



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

October 2012



Skopje, December 2012

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

October 2012

- Industrial production surged by 0.2% in October 2012 compared to September 2012;
- Inflation rate amounted to 5.3% on annual basis and 0.2% on monthly basis; Average inflation rate in the period January - October of 2012 amounted to 3.1%.
- Annual drop of 12.5% of physical output of export in the period January-October 2012 and drop in value of 3.3%, decline of imported quantities of goods of 1.4% and drop in value of 0.3%, resulting in increase of trade deficit by 6.8% compared to the same period in 2011;
- Higher performance of total budget revenues by 0.5% and increased execution of total budget expenditures by 3.2% in the period January-October 2012, compared to the same period last year; state budget deficit in the amount of Denar 13,224 million (2.72% of GDP) and central budget deficit in the amount of Denar 11,451 million (2.35% of GDP);
- Increase of both total credits to private sector by 5.9% and total deposit potential of banks by 5.5% on annual basis;
- Drop in the number of registered unemployed persons by 14% in October 2012 compared to the same month last year.

1. Real Sector

Industrial Production

Industrial production surged by 0.2% in October 2012 compared to September 2012. Analysis by sectors shows growth of 8.8% in electricity, gas, steam and air-conditioning supply. Mining and quarrying sector experienced a drop of 2.3%, while processing industry declined by 0.4%. De-seasoned monthly growth of industrial production in October 2012 was -0.1%, pointing out to positive seasonal effects in the industry. Significant monthly growth was seen at the following

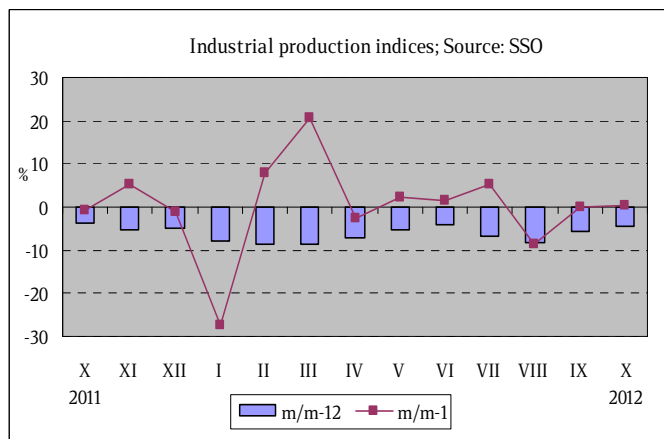
	m/m-12	m/m-1	I-X 2012 I-X 2011
Total	-4.6	0.2	-6.7
Ore and stone extraction	-13.7	-2.3	-5.2
Processing industry	-1.0	-0.4	-6.4
Electricity, gas and water supply	-26.8	8.8	-8.8

Source: SSO

branches: production of leather and leather products - 77.5%, production of clothing - 48.0%, production of chemicals and chemical products - 20.6%, production of beverages - 19.9%, printing and production of recorded media - 10.6% and production of electrical equipment - 10.4%.

Industrial production dropped by 4.6% in October 2012 compared to October 2011. Analyzed by sectors, electricity, gas, steam and air-conditioning supply sector dropped by 26.8%, mining and quarrying sector decreased by 13.7% and processing industry sector declined by 1.0%.

As for processing industry, annual positive growth was registered at 9 out of 23 branches, comprising 29.14% of the industrial production. Growth was seen at one of the tree driving branches with double-digit share in the industrial production structure. Thus, production of clothing experienced significant increase of 30.6%. Production of metals dropped by 7.5%, while production of food products declined by 1.4%. High growth on annual basis was observed at production of fabricated metal products, except machines and equipment -86.5%, production of beverages - 42.3%, production of leather and alike leather products - 21.9% and production of textile - 15.9%.

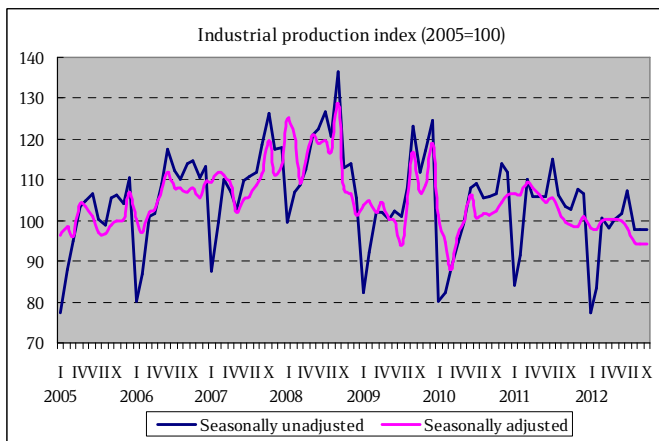


Production of clothing (3,5 p.p.) contributed the most to the annual growth of industrial production in October 2012, while production of coke and refined petroleum products (-4.4%) had the highest negative contribution.

On cumulative basis, in the period January–October 2012, industrial production dropped by 6.7%, compared to the same period in 2011. Electricity, gas, steam and air-conditioning supply sector declined by 8.8%, processing industry dropped by 6.4%, and mining and quarrying decreased by 5.2%.

Data on industrial production by target groups in October 2012, compared to October 2011, showed production increase at the following groups: capital goods – 15.3%, consumer durables – 13.3%, intermediary goods, except energy – 1.1%. Production decline was observed at the following groups: energy – 36.0% and consumer non-durables – 3.5%.

On monthly basis, data on industrial production by target groups in October 2012, show that there was increase in the production at the following groups: consumer durables – 25.9%, energy – 6.1% and consumer non-durables 5.1%. Drop of production was seen at the following groups: capital goods – 20.5% and intermediary goods, except energy – 3.1%.

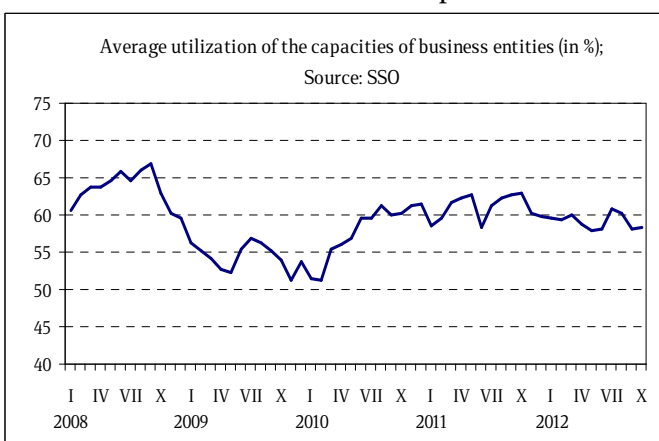


On cumulative basis, in the first ten months in 2012, compared to the same period in 2011, growth of 0.8% was registered at capital goods group. Drop of production was seen at the following groups: consumer durables – 36.4%, energy -20.8%, consumer non-durables – 3.3% and intermediary goods, except energy – 1.3%.

Business Tendencies in the Processing Industry

According to the assessments of managers, current economic trends of business entities in October 2012 was more favourable compared to the previous month, and less favourable compared to October 2011.

Assessment of delivery-to-production was more favourable compared to both the previous month and October 2011. Assessment for the production volume in the past three months was more favourable compared to September 2012, while it was less favourable compared to October 2011. Expectations for the production volume in the next three months are less favourable compared to both the previous month and October 2011.



As regards the number of employees, expectations are less favourable compared to the previous month, while compared to October 2011, they are improved.

Average utilization of capacities in October 2012 accounted for 58.4%, being an increase compared to the previous month, when it accounted for 58.2%. Compared to October 2011, utilization of capacities was lower by 4.5 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 was less favourable compared to both the previous month and October 2011. In the next 3-month period, according to the assessment of managers, average purchase prices of inputs, as well as selling prices of ready-made products, are expected to increase.

Following factors limited the most the production volume in October 2012: insufficient foreign demand -23.5%, insufficient domestic demand -17.7%, financial problems -13.7%, shortage of skilled labour - 10.1%, uncertain economic surrounding -8.6% and competitive import - 7.0%.

In October 2012, less business entities indicated: insufficient foreign demand, insufficient domestic demand, financial problems, competitive import, while most of the business entities indicated: shortage of skilled labour and shortage of raw materials as limiting factor compared to September 2012. As regards other factors, there are no significant changes.

Number of Industrial Workers

Number of workers in the industry in October 2012, compared to October 2011, decreased by 5.4%. Sector analysis points out to increase in the number of workers in the electricity, gas, steam and air-conditioning supply sector by 0.6%, while reduction in the number of workers on annual basis was registered in the processing industry (by 6.4%) and mining and quarrying (by 0.5%) sectors.

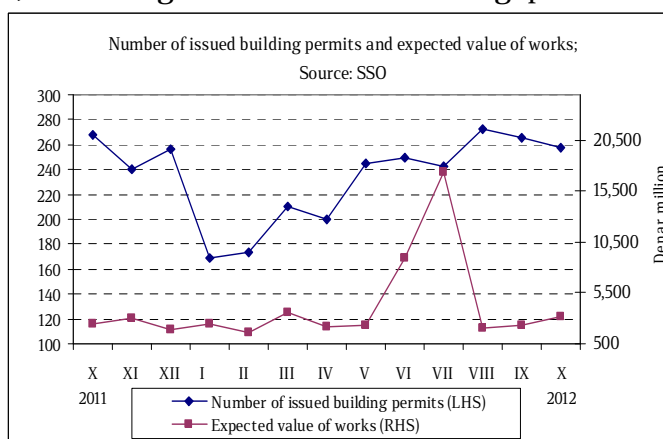
Data on number of workers in the industry by target groups in October 2012, compared to October 2011, show that the number of workers at energy group increased by 0.5%, while reduction of the number of workers was seen at the following groups: capital goods - 10.9%, consumer durables - 9.1%, consumer non-durables - 6.9% and intermediary goods, except energy - 3.7%.

Number of Issued Building Permits and Envisaged Value of Facilities

In October 2012, 258 building permits were issued, being by 3.7% less compared to the same month in 2011. Total number of issued building permits compared to September 2012, when 266 permits were issued, decreased by 3%.

Envisaged value of the facilities, according to the issued building permits in September, amounted to Denar 3,139 million, being by 29.1% more than compared to the same month in 2011, while in relation to September 2012, value of facilities increased by 31.7%.

Analyzed by types of facilities, out of the total number of issued building permits, 196 (or 76%) are intended for buildings,

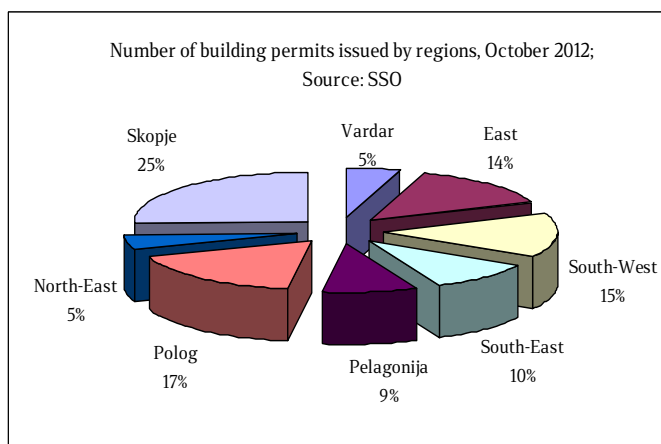


30 (or 11.6%) for civil engineering structures and 32 (or 12.4%) for reconstruction.

Analyzed by types of investors, out of total 258 facilities for which building permits were issued, natural persons were investors in 189 facilities (or 73.3%), while business entities were investors in 69 facilities (or 26.7%).

In October 2012, construction of 501 flats was envisaged, with total usable area of 42,181 m². Number of envisaged flats for construction declined by 1.2% compared to the same month in 2011, while is increased by 5.3% compared to September 2012.

Analyzed by regions, most permits were issued in the Skopje region, 66 in total, 40 permits out of which were issued to natural persons as investors, while 26 permits were issued to business entities as investors. Least permits were issued in Vardar and Northeastern regions, 13 in total, eight of which were issued to natural persons as investors and five to business entities as investors in Vardar region, while as for the Northeastern region, 9 permits were issued to natural persons as investors, while 4 permits were issued to business entities as investors.

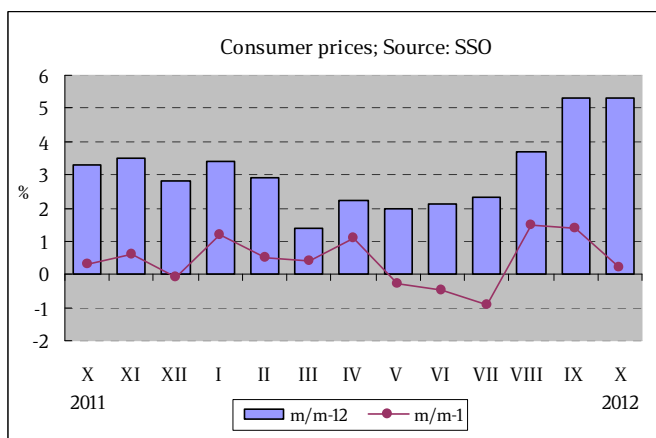


In the period January-October 2012, most building permits were issued in the Skopje region, 666 in total, 410 permits out of which were issued to natural persons as investors, while 256 permits were issued to business entities as investors. Vardar region had least issued permits, 114 permits in total, 70 permits out of which were issued to natural persons as investors, while 44 permits were issued to business entities as investors.

Inflation

Inflation rate, measured according to the CPI index, amounted to 5.3% in October 2012, compared to the same month in the previous year. Average inflation rate in the period January - October of 2012 amounted to 3.1%.

On annual basis, in October, increase of prices was the highest in the housing category – 9.9%, being mainly a result of the increase of prices of heating and lighting, surging by 14.3%. Price increase was also registered at the following categories: clothing and footwear – 8.6%, food – 5.9%, hygiene and health – 3.7%, culture and



entertainment – 2.8%, restaurants and hotels – 2.1%, transportation means and services – 1.6% and tobacco and beverages - 0.1%. Reduction of prices was registered in the administrative and financial services category by 0.2%.

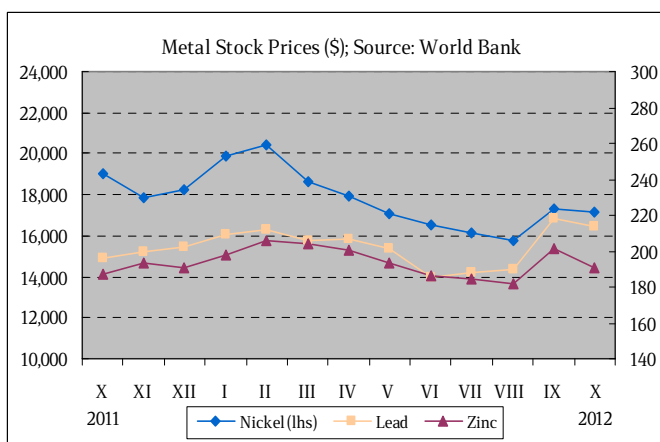
Inflation rate in October, compared to the previous month, amounted to 0.2%. Highest monthly growth of prices was recorded in the clothing and footwear category by 2.6%, mainly as a result of the 5% increase of footwear prices. Increase of prices was registered in the hygiene and health category by 0.7% and food category by 0.6%. Prices remained the same in the following categories: tobacco and beverages, restaurants and hotels and administrative and financial services. Means of transport and services category experienced monthly drop of prices by 1.5%, as a result of the reduced prices of oil derivatives by 3.9%. Decline of prices was registered in the housing category by 0.4% and culture and entertainment category by 0.3%.

Retail prices in October 2012 were higher by 4.1% compared to October 2011. Compared to the previous month, retail prices were lower by 0.3%. Average increase of retail prices in the period January-October 2012 amounted to 3.2%.

Stock Market Prices

In October 2012, crude oil price (Brent) on the global stock markets dropped by 1.2%, compared to the previous month, reaching the price of US\$ 112 per barrel. Compared to October 2011, oil price was higher by 2.3%. Average price of natural gas in October increased by 3.8% 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\$ 17,169 for



a metric ton (\$/mt) on the global stock markets in October, being a monthly drop of the price by 0.7%. Compared to October 2011, nickel price was lower by almost 10%. As for basic metals, monthly drop of prices was seen at zinc by 5.3%, aluminum by 4.4%, lead by 1.7% and copper by 0.3%. Price of iron ore experienced high increase by 14.6% in October on monthly basis, following the subsequent drop of the price in the past five months. As regards precious metals, low monthly growth of price was observed at platinum and gold, while price of silver registered a decline.

Price of wheat global stock markets in October registered a monthly increase of 1.4%

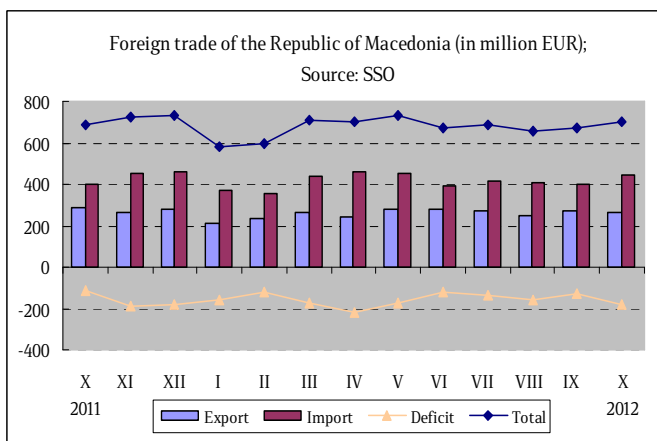
2. Foreign Trade

In the first ten months in 2012, total foreign trade registered a downward trend by 1.1% in relation to the same period in 2011.

Export

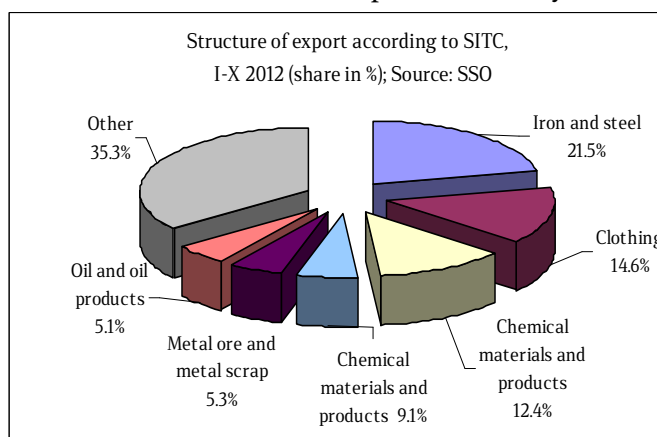
In the period January-October 2012, physical output of export dropped by 12.5% compared to the same period in 2011, while value of exported goods amounted to EUR 2,566.3 million, contracting by 3.3% (EUR 88.4 million) compared to the period January-October 2011.

Analyzed on monthly basis, in October 2012, export registered a downward trend by 3.2%, compared to the previous month.



Seasonally adjusted trend of export in October increased by 5.6% on monthly basis, pointing out to negative effects of the seasonal factor (8.8 p.p.) on the export in October.

Analyzed by tariffs, following products were the 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; tobacco; men's shirts of cotton; boards, plates,



stands, tables, cabinets and others; hot rolled flat products of iron or non-alloyed steel of width of 600 mm or more; lead ore and concentrates; copper ore and concentrates; pharmaceuticals put up in measured doses, etc.

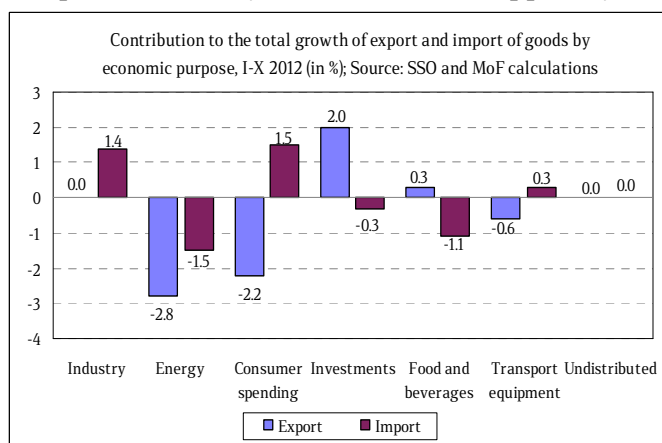
Main groups of goods (according to SITC) being most exported in the period January-October 2012 were the following: iron and steel – 21.5%, clothing – 14.6%, chemical materials and products – 12.4%, beverages and tobacco – 5.8%, metal ore and metal scrap – 5.3%, oil and oil products – 5.1%. These six groups of products comprised 64.7% of the total export of the country.

In the first ten months of 2012, observed by economic purpose, the following products were the most exported: goods for industrial production (51.6%), followed by personal consumption goods (32.7%), investment goods (9.4%) and energy (6.2%).

Import

Imported quantities of goods in the period January-October 2012 dropped by 1.4%, compared to the same period in the previous year, while their value amounted to EUR 4,137.0 million, increasing by 0.3% (EUR 12.2 million) compared to the period January-October 2011.

Analyzed on monthly basis, in October 2012, import increased by 10.3%, compared to the previous month.



Export of oil and oil products*)				
	I-X 2011	I-X 2012	Balance 2012-2011	% rate
000 T	301.1	187.8	-113.3	-37.6
EUR mil.	190.9	131.3	-59.6	-31.2
\$ mil.	269.8	169.0	-100.7	-37.3

*)Previous data

Import of oil and oil products*)				
	I-X 2011	I-X 2012	Balance 2012-2011	% rate
.000 T	1,008.2	906.8	-101.4	-10.1
EUR mil.	597.3	610.4	13.2	2.2
\$ mil.	841.2	783.8	-57.4	-6.8

*)Previous data

Seasonally adjusted trend of import in October 2012 decreased by 3.3% on monthly basis, pointing out to positive effects of the seasonal factor (13.5 p.p.) on the import in October.

Export of chemical products*)				
	I-X 2011	I-X 2012	Balance 2012-2011	% rate
000 T	21.5	19.9	-1.6	-7.5
Мил. ЕУР	334.0	317.6	-16.5	-4.9
Мил.\$	467.2	408.6	-58.7	-12.6

*)Previous data

Import of chemical products*)				
	I-X 2011	I-X 2012	Balance 2012-2011	% rate
.000 T	23.1	25.0	2.0	8.6
Мил. ЕУР	63.8	57.6	-6.2	-9.7
Мил.\$	89.5	74.1	-15.3	-17.2

*)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; motor gasoline with Octane number of 95 or more but less than 98; heating oils; hot rolled with thickness less than 3mm, oil gases and other gaseous hydrocarbons,

pharmaceuticals put up in measured doses; palladium: unwrought or in powder form and similar.

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

In the period January-October 2012, observed by economic purpose, goods for industrial production (42.0%) were most imported, followed by personal consumption goods (23.2%), energy (20.8%) and investment goods (13.8%).

Export of iron and steel*)					Import of iron and steel*)				
	I-X 2011	I-X 2012	Balance 2012-2011	% rate		I-X 2011	I-X 2012	Balance 2012-2011	% rate
000 T	669.9	550.8	-119.1	-17.8	.000 T	506.0	445.4	-60.7	-12.0
EUR mil.	598.6	553.0	-45.6	-7.6	EUR mil.	269.8	234.0	-35.8	-13.3
\$ mil.	840.9	709.4	-131.4	-15.6	\$ mil.	378.0	299.6	-78.4	-20.7

*)Previous data

*)Previous data

Trade Balance

In the first ten months in 2012, trade deficit widened by EUR 100.5 million or by 6.8% compared to the same period last year.

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

Analyzed according to economic groups of countries, in the period January-October 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 to the EU dropped by 9.6% on annual basis, while as for Western Balkan countries, it declined by 22.3%.

In the first ten months of 2012, foreign trade of the Republic of Macedonia with the European Union (EU 27), in relation to the same period in the previous year, dropped by 4.5%, whereby share of trade with the EU in the total foreign trade increased by 3.3 p.p., accounting for 60.5%, whereby export of goods participated with 62.4% and import of goods accounted for 59.3%.

In the period January-October 2012, 75.7% of the trade deficit of the country was realized in the trade with Greece, Great Britain, Russia, Turkey and Serbia, followed by: China, Bulgaria, Italy, Switzerland, Poland, Slovenia, Austria, etc. Surplus was realized in the trade with Germany, Kosovo, Bosnia and Herzegovina and the Netherlands.

Currency Structure

Observed by currency structure, 70.3% of the trade in the period January-October 2012 was realized in euros and, compared to the period January-October 2011, it

surged by 0.1 p.p.. On export and import side, euro accounted for 79.1% and 64.9%, respectively, whereby share of the euro in export was higher by 1.4 p.p., while decrease of the share of the euro in import accounted for 0.6 p.p. compared to the same period in 2011.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I-X 2011					I-X 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		
EUR	2.534,5	2.707.701.217	61,5042	166.534.997.206	65,5	2.430,6	2.684.528.752	61,4990	165.095.833.722	64,9	-23.172.465	-0,9
USD	2.560,1	1.461.648.675	44,9128	65.646.734.629	25,8	2.593,4	1.392.188.945	47,4019	65.992.401.170	25,9	-69.459.730	-4,8
GBP	2,3	302.476.046	70,6839	21.380.186.560	8,4	2,4	271.545.805	76,2839	20.714.573.059	8,1	-30.930.240	-10,2
EUR+USD+GBP	5,096,8			253.561.918.394	91,3	5,026,3			251.802.807.950	99,0		
tot. import	5,105,3			254.418.336.327	100,0	5,034,0			254.401.200.511	100,0		0,0

Source: SSO and NBRM

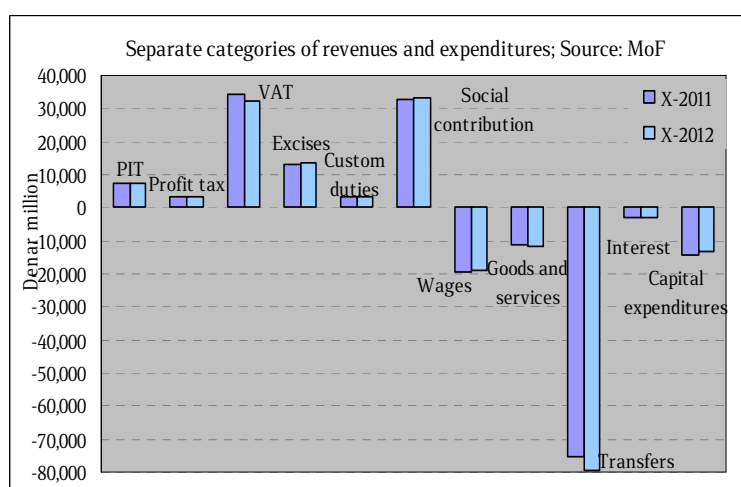
3. Fiscal Sector

Budget Revenues

In the period January-October 2012, total budget revenues reached the amount of Denar 113,342 million, i.e. 23.3% of GDP, which was by 0.5% higher in relation to 2011.

Tax revenues in the first ten months were realized in the amount of Denar 62,751 million, i.e. 12.9% of GDP, being lower by 2.2% in relation to the same period in 2011.

Value added tax was realized in the amount of Denar 32,242 million, whereby share of VAT in total tax revenues in this period was dominant, amounting to 51.4%. Excises were realized in



the amount of Denar 13,561 million (participating with 21.6% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 45,803 million, i.e. 73.0% of total tax revenues (9.4% of GDP). Thereby, VAT collection amounted to Denar 49,240 million on gross basis, Denar 16,999 million out of which was refunded to taxpayers (gross collection was lower by 2.3%, while VAT refund was higher by 6.8% compared to the same period in 2011).

As for VAT structure, VAT share was the biggest when importing, increasing by 1.7%, while VAT on the basis of sales in the country dropped by 3.2%, share of VAT grants and interest was insignificant (0.4%), registering lower realization by 52.8%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 7,632 million, increasing by 1.1% on annual basis (revenues on the basis of salaries and other personal earnings

accounted for around 72.6% of the personal income tax). Compared to the same ten months in 2011, profit tax revenues dropped by 4.7%, 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 6.5%, while excises increased by 5.0%. Revenues on the basis of customs duties were realized in the amount of Denar 3,352 million, increasing by 7.9%.

Non-tax revenues amounted to Denar 10,639 million and, in relation to the same period in 2011, they were lower by 3.1% (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 4,177 million, showing an increase by 28.2% compared to the same period in the previous year.

Collection of social contributions amounted to Denar 33,216 million, being higher by 2.7% compared to the same period in 2011, whereby collection of pension insurance contributions increased by 2.6%, collection of employment insurance contribution surged by 3.0%, while health contributions rose by 3.1%.

Budget Expenditures

In the period January-October 2012, total budget expenditures amounted to Denar 126,566 million, i.e. 26.0% of GDP, being higher by 3.2% compared to 2011.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 113,193 million accounted for 89.4% (23.3% of GDP) and they increased by 4.4% in relation to the same period in 2011.

Transfers amounting to Denar 79,474 million (16.4% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 18,924 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 15.0% and, compared to 2011, they decreased by 1.8%.

Expenditures related to goods and services amounted to Denar 11,645 million, increasing by 3.3% compared to the same period in 2011.

Transfers increased by 5.7% compared to the same period in 2011, participating with 62.8% in the total expenditures. Social transfers amounted to Denar 57,832 million, increasing by 4.0% 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 34,144 million, increasing by 5.1%, compared to the same period in 2011 and accounting for 27.0% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 16.4% in the total expenditures, i.e. they surged by 9.6% 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 11,368 million, were higher by 6.9% compared to the ten months in the previous year. Subsidies and transfers were higher by 14.2%.

Interest was collected in the amount of Denar 3,150 million, being by 16.7% 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 increased by 4.6%, while the ones on the basis of foreign borrowing surged by 23.5%.

During the analyzed period, funds for capital expenditures were realized in the amount of Denar 13,373 million (2.8% share in GDP) and total realized expenditures participated with 10.6%.

Budget Balance

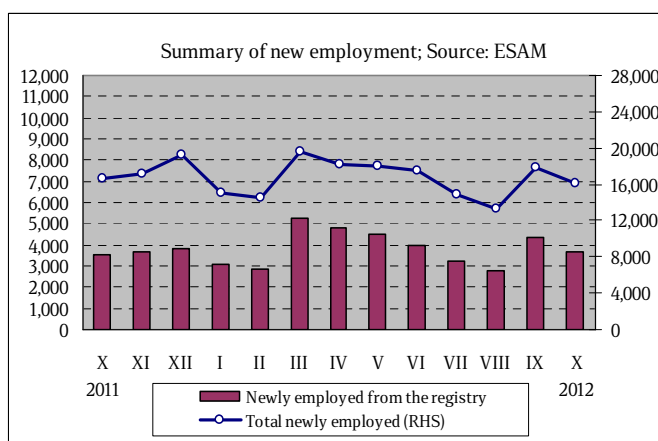
In the period January-October 2012, budget deficit reached the amount of Denar 13,224 million, being 2.72% of GDP, while central budget deficit amounted to Denar 11,451 million or 2.35% of GDP.

4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM

In the period January-October 2012, Employment Agency of the Republic of Macedonia registered total of 165,314 new employments. 42.5% 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 12.5%.

During October, 16,185 new employments were registered, 22.8% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 10,792 persons in October, 33.1% out of which were new employments. In October, 9,124 persons were registered as inflow to the Agency, 49.6% out of which were persons whose employment was terminated. As a result, unemployment reduced by 1,168 persons, i.e. by 0.7% compared to the previous month. Thus, in October 2012, 246,841 persons were registered as unemployed. Compared to the same month in 2011, number of unemployed persons declined by 14%.



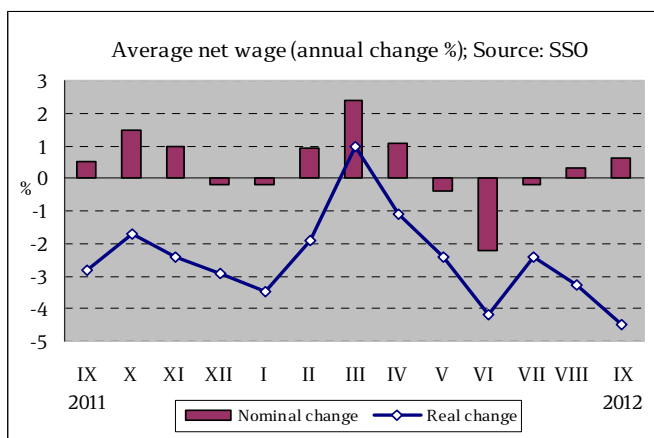
Major percentage of the unemployed, i.e. 67.5%, came from urban areas (cities), whereby 56.8% were men. Analyzed by education structure, major part, i.e. 47.3% of the unemployed persons were unskilled or semi-skilled, while only 10.3% was with

community college or higher education level. Observed by age, majority of the unemployed persons or 55.5% fall in the category of 25-49 years of age. According to the time they waited for a job, 50.4% of the unemployed persons sought job from 1 to 7 years, while 29.7% sought job for 8 years and more.

Salaries

According to the data announced by the State Statistical Office, average monthly paid gross salary per employee in September 2012 amounted to Denar 30,556, while average monthly paid net salary amounted to Denar 20,779.

On monthly basis, in September 2012, average gross salary decreased by 0.7% in nominal terms, being lower by 2.1% in real terms. In the same period, average net salary was lower by 0.9% in nominal terms, decreasing by 2.3% in real terms.



In October 2012, compared to September 2012, average gross salary increased by 0.7% in nominal terms, being lower by 4.4% in real terms, while net salary surged by 0.6% in nominal terms, dropping by 4.5% in real terms.

On cumulative basis, in the first nine months of 2012, average gross salary increased by 0.2% in nominal terms, while it was lower by 2.6% in real terms. In the same period, average net salary was higher by 0.2% in nominal terms, decreasing by 2.5% in real terms.

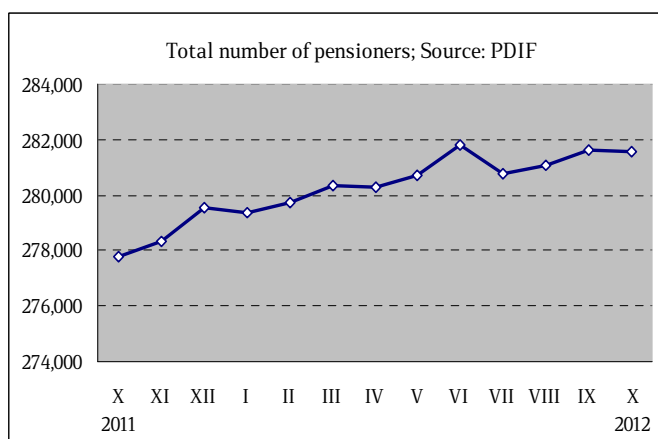
Highest increase of average monthly gross and net salary per employee in September 2012, compared to September 2011, was registered in the following activities: other services (11.8% gross salary and 11.1% net salary), expert, scientific and technical activities (10.1% gross salary and 12.2% net salary) and agriculture, forestry and fishing (5.1% gross salary and 4.9% net salary).

Highest decline of average monthly gross and net salary per employee in September 2012, compared to August 2012, was registered in the following activities: mining and quarrying (4.6% gross salary and 4.7% net salary), electricity, gas, steam and air-conditioning supply (4.1% gross salary and 4.1% net salary) and administrative and auxiliary services (2.5% gross salary and 2.8% net salary).

Percentage of employees who did not receive salary in September 2012 accounted for 2.2% and it was lower by 0.1 p.p. compared to the same month previous year, while compared to August 2012, percentage of employees who did not receive salary was lower by 0.3 p.p..

Pensions

In October 2012, Pension and Disability Insurance Fund registered 281,567 pensioners, increasing by 1.4% compared to the same month in 2011. Number of pension beneficiaries dropped by 82 persons in relation to September 2012. 57% out of the total number of pensioners are beneficiaries of old-age pension, 26.8% of survival pension and 16.2% of disability pension.



In October 2012, Denar 3,029.23 million was spent for payment of pensions, accounting for 50.2% of the total social transfers¹.

Average pension in October 2012 amounted to Denar 10,908, increasing by 2.7% on annual basis. Ratio between the average pension and the average paid salary in September 2012 (the most recent available data) was 51.9%.

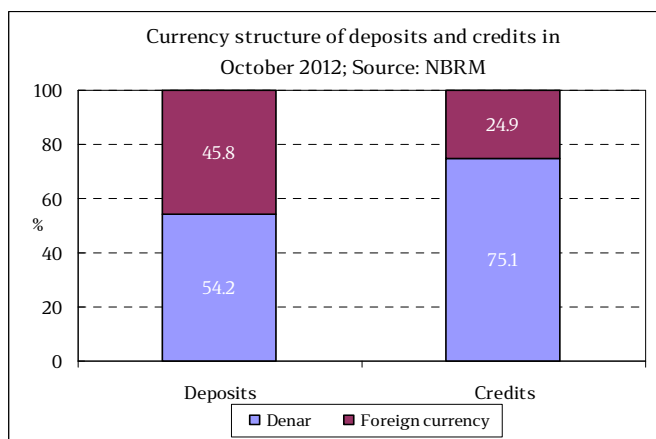
5. Monetary Sector

Primary Money

In October 2012, primary money² showed slowed down growth of 6.2% on annual basis (compared to the growth of 13.7% in September), in conditions of slowed down growth of total liquid assets of banks of 4.6% and growth of ready money in circulation of 8.5%.

On monthly basis, primary money dropped by 2%, as a result of the drop of total ready money in circulation and total liquidity of banks by 2%.

In October 2012, National Bank retained the interest rate on central bank bills at the same level of 3.75%, taking into account the most recent macroeconomic trends.



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

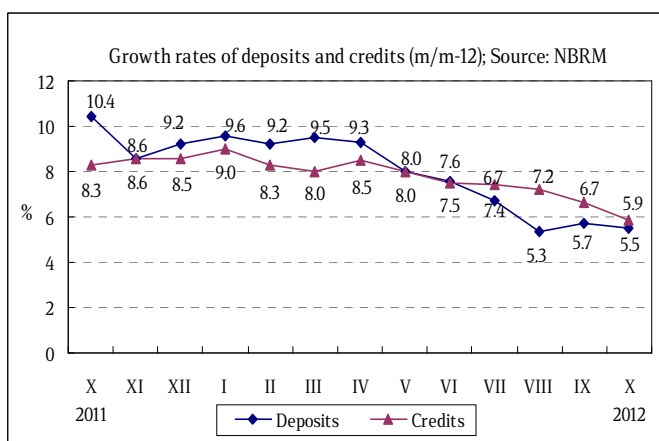
² Primary money is calculated as a sum of ready money in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).

Deposit Potential

Total deposit potential of banks³ in October 2012 increased by 0.9% on monthly basis, mainly driven by the increase of deposits of private enterprises by 3.3%. Deposits of households were higher by 0.2% compared to previous month. From currency point of view, Denar deposits increased by 1.2%, while foreign currency deposits grew by 0.5%.

On annual basis, total deposits increased by 5.5% in October 2012, compared to 5.7% in September 2012. Growth was driven by deposits of households (9%), while deposits of enterprises declined by 4.2% on annual basis, as a result of the drop of foreign currency deposits of enterprises of 16.3%.

From currency point of view, new saving is fully in domestic currency in conditions of increase of Denar deposits by 16.3% on annual basis, while foreign currency deposits reduced by 4.9%. According to maturity, long-term deposits increased by 22.4%, while short-term deposits remained unchanged on annual basis.

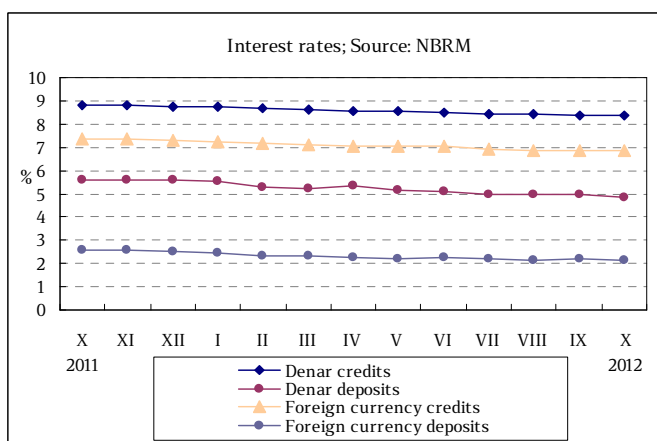


Bank Credits

In October 2012, total credits of banks to the private sector dropped by 0.2% on monthly basis, while from currency structure point of view, it was a result of the decline of foreign currency credits of 2%. Denar credits increased by 0.4%.

Credits to households increased by 0.6% compared to the previous month, while credits to private enterprises were lower by 0.7%.

On annual basis, growth of total credits slowed down to 5.9% (compared to 6.7% in September), in conditions of slowed down increase of crediting to private enterprises by 5.1%. Credits to households increased by 6.6%. From currency point of view, Denar credits experienced annual growth of 9.4%, while foreign currency credits declined by 3.5%. As regards maturity, long-term credits increased by 5% on annual basis, while short-term credits were higher by 3.6%.



³ Starting January 2009, deposits include calculated interest.

Interest Rates of Deposit Banks

Total interest rate on deposits was 7.9% in October 2012, being lower by 0.4 p.p. compared to the same month in the previous year. Interest rate on Denar credits amounted to 8.4%, while interest rate on foreign currency credits accounted for 6.9%, i.e. they were lower by 0.4 p.p. and 0.5 p.p. compared to the same month in the previous year.

Total interest rate on deposits dropped by 0.5% compared to the same month in the previous year, amounting to 3.3%. Interest rate on Denar deposits was 4.9%, being lower by 0.9 p.p. on annual basis, while interest rate on foreign currency deposits was 2.1% 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 October 2012 amounted to EUR 2,089.5 million and, compared to the previous month, they were higher by EUR 14.1 million, while compared to October 2011, foreign currency reserves were higher by EUR 250.9 million.

Ministry of Finance

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