



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

April 2012



June 2012, Skopje

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

April 2012

- Industrial production dropped by 2.5% in April 2012 compared to March 2012;
- Inflation rate amounted to 1.1% on monthly basis and 2.2% on annual basis; Average inflation rate in the first four months of 2012 amounted to 2.5%.
- Annual drop of physical output of export in the period January-April 2012 by 13.9% and drop in value by 6.0% and decline of imported quantities of goods by 3.4% and drop in value by 4.0%, resulting in reducing the trade deficit by 1.0% compared to the same period in 2011.
- Lower performance of total budget revenues by 1.0% and increase of total budget expenditures by 1.1% in the period January-April 2012, compared to the same period last year; State budget deficit in the amount of Denar 4,417 million (0.9% of GDP) and central budget deficit in the amount of Denar 3,056 million (0.6% of GDP);
- Increase of both total credits to private sector by 8.5% and total deposit potential of banks by 9.3% on annual basis;
- Drop in the number of registered unemployed persons by 14.7% in April 2012 compared to the same month last year.

1. Real Sector

Industrial Production

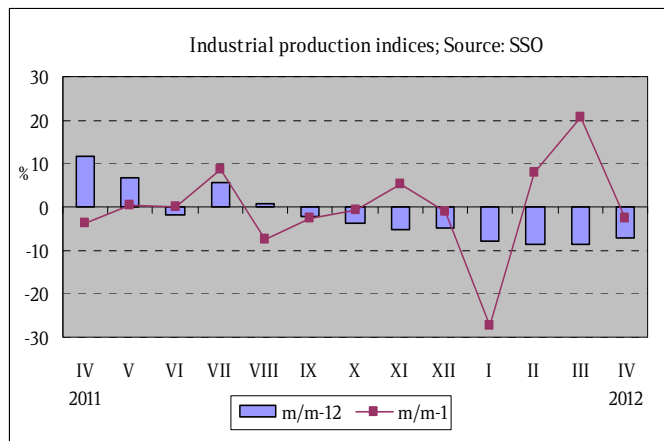
Industrial production dropped by 2.5% in April 2012 compared to March 2012; Sector analysis points out that decline was seen in all sectors, as follows: Electricity, gas, steam and air-conditioning supply by 0.3%, processing industry by 2.8% and mining and quarrying by 2.7%. De-seasoned monthly growth of industrial production in April 2012 was 0.4%, pointing out to negative seasonal effects in the industry. High monthly growth was seen at the following

	m/m-12	m/m-1	I-IV 2012
			I-IV 2011
Total	-7.2	-2.5	-8.1
Ore and stone extraction	-3.2	-2.7	-8.5
Processing industry	-7.0	-2.8	-6.6
Electricity, gas and water supply	-10.3	-0.3	-16.0

Source: SSO

branches: Production of motor vehicles, trailers and semi-trailers – 65.2%, production of tobacco products – 53.2%, printing and production of recorded media – 13.2% and production of other non-metal products – 10.1%, processing of wood, wood products and cork – 9.5% and production of fabricated metal products except machines and equipment – 9.2%.

Industrial production dropped by 7.2% in April 2012 compared to April 2011. Such drop was partly a result of the high basis, taking into account that in April in the previous year, industrial production experienced high increase by 11.8%. Analyzed by sectors, electricity, gas, steam and air-conditioning supply sector drooped by 10.3%, processing industry sector declined by 7.0%, while mining and quarrying sector decreased by 3.2%.



As for processing industry, annual positive growth was registered at 9 out of 23 branches, comprising 19.25% of the industrial production. Growth was seen at the following branches: Production of tobacco products - 86.7%, production of fabricated metal products except machines and equipment -86.4%, production of rubber products and plastic mass products – 45.6% and production of other transportation equipment - 30.9%.

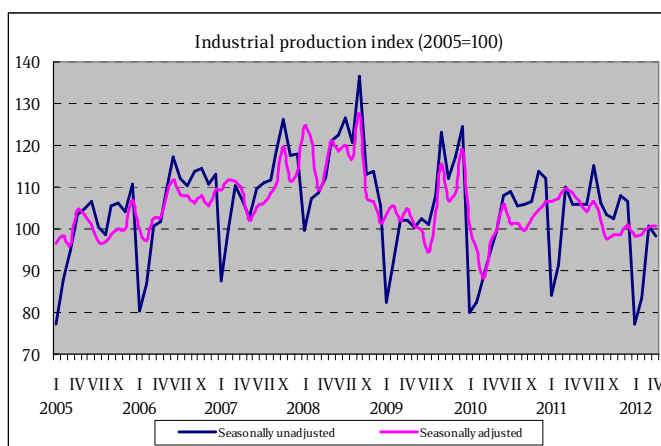
Production of tobacco products (5.0 p.p.) contributed the most to the annual growth of industrial production in April 2012, while production of coke and refined oil products had the highest negative contribution (-3.7 p.p.).

On cumulative basis, in the period January–April 2012 compared to the same period in 2011, industrial production dropped by 8.1%, being a result of the drop of production in all sectors. Processing industry dropped by 6.6%, mining and

quarrying decreased by 8.5%, while electricity, gas, steam and air-conditioning supply declined by 16.0%.

Data on industrial production by target groups in April 2012 compared to April 2001 show increase of production at the groups consumer non-durables - 5.1% and capital goods - 1.2%. Drop of production was seen in the following groups: Consumer durables - 57.7%, energy -27.4%, and intermediary goods except energy - 2.3%.

On monthly basis, data on industrial production by target groups in April 2012 show increase of production at the groups consumer non-durables - 3.7%. Monthly drop was seen at the following groups: Capital goods - 15.3%, consumer durables - 9.2%, intermediary goods, except energy - 5.9% and energy - 3.2%.

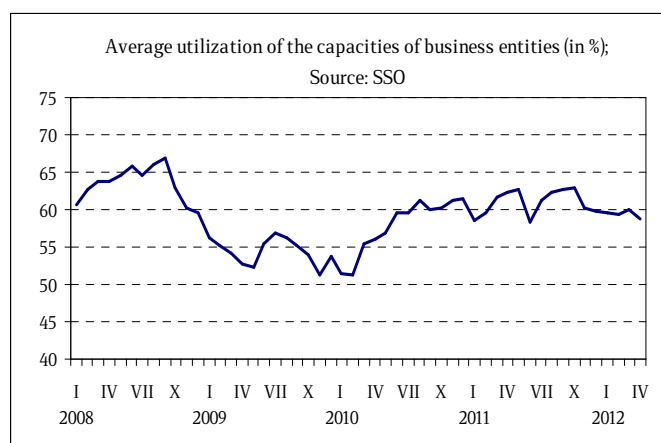


On cumulative basis, in the first four months of 2012 compared to the same period last year, production growth was seen in the group intermediary goods except energy - 0.7% and consumer non-durables - 0.3%, while drop was seen in the other groups, as follows: Consumer durables -47.6%, energy - 24.9% and capital goods 10.7%.

Business Trends in Processing Industry

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

Assessment of current state of delivery-to-production was less favourable compared to the previous month, while compared to April 2011 it was more favourable, whereby such improvement was due to increase in domestic orders, while foreign orders increased with slower pace. Assessment for the production volume in the past three months was less favourable compared to March 2012, as well as compared to April 2011. Expectations for the production volume in the next three months are less favourable compared to both the previous month and April 2011.



As regards the number of employees, the expectations for the next three months are less favourable compared to the previous month, while compared to April 2011,

they are significantly improved.

Average utilization of the capacities in April 2012 accounted for 58.8%, being slight decrease compared to the previous month, when it accounted for 59.9%. Compared to April 2011, utilization of the capacities was lower by 3.4 p.p..

Stocks of raw materials and intermediate goods, as well as on-going procurement of raw materials and intermediate goods, were below and around the average. Stock of ready-made products surged compared to both the previous month and April 2011. In the next 3-month period, according to the assessment of managers, average purchase prices of inputs and selling prices of ready-made products are expected to decrease.

According to the assessment, following factors limited the most the production volume in April 2012: Insufficient foreign demand -24.0%, insufficient domestic demand -18.3%, financial problems -12.1%, uncertain economic surrounding -9.7%, lack of qualified labour force - 7.6% and competitive import - 7.5%.

In April 2012, lower number of business entities pointed out the lack of equipment, competitive import and financial problems as limiting factor compared to March 2012, while higher number of business entities pointed out the lack of raw materials, insufficient foreign demand and uncertain economic surrounding. As regards other factors, there are no significant changes.

Number of Workers in the Industry

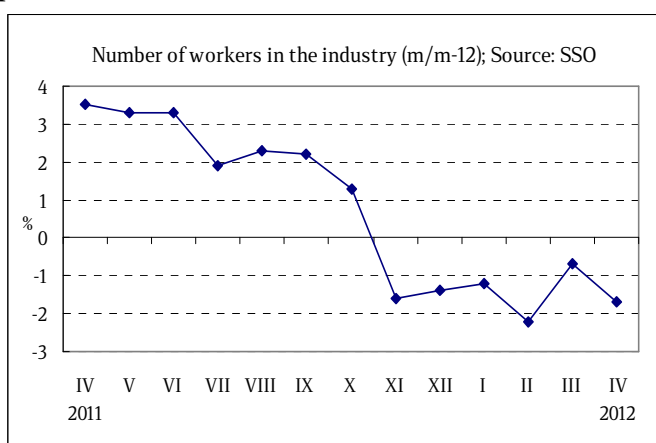
Number of workers in the industry in April 2012 compared to April 2011 decreased by 1.7%. Sector analysis points out to increase in the number of workers in the sectors mining and quarrying by 0.7% and electricity, gas, steam and air-conditioning supply by 0.2%, while processing industry registered reduction of the number of workers by 2.1% on annual basis.

Mining and quarrying sector experienced increase in the number of workers by 0.7%, as a result of the increase in the number of workers in the sectors mining of metal ore (2.7%) and mining of coal and lignite (1.6%), while the number of workers in the other mining and quarrying sector dropped by 5.0%.

Processing industry sector experienced decrease in the number of employees by 2.1%.

Significant increase in the number of workers on annual basis was seen in the following sectors: Production of paper and paper products -11.8%, production of rubber products and plastic mass - 7.2%, production of metals 4.8% and production of furniture 2.7%.

Data on the number of workers in the industry by target groups in April 2012, compared to April 2011, showed increase in the number of workers at the following



groups: Intermediary goods, except energy by 1.1% and energy by 0.1%, while reduction of the number of workers was registered in the following groups: Capital goods by 8.1%, consumer durables by 3.6% and consumer non-durables by 3.0%.

Number of Issued Building Permits and Envisaged Value of Facilities

In April 2012, 200 building permits were issued, being by 9.1% less compared to the same month in the previous year. Total number of issued building permits compared to April 2011, when 210 permits were issued, decreased by 4.8%.

Envisaged value of the facilities, according to the issued building permits amounted to Denar 2,244 million, being by 60.1% more than the same month in 2011, while compared to March 2012, the value of the facilities decreased by 37.1%.

Analyzed by types of facilities, out of the total number of issued building permits, 153 (or 76.5%) are intended for buildings, 17 (or 8.5%) for civil engineering structures and 30 (or 15%) for reconstruction.

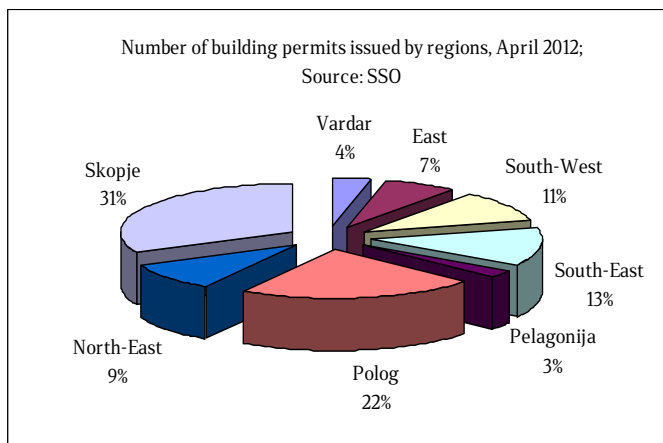
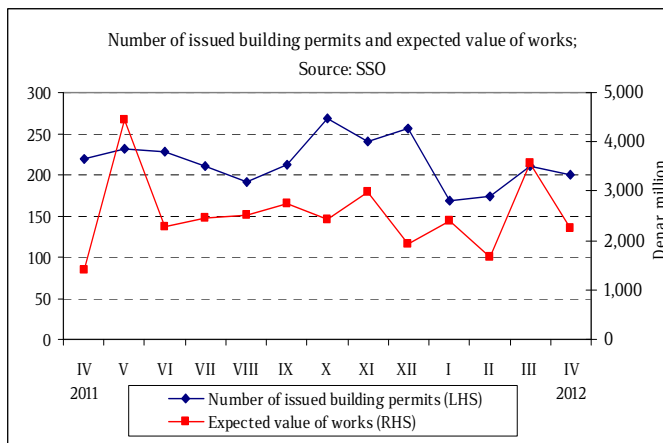
Analyzed by types of investors, out of total 200 facilities, natural persons were investors in 157 facilities (or 78.5%), while business entities were investors in 43 facilities (or 21.5%).

In April 2012, construction of 442 flats is envisaged, with total usable area of 37,584 m².

Analyzed by regions, most permits were issued in the Skopje region, 64 in total, 46 permits out of which were issued to natural persons as investors, while 18 permits were issued to business entities as investors.

Pelagonia region had least issued permits – 6 in total, three permits out of which were issued to natural persons as investors, while 3 permits were issued to business entities as investors.

In the period January-April 2012, most building permits were issued in the Skopje region, 251 in total, 151 permits out of which were issued to natural persons as investors, while 100 permits were issued to business entities as investors. Vardar region had least issued permits, 45

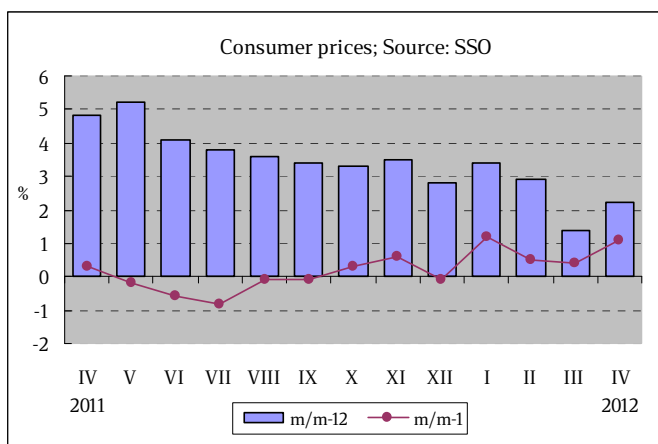


permits in total, 27 permits out of which were issued to natural persons as investors, while 18 permits were issued to business entities as investors.

Inflation

Inflation rate in April 2012, measured according to the CPI index amounted to 2.2% compared to the same month in the previous year. Average inflation rate in the first four months of 2012 amounted to 2.5%.

On annual basis, in April, increase of prices was the highest in the housing category – 5.5%, being mainly a result of the increase of prices of heating and lighting, surging by 7.8%. Food category, accounting for the most in the CPI index did not observe any change in prices. Reduction of prices was registered in the categories administrative and financial services by 0.5%. The other categories experienced increase in prices, as follows:



Transportation means and services – 4.8%, clothing and footwear – 3.9%, restaurants and hotels - 2.8%, hygiene and health 2.5%, culture and entertainment - 1.1%, and tobacco and beverages – 0.2%.

Inflation rate in April compared to the previous month, amounted to 1.1%. Highest growth was recorded in the category clothing and footwear by 2.2%, mainly as a result of the increase of price of footwear. As for food category, monthly increase of prices amounted to 1.6%, as a result of the seasonal increase of the prices of eggs, as well as the increase of prices of fruit and vegetables. As for category means of transport and services, increase of prices amounted to 1.3%, followed by the increase of prices in the categories hygiene and health – 0.9%, culture and entertainment 0.6%, housing 0.2% and restaurants and hotels 0.1%. Prices of the category administrative and financial services remained the same, while drop of prices was seen in the category tobacco and beverages by 0.1%.

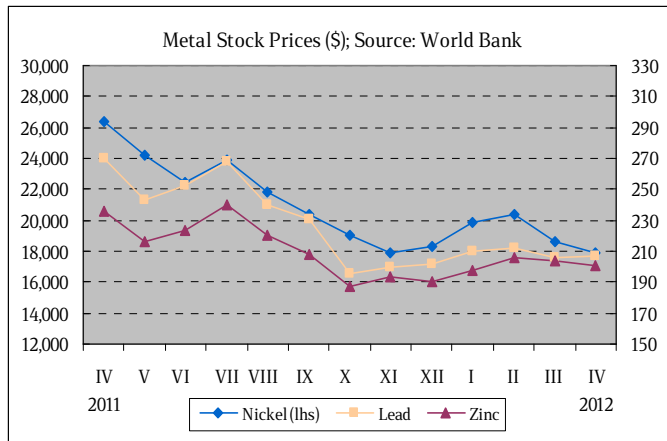
Retail prices in April 2012 were higher by 3.2% compared to April 2011. Compared to the previous month, retail prices were higher by 1.1%. Average increase of retail prices in the first four months of 2012 remained at the same level, i.e. 3.2%.

Stock Market Prices

In April 2012, crude oil price (Brent) on the global stock markets dropped by 3.6%, compared to the previous month, reaching the price of US\$ 120.5 per barrel. Compared to April 2011, oil price was lower by 2.1%. Price of natural gas in April decreased by 4.4% 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\$ 17,940 for a metric ton (\$/mt) on the global stock markets in April, being a monthly drop of the price by 3.9%. Compared

to April 2011, nickel price was lower by around 32%. In fact, in April, there was general decrease of prices of metals and minerals by around 2% on monthly basis, whereby drop was seen in most of the basic metals, being a result of the concerns for the weakening of global demand and high, i.e. increased stocks of most of the metals. In addition to nickel, monthly drop of prices was seen in aluminium by 6.1%, tin by 3.4%, zinc by 1.7%. Prices of precious metals also declined. Price of iron ore increased by 2% in April compared to the previous month. Price of wheat on global stock markets, following the moderate increase in the previous quarter in April, increased by 6.2% on monthly basis.

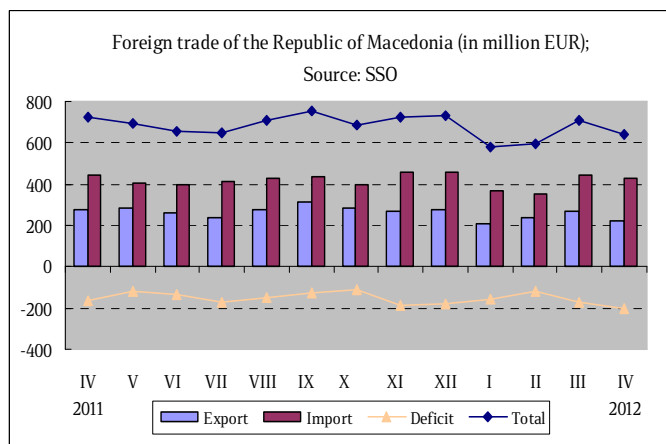


2. Foreign Trade

In the first four months in 2012, total foreign trade dropped by 4.8% in relation to the same period in the previous year.

Export

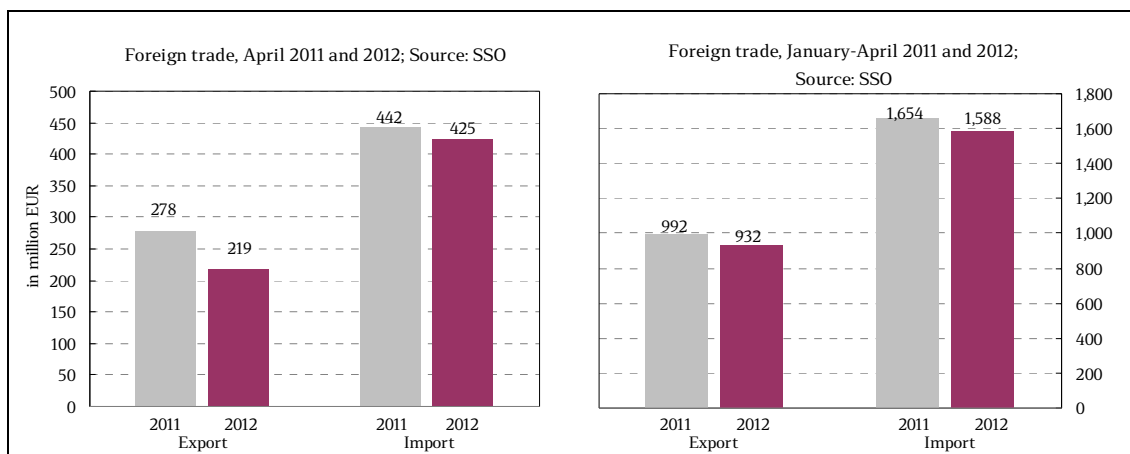
In the period January-April 2012, physical output of export dropped by 13.9% compared to the same period in 2011, while value of exported goods amounted to EUR 932.4 million, decreasing by 6.0% (EUR 992.0 million) compared to the period January-April 2011, being mainly a result of the less exported iron and steel, chemical materials and products, mineral oils and lubricants, fruit and vegetables, etc.



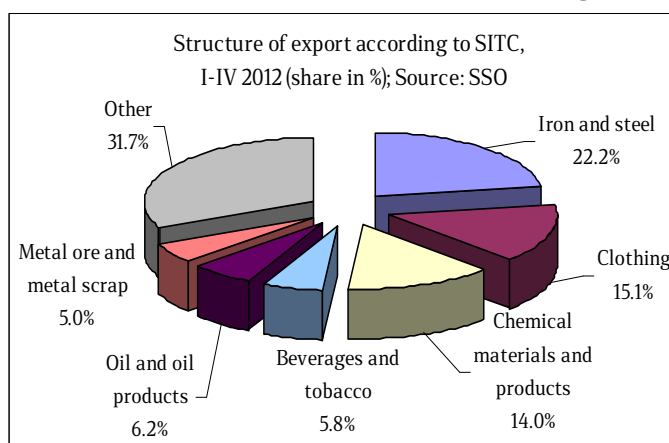
Analyzed on monthly basis, in April 2012, export decreased by 17.9%, compared to the previous month. Seasonally adjusted trend of export in April 2012 registered minimum drop by 15%, pointing out to positive effects of the seasonal factor (2.9 p.p.) on export this month.

Analyzed by tariffs, the following products were most exported: catalysts with precious metals or precious metal compounds as active substance, ferronickel, filtering or purifying machinery and apparatus for other gases by a catalytic process; gas oils for other purposes with a sulphur content up to 0.001% by weight; boards, plates, stands, tables, cabinets and others; men's shirts of cotton; tobacco;

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



Main groups of goods (according to SITC) being most exported in the period January-April 2012 were the following: iron and steel – 22.2%, clothing – 15.1%, chemical materials and products – 14.0%, oil and oil products – 6.2%, beverages and tobacco – 5.8%, metal ore and metal scrap – 5.0%. These six groups of products comprised 68.3% of the total export of the country.

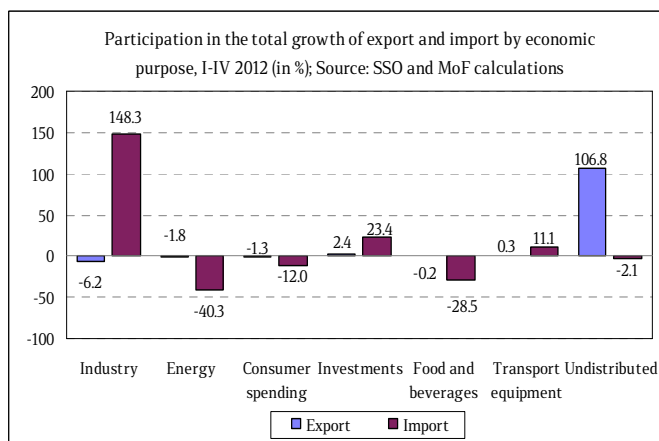


In the first four months of 2012, observed by economic purpose, the following products were most exported: goods for industrial production (51.8%), followed by personal consumption goods (31.8%), investment goods (9.4%) and energy (7.1%).

Import

Imported quantities of goods in the period January-April 2012 reduced by 3.4%, compared to the same period in the previous year, while their value amounted to EUR 1587.8 million, reducing by 4.0% compared to the period January-April 2011.

Analyzed on monthly basis, in April 2012, import decreased by 3.4%, compared to the previous month.



Seasonally adjusted trend of import in April 2012 decreased by 7.2% on monthly basis, pointing out to negative effects of the seasonal factor (3.8 p.p.) on import this month.

Export of oil and oil products*)				
	I-IV 2011	I-IV 2012	Balance 2012-2011	% rate
000 T	98.7	76.0	-22.8	-23.1
EUR mil.	61.3	57.9	-3.5	-5.7
\$ mil.	85.6	76.1	-9.6	-11.2

*)Previous data

Import of oil and oil products*)				
	I-IV 2011	I-IV 2012	Balance 2012-2011	% rate
.000 T	441.4	333.5	-107.9	-24.5
EUR mil.	247.1	227.1	-20.0	-8.1
\$ mil.	344.9	298.9	-46.1	-13.4

*)Previous data

Most imported products by tariffs were the following: platinum, unwrought or in powder form; crude oil; electricity, gas oils for other purpose with a sulphur content up to 0.001% by weight; oil gases and other gaseous hydrocarbons; nickel ore and concentrates; hot rolled with thickness less than 3 mm, palladium: unwrought or in powder form; heating oils, pharmaceuticals put up in measured doses; hot rolled of a thickness of 3 mm up to 4.75 mm; turnings, shavings, chips, milling waste, sawdust, fillings, trimmings and stampings and similar, motor petrol with an octane number (RON) of 95 up to 98, etc.

Export of chemical products*)				
	I-IV 2011	I-IV 2012	Balance 2012-2011	% rate
000 T	7.6	5.9	-1.7	-22.8
Мил. ЕУР	150.3	130.4	-19.9	-13.2
Мил.\$	208.5	171.3	-37.1	-17.8

*)Previous data

Import of chemical products*)				
	I-IV 2011	I-IV 2012	Balance 2012-2011	% rate
.000 T	8.4	7.4	-1.0	-11.7
Мил. ЕУР	33.7	24.0	-9.7	-28.7
Мил.\$	46.9	31.6	-15.2	-32.5

*)Previous data

In addition to oil, non-ferrous metals, yarn, fabrics and textile products; electricity, iron and steel; road vehicles; metal ore and metal waste, gas, natural and industrial one; etc. accounted for the most of the import of goods (according to groups of SITC) in the period January- April 2012.

Observed by economic purpose in April 2012, goods for industrial production (40%) were most imported, followed by: energy (23.5%), personal consumption goods (22.5%) and investment goods (13.8%).

Export of iron and steel*)				
	I-IV 2011	I-IV 2012	Balance 2012-2011	% rate
000 T	267.1	214.4	-52.6	-19.7
EUR mil.	227.9	207.1	-20.8	-9.1
\$ mil.	316.9	272.1	-44.8	-14.1

*)Previous data

Import of iron and steel*)				
	I-IV 2011	I-IV 2012	Balance 2012-2011	% rate
.000 T	210.7	156.1	-54.6	-25.9
EUR mil.	108.0	81.3	-26.7	-24.8
\$ mil.	150.0	106.7	-43.2	-28.8

*)Previous data

Trade Balance

In the first four months in 2012, due to the higher absolute drop of import than export, trade deficit narrowed by EUR 6.6 million or 1% compared to the same period last year.

If we analyse the balance of export and import of goods by economic purpose, the deficit narrowing is a result of combined effect from: larger narrowing of negative balance of trade in goods for industrial production, and investment goods, while widened negative balance of trade in energy products (fuels and lubricants) and personal consumption goods had opposite effect.

Analyzed according to economic groups of countries, in the period January-April 2012, compared to the same period in 2011, export dropped at the following groups: Developed countries, EU 27, EFTA, developing countries and Western Balkans,

while growth was seen at the following groups: Other developed and undeveloped countries. Export in the EU dropped by 10.9% on annual basis, while as for Western Balkan countries, it declined by 17%.

In the first four months of 2012, foreign trade of the Republic of with the European Union (EU 27), in relation to the same period in the previous year, reduced by 6.7%, whereby share of trade with the EU in the total foreign trade increased by 2 p.p., accounting for 59%, whereby export of goods participated with 63.6% and import of goods accounted for 56.2%.

In the period January- April 2012, 60.1% of the trade deficit of the country was realized in the trade with Great Britain, Russia and Greece, followed by: Serbia, China, Turkey, Switzerland, Bulgaria, Ukraine and others. Surplus was realized in the trade with Germany, Kosovo, Bosnia and Herzegovina, the USA and the Netherlands.

Currency Structure

Observed by currency structure, 68.4% of the trade in the period January-April 2012 was realized in euros, and compared to the period January-April 2011, it dropped by 1 percentage point. On export and import side, euro accounted for 77.6% and 63.0%, respectively, whereby share of the euro in export was lower by 0.4 p.p., while increase of the share of the euro in import accounted for 2.0 p.p. compared to the same period in 2011. Increase of euro share in the import was due to the decreased import from the Great Britain, expressed in GBP, participating with 9.3% in the currency structure of the import.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I-IV 2011					I-IV 2012					absolute change in currency value	relative change in currency value (in %)
currency	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %		
EUR	933	1,015,849,282	61.5200	62,495,047,831	61.0	869	1,001,312,758	61.5394	61,620,186,347	63.0	-14,536,524	-1.4
USD	976	595,425,664	42.6383	25,387,938,091	24.8	975	560,986,954	46.7293	26,214,527,686	26.8	-34,438,710	-5.8
GBP	1	176,225,056	69.7080	12,284,296,171	12.0	1	121,019,986	74.7904	9,051,133,136	9.3	-55,205,070	-31.3
EUR+USD+GBP	1,910			100,167,282,092	85.8	1,844			96,885,847,169	99.0		
tot. import	1,913			102,382,894,368	100.0	1,847			97,819,479,265	100.0		-4.5

Source: SSO and NBRM

3. Fiscal Sector

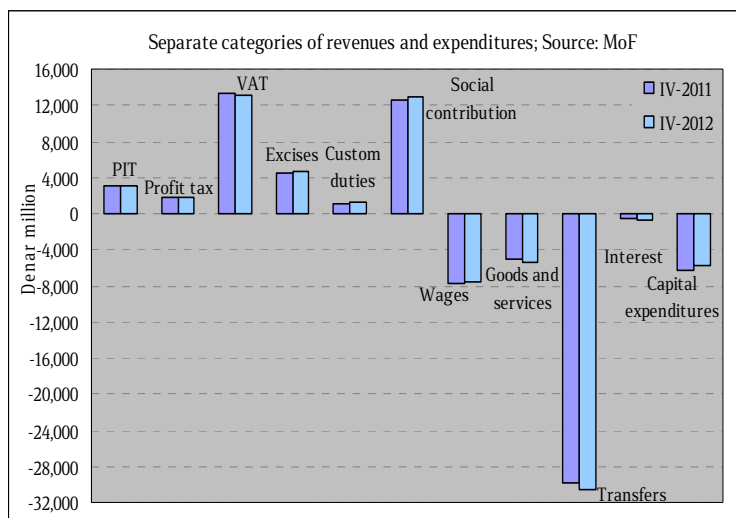
In the period January-April 2012, total budget revenues amounted to Denar 45,514 million, i.e. 9.6% of GDP, being lower performance by 1.0% compared to 2011.

Tax revenues in the first four months were realized in the amount of Denar 24,932 million, i.e. 5.2% of GDP, being higher by 0.2% in relation to the same period in 2011.

Value added tax was realized in the amount of Denar 13,060 million, whereby share of VAT in total tax revenues in this period was dominant, amounting to 52.4%. Excises were realized in the amount of Denar 4,626 million (participating with 18.6% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 17,686 million, i.e. 70.9% of total tax revenues (3.7% of GDP). Thereby, VAT collection amounted to Denar 19,730.1 million on gross basis,

Denar 6,670.4 million out of which was refunded to taxpayers (gross collection was almost the same, i.e. lower by 0.04%, while VAT refund was higher by 5.0% compared to the same period in 2011).

As for VAT structure, VAT share was the biggest when importing, increasing by 2.6%, while VAT on the basis of sales in the country dropped by 4.3%, share of VAT grants and interest was insignificant (0.8%), observing lower decrease by 8.4%, i.e. 92.5%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 3,106



million, increasing by 0.9% on annual basis (revenues on the basis of salaries accounted for around 70.6% of the personal income tax). Compared to the same months in 2011, profit tax revenues surged by 1.2%, being mainly a result of the tax collected on the basis of monthly advance payments and on the basis of collected tax on paid dividend and other profit distribution. VAT revenues dropped by 2.0%, while excises increased by 1.3%. Revenues on the basis of customs duties were realized in the amount of Denar 1,286 million, increasing by 14.2%.

Non-tax revenues amounted to Denar 3,672 million, and in relation to the same period in 2011, they were lower by 20.7% (these revenues are revenues collected on the basis of administrative fees, road toll, etc.).

Capital revenues realized on the basis of sale of construction land, flats and dividends reached Denar 3,256 million, showing increase by 11.7% compared to the same period in the previous year.

Collection of social contributions amounted to Denar 12,905 million, being higher by 2.3% compared to the same period in 2011, whereby collection of pension insurance contributions increased by 2.1%, collection of employment insurance contribution surged by 2.6%, while health contributions rose by 2.7%.

Budget Expenditures

In the period January-April 2012, total budget expenditures amounted to Denar 49,931 million, i.e. 10.5% of GDP, which was higher by 1.1% compared to 2011.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 44,181 million accounted for 88.5% (9.3% of GDP) and they increased by 2.5% in relation to the same month in 2011.

Transfers amounting to Denar 30,502 million (6.4% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 7,557 million. With respect to total budget expenditures, expenditures related to wages

and salaries and allowances accounted for 15.1% and compared to 2011, they decreased by 1.6%.

Expenditures related to goods and services amounted to Denar 5,411 million, increasing by 6.7% compared to the same period in 2011.

Transfers increased by 2.3% compared to the same period in 2011, participating with 61.1% in the total expenditures. Social transfers amounted to Denar 22,939 million, increasing by 3.9% and participating with 45.9% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 13,535 million, increasing by 5.8%, compared to the same period in 2011 and accounting for 27.1% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 14.6% in the total expenditures, i.e. they declined by 2.9% compared to the same period in 2011. This year, almost all, i.e. 83 local government units transferred to the second stage of decentralization. Block grants to local government units amounting to Denar 4,557 million, were higher by 1.9% compared to the period January-April in the previous year. Subsidies and transfers were lower by 12.5%.

Interest was collected in the amount of Denar 711 million, being by 28.1% more compared to the same period in 2011. Such increase was mainly due to the payment of due interest on the basis of foreign borrowing. Costs related to interest on the basis of domestic borrowing increased by 7.3%, while the ones on the basis of foreign borrowing surged by 53.2%.

In the analyzed period, the funds for capital expenditures were realized in the amount of Denar 5,750 million (1.2% share in GDP), showing decrease compared to the same period last year.

Budget Balance

In the period January-April 2012, the budget deficit reached the amount of Denar 4,417 million, being 0.9% of GDP, while central budget deficit amounted to Denar 3,056 million or 0.6% of GDP.

4. Social Sector

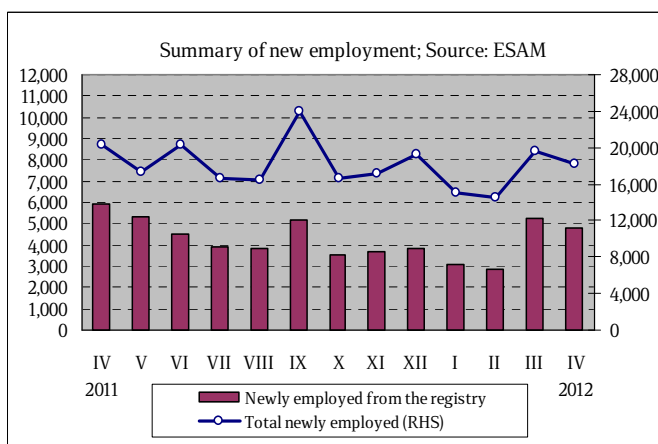
Number of Newly Employed and Registered Unemployed Persons in EARM

In the period January-April 2012, Employment Agency of the Republic of Macedonia registered total of 67,535 new employments. 40.5% 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 2011, number of newly employed persons dropped by 13.2%.

In April, 18,281 new employments were registered, 26.2% out of which were from the unemployed records. Outflow of persons from the Employment Agency

Registry of the Republic of Macedonia amounted to 9,866 persons in April, 47.6% out of which were new employments. In April, 5,543 persons were registered as inflow to the Agency, 53.7% out of which were persons whose employment was terminated. As a result, unemployment reduced by 4,323 persons, i.e. by 1.6% compared to the previous month. Thus, in April 2012, 272,392 persons were registered as unemployed. Compared to the same month in 2011, number of unemployed persons declined by 14.7%.

Major percentage of the unemployed, i.e. 67.5% came from urban areas (cities), whereby 57.3% were men. Analyzed by education structure, major part, i.e. 49% of unemployed persons were unskilled or semi-skilled, while only 9.7% was with community college or higher education level. Observed by age, majority of the unemployed persons or 55.7% fall in the category of 25-49 years of age. According to the time they waited for a job, 48.7% of the unemployed persons sought job from 1 to 7 years, while 29.7% sought job for 8 years and more.

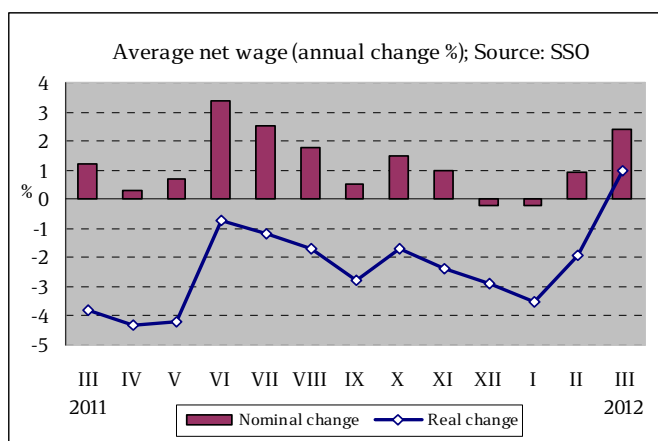


Salaries

According to the data from the State Statistical Office, average monthly paid gross salary per employee in March 2012 amounted to Denar 30,876, while average monthly paid net salary amounted to Denar 21,081.

On monthly basis, in March 2012, average gross salary increased by 2.0% in nominal terms, being higher by 1.6% in real terms, while average net salary surged by 2.2% in nominal terms, increasing by 1.8% in real terms.

In March 2012 compared to the same month in 2011, average gross salary increased by 2.2% in nominal terms, while it was higher by 0.8% in real terms. In



the same period, average net salary was higher by 2.4% in nominal terms, increasing by 1% in real terms.

On cumulative basis, in the first three months of 2012, average gross salary increased by 0.8% in nominal terms, while it was lower by 1.6% in real terms. In the same period, average net salary was higher by 1% in nominal terms, decreasing by 1.4% in real terms.

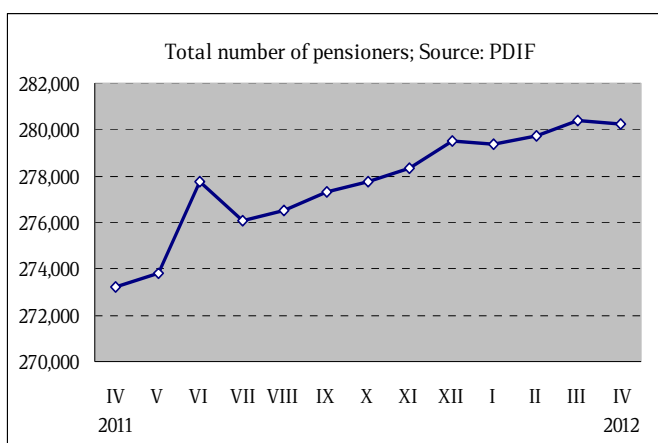
Highest increase of average monthly gross and net salary per employee in March 2012, compared to March 2011, was registered in the following activities: information and communications (49.2% gross salary and 55.9% net salary) and expert, scientific and technical activities (13.9% gross salary and 16.8% net salary).

Highest increase of average monthly gross and net salary per employee in March 2012, compared to February 2012, was registered at the following: information and communications (43.3% gross salary and 48.0% net salary) construction (16.4% gross salary and 14.8% net salary), and agriculture, forestry and fishing (4.2% gross salary and 3.9% net salary).

Employees who did not receive salary in March 2012 accounted for 2%, and compared to the same month in the previous year, it was higher by 0.1 p.p., while compared to February 2012, percentage of employees who did not receive salary was lower by 0.7 p.p..

Pensions

In April 2012, Pension and Disability Insurance Fund registered 280,266 pensioners, increasing by 2.6% compared to the same month in 2011. Number of pension beneficiaries dropped by 92 persons in relation to March 2011. 56.1% out of the total number of pensioners are beneficiaries of old-age pension, 27.3% of survival pension and 16.6% of disability pension.



In April 2012, Denar 2,944.23 million was spent for payment of pensions, accounting for 49.7% of the total social transfers¹.

Average pension in April 2012 amounted to Denar 10,647, increasing by 1.7% on annual basis. Ratio between the average pension and the average paid salary in March 2012 (the most recent available data) was 51%.

5. Monetary Sector

Primary Money

In April 2012, primary money² showed intensified growth of 6.1% on annual basis, in conditions of increase of total liquid assets of banks by 4.5% and increase of ready money in circulation by 8.7% on annual basis. On monthly basis, primary

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

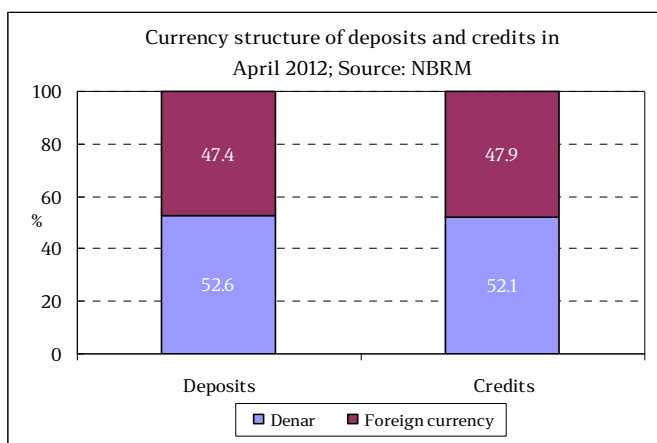
² Primary money is calculated as a sum of ready money in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).

money increased by 8.5%, as a result of the drop of total ready money in circulation by 2.2% and total liquidity of banks by 13.3%.

National Bank of the Republic of Macedonia in April 2012 made changes in the operational framework for implementation of the monetary policy. In fact, regular weekly repo operations for providing liquid assets in the banking system were introduced. In addition, auctions of central bank bills were reduced to one auction within the period of reserve requirement, shifting from volume tender (unlimited amount) to interest rate tender (limited amount) and determined maximum interest rate at 4% on annual basis. On the other hand, seven-day deposits with 2% interest rate on annual basis were introduced. At the same time, interest rate on the available overnight credit was reduced from 1.5 p.p. to 0.5 p.p. above the interest rate on central bank bills, and available overnight deposit with 1% interest rate on annual basis is also introduced. During the auctions of central bank bills, held in April, average weighted interest rate of 3.96% was realized.

Deposit Potential

Total deposit potential of banks³ in April 2012 experienced monthly decline by 0.7%, as a result of the decrease of deposits of private enterprises by 6.8%, due to the payment of dividends by a large company to both the state and the foreign investor. Deposits of households increased by 0.9%. From currency point of view, Denar deposits decreased by 1%, while foreign currency deposits declined by 0.3%.



On annual basis, total deposits experienced slowed down growth, reaching 9.3% compared to the growth of 9.5% realized last month. New saving arises mainly from the increased saving of households by 11.2%, while deposits of private enterprises were higher by 6%. Analyzed according to currency, Denar deposits were higher by 17.5% on annual basis, realizing dominant contribution to the growth of total deposits (91.8%). Foreign currency deposits accelerated their growth, amounting to 1.5% in April compared to 0.8% in March 2012. According to maturity, long-term deposits increased by 21.3%, while short-term deposits were higher by 7.5% on annual basis.

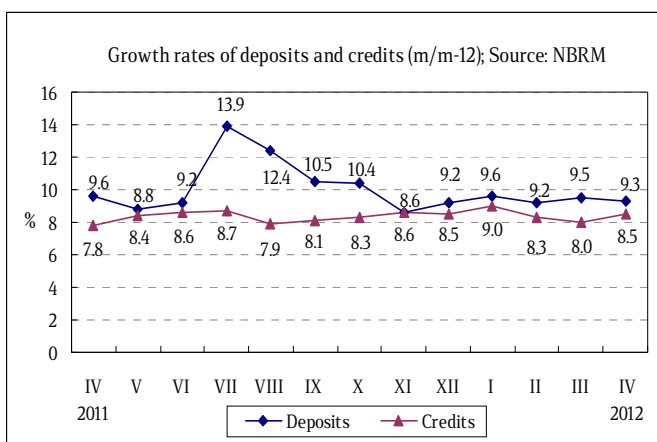
Bank Credits

In April 2012, total credits of banks to the private sector increased by 1.2% on monthly basis. Credits to private enterprises increased by 1.6% compared to the previous month, realizing dominant contribution to growth of total credits (79.3%), while credits to households were higher by 0.5%. According to the currency

³ Starting January 2009, deposits include calculated interest

structure, Denar credits increased by 1.5%, while foreign currency credits surged by 0.6%.

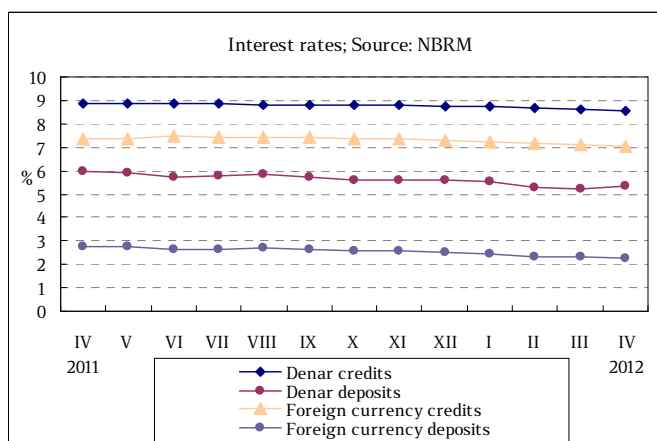
On annual basis, growth of total credits increased to 8.5% (compared to 8% in March), in conditions of intensified increase of crediting to private enterprises by 9%. Credits to households slowed down to 7%. From currency point of view, Denar credits experienced annual growth of 5.9%, while foreign currency credits continued to register high growth of 15.9%. As regards maturity, long-term credits increased by 9.9% on annual basis, while short-term credits were higher by 1.6%.



Interest Rates of Deposit Banks

In April 2012, total interest rate on credits reduced by 0.1 p.p., being a result of the decrease of interest rate on Denar and foreign currency credits by 0.1 p.. Interest rate on Denar credits amounted to 8.6% and when compared to the same month in previous year, it was lower by 0.3 p.p.. Interest rate on foreign currency credits was 7.1, being lower by 0.4 p. compared to April 2011.

Total interest rate on deposits remained the same compared to the previous month. Interest rate on Denar deposits increased by 0.1 p.p. on monthly basis, amounting to 5.4% on annual basis, being lower by 0.7 p.p., while interest rate on foreign currency deposits accounted for 2.3% or 0.5 p.p. below the level of the same month last year.



Foreign Currency Reserves

Gross foreign currency reserves at the end of April 2012 amounted to EUR 2.062 million and, compared to the previous month, they were lower by EUR 5.8 million, while compared to April 2011, foreign currency reserves were higher by EUR 184.8 million.

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