



REPUBLIC OF MACEDONIA  
MINISTRY OF FINANCE  
Macroeconomic Policy Department

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# SHORT-TERM ECONOMIC TRENDS

April 2011

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June 2011, Skopje

## SUMMARY

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

April 2011

- High industrial production growth in April 2011 compared to April 2010, of 11.8%, being continuation of the trend of two-digit growth commenced in February this year;
- inflation rate amounting to 4.8% on annual basis and 0.3% on monthly basis;
- Annual increase in the physical output of export in the first four months of 2011 amounting to 12%, with high nominal valuable growth of 44.1%; increase in imported quantities of goods amounting to 28.3%, with valuable nominal growth of 41.2%;
- Increase of both total budget revenues by 12.7% and total expenditures by 8.4% in the first four months of 2011 compared to the same period last year; Deficit of the Budget of the Republic of Macedonia in the amount of Denar 3,390 and central budget deficit in the amount of of Denar 2,654 million;
- Increase of total credits to the private sector by 7.8% on annual basis, with simultaneous increase of total deposit potential of banks by 9.6%.
- Reduction of the number of unemployed persons by 3,908, i.e. by 1.2% compared to the previous months and by 5.9% compared to the same month of 2010.

# 1. Real Sector

## Industrial Production

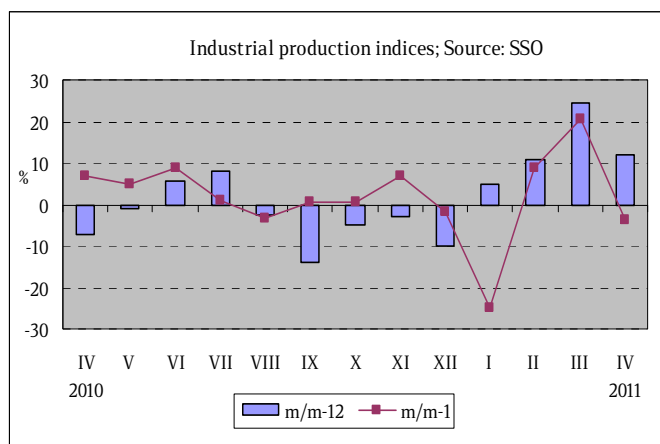
Industrial production index in April 2011 compared to April 2010 increased by 11.8%, being continuation of the trend of two-digit growth commenced in February this year;

Analyzed by sectors on annual basis, highest growth was recorded in the sector mining and quarrying – 20.8%, followed by sector processing industry, experiencing growth of 14.7%, constituting around 84% of the industrial production. Electricity, gas, steam and air-conditioning supply sector dropped by 6.3%, mainly due to the high comparative base.

	m/m-1	m/m-12	I-IV 2011
			I-IV 2010
Total	-3.9	11.8	13.2
Ore and stone extraction	-4.2	20.8	11.1
Processing industry	-1.8	14.7	17.2
Electricity, gas and water supply	-15.3	-6.3	-3.8

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 two driving branches with two-digit share in the industrial production. Thus, production of clothing experienced high growth of 32.1% and production of metals grew by 10.9%, thus continuing the trend of high growth rates at these branches, whereby production of food products was almost at the same level from the previous year. High industrial production growth was also registered at

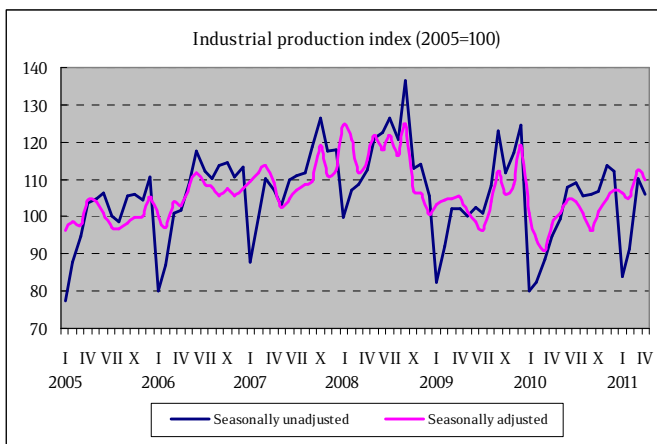


production of electrical equipment - 185.5%, production of transportation equipment -108.2% and production of coke and refined oil products – 102.8%. Production of electrical equipment (7.7 p.p.) contributed the most to the annual growth of industrial production in April, as well as in the past months, while production of leather had the highest negative contribution (-0.8 p.p.).

Industrial production in April compared to March 2011 dropped by 3.9%, being a result of the high comparative base, taking into account that the industrial production growth amounted to 20.5% in March on monthly basis. Sector analysis points out that the drop was lowest at processing industry with 1.8%. Mining and quarrying sector dropped by 4.2%, while supply of electricity, gas, steam and air-conditioning decreased by 15.3%.

As for processing industry, monthly growth was registered at 8 out of 23 branches. On monthly basis, production of food products increased by 0.3%, while production of metals dropped by 7.5% and production of clothing decreased by 8.7%. De-seasoned monthly growth of industrial production in April 2011 was -2.5%, pointing out to high negative seasonal effects in the industry.

On cumulative basis, industrial production in the period January–April 2011 increased by 13.2% compared to the same period in 2010. Processing industry sector registered high growth of 17.2%. Mining and quarrying sector increased by 4.7%, while supply of electricity, gas, steam and air-conditioning decreased by 3.8%.



Data on the industrial production by target groups in April 2011 compared to April 2010 show that there was increase in the production of the following groups: Energy – 12.9%, intermediary goods, except energy – 4.7%, capital products – 44.8%, consumer durables – 107.0% and consumer non-durables – 7.3%.

On monthly basis, data on industrial products by target groups in April 2011 show increase of production only at the group intermediary goods, except energy - 4.4%, while other groups recorded decline of production, whereby the drop was lowest for consumer non-durables - 0.5%, followed by consumer durables - 8.2%, energy 13.3% and capital products 27.6%.

On cumulative basis, in the period January-April 2011 compared to the same period last year, analyzed by target groups, the following growth rates were registered: Energy – 8.1%, intermediary goods, except energy – 14.8%, capital products – 59.8%, consumer durables – 76.7% and consumer non-durables – 4.7%.

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

Current economic trends of business entities in April 2011 did not change compared to the previous month, being more favourable compared to April 2010, showing continuous improvement of the developments in the processing industry. Assessment of current state of delivery-to-production did not change compared to the previous, being much more favourable compared to April 2010. Production volume of business entities in April 2011 increased compared to the previous month and compared to April 2010. In April 2011, assessment of production volume in the past three months was more favourable compared to April 2011 and much more favourable compared to April 2010. Expectations for the production volume in April 2011 for the next three months were more favourable compared to the previous month and compared to April 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 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 April 2011 was 62.2% of the regular utilization, being an increase compared to last month, when it accounted for 61.6%. Compared to April 2010 (56.1%), utilization of capacities increased by 6.1 p.p., showing significant improvement.

Following factors limited the most the production volume in April 2011: insufficient foreign demand – 21.4%, insufficient domestic demand – 18.3%, financial problems – 12% and lack of qualified labour force – 10.8%. In April 2011, most of the business entities (increase by 1.6 p.p. compared to March) pointed out the insufficient foreign demand as limiting factor for the production increase, as well as the lack of qualified labour force and equipment. As regards other factors, there are no significant changes.

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

Industrial production increase on annual basis in April 2011 was also accompanied by the increase of the number of workers. Thus, the number of workers in the industry in April 2011 compared to April 2010 increased by 3.5%. Sector analysis points out to increase of the number of workers on annual basis in all sectors. Number of workers increased in mining and quarrying sector by 3.3% as a result of the high increase by 7.3% in the sector other mining and quarrying and increase by 7.0% in the sector extraction of coal and lignite, while mining of metal ore dropped by 1.3%. Processing industry sector increased by 3.5%. As regards processing industry, high increase on annual basis in the number of employees was registered in the sector production of machines and devices – 23.6%, production of metals – 22.8%, production of tobacco products – 14.9% and production of leather and similar articles of leather – 8.3%. Electricity, gas, steam and air-conditioning supply sector increased by 4.3%.

On cumulative basis, in the period January–April 2011 compared to the same period in 2010, the number of workers in the industry increased by 1.6%. Thereby, mining and quarrying sector increased by 3.6%, processing industry increased by 1.2% and electricity, gas, steam and air-conditioning supply surged by 3.4%.

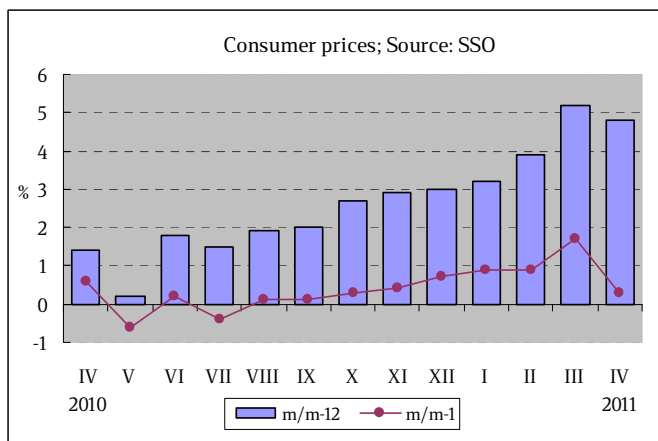
Data on the number of workers in the industry by target groups in April 2011 compared to April 2010 show that the highest increase in the number of workers was seen at the groups: Capital products (6.1%), intermediary goods, except energy – (4.6%), energy (3.1%) and consumer non-durables (3.1%), while drop of 3.3% was seen only at the group consumer durables.

On cumulative basis in the period January-April 2011 in relation to the same period 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 capital products (4.9%), intermediary goods, except energy (4.6%), and energy (2.5%), while drop was registered at the group consumer durables (0.8%) and consumer non-durables (0.5%).

## Inflation

In April 2011, inflation (CPI) amounted to 4.8% compared to the same month in the previous year, i.e. 0.3% compared to the previous month. Inflation rate in the period January-April 2011 accounted for 4.3%.

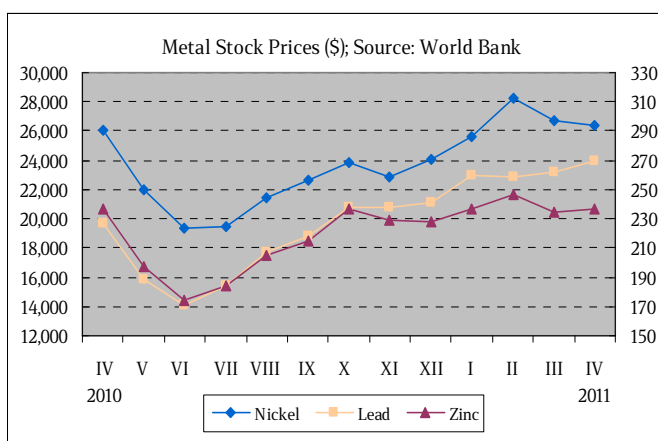
Price increase on annual basis was the highest in the category food by 8.3%, mainly as a result of the higher prices of cereal products and vegetable oil products. In 2011, category food participated with 38% in the Consumer Price Index structure. Price increase was also registered at the following categories: Housing – 4.2%, transportation means and services – 3.7%, hygiene and health – 3.3%, administrative and financial services – 2.3%, restaurants and hotels – 2.0%, clothing and footwear – 1.5% and tobacco and beverages – 0.9%. Drop was seen at prices for culture and entertainment – 2.2%.



Retail prices in April 2011 were higher by 4.6% compared to April 2010.

In April 2011, oil price on global stock markets increased by 7.5% compared to the previous month, reaching the price of US\$ 123.1 per barrel. Compared to April 2010, oil price surged by 44.8%. Price of natural gas in April increased by 8.7% 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 April with an average price of US\$ 26,408 for a metric ton (\$/mt), being minimum drop of the price by 1.1%. Compared to April 2010, nickel price was higher by 1.4%. Monthly drop of prices in April was also recorded for copper - 0.1%.



Other metal products and minerals in April recorded monthly increase of prices, whereby highest rate was registered at silver – 19.1%, followed by iron ore and tin – 5.8%, while prices of steel products increased by 2.8%.

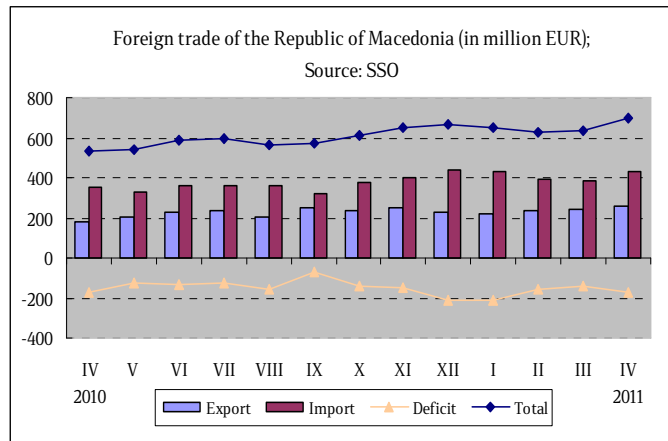
## 2. Foreign Trade

Total foreign trade in the first four months of 2011 experienced high growth of 42.3% compared to the same period in the previous year, as a result of simultaneous increase of export and import of goods.

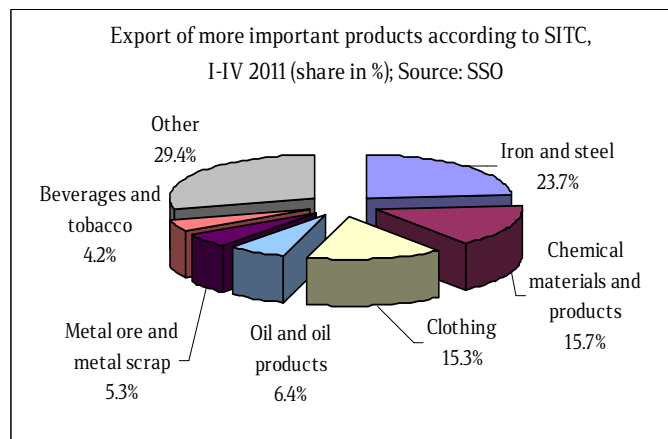
### Export

Analyzed on annual basis, in the first four months of 2011, physical output of export surged by 12%, and its value reached EUR 960.4 million, being high increase by 44.1% compared to the same period last year.

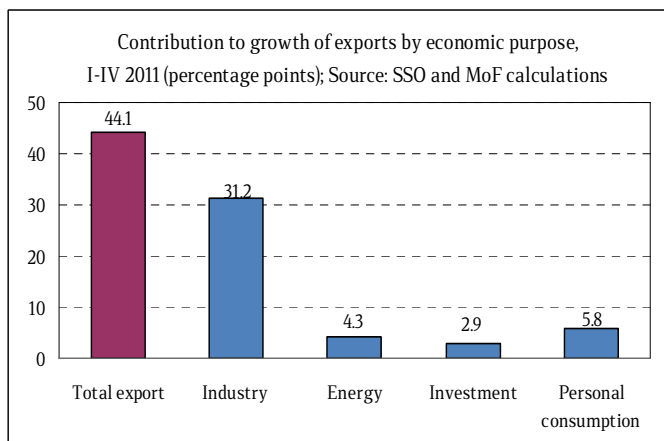
Analyzed on monthly basis, in April 2011, export increased by 6.5%, compared to the previous month. Seasonal adjusted trend of export in April registered minimum increase by 5.2%, pointing out to positive effects of the seasonal factor (1.3 p.p.) on export this month.



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



Main groups of goods (according to SITC) having the biggest share in export in the first four months of 2011 were the following: iron and steel – 23.7%, chemical materials and products – 15.7%, clothing – 15.3%, oil and oil products – 6.4%, metal ore and metal scrap – 5.3% and beverages and tobacco – 4.2%. These six groups of products comprised 70.6% of the total export in the country.



Analyzed by economic purpose, in the first four months of 2011, significant increase of the export was



registered at the industrial products (raw materials and intermediary goods from our industry) by 63.8% (EUR 207 million), compared to the same period last year. Export of personal consumption goods and energy products moderately increased by EUR 38 and EUR 28 million respectively.

## Import

Imported quantities of goods in the first four months of 2011 increased by 28.3%, and their value amounted to EUR 1,642.5 million or high increase by 41.2% in relation to the first four months last year.

In April 2011 alone, goods in the amount of EUR 434 were imported, increasing by 22.8% compared to the same month last year. Analyzed on monthly basis, in April 2011, export increased by 12.2%, compared to the previous month. Seasonal adjusted trend of import in April registered monthly increase by 9.6%, pointing out to positive effects of the seasonal factor (2.7 p.p.) on import this month.

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.

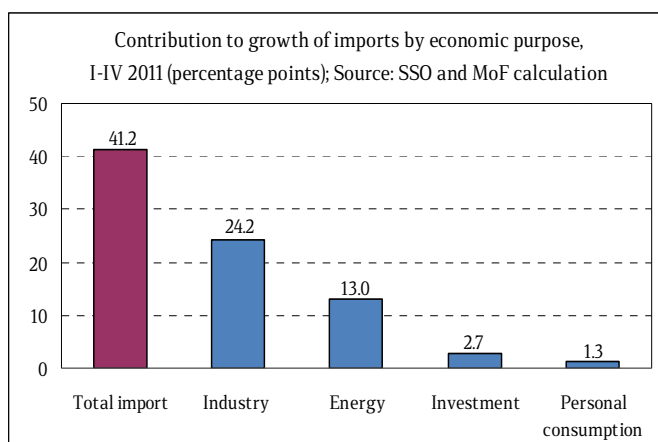
Export of iron and steel*)					Import of iron and steel*)				
	I-IV 2010	I-IV 2011	Balance 2011-2010	% rate		I-IV 2010	I-IV 2011	Balance 2011-2010	% rate
.000 T	214.8	267.5	52.7	24.5	.000 T	216.4	210.0	-6.4	-3.0
EUR mil.	147.5	227.9	80.4	54.5	EUR mil.	87.1	108.0	20.9	24.0
\$ mil.	201.9	316.9	115.0	57.0	\$ mil.	119.2	149.0	29.8	25.0

\*)Previous data

\*)Previous data

Following participated the most in the import of goods, (according to SITC), in the first four months of 2011: oil and oil products (EUR 247 million, 15%), non-ferrous metals (EUR 149 million, 9.1%) iron and steel (EUR 108 million, 6.6%), textile yarns and similar (EUR 99.5 million, 6%), road vehicles (EUR 80.8 million, 4.9%), electrical machines - devices and spare parts (EUR 60.9 million, 3.7%), electricity (EUR 57.7 million, 3.5%), etc.

In the first four months of 2011, observed by economic purpose, significant increase of import was seen at industrial raw materials (industrial products) by 62% or EUR 281.2 million, compared to the same period last year. Value of imported energy products amounted to EUR 341.6 million, increasing by EUR 152 million in relation to the first four months of 2010. Imported consumer goods contributed with 1.3 p.p. to the total growth of import in the first four months of 2011.





## Trade Balance

Trade balance in the first four months of 2011 amounted to EUR 682 million, increasing by EUR 185 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, products for colouring and tanning, electricity, as well as the realized negative balance of 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, fruit and vegetable, as well as the narrowing of the negative balance in the trade in road vehicles, IT office supplies, etc. had opposite effect. Such trends in the first four months of 2011 contributed for the level of import coverage with export, amounting to 58.5%, to increase 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-IV 2010	I-IV 2011	Balance 2011-2010	% rate		I-IV 2010	I-IV 2011	Balance 2011-2010	% rate
.000 T	92.4	98.7	6.3	6.8	.000 T	338.0	441.0	103.0	30.5
EUR mil.	43.6	61.3	17.7	40.6	EUR mil.	137.0	247.0	110.0	80.3
\$ mil.	59.9	85.6	25.7	42.9	\$ mil.	188.0	344.0	156.0	83.0

\*)Previous data

\*)Previous data

Analyzed according to the economic groups of countries, in the first four months, export in the EU, EFTA, Western Balkans and the developing countries, continued to increase, except in the undeveloped countries, while import from all groups of countries increased.

In the first four months of 2011, in conditions of significant increase of trade with the European Union (EU 27), in relation to January-April last year, by 46.3%, share of trade with EU in the total foreign trade increased by 1 percentage point, accounting for 56.9%, whereby export of goods participated with 63.2% and import of goods accounted for 53.3%.

As a result of the structural changes in trade with abroad, in the first four months of 2011, 60% of the trade deficit of the country was a result of the trade with Great Britain and Russia, followed by Greece, Turkey, China, Serbia, Switzerland, Bulgaria, etc. Trade surplus was realized with Germany, Kosovo, Albania, Croatia, Belgium, etc.

## Currency Structure

Observed by currency structure, 67.3% of the foreign trade in the first four months in 2011 was realized in euros, and compared to the same period in 2010, it dropped by 6 percentage points. On export and import side, the euro accounted for 77.9% and 61.2%, respectively, whereby share of the euro in export was at the same level, and the reduction of the share of the euro in import accounted for 10 p.p. compared to the first four months of 2010. Decline of euro share in the import was due to the increased import from the Great Britain, expressed in GBP, participating with 12.1% in the currency structure of the import.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I-IV 2010					I-IV 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	919	824,365,272	61.4508	50,657,905,457	71.2	928	1,011,272,849	61.5145	62,207,943,670	61.2	186,907,577	22.7
USD	627	376,622,839	44.7520	16,854,625,291	23.7	976	587,058,126	44.4257	26,080,468,188	25.7	210,435,287	55.9
GBP	1	45,927,633	69.4870	3,191,373,435	4.5	1	171,896,557	71.4542	12,282,730,984	12.1	125,968,924	274.3
EUR+USD	1,547			67,512,530,748	94.8	1,905			100,571,142,842	98.9		
tot. import	1,553			71,188,273,799	100.0	1,908			101,676,516,304	100.0		42.8

Source: SSO and NBRM

## 3. Fiscal Sector

### Budget Revenues

In the first four months of 2011, total budget revenues amounted to Denar 45,982 million, i.e. 10.2% of GDP, which was higher performance by 12.7% compared to 2010.

Tax revenues in the first four months were realized in the amount of Denar 24,882 million, being higher by 10.1% in relation to the same period in 2010.

Value added tax was realized in the amount of Denar 13,325 million, whereby share of VAT in total tax revenues in 2011 was dominant, amounting to 53.6%. Excises were realized in the amount of Denar 4,566 million (participating with 18.4% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 17,891 million, i.e. almost 3/4 of the total tax revenues (3.9% of GDP). Thereby, VAT collection amounted to Denar 19,738 million on gross basis, Denar 6,413 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 12.0%, sales taxed with preferential tax rate of 5% increased by 10.5%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 3,079 million, increasing by 7.6% on annual basis. Compared to 2010, revenues on the basis of profit tax experienced record growth of 88.7%, being mainly a result of the increase of additional payments on the basis of annual tax balances, as well as increase of tax collected on the basis of paid dividend and other distribution of profit. VAT revenues experienced growth of 10.2%, while excises experienced higher performance by 7.8%.

Total revenues and expenditures (Denar million)		
	I-IV 2010	I-IV 2011
<b>Total revenues</b>	<b>40,786</b>	<b>45,982</b>
Taxes	22,599	24,882
Personal income tax	2,863	3,079
Profit tax	920	1,736
VAT	12,087	13,325
Excises	4,237	4,566
Customs duties	1,518	1,126
Other taxes	974	1,050
Non-tax revenues	4,796	4,637
Contributions	12,436	12,619
Other	955	3,844
<b>Total expenditures</b>	<b>45,548</b>	<b>49,371</b>
Current expenditures	40,968	43,138
Transfers	27,857	29,810
Goods and services	5,007	5,038
Salaries	7,649	7,683
Interest	454	607
Capital expenditures	4,581	6,233

Non-tax revenues declined by 3.3% in relation to the same period in 2010, i.e. they amounted to Denar 4,637 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 and flats amounted to Denar 2,923 million, increasing by 9.2 times from the funds realized in the previous year, the reason for such increase was the payment of Telecom dividend in April in the amount of Denar 2,302 million.

Collection of social contributions amounted to Denar 12,619 million, being higher by 1.5% compared to the same period in 2010, whereby collection of pension insurance contributions increased by 1.6%, the collection of health insurance contribution surged by 1.4%, while employment contributions declined by 0.7%.

### **Budget Expenditures**

In the period January-April 2011, total budget expenditures amounted to Denar 49,371 million, i.e. 10.9% of GDP, which was higher by 8.4% compared to 2010.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 43,138 million accounted for 87.4%, increasing by 5.3% compared to the same four months in 2010, while capital expenditures, amounting to Denar 6,233 million participated with 12.6% in the total expenditures, increasing by 36.1% compared to the same period last year.

Transfers amounting to Denar 29,810 million accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 7,683 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 15.6%, and in relation to 2010 they increased by minimum 0.4%.

Expenditures related to goods and services amounted to Denar 5,038 million, decreasing by 0.6% compared to the same period in 2010.

Transfers increased by 7.0% compared to 2010, participating with 60.4% 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 12,799 million, accounting for 25.9% in the total expenditures.

Interest was collected in the amount of Denar 607 million, being by 33.7% 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. Interest on the basis of domestic borrowing increased by 21.2%, while interest on the basis of foreign borrowing surged by 48.3%.

### **Budget Balance**

In the period January-April 2011, the budget deficit reached the amount of Denar 3,390 million, being 0.8% of GDP, while central budget deficit amounted to Denar 2,654 million or 0.6% of GDP.

## 4. Monetary Sector

### Primary Money

In April 2011, primary money<sup>1</sup> showed accelerated growth of 10.2% on annual basis, in conditions of intensified increase of ready money in circulation<sup>2</sup> by 10.7% (compared to 4.2% in March) and increase of total liquid assets of banks by 9.9%.

On monthly basis, primary money increased by 5.4%, as a result of the increase of ready money in circulation by 5.9%. Such liquidity of banks surged by 5.1% on monthly basis.

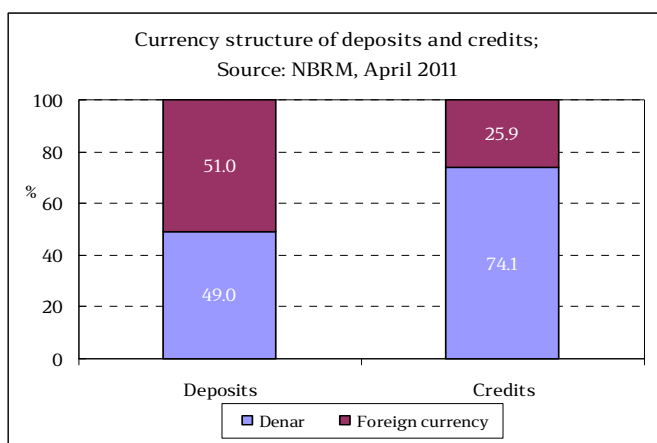
In April 2011, National Bank of the Republic of Macedonia kept the level of interest rate on CB bills unchanged, i.e. at 4.0%. In addition, interest rate on overnight credits was kept at the level of 5.5%.

In April, banks invested Denar 9,530 million in the new NBRM instrument - 6-month CB bills deposit, being higher by Denar 10.9 million compared to the previous month.

### Deposit Potential

Total deposit potential of banks<sup>3</sup> in April 2011 experienced monthly drop of 0.5% in conditions of decrease of deposits of private enterprises by 6.6%, due to factor with one-time effect - payment of dividends by a larger company to domestic and foreign investors. Deposits of households increased by 1.5%. From the point of view of currency, foreign currency deposits were lower by 1%, while domestic currency deposits were lower by 0.1%.

Growth slowdown of deposits was registered on annual basis. In fact, total deposits in April 2011 increased by 9.6% on annual basis, compared to 12.4% in March 2011. From the point of view of sector structure growth was mainly driven by the growth of deposits of households by 14.5%, in conditions of reduction of deposits of private enterprises by 1.1% due to the payment of dividend, as well as the higher comparative basis given that in 2010 the larger company paid the dividend in July.



Analyzed according to currency, Denar deposits continued to slow down, whereby their growth in April amounted to 14.5%, compared to 17.2% in the previous month,

<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

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

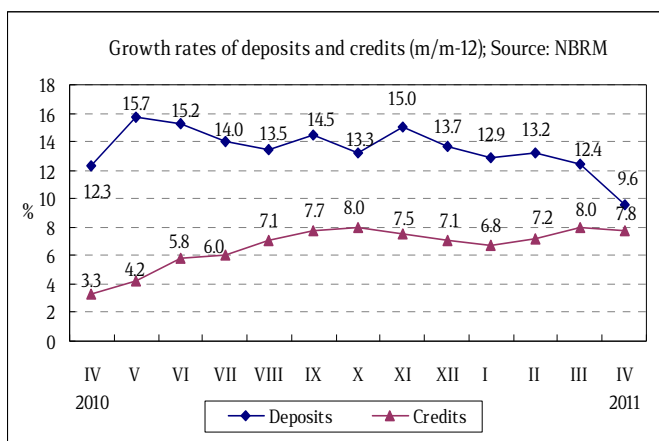
while foreign currency deposits surged by 5.2%, compared to the increase by 8.1% in March in 2011.

According to maturity, short-term deposits increased by 2.5% on annual basis, while long-term deposits highly increased by 35.7%.

### Bank Credits

In April 2011, total bank credits to private sector on monthly basis increased by 0.9%, being slowdown compared to the monthly increase by 1.4% in the previous month. According to the currency structure, monthly growth of credits in April was mainly due to Denar credits, increasing by 1.2%, while foreign currency credits dropped by 0.1%. According to the sector analysis, credits to private enterprises increased by 1%, while credits to households were higher by 0.8%.

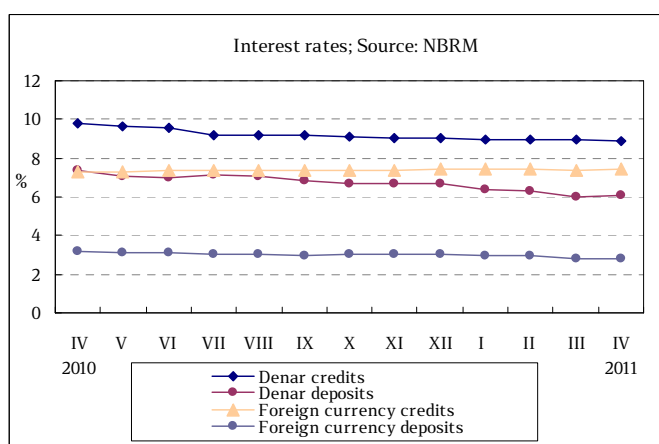
On annual basis, there was slowdown of the intensity of crediting by banks. In fact, growth rate of credits was 7.8%, compared to 8% in March 2011. From sector point of view, credits to private enterprises had dominant contribution of 67.2% to the growth of total credits, increasing by 8.7% on annual basis. Household credits increased by 6.6% in April.



From currency point of view, Denar credits experienced annual growth of 3.8%, while foreign currency credits registered high growth of 21.3%. At the same time, long-term credits increased by 14.1% on annual basis, while short-term credits were lower by 2.8%.

### Interest Rates

In April 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 April 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, increased by 0.1 p.p., while in relation to April 2010, it declined by 1.3 p.p..

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

### Foreign Currency Reserves

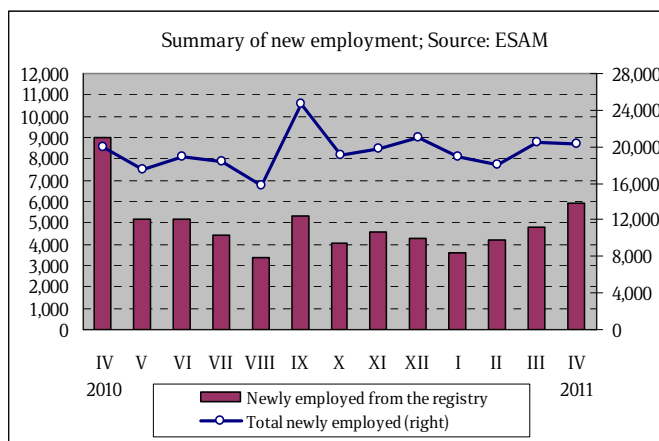
Gross foreign currency reserves at the end of April 2011 amounted to EUR 1,877.2 million and compared to March 2011 were lower by EUR 22.8 million, while compared to April 2010 foreign currency reserves were higher by EUR 232.9 million.

## 5. Social Sector

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

In the period January-April 2011, Employment Agency of the Republic of Macedonia registered total of 77,834 new employments. 37.3% 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 increased by 0.4%.

In April, 20,338 new employments were registered, whereby 29.0% of the new employments were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 10,590 persons in April, 54.6% out of which were new employments. In April, 6,682 persons were registered as inflow to the Agency, 50.6% out of which were persons whose employment was



terminated. As a result, unemployment reduced by 3,908 persons, i.e. by 1.2% compared to the previous month. Thus, in April 2011, 319,275 persons were registered as unemployed. Compared to the same month in 2010, number of unemployed persons declined by 5.9%.

Major percentage of the unemployed, i.e. 65.7%, came from urban areas (cities), whereby 57.5% were men. Analyzed by education structure, major part, i.e. 52.0% 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 57.3% fall in the category of 25-49 years of age. According to the time they waited for a job, 50.0% of the unemployed persons sought job from 1 to 7 years, while 29.8% sought job for 8 years and more.

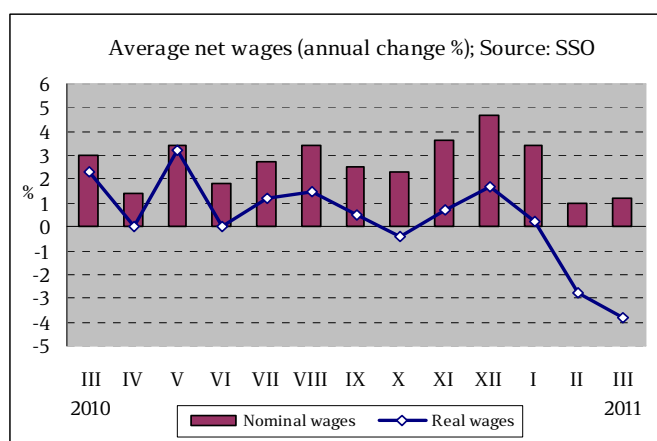


## Salaries

In line with the State Statistical Office, average monthly paid gross salary per employee in March 2011 (most recent available data) amounted to Denar 30,216, while average paid net salary for the same month amounted to Denar 20,585<sup>4</sup>.

Average net salary in March 2011 compared to February 2011 was higher by 0.7% in nominal terms, while it was lower by 0.9% in real terms. Average gross salary per employee compared to February 2011 was higher by 0.6% in nominal terms, while it was lower by 1.1% in real terms.

In March 2011, compared to the same month in 2010, average monthly net salary increased by 1.2% in nominal terms, while real average salary was lower by 3.8%. In March 2011 compared to the same month in 2010, average monthly gross salary increased by 0.9% in nominal terms, while average gross salary was lower by 4.1% in real terms%.



On cumulative basis, in the period January-March 2011 average net salary increased by 1.9% in nominal terms, while it was lower by 2.1% in real terms. In the same period, average gross salary increased by 1.7% in nominal terms, while it was lower by 2.3% in real terms.

The highest increase of average monthly gross and net salary per employee in March 2011 compared to March 2010 was recorded in the following sectors: Other services (19.7% gross salary and 19.8% net salary), art, entertainment and recreation (7.6% gross salary and 7.9% net salary) and information and communications (5.6% gross and net salary).

The highest increase of average monthly gross and net salary per employee in March 2011 compared to February 2011 was recorded in the following sectors: Wholesale trade and retail trade; repair of motor vehicles and motorcycles (5.8% gross salary and 7.3% net salary), agriculture, forestry and fishing (4.4% gross salary and 4.2% net salary) and construction (3.9% gross salary and 4.2% net salary).

Percentage of employed persons receiving no salary in March 2011 was 1.9%. Compared to the same month in the previous year, the percentage of unpaid salaries reduced by 1.7 p.p., while compared to February 2011, the percentage of employed persons who did not receive salary was lower by 0.3 p.p..

## Pensions

In April 2011, Pension and Disability Insurance Fund registered 273,219 pensioners, declining by 0.3% compared to the same month in 2010. Number of pension

<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.

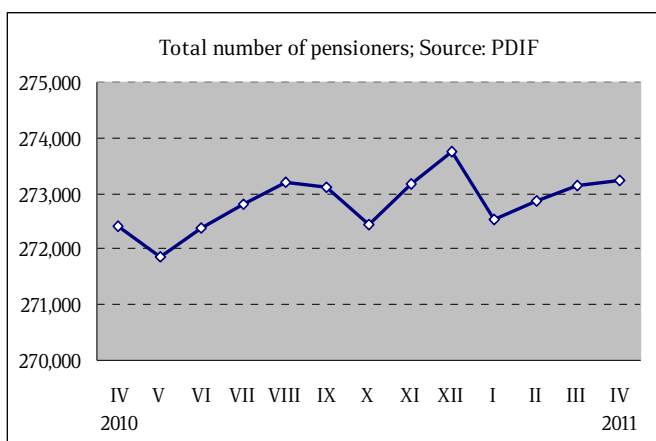


beneficiaries increased by 90 persons in relation to March 2011. 55.3% out of the total number of pensioners are beneficiaries of old-age pension, 27.4% of survival pension and 17.3% of disability pension.

In April 2011, Denar 2,859.82 million was spent for payment of pensions, accounting for 46.9% of the total social transfers<sup>5</sup>.

Average pension in April 2011 amounted to Denar 10,467, increasing by 3.6% on annual basis. Ratio between the

average pension and the average paid salary in March 2011 (the most recent available data) amounted to 51.5%.



### Social welfare

Number of social welfare beneficiaries in March 2011 (most recent available data) was 45,690 households, decreasing by 338 beneficiaries compared to previous month.

Thereby, around Denar 113.9 million was spent for payment of social welfare, i.e. 46.6% of social welfare payments under all bases. Around Denar 100.1 million was spent on the basis of third person care for 20,802 persons in March, i.e. 40.9% of payments of social welfare under all bases. In this month, 5,453 persons were registered as beneficiaries of permanent pecuniary allowance, for which around Denar 21.7 million was spent, while 5,639 persons used healthcare, for which Denar 8.5 million was spent. These social welfare-related payments accounted for 4.4% of the total social transfers realized in March.

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

Report is prepared by:

**Ministry of Finance**

**Macroeconomic Policy Department**

[www.finance.gov.mk](http://www.finance.gov.mk)

**Persons in charge:**

Aneta Acevska

Bojana Ilievska

Gjoko Gjorgjeski

Koprinka Sapunova

Nedzati Kurtisi

Sami Asani

**Checked by:** Snezana Delevska

**Approved by:** Jordan Trajkovski

Skopje, June 2011