



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

August 2013



Skopje, October 2013

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

August 2013

- Industrial production dropped by 1.2% in August 2013 compared to August 2012, decreasing by 15.7% compared to July 2013.
- Inflation rate amounted to 2.8% on annual basis and 0.3% on monthly basis. Average inflation rate in the first eight months of 2013 amounted to 3.5%;
- Annual drop of 17.3% of physical output of export in the period January-August 2013 and drop in value of 2.1%, decline of imported quantities of goods of 13.7% and drop in value of 1.6%, resulting in reduction of trade deficit by 7.6% compared to the same period in 2012.
- Higher performance of total budget revenues by 0.7% and increase of total budget expenditures by 5.2% in the first eight months of 2013, compared to the same period last year; state budget deficit in the amount of Denar 14,804 million (3.0% of GDP) and central budget deficit in the amount of Denar 12,767 million (2.6% of GDP);
- Increase of both total credits to private sector by 3.6% and total deposit potential of banks by 5.7% on annual basis.

1. Real Sector

Industrial Production

Industrial production dropped by 1.2% in August 2013 compared to August 2012. Analyzed by sectors, mining and quarrying sector experienced growth of 4.8% as a result of the growth in the branches other mining and quarrying by 9.4% and mining of metal ore by 7.0%, while mining of coal and lignite branch dropped by 1.6%. Electricity, gas, steam and air-conditioning supply sector surged by 4.0%, while processing industry dropped by 2.9%.

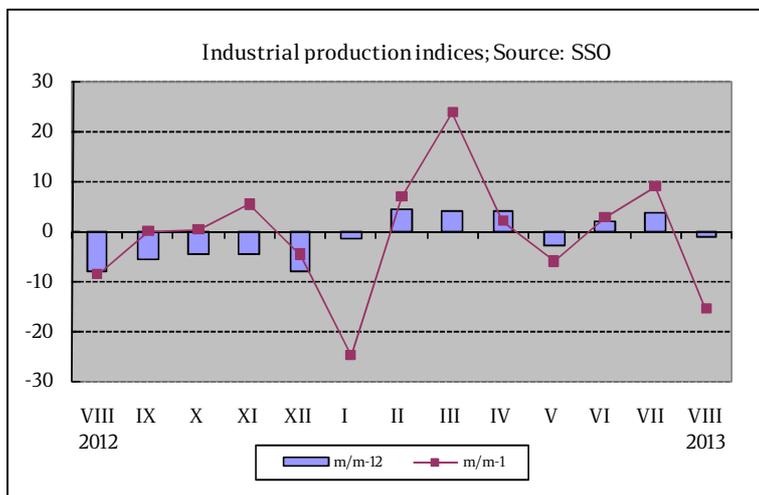
As for the processing industry, annual positive growth was registered at 10 out of 23 branches, comprising 32.3% of the industrial production. As regards the branches with two-digit share in

	m/m-12	m/m-1	$\frac{\text{I-VIII 2013}}{\text{I-VIII 2012}}$
Total	-1,2	-15,7	1,7
Ore and stone extraction	4,8	-7,9	8,2
Processing industry	-2,9	-21,1	0,1
Electricity, gas and water supply	4,0	15,4	5,0

Source: SSO

the structure of industrial production, high growth was registered at production of clothing of 21.4%, while decline of 16.9% was recorded at production of food products. Significant growth was seen at the following branches: production of installation of machines and equipment - 90.9%, production of textile - 78.5%, production of chemicals and chemical products - 40.1%, production of machines and devices, elsewhere unmentioned - 39.7%, printing and production of recorded media - 33.5% and production of electrical equipment - 12.4%.

Industrial production dropped by 15.7% in August 2013 compared to July 2013. Analysed by sectors, electricity, gas, steam and air-conditioning supply sector experienced 15.4% growth. Processing industry declined by 21.1%, while mining and quarrying sector dropped by 7.9%. Drop in



the mining and quarrying sector was a result of the drop in all branches, as follows: mining of coal and lignite - 11.7%, other mining and quarrying - 5.6% and mining of metal ore - 5.4%.

On cumulative basis, in the period January–August 2013, industrial production surged by 1.7%, compared to the same period in 2012. Mining and quarrying sector increased by 8.2%, electricity, gas, steam and air-conditioning supply sector increased by 5.0%, while processing industry grew by 0.1%.

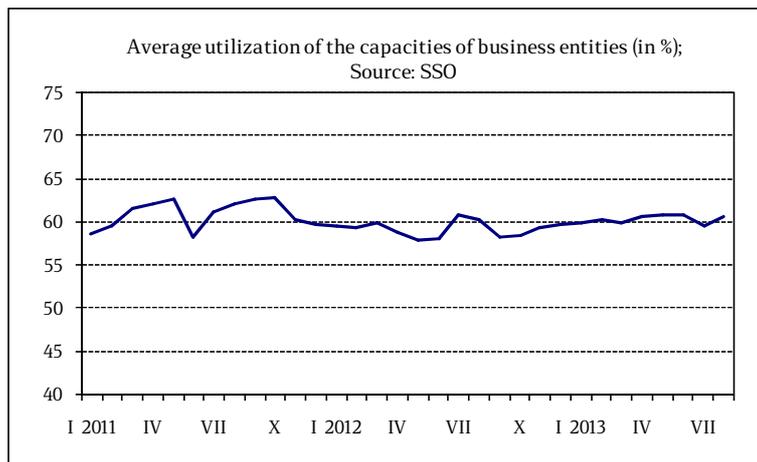
Data on the industrial production by target groups in August 2013, compared to August 2012, show that there was increase in the production at the following groups: Capital goods by 5.8% and energy by 2.6%. Drop of production was seen in the following groups: Consumer durables – 15.0%, intermediary goods, except energy – 3.1%, and consumer non-durables – 1.4%.

On monthly basis, data on the industrial production by target groups in August 2013 showed that there was increase in the production in the group energy by 13.6%. Drop was observed in the following groups: Capital goods – 32.6%, consumer non-durables – 27.1%, consumer durables – 20.5% and intermediary goods, except energy – 9.5%.

On cumulative basis, in the period January-August 2013 compared to the same period in the previous year, growth was recorded at the following groups: Capital goods – 7.3%, consumer non-durables -4.8%, energy – 1.4% and consumer durables – 0.4%. Drop was registered at intermediary goods, except energy – 3.0%.

Business Tendencies in the Processing Industry

Assessment of current economic trends of business entities in August 2013 was more favourable compared to the previous month, while compared to August 2012, it was less favourable (12.0 in August 2013, i.e. 14.3 in August 2012).



Assessment of current state of delivery-to-production was less favourable compared to the previous month, while compared to August 2012, it was more favourable (-15.0 in August 2013, i.e. -17.0 in August 2012). In August 2013, assessment of the volume of production in the past three months showed was more favourable compared to July 2013, as well as compared to August 2012. In August 2013, expectations for the production volume in the next three months are less favourable compared to both the previous month and August 2012 (15.1 in August 2013, i.e. 26.3 in the same month in 2012).

As regards the number of employees, the expectations in August 2013 for the next three months are more favourable compared to both the previous month and August 2012 (6.0 in August 2013, compared to 5.8 in August 2012).

Average utilization of capacities in August 2013 accounted for 60.7%, being an increase compared to the previous month, when it accounted for 59.6%. Compared to August 2012, the utilization of the capacities was higher by 0.4 p.p..

In August 2013, 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. Assessment of the current stock of ready-made products was more favourable compared to both the previous month and August 2012. In the next 3-month period, according to the assessment of managers, average purchase prices of inputs are expected to increase, while selling prices of ready-made products are expected to retain the same level.

According to the assessment, following factors limited the most the production volume in August 2013: insufficient foreign demand – 26.8%, insufficient domestic demand – 18.7%, shortage of skilled labour – 10.9%, uncertainty of economic environment – 10.2%, financial problems – 9.9%, competitive import – 8.3%, shortage of raw materials – 2.6%, unclear economic laws – 2.3% and lack of equipment – 1.9%.

In August 2013, less business entities indicated: insufficient domestic demand, competitive import, financial problems, shortage of skilled labour, lack of equipment and shortage of raw materials, while bigger number of business entities indicated: insufficient foreign demand, unclear economic laws and uncertain economic surrounding as limiting factor compared to July 2013. As regards other factors, there are no significant changes.

Number of Workers in the Industry

Number of workers in the industry in August 2013, compared to August 2012, increased by 1.6%. Sector analysis points out to increase of the number of workers in all sectors, as follows: Mining and quarrying by 8.2%, electricity, gas, steam and air-conditioning supply by 1.9% and processing industry by 1.0%. Mining and quarrying sector experienced increase in the number of workers by 8.2%, as a result of the increase in the number of workers in the sectors mining of coal and lignite (24.9%) and mining of metal ore (2.0%), while the number of workers in the other mining and quarrying sector dropped by 8.0%.

Data on the number of workers in the industry by target groups in August 2013, compared to August 2012, showed increase in the number of workers at the following groups: Energy by 7.5%, consumer durables by 2.8%, consumer non-durables by 2.4% and capital goods by 0.3%, while reduction of the number of workers was registered in the following group: Intermediary goods, except energy –2.2%.

Number of Issued Building Permits and Envisaged Value of Facilities

In August 2013, 140 building permits were issued, dropping by 48.5% compared to the same month in 2012. Total number of issued building permits compared to July 2013, when 179 permits were issued, decreased by 21.8%.

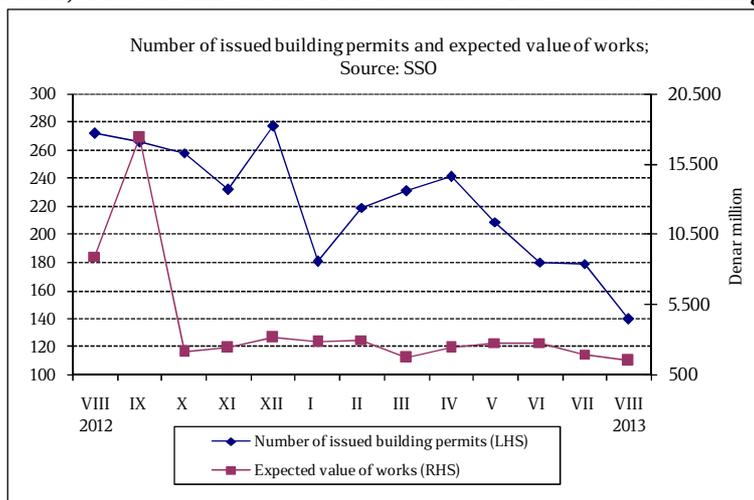
Envisaged value of the facilities, according to the issued building permits in August, amounted to Denar 1,977 million, being by 5.9% less compared to August 2012. In relation to July 2013, value of the facilities grew by 36.1%.

Analyzed by types of facilities, out of the total number of issued building permits (140), 91 (or 65%) were intended for buildings, 18 (or 13%) for civil engineering structures and 31 (or 22%) for reconstruction.

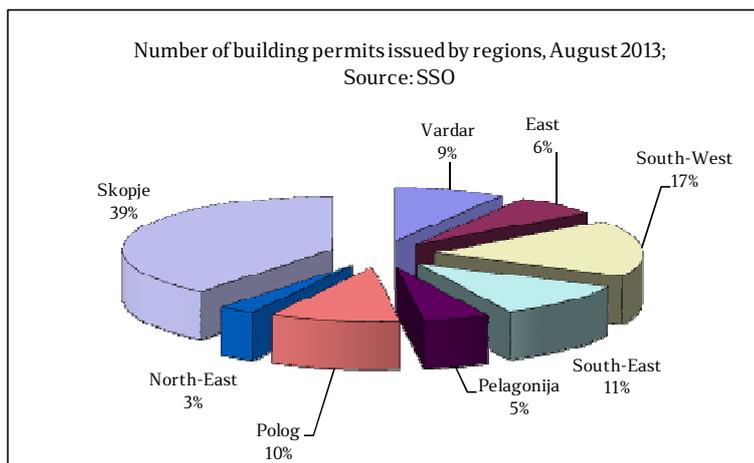
Analyzed by types of investors, out of the total 140 facilities for which building permits were issued, natural persons were investors in 96 facilities (or 69%), while business entities were investors in 44 facilities (or 31%).

In August 2013, construction of 218 flats was envisaged, with total usable area of 18,906 m². Number of flats envisaged for

construction declined by 65% compared to the same month in 2012, while it decreased by 33% compared to July 2013.



Analyzed by regions, in August 2013, most building permits were issued in the Skopje region, 55 in total, 35 permits out of which were issued to natural persons as investors, while 20 permits were issued to business entities as investors. Northeastern region had least issued permits, four permits in total, 1 permit out of which were issued to natural person as investor, while 3 permits were issued to business entities as investors.



In the period January-August 2013, most building permits were issued in the Skopje region, 449 in total, 326 permits out of which were issued to natural persons as investors, while 123 permits were issued to business entities as investors.

Northeastern region had least issued permits, 93 permits in total, 78 permits out of which were issued to natural persons as investors, while 15 permits were issued to business entities as investors.

Inflation

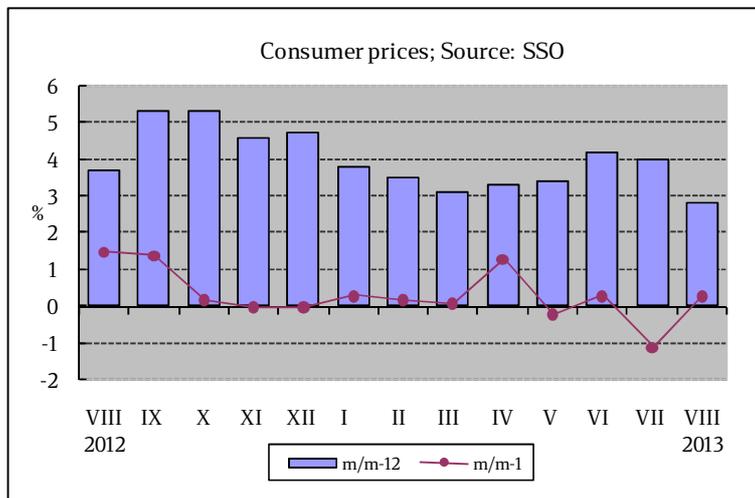
Annual inflation rate in August 2013, measured according to the CPI index, amounted to 2.8%. Average inflation rate in the first eight months of 2013 amounted to 3.5%.

On annual basis, in August 2013, there was price increase at all categories, except at the housing category. Thus, prices in the food category increased by 5.2% on annual basis (5.5% in July 2013). Prices in the housing category reduced by 3.4% (compared to the increase by 1.5% in July 2013), whereby prices in the sub-category heating and lighting decreased by 5.4%, while prices of the sub-categories rent,

water and services and household furnishings surged by 0.4% and 1.2% respectively. Increase of prices in the other categories is as follows: restaurants and hotels – 4.4%, hygiene and health – 4.1%, tobacco and beverages – 3.9%, culture and entertainment – 1.1%, administrative and financial services – 0.9%, means of transport and services – 0.3%.

Inflation rate in August compared to the previous month surged by 0.3% unlike the monthly drop by 1.1% realized in July 2013.

Prices in the food category increased by 0.4%, while prices in the category culture and entertainment and tobacco and beverages surged by 0.1%. Prices in the housing category reduced by 0.1% on monthly basis, while drop of prices was also seen in

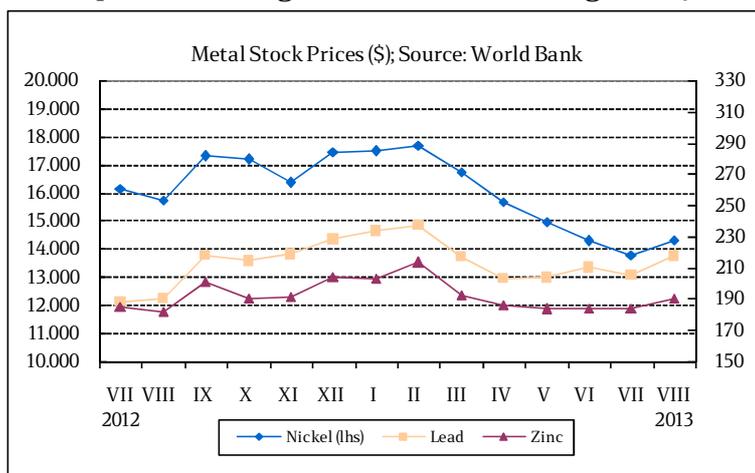


the category clothing and footwear by 0.2%. Prices in the categories administrative and financial services and restaurants and hotels remained the same. The other categories experienced monthly increase in prices, as follows: Means of transport and services by 1.3% and hygiene and health by 0.3%.

Retail prices in August 2013 were higher by 1.3% compared to August 2012. Compared to the previous month, retail prices were lower by 0.5%. Average increase of retail prices in the first eight months in 2013 accounted for 1.6%.

Stock Market Prices

In August 2013, (Brent) crude oil price on the global stock markets grew by 3.1%, compared to the previous month, reaching the price of US\$ 111 per barrel. Compared to August 2012, oil price was lower by 2.1%. Price of natural gas in August decreased by 1% compared to the previous month.



As regards metal products, nickel, as a product with high share in Macedonian export, was traded at an average price of US\$ 14,315 for a metric ton (\$/mt) on the global stock markets in August, being a monthly increase of the price by 4.1%. Compared to August 2012, nickel price was lower by 9.0%. In August, there was monthly increase of prices of all base metals. Hence, price of tin surged by 10.6%, price of lead increased by 6.2%, price of copper

by 4.1% and price of aluminium and zinc grew by 2.7% and 3.3% respectively. Monthly drop in prices of precious metals was also observed in August, whereby, price of silver grew by 11.1%, price of platinum by 6.7% and price of gold by 5.1%. Price of iron ore in August experienced monthly increase by 7.5%.

Drop of price of wheat on the global stock markets stopped in August and, compared to July, it was higher by 0.2%. Price of maize registered monthly decline of 14.6% in August.

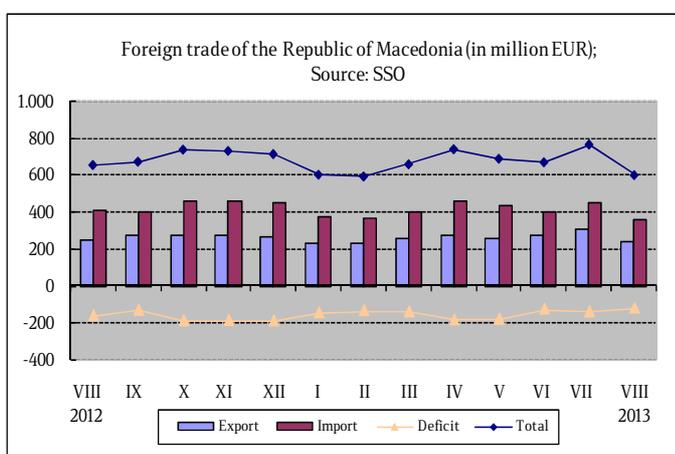
2. Foreign Trade

In the period January-August 2013, total foreign trade contracted by 0.2% in relation to the same period in 2012.

Export

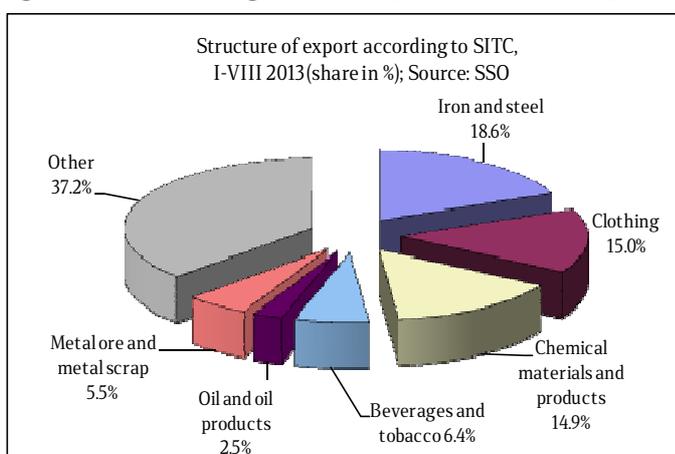
In the period January-August 2013, physical output of export dropped by 17.3% compared to the same period in 2012, while the value of exported goods amounted to EUR 2,077.4 million, being an increase of 2.1% (EUR 43.6 million) in relation to the period January-August 2012.

Analyzed on monthly basis, in August 2013, export decreased by 22.9%, compared to the previous month.



Seasonally adjusted trend of export in August 2013 decreased by 9.4% on monthly basis, pointing out to negative effects of the seasonal factor (13.5 p.p.) on export this month.

Main groups of goods (according to SITC) being most exported in the period January-August 2013 were the following: iron and steel – 18.6%, clothing – 15.0%, chemical materials and products – 14.9%, beverages and tobacco – 6.4%, metal ore and metal scrap – 5.5%, oil and oil products – 2.5%. These six groups of products comprised 62.8% of the total export of the country.



In the period January-August 2013, observed by economic purpose, the following products were the most exported: goods for industrial procurement (52.7%), followed by consumer goods (22.4%), food and beverages (10.6%), products for

investments without transport equipment (9.9%), fuels and lubricants (2.6%) and transport equipment (1.8%).

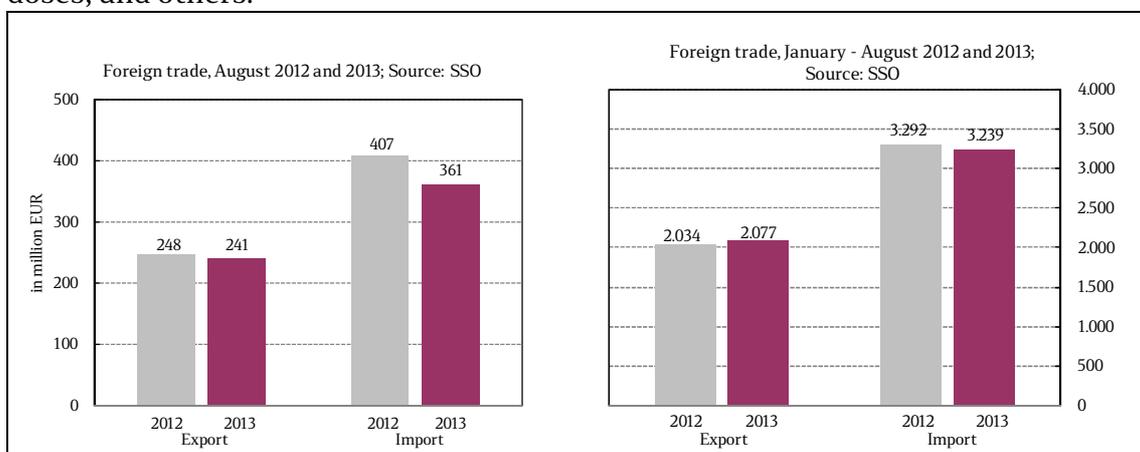
Export of iron and steel*)				
	I-VIII 2012	I-VIII 2013	Balance 2013-2012	% rate
000 T	452.6	386.6	-66.0	-14.6
EUR mil.	460.3	386.5	-73.8	-16.0
\$ mil.	576.1	507.3	-68.8	-11.9

*)Previous data

Import of iron and steel*)				
	I-VIII 2012	I-VIII 2013	Balance 2013-2012	% rate
.000 T	364.3	384.5	20.2	5.5
EUR mil.	195.3	189.6	-5.7	-2.9
\$ mil.	243.7	249.3	5.7	2.3

*)Previous data

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; tobacco not stemmed/stripped; men's shirts of cotton; boards, plates, stands, tables, cabinets and others; lead ore and concentrates; hot rolled flat products of iron or non-alloyed steel of width of 600 mm or more; plated or coated; cooper ore and concentrates; ferosilicium; pharmaceuticals put up in measured doses; and others.



Import

Imported quantities of goods in the period January-August 2013 reduced by 13.7%, compared to the period January-August 2012, while their value amounted to EUR 3,239.4 million, dropping by 1.6% (EUR 52.5 million) compared to the same period in 2012.

Analyzed on monthly basis, in August 2013, import dropped by 20.0%, compared to the previous month.

Seasonally adjusted trend of import in August 2013 decreased by 18.4% on monthly basis, pointing out to negative effects of the seasonal factor (1.5 p.p.) on import this month.

Export of oil and oil products*)				
	I-VIII 2012	I-VIII 2013	Balance 2013-2012	% rate
000 T	161.2	103.0	-58.2	-36.1
EUR mil.	104.8	52.6	-52.2	-49.8
\$ mil.	143.5	69.1	-74.4	-51.8

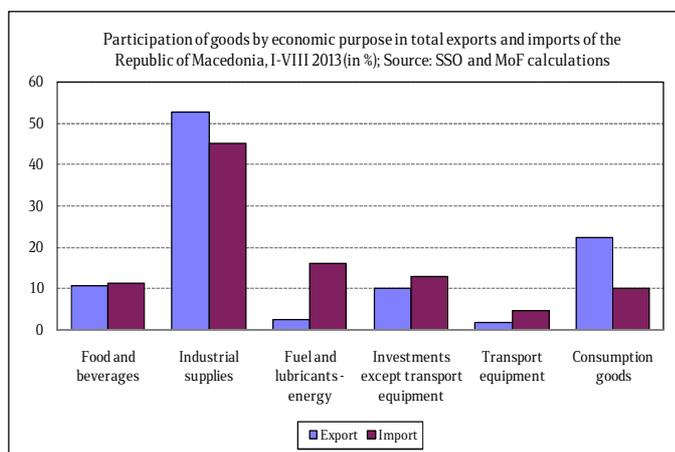
*)Previous data

Import of oil and oil products*)				
	I-VIII 2012	I-VIII 2013	Balance 2013-2012	% rate
.000 T	708.5	621.2	-87.3	-12.3
EUR mil.	467.4	372.0	-95.5	-20.4
\$ mil.	610.7	488.5	-122.2	-20.0

*)Previous data

In addition to oil, non-ferrous metals; yarn, fabrics and textile products; iron and steel; road vehicles; electrical machines, devices and spare parts; industrial machines and spare parts, etc., accounted for most of the import of goods (according to groups of SITC) in the period January – August 2013.

In the period January - August 2013, observed by economic purpose, following products were most imported: goods for industrial procurement (45.0%), followed by fuels and lubricants (16.0%) investment goods without transport equipment (12.9%), food and beverages (11.2%), consumer goods (10.0%) and transport equipment (4.7%).



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

Export of chemical products*)				
	I-VIII 2012	I-VIII 2013	Balance 2013-2012	% rate
000 T	18.6	4.7	-14.0	-74.8
Мил. ЕУР	251.2	308.7	57.5	22.9
Мил.\$	318.8	405.7	86.9	27.2

*)Previous data

Import of chemical products*)				
	I-VIII 2012	I-VIII 2013	Balance 2013-2012	% rate
.000 T	17.3	20.7	3.4	19.4
Мил. ЕУР	48.1	51.6	3.5	7.3
Мил.\$	59.6	67.8	8.1	13.7

*)Previous data

Trade Balance

In the period January–August 2013, trade deficit narrowed by EUR 96.0 million or 7.6% compared to the same period last year.

If we analyze the balance of export and import of goods by economic purpose, deficit narrowing is a result of combined effect from: narrowing of negative balance in the trade of fuels and lubricants, transport equipment, food and beverages and consumer goods, while the widened negative balance in the trade of goods for industrial procurement and investment goods without transport equipment acted in opposite direction.

It is important mentioning that starting January 2013, revised economic grouping of countries is applied, according to the Geonomenclature of EU - Nomenclature of

Countries and Territories for External Trade Statistics of the Union and Statistics of Trade between Member States.

Analyzed according to economic groups of countries, in the period January - August 2013, compared to the same period in 2012, export grew at the following groups: EU 28, EFTA and Community of Independent States, while drop was recorded at the following groups: Organization of Petroleum Exporting Countries, Western Balkan Countries, North American Free Trade Agreement and Asia-Pacific Economic Cooperation. Export to the EU surged by 17.3% on annual basis, while as for Western Balkan countries, it declined by 13.8%.

In the period January-August 2013, foreign trade of the Republic of Macedonia with the European Union (EU 28), in relation to the same period last year, increased by 8.7%, whereby share of trade with the EU in the total foreign trade increased by 3.9 p.p., accounting for 66.3%. Export of goods to the European Union (EU 28) accounted for 72.9% in the total export of the Republic of Macedonia, while import of goods participated with 62.0%.

In the period January–August 2013, 78.0% of the trade deficit of the country was realized in the trade with Great Britain, Greece, China, Serbia and Turkey followed by: Russia, Italy, Slovenia, Switzerland, Austria and others. Surplus was realized in the trade with Germany, Kosovo, Bosnia and Herzegovina and the Netherlands.

Currency Structure

Observed by currency structure, 73.1% of the trade in the period January-August 2013 was realized in euros and, compared to the period January - August 2012, it surged by 3.2 p.p.. On export and import side, euro accounted for 82.9% and 66.9%, respectively, whereby share of the euro in export was higher by 4.3 p.p., while increase of the share of the euro in import accounted for 2.4 p.p. compared to the period January-August 2012.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I-VIII 2012					I-VIII 2013					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	1,950.2	2,120,551,498	61.5004	130,414,765,321	64.5	2,002.3	2,170,546,327	61.4965	133,481,002,184	66.9	49,994,829	2.4
USD	2,295.4	1,124,444,236	49.7112	55,897,472,303	27.6	1,660.1	926,280,436	46.1982	42,792,488,850	21.4	-198,163,800	-17.6
GBP	1.9	210,757,410	78.0567	16,451,027,918	8.1	1.9	290,580,957	71.5340	20,786,418,206	10.4	79,823,547	37.9
EUR+USD+GBP	4,247.5			202,763,265,542	92.1	3,664.3			197,059,909,239	98.7		
tot. import	4,253.7			202,203,588,073	100.0	3,671.1			199,640,912,506	100.0		-1.3

Source: SSO and NBRM

3. Fiscal Sector

Budget Revenues

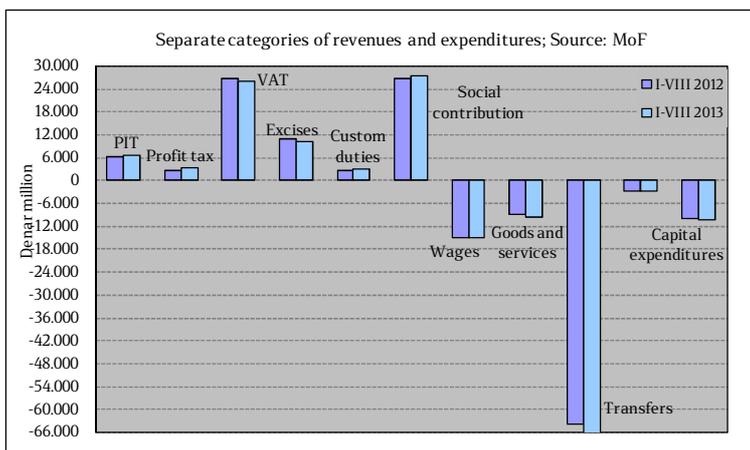
In the period January-August 2013, total budget revenues reached an amount of Denar 91,880 million, i.e. 18.8% of GDP, which was by 0.7% higher in relation to the same period in 2012.

Tax revenues in the first eight months were realized in the amount of Denar 50,715 million, i.e. 10.4% of GDP, being lower by 0.2% in relation to the same period in 2012.

Value added tax was realized in the amount of Denar 25,765 million, whereby share of VAT in total tax revenues in this period was dominant, amounting to 50.8%. Excises were realized in the amount of Denar 10,071 million (participating with 19.9% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 35,836 million, i.e. higher by 2/3 or 70.7% of total tax revenues (7.3% of GDP). Thereby, VAT collection amounted to Denar 38,417 million on gross basis, Denar 12,652 million out of which was refunded to taxpayers (gross collection was lower by 0.9%, while VAT refund was higher by 4.6% compared to the same period in 2012).

As for VAT structure, VAT share was the biggest when importing, decreasing by 6.5%, while VAT on the basis of sales in the country surged by 10.7%, share of VAT grants was insignificant (0.6%), observing higher performance by 88.3%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 6,531 million, increasing by 5.6% on annual basis, whereby revenues on the basis of salaries and other personal earnings accounted for 71.9% of the personal income tax, revenues on the basis of contractual agreement accounted for 8.1%, revenues on the basis of capital amounted to 6.7%, and revenues on the basis

of property and property rights accounted for 3.9%. Compared to the same period in 2012, profit tax revenues in the amount of Denar 3,313 million surged by 30.4%, being mainly a result of the tax collected on the basis of paid dividend and other profit distribution and



revenues collected on the basis of calculated interest on profit tax as well as the revenues on the basis of additional payments for tax balance, at the same time revenues on the basis of advance payments, annual tax on turnover and retained tax paid to foreign legal entities experienced a decline. VAT revenues dropped by 3.4% (being less by 0.1 p.p. compared to the previous seven-month period), while excises revenues declined, i.e. they experienced lower performance by 5.2% (being more by 0.1 p.p. compared to the previous seven-month period). Revenues on the basis of customs duties were realized in the amount of Denar 2,789 million, increasing by 6.0%. Revenues on the basis of other taxes, amounting to Denar 2,246 million, grew by 3.6%.

Non-tax revenues amounted to Denar 8,106 million and, in relation to the same period in 2012, they were lower by 1.3% (these revenues are revenues on the basis of profit realized by the public institutions, revenues collected on the basis of administrative fees, fines, etc.).

Capital revenues realized on the basis of sale of construction land, flats and dividends reached Denar 2,995 million, decreasing by 22.7% compared to the same period in the previous year.

Collection of social contributions amounted to Denar 27,360 million (accounting for 5.6% of GDP), being higher by 3.3% compared to the same period in 2012, whereby collection of pension and disability insurance contributions increased by 3.0%, collection of employment insurance contribution surged by 2.8%, while collection of health insurance contributions rose by 4.1%.

Budget Expenditures

In the period January-August 2013, total budget expenditures amounted to Denar 106,684 million, i.e. 21.9% of GDP, which was higher by 5.2% compared to 2012.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 96,079 million accounted for 90.0% (19.7% of GDP) and they increased by 5.4% in relation to the same period in 2012.

Transfers amounting to Denar 68,194 million (14.0% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 15,044 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 14.1% and, compared to 2012, they decreased by 0.8%.

Expenditures related to goods and services amounted to Denar 9,877 million, increasing by 9.9% compared to the same period in 2012.

Transfers increased by 6.2% compared to the same period in 2012, participating with 63.9% in the total expenditures. Social transfers amounted to Denar 49,021 million, increasing by 6.7% and participating with 46.0% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 29,793 million, increasing by 9.7%, compared to the same period in 2012. Category other transfers, which includes transfers to local government units, accounted for 17.4% in the total expenditures, i.e. they surged by 5.5% compared to the same period in 2012. Block grants to local government units amounting to Denar 9,222 million, were higher by 0.4% compared to the eight months in the previous year. Subsidies and transfers were higher by 10.7%.

Interest was collected in the amount of Denar 2,964 million, being by 5.3% more compared to the same period in 2012. Such increase was mainly due to the payment of due interest on the basis of domestic borrowing. Costs related to interest on the basis of domestic borrowing increased by 39.8%, while the ones on the basis of foreign borrowing dropped by 9.1%.

In the analyzed period, capital expenditures were realized in the amount of Denar 10,605 million, participating with 10% in the total expenditures (2.2% of GDP), i.e. they increased by 3.5% compared to the same period last year.

Budget Balance

In the first eight months in 2013, budget deficit reached the amount of Denar 14,804 million, accounting for 3.0% of GDP, while central budget deficit amounted to Denar 12,767 million or 2.6% of GDP.

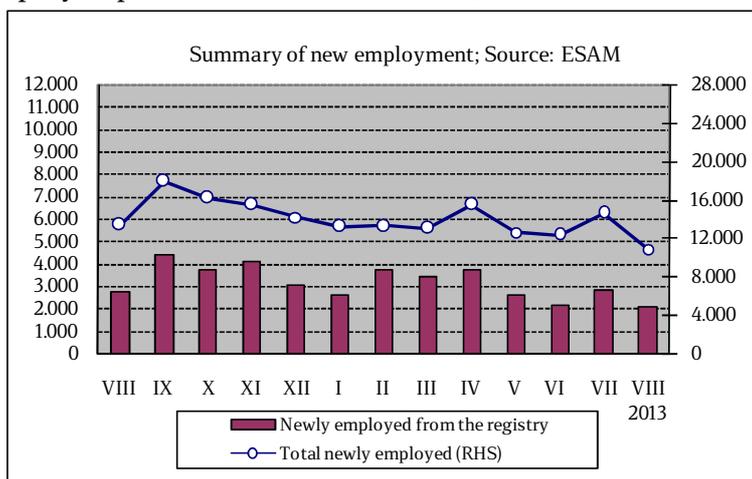
4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM¹

In the period January-August 2013, Employment Agency of the Republic of Macedonia registered total of 105,116 new employments. 46.2% 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 2012, number of newly employed persons dropped by 19.9%.

In August, 10,830 new employments were registered, 19.0% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 5,003 persons in August, 40.3% out of which were new employments. In August, 3,349 persons were registered as inflow to the Agency, 57.9% out of which were persons whose employment was terminated. Thus, in August 2013, 91,293 persons were registered as unemployed, while number of other unemployed persons accounted for 130,282.

Major percentage of the unemployed, i.e. 73.6%, came from urban areas (cities), whereby 56.2% were men. Analyzed by education structure, major part, i.e. 44.5% of unemployed persons were without education, primary education or incomplete secondary education, 34.8% was with



complete secondary education, while 20.7% completed community college or higher education level. Observed by age, majority of the unemployed persons or 52.3% fall in the category of 25-49 years of age. According to the time they waited for a job, 49.2% of the unemployed persons wait for employment from 1 to 7 years, while 19.8% wait for employment for 8 years and more.

Salaries

According to the data from the State Statistical Office, average monthly paid gross salary per employee in July 2013 amounted to Denar 30,851, while average monthly paid net salary amounted to Denar 21,013.

¹ Modifications and amendments to the Law on Employment and Unemployment Insurance ("Official Gazette of the Republic of Macedonia", no. 114/2012) referred to changes as regards records on unemployed persons. This Law sets the basis for establishing and keeping two records: records on unemployed persons and records on other persons applying to the Employment Agency.

On monthly basis, in July 2013, average gross salary decreased by 0.3% in nominal terms, being higher by 0.8% in real terms. Average net salary dropped by 0.5% in nominal terms, increasing by 0.7% in real terms.

In July 2013 compared to July 2012, average gross salary increased by 1.3% in nominal terms, while it was lower by 2.6% in real terms. Average net salary was higher by 1.1% in nominal terms, decreasing by 2.8% in real terms.

On cumulative basis, in the period January-July 2013, compared to the

same period last year, average gross salary and net salary grew by 1.4% in nominal terms, while they were lower by 2.1% in real terms.

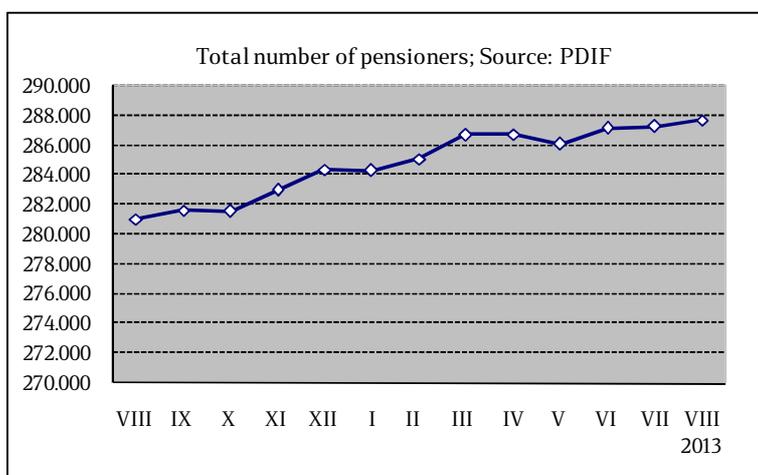
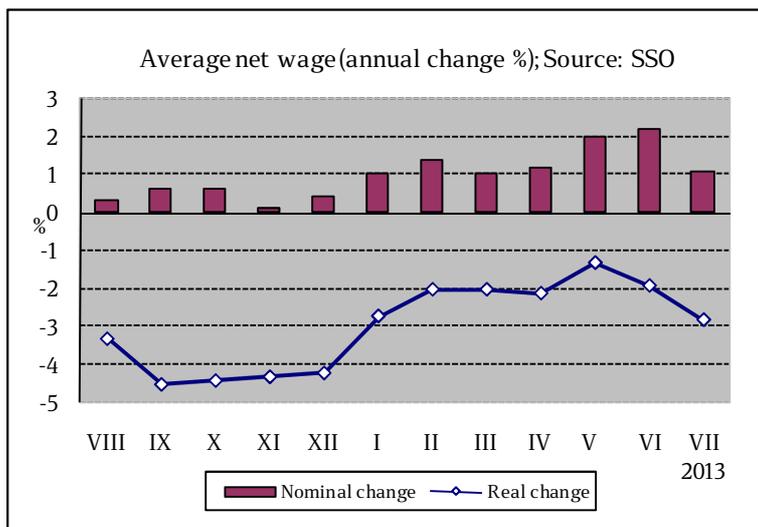
Highest increase of average monthly gross and net salary per employee in July 2013, compared to July 2012, was registered at the following: mining and quarrying (9.9% gross salary and 8.5% net salary) transport and storage (7.0% gross salary and 6.1% net salary) and construction (6.9% gross salary and 7.6% net salary).

Highest increase of average monthly gross and net salary per employee in July 2013 compared to June 2013, was seen in the activities administrative and auxiliary services (3.0% gross salary and 2.4% net salary), water supply, removal of wastewater, waste management and environmental rehabilitation activities (2.3% gross salary and 2.2% net salary).

Employees who did not receive salary in July 2013 accounted for 1.5%, and compared to the same month in the previous year, it was lower by 0.5 p.p., while compared to June 2013, it was lower by 0.8 p.p..

Pensions

In August 2013, Pension and Disability Insurance Fund registered 287,706 pensioners, increasing by 2.4% compared to the same month in 2012. Number of pension beneficiaries increased by 411 persons in relation to July 2013. 57.6% out of



the total number of pensioners are beneficiaries of old-age pension, 26.8% of survival pension and 15.6% of disability pension.

In August 2013, Denar 3,273.83 million was spent for payment of pensions, accounting for 52.6% of the total social transfers².

Average pension in August 2013 amounted to Denar 11,540, increasing by 8.0% on annual basis. Ratio between the average pension and the average paid salary in July 2013 (the most recent available data) was 55.0%.

5. Monetary Sector

Primary Money

In August 2013, primary money³ showed annual growth of 0.6% (2.1% in the past month), as a result of the growth of ready money in circulation by 7.1%, while total liquid assets of banks experienced intensified decrease by 4.5%.

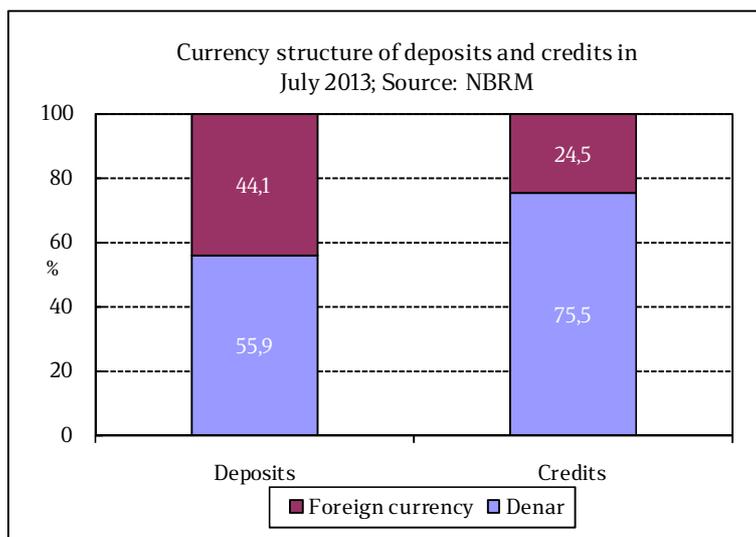
On monthly basis, primary money dropped by 2.2%, as a result of drop of ready money in circulation by 1%. Total liquidity of banks decreased by 3.2%.

In August 2013, the National Bank of the Republic of Macedonia, in conditions of stable movements, taking into account the expected effects from the monetary loosening carried out last month decided for the interest rate on CB bills to remain at 3.25%.

Deposit Potential

Total deposit potential of banks⁴ increased by 2.2% in August 2013 on monthly basis, as a result of the increase of deposits of private companies by 7.7% and deposits of household by

0.4%. From currency point of view, foreign currency deposits surged by 2.6%, while Denar deposits increased by 1.8% on monthly basis.



² Social transfers category includes pensions, unemployment benefit, social assistance and expenditures for health protection.

³ 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).

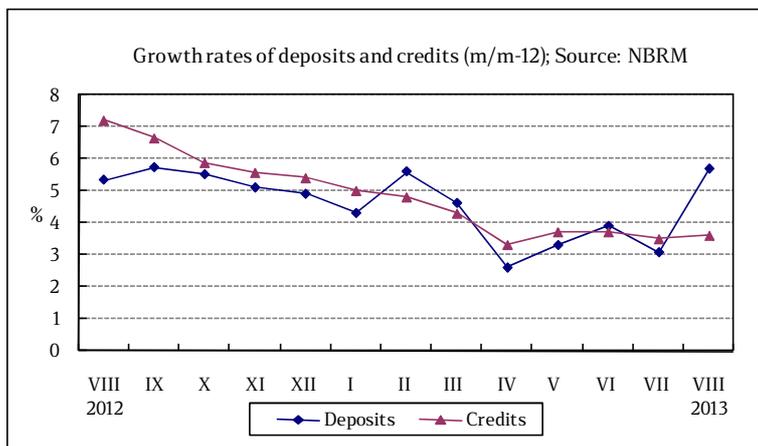
⁴ Starting January 2009, deposits include calculated interest

On annual basis, total deposits experienced intensified growth of 5.7% in August 2013, compared to the growth of 3.1% in July 2013. From a sector point of view, growth of total deposits was led by deposits of households, increasing by 6.2%, while deposits of companies recorded annual growth of 1.4% (compared to the drop of 8.5% in July).

From currency point of view, Denar deposits surged by 9.7% in August 2013, while foreign currency deposits grew by 1%. According to maturity, long-term deposits increased by 28.9%, while short-term deposits reduced by 4.3%.

Bank Credits

In August 2013, total credits of banks to the private sector remained the same on monthly basis, as a result of the growth of credits to households by 0.7% and

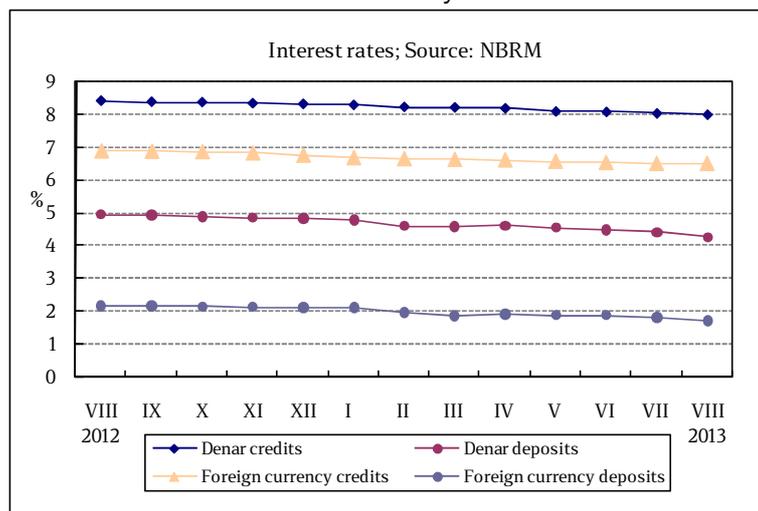


0.5% drop of credits to private companies. According to currency structure, Denar credits increased by 0.4%, while foreign currency credits dropped by 1.3%.

On annual basis, growth of total credits in August amounted to 3.6%. According to currency, new crediting was fully in domestic currency. In fact, Denar credits surged by 5.9%, while foreign currency credits dropped by 3.1%. Analyzed by sectors, credits to enterprises registered growth of 0.5%, while credits to households surged by 7.8%. As regards maturity, long-term credits increased by 3.4% on annual basis, while short-term credits were lower by 0.4%.

Interest Rates of Deposit Banks

Total interest rate on credits was 7.6% in August 2013, being at last month's level. In relation to the same month in 2012, it was lower by 0.4 p.p.. Interest rate on Denar credits remained the same, accounting for 8%, as same as the interest rate on foreign currency credits, which accounted for 6.5%.



Total interest rate on deposits dropped by 0.1 p.p. on monthly basis, amounting to 2.9%, in conditions of reduced interest rates on Denar and foreign currency deposits by 0.1 p.p., accounting for 4.3% and 1.7% respectively.

Foreign Currency Reserves

Gross foreign currency reserves at the end of August 2013 amounted to EUR 2,084.5 million and, compared to the previous month, they were higher by EUR 29.6 million, while compared to August 2012 foreign currency reserves were lower by EUR 30 million.

Ministry of Finance

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October 2013, Skopje