



REPUBLIC OF MACEDONIA  
MINISTRY OF FINANCE  
Macroeconomic Policy Department

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# SHORT-TERM ECONOMIC TRENDS

March 2012

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May 2012, Skopje

## SUMMARY

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

March 2012

- Industrial production in March 2012 compared to February 2012 I experienced high increase by 20.8%.
- Inflation rate amounted to 0.4% on monthly basis and 1.4% on annual basis; Average inflation rate in the first three months of 2012 amounted to 2.5%.
- Annual drop of physical output of export in the period January-March 2012 by 48% and drop in value by 1.8% and decline of imported quantities of goods by 8.9% and drop in value by 6.4%, resulting in reducing the trade deficit by 13% compared to the same period in 2011;
- Increase of both total budget revenues by 1.2% and total budget expenditures by 3.4% in the first three months in 2012, compared to the same period last year; state budget deficit in the amount of Denar 4,528 million (1.0% of GDP) and central budget deficit in the amount of Denar 3,475 million (0.7% of GDP);
- Increase of both total credits to private sector by 8% and total deposit potential of banks by 9.5% on annual basis;
- Drop in the number of registered unemployed persons by 14.4% in March 2012 compared to the same month last year.

# 1. Real Sector

## Industrial Production

Industrial production in March 2012 compared to February 2012 experienced high increase by 20.8%. Sector analysis points out that increase by 38% was registered at mining and quarrying, 26.5% at processing industry, while electricity, gas, steam and air-conditioning supply sector dropped by 11.8%.

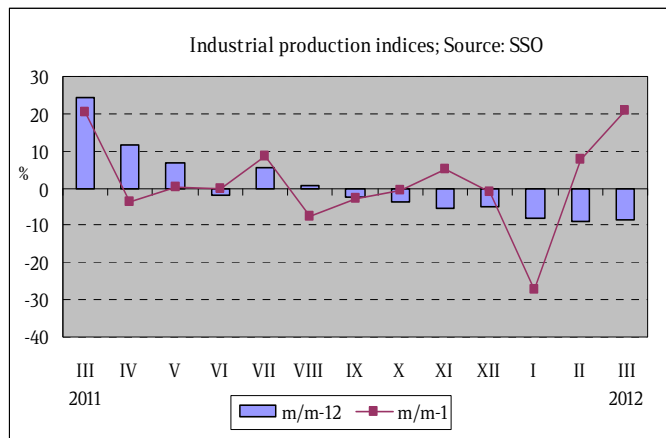
High monthly growth was seen at the following branches: Production of other non-metal products – 384.3%, production of beverages – 116.7%, production of rubber products and products of plastic mass – 91.6%, production of tobacco products 77.9% and production of metals – 30.3%.

	m/m-12	m/m-1	I-III 2012
			I-III 2011
Total	-8.5	20.8	-8.4
Ore and stone extraction	-4.7	38.0	-10.4
Processing industry	-6.0	26.5	-6.4
Electricity, gas and water supply	-23.8	-11.8	-17.6

Source: SSO

Industrial production dropped by 8.5% in March 2012 compared to March 2011. Such drop was to a great extent a result of the high basis, taking into account that in March in the previous year, high industrial production increase by 24.5% was realized. Analyzed by sectors, electricity, gas, steam and air-conditioning supply sector drooped by 23.8%, processing industry sector declined by 6%, while mining and quarrying sector decreased by 4.7%.

As for processing industry, annual positive growth was registered at 9 out of 23 branches, comprising 37.9% of the industrial production. Growth was seen at one of the tree driving branches with double-digit share in the industrial production, i.e. at production of food products – 3.3%. Production of metals dropped by 5.9% and production of clothing declined by 20.4%. Out of the branches with more significant share in the industrial production, significant growth was registered at production of beverages (35.8%), production of tobacco products (33.8%) and production of non-metal mineral products (16.4%).



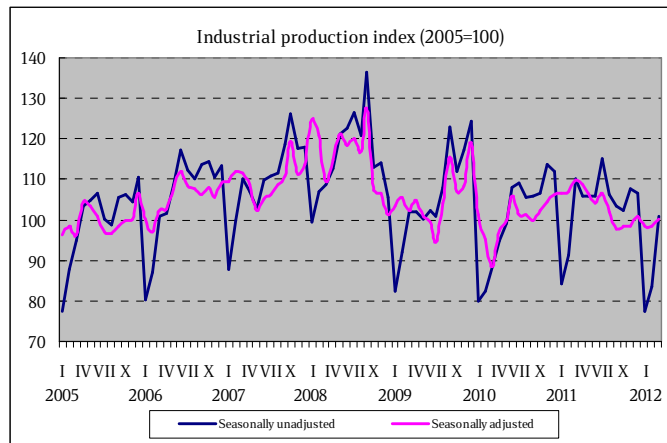
Production of tobacco products (2 p.p.) contributed the most to the annual growth of industrial production in March 2012, while production of coke and refined oil products had the highest negative contribution (-3.6 p.p.).

On cumulative basis, in the period January–March 2012 compared to the same period in 2011, industrial production dropped by 8.4%, being a result of the drop of production in all sectors. Processing industry dropped by 6.4%, mining and

quarrying decreased by 10.4% while electricity, gas, steam and air-conditioning supply declined by 17.6%.

On monthly basis, data on industrial production by target groups in March 2012 compared to March 2001 show increase of production at the groups intermediary goods except energy 8.4% and consumer non-durables 0.9%. Drop of production was seen in the following groups: Capital goods – 13.6%, energy 35% and consumer durables –57.2%.

On monthly basis, data on the industrial production by target groups in May 2012 show that there was increase in the production at the following groups: Intermediary goods, except energy –50.7%, consumer non-durables – 22.1%, capital goods – 20.3% and consumer durables – 16.4%. Monthly drop was seen at energy by 20.7%.

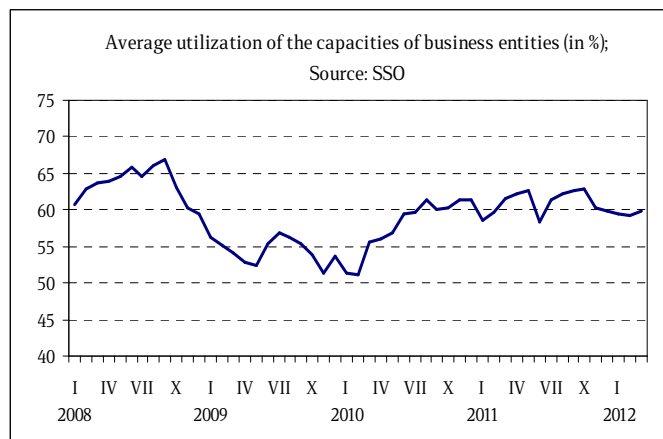


On cumulative basis, in the first three months of 2012 compared to the same period last year, production growth was seen in the group intermediary goods except energy - 2%, while drop was seen in the other groups, as follows: Consumer non- durables – 1.6%, capital goods –14%, energy 24.2% and consumer durables – 42.8%.

### Business Trends in Processing Industry

Current economic trends of business entities in March 2012 was more favourable compared to both the previous month and March 2011.

Assessment of current state of delivery-to-production was more favourable compared to the previous month as well as compared to March 2011, whereby such improvement was due to increase in domestic orders, while foreign orders increased with slower pace. Assessment for the production volume in the past three months was less favourable compared to February 2012, as well as compared to March 2011.



Expectations for the production volume in the next three months are more favourable compared to both the previous month and March 2011.

As regards the number of employees, the expectations for the next three months are more favourable compared to the previous month, while compared to March

2011, they are significantly improved.

Average utilization of the capacities in March 2012 accounted for 59.9%, being a slight increase compared to the previous month, when it accounted for 59.3%. Compared to March 2011, utilization of the capacities was lower by 1.7 p.p..

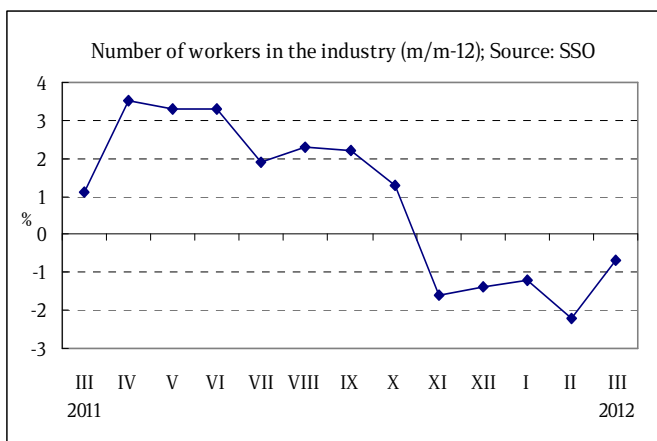
Stocks of raw materials and intermediate goods, as well as on-going procurement of raw materials and intermediate goods, were below and around the average. Stock of ready-made products declined compared to both the previous month and March 2011. In the next 3-month period, average purchase prices of inputs and selling prices of ready-made products are expected to decrease.

According to the assessment, following factors limited the most the production volume in March 2012: insufficient foreign demand – 22.5%, insufficient domestic demand – 18.4%, financial problems – 12.7%, uncertain economic surrounding – 7.9% and lack of qualified labour force - 7.1%.

In March 2012, lower number of business entities pointed out the lack of energy, insufficient foreign demand and uncertain economic surrounding as limiting factor compared to February 2012, while higher number of business entities pointed out the lack of raw materials and competitive import. As regards other factors, there are no significant changes.

### Number of Workers in the Industry

Number of workers in the industry in March 2012 compared to March 2012 decreased by 0.7%. Sector analysis points out to increase in the number of workers in the sectors mining and quarrying by 1.2% and electricity, gas, steam and air-conditioning supply by 0.6% and while processing industry registered reduction of the number of workers by 1.0% on annual basis.



Mining and quarrying sector experienced increase in the number of workers by 1.2%, as a result of the increase in the number of workers in the sectors mining of metal ore (2.9%) and mining of coal and lignite (1.7%), while the number of workers in the other mining and quarrying sector dropped by 3.3%.

Processing industry sector experienced decrease in the number of employees by 1.0%. As for processing industry, more significant increase in the number of workers on annual basis was registered at the following branches: Production of paper and paper products -15.4%, production of tobacco products 11.9%, production of rubber products and plastic mass - 7.9% and production of furniture - 2.9%.

Data on the number of workers in the industry by target groups in March 2012, compared to March 2011, showed increase in the number of workers at the following groups: Energy by 0.4% and consumer non-durables by 0.4%, while

reduction of the number of workers was registered in the following groups: Capital goods – 6.9%, consumer durables – 3.9% and intermediary goods, except energy – 1.6%.

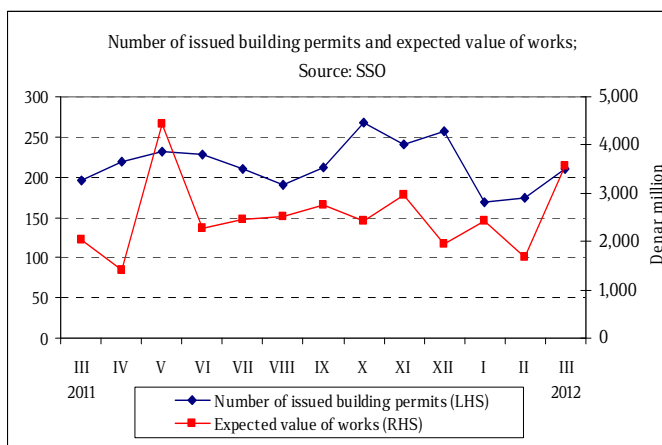
### Number of Issued Building Permits and Envisaged Value of Facilities

In March 2012, 210 building permits were issued, being by 7.7% more compared to the same month in the previous year. Total number of issued building permits compared to the previous month in 2011, when 174 permits were issued, increased by 20.7%.

Envisaged value of the facilities, according to the issued building permits amounted to Denar 3,570 million, being by 74.2% more than the same month in 2011, while compared to February 2012, the value of the facilities increased by 113.9%.

Analyzed by types of facilities, out of the total number of issued building permits, 146 (or 69.5%) are intended for buildings, 43 (or 20.5%) for civil engineering structures and 21 (or 10%) for reconstruction.

Analyzed by types of investors, out of total 210 facilities, natural persons were investors in 130 facilities (or 61.9%), while business entities were investors in 80 facilities (or 38.1%).

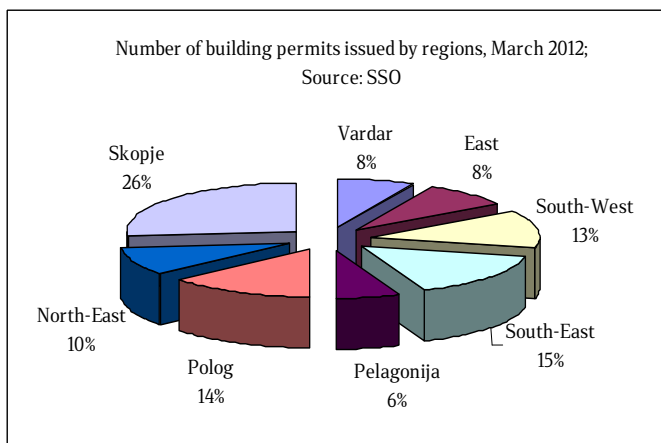


In March 2012, construction of 512 flats is envisaged, with total usable area of 41,010 m<sup>2</sup>.

Analyzed by regions, most permits were issued in the Skopje region, 56 in total, 29 permits out of which were issued to natural persons as investors, while 27 permits were issued to business entities as investors.

Pelagonia region had least issued permits – 13, where two permits were issued to natural persons as investors, while 11 permits were issued to business entities as investors.

In the period January-March 2012, most permits were issued in the Skopje region, 187 in total, 105 permits out of which were issued to natural persons as investors, while 82 permits were issued to business entities as investors.

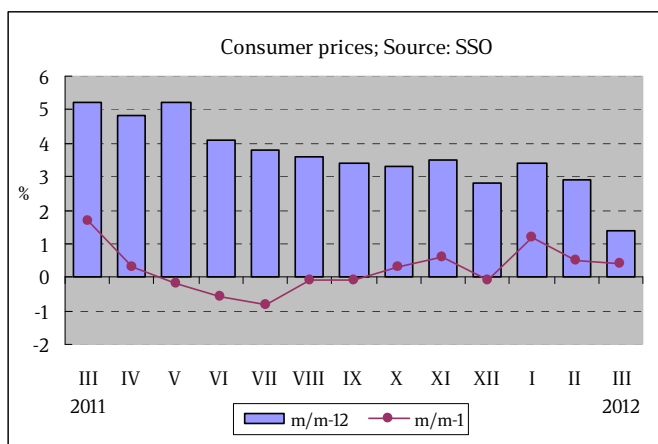


Eastern region had least issued permits, 36 permits in total, 22 permits out of which were issued to natural persons as investors, while 14 permits were issued to business entities as investors.

## Inflation

Inflation rate, measured according to CPI index continued its downward trend, amounting to only 1.4% in March 2012 compared to the same month in the previous year, compared to the annual growth of 2.9% in February. Average inflation rate in the first three months of 2012 amounted to 2.5%.

On annual basis, in March, increase of prices was the highest in the housing category – 5.3%, being a result of the increase of prices of heating and lighting, surging by 7.8%. As for food category, accounting for the most in the CPI index, experienced drop in prices by 0.9%, being mainly due to the drop in prices of vegetables and fruit. Decline of prices was also registered at the tobacco and beverages category by 0.2%. The other



categories experienced increase in prices, as follows: Means of transport and services – 4.2%, restaurants and hotels - 2.7%, hygiene and health – 1.9%, clothing and footwear – 1.6%, culture and entertainment and administrative and financial services – 0.9%.

Inflation rate in March compared to the previous month, amounted to 0.4%. Category means of transport and services experienced the highest increase in prices by 1.9%, mainly as a result of the increase in prices at liquid fuels. As for category culture and entertainment, monthly increase of prices amounted to 0.4%, followed by the increase of prices in the categories food, housing and hygiene and health – 0.3% and clothing and footwear – 0.2%. Drop of prices was seen in the category restaurants and hotels – 0.2%, while prices remained the same at categories tobacco and beverages and administrative and financial services.

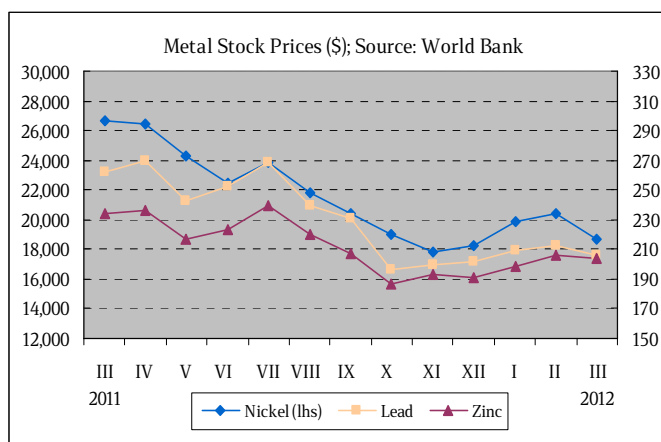
Retail prices in March 2012 were higher by 2.7% compared to March 2011. Compared to the previous month, retail prices were higher by 0.7%. Average increase of retail prices in the first three months of 2012 amounted to 3.2%.

## Stock Market Prices

In March 2012, crude oil price (Brent) on the global stock markets grew by 4.4%, compared to the previous month, reaching the price of US\$ 124.9 per barrel. Compared to March 2011, oil price surged by 9.2%. Price of natural gas in March increased by 3% 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\$ 18,661 for a metric ton (\$/mt) on the

global stock markets in March, being a monthly drop of the price by 8.5%. Compared to March 2011, nickel price was lower by around 30%. In fact, slight general price decrease of metals and minerals by 0.2% on monthly basis was seen in March. In addition to nickel, relatively high monthly drop in prices in this group of products was seen at tin by 5.4% according to the high growth rates in the previous two months. Precious metals also registered monthly drop in prices, being a result of the lower demand of investors. Price of gold decreased by 3.9%, while price of silver reduced by 3.6%. Price of iron ore increased by 3.1% in March compared to the previous month.



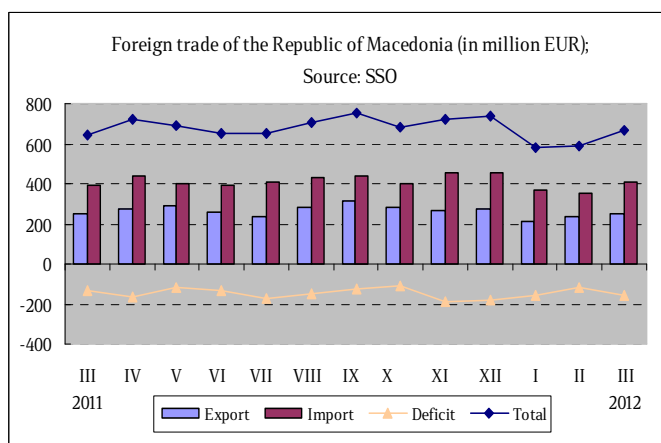
Price of wheat on the global stock markets continued the trend of moderate monthly increase this year, while price also surged by 2.2% in March.

## 2. Foreign Trade

In the first three months in 2012, total foreign trade dropped by 4.7% in relation to the same period in the previous year.

### Export

In the period January-March 2012, physical output of export dropped by 48.0% compared to the same period in 2011, while value of exported goods amounted to EUR 700.6 million, decreasing by 1.8% (EUR 13.1 million) compared to the period January-March 2011, being mainly a result of the less exported iron and steel, chemical materials and products, clothing, etc.



Analyzed on monthly basis, in March 2012, export increased by 7.7%, compared to the previous month. Seasonally adjusted trend of export in March 2012 decreased by 2.2% on monthly basis, pointing out to negative effects of the seasonal factor (9.9 p.p.) on export this month.

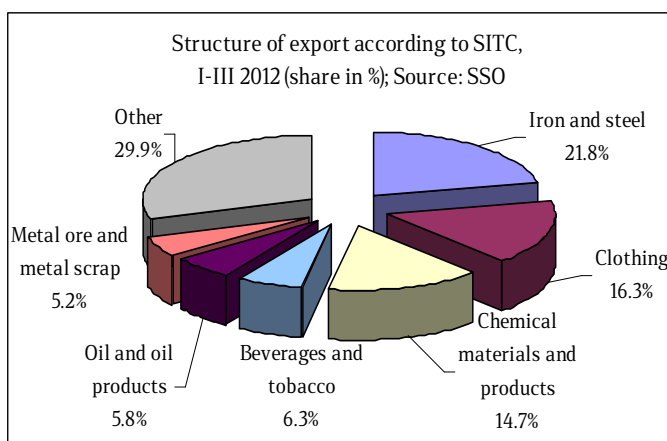
Analyzed by tariffs, the following products were most exported: catalysts with precious metals or precious metal compounds as active substance, ferronickel,



philtering or purifying machinery and apparatus for other gases; gas oils with a sulphur content up to 0.001% by weight; men's shirts of cotton; tobacco; boards, plates, stands, tables, cabinets and others; hot rolled flat products of iron or non-alloyed steel of width of 600 mm or more, lead ore and concentrates, copper ore and concentrates; pharmaceuticals put up in measured doses, etc.



Main groups of goods (according to SITC) being most exported in the period January-March 2012 were the following: iron and steel – 21.8%, clothing – 16.3%, chemical materials and products – 14.7%, beverages and tobacco – 6.3%, oil and oil products – 5.8%, metal ore and metal scrap – 5.2%. These six groups of products comprised 70.1% of the total export of the country.



In the first three months of 2012, observed by economic purpose, the following products were most exported: goods for industrial production (51.7%), followed by personal consumption goods (32.2%), investment goods (9.3%) and energy (6.9%).

## Import

Imported quantities of goods in the period January-March 2012 reduced by 8.9%, compared to the same period in the previous year, while their value amounted to EUR 1133.6 million, reducing by 6.4% compared to the period January-March 2011.

Export of oil and oil products*)				
	I-III 2011	I-III 2012	Balance 2012-2011	% rate
000 T	66.8	53.6	-13.2	-19.8
EUR mil.	41.0	40.9	-0.1	-0.3
\$ mil.	56.3	53.6	-2.6	-4.7

\*)Previous data

Import of oil and oil products*)				
	I-III 2011	I-III 2012	Balance 2012-2011	% rate
.000 T	303.0	282.7	-20.3	-6.7
EUR mil.	160.4	190.0	29.6	18.4
\$ mil.	219.5	249.9	30.3	13.8

\*)Previous data

Analyzed on monthly basis, in March 2012, import increased by 15.4%, compared to the previous month.

Seasonally adjusted trend of import in March 2012 increased by 4.2% on monthly basis, pointing out to negative effects of the seasonal factor (11.2 p.p.) on import this month.

Most imported products by tariffs were the following: Crude oil; electricity, gas oils for other purpose with a sulphur content up to 0.001% by weight; platinum, unwrought or in powder form; oil gases and other gaseous hydrocarbons; nickel ore and concentrates; hot rolled with thickness less than 3 mm, pharmaceuticals put up in measured doses; motor petrol with an octane number (RON) of 95 up to 98; heating oils; colours and varnishes; motor vehicles for transport of ten or more persons, etc.

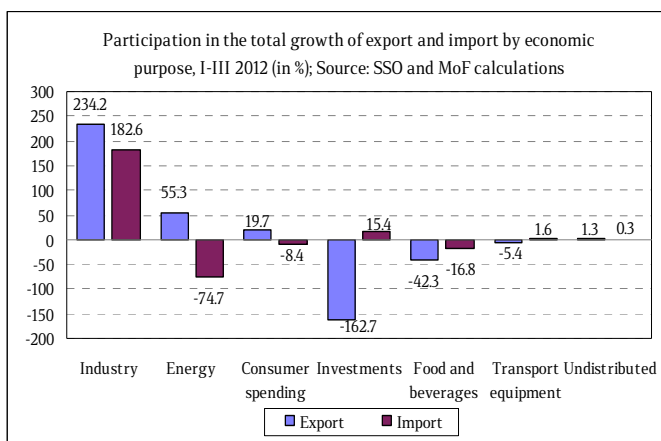
Export of chemical products*)				
	I-III 2011	I-III 2012	Balance 2012-2011	% rate
000 T	4.6	3.2	-1.5	-31.5
Мил. ЕУР	113.3	102.9	-10.4	-9.2
Мил.\$	155.1	135.2	-19.9	-12.9

\*)Previous data

Import of chemical products*)				
	I-III 2011	I-III 2012	Balance 2012-2011	% rate
.000 T	5.9	5.1	-0.8	-14.3
Мил. ЕУР	27.0	17.2	-9.8	-36.2
Мил.\$	37.1	22.6	-14.5	-39.0

\*)Previous data

In addition to oil, electricity; yarn, fabrics and textile products; non-ferrous metals; road vehicles; iron and steel; gas, natural and industrial; metal ore and metal waste, etc. accounted for the most of the import of goods (according to groups of SITC) in the period January- March 2012. It is important to mention that import of electricity increased by EUR 29 million, compared to the same period in 2011, being a result of the increased needs for this product due to the low temperatures.



Export of iron and steel*)				
	I-III 2011	I-III 2012	Balance 2012-2011	% rate
000 T	192.3	155.0	-37.2	-19.4
EUR mil.	159.2	152.7	-6.5	-4.1
\$ mil.	218.0	200.4	-17.6	-8.1

\*)Previous data

Import of iron and steel*)				
	I-III 2011	I-III 2012	Balance 2012-2011	% rate
.000 T	159.3	103.6	-55.7	-35.0
EUR mil.	80.8	53.8	-27.1	-33.5
\$ mil.	110.7	70.6	-40.2	-36.3

\*)Previous data

Observed by economic purpose in January 2012, goods for industrial production (39.9%) were most imported, followed by: energy (27.1%), personal consumption goods (23.2%) and investment products (13.8%).

## Trade Balance

In the first three months in 2012, due to the higher absolute drop of import than export, trade deficit narrowed by EUR 65 million or 13.0% compared to the same period last year.

If we analyse the balance of export and import of goods by economic purpose, the deficit narrowing is a result of combined effect from: larger narrowing of negative

balance of trade in goods for industrial production, and investment goods, while widened negative balance of trade in energy products (fuels and lubricants) and personal consumption goods had opposite effect.

Analyzed according to economic groups of countries, in the period January-March 2012, compared to the same period in 2011, export dropped at the following groups: Developed countries, EU 27, developing countries and Western Balkans, while growth was seen at the following groups: EFTA, other developed and undeveloped countries. Export in the EU dropped by 4.8% on annual basis, while as for Western Balkan countries, it declined by 14.5%.

In the first three months of 2012, foreign trade of the Republic of Macedonia with the European Union (EU 27), in relation to the same period in the previous year, reduced by 8.4%, whereby share of trade with EU in the total foreign trade remained at same level as in the same period in 2011, accounting for 57.8%, whereby export of goods participated with 64.8% and import of goods accounted for 53.6%.

In the period January-March 2012, 48.6% of the trade deficit of the country was realized in the trade with Russia and Greece, followed by: Great Britain, Serbia, China, Turkey, Switzerland, Bulgaria, Ukraine and others. Surplus was realized in the trade with Germany, Kosovo, Bosnia and Herzegovina and the Netherlands.

## Currency Structure

Observed by currency structure, 69.1% of the trade in the period January-March 2012 was realized in euros, and compared to the period January-March 2011, it surged by 1.8 percentage points. On export and import side, euro accounted for 77.9% and 63.6%, respectively, whereby share of the euro in export was lower by 0.6 p.p., while increase of the share of the euro in import accounted for 3.0 p.p. compared to the same period in 2011. Increase of euro share in the import was due to the decreased import from the Great Britain, expressed in GBP, participating with 6.2% in the currency structure of the import.

Foreign trade of the Republic of Macedonia (by currency ); calculations: MoF												
import	I-III 2011					I-III 2012					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	687.8	738,567,996	61.5126	45,431,237,710	60.6	600.2	722,776,538	61.5030	44,452,925,433	63.6	-15,791,458	-2.1
USD	718.3	419,152,888	45.0214	18,870,849,847	25.2	679.8	434,744,895	46.9402	20,407,012,328	29.2	15,592,007	3.7
GBP	0.5	135,351,127	72.0363	9,750,194,400	13.0	0.8	58,916,959	73.7062	4,342,545,157	6.2	-76,434,168	-56.5
EUR+USD	1,406.6			74,052,281,957	85.8	1,280.8			69,202,482,918	99.0		
tot. import	1,408.7			74,959,399,535	100.0	1,282.9			69,920,693,219	100.0		-6.7

Source: SSO and NBRM

### 3. Fiscal Sector

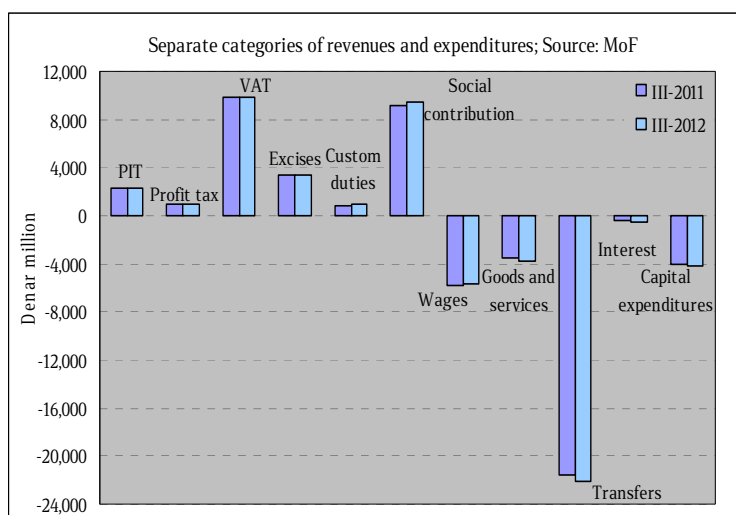
#### Budget Revenues

In the period January-March 2012, total budget revenues amounted to Denar 31,800 million, i.e. 6.7% of GDP, which was by 1.2% higher in relation to 2011.

Tax revenues in the first three months were realized in the amount of Denar 18,217 million, i.e. 3.8% of GDP, being higher by 1.2% in relation to the same period in 2011.

Value added tax was realized in the amount of Denar 9,798 million, whereby share of VAT in total tax revenues in this month was dominant, amounting to 53.8%. Excises were realized in the amount of Denar 3,399 million (participating with 18.7% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 13,197 million, i.e. 72.4% of total tax revenues (2.8% of GDP). Thereby, VAT collection amounted to Denar 14,685.4 million, Denar 4,887.4 out of which was refunded to taxpayers (gross collection was higher by 0.9%, while VAT refund was higher by 3.7%, compared to the same period in 2011). As for VAT structure, VAT share was

VAT share was the biggest when importing, increasing by 3.0%, while VAT on the basis of the sales in the country dropped by 2.2%, share of VAT in donations and interest was insignificant (0.35%), experiencing lower performance by 15.2%. Observed by certain categories of taxes, revenues on the basis of



personal income tax were realized in the amount of Denar 2,298 million, increasing by 2.5% on annual basis (revenues on the basis of salaries account for around 70% of the personal income tax). Compared to the same months in 2011, profit tax revenues surged by 4.8%, being mainly a result of the tax collected on the basis of monthly advance payments and on the basis of paid dividend and other profit distribution. VAT revenues dropped by 0.4%, while excises declined by 0.7%. Revenues on the basis of customs duties were realized in the amount of Denar 932 million, increasing by 15.2%.

Non-tax revenues amounted to Denar 2,784, being lower by 7% in relation to the same period in 2011 (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 746 million, increasing by 40.2% compared to the same months in the previous year.

Collection of social contributions amounted to Denar 9,445 million, being higher by 3.4% compared to the same period in 2011, whereby collection of pension insurance contributions increased by 3.0%, collection of employment insurance contribution surged by 3.6%, while health contributions rose by 4.1%.

### **Budget Expenditures**

In the period January-March 2012, total budget expenditures amounted to Denar 36,328 million, i.e. 7.6% of GDP, which was higher by 3.4% compared to 2011.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 32,113 million accounted for 88.4% (6.7% of GDP) and they increased by 3.1% in relation to the same month in 2011.

Transfers amounting to Denar 22,162 million (4.7% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 5,680 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 15.6% and compared to 2011, they decreased by 1.3%.

Expenditures related to goods and services amounted to Denar 3,741 million, increasing by 7.0% compared to the same period in 2011.

Transfers increased by 3.0% compared to the same period in 2011, participating with 61.0% in the total expenditures. Social transfers amounted to Denar 17,013 million, increasing by 6.6% and participating with 46.8% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 10,105 million, increasing by 6.1%, compared to the same period in 2011 and accounting for 27.8% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 13.6% in the total expenditures, i.e. they declined by 8.3% compared to the same period in 2011. Block grants to local government units amounting to Denar 3,357 million, were realized in almost the same amount, i.e. by 0.5% less compared to the period January-March in the previous year. Subsidies and transfers were lower by 27.9%.

Interest was collected in the amount of Denar 530 million, being by 48.0% more compared to the same period in 2011. 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 23.5%, while the ones on the basis of foreign borrowing surged by 77.8%.

In the analyzed period, the funds for capital expenditures were realized in the amount of Denar 4,215 million (0.9% share in GDP), showing increase compared to the same period last year.

### **Budget Balance**

In the period January-March 2012, the budget deficit reached the amount of Denar 4,528 million, being 1.0% of GDP, while central budget deficit amounted to Denar 3,475 million or 0.7% of GDP.

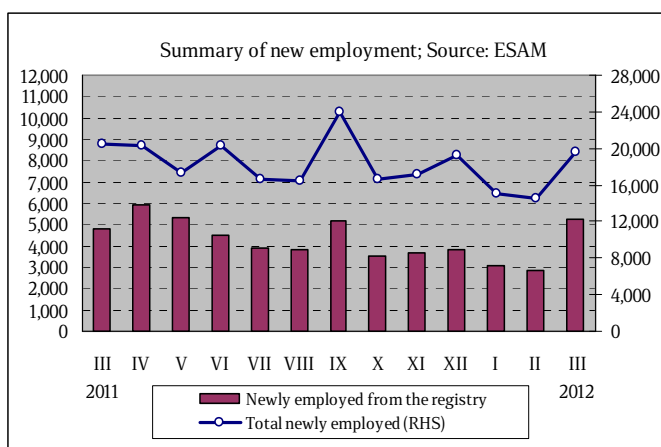
## 4. Social Sector

### Number of Newly Employed and Registered Unemployed Persons in EARM

In the period January-March 2012, Employment Agency of the Republic of Macedonia registered total of 49,254 new employments. 40.2% 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 2011, number of newly employed persons dropped by 14.3%.

During March, 19,614 new employments were registered, 26.9% out of which were from the unemployed records.

Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 10,168 persons in March, 51.1% out of which were new employments. In March, 7,156 persons were registered as inflow to the Agency, 53.2% out of which were persons whose employment was terminated. As a result,



unemployment reduced by 3,012 persons, i.e. by 1.1% compared to the previous month. Thus, in March 2012, 276,715 persons were registered as unemployed. Compared to the same month in 2011, number of unemployed persons declined by 14.4%.

Major percentage of the unemployed, i.e. 67.4% came from urban areas (cities), whereby 57.5% were men. Analyzed by education structure, major part, i.e. 49.1% of unemployed persons were unskilled or semi-skilled, while only 9.6% was with community college or higher education level. Observed by age, majority of the unemployed persons or 55.6% fall in the category of 25-49 years of age. According to the time they waited for a job, 48.6% of the unemployed persons sought job from 1 to 7 years, while 29.5% sought job for 8 years and more.

### Salaries

According to the data from the State Statistical Office, average monthly paid gross salary per employee in February 2012 amounted to Denar 30,257, while average monthly paid net salary amounted to Denar 20,625.

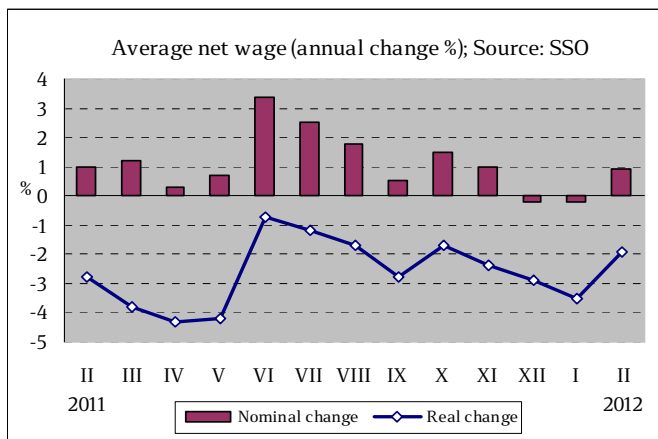
On monthly basis, in February 2012, average gross salary and net salary decreased by 1.7% in nominal terms, being lower by 2.2% in real terms.

In February 2012 compared to the same month in 2011, average gross salary increased by 0.7% in nominal terms, while it was lower by 2.1% in real terms. In the

same period, average net salary was higher by 0.9% in nominal terms, decreasing by 1.9% in real terms.

On cumulative basis, in the first two months of 2012, average gross salary increased by 0.2% in nominal terms, while it was lower by 2.9% in real terms. In the same period, average net salary was higher by 0.4% in nominal terms, decreasing by 2.7% in real terms.

Highest increase of average monthly gross and net salary per employee in February 2012 compared to February 2011 was seen in the expert, scientific and technical activities (12.4% gross salary and 15.3% net salary), activities related to real estate (8.7% gross salary and 8.7% net salary), agriculture, forestry and fishing (6.8% gross salary and 7.1% net salary) and wholesale and retail trade, repair of motor vehicles and motorcycles (6.2% gross salary and 7.3% net salary).

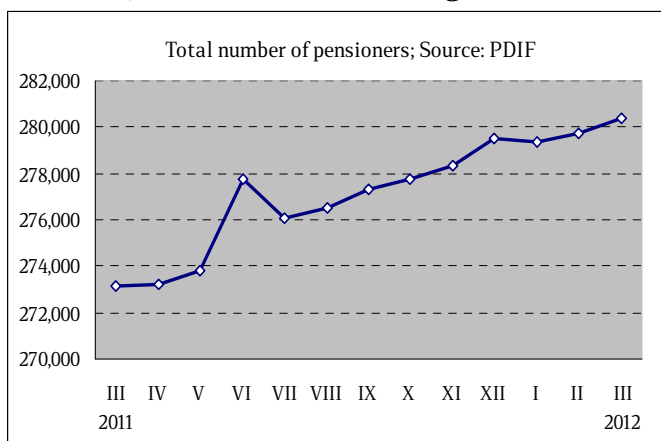


Highest increase of average monthly gross and net salary per employee in February 2012, compared to January 2012, was registered at the following: information and communications (5.8% gross salary and 3.8% net salary) activities related to real estate (4.4% gross salary and 4.1% net salary), and other services (3.1% gross salary and 3.1% net salary).

Employees who did not receive salary in February 2012 accounted for 2.7%, and compared to the same month in the previous year, it was higher by 0.5 p.p., while compared to January 2012, percentage of employees who did not receive salary was higher by 0.4 p.p..

## Pensions

In March 2012, Pension and Disability Insurance Fund registered 280,358 pensioners, increasing by 2.6% compared to the same month in 2011. Number of pension beneficiaries increased by 650 persons in relation to February 2011. 56% out of the total number of pensioners are beneficiaries of old-age pension, 27.4% of survival pension and 16.6% of disability pension.



In March 2012, Denar 2,958.56 million was spent for payment of pensions, accounting for 53.4% of the total social transfers<sup>1</sup>.

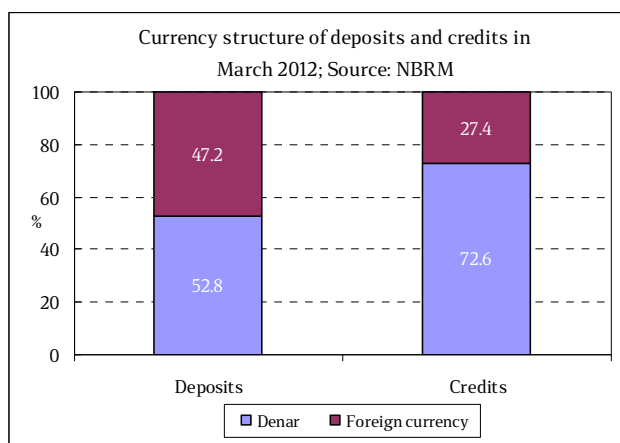
Average pension in March 2012 amounted to Denar 10,761, increasing by 1.5% on annual basis. Ratio between the average pension and the average paid salary in February 2012 (the most recent available data) was 51.4%.

## 5. Monetary Sector

### Primary Money

In March 2012, primary money<sup>2</sup> showed slowed down growth of 3.1% on annual basis in conditions of drop of total liquid assets of banks of 3.2% and growth of ready money in circulation of 12.5% on annual basis. On monthly basis, primary money decreased by 3.6%, as a result of the drop of total ready money in circulation by 2.4% and total liquidity of banks by 4.4%.

In March 2012, 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 banks<sup>3</sup> in March 2012 increased by 0.8% on monthly basis driven mainly by the increase of Denar deposits by 1.3%. Foreign currency deposits surged by 0.3% following the drop registered last month.

As regards the sector, deposits of private enterprises increased by 2.4%, realizing dominant contribution to the growth of total deposits. Deposits of households increased by 0.4%.

On annual basis, total deposits experienced accelerated growth, reaching 9.5% compared to the growth of 9.2% realized last month. New saving arises mainly from the increased saving of households by 12%, while deposits of private enterprises were higher by 6.2%. Analyzed according to currency, Denar deposits were higher by 18.6% on annual basis, realizing dominant contribution to the growth of total deposits (95.5%). Foreign currency deposits continued to slow down the growth, amounting to 0.8% in March compared to 1.4% in February 2012.

<sup>1</sup>Category social transfers includes pensions, unemployment benefit, social assistance and expenditures for health protection.

<sup>2</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>3</sup> Starting January 2009, deposits include calculated interest

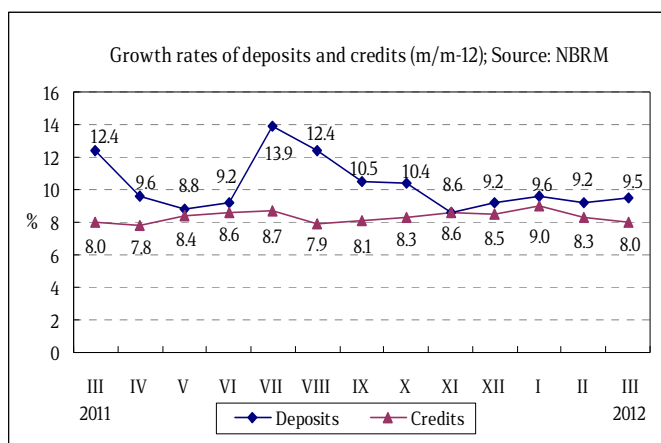


According to maturity, long-term deposits increased by 20.5%, while short-term deposits were higher by 7.1% on annual basis.

## Bank Credits

In March 2012, total credits of banks to the private sector were higher by 1.1% on monthly basis. Credits to private enterprises increased by 1.3% compared to the previous month, while credits to households were higher by 0.8%. According to the currency structure, Denar credits increased by 1.2%, while foreign currency credits surged by 0.8%.

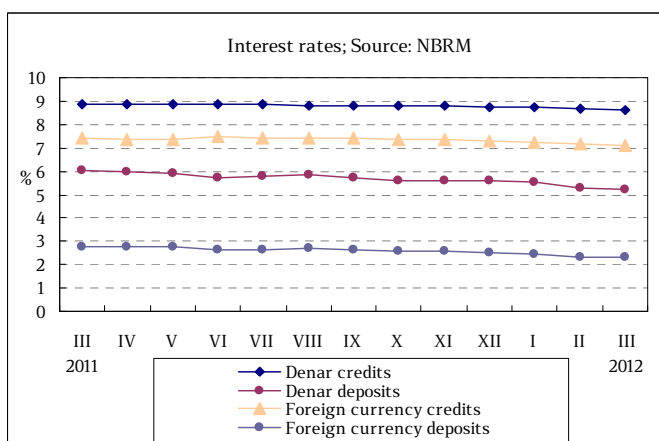
On annual basis, growth of total credits slowed down to 8% (compared to 8.3% in February), in conditions of slowed-down increase of crediting to private enterprises and households by 8.3% and 7.4% respectively. More significant contribution to growth (62.5%) was realized by credits to private enterprises. From currency point of view, Denar credits experienced annual growth of 5.6%, while foreign currency credits continued to register high growth of 15.2%. As regards maturity, long-term credits increased by 10.3% on annual basis, while short-term credits were lower by 0.4%.



## Interest Rates of Deposit Banks

In March 2012, total interest rate on credits reduced by 0.1 p.p., being a result of the decrease of interest rate on Denar and foreign currency credits by 0.1 p.p. Interest rate on Denar credits amounted to 8.6% and when compared to the same month in previous year, it was lower by 0.3 p.p.. Interest rate on foreign currency deposits was 7.1, being lower by 0.3 p.p. compared to March 2011.

Total interest rate on deposits remained the same compared to the previous month, in conditions when the interest rate on Denar and foreign currency deposits retained the level of February. Interest rate on Denar deposits amounted to 5.2%, being lower by 0.7 p.p., while Interest rate on foreign currency deposits accounted for 2.3% or 0.5 p.p. below the level of the same month last year.



## **Foreign Currency Reserves**

Gross foreign currency reserves at the end of March 2012, amounted to EUR 2,067.9 million and, compared to the previous month, they were higher by EUR 6 million, while compared to March 2011, foreign currency reserves were higher by EUR 167.9 million.

**Ministry of Finance**

**Macroeconomic Policy Department**

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