



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

October 2013



Skopje, December 2013

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

October 2013

- Industrial production surged by 6.9% in October 2013 compared to October 2012 and compared to September 2013, it increased by 4.9%;
- Inflation rate amounted to 1.3% on annual basis, while compared to the previous month, it decreased by 0.1%. Average inflation rate in the first ten months of 2012 amounted to 3.1%;
- Annual drop of 15.0% of physical output of export in the period January-September 2013 and drop in value of 2.0%, decline of imported quantities of goods of 10.0% and drop in value of 1.9%, resulting in reduction of trade deficit by 8.2% compared to the same period in 2012.
- Higher performance of total budget revenues by 1.4% and increase of total budget expenditures by 4.3% in the first ten months of 2013, compared to the same period last year; state budget deficit in the amount of Denar 17,113 million (3.5% of GDP) and central budget deficit in the amount of Denar 14,719 million (3.0% of GDP);
- Increase of both total credits to private sector by 4.2% and total deposit potential of banks by 5.9% on annual basis.

1. Real Sector

Industrial Production

Industrial production surged by 6.9% in October 2013 compared to October 2012. Analyzed by sectors, mining and quarrying sector experienced growth of 9.7% as a result of the growth in the branches other mining and quarrying by 49.6% and mining of coal and lignite branch by 6.5%, while mining of metal ore dropped by 2.5%. Processing industry

sector experienced increase of production by 7.4%, while electricity, gas, steam and air-conditioning supply sector dropped by 0.8%. As for processing industry, annual positive growth was registered

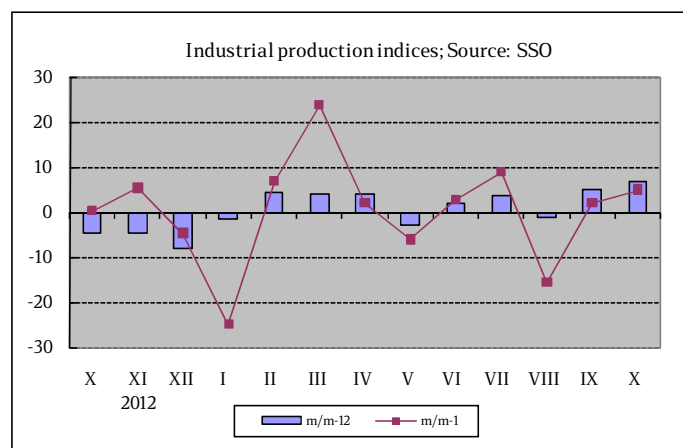
	m/m-12	m/m-1	I-X 2013
			I-X 2012
Total	6.9	4.9	2.6
Ore and stone extraction	9.7	22.7	6.6
Processing industry	7.4	5.6	1.3
Electricity, gas and water supply	-0.8	-17.1	6.5

Source: SSO

at 13 out of 23 branches, comprising 32.4% of the industrial production. High growth on annual basis was registered at the following: Production of textile – 75.0%, manufacture of electrical equipment 74.6%, production of furniture 72.2%, printing and production of recorded media 65.4%, repair and installation of machinery and equipment 56.8%, production of motor vehicles, trailers and semi-trailers 51.2%, production of beverages 43.1%, production of machines and devices elsewhere unmentioned 33.6%, production of chemicals and chemical products – 30.5% and production of tobacco products – 26.0%. Production of beverages (2.4 p.p.) contributed the most to the annual change of industrial production in October 2013, while production of clothing had the highest negative contribution (-1.5 p.p.).

Industrial production surged by 4.9% in October 2013 compared to September 2013. Sector analysis points out that 22.7% growth was evidenced in the mining and quarrying sector. Growth in the mining and quarrying sector was a result of the drop in all branches, as follows: Mining of coal and lignite – 46.4%, mining of metal ore – 7.1% and other mining and quarrying – 35.8%. Processing industry sector experienced increase of production by 5.6%, while electricity, gas, steam and air-conditioning supply sector dropped by 17.1%.

On cumulative basis, in the period January–October 2013, industrial production surged by 2.6%, compared to the same period in 2012. Mining and quarrying sector grew by 6.6%, electricity, gas, steam and air-conditioning supply sector surged by 6.5%, while processing industry sector experienced 1.3% growth.



Data on industrial production by target groups in October 2013, compared to October 2012, showed production increase at the following groups: Consumer durables – 36.3%, capital goods - 15.2%, intermediary goods, except energy – 6.3%, consumer non-durables – 5.9% and energy – 1.1%.

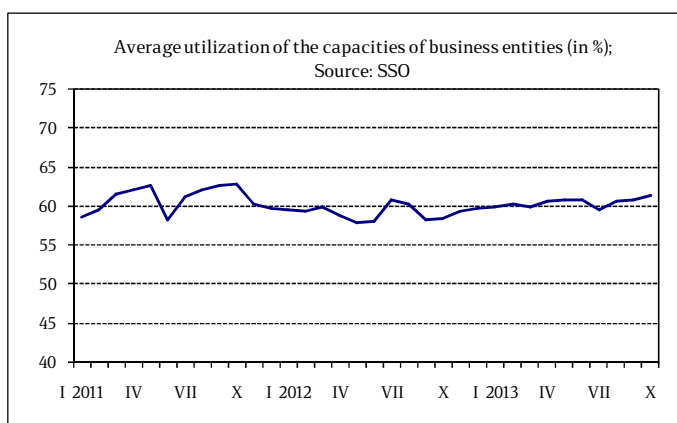
On monthly basis, data on the industrial production by target groups in October 2013 showed that there was increase in the production at the following groups: Capital goods – 17.9%, consumer durables – 15.6%, intermediary goods, except energy – 9.4%, and consumer non-durables – 1.8%. Drop was registered at the energy group – 5.7%.

On cumulative basis, in the period January-October 2013, compared to the same period last year, growth was registered in the following groups: capital goods – 6.4%, consumer non-durables – 5.9%, consumer durables – 5.7% and energy – 2.2%. Drop was registered at intermediary goods, except energy – 2.4%.

Business Tendencies in the Processing Industry

According to the assessments of managers, current economic trends of business entities in October 2013 was more favourable compared to both the previous month and October 2012.

Assessment of current state of delivery-to-production was less favourable compared to the previous month, while compared to October 2012, it was more favourable. In October 2013, assessment for the production volume in the past three months was more favourable compared to both



September 2013 and October 2012. In October 2013, the expectations for the production volume in the next three months are more favourable compared to the previous month, while compared to October 2012, they were insignificantly less favourable.

As regards the number of employees, the expectations in October 2013 for the next three months are more favourable compared to both the previous month and October 2012. Average utilization of capacities in October 2013 accounted for 61.4%, being an increase compared to the previous month, when it accounted for 60.9%. Compared to October 2012, the utilization of the capacities was higher by 3.0 p.p..

In October 2013, stocks of raw materials and intermediate goods, as well as on-going procurement of raw materials and intermediate goods, were below and around the average. Assessment of the current stock of ready-made products was more favourable compared to both the previous month and October 2012. In the next 3-month period, according to the assessment of managers, average purchase prices of inputs are expected to decrease and selling prices of ready-made products are also expected to decline.

According to the assessments, following factors limited the most the production volume in October 2013: insufficient foreign demand – 25.2%, insufficient domestic demand – 18.3%, shortage of skilled labour – 11.4%, financial problems – 10.7%, competitive import – 9.1%, uncertainty of economic environment – 9.0%, unclear economic laws – 3.0%, shortage of raw materials – 2.7% and lack of equipment – 2.7%.

In October 2013, less business entities indicated: insufficient foreign demand, insufficient domestic demand, unclear economic laws, uncertainty of economic environment and shortage of raw materials, while most of the business entities indicated: Lack of equipment, shortage of skilled labour, competitive import and financial problems as limiting factor compared to September 2013. As regards other factors, there are no significant changes.

Number of Workers in the Industry

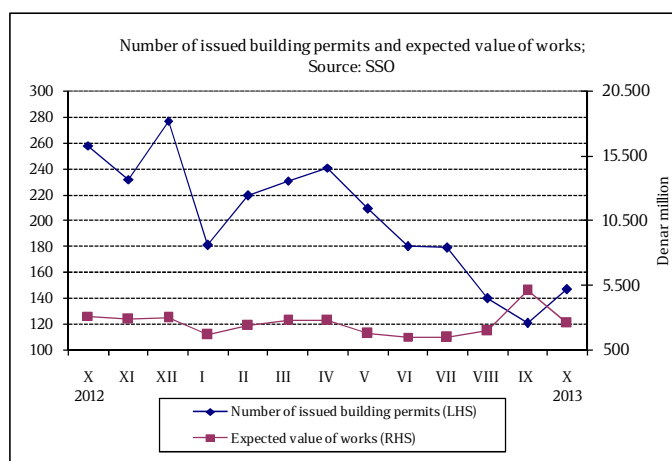
Number of workers in the industry in October 2013, compared to October 2012, increased by 2.8%. Sector analysis points out to increase of the number of workers in all sectors, as follows: Mining and quarrying by 9.2%, processing industry by 2.3% and electricity, gas, steam and air-conditioning supply by 1.5%. Mining and quarrying sector experienced increase in the number of workers by 9.2%, as a result of the increase in the number of workers in the sectors mining of coal and lignite (24.8%) and mining of metal ore (2.0%), while the number of workers in the other mining and quarrying sector dropped by 2.9%.

Data on the number of workers in the industry by target groups in October 2013, compared to October 2012, showed increase in the number of workers at the following groups: Energy by 7.2%, consumer durables by 4.8%, consumer non-durables by 3.4% and capital goods by 1.5%, while reduction of the number of workers was registered in the following group: Intermediary goods, except energy –0.1%.

Number of Issued Building Permits and Envisaged Value of Facilities

In October 2013, 147 building permits were issued, dropping by 43% compared to October 2012. Total number of issued building permits compared to September 2013, when 121 permits were issued, increased by 21.5%.

Envisaged value of the facilities, according to the issued building permits in October, amounted to Denar 2,553 million, being by 18.7% less compared to October 2012. In relation to the previous month in 2013, value of the facilities declined by 49.5%.



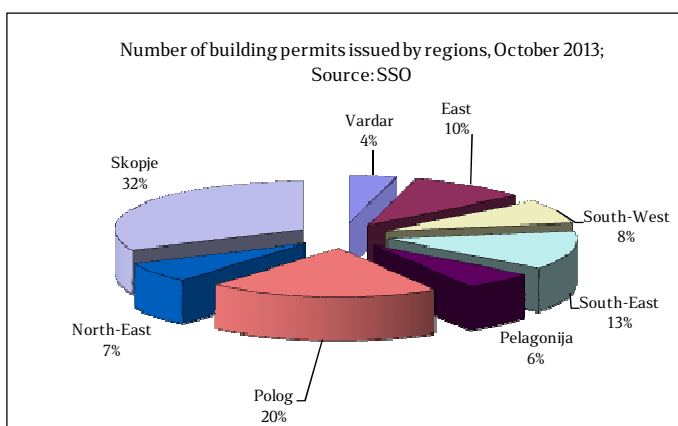
Analyzed by types of facilities, 100 (or 68%) building permits out of the total number of issued building permits were intended for buildings, 25 (or 17%) for civil engineering structures and 22 (or 15%) for reconstruction.

Analyzed by types of investors, out of the total 147 facilities for which building permits were issued, natural persons were investors in 103 facilities (or 70%), while business entities were investors in 44 facilities (or 30%).

In October 2013, construction of 347 flats was envisaged, with total usable area of 27,990 m². Number of flats envisaged for construction declined by 30.7% compared to the same month in 2012, while it decreased by 30.9% compared to September 2013.

Analyzed by regions, in October 2013, most building permits were issued in Skopje region, 47 in total, 23 permits out of which were issued to natural persons as investors, while 24 permits were issued to business entities as investors. Vardar region had least issued permits, 6 permits in total, 5 permits out of which were issued to natural persons as investors, while 1 permits were issued to business entities as investors.

Analyzed on cumulative basis, in the period January-October 2013, most building permits were issued in the Skopje region, 516 in total, 360 permits out of which were issued to natural persons as investors, while 156 permits were issued to business entities as investors.



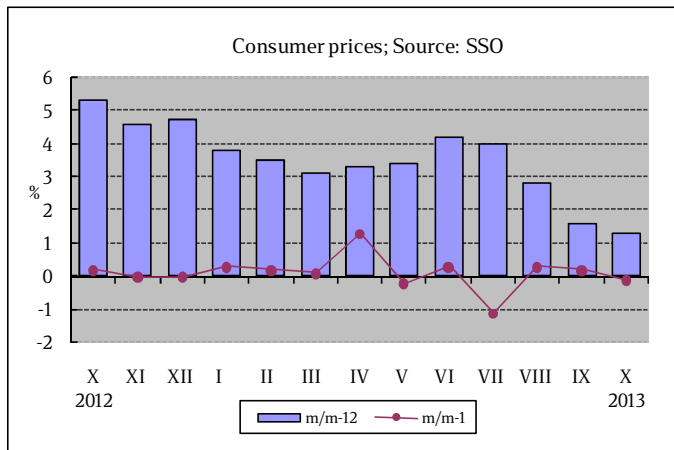
Northeastern region had least issued permits, 113 permits in total, 94 permits out of which were issued to natural persons as investors, while 19 permits were issued to business entities as investors.

Inflation

Annual inflation rate in October 2013, measured according to the CPI index, amounted to 1.3%. Average inflation rate in the period January-October 2013 increased to 3.1%.

On annual basis, prices in food category surged by 1.1%. Prices in housing category reduced by 2.0%, whereby prices in sub-category heating and lighting decreased by 3.3%, while prices at the sub-categories rent, water and services and household furnishings increased by 0.1% and 1.3% respectively. High, although slowed down increase of prices was seen in the clothing and footwear category by 5.5%, while price increase in the following categories is as follows: Hygiene and health – 5.2%, tobacco and beverages – 3.9%, restaurants and hotels – 3.8%, administrative and financial services - 0.9% and culture and entertainment – 0.2%. Decrease of prices was recorded in the categories means of transport and services – 0.6%.

Inflation rate in October compared to the previous month reduced by 0.1%, unlike the monthly growth of 0.2% realized in September 2013. Prices in the categories food and tobacco and beverages dropped by 0.2%, while prices in the category means of transport and services decreased by 1.1%. Highest monthly increase of prices



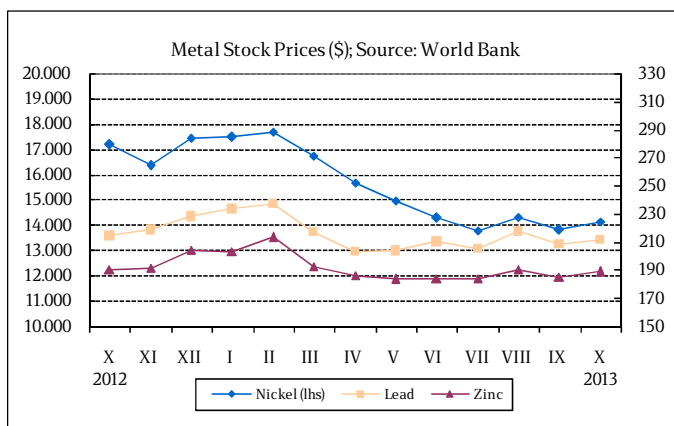
was seen at the category clothing and footwear by 2.0%, followed by the increase at the category hygiene and health by 0.1%. Prices remained the same on monthly basis in the categories: Housing, culture and entertainment, restaurants and hotels and administrative and financial services.

Retail prices in October 2013 were higher by 0.7% compared to October 2012. Compared to the previous month, retail prices were lower by 0.3%. Average increase of retail prices in the first ten months in 2013 accounted for 1.4%.

Stock Market Prices

In October 2013, crude oil price (Brent) on the global stock markets declined by 1.9%, compared to the previous month, reaching the price of US\$ 109.5 per barrel. Compared to October 2012, oil price was lower by 2.2%. Price of natural gas in October increased by 1.6% compared to the previous month.

As regards metal products, nickel, as product with high share in Macedonian export, was traded at an average price of US\$ 14,118 for a metric ton (\$/mt) on the global stock markets in October, being a monthly increase of the price by 2.3%. Compared to October 2012, nickel price was lower by 17.8%. In October, there was monthly increase of prices of basic metals, thus aluminium experienced highest growth of 3.0%, followed by the price increase of zinc by 2.1%, tin by 1.6%, lead by 1.5% and copper by 0.6%. As for prices of precious metals, there was monthly drop of price, i.e. price of platinum dropped by 3.0%, price of silver decreased by 2.9%, while 2.3% drop was seen at the price of gold. Price of iron ore in October experienced monthly decline of 0.9%.



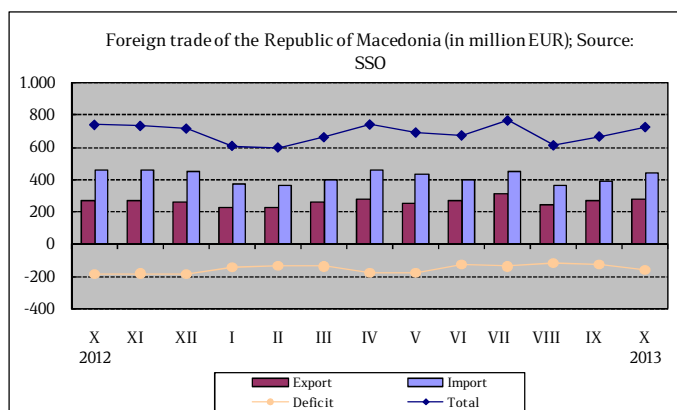
Increase of price of wheat on the global stock markets accelerated in October and, compared to September, it was higher by 5.9%. Price of corn registered monthly decline of 2.7% in October. Price of lamb meat experienced monthly increase by 3.5%.

2. Foreign Trade

In the period January-October 2013, total foreign trade contracted by 0.4% in relation to the same period in 2012.

Export

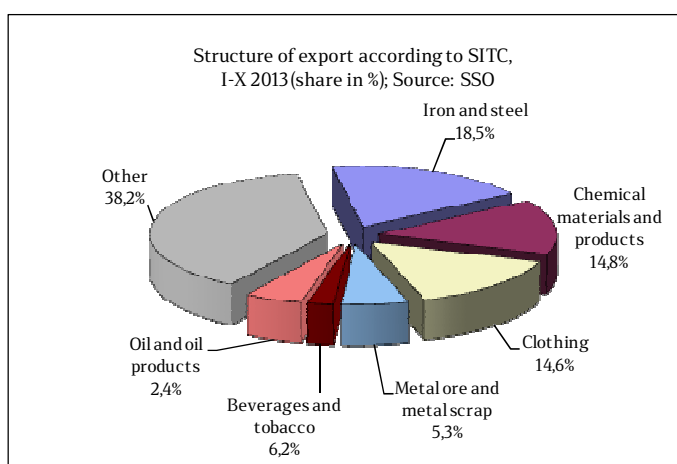
In the period January-October 2013, physical output of export dropped by 15.0% compared to the same period in 2012, while the value of exported goods amounted to EUR 2,630.3 million, being an increase of 2.0% (EUR 51.8 million) in relation to the period January-October 2012.



Analyzed on monthly basis, in October 2013, export surged by 3.9%, compared to the previous month.

Seasonally adjusted trend of export in October 2013 increased by 6.8% on monthly basis, pointing out to negative effects of the seasonal factor (2.9 p.p.) on export this month.

Main groups of goods (according to SITC) being most exported in the period January-October 2013 were the following: iron and steel – 18.5%, clothing – 14.6%, chemical materials and products – 14.8%, beverages and tobacco – 6.2%, metal ore and metal scrap – 5.3%, oil and oil products – 2.4%.



These six groups of products comprised 61.8% of the total export of the country.

In the period January-October 2013, observed by economic purpose, the following products were the most exported: goods for industrial procurement (52.5%), followed by consumer goods (22.1%), food and beverages (10.9%), products for investments without transport equipment (10.1%), fuels and lubricants (2.4%) and transport equipment (1.9%).

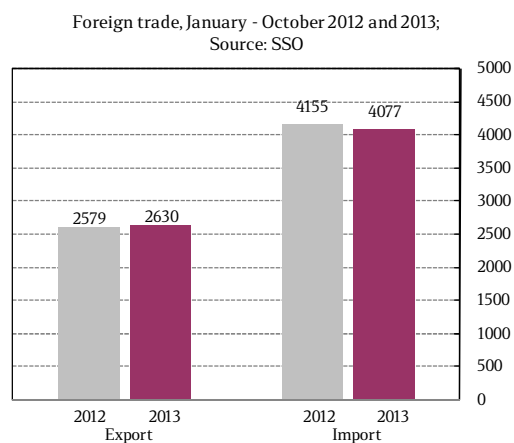
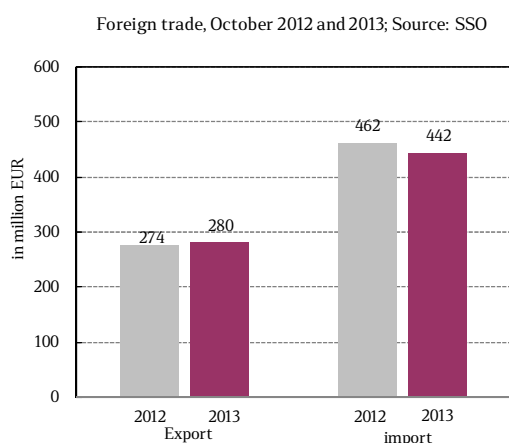
Export of iron and steel*)				
	I-X 2012	I-X 2013	Balance 2013-2012	% rate
.000 T	556.1	488.5	-67.7	-12.2
EUR mil.	556.5	487.3	-69.2	-12.4
\$ mil.	714.0	643.5	-70.5	-9.9

*)Previous data

Import of iron and steel*)				
	I-X 2012	I-X 2013	Balance 2013-2012	% rate
.000 T	454.6	473.0	18.3	4.0
EUR mil.	238.3	233.6	-4.7	-2.0
\$ mil.	305.3	308.9	3.6	1.2

*)Previous data

Analyzed by tariffs, following products were the most exported: catalysts with precious metals or precious metal compounds as active substance; ferronickel; filtering or purifying machinery and apparatus for other gases by a catalytic process; tobacco not stemmed/stripped; men's shirts of cotton; boards, plates, stands, tables, cabinets and others; hot rolled flat products of iron or non-alloyed steel of width of 600 mm or more; plated or coated, lead ore and concentrates; ferrosilicium; cooper ore and concentrates; pharmaceuticals put up in measured doses; and others.



Import

Imported quantities of goods in the period January - October 2013 reduced by 10.0% compared to the period January - October previous year, while their value amounted to EUR 4,077.4 million, reducing by 1.9% (EUR 77.9 million) compared to the same period in 2012.

Analyzed on monthly basis, in October 2013, import increased by 12.3%, compared to the previous month.

Export of oil and oil products*)				
	I-X 2012	I-X 2013	Balance 2013-2012	% rate
000 T	189.1	124.6	-64.5	-34.1
EUR mil.	131.7	62.6	-69.1	-52.5
\$ mil.	169.4	82.6	-86.8	-51.2

*)Previous data

Import of oil and oil products*)				
	I-X 2012	I-X 2013	Balance 2013-2012	% rate
.000 T	908.6	768.1	-140.5	-15.5
EUR mil.	611.4	468.3	-143.1	-23.4
\$ mil.	785.0	618.5	-166.5	-21.2

*)Previous data

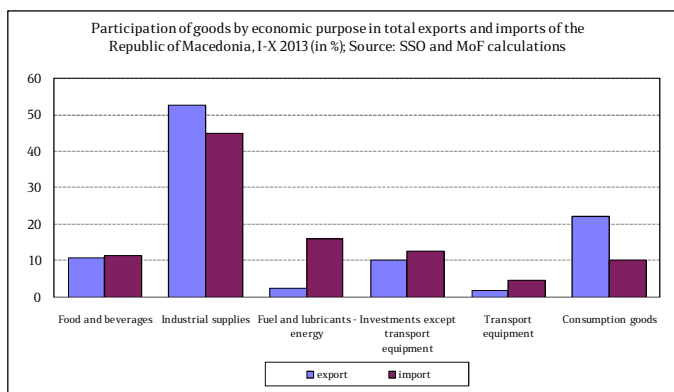
Seasonally adjusted trend of import in October 2013 decreased by 1.7% on monthly basis, pointing out to positive effects of the seasonal factor (14.1 p.p.) on import this month.

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

In the period January - October 2013, observed by economic purpose, following products were most imported: goods for industrial procurement (45.0%), followed by fuels and lubricants (16.0%) investment goods without transport equipment (12.7%), food and beverages (11.3%), consumer goods (10.2%) and transport equipment

(4.8%).

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



	I-X 2012	I-X 2013	Balance 2013-2012	% rate
.000 T	19.9	6.0	-13.8	-69.6
EUR mil.	317.6	389.4	71.9	22.6
\$ mil.	408.6	514.9	106.3	26.0

*)Previous data

	I-X 2012	I-X 2013	Balance 2013-2012	% rate
.000 T	26.4	26.1	-0.3	-1.1
EUR mil.	57.8	62.0	4.1	7.1
\$ mil.	74.4	81.7	7.3	9.7

*)Previous data

Trade Balance

In the period January–October 2013, trade deficit narrowed by EUR 129.6 million or 8.2% compared to the same period last year.

If we analyze the balance of export and import of goods by economic purpose, deficit narrowing is a result of combined effect from: narrowing of negative balance in the trade of fuels and lubricants, food and beverages, transport equipment, investments without transport equipment and consumer goods, while the widened negative balance in the trade of goods for industrial procurement 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–October 2013, compared to the same period in 2012, export increased at the following groups: EU 28 and EFTA, while it dropped at the following groups: Organization of Petroleum Exporting Countries, Western Balkan Countries, North American Free Trade Agreement and Asia-Pacific Economic Cooperation and Commonwealth of Independent States. Export to the EU surged by 17.2% on annual basis, while as for Western Balkan countries, it declined by 13.3%.

In the period January–October 2013, foreign trade of the Republic of Macedonia with the European Union (EU 28), in relation to the same period last year, increased by 8.5%, whereby share of trade with the EU in the total foreign trade increased by 3.6 p.p., accounting for 66.2%. Export of goods to the European Union

(EU 28) accounted for 72.5% in the total export of the Republic of Macedonia, while import of goods participated with 62.2%.

In the period January–October 2013, 79.7% of the trade deficit of the country was realized in the trade with Great Britain, Greece, China, Serbia and Turkey followed by: Italy, Russia, Slovenia, Austria, Switzerland, and others. Surplus was realized in the trade with Germany, Kosovo and Bosnia and Herzegovina.

Currency Structure

Observed by currency structure, 73.7% of the trade in the period January-October 2013 was realized in euros and, compared to the period January – October 2012, it surged by 3.3 p.p.. On export and import side, euro accounted for 83.5% and 67.4%, respectively, whereby share of the euro in export was higher by 4.3 p.p., while increase of the share of the euro in import increased by 2.5 p.p. compared to the period January-October 2012.

import	I-X 2012					I-X 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		
EUR	2,450.7	2,694,809,492	61.5361	165,828,066,351	64.9	2,524.5	2,749,132,598	61.5878	169,313,028,605	67.4	54,323,106	2.0
USD	2,693.3	1,402,605,002	47.9878	67,307,928,298	26.3	2,104.8	1,157,978,316	46.6205	53,985,528,069	21.5	-244,626,686	-17.4
GBP	2.4	273,106,285	75.8494	20,714,947,827	8.1	2.8	356,147,159	72.3714	25,774,868,491	10.3	83,040,874	30.4
EUR+USD+GBP	5,146.4			253,850,942,476	91.2	4,632.1			249,073,425,165	99.1		
tot. import	5,154.0			255,524,648,482	100.0	4,640.7			251,285,931,710	100.0		-1.7

Source: SSO and NBRM

3. Fiscal Sector

Budget Revenues

In the period January-October 2013, total budget revenues reached an amount of Denar 114,872 million, i.e. 23.5% of GDP, which was by 1.4% higher in relation to the same period in 2012.

Tax revenues in this 10-month period were realized in the amount of Denar 63,361 million, i.e. 13.0% of GDP, being higher by 1.0% in relation to the same period in 2012.

Value added tax was realized in the amount of Denar 32,089 million, whereby share of VAT in total tax revenues in this period was dominant, amounting to 50.6%. Excises were realized in the amount of Denar 13.319 million (participating with 21.0% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 45,408 million, i.e. 3/4 or 71.7% of total tax revenues (9.3% of GDP). Thereby, VAT collection amounted to Denar 48,528 million on gross basis, Denar 16,439 million out of which was refunded to taxpayers. Gross collection of VAT was lower by 1.5%, while VAT refund was higher by 3.3% compared to the same period in 2012.

As for VAT structure, VAT share was the biggest when importing, decreasing by 7.2%, while VAT on the basis of sales in the country increased by 10.4%. Observed by certain categories of taxes, revenues on the basis of personal income tax were

realized in the amount of Denar 8,164 million, increasing by 7.0% on annual basis, whereby revenues on the basis of salaries and other personal earnings accounted for 72.0% of the personal income tax, revenues on the basis of contractual agreement accounted for 8.1%, revenues on the basis of capital amounted to 6.8%, and revenues on the basis of property and property rights accounted for 3.7%, etc. Compared to the same period in 2012, profit tax revenues in the amount of Denar 3,753 million surged by 16.7%, being mainly a result of the tax collected on the basis of paid dividends and other profit distribution and the revenues on the basis of additional payments for tax balance, at the same time revenues on the basis of advance payments, annual tax on turnover and retained tax paid to foreign legal entities experienced a decline. VAT revenues dropped by 0.5% (being less by 2.0 p.p. compared to the decline in the previous nine-month period), while excises declined, i.e. experienced lower performance by 1.8% (being less by 2.5 p.p. compared to the previous cumulative amount). Revenues on the basis of customs duties were realized in the amount of Denar 3,524 million, increasing by 5.1%. Revenues on the basis of other taxes, amounting to Denar 2,512 million, decreased by 8.6%.

Non-tax revenues amounted to Denar 10,255 million and, in relation to the same period in 2012, they were lower by 3.6% (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 3,192 million, decreasing by 23.6% compared to the same period in the previous year (68.5% of total funds or Denar 2,185 million are revenues from the payment of the dividend).

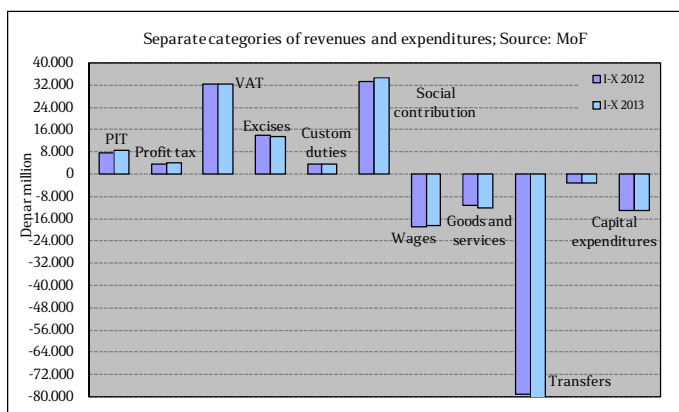
Revenues on the basis of foreign donations from international multilateral and bilateral cooperation were realized in the amount of Denar 2,544 million, being higher by 84.1% compared to the same period last year.

Collection of social contributions amounted to

Denar 34,414 million (accounting for 7.1% of GDP), being higher by 3.6% compared to the same period in 2012, whereby collection of health insurance contributions rose by 4.3%, collection of pension and disability insurance contributions increased by 3.3% and collection of employment insurance contribution surged by 3.1%.

Budget Expenditures

In the period January-October 2013, total budget expenditures amounted to Denar 131,985 million, i.e. 27.1% of GDP, which was higher by 4.3% compared to 2012.



With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 118,791 million accounted for 90.0% (24.3% of GDP) and they increased by 5.0% in relation to the same period in 2012.

Transfers amounting to Denar 84,395 million (17.3% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 18,782 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 14.2% and, compared to 2012, they decreased by 0.8%.

Expenditures related to goods and services amounted to Denar 12,145 million, increasing by 4.3% compared to the same period in 2012.

Transfers increased by 6.2% compared to the same period in 2012, participating with 63.9% in the total expenditures. Social transfers amounted to Denar 61,533 million, increasing by 6.4% and participating with 46.6% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 37,351 million, increasing by 9.4% compared to the same period in 2012 and accounting for 28.3% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 16.7% in the total expenditures, i.e. they surged by 6.4% compared to the same period in 2012. Block grants to local government units amounting to Denar 11,683 million were higher by 2.8% compared to the period January–October 2012. Subsidies and transfers were higher by 8.8%.

Interest was collected in the amount of Denar 3,469 million, being by 10.1% more compared to the same period in 2012. Such increase was mainly due to the payment of due interest on the basis of domestic borrowing. Costs related to interest on the basis of domestic borrowing increased by 37.2%, while the ones on the basis of foreign borrowing dropped by 2.6%.

During the analyzed period, funds for capital expenditures were realized in the amount of Denar 13,194 million, retaining the two-digit participation in the total expenditures and accounting for 2.7% of GDP.

Budget Balance

In these ten months in 2013, budget deficit reached the amount of Denar 17,113 million, accounting for 3.5% of GDP, while central budget deficit amounted to Denar 14,719 million or 3.0% of GDP.

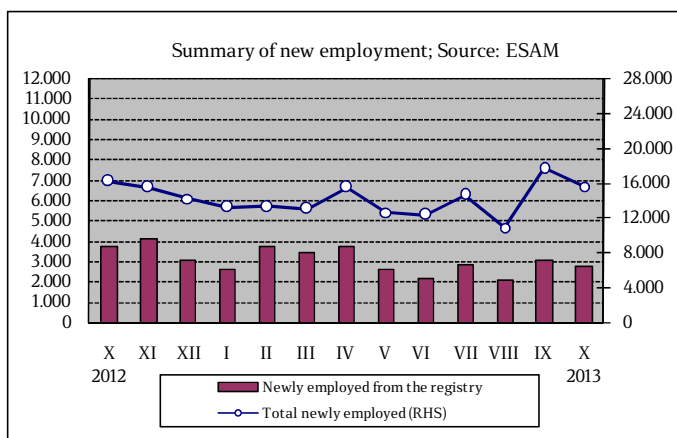
4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM¹

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.

In the period January-October 2013, Employment Agency of the Republic of Macedonia registered total of 138,278 new employments. 45.5% 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 16.4%.

During October, 15,547 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 6,687 persons in October, 39.2% out of which were new employments. In October, 8,193 persons were registered as inflow to the Agency, 36.7% out of which were persons whose employment was terminated. Thus, in October 2013, 92,799 persons were registered as unemployed, while number of other unemployed persons accounted for 130,094.



Major percentage of the unemployed, i.e. 73.3%, came from urban areas (cities), whereby 56.3% were men. Analyzed by education structure, major part, i.e. 43.7% of unemployed persons were without education, primary education or incomplete secondary education, 35.3% was with complete secondary education, while 21.0% completed community college or higher education level. Observed by age, majority of the unemployed persons or 52.0% fall in the category of 25-49 years of age. According to the time they waited for a job, 46.2% of the unemployed persons wait for employment from 1 to 7 years, while 18.2% wait for employment for 8 years and more.

Salaries

According to the data announced by the State Statistical Office, average monthly paid gross salary per employee in September 2013 amounted to Denar 30,915, while average monthly paid net salary amounted to Denar 21,060.

On monthly basis, in September 2013, average gross salary and net salary decreased by 0.2% in nominal terms, being lower by 0.4% in real terms.

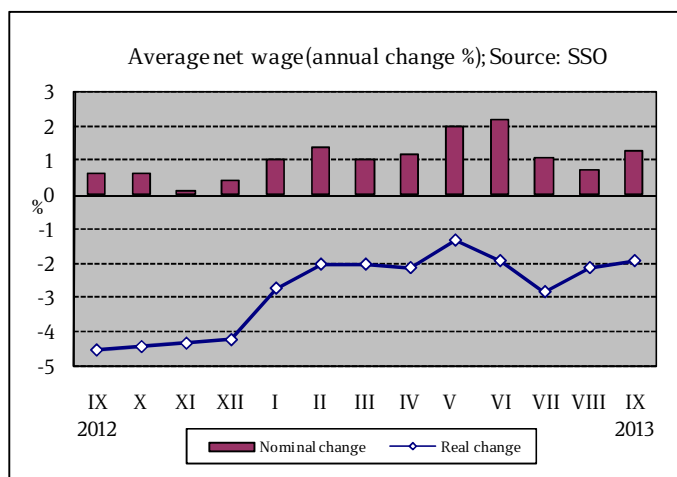
In September 2013 compared to September 2012, average gross salary increased by 1.2% in nominal terms, while it was lower by 0.4% in real terms. Average net salary was higher by 1.3% in nominal terms, decreasing by 0.2% in real terms.

On cumulative basis, in the period January-September 2013, compared to the same period in the past year, average gross salary and net salary grew by 1.3% in nominal terms, while they were lower by 1.9% in real terms.

Highest increase of average monthly gross and net salary per employee in September 2013, compared to August 2013, was registered at the following: transport and storage (6.5% gross salary and 6.0% net salary) construction (5.2% gross salary and 5.8% net salary) and mining and quarrying (5.0% gross salary and 4.4% net salary).

Reduction of average monthly gross and net salary per employee in September 2013 compared to September 2012, was seen in the activities mining and quarrying (6.0% gross salary and 5.8% net salary), water supply, removal of wastewater, waste management and environmental rehabilitation activities (2.9% gross salary and 2.8% net salary) and arts, entertainment and recreation (2.8% gross salary and 2.8% net salary).

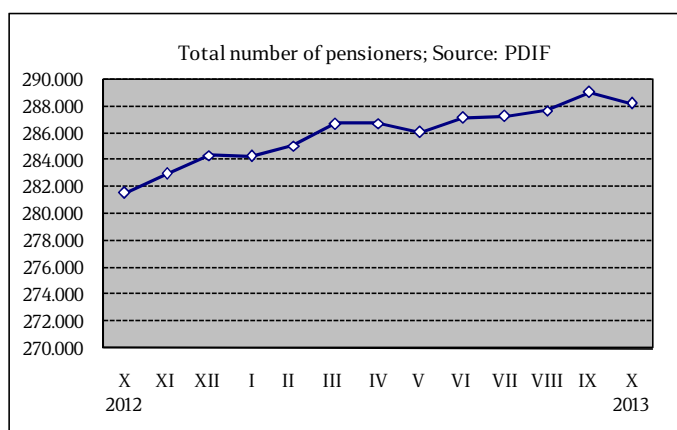
Percentage of employees who did not receive salary in September 2013 accounted for 1.2% and it was lower by 1.0 p.p. compared to the same month previous year, while compared to August 2013, it was lower by 0.3 p.p..



Pensions

In October 2013, Pension and Disability Insurance Fund registered 288,258 pensioners, increasing by 2.4% compared to the same month in 2012. Number of pension beneficiaries dropped by 797 persons in relation to September 2013. 58.1% out of the total number of pensioners are beneficiaries of old-age pension, 26.4% of survival pension and 15.5% of disability pension.

In October 2013, Denar 3,325.21 million was spent for payment of pensions, accounting for 52.9% of the total social transfers².



Average pension in October 2013 amounted to Denar 11,814, increasing by 8.3% on annual basis. Ratio between the average pension and the average paid salary in September 2013 (the most recent available data) was 56.1%.

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

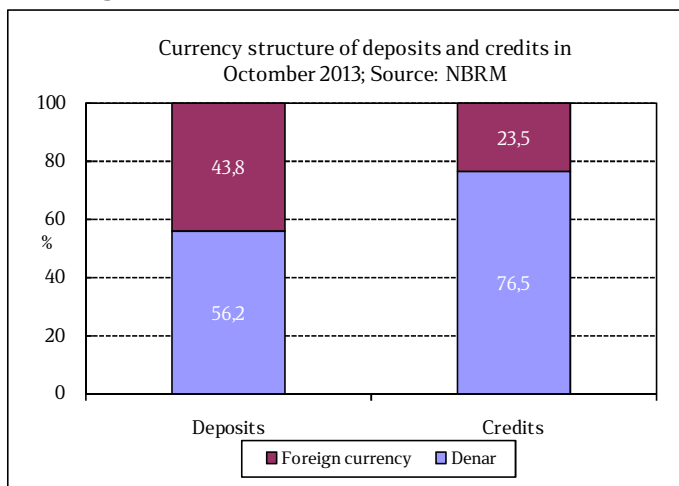
5. Monetary Sector

Primary Money

In October 2013, primary money³ showed annual growth of 2.4% on annual basis (drop of 1.2% in the past month), as a result of the growth of ready money in circulation by 7.1%, while total liquid assets of banks experienced a drop by 1.0%.

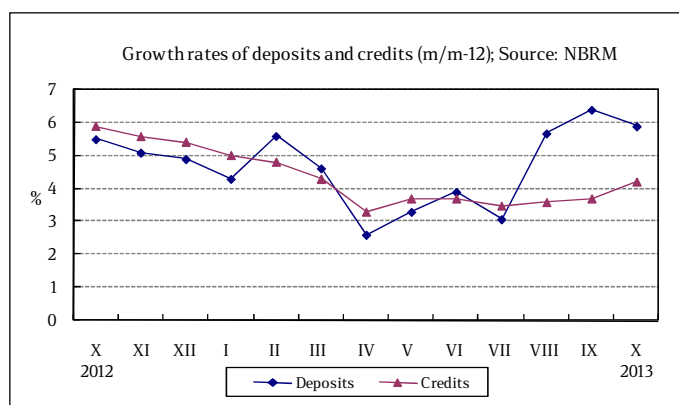
On monthly basis, primary money surged by 1.6%, as a result of the increase of total liquidity of banks by 4.4%. Ready money in circulation reduced by 1.7%.

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



Deposit Potential

Total deposit potential of banks⁴ increased by 0.4% in October 2013 on monthly basis, as a result of the increase of deposits of private companies by 2.5% and deposits of households by 0.2%. From currency point of view, Denar deposits and foreign currency deposits declined surged by 0.4%.



On annual basis, total deposits increased by 5.9% in October 2013, compared to 6.4% growth in September 2013. From a sector point of view, deposits of households experienced the same increase as the one in September, i.e. they surged by 6.6%, while deposits of companies recorded annual growth of 3.3%.

From currency point of view, Denar deposits surged by 9.8% in October 2013, while foreign currency deposits grew by 1.3%. According to maturity, long-term deposits increased by 28.8%, while short-term deposits reduced by 2.9%.

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

Bank Credits

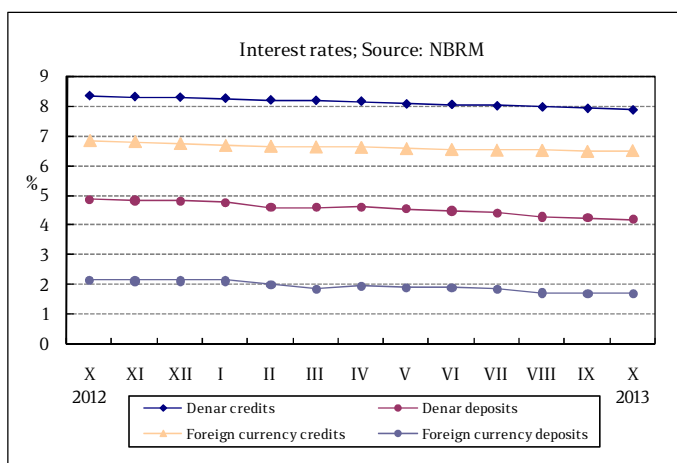
In September 2013, total credits of banks to the private sector surged by 0.3% on monthly basis (identical growth with the one in September), in conditions of growth of credits to households by 1.1% and 0.2% drop of credits to private companies. According to currency structure, Denar credits increased by 0.9%, while foreign currency credits dropped by 1.6%.

On annual basis, in October, total credits experienced intensified growth of 4.2% (In September, they increased by 3.7%). According to currency, new crediting was fully in domestic currency. In fact, Denar credits experienced intensified growth of 6.1% (in September, they increased by 5.6%), while the foreign currency credits dropped by 1.6%. Analyzed by sectors, credits to enterprises registered growth of 0.9%, while credits to households surged by 8.6%. As regards maturity, long-term credits increased by 5.2% on annual basis, while short-term credits were lower by 0.7%.

Interest Rates of Deposit Banks

Total interest rate on credits was 7.5% in October 2013, being at last month's level. In relation to the same month in 2012, it was lower by 0.4 p.p.. Interest rate on Denar credits accounted for 7.9%, dropping by 0.1 p.p. compared to last month, while interest rate on foreign currency credits remained the same, accounting for 6.5%.

Total interest rate on deposits amounted to 2.8%. Interest rate on Denar deposits accounted for 4.2%, while the interest rate on foreign currency deposits remained at 1.7%.



Foreign Currency Reserves

Gross foreign currency reserves at the end of October 2013 amounted to EUR 2,048.2 million and, compared to the previous month, they were lower by EUR 16.5 million, while compared to October 2012, foreign currency reserves were lower by EUR 41.3 million.

Ministry of Finance

Macroeconomic Policy Department

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