



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

November 2011



Skopje, January 2012

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

November 2011

- Industrial production monthly growth of 5.1% in November 2011;
- inflation rate amounting to 3.5% on annual basis and 0.6% on monthly basis; Average inflation rate in the period January–November amounted to 4%;
- Annual increase in the physical output of export in the first eleven months in 2011 of 1.9%, with high nominal valuable growth of 27.5% and increase of imported quantities of goods of 10.4%, with valuable nominal growth of 24.2%;
- Increase in total budget revenues by 3.9% and total expenditures by 5.1% in the period January–November 2011 compared to the same period last year. Deficit of the Budget of the Republic of Macedonia amounted to Denar 10,537 million (2.3% of GDP), while central budget deficit amounted to Denar 8,302 million (1.8% of GDP);
- Increase of both total credits to private sector and total deposit potential of banks by 8.6% on annual basis;
- Drop in the number of registered unemployed persons by 11.9% in November 2011 compared to the same month last year.

1. Real Sector

Industrial Production

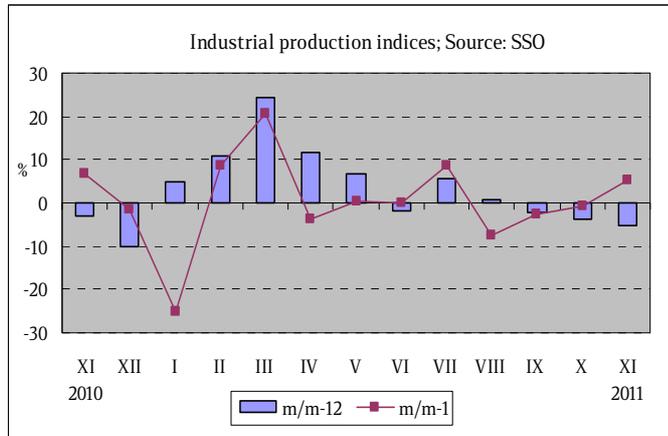
Industrial production in November 2011, compared to the previous month surged by 5.1%. Sector analysis points out that growth was registered at the processing industry – 5.6%, and electricity, gas, steam and air-conditioning supply sector – 5.1%. Mining and quarrying sector dropped by 3.9%. As for processing industry, monthly growth was registered at 9 out of 23 branches, comprising 31% of the industrial production. Highest increase on monthly basis by 124.8% was seen at production of motor vehicles, trailers and semi-trailers.

	m/m-12	m/m-1	I-XI 2011
			I-XI 2010
Total	-5.3	5.1	4.1
Ore and stone extraction	15.5	-3.9	6.9
Processing industry	-7.6	5.6	6.4
Electricity, gas and water supply	5.7	5.1	-10.6

Source: SSO

High monthly growth was seen at the following branches: Production of beverages – 96.9%, production of coke and refined oil products – 96.1%, production of transportation equipment - 38.7%, production of textile - 24.7% and production of food products 18.5%. De-seasoned monthly growth of industrial production in November 2011 was -0.12%, pointing out to positive seasonal effects in the industry.

Industrial production dropped by 5.3% in November 2011 compared to November 2010. Analyzed by sectors, mining and quarrying sector increased by 15.5%, electricity, gas, steam and air-conditioning supply sector surged by 5.7%, while processing industry sector dropped by 7.6%. As for processing industry, positive annual growth was seen at 9 out of the 23 branches, accounting for 26.3% of the industrial production, whereby growth was evidenced in one out of the three driving branches with two-digit share in the industrial production. Thus, high growth of 24.3% was seen at production of food products increased, while production of clothing dropped by 3.5% and production of metals decreased by 10.6%. Production of food products (2.8 p.p.) contributed the most to the annual growth of industrial production in November 2011, while production of beverages had the highest negative contribution (-2.0 p.p.).

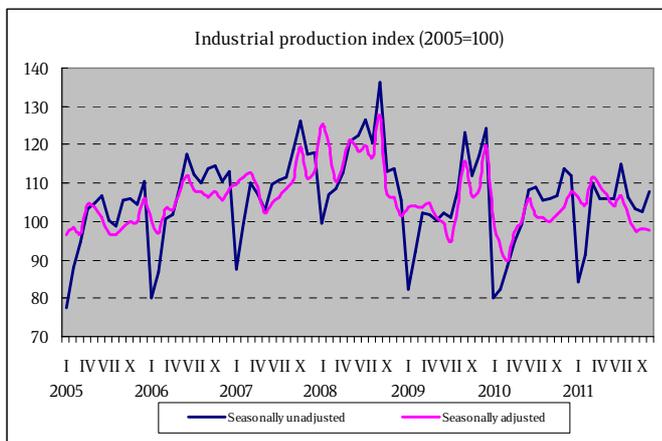


On cumulative basis, in the period January–November 2011, industrial production surged by 4.1%, compared to the same period in 2010. Mining and quarrying sector increased by 6.9%, processing industry surged by 6.4%, while electricity, gas, steam and air-conditioning supply sector dropped by 10.6%.

Data on industrial production by target groups in November 2011, compared to October 2010, showed production increase in the group of capital goods – 70.3%. Production decline was registered at the following groups: Intermediary goods, except energy – 12.6%, consumer non-durables – 6.6%, energy 4.2% and consumer durables – 0.7%.

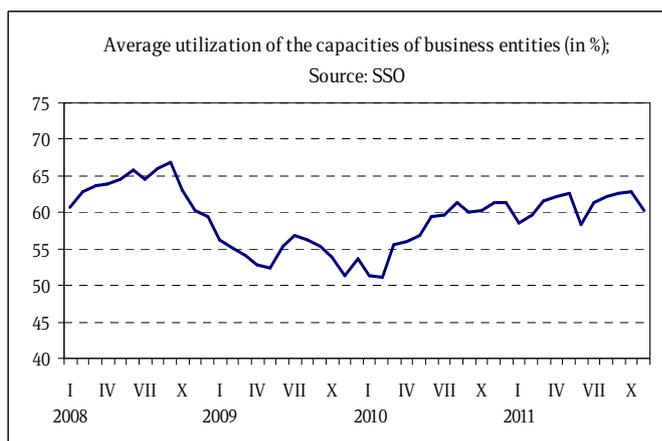
On monthly basis, data on the industrial production by target groups in November 2011 showed that there was increase in the production at the following groups: Capital goods – 26.7%, energy 16.6% and consumer non-durables – 12.1%. Production decline was registered at the following groups: Intermediary goods, except energy – 9.7% and consumer durables – 7.8%.

Analyzed by target groups, on cumulative basis, in the period January–November 2011, compared to the same period last year, growth was recorded at the following groups: Consumer durables – 63.4%, capital goods – 48.6%, intermediary goods, except energy – 3.3% and consumer non-durables – 3.3%. Energy group experienced 10.3% drop.



Business Trends in the Processing Industry

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



Expectations for the production volume in the next three months are less favourable compared to the previous month, while compared to November 2010, they are more favourable. As regards the number of employees, the expectations in November 2011 for the next three months are less favourable compared to the previous month, while compared to November 2010, they are significantly improved.

Average utilization of the capacities of business entities in November 2011 accounted for 60.3%, being slight decrease compared to the previous month, when it accounted for 62.9%. Compared to November 2010, the utilization of the capacities was lower by 1 p.p..

In November 2011, stocks of raw materials and intermediate goods, as well as on-going procurement of raw materials and intermediate goods, were below and around the average. Stock of ready-made products surged compared to the previous month. In the next 3-month period, according to the assessment of managers, average purchase prices of inputs and selling prices of ready-made products are expected to increase.

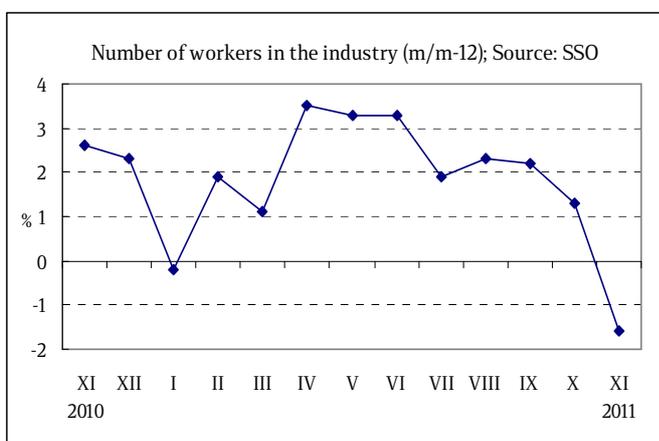
Following factors limited the most the production volume in November 2011: insufficient foreign demand – 23.3%, insufficient domestic demand – 16.2%, financial problems – 13.7% and lack of qualified labour force - 8.5%. In November 2011, lower number of business entities pointed out the insufficient domestic demand and uncertain economic surrounding as limiting factor compared to October 2011, while higher number of business entities pointed out the lack of raw materials.

Number of Workers in the Industry

Number of workers in the industry in November 2011 compared to November 2010 decreased by 1.6%, being the first decrease in the last nine months.

Number of workers in mining and quarrying sector resgistered minimum drop of 0.6% as a result of the drop of 5.0% in the extraction of coal and lignite sector.

Other mining and quarrying sector surged by 2.4%, while mining of metal ore increased by 1.7%. Processing industry sector experienced decrease in the number of employees by 1.7%. As for the processing industry, high increase in the number of employees on annual basis was registered at the following branches:



Production of machines and

devices –28.0%, production of rubber and plastic mass – 11.7%, production of leather – 7.5% and production of leather 5.2%. Highest drop of the number of employees was registered at the following branches: Repair and installation of machines and equipment – 48.7%, production of tobacco products – 21.2% and production of other transport equipment – 15.3% Number of workers in the electricity, gas, steam and air-conditioning supply sector decreased by 1.2%.

On cumulative basis, in the period January–November 2011 compared to the same period in 2010, the number of workers in the industry surged by 1.7%, whereby electricity, gas, steam and air-conditioning supply sector increased by 3.4%, the

number of workers in the mining and quarrying sector grew by 2.9%, while it increased by 1.3% in the processing industry sector.

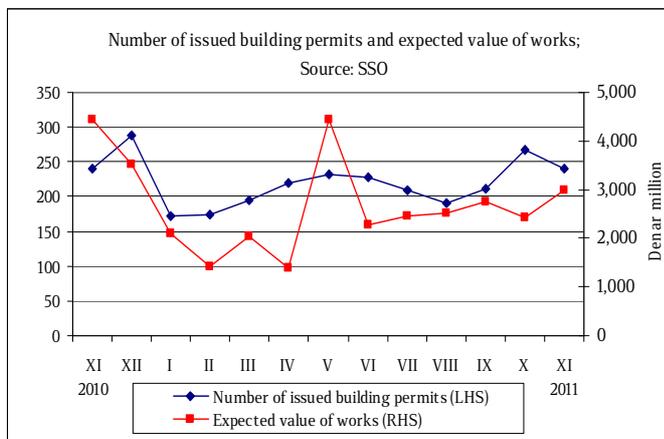
Data on the number of workers in the industry by target groups on annual basis in November 2011 showed increase in the number of workers at the group capital goods – 1.5%. Drop of the number of workers was registered at: Consumer durables – 3.3%, energy –2.7%, consumer non-durables – 1.6% and intermediary goods except energy – 1.5%.

On cumulative basis, in the period January–November 2011, compared to the same period in 2010, data on the number of workers in the industry by target groups showed an increase in the number of workers at the following groups: Capital goods - 3.8%, energy - 2.5%, intermediary goods, except energy - 2.5%, and consumer non-durables - 0.9%, while 1.8% drop was registered at consumer durables group.

Number of issued building permits and envisaged value of facilities

Envisaged value of the facilities, according to the issued building permits amounted to Denar 2,978 million, being by 32.9% less than the same month in 2010, while compared to October 2011, the value of the facilities increased by 22%. If one compares the cumulative amount in the period January-November 2011 with the same period in 2010, one can notice increase in the envisaged value of the facilities by 11.5%.

In November 2011, 240 building permits were issued, being by 0.4% less compared to the same month in the previous year. Total number of issued building permits compared to the previous month in 2011, when 268 permits were issued, decreased by 10%. If one compares the data for the period January-November in 2011 with the same period in 2010 on cumulative basis, it can notice decrease of the number of issued building permits by 8.8%.



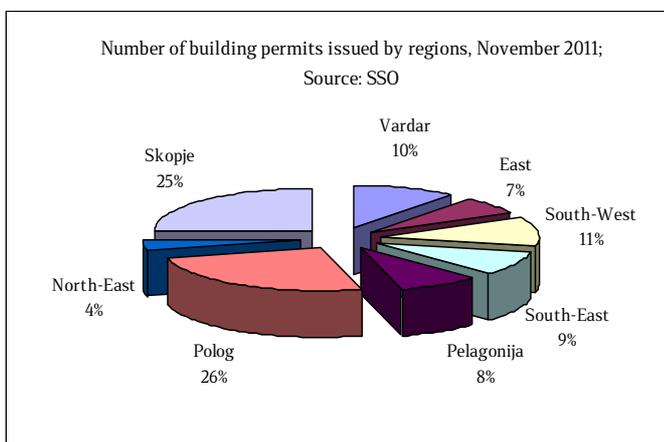
Analyzed by types of facilities, out of the total number of issued building permits, 173 (or 77.1%) are intended for buildings, 28 (or 11.7%) for civil engineering structures and 39 (or 16.2%) for reconstruction.

Analyzed by types of investors, out of total 240 facilities, natural persons were investors in 167 facilities (or 69.6%), while business entities were investors in 73 facilities (or 30.4%).

In November 2011, construction of 496 is envisaged, with total usable area of 43,764 m².

Analyzed by regions, in November 2011, most permits were issued in the Polog region, 61 in total, 59 permits out of which were issued to natural persons as investors, while 2 permits were issued to business entities as investors. Northeastern region had least issued permits, 9 permits in total, 5 permits out of which were issued to natural persons as investors, while 4 permits were issued to business entities as investors.

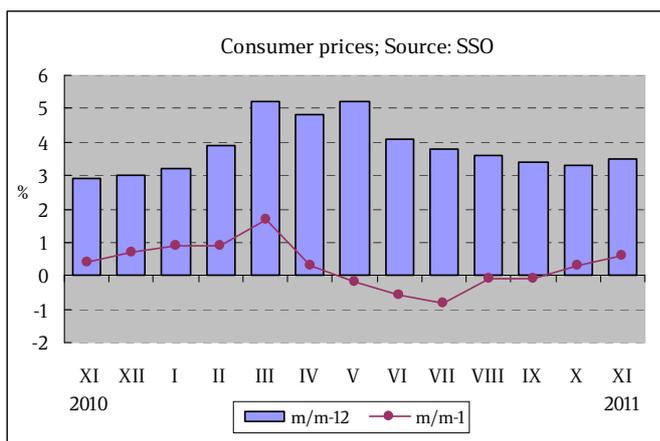
In the period January-November 2011, most permits were issued in the Skopje region, 663 in total, 442 permits out of which were issued to natural persons as investors, while 221 permits were issued to business entities as investors. Northeastern region had least issued permits, 88 permits in total, 69 permits out of which were issued to natural persons as investors, while 19 permits were issued to business entities as investors.



Inflation

Inflation rate in November 2011, measured according to the CPI index amounted to 3.5%, compared to the same month in the previous year, interrupting the disinflation trend, which began in June 2011. Average inflation rate in the period January–November amounted to 4%.

In November, increase of prices was highest in the food category, amounting to 5.3% on annual basis, contributing with 2 p.p. to the general increase of prices. Increase of prices of food was mainly due to the increase of prices of cereal products, vegetable and meat. Increase of prices in the other categories is as follows: Housing – 3.5%, hygiene and health – 3.1%, transportation means and services – 2.5%, clothing and footwear – 1.9%, restaurants and hotels – 1.8%, administrative and financial services – 1.1%, culture and entertainment – 0.4%, and tobacco and beverages – 0.2%.



In November, compared to the previous month, inflation rate was 0.6%. Highest price increase was seen in the category food – 1.5%, followed by increase of prices in the categories clothing and footwear – 1.1%, housing – 0.6%, restaurants and hotels –

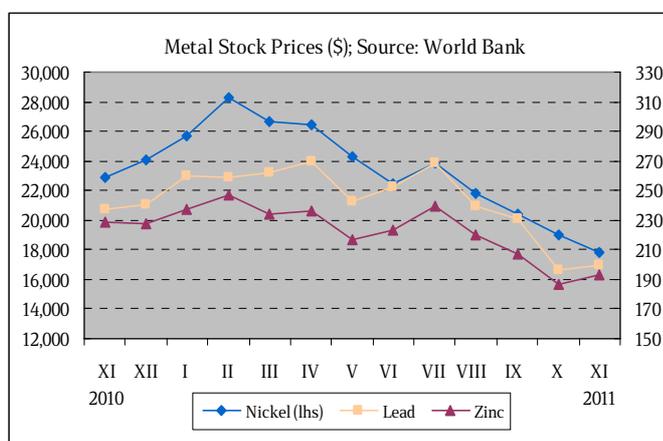
0.4% and tobacco and beverages – 0.1%. Decrease of prices was recorded in the categories culture and entertainment - 1.4%, means of transport and services - 0.8% and hygiene and health – 0.1%. Prices in the category administrative and financial services did not change.

Retail prices in November 2011 were higher by 3.8% compared to November 2010. Compared to the previous month, retail prices were higher by 0.4%. Average increase of retail prices in the period January–November amounted to 4.0%.

Stock Market Prices

In November 2011, crude oil price (Brent) on the global stock markets surged by 0.9%, compared to the previous month, reaching the price of US\$ 110.5 per barrel. Compared to November 2010, oil price surged by 29%. Price of natural gas in November decreased by 2.8% compared to the previous month.

As regards metal products, nickel, as product with high share in Macedonian export, was traded at an average price of US\$ 17,873 for a metric ton (\$/mt) on the global stock markets in November, being a monthly drop of the price by 6.1%. Compared to November 2010, nickel price was lower by 22%. In fact, in November, there was general decrease of prices of metals and minerals by 2.5% on monthly basis, being due to the concern for the global economic growth and the slowed down demand in China,



as the biggest consumer of metals in the world. Highest monthly drop of prices in this group was seen at iron ore by approximately 10%. Steel products in November were sold at prices lower by 2.5% in average compared to October. Precious metals, gold and silver, experienced monthly growth of 4.4% and 3.8% respectively in November, being due to the increased investment demand in conditions of global macroeconomic and financial risks.

Price of wheat on global stock markets continued to decrease, registering monthly drop of 2.8% in November.

2. Foreign Trade

Total foreign trade in the period January–November in 2011 experienced high growth of 25.6%, compared to the same period in the previous year, with simultaneous increase of export and import of goods.

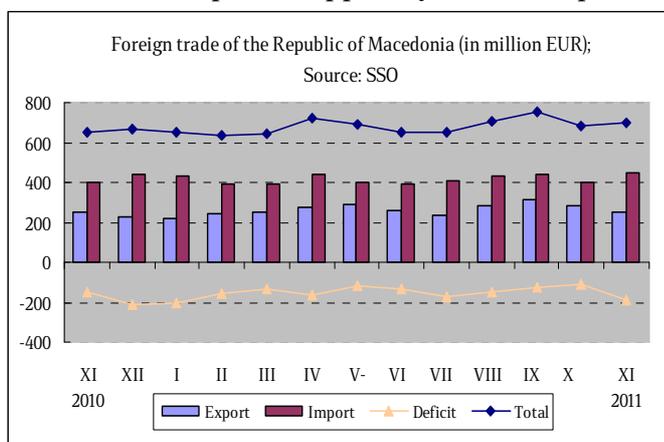
According to the so-far dynamics of the trend of foreign trade, the set projections for 2011 are expected to be realized, i.e. 22.5% for export and 21% for import of goods.

Export

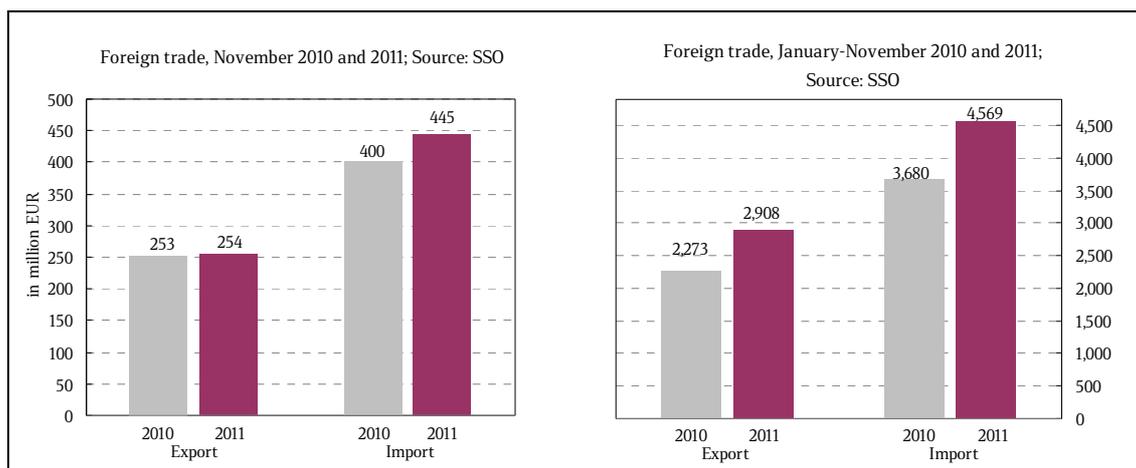
Analyzed on annual basis, in the first eleven months in 2011, exported quantities of goods surged by 1.9%, and their value reached EUR 2,908.1 million, being a high increase by 27.5% (EUR 635 million) compared to the same period last year.

Analyzed on monthly basis, in October 2011, export dropped by 11.3% compared to the previous month, being mainly due to the reduced export of chemical products, fruit and vegetables, clothing, iron and steel, etc.

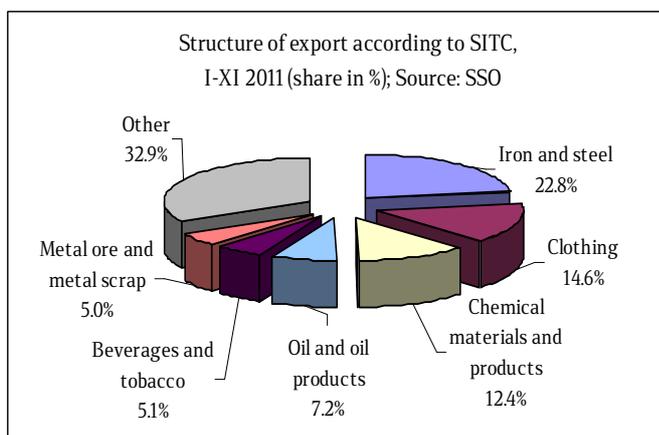
Seasonal adjusted trend of export in October decreased by 8.8% on monthly basis, pointing out to negative effects of the seasonal factor (2.2 p.p.) on export this month.



In November 2011 alone, goods in the amount of EUR 253.6 million were exported, being minimum increase by 0.3% compared to the same month last year.

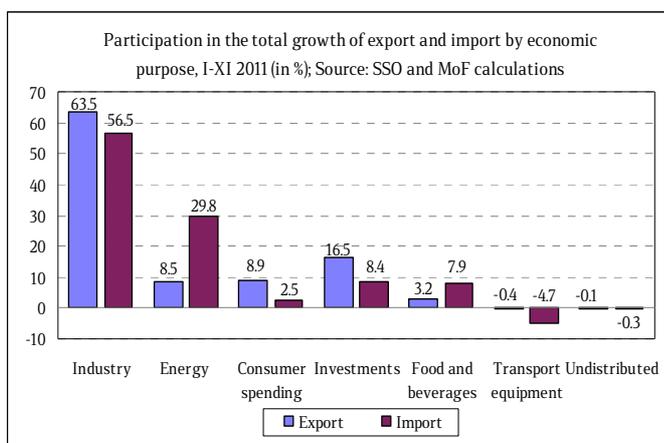


Analyzed by tariffs, the following products were most exported: Supported catalysts with precious metal or precious metal compounds as the active substance, ferronickel, hot rolled flat products of iron or non-alloyed steel, of width of 600 mm, plated, of a thickness exceeding 10 mm and 20 mm, filtering or purifying machinery and apparatus for other gases by a catalytic process, men's shirts of cotton, gas oils for other purposes with a sulphur content not exceeding 0.001% and 0.005% by weight, boards, plates, stands, tables, cabinets and other foundations,



equipped with two or more apparatus, tobacco, ferro-silicon-mangan, ferro-silicium, etc.

Main groups of goods (according to SITC) having the biggest share in export in the first eleven months in 2011 were the following: iron and steel – 22.8%, clothing – 14.6%, chemical materials and products – 12.4%, oil and oil products – 7.2%, metal ore and metal scrap – 5% and beverages and tobacco – 5.1%. These six groups of products comprised 67.1% of the total export of the country.



In the period January-November 2011, observed by economic purpose, intermediary goods intended for industrial production contributed the most to the annual growth of export with 63.5%, followed by investment products with 16.5% and consumer goods with 8.9%

	I-XI 2010	I-XI 2011	Balance 2011-2010	% rate
000 T	682.2	742.5	60.3	8.8
EUR mil.	537.8	662.3	124.5	23.1
\$ mil.	709.9	927.3	217.4	30.6

*)Previous data

	I-XI 2010	I-XI 2011	Balance 2011-2010	% rate
.000 T	540.9	557.8	16.9	3.1
EUR mil.	249.8	296.5	46.7	18.7
\$ mil.	331.6	414.4	82.8	25.0

*)Previous data

Import

Imported quantities of goods in the period January-November 2011 increased by 10.4%, and their value amounted to EUR 4,569.3 million, being high increase by 24.2% (EUR 889.4 million) in relation to January-November last year.

In November 2011 alone, goods in the amount of EUR 444.6 million were imported, being an increase by 11.2% compared to the same month last year.

Analyzed on monthly basis, in November 2011, import of goods increased by 12% compared to the previous month, being mainly due to higher import of oil and oil products, non-ferrous metals, metal ore and metal scrap, telecommunication and audio devices and equipment, etc. Seasonal adjusted trend of import in October increased by 15.7% on monthly basis, pointing out to negative effects of the seasonal factor (3.7 p.p.) on import this month.

	I-XI 2010	I-XI 2011	Balance 2011-2010	% rate
000 T	308.0	331.9	23.8	7.7
EUR mil.	154.8	210.0	55.3	35.7
\$ mil.	204.7	295.9	91.1	44.5

*)Previous data

	I-XI 2010	I-XI 2011	Balance 2011-2010	% rate
.000 T	1,078.0	1,127.3	49.3	4.6
EUR mil.	491.1	676.3	185.2	37.7
\$ mil.	649.3	948.7	299.3	46.1

*)Previous data

Most imported products by tariffs were the following: crude oil, platinum, unwrought or in powder form, gas oils for other purpose with sulphur contents not exceeding 0.001% per mass; electricity, hot rolled flat products in reels intended for

second rolling, nickel ore and concentrates; other compounds, amalgams; metal scrap; pharmaceuticals prepared in moderate doses; coating means; other motor vehicles for transportation of persons; telephones for cellular networks, etc.

In addition to oil, non-ferrous metals, textile yarns, iron and steel, road vehicles, etc. accounted for most of the import of goods (according to groups of SITC) as of November inclusive 2011.

Analyzed by economic purpose in the period January-November 2011, products intended for industrial production – 56.5%, followed by energy products – 29.8% and investment products – 8.4% contributed the most to the annual increase of import.

Export of chemical products*)					Import of chemical products*)				
	I-XI 2010	I-XI 2011	Balance 2011-2010	% rate		I-XI 2010	I-XI 2011	Balance 2011-2010	% rate
000 T	25.2	23.6	-1.7	-6.6	.000 T	22.1	25.6	3.5	15.6
Мил. ЕУР	145.1	359.2	214.0	147.5	Мил. ЕУР	43.6	68.2	24.6	56.4
Мил.\$	193.0	501.2	308.2	159.7	Мил.\$	57.6	95.4	37.9	65.8

*)Previous data

*)Previous data

Trade Balance

Trade balance in the first eleven months in 2011 amounted to EUR 1,661.2 million, being an increase of the deficit by EUR 254.4 million, compared to the same period last year. Disaggregated, increase of negative trade balance was a result of combined effect of: the widened negative balance in the trade in non-ferrous metals, oil and oil products, electricity, products for colouring and tanning, etc., as well as the realized negative balance in the trade in metal ore and metal scrap, compared to the positive balance last year.

Increased positive balance in the trade in chemical materials and products, iron and steel, clothing, as well as narrowing of negative balance in the trade in road vehicles, raw chemicals, telecommunication devices, etc., had opposite effect. Such trends in the period January-November in 2011 contributed for the level of import coverage by export, amounting to 63.6%, to increase by 2 p.p. compared to the same period in the previous year.

Analyzed according to economic groups of countries, in the period January-November 2011, export increased at all groups, whereby, export to the EU, followed by the export to Western Balkan countries and the developing countries contributed the most to the growth. In addition to Germany and Kosovo, significant growth of export was seen in Ukraine, Serbia, Italy, China and Switzerland.

In the first eleven months in 2011, in conditions of significant increase of trade with the European Union (EU 27), in relation to January-November last year, by 25.6%, share of trade with EU in the total foreign trade increased by 1 percentage point, accounting for 57%, whereby export of goods participated with 60.7% and import of goods accounted for 54.6%.

As a result of the structural changes in trade with abroad, in the first eleven months of 2011, 46.7% of the trade deficit of the country was a result of the trade with Russia and Great Britain, followed by Greece, Turkey, China, Serbia, Bulgaria,

etc. Trade surplus was realized with Germany, Kosovo, Albania, Montenegro, Slovakia Belgium etc.

Currency Structure

Observed by currency structure, 70.2% of the trade in the period January-November 2011 was realized in euros, and compared to the same period in 2010, it dropped by 3 percentage points. On export and import side, the euro accounted for 77.9% and 65.3%, respectively, whereby share of the euro in export was higher by 0.3 p.p., while share of the euro in import accounted for 5.3 p.p. compared to the first eleven months in 2010. Decline of euro share in the import was due to the increased import from the Great Britain, expressed in GBP, participating with 8.2% in the currency structure of the import.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF													
import	I-XI 2010					I-XI 2011					absolute change in currency value	relative change in currency value (in %)	
	currency	000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %	000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar			structure in %
EUR	2,708	2,594,619,060	61.5161	159,610,845,538	70.5	2,801	2,987,448,827	61.5304	183,818,921,320	65.3	392,829,768	15.1	
USD	2,478	1,193,198,613	46.4484	55,422,166,475	24.5	2,906	1,639,232,510	43.0075	70,499,292,179	25.0	446,033,897	37.4	
GBP	3	128,106,888	71.6340	9,176,808,782	4.1	3	327,698,249	70.7157	23,173,411,032	8.2	199,591,361	155.8	
EUR+USD	5,189			224,209,820,795	95.0	5,710			277,491,624,531	98.5			
tot. import	5,204			226,238,088,261	100.0	5,720			281,641,007,268	100.0		24.5	

Source: SSO and NBRM

3. Fiscal Sector

Budget Revenues

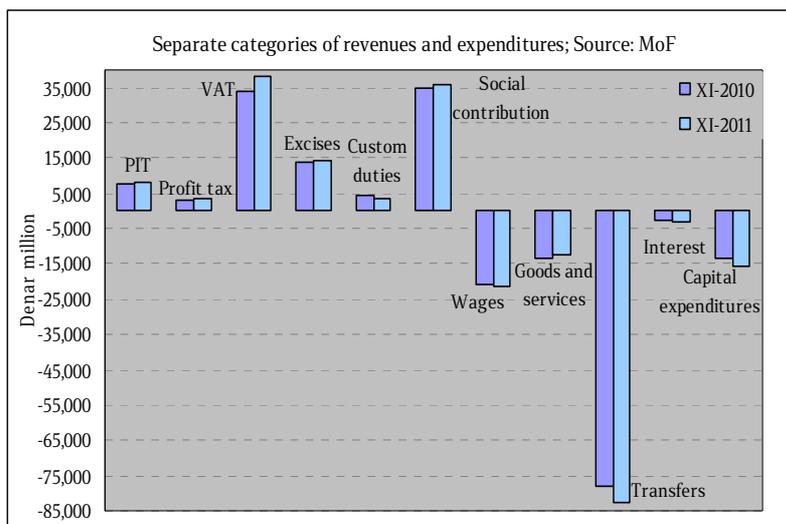
In the period January-November 2011, total budget revenues reached an amount of Denar 123,973 million, i.e. 27.2% of GDP, which was by 3.9% higher in relation to 2010.

Tax revenues in these eleven months were realized in the amount of Denar 70,805 million, i.e. 15.6% of GDP, being higher by 7.9% in relation to the same period in 2010.

Value added tax was realized in the amount of Denar 38,223 million, whereby share of VAT in total tax revenues in 2011 was dominant, amounting to 54.0%. Excises were realized in the amount of Denar 14,179 million (participating with 20.0% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 52,402 million, i.e. 74.0% of total tax revenues (11.5% of GDP). Thereby, VAT collection amounted to Denar 55,357 million on gross basis, Denar 17,134 million out of which was refunded to taxpayers (gross collection was higher by 14.6%, while VAT refund was higher by 19.7% compared to the same period in 2010).

Structure of sales in the country shows that sales of goods and services, taxed with the general tax rate of 18% surged by 13.60%, while sales taxed with preferential tax rate of 5% increased by 12.2%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 8,381 million, increasing by 7.6% on annual basis (around $\frac{3}{4}$), i.e. revenues on

the basis of salaries account for 72.2% of the personal income tax. Compared to the same period in 2010, revenues on the basis of profit tax experienced growth of 15.0%, being mainly a result of the increase of additional payments on the basis of annual tax balances, the annual tax on turnover, while there was decrease of the tax collected on the basis of paid dividend and other distribution of profit (it is worth to mention the fact that profit tax registered higher performance, in relation to the overall plan for the analyzed period, by



14.2%). VAT revenues experienced growth of 12.5%, while excises experienced more moderate increase, i.e. higher performance by 4.1%. Revenues on the basis of customs duties were realized in the amount of Denar 3,434 million, decreasing by 20.7%.

Non-tax revenues declined by 8.4% in relation to the same period in 2010, i.e. they amounted to Denar 11,875 million (these revenues are revenues collected on the basis of administrative fees, road toll, etc.).

Capital revenues realized on the basis of sale of construction land, flats and dividends reached Denar 3,342 million, decreasing by 4.8% compared to the same period in the previous year.

Collection of social contributions amounted to Denar 35,721 million, being higher by 2.7% compared to the same period in 2010, whereby collection of pension insurance contributions and employment contributions increased by 2.8%, while collection of health insurance contribution surged by 2.5%.

Budget Expenditures

In the period January–November 2011, total budget expenditures amounted to Denar 134,510 million, i.e. 29.5% of GDP, which was higher by 5.1% compared to 2010.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 119,014 million accounted for 88.5% (26.1% of GDP) and they increased by 3.9% in relation to the eleven months in 2010.

Transfers amounting to Denar 82,546 million (18.1% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 21,210 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 15.8% and, in relation to 2010, they increased by 2.4%.

Expenditures related to goods and services amounted to Denar 12,346 million, decreasing by 6.4% compared to the same period in 2010.

Transfers increased by 5.7% compared to the same period in 2010, participating with 61.4% in the total expenditures. Social transfers amounted to Denar 61,333 million, increasing by 5.7% and participating with 45.6% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 35,849 million, increasing by 4.2%, compared to the same period in 2010 and accounting for 26.7% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 15.2% in the total expenditures, i.e. they surged by 8.4% compared to the same period in 2010.

Interest was collected in the amount of Denar 2,912 million, being by 11.2% more compared to the same period in 2010. Such increase was mainly due to the payment of due interest on the basis of foreign borrowing. Costs related to interest on the basis of domestic borrowing increased by 9.9%, while the ones on the basis of foreign borrowing surged by 12.0%.

In the analyzed period, the funds for capital expenditures were realized in the amount of Denar 15,496 million (3.4% share in GDP), i.e. they increased by 16.0% compared to the same period last year.

Budget Balance

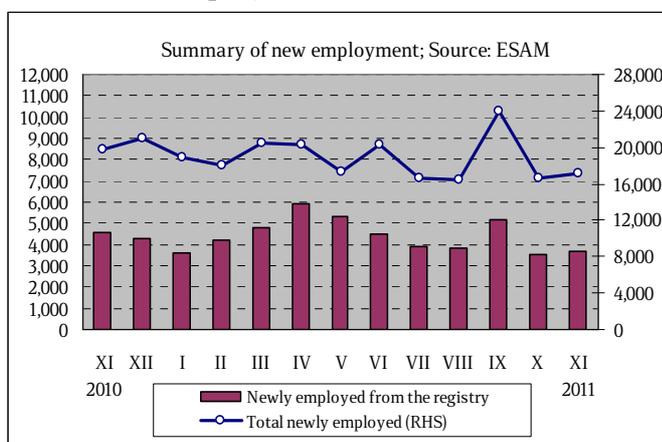
In the period January-November 2011, the budget deficit reached the amount of Denar 10,537 million, being 2.3% of GDP, while central budget deficit amounted to Denar 8,302 million or 1.8% of GDP.

4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM

In the period January-November 2011, Employment Agency of the Republic of Macedonia registered total of 206,157 new employments. 38.1% out of the total number of newly employed was on the basis of full-time employment, while the rest of the employed were on the basis of temporary employment and seasonal workers. Compared to the same period in 2010, number of newly employed persons dropped by 2.5%.

During November, 17,163 new employments were registered, 21.6% out of which were from the unemployed records. Outflow of persons from the



Employment Agency Registry of the Republic of Macedonia amounted to 14,583 persons in November, 25.2% out of which were new employments. In November, 10,666 persons were registered as inflow to the Agency, 51.7% out of which were persons whose employment was terminated. As a result, unemployment reduced by 3,917 persons, i.e. by 1.4% compared to the previous month. Thus, in November 2011, 283,236 persons were registered as unemployed. Compared to the same month in 2010, number of unemployed persons declined by 11.9%.

Major percentage of the unemployed, i.e. 66.9% came from urban areas (cities), whereby 57.3% were men. Analyzed by education structure, major part, i.e. 50.2% of unemployed persons were unskilled or semi-skilled, while only 9.72% was with community college or higher education level. Observed by age, majority of the unemployed persons or 56.1% fall in the category of 25-49 years of age. According to the time they waited for a job, 48.4% of the unemployed persons sought job from 1 to 7 years, while 29.5% sought job for 8 years and more.

Salaries

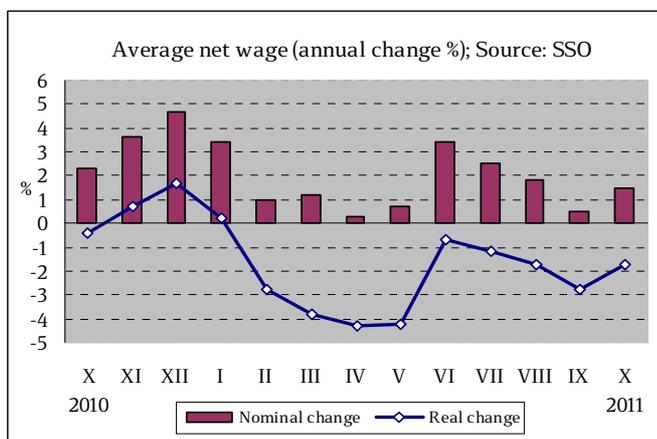
According to the data from the State Statistical Office, average monthly paid gross salary per employee in October 2011 amounted to Denar 30,680, while average monthly paid net salary amounted to Denar 20,902¹.

On monthly basis, in October 2011, average gross salary increased by 1.1% in nominal terms, while it was higher by 0.8% in real terms. In the same period, average net salary was higher by 1.2% in nominal terms, amounting to 0.9% in real terms.

In October 2011 compared to the same month in 2010, average gross salary increased by 1.3% in nominal terms, while it was lower by 1.9% in real terms. In the same period, average net salary was higher by 1.5% in nominal terms, decreasing by 1.7% in real terms.

On cumulative basis, in the period January-October 2011, average gross salary increased by 1.5% in nominal terms, while it was lower by 2.5% in real terms. In the same period, average net salary increased by 1.6% in nominal terms, while it was lower by 2.4% in real terms.

Highest increase of average monthly gross and net salary per employee in October 2011, compared to October 2010, was registered at the following: other services (13.5% gross salary and 14.1% net salary), art, entertainment and recreation (10.6% gross salary and 10.5% net salary), activities related to real estate (8.7% gross salary



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

and 6.1% net salary) and agriculture, forestry and fishing (7.8% gross salary and 9.0% net salary).

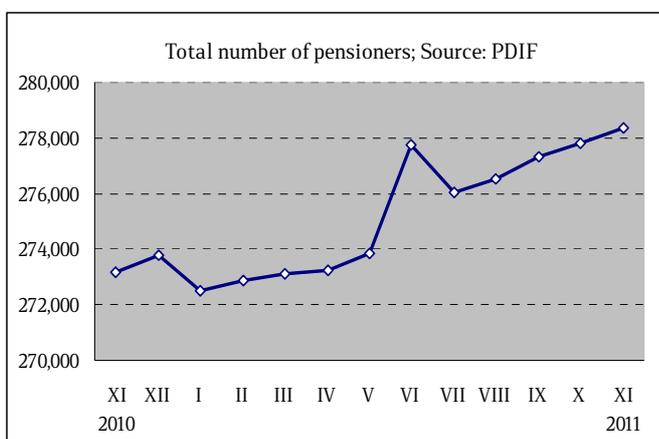
Decrease of average monthly gross and net salary per employee in October 2011, compared to September 2011, was registered at the following: other services (6.0% gross salary and 6.2% net salary), and agriculture, forestry and fishing (3.5% gross salary and 4.0% net salary) and health and social protection activities (3.2% gross salary and 3.9% net salary).

Percentage of employees who did not receive salary in October 2011 amounted to 2.4% and compared to both the same month in the previous year and September 2011, it was higher by 0.1 percentage point.

Pensions

In November 2011, Pension and Disability Insurance Fund registered 278,349 pensioners, increasing by 1.9% compared to the same month in 2010. Number of pension beneficiaries increased by 563 persons in relation to October 2011. 55.8% out of the total number of pensioners are beneficiaries of old-age pension, 27.4% of survival pension and 16.9% of disability pension.

In November 2011, Denar 2,925.36 million was spent for payment of pensions, accounting for 51.2% of the total social transfers².



Average pension in November 2011 amounted to Denar 10,661, increasing by 3.8% on annual basis. Ratio between average pension and average paid salary in October 2011 (the most recent available data) amounted to 50.8%.

5. Monetary Sector

Primary Money

In November 2011, primary money³ experienced intensified growth of 1.9% on annual basis, in conditions of growth of ready money in circulation by 6.5% and lower decline of total liquid assets of banks by 1%. On monthly basis, primary money dropped by 1.3%, as a result of drop of ready money in circulation by 3%. Total liquidity of banks remained at the same level as in the previous month.

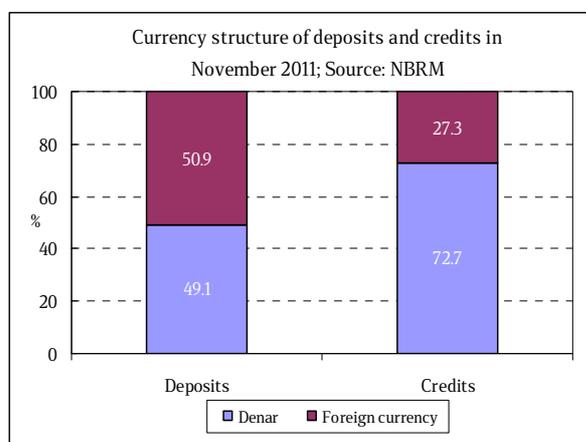
² Category social transfers includes pensions, unemployment benefit, social assistance and expenditures for health protection.

³ Primary money is calculated as a sum of ready money in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars)

In November 2011, National Bank of the Republic of Macedonia kept the level of interest rate on central bank bills unchanged, i.e. at 4.0%. In addition, interest rate on available overnight credits was kept at the level of 5.5%.

Deposit Potential

Total deposit potential of banks⁴ in November 2011 increased by 0.8% on monthly basis driven mainly by the increase of deposits of households by 1%. On the other hand, deposits of private enterprises increased by 1.4%. From currency point of view, Denar deposits slowed down the increase to 0.6% on monthly basis, while foreign currency deposits surged by 1%.

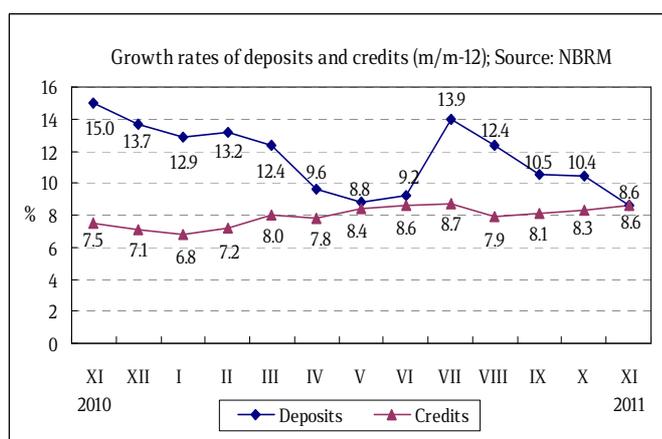


Total deposits on annual basis continued the growth slowdown trend. In fact, they increased by 8.6% compared to the increase by 10.4% realized in October. New saving arises mainly from the increased saving of households by 12.2%, while deposits of private enterprises were higher by 5%.

Analyzed according to currency, denar deposits were higher by 9.6% on annual basis, realizing dominant contribution to the growth of total deposits despite the slowdown of their growth. Foreign exchange deposits surged by 7.7%. According to maturity, long-term deposits experienced high increase by 29.3%, while short-term deposits were higher by 6% on annual basis.

Bank Credits

In November 2011, total credits of banks to the private sector increased by 0.6% on monthly basis. Credits to private enterprises increased by 0.6% compared to the previous month, while credits to households were higher by 0.6%. According to the currency structure, foreign currency credits increased by 0.5%, while Denar credits surged by 0.7%.



On annual basis, the trend of intensifying the growth of credits continues. Higher level of crediting to private enterprises of 9.2%

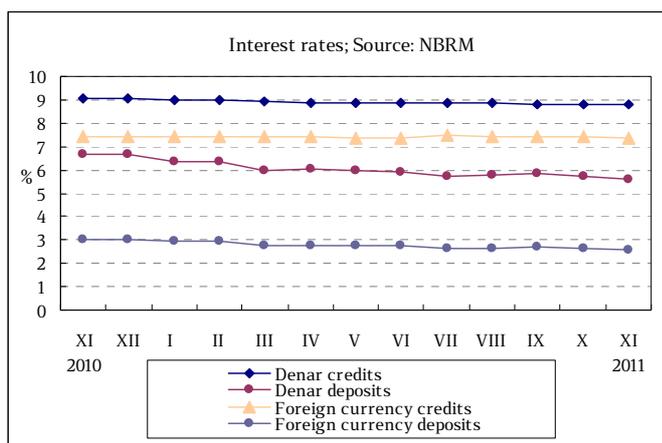
⁴ Starting January 2009, deposits include calculated interest

contributed mostly to the growth of total credits of 8.6%, compared to the same month last year. Household credits increased by 7.7% in November.

From currency point of view, Denar credits experienced annual growth of 3.7%, while foreign currency credits registered high growth of 24.2%. As regards maturity, long-term credits increased by 13.2% on annual basis, while short-term credits were lower by 1.1%.

Interest Rates of Deposit Banks

In November 2011, lending rates of deposit banks retained the same level as in the previous month. In fact, interest rate on Denar credits, including interest rates on Denar credits without foreign currency clause and Denar credits with foreign currency clause, was 8.8%, dropping by 0.3 p.p. on annual basis. Interest rate on foreign currency credits amounted to 7.4% being at the same level since November 2010.



Borrowing rates of banks were lower by 0.1 p.p. on monthly basis. Interest on Denar credit balance, including interest rates on Denar deposits without foreign currency clause and Denar credits with foreign currency clause, was 5.6%, which, compared to November 2010, dropped by 1 p.p..

Interest rate on foreign currency deposits amounted to 2.6%, decreasing by 0.4 p.p. compared to the same period in 2010.

Foreign Currency Reserves

Gross foreign currency reserves at the end of November 2011 amounted to EUR 1,846.4 million and, compared to the previous month, they were higher by EUR 7.8 million, while compared to November 2010, foreign currency reserves were higher by EUR 160.3 million.

Ministry of Finance

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Skopje, January 2011