



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

September 2011



November 2011, Skopje

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

September 2011

- Industrial production increase by 6.3% in the period January-September 2011 compared to the same period in 2010.
- Negative inflation rate of 0.1% on monthly basis and downward trend of the annual inflation rate, accounting for 3.4% in September;
- Annual increase in the physical output of export in the first nine months in 2011 of 4.0%, with high nominal valuable growth of 29.8% and increase of imported quantities of goods of 11.9% with valuable nominal growth of 27.7%;
- Increase of both total budget revenues by 4.0% and total budget expenditures by 6.4% in the first nine months in 2011, compared to the same period last year; state budget deficit in the amount of Denar 9,391 million (2.1% of GDP) and central budget deficit in the amount of Denar 7,015 million (1.5% of GDP);
- Increase of total credits to private sector by 8.1% on annual basis, with simultaneous increase of total deposit potential of banks by 10.5%;
- Drop in the number of registered unemployed persons by 8.6% in September 2011 compared to the same month last year.

1. Real Sector

Industrial Production

Industrial production dropped by 2.3% in September 2011 compared to September 2010. Analyzed by sectors, processing industry sector experienced minimum drop by 0.3% on annual basis, mining and quarrying sector decreased by 8.6%, while electricity, gas, steam and air-conditioning supply sector declined by 18.8%.

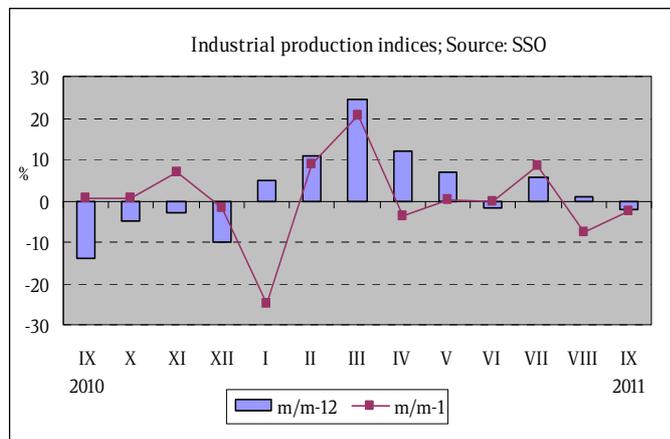
As for processing industry, positive annual growth was seen at 10 out of the 23 branches, accounting for 43.5% of the industrial production, whereby growth was evidenced in one out of the three driving branches with two-digit share in the industrial

	m/m-12	m/m-1	I-IX2011
			I-IX2010
Total	-2.3	-2.7	6.3
Ore and stone extraction	-8.6	6.2	5.3
Processing industry	-0.3	-1.2	9.8
Electricity, gas and water supply	-18.8	-21.0	-13.2

Source: SSO

production. Thus, production of clothing surged by 15.4%, production of metals decreased by 9.7% and production of food products dropped by 15.7%. High annual growth was also registered at production of machines and devices - 130.9%, production of electrical equipment - 57.5%, production of other transportation equipment -48.0% and production of coke and refined oil products - 34.2%. Production of electrical equipment (2.4 p.p.) contributed the most to the annual growth of industrial production in September 2011, while production of food products had the highest negative contribution (-1.8 p.p.).

Industrial production dropped by 2.7% in September 2011 compared to August 2011; Sector analysis points out that 6.2% growth was evidenced in the mining and quarrying sector. Processing industry dropped by 1.2%, while electricity, gas, steam and air-conditioning supply sector dropped by 21.0%. De-seasoned monthly growth of industrial production in September 2011 was -4.4%, pointing out to positive seasonal effects in the industry in September.

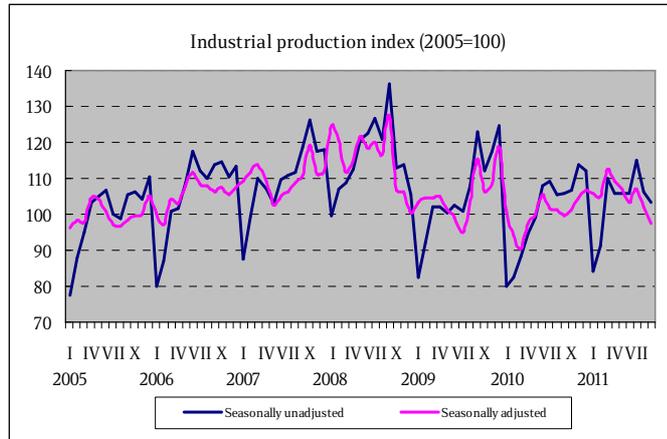


On cumulative basis, in the period January–September 2011, industrial production surged by 6.3%, compared to the same period in 2010. Processing industry sector experienced high growth of 9.8%, mining and quarrying sector increased by 5.3%, while electricity, gas, steam and air-conditioning supply sector dropped by 13.2%.

Data on industrial production by target groups in September 2011, compared to August 2010, showed production increase in the group of capital goods - 48.1%, and consumer durables - 8.7%, while drop of production was registered at the following

groups: Energy – 17.9%, intermediary goods, except energy – 5.3% and consumer non-durables – 1.8%.

On monthly basis, data on the industrial production by target groups in September 2011 showed that there was increase in the production at the following groups: Capital goods – 26.0%, consumer non-durables – 12.7% and consumer durables – 8.6%. Production decline was registered at the following groups: Energy – 36.1% and intermediary goods, except energy – 9.7%.

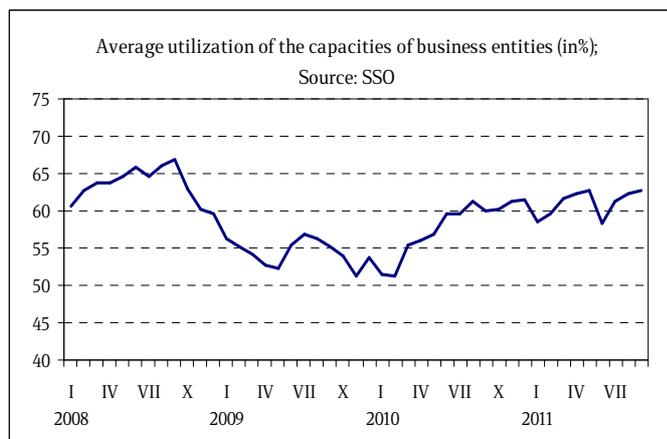


Analyzed by target groups, on cumulative basis, in the period January–September 2011, compared to the same period last year, growth was recorded at the following groups: Consumer durables – 80.9%, capital goods – 50.2%, intermediary goods, except energy – 7.2% and consumer non-durables – 4.6%. Energy group experienced 10.9% drop.

Business Trends in the Processing Industry

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

In September 2011, the expectations for the production volume in the coming three months are unfavourable compared to the previous month, while compared to September 2010, the expectations are significantly more favourable, pointing out to expectations for further positive performance in the processing industry on annual basis.



As regards the number of employees, the expectations in September 2011 for the next three months are the same as the last month, while compared to September 2010, the expectations have significantly improved.

Average utilization of the capacities of business entities in September 2011 accounted for 62.7%, being an increase compared to the previous month, when it accounted for 62.2%. Compared to September 2010, the utilization of the capacities was higher by 2.6 p.p..

In September 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 declined compared to the previous month. In the next 3-month period, average purchase prices of inputs are expected to increase, while selling prices of ready-made products are expected to decrease.

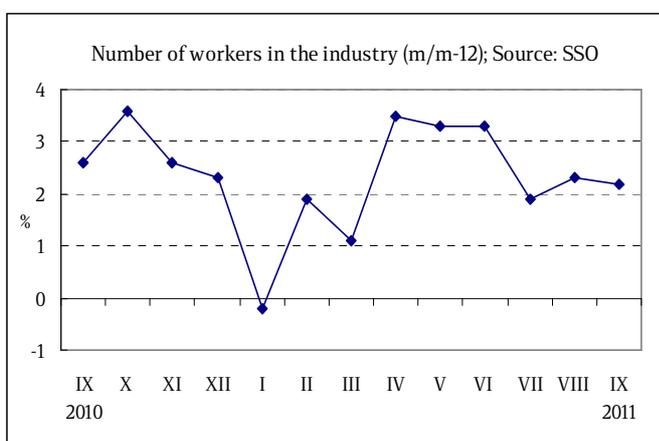
Following factors limited the most the production volume in September 2011: insufficient foreign demand – 19.9%, insufficient domestic demand – 18.7%, financial problems – 13.1% and lack of qualified labour force - 9.9%.

In September 2011, lower number of business entities pointed out the insufficient foreign demand and the lack of qualified labour force as limiting factor compared to August 2011, while bigger number of business entities pointed out the financial problems and the lack of raw materials.

Number of Workers in the Industry

Number of workers in the industry in September 2011, compared to September 2010, increased by 2.2%. 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 2.0% as a result of the growth of 6.1% in the extraction of coal and lignite sector. Processing industry sector experienced increase in the number of employees by 2.0%. As for processing industry, high increase in the number of workers on annual basis was registered at the following branches: Production of machines and devices – 26.3%, production of rubber and plastic mass – 9.1%, production of metals – 9.0%, production of leather – 8.3% and production of tobacco products - 7.2%. Number of workers in the electricity, gas, steam and air-conditioning supply sector increased by 4.9%.



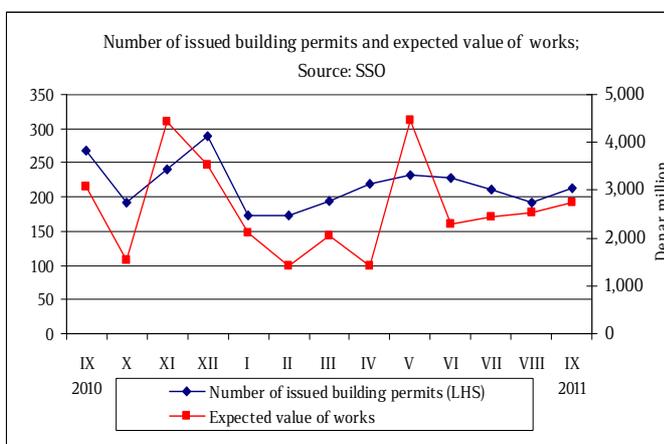
On cumulative basis, in the period January–September 2011 compared to the same period in 2010, the number of workers in the industry surged by 2.1%, whereby electricity, gas, steam and air-conditioning supply sector increased by 4.0%, the number of workers in the mining and quarrying sector grew by 3.2%, while it increased by 1.7% in the processing industry sector.

Data on the number of workers in the industry by target groups on annual basis in September 2011 showed increase in the number of workers at the following groups: Energy - 4.0%, capital goods - 2.9%, consumer non-durables - 2.6%, intermediary goods, except energy - 1.1%, while 2.3% drop was registered only at consumer durables.

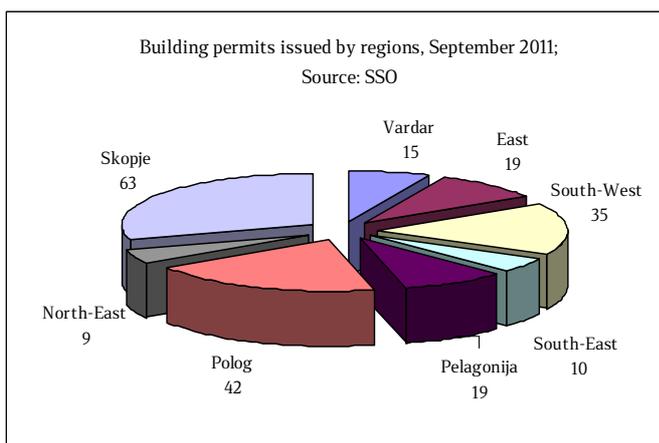
On cumulative basis, in the period January–September 2011, compared to the same period in 2010, data on the number of workers in the industry by target groups showed an increase in the number of workers at the following groups: Capital goods - 4.3%, intermediary goods, except energy - 3.1%, energy - 3.1% and consumer non-durables - 1.1%, while 1.5% drop was registered at the consumer durables group.

Number of Issued Building Permits and Envisaged Value of Facilities

Envisaged value of the facilities in September 2011, according to the issued building permits amounted to Denar 2,747.14 million, being by 10.2% less than the same month in 2010, while compared to August 2011, the value of the facilities increased by 9%. If one compares the cumulative amount in the period January–September 2011 with the same period in 2010, one can again notice increase in the envisaged value of the facilities by 18.5%.



In September 2011, 212 building permits were issued, being by 20.9% less compared to the same month in 2010. Total number of issued building permits compared to the previous month in 2011, when 191 permits were issued, increased by 11%. If one compares the data for the period January–September in 2011 with the same period in 2010 on cumulative basis, it can notice decrease of the number of issued building permits by 14.2%.



Analyzed by types of facilities, out of the total number of issued building permits, 165 (or 77.8%) are intended for buildings, 25 (or 11.8%) for civil engineering structures and 22 (or 10.4%) for reconstruction.

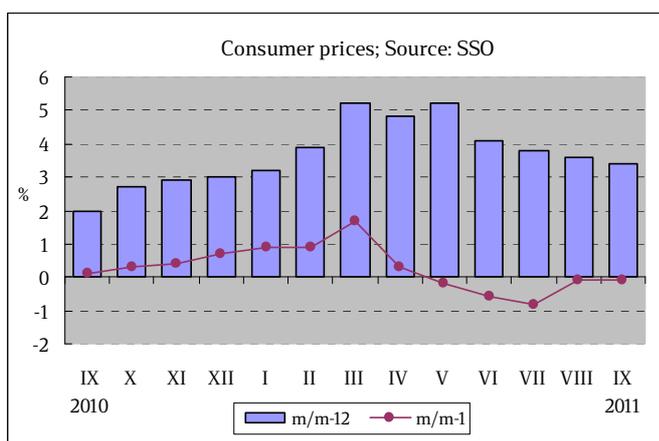
Analyzed by types of investors, in August 2011, out of total 191 facilities, natural persons were investors in 140 facilities (or 73.3%), while business entities were investors in 51 facilities (or 26.7%).

In the period January-September 2011, most permits were issued in the Skopje region, 63 in total, 44 permits out of which were issued to natural persons as investors, while 19 permits were issued to business entities as investors. Northeastern region had least issued permits, 9 permits in total, 6 permits out of which were issued to natural persons as investors, while 3 permits were issued to business entities as investors.

Inflation

Inflation rate in September 2011, measured according to the CPI index amounted to 3.4% compared to the same month in the previous year. In fact, starting June 2011, there was disinflation process, i.e. downward trend of increase of prices, being a result of the trends in food prices. Thus, cumulative inflation rate (January–September) experienced slight downward trend, amounting to 4.1%.

In September, increase of prices in the food category amounted to 4.3% on annual basis, contributing with 1.6 p.p. to the general increase of prices. Increase of prices of food was mainly due to the increase of prices of cereal products, vegetable oils and meat. Increase of prices in the other categories is as follows: Hygiene and health – 4%, housing – 3.7%, means of transport and services – 3.5%, culture and entertainment – 1.7%, restaurants and hotels and administrative and financial services – 1.6%, clothing and footwear and tobacco and beverages - 1.2%.



In September, compared to the previous month, the inflation rate remained in the negative zone, amounting to -0.1%. Highest drop of prices was seen in the food category - 0.4% mainly as a result of the reduced prices of fruit by 2.5%, while more moderate drop of prices was seen at vegetables by 1.4%. Drop of prices was also registered in the category clothing and footwear by 0.2%, while increase of prices was seen in the categories means of transport and services by 0.6% and culture and entertainment by 0.1%. Prices in the other categories did not change.

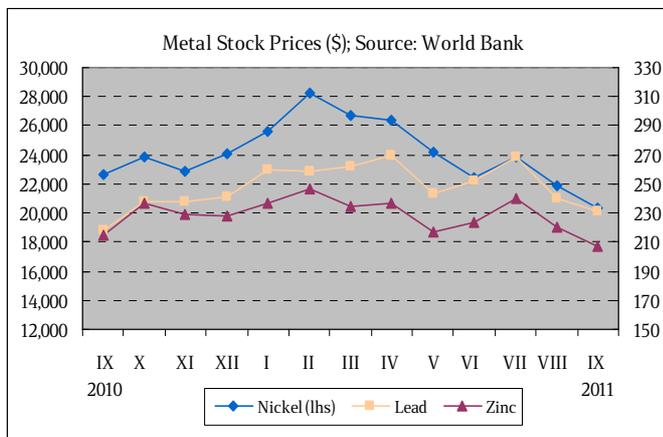
Retail prices in September 2011 were higher by 3.8% compared to September 2010, while compared to the previous month, retail prices did not change. Average increase of retail prices in the period January–September amounted to 4.1%.

Stock Market Prices

In September 2011, crude oil price (Brent) on the global stock markets experienced insignificant increase by 0.7%, compared to the previous month, reaching the price

of US\$ 110.9 per barrel. Compared to September 2010, oil price surged by even 42.6%. Price of natural gas in September decreased by only 0.8% compared to the previous month.

As regards metal products, nickel, as product with high share in Macedonian export, was traded at an average price of US\$ 20,378 for a metric ton (\$/mt) on the global stock markets in September, being a monthly drop of the price by 6.7%. Compared to September 2010, nickel price was lower by 10%. In fact, in September, there was general decrease of the prices of metals and minerals by 4.8% on monthly basis, being a result of the concerns for the consequences over the economic growth of the debt crisis in the Eurozone, as well as the increasing concerns for slowdown of the demand for metals in China. In fact, reduction of prices in September was seen for all base metals, whereby lead registered monthly drop by 4.5%, zinc by 5.7% and copper by 7.8%. Upward trend of price of gold on the global stock markets continued in September as well, reaching record level of US\$ 1,771 per ounce (\$/toz), being increase of the price by around 1% compared to August.



Price of wheat, following the growth in the previous month, registered monthly drop by 3.4% in September as a result of the weaker demand, as well as the better report for supply of wheat in the USA than the expectations.

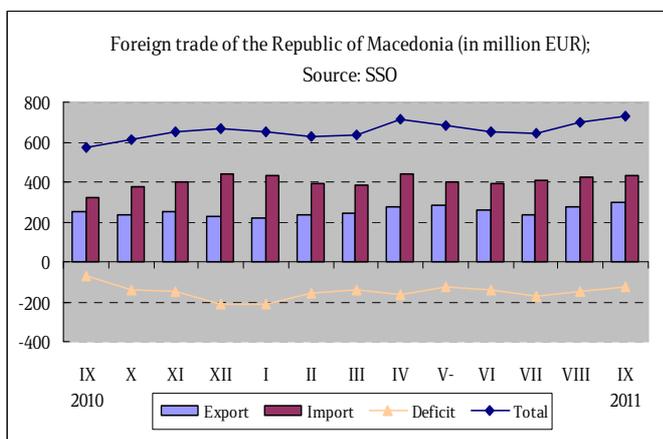
2. Foreign Trade

Total foreign trade in the first nine months in 2011 experienced high growth of 28.6%, compared to the same period in the previous year, with simultaneous increase of export and import of goods.

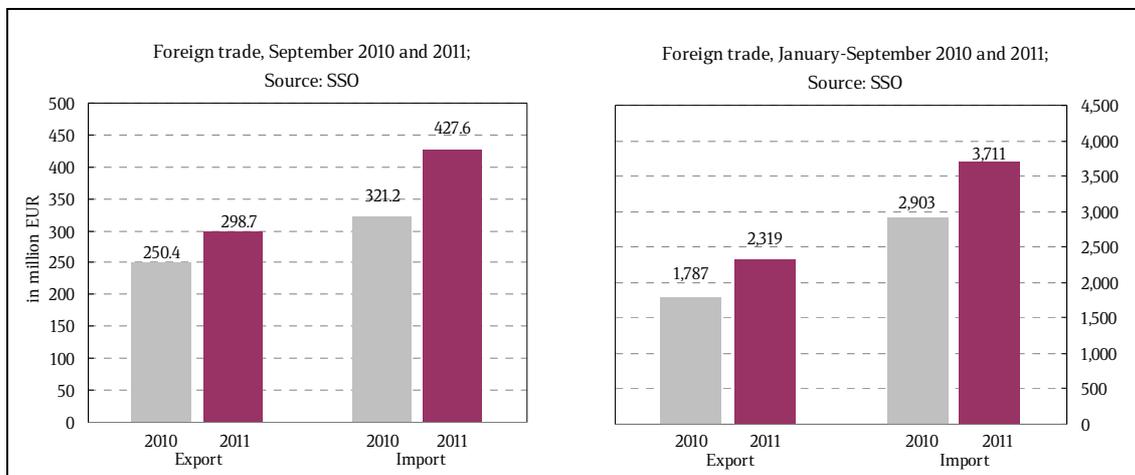
Export

Analyzed on annual basis, in the first nine months in 2011, exported quantities of goods surged by 4%, and their value reached EUR 2,318.9 million, being a high increase by 29.8% compared to the same period last year.

Analyzed on monthly basis, in August 2011, export increased

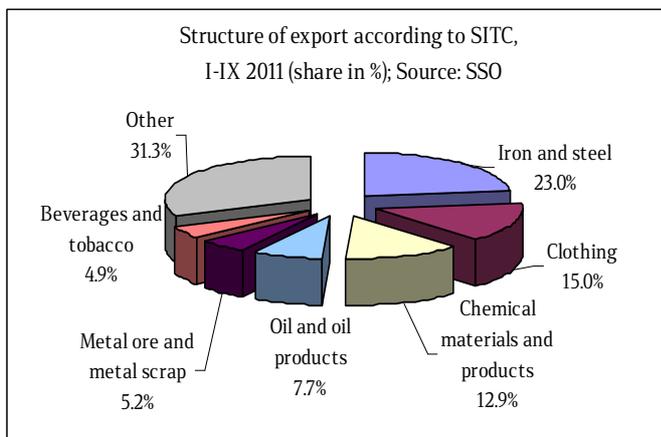


by 8.8% compared to the previous month, being mainly a result of the increased export of iron and steel, tobacco and tobacco products and fruit and vegetables. Seasonal adjusted trend of export in September registered minimum drop by 5.4%, pointing out to positive effects of the seasonal factor (14.2 p.p.) on export this month.



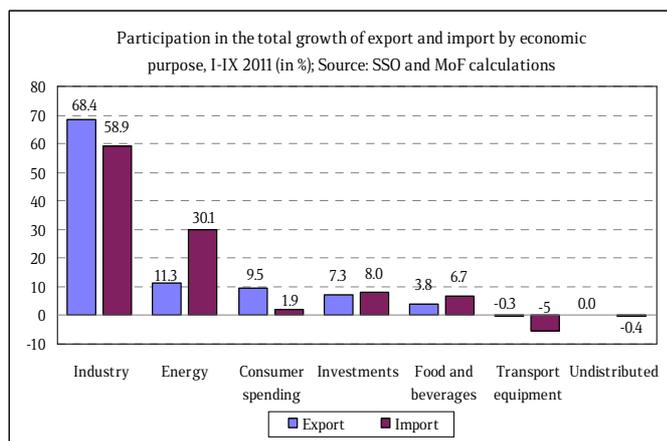
In September 2011 alone, goods in the amount of EUR 298.7 million were imported, being an increase by 19.3% compared to the same month last year.

Analyzed by tariffs, the following products were most exported: Catalysts with precious metals or with precious metal compounds as active substance, ferronickel, gas oils for other purposes with sulphur up to 0.001% and up to 0.005% by mass, iron and steel (hot and cold rolled products), followed by male and female clothing, machines and devices for filtering and purification of gases or liquids, tobacco, not stemmed/stripped, ferrosilicomangan, lead ore and concentrates, ferrosilicium, etc.



Main groups of goods (according to SITC) having the biggest share in export in the first three quarters of 2011 were the following: iron and steel – 23%, clothing – 15%, chemical materials and products – 12.9%, oil and oil products – 7.7%, metal ore and metal scrap – 5.2% and beverages and tobacco – 4.9%. These six groups of products comprised 68.6% of the total export of the country.

Analyzed by economic purpose,



in the first nine months in 2011, significant increase of the export was registered at the industrial products (raw materials and intermediary goods from our industry) by 41.4% (EUR 364 million) and at the investment products - excluding transportation equipment by 72.9% (EUR 38.7 million), compared to the same period last year. Export of energy products and general consumption goods increased by EUR 59.9 and EUR 50.5 million, i.e. 41.8% and 11.1% respectively.

Export of chemical products*)				
	I-IX 2010	I-IX 2011	Balance 2011-2010	% rate
000 T	20.2	19.5	-0.7	-3.5
Мил. ЕУР	90.2	298.4	208.2	230.8
Мил.\$	117.4	418.3	300.9	256.3

*)Previous data

Import of chemical products*)				
	I-IX 2010	I-IX 2011	Balance 2011-2010	% rate
.000 T	16.7	20.5	3.8	22.8
Мил. ЕУР	35.2	58.6	23.4	66.5
Мил.\$	46.0	82.4	36.4	79.1

*)Previous data

Import

Imported quantities of goods in the period January-September 2011 increased by 11.9%, and their value amounted to EUR 3,710.9 million, being high increase by 27.7% in relation to the first nine months last year.

In September 2011 alone, goods in the amount of EUR 427.6 million were imported, increasing by 33.1% compared to the same month last year, which was primarily due to the increased import of non-ferrous metals (platinum and platinum alloys), oil, iron and steel, electrical machines, electricity, etc.

Analyzed on monthly basis, in September 2011, import of goods was at the same level as in the previous month. Seasonal adjusted trend of import in September dropped by 7.7% on monthly basis, pointing out to positive effects of the seasonal factor (7.6 p.p.) on import this month.

Export of oil and oil products*)				
	I-IX 2010	I-IX 2011	Balance 2011-2010	% rate
000 T	245.3	281.5	36.2	14.8
EUR mil.	123.4	179.3	55.9	45.3
\$ mil.	161.8	253.8	92.0	56.9

*)Previous data

Import of oil and oil products*)				
	I-IX 2010	I-IX 2011	Balance 2011-2010	% rate
.000 T	855.8	925.7	69.9	8.2
EUR mil.	383.0	541.5	158.5	41.4
\$ mil.	500.4	764.5	264.1	52.8

*)Previous data

Most imported products by tariffs were the following: crude oil, platinum, unwrought or in powder form, gas oils for other purpose with sulphur contents not exceeding 0.001% per mass; electricity, hot rolled flat products in reels, nickel ore and concentrates; metal scrap; pharmaceuticals prepared in moderate doses; coating means; motor vehicles for transportation of persons; telephones for cellular networks, etc.

Following participated the most in the import of goods, (according to SITC groups), in the first nine months in 2011: crude oil and oil products (EUR 541.5 million, 14.6%), non-ferrous metals (EUR 214 million, 7.4%), textile yarns and similar (EUR 242.3 million, 6.5%), iron and steel (EUR 237.8 million, 6.4%), road vehicles (EUR 197 million, 5.3%), electrical machines - devices and spare parts (EUR 137.1 million, 3.7%), metal ore and metal scrap (EUR 136.2 million, 3.7%), electricity (EUR 116 million, 3.1%), etc.

Analyzed by economic purpose, in the first nine months in 2011, significant increase of import was seen at industrial raw materials (industrial products) by

41.3% or EUR 475.8 million and fuel and lubricants by 51.3% or EUR 243.2 million, compared to the same period last year. Thereby, investment products (excluding transportation equipment) also experienced growth by 17.9% or EUR 64 million, food and beverages by 16.6% or EUR 54 million.

Export of iron and steel*)				
	I-IX 2010	I-IX 2011	Balance 2011-2010	% rate
000 T	549.3	600.8	51.5	9.4
EUR mil.	422.5	532.8	110.3	26.1
\$ mil.	551.1	750.5	199.4	36.2

*)Previous data

Import of iron and steel*)				
	I-IX 2010	I-IX 2011	Balance 2011-2010	% rate
.000 T	436.9	446.5	9.6	2.2
EUR mil.	198.8	237.8	39.0	19.6
\$ mil.	261.4	334.1	72.7	27.8

*)Previous data

Trade Balance

Trade balance in the first nine months in 2011 amounted to EUR 1,392 million, being an increase of the deficit by EUR 275.5 million, compared to the same period last year. Disaggregated, increase of negative trade balance was a result of combined effect of: the widened negative balance in the trade in non-ferrous metals, oil and oil products, electricity, products for colouring and tanning, etc., as well as the realized negative balance in the trade in metal ore and metal scrap, compared to the positive balance last year.

Increased positive balance in the trade in chemical materials and products, iron and steel, clothing, fruit and vegetables, as well as narrowing of negative balance in the trade in road vehicles, raw chemicals, telecommunication devices, other transport equipment, IT office supplies, etc., had opposite effect. Such trends in the period January-September in 2011 contributed for the level of import coverage by export, amounting to 62.5%, to increase by 1 p.p. compared to the same period in the previous year.

Analyzed according to the economic groups of the countries in the first nine months of 2011, export in the EU, EFTA and the developing countries continued to increase (significantly growth was seen at export in Russia – 76%, China - 40% and Western Balkans – 16.3%).

In the first nine months in 2011, in conditions of significant increase of trade with the European Union (EU 27), in relation to January-September last year, by 28.3%, share of trade with EU in the total foreign trade increased by 1.2 percentage points, accounting for 57%, whereby export of goods participated with 60.3% and import of goods accounted for 55%.

As a result of the structural changes in the trade with abroad, in the first half in 2011, 48.7% of the trade deficit of the country was a result of the trade with Russia and Great Britain, followed by Greece, Turkey, China, Serbia, Bulgaria, Italy, Switzerland, etc. Trade surplus was realized with Kosovo, Germany, Albania, Montenegro, the Netherlands, Belgium, Croatia, etc.

Currency Structure

Observed by currency structure, 69.7% of the foreign trade in the first nine months in 2011 was realized in euros, and compared to the same period in 2010, it dropped by 4 percentage points. On export and import side, the euro accounted for 77% and 65.1%, respectively, whereby share of the euro in export was lower by 0.5 p.p., while

share of the euro in import dropped by 6.1 p.p. compared to the first nine months in 2010. Decline of euro share in the import was due to the increased import from the Great Britain, expressed in GBP, participating with 9% in the currency structure of the import.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I-IX 2010					I-IX 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		
EUR	2,189	2,064,733,399	61.5006	126,982,342,879	71.2	2,272	2,420,775,443	61.5364	148,965,805,971	65.1	356,042,044	17.2
USD	1,886	924,079,130	46.8468	43,290,150,187	24.3	2,293	1,310,798,083	43.7613	57,362,228,150	25.1	386,718,953	41.8
GBP	2	88,548,409	71.7470	6,353,082,683	3.6	2	292,589,806	70.6142	20,660,995,066	9.0	204,041,397	230.4
EUR+USD	4,077			176,625,575,749	95.5	4,567			226,989,029,186	99.1		
tot. import	4,090			178,262,638,762	100.0	4,575			228,952,944,497	100.0		28.4

Source: SSO and NBRM

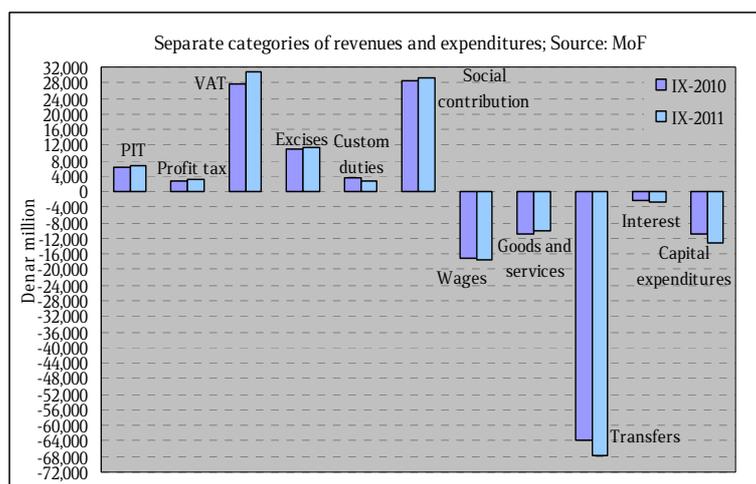
3. Fiscal Sector

Budget Revenues

In the period January-September 2011, total budget revenues reached an amount of Denar 101,856 million, i.e. 22.4% of GDP, which was by 4.0% higher in relation to 2010.

Tax revenues in the first nine months were realized in the amount of Denar 57,660 million, i.e. 12.7% of GDP, being higher by 7.3% in relation to the same period in 2010.

Value added tax was realized in the amount of Denar 31,011 million, whereby share of VAT in total tax revenues in 2011 was dominant, amounting to 53.8%. Excises were realized in the amount of Denar 11,436 million (participating with 19.8% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 42,447 million, i.e.



almost 3/4 of the total tax revenues, i.e. 73.6% (9.3% of GDP). Thereby, VAT collection amounted to Denar 45,206 million on gross basis, Denar 14,196 million out of which was refunded to taxpayers.

Structure of sales in the country shows that sales of goods and services, taxed with the general tax rate of 18% surged by 13.4%, while sales taxed with preferential tax rate of 5% increased by 12.9%. Observed by certain categories of

taxes, revenues on the basis of personal income tax were realized in the amount of Denar 6,855 million, increasing by 8.6% on annual basis. Compared to the same period in 2010, revenues on the basis of profit tax experienced growth of 18.5%, being mainly a result of the increase of additional payments on the basis of annual tax balances, increase of tax collected on the basis of paid dividend and other distribution of profit and the paid monthly advance payments (it is worth mentioning the fact that profit tax registered higher performance, in relation to the overall plan for the analyzed period, by 15.7%). VAT revenues experienced growth of 11.3%, while excises experienced more moderate increase, i.e. higher performance by 4.1%. Revenues on the basis of customs duties were realized in the amount of Denar 2,786 million, decreasing by 23.2%.

Non-tax revenues declined by 4.3% in relation to the same period in 2010, i.e. they amounted to Denar 10,051 million (these revenues are revenues collected on the basis of administrative fees, road toll, etc.).

Capital revenues realized on the basis of sale of construction land, flats and dividends reached Denar 3,209 million, showing a drop by 3.6% compared to the same period in the previous year.

Collection of social contributions amounted to Denar 29,163 million, being higher by 2.9% compared to the same period in 2010, whereby collection of pension insurance contributions and employment contributions increased by 2.9%, while collection of health insurance contribution surged by 2.8%.

Budget Expenditures

In the period January-September 2011, total budget expenditures amounted to Denar 111,247 million, i.e. 24.4% of GDP, which was higher by 6.4% compared to 2010.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 98,075 million accounted for 88.2% (21.5% of GDP) and they increased by 4.7% in relation to the same nine months in 2010.

Transfers amounting to Denar 67,853 million accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 17,349 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 2.2%.

Expenditures related to goods and services amounted to Denar 10,236 million, decreasing by 4.3% compared to the same period in 2010.

Transfers increased by 6.5% compared to the same period in 2010, participating with 61% in the total expenditures. Social transfers amounted to Denar 49,799 million, increasing by 4.6% and participating with 44.8% in the total expenditures. Transfers to the Pension and Disability Insurance Fund accounted for the most in the social transfers. They amounted to Denar 29,054 million, increasing by 3.8% in relation to the same period in 2010, accounting for 26.1% in the total expenditures. Category other transfers, which includes transfers to local government units,

accounted for 15.7% in the total expenditures, i.e. they surged by 15.4% compared to the same period in 2010.

Interest was collected in the amount of Denar 2,637 million, being by 16.6% more compared to the same period in 2010. Such increase was mainly due to the payment of due interest on the basis of foreign borrowing. Costs related to interest on the basis of domestic borrowing increased by 15.5%, while the ones on the basis of foreign borrowing surged by 17.1%.

In the analyzed period, the funds for capital expenditures were realized in the amount of Denar 13,172 (2.9% share in GDP), i.e. they increased by 20.8% compared to the same period last year.

Budget Balance

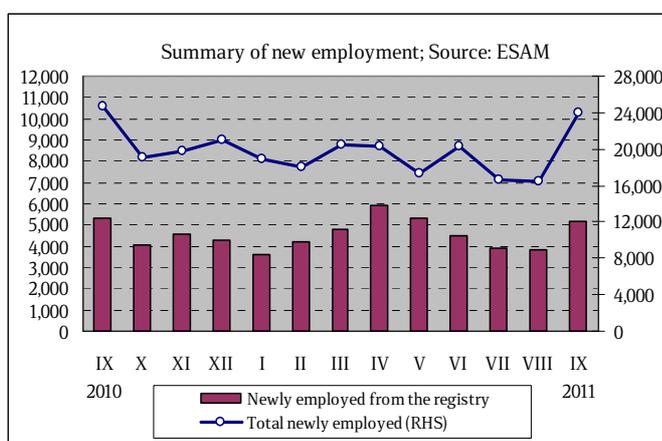
In the period January-September 2011, the budget deficit reached the amount of Denar 9,391 million, being 2.1% of GDP, while central budget deficit amounted to Denar 7,015 million or 1.5% of GDP.

4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM

In the period January-September 2011, Employment Agency of the Republic of Macedonia registered total of 172,455 new employments. 36.5% out of the total number of newly employed was on the basis of full-time employment, while the rest of the employed were on the basis of temporary employment and seasonal workers. Compared to the same period in 2010, number of newly employed persons dropped by 0.2%.

During September, 24,014 new employments were registered, 21.7% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia



amounted to 17,903 persons in September, 28.4% out of which were new employments. In September, 9,424 persons were registered as inflow to the Agency, 43.2% out of which were persons whose employment was terminated. As a result, unemployment reduced by 8,479 persons, i.e. by 2.8% compared to the previous month. Thus, in September 2011, 295,427 persons were registered as unemployed. Compared to the same month in 2010, number of unemployed persons declined by 8.6%.

Major percentage of the unemployed, i.e. 66.1%, came from urban areas (cities), whereby 57.5% were men. Analyzed by education structure, major part, i.e. 51.2% of unemployed persons were unskilled or semi-skilled, while only 8.7% was with

community college or higher education level. Observed by age, majority of the unemployed persons or 56.8% fall in the category of 25-49 years of age. According to the time they waited for a job, 48.8% of the unemployed persons sought job from 1 to 7 years, while 29.6% sought job for 8 years and more.

Salaries

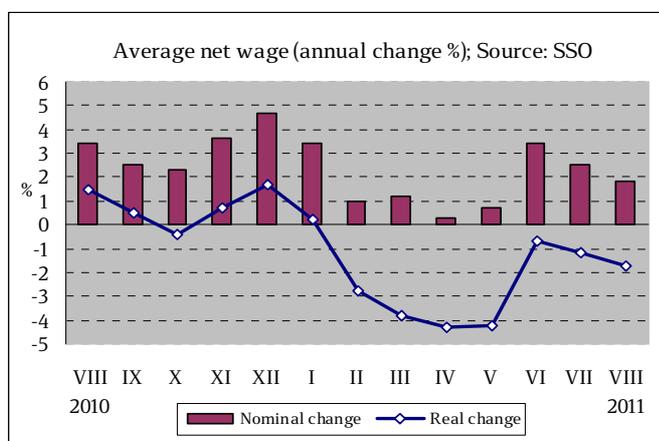
According to the data from the State Statistical Office, average monthly paid gross salary per employee in August 2011 amounted to Denar 30,715, while average monthly paid net salary amounted to Denar 20,912¹.

On monthly basis, salaries in August 2011 experienced nominal growth of 0.6% (gross salary) and 0.5% (net salary), while salaries were higher by 0.7% (gross salary) and 0.6% (net salary) in real terms.

On monthly basis, salaries in August 2011 experienced nominal growth of 1.7% (gross salary) and 1.8% (net salary), while salaries were lower by 1.9% (gross salary) and 1.7% (net salary) in real terms.

On cumulative basis, in the period January-August 2011, average gross salary increased by 1.6% in nominal terms, while it was lower by 2.5% in real terms. In the same period, average gross salary increased by 1.8% in nominal terms, while it was lower by 2.3% in real terms.

Highest increase of average monthly gross salary per employee in August 2011 compared to August 2010 was seen in the activities other services (23.7%), expert, scientific and technical activities (8.9%) and art, entertainment and recreation (8.6%). Highest increase of average monthly net salary per employee in August 2011 compared to August 2010 was seen in the activities other services (23.4%), mining and quarrying (9.5%), and art, entertainment and recreation (9.0%).



Increase of average monthly gross and net salary per employee in August 2011 compared to July 2011 was seen in the activities mining and quarrying (10.0% gross salary and 8.7% net salary), electricity, gas, steam and air conditioning supply (3.5% of gross salary and 3.3% net salary) and activities related to real estate (3.3% gross salary and 3.2% net salary).

Percentage of employees who did not receive salary in August 2011 amounted to 3.1% and compared to the same month in the previous year, it was higher by 0.4 percentage points, while compared to July 2011, percentage of employees who did not receive salary was higher by 0.9 percentage points.

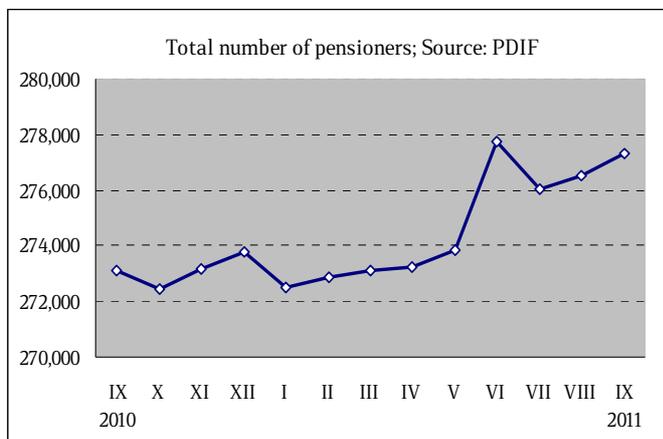
¹ State Statistical Office, at the beginning of this year, applied the new National Classification of Activities (NCA Rev. 2) for collecting and processing data on average monthly paid gross and net salary..

Pensions

In September 2011, Pension and Disability Insurance Fund registered 277,337 pensioners, being an increase by 1.5% compared to the same month in 2010. Number of pension beneficiaries increased by 792 persons in relation to August 2011. 55.5% out of the total number of pensioners are beneficiaries of old-age pension, 27.5% of survival pension and 17.0% of disability pension.

In September 2011, Denar 3,005.96 million was spent for payment of pensions, accounting for 54% of the total social transfers².

Average pension in September 2011 amounted to Denar 11,025, increasing by 7.4% on annual basis. Ratio between average pension and average paid salary in August 2010 (most recent available data) amounted to 49.5%.

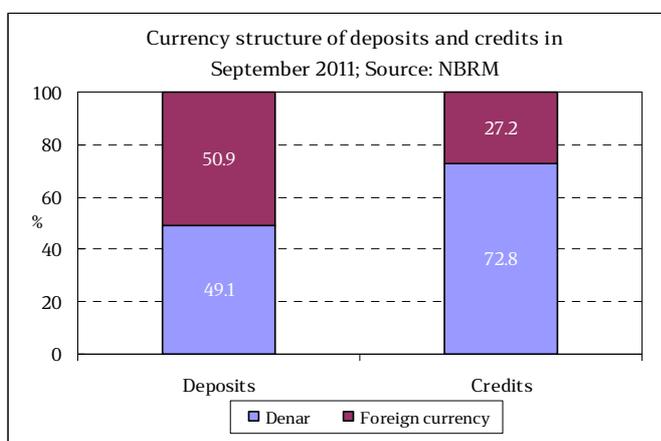


5. Monetary Sector

Primary Money

In September 2011, primary money³ showed slowed down growth of 1.8% on annual basis in conditions of drop of total liquid assets of banks by 2.5%. Ready money in circulation increased by 7.8% on annual basis. On monthly basis, primary money decreased by 7.4%, as a result of the drop of total liquid assets of banks by 10.9% and the ready money in circulation by 2.3%.

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



Deposit Potential

Total deposit potential of banks⁴ in September 2011 dropped by 0.7% on monthly basis, as a result of the decrease of deposits of private enterprises by 5.1%. On the

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

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

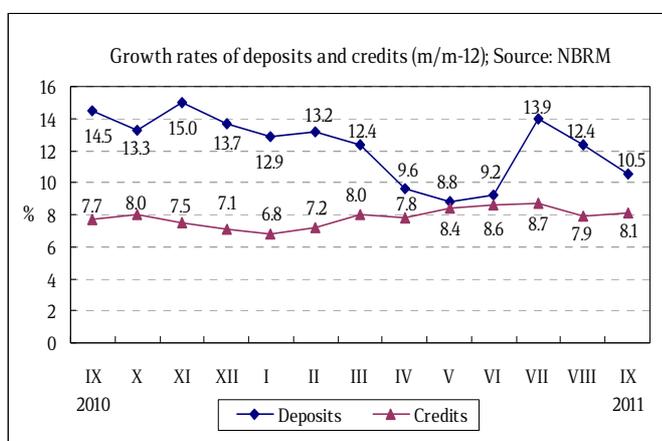
other hand, deposits of households increased by 1%. From currency point of view, Denar deposits increased by 0.6%, while foreign currency deposits surged by 1.9%.

Total deposits increased by 10.5% on annual basis, driven by the growth of deposits of households, increasing by 14.3%, thus contributing with 9.7 p.p. to the growth of total deposits. Deposits of private enterprises were higher by 4.7%.

Analyzed according to the currency, Denar deposits grew by 13% on annual basis, while foreign currency deposits were higher by 8.2%. According to maturity, long-term deposits experienced high increase by 35.6%, while short-term deposits were higher by 6.7% on annual basis.

Bank Credits

In September 2011, total credits of banks to the private sector increased by 0.7% on monthly basis. Growth was mainly driven by credits to private enterprises, increasing by 0.8% compared to the previous month, while credits to households were higher by 0.4%. According to the currency structure, foreign currency credits increased by 1.7%, while Denar credits surged by 0.3%.



On annual basis, growth rate of credits amounted to 8.1%.

From the point of view of sector structure, crediting to

private enterprises had dominant contribution of 5.2 p.p. to growth of total credits, increasing by 8.7%. Household credits increased by 7.4% in September.

From currency point of view, Denar credits experienced annual growth of 2.7%, while foreign currency credits registered high growth of 25.9%. As regards maturity, long-term credits increased by 14.8% on annual basis, while short-term credits were lower by 2.5%.

Interest Rates of Deposit Banks

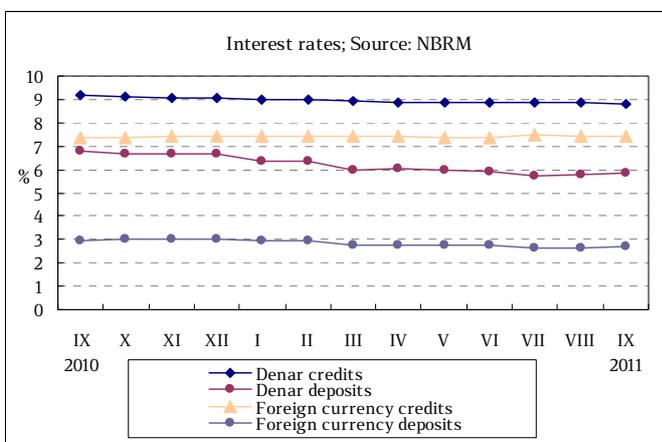
In September 2011, interest rates of deposit banks retained the same level as in the previous month. In fact, interest rate on Denar credits, including interest rates on Denar credits without foreign currency clause and Denar credits with foreign currency clause, was 8.8%, dropping by 0.4 p.p. on annual basis. Interest on Denar credit balance, including interest rates on Denar deposits without foreign currency clause and Denar credits with foreign currency clause, was 5.8%, which, compared to September 2010, dropped by 1 p.p..

⁴ Starting January 2009, deposits include calculated interest

Interest rate on foreign currency credits was 7.4%, being higher by 0.1 p.p. on annual basis. Interest rate on foreign currency deposits amounted to 2.7%, decreasing by 0.3 p.p. compared to September 2010.

Foreign Currency Reserves

Gross foreign currency reserves at the end of September 2011 amounted to EUR 1,847.8 million and, compared to the previous month, they were higher by EUR 4.2 million, while compared to September 2010, foreign currency reserves were higher by EUR 158.5 million.



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Skopje, December 2011