



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

June 2012



Skopje, August 2012

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

June 2012

- Industrial production surged by 1.4% in June 2012 compared to May 2012;
- Inflation rate amounted to 2.1% on annual basis, being negative on monthly basis, accounting for -0.5%. Inflation rate in the first half of 2012 amounted to 2.3%.
- Annual drop of physical output of export in the period January-June 2012 by 10.5% and drop in value by 2.9% and increase of imported quantities of goods by 17.1% and drop in value by 0.2%, resulting in increase in the trade deficit by 5.4% compared to the same period in 2011.
- Lower performance of total budget revenues by 0.8% and decreased performance of total budget expenditures by 0.3% in the period January-June 2012, compared to the same period last year; State budget deficit in the amount of Denar 8,047 million (1.7% of GDP) and central budget deficit in the amount of Denar 6,633 million (1.4% of GDP);
- Increase of both total credits to private sector by 7.5% and total deposit potential of banks by 7.6% on annual basis;
- Drop in the number of registered unemployed persons by 16.1% in June 2012 compared to the same month last year.

1. Real Sector

Industrial Production

Industrial production surged by 1.4% in June 2012 compared to May 2012. Sector analysis points out increase in the sectors mining and quarrying by 14.6% and electricity, gas, steam and air-conditioning supply by 8.8%, while processing industry reduced by only 0.1%

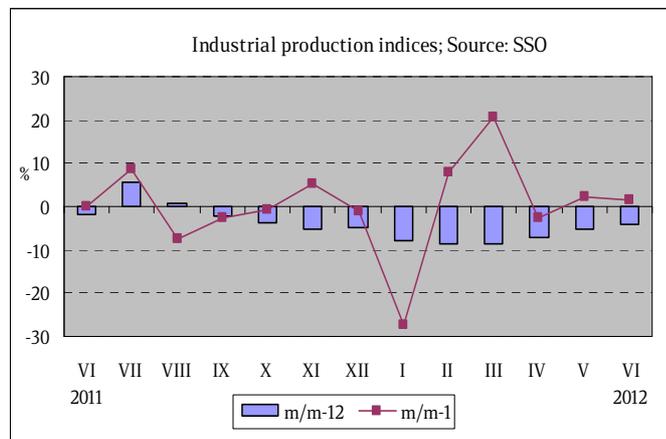
Growth was seen at one of the tree driving branches with double-digit share in the industrial production. Thus, growth of 19.9% was seen at production of clothing, production of metals dropped by 5.5%, while production of food products reduced by 1.2%. High monthly growth was seen at the following branches: Production of furniture - 51.9%, production of leather and articles of leather - 47.1%, processing of wood, wood products and cork - 38.2%, mining and quarrying - 38.2%, production of other transportation equipment - 35.9%, production of rubber products and plastic mass products - 16.7% and extraction of coal and lignite - 15.6%.

	m/m-12	m/m-1	I-VI 2012
			I-VI 2011
Total	-4.1	1.4	-6.9
Ore and stone extraction	6.4	14.6	-8.8
Processing industry	-6.3	-0.1	-5.9
Electricity, gas and water supply	12.7	8.8	-12.3

Source: SSO

De-seasoned monthly growth of industrial production in June 2012 was -0.5%, pointing out to positive seasonal effects in the industry.

Industrial production dropped by 4.1% in June 2012 compared to June 2011. Analyzed by sectors, electricity, gas, steam and air-conditioning supply sector and mining and quarrying sector increased by 12.7% and 6.4% respectively, while processing industry dropped by 6.3%.



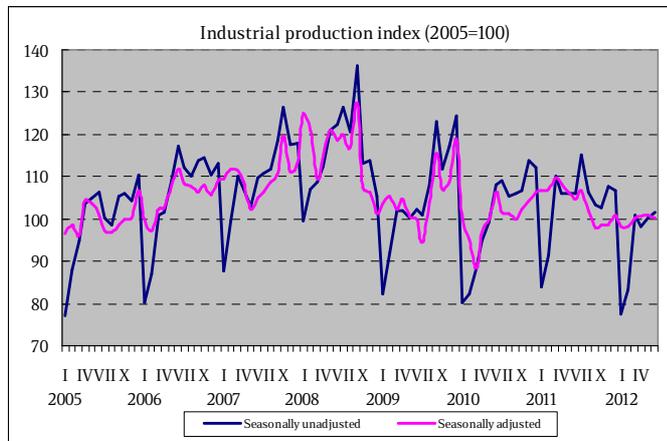
As for processing industry, annual positive growth was registered at 11 out of 23 branches, comprising 48.6% of the industrial production. Growth was seen at one of the tree driving branches with double-digit share in the industrial production. Thus, production of metals surged by 8.2%, production of clothing increased by 1.6%, while production of food products grew by 0.8%.

Production of fabricated metal products, except for machines and equipment (2.4 p.p.) contributed the most to the annual increase in industrial production in June 2012, while production of coke and refined oil products (-4.3 p.p.) had the highest negative contribution.

On cumulative basis, industrial production in the period January–June 2012 compared to the same period in 2011 dropped by 6.9%, being lower decrease

compared to the first 5 months of 2012, when it accounted for 7.5%. Processing industry dropped by 5.9%, mining and quarrying decreased by 8.8%, while electricity, gas, steam and air-conditioning supply declined by 12.3%.

Data on industrial production by target groups in June 2012 compared to June 2011 show increase of production at the groups energy 5.7% and intermediary goods, except energy 5.4%. Drop of production was seen in the following groups: Consumer durables -47.7%, capital goods - 18.9%, and consumer non-durables - 5.8%.

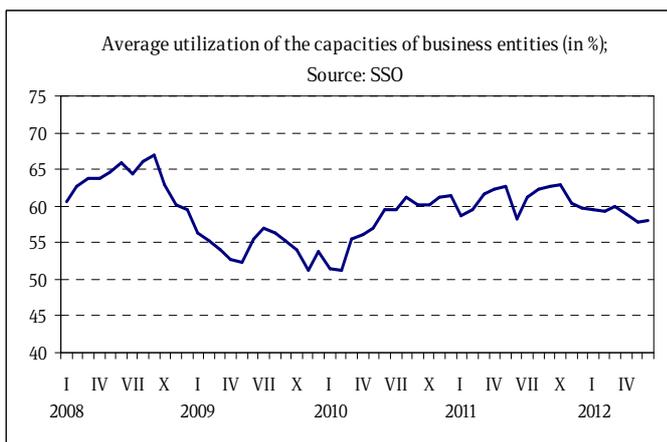


On monthly basis, data on the industrial production by target groups in June 2012 show that there was increase in the production at the following groups: Consumer durables - 32.5%, energy -6.9%, and consumer non-durables - 2%. Intermediary goods, except energy dropped by 2.8% and capital goods by 0.2%.

On cumulative basis, in the first half of 2012 compared to the same period last year, production growth was seen in the group intermediary goods except energy - 1.6%, while drop was seen in the other groups, as follows: Consumer durables - 46.9%, energy - 21.5%, capital goods - 13.8%, and consumer non-durables - 0.7%.

Business Trends in Processing Industry

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



Assessment of current state of delivery-to-production was more favourable compared to the previous month, whereby such improvement was mainly due to increase in domestic orders, while foreign orders increased with smaller intensity. Assessment for the production volume in the past three months was less favourable compared to May 2012, as well as compared to June 2011. Expectations for the production volume in the next three months are more favourable compared to both the previous month and June 2011.

As regards the number of employees, the expectations in June 2012 for the next three months are more favourable compared to the previous month, while compared to June 2011, they are significantly improved.

Average utilization of the capacities in June 2012 accounted for 58.1%, being an increase compared to the previous month, when it accounted for 57.9%. Compared to June 2011, utilization of the capacities was lower by 0.2 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 surged compared to both the previous month, while compared to June 2011, they significantly reduced. 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 increase.

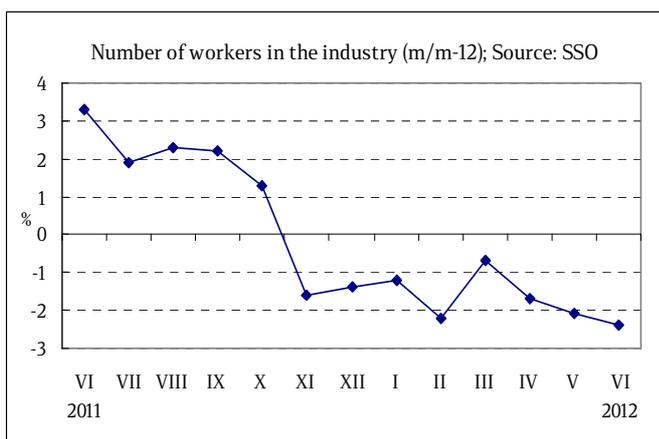
According to the assessment, following factors limited the most the production volume in June 2012: insufficient foreign demand – 22.3%, insufficient domestic demand – 17.5%, financial problems – 13.1% , lack of qualified labour force – 9.8%, uncertain economic environment – 8.8%, competitive import – 8.3% and shortage of raw materials – 5.8%.

In June 2012, lower number of business entities pointed out the lack of insufficient domestic demand, insufficient foreign demand and uncertain economic surrounding, while bigger number of business entities pointed out the lack of qualified labour force, competitive import and the financial problems as limiting factor compared to May 2012. As regards other factors, there are no significant changes.

Number of Workers in the Industry

Number of workers in the industry in June 2012 compared to June 2011 decreased by 2.4%. Increase in the number of workers in the sectors mining and quarrying by 0.6% and electricity, gas, steam and air-conditioning supply by 0.1%, while processing industry registered reduction of the number of workers by 2.9% on annual basis.

Mining and quarrying sector experienced increase in the number of workers by 0.6%, as a result of the increase in the number of workers in the sectors mining of metal ore (3.0%) and mining of coal and lignite (1.2%), while the number of workers in the other mining and quarrying sector dropped by 5.6%.



Data on number of workers in the industry by target groups in June 2012 compared to June 2011 show that the number of workers at energy group remains at the same level, while reduction of the number of workers was seen at the following groups: Capital goods – 8.2%, consumer durables – 7.0%, consumer non-durables – 3.0% and intermediary goods, except energy – 0.8%.

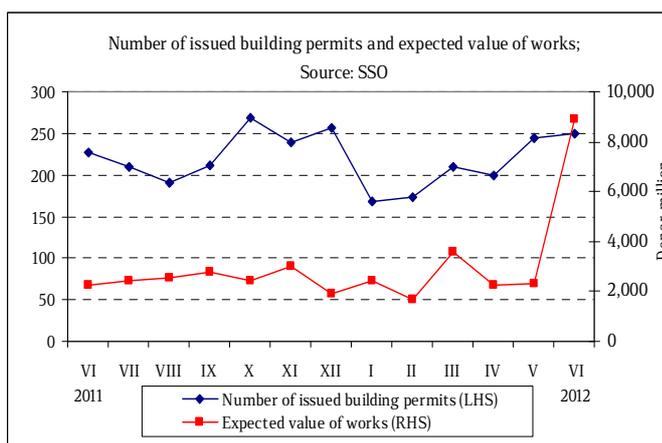
Number of Issued Building Permits and Envisaged Value of Facilities

In June 2012, 249 building permits were issued, being by 9.2% more compared to the same month in the previous year. Total number of issued building permits compared to May 2012, when 245 permits were issued, increased by 1.6%.

Envisaged value of the facilities, according to the issued building permits amounted to Denar 8,917 million, being by 291.1% more than the same month in 2011, while compared to May 2012, the value of the facilities increased by 288.7%.

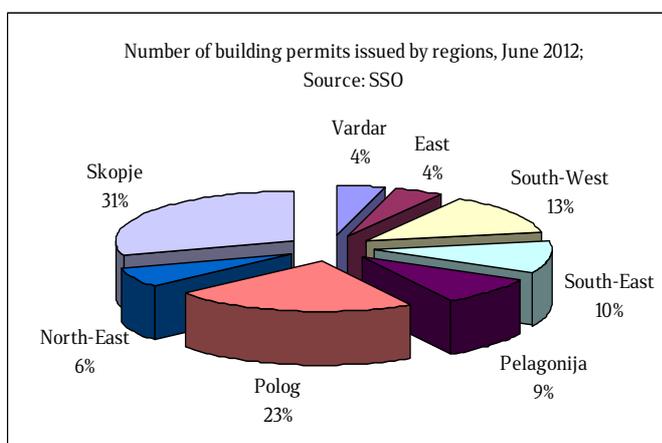
Analyzed by types of facilities, out of the total number of issued building permits, 179 (or 71.9%) are intended for buildings, 27 (or 10.8%) for civil engineering structures and 43 (or 17.3%) for reconstruction.

Analyzed by types of investors, out of total 249 facilities, natural persons were investors in 169 facilities (or 67.9%), while business entities were investors in 80 facilities (or 32.1%).



In June 2012, construction of 629 flats is envisaged, with total usable area of 47,452 m².

Analyzed by regions, most permits were issued in the Skopje region, 74 in total, 35 permits out of which were issued to natural persons as investors, while 39 permits were issued to business entities as investors. Least permits were issued in Vardar and eastern regions, 11 in total, seven of which were issued to natural persons as investors and four to business entities as investors in Vardar region, while as for the eastern region, 5 permits were issued to natural persons while 6 permits were issued to business entities as investors.

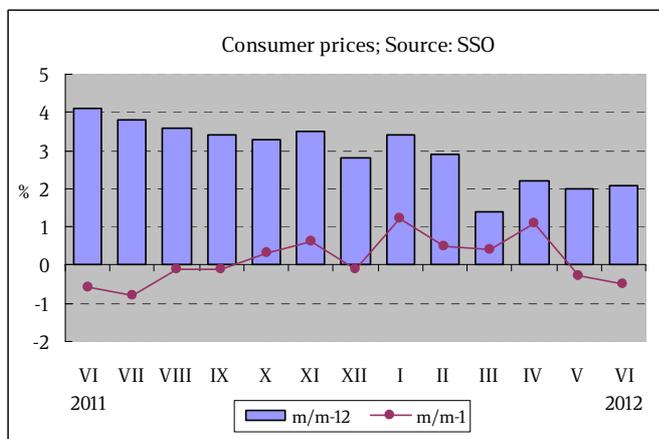


In the period January-June 2012, most building permits were issued in the Skopje region, 388 in total, 227 permits out of which were issued to natural persons as investors, while 161 permits were issued to business entities as investors. Vardar region had least issued permits, 68 permits in total, 40 permits out of which were issued to natural persons as investors, while 28 permits were issued to business entities as investors.

Inflation

Inflation rate, measured according to the CPI index amounted to 2.1% in June 2012 compared to the same month in the previous year. Average inflation rate in the first half of 2012 amounted to 2.3%.

On annual basis, in June, increase of prices was the highest in the housing category – 5.3%, being mainly a result of the increase of prices of heating and lighting, surging by 7.7%. Price increase was also registered at the following categories: clothing and footwear – 4.9%, transportation means and services – 2.5%, restaurants and hotels – 2.3%, hygiene and health – 2.2%, culture and entertainment – 1.5%, and tobacco and beverages – 0.3%. Reduction of prices was registered in the categories administrative and financial services by 1%.



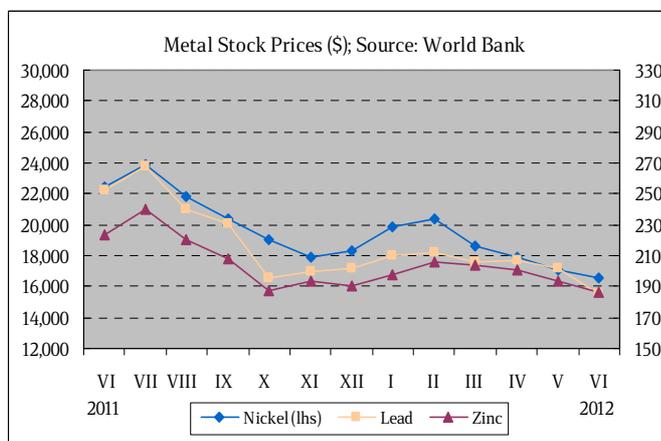
Inflation rate in June compared to the previous month, amounted to -0.5%. Highest monthly drop of prices was seen in the category means of transport and services by 2%, followed by the categories food and restaurants and hotels – 0.5%, hygiene and health – 0.2% and housing -0.1%. Prices remained the same in the categories culture and entertainment and administrative and financial services, while price increase was seen in the other categories, as follows: Clothing and footwear 0.5% and tobacco and beverages – 0.3%.

Retail prices in June 2012 were higher by 2.2% compared to June 2011. Compared to the previous month, retail prices were lower by 1%. Average increase of retail prices in the first half of 2012 amounted to 3%.

Stock Market Prices

In June 2012, crude oil price (Brent) on the global stock markets dropped by 13.5%, compared to the previous month, reaching the price of US\$ 95.6 per barrel. Compared to June 2011, oil price was lower by 1.6%. Average price of natural gas in June decreased by almost 1% compared to the previous month.

As regards metal products, nickel, as product with high share in Macedonian export, was traded at an average price of US\$ 16,549 for a metric ton (\$/mt) on the global



stock markets in June, being a monthly drop of the price by 3%. Compared to June 2011, nickel price was lower by around 26.2%. In fact, in June, there was monthly reduction of prices of all basic metals and iron ore, being due to the concerns for the global demand, in particular in Europe and China. As for the basic metals, highest monthly drop was seen in the prices of lead by 7.9%. Price of iron ore decreased by 1.4% in June compared to the previous month. As for precious metals, silver and platinum experienced monthly drop, while gold experienced minimum drop of price.

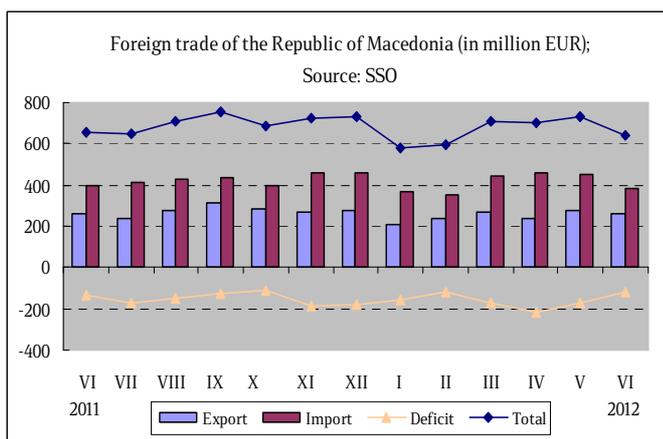
Price of wheat on global stock markets in June increased by 4.5% compared to May, following the monthly drop of price seen in the previous two months.

2. Foreign Trade

In the first six months in 2012, total foreign trade dropped by 1.0% in relation to the same period in 2011.

Export

In the period January–June 2012, physical output of export dropped by 10.5% compared to the same period in 2011, while value of exported goods amounted to EUR 1494.1 million, decreasing by 2.9% (EUR 43.8 million) compared to the period January-June 2011, being mainly a result of the less exported oil and oil products, chemical materials and products, iron and steel, fruit and vegetables, clothing, etc.

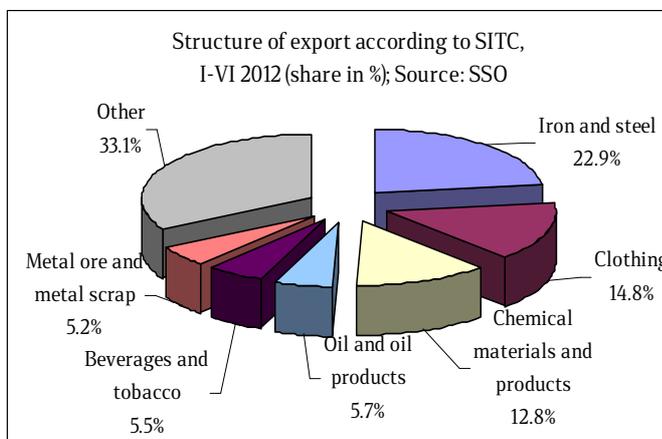


Analyzed on monthly basis, in June 2012, export decreased by 6.3%, compared to the previous month.

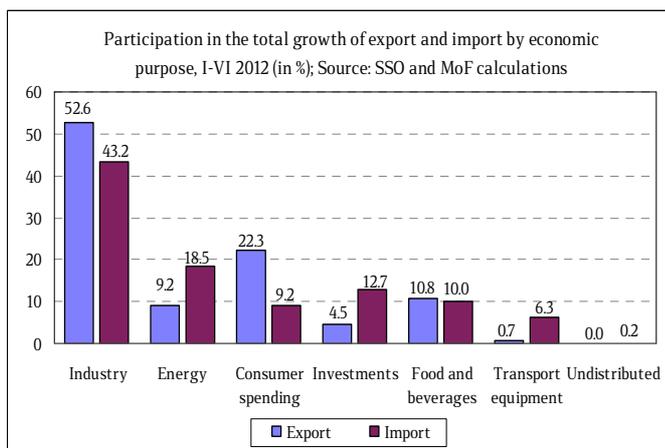


Seasonally adjusted trend of export in June 2012 decreased by 5.0% on monthly basis, pointing out to negative effects of the seasonal factor (1.3 p.p.) on export this month.

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% by weight; hot rolled flat products of iron or non-alloyed steel of width of 600 mm or more; boards, plates, stands, tables, cabinets and others; men's shirts of cotton; tobacco, lead ore and concentrates, copper ore and concentrates; pharmaceuticals put up in measured doses, etc.



Main groups of goods (according to SITC) being most exported in the period January–June 2012 were the following: iron and steel – 22.9%, clothing – 14.8%, chemical materials and products – 12.8%, oil and oil products – 5.7%, beverages and tobacco – 5.5%, metal ore and metal scrap – 5.2%. These six groups of products comprised 66.9% of the total export of the country.



In the first six months of 2012, observed by economic purpose, the following products were most exported: goods for industrial production (52.4%), followed by personal consumption goods (31.8%), investment goods (9.4%) and energy (6.5%).

Import

Imported quantities of goods in the period January-June 2012 increased by 17.1%, compared to the same period in the previous year, while their value amounted to EUR 2,457.7 million, increasing by 0.2% (EUR 5.5 million) compared to the period January-June 2011.

Analyzed on monthly basis, in June 2012, import dropped by 15.6%, compared to the previous month.

Seasonally adjusted trend of import in June 2012 decreased by 14.6% on monthly basis, pointing out to negative effects of the seasonal factor (1.0 p.p.) on import this month.

Export of oil and oil products*)					Import of oil and oil products*)				
	I-VI 2011	I-VI 2012	Balance 2012-2011	% rate		I-VI 2011	I-VI 2012	Balance 2012-2011	% rate
000 T	176.7	118.7	-58.0	-32.8	.000 T	604.2	525.8	-78.4	-13.0
EUR mil.	111.2	84.8	-26.4	-23.7	EUR mil.	348.9	344.2	-4.8	-1.4
\$ mil.	157.1	110.3	-46.8	-29.8	\$ mil.	491.1	446.9	-44.2	-9.0

*)Previous data

*)Previous data

Most imported products by tariffs were the following: gas oils for other purposes with a sulphur content up to 0.001% by weight; platinum, unwrought or in powder form; electricity, crude oil; nickel ore and concentrates; oil gases and other gaseous hydrocarbons; heating oils; motor gasoline with Octane number of 95 or more but less than 98; hot rolled with thickness less than 3mm, pharmaceuticals put up in measured doses; palladium; unwrought or in powder form; and similar .

Export of chemical products*)					Import of chemical products*)				
	I-VI 2011	I-VI 2012	Balance 2012-2011	% rate		I-VI 2011	I-VI 2012	Balance 2012-2011	% rate
000 T	12.9	12.7	-0.1	-0.9	.000 T	13.0	12.3	-0.6	-4.9
Мил. ЕУР	213.2	191.7	-21.5	-10.1	Мил. ЕУР	45.2	35.1	-10.1	-22.3
Мил.\$	298.5	249.4	-49.1	-16.4	Мил.\$	63.4	45.7	-17.7	-27.9

*)Previous data

*)Previous data

In addition to oil, non-ferrous metals, yarn, fabrics and textile products; iron and steel; metal ore and metal waste, electricity; road vehicles, gas, natural and industrial one etc. accounted for the most of the import of goods (according to groups of SITC) in the period January- June 2012.

Export of iron and steel*)					Import of iron and steel*)				
	I-VI 2011	I-VI 2012	Balance 2012-2011	% rate		I-VI 2011	I-VI 2012	Balance 2012-2011	% rate
000 T	414.2	349.5	-64.7	-15.6	.000 T	291.3	269.1	-22.1	-7.6
EUR mil.	357.7	342.5	-15.2	-4.3	EUR mil.	151.6	139.6	-12.1	-8.0
\$ mil.	503.5	443.7	-59.8	-11.9	\$ mil.	212.5	180.6	-31.9	-15.0

*)Previous data

*)Previous data

Observed by economic purpose in the period January- June 2012, goods for industrial production (42.4%) were most imported, followed by: personal consumption goods (22.7%), energy (21.4%), and investment products (13.4%).

Trade Balance

In the first six months in 2012, trade deficit widened by EUR 49.3 million or 5.4% compared to the same period last year.

If we analyze the balance of export and import of goods by economic purpose, the deficit widening is a result of combined effect from: larger narrowing of negative balance of trade in goods for industrial production, and investment goods, while widened negative balance of trade in energy products (fuels and lubricants) and personal consumption goods had opposite effect.

Analyzed according to economic groups of countries, in the period January-June 2012, compared to the same period in 2011, export dropped at the following groups: Developed countries, EU 27, EFTA, developing countries and Western Balkans,

while growth was seen at the following groups: Other developed and undeveloped countries. Export in the EU dropped by 9.9% on annual basis, while as for Western Balkan countries, it declined by 18.7%.

In the first six months of 2012, foreign trade of the Republic of with the European Union (EU 27), in relation to the same period in the previous year, reduced by 6.4%, whereby share of trade with the EU in the total foreign trade increased by 1.3 p.p., accounting for 59.1%, whereby export of goods participated with 62.6% and import of goods accounted for 57.1%.

In the period January– June 2012, 66.2% of the trade deficit of the country was realized in the trade with Greece, Great Britain, Russia and Turkey, followed by: Chine, Serbia, Bulgaria, Switzerland, Italy, Ukraine, Slovenia etc. Surplus was realized in the trade with Germany, Kosovo and Bosnia and Herzegovina.

Currency Structure

Observed by currency structure, 69.4% of the trade in the period January-June 2012 was realized in euros, and compared to the period January-June 2011, it surged by 0.1 percentage points. On export and import side, euro accounted for 78.0% and 64.2%, respectively, whereby share of the euro in export was higher by 0.6 p.p., while decrease of the share of the euro in import accounted for 0.1 p.p. compared to the same period in 2011.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I-VI 2011					I-VI 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	1,450.8	1,583,821,845	61.5297	97,452,082,997	64.3	1,449.6	1,573,223,390	61.6301	96,957,914,823	64.2	-10,598,456	-0.7
USD	1,410.4	853,007,273	42.8266	36,531,401,267	24.1	1,901.6	867,293,178	47.9980	41,628,337,966	27.6	14,285,905	1.7
GBP	1.2	213,394,611	70.0430	14,946,798,710	9.9	1.4	157,438,179	76.5755	12,055,907,251	8.0	-55,956,432	-26.2
EUR+USD+GBP	2,862.3			148,930,282,974	88.4	3,352.5			150,642,160,040	99.8		
tot. import	2,867.5			151,582,205,733	100.0	3,357.2			150,975,420,971	100.0		-0.4

Source: SSO and NBRM

3. Fiscal Sector

Budget Revenues

In the period January–June 2012, total budget revenues reached an amount of Denar 66,937 million, i.e. 14.4% of GDP, which was by 0.8% lower in relation to 2011.

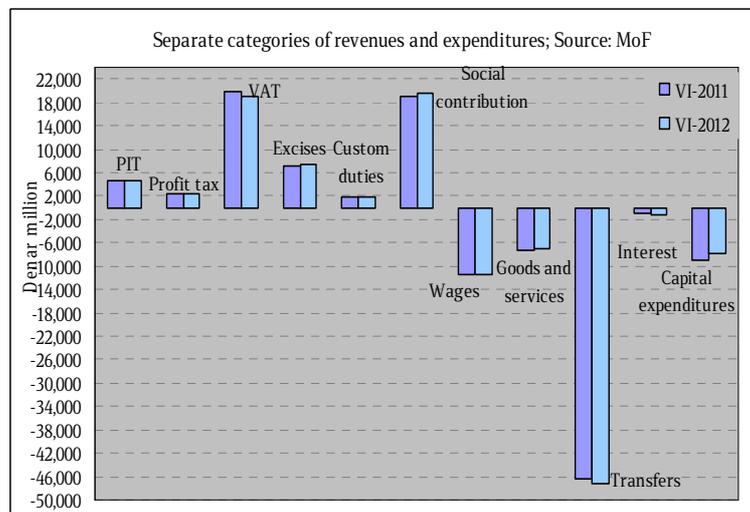
Tax revenues for the first half were realized in the amount of Denar 36,809 million, i.e. 7.9% of GDP, being lower by 1.6% in relation to the same period in 2011.

Value added tax was realized in the amount of Denar 18,898 million, whereby share of VAT in total tax revenues in this period was dominant, amounting to 51.3%. Excises were realized in the amount of Denar 7,433 million (participating with 20.2% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 26,331 million, i.e. 71.5% of total tax revenues (5.7% of GDP). Thereby, VAT collection amounted to Denar 28,491.9 million on gross basis, Denar

9,594.5 million out of which was refunded to taxpayers (gross collection was lower by 2.7%, while VAT refund was higher by 3.0% compared to the same period in 2011).

As for VAT structure, VAT share was the biggest when importing, decreasing by 0.9%, while VAT on the basis of sales in the country dropped by 5.8%, share of VAT grants and interest was insignificant (0.4%), observing lower decrease by 13.2%, i.e. 77.0%. Observed by

certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 4,661 million, increasing by 2.1% on annual basis (revenues on the basis of salaries accounted for around 70.4% of the personal income tax). Compared to the same months in 2011, profit



tax revenues dropped by 5.8%, being mainly a result of the tax collected on the basis of monthly advance payments and on the basis of collected tax on paid dividend and other profit distribution. VAT revenues dropped by 5.4%, while excises increased by 4.5%. Revenues on the basis of customs duties were realized in the amount of Denar 1,926 million, increasing by 9.5%.

Non-tax revenues amounted to Denar 5,869 million, and in relation to the same period in 2011, they were lower by 11.7% (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 3,443 million, showing increase by 13.7% compared to the same period in the previous year.

Collection of social contributions amounted to Denar 19,623 million, being higher by 2.7% compared to the same period in 2011, whereby collection of pension insurance contributions increased by 2.5%, collection of employment insurance contribution surged by 3.2%, while health contributions rose by 3.2%.

Budget Expenditures

In the period January–June 2012, total budget expenditures amounted to Denar 74,984 million, i.e. 16.2% of GDP, which was lower by 0.3% compared to 2011.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 67,054 million accounted for 89.4% (14.5% of GDP) and they increased by 1.1% in relation to the same month in 2011.

Transfers amounting to Denar 47,274 million (10.2% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 11,382 million. With respect to total budget expenditures, expenditures related to

wages and salaries and allowances accounted for 15.2% and compared to 2011, they decreased by 1.3%.

Expenditures related to goods and services amounted to Denar 7,067 million, decreasing by 2.7% compared to the same period in 2011.

Transfers increased by 1.7% compared to the same period in 2011, participating with 63.0% in the total expenditures. Social transfers amounted to Denar 34,269 million, increasing by 3.3% and participating with 45.7% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 20,331 million, increasing by 5.2%, compared to the same period in 2011 and accounting for 27.1% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 16.8% in the total expenditures, i.e. they declined by 2.2% compared to the same period in 2011. This year, almost all, i.e. 83 local government units transferred to the second stage of decentralization. Block grants to local government units amounting to Denar 6,920 million, were higher by 3.7% compared to the first half-term last year. Subsidies and transfers were lower by 8.2%.

Interest was collected in the amount of Denar 1,331 million, being by 27.6% more compared to the same period in 2011. Such increase was mainly due to the payment of due interest on the basis of foreign borrowing. Costs related to interest on the basis of domestic borrowing decreased by 8.0%, while the ones on the basis of foreign borrowing surged by 84.1%.

During the analyzed period, funds for capital expenditures were realized in the amount of Denar 7,930 million (1.7% share in GDP), participating with 10.6% in the structure of total realized expenditures.

Budget Balance

In the period January–June 2012, the budget deficit reached the amount of Denar 8,047 million, being 1.7% of GDP, while central budget deficit amounted to Denar 6,633 million or 1.4% of GDP.

4. Social Sector

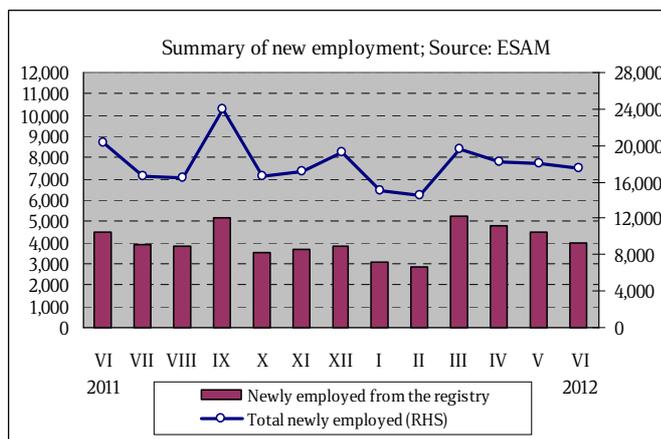
Number of Newly Employed and Registered Unemployed Persons in EARM

In the period January–June 2012, Employment Agency of the Republic of Macedonia registered total of 102,997 new employments. 41.4% out of the total number of newly employed was on the basis of full-time employment, while the rest of the employed were on the basis of temporary employment and seasonal workers. Compared to the same period in 2011, number of newly employed persons dropped by 10.8%.

In the course of June, 17,499 new employments were registered, 22.9% out of which were from the unemployed records. Outflow of persons from the Employment

Agency Registry of the Republic of Macedonia amounted to 11,147 persons in June, 35.1% out of which were new employments. In June, 5,637 persons were registered as inflow to the Agency, 59.2% out of which were persons whose employment was terminated. As a result, unemployment reduced by 5,510 persons, i.e. by 2.1% compared to the previous month. Thus, in June 2012, 261,322 persons were registered as unemployed. Compared to the same month in 2011, number of unemployed persons declined by 16.1%.

Major percentage of the unemployed, i.e. 67.6% came from urban areas (cities), whereby 57.2% were men. Analyzed by education structure, major part, i.e. 48.8% of unemployed persons were unskilled or semi-skilled, while only 9.9% 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, 49.6% of the unemployed persons sought job from 1 to 7 years, while 30% sought job for 8 years and more.



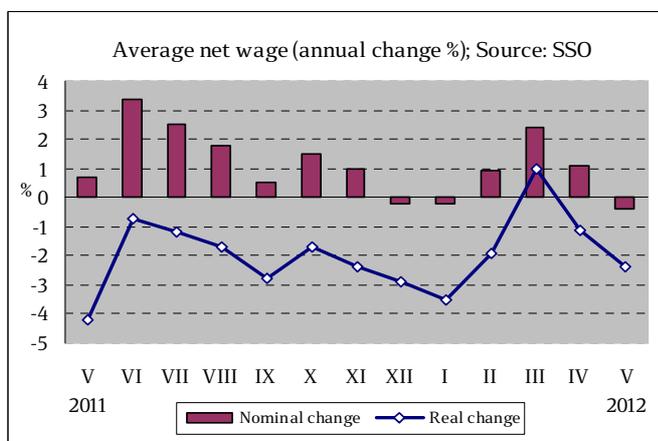
Salaries

According to the data from the State Statistical Office, average monthly paid gross salary per employee in May 2012 amounted to Denar 30,636, while average monthly paid net salary amounted to Denar 21,876.

On monthly basis, in May 2012, average gross salary and net salary decreased by 0.6% in nominal terms, being higher by 0.9% in real terms.

In May 2012 compared to the same month in 2011, average gross salary decreased by 0.3% in nominal terms, while it was lower by 2.3% in real terms. In the same period, average net salary was lower by 0.4% in nominal terms, decreasing by 2.4% in real terms.

On cumulative basis, in the first five months of 2012, average gross salary increased by 0.6% in nominal terms, while it was lower by 1.7% in real terms. In the same period, average net salary was higher by 0.8% in nominal terms, decreasing by 1.6% in real terms.



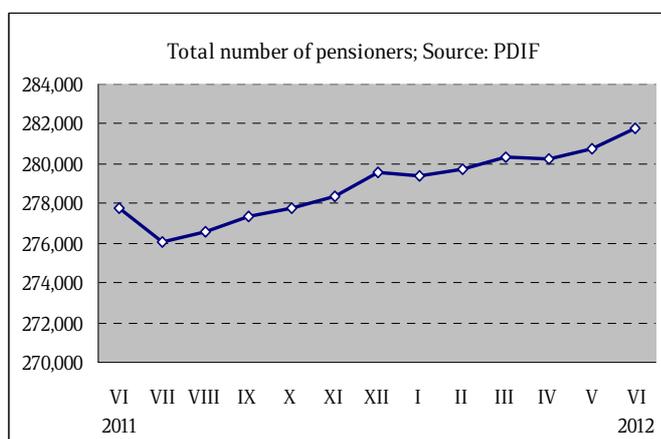
Highest increase of average monthly gross and net salary per employee in May 2012 compared to May 2011 was seen in the expert, scientific and technical activities (8.2% gross salary and 9.2% net salary), agriculture, forestry and fishing (5.2% gross salary and 6.3% net salary) and activities related to real estate (2.9% gross salary and 3.3% net salary)

The highest increase of average monthly gross and net salary per employee in May 2012 compared to April 2012 was recorded in the following sectors: mining and quarrying (5.2% gross salary and 4.7% net salary), art, entertainment and recreation (4.6% gross salary and 4.5% net salary) and processing industry (3.1% gross salary and 3.2% net salary).

Percentage of employed persons who did not receive salary in May 2011 amounted to 1.7%, decreasing by 0.3 percentage points compared to both April 2012 and May 2011.

Pensions

In June 2012, Pension and Disability Insurance Fund registered 281,780 pensioners, increasing by 1.5% compared to the same month in 2011. Number of pension beneficiaries increased by 1,043 persons in relation to May 2012. 56.3% out of the total number of pensioners are beneficiaries of old-age pension, 27.3% of survival pension and 16.4% of disability pension.



In June 2012, Denar 2,956.49 million was spent for payment of pensions, accounting for 53.7% of the total social transfers¹.

Average pension in June 2012 amounted to Denar 10,681, increasing by 3.7% on annual basis. Ratio between the average pension and the average paid salary in May 2012 (the most recent available data) was 51.1%.

5. Monetary Sector

Primary Money

In June 2012, primary money² showed accelerated growth of 7.7% on annual basis, in conditions of increase of ready money in circulation by 10.1% and increase of total liquid assets of banks by 6%. On monthly basis, primary money increased by

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

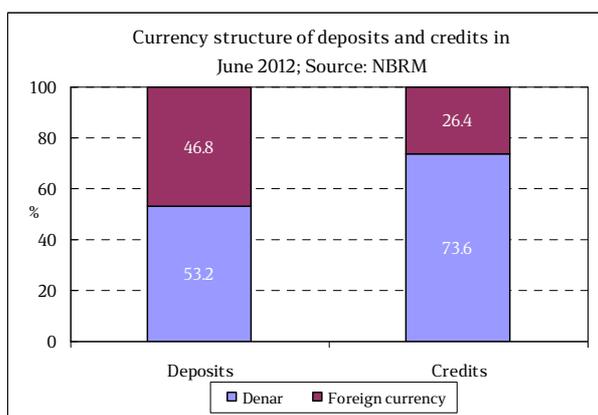
²Primary money is calculated as a sum of ready money in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).

1.4%, as a result of the increase of total ready money in circulation by 2.3% and total liquidity of banks by 0.7%.

In June 2012, taking into account the most recent trends, the National Bank estimated that the monetary policy is adequate and decided to retain the maximum interest rate on central bank bills at the same level of 3.75%.

Deposit Potential

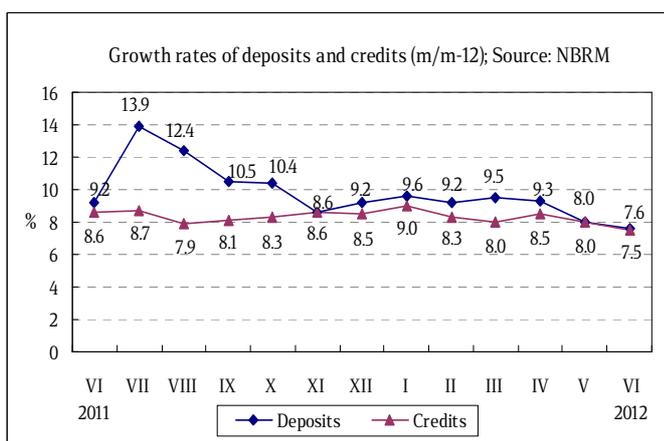
Total deposit potential of banks³ in June 2012 experienced monthly growth of 0.4% as a result of the increase in deposits of households by 0.8%, while deposits of private enterprises dropped by 0.6%. From currency point of view, Denar deposits increased by 1.4%, while foreign currency deposits decreased by 0.8%.



On annual basis, total deposits experienced slowed down growth, reaching 7.6% compared to the growth of 8% realized last month. New saving arises mainly from the increased saving of households by 10.9%, while deposits of private enterprises were higher by 0.8%. Analyzed according to currency, new saving is fully in domestic currency in conditions of increase of Denar deposits by 16.9% on annual basis, while foreign currency deposits reduced by 1.3%. According to maturity, long-term deposits increased by 19.7%, while short-term deposits were higher by 5.9% on annual basis.

Bank Credits

In June 2012, total credits of banks to the private sector were higher by 0.6% on monthly basis. Credits to households increased by 1% compared to the previous month, realizing dominant contribution to growth of total credits (71.6%), while credits to private enterprises were higher by 0.3%. According to the currency structure, Denar credits increased by 1%, while foreign currency credits declined by 0.6%.



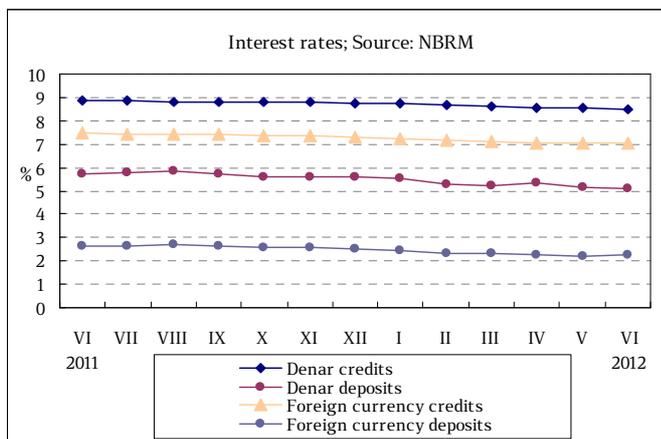
On annual basis, growth of total credits slowed down to 7.5% (compared to 8% in May 2012), in conditions of increase of crediting to households by 6.8% and crediting to private enterprises by 7.6%. From currency point of view, Denar credits

³ Starting January 2009, deposits include calculated interest

experienced annual growth of 6.9%, while foreign currency credits slowed down, however, they continued to register high growth of 9.2%. As regards maturity, long-term credits increased by 8.9% on annual basis, while short-term credits were higher by 1.4%.

Interest Rates of Deposit Banks

In June 2012, total interest rate of credits amounted to 8.1%, being at the same level compared to the previous month, while in relation to the same month in the previous year, it was lower by 0.4 p.p.. Thereby, interest rate on foreign currency credits was 8.5%, being lower by 0.3 p.p. on annual basis. Interest rate on foreign currency credits amounted to 7% and when compared to June in the previous year, it was lower by 0.4 p.p..



Total interest rate on deposits was 3.5%, being lower by 0.4 p.p. compared to the same month in the previous year. Interest rate on Denar deposits decreased by 0.1 p.p. on monthly basis, amounting to 5.1% on annual basis, being lower by 0.8 p.p., while interest rate on foreign currency deposits accounted for 2.3% or 0.5 p.p. below the level of the same month last year.

Foreign Currency Reserves

Gross foreign currency reserves at the end of June 2012 amounted to EUR 2,018.7 million and, compared to the previous month, they were lower by EUR 39 million, while compared to June 2011, foreign currency reserves were higher by EUR 186.3 million.

Ministry of Finance

Macroeconomic Policy Department

www.finance.gov.mk

Report is prepared by:

Aneta Acevska

Bojana Ilievska

Gjoko Gjorgjeski

Koprinka Sapunova

Negati Kurtisi

Ana Nikolova

Checked by: PhD Sanja Kikovska-Georgievska

Approved by: Jordan Trajkovski

Skopje, August 2012