

## COMPARATIVE OVERVIEW OF PRIORITY INDUSTRIAL SECTORS IN 2016 AND 2017

- According to the number of SMEs, the most represented is the metal processing sector, with 22 companies operating in 2017<sup>1</sup>.
- The largest total revenue in 2017 was achieved in the manufacture of leather and leather products (footwear).
- This sector earns the highest revenue and increases the profit each year, recording no losses in 2017.
- The highest income per employee is achieved in the area of plastic masses products manufacture (158.000 KM).
- According to APIF data, the manufacture of leather and leather products sector takes the largest share of Derвента exports. SMEs operating in this sector earn 90% of their revenue from exports.

	Metal processing		Manufacture of leather and leather products		Manufacture of plastic masses products		Wood processing	
	2016	2017	2016	2017	2016	2017	2016	2017
Number of SMEs	22	<b>22</b>	8	7	8	7	5	6
Number of employees	259	334	1.609	<b>1.711</b>	179	226	123	145
Total revenue (in million KM)	34,50	45,7	44,40	<b>46,30</b>	19,10	35,6	17,70	19,15
Profit in 2017 (in million KM)	4,57	<b>6,16</b>	4,65	6,50	-2,91	0,45	2,25	2,02
Revenue per employee (KM)	133.000	137.000	27.000	27.000	107.000	<b>158.000</b>	144.000	133.000
Profit per employee (KM)	17.644	<b>18.466</b>	2.889	3.847	-16.256	2.114	18.292	15.512
Exports (in million KM)	14,20	18,60	40,60	<b>42,15</b>	11,40	24,60	3,80	4,35
Exports share in total revenue in sector	41%	40,7	91,4%	<b>90%</b>	60%	69%	22%	22,7%

<sup>1</sup>This number includes UNIS, company in bankruptcy process, however it is not being taken into consideration when calculating the statistics for this sector.

Average net salary of employee in sector (KM)	702	942	490	511	632	928	435	420
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#### DEVELOPMENT TREND OF ECONOMY SECTORS IN 2017, COMPARED TO 2016 YEAR

- The number of legal entities in the metal processing sector remained the same, while it decreased in the manufacture of leather and leather products and plastic masses products; in the wood processing sector there was an increase.
- There have been significant changes in the number of employees in the four priority sectors. The highest number of newly employed compared to 2016 is in the sector of manufacture of leather and leather products (102), and the least were employed in the wood processing sector (22).
- In 2016, the highest revenue was generated in metal processing, while this year, the highest revenue was generated in leather and footwear production. Revenue is increased in relation to 2016 in following sectors:
  - manufacture of plastic masses products by 86.3%
  - metal processing by 32%
  - wood processing by 11.9%
  - manufacture of leather and leather products by 4.2%.
- Total income per employee compared to the previous year remained the same in the sector of leather and leather products manufacturing; while they were increased in the sectors of production of plastic and metal processing and decreased in the wood processing sector.
- The share of the production of plastics and metal processing sector in the total revenues of the municipality's economy has increased; while it was reduced in the sector of leather and leather products manufacturing and stagnating in wood processing.
- The profit in metal processing sector within the total profit of the municipality has increased, decreased in the sector of leather and leather products manufacturing and wood processing, and in the manufacture of plastics masses products sector the loss in profit in last year was turned into profit and amounts to 1.47% in the total profit of the municipality.
- The largest share in overall profit of SMEs has the sector of leather and leather products manufacturing, and the smallest share of plastic products manufacture.

- Compared to 2016, the exports increased in all sectors.
- The share of exports in total revenues increased in the wood processing sector and decreased in other sectors.
- The share of exports in total exports increased in the sector of metal processing, wood processing and plastic products production, while it was reduced in the sector of leather and leather products manufacturing.
- The average gross salary in 2017, compared with 2016, was increased in the metal processing sector, the production of plastic products, leather and leather products manufacturing, and slightly reduced in the wood processing sector.

**Metal Processing Sector:** All parameters point to the growth trend of this sector compared to 2016. Except the number of companies which remained the same, the numbers of employees, total revenues, exports, profits, earnings per employee, profit per employee, and average salaries have increased.

**Leather and leather products manufacturing sector:** The number of companies reduced by 1, whilst the number of employees, total revenues, profits, exports, average salaries increased compared to 2016. This sector shows a trend of growth and employs the majority of the employed.

**The manufacturing of plastics masses products sector** achieved the highest growth in total revenues (around 86%) compared to 2016 and achieved a positive financial result, unlike in 2016, when a loss of about 2.9 million KM was recorded. The number of employees has also significantly increased compared to 2016.

**The wood processing sector** records the lowest average net salary, however total revenue, exports and employment have increased, while the share of realized total revenues in the total municipal income remained unchanged.

The development of metal processing is still in focus, as the strategic sector with the greatest growth trend and growth according to all parameters. In addition, the sector of plastic products manufacture should be given preference, since it has a higher added value, so that an increase in the number of employees and net salaries can be expected in this sector in the forthcoming period. In the future, the wood processing can accumulate significant revenue due to the fact that there are sufficient resource bases for the development of this sector in Republic of Srpska (53% of forested area in BiH). The municipal strategic plan should be oriented towards the training and retraining of workers for the requirements of these sectors.

In the leather and leather products manufacturing sector there was an increase in the number of employees in 2017, and one company was abolished. This sector remains in the lead by the number of employees, total revenue and exports, and the value of the per-employee income in 2017 remained the same. The main reason for the vulnerability of this sector is that it is labor intensive, low-income, and it requires workers of average competencies.

The stability of the metal processing sector lies in the fact that the number of enterprises remained unchanged compared to the previous year and the number of the employees increased. Most of the companies in Derventa from the metal processing sector have introduced new technologies (CNC,

welding robot etc.) which have led to an increase in the added value of the product. This also proves that the labour force in this sector is highly competitive on the market.

A positive balance was achieved in 2017 in the manufacture of plastic products sector unlike the previous year when this sector operated with loss; the reason assuming that one part of the enterprises were burdened by the debts inherited from the previous period , resulting in the termination of one company. This year, the share of exports in the total revenue of the sector is about 10% higher, which was driven by the increase in demand for products, especially on the EU market, which resulted in an increase in the number of employees and the highest earnings per employee in 2017.

In the wood processing sector there has been an increase in the volume of operations, which is reflected in the indicators of the increased number of employees and total revenue. Although the exports have increased by 0.7%, this sector recorded a decrease in earnings per employee, as well as a decrease in profits compared to the previous year, which could be explained by lowered prices of products on the regional market, since it makes the majority of business operations in this sector. The reason may lie even in the absence of a continuous supply of raw material so that the production process in this sector can be unduly ongoing.