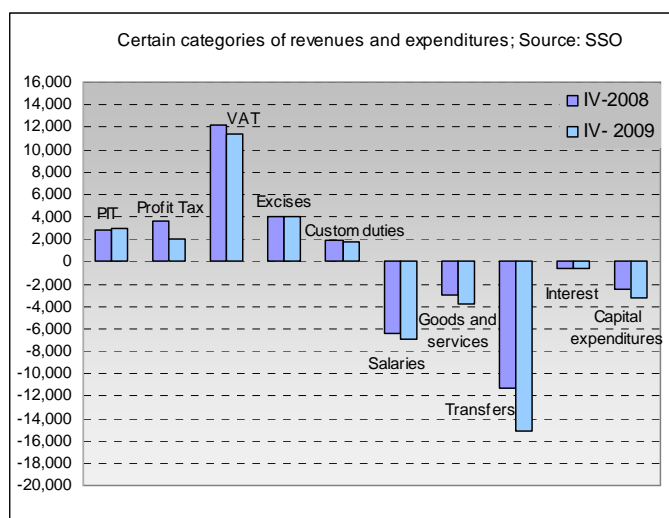
3. Fiscal Sector

3.1. In the first four months of 2009, total central government budget revenues amount to Denar 25,687 million (6.3% of GDP), which was 8.1% decline compared to the same period last year.

Tax revenues in this period were realized in the amount of Denar 23,091 million, which was lower by 8.5% in relation to same period last year.

Share of VAT in total tax revenues in the first quarter in 2009 was dominant and it amounted to 44.4%, while excises accounted for 15.8%, whereby revenues in the amount of Denar 15,459 million were realized on the basis of these two taxes, i.e. 60.2% (almost 2/3) of the total tax revenues (3.8% of GDP).

Analyzed by categories, VAT revenues dropped by 5.9%, profit tax revenues declined by 42.5% (due to changes in the regulations – starting



2009, no undistributed profits tax is paid), customs revenues decreased by 5.5%, while PIT revenues surged by 5.2%, and excises experienced slight decline by 0.3%, compared to the same period last year.

During the analyzed period, non-tax revenues dropped by 6.2%.

3.2. In the period January - April 2009, total central budget expenditures amounted to Denar 29,668 million (7.2% of GDP), being by 24.6% more compared to the same period in 2008.

With respect to the structure of total realized expenditures, current expenditures (Denar 26,354 million) accounted for 88.8% and were higher by 23.5% compared to the same period last year, while capital expenditures participated with 11.2%.

The biggest expenditure items were transfers (Denar 15,060 million), followed by salaries and allowances (Denar 6,883 million). With respect to the total expenditures in the central government budget, expenditures related to wages and salaries and allowances accounted for 23.2% in April, which was 7.6% increase in relation to the same period last year.

Expenditures for goods and services reached the amount of Denar 3,740 million, i.e. by 22.7% more compared to 2008.

With regard to transfers, 34.0% more resources (Denar 3,821 million) were spent in this period compared to the same period 2008, and were the largest expenditure item, i.e. their share in total expenditures was 50.8% (3.7% 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 68 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 funds were intended for agricultural subsidies. Transfers to the Pension and Disability Insurance Fund were in the amount of Denar 4,832 million or by Denar 954 million higher (24.6% growth). Interest was collected in the amount of Denar 671 million, being by 2.3% more compared to the same period in 2008.

During the analyzed period, capital expenditures amounted to Denar 3,314 million, being an increase by 33.9% compared to the same period in 2008.

3.3. Thus, in the period January-April 2009, central government budget deficit reached the amount of Denar 3,981 million (1.0% of GDP), while consolidated budget deficit amounted to Denar 2,993 million (0.7% of GDP).

4. Monetary Sector

4.1. In April 2009, primary money¹ increased by 1.8% on annual basis (6.4% in March), in conditions of growth of total liquid assets of the banks by 10.1% and decline of the demand for ready money in circulation by 6.1%.

On monthly basis, primary money trend remained almost unchanged, in conditions of reduced total liquid assets of the banks by 0.5% and increase of demand for ready money by 0.7%.

In April 2009, with respect to the requirements for volume tenders, interest rate on central bank bills increased by 2 p.p., reaching 9%.

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

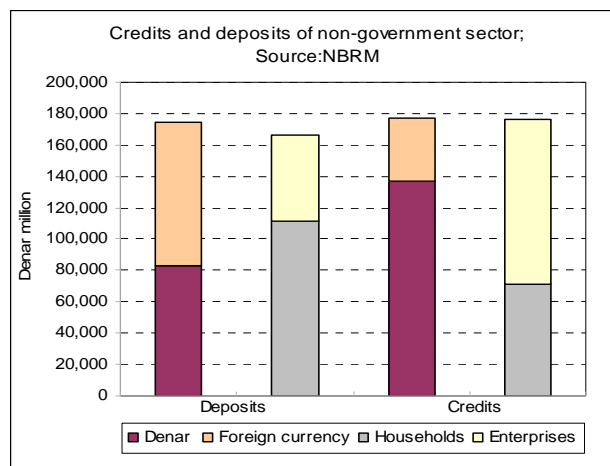
Interest rates on government securities were as follows: 8.70% on one-month treasury bills, 8.96% on three-month treasury bills and 9.1% on six-month government bonds.

Total of 5 auctions were held by applying volume tender for one-month government bonds, and by applying interest rate tender for three- and six-month government bonds, as follows: two auctions of one-month treasury bills, three auctions of three-month and one auction of six-month treasury bills.

4.2. Total deposit potential of non-government sector² in April slightly increased by 6.3% on annual basis (7.7% in March 2009). Total deposits experienced increase by 1.1% on monthly basis, due to the increase of the deposits of households.

In April 2009, Denar deposits dropped by 0.7% on monthly basis, while foreign currency deposits increased by 2.8% (mainly as a result of the increase of foreign currency savings of households by 3.4%). On annual basis, Denar deposits declined by 6.0%, while foreign currency deposits increased by 23.6%.³

From the point of view of sector structure, deposits of the corporate sector declined by 0.7% on monthly basis, while savings of the households increased by 2.3%. With respect to last year, household deposits were higher by 12.4%, while deposits of enterprises were lower by 15.4%.



4.3. In April 2009, credits to private sector experienced even stronger slowdown. Monthly increase of credits by 0.3% was mainly due to increased credits to enterprises. With respect to last year, credit growth registered further slowdown and it was 21.4% (compared to 25.4% in March 2009).

Monthly increase of credits to enterprises in April experienced weaker intensity, amounting to 0.3% (compared to 0.5% in March), while credits to households increased by 0.1% (compared to 0.3% increase in March). Annually, credits to households and enterprises surged by 23.4% and 19.8%, respectively.

From currency point of view, Denar credits (including credits with foreign currency clause) increased by 22.1% annually. Foreign currency credits increased by 18.9% annually. Compared to the previous month, Denar credits grew by 0.2%, while foreign currency credits increased by 0.5%.

4.4. In April 2009, average weighted interest rate on Denar credits was identical with the rate in March, amounting to 9.9%. Average interest rate on foreign currency credits was same as the rate in the previous month, being at the level of 7.4%. With respect to last year, interest requirements of the banks were tightened, i.e. average interest rate on Denar credits grew by 0.3 p.p.. On the other hand, interest rate on foreign currency credits declined by 0.6 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, 9.2% on Denar credits and 7.2% on foreign currency credits. In April 2009, interest rate on credit balance on Denar deposits was higher by

²Total deposit potential includes non-monetary and quasi-deposits.

³Starting January 2009, deposits include calculated interest.

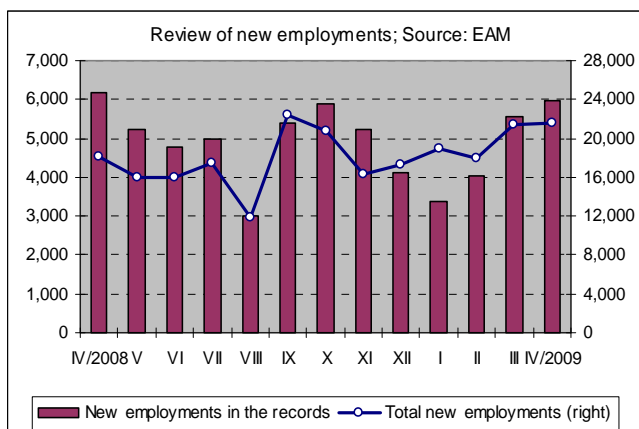
0.1 percentage point compared to the previous month, amounting to 6.7%, and it surged by 1.2 percentage point on annual basis. Average interest rate on foreign currency deposits remained at the same level as in the previous month, amounting to 3.2%, and it increased by 1.0 p.p. on annual basis.

4.5. Gross foreign exchange reserves amounted to EUR 1,203.8 million in April 2009, and compared to December 2008, they declined by 19.5% (EUR 291.1 million). On monthly basis, they decreased by 5.1%, i.e. by EUR 64.0 million, in conditions of net purchase on the foreign exchange market in the amount of EUR 50.6 million. NBRM, through foreign currency transactions, mopped up liquid assets. Increased demand for foreign assets was registered on the foreign exchange market, leading to sale of foreign assets by NBRM.

5. Social Sector

5.1. In the period January-April 2009, Employment Agency of the Republic of Macedonia registered around 80,000 new employments. In fact, 44.1% out of the total number of newly employed was full-time employees, while the rest was temporary employment and seasonal works. Compared to the same period last year, number of newly employed persons increased by 10.9%.

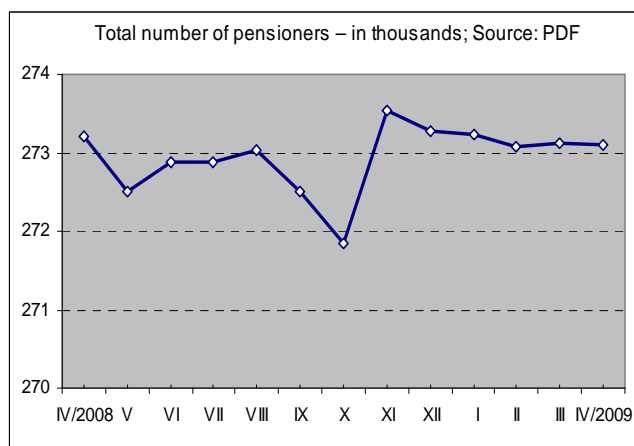
In April, 21,581 new employments were registered, whereby 27.7% of the new employments were from the unemployed records. Outflow of persons from the Employment Agency Registry amounted to 9,725 persons in March, 60.4% out of which were new employments. As inflow to the Agency, 8,326 persons were registered, 54.4% of which were persons whose employment was terminated.



As a result, unemployment reduced by 1,400 persons, i.e. 0.4% compared to the previous month. There were 349,879 unemployed persons in April 2009.

Thereby, 71,235 persons (20.4%) out of the persons registered as unemployed declared that they applied only to exercise the right to health insurance, and the remaining persons actively sought job. Number of unemployed persons, compared to the same month in the previous year, declined by 1.2%.

Major percentage of the unemployed, i.e. 66.2%, came from urban areas (cities), whereby 57.8% were men. According to the education structure, 52.8% of the unemployed persons were unskilled or semi-skilled, while only 7.1% were with community college or higher education level. Observed by age, majority of the unemployed or 59.7% fall



in the category of 25-49 years of age. According to the time they waited for a job, 50% of the unemployed persons sought job from one to seven years, while 30% sought job for eight years and more.

5.2. According to the data from the PDF, in April 2009, 273.092 pensioners were registered, which, compared to the previous month, was an increase by 23 persons.

In March, Denar 2,644.38 million was spent for payment of pensions, being 52.3% of the total social transfers in the state Budget.

Average pension in April 2009 amounted to Denar 9,862, being an increase by 11.2% on annual level. Ratio between the average pension and the average paid salary in March 2009 (the most recent available data) amounted to 50%.

5.3. In the period January-March 2009 (the most recent available data), compared to the same period in 2008, there was an increase of the average nominal and real monthly net salary by 27.6% and by 26.3% respectively.

In March 2009, average net salary per employee amounted to Denar 19,746, which was an increase by 27.2% on annual basis in nominal terms, and by 26.9% in real terms. Percentage of employees who did not receive salary in February 2009 was 3.4%, being lower by 6.1% compared to the same period previous year.

