



REPUBLIC OF MACEDONIA  
MINISTRY OF FINANCE  
Macroeconomic Policy Department

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# SHORT-TERM ECONOMIC TRENDS

January 2012

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March 2012, Skopje

## SUMMARY

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

January 2012

- In January 2012, industrial production dropped by 8.0% compared to January 2011;
- Inflation rate amounted to 1.2% on monthly basis and 3.5% on annual basis;
- Annual drop of physical output of export in January 2012 by 4.6% and drop in value by 13.9%. Decline of imported quantities of goods by 30.5% and drop in value by 24.6%, resulting in reducing the trade deficit by 36% compared to January 2011.
- Increase of both total budget revenues by 0.1% and total budget expenditures by 7.0% in January 2012, compared to the same period last year; state budget deficit in the amount of Denar 1,429 million (0.3% of GDP) and central budget deficit in the amount of Denar 723 million (0.2% of GDP);
- Increase of both total credits to private sector by 9% and total deposit potential of banks by 9.6% on annual basis;
- Drop in the number of registered unemployed persons by 12.9% in January 2012 compared to the same month last year.

# 1. Real Sector

## Industrial Production

Industrial production dropped by 8.0% in January 2012 compared to January 2011. Analyzed by sectors, electricity, gas, steam and air-conditioning supply sector drooped by 20.4%, mining and quarrying sector decreased by 12.1%, while processing industry sector dropped by 4.6%.

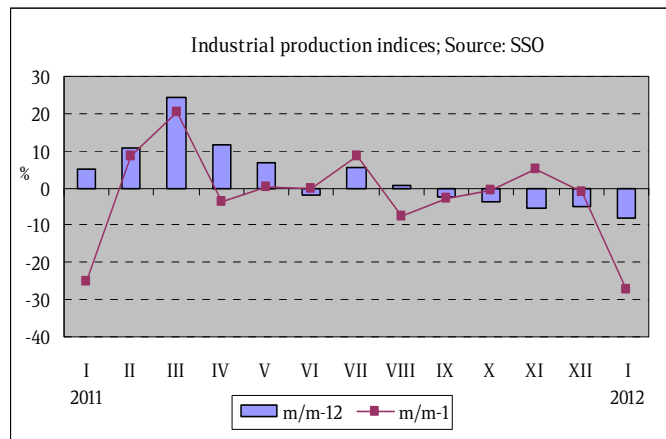
As for processing industry, positive annual growth was seen at 10 out of the 23 branches, accounting for 41.4% of the industrial production, whereby growth was evidenced in two out of the three driving branches with two-digit share in the industrial production. Thus, production of metals surged by 5.9%, while production of food products increased by 5.8%. Production of clothing dropped by 20.6%

	m/m-12	m/m-1
Total	-8.0	-27.5
Ore and stone extraction	-12.1	-19.2
Processing industry	-4.6	-31.7
Electricity, gas and water supply	-20.4	-2.2

Source: SSO

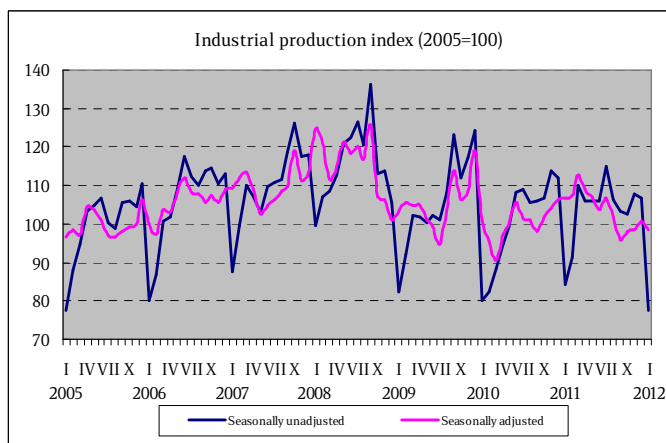
Production of fabricated metal products, except for machines and equipment (2.2 p.p.) contributed the most to the annual increase in industrial production in January 2012, while production of other non-metal mineral products (-3.6 p.p.) had the highest negative contribution.

Industrial production dropped by -27.5% in January 2012 on monthly basis. In general, data from the past years show sharp decline of industrial production on monthly basis in January. De-seasoned monthly growth of industrial production in January 2011 was -2.3%, pointing out to negative seasonal effects in the industry.



Sector analysis points out that drop by 31.7% was registered at the processing industry, 19.2% in mining and quarrying sector and 2.2% in electricity, gas, steam and air-conditioning supply sector.

Data on industrial production by target groups in January 2012, compared to January 2011, showed production increase in the group of intermediate goods, except



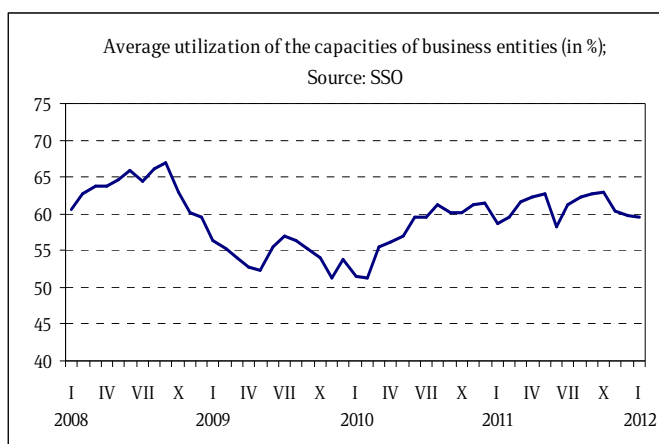
energy by 5.6%. Production decline was registered at the following groups: Consumer durables – 34.4%, energy – 22.6%, capital goods – 9.1%, and consumer non-durables – 4.8%.

On monthly basis, data on the industrial production by target groups in January 2012 show that there was decrease in the production at the following groups: Consumer non-durables – 40.4 %, consumer durables – 33.9% capital goods - 19.9%, intermediary goods, except energy – 19.7% and energy 9.9%.

## Business Trends in the Processing Industry

Current economic trends of business entities in January 2012 were less favourable compared to both the previous month and January 2011.

Assessment of current state of delivery-to-production was more favourable compared to the previous month as well as compared to January 2011, whereby such improvement was due to increase in foreign orders, while domestic orders increased with slower pace. Assessment for the production volume in the past three months was less favourable compared to December 2011 as well as compared to January 2011. Expectations for the production volume in the next three months are more favourable compared to both the previous month and January 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 January 2011, they are significantly improved.

Average utilization of the capacities in January 2012 accounted for 59.5%, being slight decrease compared to the previous month, when it accounted for 59.8%. Compared to January 2011, utilization of the capacities was higher by 0.9 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 January 2011. In the next 3-month period, according to the assessment of managers, 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: insufficient foreign demand – 22.2%, insufficient domestic demand – 18.5%, financial problems – 12.0%, lack of qualified labour force - 9.0% and uncertain economic surrounding – 8.7%.

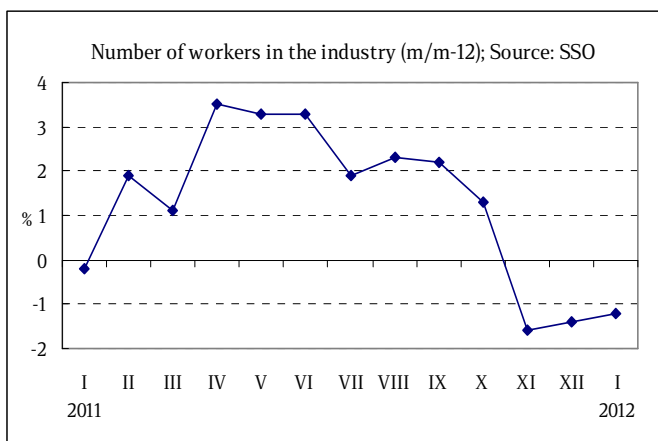
In January 2012, lower number of business entities pointed out the financial problems, lack of qualified labour force and uncertain economic surrounding as

limiting factor compared to December 2011, while higher number of business entities pointed out the insufficient foreign demand and insufficient domestic demand. As regards other factors, there are no significant changes.

### Number of Workers in the Industry

In January 2012, number of industrial workers compared to January 2011, dropped by 1.2%.

Number of workers registered minimum drop in mining and quarrying sector by 0.1% as a result of the drop by 8.4% in other mining and quarrying sector, while number of workers increased in the following branches: Mining of metal ore (2.2%) and mining of coal and lignite (1.9%).



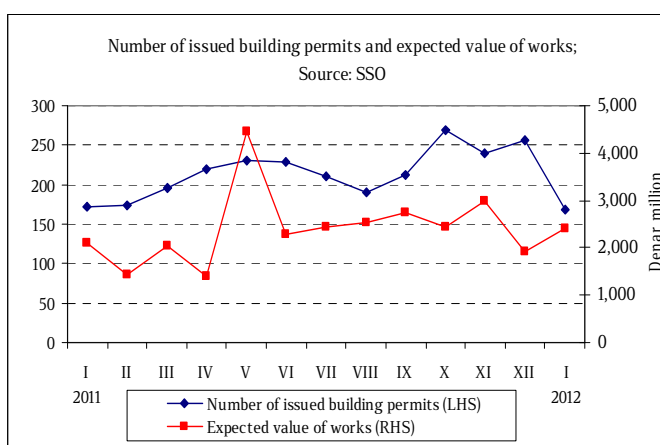
Processing industry sector experienced decrease in the number of employees by 1.6%. As for processing industry, more significant increase in the number of workers on

annual basis was registered at the following branches: Production of paper and paper products (12.0%), production of rubber products and plastic mass (11.6%) production of machines and devices (4.7%), production of furniture (4.0%) and production of tobacco products (3.5%).

Data on the number of workers in the industry by target groups in January 2012, compared to January 2011, showed increase in the number of workers at the following groups: Energy by 1.2% and consumer non-durables by 0.5%, while reduction of the number of workers was registered in the following groups: Capital goods - 6.5%, intermediary goods, except energy - 3.8% and consumer durables - 3.3%.

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

Envisaged value of the facilities in January 2012, according to the issued building permits amounted to Denar 2,412 million, being by 14.7% more than the same month in the previous year, while compared to December 2011, the value of the facilities increased by 25%.



In January 2012, 169 building permits were issued, being by

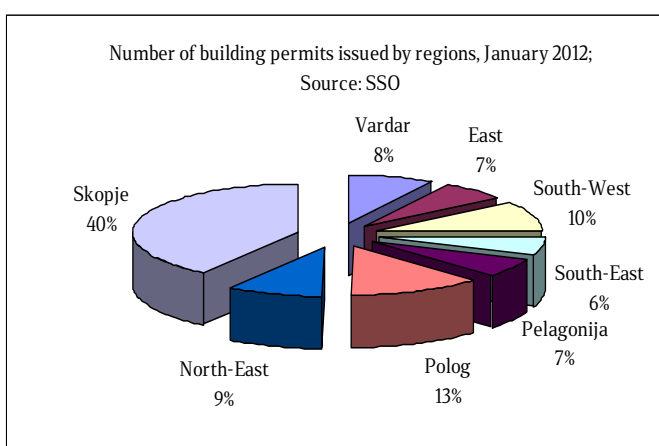
1.7% less compared to the same month in the previous year. Total number of issued building permits compared to the previous month in 2011, when 256 permits were issued, decreased by 34%.

Analyzed by types of facilities, out of the total number of issued building permits, 126 (or 74.6%) are intended for buildings, 13 (or 7.7%) for civil engineering structures and 30 (or 17.1%) for reconstruction.

Analyzed by types of investors, out of total 169 facilities, natural persons were investors in 116 facilities (or 68.6%), while business entities were investors in 53 facilities (or 31.4%).

In January 2012, construction of 477 is envisaged, with total usable area of 37,522 m<sup>2</sup>.

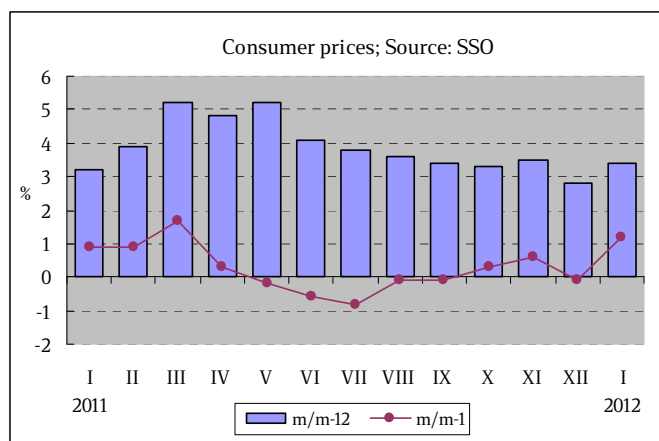
Analyzed by regions, in November 2011, most permits were issued in the Skopje region, 68 in total, 44 permits out of which were issued to natural persons as investors, while 24 permits were issued to business entities as investors. Southeastern region had least issued permits, ten permits in total, six permits out of which were issued to natural persons as investors, while four permits were issued to business entities as investors.



## Inflation

Inflation rate in January 2012, measured according to the CPI index, accounted for 3.4% compared to the same month in the previous year, being rate higher by 0.6 percentage points than the one measured in December 2011, when it amounted to 2.8%.

Category housing in January 2012 showed more evident growth of prices by 7.7% compared to January 2011. Thereby, sub-categories rent, water and services and heating and lighting surged by 3% and 11.5% respectively, while household furnishings registered slight decrease by 0.6%. Price increase on annual basis was also seen at other categories, whereby prices at food category increased by 3.5%, while prices at means of transport and services category surged by 2.8%. Increase of prices in the other categories is as



follows: Restaurants and hotels - 2.5%, hygiene and health - 1.6%, clothing and footwear - 1.3%, administrative and financial services - 1.1%, culture and entertainment - 0.7%, and tobacco and beverages - 0.1%.

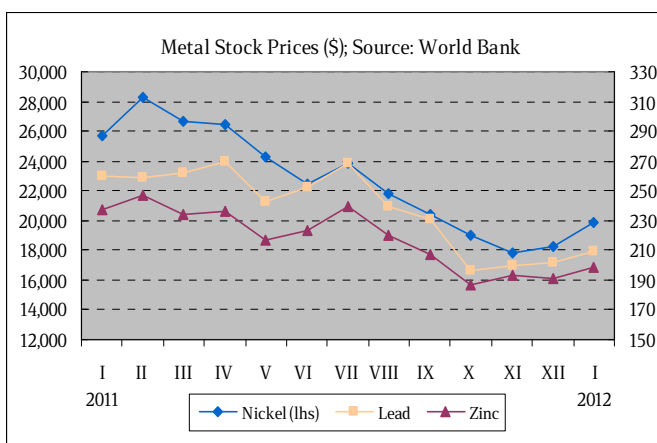
On monthly basis, inflation rate was positive, amounting to 1.2%; Highest price increase was registered at housing category - 4.4%, where the increase of prices at central heating (10.3%) and electricity for households (7.8%) had the biggest share. As for food category, increase by 1% was seen, being due to the increase of prices of both vegetables by 10% and dried fruit by 1.3%. Slight price increase on monthly basis was also registered in the following categories: Administrative and financial services - 1%, means of transport and services - 0.7%, culture and entertainment - 0.3% and hygiene and health - 0.2%. Reduction of prices was seen in the categories tobacco and beverages and clothing and footwear by 0.1%. As regards restaurants and hotels category, prices did not change.

In January 2012, retail prices increased by 3.4% compared to the same month in the previous year, while growth of 1.6% was seen on monthly basis.

### Stock Market Prices

In January 2012, crude oil price (Brent) on the global stock markets grew by 3%, compared to the previous month, reaching the price of US\$ 111.2 per barrel. Compared to January 2011, oil price surged by 15.4%. Price of natural gas in January decreased by 2.2% 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\$ 19,855 for a metric ton (\$/mt) on the global stock markets in January, being a monthly price increase by 8.7%. Compared to January 2011, nickel price was lower by 22.6%. In fact, general price increase of metals and minerals by 5.6% on monthly basis was seen in January. In addition to nickel, price increase on the global stock markets was also registered at copper (6.3%), aluminium (6.0%), zinc (4%) and lead (3.6%). Gold experienced moderate increase by 0.6%, reaching US\$ 1,652 per ounce.



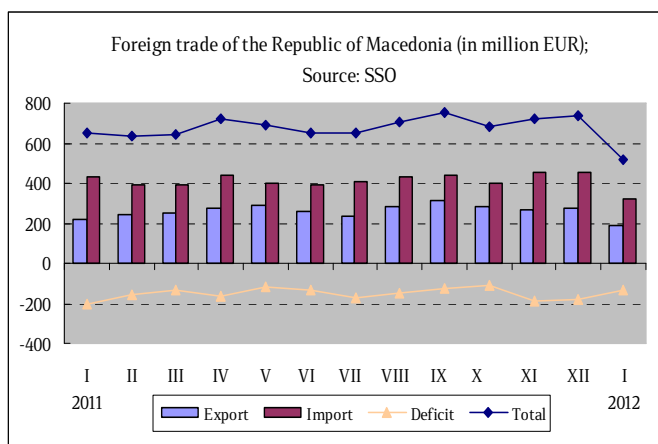
Price of wheat on global stock markets in January 2012 increased by 2.2%, thus interrupting the downward trend commenced in August 2011.

## 2. Foreign Trade

Total trade in January 2012 reduced by 20.9% compared to the same month in the previous year.

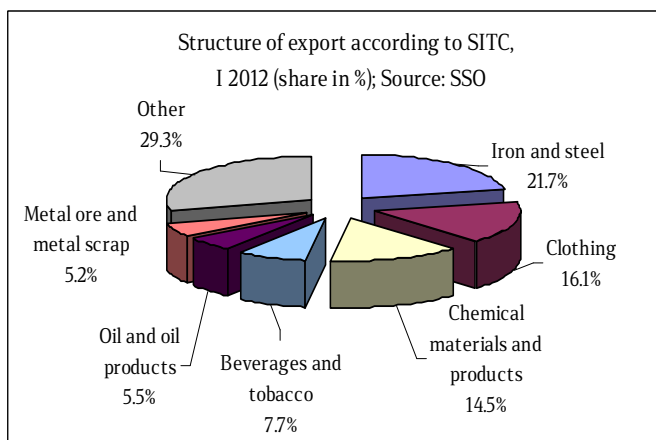
### Export

In January 2012, physical output of export dropped by 4.6% compared to January 2011, while value of exported goods amounted to EUR 191.4 million, decreasing by 13.9% (EUR 31 million), being mainly a result of the less exported iron and steel, chemical materials and metal products, oil and oil products, tobacco and tobacco processed goods, etc.

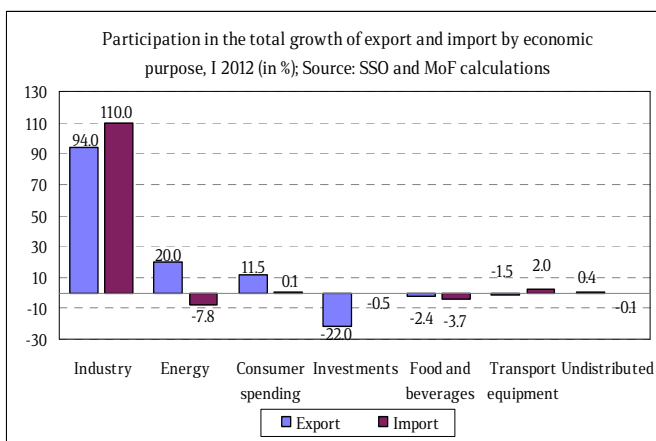


Analyzed on monthly basis, in January 2012 due to the usual seasonal effects, export declined by 30.9%, compared to the previous month.

Seasonally adjusted trend of export in January registered minimum drop by 10.8%, pointing out to positive effects of the seasonal factor (20.1 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, filtering or purifying machinery and apparatus for other gases by a catalytic process; gas oils for other purposes with a sulphur content up to 0.001% and 0.005% by weight; tobacco; men's shirts of cotton; boards, plates, stands, tables, cabinets and other foundations, equipped, lead ore and concentrates, reaction initiators, reaction accelerators and catalytic preparations, not elsewhere specified or included; medicaments consisting of





mixed or unmixed products for therapeutic or prophylactic use, put up in measured doses; electricity, etc.

Main groups of goods (according to SITC) having the biggest share in export in 2012 were the following: iron and steel – 21.7%, clothing – 16.1%, chemical materials and products – 14.5%, beverages and tobacco – 7.7%, oil and oil products – 5.6%, metal ore and metal scrap – 5.2%. These six groups of products comprised 71% of the total export of the country.

In January 2012, observed by economic purpose, goods for industrial production (51.5%) were most exported, followed by personal consumption goods (31.9%), investment products (9.6%) and energy (7%).

## Import

Imported quantities of goods in January 2012 reduced by 30.5%, amounting to EUR 324 million, decreasing by 24.6% compared to January last year.

Analyzed on monthly basis, in January 2012, import dropped by 29.1%, compared to the previous month.

Export of oil and oil products*)				
	I 2011	I 2012	Balance 2012-2011	% rate
000 T	20.3	14.6	-5.6	-27.8
EUR mil.	12.4	10.7	-1.7	-13.6
\$ mil.	16.6	13.8	-2.7	-16.5

\*)Previous data

Import of oil and oil products*)				
	I 2011	I 2012	Balance 2012-2011	% rate
.000 T	90.4	75.4	-14.9	-16.5
EUR mil.	41.7	39.5	-2.2	-5.3
\$ mil.	56.1	51.0	-5.1	-9.1

\*)Previous data

Seasonally adjusted trend of import in January dropped by 2.1% on monthly basis, pointing out to positive effects of the seasonal factor (27 p.p.) on import this month.

Most imported products by tariffs were the following: platinum, unwrought or in powder form; electricity, crude oil, gas oils for other purposes with a sulphur content, not exceeding 0.001% by weight, oil gases, hot rolled of a thickness less than 3 mm, hot rolled of a thickness of 3 mm or more, but less than 4.75 mm, iron and non-alloyed steel in ingots or other primary forms; pharmaceuticals prepared in moderate doses, turnings, shavings, chips, milling waste, sodas, fillings, trimmings and stampings, whether or not in bundles solid-state medium: “smart cards”, petroleum coke: not-calcinet (crude); ceramic products for laboratory, chemical or other technical use; used passenger vehicles, diesel or half diesel, >1500-2000 cm<sup>3</sup> etc.

Export of chemical products*)				
	I 2011	I 2012	Balance 2012-2011	% rate
000 T	6.9	0.7	-6.1	-89.5
Мил. ЕУР	42.1	27.8	-14.2	-33.9
Мил.\$	56.4	36.0	-20.4	-36.2

\*)Previous data

Import of chemical products*)				
	I 2011	I 2012	Balance 2012-2011	% rate
.000 T	1.6	1.0	-0.6	-39.0
Мил. ЕУР	3.2	3.1	0.0	-1.0
Мил.\$	4.3	4.1	-0.2	-4.7

\*)Previous data

In addition to oil, non-ferrous metals, electricity, yarn, fabrics and textile products, iron and steel, road vehicles, etc. accounted for most of the import of goods (according to groups of SITC) in January 2012. It is important to mention that

import of electricity increased by EUR 10 million, being a result of the increased needs for this product due to the low temperatures in January.

Observed by economic purpose in January 2012, goods for industrial production (39.9%) were most imported, followed by: energy (23.3%), personal consumption goods (22.6%) and investment products (14.1%).

Export of iron and steel*)					Import of iron and steel*)				
	I 2011	I 2012	Balance 2012-2011	% rate		I 2011	I 2012	Balance 2012-2011	% rate
000 T	54.2	35.6	-18.6	-34.3	.000 T	46.1	38.4	-7.8	-16.8
EUR mil.	47.5	41.5	-6.0	-12.6	EUR mil.	22.4	19.0	-3.4	-15.2
\$ mil.	63.7	53.5	-10.2	-16.1	\$ mil.	30.1	24.6	-5.5	-18.3

\*)Previous data

\*)Previous data

## Trade Balance

In January 2012, due to the higher absolute drop of import than export, trade deficit narrowed by EUR 74.4 million or 36% compared to January 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 investments, while widened negative balance of trade in energy products (fuel and lubricants) and personal consumption goods had opposite effect.

Analyzed according to economic groups of countries, in January 2012, compared to the same month in 2011, export dropped at all groups, except at the group other developed countries, where growth is seen. Biggest drop at export was seen in the EU, followed by Western Balkan countries and developing countries.

In January 2012, foreign trade of the Republic of with the European Union (EU 27), in relation to January in the previous year, reduced by 30.1%, share of trade with EU in the total foreign trade showed negative shifts by 5.3 p.p., accounting for 57.9%, whereby export of goods participated with 60.9% and import of goods accounted for 56.2%.

In January 2012, 48.4% of the trade deficit of the country was a result of the trade with Russia and Great Britain, followed by Greece, Serbia, Turkey, Switzerland, Romania, Bulgaria, etc. Surplus was realized in the trade with Germany, Kosovo, South Korea, the USA, and others.

## Currency Structure

Observed by currency structure, 69.8% of the trade in January 2012 was realized in euros, and compared to January 2011, it surged by 12.4 percentage points. On export and import side, the euro accounted for 76.6% and 65.8%, respectively, whereby share of the euro in export was higher by 1.5 p.p., while share of the euro in import accounted for 17.6 p.p. compared to January in 2011. Increase of euro share in the import was due to the decreased import from the Great Britain, expressed in GBP, participating with 11.12% in the currency structure of the import.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I 2011					I 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	202	206,852,630	61.5085	12,723,195,019	48.1	192	212,363,565	61.5050	13,061,421,048	65.8	5,510,934	2.7
USD	216	115,173,451	46.0324	5,301,710,367	20.1	98	93,047,391	47.5346	4,422,970,520	22.3	-22,126,060	-19.2
GBP	0	114,324,566	71.4592	8,169,542,028	30.9	0	30,238,665	73.6322	2,226,539,447	11.2	-84,085,901	-73.6
EUR+USD	418			26,194,447,414	68.2	290			19,710,931,015	99.3		
tot. import	418			26,424,750,982	100.0	291			19,853,790,908	100.0		-24.9

Source: SSO and NBRM

### 3. Fiscal Sector

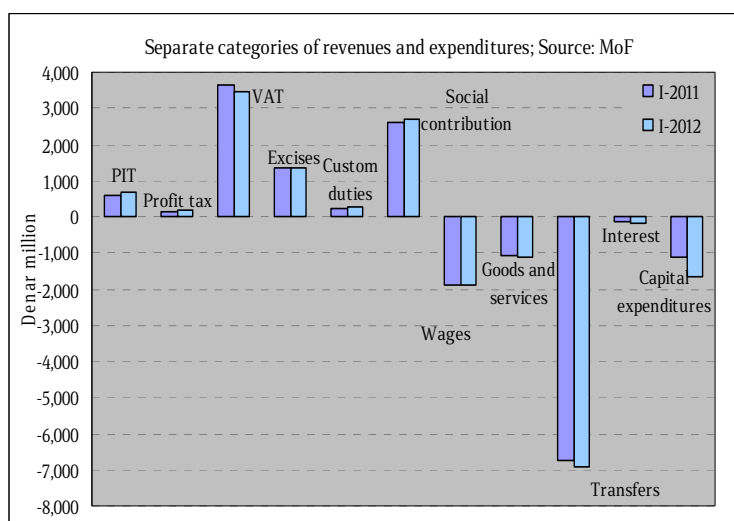
#### Budget Revenues

In January 2012, total budget revenues reached an amount of Denar 10,352 million, i.e. 2.3% of GDP, which was by 0.1% higher in relation to 2011.

Tax revenues for this month were realized in the amount of Denar 6,245 million, i.e. 1.3% of GDP, being lower by 0.1% in relation to the same period in 2011.

Value added tax was realized in the amount of Denar 3,470 million, whereby share of VAT in total tax revenues in this month was dominant, amounting to 55.6%.

Excises were realized in the amount of Denar 1,363 million (participating with 21.8% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 4,833 million, i.e. 77.4% of total tax revenues (1.0% of GDP). Thereby, VAT collection amounted to Denar 5,315.6 million on gross basis, Denar 1,845.2



million out of which was refunded to taxpayers (gross collection was higher by 0.3%, while VAT refund was higher by 11.4% compared to the same period in 2011).

Structure of sales in the country shows that sales of goods and services, taxed with the general tax rate of 18% surged by 0.7%, while sales taxed with preferential tax rate of 5% increased by 2.1%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 664 million, increasing by 13.5% on annual basis (revenues on the basis of salaries account for around 70% of the personal income tax). Compared to the same month in 2011, profit tax revenues surged by 19.2%, being mainly a result of the tax collected on the basis of paid dividend and other profit distribution and retained tax paid to foreign legal entities. VAT revenues dropped by 4.7%, while excises experienced more moderate increase, i.e. higher performance by 1.1%. Revenues on

the basis of customs duties were realized in the amount of Denar 263 million, increasing by 17.4%.

Non-tax revenues declined by 7.0% in relation to the same period in 2011, i.e. they amounted to Denar 824 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 437 million, showing increase by almost 2.5 times (147%) compared to the same period in the previous year.

Collection of social contributions amounted to Denar 2,690 million, being higher by 3.5% compared to the same period in 2011, whereby collection of pension insurance contributions increased by 2.9%, the collection of employment insurance contribution surged by 4.6%, while health contributions rose by 5.0%.

### **Budget Expenditures**

In January 2012, total budget expenditures amounted to Denar 11,781 million, i.e. 2.4% of GDP, which was higher by 7.0% compared to 2011.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 10,102 million accounted for 85.7% (2.1% of GDP) and they increased by 2.4% in relation to the same month in 2011.

Transfers amounting to Denar 6,942 million (1.4% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 1,871 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 15.9% and compared to 2011, they decreased by 1.4%.

Expenditures related to goods and services amounted to Denar 1,111 million, increasing by 1.7% compared to the same period in 2011.

Transfers increased by 3.1% compared to the same period in 2011, participating with 58.9% in the total expenditures. Social transfers amounted to Denar 5,455 million, increasing by 4.5% and participating with 46.3% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 3,381 million, increasing by 7.9%, compared to the same period in 2011 and accounting for 28.7% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 12.1% in the total expenditures, i.e. they declined by 3.5% compared to the same period in 2011. Block grants to local government units amounting to Denar 1,179 million, were higher by 6.0% compared to January last year. Subsidies and transfers were lower by 47.2%.

Interest was collected in the amount of Denar 178 million, being by 21.1% more compared to the same period in 2011. Such increase was mainly due to the payment of due interest on the basis of domestic borrowing. Costs related to interest on the basis of domestic borrowing increased by 51.6%, while the ones on the basis of foreign borrowing surged by 7.7%.

In the analyzed period, the funds for capital expenditures were realized in the amount of Denar 1,679 million (0.3% share in GDP), i.e. they increased by 46.9% compared to the same period last year.

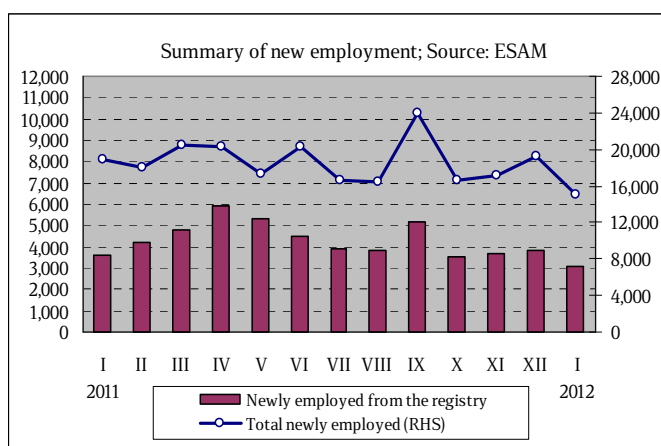
## Budget Balance

In January 2012, the budget deficit reached the amount of Denar 1,429 million, being 0.3% of GDP, while central budget deficit amounted to Denar 723 million or 0.2% of GDP.

## 4. Social Sector

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

In January 2012, Employment Agency of the Republic of Macedonia registered total of 15,081 new employments. 38.7% 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 January 2011, number of newly employed persons was lower by 20.1%.



20.2% out of the total number of new employments were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 9,055, persons in January, 33.5% out of which were new employments. In January, 8,529 persons were registered as inflow to the Agency, 57.3% out of which were persons whose employment was terminated. As a result, unemployment reduced by 526 persons, i.e. by 0.2% compared to the previous month. Thus, in January 2012, 280,618 persons were registered as unemployed. Compared to the same month in 2011, number of unemployed persons declined by 12.9%.

Major percentage of the unemployed, i.e. 67.2% came from urban areas (cities), whereby 57.4% were men. Analyzed by education structure, major part, i.e. 49.6% of unemployed persons were unskilled or semi-skilled, while only 9.4% was with community college or higher education level. Observed by age, majority of the unemployed persons or 55.7% fall in the category of 25-49 years of age. According to the time they waited for a job, 48.1% of the unemployed persons sought job from 1 to 7 years, while 29.5% sought job for 8 years and more.

## Salaries

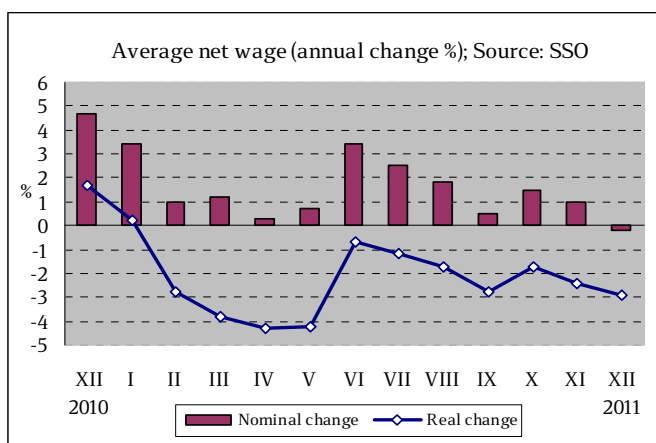
According to the data from the State Statistical Office, average monthly paid gross salary per employee in December 2011 amounted to Denar 31,338, while average monthly paid net salary amounted to Denar 21,415<sup>1</sup>.

On monthly basis, in December 2011, average gross salary increased by 2.4% in nominal terms, while it was higher by 2.5% in real terms. In the same period, average net salary was higher by 2.8% in nominal terms, increasing by 2.9% in real terms.

In December 2011 compared to the same month in 2010, average gross salary decreased by 0.3% in nominal terms, while it was lower by 2.9% in real terms. In the same period, average net salary was lower by 0.2% in nominal terms, decreasing by 2.9% in real terms.

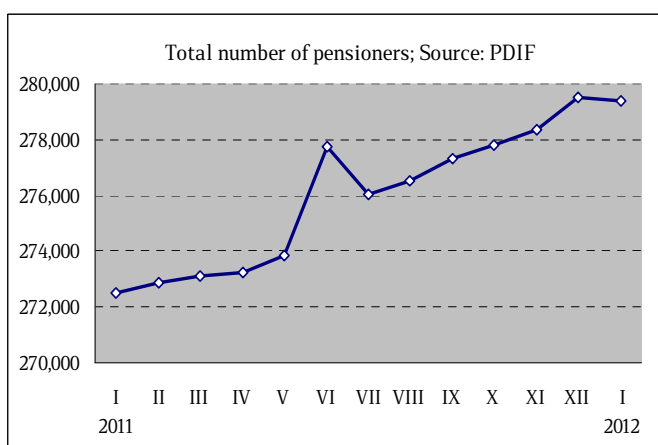
On cumulative basis, in the period January-December 2011, average gross salary increased by 1.2% in nominal terms, while it was lower by 2.6% in real terms. In the same period, average net salary increased by 1.4% in nominal terms, while it was lower by 2.4% in real terms.

The highest increase of average monthly gross and net salary per employee in December 2011 compared to



December 2010 was recorded in the following sectors: Expert, scientific and technical activities (22.5% gross salary and 28.1% net salary), art, entertainment and recreation (8.8% gross salary and 9.3% net salary) and agriculture, forestry and fishing (6.3% gross salary and 6.5% net salary).

Decrease of average monthly gross and net salary per employee in December 2011 compared to December 2010 was recorded in the following sectors: Mining and quarrying (9.9% gross salary and 8.8% net salary), information and communication (5.3% gross salary and 6.4% net salary), administrative and axiliary services (3.6% gross salary and 2.9% net salary), processing industry (2.1% gross salary and 2.2% net salary) and construction (2.2% gross salary and 1.4% net salary).



<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.

Employees who did not receive salary in December 2011 accounted for 3%, and compared to the same month in the previous year, it was higher by 0.7 p.p., while compared to November 2011, percentage of employees who did not receive salary was higher by 0.6 p.p..

## Pensions

In January 2012, Pension and Disability Insurance Fund registered 279,372 pensioners, being an increase by 2.5% compared to the same month in 2011. Number of pension beneficiaries dropped by 154 persons in relation to December 2011. 55.9% out of the total number of pensioners are beneficiaries of old-age pension, 27.4% of survival pension and 16.8% of disability pension.

In January 2012, Denar 2,920.22 million was spent for payment of pensions, accounting for 53.5% of the total social transfers<sup>2</sup>.

Average pension in January 2012 amounted to Denar 10,596, increasing by 2.8% on annual basis. Ratio between the average pension and the average paid salary in December 2011 (the most recent available data) was 50%.

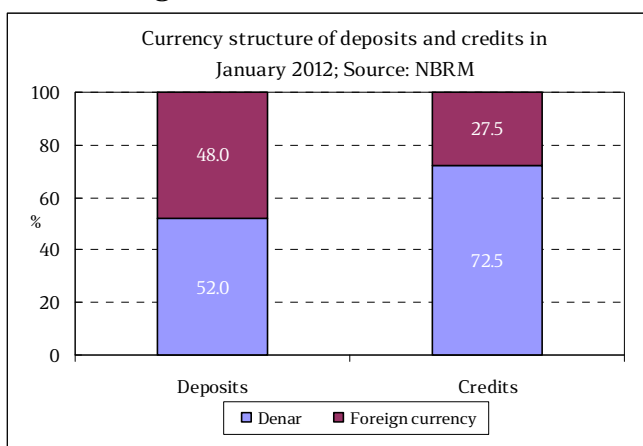
## 5. Monetary Sector

### Primary Money

In January 2012, primary money<sup>3</sup> showed growth of 5.6% on annual basis, in conditions of increase of total liquid assets of banks by 0.2% and increase of ready money in circulation by 14.2%. On monthly basis, primary money decreased by 4.7%, as a result of the drop of total ready money in circulation by 5.3% and total liquidity of banks by 4.2%.

In January 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>4</sup> in January 2012 increased by 0.6% on monthly basis driven mainly by the increase of Denar short-term deposits of households by 4.6%.

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

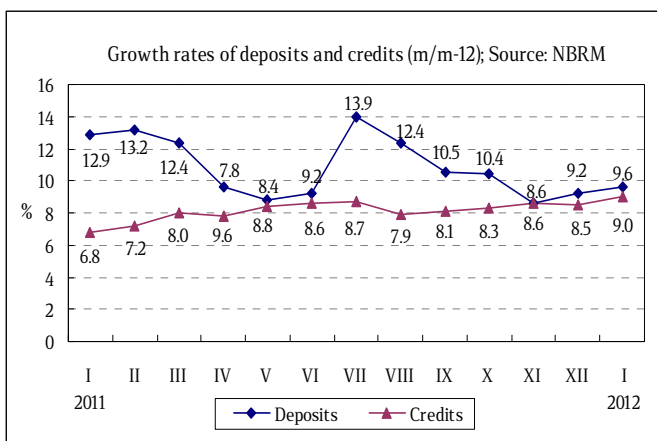
<sup>3</sup> Primary money is calculated as a sum of ready money in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).

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

From currency point of view, Denar deposits increased by 2%, while foreign currency deposits of household decreased by 0.9%. Analyzed by sectors, deposits of households increased by 0.5%, while deposits of private enterprises remained unchanged on monthly basis. Short-term deposits surged by 1.2% on monthly basis, unlike the long-term deposits which decreased by the same amount.

On annual basis, total deposits experienced certain intensification of growth, reaching 9.6% compared to the annual growth of 9.2% realized last month.

New saving arises mainly from the increased saving of households by 12.5%, while deposits of private enterprises were higher by 5.4%. Analyzed according to currency, denar deposits were higher by 16.3% on annual basis, realizing dominant contribution to the growth of total deposits. Foreign currency deposits slowed down their growth to 3.1%.

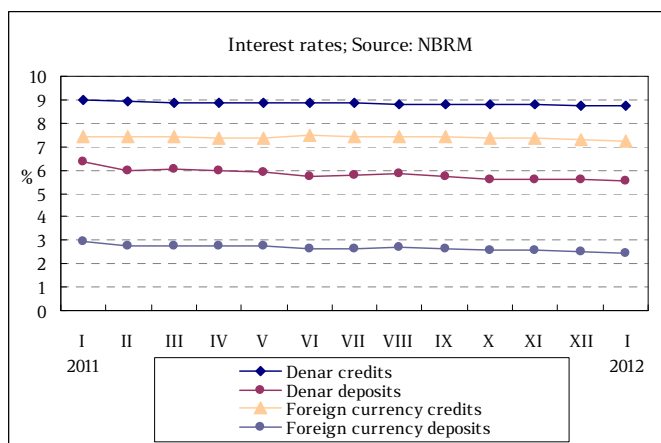


According to maturity, long-term deposits experienced high increase by 17.5%, while short-term deposits were higher by 8.2% on annual basis.

### Bank Credits

In January 2012, total credits of banks to the private sector increased by 0.4% on monthly basis. Credits to private enterprises increased by 0.6% compared to the previous month, while credits to households were higher by 0.1%. According to the currency structure, Denar credits increased by 0.6%, while foreign currency credits remained the same.

On annual basis, growth of total credits amounted to 9%, in conditions of increased crediting to private enterprises and households by 9.5% and 8% respectively. From currency point of view, Denar credits experienced annual growth of 5.8%, while foreign currency credits registered high growth of 18.5%. As regards maturity, long-term credits increased by 11.5% on annual basis, while short-term credits were higher by 1%.



### Interest Rates of Deposit Banks

In January 2012, interest rate on Denar credits and Denar deposits moderately decreased on monthly basis.



Interest rate on Denar credits, including interest rates on Denar credits without foreign currency clause and Denar credits with foreign currency clause, was 8.7%, compared to 8.8% registered in the previous month. It was lower by 0.3 p.p. on annual basis. Interest rate on Denar deposits was 5.5%, being lower by 0.8 p.p. compared to January 2011.

Interest rate on foreign currency credits of banks was 7.2%, being lower by 0.1 p.p. on monthly basis and 0.2 p.p. compared to January 2011. Interest rate on foreign currency deposits remained at 2.5%, being lower by 0.5 p.p. compared to January 2011.

### **Foreign Currency Reserves**

Gross foreign currency reserves at the end of January 2012 amounted to EUR 2,067.2 million and, compared to the previous month, they were lower by EUR 1.7 million, while compared to January 2011, foreign currency reserves were higher by EUR 360.3 million.

**Ministry of Finance**  
**Macroeconomic Policy Department**

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