



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

June 2013



Skopje, August 2013

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

June 2013

- Industrial production surged by 1.9% in June 2013 compared to May 2012 and compared to May 2013, it increased by 2.6%;
- Inflation rate amounted to 4.2% on annual basis and 0.3% on monthly basis. Average inflation rate in the first half of 2013 amounted to 3.6%.
- Annual drop of 18.1% of physical output of export in the period January-June 2013 and valuable growth of 0.8% and decline of imported quantities of goods by 17.8%, with drop in value of 1.8%, resulting in decline of trade deficit by 5.9% compared to the same period in 2012.
- Lower performance of total budget revenues by 1.3% and increase of total budget expenditures by 6.5% in the first six months of 2013, compared to the same period last year; state budget deficit in the amount of Denar 13,817 million (2.8% of GDP) and central budget deficit in the amount of Denar 12,517 million (2.6% of GDP);
- Increase of total credits to private sector by 3.7% and intensified increase of total deposit potential of banks by 3.9% on annual basis.

1. Real Sector

Industrial Production

In June 2013, industrial production increased by 1.9% compared to June 2012. Analyzed by sectors, mining and quarrying sector experienced growth of 6.7% as a result of 29.3% growth in the mining of metal ore branch, while the branches other mining and quarrying and mining of coal and lignite experienced a decline of 15.2% and 9.9% respectively. Processing industry surged by 1.9%, while electricity, gas, steam and air-conditioning supply sector decreased by 2.7%.

As for the processing industry, annual positive growth was registered at 9 out of 23 branches, comprising 43.82% of the industrial production. As

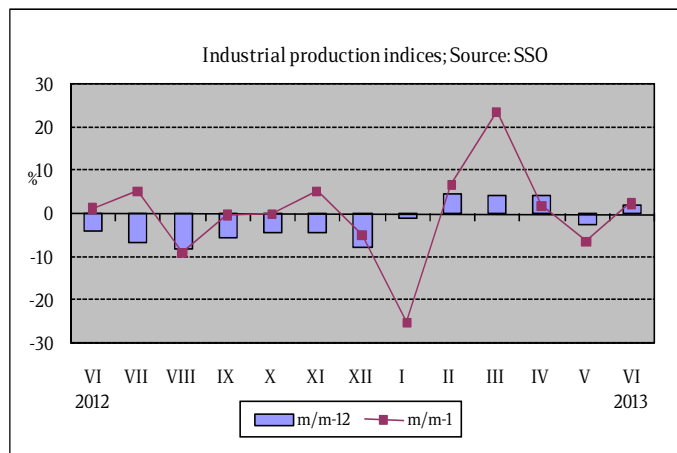
	m/m-12	m/m-1	$\frac{I-VI\ 2013}{I-VI\ 2012}$
Total	1.9	2.6	1.8
Ore and stone extraction	6.7	6.9	9.7
Processing industry	1.9	6.8	-0.6
Electricity, gas and water supply	-2.7	-21.4	8.7

Source: SSO

regards the branches with two-digit share in the structure of industrial production, growth was registered at production of clothing of 8.6%, while decline was recorded at production of food products by 9.6%. High growth was seen at the following branches: production of machines and devices - 34.4%, production of rubber products and plastic mass - 33.8%, production of other transportation equipment - 19.4%, production of tobacco products - 15.8%, production of beverages - 15.3%, production of textile - 14.8%, production of other non-metal mineral products - 10.8% and production of clothing - 8.6%.

Branches mining of metal ore (1.7 p.p) and production of machines and devices (1.7 p.p) contributed the most to the annual change of industrial production in June 2013 while production of food products (-1.3 p.p.) had the highest negative contribution.

Industrial production surged by 2.6% in June 2013 compared to May 2013. Sectoral analysis shows that growth was seen at the mining and quarrying sector - 6.9% and the processing industry sector -



6.8%. Growth in the sector mining and quarrying was a result of the high increase of the branch mining of coal and lignite by 45.7% and the increase of other mining and quarrying branch by 10.5%, while mining of metal ore branch dropped by 5.5%. Electricity, gas, steam and air-conditioning supply sector dropped by 21.4% in June 2013 compared to May 2013.

On cumulative basis, industrial production in the period January–June 2013 increased by 1.8% compared to the same period in 2012. Mining and quarrying sector increased by 9.7%, electricity, gas, steam and air-conditioning supply sector surged by 8.7%, while processing industry sector dropped by 0.6%.

Data on the industrial production by target groups in June 2013, compared to June 2012, show that there was increase in the production at the following groups: Capital goods - 10.0%, intermediary goods, except energy - 5.3% and consumer non-durables - 1.4%. Drop of production was seen in the following groups: Consumer durables - 17.1% and energy - 4.4%.

On monthly basis, data on the industrial production by target groups in June 2013 show that there was increase in the production at the following groups: Consumer non-durables - 8.6%, capital goods - 4.9% and intermediary goods, except energy - 4.3%. Drop was observed in the following groups: Consumer durables - 15.2% and energy - 13.1%.

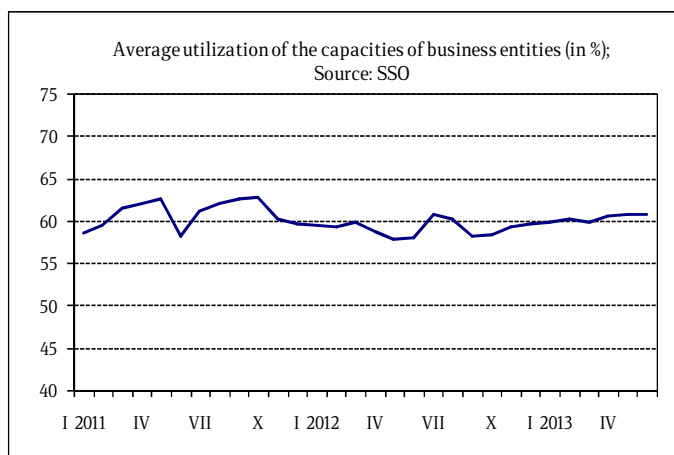
On cumulative basis, in the period January-June 2013, compared to the same period last year, growth was registered in the following groups: Capital goods - 6.2%, consumer non-durables -5.9%, energy - 4.4% and consumer durables -3.2%. Drop was registered at intermediary goods, except energy - 5.5%.

Business Tendencies in the Processing Industry

Current economic trends of business entities in June 2013 were more favourable compared to the previous month and less favourable compared to June 2012.

Assessment of delivery-to-production was more favourable compared to both the previous month and June 2012.

Assessment for the production volume in the past three months was more favourable compared to May 2013, as well as compared to June 2012. Expectations for the production volume in the next three months are less favourable compared to both the previous month and June 2012.



As regards the number of employees, the expectations in June 2013 for the next three months were more favourable compared to the previous month, while compared to June 2012, they were less favourable.

Average utilization of the capacities in June 2013 accounted for 60.9%, being an increase compared to the previous month, when it accounted for 60.8%. Compared to June 2012, the utilization of the capacities was higher by 2.8 p.p..

In June 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 for the current stocks of ready-made products was more favourable compared to the previous month, while compared to June 2012, it was less favourable. In the next 3-month period, according to the assessment of managers, average purchase prices of inputs are expect to decrease and selling prices of ready-made products are also expected to decline.

According to the assessment, following factors limited the most the production volume in June 2013: insufficient foreign demand – 26.2%, insufficient domestic demand – 20.2%, shortage of skilled labour – 10.2%, financial problems – 9.8%, competitive import – 9.1%, uncertainty of economic environment – 8.7%, unclear economic laws – 3.4%, shortage of raw materials – 3.0% and lack of equipment – 2.1%.

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

Number of Workers in the Industry

Number of workers in the industry in June 2013 compared to June 2012 increased by 0.5%. Sector analysis shows increase in the number of workers in the following sectors: mining and quarrying – 8.4% and electricity, gas, steam and air-conditioning supply – 2.1%, while number of workers dropped in the processing industry sector by 0.3%.

Data on the number of workers in the industry by target groups in June 2013, compared to June 2012, showed increase in the number of workers at the following groups: Energy by 7.9%, consumer non-durables by 0.8%, consumer durables by 0.4%, while reduction of the number of workers was registered in the following groups: Capital goods – 6.0% and intermediary goods, except energy – 1.9%.

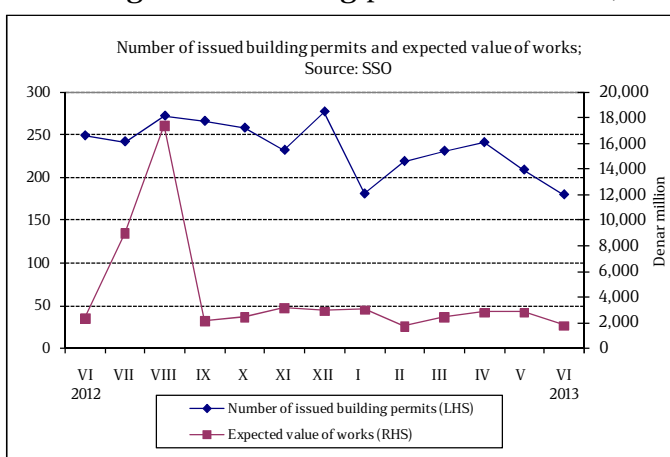
Number of Issued Building Permits and Envisaged Value of Facilities

In June 2013, 180 building permits were issued, dropping by 27.7% compared to the same month in 2012. Total number of issued building permits compared to May 2013, when 209 permits were issued, decreased by 13.9%.

Envisaged value of the facilities, according to the building permits issued in June, amounted to Denar 1,508 million, being by 83.1% less compared to June 2012, while compared to May 2013, value of the facilities decreased by 13.3%.

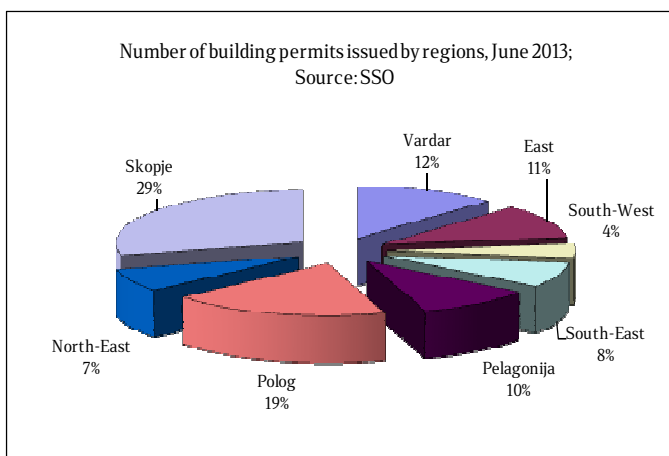
Analyzed by types of facilities, 139 (or 77.2%) building permits out of the total number of issued building permits were intended for buildings, 14 (or 7.8%) for civil engineering structures and 27 (or 15%) for reconstruction.

Analyzed by types of investors, out of the total 180 facilities for which building permits were issued, natural persons were investors in 139 facilities (or 77.2%), while business entities were investors in 41 facilities (or 22.8%).



In June 2013, construction of 199 flats was envisaged, with total usable area of 20,451 m². Number of flats envisaged for construction declined by 68.4% compared to the same month in 2012, while it decreased by 43.8% compared to May 2013.

Analyzed by regions, in June 2013, most permits were issued in the Skopje region, 52 in total, 41 permits out of which were issued to natural persons as investors, while 11 permits were issued to business entities as investors.



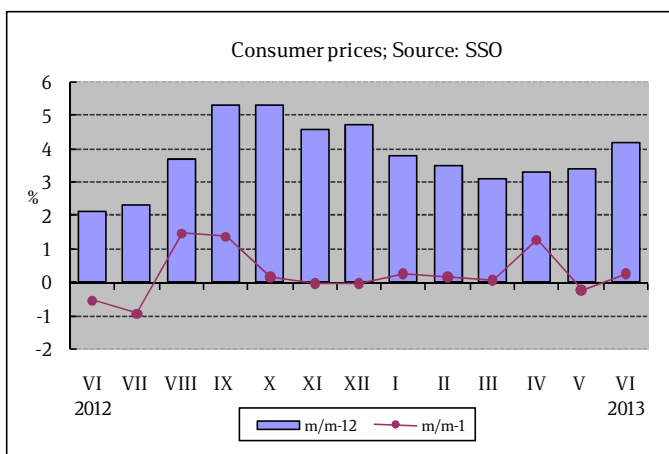
Southwestern region had least issued permits, 8 permits in total, all of which were issued to natural persons as investors.

In the period January-June 2013, most building permits were issued in the Skopje region, 347 in total, 261 permits out of which were issued to natural persons as investors, while 86 permits were issued to business entities as investors. Northeastern region had least issued permits, 85 permits in total, 73 permits out of which were issued to natural persons as investors, while 12 permits were issued to business entities as investors.

Inflation

Annual inflation rate in June 2013, measured according to the CPI index, amounted to 4.2%. Average inflation rate in the first half of 2013 amounted to 3.6%.

On annual basis, the highest price increase was registered in the category clothing and footwear by 6.9%. Price increase was also registered at the following categories: food – 6.2%, restaurants and hotels – 4.3%, hygiene and health – 3.9%, housing – 3.5%, tobacco and beverages – 1.7%, culture and entertainment – 1% and administrative and financial services – 0.9%. Prices in the category means of transport and services category dropped by 0.3%.



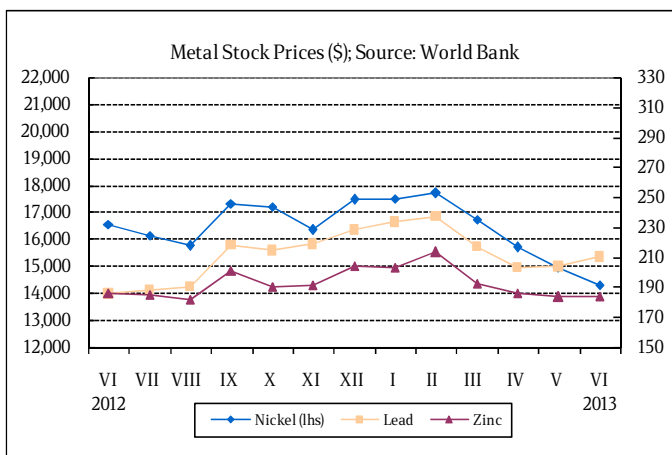
Inflation rate in June compared to the previous month, amounted to 0.3%. Increase of prices was a result of the increased prices at the following categories: Means of transport and services – 0.9% food - 0.5% and clothing and footwear - 0.2%. Prices remained the same in the following categories: tobacco and beverages, housing and administrative and financial services. Prices of categories hygiene and health and culture and entertainment dropped by 0.3%, while prices of restaurants and hotels category decreased by 0.4%.

Retail prices in June 2013 were higher by 2.3% compared to June 2012. Compared to the previous month, retail prices were higher by 0.4%. Average increase of retail prices in the first half of 2013 amounted to 1.6%.

Stock Market Prices

In June 2013, crude oil (Brent) price on the global stock markets registered insignificant growth of 0.1% compared to the previous month, reaching the price of US\$ 103.1 per barrel. Compared to June 2012, oil price surged by 7.9%. Price of natural gas in June decreased by 2.8% 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\$ 14,280 for a metric ton (\$/mt) on the global stock markets in June, being a monthly drop of the price by 4.5%.



Compared to June 2012, nickel price was lower by 13.7%. In June, monthly decline of prices was also registered at copper – 3.4%, tin – 2.4% and aluminum – 1% as regards basic metals, while prices of lead and zinc experienced monthly growth of 3.3% and 0.4% respectively. Price of iron ore in June experienced monthly decline of 7.7%. Monthly drop in prices of precious metals was observed in June, whereby, price of silver dropped by 8.4%, price of gold by 5% and price of platinum by 3.1%.

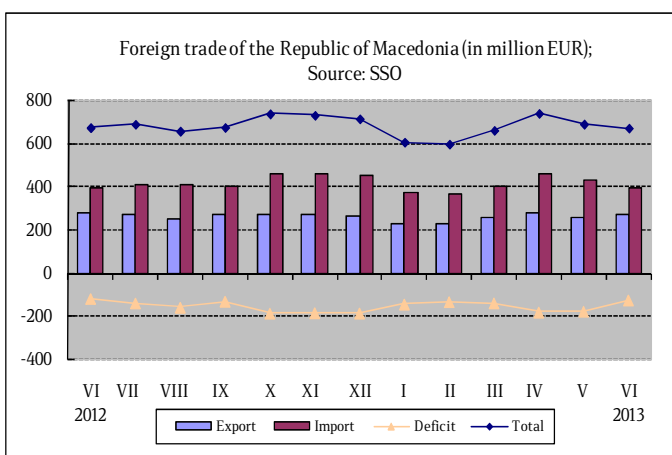
In June, price of wheat on global stock markets dropped by 2% on monthly basis. Price of maize in June continued to increase and it was higher by 1% compared to May.

2. Foreign Trade

In the first half of 2013, total foreign trade registered a contraction of 0.8% in relation to the same period in 2012.

Export

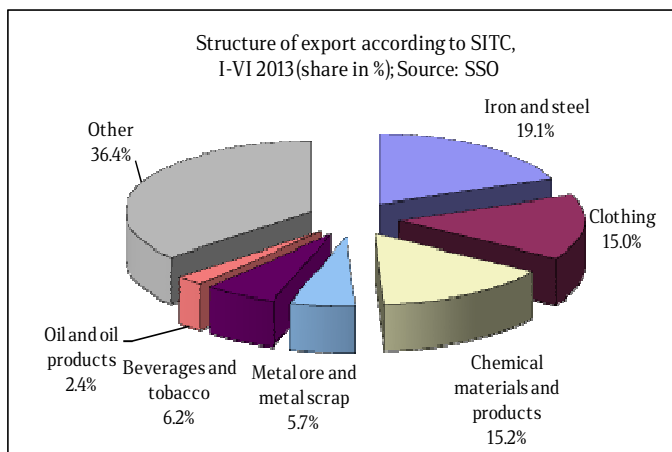
In the period January - June 2013, physical output of export dropped by 18.1% compared to the same period in 2012, while value of exported goods amounted to EUR 1,525.0 million, surging by 0.8% (EUR 12.8 million) compared to the period January – June in 2012.



Analyzed on monthly basis, in June 2013, export increased by 6.8%, compared to the previous month.

Seasonally adjusted trend of export in June 2013 registered monthly growth of 6.6%, pointing out to positive effects of the seasonal factor (0.2 p.p.) on export this month.

Main groups of goods (according to SITC) being most exported in the period January-June 2013 were the following: iron and steel – 19.1%, chemical materials and products – 15.2%, clothing – 15.0%, beverages and tobacco – 6.2%, metal ore and metal scrap – 5.7% and oil and oil products – 2.4%.



These six groups of products comprised 63.6% of the total export of the country.

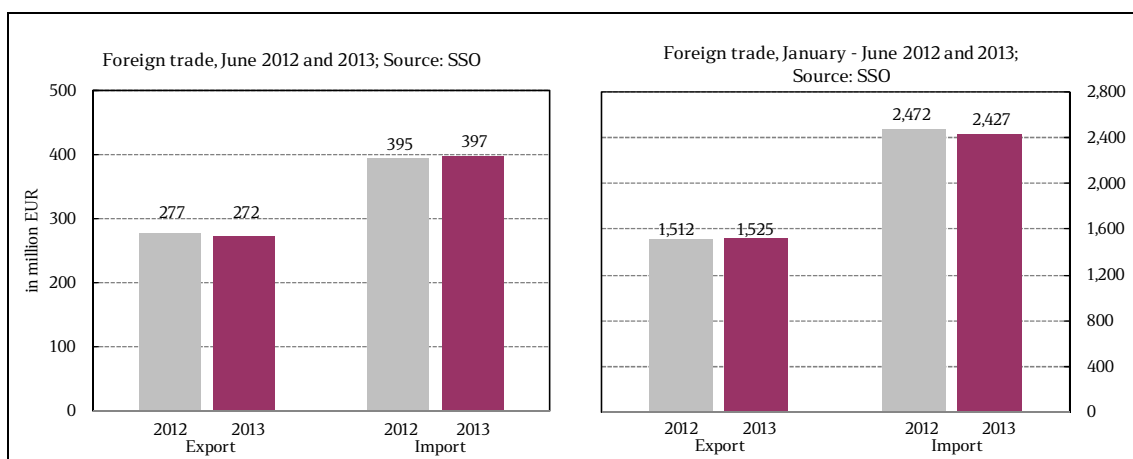
In the first half of 2013, observed by economic purpose, the following products were most exported: goods for industrial procurement (53.2%), followed by consumer goods (22.1%), food and beverages (10.5%), products for investments without transport equipment (9.9%), fuels and lubricants (2.5%) and transport equipment (1.8%).

	I-VI 2012	I-VI 2013	Balance 2013-2012	% rate
000 T	349.5	283.2	-66.3	-19.0
EUR mil.	342.5	291.3	-51.2	-15.0
\$ mil.	443.7	381.8	-61.9	-13.9

*)Previous data

	I-VI 2012	I-VI 2013	Balance 2013-2012	% rate
000 T	269.1	306.5	37.4	13.9
EUR mil.	139.6	149.3	9.7	7.0
\$ mil.	180.6	196.1	15.5	8.6

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

Import

Imported quantities of goods in the period January - June 2013 reduced by 17.8% compared to the period January - June previous year, while their value amounted to EUR 2,427.4 million, reducing by 1.8% (EUR 44.2 million) compared to the same period in 2012.

Analyzed on monthly basis, in May 2013, import decreased by 8.3%, compared to the previous month.

Seasonally adjusted trend of import in June 2013 decreased by 2.5% on monthly basis, pointing out to negative effects of the seasonal factor (5.8 p.p.) on import this month.

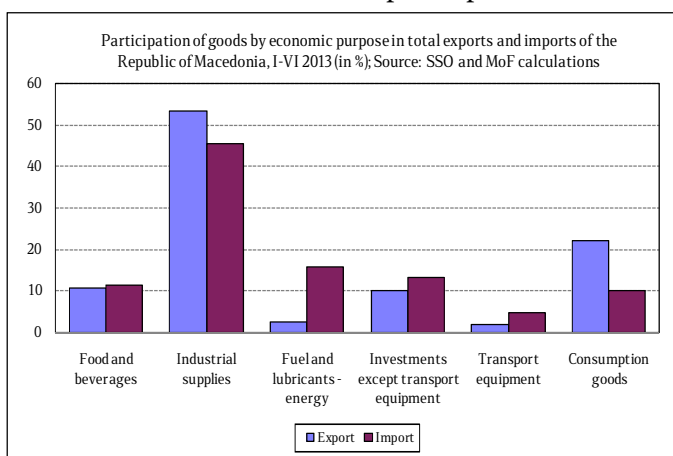
Export of oil and oil products*)					Import of oil and oil products*)				
	I-VI 2012	I-VI 2013	Balance 2013-2012	% rate		I-VI 2012	I-VI 2013	Balance 2013-2012	% rate
000 T	118.7	73.4	-45.3	-38.1	.000 T	525.8	417.0	-108.8	-20.7
EUR mil.	84.8	37.3	-47.5	-56.0	EUR mil.	344.2	256.3	-87.9	-25.5
\$ mil.	110.3	48.9	-61.4	-55.7	\$ mil.	446.9	335.9	-111.0	-24.8

*)Previous data

*)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 - June 2013.

In the period January - June 2013, observed by economic purpose, following products were most imported: goods for industrial procurement (45.3%), followed by fuels and lubricants (15.7%), products for investments without transport equipment (13.2%), food and beverages (11.1%), consumer goods (10.0%) and transport equipment (4.7%).



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

Trade Balance

In the first half of 2013, trade deficit narrowed by EUR 57.0 million or 5.9% compared to the same period last year.

If we analyse 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 in fuels and lubricants, transport equipment, food and

beverages and the 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 – June 2013, compared to the same period in 2012, export grew at the following groups: EU 27 and EFTA, while it dropped at the following groups: Organization of Petroleum Exporting Countries, Western Balkans, North American Free Trade Zone, Asia-Pacific Economic Cooperation Organization and Commonwealth of Independent States. Export to the EU surged by 15.1% on annual basis, while as for Western Balkan countries, it declined by 15.1%.

In the first half of 2013, foreign trade of the Republic of Macedonia with the European Union (EU 27), in relation to the same period in the previous year, increased by 7.5%, whereby share of trade with the EU in the total foreign trade increased by 4.2 p.p., accounting for 63.6%. Export of goods to the European Union (EU 27) accounted for 70.8% in the total export of the Republic of Macedonia, while import of goods participated with 59.0%.

In the period January – June 2013, 73.7% of the trade deficit of the country was realized in the trade with Great Britain, Greece, China, Turkey and Russia followed by: Serbia, Italy, Slovenia, Switzerland, the USA, Austria and others. Surplus was realized in the trade with Germany, Kosovo and Bosnia and Herzegovina.

Currency Structure

Observed by currency structure, 73.1% of the trade in the period January-June 2013 was realized in euros, and compared to the period January-June 2012, it surged by 3.7 percentage points. On export and import side, euro accounted for 82.5% and 67.1% respectively, whereby share of the euro at export was higher by 4.4 p.p., while increase of the share of the euro at import accounted for 3.2 p.p. compared to the period January - June 2012.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I-VI 2012					I-VI 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	1,451.7	1,576,147,490	61.6075	97,102,506,465	64.0	1,470.7	1,629,394,604	61.6694	100,483,787,588	67.1	53,247,114	3.4
USD	1,906.0	871,673,103	49.2161	42,900,350,608	28.3	1,288.4	680,639,478	46.7918	31,848,346,335	21.3	-191,033,625	-21.9
GBP	1.4	163,598,826	76.4874	12,513,248,852	8.2	1.4	220,447,961	72.3482	15,949,013,193	10.7	56,849,135	34.7
EUR+USD+GBP	3,359.1			152,516,105,926	92.2	2,760.5			148,281,147,116	99.1		
tot. import	3,363.7			151,825,726,654	100.0	2,765.6			149,653,704,092	100.0		-1.4

Source: SSO and NBRM

3. Fiscal Sector

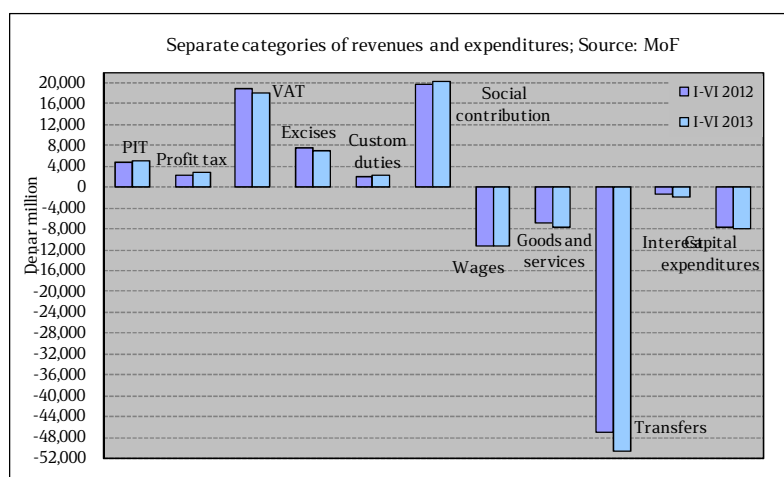
Budget Revenues

In the period January – June 2013, total budget revenues reached the amount of Denar 66,052 million, i.e. 13.5% of GDP, which was by 1.3% lower in relation to the same period in 2012.

Tax revenues in the first six months were realized in the amount of Denar 36,522 million, i.e. 7.5% of GDP, being lower by 0.8% in relation to the same period in 2012.

Value added tax was realized in the amount of Denar 17,961 million, whereby share of VAT in total tax revenues in this period was dominant, amounting to 49.2%.

Excises were realized in the amount of Denar 6,975 million (participating with 19.1% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 24,936 million, i.e. 2/3 or 68.3% of total tax revenues (5.1% of GDP). Thereby,



VAT collection amounted to Denar 28,515 million on gross basis, Denar 10,555 million out of which was refunded to taxpayers (gross collection was higher by 0.1%, while VAT refund was higher by 10.0% 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 14.3%, share of VAT grants was insignificant (0.6%), observing higher performance by 73.8%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 4,911 million, increasing by 5.4% on annual basis, whereby revenues on the basis of salaries and other personal earnings account for around $\frac{3}{4}$, i.e. 74.0% of the personal income tax. Compared to the same period in 2012, profit tax revenues surged by 25.8% amounting to Denar 2,864 million, being mainly a result of the tax collected on the basis of paid dividend and other profit distribution, calculated interest on profit tax and annual tax on turnover, at the same time observing drop of revenues on the basis of additional payments on the basis of tax balance, paid advance payments and withheld tax on revenues paid to foreign legal entities. VAT revenues dropped by 5% (being less by 0.5 p.p. compared to the decline in the previous five-month period), while excises experienced identical drop, i.e. lower performance by 6.2%. Revenues on the basis of customs duties were realized in the amount of Denar 2,100 million, increasing by 9.0%. Revenues on the basis of other taxes, amounting to Denar 1,711 million, grew by 5.9%.

Non-tax revenues amounted to Denar 4,735 million and, in relation to the same period in 2012, they were lower by 19.2% (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 2,760 million, decreasing by 19.8% compared to the same period in the previous year.

Collection of social contributions amounted to Denar 20,156 million (accounting for 4.1% of GDP), being higher by 2.7% compared to the same period in 2012, whereby collection of pension and disability insurance contributions increased by 2.3%, collection of employment insurance contribution surged by 2.4%, while health insurance contributions rose by 3.8%.

Budget Expenditures

In the period January-June 2013, total budget expenditures amounted to Denar 79,869 million, i.e. 16.4% of GDP, which was higher by 6.5% compared to 2012.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 71,841 million accounted for 89.9% (14.8% of GDP) and they increased by 7.2% in relation to the same period in 2012.

Transfers amounting to Denar 50,728 million (10.4% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 11,264 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 1.0%.

Expenditures related to goods and services amounted to Denar 7,788 million, increasing by 10.3% compared to the same period in 2012.

Transfers increased by 7.3% compared to the same period in 2012. Social transfers amounted to Denar 36,381 million, increasing by 6.2% and participating with 45.6% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 22,253 million, increasing by 9.5% compared to the same period in 2012 and accounting for 27.9% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 17.5% in the total expenditures, i.e. they surged by 10.6% compared to the same period in 2012. Block grants to local government units amounting to Denar 6,937 million, were higher by 0.3% compared to the first half-term last year. Subsidies and transfers were higher by 24.0%.

Interest was collected in the amount of Denar 2,061 million, being by 54.9% more compared to the same period in 2012. 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 45.8%, while the ones on the basis of foreign borrowing surged by 62.0%.

In the analyzed period, capital expenditures were realized in the amount of Denar 8,028 million, participating with 10.1% in the total expenditures (1.7% of GDP), i.e. they increased by 1.2% compared to the same period last year.

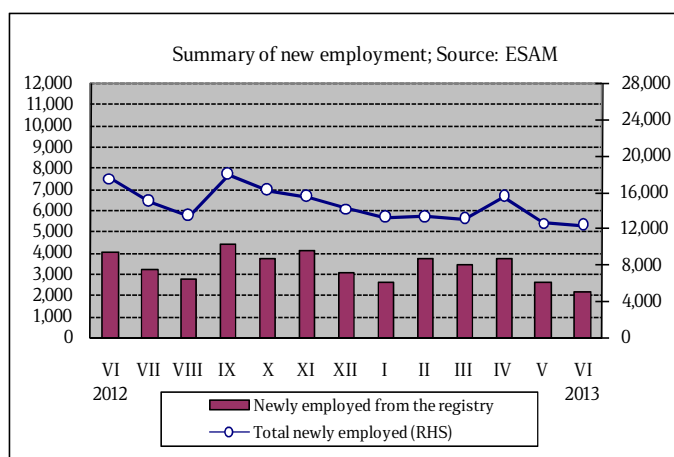
Budget Balance

In the first six months in 2013, budget deficit reached the amount of Denar 13,817 million, accounting for 2.8% of GDP, while central budget deficit amounted to Denar 12,517 million or 2.6% of GDP.

4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM¹

In the period January-June 2013, Employment Agency of the Republic of Macedonia registered total of 79,732 new employments. 46.7% 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 22.6%.



In the course of June, 12,324 new employments were registered, 17.6% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 6,611 persons in June, 32.2% out of which were new employments. In June, 4,884 persons were registered as inflow to the Agency, 59.5% out of which were persons whose employment was terminated. Thus, in June 2013, 96,999 persons were registered as unemployed, while number of other unemployed persons accounted for 126,740.

Major percentage of the unemployed, i.e. 73.5%, came from urban areas (cities), whereby 56.5% were men. Analyzed by education structure, major part, i.e. 45.3% of unemployed persons were without education, primary education or incomplete secondary education, 34.5% was with complete secondary education, while only 20.2% 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

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.

age. According to the time they waited for a job, 49.8% of the unemployed persons seek job from 1 to 7 years, while 20.1% seek job for 8 years and more.

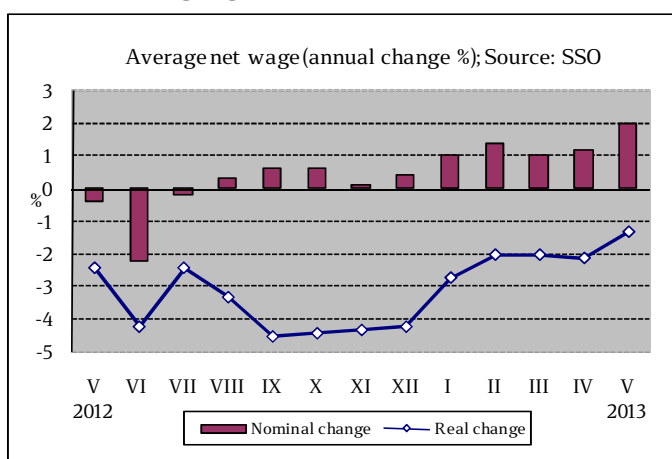
Salaries

According to the data from the State Statistical Office, average monthly paid gross salary per employee in May 2013 amounted to Denar 31,247, while average monthly paid net salary amounted to Denar 21,108.

On monthly basis, in May 2013, average gross salary and net salary increased by 1.5% in nominal terms, being higher by 1.7% in real terms.

In May 2013 compared to May 2012, average gross salary increased by 2.0% in nominal terms, while it was lower by 1.4% in real terms. Average net salary was higher by 2.0% in nominal terms, decreasing by 1.3% in real terms.

On cumulative basis, in the period January-May 2013, compared to the same period in 2012, average gross salary and net salary grew by 1.3% in nominal terms, while they were lower by 2.0% in real terms.



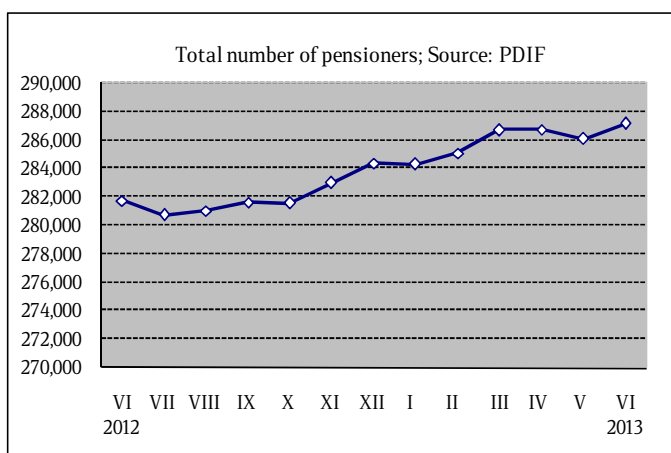
Highest increase of average monthly gross and net salary per employee in May 2013 compared to May 2012 was seen in the activities mining and quarrying (8.7% gross salary and 8.1% net salary), transport and storage (6.7% gross salary and 6.9% net salary), electricity, gas, steam and air conditioning supply (6.2% of gross salary and 6.4% net salary).

Highest increase of average monthly gross and net salary per employee in May 2013 compared to April 2013 was seen in the activities mining and quarrying (7.5% gross salary and 7.4% net salary), electricity, gas, steam and air-conditioning supply (7.3% gross salary and 7.1% net salary); and facilities for accommodation and food-related services (6.4% gross salary and 6.9% net salary).

Percentage of employees who did not receive salary in May 2013 accounted for 1.5%, being lower by 0.2 p.p. compared to the same month in the previous year, and compared to March 2013.

Pensions

In June 2013, Pension and Disability Insurance Fund



registered 287,174 pensioners, increasing by 1.9% compared to the same month in

2012. Number of pension beneficiaries increased by 1,091 persons in relation to May 2013. 57,5% out of the total number of pensioners are beneficiaries of old-age pension, 26,8% of survival pension and 15,7% of disability pension.

In June 2013, Denar 3,271,45 million was spent for payment of pensions, accounting for 53.5% of the total social transfers².

Average pension in June 2013 amounted to Denar 11,618, increasing by 8.8% on annual basis. Ratio between the average pension and the average paid salary in May 2013 (the most recent available data) was 54.4%.

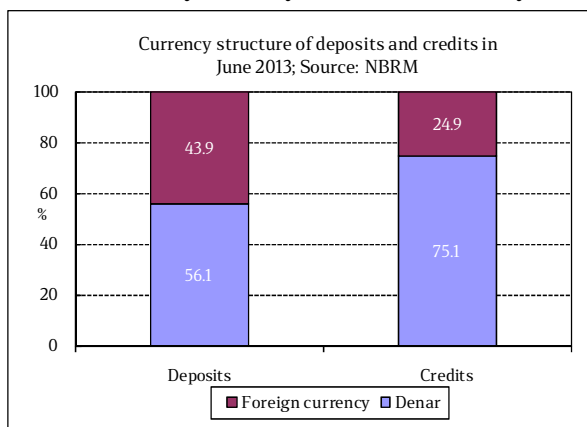
5. Monetary Sector

Primary Money

In June 2013, primary money³ showed annual growth of 2.3% on annual basis (3.5% in the past month), in conditions of increase of ready money in circulation by 8.6 %, while total liquid assets of banks decreased by 2.3%.

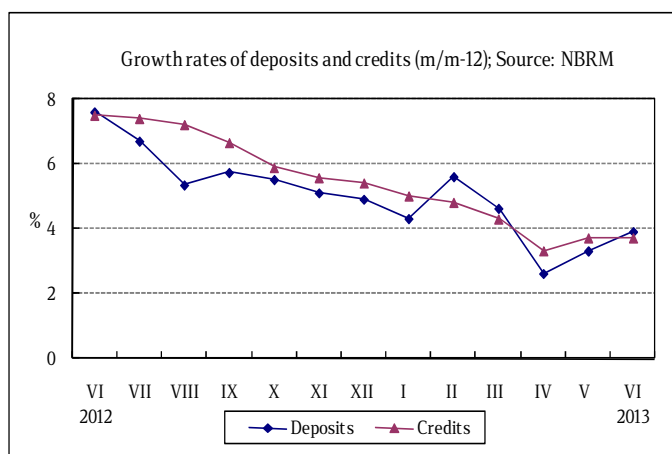
On monthly basis, primary money increased by 0.3%, as a result of the increase of ready money in circulation by 2.7%. Total liquidity of banks decreased by 1.6%.

National Bank of the Republic of Macedonia decided to retain the maximum interest rate on central bank bills at 3.5% in June, taking into account the most recent macroeconomic, market and financial indicators.



Deposit Potential

Total deposit potential of banks⁴ increased by 0.9% in June 2013 on monthly basis, as a result of the increase of deposits of private companies by 1.3% and deposits of household by 0.5%. From currency point of view, Denar deposits surged by 1.7%, while foreign currency deposits remained the same on monthly basis.



² Category social transfers include 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

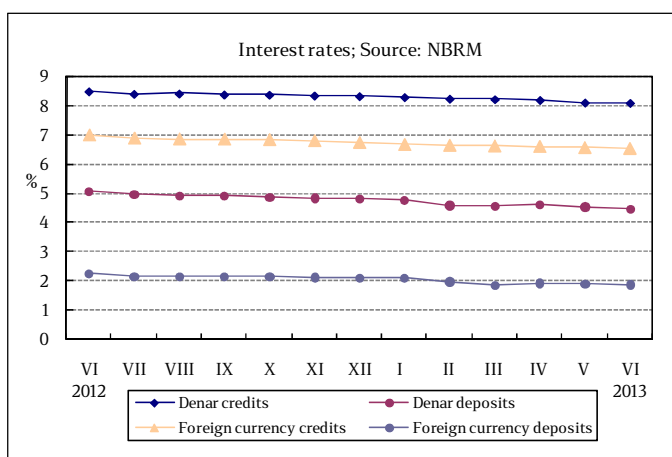
On annual basis, total deposits experienced intensified growth of 3.9% in June 2013, compared to the growth of 3.3% in May 2013. From a sector point of view, growth of total deposits was led by deposits of households, increasing by 5.8%, while deposits of companies recorded mitigated annual drop of 4.5%.

From currency point of view, Denar deposits surged by 9.6% in June 2013, while foreign currency deposits declined by 2.6%. According to maturity, long-term deposits increased by 27.7%, while short-term deposits reduced by 5.8%.

Bank Credits

In June 2013, total credits of banks to the private sector increased by 0.5% on monthly basis, as a result of the growth of credits to households by 1.2%. Growth of credits to private enterprises amounted to only 0.1%. According to currency structure, Denar credits increased by 0.2%, while foreign currency credits grew by 1.4%.

On annual basis, growth of total credits in June amounted to 3.7% as in the previous month. According to



currency, new crediting was fully in domestic currency. In fact, Denar credits surged by 5.8%, while foreign currency credits dropped by 2.4%. Analyzed by sectors, credits to enterprises registered growth of 1%, while credits to households surged by 7.5%. As regards maturity, long-term credits increased by 0.4% on annual basis, while short-term credits were higher by 3%.

Interest Rates of Deposit Banks

Total interest rate on credits was 7.6% in June 2013, decreasing by 0.1 p.p. compared to the previous month. In relation to the same month in 2012, it is lower by 0.4 p.p.. Interest rate on Denar credits remained the same, accounting for 8.1%, while interest rate on foreign currency credits decreased by 0.1 p.p., accounting for 6.5%.

Total interest rate on deposits remained the same on monthly basis, amounting to 3.1%, with interest rates on Denar and foreign currency deposits amounted to 4.5% and 1.9% respectively.

Foreign Currency Reserves

Gross foreign currency reserves at the end of June 2013 amounted to EUR 2,039.2 million and, compared to the previous month, they were lower by EUR 78.7 million, while compared to June 2012, foreign currency reserves were higher by EUR 20.5 million.

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