



REPUBLIC OF MACEDONIA  
MINISTRY OF FINANCE  
Macroeconomic Policy Department

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# SHORT-TERM ECONOMIC TRENDS

March 2011

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May 2011, Skopje

## SUMMARY

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

March 2011

- High industrial production growth in March 2011 compared to 24.5% in March 2010 was the highest growth on annual basis in the last 5 years;
- inflation rate amounting to 5.2% on annual basis and 1.7% on monthly basis;
- Annual increase in the physical output of export in the first quarter of 2011 amounting to 18%, with high nominal valuable growth of 41.1%; increase in imported quantities of goods amounting to 28.6%, with valuable nominal growth of 45.9%;
- Increase of total budget revenues by 6.5% and total expenditures by 2.5% in the first two quarter of 2011 compared to the same period last year; Deficit of the Budget of the Republic of Macedonia in the amount of Denar 3,713 million and central budget deficit in the amount of Denar 3,205 million;
- Increase of total credits to the private sector in March by 8% on annual basis, with simultaneous increase of total deposit potential of banks by 12.4%.
- Number of unemployed person reduced by 5.4% in March 2011 compared to March 2010.

# 1. Real Sector

## Industrial Production

Industrial production in March 2011 compared to March 2010 experienced exclusively high growth of 24.5%, thus the trend of high growth rates from the start of the year continued. Sector mining and quarrying experienced high growth of 24.4% on annual basis, whereby mining and quarrying sector grew by 104.9%, extraction of coal and lignite surged by 45.9%, while mining of metal ore dropped by 23.3%. Processing industry

sector, comprising 83.7% of the industrial production recorded high growth of 28.9% on annual basis. Electricity, gas, steam and air-conditioning supply sector

increased by 4.1% in March 2011 compared to March 2010.

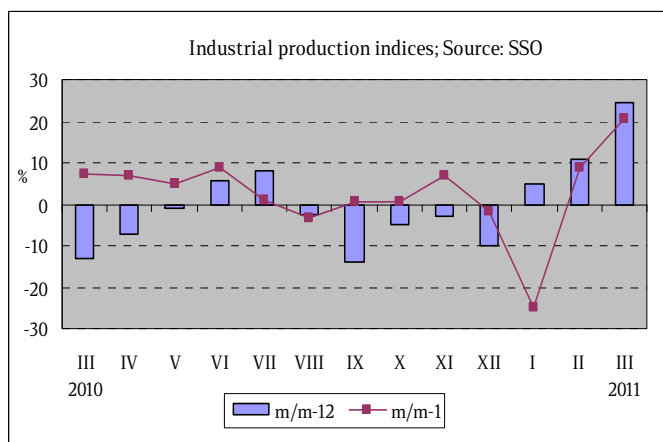
	m/m-1	m/m-12	I-III 2011
			I-III 2010
Total	20.5	24.5	13.8
Ore and stone extraction	22.1	24.4	7.9
Processing industry	23.2	28.9	18.4
Electricity, gas and water supply	6.6	4.1	-3.0

Source: SSO

As for processing industry, positive annual growth was seen at 14 out of the 23 branches accounting for 58.1% of the industrial production, whereby significant growth was evidenced in two out of three driving branches with two-digit share in the industrial production. Thus, production of clothing experienced high growth of 42.0% and metal production grew by 43.7%, thus trend of high growth rates at these branches continued, whereby production of food products declined by 3.6%.

Production of coke and refined oil products contributed the most to the annual industrial production growth in March with 24.3 p.p., participating with 4.53%, while production of leather with - 0.6%, with low share of 1.63% had the highest

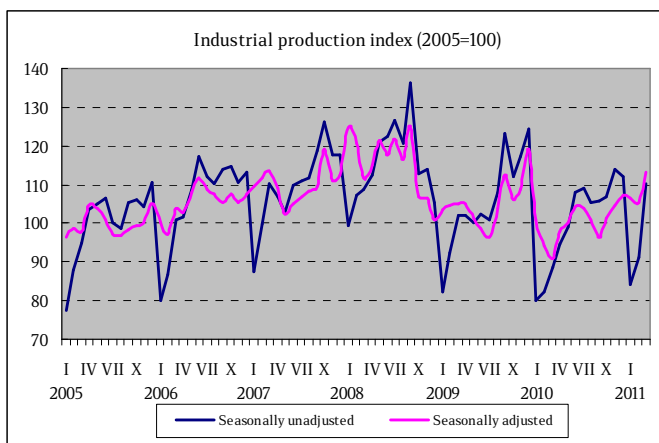
negative contribution to the total industrial production.



Industrial production in March compared to February 2011 increased by 20.5%. Sector analysis points out that growth was registered at the processing industry – 23.2%, mining and quarrying sector – 22.1% and electricity, gas, steam and air-conditioning supply sector - 6.6%. Processing industry experienced monthly growth at 17 out of 23 branches, being around 73.64% of the industrial production, whereby production of metals grew by 24.8%, production of food products increased by 20.6% and production of clothing surged by 3.4%. De-seasoned monthly growth of industrial production in March 2011 was 7.3%, pointing out to positive seasonal effects in the industry.

On cumulative basis, industrial production in the period January–March 2011 increased by 13.8% compared to the same period in 2010. Processing industry sector registered high growth of 18.4%. Mining and quarrying sector increased by 7.9%, while supply of electricity, gas, steam and air-conditioning decreased by 3%.

Data on the industrial production by main industrial groups in March 2011 compared to March 2010 show that all groups experienced increase in the production: Energy - 31.8%, intermediary goods, except energy - 23.6%, capital products - 47.4%, consumer durables - 150.2% and consumer non-durables - 9.3%.



On monthly basis, data on the industrial production by target groups in March 2011 show that there was increase in the production of the following groups: Energy – 4.3%, intermediary goods, except energy – 26.1%, capital products - 13.9%, consumer durables – 118.3% and consumer non-durables – 19.2%.

On cumulative basis, in the period January–March 2011 compared to the same period last year, growth was registered at the groups: Energy – 6.8%, intermediary goods, except energy – 19.9%, capital products - 64.6%, consumer durables – 65.2% and consumer non-durables – 3.9%.

### **Business Trends in the Processing Industry**

Economic trends of business entities in March 2011 were more favourable compared to the previous month, as well as in relation to March 2010, showing continuous improvement in the last five months. Assessment for the current state of order-to-production was much more favourable compared to the previous month and much more favourable compared to March 2010, whereby there was improvement at domestic orders, while the foreign ones experienced slight deterioration. Production volume of business entities in March 2011 increased compared to the previous month. In March 2011, assessment for the production volume in the past three months was more favourable compared to February 2011 and much more favourable compared to March 2010. Expectations for the production volume in March 2011 for the next three months were more favourable compared to the previous month and much more favourable compared to March 2010, as well as the expectations for the number of employees. In March 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 March 2011 increased 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 March 2011 was 61.6% of

the regular utilization, being an increase compared to last month, when it accounted for 59.6%. Compared to March 2010 (55.5%), utilization of capacities increased by 6.1 p.p., showing significant improvement.

Following factors limited the most the production volume in March 2011: insufficient foreign demand – 19.8%, insufficient domestic demand – 17.9%, financial problems – 12.7% uncertain economic surrounding – 10.6% and lack of qualified labour force - 8.3%. In March 2011, lower number of business entities (reduction by 3.2 p.p. compared to February) pointed out the insufficient foreign demand as limiting factor for production increase, and higher number of business entities pointed out the lack of both raw materials and equipment, as limiting factors compared to February 2010. As regards other factors, there are no significant changes.

### **Number of Workers in the Industry**

Number of workers in the industry in March 2011 compared to March 2010 increased by 1.1%. Sector analysis points out to increase in the number of workers on annual basis in mining and quarrying sector by 3.7% as a result of the high increase by 10.8% in the sector other mining and quarrying and increase by 7.0% in the sector extraction of coal and lignite. Mining of metal ore sector dropped by 1.6%.

Processing industry sector increased by 0.6%. As for processing industry, high increase on annual basis in the number of employees was registered at the metal production – 24.3%, which is of great significance, taking into account its high share in the industrial production. Increase of the number of workers on annual basis was also seen at the following: Production of machines and devices, elsewhere unmentioned – 17.2%, production of leather and similar articles of leather - 9.7%, production of fabricated metal products, except machines and equipment - 7%, production of chemicals and chemical products - 3.3%, other production industry - 1.5%, production of furniture - 1.2%, production of rubber products and products of plastic mass – 0.7% and production of clothing - 0.1%. Number of workers in the electricity, gas, steam and air-conditioning supply sector increased by 4.0%

On cumulative basis, in the first quarter of 2011 compared to the same period in 2010, the number of workers in the industry increased by 0.9%. Thereby, mining and quarrying sector increased by 3.7%, processing industry sector surged by 0.5%, electricity, gas, steam and air-conditioning supply increased by 3.2%.

Data on the number of industrial workers by target groups in March 2011 compared to March 2010 show that the highest increase in the number of workers was seen at the groups intermediary goods, except energy and capital products - 4.8%. Energy group increased by 2.9% while minimum drop was seen at groups consumer durables – 1.9% and consumer non-durables – 1.6%.

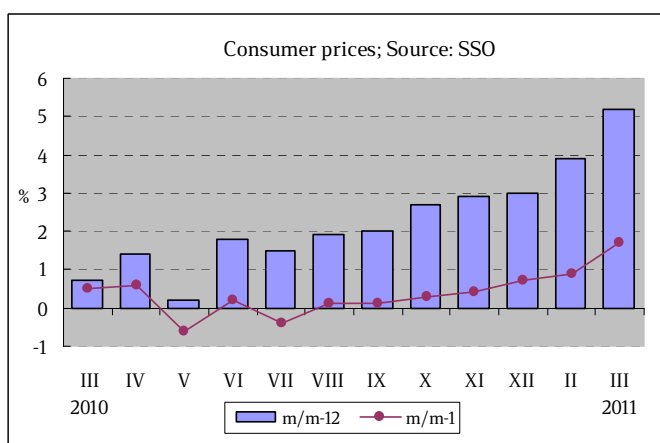
On cumulative basis in the first quarter 2011 in relation to the same quarter of 2010, the data on the number of workers in the industry by target groups show that increase in the number of workers was seen at groups intermediary goods,

except energy 4.7%, capital products 4.5% and energy 2.3%, while drop was registered at the group consumer non-durables -1.7%.

## Inflation

In March 2011, inflation (CPI) amounted to 5.2% compared to the same month in the previous year, i.e. 1.7% compared to the previous month. Inflation rate in the first quarter of 2011 amounted to 4.1%.

Price increase on annual basis was the highest in the category food by 9.1%, mainly as a result of the higher prices of cereal products and vegetable oil products. In 2011, category food participated with 38% in the Consumer Price Index structure. Price increase was also registered at the following categories: Means of transport and services – 4.9% as a result of the increase of prices of liquid fuels and oils, housing – 4.3%, restaurants and hotels – 2.3%, hygiene and health – 1.6%, tobacco and beverages and clothing and footwear – 1.2% and administrative and financial services – 0.1%. Drop was seen at prices for culture and entertainment – 1.0%.

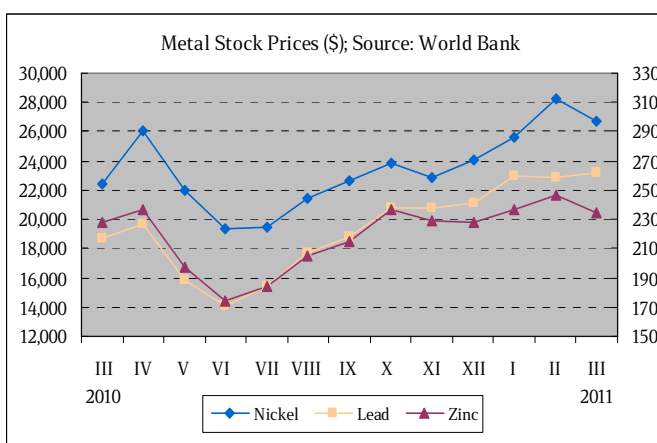


Retail prices in March 2011 were higher by 4.7% compared to March 2010.

In March 2011, oil price on global stock markets increased by 10.1% compared to the previous month, reaching the price of US\$ 114.4 per barrel. Compared to March 2010, oil price surged by 44.4%.

Price of natural gas in March experienced minimum drop of 0.4% compared to the previous month.

As regards metal products, nickel as product with high share in Macedonian export was traded on the global stock markets in March with an average price of US\$ 26,710 for a metric ton (\$/mt), being minimum drop of the price by 5.5%. Compared to March 2010, nickel price was higher by 18.9%. Monthly drop of prices in March was also seen at tin by 3.0%, copper by 3.7%, zinc by 5.0% and iron ore by 9.5%.



Price of steel products in March was higher by 8.0%, while price of lead increased by 1.4% compared to the previous month.

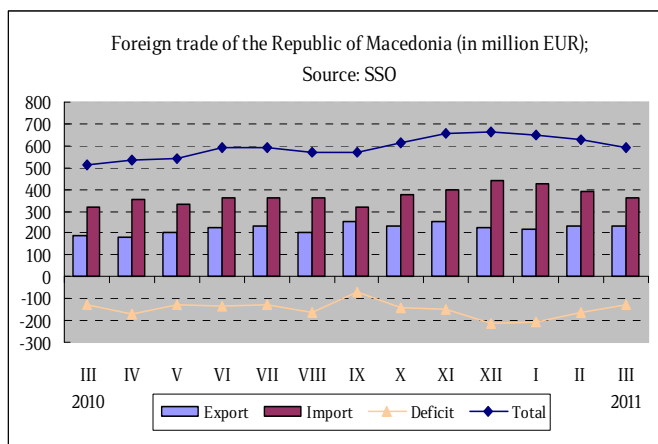
## 2. Foreign Trade

Total foreign trade in the first three months of 2011 experienced high growth of 44% compared to the same period in the previous year, as a result of simultaneous increase of export and import of goods.

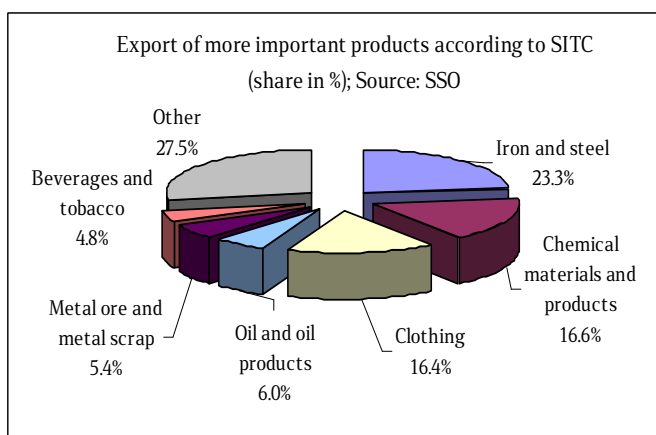
### Export

Analyzed on annual basis, in the first quarter of 2011, physical output of export surged by 18%, and its value reached EUR 682.3 million, being high increase by 41.1% compared to the first three months of 2010.

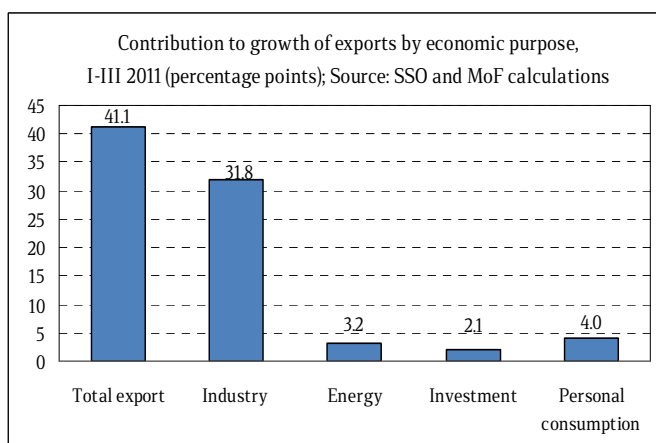
Analyzed on monthly basis, in March 2011, export of goods experienced minimum drop by 0.9%, compared to the previous month. Seasonal adjusted trend of export in March registered minimum drop by 8.7%, pointing out to positive effects of the seasonal factor (7.8 p.p.) on export this month.



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), ferronickel, clothing, petroleum oil preparation, ferrosilium, etc.



Main groups of goods (according to SITC) having the biggest share in export in the first three months of 2011 were the following: iron and steel - 23.3%, chemical materials and products - 16.6%, clothing 16.4%, oil and oil products 6%, metal ore and metal scrap - 5.4% and beverages and tobacco - 4.8%. These six groups of products comprised 72.6% of the total export in the country.



Analyzed by economic purpose, in the first quarter of 2011, significant increase of the export was registered at the industrial products by 67.2% (EUR 154 million), compared to the same month in the previous year. Export of personal consumption goods and energy products increased by 9.7% and 43.7%, i.e. EUR 19 and EUR 15 million respectively.

## Import

Imported quantities of goods in the first quarter increased by 28.6% and their amount of 1,181.5 million was higher by 45.9% compared to the first quarter of 2010. Analyzed on monthly basis, in March 2011, import dropped by 8.4%, compared to the previous month. Seasonal adjusted trend of import in March dropped by 16.8% on monthly basis, pointing out to positive effects of the seasonal factor (8.4 p.p.) on export this month.

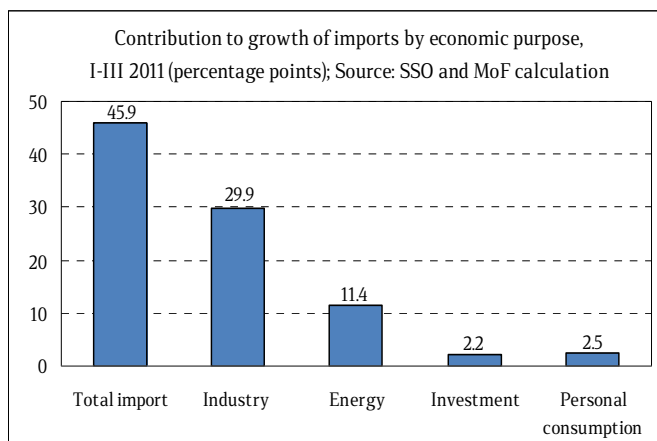
Export of iron and steel*)					Import of iron and steel*)				
	I-III-2010	I-III-2011	Balance 2011-2010	% rate		I-III-2010	I-III-2011	Balance 2011-2010	% rate
.000 T	166.0	192.0	26.0	15.7	.000 T	92.6	109.3	16.7	18.0
EUR mil.	107.0	159.0	52.0	48.6	EUR mil.	34.8	54.2	19.4	55.7
\$ mil.	148.0	218.0	70.0	47.3	\$ mil.	48.7	73.5	24.8	50.9

\*)Previous data

\*)Previous data

Crude oil platinum and platinum alloys unwrought or in powder form, hot rolled flat products in reels, colloidal precious metals and their inorganic or organic compounds, motor vehicles for transportation of persons, etc. were most imported products.

Following participated the most in the import of goods, (according to SITC), in the first quarter of 2011: oil and oil products (EUR 160.4 million, 13.6%), non-ferrous metals (EUR 110 million, 9.3%) iron and steel (EUR 80.8 million, 6.8%), textile yarns and similar (EUR 71.4 million, 6%), road vehicles (EUR 58.4 million, 4.9%), electricity (EUR 44.8 million, 3.8%), etc.



In the first quarter of 2011, observed by economic purpose, significant increase of import was seen at industrial products by 81% (EUR 241.7 million), compared to the same quarter last year. Value of imported energy products amounted to EUR 139 million, increasing by EUR 92 million. Thereby, the imported consumer goods contributed with 1.8 p.p. to the total growth of import in the first quarter of 2011.

## Trade Balance

Trade balance in the first quarter of 2011 amounted to EUR 499 million, increasing by EUR 173 million compared to the same period last year. Disaggregated, the increase of the negative trade balance was a result of combined effect from the widened negative balance in the trade in non-ferrous metals, oil and oil products,



inorganic 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, fruit and vegetable, etc. had opposite effect. Such trends in the first three months of 2011 conditioned for the level of import coverage with export, amounting to 57.7%, to reduce by 2 p.p. compared to the same period in the previous year.

Export of oil and oil products*)					Import of oil and oil products*)				
	I-III-2010	I-III-2011	Balance 2011-2010	% rate		I-III-2010	I-III-2011	Balance 2011-2010	% rate
.000 T	74.0	67.0	-7.0	-9.5	.000 T	251.0	303.0	52.0	20.7
EUR mil.	34.0	41.0	7.0	20.6	EUR mil.	102.0	160.0	58.0	56.9
\$ mil.	47.0	56.0	9.0	19.1	\$ mil.	141.0	219.0	78.0	55.3

\*)Previous data

\*)Previous data

Analyzed according to the economic groups of countries, in March, 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.

In the first three months of 2011, in conditions of significant increase of trade with the European Union (EU27), in relation to January- March 2010, by 1.5 times, share of trade with EU in the total foreign trade increased by 2.6 percentage points, accounting for 58.3%, whereby export of goods participated with 63.2% and import of goods accounted for 55.8%.

As a result of the structural changes in trade with abroad, in the first quarter of 2011, 32% of the trade deficit of the country was a result only of the trade with Great Britain, followed by Russia, Greece, China, Serbia, Turkey, Switzerland, Bulgaria, etc. Trade surplus was realized with Germany, Kosovo, Albania, Belgium, Croatia, etc.

## Currency Structure

Observed by currency structure, 67.8% of the foreign trade in the first quarter of 2011 was realized in euros, and compared to the same period in 2010, it dropped by 6.5 percentage points. On export and import side, the euro accounted for 78.4% and 61.8%, respectively, whereby share of the euro in export increased by only 1 p.p., and the reduction of the share of the euro in import accounted for 10.6 p.p. compared to the first three 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 13.3% in the currency structure of the import.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF														
import	I-III 2010						I-III 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	616	583,733,647	61.4015	35,842,121,526	72.4	679	734,064,529	61.5126	45,154,217,747	61.8	150,330,882	25.8		
USD	423	269,829,573	44.3686	11,971,960,393	24.2	589	384,467,737	45.0214	17,309,275,775	23.7	114,638,164	42.5		
GBP	1	21,652,715	69.2109	1,498,603,923	3.0	1	135,357,408	72.0363	9,750,646,826	13.3	113,704,693	525.1		
EUR+USD	1,040			47,814,081,919	96.6	1,269			72,214,140,347	98.8				
tot. import	1,042			49,510,864,403	100.0	1,272			73,060,202,790	100.0		47.6		

Source: SSO and NBRM

## 3. Fiscal Sector

### Budget Revenues

In the first three months of 2011, total budget revenues amounted to Denar 31,437 million, i.e. 7.0% of GDP, which was higher performance by 6.5% compared to 2010.

Tax revenues in the first three months were realized in the amount of Denar 18,194 million, being higher by 12.4% in relation to the same period in 2010.

Value added tax was realized in the amount of Denar 9,834 million, whereby share of VAT in total tax revenues in 2011 was dominant, amounting to 54.1%. Excises were realized in the amount of Denar 3,423 million (participating with 18.8% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 13,257 million, i.e. almost 3/4 of the total tax revenues (2.9% of GDP). Thereby, VAT collection amounted to Denar 14,548 million on gross basis, Denar 4,714 million out of which was refunded to taxpayers.

<b>Total revenues and expenditures (Denar million)</b>		
	<b>I-III 2010</b>	<b>I-III 2011</b>
<b>Total revenues</b>	<b>29,520</b>	<b>31,437</b>
Taxes	16,186	18,194
Personal income tax	2,111	2,242
Profit tax	879	920
VAT	8,204	9,834
Excises	3,140	3,423
Customs duties	953	809
Other taxes	722	774
Non-tax revenues	3,703	3,000
Contributions	9,109	9,138
<b>Total expenditures</b>	<b>33,624</b>	<b>35,150</b>
Current expenditures	30,396	31,154
Transfers	20,687	21,523
Goods and services	3,728	3,518
Salaries	5,751	5,755
Interest	230	358
Capital expenditures	3,229	3,996

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 12.3%, sales taxed with preferential tax rate of 5% increased by 9.9%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 2,111 million, increasing by 6.2% on annual basis. Compared to 2010, VAT revenues experienced record growth of 19.9%, while excises increased by 9.0%. Revenues on the basis of customs duties registered the highest drop of 15.1% (there was a significant drop on the basis of additional payments under annual tax balances for reducing 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). Revenues on the basis of customs duties were realized in the amount of Denar 809 million.

Non-tax revenues declined by 19.0% in relation to the same period in 2010, i.e. they amounted to Denar 3,000 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 543 million, realizing two-fold increase (103.3%) than the funds realized in the previous year.

Collection of social contributions amounted to Denar 9,138 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 0.6%, while employment contributions declined by 3.0%.

### **Budget Expenditures**

In the period January-March 2011, total budget expenditures amounted to Denar 35,150 million, i.e. 7.8% of GDP, which was higher by 4.5% compared to 2010.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 31,154 million accounted for 88.6%, increasing by 2.5% compared to the same three months in 2010, while capital expenditures, amounting to Denar 3,996 million participated with 11.4% in the total expenditures, increasing by 23.8% compared to the same period last year.

Transfers amounting to Denar 21,523 million accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 5,755 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 16.4%, and in relation to 2010 they increased by minimum 0.7%.

Expenditures related to goods and services amounted to Denar 3,518 million, decreasing by 5.6% compared to 2010.

Transfers increased by 4.0% compared to 2010, participating with 61.2% in the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 15.4% in the total expenditures. Transfers to the Pension and Disability Insurance Fund amounted to Denar 9,521 million, accounting for 27.1% in the total expenditures.

Interest was collected in the amount of Denar 358 million, being by 55.7% more compared to the same period in 2010. Such increase was mainly due to the payment of due interest on the basis of domestic borrowing, as well as for the second Eurobond.

### **Budget Balance**

In the period January-March 2011, the budget deficit reached the amount of Denar 3,713 million, being 0.8% of GDP, while central budget deficit amounted to Denar 3,205 million or 0.7% of GDP.

## **4. Monetary Sector**

### **Primary Money**

In March 2011, primary money<sup>1</sup> showed accelerated growth of 7.6% on annual basis, in conditions of intensified increase of total liquid assets of banks by 10% and increase of ready money in circulation<sup>2</sup> by 4.2%.

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<sup>1</sup> 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).

<sup>2</sup> Including cash in hand of the banks

On monthly basis, primary money dropped by 0.6%, as a result of drop of ready money in circulation by 1.8%. Such liquidity of banks surged by 0.1% on monthly basis.

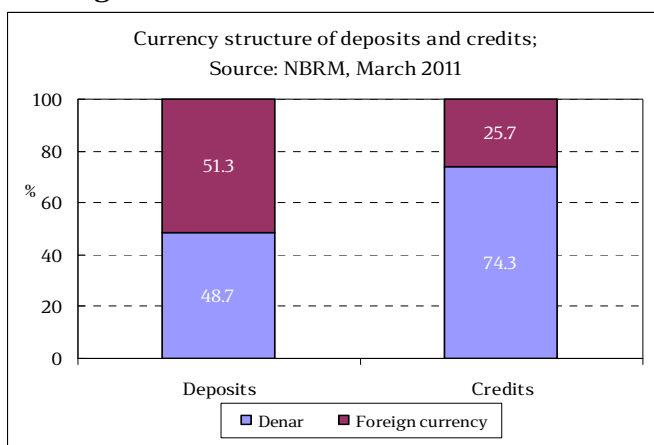
In March 2011, National Bank of the Republic of Macedonia kept the level of interest rate on central bank bills unchanged, i.e. at 4.0%. In addition, interest rate on overnight credits was kept at the level of 5.5%.

In March, banks invested funds in the new NBRM instrument – 6-month CB bills deposit, reaching the amount of Denar 8,590 million at the end of March.

## Deposit Potential

Total deposit potential of banks<sup>3</sup> in March 2011 experienced monthly growth of 0.6%, in conditions of increase of both foreign currency deposits by 0.9% and Denar deposits by 0.3%. Analyzed by sectors, monthly growth of deposits of households amounted to 0.6% and deposits of private enterprises increased by 1.3%.

Growth slowdown of deposits was registered on annual basis. In fact, total deposits in March 2011 increased by 12.4% on annual basis, compared to 13.2% in February 2011. From the point of view of sector structure, the growth was driven by the increase of deposits of households by 14%, contributing with 77%. Deposits of enterprises grew by 11.3% on annual basis.



Analyzed according to the currency, Denar deposits grew by 17.2%, having dominant contribution of 65.1% to the growth of total deposits, while foreign currency deposits were higher by 8.1% on annual basis.

According to maturity, short-term deposits increased by 7.6% on annual basis (contributing with 43.3%) while long-term deposits highly increased by 39.1% (contributing with 41.6%). Deposit money increased by 11.2% on annual basis.

## Bank Credits

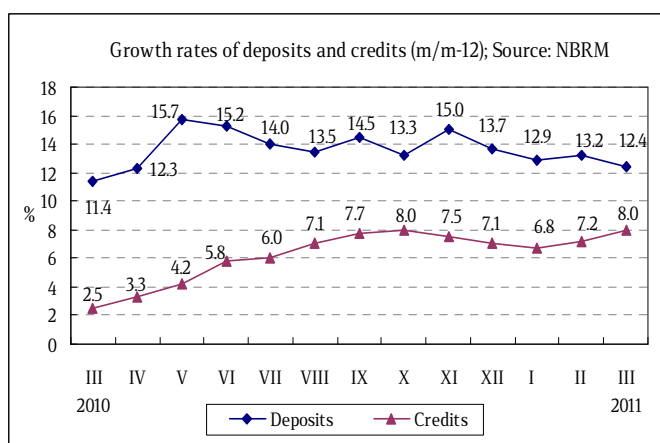
In March 2011, total credits of banks to the private sector were higher by 1.4% on monthly basis. According to the sector analysis, credits to private enterprises increased by 1.5%, while credits to households were higher by 1.1%. According to currency, Denar credits increased by 1% and foreign currency credits increased by 2.5% on monthly basis.

On annual basis, credit activity of banks intensified. In fact, growth rate of credits was 8%, compared to 7.2% in February 2011. From sector point of view, credits to

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

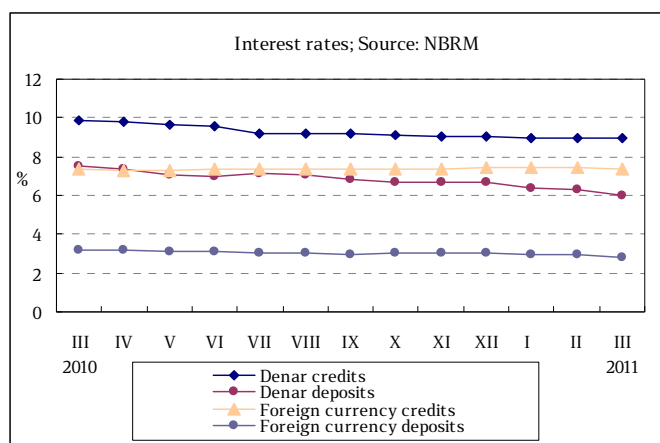
private enterprises had dominant contribution of 67.9% to the growth of total credits, increasing by 9.1% on annual basis. Household credits increased by 6.6% in March.

From currency point of view, Denar credits experienced annual growth of 3.2%, while foreign currency credits registered high growth of 24.6%. At the same time, long-term credits increased by 13.8% on annual basis, while short-term credits were lower by 1.7%.



## Interest Rates

In March 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 8.9%, which, compared to March 2010, dropped by 0.9 p.p.. Interest on Denar credit balance, including interest rates on Denar deposits without foreign currency clause and Denar deposits with foreign currency clause, was 6%, which, compared to the previous month, dropped by 0.3 p.p., while in relation to March 2010, it declined by 1.5 p.p..



Interest rate on foreign currency credits was 7.4%, being higher by 0.1 p.p. compared to March 2010. Interest rate on foreign currency deposits amounted to 2.8%, decreasing by 0.2 p.p. compared to the previous month, decreasing by 0.4 p.p. compared to March 2010.

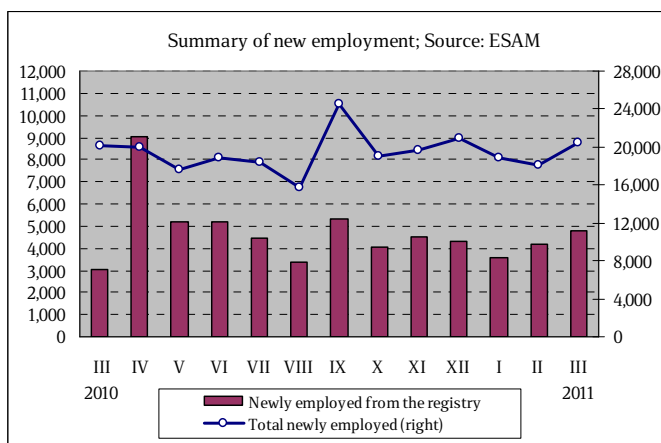
## Foreign Exchange Reserves

Gross foreign currency reserves amounted to EUR 1,900 million at the end of March 2011, and compared to February 2011, they were higher by EUR 197.5 million, while compared to March 2010, they were higher by EUR 293.4 million.

## 5. Social Sector

### Number of newly employed and registered unemployed persons in EARM

In the period January-March 2011, Employment Agency of the Republic of Macedonia registered total of 57,469 new employments. 36.5% 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 0.1%.



During March, 20,502 new employments were registered, 23.4% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 9,805 persons in March, 47.9% out of which were new employments. In March, 9,041 persons were registered as inflow to the Agency, 48.1% out of which were persons whose employment was terminated. As a result, unemployment reduced by 764 persons, i.e. by 0.2% compared to the previous month. Thus, in March 2011, 323,183 persons were registered as unemployed. Compared to the same month in 2010, number of unemployed persons declined by 5.4%.

Major percentage of the unemployed, i.e. 65.9%, came from urban areas (cities), whereby 57.4% were men. Analyzed by education structure, major part, i.e. 51.9% of unemployed persons were unskilled or semi-skilled, while only 8.3% was with community college or higher education level. Observed by age, majority of unemployed or 57.4% fall in the category of 25-49 years of age. According to the time they waited for a job, 50.1% of the unemployed persons sought job from 1 to 7 years, while 29.6% sought job for 8 years and more.

### Salaries

In line with the State Statistical Office, average monthly paid gross salary per employee in February 2011 (most recent available data) amounted to Denar 30,032, while average paid net salary for the same month amounted to Denar 21,433<sup>4</sup>.

Average net and gross salary per employee compared to January 2011 were by 2.8% in nominal terms, while they dropped by 3.7% in real terms.

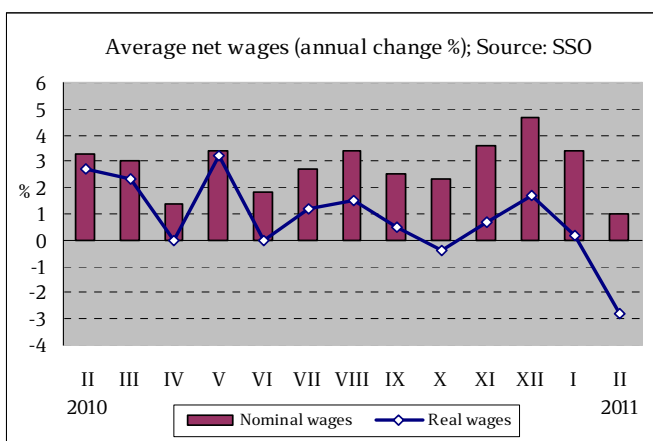
In February 2011, compared to the same month in 2010, average monthly net salary increased by 1.0% in nominal terms, while real average salary was lower by 2.8%. In February 2011 compared to the same month in 2010, average monthly

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

gross salary increased by 0.9% in nominal terms, while real average gross salary was lower by 2.8%.

On cumulative basis, in the period January-February 2011 average net salary increased by 0.7% in nominal terms, while it was lower by 2.8% in real terms. In the same period, average gross salary increased by 0.6% in nominal terms, while it was lower by 2.9% in real terms.

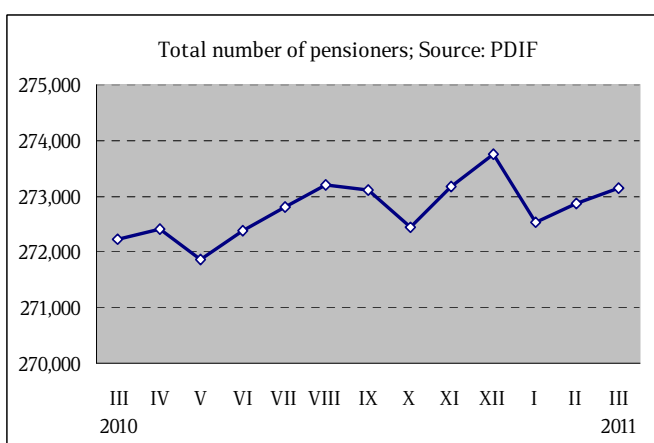
The highest increase of average monthly gross and net salary per employee in February 2011 compared to February 2010 was recorded in the sector other services (19.4% gross salary and 19.3% net salary), mining and quarrying (13.6% gross salary and 16.2% net salary), art, entertainment and recreation (8.9% gross salary and 9.1% net salary).



Percentage of employed persons who did not receive salary in February 2011 amounted to 2.2%, decreasing by 1.1 percentage points compared to the same month in the previous year, while compared to January 2011, the reduction was 0.1 p.p..

## Pensions

In March 2011, Pension and Disability Insurance Fund registered 273,129 pensioners, declining by 0.3% compared to the same month in 2010. Number of pension beneficiaries increased by 259 persons in relation to February 2011. 55.2% out of the total number of pensioners are beneficiaries of old-age pension, 27.5% of survival pension and 17.3% of disability pension.



In March 2011, Denar 2,973 million was spent for payment of pensions, accounting for 54.1% of the total social transfers<sup>5</sup>.

Average pension in March 2011 amounted to Denar 10,600, increasing by 4.9% on annual basis. Ratio between the average pension and the average paid salary in February 2010 (the most recent available data) amounted to 50.8%.

<sup>5</sup> Category social transfers includes pensions, unemployment benefit, social assistance and expenditures for health protection

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