



REPUBLIC OF MACEDONIA  
MINISTRY OF FINANCE  
Macroeconomic Policy Department

---

---

---

---

# SHORT-TERM ECONOMIC TRENDS

July 2011



Skopje, September 2011

## SUMMARY

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

July 2011

- Industrial production grew by 5.5% in July 2011, compared to July 2010, thus getting back on track as regards growth which commenced at the beginning of the year.
- Negative inflation rate of 0.8% on monthly basis, with downward trend of the annual inflation rate, accounting for 3.8% in July.
- Annual increase in the physical output of export in the first seven months in 2011 of 0.9%, with high nominal valuable growth of 30.2% and increase of imported quantities of goods of 8.8%, with valuable nominal growth of 27.8%;
- Increase of both total budget revenues by 4.1% and total budget expenditures by 8.5% in the first seven months in 2011, compared to the same period last year; state budget deficit in the amount of Denar 9,001 million (2.0% of GDP) and central budget deficit in the amount of Denar 6,676 million (1.5% of GDP);
- Increase of total credits to private sector by 8.7% on annual basis, with simultaneous increase of total deposit potential of banks by 13.9%.
- Drop in the number of registered unemployed persons by 6.4% in July 2011 compared to the same month last year.

# 1. Real Sector

## Industrial Production

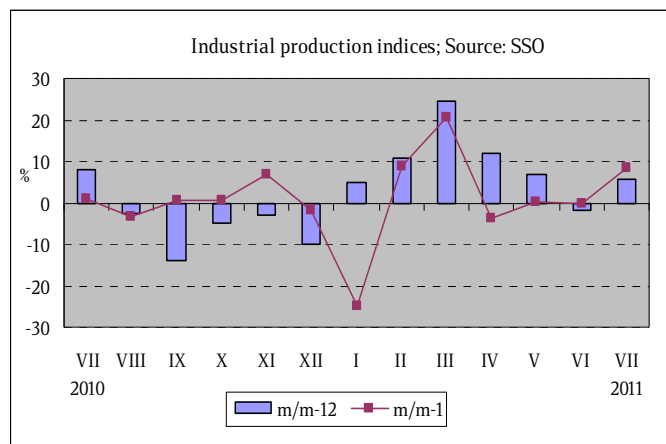
In July 2011, industrial production got back on track as regards growth which commenced at the beginning of the year, experiencing growth of 5.5% compared to July 2010. Analyzed by sectors, positive trend in the processing industry sector continued with a high growth rate of 9.0% on annual basis, being of special importance due to the high share of this sector (83.7%) in the industrial production. Mining and quarrying sector surged by 2.2%, while supply of electricity, gas, steam and air-conditioning dropped by 18.7%.

	m/m-12	m/m-1	I-VII 2011
			I-VII 2010
Total	5,5	8,5	8,6
Ore and stone extraction	2,2	9,3	9,9
Processing industry	9,0	8,8	12,7
Electricity, gas and water supply	-18,7	6,2	-12,8

Source: SSO

As for the processing industry, positive annual growth was seen at 12 out of the 23 branches, accounting for 60.5% of the industrial production, whereby significant growth was evidenced in three driving branches with two-digit share in the industrial production.

Thus, production of food products increased by 7.1%, production of clothing by 6.9% and production of metals by 0.9%. High growth was seen at the following branches: production of electrical equipment - 289.9%, production of other transportation equipment-192.5%, production of furniture-36.2%, production of tobacco products - 32.6%, production of machines and devices - 20.6% and production of rubber products and production of plastic mass - 16%. Production of electrical equipment (12 p.p.) contributed the most to the annual growth of industrial production in July 2011, as in the past months, while production of beverages (-0.8 p.p.) had the highest negative contribution.



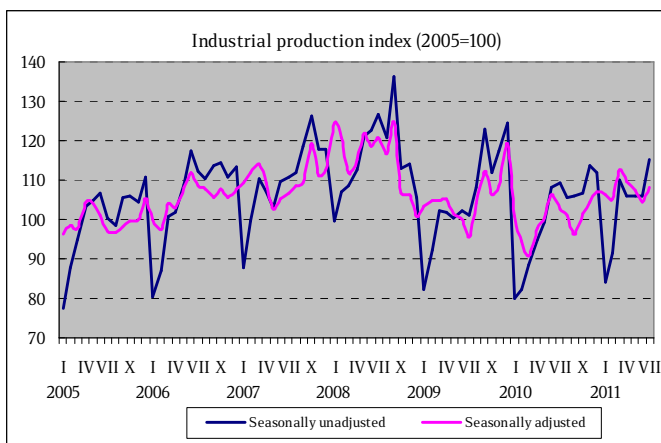
Industrial production in July 2011, compared to June 2011, increased by 8.5%. Sector analysis points out that production growth was seen in all sectors. Thereby, mining and quarrying increased by 9.3%, processing industry increased by 8.8%, electricity, gas, steam and air-conditioning supply increased by 6.2%. As for the processing industry, monthly growth was registered at 13 out of 23 branches, comprising 59% of the industrial production. Production of coke and refined oil products experienced the highest growth of 449.7% on monthly basis. The three branches, with the highest share in the industrial production, experienced growth on monthly basis, as follows: production of metals - 37.1%, production of clothing -

6.9% and production of food products – 5%. De-seasoned monthly growth of industrial production in July 2011 was 3.4%, pointing out to positive seasonal effects in the industry in July.

On cumulative basis, in the period January–July 2011, industrial production surged by 8.6%, compared to the same period in 2010. Processing industry sector experienced high growth of 12.7%, mining and quarrying sector increased by 9.9%, while electricity, gas, steam and air-conditioning supply sector experienced 12.8% decline.

Data on industrial production by target groups in July 2011, compared to July 2010, showed that there was an increase in the production at the following groups:

consumer durables – 181.1%, capital goods – 26.1% consumer non-durables – 6.3% and intermediary goods, except energy – 2.6%. Drop was seen in the energy group – 15.5%.



On monthly basis, data on the industrial production by target groups in July 2011 showed that there was increase in the production at the following

groups: energy -41.9%, intermediary goods, except energy – 11.7%, consumer durables – 4.3% and consumer non-durables – 2.4%. Reduction of production by 21.6% was recorded at the capital products group.

Analyzed by target groups, on cumulative basis, in the period January–July 2011, compared to the same period last year, growth was recorded at the following groups: consumer durables – 103.7%, capital goods – 49.9%, intermediary goods, except energy – 9.2 % and consumer non-durables – 6.9%. Energy group experienced 9% drop.

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

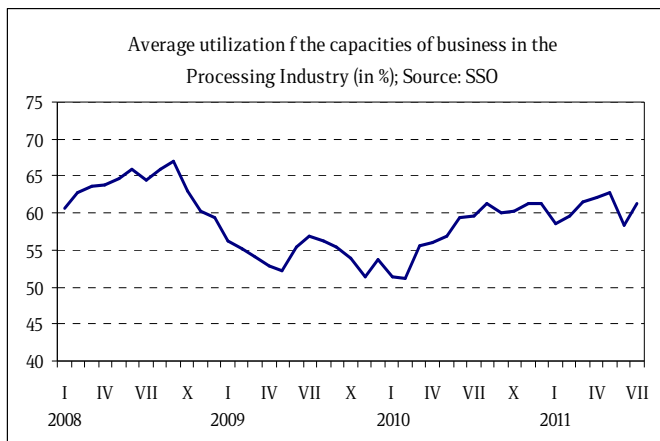
Current economic trends of business entities in July 2011 showed improvement in relation to the previous month and significant improvement compared to the same month last year. Assessment of current state of delivery-to-production is less favourable compared to the previous month, being more favourable compared to July 2010, whereby the improvement was due to both domestic and foreign orders.

In July 2011, assessment of the volume of production in the past three months showed upward trend compared to June 2011, being a less favourable in relation to June 2010. Expectations for the production volume in the coming three months are more favourable compared to both the previous month and July 2010, pointing out to further positive performance in the processing industry. As regards the number of employees, the expectations for the next three months are unfavourable compared to the previous month, while compared to July 2010, they are

significantly more favourable.

Average utilization of the capacities of business entities in July 2011 accounted for 61.3%, being an increase compared to the previous month, when it accounted for 58.3%. Compared to July 2010, the utilization of the capacities was higher by 1.7 p.p..

In July 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, according to the assessment of managers, 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 July 2011: insufficient foreign demand – 22.3%, insufficient domestic demand – 18.4%, financial problems – 11.9% and lack of qualified labour force - 11.5%.

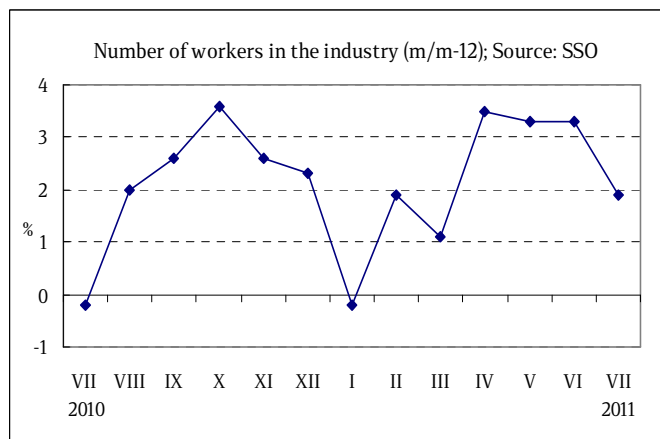
In July 2011, most of the business entities (increase by 3.5 p.p. compared to June) pointed out the insufficient foreign demand as limiting factor for the production increase, while there were no significant changes at the other factors.

### Number of Workers in the Industry

Number of workers in the industry in July 2011, compared to July 2010, increased by 1.9%. Sector analysis points out to increase of the number of workers on annual basis in all sectors.

Number of workers in mining and quarrying sector increased by 3.1% as a result of the high growth of 7.2% in the mining of coal and lignite sector and growth of 5.3% in other mining and quarrying sector. Mining of metal ore sector dropped by 0.9%.

Processing industry sector experienced increase in the number of employees by 1.5%. As for the processing industry, high increase in the number of employees on annual basis was registered at the following branches: production of machines and devices – 24.8%, production of metals – 13.0%, production of leather – 7.7% and production of furniture - 6.5%.



Number of workers in the electricity, gas, steam and air-conditioning supply sector increased by 4.7%.

On cumulative basis, in the period January–July 2011, compared to the same period in 2010, number of workers in the industry increased by 2.1%. Thereby, mining and quarrying sector experienced an increase by 3.3%, processing industry grew by 1.6%, while supply of electricity, gas, steam and air-conditioning sector surged by 3.8%.

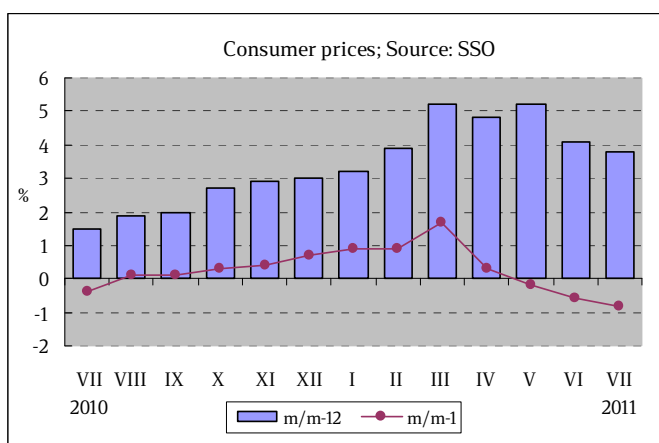
Data on the number of workers in the industry by target groups in July 2011, compared to July 2010, showed increase in the number of workers at the following groups: energy – 3.9%, intermediary goods, except energy – 1.8%, consumer non-durables – 1.7% and capital goods – 1.4%, while 0.4% drop was registered only at the consumer durables group.

On cumulative basis, in the period January–July 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 – 4.6%, intermediary goods, except energy – 3.6%, energy – 2.9% and consumer non-durables – 0.7%, while 1.4% drop was registered at the consumer durables group.

## Inflation

In July 2011, inflation (CPI) amounted to 3.8% compared to the same month last year, as opposed to the inflation rate of 4.1% in June. Thus, cumulative inflation rate (January-July) experienced slight downward trend, amounting to 4.3%.

Price increase on annual basis was the highest in the food category – 6.2%, whereby significant downward trend was seen in the last two months. Increase of prices of food was mainly due to the increase of prices of cereal products, vegetable oils and meat. Price increase was also registered at the following categories: housing – 4.2%, hygiene and health – 3.3%, administrative and financial services – 2.4%, transportation means and services – 2.0%, clothing and footwear – 1.8%, restaurants and hotels – 1.7% and tobacco and beverages – 1.1%. Drop was seen at prices in culture and entertainment category – 2.2%.



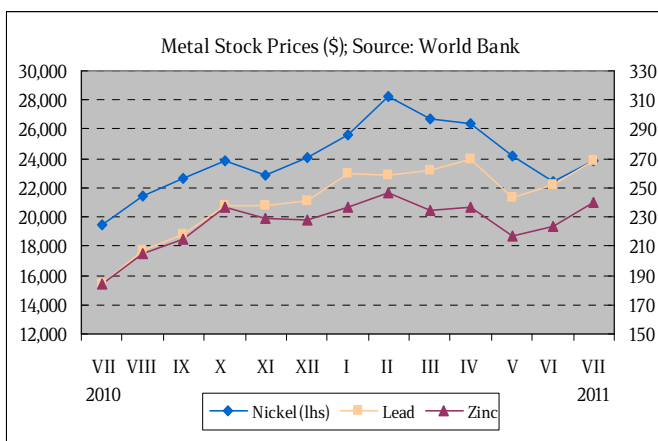
Compared to the previous month, trend of negative inflation rate continued, amounting to 0.8% in July. Such trend of prices was driven by the seasonal dynamics of prices in the food category, decreasing by 2.3%, above all as a result of the drop in prices of fruit and vegetable. Insignificant monthly drop of prices (0.1%) was seen in the clothing and footwear category, while prices in the other categories did not change, i.e. they increased.

Retail prices in July 2011 were higher by 4.0% compared to July 2010, while compared to the previous month, prices declined by 0.2% in July. Average increase of retail prices in the period January-July amounted to 4.2%.

## Stock Market Prices

In July 2011, crude oil price (Brent) on the global stock markets surged by 2.4%, compared to the previous month, reaching the price of US\$ 116.5 per barrel. Compared to July 2010, oil price surged by 55.8%. Price of natural gas in July increased by 3.6% compared to the previous month.

As regards metal products, nickel, as product with high share in the Macedonian export, was traded at an average price of US\$ 23,848 for a metric ton (\$/mt) on the global stock markets in July, being a monthly price increase by 6.4%. Compared to July 2010, nickel price surged by 22.2%. In fact, in July, there was general increase of prices of metals and minerals by 4.1% on monthly basis. Upward trend of prices of gold on the global stock markets continued in July, registering a price increase by 2.8% compared to June. Price of iron ore decreased by 1.2% on monthly basis, following the drop of the price in the previous month.



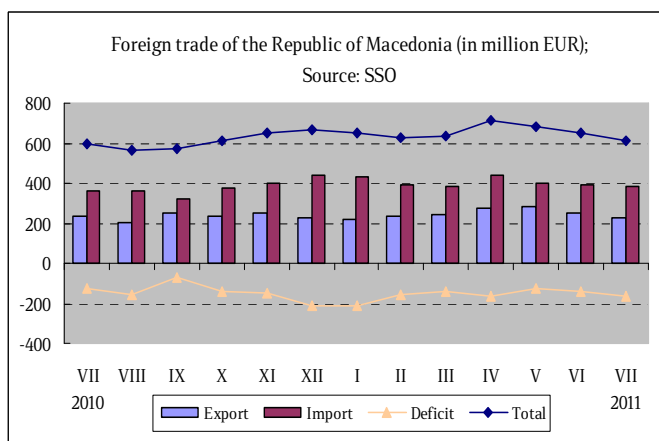
Decrease of the price of wheat continued in July as well, dropping by around 7% on monthly basis, as a result of the elimination of the prohibition of Russia for export of wheat, as well as the abolishment of export quotas in Ukraine. Such trends are very important for the Macedonian economy as well, in particular for the inflation rate trend in the country.

## 2. Foreign Trade

Total foreign trade in the first seven months in 2011 experienced high growth of 32.4%, compared to the same period in the previous year, as a result of simultaneous increase of export and import of goods.

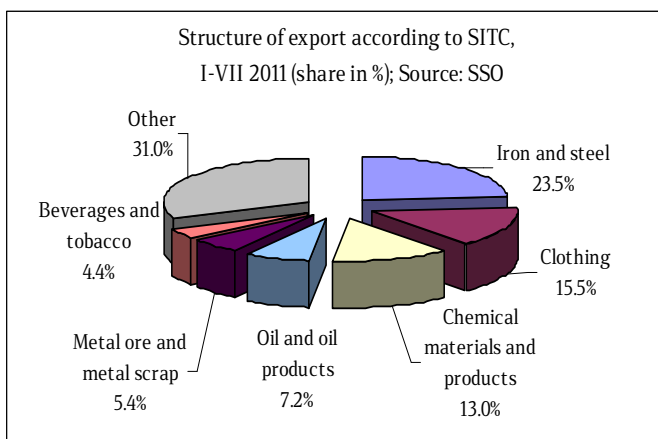
### Export

Analyzed on annual basis, in the first seven months in 2011, exported quantities of goods surged by 0.9%, and their value reached EUR 1,735 million,



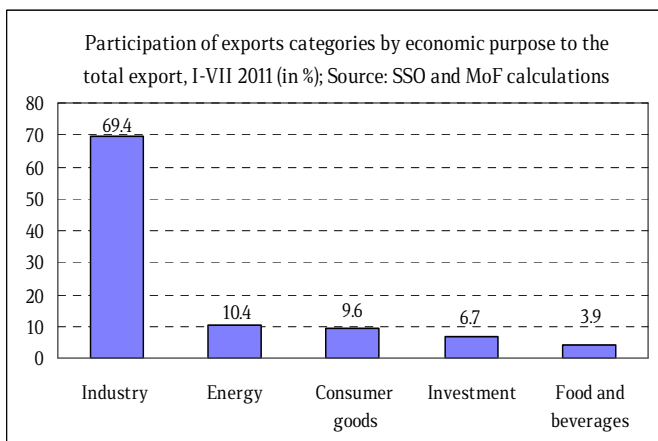
being a high increase by 30.28% compared to the same period last year.

Analyzed on monthly basis, in July 2011, export declined by 11.1%, compared to the previous month, mainly due to the reduced export of the following: chemical products, petroleum oils and other oil derivatives, rolled flat goods from iron or non-alloyed steel and fresh or cooled tomatoes. Seasonally adjusted trends of the export in July experienced monthly decline of 16.9%, showing the positive effects of the seasonal factor (5.8 p.p.) on the export in this month.



In July alone, export amounted to EUR 225.6 million, which, compared to the same month in 2010, dropped by 3.4%.

In line with the changed structure, following products were most exported: catalysts with precious metals as active matter, ferronickel, petroleum oils and oil obtained from bituminous minerals, followed by iron and steel products (hot rolled and cold rolled products), menswear and womens wear, ferrosilicon mangan, lead ore and concentrate, ferrosilicium, etc.



Main groups of goods (according to SITC) having the biggest share in the export in the first seven months in 2011 were the following: iron and steel – 23.5%, chemical materials and products – 13%, oil and oil products – 7.2%, metal ore and metal scrap – 5.4% and beverages and tobacco – 4.4%. These six groups of products comprised 69% of the total export of the country.

Export of chemical products*)				
	I-VII 2010	I-VII 2011	Balance 2011-2010	% rate
.000 T	13.8	14.0	0.2	1.4
Мил. ЕУР	56.6	226.3	169.7	299.8
Мил.\$	73.6	317.2	243.6	331.0

\*)Previous data

Import of chemical products*)				
	I-VII 2010	I-VII 2011	Balance 2011-2010	% rate
.000 T	12.0	15.1	3.1	25.8
Мил. ЕУР	26.3	49.6	23.3	88.6
Мил.\$	34.5	69.8	35.3	102.3

\*)Previous data

Analyzed by economic purpose, in the first seven months in 2011, significant increase of the export was registered at the industrial products (raw materials and intermediary goods from our industry) by 42.8% (EUR 279.2 million) and at the investment products - excluding transportation equipment by 66% (EUR 26.8 million), compared to the same period last year. Export of products intended for



general consumption and energy surged by EUR 38.4 million and EUR 42 million, i.e. by 11% and 40% respectively.

## Import

Imported quantities of goods in the first seven months in 2011 increased by 8.8% and their value amounted to EUR 2,835 million, i.e. being a high increase by 27.8% in relation to January-July last year.

In April 2011 alone, goods in the amount of EUR 387.4 were imported, increasing by 7.7% compared to the same month last year. Analyzed on monthly basis, in July 2011, import dropped by 1.5% in relation to the previous month, mainly as a result of the decline in the import of textile yarns and textile products, inorganic chemical products, etc. Seasonally adjusted trends of the import in July experienced monthly decline of 4%, showing the positive effects of the seasonal factor (2.5 p.p.) over the import in this month.

Export of oil and oil products*)				
	I-VII 2010	I-VII 2011	Balance 2011-2010	% rate
000 T	178.5	198.6	20.1	11.3
EUR mil.	89.1	124.8	35.7	40.1
\$ mil.	117.1	176.5	59.4	50.7

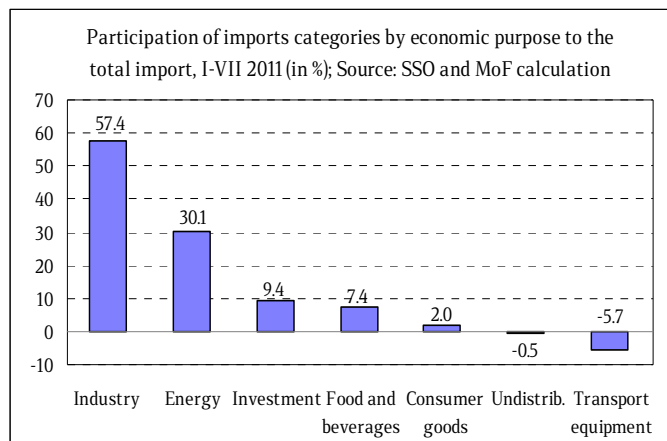
\*)Previous data

Import of oil and oil products*)				
	I-VII 2010	I-VII 2011	Balance 2011-2010	% rate
.000 T	659.7	698.5	38.8	5.9
EUR mil.	283.5	409.1	125.6	44.3
\$ mil.	371.6	576.9	205.3	55.2

\*)Previous data

Following products accounted the most in the import structure: petroleum oils obtained from bituminous minerals, platinum and platinum alloys unwrought or in powder form, electricity, hot rolled flat products in reels, other motor vehicles for transportation of persons, colloidal precious metals and their inorganic or organic compounds, metal scarp, nickel ore and concentrates, pharmaceuticals, paints and varnishes, etc.

Following participated the most in the import of goods, (according to SITC groups), in the first seven months in 2011: crude oil and oil products (EUR 409.1 million, 14.4%), non-ferrous metals (EUR 199.2 million, 7%), textile yarns and similar (EUR 193.3 million, 6,8%), iron and steel (EUR 177 million, 6,3%), road vehicles (EUR 140.6 million, 5%), electrical machines - devices and spare parts (EUR 105.4 million, 3.7%), metal ore and metal scarp (EUR 99.8 million, 3.5%), electricity (EUR (87 million, 3.1%), etc.



Analyzed by economic purpose, in the first seven months in 2011, significant increase of import was seen at industrial raw materials (industrial products) by 39.8% or EUR 353 million and fuel and lubricants by 51.2% or EUR 185.5 million, compared to the same period last year. Investment products (excluding transportation equipment) also experienced growth by 21% or EUR 57 million, food and beverages by 18.2% or EUR 45 million.

Export of iron and steel*)					Import of iron and steel*)				
	I-VII 2010	I-VII 2011	Balance 2011-2010	% rate		I-VII 2010	I-VII 2011	Balance 2011-2010	% rate
000 T	411.2	466.7	55.5	13.5	.000 T	340.9	337.2	-3.7	-1.1
EUR mil.	315.2	408.0	92.8	29.4	EUR mil.	151.8	177.2	25.4	16.7
\$ mil.	411.8	575.4	163.6	39.7	\$ mil.	200.3	249.1	48.8	24.4

\*)Previous data

\*)Previous data

## Trade Balance

Trade balance in the first seven months in 2011 amounted to EUR 1,099.9 million, increasing by EUR 214.5 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, 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 vegetable, as well as narrowing of negative balance in the trade in road vehicles, IT office supplies, etc., had opposite effect. Such trends in the first seven months in 2011 contributed for the level of import coverage by export, amounting to 61.2%, to increase by 1.1 p.p. compared to the same period in the previous year.

Analyzed according to the economic groups of countries, in the first seven 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 seven months in 2011, in conditions of significant increase of trade with the European Union (EU 27), in relation to January-July 2010, by 41.3%, share of trade with EU in the total foreign trade increased by 1.3 p.p., accounting for 61%, whereby export of goods participated with 54.9% and import of goods accounted for 55.3%.

As a result of the structural changes in the trade with abroad, in the first half in 2011, 48% of the trade deficit of the country was a result of the trade with Russia and Great Britain, followed by Greece, Turkey, China, Serbia, Italy, Switzerland, Bulgaria, etc. Trade surplus was realized with Kosovo, Germany, Albania, Montenegro, the Netherlands, Croatia, etc.

## Currency Structure

Observed by currency structure, 69.7% of the foreign trade in the first seven months in 2011 was realized in euros, and compared to the same period in 2010, it dropped by 3.8 percentage points. On export and import side, the euro accounted for 77% and 65.3%, respectively, whereby share of the euro in export was at last-year level, and the reduction of the share of the euro in import accounted for 6.1 p.p. compared to the first seven 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 8.9% in the currency structure of the import.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I-VII 2010					I-VII 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	1,700	1,580,118,759	61.4806	97,146,649,375	71.4	1,710	1,858,001,525	61.5452	114,351,075,456	65.3	277,882,766	17.6
USD	1,345	699,186,634	46.6496	32,616,776,801	24.0	1,607	991,230,929	43.7757	43,391,827,779	24.8	292,044,295	41.8
GBP	1	70,955,471	71.0747	5,043,138,814	3.7	1	220,284,339	70.8908	15,616,133,054	8.9	149,328,869	210.5
EUR+USD+GBP	3,046			134,806,564,990	95.4	3,318			173,359,036,289	99.0		
tot. import	3,056			136,033,493,828	100.0	3,324			175,125,629,533	100.0		28.7

Source: SSO and NBRM

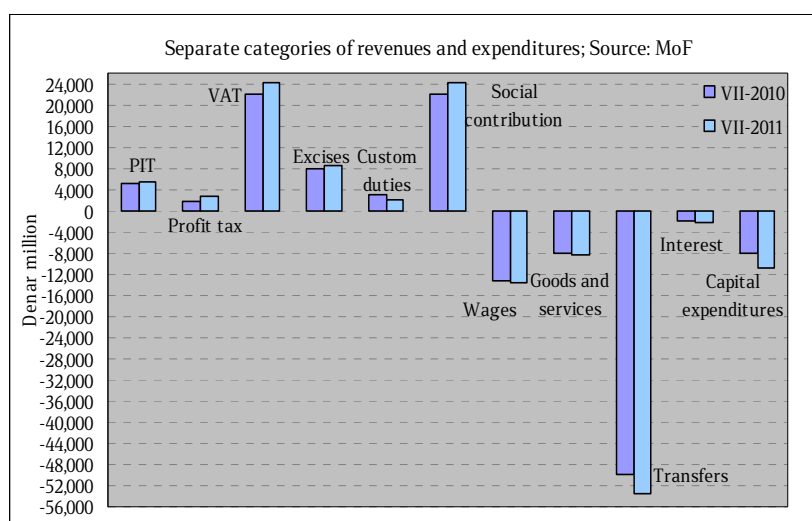
### 3. Fiscal Sector

#### Budget Revenues

In the period January-July 2011, total budget revenues reached an amount of Denar 79,382 million, i.e. 17.4% of GDP, which was by 4.1% higher in relation to 2010.

Tax revenues in the first seven months were realized in the amount of Denar 44,508 million, i.e. 9.8% of GDP, being higher by 7.2% in relation to the same period in 2010.

Value added tax was realized in the amount of Denar 24,134 million, whereby share of VAT in total tax revenues in 2011 was dominant, amounting to 54.2%. Excises were realized in the amount of Denar 8,383 million (participating with 18.8% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 32,517 million, i.e. almost 3/4 of the total tax revenues (7.1% of GDP). Thereby, VAT



collection amounted to Denar 34,758 million on gross basis, Denar 10,624 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 13.8%, while sales taxed with preferential tax rate of 5% increased by 12.7%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 5,348 million, increasing by 7.1% on annual basis. Compared to 2010, revenues on the basis of profit tax experienced record growth of 55.6%, 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 (it is worth to mention the fact that profit tax registered higher performance, in relation to the overall plan for the analysed period, by 38.0%). VAT revenues experienced growth of 9.7%, while excises experienced a modest increase, i.e. higher performance by 4.8%.

Non-tax revenues declined by 0.5% in relation to the same period in 2010, i.e. they amounted to Denar 7,790 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 3,058 million, showing a drop by 3.3% compared to the same period in the previous year.

Collection of social contributions amounted to Denar 22,553 million, being higher by 2.1% compared to the same period in 2010, whereby collection of pension insurance contributions increased by 2.1%, the collection of health insurance contribution surged by 1.9%, while employment contributions rose by 1.5%.

### **Budget Expenditures**

In the period January-July 2011, total budget expenditures amounted to Denar 88,383 million, i.e. 19.4% of GDP, which was higher by 8.5% compared to 2010.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 77,635 million accounted for 87.8% (17.1% of GDP) and they increased by 5.9% in relation to the same seven months in 2010, while capital expenditures, amounting to Denar 10,748 million, participated with 12.2% in the total expenditures, increasing by 31.8% compared to the same period last year.

Transfers amounting to Denar 53,528 million accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 13,478 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 15.2% and, in relation to 2010, they experienced slight increase of 1.6%.

Expenditures related to goods and services amounted to Denar 8,344 million, increasing by 1.5% compared to the same period in 2010.

Transfers increased by 7.6% compared to 2010, participating with 60.6% in the total expenditures. Social transfers amounted to Denar 38,709 million, increasing by 4.7% and participating with 43.8% in the total expenditures. Transfers to the Pension and Disability Insurance Fund accounted for the most in the social transfers. They amounted to Denar 22,584 million, increasing by 3.9% in relation to the same period in 2010, accounting for 25.6% in the total expenditures. Category Other Transfers, which includes transfers to local government units, accounted for 16.3% in the total expenditures, i.e. they surged by 18.6% compared to the same period in 2010 .

Interest was collected in the amount of Denar 2,285 million, being by 9.6% 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. Costs related to interest on the basis of domestic borrowing increased by 10.9%, while the ones on the basis of foreign borrowing surged by 9.0%.

### Budget Balance

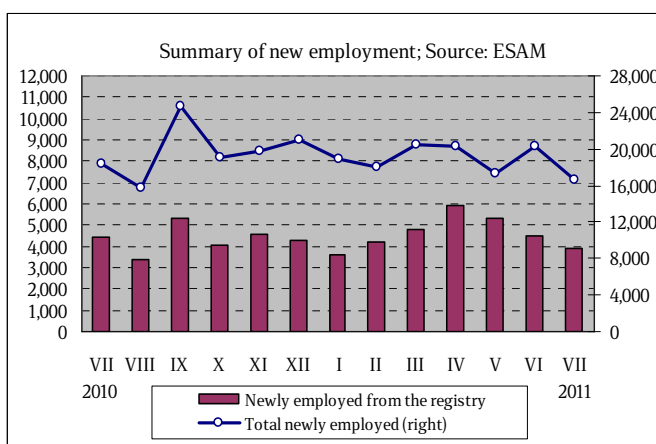
In the period January-July 2011, state budget deficit reached the amount of Denar 9,001 million, being 2.0% of GDP, while central budget deficit amounted to Denar 6,676 million or 1.5% of GDP.

## 4. Social Sector

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

In the period January–July 2011, Employment Agency of the Republic of Macedonia registered total of 132,011 new employments. 37.3% 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 0.3%.

In the course of July, 16,595 new employments were registered, whereby 23.3% of the new employments were from the unemployed records. Outflow of persons from the Employment Agency Registry amounted to 10,905 persons in July, 35% out of which were new employments. In July, 6,588 persons were registered as inflow to the Agency, 53.5% out of which were persons whose employment was terminated. As a result, unemployment reduced by 4,317 persons, i.e. by 1.4% compared to the previous month. Thus, in July 2011, 307,057 persons were registered as unemployed. Compared to July 2010, number of unemployed persons declined by 6.4%.



Major percentage of the unemployed, i.e. 65.7%, came from urban areas (cities), whereby 57.4% were men. Analyzed by education structure, major part, i.e. 52.1% of unemployed persons were unskilled or semi-skilled, while only 8.5% was with community college or higher education level. Observed by age, majority of the unemployed persons or 57.3% fall in the category of 25-49 years of age. According to the time they waited for a job, 49.5% of the unemployed persons sought job from 1 to 7 years, while 29.9% sought job for 8 years and more.

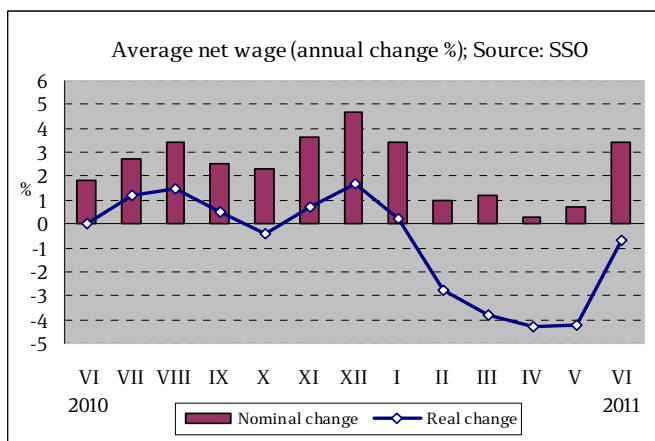
### Salaries

According to the data from the State Statistical Office, average monthly paid gross salary per employee in June 2011 (most recent available data) amounted to

Denar 30,990, while average paid net salary for the same month amounted to Denar 21,119<sup>1</sup>.

Average net and gross salary in June 2011, compared to May 2011, was higher by 0.8% in nominal terms, and it was higher by 1.4% in real terms.

In June 2011, compared to the same month in 2010, average monthly net salary increased by 3.4% in nominal terms, while real average salary was lower by 0.7%. Average gross salary per employee compared to June 2010 was higher by 3.2% in nominal terms, while it was lower by 0.9% in real terms.



On cumulative basis, in the period January-June 2011, average net salary increased by 1.7% in nominal terms, while it was lower by 2.6% in real terms. In the same period, average gross salary increased by 1.5% in nominal terms, while it was lower by 2.8% in real terms.

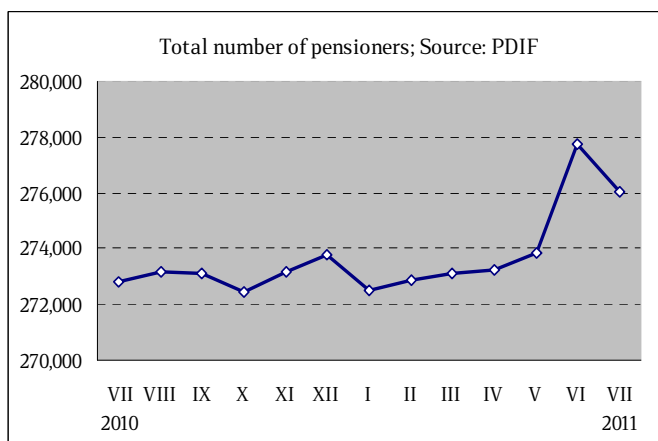
The highest increase of average monthly gross and net salary per employee in June 2011, compared to June 2010, was recorded in the following sectors: information and communications (49.2% gross salary and 50.5% net salary), other services (25.3% gross salary and 26.3% net salary), and art, entertainment and recreation (7.7% gross salary and 7.5% net salary).

The highest increase of average monthly gross and net salary per employee in June 2011, compared to May 2011, was recorded in the following sectors: information and communications (23.9% gross salary and 24.3% net salary) and administrative and auxiliary services (3.1% gross salary and 2.6% net salary).

Employees who did not receive salary in June 2011 accounted for 2.5%, whereby, compared to June 2010, percentage of unpaid salaries reduced by 0.5 p.p., while compared to May 2011, percentage of employees who did not receive salary was higher by 0.5 p.p..

## Pensions

In July 2011, Pension and Disability Insurance Fund registered 276,050 pensioners, being an increase by 1.2% compared to July 2010. Number of pension beneficiaries dropped by 1,691 persons in relation to June 2011. 55.4% out



<sup>1</sup> 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.

of the total number of pensioners are beneficiaries of old-age pension, 27.5% of survival pension and 17.1% of disability pension.

In July 2011, Denar 2,827.98 million was spent for payment of pensions, accounting for 50.7% of the total social transfers<sup>2</sup>.

Average pension in July 2011 amounted to Denar 10,357, increasing by 2% on annual basis. Ratio between the average pension and the average paid salary in June 2011 (the most recent available data) amounted to 48.8%.

## 5. Monetary Sector

In July 2011, primary money<sup>3</sup> experienced intensified growth of 7.1% on annual basis, in conditions of growth of ready money in circulation by 8.4% and increase of total liquid assets of banks by 6.2%.

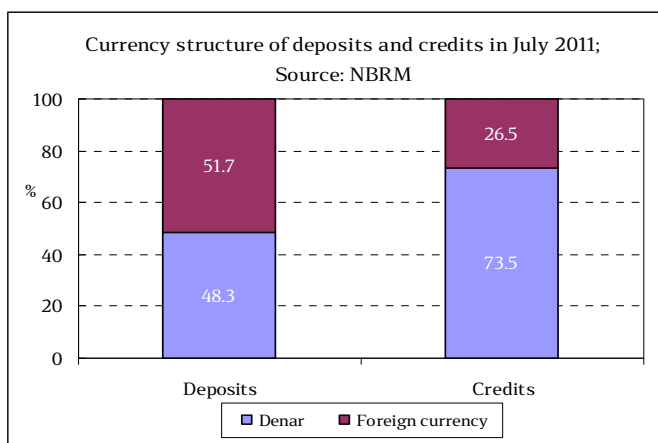
On monthly basis, primary money experienced growth of 3.7% (compared to 3.9% decline in the previous month), as a result of the increase of ready money in circulation by 6.4% and of total liquidity of banks by 1.8%.

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

### Deposit Potential

Total deposit potential of banks<sup>4</sup> in July 2011 accelerated its monthly increase to 2.2%, mainly driven by the growth of deposits of private enterprises by 6.8%. Deposits of households increased by 0.7%. From currency point of view, Denar deposits surged by 0.9%, while foreign currency deposits experienced growth of 3.5%, contributing to the increase of total deposits with 80.9%.

In July 2011, dynamics of annual growth of total deposits slowed down, which was partially due to the lower comparison base, taking into account the payment of dividend by a larger company in July 2010. Thus, on annual basis, total deposits were higher by 13.9%, while deposits of private enterprises were higher by 15.8%, compared to the decline registered in the past several months. Deposits of households grew by 14.5%.



<sup>2</sup> Category social transfers includes pensions, unemployment benefit, social assistance and expenditures for health care.

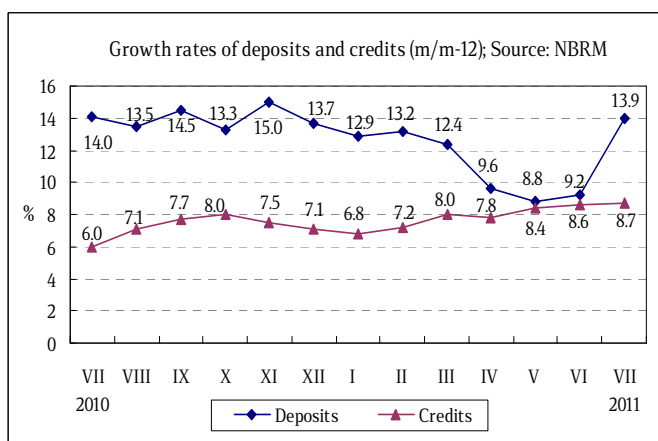
<sup>3</sup> Primary money is calculated as a sum of ready money in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).

<sup>4</sup> Starting January 2009, deposits include calculated interest.

Analyzed according to the currency, Denar deposits experienced accelerated growth of 16.7% in relation to July 2010, at the same time foreign currency deposits grew intensively by 11.5%. According to maturity, short-term deposits experienced high increase of 10.3% on annual basis, while long-term deposits declined by 36.5%.

## Bank Credits

In July 2011, total credits of banks to the private sector increased by 0.6% on monthly basis. According to the currency structure, credit growth was driven by foreign currency credits, which increased by 2.6%, while Denar credits declined by only 0.1%. According to the sector analysis, credits to private enterprises increased by 0.4% compared to the previous month, while credits to households were higher by 0.9%.



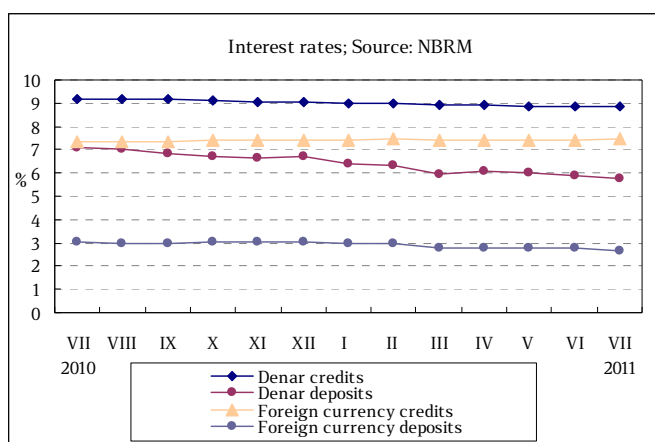
On annual basis, gradual intensification of extended credits by the banks continued, whereby credit growth rate was 8.7% (8.6% in June 2011). From sector point of view, credits to private enterprises contributed the most to the growth of total credits with 65.9%, increasing by 9.6% on annual basis. Household credits increased by 7.6% in July.

From currency point of view, Denar credits experienced annual growth of 3.7%, while foreign currency credits registered high growth of 25.4%. As regards maturity, long-term credits increased by 14.9% on annual basis, while short-term credits were lower by 1.3%.

## Interest Rates

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

In July 2011, interest on debit balance increased on monthly basis, whereby interest on credit balance dropped, thus leading to an increase of their interest spread. 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 8.9%, which, compared to June 2011, surged by 0.1 p.p. However, compared to July 2010, it was lower by 0.3 p.p. Interest on credit balance of Denar deposits, including interest





rates on Denar deposits without foreign currency clause and Denar credits with foreign currency clause, was 5.8%, which, compared to June 2011, dropped by 0.1 p.p., and it was lower by 1.3 p.p. annually.

Interest rate on foreign currency credits was 7.5%, being higher by 0.1 p.p. compared to June 2011 as was the annual growth. Interest rate on foreign currency deposits amounted to 2.7%, decreasing by 0.1 p.p. compared to June 2011. In relation to July 2010, it was lower by 0.4 p.p..

### **Foreign Currency Reserves**

Gross foreign currency reserves at the end of July 2011 amounted to EUR 1,811.4 million and, compared to June 2011, they were lower by EUR 21 million, while compared to July 2010, foreign currency reserves were higher by EUR 167.3 million.

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, July 2011