



REPUBLIC OF MACEDONIA  
MINISTRY OF FINANCE  
Macroeconomic Policy Department

---

---

---

---

# SHORT-TERM ECONOMIC TRENDS

July 2013

---

---

---

---

Skopje, September 2013

## SUMMARY

### OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

July 2013

- Industrial production surged by 3.9% in July 2013 compared to May 2012 and compared to May 2013, it increased by 9%;
- Inflation rate amounted to 4% on annual basis, being negative on monthly basis, accounting for 1.1%; Average inflation rate in the first seven months of 2013 amounted to 3.6%;
- Annual drop of 15.8% of physical output of export in the period January-July 2013 and drop in value of 2.8%, decline of imported quantities of goods of 13.0% and drop in value of 0.3%, resulting in reduction of trade deficit by 5.2% compared to the same period in 2012;
- Lower performance of total budget revenues by 1.7% and increase of total budget expenditures by 6.4% in the first seven months of 2013, compared to the same period last year; state budget deficit in the amount of Denar 14,351 million (2.9% of GDP) and central budget deficit in the amount of Denar 12,528 million (2.6% of GDP);
- Increase of both total credits to private sector by 3.5% and total deposit potential of banks by 3.1% on annual basis.

## 1. Real Sector

### Industrial Production

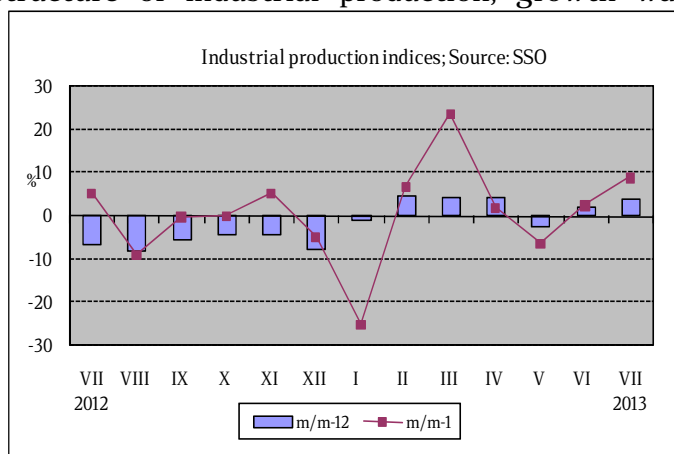
Industrial production surged by 3.9% in July 2013 compared to July 2012. Analyzed by sectors, processing industry sector experienced growth of 7.3%, growth in the mining and quarrying sector accounted for 3.3% as a result of the growth in the other mining and quarrying branch by 20.5% and metal ore extraction branch by 14.2%, while decline of 19.2% was

	m/m-12	m/m-1	I-VII 2013 I-VII 2012
Total	3.9	9.0	2.2
Ore and stone extraction	3.3	6.1	8.7
Processing industry	7.3	14.1	0.7
Electricity, gas and water supply	-15.5	-14.6	5.1

Source: SSO

observed in the extraction of coal and lignite branch. Electricity, gas, steam and air-conditioning supply sector experienced production decline of 15.5%.

As for the processing industry, annual positive growth was registered at 13 out of 23 branches, comprising 47% of the industrial production. As regards the branches with two-digit share in the structure of industrial production, growth was registered at production of clothing of 21.5%, while decline of 1.8% was recorded at production of food products. Significant growth was seen at the following branches: repair and installation of machinery and equipment – 89.1%, other production industry – 60.2%, production of chemicals and chemical products – 58.3%,



production of basic pharmaceutical products and preparations – 57.4%, production of textile – 52.8%, production of machines and devices – 41.4%, production of rubber products and plastic mass products – 21.9%, production of clothing – 21.5% and production of other non-metal mineral products – 17.0%.

Industrial production surged by 9% in July 2013 compared to June 2013. Sectoral analysis shows that growth was seen at the processing industry sector – 14.1% and the mining and quarrying sector – 6.1%. Growth in the sector mining and quarrying was a result of the high growth at the extraction of coal and lignite sector by 29.1% and the growth at the other mining and quarrying branch by 7.8%, while metal ore extraction branch dropped by 5.9%. Electricity, gas, steam and air-conditioning supply sector experienced dropped of 14.6% in July 2013 compared to June 2013.

On cumulative basis, in the period January–July 2013, industrial production grew by 2.2%, compared to the same period in 2012. Mining and quarrying sector grew by 8.7%, electricity, gas, steam and air-conditioning supply sector surged by 5.1%, while processing industry sector experienced 0.7% growth.

Data on industrial production by target groups in July 2013, compared to July 2012, showed that there was an increase in the production at the following groups: capital goods – 16.6%, intermediary goods, except energy – 11.6%, consumer non-

durables – 5.1% and consumer durables – 2.3%. Drop of production of 16.7% was seen in the energy group.

On monthly basis, data on the industrial production by target groups in July 2013 show that there was an increase in the production at the following groups: capital goods – 56.2%, consumer durables – 28.0%, consumer non-durables – 18.1% and intermediary goods, except energy – 1.2%. Drop was registered at the energy group – 10.3%.

On cumulative basis, in the period January-July 2013, compared to the same period in 2012, growth was registered at the following groups: capital goods – 7.5%, consumer non-durables – 5.8%, consumer durables – 3.1% and energy – 1.3%. Drop was registered at intermediary goods, except energy – 3.0%.

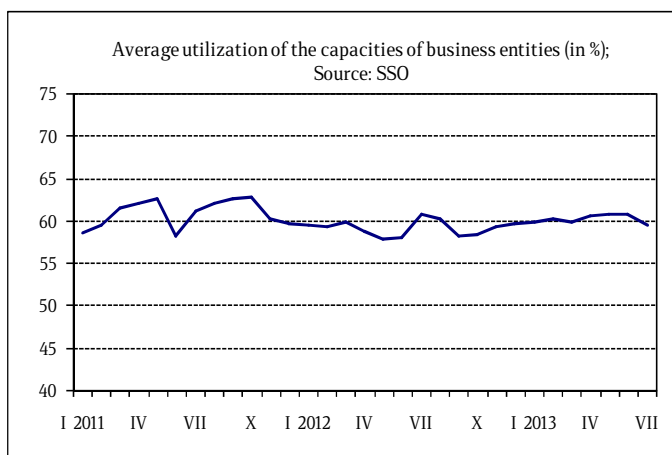
### **Business Tendencies in the Processing Industry**

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

Assessment of current state of delivery-to-production was less favourable compared to the previous month, while compared to July 2012, it was more favourable. Assessment of the production volume in the past three months was less favourable compared to June 2013, while it was more favourable compared to July 2012. Expectations for the production volume in the next three months are less favourable compared to both the previous month and July 2012.

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

Average utilization of the capacities in July 2013 accounted for 59.6%, being a drop compared to the previous month, when it accounted for 60.9%. Compared to July 2012, utilization of the capacities was lower by 1.2 p.p..



In July 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 July 2012. In the next 3-month period, according to the assessment of managers, average purchase prices of inputs are expected to decline, while selling prices of ready-made products are expected to increase.

According to the assessment, following factors limited the most the production volume in July 2013: insufficient foreign demand –25.0%, insufficient domestic

demand -19.1%, shortage of skilled labour - 11.4%, financial problems -11.4%, uncertainty of economic environment - 9.3% and competitive import - 8.8%.

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

### Number of Workers in the Industry

Number of workers in the industry in July 2013, compared to July 2012, increased by 0.7%. Sector analysis shows increase in the number of workers in the following sectors: mining and quarrying - 8.4% and electricity, gas, steam and air-conditioning supply - 3.1%, while number of workers dropped in the processing industry sector by 0.1%.

Data on the number of workers in the industry by target groups in July 2013, compared to July 2012, showed increase in the number of workers at the following groups: energy by 8.5%, consumer durables by 3.0% and consumer non-durables by 0.5%, while reduction of the number of workers was registered in the following groups: capital goods - 0.3% and intermediary goods, except energy - 1.8%.

### Number of Issued Building Permits and Envisaged Value of Facilities

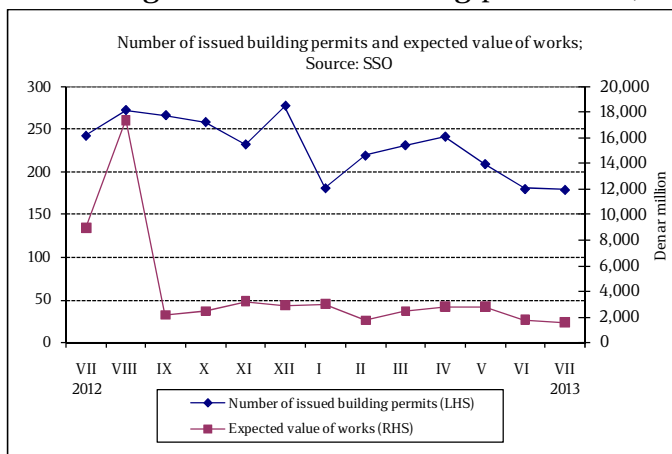
In July 2013, 179 building permits were issued, dropping by 26.0% compared to the same month in 2012. Total number of issued building permits compared to June 2013, when 180 permits were issued, decreased by 0.6%.

Envisaged value of the facilities, according to the issued building permits in July, amounted to Denar 1,453 million, being by 91.6% less than in July 2011, due to the high comparative basis. In relation to June 2013, value of the facilities declined by 3.6%.

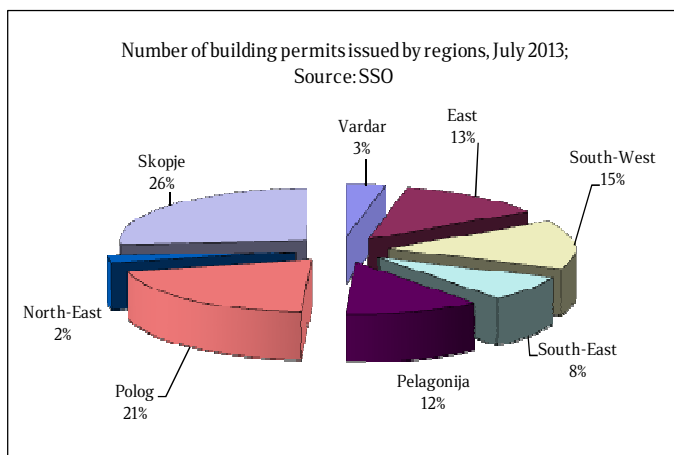
Analyzed by types of facilities, 143 (or 79.9%) building permits out of the total number of issued building permits were intended for buildings, 9 (or 5%) for civil engineering structures and 27 (or 15.1%) for reconstruction.

Analyzed by types of investors, out of the total 179 facilities for which building permits were issued, natural persons were investors in 139 facilities (or 77.7%), while business entities were investors in 40 facilities (or 22.3%).

In July 2013, construction of 324 flats is envisaged, with total usable area of 29,695 m<sup>2</sup>. Number of flats envisaged for construction declined by 79.0% compared to the same month in 2011, and it increased by 62.8% compared to June 2013.



Analyzed by regions, in July 2013, most building permits were issued in the Skopje region, 47 in total, 30 permits out of which were issued to natural persons as investors, while 17 permits were issued to business entities as investors. Southwestern region had least issued permits, 4 permits in total, all of which were issued to natural persons as investors.

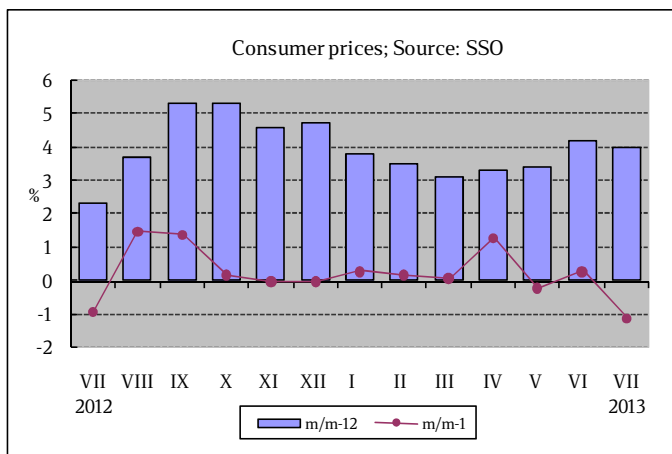


In the period January-July 2013, most building permits were issued in the Skopje region, 394 in total, 291 permits out of which were issued to natural persons as investors, while 103 permits were issued to business entities as investors. Northeastern region had least issued permits, 89 permits in total, 77 permits out of which were issued to natural persons as investors, while 12 permits were issued to business entities as investors.

### Inflation

Annual inflation rate in July 2013, measured according to the CPI index, amounted to 4%. Average inflation rate in the first seven months of 2013 amounted to 3.6%.

On annual basis, growth of prices was observed at all categories in July. Highest price increase was registered in the category clothing and footwear by 6.8%, followed by the price increase in the food category, accounting for 5.5%. Increase of prices in other categories was as follows: restaurants and hotels – 4.5%, hygiene and health – 4.1%, tobacco and beverages – 3.7%, means of transport and services – 1.7%, housing – 1.5%, culture and entertainment and administrative and financial services – 0.9%.



Inflation rate in July, compared to the previous month, was negative, amounting to 1.1%. Price decrease was a result of the reduced prices in many categories. Highest monthly drop of prices was seen in the food category by 2.4%, mainly as a result of the decreased prices of vegetables by 20.2% on monthly basis. Drop of prices in the housing category accounted for 2%, as a result of the reduced prices of electricity for households by 4.5%. Decline of prices of 0.2% was registered in the clothing and footwear category. Prices in the culture and entertainment and the administrative and financial services categories remained the same, while increase of prices was seen in the means of transport and services and hotels and

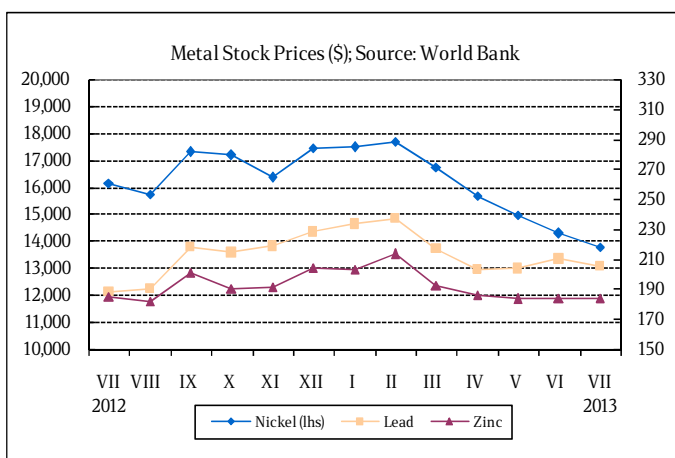
restaurants categories – 0.2% and hygiene and health category – 0.4% and tobacco and beverages category – 1.7%.

Retail prices in July 2013 were higher by 2.5% compared to July 2012. Compared to the previous month, retail prices were lower by 0.8%. Average increase of retail prices in the first seven months in 2013 accounted for 1.7%.

### Stock Market Prices

In July 2013, (Brent) crude oil price on the global stock markets grew by 4.5%, compared to the previous month, reaching the price of US\$ 107.7 per barrel. Compared to July 2012, oil price was lower by 4.4%. Price of natural gas in July decreased by 3% 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\$ 13,750 for a metric ton (\$/mt) on the global stock markets in July, being a monthly drop of the price by 3.7%. Compared to July 2012, nickel price was lower by 14.7%. In fact, in July, there was monthly price drop of prices of all base metals. Hence, price of tin dropped by 3.5%, price of aluminum and lead decreased



by 2.5%, price of copper declined by 1.3% and price of zinc dropped by 0.1%. Monthly drop in prices of precious metals was also observed in July, whereby, price of silver dropped by 6.6%, price of gold by 4.3% and price of platinum by 2%. Price of iron ore in July experienced a high monthly increase of 10.8%.

Downward trend of price of wheat on the global stock markets continued in July and, compared to June, it was lower by 2.8%. Price of corn registered monthly decline of 6.3% in July.

## 2. Foreign Trade

In the period January-July 2013, total foreign trade surged by 0.9% in relation to the same period last year.

### Export

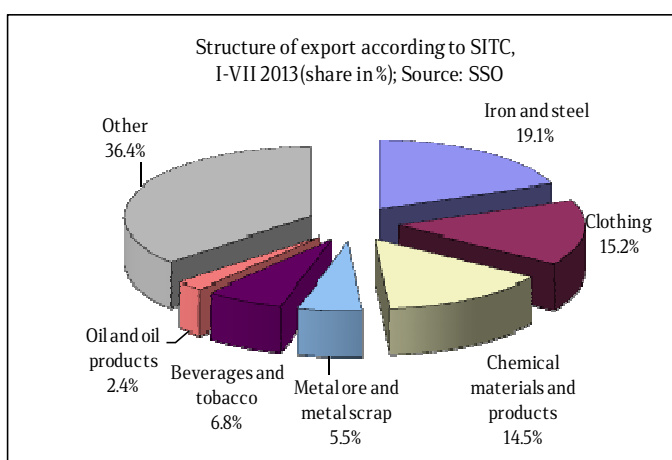
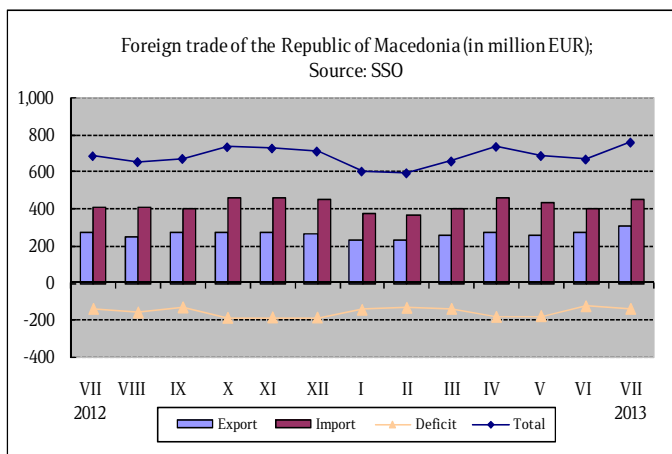
In the period January-July 2013, physical output of export dropped by 15.8% compared to the same period in 2012, while the value of exported goods amounted to EUR 1,835.8 million, being an increase of 2.8% (EUR 49.9 million) in relation to the period January-July 2012.

Analyzed on monthly basis, in July 2013, export surged by 14.2%, compared to the previous month.

Seasonally adjusted trend of export in July 2013 increased by 7.4% on monthly basis, pointing out to positive effects of the seasonal factor (6.9 p.p.) on the export in July.

Main groups of goods (according to SITC) being most exported in the period January-July 2013 were the following: iron and steel – 19.1%, clothing – 15.2%, chemical materials and products – 14.5%, beverages and tobacco – 6.8%, metal ore and metal scrap – 5.5%, oil and oil products – 2.5%. These six groups of products comprised 63.6% of the total export of the country.

In January January-July 2013, observed by economic purpose, the following products were the most exported: goods for industrial procurement (53.2%), followed by consumer goods (22.4%), food and beverages (10.4%), products for investments without transport equipment (9.8%), fuels and lubricants (2.5%) and transport equipment (1.7%).

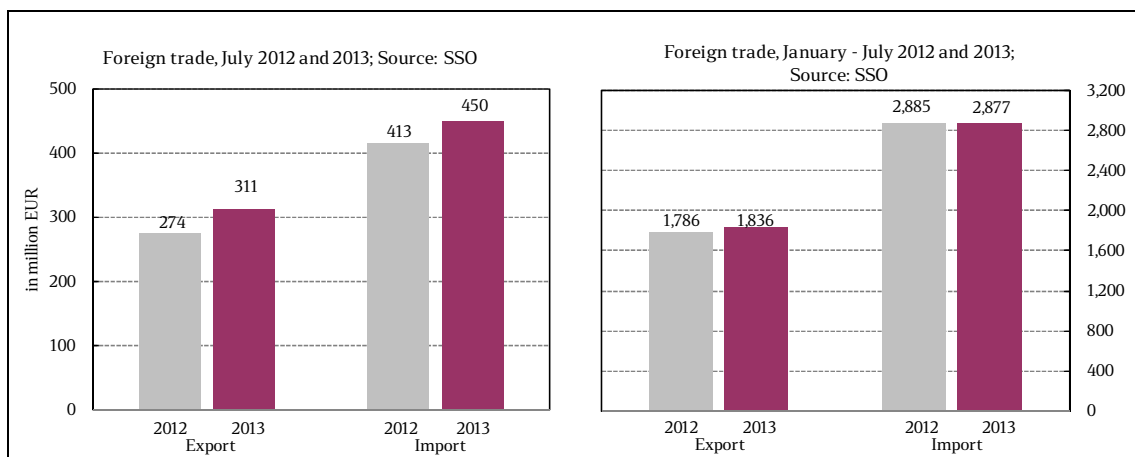


Export of iron and steel*)				
	I-VII 2012	I-VII 2013	Balance 2013-2012	% rate
.000 T	393.6	346.5	-47.1	-12.0
EUR mil.	389.7	350.4	-39.3	-10.1
\$ mil.	501.7	459.3	-42.4	-8.5

\*)Previous data

Import of iron and steel*)				
	I-VII 2012	I-VII 2013	Balance 2013-2012	% rate
.000 T	314.0	348.2	34.2	10.9
EUR mil.	163.9	171.9	8.0	4.9
\$ mil.	210.6	225.8	15.2	7.2

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

## Import

Imported quantities of goods in the period January-July 2013 reduced by 13.0%, compared to the period January-July 2012, while their value amounted to EUR 2,877.4 million, dropping by 0.3% (EUR 7.4 million) compared to the same period in 2012.

Analyzed on monthly basis, in July 2013, import increased by 13.2%, compared to the previous month.

Seasonally adjusted trend of import in July 2013 surged by 8.1% on monthly basis, pointing out to positive effects of the seasonal factor (5.1 p.p.) on the import in July.

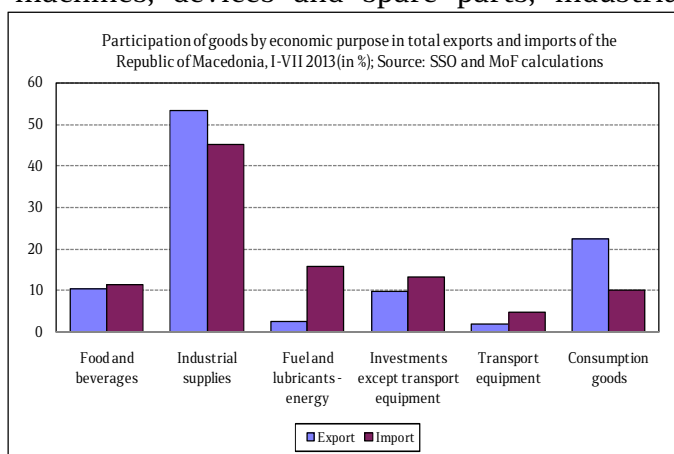
Export of oil and oil products*)					Import of oil and oil products*)				
	I-VII 2012	I-VII 2013	Balance 2013-2012	% rate		I-VII 2012	I-VII 2013	Balance 2013-2012	% rate
000 T	141.7	90.4	-51.3	-36.2	.000 T	607.3	527.0	-80.3	-13.2
EUR mil.	99.1	45.3	-53.8	-54.3	EUR mil.	398.9	319.5	-79.4	-19.9
\$ mil.	127.9	59.4	-68.5	-53.5	\$ mil.	513.9	418.7	-95.2	-18.5

\*)Previous data

\*)Previous data

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

In the period January-July 2013, observed by economic purpose, following products were the most imported: goods for industrial procurement (45.0%), followed by fuels and lubricants (15.8%), products for investments without transport equipment (13.2%), food and beverages (11.2%), consumer goods (10.0%) and transport equipment (4.7%).



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

Export of chemical products*)				
	I-VII 2012	I-VII 2013	Balance 2013-2012	% rate
000 T	17.6	4.0	-13.6	-77.2
Мил. ЕУР	219.2	265.4	46.2	21.1
Мил.\$	283.2	348.0	64.8	22.9

\*)Previous data

Import of chemical products*)				
	I-VII 2012	I-VII 2013	Balance 2013-2012	% rate
.000 T	14.8	18.3	3.5	23.5
Мил. ЕУР	40.6	46.6	6.0	14.7
Мил.\$	52.5	61.1	8.6	16.4

\*)Previous data

## Trade Balance

In the period January-July 2013, trade deficit narrowed by EUR 57.3 million or 5.2% compared to the same period last year.

If we analyse the balance of export and import of goods by economic purpose, deficit narrowing is a result of combined effect from: narrowing of negative balance in the trade of fuels and lubricants, transport equipment, food and beverages and consumer goods, while the widened negative balance in the trade of goods for industrial procurement and investment goods without transport equipment acted in opposite direction.

It is important mentioning that starting January 2013, revised economic grouping of countries is applied, according to the Geonomenclature of EU - Nomenclature of Countries and Territories for External Trade Statistics of the Union and Statistics of Trade between Member States.

Analyzed according to economic groups of countries, in the period January-July 2013, compared to the same period in 2012, export grew 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 17.5% on annual basis, while as for Western Balkan countries, it declined by 15.3%.

In the period January-July 2013, foreign trade of the Republic of Macedonia with the European Union (EU 28), in relation to the same period last year, increased by 9.6%, whereby share of trade with EU in the total foreign trade increased by 4.1 p.p., accounting for 66.3%. Export of goods to the European Union (EU 28) accounted for 73.3% in the total export of the Republic of Macedonia, while import of goods participated with 61.8%.

In the period January- July 2013, 75.6% of the trade deficit of the country was realized in the trade with Great Britain, Greece, China, Turkey and Serbia, followed by: Russia, Italy, Slovenia, Switzerland, Austria and others. Surplus was realized in the trade with Germany, Kosovo, Bosnia and Herzegovina and the Netherlands.

## Currency Structure

Observed by currency structure, 73.4% of the trade in the period January-July 2012 was realized in euros and, compared to the period January-July 2012, it surged by 3.3 percentage points. On export and import side, euro accounted for 82.7% and 67.4%, respectively, whereby share of the euro in export was higher by 4.0 p.p., while increase of the share of the euro in import accounted for 2.7 p.p. compared to the period January-July 2012.

Foreign trade of the Republic of Macedonia (by currency ); calculations: MoF												
import	I-VII 2012					I-VII 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	1,712.3	1,860,878,440	61.5723	114,578,565,588	64.7	1,771.4	1,937,358,693	61.6491	119,436,419,806	67.4	76,480,253	4.1
USD	2,041.9	977,055,367	50.0522	48,903,770,663	27.6	1,492.2	815,253,127	47.1648	38,451,250,700	21.7	-161,802,240	-16.6
GBP	1.6	190,251,593	78.0377	14,846,796,734	8.4	1.8	253,794,946	71.5884	18,168,774,107	10.2	63,543,353	33.4
EUR+USD+GBP	3,755.8			178,329,132,984	92.3	3,265.4			176,056,444,614	99.3		
tot. import	3,761.5			177,071,699,985	100.0	3,271.7			177,297,546,039	100.0		0.1

Source: SSO and NBRM

### 3. Fiscal Sector

#### Budget Revenues

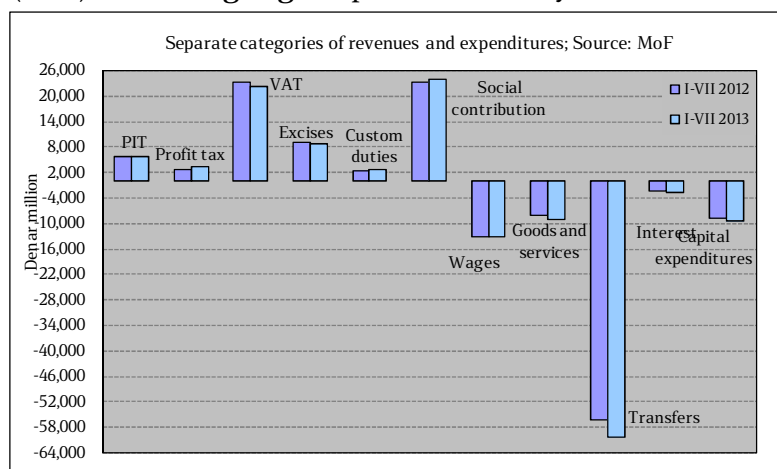
In the period January-July 2013, total budget revenues reached an amount of Denar 80,745 million, i.e. 16.5% of GDP, which was by 1.7% higher in relation to the same period in 2012.

Tax revenues for the first seven months were realized in the amount of Denar 44,188 million, i.e. 9.1% of GDP, being higher by 0.2% in relation to the same period in 2012.

Value added tax was realized in the amount of Denar 22,252 million, whereby share of VAT in total tax revenues in this period was dominant, amounting to 50.4%. Excises were realized in the amount of Denar 8,485 million (participating with 19.2% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 30,737 million, i.e. 2/3 or 69.6% of total tax revenues (6.3% of GDP). Thereby, VAT collection amounted to Denar 34,047 million on gross basis, Denar 11,795 million out of which was refunded to taxpayers (gross collection was higher by 0.5%, while VAT refund was higher by 9.2% compared to the same period in 2012).

As for VAT structure, VAT share was the biggest when importing, decreasing by 5.8%, while VAT on the basis of sales in the country surged by 14.1%, share of VAT grants was insignificant (0.6%), observing higher performance by 75.3%. Observed

by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 5,771 million, increasing by 5.8% on annual basis, whereby revenues on the basis of salaries and other personal earnings account for 71.0% of the



personal income tax, revenues on the basis of contractual agreement accounted for 8.2% and revenues on the basis of property and property rights accounted for 3.9%. Compared to the same period in 2012, profit tax revenues in the amount of

Denar 3,150 million surged by 27.7%, being mainly a result of the tax collected on the basis of paid dividend and other profit distribution and revenues collected on the basis of calculated interest on profit tax. At the same time, revenues on the basis of additional payments for tax balance, as well as revenues on the basis of advance payments and retained tax paid to foreign legal entities experienced a decline. VAT revenues dropped by 3.5% (being less by 1.5 p.p. compared to the previous six-month period), while excises revenues declined, i.e. they experienced lower performance by 5.1% (being less by 1.1 p.p. compared to the first six months in 2013). Revenues on the basis of customs duties were realized in the amount of Denar 2,453 million, increasing by 7.0%. Revenues on the basis of other taxes, amounting to Denar 2,077 million, grew by 11.2%.

Non-tax revenues amounted to Denar 7,345 million in relation to the same period in 2012, and they grew by 5.5% (these revenues are revenues on the basis of profit realized by the public institutions, revenues collected on the basis of administrative fees, fines, etc.).

Capital revenues realized on the basis of sale of construction land, flats and dividends reached Denar 2,937 million, decreasing by 19.4% compared to the same period in the previous year.

Collection of social contributions amounted to Denar 23,933 million (accounting for 4.9% of GDP), being higher by 3.6% compared to the same period in 2012, whereby collection of pension and disability insurance contributions increased by 3.2%, collection of employment insurance contribution surged by 3.0%, while collection of health insurance contributions rose by 4.5%.

### **Budget Expenditures**

In the period January-July 2013, total budget expenditures amounted to Denar 95,096 million, i.e. 19.5% of GDP, which was higher by 6.4% compared to 2012.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 85,422 million accounted for 89.8% (17.5% of GDP) and they increased by 6.1% in relation to the same period in 2012.

Transfers amounting to Denar 60,433 million (12.4% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 13,175 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 13.9% and, compared to 2012, they decreased by 0.9%.

Expenditures related to goods and services amounted to Denar 9,089 million, increasing by 11.0% compared to the same period in 2012.

Transfers increased by 6.9% compared to the same period in 2012, participating with 63.6% in the total expenditures. Social transfers amounted to Denar 42,793 million, increasing by 6.9% and participating with 45.0% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 26,050 million, increasing by 9.6% compared to the same period in 2012 and accounting for 27.4% of the total expenditures. Category other transfers, which includes transfers to local

government units, accounted for 18.0% in the total expenditures, i.e. they surged by 7.0% compared to the same period in 2012. Block grants to local government units, amounting to Denar 8,120 million intended for financing the transferred competences, were higher by 0.3% compared to the seven months in the previous year. Subsidies and transfers were higher by 13.8%.

Interest was collected in the amount of Denar 2,725 million, being by 6.5% more compared to the same period in 2012. Such increase was mainly due to the payment of due interest on the basis of foreign borrowing. Costs related to interest on the basis of domestic borrowing increased by 41.2%, while the ones on the basis of foreign borrowing dropped by 6.7%.

In the analyzed period, capital expenditures were realized in the amount of Denar 9,674 million, participating with 10.2% in the total expenditures (2.0% of GDP), i.e. they increased by 10.0% compared to the same period last year.

### Budget Balance

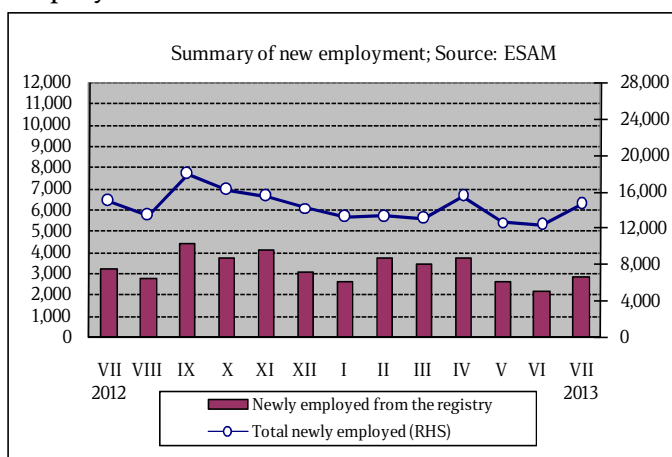
In the first seven months in 2013, budget deficit reached the amount of Denar 14,351 million, accounting for 2.9% of GDP, while central budget deficit amounted to Denar 12,528 million or 2.6% of GDP.

## 4. Social Sector

### Number of Newly Employed and Registered Unemployed Persons in EARM<sup>1</sup>

In the period January-July 2013, Employment Agency of the Republic of Macedonia registered total of 94,286 new employments. 46.8% 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 20.0%.

During July, 14,554 new employments were registered, whereby 19.2% of the new employments was from the unemployed records. Outflow of persons from the Employment Agency Registry amounted to 6,168, persons in July, 44.0% out of which were new employments. In July, 3,810 persons were registered as inflow to the Agency, 57.4% out of which were persons whose



<sup>1</sup> 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.

employment was terminated. Thus, in July 2013, 94,641 persons were registered as unemployed, while number of other unemployed persons accounted for 127,845.

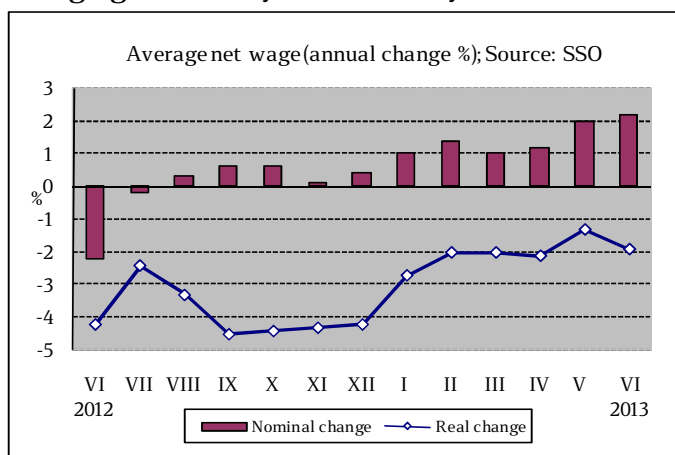
Major percentage of the unemployed, i.e. 73.6%, came from urban areas (cities), whereby 56.4% were men. Analyzed by education structure, major part, i.e. 44.8% of unemployed persons were without education, primary education or incomplete secondary education, 34.6% was with complete secondary education, while 20.5% completed community college or higher education level. Observed by age, majority of the unemployed persons or 52.4% fall in the category of 25-49 years of age. According to the time they waited for a job, 49.4% of the unemployed persons wait for employment from 1 to 7 years, while 20.0% wait for employment for 8 years and more.

## Salaries

According to the data from the State Statistical Office, average monthly paid gross salary per employee in June 2013 amounted to Denar 30,957, while average monthly paid net salary amounted to Denar 21,108.

On monthly basis, in June 2013, average gross salary decreased by 0.9% in nominal terms, being lower by 1.2% in real terms. Average net salary dropped by 0.8% in nominal terms, decreasing by 1.1% in real terms.

In June 2013, compared to June 2012, average gross salary increased by 2.1% in nominal terms, while it was lower by 2.0% in real terms. Average net salary was higher by 2.2% in nominal terms, decreasing by 1.9% in real terms.



In the period January-June 2013, compared to the same period in 2012, average gross salary increased by 1.4% in nominal terms, while it was lower by 2.1% in real terms. Average net salary grew by 1.5% in nominal terms, decreasing by 2.1% in real terms.

Highest increase of average monthly gross and net salary per employee in June 2013, compared to June 2012, was registered at the following: information and communications (6.7% gross salary and 6.8% net salary), transport and storage (6.6% gross salary and 6.8% net salary) and construction (5.9% gross salary and 6.1% net salary).

Highest increase of average monthly gross and net salary per employee in June 2013, compared to May 2013, was seen in the activities mining and quarrying (9.8% gross salary and 9.2% net salary), electricity, gas, steam and air conditioning supply (7.3% gross salary and 5.9% net salary), facilities for accommodation and food-related services (4.7% gross salary and 5.3% net salary).

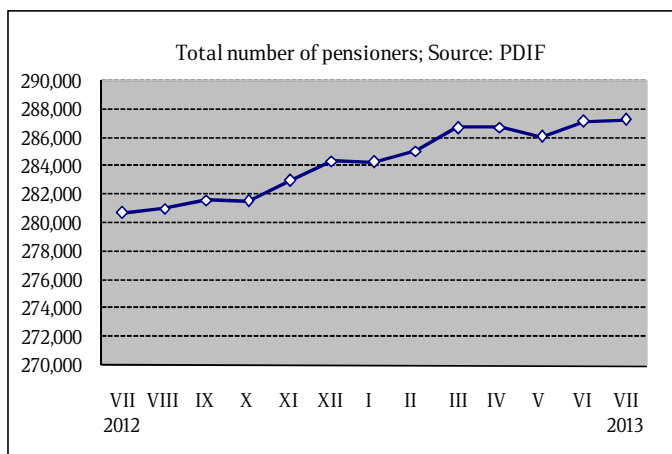
Percentage of employed persons who did not receive salary in June 2013 amounted to 2.3%, increasing by 0.2 p.p. compared to June 2012, being higher by 0.8 p.p. compared to May 2013.

## Pensions

In July 2013, Pension and Disability Insurance Fund registered 287,295 pensioners, being an increase of 2.3% compared to same month in 2012. Number of pension beneficiaries increased by 121 persons in relation to June 2013. 57.6% out of the total number of pensioners are beneficiaries of old-age pension, 26.8% of survival pension and 15.6% of disability pension.

In July 2013, Denar 3,275.96 million was spent for payment of pensions, accounting for 51.1% of the total social transfers<sup>2</sup>.

Average pension in July 2013 amounted to Denar 11,565, increasing by 8.1% on annual basis. Ratio between the average pension and the average paid salary in June 2013 (the most recent available data) was 55.0%.



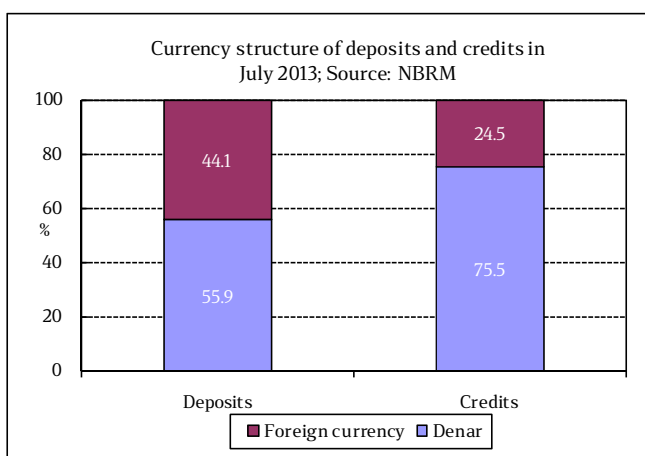
## 5. Monetary Sector

### Primary Money

In July 2013, primary money<sup>3</sup> showed annual growth of 2.1% on annual basis (2.3% in the past month), as a result of the growth of ready money in circulation by 5.3%, while total liquid assets of banks experienced a mitigated decrease by 0.4%.

On monthly basis, primary money increased by 2.4%, as a result of the increase of ready money in circulation by 4.1%. Total liquidity of banks surged by 1%.

In July 2013, National Bank of the Republic of Macedonia, following the observance of the economic and the financial conditions in the country, assessed that there was a room for additional monetary loosening. Hence, it was



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

<sup>3</sup> 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).

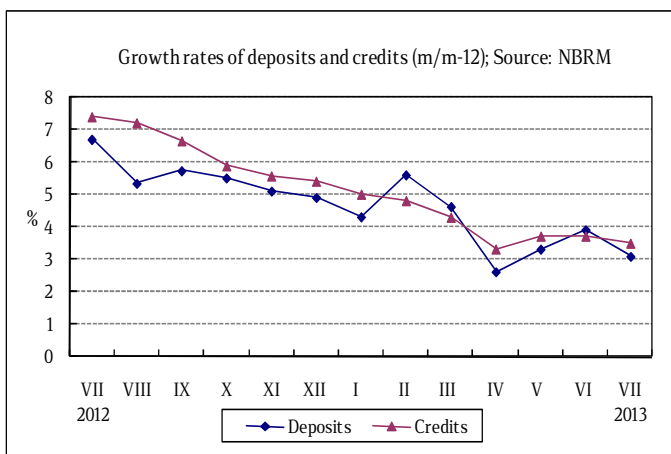
decided to apply a tender with limited amount and a fixed interest rate of 3.25% (i.e. historically the lowest level) at the auctions of treasury bills, being a drop by 0.25 p.p. compared to the current, maximum set interest rate on treasury bills of 3.50% At the same time, decision was adopted for respective reduction of interest rate on available seven-day deposits to 1.50%.

## Deposit Potential

Total deposit potential of banks<sup>4</sup> increased by 0.6% in June 2013 on monthly basis, as a result of the increase of deposits of private companies by 0.7% and deposits of household by 0.5%. From currency point of view, foreign currency deposits surged by 1.1%, while Denar deposits increased by 0.1% on monthly basis.

On annual basis, total deposits again experienced slowed down growth of 3.1% in July 2013, compared to the growth of 3.9% in June 2013. From a sector point of view, growth of total deposits was led by deposits of households, increasing by 6.1%, while deposits of companies recorded annual drop of 8.5%.

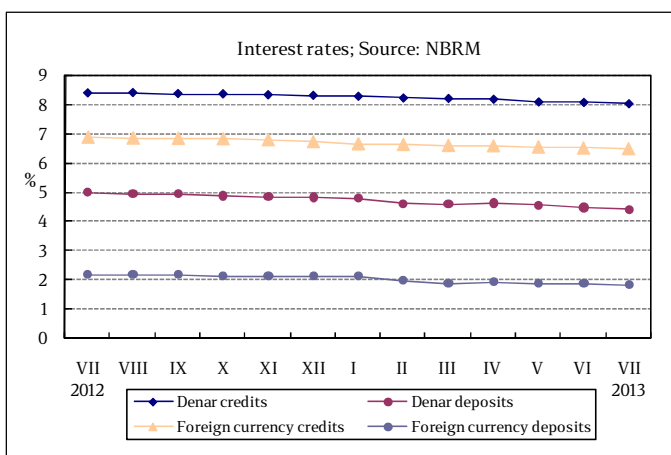
From currency point of view, Denar deposits surged by 8.3% in July 2013, while foreign currency deposits declined by 2.9%. According to maturity, long-term deposits increased by 28.6%, while short-term deposits reduced by 6.8%.



## Bank Credits

In July 2013, total credits of banks to the private sector increased by 0.3% on monthly basis, as a result of the growth of credits to households by 1%. Credits to private companies dropped by 0.2% on monthly basis. According to currency structure, Denar credits increased by 0.8%, while foreign currency credits dropped by 1%.

On annual basis, growth of total credits in July amounted to 3.5%, being lower by 0.2 p.p. compared to the previous month. According to currency, new crediting was fully in domestic currency. In fact, Denar credits surged by 5.2%, while foreign currency credits dropped by 1.5%. Analyzed by sectors, credits to enterprises registered growth of 0.4%, while credits



<sup>4</sup> Starting January 2009, deposits include calculated interest.



to households surged by 7.8%. As regards maturity, long-term credits increased by 1.9% on annual basis, while short-term credits were higher by 0.9%.

### **Interest Rates of Deposit Banks**

Total interest rate on credits was 7.6% in July 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 dropped by 0.1 p.p., accounting for 8%, while interest rate on foreign currency credits remained unchanged on monthly basis, accounting for 6.5%.

Total interest rate on deposits dropped by 0.1 p.p. on monthly basis, amounting to 3%, whereby interest rates on Denar and foreign currency deposits amounted to 4.4% and 1.8% respectively.

### **Foreign Currency Reserves**

Gross foreign currency reserves at the end of July 2013 amounted to EUR 2,055 million and, compared to the previous month, they were higher by EUR 15.7 million, while compared to July 2012, foreign currency reserves were lower by EUR 41.3 million.

**Ministry of Finance**

**Macroeconomic Policy Department**

[www.finance.gov.mk](http://www.finance.gov.mk)

**Report was prepared by:**

Ana Nikolova

Angela Vasovska

Aneta Dudeska

Bojana Ilievska

Gjoko Gjorgjeski

Koprinka Sapunova

Nedzati Kurtisi

**Controlled by:** Sanja Kikovska-  
Georgievska Ph.D.

**Approved by:** Jordan Trajkovski

Skopje, September 2013