



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

February 2011



April 2011, Skopje

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

February 2011

- High industrial production growth in February 2011 compared to 10.9% in February 2010 was the highest growth on annual basis in the last 14 months;
- Monthly increase of general price level by 0.9%, and 3.9% annual increase;
- Increase in the physical output of export in February 2011 by 16%, with high valuable nominal growth of 51.1% compared to 2010. Increase in imported quantities of goods was 35.6%, with valuable nominal growth of 66%;
- Increase of both total budget revenues by 12.2% and total expenditures by 2.4% in the first two months of 2011 compared to the same period last year; Deficit of the Budget of the Republic of Macedonia in the amount of Denar 2,390 and central budget deficit in the amount of Denar 1,953 million;
- Increase of total credits to the private sector by 7.2% on annual basis, with simultaneous increase of total deposit potential of banks by 13.2%.
- Number of unemployed person reduced by 5.5% in February 2011 compared to February 2010.

1. Real Sector

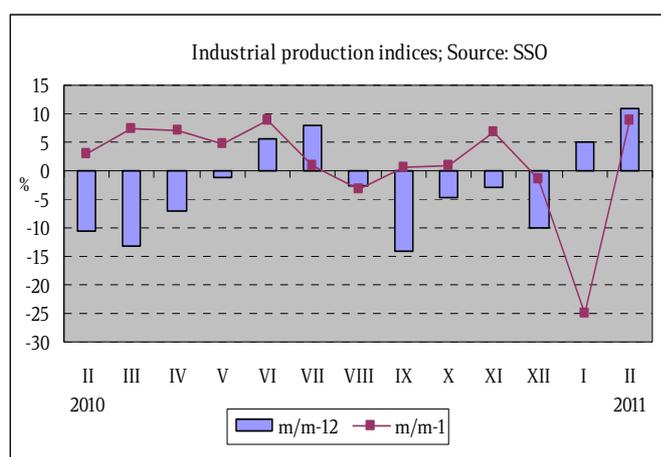
Industrial Production

Industrial production in February 2011 compared to February 2010 experienced high growth of 10.9%, being the highest growth on annual basis in the industrial production in the last 14 months. Analyzed by sectors on annual basis, processing industry experienced significant growth of 16.6%. Mining and quarrying sector dropped by 2.7%, whereby extraction of coal and lignite, having the highest share in the industrial production structure, increased by 27.6%. Electricity, gas, steam and air-conditioning supply sector dropped by 7.9%.

	m/m-1	m/m-12	I-II 2010
			I-II 2009
Total	8.7	10.9	8.5
Ore and stone extraction	0.6	-2.7	-0.2
Processing industry	14.0	16.6	13.1
Electricity, gas and water supply	-10.1	-7.9	-6.3

Source: SSO

As for processing industry, positive annual growth was seen at 15 out of the 23 branches accounting for 64% of the industrial production, whereby significant growth was evidenced in three driving branches with the two-digit share in the industrial production. Thus, production of clothing experienced high growth of 38.1% and production of metals grew by 37%, thus continuing the trend of high growth rates at these branches, whereby production of food products was almost at the same level with a rate of only 0.1%. High growth of industrial production was also realized at the following branches: production of other transport equipment – 370.8%, production of electrical equipment 229%, production and installation of machines – 100%, production of wood, wood and cork products – 75%.



Production of electrical equipment (9.5 p.p.) contributed the most to the annual growth of industrial production in February, as well as in January 2011, while production of beverages had the highest negative contribution (-1.2 p.p.).

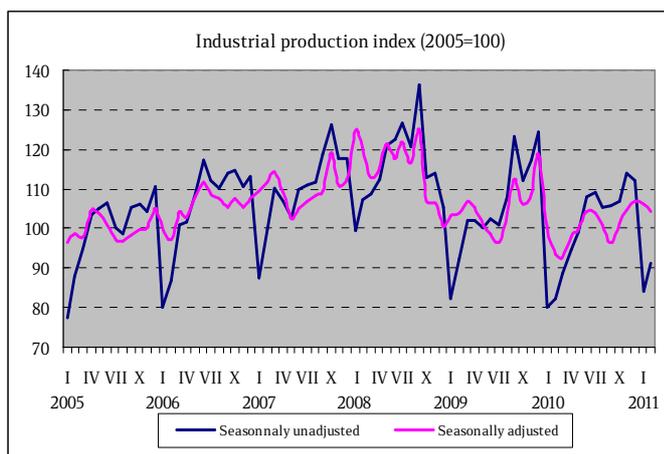
Production of electrical equipment (9.5 p.p.) contributed the most to the annual growth of industrial production in February, as well as in January 2011, while production of beverages had the highest negative contribution (-1.2 p.p.).

Industrial production in February compared to January 2011 increased by 8.7%. Sector analysis points out that growth was registered at the processing industry – 14% and mining and quarrying sector – 0.6%, while electricity, gas, steam and air-conditioning supply sector dropped by 10.1%. As for processing industry, monthly growth was registered at 16 out of 23 branches, being around 72% of the industrial production. On monthly basis, out of the branches with high share in the industrial production structure, production of food products increased by 3.8%, production of

clothing surged by 13.1% and production of metals by 13.8%. De-seasoned monthly growth of industrial production in February 2011 was -1.9%, pointing out to positive seasonal effects in the industry.

On cumulative basis, industrial production in the period January-February 2011 increased by 8.5% compared to the same period in 2010. Processing industry sector registered high growth of 13.1%. Mining and quarrying sector experienced minimum drop of 0.2%, while the supply of electricity, gas and water sector decreased by 6.3%.

Analyzed according to main industrial groups, in February 2011 compared to February 2010, increase of production is seen at the following: Energy - 1.2%, intermediary goods, except energy - 18.2%, capital products - 81.9%, consumer durables - 22.4% and consumer non-durables - 3.2%.



On monthly basis, data on the industrial production according to main industrial groups in February 2011 shows increase at: Intermediary goods, except energy - 16.9%, capital products - 29.5%, and consumer non-durables - 9.2%, while drop was seen at energy - 3.5%, and consumer durables - 2.6%.

On cumulative basis, in the period January-February 2011 compared to the same period last year, growth was registered at the groups: Intermediary goods, except energy - 19.59%, capital products - 78%, and consumer durables - 20.9% and consumer non-durables - 0.8%, while drop was seen at energy - 2.6%.

Business Trends in the Processing Industry

Economic trends of business entities in February 2011 were more favourable compared to the previous month, as well as in relation to February 2010, showing continuous improvement in the last four months. Assessment for the current state of order-to-production was more favourable compared to the previous month, as well as in relation to the same month of the previous year, whereby there was also improvement at domestic and foreign orders. In February 2011, assessment for the production volume in the past three months was more favourable compared to January 2011 and much more favourable compared to February 2010. Production volume of business entities in February 2011 increased compared to the previous month. Expectations for the production volume in the coming three months are more favourable compared to the previous month and much more favourable compared to the same month last year, as well as the expectations for the number of employees, pointing out to further overall improvement of the developments in the processing industry. In February 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 in February 2011 declined compared to the previous month. According to the assessment of managers, average purchase prices of inputs, as well as selling prices of ready-made products will increase in the period to come.

Average utilization of the capacities of business entities in February 2010 was 59.6% of the regular utilization, being an increase compared to the previous month, when it accounted for 58.6%. However, compared to February 2010, utilization of capacities increased by 8.4 p.p., showing significant improvement.

According to the assessment, following factors limited the most the production volume in February 2011: insufficient foreign demand - 23%, insufficient domestic demand - 17%, financial problems - 12.9%, uncertain economic surrounding - 10.8%, lack of qualified labour force - 8.6%, competitive import - 7.4%, lack of raw materials - 4.7% and unclear economic events - 4.5%. In February 2011, most of the business entities (increase by 3.2 p.p. compared to January) pointed out the insufficient foreign demand as limiting factor for the production increase. In February 2011, 4.5% of the business entities pointed out the unclear economic laws as limiting factor, decreasing by 2.6 p.p. compared to last month. As regards other factors, there are no significant changes.

Number of Workers in the Industry

Number of workers in the industry in February 2011 compared to February 2010 increased by 1.9%. Sector analysis points out to increase of the number of workers on annual basis in the mining and quarrying sector by 3.8%. Thereby, high growth of 12% was seen at the sector other mining and quarrying, extraction of coal and lignite sector increased by 6.4%, while mining of metal ore dropped by 1.5%. Processing industry sector increased by 1.7%. As for processing industry, high increase in the number of employees on annual basis was registered at the production of metals - 25.3%, which is of great significance, taking into account the high share in the industrial production, reflecting through the industrial production growth of 37% in February. Significant increase of the number of workers on annual basis was also seen at the following: Production of machines and devices - 16.1%, production of fabricated metal products - 9.7%, production of leather - 8.3%, production of chemicals and chemical products - 3.6% and production of furniture - 3.2%. Number of workers in the electricity, gas, steam and air-conditioning supply sector increased by 2.7% on annual basis.

On cumulative basis, in the period January-February 2011 compared to the same period in 2010, the number of workers in the industry increased by 0.9%. Thereby, mining and quarrying increased by 3.7%, processing industry increased by 0.4%, electricity, gas, steam and air-conditioning supply increased by 2.7%.

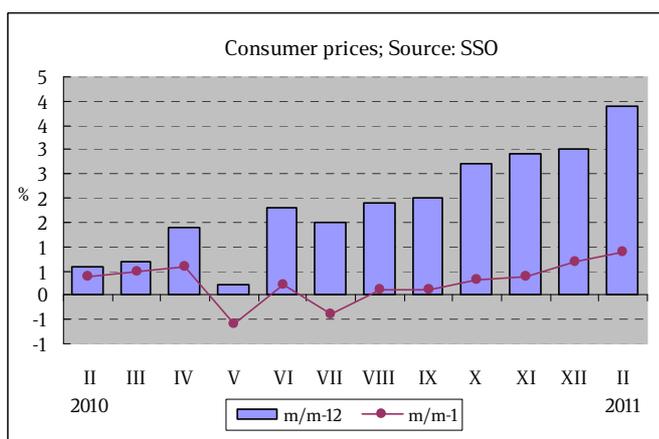
Data on the number of workers in industry by main industrial groups in February 2011 compared to February 2010, showed increase in the number of workers at the energy group - 2%, intermediate goods, except energy - 5.6% and capital products - 6.4%, while minimum drop was registered at the group consumer non-durables - 0.5%.

On cumulative basis, the data on the number of workers in industry by main industrial groups in the period January - February 2011 compared to the same period in 2010 showed increase in the number of workers at the energy group – 2%, intermediate goods, except energy – 4.6%, capital products – 4.3% and consumer durables – 1%, while drop of 1.8% was registered at the group consumer non-durables.

Inflation

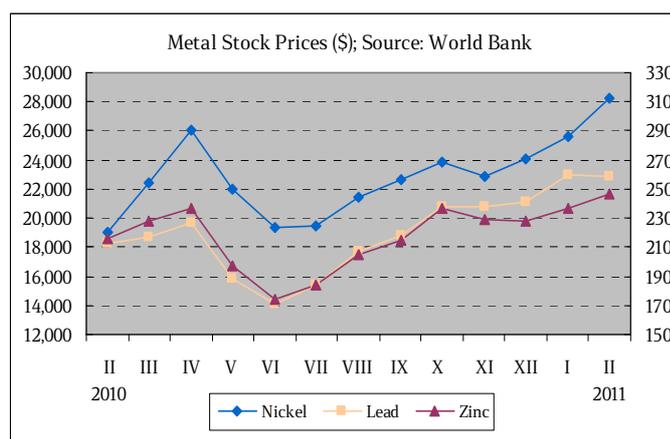
In February 2011, inflation (CPI) amounted to 3.9% compared to the same month in 2010, i.e. 0.9% compared to the previous month. Inflation rate in the first two months of 2011 amounted to 3.6%.

Increase of prices on annual basis was the highest in the food sector – 6.8%, which had the highest share of almost 38% in the structure. Price increase was also registered at the following categories: means of transport and services – 4.6%, housing – 2.3% as a result of increase of prices for rents, water and services, hygiene and health – 1.4%, restaurants and hotels and tobacco and beverages – 1.1%, clothing and footwear – 1.0%. Price decline was registered at the following categories: administrative and financial services by 8.3% and culture and entertainment by 0.5%.



Retail prices in February 2011 were higher by 3.8% compared to February 2010.

In February 2011, oil price on world stock markets increased by 8.0% compared to the previous month, reaching the price of US\$ 104.0 per barrel. Compared to February 2010, oil price surged by 39.9%. Natural gas price dropped by 4.7% on monthly basis.



In February, general price increase was sent at metal products on the global stock markets, whereby price of nickel, as a product having high share in the Macedonian export, increased by 10.2% on monthly basis, reaching US\$ 28,252 for a metric ton (\$/mt). Compared to February 2010, nickel price was higher by 48.9%.

Price of tin in February was higher by 14.8% compared to the previous month, price of iron ore surged by 4.8%, while price of steel products grew by around 2%. Only

and minimum drop of the price at metal products was registered for the lead, decreasing by 0.6%.

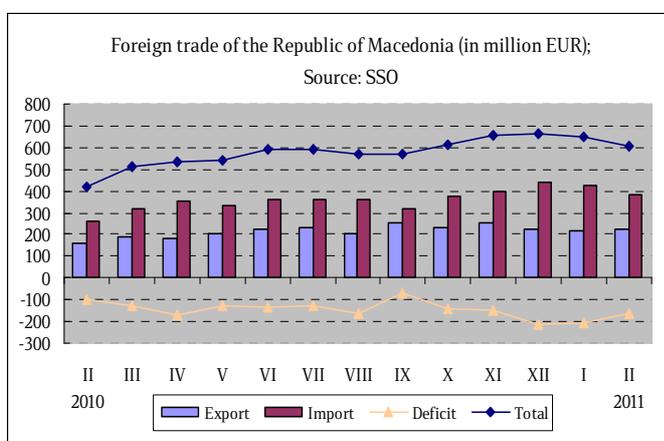
2. Foreign Trade

Total foreign trade in the first two months of 2011 experienced high growth of 60.5% compared to the same period in the previous year, as a result of simultaneous increase of export and import on annual basis.

Export

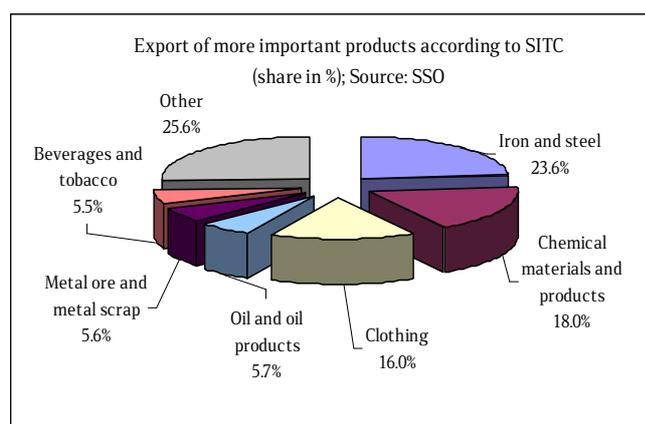
Analyzed on annual basis, in the first two months of 2011, overall physical output of export surged by 16%, and its value reached EUR 442.5 million, being high increase by 51.1% compared to the period January - February 2010.

Analyzed on monthly basis, in February 2011, export increased by 3%, compared to the previous month. Seasonal adjusted trend of export in February dropped by 5.7% on monthly basis, pointing out to positive effects of the seasonal factor (8.6 p.p.) on export this month.



In line with the changed structure, the following products were most exported: Catalysts with precious metals or precious metal compounds as active substance, followed by iron and steel products (hot rolled and cold-rolled products), clothing, ferronickel and petroleum oil preparation.

Main groups of export goods (**according to SITC**) having the biggest share in 2011 were the following: iron and steel – 23.6%, chemical materials and products - 18%, clothing 16%, oil and oil products 5.7%, metal ore and metal scrap - 5.6% and beverages and tobacco - 5.5%. These six groups of products comprised 74.4% of the total export in the country.

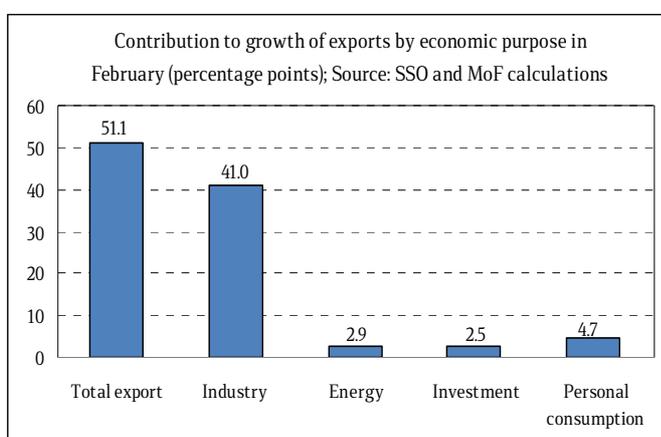


Analyzed by **economic purpose**, in the first two months of 2011, significant increase of the export was registered at the industrial products by EUR 87.8 (EUR 120 million), compared to the same month in the previous year. Export of personal consumption goods increased by 11.2% (EUR 13.6 million), while export of energy products was higher by 35% (EUR 8.4 million).

Import

Imported quantities of goods in the first two months of 2011 increased by 35.6%, and their value amounted to EUR 813.6 million or significant increase by 66% in relation to the first two months of 2010. Analyzed on monthly basis, in February 2011, export dropped by 10.3%, compared to the previous month. Seasonal adjusted trend of export in February dropped by 19.6% on monthly basis, pointing out to positive effects of the seasonal factor (9.3 p.p.) on export this month.

Platinum and platinum alloys, unwrought or in powder form, colloidal precious metals, their inorganic or organic compounds, amalgams of precious metals, crude oil, motor vehicles for transportation of persons and electricity were most imported products.



Following participated the most in the import of goods, (**according to SITC**), in the first two months of 2011: oil and oil products

participating with 14% in the total import, non-ferrous metals - 12%, iron and steel - 6.7%, textile yarns and similar - 5.4%, non-organic chemical products - 4.6%, road vehicles - 4.6%, electricity - 3.9%,

metal ore and metal scrap - 3.3%, products for colouring and tanning 3.2% and electrical machines, devices and spare parts 2.9%.

In the first two months of 2011, observed by economic purpose, significant increase of import was seen at industrial products by 2.3 times or EUR 228.4 million. Value of imported energy products amounted to EUR 107 million, increasing by EUR 54 million in relation to January-February 2010. Thereby, the imported consumer goods contributed with 3 p.p. to the total growth of import.

Trade Balance

Trade balance in the first two months of 2011 amounted to EUR 371.1 million, increasing by EUR 173 million compared to last year. Disaggregated, the increase of the negative trade balance was a result of combined effect from the widened

Import of main 10 products according to SITC in I-II 2010 and I-II 2011						
Rank	Group of products	Value in EUR mill. I-II 2010	Value in EUR mill. I-II 2011	Share in total import 2010	Share in total import 2011	Changes in the share (p.p)
1	Oil and oil products	79.1	113.8	16.2	14.0	-2.2
2	Non-ferrous metals	7.0	97.5	1.4	12.0	10.5
3	Iron and steel	34.9	54.2	7.1	6.7	-0.5
4	Textile yarns and similar	35.2	44.3	7.2	5.4	-1.8
5	Non-organic chemical products	8.6	37.6	1.8	4.6	2.9
6	Road vehicles	33.6	37.3	6.9	4.6	-2.3
7	Electricity	15.1	32.1	3.1	3.9	0.9
8	Metal ore and metal scrap	9.0	27.2	1.8	3.3	1.5
9	Products for colouring and tanning	2.6	26.3	0.5	3.2	2.7
10	El. machines, devices and parts	14.5	23.9	3.0	2.9	0.0
	Total (1-10)	239.4	494.2	49.1	60.7	11.6
	Total RM	487.8	813.7	100.0	100.0	0.0

Source: SSO

negative balance in the trade in non-ferrous metals, oil and oil products, non-organic chemical products, products for colouring and tanning, as well as the reduced positive balance of the trade in metal ore and metal scrap. Increased positive balance in the trade in chemical materials and products, iron and steel, clothing, tobacco and tobacco processed goods, fruit and vegetable, etc. had opposite effect. Such trends in the first two months of 2011 conditioned for the level of import coverage with export, amounting to 54.4%, to reduce by 5.4 p.p. compared to the same period in the previous year.

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

Export of iron and steel*)				
	I-II-2010	I-II-2011	Balance 2010-2009	% rate
.000 T	92.3	123.0	30.7	33.3
EUR mil.	62.5	104.7	42.2	67.5
\$ mil.	87.5	141.9	54.4	62.2

*)Previous data

Export of oil and oil products*)				
	I-II-2010	I-II-2011	Balance 2011-2010	% rate
.000 T	49.4	41.6	-7.8	-15.8
EUR mil.	22.6	25.3	2.7	11.9
\$ mil.	31.5	34.3	2.8	8.9

*)Previous data

Import of iron and steel*)				
	I-II-2010	I-II-2011	Balance 2010-2009	% rate
.000 T	92.6	109.3	16.7	18.0
EUR mil.	34.8	54.2	19.4	55.7
\$ mil.	48.7	73.5	24.8	50.9

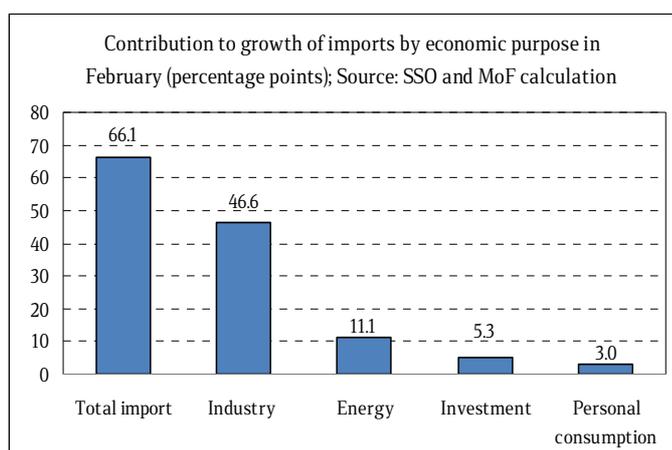
*)Previous data

Import of oil and oil products*)				
	I-II-2010	I-II-2011	Balance 2011-2010	% rate
.000 T	192.6	235.1	42.5	22.1
EUR mil.	79.1	113.7	34.6	43.7
\$ mil.	110.5	154.4	43.9	39.7

*)Previous data

In the first two months of 2011, in conditions of significant increase of trade with the European Union (EU27), in relation to January- February 2010, by 80%, share of trade with EU in the total foreign trade increased by 5 percentage points, accounting for 60.2%, whereby export of goods participated with 65.4% and import of goods accounted for 57.4%.

As a result of the structural changes in trade with abroad, in the first two months of 2011, 40% of the trade deficit of the country was a result only of the trade with Great Britain, followed by Russia, Serbia, Greece, Turkey, China, Switzerland, Ukraine, etc. Trade surplus was realized with Germany, Kosovo, Belgium, Albania, Croatia, etc.



Currency Structure

Observed by currency structure, 64.3% of the foreign trade in the first two months in 2010 was realized in euros, and compared to the same period in 2011, it dropped by 7.4 percentage points. On export and import side, the euro accounted for 77.6% and 57%, respectively, whereby share of the euro in export increased by 2 p.p., and the reduction of the share of the euro in import accounted for 12.3 p.p. compared to the first two months of 2010. Such decline of euro share in the import was due to

the increased import from the Great Britain, realized in GBP, participating with 18% in the currency structure of the import.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I-II 2010					I-II 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	347	338,666,156	61.1787	20,719,155,158	69.4	439	466,070,445	61.5097	28,667,853,251	57.1	127,404,289	37.6
USD	327	192,127,043	43.0495	8,270,973,138	27.7	465	263,404,594	45.5631	12,001,529,857	23.9	71,277,551	37.1
GBP	0	8,814,918	69.6755	614,183,816	2.1	0	125,138,459	72.5499	9,078,782,669	18.1	116,323,541	1,319.6
EUR+USD	674			28,990,128,296	97.1	905			49,748,165,777	99.1		
tot. import	675			29,846,359,707	100.0	403			50,206,920,085	100.0		68.2

Source: SSO and NBRM

3. Fiscal Sector

Budget Revenues

In the first two months of 2011, total budget revenues amounted to Denar 20,315 million, i.e. 4.5% of GDP, which was higher performance by 12.2% compared to 2010.

Tax revenues in the first two months were realized in the amount of Denar 11,699 million, being higher by 19.7% in relation to the same period in 2010.

Value added tax was realized in the amount of Denar 6,590 million, whereby share of VAT in total tax revenues in 2011 was dominant, amounting to 56.3%. Excises were realized in the amount of Denar 2,317 million (participating with 19.8% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 8,907 million, i.e. more than 3/4 of the total tax revenues (2.0% of GDP). Thereby, VAT collection amounted to Denar 9,604.7 million on gross basis, Denar 3,014.6 million out of which was refunded to taxpayers.

Structure of trading in the country points out that the sales of goods and services, taxed with the general tax rate of 18%, surged by 6.5%, sales taxed with preferential tax rate of 5% increased by 9.5%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 1,453 million, increasing by 11.1% on annual basis. Compared to 2010, VAT revenues experienced record growth of 35.4%, while excises increased by 7.7%. Profit tax revenues registered the highest drop of 29.1% (there was a significant drop on the basis of additional payments under annual tax balances for reducing

Total revenues and expenditures (Denar million)		
	I-II 2010	I-II 2011
Total revenues	18,115	20,315
Taxes	9,772	11,699
Personal income tax	1,308	1,453
Profit tax	402	285
VAT	4,866	6,590
Excises	2,152	2,317
Customs duties	537	495
Other taxes	507	559
Non-tax revenues	2,062	1,871
Contributions	5,805	5,823
Total expenditures	20,315	22,705
Current expenditures	19,876	20,182
Transfers	13,553	13,988
Goods and services	2,342	2,152
Salaries	3,831	3,817
Interest	151	225
Capital expenditures	2,296	2,523

the returned interest and the retained income tax of foreign legal entities, while income on the basis of tax for paid dividend and other profit distribution surged). Customs revenues were collected in the amount of Denar 495 million, being by 7.8% less compared to 2010.

Non-tax revenues declined by 9.3% in relation to the same period in 2010, i.e. they amounted to Denar 1,871 million (these revenues are revenues collected on the basis of administrative fees, road toll, dividend, etc.).

Capital revenues on the basis of sale of construction land and flats reached Denar 340 million, being higher by 72.6% than the previous year.

Collection of social contributions amounted to Denar 5,823 million, being higher by 0.3% compared to the same period in 2010, whereby collection of pension insurance contributions increased by 0.4%, the collection of health insurance contribution surged by 0.9%, while employment contributions declined by 5.0%.

Budget Expenditures

In the first two months of 2011, total budget expenditures amounted to Denar 22,705 million, i.e. 5.0% of GDP, which was by 2.4% less compared to 2010.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 20,182 million accounted for 88.9%, increasing by 1.5% compared to the same months in 2010, while capital expenditures, amounting to Denar 2,523 million participated with 11.1% in the total expenditures, increasing by 9.9% compared to the same period last year.

Transfers amounting to Denar 13,988 million accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 3,817 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 16.8% and compared to 2010, they minimally decreased by 0.4%.

Expenditures related to goods and services amounted to Denar 9,233 million, decreasing by 10.4% compared to 2009.

Transfers increased by 3.2% compared to 2010, participating with 61.6% in the total expenditures. Category Other Transfers, which includes transfers to local government units, accounted for 15.3% in the total expenditures. Transfers to the Pension and Disability Insurance Fund amounted to Denar 6,260 million, accounting for 27.6% in the total expenditures.

Interest was collected in the amount of Denar 225 million, being by 49.0% more compared to the same period in 2010. Such increase was mainly due to the payment of due interest for the second Eurobond.

Budget Balance

In the first two months of 2011, the budget deficit reached the amount of Denar 2,390 million, being 0.5% of GDP, while central budget deficit amounted to Denar 1,953 million or 0.4% of GDP.

4. Monetary Sector

Reserve Money

In February 2011, reserve money¹ showed accelerated growth of 5.8% on annual basis, in conditions of increase of total liquid assets of banks by 5.4% and accelerated increase of currency in circulation² by 6.3%.

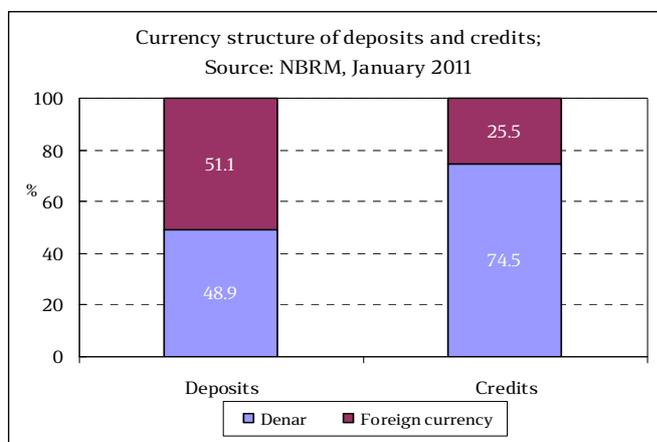
On monthly basis, reserve money dropped by 1.5%, as a result of the drop of total liquidity of banks by 3.2%. Currency in circulation increased by 1.1% on a monthly basis.

In February 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 overnight credits was kept at the level of 5.5%.

In February 2011, new instrument for liquidity risk management at banks – bill for six-month deposit was introduced. Thus, possibility was introduced for banks to deposit funds at the National Bank, bearing interest rate equal to six-month EURIBOR, increased by 0.5 percentage points. New instrument gives possibility for early withdrawal of funds, partially or fully, thus providing high liquidity of time deposits, with a possibility for generating market yield.

Deposit Potential

Total deposit potential of banks³ in February 2011 experienced monthly growth of 0.5%, in conditions of increase of both foreign currency deposits by 0.7% and Denar deposits by 0.4%. Analyzed by sectors, monthly growth of deposits of households amounted to 1.3% and deposits of private enterprises dropped by 1.5%.



On annual basis, increase of deposits intensified. In fact, total deposits in February 2011 increased by 13.2% on annual basis, compared to 12.9% in January 2011. From the point of view of sector structure, the growth was driven by the increase of deposits of households by 15.2%, contributing with 78%. Deposits of enterprises grew by 10.6% on annual basis.

¹ Reserve 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).

² Including cash in hand of the banks

³ Starting January 2009, deposits include calculated interest

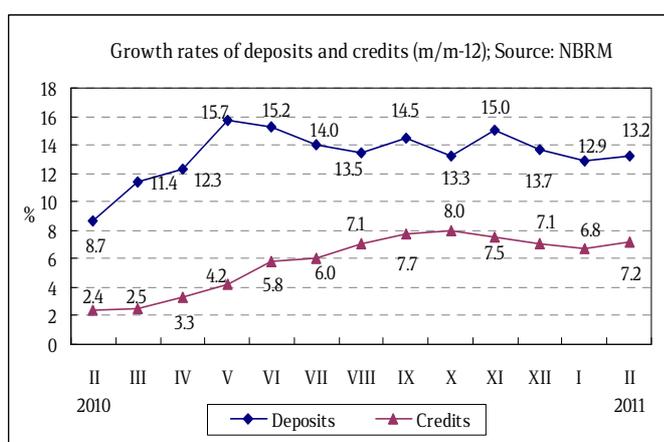
Analyzed according to the currency, Denar deposits grew by 19.3%, having dominant contribution of 67.5% to the growth of total deposits, while foreign currency deposits were higher by 8% on annual basis.

According to maturity, short-term deposits increased by 8.7% on annual basis (contributing with 46.3%) while long-term deposits highly increased by 41.8% (contributing with 40.5%). Deposit money increased by 10.3% on annual basis.

Bank Credits

In February 2011, total credits of banks to the private sector were higher by 0.9% on monthly basis. According to the sector analysis, credits to private enterprises increased by 1.4%, while credits to households were higher by 0.2%. According to currency, Denar credits increased by 0.8% and foreign currency credits increased by 1.3% on monthly basis.

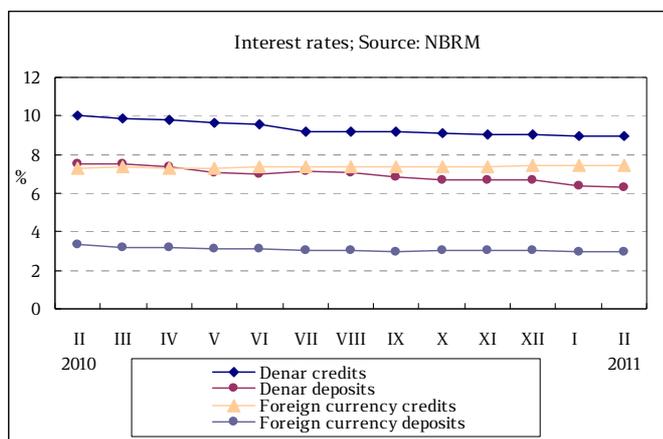
On annual basis, in parallel to the accelerated growth of deposit potential, credit activity of banks intensified. In fact, growth rate of credits was 7.2%, compared to 6.8% in January 2011. From sector point of view, credits to private enterprises had dominant contribution of 68.2% to the growth, increasing by 8.2% on annual basis. Credits to households increased by 5.8% in February.



From currency point of view, Denar credits experienced annual growth of 2.7%, while foreign currency credits registered high growth of 23%. At the same time, long-term credits grew by 11.3% on annual basis, while short-term credits increased by 0.6%.

Interest Rates

In February 2011, interest on debit balances did not change compared to the previous month. Interest on debit balance of Denar credits, including interest rates on Denar credits without foreign currency clause and Denar credits with foreign currency clause, was 9.0%, which, compared to February 2010, dropped by 1 p.p.. Interest on Denar credit balance, including interest rates on Denar deposits without foreign currency clause and Denar credits with foreign currency



clause, was 6.3%, which, compared to the previous month, dropped by 0.1 p.p., while in relation to February 2010, it declined by 1.2 p.p..

Interest rate on foreign currency deposits was 7.4%, being lower by 0.2 p.p. compared to February 2010. Interest rate on foreign currency deposits amounted to 2.9%, decreasing by 0.4 p.p. compared to February 2010.

Foreign Exchange Reserves

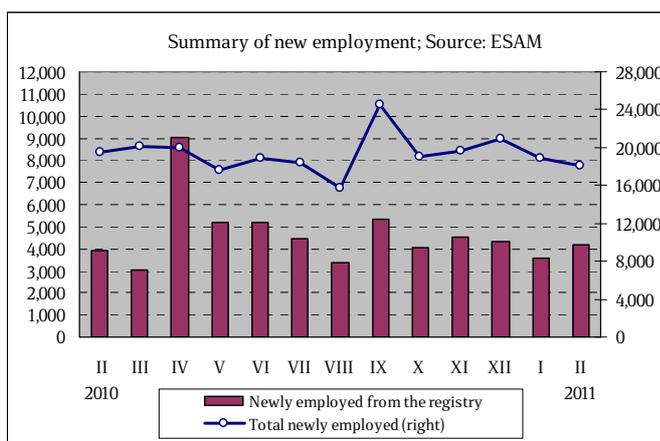
Gross foreign exchange reserves at the end of February 2011 amounted to EUR 1,702.5 million and compared to January 2011, they were lower by EUR 4.3 million, while compared to February 2010, they were higher by EUR 83 million.

5. Social Sector

Number of newly employed and registered unemployed persons in EARM

In the period January-February 2011, Employment Agency of the Republic of Macedonia registered total of 36,994 new employments. 35.3% out of the total number of newly employed was on the basis of full-time employment, while the rest was temporary employment and seasonal workers. Compared to the same period in 2010, number of newly employed persons declined by 1%.

In February, 18,104 new employments were registered, 23.2% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry amounted to 8,057 persons in February, 51.2% out of which were new employments. 9,951 persons were registered as inflow to the Agency, 47.2% out of which were persons whose



employment was terminated. As a result, unemployment increased by 1,894 persons, i.e. by 0.6% compared to the previous month. Thus, in February 2011, 323,947 persons were registered as unemployed. Compared to the same month in 2010, number of unemployed persons declined by 5.5%.

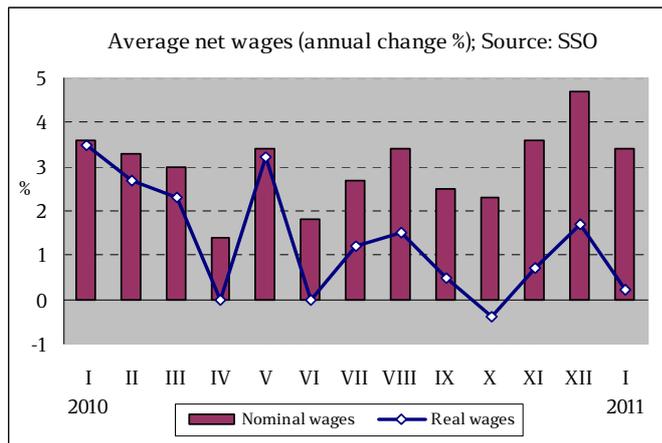
Major percentage of the unemployed, i.e. 66%, came from urban areas (cities), whereby 57.5% were men. Analyzed by education structure, major part, i.e. 51.9% of unemployed persons were unskilled or semi-skilled, while only 8.2% was with community college or higher education level. Observed by age, majority of unemployed or 57.5% fall in the category of 25-49 years of age. According to the time they waited for a job, 50.2% of the unemployed persons sought job from 1 to 7 years, while 29.7% sought job for 8 years and more.

Salaries

In line with the State Statistical Office, average monthly paid gross salary per employee in January 2011 (most recent available data) amounted to Denar 30,902, while average paid net salary for the same month amounted to Denar 21,029⁴.

Average net wage per employee compared to December 2010 was lower by 2% in nominal terms, while it amounted to 2.9% in real terms, while gross salary dropped by 1.7% in nominal terms and by 2.6% in real terms.

Decrease of gross and net salary compared to the previous month was a result of the seasonal effects, since in December, salaries are always higher as a result of the payment of bonuses and allowances to workers for their successful performance, and they were not paid in January.



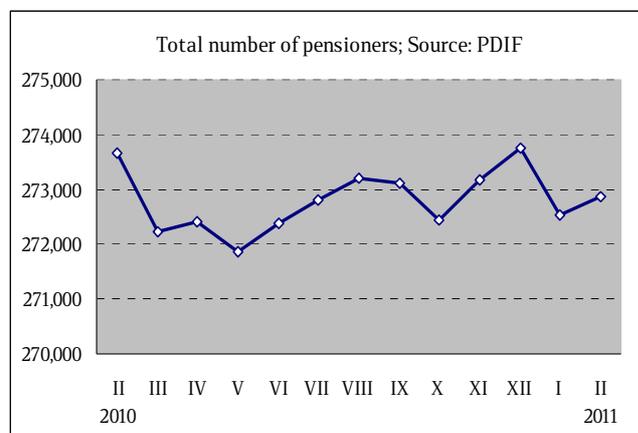
In January 2011, compared to the same month in 2010, average monthly net salary increased by 3.4% in nominal terms, while real average salary was higher by 0.2%. In January 2011 compared to the same month in 2010, average monthly gross salary increased by 3.2% in nominal terms, while real average gross salary was at the same level.

The highest increase of average monthly gross and net salary per employee in January 2011 compared to January 2010 was recorded in the following sectors: Financial and insurance activities (21.8% gross salary and 24.7% net salary), other services (18.1% gross salary and 17.8% net salary) and education (6.1% gross salary and 6.2% net salary).

Percentage of employed persons who did not receive salary in January 2011 amounted to 2.3%, decreasing by 0.3 percentage points compared to the same month in the previous year, while compared to December 2010, the percentage of employees who did not receive salary was identical.

Pensions

In February 2011, Pension and Disability Insurance Fund registered 272,870 pensioners, decreasing by 0.3 % compared to



⁴ State Statistical Office, at the beginning of this year, applied the new National Classification of Activities (NCA Rev. 2) for collecting processing of data on average monthly paid gross and net salary.

the same month in 2010. Number of pension beneficiaries increased by 295 persons in relation to January 2011. 55.2% out of the total number of pensioners are beneficiaries of old-age pension, 27.4% of survival pension and 17.4% of disability pension.

In February 2011, Denar 2,852.00 million was spent for payment of pensions, accounting for 54.8% of the total social transfers⁵.

Average pension in February 2011 amounted to Denar 10,374, increasing by 3.2% on annual basis. Ratio between the average pension and the average paid salary in January 2010 (the most recent available data) amounted to 49%.

⁵ Category social transfers includes the following: Pensions, unemployment benefit, social assistance and expenditures for health protection

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