



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

February 2012



April 2012, Skopje

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

February 2012

- Industrial production in February 2012 to January 2012 increased by 7.8%.
- Inflation rate amounted to 0.5% on monthly basis and 2.9% on annual basis; Average inflation rate in the first two months of 2012 amounted to 3.1%.
- Annual drop of physical output of export in the period January-February 2012 by 8.3% and drop in value by 3.9% and decline of imported quantities of goods by 1.4% and drop in value by 12.7%, resulting in reducing the trade deficit by 24% compared to the same period in 2011.
- Increase of both total budget revenues by 1.9% and total budget expenditures by 5.6% in the first two months in 2012, compared to the same period last year; state budget deficit in the amount of Denar 3,296 million (0.7% of GDP) and central budget deficit in the amount of Denar 2,373 million (0.5% of GDP);
- Increase of both total credits to private sector by 8.3% and total deposit potential of banks by 9.2% on annual basis;
- Drop in the number of registered unemployed persons by 13.7% in February 2012 compared to the same month last year.

1. Real Sector

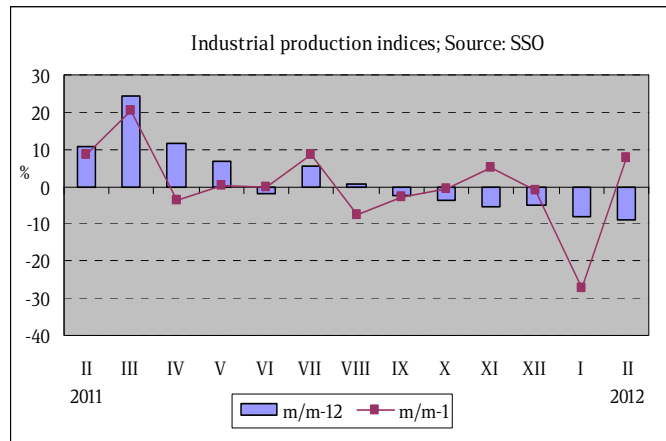
Industrial Production

Industrial production in February 2012 to January 2012 increased by 7.8%. Sector analysis points out that increase by 9.3% was registered at the processing industry, 4% in electricity, gas, steam and air-conditioning supply sector, while mining and quarrying sector dropped by 3.5%. De-seasoned monthly growth of industrial production in February 2012 was 0.4%, pointing out to positive seasonal effects in the industry.

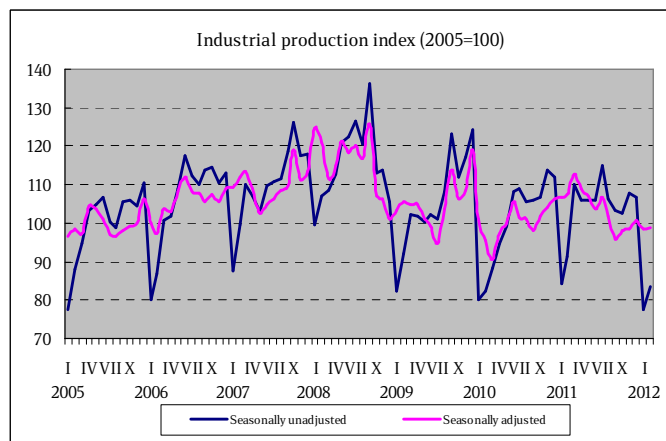
	m/m-12	m/m-1	I-II 2012
			I-II 2011
Total	-8.8	7.8	-8.4
Ore and stone extraction	-15.7	-3.5	-13.9
Processing industry	-8.5	9.3	-6.7
Electricity, gas and water supply	-7.9	4.0	-14.5

Source: SSO

High monthly growth was seen at the following branches: Processing of wood, wood products and cork - 93.8%, production of textile - 58.3%, production of machines and devices, elsewhere unmentioned - 56.4%, production of leather and articles of leather - 55.4%, production of rubber products and products of plastic mass - 46.3%, production of chemicals and chemical products - 44.7% and production of basic pharmaceutical products - 40.4%.



Industrial production dropped by 8.8% in February 2012 compared to February 2011. Analyzed by sectors, electricity, gas, steam and air-conditioning supply sector drooped by 7.9%, processing industry sector declined by 8.5% while mining and quarrying sector decreased by 15.7%.



As for processing industry, annual positive growth was registered at 8 out of 23 branches, comprising 26.5% of the industrial production. Growth was seen at one the tree driving branches with double-digit share in the industrial production, i.e. at production of food products - 6.9%. Production of metals dropped by 9.9% and production of clothing declined by 17.8%

Production of fabricated metal products, except for machines and equipment (2.3 p.p.) contributed the most to the annual increase in industrial production in

February 2012, while production of other non-metal mineral products (-4.6 p.p.) had the highest negative contribution.

On cumulative basis, in the period January–February 2012 compared to the same period in 2011, industrial production dropped by 8.4%, being a result of the drop of production in all sectors. Processing industry dropped by 6.7%, mining and quarrying decreased by 13.9% while electricity, gas, steam and air-conditioning supply declined by 14.5%.

Data on the industrial production by target groups in February 2012 compared to February 2011 show decrease of the production at all groups, as follows: Consumer non-durables – 1.5%, intermediary goods, except energy – 9.3%, energy 14.6%, capital goods - 18.2% and consumer durables –19.8%.

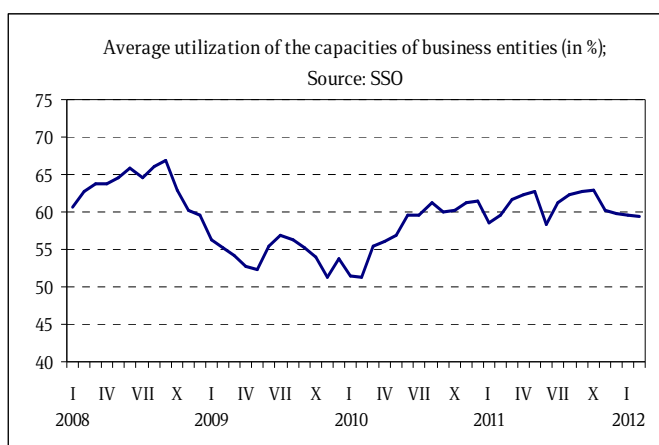
On monthly basis, data on the industrial production by target groups in February 2012 showed that there was increase in the production at all groups, as follows: Consumer durables – 19.3%, capital goods - 16.3%, consumer non-durables – 13.0%, energy – 6.6% and intermediary goods, except energy – 0.4%.

On cumulative basis in the first two months of 2012 compared to the same month in the previous year, all groups registered drop of production, as follows: Intermediary goods, except energy – 2.4%, Consumer non-durables – 3.1%, capital goods - 14.2%, energy 18.6% and consumer durables –27.2%.

Business Trends in the Processing Industry

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

Assessment of current state of delivery-to-production was less favourable compared to the previous month as well as compared to February 2011, whereby such improvement was due to increase in domestic orders, while foreign orders experienced minimum deterioration. Assessment for the production volume in the past three months was more favourable compared to January 2012, while compared to February 2011 it was less favourable. Expectations for the production volume in the next three months are more favourable compared to both the previous month and February 2011.



As regards the number of employees, the expectations for the next three months are more favourable compared to the previous month, while compared to February 2011, they are significantly improved.

Average utilization of the capacities in February 2012 accounted for 59.3%, being slight decrease compared to the previous month, when it accounted for 59.5%. Compared to February 2011, the utilization of the capacities was lower by 0,3 p.p..

In February 2012, stocks of raw materials and intermediate goods, as well as on-going procurement of raw materials and intermediate goods, were below and around the average. Stock of ready-made products increased compared to both the previous month and February 2011. In the next 3-month period, average purchase prices of inputs and selling prices of ready-made products are expected to increase.

According to the assessment, following factors limited the most the production volume in February 2012: insufficient foreign demand – 23.1%, insufficient domestic demand – 18.5%, financial problems – 12.7%, uncertain economic surrounding – 8.4% and competitive import – 8.0%.

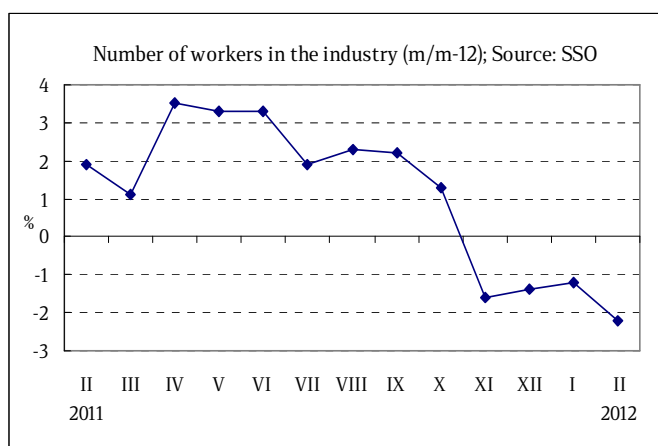
In February 2012, lower number of business entities pointed out the lack of qualified labour force as limiting factor compared to January 2011, while bigger number of business entities pointed out the insufficient foreign demand and the lack of energy. As regards other factors, there are no significant changes.

Number of Workers in the Industry

Number of workers in the industry in February 2012 compared to February 2011 decreased by 2.2%.

Sector analysis points out to increase in the number of workers in the sectors electricity, gas, steam and air-conditioning supply by 2.0% and mining and quarrying by 0.2%, while processing industry registered reduction of the number of workers by 2.8% on annual basis.

Mining and quarrying sector experienced increase in the number of workers by 0.2%, as a result of the increase in the



number of workers in the sectors mining of coal and lignite (2.0%) and mining of metal ore (2.4%), while the number of workers in the other mining and quarrying sector dropped by 7.7%.

Processing industry sector experienced decrease in the number of employees by 2.8%. As for processing industry, more significant increase in the number of workers on annual basis was registered at the following branches: Production of paper and paper products - 15.3%, production of rubber and plastic products – 8.1% and production of machines and devices – 5.5%.

Data on the number of workers in the industry by target groups in February 2012 compared to February 2011 show increase in the number or workers at group energy by 1.4%, while reduction of the number of workers was seen at the following

groups: Capital goods – 6.7%, consumer durables – 5.8%, intermediary goods, except energy – 2.9%, and consumer non-durables – 2%.

Number of Issued Building Permits and Envisaged Value of Facilities

In February 2012, 174 building permits were issued, being by 0.6% more compared to the same month in the previous year. Total number of issued building permits compared to the previous month in 2011, when 169 permits were issued, increased by 3%.

Envisaged value of the facilities, according to the issued building permits amounted to Denar 1,669 million, being by 17.2% more than the same month in 2011, while compared to January 2012, the value of the facilities decreased by 31%.

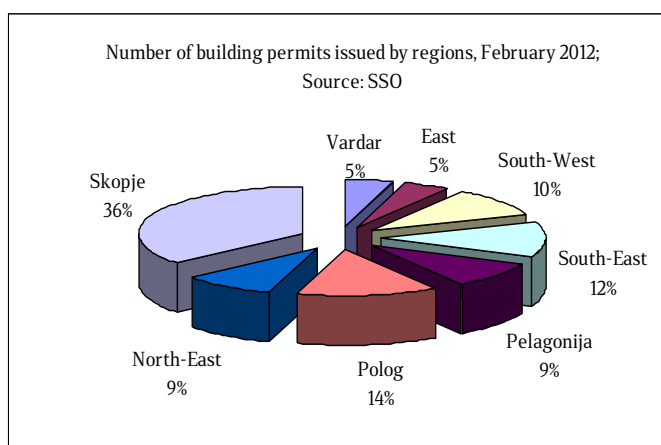
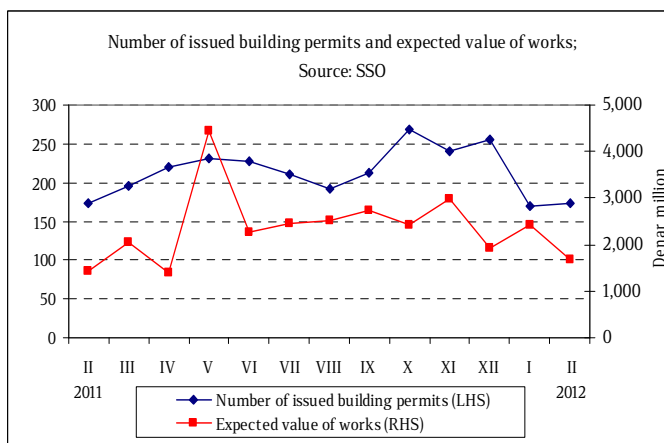
Analyzed by types of facilities, out of the total number of issued building permits, 131 (or 75.3%) are intended for buildings, 17 (or 9.8%) for civil engineering structures and 26 (or 14.9%) for reconstruction.

Analyzed by types of investors, out of total 174 facilities, natural persons were investors in 119 facilities (or 68.4%), while business entities were investors in 55 facilities (or 31.6%).

In February 2012, construction of 442 is envisaged, with total usable area of 38,194 m².

Analyzed by regions, most permits were issued in the Skopje region, 63 in total, 32 permits out of which were issued to natural persons as investors, while 31 permits were issued to business entities as investors.

Vardar and Eastern Region had least issued permits, eight permits in total, six permits out of which were issued to natural persons as investors, while 2 permits were issued to business entities as investors in both regions.



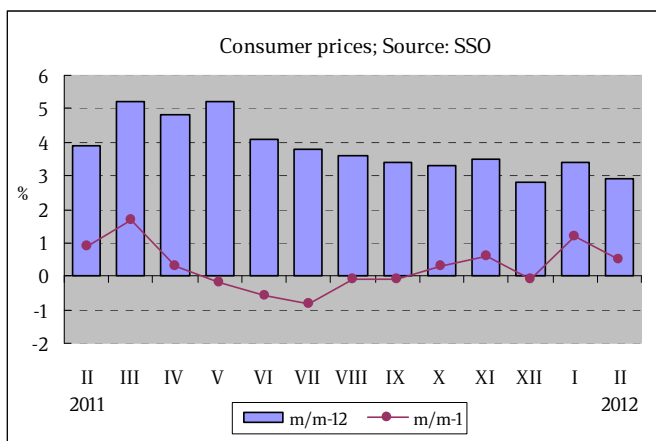
In the period January-February 2012, most permits were issued in the Skopje region, 131 in total, 76 permits out of which were issued to natural persons as investors, while 55 permits were issued to business entities as investors. Eastern region had least issued permits, 19 permits in total, 14 permits out of which were

issued to natural persons as investors, while 5 (five) permits were issued to business entities as investors.

Inflation

Inflation rate in February 2012, measured according to the CPI index amounted to 2.9% compared to the same month in the previous year, as opposed to the annual growth of 3.4% in January. Average inflation rate in the first two months of 2011 amounted to 3.1%.

On annual basis, in February, increase of prices was the highest in the housing category – 7.6%, being a result of the increase of prices of heating and lighting, surging by 11.5%. As regards food category, having the biggest share in CPI index, increase of prices was moderate, amounting to 1.8%. Increase of prices of food was mainly due to the increase of prices of cereal products. Increase of prices in the other categories is as follows: Means of transport and services and restaurants and hotels – 3.7%, clothing and footwear – 1.9%, hygiene and health – 1.8%, administrative and financial services - 1.1%, culture and entertainment - 0.4%. Prices did not change at the category tobacco and beverages.



Inflation rate in February compared to the previous month, amounted to 0.5%. Highest price increase was registered in the category restaurants and hotels by 1.5%, mainly as a result of the high increase of prices at accommodation services. As for category means of transport, monthly increase of prices amounted to 0.8%, followed by the increase of prices in the categories food - 0.7%, hygiene and health – 0.4%, clothing and footwear – 0.3%, tobacco and beverages and housing – 0.1%. Price decline was registered at the following categories: administrative and financial services by 0.1% and culture and entertainment by 0.5%.

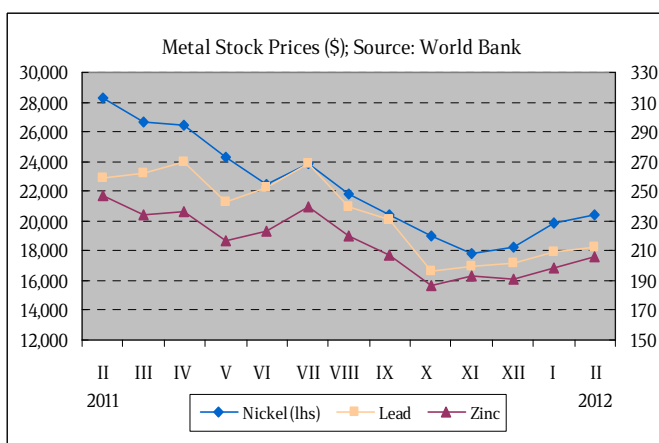
Retail prices in February 2012 were higher by 3.4% compared to February 2011. Compared to the previous month, retail prices were higher by 0.5%. Average increase of retail prices in the first two months of 2012 amounted to 3.4%.

Stock Market Prices

In February 2012, crude oil price (Brent) on the global stock markets grew by 7.7%, compared to the previous month, reaching the price of US\$ 119.7 per barrel. Compared to February 2011, oil price surged by 15.1%. Price of natural gas in February decreased by 3.1% compared to the previous month.

As regards metal products, nickel, as product with high share in the Macedonian export, was traded at an average price of US\$ 20,394 for a metric ton (\$/mt) on the global stock markets in February, being a monthly price increase by 2.7%.

Compared to February 2011, nickel price was lower by 27.8%. In fact, in February, there was general increase of prices of metals and minerals by 3.6% on monthly basis, being a result of the deteriorated supply on the global stock markets and the reduced stocks. Highest monthly increase of prices in this group of products was seen at tin – 13.3%. Precious metals also registered monthly increase of prices, being a result of the strong demand of investors. Price of silver increased by 11%, while price of gold surged by 5.4%. Price of iron ore remained almost the same, while price of steel products dropped by 1%.



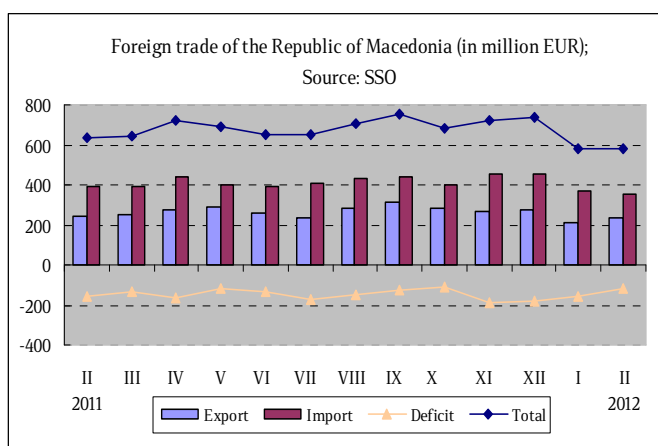
Price of wheat on global stock markets in February experienced monthly increase by 1.1%, following the increase by 2.2% in the previous month.

2. Foreign Trade

In the first two months in 2012, total foreign trade dropped by 9.6% in relation to the same period in the previous year.

Export

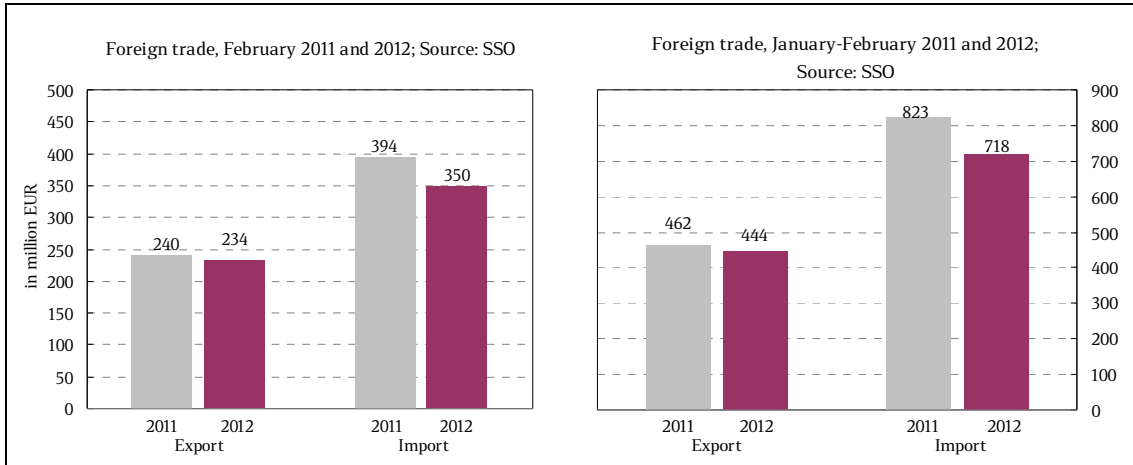
In the period January-February 2012, physical output of export dropped by 8.3% compared to the same period in 2011, while value of exported goods amounted to EUR 443.9 million, decreasing by 3.9% (EUR 18.1 million) compared to the period January-February 2011, being mainly a result of the less exported iron and steel, chemical materials and products, metal ore and metal waste, etc.



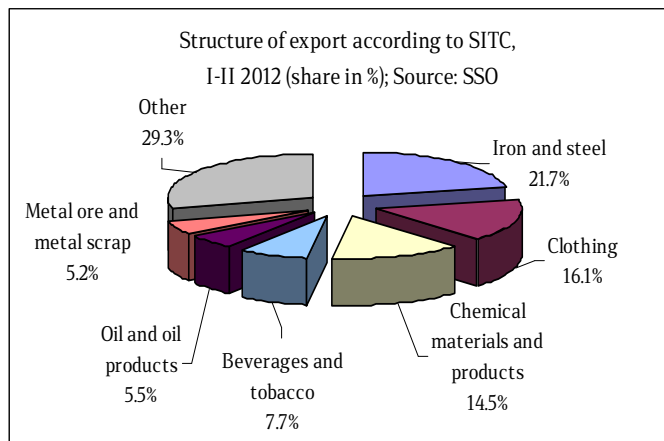
Analyzed on monthly basis, in February 2012, export increased by 11.3%, compared to the previous month. Seasonally adjusted trend of export in February 2012 decreased by 1.0% on monthly basis, pointing out to negative effects of the seasonal factor (12.3p.p.) on export this month.

Analyzed by tariffs, the following products were most exported: Catalysts with precious metals or precious metal compounds as active substance, ferronickel, philtering or purifying machinery and aparatus for other gases by a catalytic

process; tobacco; gas oils for other purposes with a sulphur content up to 0.001% by weight; men's shirts of cotton; boards, plates, stands, tables, cabinets and other foundations, equipped, 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; reaction initiators, reaction accelerators and catalytic preparations, not elsewhere specified or included, etc.



Main groups of goods (according to SITC) being most exported in the period January-February 2012 were the following: iron and steel – 22.4%, clothing – 16.8%, chemical materials and products – 14.5%, beverages and tobacco – 7.3%, oil and oil products – 6.3%, metal ore and metal scrap – 4.7%. These six groups of products comprised 72.1% of the total export of the country.

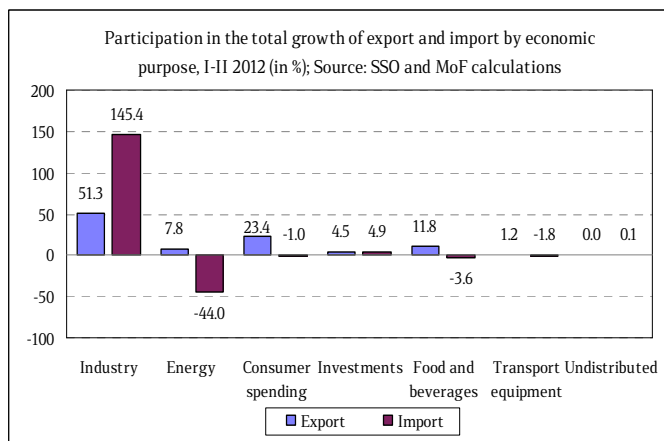


In the first two months of 2012, observed by economic purpose, the following products were most exported: goods for industrial production – 51.8%, followed by personal consumption goods (31.7%), investment products (9.0%) and energy (7.5%).

Import

Imported quantities of goods in the period January-February 2012 reduced by 1.4%, compared to the same period in the previous year, while their value amounted to EUR 718.4 million, reducing by 12.7% compared to the period January-February 2011.

Analyzed on monthly basis, in



February 2012, import dropped by 5.1%, compared to the previous month.

Export of oil and oil products*)					Import of oil and oil products*)				
	I-II 2011	I-II 2012	Balance 2012-2011	% rate		I-II 2011	I-II 2012	Balance 2012-2011	% rate
000 T	41.6	37.7	-4.0	-9.5	.000 T	235.1	215.2	-19.9	-8.5
EUR mil.	25.4	28.1	2.7	10.8	EUR mil.	113.8	137.4	23.6	20.8
\$ mil.	34.3	36.8	2.4	7.1	\$ mil.	154.4	180.5	26.1	16.9

*)Previous data

*)Previous data

Seasonally adjusted trend of import in February 2012 dropped by 12.0% on monthly basis, pointing out to positive effects of the seasonal factor (6.9 p.p.) on import this month.

Most imported products by tariffs were the following: crude oil, electricity; gas oils for other purpose with a sulphur content not exceeding 0.001% by weight; platinum, unwrought or in powder form; nickel ore and concentrates; oil gases and other gaseous hydrocarbons; motor vehicles for transportation of ten or more persons; motor petrol with an octane number (RON) of 95 or more but less than 98; pharmaceuticals put up in measured doses; hot rolled with thickness less than 3 mm; coating means (colours and varnishes); palladium unwrought or in powder form, etc.

Export of chemical products*)					Import of chemical products*)				
	I-II 2011	I-II 2012	Balance 2012-2011	% rate		I-II 2011	I-II 2012	Balance 2012-2011	% rate
000 T	2.1	1.2	-0.9	-41.9	.000 T	3.6	2.8	-0.9	-23.3
Мил. ЕУР	79.7	64.5	-15.2	-19.0	Мил. ЕУР	20.0	8.9	-11.0	-55.3
Мил.\$	107.9	84.5	-23.4	-21.7	Мил.\$	27.4	11.7	-15.7	-57.2

*)Previous data

*)Previous data

In addition to oil, electricity; yarn, fabrics and textile products; non-ferrous metals; road vehicles; metal ore and metal waste, iron and steel, etc. accounted for the most of the import of goods (according to groups of SITC) in the period January- February 2012. It is important to mention that import of electricity increased by EUR 15 million, compared to the same period in 2011, being a result of the increased needs for this product due to the low temperatures.

Export of iron and steel*)					Import of iron and steel*)				
	I-II 2011	I-II 2012	Balance 2012-2011	% rate		I-II 2011	I-II 2012	Balance 2012-2011	% rate
000 T	123.6	96.6	-27.0	-21.9	.000 T	109.3	55.3	-54.0	-49.4
EUR mil.	104.7	99.5	-5.2	-5.0	EUR mil.	54.3	28.8	-25.5	-46.9
\$ mil.	141.9	130.3	-11.6	-8.2	\$ mil.	73.5	24.6	-48.9	-66.6

*)Previous data

*)Previous data

Observed by economic purpose in January 2012, goods for industrial production (34.4%) were most imported, followed by: energy (29.6%), personal consumption goods (21.6%) and investment products (14.4%).

Trade Balance

In the first two months in 2012, due to the higher absolute drop of import than export, trade deficit narrowed by EUR 86.6 million or 24.0% 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, personal consumption goods

and investment goods, while widened negative balance of trade in energy products (fuel and lubricants) had opposite effect.

Analyzed according to economic groups of countries, in the period January-February 2012, compared to the same period in 2011, export dropped at all groups, except at the group other developed countries and undeveloped countries, where growth is seen. Export in the EU dropped by 8% on annual basis, while as for Western Balkan countries, it declined by 14.6%.

In the first two 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 17.7%, whereby share of trade with EU in the total foreign trade showed negative shifts by 3.6 p.p., accounting for 56.4%, whereby export of goods participated with 64.7% and import of goods accounted for 51.3%.

In the period January-February 2012, 54.3% of the trade deficit of the country was realized in the trade with Russia and Greece, followed by: Great Britain, China, Serbia, Turkey, Spain, Bulgaria, Romania, and others. Surplus was realized in the trade with Germany, Kosovo, South Korea and others.

Currency Structure

Observed by currency structure, 66.6% of the trade in the period January- February 2012 was realized in euros, and compared to the period January-February 2011, it surged by 2.2 percentage points. On export and import side, the euro accounted for 76.3% and 60.6%, respectively, whereby share of the euro in export was lower by 1.3 p.p., while increase of the share of the euro in import accounted for 3.6 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 6.3% in the currency structure of the import.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I-II 2011					I-II 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	441	470,155,933	61.5097	28,919,150,366	56.9	344	437,211,105	61.5037	26,890,100,643	60.6	-32,944,828	-7.0
USD	466	269,906,629	45.5631	12,297,782,738	24.2	548	301,211,709	47.1305	14,196,258,435	32.0	31,305,079	11.6
GBP	0	125,132,223	72.5499	9,078,330,243	17.9	0	38,137,047	73.7124	2,811,173,253	6.3	-86,995,176	-69.5
EUR+USD+GBP	1,885			50,295,263,347	81.2	892			43,897,532,331	98.9		
tot. import	418			50,784,971,210	100.0	291			44,386,227,447	100.0		-12.6

Source: SSO and NBRM

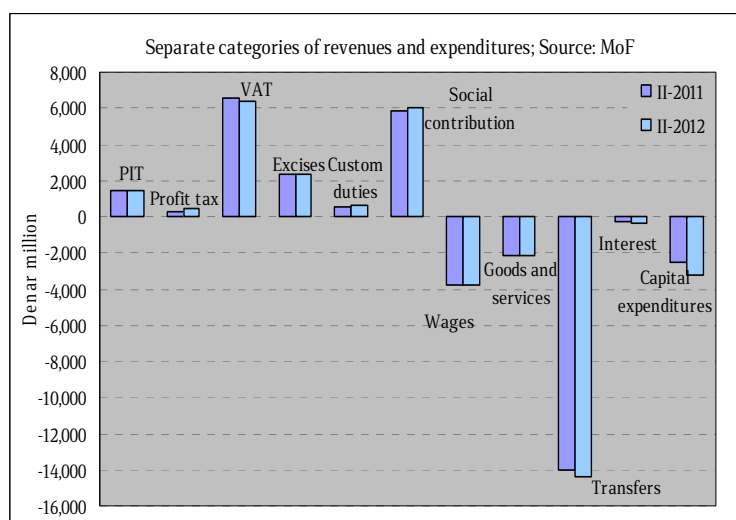
3. Fiscal Sector

Budget Revenues

In the first two months of 2012, total budget revenues amounted to Denar 20,684 million, i.e. 4.3% of GDP, which was higher performance by 1.9% compared to 2011.

Tax revenues in these two months were realized in the amount of Denar 11,831 million, i.e. 2.5% of GDP, being higher by 1.1% in relation to the same period in 2011.

Value added tax was realized in the amount of Denar 6,404 million, whereby share of VAT in total tax revenues in this month was dominant, amounting to 54.1%. Excises were realized in the amount of Denar 2,333 million (participating with 19.7% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 8,737 million, i.e. 73.8% of total tax revenues (1.8% of GDP). Thereby, VAT collection amounted to Denar 9,656,4 million on gross basis, Denar 3,252.2 million out of which was refunded to taxpayers (gross collection was higher by 0.5%, while VAT refund was higher by 7.9% compared to the same period in 2011). Structure of sales in the country shows that sales of goods and services, taxed with the general tax rate of 18% surged by 5.1%, while sales taxed with preferential tax rate of 5% increased by 4.4%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 1,468 million, increasing by 1.0% on annual basis (revenues on the basis of salaries account for around $\frac{3}{4}$ of the personal income tax). Compared to the same months in 2011, profit tax revenues surged by 57.9%, being mainly a result of the tax collected on the basis of paid dividend and other profit distribution and retained tax paid to foreign legal entities. VAT revenues dropped by 2.8%, while excises experienced more moderate increase, i.e. higher performance by 0.7%. Revenues on the basis of customs duties were realized in the amount of Denar 607 million, increasing by 22.6%.



tax collected on the basis of paid dividend and other profit distribution and retained tax paid to foreign legal entities. VAT revenues dropped by 2.8%, while excises experienced more moderate increase, i.e. higher performance by 0.7%. Revenues on the basis of customs duties were realized in the amount of Denar 607 million, increasing by 22.6%.

Non-tax revenues were realized in the same amount of Denar 1,867 million compared to the same period in 2011 (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 575 million, increasing by 74.8% compared to the same months in the previous year.

Collection of social contributions amounted to Denar 6,044 million, being higher by 3.8% compared to the same period in 2011, whereby collection of pension insurance contributions increased by 3.6%, the collection of employment insurance contribution surged by 4.0%, while health contributions rose by 4.2%.

Budget Expenditures

In January and February 2012, total budget expenditures amounted to Denar 23,980 million, i.e. 5.0% of GDP, which was higher by 5.6% compared to 2011.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 20,736 million accounted for 86.5% (4.3% of GDP) and they increased by 2.7% in relation to the same month in 2011.

Transfers amounting to Denar 14,389 million (3.0% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 3,767 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 15.7% and compared to 2011, they decreased by 1.3%.

Expenditures related to goods and services amounted to Denar 2,198 million, increasing by 2.3% compared to the same period in 2011.

Transfers increased by 2.8% compared to the same period in 2011, participating with 60.0% in the total expenditures. Social transfers amounted to Denar 11,251 million, increasing by 7.7% and participating with 46.9% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 6,735 million, increasing by 7.5%, compared to the same period in 2011 and accounting for 28.1% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 12.5% in the total expenditures, i.e. they declined by 13.2% compared to the same period in 2011. Block grants to local government units amounting to Denar 2,158 million, were lower by 3.7% compared to January-February in the previous year. Subsidies and transfers were lower by 38.2%.

Interest was collected in the amount of Denar 382 million, being by 69.8% 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 41.3%, while the ones on the basis of foreign borrowing surged by 102.9%.

In the analyzed period, the funds for capital expenditures were realized in the amount of Denar 3,244 million (0.7% share in GDP), i.e. they increased by 28.5% compared to the same period last year.

Budget Balance

In January and February 2012, the budget deficit reached the amount of Denar 3,296 million, being 0.7% of GDP, while central budget deficit amounted to Denar 2,373 million or 0.5% of GDP.

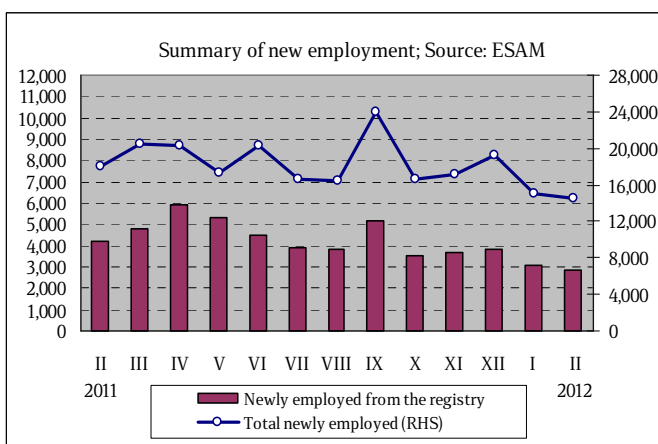
4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM

In the period January-February 2012, Employment Agency of the Republic of Macedonia registered total of 29,640 new employments. 38.7% out of the total number of newly employed was on the basis of full-time employment, while the rest of the employed were on the basis of temporary employment and seasonal

workers. Compared to the same period in 2011, number of newly employed persons dropped by 19.9%.

In February, 14,559 new employments were registered, 19.8% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry amounted to 8,855 persons in February, 32.2% out of which were new employments. 7,964 persons were registered as inflow to the Agency, 53.5% out of which were persons whose employment was terminated. As a result, unemployment reduced by 891 persons, i.e. by 0.3% compared to the previous month. Thus, in January 2012, 279,727 persons were registered as unemployed. Compared to the same month in 2011, number of unemployed persons declined by 13.7%.

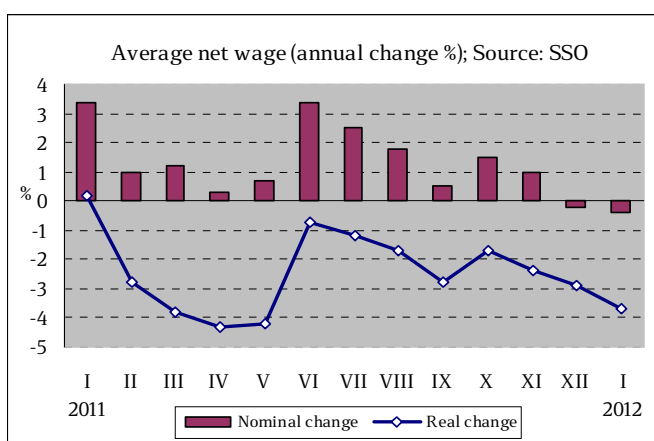


Major percentage of the unemployed, i.e. 67.3% came from urban areas (cities), whereby 57.4% were men. Analyzed by education structure, major part, i.e. 49.2% of unemployed persons were unskilled or semi-skilled, while only 9.5% was with community college or higher education level. Observed by age, majority 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, 48.4% of the unemployed persons sought job from 1 to 7 years, while 29.5% 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 January 2012 amounted to Denar 30,768, while average monthly paid net salary amounted to Denar 20,982.

On monthly basis, in January 2012, average gross salary decreased by 1.8% in nominal terms, while it was lower by 3% in real terms. In the same period, average net salary was lower by 2% in nominal terms, decreasing by 3.2% in real terms.



In January 2012 compared to the same month in 2011, average gross salary decreased by 0.4% in nominal terms, while it was lower by 3.7% in real terms. In the same period, average net salary was lower by 0.2% in nominal terms, decreasing by 3.5% in real terms.

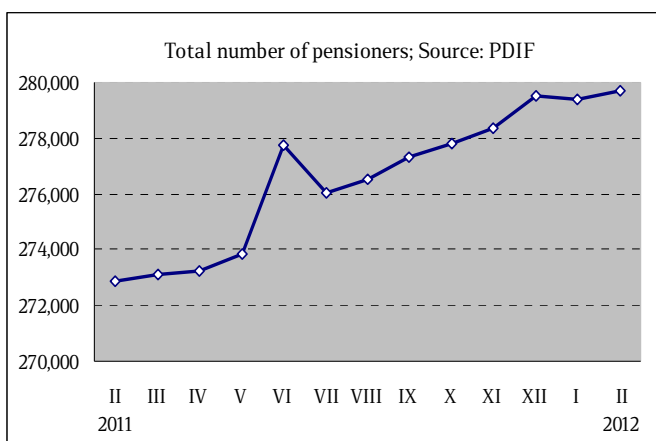
The highest increase of average monthly gross and net salary per employee in January 2012 compared to January 2011 was recorded in the following sectors: Electricity, gas, steam and air-conditioning supply (7% gross salary and 7% net salary), health and social protection activities (3.6% gross salary and 3.3% net salary) and transport and storage (2.0% gross salary and 2.9% net salary).

Decrease of average monthly gross and net salary per employee in January 2012 compared to January 2011 was recorded in the following sectors: Financial and insurance activities (14.7% gross salary and 17.3% net salary), administrative and auxiliary services (5.8% gross salary and 6.0% net salary), information and communications (5.6% gross salary and 2.9% net salary) and art, entertainment and recreation (3.3% gross salary and 3.0% net salary).

Percentage of employed persons who did not receive salary in January 2012 amounted to 2.3%, being identical compared to the same month in the previous year, while compared to December 2011, the percentage of employees who did not receive salary was lower by 0.7 p.p..

Pensions

In February 2012, Pension and Disability Insurance Fund registered 279,708 pensioners, increasing by 2.5% compared to the same month in 2011. Number of pension beneficiaries increased by 336 persons in relation to January 2011. 55.9% out of the total number of pensioners are beneficiaries of old-age pension, 27.4% of survival pension and 16.7% of disability pension.



In February 2012, Denar 2,928.26 million was spent for payment of pensions, accounting for 53.5% of the total social transfers¹.

Average pension in February 2012 amounted to Denar 10,614, increasing by 2.3% on annual basis. Ratio between the average pension and the average paid salary in January 2012 (the most recent available data) was 50.5%.

5. Monetary Sector

Primary Money

In February 2012, primary money² showed accelerated growth of 6.2% on annual basis, in conditions of increase of ready money in circulation by 13.3% and increase

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

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).

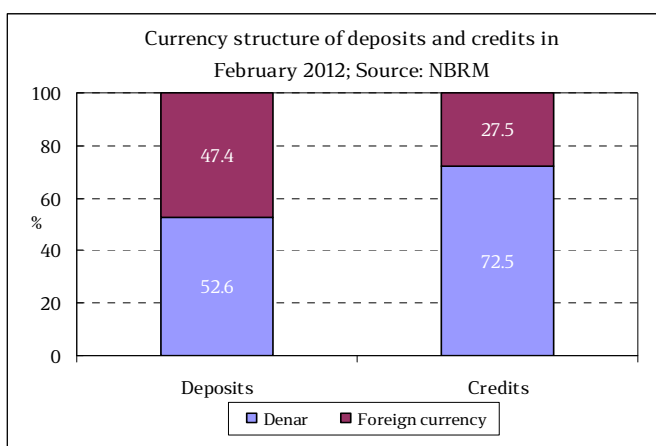
of total liquid assets of banks by 1.5%. On monthly basis, primary money dropped by 1%, as a result of the drop of total liquidity of banks by 2%. Ready money in circulation slightly increased by 0.3% on monthly basis.

In February 2012, National Bank of the Republic of Macedonia kept the level of interest rate on central bank bills unchanged, i.e. at 4.0%. In addition, interest rate on available overnight credits was kept at the level of 5.5%.

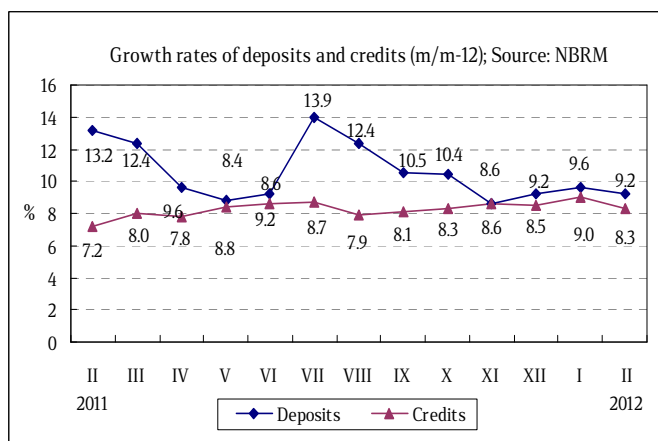
Deposit Potential

Total deposit potential of banks³ in February 2012 increased by 0.3% on monthly basis driven mainly by the increase of Denar deposits of households by 2.9%.

From currency point of view, Denar deposits increased by 1.4%, while foreign currency deposits of household decreased by 1%. Analyzed by sectors, deposits of households increased by 1.1%, while deposits of private enterprises declined by 1.7% on monthly basis. Short-term deposits surged by 0.1% on monthly basis, while long-term deposits grew by 2.8%.



On annual basis, total deposits experienced certain slowdown of growth, reaching 9.2% in February compared to the annual growth of 9.6% realized last month. New saving arises mainly from the increased saving of households by 12.3%, while deposits of private enterprises were higher by 5.1%. Analyzed according to currency, Denar deposits were higher by 17.4% on annual basis, realizing dominant contribution to the growth of total deposits. Foreign currency deposits continued to slow down the growth, amounting to 1.4% in February compared to 3.1% in January 2012. According to maturity, long-term deposits increased by 18.5%, while short-term deposits were higher by 7.3% on annual basis.



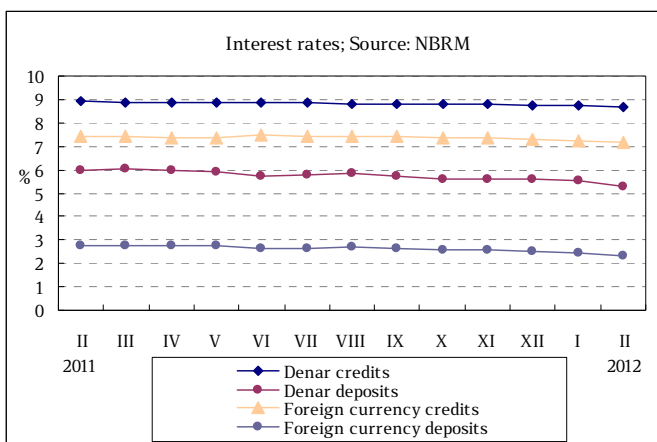
Bank Credits

In February 2012, total credits of banks to the private sector increased by 0.3% on monthly basis. Credits to private enterprises increased by 0.5% compared to the

³ Starting January 2009, deposits include calculated interest

previous month, while credits to households did not change. According to the currency structure, Denar credits increased by 0.4%, while foreign currency credits surged by 0.2%.

On annual basis, growth of total credits slowed down to 8.3% (compared to 9% in January), in conditions of increased crediting to private enterprises and households by 8.5% and 7.7% respectively. More significant contribution to growth (62%) was realized by credits to private enterprises. From currency point of view, Denar credits experienced annual growth of 5.3%, while foreign currency credits registered high growth of 17.2%. As regards maturity, long-term credits increased by 11.2% on annual basis, while short-term credits were lower by 0.5%.



Interest Rates of Deposit Banks

In February 2012, there was reduction of the level of interest rates on deposits on monthly basis. In fact, interest rate on Denar deposits reduced by 0.3 p.p. compared to the previous month, accounting for 5.3%. Compared to February 2011, it was lower by 1 p.p.. Interest rate on foreign currency deposits decreased from 2.5% in January 2012 to 2.3% in February, while it decreased by 0.6 p.p. on annual basis.

Interest rate on Denar credits, including interest rates on Denar credits without foreign currency clause and Denar credits with foreign currency clause, was 8.7%, dropping by 0.3 p.p. on annual basis. Interest rate on foreign currency credits of banks was 7.2%, being lower by 0.3 p.p. on annual basis.

Foreign Currency Reserves

Gross foreign currency reserves at the end of February 2012 amounted to EUR 2,061.8 million and, compared to the previous month, they were lower by EUR 5.4 million, while compared to February 2011, foreign currency reserves were higher by EUR 359.3 million.

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