



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

May 2013

Skopje, July 2013

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

May 2013

- Industrial production dropped by 2.8% in May 2013 compared to May 2012.
- Inflation rate amounted to 3.4% on annual basis and -0.2% on monthly basis. Average inflation rate in the first five months of 2013 remained at 3.4%.
- Annual drop of 17.0% of physical output of export in the period January-May 2013 and drop in value of 1.4%, decline of imported quantities of goods of 12.1% and drop in value of 2.3%, resulting in decline of trade deficit by 7.7% compared to the same period in 2012.
- Lower performance of total budget revenues by 1.3% and increase of total budget expenditures by 10.3% in the first five months of 2013, compared to the same period last year; state budget deficit in the amount of Denar 12,437 million (2.5% of GDP) and central budget deficit in the amount of Denar 11,560 million (2.4% of GDP).
- Increase of total credits both to private sector by 3.7% and total deposit potential of banks by 3.3% on annual basis.

1. Real Sector

Industrial Production

Industrial production dropped by 2.8% in May 2013 compared to May 2012. Analysed by sectors, electricity, gas, steam and air-conditioning supply grew significantly by 34.3%. Mining and quarrying sector experienced growth of 9.1% as a result of 33.5% growth in the metal ore extraction branch, while the branches extraction of coal and lignite and other mining and quarrying experienced a decline of 28.5% and 0.4% respectively. Processing industry sector dropped by 9.3%.

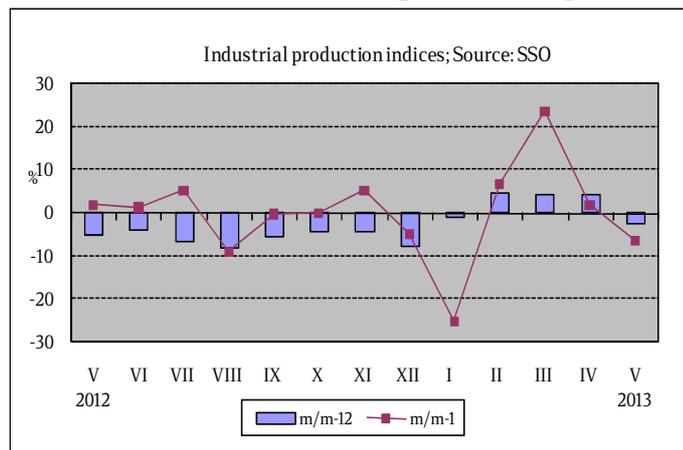
As for the processing industry, annual positive growth was registered at 9 out of 23 branches, comprising 9.7% of the industrial production. As regards the branches with two-digit share in the structure of industrial production, decline was registered at

	m/m-12	m/m-1	$\frac{I-V\ 2013}{I-V\ 2012}$
Total	-2.8	-6.1	1.7
Ore and stone extraction	9.1	-6.1	10.3
Processing industry	-9.3	-7.4	-1.3
Electricity, gas and water supply	34.3	0.9	10.8

Source: SSO

production of food products of 6.6% and production of clothing of 3.5%. Industrial production growth was seen at the following branches: production of textile - 152.1%, production of other transportation equipment - 64.7%, production of furniture - 28.0%, repair and installation of machinery and equipment - 13.8%, processing of wood and wood products and cork - 11.7% and production of beverages - 7.2%. Highest positive contribution to annual changes in the industrial production was boosted by electricity, gas, steam and air-conditioning supply (4.2 p.p.), while the highest negative contribution was driven by production of metals (-1.9 p.p.).

Industrial production dropped by 6.1% in May 2013 compared to April 2013. Analysed by sectors, electricity, gas, steam and air-conditioning supply sector experienced 0.9% growth. Processing industry sector registered a decline of 7.4%, mining and quarrying sector experienced a drop of 6.1% as a result of 32.1% drop in the extraction of coal and lignite branch and 30.9% drop in other mining and quarrying branch, while metal ore extraction branch registered growth of 20.4%.



On cumulative basis, in the period January–May 2013, industrial production grew by 1.7%, compared to the same period in 2012. Electricity, gas, steam and air-conditioning supply sector surged by 10.8%, mining and quarrying grew by 10.3%, while processing industry sector dropped by 1.3%.

Data on industrial production by target groups in May 2013, compared to May 2012, showed that there was an increase in the production at the following groups: energy – 20.2% and consumer durables – 13.4%. Drop of production was seen in the following groups: intermediary goods except energy – 4.7%, capital goods – 6.5% and consumer non-durables – 4.7%.

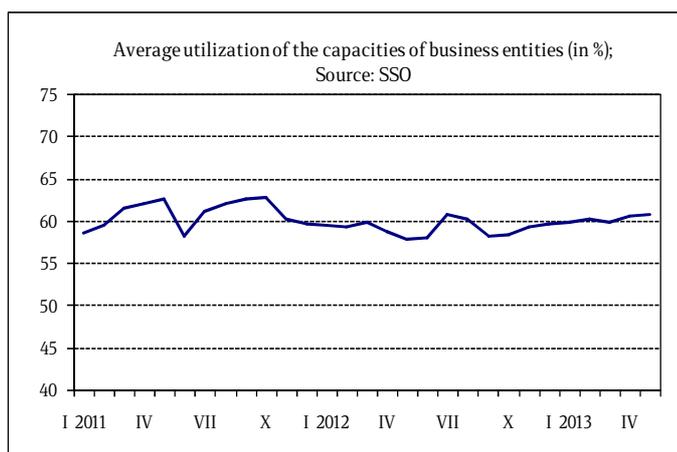
On monthly basis, data on industrial production by target groups in May 2013 show increase of production only at the group consumer durables – 0.4%. Drop was observed in the following groups: consumer non-durables – 11.6%, energy – 4.9%, capital goods – 1.7% and intermediary goods except energy – 0.9%.

On cumulative basis, in the period January-May 2013, compared to the same period in 2012, growth was registered in the following groups: consumer durables – 8.5%, consumer non-durables – 6.9%, energy – 5.7% and capital goods – 5.5%. Drop was registered at intermediary goods, except energy – 7.7%.

Business Trends in Processing Industry

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

Assessment of delivery-to-production was more favourable compared to both the previous month and May 2012. Assessment for the production volume in the past three months was more favourable compared to April 2013, as well as compared to May 2012. Expectations for the production volume in the next three months are more favourable compared to the previous month, while compared to May 2012, they were less favourable.



As regards the number of employees, expectations in May 2013 for the next three months were less favourable compared to both the previous month and May 2012.

Average utilization of capacities in May 2013 accounted for 60.8%, being an increase compared to the previous month, when it accounted for 60.7%. Compared to May 2012, utilization of capacities was higher by 2.9 p.p..

In May 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 less favourable compared to both the previous month and May 2012. In the next 3-month period, according to the assessment of managers, average purchase prices of inputs are expect to increase, while selling prices of ready-made products are expected to decrease.

According to the assessments, following factors limited the most the production volume in May 2013: insufficient foreign demand – 26.8%, insufficient domestic demand – 18.4%, financial problems – 11.7%, shortage of skilled labour – 10.9%, competitive import – 8.9%, uncertainty of economic environment – 8.7%, shortage of raw materials – 3.1%, lack of equipment – 2.4% and unclear economic laws – 2.0%.

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

Number of Workers in the Industry

Number of workers in the industry in May 2013, compared to May 2012, increased by 0.3%. Sector analysis shows increase in the number of workers in the following sectors: mining and quarrying – 8.8% and electricity, gas, steam and air-conditioning supply – 1.9%, while number of workers dropped in the processing industry sector by 0.6%.

Data on the number of workers in the industry by target groups in May 2013, compared to May 2012, showed increase in the number of workers at the following groups: energy – 7.8% and consumer non-durables – 0.9%, while reduction of the number of workers was registered in the following groups: capital goods – 4.4%, intermediary goods, except energy – 2.9% and consumer durables – 0.7%.

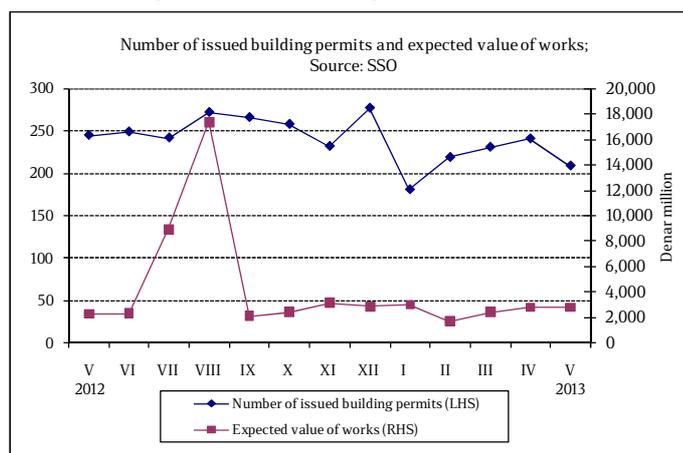
Number of Issued Building Permits and Envisaged Value of Facilities

In May 2013, 209 building permits were issued, dropping by 14.7% compared to the same month in 2012. Total number of issued building permits, compared to April 2013, when 241 permits were issued, decreased by 13.3%.

Envisaged value of the facilities, according to the building permits issued in May, amounted to Denar 1,740 million, being by 24.2% less compared to May 2012, while compared to April 2013, value of the facilities decreased by 37.2%.

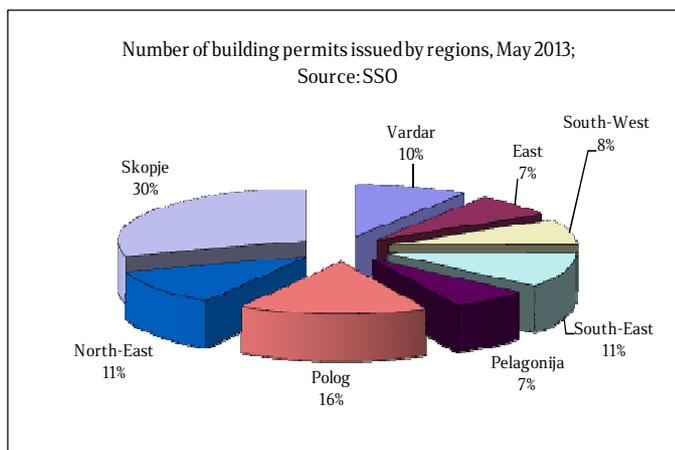
Analyzed by types of facilities, 168 (or 80.4%) building permits out of the total number of issued building permits were intended for buildings, 23 (or 11%) for civil engineering structures and 18 (or 8.6%) for reconstruction.

Analyzed by types of investors, out of the total 209 facilities for which building permits were issued, natural persons were investors in 162 facilities (or 77.5%), while business entities were investors in 47 facilities (or 22.5%).



In May 2012, construction of 354 flats was envisaged, with total usable area of 35,050m². Number of flats envisaged for construction declined by 29.8% compared to the same month in 2011, while it decreased by 9.5% compared to April 2012.

Analyzed by regions, in May 2013, most building permits were issued in the Skopje region, 62 in total, 45 permits out of which were issued to natural persons as investors, while 17 permits were issued to business entities as investors. Pelagonija region had least issued permits, 14 permits in total, 10 permits out of which were issued to investors - natural persons, while 4 permits were issued to business entities as investors.

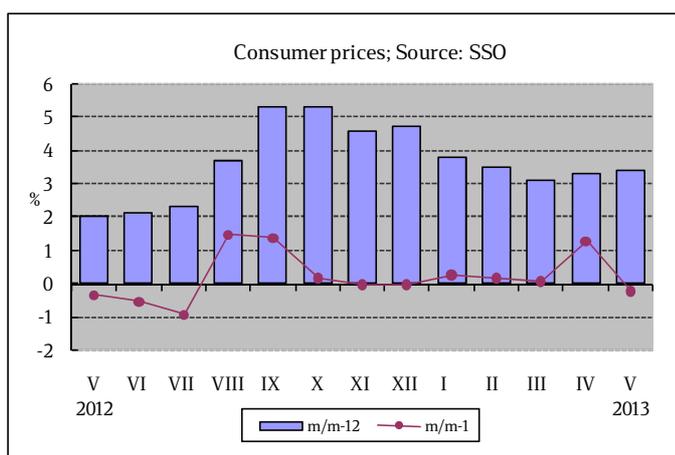


In the period January-May 2013, most building permits were issued in the Skopje region, 295 in total, 220 permits out of which were issued to natural persons as investors, while 75 permits were issued to business entities as investors. Vardar region had least issued permits, 64 permits in total, 40 permits out of which were issued to natural persons as investors, while 24 permits were issued to business entities as investors.

Inflation

Annual inflation rate in May 2013, measured according to the CPI index, amounted to 3.4%. Average inflation rate in the first five months of 2013 remained at 3.4%.

On annual basis, the highest price increase was registered in the category clothing and footwear by 7.3%. Price increase was also registered at the following categories: food – 5.1%, restaurants and hotels – 4.1%, hygiene and health - 4%, housing – 3.4%, tobacco and beverages – 2.1%, culture and entertainment – 1.3% and administrative and financial services – 0.9%. Price decline of 3.1% was registered at the means of transport and services category, mostly due to the reduced prices of liquid fuels and oils by 8.5%.



Inflation rate in May, compared to the previous month, amounted to - 0.2%. Price decrease was a result of the reduced prices in many categories. Highest price decline of 1.6% was registered at the means of transport and services category, as a result of the reduced prices of liquid fuels and oils by 4.6% on monthly basis. Prices

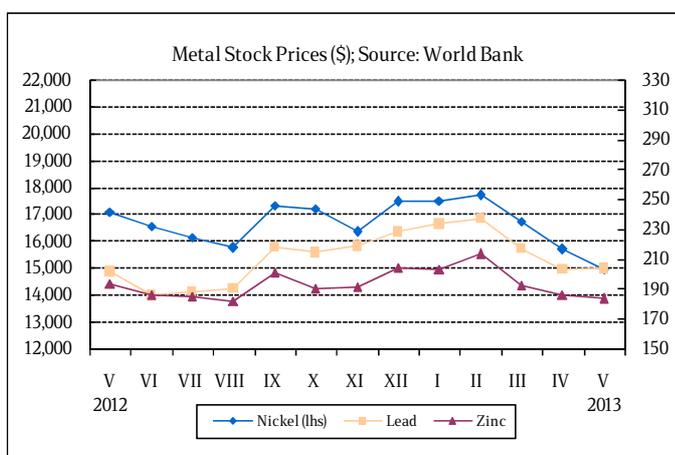
in the category tobacco and beverages dropped by 1.4%, while as regards the housing category, prices were lower by 0.2%. Decline of prices of 0.1% was also registered in food category and culture and entertainment category. Prices remained the same in the administrative and financial services category, while prices increased in the following categories: restaurants and hotels – 0.5%, hygiene and health – 0.6% and clothing and footwear – 0.9%.

Retail prices in May 2013 were higher by 0.9% compared to May 2012. Compared to the previous month, retail prices were lower by 0.6%. Average increase of retail prices in the first five months of 2013 accounted for 1.4%.

Stock Market Prices

In May 2013, crude oil (Brent) price on the global stock markets registered insignificant growth of 0.1% compared to the previous month, reaching the price of US\$ 103 per barrel. Compared to May 2012, oil price was lower by 6.8%. Price of natural gas in May decreased by 3.5% 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\$ 14,948



for a metric ton (\$/mt) on the global stock markets in May, being a monthly drop of the price by 4.6%. Compared to May 2012, nickel price was lower by 12.4%. Monthly decline of prices in May was also registered at tin – 4.1%, aluminum – 1.6% and zinc - 1.3%, as regards basic metals, while price of lead and copper experienced a monthly increase of 0.3% and 0.2% respectively. Price of iron ore in May experienced a high monthly decline of 9.5%. Monthly drop in prices of precious metals was also observed in May, whereby, price of silver dropped by 9.1%, price of gold by 5% and price platinum by 1.2%.

Downward trend of price of wheat on the global stock markets was stopped and, compared to April, it was higher by 3.7%. Price of corn registered monthly growth of 5.6% in May.

2. Foreign Trade

In the first five months in 2013, total foreign trade registered a contraction of 0.9% in relation to the same period in 2012.

Export

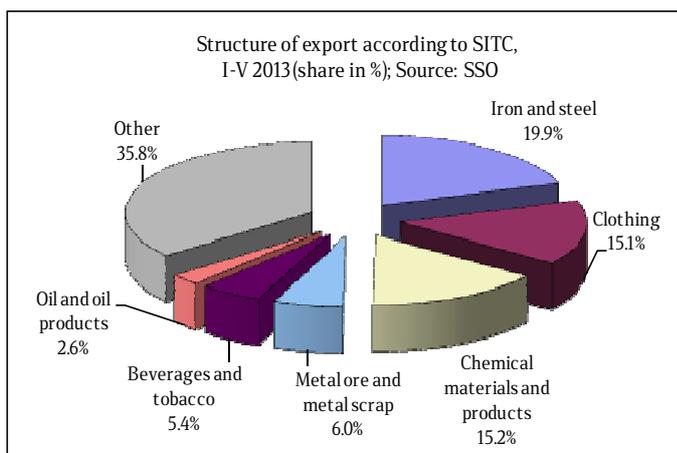
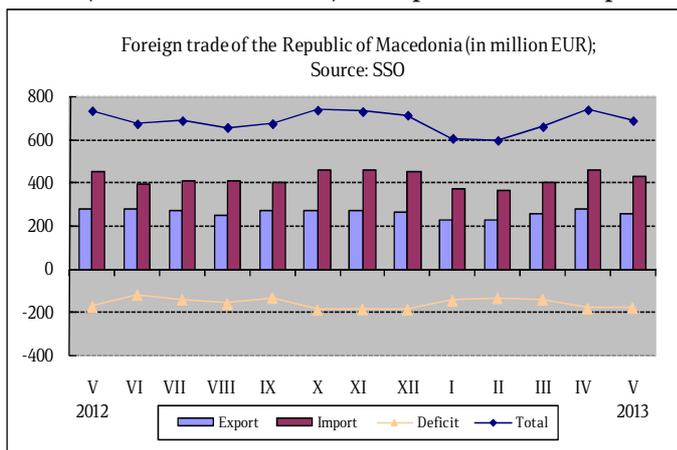
In the period January - May 2013, physical output of export dropped by 17.0% compared to the same period in 2012, while value of exported goods amounted to

EUR 1,252.9 million, surging by 1.4% (EUR 17.4 million) compared to the period January – May in 2012.

Analyzed on monthly basis, in May 2013, export decreased by 8.3%, compared to the previous month.

Seasonally adjusted trend of export in May 2013 registered monthly drop of 9.9%, pointing out to positive effects of the seasonal factor (1.7 p.p.) on the export in May.

Main groups of goods (according to SITC) being most exported in the period January-May 2013 were the following: iron and steel – 19.9%, chemical materials and products – 15.2%, clothing – 15.1%, metal ore and metal scrap – 6.0%, beverages and tobacco – 5.4% and oil and oil products – 2.6%. These six groups of products comprised 64.2% of the total export of the country.



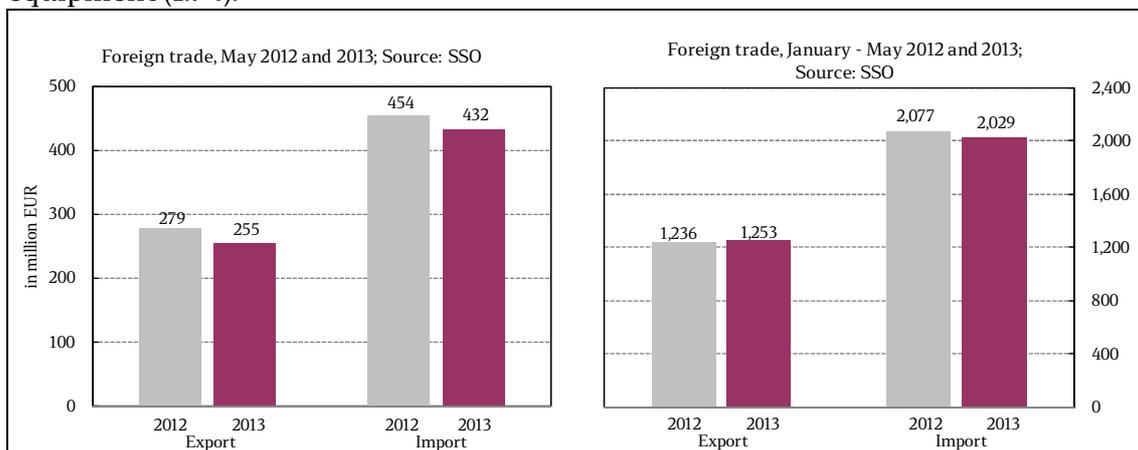
Export of iron and steel*)				
	I-V 2012	I-V 2013	Balance 2013-2012	% rate
.000 T	286.9	246.0	-40.9	-14.2
EUR mil.	271.9	249.2	-22.7	-8.3
\$ mil.	355.4	326.5	-29.0	-8.2

*)Previous data

Import of iron and steel*)				
	I-V 2012	I-V 2013	Balance 2013-2012	% rate
.000 T	223.9	267.1	43.2	19.3
EUR mil.	115.4	129.5	14.0	12.2
\$ mil.	150.4	170.0	19.6	13.1

*)Previous data

In the first five months of 2013, observed by economic purpose, following products were the most exported: goods for industrial procurement (53.3%), followed by consumer goods (22.0%), food and beverages (10.4%), products for investments without transport equipment (9.9%), fuels and lubricants (2.6%) and transport equipment (1.7%).



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; boards, plates, stands, tables, cabinets and others; men's shirts of cotton; tobacco; lead ore and concentrates; cooper ore and concentrates; ferrosilicon; rolled flat products of iron or non-alloyed steel of width of 600 mm or more, etc.

Import

Imported quantities of goods in the period January - May 2013 reduced by 12.1% compared to the period January - May previous year, while their value amounted to EUR 2,029.2 million, reducing by 2.3% (EUR 47.4 million) compared to the same period in 2012.

Analyzed on monthly basis, in May 2013, import decreased by 6.1%, compared to the previous month.

Seasonally adjusted trend of import in May 2013 decreased by 0.3% on monthly basis, pointing out to negative effects of the seasonal factor (5.8 p.p.) on the import in May.

Export of oil and oil products*)				
	I-V 2012	I-V 2013	Balance 2013-2012	% rate
000 T	95.8	62.5	-33.4	-34.8
EUR mil.	71.2	32.0	-39.1	-55.0
\$ mil.	93.3	42.0	-51.2	-55.0

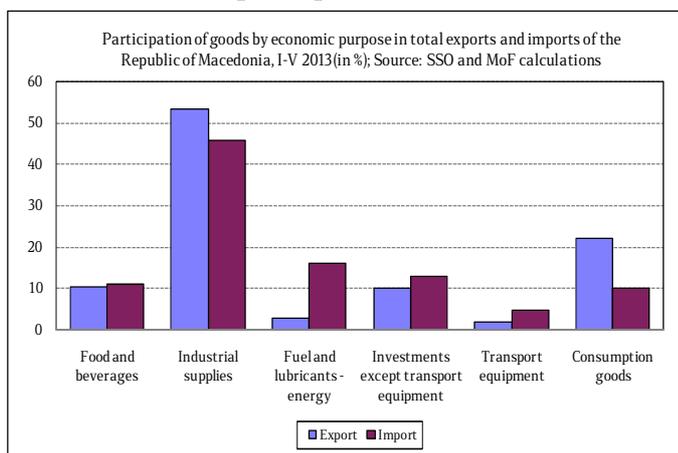
*)Previous data

Import of oil and oil products*)				
	I-V 2012	I-V 2013	Balance 2013-2012	% rate
.000 T	424.4	349.1	-75.3	-17.7
EUR mil.	287.8	209.3	-78.5	-27.3
\$ mil.	376.4	273.9	-102.4	-27.2

*)Previous data

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

In the period January - May 2013, observed by economic purpose, following products were most imported: goods for industrial procurement (45.6%), followed by fuels and lubricants (16.0%), products for investments without transport equipment (12.8%), food and beverages (11.0%), consumer goods (9.9%) and transport equipment (4.7%).



Export of chemical products*)				
	I-V 2012	I-V 2013	Balance 2013-2012	% rate
000 T	8.6	2.8	-5.8	-67.6
Мил. ЕУР	168.8	190.5	21.7	12.9
Мил.\$	220.6	249.8	29.1	13.2

*)Previous data

Import of chemical products*)				
	I-V 2012	I-V 2013	Balance 2013-2012	% rate
.000 T	10.0	12.9	2.9	29.1
Мил. ЕУР	30.3	34.7	4.4	14.6
Мил.\$	39.7	45.4	5.8	14.6

*)Previous data

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; crude oil; oil gases and other gaseous hydrocarbons; hot rolled with thickness less than 3mm; coating means (colours and varnishes); and similar.

Trade Balance

In the first five months of 2013, trade deficit narrowed by EUR 64.8 million or 7.7% compared to the period January - May 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 in fuels and lubricants, transport equipment, food and beverages and the 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 - May 2013, compared to the same period in 2012, export grew at the following groups: EU 27 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. Export remained at the same level at the Commonwealth of Independent States. Export to the EU surged by 13.9% on annual basis, while as for Western Balkan countries, it declined by 15.4%.

In the first five months of 2013, foreign trade of the Republic of Macedonia with the European Union (EU 27), in relation to the same period in the previous year, increased by 6.1%, whereby share of trade with the EU in the total foreign trade increased by 3.9 p.p., accounting for 62.9%. Export of goods to the European Union (EU 27) accounted for 70.5% in the total export of the Republic of Macedonia, while import of goods participated with 58.2%.

In the period January – May 2013, 73.4% of the trade deficit of the country was realized in the trade with Great Britain, Greece, China, Russia and Turkey, followed by: Serbia, Italy, Switzerland, Slovenia, the USA, Austria and others. Surplus was realized in the trade with Germany, Kosovo and Bosnia and Herzegovina.

Currency Structure

Observed by currency structure, 72.5% of the trade in the period January - May 2013 was realized in euros and, compared to the period January - May 2012, it surged by 3.8 p.p.. On export and import side, euro accounted for 82.2% and 66.5% respectively, whereby share of the euro at export was higher by 3.8 p.p., while increase of the

share of the euro at import accounted for 3.6 p.p. compared to the period January – May 2012.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I-V 2012					I-V 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	1,189.9	1,303,675,066	61.6301	80,345,624,715	63.0	1,239.0	1,348,673,124	61.6522	83,148,665,177	66.5	44,998,058	3.5
USD	1,572.9	749,442,938	47.9980	35,971,762,161	28.2	1,188.7	578,375,238	47.4611	27,450,325,017	22.0	-171,067,700	-22.8
GBP	1.2	145,585,279	76.5755	11,148,265,504	8.7	1.2	188,554,422	72.6641	13,701,137,350	11.0	42,969,143	29.5
EUR+USD+GBP	2,764.1			127,465,652,380	91.2	2,428.9			124,300,127,544	99.5		
tot. import	2,767.9			127,586,031,167	100.0	2,433.1			124,957,239,493	100.0		-2.1

Source: SSO and NBRM

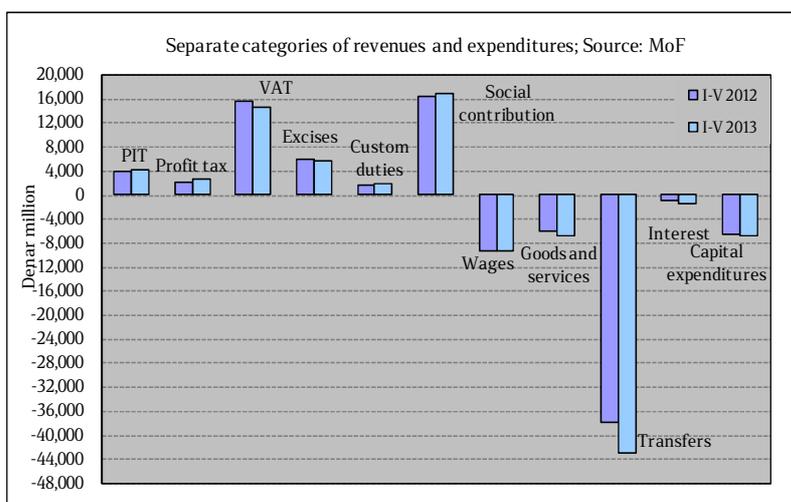
3. Fiscal Sector

Budget Revenues

In the period January - May 2013, total budget revenues reached the amount of Denar 55,113 million, i.e. 11.3% of GDP, which was by 1.3% lower in relation to the same period in 2012.

Tax revenues in the first five months were realized in the amount of Denar 30,008 million, i.e. 6.2% of GDP, being lower by 1.5% in relation to the same period in 2012.

Value added tax was realized in the amount of Denar 14,486 million, whereby share of VAT in total tax revenues in May was dominant, amounting to 48.3%. Excises were realized in the amount of Denar 5,585 million (participating with 18.6% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 20,071 million, i.e. 66.9% of total tax revenues (4.1% of GDP). Thereby, VAT collection amounted



to Denar 24,052 million on gross basis, Denar 9,566 million out of which was refunded to taxpayers (gross collection was lower by 0.5%, while VAT refund was higher by 11.7% compared to the same period in 2012). It is worth mentioning that, compared to data on the same period, gross collection was lower than the one in 2011 as well, and the VAT refund was much higher too.

As for VAT structure, VAT share was the biggest when importing, decreasing by 7.8%, while VAT on the basis of sales in the country surged by 15.0%, share of VAT grants was insignificant (0.7%), observing higher performance by 71.2%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 4,158 million, increasing by 6.9% on annual basis,

whereby revenues on the basis of salaries and other personal earnings account for around $\frac{3}{4}$, i.e. 69.8% of the personal income tax. Compared to the same months in 2012, profit tax revenues in the amount of Denar 2,612 million surged by 29.6%, being mainly a result of the tax collected on the basis of paid dividend and other profit distribution. At the same time, revenues on the basis of advance payments and retained tax paid to foreign legal entities experienced a decline. VAT revenues dropped by 7.3% (being less by 9.6 p.p. compared to the decline in the previous period), while excises revenues declined, i.e. experienced lower performance by 6.2%. Revenues on the basis of customs duties were realized in the amount of Denar 1,781 million, increasing by 10.0%. Revenues on the basis of other taxes, amounting to Denar 1,386 million, grew by 1.9%.

Non-tax revenues amounted to Denar 4,051 million and, in relation to the same period in 2012, they were lower by 13.7% (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 2,679 million, showing a decline compared to the same period in the previous year.

Collection of social contributions amounted to Denar 16,838 million (accounting for 3.5% of GDP), being higher by 3.0% compared to the same period in 2012, whereby collection of pension insurance contributions increased by 2.5%, collection of employment insurance contribution surged by 2.6%, while health insurance contributions rose by 4.0%.

Budget Expenditures

In the period January - May 2013, total budget expenditures amounted to Denar 67,550 million, i.e. 13.8% of GDP, showing an increase by 10.3% compared to 2012.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 60,787 million accounted for 90.0% (12.4% of GDP) and they increased by 11.3% in relation to the same period in 2012.

Transfers amounting to Denar 43,037 million (8.8% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 9,392 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 0.6%.

Expenditures related to goods and services amounted to Denar 6,743 million, increasing by 8.7% compared to the same period in 2012.

Transfers increased by 13.1% compared to the same period in 2012, participating with $\frac{2}{3}$ (63.7%) in the total expenditures. Social transfers amounted to Denar 30,272 million, increasing by 5.2% and participating with 44.8% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 18,517 million, increasing by 9.3% 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 18.4% in the total expenditures, i.e. they surged by 38.4% compared to the same period in 2012. Block grants to local government units, amounting to Denar 5,978 million, were higher by 4.2% compared to the first five months in the previous year. Subsidies and transfers were higher by 2.2 times.

Interest was collected in the amount of Denar 1,615 million, being by 78.3% 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 55.6%, while the ones on the basis of foreign borrowing surged by 95.7%.

In the analyzed period, capital expenditures were realized in the amount of Denar 6,763 million, participating with 10.0% in the total expenditures (1.4% of GDP), i.e. they increased by 1.8% compared to the same period last year.

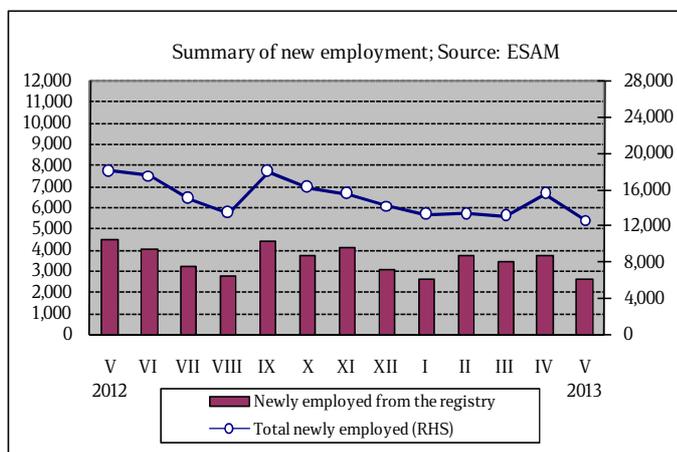
Budget Balance

In the first five months in 2013, budget deficit reached the amount of Denar 12,437 million, accounting for 2.5% of GDP, while central budget deficit amounted to Denar 11,560 million or 2.4% of GDP.

4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM¹

In the period January - May 2013, Employment Agency of the Republic of Macedonia registered total of 67,408 new employments. 47.2% 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 21.2%.



During May, 12,587 new employments were registered, 20.7% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 13,794 persons in May, 18.5% out of which were new employments. In May, 3,751 persons were registered as

¹ Modifications and amendments to the Law on Employment and Unemployment Insurance (“Official Gazette of the Republic of Macedonia”, no. 114/2012) referred to changes as regards records on unemployed persons. This Law sets the basis for establishing and keeping two records: records on unemployed persons and records on other persons applying to the Employment Agency.

inflow to the Agency, 51% out of which were persons whose employment was terminated. Thus, in May 2013, 98,762 persons were registered as unemployed, while number of other unemployed persons accounted for 125,431.

Major percentage of the unemployed, i.e. 73.3%, came from urban areas (cities), whereby 56.5% were men. Analyzed by education structure, major part, i.e. 45.8% of unemployed persons were without education, primary education or incomplete secondary education, 34.3% was with complete secondary education, while only 19.8% completed community college or higher education level. Observed by age, majority of the unemployed persons or 52.1% fall in the category of 25-49 years of age. According to the time they waited for a job, 50.1% of the unemployed persons seek job from 1 to 7 years, while 20.3% seek job for 8 years and more.

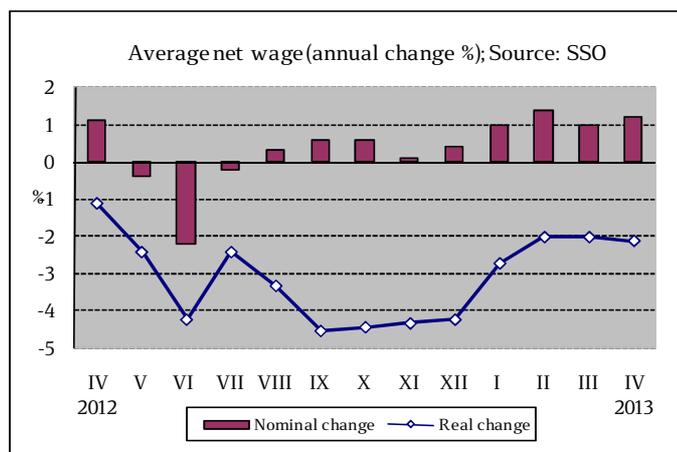
Salaries

According to the data announced by the State Statistical Office, average monthly paid gross salary per employee in April 2013 amounted to Denar 30,799, while average monthly paid net salary amounted to Denar 20,983.

On monthly basis, in April 2013, average gross salary decreased by 1.2% in nominal terms, being lower by 2.5% in real terms. Average net salary dropped by 1.5% in nominal terms, decreasing by 2.7% in real terms.

In April 2013, compared to April 2012, average gross salary and net salary grew by 1.2% in nominal terms, while they were lower by 2.1% in real terms.

On cumulative basis, in the period January - April 2013, compared to the same period in 2012, average gross salary and net salary grew by 1.1% in nominal terms, while they were lower by 2.2% in real terms.



Highest increase of average monthly gross and net salary per employee in April 2013, compared to April 2012, was registered in the following activities: mining and quarrying (6.4% gross salary and 5.4% net salary) and civil engineering (5.2% gross salary and 5.4% net salary).

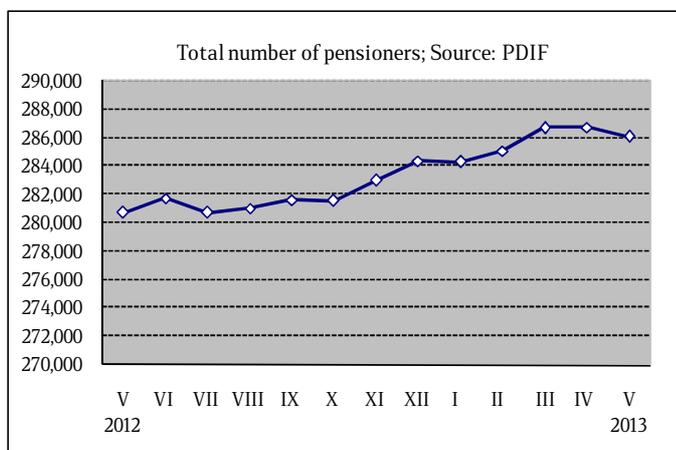
Highest increase of average monthly gross and net salary per employee in April 2013, compared to March 2012, was registered in the following activities: mining and quarrying (4.5% gross salary and 4.3% net salary), public administration and defense mandatory social insurance (2.6% gross salary and 2.6% net salary) and retail and wholesale, repair of motor vehicles and motorcycles (2.4% gross salary and 2.6% net salary).

Percentage of employees who did not receive salary in April 2013 accounted for 1.7%, being lower by 0.3 p.p. compared to the same month in the previous year,

while compared to March 2013, percentage of employees who did not receive salary was lower by 0.9 p.p..

Pensions

In May 2013, Pension and Disability Insurance Fund registered 286,083 pensioners, increasing by 1.9% compared to the same month in 2012. Number of pension beneficiaries dropped by 688 persons in relation to April 2013. 57.4% out of the total number of pensioners are beneficiaries of old-age pension, 26.8% of survival pension and 15.8% of disability pension.



In May 2013, Denar 3,272.65 million was spent for payment of pensions, accounting for 54.2% of the total social transfers².

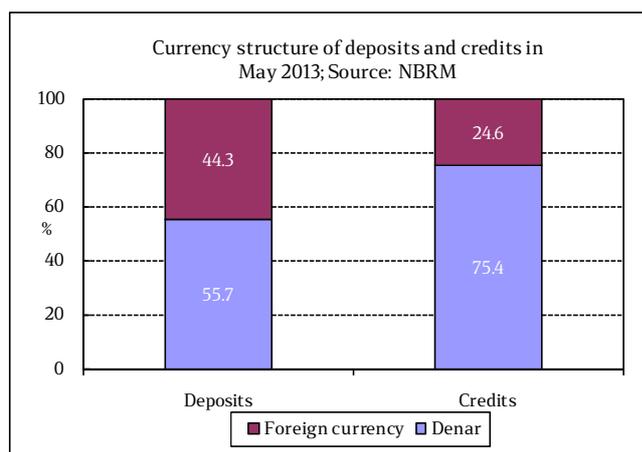
Average pension in May 2013 amounted to Denar 11,586, increasing by 8.7% on annual basis. Ratio between the average pension and the average paid salary in April 2013 (the most recent available data) was 55.1%.

5. Monetary Sector

Primary Money

In May 2013, primary money³ showed annual growth of 3.5% on annual basis (2.5% in the past month), in conditions of increase of ready money in circulation by 8.2%, while total liquid assets of banks remained unchanged at annual level.

On monthly basis, primary money dropped by 1.8%, as a result of drop of ready money in circulation by 5.2%. Total liquidity of banks surged by 1%.



In May 2012, the National Bank decided to retain the maximum interest rate on central bank bills at the same level of 3.5%, taking into account the most recent macroeconomic, market and financial indicators.

² Category social transfers include pensions, unemployment benefit, social assistance and expenditures for health protection.

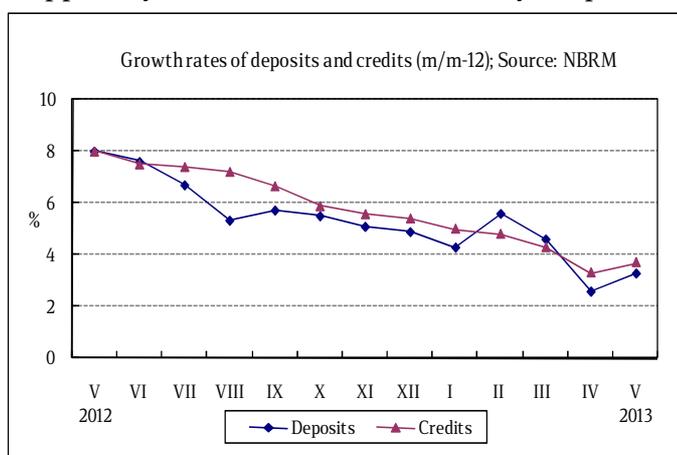
³ Primary money is calculated as a sum of ready money in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).

Deposit Potential

Total deposit potential of banks⁴ increased by 0.8% in May 2013 on monthly basis, as a result of the increase of deposits of private companies by 4%. On the other hand, deposits of households dropped by 0.1%. As for the currency, deposits in domestic currency, as well as foreign currency deposits, increased by 1.3% and 0.3% respectively.

On annual basis, total deposits experienced intensified growth by 3.3% in May 2013, compared to the growth of 2.6% in April 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 mitigated annual drop of 6.3%.

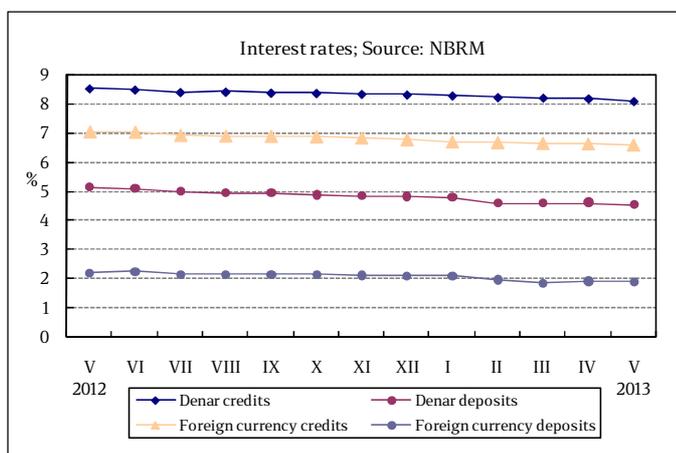
From currency point of view, Denar deposits surged by 9.3% in May 2013, while foreign currency deposits declined by 3.4%. According to maturity, long-term deposits increased by 26.9%, while short-term deposits reduced by 6.5%.



Bank Credits

In May 2013, total credits of banks to the private sector increased by 1.1% on monthly basis, as a result of the growth of credits to households by 1.5% and 0.8% increase of credits to private companies. According to currency structure, Denar credits increased by 1.4%, while foreign currency credits grew by 0.4%.

On annual basis, slowdown of growth of total credits stopped and it accounted for 3.7% in May (compared to 3.3% in April). According to



currency, new crediting was fully in domestic currency. In fact, Denar credits surged by 6.7%, while foreign currency credits dropped by 4.4%. Analyzed by sectors, credits to enterprises registered growth of 1.2%, while credits to households surged by 7.3%. As regards maturity, long-term credits increased by 1% on annual basis, while short-term credits were higher by 3.1%.

⁴ Starting January 2009, deposits include calculated interest.

Interest Rates of Deposit Banks

Total interest rate on credits was 7.7% in May 2013, remaining unchanged compared to the previous month. In relation to the same month in 2012, it is lower by 0.4 p.p.. Interest rate on Denar credits dropped by 0.1 p.p., accounting for 8.1%, while interest rate on foreign currency credits remained at the level of 6.6%.

Total interest rate on deposits remained the same on monthly basis, amounting to 3.1%, with interest rates on Denar and foreign currency deposits amounted to 4.6% and 1.9% respectively.

Foreign Currency Reserves

Gross foreign currency reserves at the end of May 2013 amounted to EUR 2,117.9 million and, compared to the previous month, they were lower by EUR 27.7 million, while compared to May 2012, foreign currency reserves were higher by EUR 60.3 million.

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