



1.3.

Other macroeconomic developments

In May 2003, minimal monthly decrease in the number of employed persons of 0.1% was registered

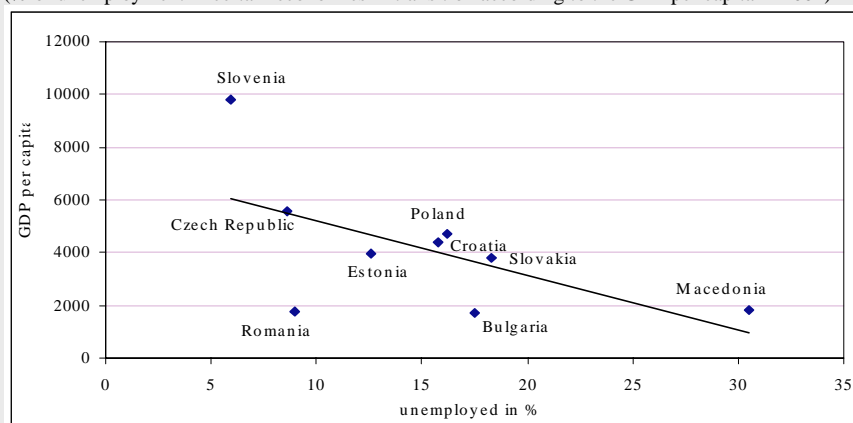
In May 2003⁵, the total number of employed persons in the Republic of Macedonia equaled 276,657, which is a decrease of 385 persons, or 0.1% compared to the previous month. In the first five months of 2003, the number of employed persons is lower by 4.9% compared to the same period of the previous year. Analyzed by activities, the cumulative decrease is mostly due to the reduced number of employed persons in the processing industry (by 9.4%) in which 31.8% of the total number of employed persons are employed, and in the construction (by 4.8%), which provides employment for 8.4% of the total number of employed persons.

The unemployment in the economies in transition in Central and South - Eastern Europe

The analysis of the unemployment in the economies in transition shows that the rates of unemployment are in close correlation with the level of the GDP per capita, with a negative relation being evident. According to the Labor Force Survey¹, the rate of unemployment in the Republic of Macedonia in 2001 equaled 30.5%, while in 2002 it equaled 31.9%, which is the highest rate of unemployment in the group of the Central and South - Eastern European countries in transition having similar level of GDP per capita (the rates of unemployment in Bulgaria and Romania equal 17.5 and 9.0%, respectively). One of the factors that influence the official rate of unemployment in the Republic of Macedonia is the level of informal activities, while among the measurable factors, the share of industry and farming in the GDP is also significant. Thus, for example, in the Czech Republic and in Slovenia in 2001, with their rates of unemployment equaling only 8.6% and 5.9%, respectively, registered higher share of the industry in the total GDP² of 36.0% and 27.7%, respectively. In Macedonia, the participation of industry in the GDP equals 20.7%, while farming participates with 9.2%. Each country with an expanding industrial activity, is using the benefits from the spillover effect (when the production of one expanding branch is an input to another), thus creating new employment.

Chart 1

(% of unemployment in certain economies in transition according to the GDP per capita in 2001)



Source: International Financial Statistics, June, 2003, etc.

The institutional factors, the improvement of the regulations, the reforms in the public administration and the social policy are also important for the level of employment. The labor social care in the Republic of Macedonia is

⁵ Last available data of the State Statistical Office.



comparable to that in other countries from Central and South - Eastern Europe and it is in accordance with the OECD standards for protection of employees. The increased flexibility of the labor market is of great importance for resolving the problem of the long-term unemployment, and it is part of the structural policy envisaged in the arrangement concluded with the IMF³. According to the IMF Country Report (May 2003), the new companies in which 40% of the total number of employed persons in the Republic of Macedonia are employed registered an increase in the profitability and labor productivity in 2000. It is expected that the creation of new jobs in the future will be a result of the development of the entrepreneurship and the development of small-size and medium-size enterprises in the country⁴. Similarly, Romania is moving towards modernization of the social care network and development of the micro-businesses, while Bulgaria has special programs aimed at the regions with high level of unemployment, which are financed from the budget.

1/ The Labor Force Survey is conducted in accordance with the methodological recommendations of the International Labor Organization (ILO) and it is made on annual basis.

2/ Source: Transition Report 2002.

3/ Within this framework, the Law on Employment Stimulation (April 2003) was adopted, according to which the employers shall be refunded the fees for social security in a two-year period, with which the employment is being fiscally stimulated. The provisions of this Law shall be in force until the end of 2003.

4/ The Program of measures and activities for supporting the entrepreneurship and the small-size and the medium-size enterprises which is already adopted by the Government of the Republic of Macedonia, is also in this context.

In May 2003, the average net paid wage per employee nominally increased by 0.2%, while in real terms it decreased by 0.4% compared to the previous month

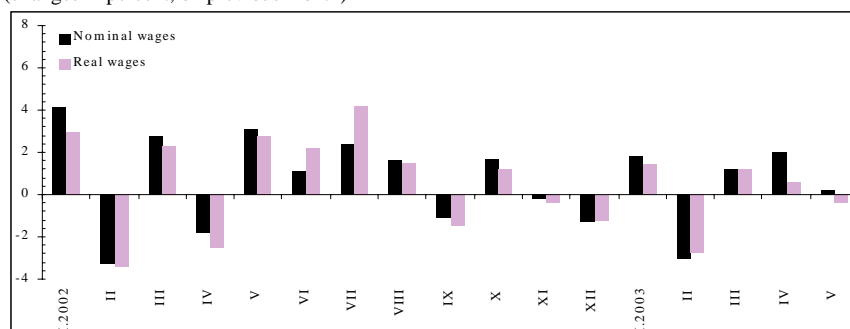
In May 2003⁶, the average net paid wage per worker in the Republic of Macedonia equaled Denar 11,798 which is a monthly increase of 0.2% in nominal terms and a decrease of 0.4% in real terms (given the registered monthly rate of inflation in May of 0.6%). Observed by sectors, monthly increase in the wages was registered in the sectors "services" and "industry" (of 1.3% and 0.1%, respectively), while in the sector "agriculture", the wages dropped by 0.8%. On average, in the first five months of 2003, the average net paid wage per worker registered an increase of 6.9% in nominal terms compared to the same period of 2002. Simultaneously, the average net paid wage in real terms equaled 6.7% (approximately as it equaled in real terms), taking into consideration the fact that for the first five months of 2003, the average rate of inflation remained stable and low (0.2%).

In May 2003, 25.1% of the employees in the Republic of Macedonia did not receive wages for the respective month, which is by 1.4 percentage points less compared to the previous month.

Chart 8

Average net wages

(changes in percent, on previous month)



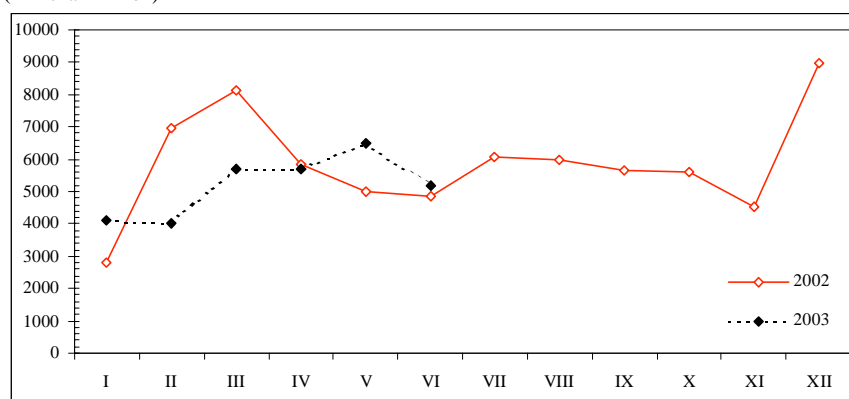
⁶ Last available data of the State Statistical Office.



In June 2003, the total budget revenues decreased by 20.5% compared to the previous month...

In June 2003, compared to the previous month, the revenues of the Central Government were lower by 20.5% and equaled Denar 5,179 million. High monthly decrease of 59.7% was registered in the revenues from financing, which is primarily due to the high comparison base in May, when huge inflow of funds based on donations and foreign credits was registered. A monthly decrease of 6.2% was also registered in the primary revenues, which is due to the significant decrease in the non-tax revenues (of 75.7%), conditioned by the high comparison base registered in the previous month, when high increase in the entrepreneur revenues originating from the financial and non-financial institutions was recorded. On the other hand, the tax revenues (representing the most important revenue category) registered an increase of 8.1%.

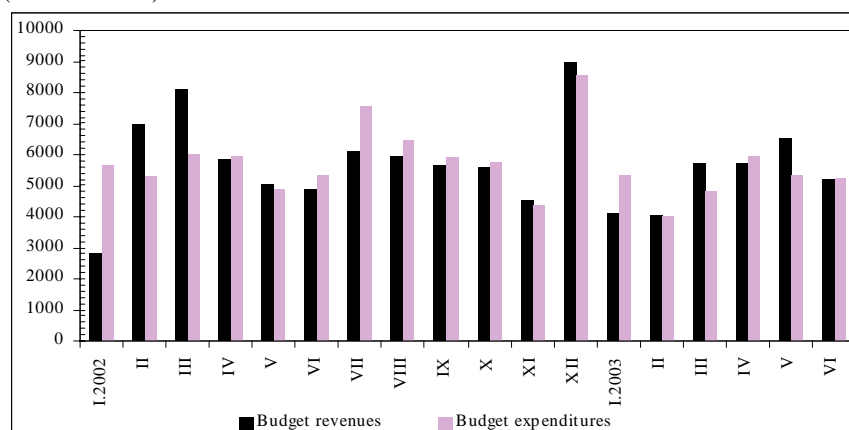
Chart 9
Total Central Government budget revenues
(in Denar million)



...while they decreased by 7% on cumulative basis

Cumulatively observed, in the first half of 2003, the budget revenues equaled Denar 31,257 million, which is a decrease of 7.0% compared to the same period of the previous year. Cumulative decrease was registered in the primary revenues (2.4%) and in the revenues from financing (27.0%). The decrease in the primary revenues is a result of the reduced tax revenues by 4.9%. Namely, despite the fact that the tax revenues of higher importance registered a cumulative increase, the different comparison base from the previous year when the tax on financial transaction was in force, led to a decrease in the total amount of the tax revenues in the first half of 2003.

Chart 10
Total revenues and expenditures of the Central Budget
(in Denar million)

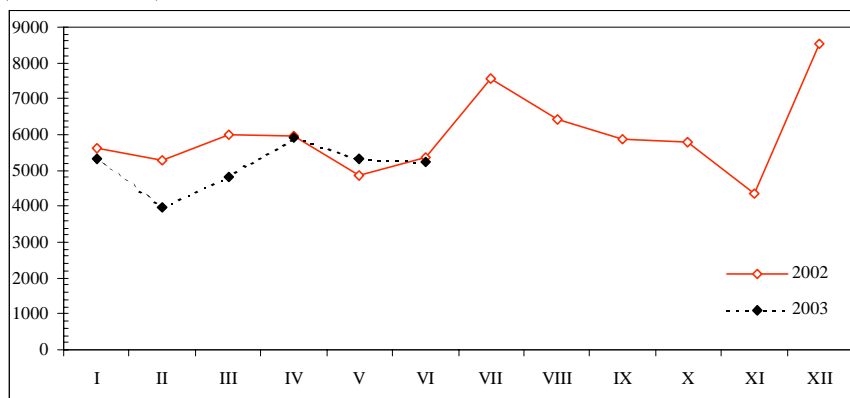




In June 2003, the total budget expenditures registered monthly decrease of 1.1%...

In June 2003, the total budget expenditures amounted to Denar 5,254 million, which is a decrease of 1.1% relative to the previous month. Analyzed by components, monthly decrease of 5.4% was registered in the current expenditures (as a result of the decreased expenditures for goods and services and expenditures for transfers) and in the expenditures for financing of 14.9% (due to the reduced repayment of the principal of the domestic debt).

Chart 11
Total expenditures of the central budget
(in Denar million)



...and a decrease of 7.4% on a cumulative basis

Cumulatively observed, in the first half of 2003, the total budget expenditures equaled Denar 30,623 million, which is a decline of 7.4% compared. A cumulative decrease of 8.0% was registered in the current expenditures, which is due to the reduced expenditures for goods and services and lower expenditures for repayment of interests. Simultaneously, the capital expenditures and net lending registered significant cumulative decline of 61.8% (due to the reduced investments in fixed assets and lower expenditures for projects, financed from funds received from the privatization of the Macedonian Telecom., which contributed their share in the structure of the total expenditures to decrease by 6.4 percentage points in the first half of 2003).