



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

August 2012



October 2012, Skopje

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

August 2012

- Industrial production dropped by 8.1% in August 2012 compared to August 2011;
- Inflation rate amounted to 3.7% on annual basis and 1.5% on monthly basis; Average inflation rate in the first eight months of 2012 amounted to 2.5%.
- Annual drop of physical output of export in the period January-August 2012 by 10.8% and drop in value by 1.9% and increase of imported quantities of goods by 1.4% and drop in value by 0.9%, resulting in increase in the trade deficit by 0.7% compared to the same period in 2011.
- Higher performance of total budget revenues by 1.1% and increased performance of total budget expenditures by 1.9% in the period January-August 2012, compared to the same period last year; State budget deficit in the amount of Denar 10,147 million (2.1% of GDP) and central budget deficit in the amount of Denar 8,629 million (1.8% of GDP);
- Increase of both total credits to private sector by 7.2% and total deposit potential of banks by 5.3% on annual basis;
- Drop in the number of registered unemployed persons by 17.1% in August 2012 compared to the same month last year.

1. Real Sector

Industrial Production

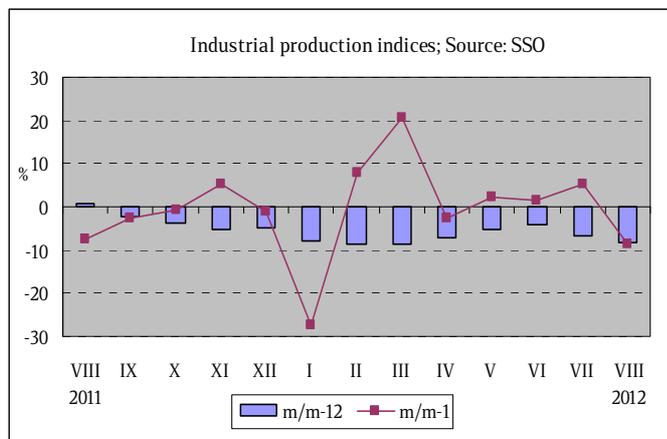
Industrial production dropped by 8.1% in August 2012 compared to August 2011. Analyzed by sectors, mining and quarrying sector increased by 9.4%, electricity, gas, steam and air-conditioning supply sector surged by 3.9%, while processing industry sector dropped by 10.1%.

As for processing industry, annual positive growth was registered at 9 out of 23 branches, comprising 25.6% of the industrial production. Growth was seen at one of the tree driving branches with double-digit share in the industrial production. Thus, growth of 1.3% was seen at production of clothing. production of metals dropped by 24.1%, while production of food products reduced by 1.0%. High growth was seen at the following branches: Production of fabricated metal products except machines and equipment -112.8%, production of basic pharmaceutical products and pharmaceutical preparations - 51.3%, production of textile - 34.7% and production of leather -22.9%.

	m/m-12	m/m-1	I-VIII 2012
			I-VIII 2011
Total	-8.1	-8.8	-7.1
Ore and stone extraction	9.4	-5.8	-5.1
Processing industry	-10.1	-7.7	-7.1
Electricity, gas and water supply	3.9	-17.9	-7.7

Source: SSO

Production of fabricated metal products, except for machines and equipment (3.7 p.p.) contributed the most to the annual increase in industrial production in August 2012, while production of coke and refined oil products (-4.5 p.p.) had the highest negative contribution.



Industrial production dropped by 8.8% in August 2012 compared to July 2012. Sector analysis points out that drop

was seen in all sectors, as follows: Electricity, gas, steam and air-conditioning supply by 17.9%, processing industry by 7.7% and mining and quarrying by 5.8%.

De-seasoned monthly growth of industrial production in August 2012 was -3.4%, pointing out to negative seasonal effects in the industry.

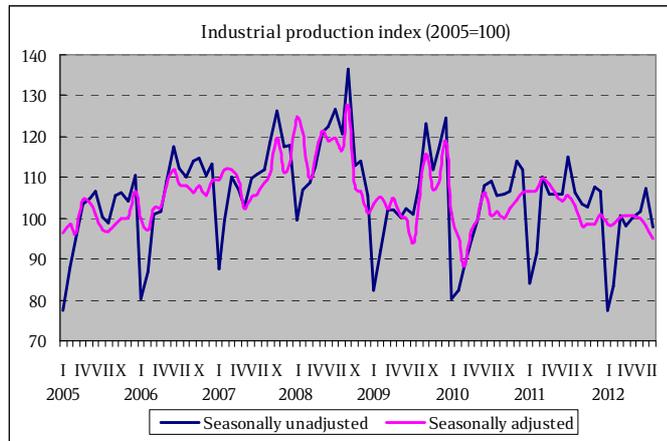
On cumulative basis, in the period January–August 2012, industrial production dropped by 7.1%, compared to the same period in 2011. Electricity, gas, steam and air-conditioning supply declined by 7.7%, processing industry dropped by 7.1%, while mining and quarrying decreased by 5.1%.

Data on industrial production by target groups in August 2012, compared to August 2011, show that there was increase in the production at the following groups: Capital goods - 23.9% and consumer durables -3.5%. Production decline

was registered at the following groups: Energy – 21.0%, intermediary goods, except energy – 10.9% and consumer non-durables – 5.6%.

On monthly basis, data on the industrial production by target groups in August 2012 showed that there was increase in the production at the following groups:

Capital goods - 11.0% and intermediary goods, except energy – 5.9%. Drop of production was seen in the following groups: Consumer durables – 22.6%, energy – 19.3%, and consumer non-durables – 19.0%.



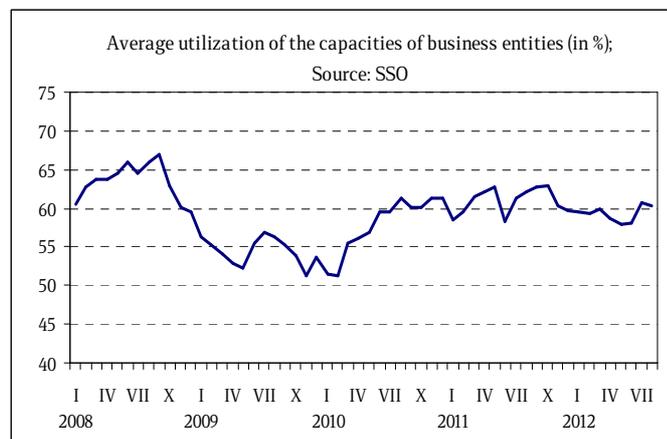
On cumulative basis in the first eight months of 2012 compared to the same month

in the previous year, all groups registered drop of production, as follows: Consumer durables – 43.0%, energy – 20.6%, capital goods - 5.2%, consumer non-durables – 1.6%, and intermediary goods, except energy – 1.5%.

Business Trends in Processing Industry

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

Assessment of current state of delivery-to-production was less favourable compared to the previous month, while compared to August 2011, it was more favourable, 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 July 2012, as well as compared to August 2011. Expectations for the production volume in the next



three months are less favourable compared to both the previous month and August 2011.

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

Average utilization of the capacities in August 2012 accounted for 60.3%, being slight decrease compared to the previous month, when it accounted for 60.8%. Compared to August 2011, utilization of the capacities was lower by 1.9 p.p..

In August 2012, 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 declined compared to both the previous month, while compared to August 2011, they significantly reduced. 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.

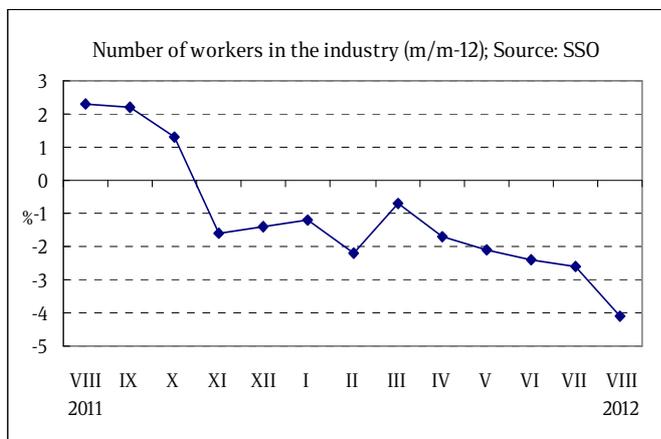
According to the assessment, following factors limited the most the production volume in August 2012: insufficient foreign demand -21.3%, insufficient domestic demand -17.2%, financial problems -15.2%, lack of qualified labour force - 9.3%, uncertain economic surrounding -8.5% and competitive import - 7.2%.

In August 2012, lower number of business entities pointed out the unclear economic laws, insufficient foreign demand and uncertain economic surrounding, while bigger number of business entities pointed out the financial problems, lack of qualified labour force, lack of raw materials, lack of energy and competitive import as limiting factor compared to July 2012.

Number of Workers in the Industry

Number of workers in the industry in August 2012 compared to August 2011 decreased by 4.1%. Sector analysis points out to increase in the number of workers in the sectors electricity, gas, steam and air-conditioning supply by 0.7% and mining and quarrying by 0.1%, while processing industry registered reduction of the number of workers by 5.0% on annual basis.

Data on the number of workers in the industry by target groups in August 2012 compared to August 2011 show increase in the number or workers at group energy by



0.4%, while reduction of the number of workers was seen at the following groups: Capital goods - 10.4%, consumer durables - 8.6%, consumer non-durables - 5.7% and intermediary goods, except energy - 1.7%.

Number of Issued Building Permits and Envisaged Value of Facilities

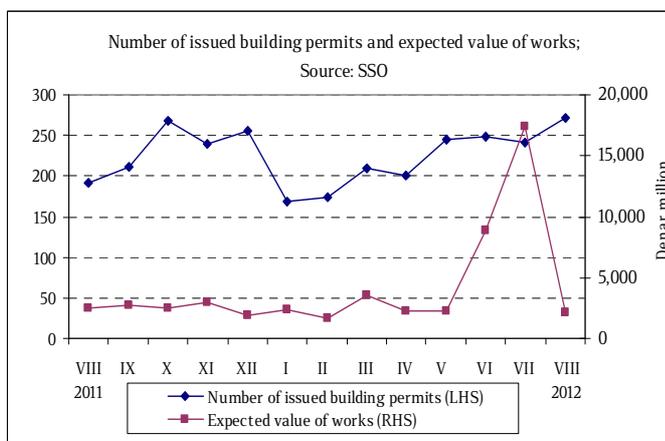
In August 2012, 272 building permits were issued, being by 42.4% more compared to the same month in the previous year. Total number of issued building permits compared to July 2012, when 242 permits were issued, increased by 12.4%.

Envisaged value of the facilities, according to the issued building permits in August, amounted to Denar 2,101 million, being by 16.6% less than the same month in 2011, while compared to July 2012, the value of the facilities decreased by 87.9%. Such decrease (on monthly basis) is explained in the issued building permits for flats in the previous month, for a complex of several skyscrapers in Skopje.

Analyzed by types of facilities, out of the total number of issued building permits, 197 (or 72.4%) are intended for buildings, 45 (or 16.5%) for civil engineering structures and 30 (or 11.1%) for reconstruction.

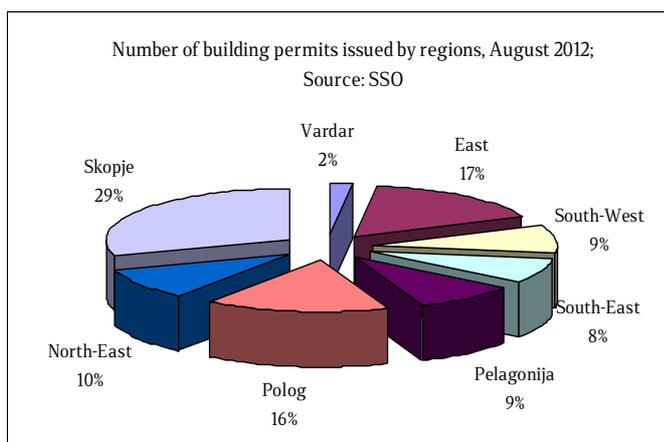
Analyzed by types of investors, out of total 272 facilities, natural persons were investors in 189 facilities (or 69.5%), while business entities were investors in 83 facilities (or 30.5%).

In August 2012, construction of 618 flats is envisaged, with total usable area of 51,112 m². Number of envisaged flats for construction increased by 10.8% compared to the same month in 2011, decreasing by 59.9% compared to July 2012.



Analyzed by regions, most permits were issued in the Skopje region, 81 in total, 54 permits out of which were issued to natural persons as investors, while 27 permits were issued to business entities as investors. Vardar region had least issued permits, 5 permits in total, three permits out of which were issued to natural persons as investors, while two permits were issued to business entities as investors.

In the period January-August 2012, most building permits were issued in the Skopje region, 532 in total, 321 permits out of which were issued to natural persons as investors, while 211 permits were issued to business



entities as investors. Vardar region had least issued permits, 88 permits in total, 51 permits out of which were issued to natural persons as investors, while 37 permits were issued to business entities as investors.

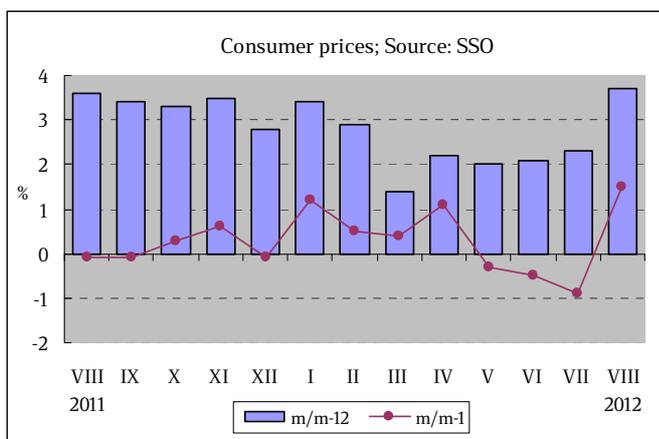
Inflation

Inflation rate, measured according to the CPI index amounted to 3.7% in August 2012 compared to the same month in the previous year. Average inflation rate in the period January-August 2012 amounted to 2.5%.

On annual basis, in August, increase of prices was the highest in the housing category – 10.3%, being mainly a result of the increase of prices of heating and lighting, surging by 15.2%. Price increase was also registered at the following categories: clothing and footwear – 5.2%, food 2.8%, hygiene and health - 2.4%, transportation means and services and restaurants and hotels – 2.3% and tobacco

and beverages - 0.1%. Prices of the category culture and entertainment remained the same, while drop of prices was seen in the category administrative and financial services by 1%.

Inflation rate in August compared to the previous month, amounted to 1.5%. Highest monthly price increase was registered in the category housing by 5%, mainly as a result of the increased price of electricity for the households by 10%. Category means of transport and services experienced monthly increase of prices by



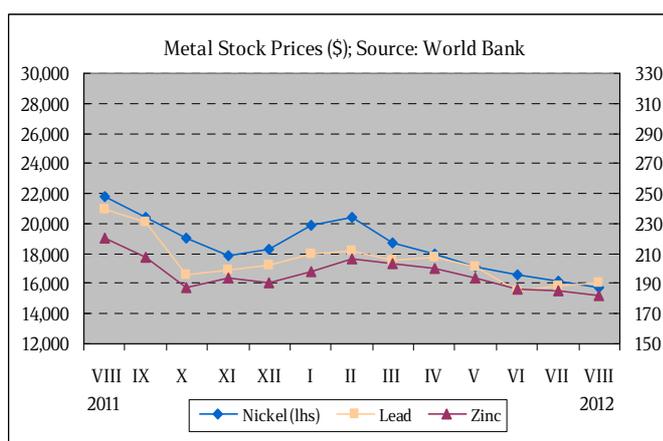
2.6%, as a result of the increased prices of liquid fuels and gas by 7.9% and oil derivatives by 7.6%. Price increase was also noticed in the categories food by 0.8%, hygiene and health by 0.3% and restaurants and hotels by 0.1%. Prices of the category administrative and financial services remained the same, while drop of prices was seen in the other categories, as follows: culture and entertainment and clothing and footwear by 0.2% and tobacco and beverages by 0.1%.

Retail prices in August 2012 were higher by 3.6% compared to August 2011. Compared to the previous month, retail prices were higher by 1.7%. Average increase of retail prices in the period January-August 2012 amounted to 2.9%.

Stock Market Prices

In August 2012, crude oil price (Brent) on the global stock markets grew by almost 10%, compared to the previous month, reaching the price of US\$ 113.3 per barrel. Compared to August 2011, oil price surged by 3%. Average price of natural gas in August decreased by 1.5% 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\$ 15,735 for a metric ton (\$/mt) on the global stock markets in August, being a monthly drop of the price by



2.4%. Compared to August 2011, nickel price was lower by 28%. As for basic metals, drop of prices was also seen at aluminium by 1.7%, zinc by 1.6% and copper by 0.9%. Price of iron ore in August experienced high drop by almost 16% compared to the previous month. Precious metals registered monthly price increase, whereby increase was the highest for silver by 4.9%.

Price of wheat on the global stock markets stabilized in August, increasing by only 1.1% compared to July, following the growth of around 25% in the previous month.

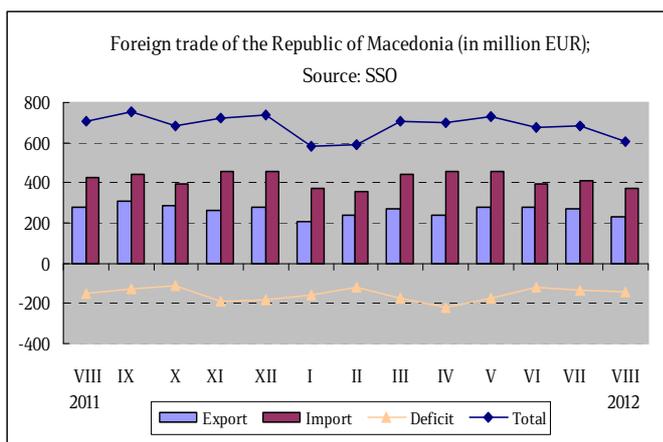
2. Foreign Trade

In the first eight months in 2012, total foreign trade dropped by 1.3% in relation to the same period in 2011.

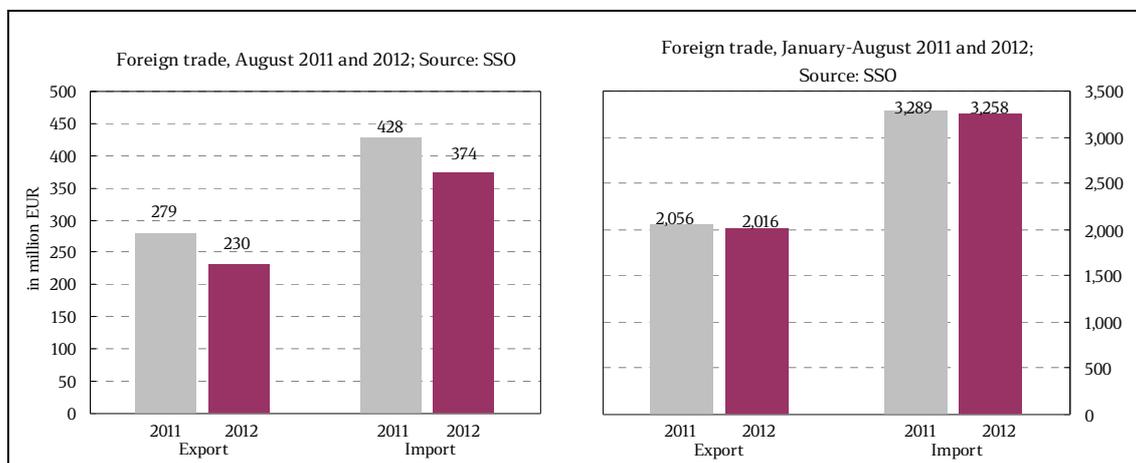
Export

In the period January-August 2012, physical output of export dropped by 10.8% compared to the same period in 2011, while the value of exported goods amounted to EUR 2,016.3 million, contracting by 1.9% (EUR 39.6 million) compared to the period January-August 2011.

Analyzed on monthly basis, in August 2012, export decreased by 15.8%, compared to the previous month.



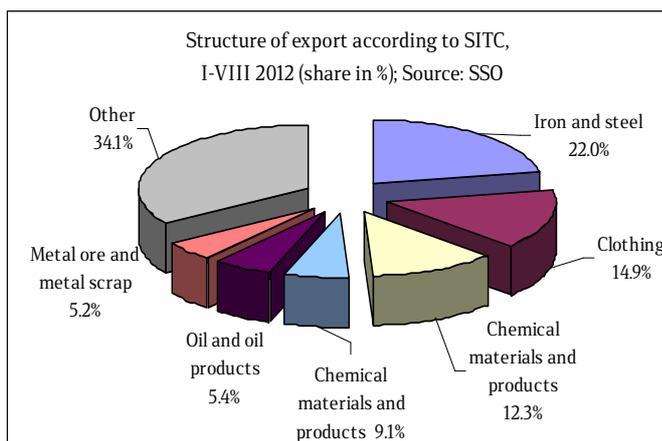
Seasonally adjusted trend of export in August 2012 decreased by 3.4% on monthly basis, pointing out to negative effects of the seasonal factor (12.4 p.p.) on export this month.



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; 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, and other main groups of products (according to SITC), with the biggest share in export in the period January-August 2012 are the following: iron and steel – 22.0%, clothing – 14.9%, chemical materials and

products – 12.3%, beverages and tobacco – 6.1%, oil and oil products – 5.4%, metal ore and metal scrap – 5.2%. These six groups of products comprised 65.9% of the total export of the country.

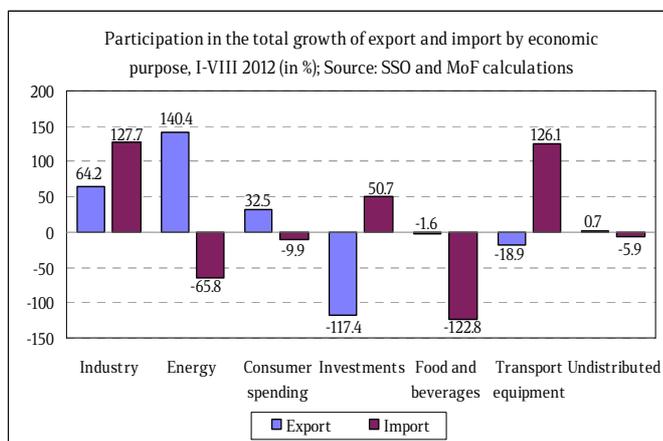
In the first eight months of 2012, observed by economic purpose, the following products were most exported: goods for industrial production (51.9%), followed by personal consumption goods (32.4%), investment goods (9.3%) and energy (6.4%).



Import

Imported quantities of goods in the period January-August 2012 increased by 1.4%, compared to the same period in the previous year, while their value amounted to EUR 3,258.5 million, reducing by 0.9% (EUR 30.8 million) compared to the period January-August 2011.

Analyzed on monthly basis, in August 2012, import dropped by 9.3%, compared to the previous month.



Seasonally adjusted trend of export in August 2012 decreased by 6.6% on monthly basis, pointing out to negative effects of the seasonal factor (2.7 p.p.) on import this month.

Export of oil and oil products*)				
	I-VIII 2011	I-VIII 2012	Balance 2012-2011	% rate
.000 T	254.2	157.3	-96.9	-38.1
EUR mil.	161.9	108.5	-53.4	-33.0
\$ mil.	229.9	139.5	-90.4	-39.3

*)Previous data

Import of oil and oil products*)				
	I-VIII 2011	I-VIII 2012	Balance 2012-2011	% rate
.000 T	855.8	688.0	-167.8	-19.6
EUR mil.	496.7	460.9	-35.8	-7.2
\$ mil.	702.8	591.0	-111.8	-15.9

*)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; oil gases and other gaseous hydrocarbons; hot rolled with thickness less than 3mm, 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 groups of SITC) in the period January-August 2012.

Export of chemical products*)				
	I-VIII 2011	I-VIII 2012	Balance 2012-2011	% rate
000 T	16.5	18.6	2.1	13.0
Мил. ЕУР	258.5	247.9	-10.6	-4.1
Мил.\$	363.5	318.8	-44.7	-12.3

*)Previous data

Import of chemical products*)				
	I-VIII 2011	I-VIII 2012	Balance 2012-2011	% rate
.000 T	18.2	17.2	-1.0	-5.5
Мил. ЕУР	54.4	46.3	-8.1	-14.9
Мил.\$	76.6	59.5	-17.1	-22.3

*)Previous data

Observed by economic purpose in the period January-August 2012, goods for industrial production (42.3%) were most imported, followed by: personal consumption goods (23.0%), energy (20.6%), and investment products (14.0%).

Export of iron and steel*)				
	I-VIII 2011	I-VIII 2012	Balance 2012-2011	% rate
000 T	531.2	444.4	-86.7	-16.3
EUR mil.	463.7	444.3	-19.4	-4.2
\$ mil.	655.0	569.5	-85.5	-13.1

*)Previous data

Import of iron and steel*)				
	I-VIII 2011	I-VIII 2012	Balance 2012-2011	% rate
.000 T	389.5	360.1	-29.4	-7.5
EUR mil.	206.7	188.5	-18.2	-8.8
\$ mil.	291.4	241.0	-50.4	-17.3

*)Previous data

Trade Balance

In the first eight months in 2012, trade deficit widened by EUR 8.8 million or 0.7% 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: widened negative balance of trade in goods in energy products (fuels and lubricants) and personal consumption goods, while larger narrowing of negative balance of trade in investment goods and goods for industrial production had opposite effect.

Analyzed according to economic groups of countries, in the period January-August 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 8.6% on annual basis, while as for Western Balkan countries, it declined by 22.8%.

In the first eight 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 4.7%, whereby share of trade with EU in the total foreign trade showed positive shifts by 3.6 p.p., accounting for 60.4%. Export of goods participated with 62.7%, while import of goods with 58.9%.

In the period January- August 2012, 76.2% 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, Austria, Slovenia, Romania, etc. Surplus was realized in the trade with Germany, Kosovo, Bosnia and Herzegovina and the Netherlands.

Currency Structure

Observed by currency structure, 70.2% of the trade in the period January-August 2012 was realized in euros, and compared to the period January-August 2011, it

surged by 0.4 percentage points. On export and import side, euro accounted for 78.6% and 64.9%, respectively, whereby share of the euro in export was higher by 1.5 p.p., while decrease of the share of the euro in import reduced by 0.3 p.p. compared to the same period in 2011.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I-VIII 2011					I-VIII 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	2,018.1	2,154,383,562	61.5086	132,513,116,771	65.2	1,933.5	2,112,496,146	61.5004	129,919,357,967	64.9	-41,887,416	-1.9
USD	2,009.5	1,184,413,099	42.9071	50,819,731,260	25.0	2,149.4	1,092,719,738	49.7112	54,320,409,464	27.1	-91,693,360	-7.7
GBP	1.6	239,304,074	70.1998	16,799,098,107	8.3	1.8	210,749,354	78.0567	16,450,399,089	8.2	-28,554,720	-11.9
EUR+USD+GBP	4,029.2			200,131,946,139	90.2	4,084.7			200,690,166,521	100.3		
tot. import	4,036.0			203,198,315,316	100.0	4,090.9			200,119,073,875	100.0		-1.5

Source: SSO and NBRM

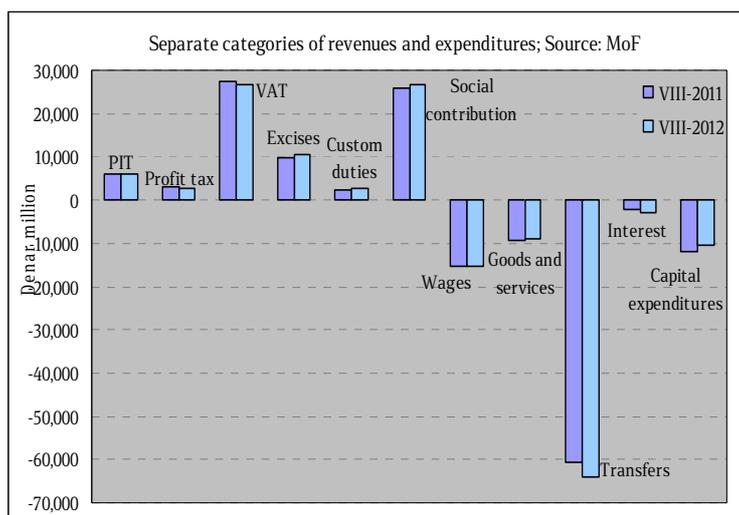
3. Fiscal Sector

Budget Revenues

In the period January-August 2012, total budget revenues reached an amount of Denar 91,260 million, i.e. 18.7% of GDP, which was by 1.1% higher in relation to 2011.

Tax revenues for the first eight months were realized in the amount of Denar 50,836 million, i.e. 10.4% of GDP, being lower by 0.3% in relation to the same period in 2011.

Value added tax was realized in the amount of Denar 26,685 million, whereby share of VAT in total tax revenues in this period was dominant, amounting to 52.5%. Excises were realized in the amount of Denar 10,623 million (participating with 20.9% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 37,308, i.e. 73.4% of total tax revenues (7.7% of GDP). Thereby, VAT collection amounted to Denar 38,786 million on gross basis, Denar 12,102 million out of which was refunded to taxpayers (gross collection was lower by 2.5%, while VAT refund was higher by 1.4% compared to the same period in 2011).



As for VAT structure, VAT share was the biggest when importing, decreasing by 2.0%, while VAT on the basis of sales in the country dropped by 3.1%, share of VAT grants and interest was insignificant (0.5%), observing lower decrease by 22.2%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 6,187 million, increasing by 2.2% on

annual basis (revenues on the basis of salaries accounted for around 74.5% of the personal income tax). Compared to the same eight months in 2011, profit tax revenues dropped by 11.9%, 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 3.0%, while excises increased by 7.1%. Revenues on the basis of customs duties were realized in the amount of Denar 2,632 million, increasing by 7.8%.

Non-tax revenues amounted to Denar 8,218 million, and in relation to the same period in 2011, they were lower by 6.6% (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 3,873 million, showing increase by 24.1% compared to the same period in the previous year.

Collection of social contributions amounted to Denar 26,484 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 2.9%, while health contributions rose by 3.2%.

Budget Expenditures

In the period January-August 2012, total budget expenditures amounted to Denar 101,407 million, i.e. 20.8% of GDP, which was higher by 1.9% compared to 2011.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 91,127 million accounted for 89.9% (18.7% of GDP) and they increased by 4.0% in relation to the same month in 2011.

Transfers amounting to Denar 64,157 million (13.2% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 15,163 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 1.7%.

Expenditures related to goods and services amounted to Denar 8,993 million, decreasing by 3.9% compared to the same period in 2011.

Transfers increased by 6.0% compared to the same period in 2011, participating with 63.3% in the total expenditures. Social transfers amounted to Denar 45,924 million, increasing by 3.7% and participating with 45.3% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 27,166 million, increasing by 5.2%, compared to the same period in 2011 and accounting for 26.8% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 17.4% in the total expenditures, i.e. they surged by 12.6% 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 9,187 million, were higher by 6.7% compared to the eight months in the previous year. Subsidies and transfers were higher by 21.5%.

Interest was collected in the amount of Denar 2,814 million, being by 19.7% 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 6.5%, while the ones on the basis of foreign borrowing surged by 26.3%.

During the analyzed period, funds for capital expenditures were realized in the amount of Denar 10,280 million (2.1% share in GDP), participating with 10.1% in the structure of total realized expenditures.

Budget Balance

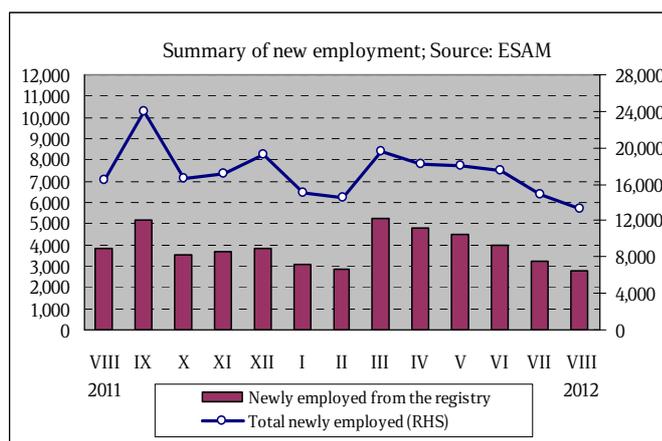
In the period January-August 2012, the budget deficit of the Republic of Macedonia reached the amount of Denar 10,147 million, being 2.1% of GDP, while central budget deficit amounted to Denar 8,629 million or 1.8% of GDP.

4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM

In the period January-August 2012, Employment Agency of the Republic of Macedonia registered total of 131,273 new employments. 41.9% 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 11.6%.

In August, 13,346 new employments were registered, 20.7% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 11,338 persons in August, 24.1% out of which were new employments. In August, 6,202 persons were registered as inflow to the Agency, 52% out of which were persons whose employment was terminated. As a result, unemployment reduced by 5,132 persons, i.e. by 2% compared to the previous month. Thus, in August 2012, 251,817 persons were registered as unemployed. Compared to the same month in 2011, number of unemployed persons declined by 17.1%.



Major percentage of the unemployed, i.e. 67.6% came from urban areas (cities), whereby 56.8% were men. Analyzed by education structure, major part, i.e. 48.1% of 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 55.8% 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 30.1% sought job for 8 years and more.

Salaries

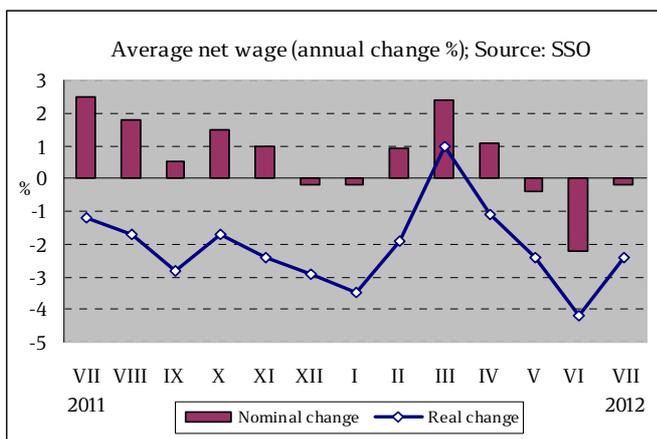
According to the data from the State Statistical Office, average monthly paid gross salary per employee in July 2012 amounted to Denar 30,469, while average monthly paid net salary amounted to Denar 20,781.

On monthly basis, in July 2012, average gross salary increased by 0.5% in nominal terms, being higher by 1.4% in real terms. In the same period, average net salary was higher by 0.6% in nominal terms, increasing by 1.5% in real terms.

In July 2012 compared to July in 2011, average gross salary and net salary decreased by 0.2% in nominal terms, while they were lower by 2.4% in real terms.

On cumulative basis, in the first seven months of 2012, average gross salary increased by 0.1% in nominal terms, while it was lower by 2.2% in real terms. In the same period, average net salary was higher by 0.2% in nominal terms, decreasing by 2.1% in real terms.

Highest increase of average monthly gross and net salary per employee in July 2012 compared to July 2011 was seen in the agriculture, forestry and fishing (7.5% gross salary and 7.8% net salary); expert,



scientific and technical activities (3.2% gross salary and 3.9% net salary) and wholesale and retail trade, repair of motor vehicles and motorcycles (3.1% gross salary and 2.9% net salary).

Highest increase of average monthly gross and net salary per employee in July 2012 compared to June 2011 was seen in the wholesale and retail trade, repair of motor vehicles and motorcycles (3.7% gross salary and 4.8% net salary), processing industry (2.6% gross salary and 2.7% net salary); information and communications (2.2% gross salary and 2.5% net salary) and expert, scientific and technical activities (2.0% gross salary and 2.6% net salary).

Employees who did not receive salary in July 2012 accounted for 2%, and compared to the same month in the previous year, it was lower by 0.2 p.p., while compared to June 2012, percentage of employees who did not receive salary was lower by 0.1 p.p..

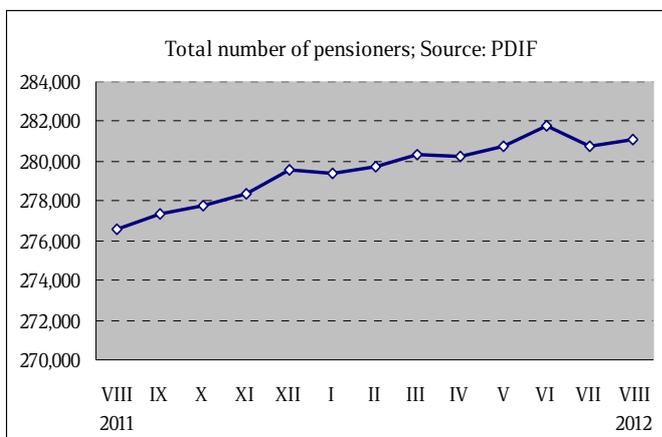
Pensions

In August 2012, Pension and Disability Insurance Fund registered 281,060 pensioners, increasing by 1.6% compared to the same month in 2011. Number of

pension beneficiaries increased by 295 persons in relation to July 2012. 56.5% out of the total number of pensioners are beneficiaries of old-age pension, 27.2% of survival pension and 16.5% of disability pension.

In August 2012, Denar 2,966.58 million was spent for payment of pensions, accounting for 50.3% of the total social transfers¹.

Average pension in August 2012 amounted to Denar 10,688, increasing by 3.3% on annual basis. Ratio between the average pension and the average paid salary in July 2012 (the most recent available data) was 51.5%.

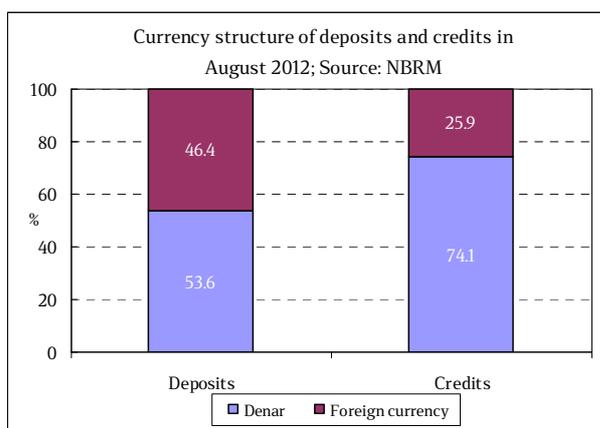


5. Monetary Sector

Primary Money

In August 2012, primary money² showed accelerated growth of 5.9% on annual basis, in conditions of increase of ready money in circulation by 11.1% and increase of total liquid assets of banks by 2.2%. On monthly basis, primary money dropped by 0.7%, as a result of drop of ready money in circulation by 2.7%. Total liquidity of banks surged by 0.9%.

In August 2012, the National Bank decided to retain the maximum interest rate on central bank bills at the same level of 3.75%, taking into account the most recent macroeconomic trends.



Deposit Potential

Total deposit potential of banks³ in August 2012 experienced monthly drop of 0.4%, following the growth of 1.3% realized in the previous month, as a result of the decrease of deposits of private enterprises in foreign currency by 9.5%, leading to decrease of deposits of enterprises by 2.8%. Deposits of households grew by 0.3%.

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).

³ Starting January 2009, deposits include calculated interest

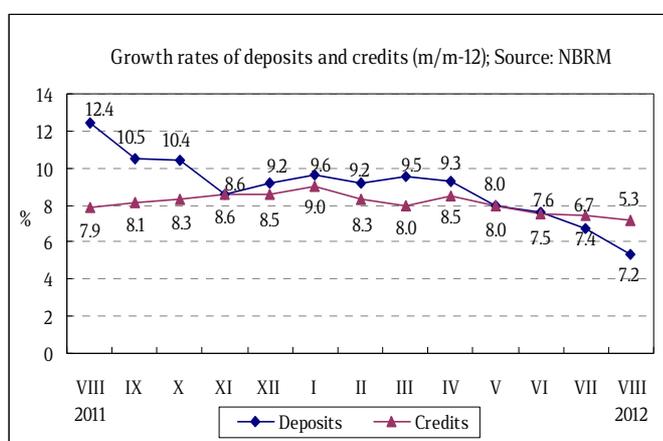
From currency point of view, Denar deposits increased by 0.5%, while foreign currency deposits decreased by 1.3%.

On annual basis, total deposits continued to slow down, starting in March 2012, realizing growth of 5.3% compared to 6.7% in July.

New saving arises mainly from the increased saving of households by 10.2%, while deposits of private enterprises were lower by 5.9%. Analyzed according to currency, new saving is fully in domestic currency in conditions of increase of Denar deposits by 16.6% on annual basis, while foreign currency deposits reduced by 5.3%. According to maturity, long-term deposits increased by 22.2%, while short-term deposits were higher by 1.2% on annual basis.

Bank Credits

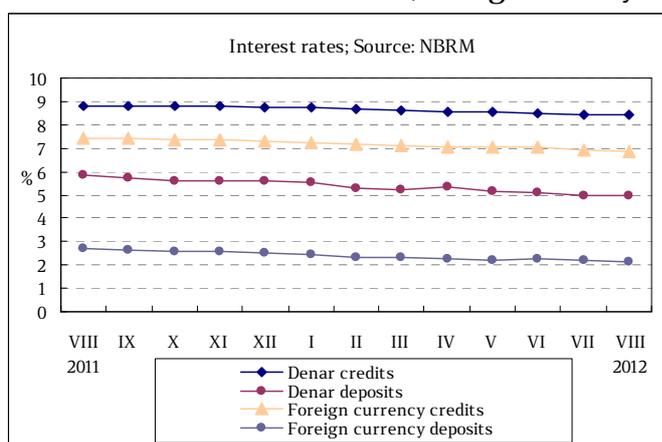
In August 2012, total bank credits to private sector reduced by 0.1% on monthly basis, whereby from currency point of view, the growth was fully a result of the reduced Denar credits by 0.3%, while foreign currency credits surged by 0.4%. Credits to households increased by 0.7% compared to the previous month, while credits to private enterprises were lower by 0.6%.



On annual basis, growth of total credits slowed down to 7.2% (compared to 7.4% in July), in conditions of slowed-down increase of crediting to private enterprises by 7.2%. Credits to households increased by 6.6%. From currency point of view, Denar credits experienced annual growth of 8.7%, while foreign currency credits slowed down their growth to 3.2%. As regards maturity, long-term credits increased by 6.7% on annual basis, while short-term credits were higher by 5.7%.

Interest Rates of Deposit Banks

In August 2012, total interest rate of credits amounted to 8%, being lower by 0.4 p.p. compared to the previous month. 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 0.6 p.p. compared to same month in the previous year.



Total interest rate on deposits reduced by 0.4% compared to

the same month in the previous year, accounting for 3.4%. Interest rate on Denar deposits amounted to 4.9%, being lower by 0.8 p.p. on annual basis, while interest rate on foreign currency deposits accounted for 2.2% 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 August 2012 amounted to EUR 2,114.5 million and, compared to the previous month, they were higher by EUR 18.3 million, while compared to August 2011, foreign currency reserves were higher by EUR 271 million.

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