



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

December 2012



March 2013, Skopje

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

December 2012

- Industrial production in December 2012, compared to November 2012, dropped by 4.8%.
- Inflation rate amounted to 4.7% on annual basis, while compared to the previous month, prices remained the same. Average inflation rate in 2012 amounted to 3.3%.
- Annual drop of physical output of export in 2012 by 11.4% and drop in value by 2.6% and decrease of imported quantities of goods by 2.9% and drop in value by 0.5%, resulting in increase in the trade deficit by 5.8% compared to 2011.
- Higher performance of total budget revenues by 0.7% and increased execution of total budget expenditures by 4.8% in the period January-December 2012, compared to the same period last year; state budget deficit in the amount of Denar 17,767 million (3.7% of GDP) and central budget deficit in the amount of Denar 15,831 million (3.3% of GDP);
- Increase of both total credits to private sector by 5.4% and total deposit potential of banks by 4.9% on annual basis;
- Drop in the number of registered unemployed persons by 13.4% in December 2012 compared to the same month last year.

1. Real Sector

Industrial Production

Industrial production in December 2012, compared to November 2012, dropped by 4.8%. Analysis by sectors shows growth of 20.1% in electricity, gas, steam and air-conditioning supply. Processing industry declined by 7.2%, while mining and quarrying sector dropped by 12.2%. De-seasoned monthly growth of industrial production in December 2012 was -2.0%, pointing out to negative seasonal effects in the industry. Significant growth on monthly basis was seen at the following branches: Production of motor vehicles, trailers and semi-trailers – 54.4%, production of leather and articles of leather

– 20.5%, production of food products – 10.2%, production of coke and refined oil products – 6.9%, production of clothing – 6.7% and production of metals – 4.0%.

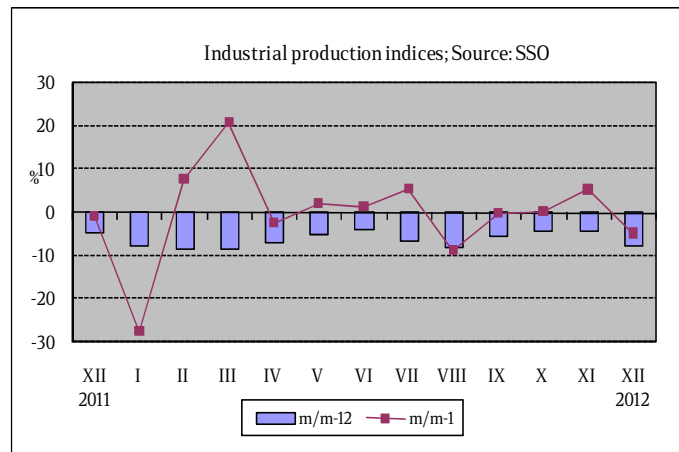
	m/m-12	m/m-1	I-XII 2012
			I-XII 2011
Total	-8.0	-4.8	-6.6
Ore and stone extraction	-1.9	-12.2	-4.4
Processing industry	-8.2	-7.2	-6.3
Electricity, gas and water supply	-8.8	20.1	-9.6

Source: SSO

Industrial production dropped by 8.0% in December 2012 compared to December 2011. Analyzed by sectors, sector mining and quarrying decreased by 1.9% as a result of the drop in other mining and quarrying sector by 21.2% and mining of coal and lignite by 5.3%. Mining of metal ore sector surged by 14.7%. Processing industry dropped by 8.2%. As for processing industry, annual positive growth was registered at 5 out of 23 branches, comprising 9.5% of the industrial production. Growth was seen at the following branches:

Production of fabricated metal products except machines and equipment -72.9%, production of rubber products and plastic mass products – 47.9% production of other transportation equipment - 43.7%, production of leather and similar articles of leather – 6.7% and production of textile – 4.5%. Growth was seen at the tree branches with double-digit share in the industrial production. Thus, production of metals dropped by 8.9%, production of clothing decreased by 5.6% and production of food products declined by 2.6%. Electricity, gas, steam and air-conditioning supply sector dropped by 8.8% on annual basis.

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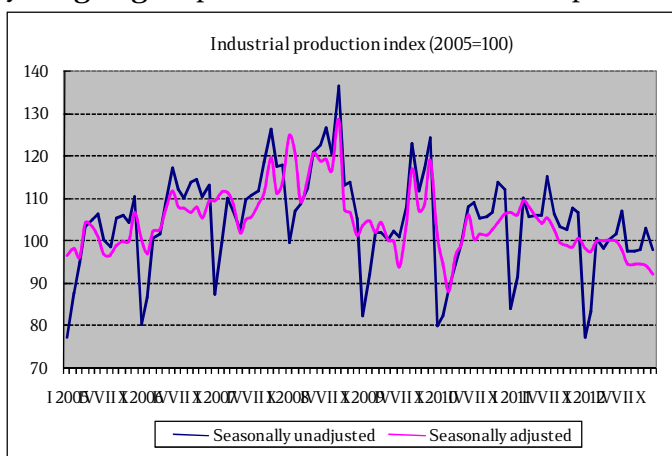


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Production of fabricated metal products, except for machines and equipment (2.4 p.p.) contributed the most to the annual increase in industrial production in December 2012, while production of tobacco products (-2.0 p.p.) had the highest negative contribution.

On cumulative basis, in the period January–December 2012, industrial production dropped by 6.6%, compared to the same period in 2011. Electricity, gas, steam and air-conditioning supply sector declined by 9.6%, processing industry dropped by 6.3%, and mining and quarrying decreased by 4.4%.

Data on industrial production by target groups in December 2012 compared to December 2011 show increase of production at the group intermediary goods, except energy 3.9%. Production decline was observed at the following groups: Consumer goods – 23.4%, energy – 14.3%, consumer non-durables – 12.0% and capital goods – 10.8%.



On monthly basis, data on the industrial production by target

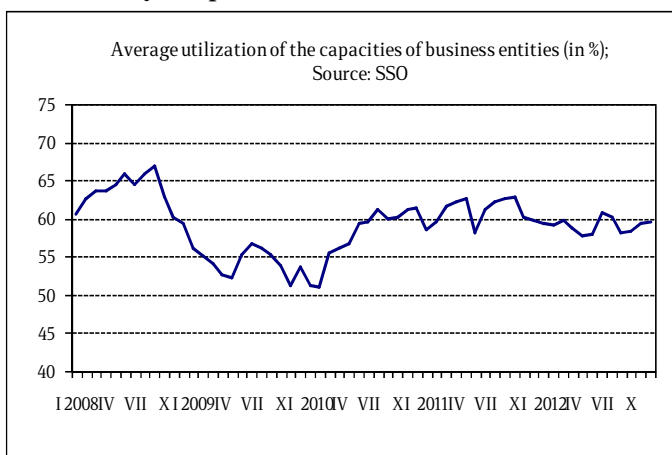
groups in December 2012 showed that there was increase in the production in the group energy by 15.4%. Drop of production was seen at the following groups: Consumer durables – 27.6%, capital goods – 15.7%, intermediary goods, except energy – 8.7% and consumer non-durables – 5.3%.

On cumulative basis in the period January-December 2012 compared to the same period in the previous year, all groups registered drop of production, as follows: Consumer durables – 33.0%, energy – 20.2%, consumer non-durables – 4.2%, capital goods – 1.4% and intermediary goods, except energy – 0.3%.

Business Tendencies in the Processing Industry

Current economic trends of business entities in December 2012 were more favourable compared to the previous month, while compared to December 2011, it was less favourable.

Assessment of current state of delivery-to-production was more favourable compared to both the previous month and December 2011. Assessment for the production volume in the past three months was more favourable compared to November 2012 as well as compared to December 2011. Expectations for the production volume in the next three months are less favourable compared to both the previous month and December 2011.



As regards the number of employees, the expectations in December 2012 for the next three months were at the same level compared to the previous month, while compared to December 2011, they were less favourable.

Average utilization of capacities in December 2012 accounted for 59.7%, being an increase compared to the previous month, when it accounted for 59.4%. Compared to December 2011, the utilization of the capacities was lower by 0.1 p.p..

In December 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. Assessment of the current stock of ready-made products was more favourable compared to the previous month, while compared to December 2011, it was less favourable. In the next 3-month period, according to the assessment of managers, average purchase prices of inputs, as well as the selling prices of ready-made products are expected to decrease.

According to the assessment, following factors limited the most the production volume in December 2012: insufficient foreign demand – 21.6%, insufficient domestic demand – 16.0%, financial problems – 14.6%, lack of qualified labour force – 9.8%, uncertain economic environment – 9.5%, competitive import – 7.8% and shortage of raw materials – 5.9%.

In December 2012, less business entities indicated: insufficient foreign demand, insufficient domestic demand, competitive import lack of equipment and lack of energy, while most of the business entities indicated: uncertain economic surrounding, shortage of skilled labour, financial problems, lack of raw materials and unclear economic laws as limiting factor compared to November 2012. As regards other factors, there are no significant changes.

Number of Industrial Workers

Number of industrial workers in December 2012 decreased by 1.3% compared to December 2011. Sector analysis points out to increase in the number of workers in the sectors mining and quarrying by 8.8% and electricity, gas, steam and air-conditioning supply by 3.7%, while processing industry registered reduction of the number of workers by 2.8% on annual basis.

Data on the number of workers in the industry by target groups in December 2012 compared to December 2011 show increase in the number of workers at group energy by 10.0%, while reduction of the number of workers was seen at the following groups: Consumer durables – 8.9%, capital goods – 7.3%, intermediary goods, except energy – 2.7%, and consumer non-durables – 2.0%.

Number of Issued Building Permits and Envisaged Value of Facilities

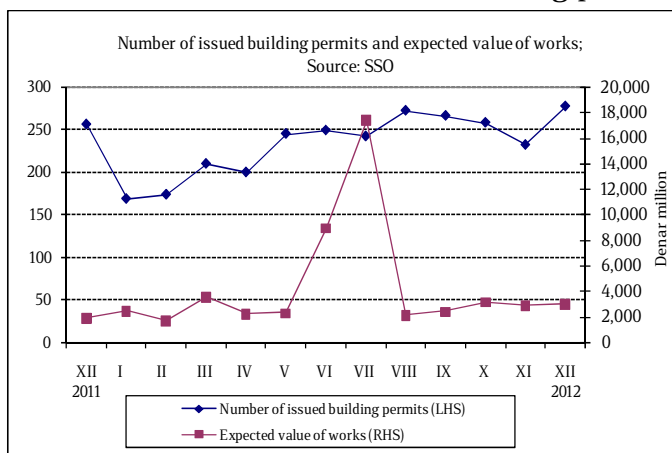
In December 2012, 277 building permits were issued, increasing by 8.2% compared to the same month in 2011. Total number of issued building permits compared to November 2012, when 232 permits were issued, increased by 19.4%.

Envisaged value of the facilities, according to issued building permits in December, amounted to Denar 2,965 million, being by 53.5% more than in

December 2011, while compared to November 2012, the value of the facilities increased by 4.1%.

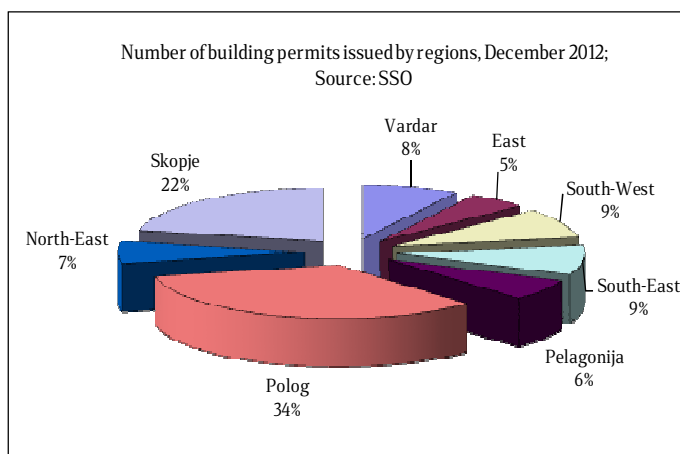
Analyzed by types of facilities, out of the total number of issued building permits, 189 (or 68.2%) are intended for buildings, 36 (or 13.0%) for civil engineering structures and 52 (or 18.8%) for reconstruction.

Analyzed by types of investors, out of total 277 facilities for which building permits were issued, natural persons were investors in 201 facilities (or 72.6%), while business entities were investors in 76 facilities (or 27.4%).



In December 2012, construction of 587 flats was envisaged, with total usable area of 48,503 m². Number of envisaged flats for construction declined by 5.0% compared to the same month in 2011, while it decreased by 9.3% compared to November 2012.

Analyzed by regions, in December 2012, most permits were issued in Polog Region, 93 in total, 74 permits out of which were issued to natural persons as investors, while 19 permits were issued to business entities as investors. Eastern region had least issued permits, 14 permits in total, 6 permits out of which were issued to natural persons as investors, while 8 permits were issued to business entities as investors.

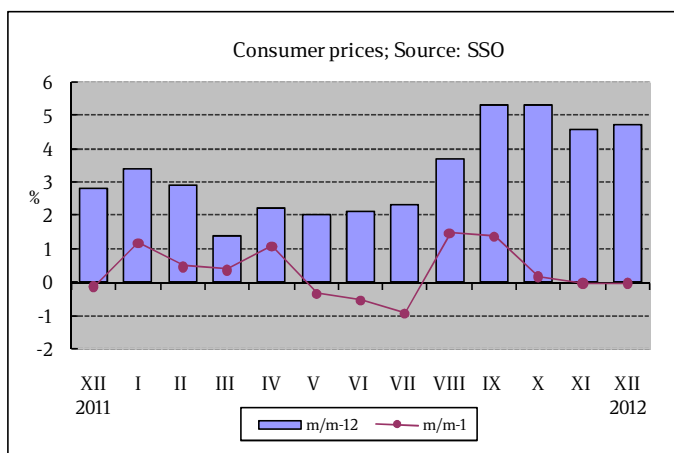


In the period January-December 2012, most building permits were issued in the Skopje region, 791 in total, 485 permits out of which were issued to natural persons as investors, while 306 permits were issued to business entities as investors. Vardar region had least issued permits, 143 permits in total, 88 permits out of which were issued to natural persons as investors, while 55 permits were issued to business entities as investors.

Inflation

Inflation rate, measured according to the CPI index amounted to 4.7% in December 2012 compared to the same month in the previous year. Average inflation rate in 2012 amounted to 3.3%.

On annual basis, in December, increase of prices was the highest in the category clothing and footwear by 10.7%, followed by the increase of prices in the category housing by 9.6%, being mainly due to the increase of prices for heating and lighting by 13.6%. Price increase was also registered at the following categories: Hygiene and health - 4.6%, food - 4.1%, culture and entertainment - 3.3%, transportation means and services - 1.5%, restaurants and hotels - 1.3%, and tobacco and beverages - 0.2%. Reduction of prices was registered in the administrative and financial services category by 0.1%.



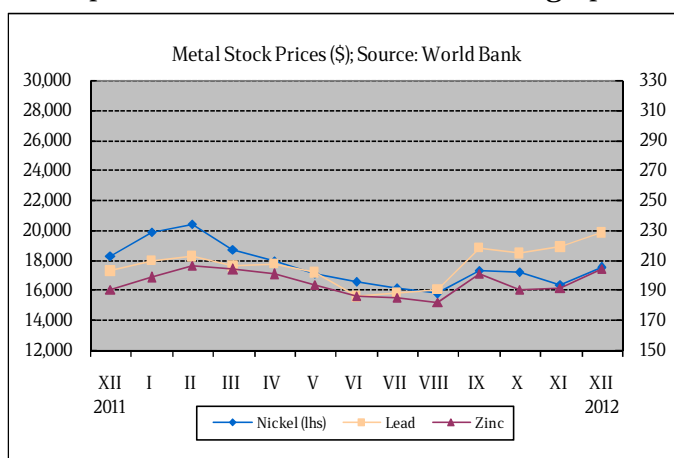
Consumer Price Index in December compared to the previous month did not change. Thereby, positive monthly growth was seen in the categories clothing and footwear by 1%, hygiene and health and restaurants and hotels by 0.3%, culture and entertainment and administrative financial services by 0.2%, tobacco and beverages and housing by 0.1%. Prices remained the same in the category means of transport and services, while drop of prices was seen in the category food by 0.3%. being mainly due to the reduced prices at fats and fruit.

Retail prices in December 2012 were higher by 3.9% compared to December 2011. Compared to the previous month, retail prices were higher by 0.1%. Average increase of retail prices in 2012 amounted to 3.3%.

Stock Market Prices

In December 2012, crude oil price (Brent) on the global stock markets surged by 1.6%, compared to December 2011, reaching the price of US\$ 107.9 per barrel. Compared to the previous month, oil price remained the same. Average price of natural gas in December increased by 0.3% 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\$ 17,449 for a metric ton (\$/mt) on the global stock markets in December, being a monthly



price increase by 6.8%. Compared to December 2011, nickel price was lower by 4.5%. In fact, in December, there was monthly price increase of all base metals and iron ore. As for base metals, highest monthly price increase was seen at tin by 10.5%, followed by aluminium, surging by around 7%. Price of iron ore registered monthly

growth of 6.7% in December. As regards precious metals, low monthly growth of price was observed at platinum, while prices of gold and silver registered a decline.

Price of wheat on global stock markets in December increased by 3% on monthly basis, following the subsequent increase of price in the previous six months.

2. Foreign Trade

Total foreign trade in 2012, experienced downward trend by 0.7% compared to 2011.

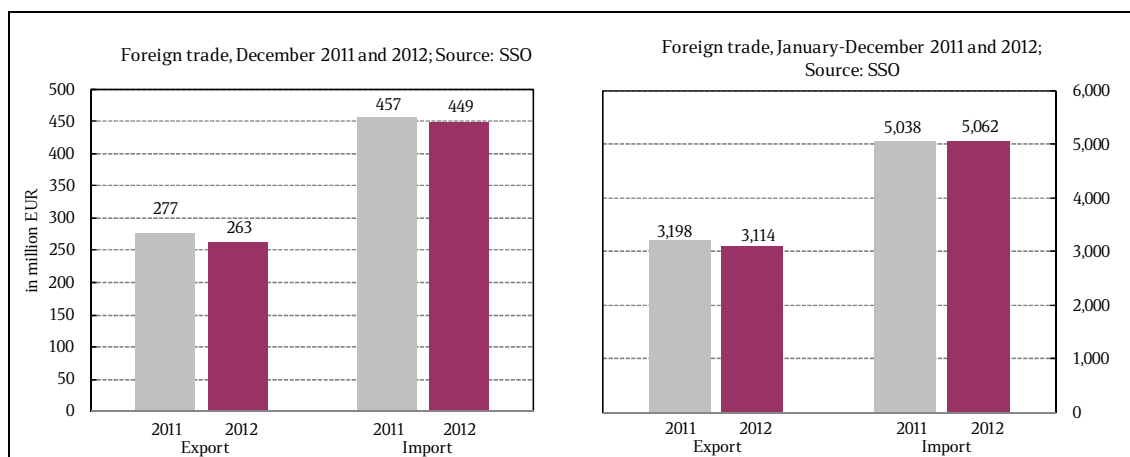
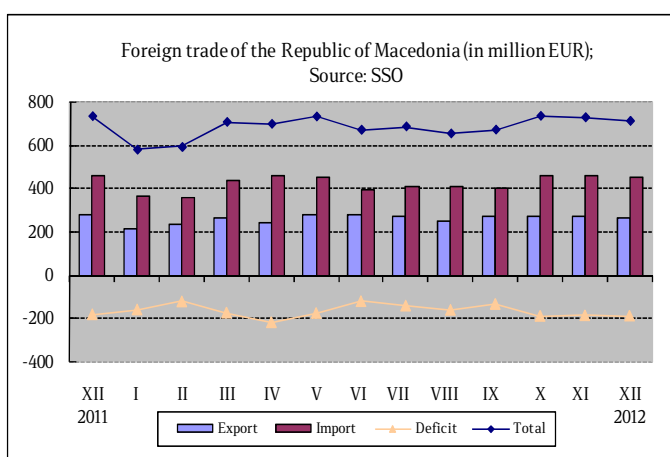
Export

In 2012, physical output of export dropped by 11.4% compared to 2011, while value of exported goods amounted to EUR 3,113.5 million, contracting by 2.6% (EUR 84.1 million) compared to 2011.

Analyzed on monthly basis, in December 2012, export experienced downward trend by 3.3%, compared to the previous month.

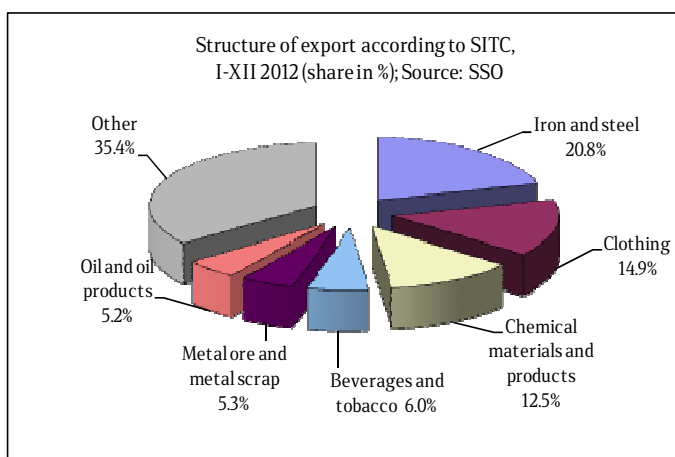
Seasonally adjusted trend of export in December 2012

decreased by 0.1% on monthly basis, pointing out to negative effects of the seasonal factor (3.2 p.p.) on export this month.



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

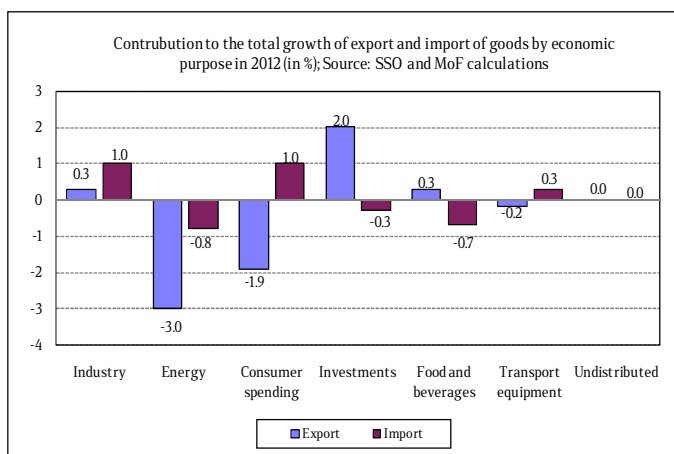
Main groups of goods (according to SITC) having the biggest share in export in 2012 were the following: iron and steel –20,8%, clothing – 14,9%, chemical materials and products – 12,5%, beverages and tobacco – 6,0%, metal ore and metal scrap – 5,3%, oil and oil products – 5,2%. These six groups of products comprised 64,6% of the total export of the country.



In 2012, observed by economic purpose, the following products were most exported: goods for industrial production (50.8%), followed by personal consumption goods (33.4%), investment goods (9.6%) and energy (6.2%).

Import

Imported quantities of goods in 2012 dropped by 2.9%, compared to the previous year, while their value amounted to EUR 5,061.8 million, increasing by 0.5% (EUR 23.3 million) compared to 2011.



Analyzed on monthly basis, in December 2012, import decreased by 1.6%, compared to the previous month.

Seasonally adjusted trend of import in December 2012 dropped by 3.4% on monthly basis, pointing out to positive effects of the seasonal factor (1.8 p.p.) on import this month.

Export of oil and oil products*)				
	I-XII 2011	I-XII 2012	Balance 2012-2011	% rate
000 T	361.7	228.8	-132.9	-36.7
EUR mil.	229.4	160.5	-68.9	-30.0
\$ mil.	321.3	206.8	-114.5	-35.6

*)Previous data

Import of oil and oil products*)				
	I-XII 2011	I-XII 2012	Balance 2012-2011	% rate
.000 T	1,253.7	1,124.3	-129.4	-10.3
EUR mil.	758.1	753.2	-4.9	-0.6
\$ mil.	1,055.4	969.2	-86.2	-8.2

*)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; pharmaceutical, oil gases and other gaseous hydrocarbons; palladium: unwrought or in powder form; and similar

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 2012.

Export of chemical products*)				
	I-XII 2011	I-XII 2012	Balance 2012-2011	% rate
000 T	25.2	20.9	-4.3	-16.9
Мил. ЕУР	398.2	388.1	-10.1	-2.5
Мил.\$	552.6	500.1	-52.5	-9.5

*)Previous data

Import of chemical products*)				
	I-XII 2011	I-XII 2012	Balance 2012-2011	% rate
.000 T	28.0	33.2	5.2	18.6
Мил. ЕУР	74.0	68.5	-5.5	-7.4
Мил.\$	103.1	88.3	-14.8	-14.4

*)Previous data

Observed by economic purpose in 2012, goods for industrial production (41.8%) were most imported, followed by personal consumption goods (23.2%), energy (20.8%) and investment goods (14.1%).

Export of iron and steel*)				
	I-XII 2011	I-XII 2012	Balance 2012-2011	% rate
000 T	801.7	638.8	-162.8	-20.3
EUR mil.	725.5	649.1	-76.4	-10.5
\$ mil.	1,010.9	834.2	-176.7	-17.5

*)Previous data

Import of iron and steel*)				
	I-XII 2011	I-XII 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 2012, trade deficit widened by EUR 107.4 million or 5.8% 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), goods for industrial production and personal consumption goods, while narrowing of negative balance of trade in investment goods had opposite effect.

Analyzed according to economic groups of countries, in 2012, compared to 2011, export dropped at the following groups: Developed countries, EU 27, developing countries and Western Balkans, while growth was seen at the following groups: EFTA, other developed and undeveloped countries. Export to the EU dropped by 6.9% on annual basis, while as for Western Balkan countries, it declined by 20.4%.

In 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 3.0%, whereby share of trade with EU in the total foreign trade showed positive shifts by 3.3 p.p., accounting for 60.0%. Export of goods with the European Union (EU 27) accounted for 62.8% in the total export of the Republic of Macedonia, while import of goods participated with 58.4%.

In 2012, 76.3% of the trade deficit of the country was realized in the trade with Greece, Great Britain, Russia, Turkey and China, followed by: Serbia, Bulgaria, Italy, Switzerland, Poland, Slovenia, Austria, Romania, etc. Surplus was realized in the trade with Germany, Kosovo, Bosnia and Herzegovina and the Netherlands.

Currency Structure

Observed by currency structure, 70.6% of the trade in January 2012 was realized in euros, and compared to 2011, it surged by 0.3 percentage points. On export and import side, euro accounted for 79.4% and 65.2%, 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 0.2 p.p. compared to 2011.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I-XII 2011					I-XII 2012						
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 %	absolute change in currency value	relative change in currency value (in %)
EUR	3,063.6	3,297,345,275	61.5289	202,882,027,706	65.4	2,921.7	3,299,222,827	61.5304	203,002,500,261	65.2	1,877,552	0.1
USD	3,216.6	1,810,918,377	44.2281	80,093,479,088	25.8	3,175.9	1,691,448,200	47.8981	81,017,155,037	26.0	-119,470,177	-6.6
GBP	3.2	347,438,122	70.8931	24,630,965,517	7.9	2.8	330,464,696	75.8941	25,080,320,659	8.1	-16,973,426	-4.9
EUR+USD+GBP	6,283.4			307,606,472,311	91.2	6,100.5			309,099,975,957	99.3		
tot. import	6,294.2			310,182,816,774	100.0	6,110.4			311,315,757,859	100.0		0.4

Source: SSO and NBRM

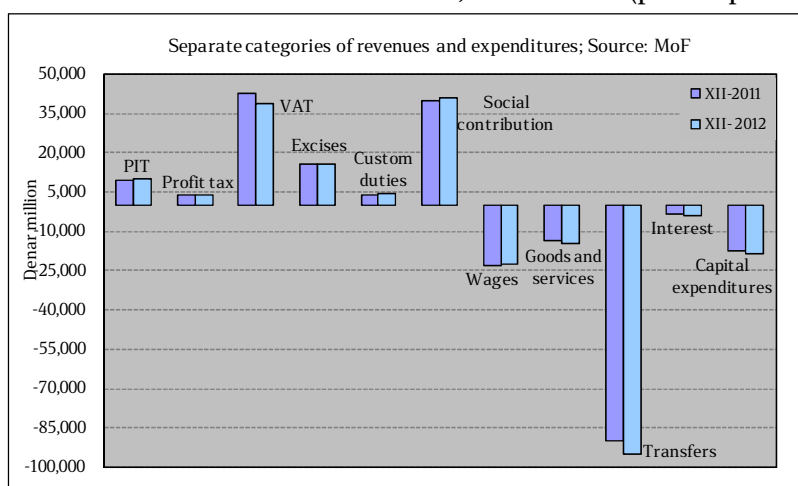
3. Fiscal Sector

Budget Revenues

In the period January-December 2012, total budget revenues amounted to Denar 138,073 million, i.e. 29.0% of GDP, which was by 0.7% higher in relation to 2011.

Tax revenues for these twelve months were realized in the amount of Denar 75,619 million, i.e. 15.9% of GDP, being lower by 3.3% in relation to the same period in 2011.

Value added tax was realized in the amount of Denar 38,469 million, whereby share of VAT in total tax revenues in this period was dominant, amounting to 50.9%. Excises were realized in the amount of Denar 16,596 million (participating with 22.0% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 55,065, i.e. 72.8% of total tax revenues (11.6% of GDP). Thereby, VAT collection amounted to Denar 59,308 million on gross



basis, Denar 20,840 million out of which was refunded to taxpayers (gross collection was lower by 2.0%, while VAT refund was higher by 14.0% compared to the same period in 2011).

As for VAT structure, VAT share was the biggest when importing, decreasing by 0.6%, while VAT on the basis of sales in the country dropped by 4.5%, share of VAT grants and interest was insignificant (0.4%), registering lower realization by 32.6%. Observed by certain categories of taxes, revenues on the basis of personal income

tax were realized in the amount of Denar 9,553 million, increasing by 0.4% on annual basis (revenues on the basis of salaries and other personal earnings accounted for around 71.8% of the personal income tax). Compared to the same twelve months in 2011, profit tax revenues dropped by 6.1%, 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 8.9%, while excises increased by 7.0%. Revenues on the basis of customs duties were realized in the amount of Denar 4,067 million, increasing by 7.6%.

Non-tax revenues amounted to Denar 12,584 million, and in relation to the same period in 2011, they were lower by 3.7% (these revenues are revenues collected on the basis of administrative fees, road toll, etc.).

Capital revenues realized on the basis of sale of construction land, flats and dividends reached Denar 4,433 million, showing an increase by 24.7% compared to the same period in the previous year.

Collection of social contributions amounted to Denar 40,765 million, being higher by 2.5% compared to the same period in 2011, whereby collection of pension insurance contributions increased by 2.4%, collection of employment insurance contribution surged by 2.8%, while health contributions rose by 2.7%.

Budget Expenditures

In the period January-December 2012, total budget expenditures amounted to Denar 155,840 million, i.e. 32.7% of GDP, which was higher by 4.8% compared to 2011.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 137,083 million accounted for 88.0% (28.8% of GDP) and they increased by 4.7% in relation to the same period in 2011.

Transfers amounting to Denar 95,501 million (20.1% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 22,714 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 14.6% and, compared to 2011, they decreased by 1.9%.

Expenditures related to goods and services amounted to Denar 14,652 million, increasing by 5.1% compared to the same period in 2011.

Transfers increased by 5.7% compared to the same period in 2011, participating with 61.3% in the total expenditures. Social transfers amounted to Denar 69,676 million, increasing by 3.7% and participating with 44.7% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 40,893 million, increasing by 4.2%, compared to the same period in 2011 and accounting for 26.2% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 15.8% in the total expenditures, i.e. they surged by 10.1% compared to the same period in 2011. This year, almost all, i.e. 84 local government units transferred to the second stage of decentralization. Block

grants to local government units, amounting to Denar 14,005 million, were higher by 8.5% compared to the twelve months in the previous year. Subsidies and transfers were higher by 11.8%.

Interest was collected in the amount of Denar 4,216 million, being by 21.5% 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 18.0%, while the ones on the basis of foreign borrowing surged by 23.1%.

During the analyzed period, funds for capital expenditures were realized in the amount of Denar 18,757 million, participating with 12.0% in the total expenditures.

Budget Balance

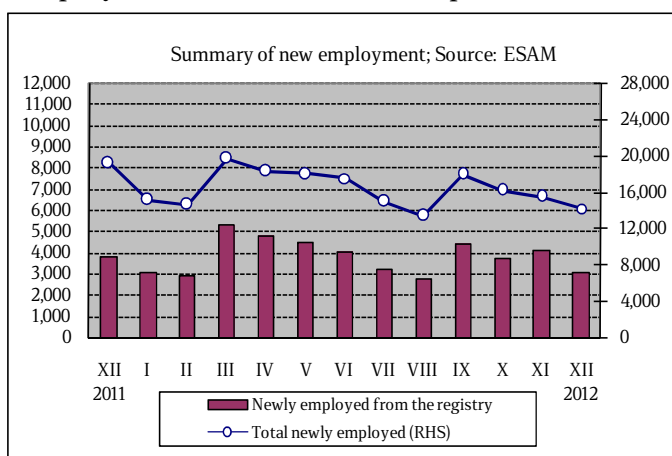
In the period January-December 2012, the budget deficit reached the amount of Denar 17,767 million, being 3.7% of GDP, while central budget deficit amounted to Denar 15,831 million or 3.3% of GDP.

4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM

In the period January-December 2012, Employment Agency of the Republic of Macedonia registered total of 194,951 new employments. 43.9% 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 13.5%.

In December, 14,158 new employments were registered, whereby 21.7% of the new employments were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 8,437 persons in December, 35.8% out of which were new employments. In December, 6,718 persons were registered as inflow to the Agency, 52.8% out of which were persons whose employment was terminated. As a result, unemployment reduced by 1,719 persons, i.e. by 0.7% compared to the previous month. Thus, in December 2012, number of unemployed persons was 243,403. Compared to the same month in 2011, number of unemployed persons declined by 13.4%.



Major percentage of the unemployed, i.e. 67.4%, came from urban areas (cities), whereby 56.9% were men. Analyzed by education structure, major part, i.e. 46.7% of the unemployed persons were unskilled or semi-skilled, while only 10.6% was with community college or higher education level. Observed by age, majority of the unemployed persons or 55.3% fall in the category of 25-49 years of age. According to the time they waited for a job, 50.7% of the unemployed persons sought job from 1 to 7 years, while 29.6% sought job for 8 years and more.

Salaries

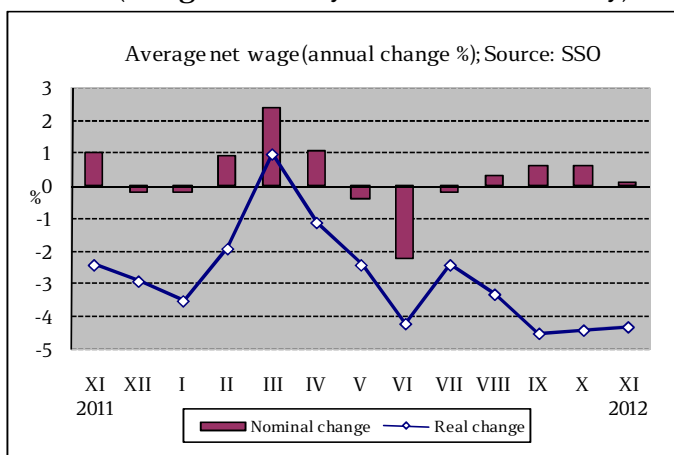
According to the data from the State Statistical Office, average monthly paid gross salary per employee in November 2012 amounted to Denar 30,595, while average monthly paid net salary amounted to Denar 20,875.

On monthly basis, in November 2012, average gross salary experienced nominal and real drop by 0.9%, while average net salary was lower by 0.8% in nominal and real terms. In November 2012 compared to November 2011, average gross salary did not change in nominal terms, while it was lower by 4.4% in real terms. Average net salary was higher by 0.1% in nominal terms, decreasing by 4.3% in real terms.

On cumulative basis, in the first eleven months of 2012, average gross salary increased by 0.2% in nominal terms, while it was lower by 2.9% in real terms. In the same period, average net salary was higher by 0.3% in nominal terms, decreasing by 2.8% in real terms.

Highest increase of average monthly gross and net salary per employee in November 2012, compared to November 2011, was registered at the following: expert, scientific and technical activities (12% gross salary and 13.8% net salary) and other services (5% gross salary and 5.2% net salary).

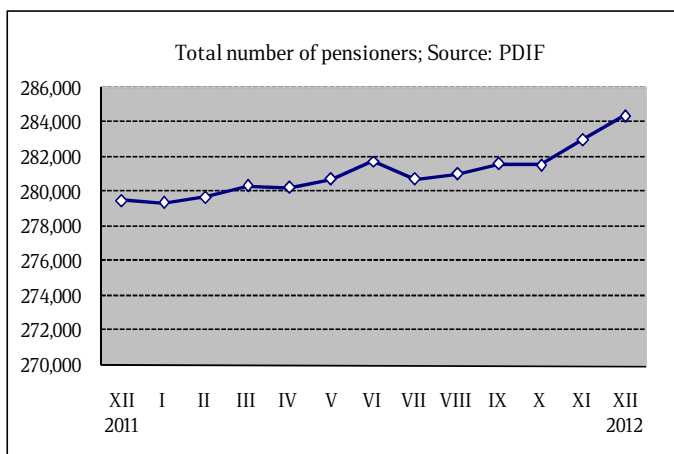
Highest increase of average monthly gross and net salary per employee in November 2012, compared to October 2012, was registered at the following: other services (2.9% gross salary and 3.6% net salary) and expert, scientific and technical activities (2.7% gross salary and 3.3% net salary).



Employees who did not receive salary in November 2012 accounted for 2.2%, being lower by 0.2 p.p. compared to the same month in the previous year, while compared to October 2012, percentage of employees who did not receive salary was higher by 0.4 p.p..

Pensions

In December 2012, Pension and Disability Insurance Fund registered 284,400 pensioners, being an increase by 1.7% compared to the same month in 2011. Number of pension beneficiaries increased by 1,371 persons in relation to November 2012. 57% out of the total number of pensioners are beneficiaries of old-age pension, 26.9% of survival pension and 16.1% of disability pension.



In December 2012, Denar 3,051.53 million was spent for payment of pensions, accounting for 51.2% of the total social transfers¹.

Average pension in December 2012 amounted to Denar 10,932, increasing by 2.9% on annual basis. Ratio between the average pension and the average paid salary in October 2012 (the most recent available data) was 52.3%.

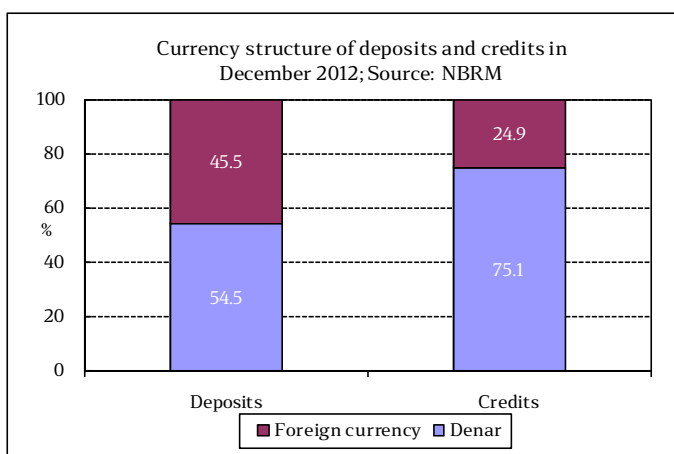
5. Monetary Sector

Primary Money

In December 2012, primary money² experienced annual growth of 4.3% (compared to 6.6% in November), in conditions of increase of ready money in circulation by 5.3% and total liquid funds of banks, by 3.5% on annual basis.

On monthly basis, primary money increased by 8.9%, as a result of the drop of total ready money in circulation by 10.9% and total liquidity of banks by 7.4%.

In December 2012, the National Bank retained the maximum interest rate on central bank bills at the same level by 3.75%, assessing it as stable macroeconomic climate in domestic economy.



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

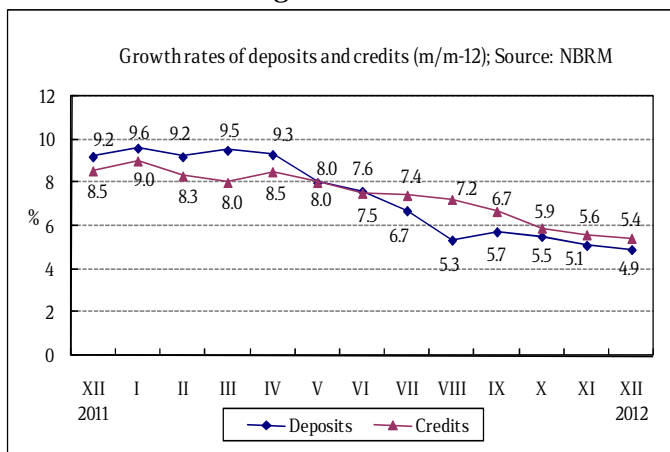
² Primary money is calculated as a sum of ready money in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).

Deposit Potential

Total deposit potential of banks in December 2012 experienced monthly growth of 1.3%, fully driven by increase of domestic currency deposits by 2.4%, while foreign currency deposits remained at the level of the previous month. Analyzed by sectors, deposits of households increased by 1.6%, while deposits of private enterprises surged by 1.5%.

On annual basis, total deposits experienced slowed down growth of 4.9% in December 2012, compared to 5.1% in November 2012. Growth was driven by deposits of households, which surged by 7.2%, while deposits of enterprises declined by 2% on annual basis, as a result of the drop of foreign currency deposits of enterprises by 7.7%.

From currency point of view, new saving is fully in domestic currency in conditions of increase of Denar deposits by 11.5% on annual basis, while foreign currency deposits reduced by 2.1%. According to maturity, long-term deposits increased by 25.1%, while short-term deposits were lower by 2.3% on annual basis.

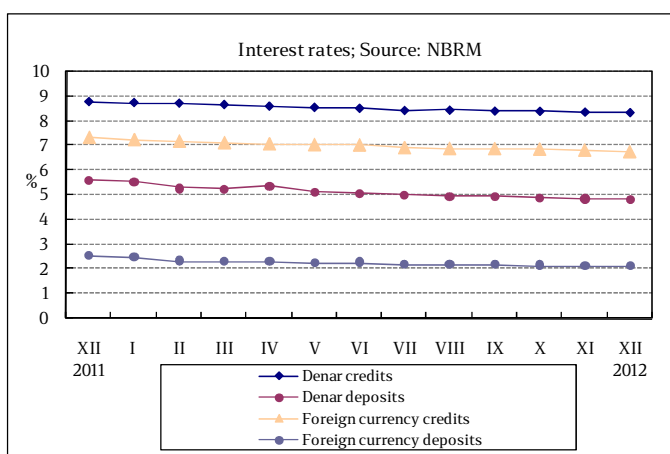


Bank Credits

In December 2012, total credits of banks to the private sector surged by 0.2% on monthly basis, while from currency structure point of view, it was a result of the increase of foreign currency credits by 1.6%. Denar credits reduced by 0.2%.

Credits to private enterprises increased by 0.3% compared to the previous month, while credits to household remained unchanged compared to the previous month.

On annual basis, growth of total credits slowed down to 5.4% (compared to 5.6% in November). According to currency, new crediting was fully in domestic currency. In fact, Denar credits surged by 9.5%, while those in foreign currency credits dropped by 5.1%. Analyzed according to the sector, credits to enterprises registered growth of 4.5%, while credits to households surged by 6.5%. As regards maturity, long-term credits increased by 4.9% on annual basis, while short-term credits were higher by 4%.



Interest Rates of Deposit Banks

In December 2012, total interest rate of credits is at the same level from the previous month, amounting to 7.9%, being lower by 0.4 p.p. compared to the same month in the previous year. Interest rate on Denar credits amounted to 8.3%, while interest rate on

foreign currency credits accounted for 6.8%, i.e. they were lower by 0.4 p.p. and 0.6 p.p. compared to the same month in the previous year.

Total interest rate on deposits remained the same on monthly basis, amounting to 3.3%, while in relation to the same month in the previous year, it was lower by 0.5 p.p.. Interest rate on Denar deposits was 4.8%, being lower by 0.8 p.p. on annual basis, while interest rate on foreign currency deposits was 2.1% or 0.4 p.p. below the level of the same month last year.

Foreign Currency Reserves

Gross foreign currency reserves at the end of December 2012 amounted to EUR 2,193.3 million and, compared to the previous month, they were higher by EUR 95.8 million, while compared to December 2011, foreign currency reserves were higher by EUR 124.4 million.

Ministry of Finance

Macroeconomic Policy Department

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