

Republic of Macedonia
Ministry of Finance

QUARTERLY ECONOMIC REPORT

Q2/2013

Summary

- In Q2 2013, compared to the same quarter of 2012, **GDP** showed real growth of 3.9%, following the growth of 2.9% in the previous quarter, by which average growth was 3.4% in the first half of the year;
- According to the Labour Force Survey, **number of employed persons** in Q2 2013 was higher by 4.7% compared to the same quarter in the previous year. **Number of unemployed persons** dropped by 6.9% on annual basis, which resulted in reduction of **unemployment rate** by 28.8% in Q2 2013;
- **Inflation rate** in Q2 2013 experienced growth of 3.6% compared to the same quarter in 2012, measured according to the Consumer Price Index;
- Average **gross salary** in Q2 2013 amounted to Denar 31,001 and compared to the gross salary in Q2 2012, it was higher by 1.8% in nominal terms, i.e. being lower by 1.8% in real terms;
- Total **budget revenues** were higher by 2.9% in Q2 2013 compared to the same quarter in 2012, while total **budget expenditures** were lower by 0.3%;
- Total **deposit potential** of banks decreased by 0.8% in Q2 2013 on quarterly basis.
- **Credit activity** of banks to non-government sector experienced intensified growth rate of 1.9% in Q2 2013 on quarterly basis;
- **Macedonian Stock Exchange Index MSEI-10** in June 2013 reduced by 2.6% compared to March 2013, while total turnover realized on the Stock Exchange grew by 34.3%;
- In Q2 2013, **growth of export** by 1.0% and drop of **import** by 1.2% was registered on annual basis, whereby **total foreign trade** expressed in euros dropped by 0.4%;

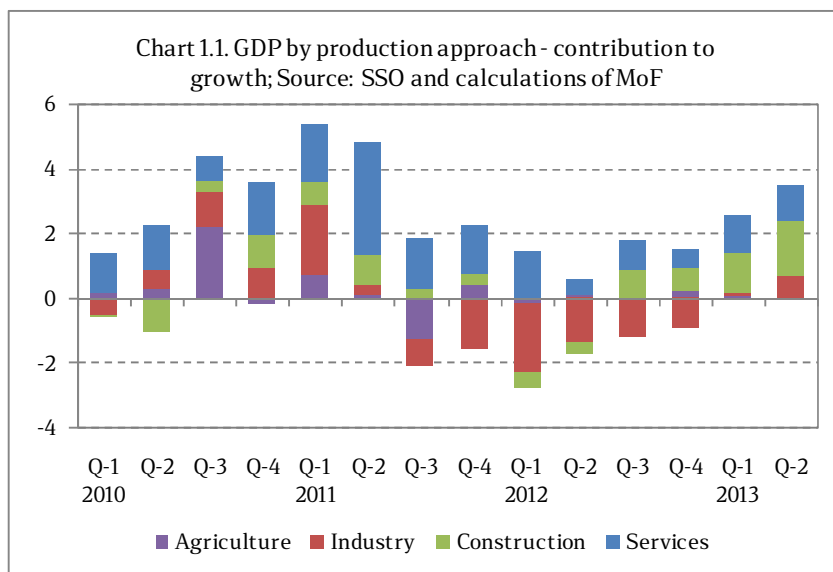
1. Macroeconomic Trends and Real Sector

In Q2 2013, compared to the same quarter of 2012, **GDP** showed real growth of 3.9%, following the growth of 2.9% in the previous quarter, by which average growth was 3.4% in the first half of the year.

Nominal GDP growth in Q2 2013 accounted for 8.3% compared to the same quarter last year, implying that GDP deflator amounted to 4.2%. In the first half of the year, nominal annual GDP growth accounted for 5.9% while GDP deflator amounted to 2.4%.

Analyzed according to the **GDP production side**, in Q2 2013, positive growth was observed in all sectors except for hotels and restaurants sector.

Construction sector contributed the most to the overall economic growth, registering high activity growth of 33.2%, following the growth of 36.8% in the previous quarter. Transport, storage and communications sector also experienced growth of 7.5%, following the



growth of 2.5% in the previous quarter. Industry, following the exit from the negative zone in Q1 2013, experienced intensified increase in Q2, accounting for 4.1%. Positive developments continued in the financial services sector, experiencing 1.7% growth in Q2 2013. Domestic trade grew by 0.6% and the agriculture surged by 0.4%. Growth rate in public administration sector accounted for 0.2%.

Growth in the **industrial production**¹ of 1.1% in Q2 2013 was mainly a result of the realized positive rates at: mining of metal ore (21.9%), other mining and quarrying (6.0%), production of beverages (13.2%), production of tobacco products (0.5%), production of textile (102.1%), production of clothing (19.1%), production of rubber products (1.7%), production of other non-metal products (0.1%), production of machines and devices (12.5%), production of other transportation equipment (34.1%), production of furniture (11.0%), repair and installation of machines and equipment (12.4%) and electricity, gas, steam and air conditioning supply (13.7%). From the point of view of the structure of industrial production index, 56.78% of the branches experienced growth.

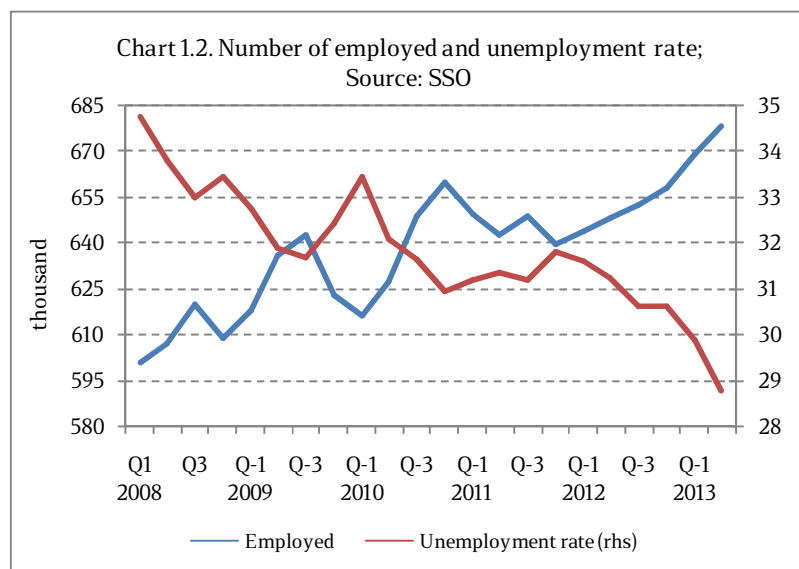
On the other hand, drop was observed at the following: mining of coal and lignite (19.2%) production of food products (4.5%), production of leather (9.8%), production of wood and wood products (0.1%), production of paper (11.5%), printing and production of recorded

¹ Calculated on the basis of monthly releases of Industrial Production Index.

media (33.2%), production of coke and refined oil products (97.6%), production of chemicals and chemical products (13.7%), production of pharmaceutical products (5.1%), production of metals (11.2%), production of fabricated metal products (48.0%), production of electrical equipment (4.8%), production of motor vehicles, trailers and semi-trailers (58.9%), and other production industry (1.9%).

Analyzed according to the **expenditure side of GDP**, in Q2 2013, growth was instigated by gross investments and export. Gross investments surged by 7%, corresponding to the high increase of construction and the growth of capital budget expenditures. Improvement of the developments in the EU economy had positive effects on the foreign trade of Macedonia. Thus, export of goods and services increased by 6.8%, while import surged by 2.3%, by which net export had positive contribution to the total economic growth. Final consumption in Q2 2013 experienced slight decrease by 0.1%, being mainly a result of the drop of public consumption of 3.6%, while personal consumption grew by 0.7%.

Positive trends continued on the labour market in Q2 2013. According to the **Labour Force Survey**, number of employed persons in Q2 2013 was higher by 4.7% compared to the same quarter in the previous year. Increase of employment was accompanied by the drop of the number of unemployed persons, decreasing by 6.9% on annual basis. Number of active population in Q2

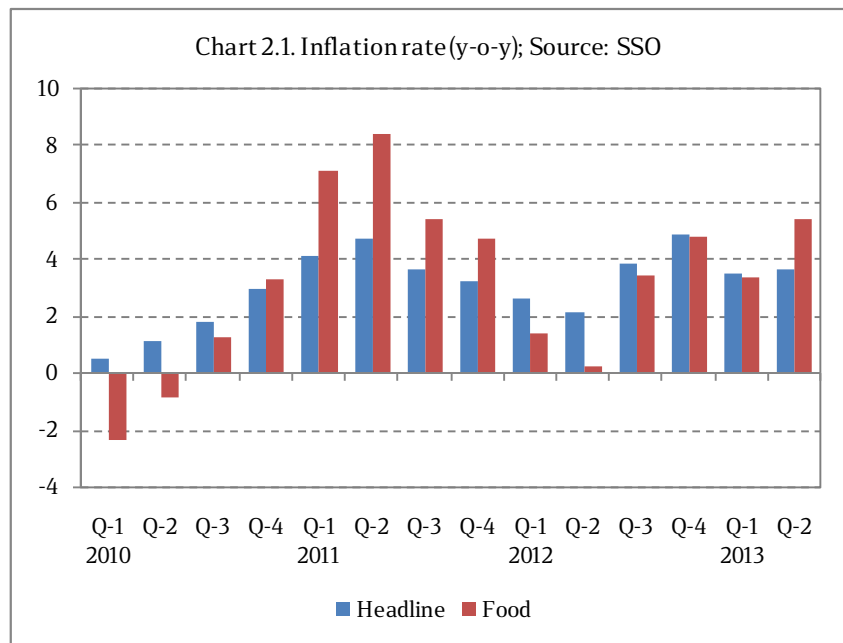


2013 was higher by 1.1% on annual basis. Such trends on the labour market caused for the unemployment rate in Q2 2013 to reduce to 28.8%, i.e. by 2.5 p.p. compared to the same quarter in the previous year, while in relation to the previous quarter, it was lower by 1.1 p.p.. Employment rate in Q2 2013 amounted to 40.7%, being higher by 1.8 p.p. compared to the same quarter in the previous year, while compared to the previous quarter, it was higher by 0.7 p.p.. Active population in Q2 2013 accounted for 57.1% of total working-able population.

2. Prices, Costs and Productivity

Inflation rate, measured according to CPI, was 3.6% in Q2 2013 compared to the same quarter in 2012, being a slight growth compared to the inflation rate of 3.5% registered in the previous quarter. Highest increase of prices was seen at the category clothing and footwear by 7.1%, followed by the growth in the category food of 5.4%, realizing most significant contribution to growth at general price level. Increase of prices of food were

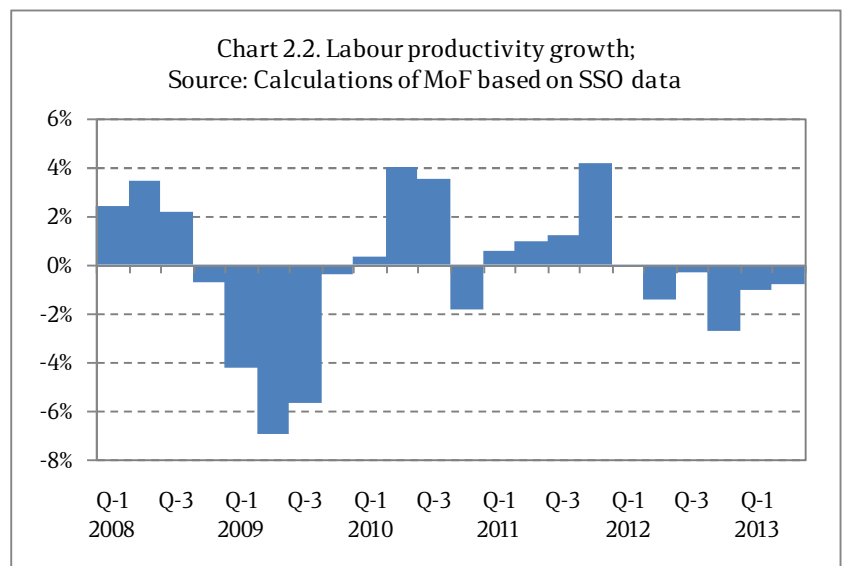
to a great extent due to the increase of prices of fresh vegetables and meat. Prices in the categories restaurants and hotels and hygiene and health surged by 4.1% and 4% respectively. Prices for housing increased by 3.5% mainly as a result of the higher prices for electricity and lighting. Increase of prices in the category tobacco and beverages accounted for 2.5%, followed by the increase of prices in the category culture and entertainment category by 1.1%. Prices in the category administrative and financial services increased by 0.8%.



Prices in the category means of transport and services reduced by 2.2% as a result of the drop of liquid fuels and oils and traffic and Postal, Telephone and Telegraph (PTT) services by 6.6% and 1.1% respectively.

Core inflation (which excludes the effect of food and energy) was 2.9% in Q2 2013, being lower by 0.4 p.p. compared to the core inflation in the previous quarter (3.3%).

Retail prices in Q2 2013 experienced slowed down increase by 1.4% compared to the same quarter in 2012. Prices of industrial products, which surged by 1.4%, contributed the most with 0.8 p.p. to the total increase of the retail prices. Within this category, most significant contribution to growth was seen at



industrial and food products, increasing by 3.5%. Prices of industrial and non-food products surged by 0.4%. Retail price of beverages increased by 1.1% and retail prices of tobacco grew by 2.9%. Retail prices in agricultural products category experienced high growth of 10.9%.

Average **net salary** in Q2 2013 amounted to Denar 21,126, being higher by 1.8% in nominal terms compared to net salary in Q2 2012. Net salary experienced a drop of 1.8% in real terms. Average **gross salary** amounted to Denar 31,001, and as same as the net salary, it grew by 1.8% in nominal terms, i.e. it dropped by 1.8% in real terms, compared to the gross salary in Q2 2012.

Increase of economic activity in Q2 2013 was accompanied by higher annual increase in the number of employees, resulting in decrease of **labour productivity** by 0.8%, following the drop of 1% in the previous quarter. Chart 2.2 shows the annual labour productivity increase.

3. Fiscal Sector

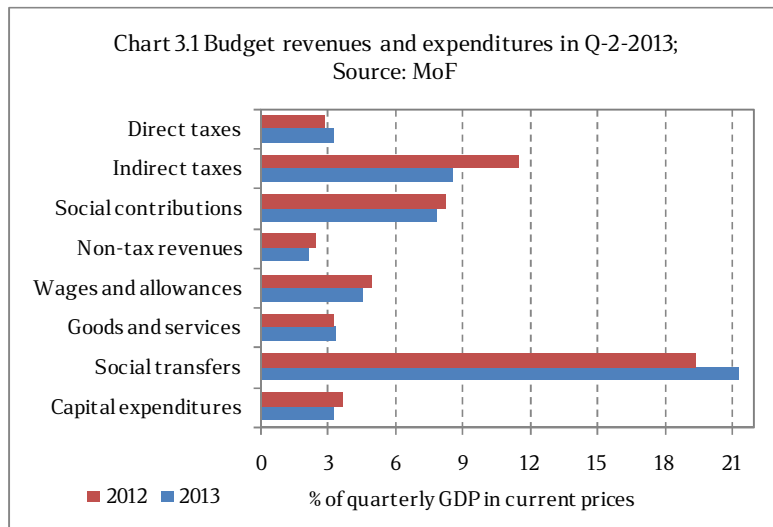
Higher performance of total budget revenues was observed in the second quarter of 2013, compared to same quarter in 2012, accompanied by almost identical budget expenditures, being lower by only 0.3%. **Budget deficit** was in the amount of Denar 2,370 million in Q2 2013 or 1.9% of GDP realized in this quarter (central budget deficit amounted to Denar 1,741 million, i.e. 1.4% of GDP, being decrease compared to the previous quarter).

Anti-cyclical fiscal policy continued to be conducted in the second quarter of this year as well, aimed at mitigating the consequences of the global economic crisis on Macedonian economy and maintaining macroeconomic stability. Thereby, fiscal sustainability of public finance was not jeopardized.

Total **budget revenues** were higher by 2.9% compared to the same quarter in 2012, being mostly due to the higher performance of both tax revenues by 7.7% and contributions by 2.5%, while non-tax ones decreased. Thereby, higher collection was recorded at value added tax, personal income tax and customs duties, while excises and profit tax experienced lower collection. VAT revenues dominated, accounting for 52.6% of the total tax revenues, surging by 15.6% in Q2 2013, compared to the same quarter in 2012. Regarding the structure of gross VAT revenues, there was decrease in VAT collection on the basis of import by 0.2%, while VAT on the basis of sales in the country grew by 14.5% in line with the trade sales, and dynamics of VAT refund reduced by 17.5%. Excise revenues were lower by 5.6% compared to the same quarter in 2012. As for direct taxes, profit tax decreased by 5.0%, whereby one should take into account that the revenues for this tax is mainly a result of the tax collected on the basis of paid dividends and other distribution of profit and withheld tax paid to foreign legal entities. Revenues on the basis of personal income tax surged by 4.7% compared to the second quarter in the previous year. From the aspect of structural share in GDP, direct taxes, on annual basis, experienced equal share in GDP, accounting for 3.0%, while indirect taxes participated with 11.6% of GDP.

Collection of social contributions was higher by 2.5%, whereby higher collection was recorded at all contributions, i.e. health insurance contributions - 3.8%, pension insurance contributions and employment contributions - 2.1%. Non-tax revenues, accounting for 1.8% of total quarterly GDP, were lower by 29.7% compared to the same period in 2012.

Capital revenues in Q2 2013 were lower by 8.8% on annual basis (these revenues include revenues on the basis of lease of construction land, sale of flats, as well as revenues on the basis of dividends).



Revenues on the basis of grants were higher by 2.5 times compared to Q2 2012.

In Q2 2013, total **budget expenditures** were lower by 0.3% compared to the same quarter in 2012. Current expenditures, accounting for 89.7% of the total expenditures, decreased by 1.1% on annual basis. Capital expenditures, participating with 10.3% in the total expenditures, were higher by 7.2% compared to the second quarter in 2012. As for current expenditures, expenditures for goods and services increased by 10.8%, while expenditures related to salaries and allowances experienced a drop by 1.0% compared to the same quarter last year. Funds for transfers, participating with 63.1% in the total expenditures, were lower by 3.2% on annual basis (transfers grew by 19.2% in the previous quarter).

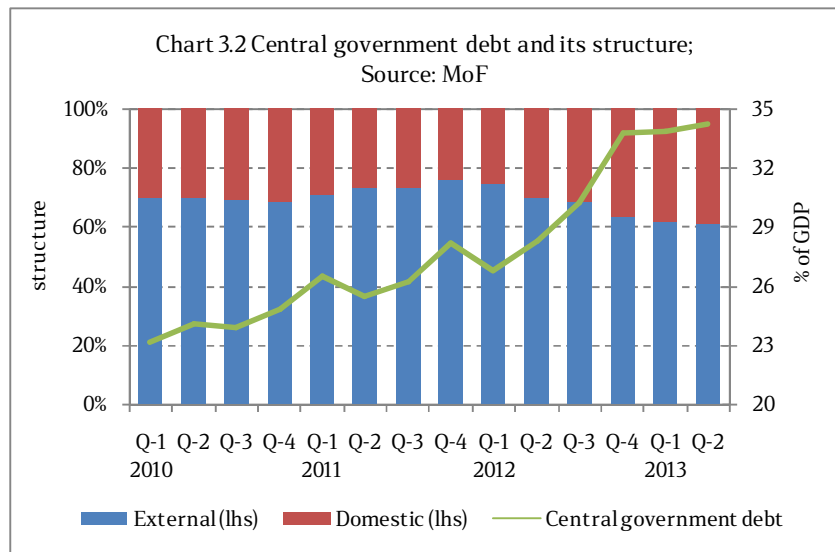
Share of the category „Other Transfers“ in the total expenditures accounted for 14.7% (including transfers to local government - block and earmarked grants, as well as other subsidies and transfers).

Transfers to the Pension and Disability Insurance Fund, accounting for 29.3% in total expenditures, were higher by 10.4% compared to the same quarter in 2012, i.e. they were higher by 3.1% compared to Q1 2013. Expenditures for interest payments surged by 12.1% on annual basis, while compared to Q1 2013 they were lower by 22.8%. Expenditures on the basis of interests on domestic debt surged by 57.9% on annual basis, and growth was also seen on quarterly basis. Interests on foreign debt decreased by 22.9% on annual basis, while compared to Q1 2013, they decreased by almost 2.5 times.

Fiscal burden, measured as participation of the budget revenues² in relation to nominal GDP, was 24.9% in Q2 2013, dropping by 0.4 p.p. in relation to Q2 2013. Total budget expenditures accounted for 31.1% of quarterly GDP, which was by 8.2 p.p. lower compared to Q1 2013, decreasing by 2.7 p.p.. on annual basis.

² It included tax revenues, social contributions and administrative fees and duties.

Total **central government debt** at the end of Q2 2013 accounted for 34.2% of GDP, increasing by 0.2 p.p. compared to Q1 2013. Share of central government external debt in the total central government debt decreased by 0.7 p.p. compared to Q1 2013, while share of central government domestic debt in the total central government debt surged by the same amount of percentage points. Hence, share of central government domestic debt increased to 38.8% of the total central government debt. Such trends point out that additional borrowing, which is inevitable for

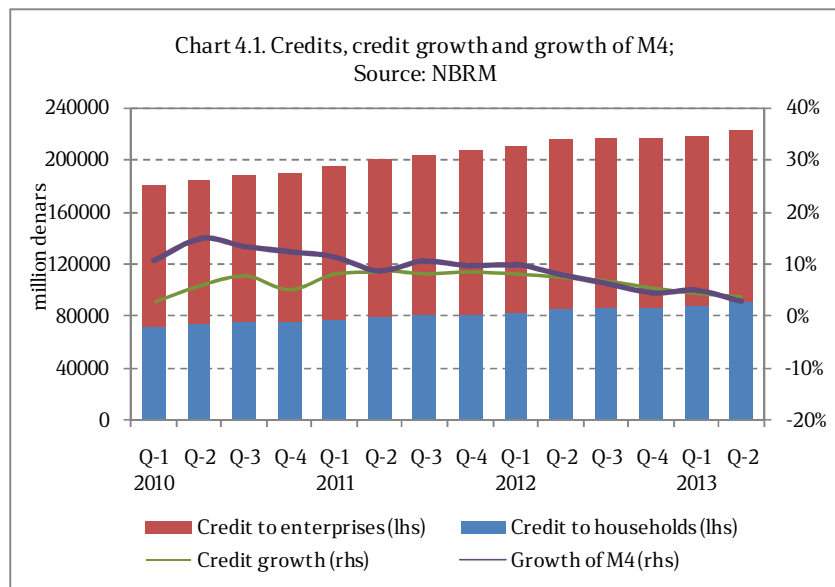


conducting more expansive fiscal policy, whether externally or internally, would not jeopardize fiscal sustainability, whereby coordination with monetary policy is needed. Sound fiscal policy is one of the Maastricht Criteria for convergence, having the limits set at budget deficit of 3% of GDP and government debt of 60% of GDP.

4. Monetary and Financial Trends

Reference interest rate on central bank bills, following the reduction in the first quarter of 2013, remained the same, i.e. at 3.5% in the second quarter, given that the Central Bank assessed the current and expected economic and financial conditions adequate to the set-up of monetary policy.

Primary money³ in Q2 2013 intensified the quarterly drop to 3.4% (following the drop of 1.2% in Q1 2013) in conditions of reduced total liquidity of banks by 4.9% and cash in circulation by 1.5%.



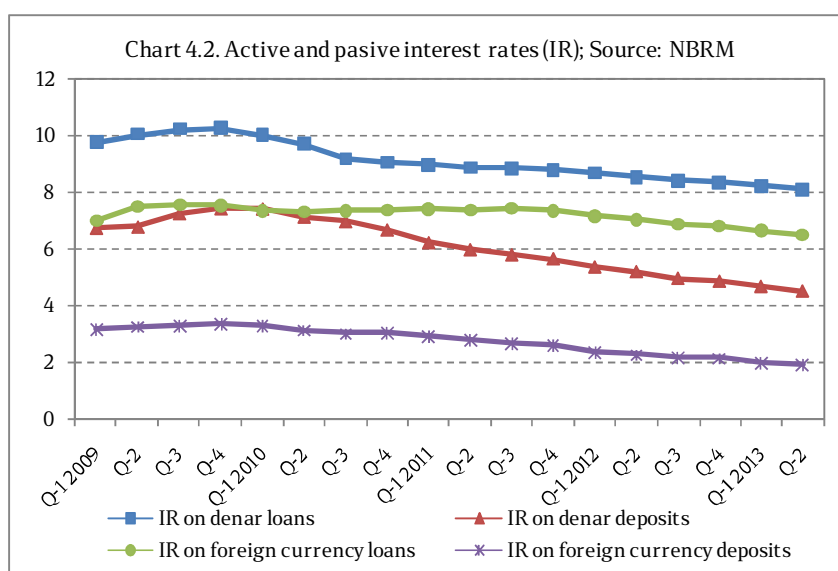
³ It includes ready money in circulation (including cash in hand of banks), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars)

During the second quarter of 2013, narrowest money supply **M1** experienced quarterly drop of 1.4% compared to Q1 2013. **Monetary aggregate M2**, in Q2 2013 decreased by 3.5%, while the widest **monetary aggregate M4** decreased by 1.5%. Reduction of money supply arises from the drop of the most liquid component and the short-term savings, unlike the long-term savings, which experienced growth.

Total deposit potential⁴ of banks, in Q2 2013 reduced by 0.8% on quarterly basis, which from the aspect of the sectoral structure was a result of the enhanced drop of deposits of private enterprises by 7.4% (drop by 2% in the previous quarter). At the same time, deposits of households experienced slowed down quarterly growth of 0.9%.

From currency point of view, growth of total deposits was fully due to the denar deposits, which surged by 1.9% on quarterly basis, while foreign currency deposits decreased by 4.1% resulting in further reduction of the euroization degree by 1.5 p.p., i.e. to 43.9%, measured through the share of foreign currency deposits in the total deposit potential.

From maturity point of view, in the past period, there was continuous growth of the share of long-term deposits in the total deposit potential, reaching 23.5% in Q2 2013. These trends are in line with the quarterly increase of long-term deposits by 5.7% (8.3% in Q1 2013), during simultaneous drop of short-term deposits of 4.3%.



Credit activity of banks to non-government sector in Q2 2013 experienced intensified growth rate of 1.9% on quarterly basis, in conditions of intensified credit growth to households sector by 3.4% and increase of crediting to corporate sector by 0.9%. Dominant contribution to growth was realized by the credits to households, by which the downward trend of the share of credits to private enterprises (58.9%) continued, which started in the second quarter of 2012.

From currency point of view, Denar credits which were driving force of the increase of total credits grew by 2.1% on quarterly basis, while foreign currency credits in Q2 2013 registered quarterly growth of 1.4%.

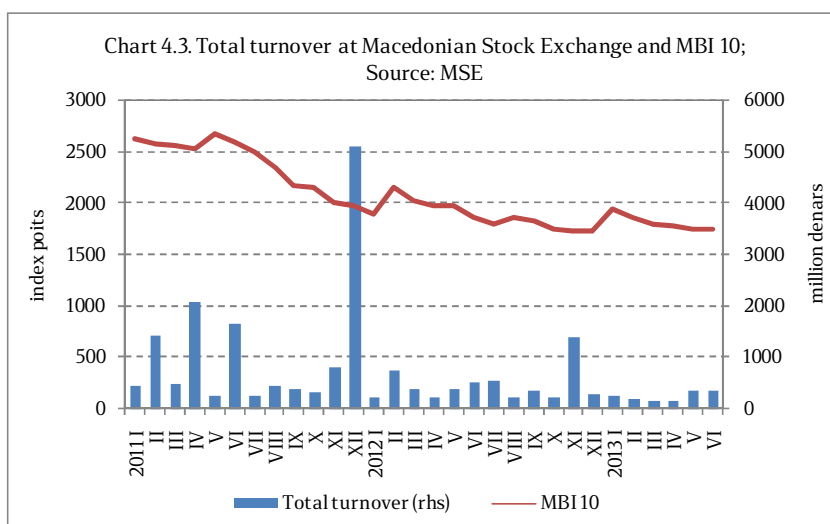
From maturity point of view, long-term credits in Q2 2013 experienced quarterly growth of 1.2% (compared to the drop of 0.9% in Q1 2013), while short-term credits grew by 2.5% (compared to the drop of 0.5% in Q1 2013).

⁴ Deposits also include calculated interest.

In the second quarter of 2013, NBRM retained the **interest rate on CB bills** at 3.5%. Interest rates of deposit banks in Q2 2013 experienced downward swings on quarterly basis. In fact, interest rate on Denar credits of deposit banks reduced by 0.1 p.p. compared to the previous quarter, amounting to 8.1%. Thus, the downward trend of this interest rate, which started at the beginning of 2010, continued. Interest rate on foreign currency credits reduced from 6.7% to 6.6%. Interest rate on Denar deposits declined by 0.1 p.p. on quarterly basis accounting for 4.6%, while interest rate on foreign currency deposits reduced by 0.1 p.p. i.e. at 1.9%.

Interest rate on newly approved Denar credits in Q2 2013 also reduced on quarterly basis, amounting to 6.9% (7.3% in the first quarter), while interest rate on newly approved foreign currency credits remained at 6.5%. Interest rate on newly received Denar deposits dropped by 0.2 p.p. compared to Q1 2013, accounting for 2.5%, while interest rate on newly received foreign currency deposits amounted to 0.5%, by 0.1 p.p. lower than the previous quarter.

On the **capital market** in the second quarter of the year, total turnover of the Stock Exchange experienced growth of 34.3% compared to the previous quarter, being a result of the growth also registered at the traditional trading and the block transactions, by 50% and 25.6% respectively.



Compared to the same quarter in the previous year, total turnover dropped by 26.5% in conditions of reduced traditional trading by 11.5%. Turnover realized through the block transactions compared to Q2 2012 increased by 46.4%.

Macedonian Stock Exchange Index MSEI -10, as aggregate indicator of stock exchange trends at the end of the second quarter, amounted to 1,745.48 index points, decreasing by 2.6% compared to March 2013, while compared to June 2012, the index was lower by 6.1%.

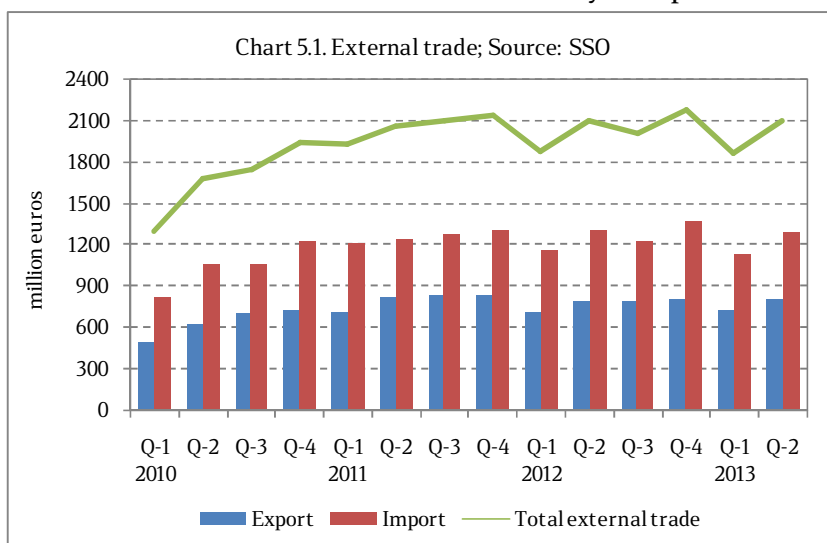
5. External Sector

5.1. Foreign Trade

According to the data of the State Statistical Office in Q2 2013, total foreign trade amounted to Denar 2,095.2 million, contracting by 0.4% compared to the same quarter in 2012.

In Q2 2013, **export** of goods amounted to EUR 804.6 million whereby compared to the same quarter in the previous year, it surged by 1.0%, while compared to the previous quarter, it grew by 11.7%.

Analyzed by **SITC sectors** (Standard International Trade Classification), positive trends in the **export** in Q2 2013 compared to the same quarter of 2012 were registered at the following:



- chemical products by 22.2% (chemical materials and products increased by 28.8% or EUR 26.5 million);
- beverages and tobacco by 42.0% (tobacco by 55.8% or EUR 14.4 million);
- machines and transport equipment by 24.9% (within which the category of industrial machines and spare parts surged by 37.0% or EUR 13.4 million);
- food products by 4.5% (cereals and cereal preparations surged by 8.8% or EUR 1.0 million; fruit and vegetables by 14.0% or EUR 5.2 million); and
- raw materials, except fuel, by 3.7% (metal ore and metal scrap surged by 1.1% or EUR 0.4 million).

On the other hand, negative export trends are seen at:

- products classified by the material by 12.5% (iron and steel by 15.9% or EUR 29.7 million); and
- mineral oils and lubricants by 60.3% (within which the category oil and oil products reduced by 59.3% or EUR 25.8 million).

In Q2 2013, observed by **economic purpose**, following products were most exported: goods for industrial procurement (54.5%), followed by consumer goods (20.2%), food and beverages (11.3%), products for investments without transport equipment (9.9%), fuels and lubricants (2.2%) and transport equipment (1.9%).

Import of goods in Q2 2013 amounted to EUR 1,290.6 million, decreasing by 1.2% compared to Q2 2012, while in relation to the previous quarter, it increased by 13.5%.

Analyzed by **SITC sectors**, highest growth of **import** in Q2 2013, compared to Q2 2012 was seen at:

- machines and transport equipment by 24.2% (operating machines and devices by more than 3 times or EUR 13.2 million; industrial machines and spare parts by

27.4% or EUR 9.8 million; and electrical machines, devices and spare parts by 23.9% or EUR 9.3 million);

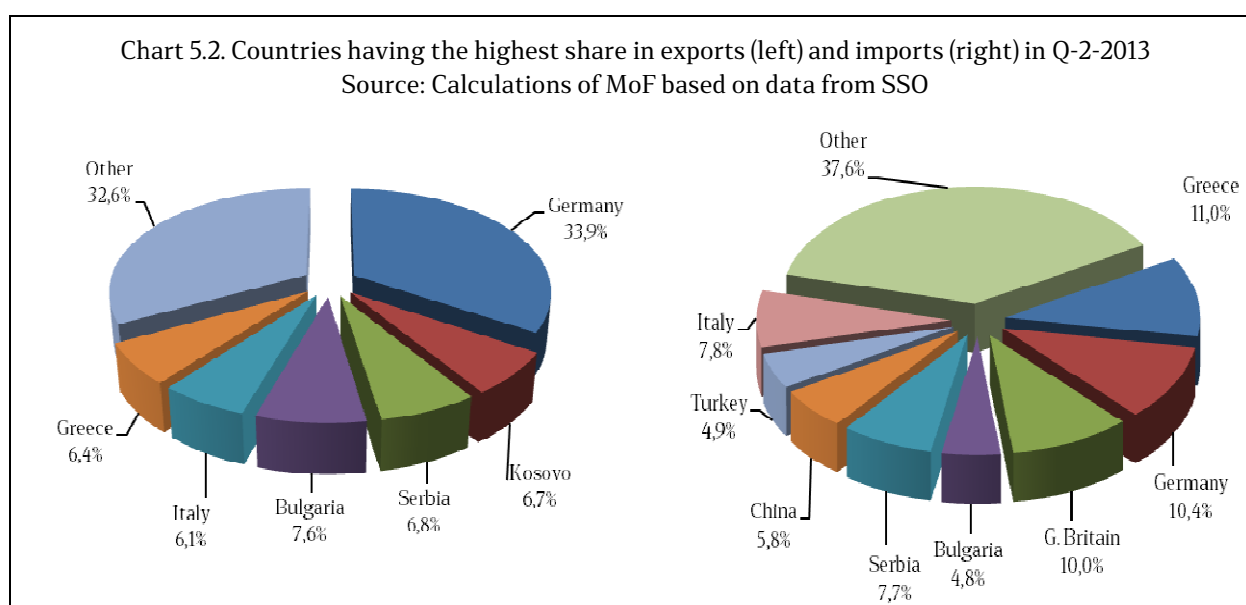
- chemical products by 22.0% (products for colouring and tanning by 86.8% or EUR 12.3 million; inorganic chemical products by 29.5% or EUR 3.6 million);
- food products by 0.9% (fruit and vegetables increased by 24.1% or EUR 3.1 million); and
- beverages and tobacco by 3.8% (beverages by 12.2% or EUR 1.0 million).

Highest decline of import was seen at the following:

- raw materials except fuel by 51.2% (metal ore and metal scrap declined by 65.0% or EUR 44.6 million);
- products classified by material by 6.3% (non-ferrous metals by 21.5% or EUR 28.1 million; iron and steel by 13.3% or EUR 11.3 million); and
- mineral oils and lubricants by 13.3% (electricity by 36.8% or EUR 14.5 million; and oil and oil products by 5.3% or EUR 7.9 million);

Observed by **economic purpose** in Q2 2013, the following products were most imported: goods for industrial procurement (45.1%), followed by investment goods without transport equipment (14.4%), fuels and lubricants (14.3%) food and beverages (11.2%), consumer goods (10.3%) and transport equipment (4.6%).

In Q2 2013, foreign trade of the Republic of Macedonia with the European Union (EU 27), in relation to Q2 2012, surged by 7.7%, whereby share of trade with EU in the total foreign trade increased by 4.2 p.p. compared to the first quarter in 2012, accounting for 64.5%, whereby export of goods participated with 69.3% and import of goods accounted for 61.4%.



As a result of the structural changes in the trade with abroad, in the first quarter of 2013, 73.6% of the trade deficit of the country was a result of the trade deficit with: Great Britain, Greece, China, Italy and Turkey, while the rest of the deficit was a consequence

of the exchange with: Serbia, Poland, France, Slovenia, the USA and others. Trade surplus was realized with: Germany, Kosovo and Bosnia and Herzegovina.

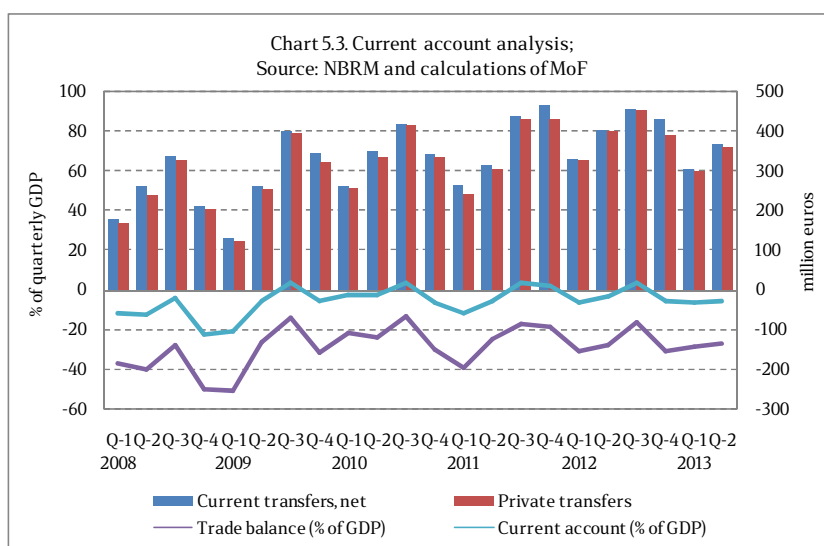
5.2. Balance of payments

According to the National Bank data, in the second quarter in 2013, BOP current account balance experienced deficit in the amount of EUR 111 million, widening by 44.7 million on annual basis (current account deficit amounted to EUR 66.3 million in Q2 2012).

Widening of the current account deficit compared to the previous quarter, was mainly a result of the widened trade deficit and the increased import of net services. Increased outflow on the basis of net current transfers and the reduced outflow of net income acted in opposite direction.

During the upward adjustment of export by 11.6%, and in conditions of growth of export of 13.3% on quarterly basis, trade account deepened by 16.4% in relation to the previous quarter.

Deficit in the amount of EUR 2.2 million was registered on the service account in Q2 2013, showing deterioration in relation to the previous quarter, when surplus in the amount of EUR 7.4 million was observed. Negative balance on the service account (i.e. increased import of services) led to deepening of the current account deficit.



Deficit on the net income account in Q2 2013 narrowed by 18.2% compared to the previous quarter, which was influenced by the 2.7% growth of the inflows of income and the 8.9% drop of the outflows of income.

Current transfers experienced surplus in the amount of EUR 368.5 million in Q2 2013, which compared to Q1 2013 grew by 21.1%.

In such conditions, the current account balance narrowed by 1.9% compared to the previous quarter.

5.2.1. Current account

In the second quarter of 2013, current account balance was negative, accounting for 5.5% of GDP, being deepened by EUR 44.7 million compared to Q2 2012.

Widening of the current account deficit in Q2 2013 was mostly due to reduced inflows on the basis of net current transfers and the increased outflow of net services.

During upward adjustment of export by 1.0% and downward adjustment of import by 0.7% on annual basis, trade account narrowed by 3.8% compared to Q2 2012.

Deficit in the amount of EUR 2.2 million was registered on the service account in Q2

2013, showing deterioration in relation to Q2 2012, when surplus in the amount of EUR 18.6 million was observed.

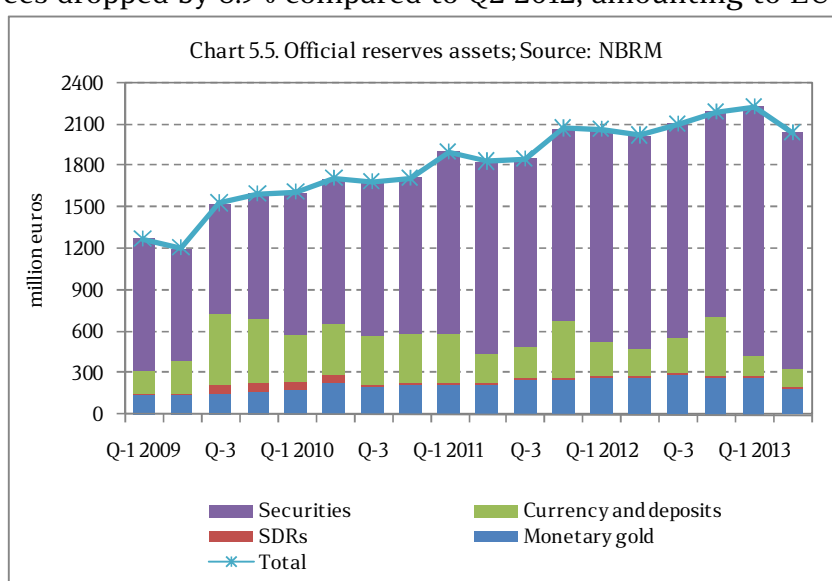
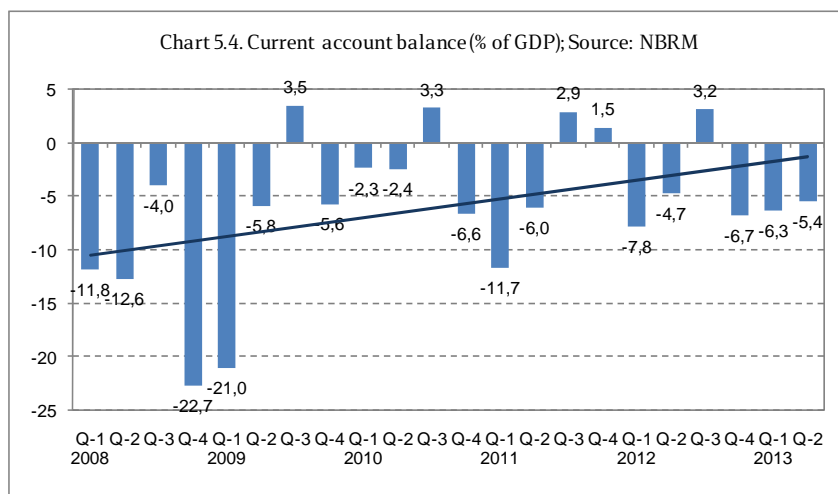
Deficit on the net income account in Q2 2013 deepened by EUR 2.2 million in relation to Q2 2012.

Trade openness of the Republic of Macedonia in Q2 2013 amounted to 101.4%, being lower by 8.4 p.p. compared to the same quarter of 2012, when it accounted for 109.8%.

Net current transfers in Q2 2013 amounted to EUR 368.5 million, being lower by EUR 39.2 million or by 9.6% compared to Q2 2012. Drop is due to the private transfers, which decreased by 10.0% and participated with 97.6% in the total net transfers. Private transfers in Q2 2013 amounted to EUR 359.4 million. More thoroughly analyzed, other transfers (87.1% of private transfers) had dominant share in the private transfers, declining by 10.2% on annual basis and amounting to EUR 313.2 million, while remittances from employees dropped by 8.9% compared to Q2 2012, amounting to EUR 46.2 million.

Compared to the previous quarter, net current transfers surged by 21.1% or by EUR 64.2 million, mainly due to the increase of private transfers by 20.9% or EUR 62.0 million.

Coverage of trade deficit with private transfers in Q2 2013 accounted for 82.3%, decreasing by 5.7 p.p. on annual basis.



5.2.2. Capital Account and Financial Account

Capital account and financial account in Q2 2013 experienced surplus and the balance amounted to EUR 106.1 million, widening by EUR 45.4 million compared to Q2 2012. According to the financial account, in Q2 2013, inflow of net direct investments in the amount of EUR 31.9 million was registered, growing by EUR 31.7 million compared to Q2 2012, when surplus was realized in the amount of EUR 0.3 million.

At the end of Q2 2013, official foreign currency reserves amounted to EUR 2,039.2 million, being higher by 1.0% compared to Q2 2012. Foreign currency reserves, i.e. securities, had dominant share in the official reserves, participating with 83.7% or EUR 1,707.8 million, followed by monetary gold which participated with 9.8% or EUR 200.9 million, while currencies and deposits participated with 6.3% or EUR 128.2 million.

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Summary

- In Q2 2013, compared to the same quarter of 2012, **GDP** showed real growth of 3.9%, following the growth of 2.9% in the previous quarter, by which average growth was 3.4% in the first half of the year;
- According to the Labour Force Survey, **number of employed persons** in Q2 2013 was higher by 4.7% compared to the same quarter in the previous year. **Number of unemployed persons** dropped by 6.9% on annual basis, which resulted in reduction of **unemployment rate** by 28.8% in Q2 2013;
- **Inflation rate** in Q2 2013 experienced growth of 3.6% compared to the same quarter in 2012, measured according to the Consumer Price Index;
- Average **gross salary** in Q2 2013 amounted to Denar 31,001 and compared to the gross salary in Q2 2012, it was higher by 1.8% in nominal terms, i.e. being lower by 1.8% in real terms;
- Total **budget revenues** were higher by 2.9% in Q2 2013 compared to the same quarter in 2012, while total **budget expenditures** were lower by 0.3%;
- Total **deposit potential** of banks decreased by 0.8% in Q2 2013 on quarterly basis.
- **Credit activity** of banks to non-government sector experienced intensified growth rate of 1.9% in Q2 2013 on quarterly basis;
- **Macedonian Stock Exchange Index MSEI-10** in June 2013 reduced by 2.6% compared to March 2013, while total turnover realized on the Stock Exchange grew by 34.3%;
- In Q2 2013, **growth of export** by 1.0% and drop of **import** by 1.2% was registered on annual basis, whereby **total foreign trade** expressed in euros dropped by 0.4%;

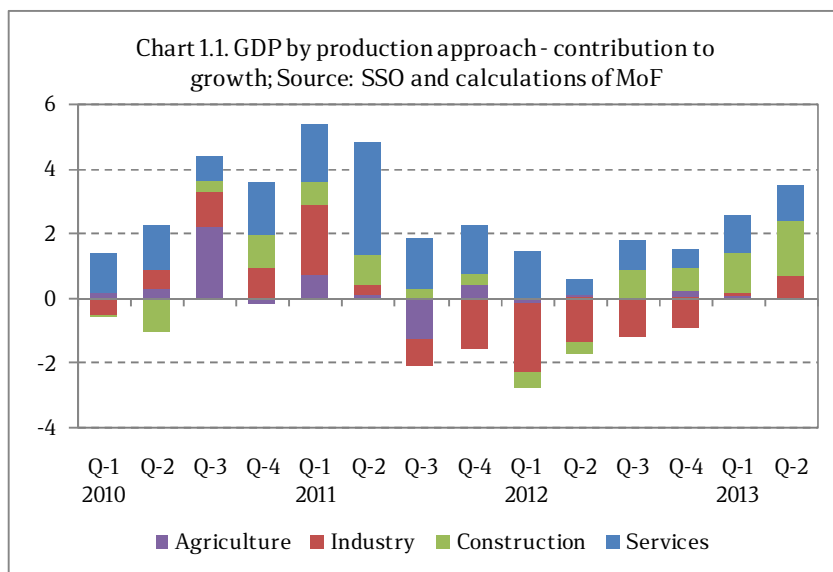
1. Macroeconomic Trends and Real Sector

In Q2 2013, compared to the same quarter of 2012, **GDP** showed real growth of 3.9%, following the growth of 2.9% in the previous quarter, by which average growth was 3.4% in the first half of the year.

Nominal GDP growth in Q2 2013 accounted for 8.3% compared to the same quarter last year, implying that GDP deflator amounted to 4.2%. In the first half of the year, nominal annual GDP growth accounted for 5.9% while GDP deflator amounted to 2.4%.

Analyzed according to the **GDP production side**, in Q2 2013, positive growth was observed in all sectors except for hotels and restaurants sector.

Construction sector contributed the most to the overall economic growth, registering high activity growth of 33.2%, following the growth of 36.8% in the previous quarter. Transport, storage and communications sector also experienced growth of 7.5%, following the



growth of 2.5% in the previous quarter. Industry, following the exit from the negative zone in Q1 2013, experienced intensified increase in Q2, accounting for 4.1%. Positive developments continued in the financial services sector, experiencing 1.7% growth in Q2 2013. Domestic trade grew by 0.6% and the agriculture surged by 0.4%. Growth rate in public administration sector accounted for 0.2%.

Growth in the **industrial production**¹ of 1.1% in Q2 2013 was mainly a result of the realized positive rates at: mining of metal ore (21.9%), other mining and quarrying (6.0%), production of beverages (13.2%), production of tobacco products (0.5%), production of textile (102.1%), production of clothing (19.1%), production of rubber products (1.7%), production of other non-metal products (0.1%), production of machines and devices (12.5%), production of other transportation equipment (34.1%), production of furniture (11.0%), repair and installation of machines and equipment (12.4%) and electricity, gas, steam and air conditioning supply (13.7%). From the point of view of the structure of industrial production index, 56.78% of the branches experienced growth.

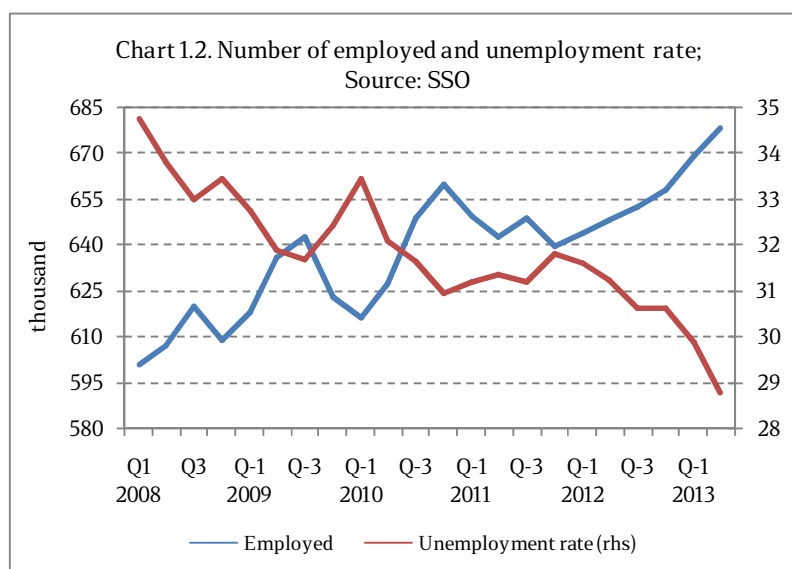
On the other hand, drop was observed at the following: mining of coal and lignite (19.2%) production of food products (4.5%), production of leather (9.8%), production of wood and wood products (0.1%), production of paper (11.5%), printing and production of recorded

¹ Calculated on the basis of monthly releases of Industrial Production Index.

media (33.2%), production of coke and refined oil products (97.6%), production of chemicals and chemical products (13.7%), production of pharmaceutical products (5.1%), production of metals (11.2%), production of fabricated metal products (48.0%), production of electrical equipment (4.8%), production of motor vehicles, trailers and semi-trailers (58.9%), and other production industry (1.9%).

Analyzed according to the **expenditure side of GDP**, in Q2 2013, growth was instigated by gross investments and export. Gross investments surged by 7%, corresponding to the high increase of construction and the growth of capital budget expenditures. Improvement of the developments in the EU economy had positive effects on the foreign trade of Macedonia. Thus, export of goods and services increased by 6.8%, while import surged by 2.3%, by which net export had positive contribution to the total economic growth. Final consumption in Q2 2013 experienced slight decrease by 0.1%, being mainly a result of the drop of public consumption of 3.6%, while personal consumption grew by 0.7%.

Positive trends continued on the labour market in Q2 2013. According to the **Labour Force Survey**, number of employed persons in Q2 2013 was higher by 4.7% compared to the same quarter in the previous year. Increase of employment was accompanied by the drop of the number of unemployed persons, decreasing by 6.9% on annual basis. Number of active population in Q2

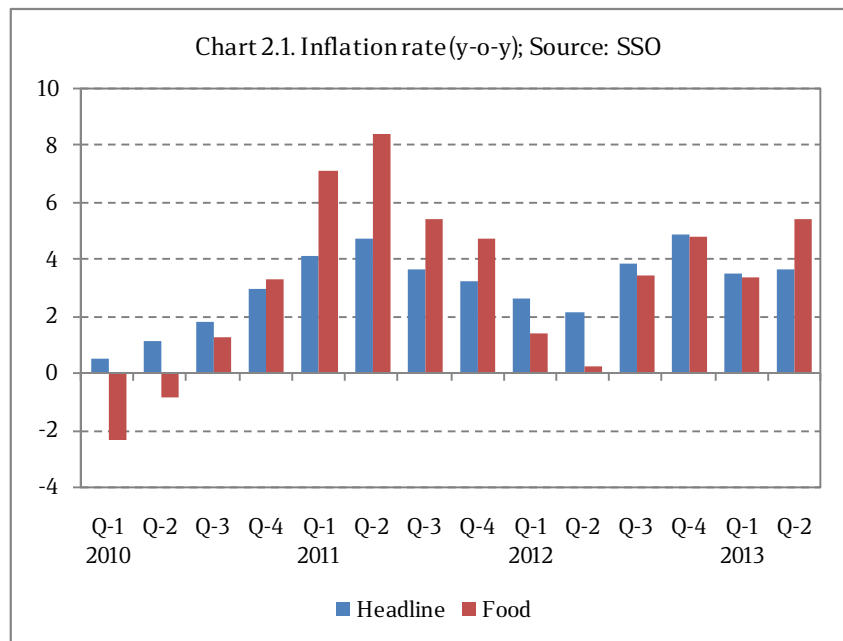


2013 was higher by 1.1% on annual basis. Such trends on the labour market caused for the unemployment rate in Q2 2013 to reduce to 28.8%, i.e. by 2.5 p.p. compared to the same quarter in the previous year, while in relation to the previous quarter, it was lower by 1.1 p.p.. Employment rate in Q2 2013 amounted to 40.7%, being higher by 1.8 p.p. compared to the same quarter in the previous year, while compared to the previous quarter, it was higher by 0.7 p.p.. Active population in Q2 2013 accounted for 57.1% of total working-able population.

2. Prices, Costs and Productivity

Inflation rate, measured according to CPI, was 3.6% in Q2 2013 compared to the same quarter in 2012, being a slight growth compared to the inflation rate of 3.5% registered in the previous quarter. Highest increase of prices was seen at the category clothing and footwear by 7.1%, followed by the growth in the category food of 5.4%, realizing most significant contribution to growth at general price level. Increase of prices of food were

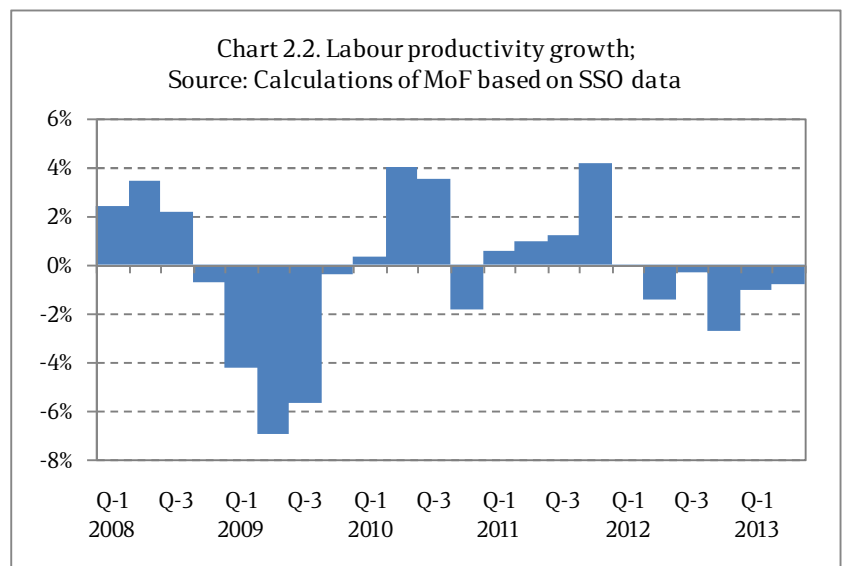
to a great extent due to the increase of prices of fresh vegetables and meat. Prices in the categories restaurants and hotels and hygiene and health surged by 4.1% and 4% respectively. Prices for housing increased by 3.5% mainly as a result of the higher prices for electricity and lighting. Increase of prices in the category tobacco and beverages accounted for 2.5%, followed by the increase of prices in the category culture and entertainment category by 1.1%. Prices in the category administrative and financial services increased by 0.8%.



Prices in the category means of transport and services reduced by 2.2% as a result of the drop of liquid fuels and oils and traffic and Postal, Telephone and Telegraph (PTT) services by 6.6% and 1.1% respectively.

Core inflation (which excludes the effect of food and energy) was 2.9% in Q2 2013, being lower by 0.4 p.p. compared to the core inflation in the previous quarter (3.3%).

Retail prices in Q2 2013 experienced slowed down increase by 1.4% compared to the same quarter in 2012. Prices of industrial products, which surged by 1.4%, contributed the most with 0.8 p.p. to the total increase of the retail prices. Within this category, most significant contribution to growth was seen at



industrial and food products, increasing by 3.5%. Prices of industrial and non-food products surged by 0.4%. Retail price of beverages increased by 1.1% and retail prices of tobacco grew by 2.9%. Retail prices in agricultural products category experienced high growth of 10.9%.

Average **net salary** in Q2 2013 amounted to Denar 21,126, being higher by 1.8% in nominal terms compared to net salary in Q2 2012. Net salary experienced a drop of 1.8% in real terms. Average **gross salary** amounted to Denar 31,001, and as same as the net salary, it grew by 1.8% in nominal terms, i.e. it dropped by 1.8% in real terms, compared to the gross salary in Q2 2012.

Increase of economic activity in Q2 2013 was accompanied by higher annual increase in the number of employees, resulting in decrease of **labour productivity** by 0.8%, following the drop of 1% in the previous quarter. Chart 2.2 shows the annual labour productivity increase.

3. Fiscal Sector

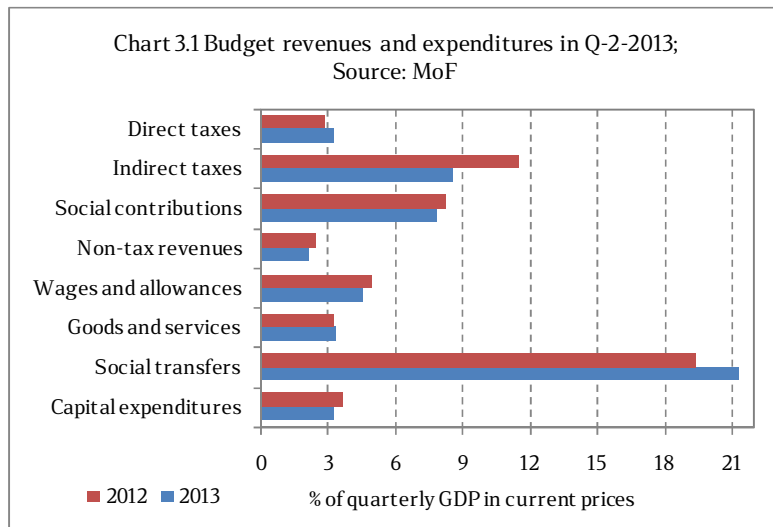
Higher performance of total budget revenues was observed in the second quarter of 2013, compared to same quarter in 2012, accompanied by almost identical budget expenditures, being lower by only 0.3%. **Budget deficit** was in the amount of Denar 2,370 million in Q2 2013 or 1.9% of GDP realized in this quarter (central budget deficit amounted to Denar 1,741 million, i.e. 1.4% of GDP, being decrease compared to the previous quarter).

Anti-cyclical fiscal policy continued to be conducted in the second quarter of this year as well, aimed at mitigating the consequences of the global economic crisis on Macedonian economy and maintaining macroeconomic stability. Thereby, fiscal sustainability of public finance was not jeopardized.

Total **budget revenues** were higher by 2.9% compared to the same quarter in 2012, being mostly due to the higher performance of both tax revenues by 7.7% and contributions by 2.5%, while non-tax ones decreased. Thereby, higher collection was recorded at value added tax, personal income tax and customs duties, while excises and profit tax experienced lower collection. VAT revenues dominated, accounting for 52.6% of the total tax revenues, surging by 15.6% in Q2 2013, compared to the same quarter in 2012. Regarding the structure of gross VAT revenues, there was decrease in VAT collection on the basis of import by 0.2%, while VAT on the basis of sales in the country grew by 14.5% in line with the trade sales, and dynamics of VAT refund reduced by 17.5%. Excise revenues were lower by 5.6% compared to the same quarter in 2012. As for direct taxes, profit tax decreased by 5.0%, whereby one should take into account that the revenues for this tax is mainly a result of the tax collected on the basis of paid dividends and other distribution of profit and withheld tax paid to foreign legal entities. Revenues on the basis of personal income tax surged by 4.7% compared to the second quarter in the previous year. From the aspect of structural share in GDP, direct taxes, on annual basis, experienced equal share in GDP, accounting for 3.0%, while indirect taxes participated with 11.6% of GDP.

Collection of social contributions was higher by 2.5%, whereby higher collection was recorded at all contributions, i.e. health insurance contributions - 3.8%, pension insurance contributions and employment contributions - 2.1%. Non-tax revenues, accounting for 1.8% of total quarterly GDP, were lower by 29.7% compared to the same period in 2012.

Capital revenues in Q2 2013 were lower by 8.8% on annual basis (these revenues include revenues on the basis of lease of construction land, sale of flats, as well as revenues on the basis of dividends).



Revenues on the basis of grants were higher by 2.5 times compared to Q2 2012.

In Q2 2013, total **budget expenditures** were lower by 0.3% compared to the same quarter in 2012. Current expenditures, accounting for 89.7% of the total expenditures, decreased by 1.1% on annual basis. Capital expenditures, participating with 10.3% in the total expenditures, were higher by 7.2% compared to the second quarter in 2012. As for current expenditures, expenditures for goods and services increased by 10.8%, while expenditures related to salaries and allowances experienced a drop by 1.0% compared to the same quarter last year. Funds for transfers, participating with 63.1% in the total expenditures, were lower by 3.2% on annual basis (transfers grew by 19.2% in the previous quarter).

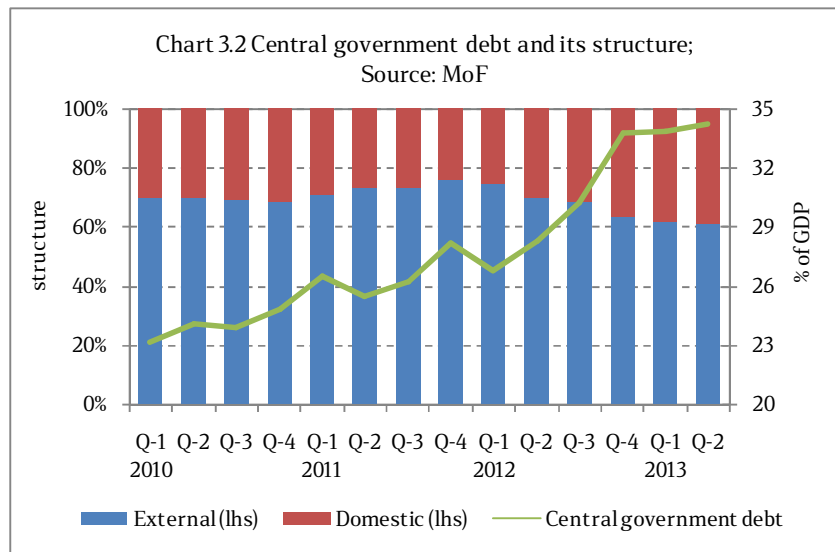
Share of the category „Other Transfers“ in the total expenditures accounted for 14.7% (including transfers to local government - block and earmarked grants, as well as other subsidies and transfers).

Transfers to the Pension and Disability Insurance Fund, accounting for 29.3% in total expenditures, were higher by 10.4% compared to the same quarter in 2012, i.e. they were higher by 3.1% compared to Q1 2013. Expenditures for interest payments surged by 12.1% on annual basis, while compared to Q1 2013 they were lower by 22.8%. Expenditures on the basis of interests on domestic debt surged by 57.9% on annual basis, and growth was also seen on quarterly basis. Interests on foreign debt decreased by 22.9% on annual basis, while compared to Q1 2013, they decreased by almost 2.5 times.

Fiscal burden, measured as participation of the budget revenues² in relation to nominal GDP, was 24.9% in Q2 2013, dropping by 0.4 p.p. in relation to Q2 2013. Total budget expenditures accounted for 31.1% of quarterly GDP, which was by 8.2 p.p. lower compared to Q1 2013, decreasing by 2.7 p.p.. on annual basis.

² It included tax revenues, social contributions and administrative fees and duties.

Total **central government debt** at the end of Q2 2013 accounted for 34.2% of GDP, increasing by 0.2 p.p. compared to Q1 2013. Share of central government external debt in the total central government debt surged by the same amount of percentage points. Hence, share of central government domestic debt increased to 38.8% of the total central government debt. Such trends point out that additional borrowing, which is inevitable for

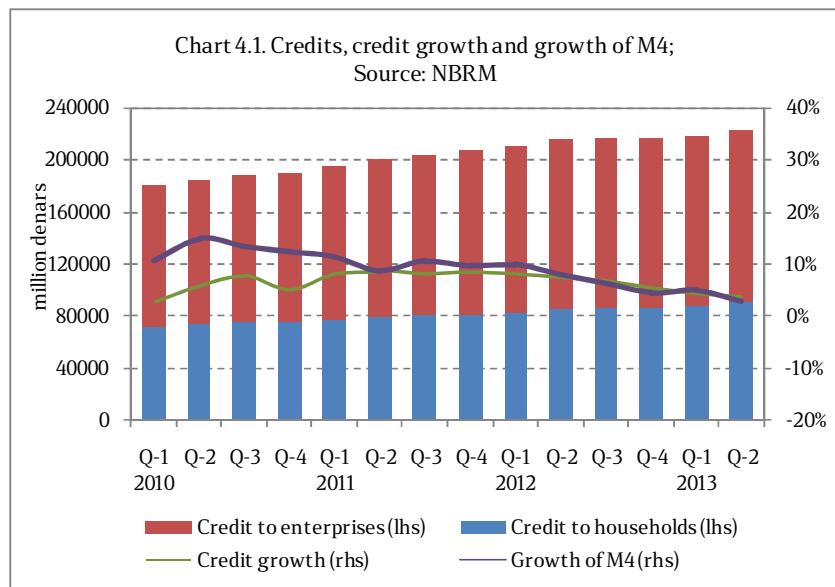


conducting more expansive fiscal policy, whether externally or internally, would not jeopardize fiscal sustainability, whereby coordination with monetary policy is needed. Sound fiscal policy is one of the Maastricht Criteria for convergence, having the limits set at budget deficit of 3% of GDP and government debt of 60% of GDP.

4. Monetary and Financial Trends

Reference interest rate on central bank bills, following the reduction in the first quarter of 2013, remained the same, i.e. at 3.5% in the second quarter, given that the Central Bank assessed the current and expected economic and financial conditions adequate to the set-up of monetary policy.

Primary money³ in Q2 2013 intensified the quarterly drop to 3.4% (following the drop of 1.2% in Q1 2013) in conditions of reduced total liquidity of banks by 4.9% and cash in circulation by 1.5%.



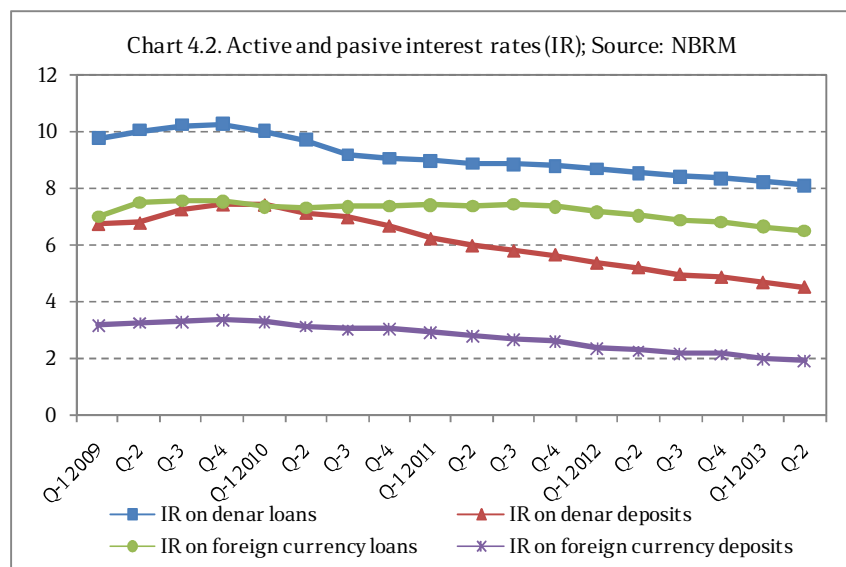
³ It includes ready money in circulation (including cash in hand of banks), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars)

During the second quarter of 2013, narrowest money supply **M1** experienced quarterly drop of 1.4% compared to Q1 2013. **Monetary aggregate M2**, in Q2 2013 decreased by 3.5%, while the widest **monetary aggregate M4** decreased by 1.5%. Reduction of money supply arises from the drop of the most liquid component and the short-term savings, unlike the long-term savings, which experienced growth.

Total deposit potential⁴ of banks, in Q2 2013 reduced by 0.8% on quarterly basis, which from the aspect of the sectoral structure was a result of the enhanced drop of deposits of private enterprises by 7.4% (drop by 2% in the previous quarter). At the same time, deposits of households experienced slowed down quarterly growth of 0.9%.

From currency point of view, growth of total deposits was fully due to the denar deposits, which surged by 1.9% on quarterly basis, while foreign currency deposits decreased by 4.1% resulting in further reduction of the euroization degree by 1.5 p.p., i.e. to 43.9%, measured through the share of foreign currency deposits in the total deposit potential.

From maturity point of view, in the past period, there was continuous growth of the share of long-term deposits in the total deposit potential, reaching 23.5% in Q2 2013. These trends are in line with the quarterly increase of long-term deposits by 5.7% (8.3% in Q1 2013), during simultaneous drop of short-term deposits of 4.3%.



Credit activity of banks to non-government sector in Q2 2013 experienced intensified growth rate of 1.9% on quarterly basis, in conditions of intensified credit growth to households sector by 3.4% and increase of crediting to corporate sector by 0.9%. Dominant contribution to growth was realized by the credits to households, by which the downward trend of the share of credits to private enterprises (58.9%) continued, which started in the second quarter of 2012.

From currency point of view, Denar credits which were driving force of the increase of total credits grew by 2.1% on quarterly basis, while foreign currency credits in Q2 2013 registered quarterly growth of 1.4%.

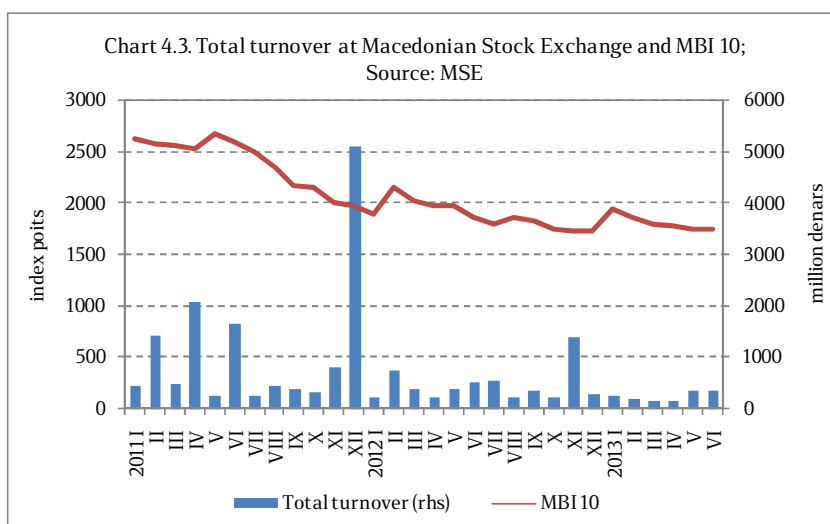
From maturity point of view, long-term credits in Q2 2013 experienced quarterly growth of 1.2% (compared to the drop of 0.9% in Q1 2013), while short-term credits grew by 2.5% (compared to the drop of 0.5% in Q1 2013).

⁴ Deposits also include calculated interest.

In the second quarter of 2013, NBRM retained the **interest rate on CB bills** at 3.5%. Interest rates of deposit banks in Q2 2013 experienced downward swings on quarterly basis. In fact, interest rate on Denar credits of deposit banks reduced by 0.1 p.p. compared to the previous quarter, amounting to 8.1%. Thus, the downward trend of this interest rate, which started at the beginning of 2010, continued. Interest rate on foreign currency credits reduced from 6.7% to 6.6%. Interest rate on Denar deposits declined by 0.1 p.p. on quarterly basis accounting for 4.6%, while interest rate on foreign currency deposits reduced by 0.1 p.p. i.e. at 1.9%.

Interest rate on newly approved Denar credits in Q2 2013 also reduced on quarterly basis, amounting to 6.9% (7.3% in the first quarter), while interest rate on newly approved foreign currency credits remained at 6.5%. Interest rate on newly received Denar deposits dropped by 0.2 p.p. compared to Q1 2013, accounting for 2.5%, while interest rate on newly received foreign currency deposits amounted to 0.5%, by 0.1 p.p. lower than the previous quarter.

On the **capital market** in the second quarter of the year, total turnover of the Stock Exchange experienced growth of 34.3% compared to the previous quarter, being a result of the growth also registered at the traditional trading and the block transactions, by 50% and 25.6% respectively.



Compared to the same quarter in the previous year, total turnover dropped by 26.5% in conditions of reduced traditional trading by 11.5%. Turnover realized through the block transactions compared to Q2 2012 increased by 46.4%.

Macedonian Stock Exchange Index MSEI -10, as aggregate indicator of stock exchange trends at the end of the second quarter, amounted to 1,745.48 index points, decreasing by 2.6% compared to March 2013, while compared to June 2012, the index was lower by 6.1%.

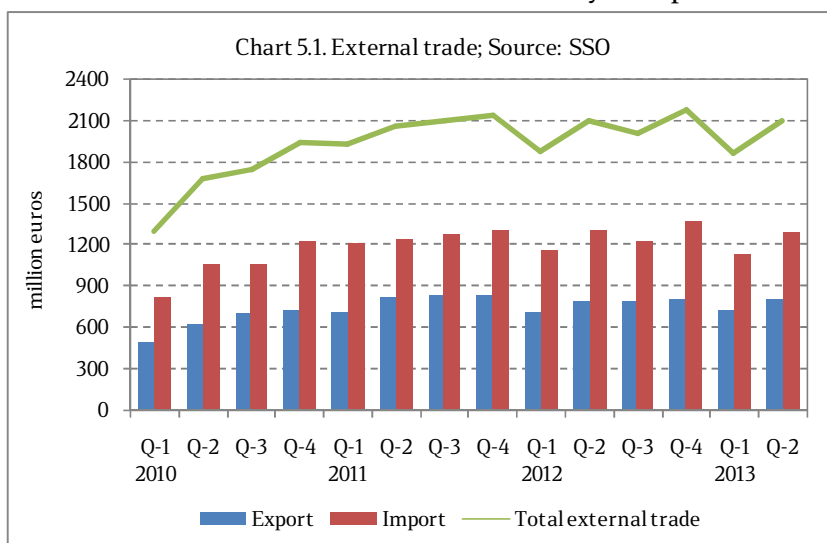
5. External Sector

5.1. Foreign Trade

According to the data of the State Statistical Office in Q2 2013, total foreign trade amounted to Denar 2,095.2 million, contracting by 0.4% compared to the same quarter in 2012.

In Q2 2013, **export** of goods amounted to EUR 804.6 million whereby compared to the same quarter in the previous year, it surged by 1.0%, while compared to the previous quarter, it grew by 11.7%.

Analyzed by **SITC sectors** (Standard International Trade Classification), positive trends in the **export** in Q2 2013 compared to the same quarter of 2012 were registered at the following:



- chemical products by 22.2% (chemical materials and products increased by 28.8% or EUR 26.5 million);
- beverages and tobacco by 42.0% (tobacco by 55.8% or EUR 14.4 million);
- machines and transport equipment by 24.9% (within which the category of industrial machines and spare parts surged by 37.0% or EUR 13.4 million);
- food products by 4.5% (cereals and cereal preparations surged by 8.8% or EUR 1.0 million; fruit and vegetables by 14.0% or EUR 5.2 million); and
- raw materials, except fuel, by 3.7% (metal ore and metal scrap surged by 1.1% or EUR 0.4 million).

On the other hand, negative export trends are seen at:

- products classified by the material by 12.5% (iron and steel by 15.9% or EUR 29.7 million); and
- mineral oils and lubricants by 60.3% (within which the category oil and oil products reduced by 59.3% or EUR 25.8 million).

In Q2 2013, observed by **economic purpose**, following products were most exported: goods for industrial procurement (54.5%), followed by consumer goods (20.2%), food and beverages (11.3%), products for investments without transport equipment (9.9%), fuels and lubricants (2.2%) and transport equipment (1.9%).

Import of goods in Q2 2013 amounted to EUR 1,290.6 million, decreasing by 1.2% compared to Q2 2012, while in relation to the previous quarter, it increased by 13.5%.

Analyzed by **SITC sectors**, highest growth of **import** in Q2 2013, compared to Q2 2012 was seen at:

- machines and transport equipment by 24.2% (operating machines and devices by more than 3 times or EUR 13.2 million; industrial machines and spare parts by

27.4% or EUR 9.8 million; and electrical machines, devices and spare parts by 23.9% or EUR 9.3 million);

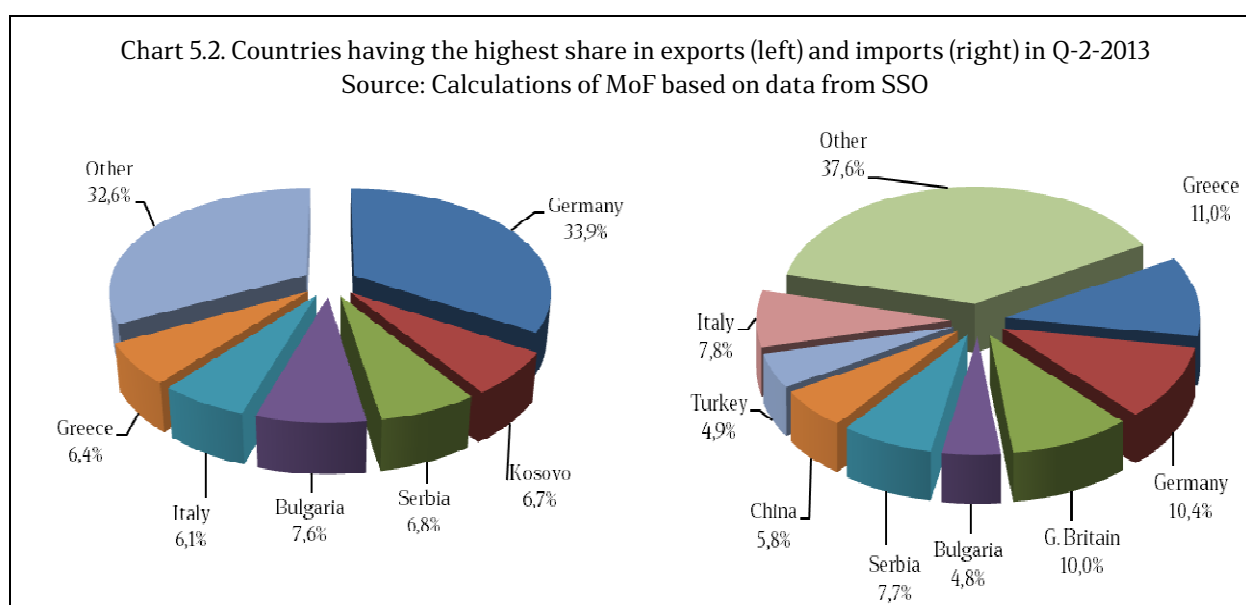
- chemical products by 22.0% (products for colouring and tanning by 86.8% or EUR 12.3 million; inorganic chemical products by 29.5% or EUR 3.6 million);
- food products by 0.9% (fruit and vegetables increased by 24.1% or EUR 3.1 million); and
- beverages and tobacco by 3.8% (beverages by 12.2% or EUR 1.0 million).

Highest decline of import was seen at the following:

- raw materials except fuel by 51.2% (metal ore and metal scrap declined by 65.0% or EUR 44.6 million);
- products classified by material by 6.3% (non-ferrous metals by 21.5% or EUR 28.1 million; iron and steel by 13.3% or EUR 11.3 million); and
- mineral oils and lubricants by 13.3% (electricity by 36.8% or EUR 14.5 million; and oil and oil products by 5.3% or EUR 7.9 million);

Observed by **economic purpose** in Q2 2013, the following products were most imported: goods for industrial procurement (45.1%), followed by investment goods without transport equipment (14.4%), fuels and lubricants (14.3%) food and beverages (11.2%), consumer goods (10.3%) and transport equipment (4.6%).

In Q2 2013, foreign trade of the Republic of Macedonia with the European Union (EU 27), in relation to Q2 2012, surged by 7.7%, whereby share of trade with EU in the total foreign trade increased by 4.2 p.p. compared to the first quarter in 2012, accounting for 64.5%, whereby export of goods participated with 69.3% and import of goods accounted for 61.4%.



As a result of the structural changes in the trade with abroad, in the first quarter of 2013, 73.6% of the trade deficit of the country was a result of the trade deficit with: Great Britain, Greece, China, Italy and Turkey, while the rest of the deficit was a consequence

of the exchange with: Serbia, Poland, France, Slovenia, the USA and others. Trade surplus was realized with: Germany, Kosovo and Bosnia and Herzegovina.

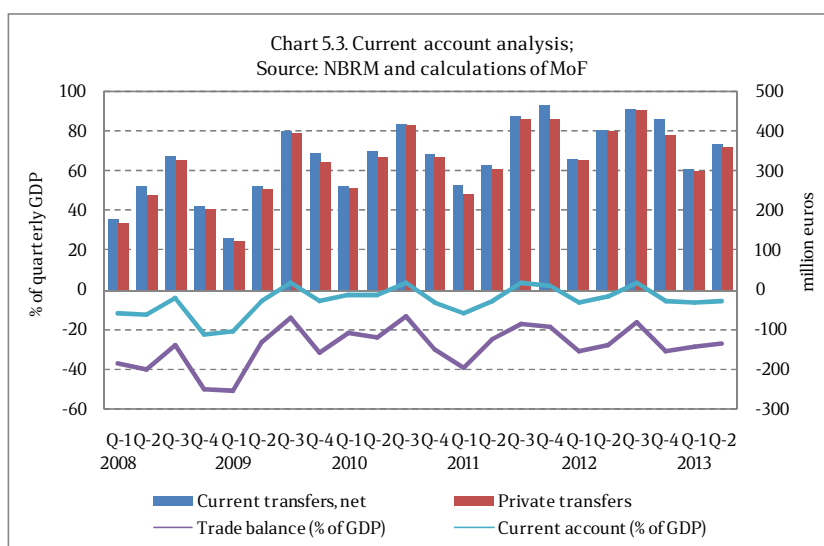
5.2. Balance of payments

According to the National Bank data, in the second quarter in 2013, BOP current account balance experienced deficit in the amount of EUR 111 million, widening by 44.7 million on annual basis (current account deficit amounted to EUR 66.3 million in Q2 2012).

Widening of the current account deficit compared to the previous quarter, was mainly a result of the widened trade deficit and the increased import of net services. Increased outflow on the basis of net current transfers and the reduced outflow of net income acted in opposite direction.

During the upward adjustment of export by 11.6%, and in conditions of growth of export of 13.3% on quarterly basis, trade account deepened by 16.4% in relation to the previous quarter.

Deficit in the amount of EUR 2.2 million was registered on the service account in Q2 2013, showing deterioration in relation to the previous quarter, when surplus in the amount of EUR 7.4 million was observed. Negative balance on the service account (i.e. increased import of services) led to deepening of the current account deficit.



Deficit on the net income account in Q2 2013 narrowed by 18.2% compared to the previous quarter, which was influenced by the 2.7% growth of the inflows of income and the 8.9% drop of the outflows of income.

Current transfers experienced surplus in the amount of EUR 368.5 million in Q2 2013, which compared to Q1 2013 grew by 21.1%.

In such conditions, the current account balance narrowed by 1.9% compared to the previous quarter.

5.2.1. Current account

In the second quarter of 2013, current account balance was negative, accounting for 5.5% of GDP, being deepened by EUR 44.7 million compared to Q2 2012.

Widening of the current account deficit in Q2 2013 was mostly due to reduced inflows on the basis of net current transfers and the increased outflow of net services.

During upward adjustment of export by 1.0% and downward adjustment of import by 0.7% on annual basis, trade account narrowed by 3.8% compared to Q2 2012.

Deficit in the amount of EUR 2.2 million was registered on the service account in Q2

2013, showing deterioration in relation to Q2 2012, when surplus in the amount of EUR 18.6 million was observed.

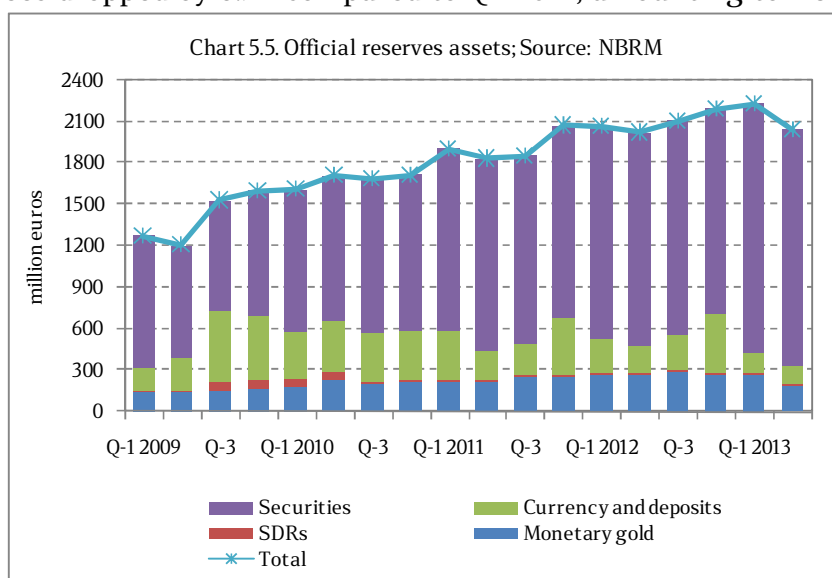
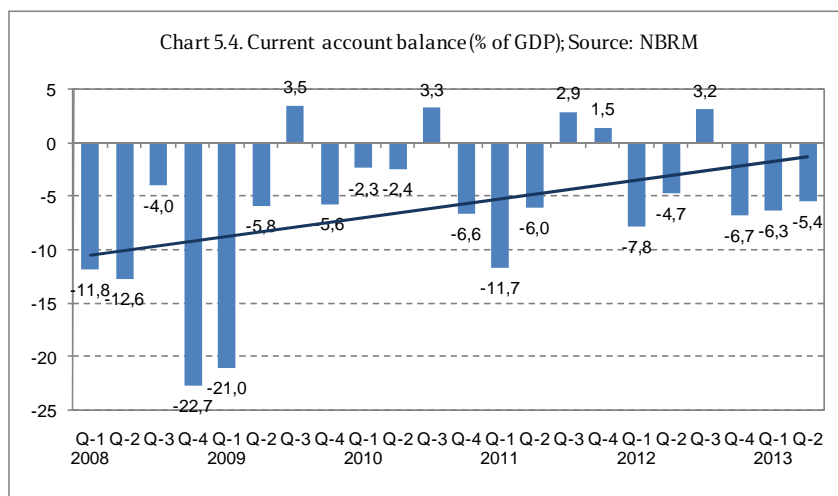
Deficit on the net income account in Q2 2013 deepened by EUR 2.2 million in relation to Q2 2012.

Trade openness of the Republic of Macedonia in Q2 2013 amounted to 101.4%, being lower by 8.4 p.p. compared to the same quarter of 2012, when it accounted for 109.8%.

Net current transfers in Q2 2013 amounted to EUR 368.5 million, being lower by EUR 39.2 million or by 9.6% compared to Q2 2012. Drop is due to the private transfers, which decreased by 10.0% and participated with 97.6% in the total net transfers. Private transfers in Q2 2013 amounted to EUR 359.4 million. More thoroughly analyzed, other transfers (87.1% of private transfers) had dominant share in the private transfers, declining by 10.2% on annual basis and amounting to EUR 313.2 million, while remittances from employees dropped by 8.9% compared to Q2 2012, amounting to EUR 46.2 million.

Compared to the previous quarter, net current transfers surged by 21.1% or by EUR 64.2 million, mainly due to the increase of private transfers by 20.9% or EUR 62.0 million.

Coverage of trade deficit with private transfers in Q2 2013 accounted for 82.3%, decreasing by 5.7 p.p. on annual basis.



5.2.2. Capital Account and Financial Account

Capital account and financial account in Q2 2013 experienced surplus and the balance amounted to EUR 106.1 million, widening by EUR 45.4 million compared to Q2 2012. According to the financial account, in Q2 2013, inflow of net direct investments in the amount of EUR 31.9 million was registered, growing by EUR 31.7 million compared to Q2 2012, when surplus was realized in the amount of EUR 0.3 million.

At the end of Q2 2013, official foreign currency reserves amounted to EUR 2,039.2 million, being higher by 1.0% compared to Q2 2012. Foreign currency reserves, i.e. securities, had dominant share in the official reserves, participating with 83.7% or EUR 1,707.8 million, followed by monetary gold which participated with 9.8% or EUR 200.9 million, while currencies and deposits participated with 6.3% or EUR 128.2 million.

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November 2013, Skopje