



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

November 2013



Skopje January 2013

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

November 2013

- Industrial production surged by 3.1% in November 2013 compared to November 2012, while compared to October 2013, it increased by 6.7%;
- Inflation rate amounted to 1.1% on annual basis, dropping by 0.1% on monthly basis; Average inflation rate in the first eleven months of 2013 increased to 2.9%.
- Annual drop of 14.3% of physical output of export in the period January-November 2013 and drop in value of 2.3%, decline of imported quantities of goods of 10.6% and drop in value of 2.1%, resulting in reduction of trade deficit by 9.2% compared to the same period in 2012;
- Higher performance of total budget revenues by 1.6% and increase of total budget expenditures by 3.8% in the period January - November 2013, compared to the same period last year; state budget deficit in the amount of Denar 17,904 million (3.6% of GDP) and central budget deficit in the amount of Denar 16,078 million (3.3% of GDP);
- Increase of both total credits to private sector by 4.9% and total deposit potential of banks by 6.2% on annual basis.

1. Real Sector

Industrial Production

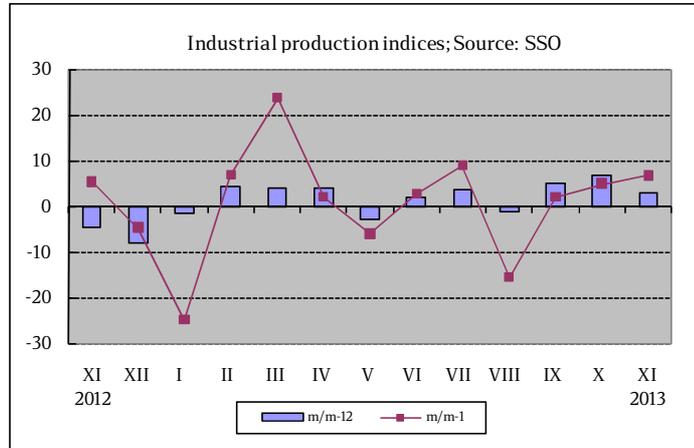
Industrial production grew by 3.1% in November 2013 compared to November 2012. Analyzed by sectors, processing industry increased by 1.7%. Mining and quarrying sector experienced a drop of 15.8% as a result of the drop in the branches mining of metal ore by 28.6% and mining of coal and lignite by 13.0%, while other mining and quarrying surged by 31.5%. Electricity, gas, steam and air-conditioning supply sector experienced 2.6% decline.

As for processing industry, annual positive growth was registered at 14 out of 23 branches, comprising 58.5% of the industrial production. As regards the branches with

two-digit share in the structure of industrial production, high growth was registered at production of clothing of 19.8%, while production of food products grew by 11.3%. Significant growth was seen at the following branches: Printing and production of recorded media - 84.7%, production of textile - 82.2%, production of rubber and plastic mass products - 50.3%, production of furniture - 49.3%, production of leather and articles of leather - 42.6%, production of metals - 34.8%, production of other non-metal mineral products - 23.8%, production of fabricated metal products except machines and equipment - 16.6%, production of tobacco products - 14.1%, manufacture of electrical equipment 9.6%, production of other transportation equipment - 6.3% and production of paper and paper products - 5.9%.

	m/m-12	m/m-1	I-XI 2013
			I-XI 2012
Total	3,1	6,7	2,6
Ore and stone extraction	-15,8	-9,8	4,1
Processing industry	7,1	7,8	1,9
Electricity, gas and water supply	-2,6	20,1	5,7

Source: SSO



Industrial production surged by 6.7% in November 2013 compared to October 2013. Sector analysis shows that growth was seen in supply of electricity, gas, steam and air conditioning sector by 20.1% and processing industry sector by 7.8%, while mining and quarrying sector dropped by 9.8%, as a result of the drop in the branches mining of metal ore by 8.7% and other mining and quarrying by 25.2%, while mining of coal and lignite branch grew by 2.2%.

On cumulative basis, in the period January–November 2013, industrial production surged by 2.6%, compared to the same period in 2012. Electricity, gas, steam and air-conditioning supply sector experienced 5.7% growth, mining and quarrying sector grew by 4.1% and 1.9% growth was registered in the processing industry sector.

Data on industrial production by target groups in November 2013, compared to November 2012, show that there was increase in the production at the following groups: Consumer durables – 11.9 %, intermediary goods, except energy – 10.6% consumer durables – 2.4% and capital goods - 0.1%. Drop was seen only in the energy group –9.1%.

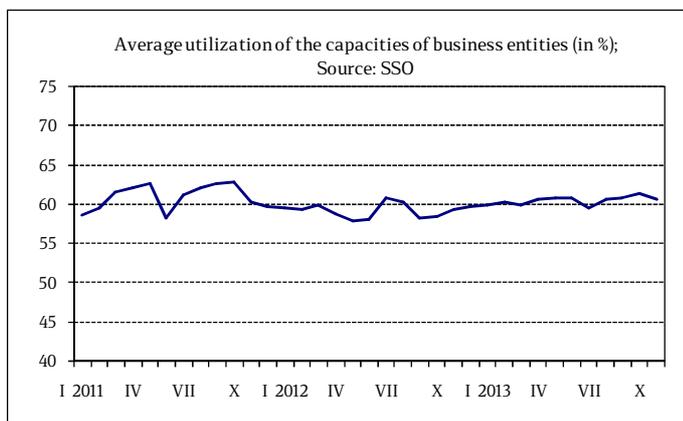
On monthly basis, data on industrial production by target groups in November 2013 show increase of production at the groups consumer non-durables – 18.4% and energy – 15.1%, while drop was seen at the following groups: Consumer durables – 15.1%, capital goods by 14.6% and intermediary goods, except energy – 3.2%.

On cumulative basis, in the period January-November 2013, compared to the same period last year, growth was registered at the following groups: Consumer durables – 6.3%, capital goods – 5.8%, consumer non-durables –5.5% and energy - 1.2%. Drop was registered at intermediary goods, except energy – 1.2%.

Business Tendencies in the Processing Industry

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

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



to November 2012, it was more favourable. In November 2013, the expectations for the production volume in the next three months are less favourable compared to the previous month and November 2012.

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

Average utilization of the capacities in November 2013 accounted for 60.7%, being a drop compared to the previous month, when it accounted for 61.4%. Compared to November 2012, the utilization of the capacities was higher by 1.3 p.p..

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

According to the assessment, following factors limited the most the production volume in November 2013: insufficient foreign demand – 26.2%, insufficient domestic demand – 19.0%, shortage of skilled labour – 12.0%, financial problems – 8.8%, competitive import – 8.6%, uncertainty of economic environment – 10.1%, shortage of raw materials – 2.4%, lack of equipment – 2.4% and unclear economic laws – 2.0%.

In November 2013 compared to October 2013, less business entities indicated as limiting factors, the following: competitive import, financial problems, unclear economic laws, shortage of raw materials and lack of equipment, while bigger number of business entities indicated: insufficient foreign demand, insufficient domestic demand, uncertainty of economic environment and lack of qualified labour force. As regards other factors, there are no significant changes.

Number of Workers in the Industry

Number of workers in the industry in November 2013 compared to November 2012 increased by 1.2%.

Sector analysis points out to the increase of the number of workers in the processing industry sector by 1.6%, while reduction of the number of employees was recorded in the sectors: Mining and quarrying by 0.6% and electricity, gas, steam and air-conditioning supply by 1.4%. Number of workers in mining and quarrying sector registered drop of 0.6% as a result of the drop of the number of workers in the following branches: mining of coal and lignite (2.2%) and other mining and quarrying (1.7%), while mining of metal ore experienced increase in the number of workers by 1.5%.

Data on the number of workers in the industry by target groups in November 2013 compared to November 2012 showed increase in the number of workers at the following groups: Consumer durables by 6.8%, intermediary goods, except energy by 1.5%, consumer non-durables by 1.5% and capital goods by 0.4%, while reduction of the number of workers was seen at the energy group by 1.8%.

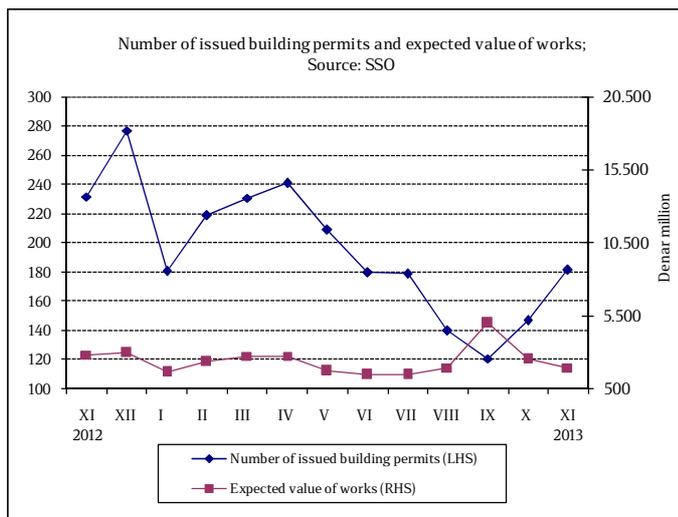
Number of Issued Building Permits and Envisaged Value of Facilities

In November 2013, 182 building permits were issued, dropping by 21.6% compared to November 2012. Total number of issued building permits compared to October 2013, when 147 permits were issued, increased by 23.8%.

Envisaged value of the facilities, according to the issued building permits in November, amounted to Denar 1,958 million, being by 31.2% less compared to November 2012. In relation to the previous month in 2013, value of the facilities declined by 23.3%.

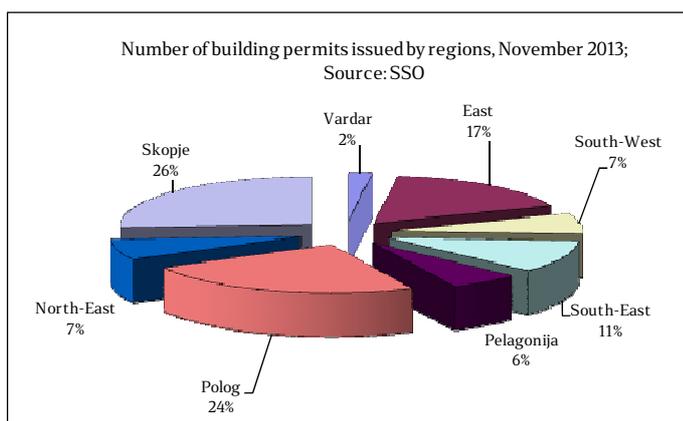
Analyzed by types of facilities, 160 (or 87.9%) building permits out of the total number of issued building permits were intended for buildings, 6 (or 3.3%) for civil engineering structures and 16 (or 8.8%) for reconstruction.

Analyzed by types of investors, out of the total 182 facilities for which building permits were issued, natural persons were investors in 154 facilities (or 84.6%), while business entities were investors in 28 facilities (or 15.4%).



In November 2013, construction of 414 flats was envisaged, with total usable area of 37,878 m². Number of flats envisaged for construction declined by 36.0% compared to the same month in 2012, while it increased by 19.3% compared to October 2013.

Analyzed by regions, in November 2013, most building permits were issued in the Skopje region, 48 in total, 41 permits out of which were issued to natural persons as investors, while 7 permits were issued to business entities as investors. Vardar region had least issued permits, 4 permits in total, 2 permits out of which were issued to natural persons as investors, while 2 permits were issued to business entities as investors.

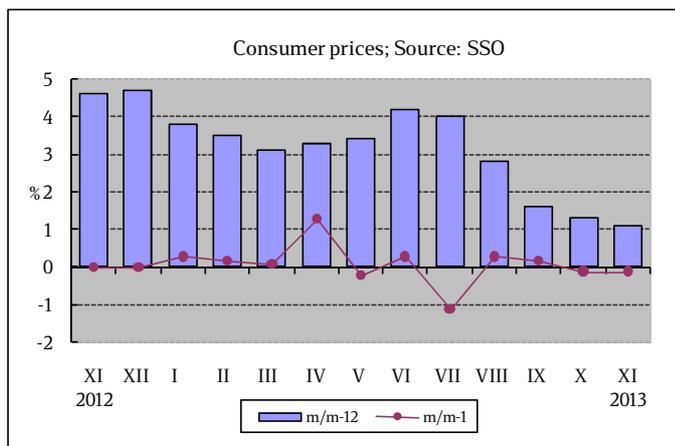


Analyzed on cumulative basis, in the period January-November 2013, most building permits were issued in the Skopje region, 564 in total, 401 permits out of which were issued to natural persons as investors, while 163 permits were issued to business entities as investors. Northwestern and Vardar regions had least issued permits, 125 permits in total, 104 permits out of which were issued to natural persons as investors, while 21 permits were issued to business entities as investors in the northwestern region, while as for Vardar region, 77 permits were issued to natural persons as investors, and 48 permits were issued to business entities as investors.

Inflation

Annual inflation rate in November 2013, measured according to the CPI index, amounted to 1.1%. Average inflation rate in the period January-November 2013 increased to 2.9%.

On annual basis, prices in food category surged by 1.0%. Prices in housing category reduced by 1.9%, whereby prices in sub-category heating and lighting decreased by 3.3%, while prices at the sub-categories rent, water and services and household furnishings increased by 0.1% and 2.1% respectively. Slowed down increase of prices was seen in the clothing and footwear category by 3.5%, while price increase in the following categories is as follows: Hygiene and health – 5.3%, tobacco and beverages – 4.1%, restaurants and hotels – 3.4%, administrative and financial services - 0.7% and culture and entertainment – 0.1%. Decrease of prices was recorded in the categories means of transport and services – 0.8%.



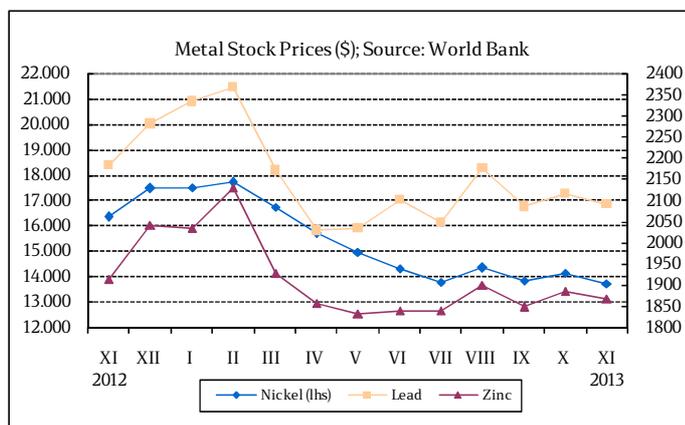
In November, compared to the previous month, inflation rate declined by 0.1%. Highest monthly growth was recorded at the hygiene and health category by 0.4%, followed by the 0.2% growth at the clothing and footwear category, while categories housing and tobacco and beverages recorded monthly growth of 0.1%. Highest monthly drop was seen at the category means of transport and services – 0.8%, while categories food and restaurants and hotels registered drop of 0.3%, while categories culture and entertainment and administrative and financial services recorded 0.1% drop.

Retail prices in November 2013 were higher by 0.4% compared to November 2012. Compared to the previous month, retail prices were lower by 0.2%. Average increase of retail prices in the first eleven months of 2013 accounted for 1.3%.

Stock Market Prices

In November 2013, crude oil price (Brent) on the global stock markets declined by 1.3%, compared to the previous month, reaching the price of US\$ 108.1 per barrel. Compared to November 2012, oil price was lower by 1.5%. Price of natural gas in November increased by 0.3% compared to the previous month.

As regards metal products, nickel, as a product with high share in Macedonian export, was traded at an average price of US\$ 13,684 for a metric ton (\$/mt) on the global stock markets in November, being a monthly drop of the price by 3.1%. Compared to November 2012, nickel price was lower by 16.2%. In November, there was



monthly decrease of prices of basic metals, whereby price of aluminum recorded highest drop of 3.7%, followed by 1.8% drop of the price of copper, while prices of lead and tin decreased by 1.2%. Price of zinc experienced monthly drop of 1.0%. As for prices of precious metals, the price of silver recorded 5.3% monthly drop, while price of gold decreased by 3.1% on monthly basis. Price of platinum increased by 0.5%. Price of iron ore in November experienced monthly increase by 2.3%.

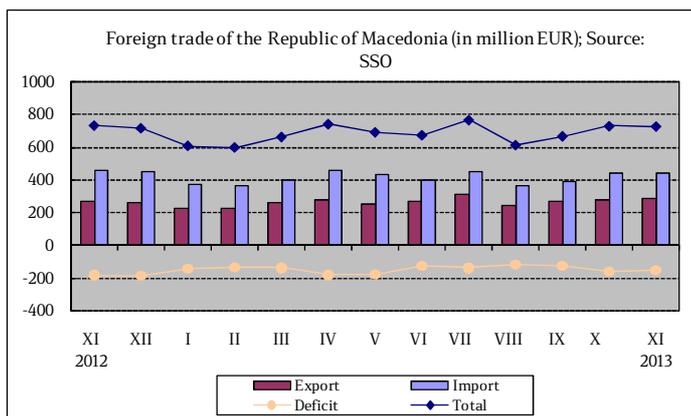
In November, price of wheat on global stock markets dropped by 5.8% (compared to the growth of 5.9% in October). Price of maize in November slowed down the monthly drop to 1.3%. Price of lamb meat experienced monthly increase by 0.8%.

2. Foreign Trade

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

Export

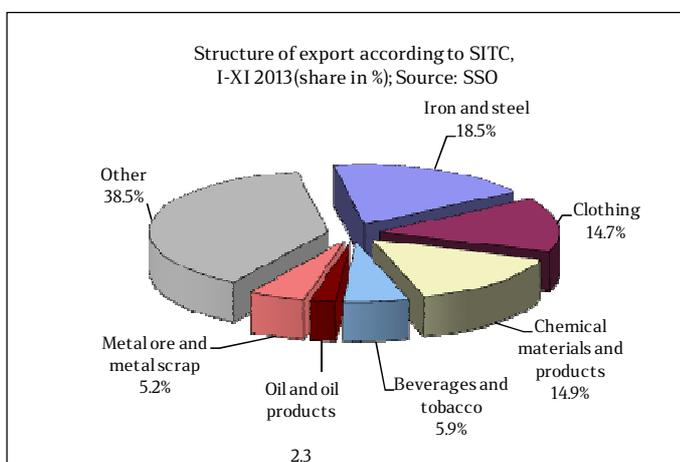
In the period January-November 2013, physical output of export dropped by 14.3% compared to the same period in 2012, while the value of exported goods amounted to EUR 2,917.1 million, surging by 2.3% (EUR 66.6 million) in relation to the period January-November 2012.



Analyzed on monthly basis, in November 2013, export surged by 1.2%, compared to the previous month.

Seasonally adjusted trend of export in November 2013 increased by 2.7% on monthly basis, pointing out to negative effects of the seasonal factor (1.4 p.p.) on export this month.

Main groups of goods (according to SITC) being most exported in the period January-November 2013 were the following: iron and steel – 18.5%, chemical materials and products – 14.9%, clothing – 14.7%, beverages and tobacco – 5.9%, metal ore and metal scrap – 5.2% and oil and oil products – 2.3%. These six groups of products comprised 61.5% of the total export of the country.



Export of iron and steel*)				
	I-XI 2012	I-XI 2013	Balance 2013-2012	% rate
000 T	598,4	545,3	-53,2	-8,9
EUR mil.	604,2	541,0	-63,1	-10,4
\$ mil.	775,2	716,2	-59,0	-7,6

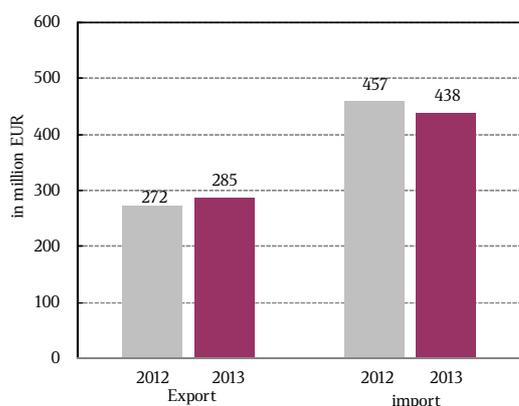
*)Previous data

Import of iron and steel*)				
	I-XI 2012	I-XI 2013	Balance 2013-2012	% rate
.000 T	505,2	518,5	13,3	2,6
EUR mil.	264,8	255,9	-8,9	-3,4
\$ mil.	339,4	339,0	-0,4	-0,1

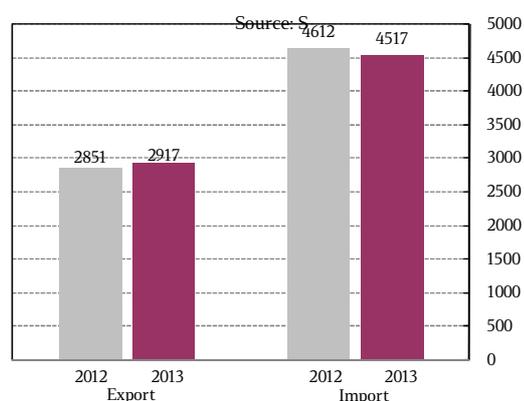
*)Previous data

In January–November 2013, observed by economic purpose, the following products were the most exported: goods for industrial procurement (52.1%), followed by consumer goods (22.2%), food and beverages (10.9%), products for investments without transport equipment (10.4%), fuels and lubricants (2.3%) and transport equipment (2.1%).

Foreign trade, November 2012 and 2013; Source: SSO



Foreign trade, January - November 2012 and 2013; Source: SSO



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

Import

Imported quantities of goods in the period January-November 2013 reduced by 10.6%, compared to the period January-November in the previous year, while their value amounted to EUR 4,517.2 million, dropping by 2.1% (EUR 95.1 million) compared to the same period in 2012.

Export of oil and oil products*)				
	I-XI 2012	I-XI 2013	Balance 2013-2012	% rate
000 T	209,5	132,0	-77,5	-37,0
EUR mil.	146,3	66,4	-79,9	-54,6
\$ mil.	188,2	87,7	-100,5	-53,4

*)Previous data

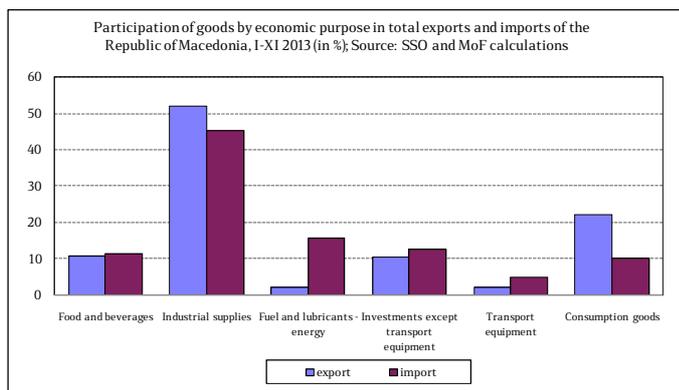
Import of oil and oil products*)				
	I-XI 2012	I-XI 2013	Balance 2013-2012	% rate
.000 T	1.014,2	836,7	-177,5	-17,5
EUR mil.	683,4	512,4	-171,0	-25,0
\$ mil.	877,4	678,1	-199,4	-22,7

*)Previous data

Analyzed on monthly basis, in November 2013, import dropped by 1.2%, compared to the previous month.

Seasonally adjusted trend of import in November 2013 decreased by 1.6% on monthly basis, pointing out to positive effects of the seasonal factor (0.4 p.p.) on import this month.

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



In the period January - November 2013, observed by economic purpose, following products were most imported: goods for industrial procurement (45.2%), followed by fuels and lubricants (15.7%) investment goods without transport equipment (12.8%), food and beverages (11.3%), consumer goods (10.1%) and transport equipment (4.8%).

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

Export of chemical products*)				
	I-XI 2012	I-XI 2013	Balance 2013-2012	% rate
000 T	20,5	6,8	-13,6	-66,6
EUR mil.	355,3	434,1	78,8	22,2
\$ mil.	457,0	575,2	118,1	25,8

*)Previous data

Import of chemical products*)				
	I-XI 2012	I-XI 2013	Balance 2013-2012	% rate
.000 T	30,6	28,8	-1,8	-6,0
EUR mil.	63,0	66,7	3,6	5,8
\$ mil.	81,1	88,1	7,0	8,6

*)Previous data

Trade Balance

In the period January–November 2013, trade deficit narrowed by EUR 161.7 million or 9.2% compared to the same period last year.

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

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

Analyzed according to economic groups of countries, in the period January–November 2013, compared to the same period in 2012, export increased at the following groups: EU 28, EFTA and Commonwealth of Independent States, while drop was recorded at the following groups: Organization of Petroleum Exporting Countries, Western Balkan Countries, North American Free Trade Agreement and Asia-Pacific Economic Cooperation. Export to the EU surged by 17.8% on annual basis, while as for Western Balkan countries, it declined by 14.5%.

In the period January–November 2013, foreign trade of the Republic of Macedonia with the European Union (EU 28), in relation to the same period last year, increased by 9.4%, whereby share of trade with the EU in the total foreign trade increased by 4.0 p.p., accounting for 66.4%. Export of goods to the European Union (EU 28) accounted for 72.6% in the total export of the Republic of Macedonia, while import of goods participated with 62.4%.

In the period January–November 2013, 80.3% of the trade deficit of the country was realized in the trade with Great Britain, Greece, China, Serbia and Turkey followed by: Italy, Russia, Slovenia, Austria, the USA, Switzerland, and others. Surplus was realized in the trade with Germany, Kosovo and Bosnia and Herzegovina.

Currency Structure

Observed by currency structure, 73.8% of the trade in the period January–November 2013 was realized in euros, and compared to the period January–November 2012, it surged by 3.4 percentage points. On export and import side, euro accounted for 83.8% and 67.4%, respectively, whereby share of the euro in export was higher by 4.5 p.p., while increase of the share of the euro in import accounted for 2.4 p.p. compared to the period January–November 2012.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I-XI 2012					I-XI 2013						
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 %	absolute change in currency value	relative change in currency value (in %)
EUR	2.702,4	2.994.077.803	61,5015	184.140.275.987	65,0	2.774,2	3.048.755.506	61,5075	187.521.329.309	67,4	54.677.704	1,8
USD	2.955,9	1.552.052.913	47,9742	74.458.496.837	26,3	2.281,6	1.268.022.169	45,5824	57.799.493.735	20,8	-284.030.743	-18,3
GBP	2,6	299.274.785	76,5473	22.908.676.780	8,1	3,5	397.194.855	73,3669	29.140.955.197	10,5	97.920.069	32,7
EUR+USD+GBP	5.661,0			281.507.449.604	91,2	5.059,4			274.461.778.241	98,6		
tot. import	5.669,7			283.483.259.500	100,0	5.069,0			278.224.712.007	100,0		-1,9

Source: SSO and NBRM

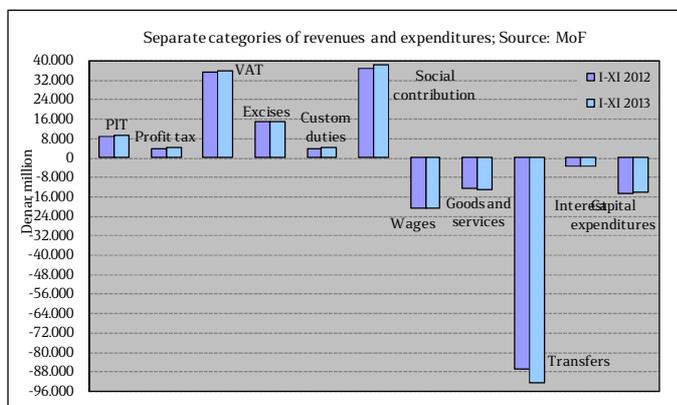
3. Fiscal Sector

Budget Revenues

In the period January–November 2013, total budget revenues reached an amount of Denar 126,330 million, i.e. 25.6% of GDP, which was by 1.6% higher in relation to the same period in 2012.

Tax revenues in the past eleven months were realized in the amount of Denar 69,623 million, i.e. 14.1% of GDP, being higher by 1.3% in relation to the same period in 2012.

Value added tax was realized in the amount of Denar 35,519 million, whereby share of VAT in total tax revenues in this period was dominant, amounting to 51.0%. Excises were realized in the amount of Denar 14,653 million (participating with 21.1% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 50,172 million or 72.1% of total tax revenues (10.2% of GDP). Thereby, VAT collection amounted to Denar 53,097 million on gross basis, Denar 17,578 million out of which was refunded to taxpayers (gross collection was lower by 2.8%, while VAT refund was lower by 9.7% 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 8.8%, while VAT on the basis of sales in the country increased by 9.8%. As for VAT grants, there was performance higher by 68.8%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 9,030 million, increasing by 6.9% on annual basis, whereby revenues on the basis of salaries and other personal earnings accounted for 71.9% of the personal income tax, revenues on the basis of contractual agreement accounted for 8.0%, revenues on the basis of capital amounted to 6.6%, and revenues on the basis of property and property rights accounted for 3.8%. Compared to the same period in 2012, profit tax revenues in the amount of Denar 3,941 million surged by 14.9%, 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 as well as the revenues on the basis of additional payments for tax balance, at the same time revenues on the basis of advance payments, annual tax on turnover and retained tax paid to foreign legal entities experienced a decline. VAT revenues increased by 1.0% (being more by 1.5 p.p. compared to the decline in the previous ten-month period), while excises declined, i.e. experienced lower performance by 1.9% (being at almost the same level compared to the previous cumulative amount). Revenues on the basis of customs duties were realized in the amount of Denar 3,868 million, increasing by 3.4%. Revenues on the basis of other taxes, amounting to Denar 2,612 million, decreased by 13.8%.

Non-tax revenues amounted to Denar 10,987 million and, in relation to the same period in 2012, they were lower by 5.8% (these revenues are revenues on the basis of profit realized by the public institutions, revenues collected on the basis of administrative fees, fines, etc.).

Capital revenues realized on the basis of sale of construction land, flats and dividends reached Denar 3,250 million, decreasing by 23.9% compared to the same period in the previous year.

Revenues on the basis of foreign donations from international multilateral and bilateral cooperation were realized in the amount of Denar 3,034 million, being higher by twice compared to the same period last year.

Collection of social contributions amounted to Denar 38,205 million (accounting for 7.7% of GDP), being higher by 4.0% compared to the same period in 2012, whereby collection of health insurance contributions increased by 4.2%, pension and disability insurance contributions grew by 3.9%, while collection of employment insurance contributions surged by 3.0%.

Budget Expenditures

In the period January-November 2013, total budget expenditures amounted to Denar 144,234 million, i.e. 29.2% of GDP, which was higher by 3.8% compared to 2012.

As for total realized expenditures, current expenditures accounted for 26.3% in GDP, increasing by 4.8% compared to the same period in 2012. Transfers (18.7% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 20,679 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 14.3% and, compared to 2012, they decreased by 0.7%. Expenditures related to goods and services amounted to Denar 13,019 million, increasing by 2.2% compared to the same period in 2012.

Transfers increased by 6.2% compared to the same period in 2012. Social transfers grew by 6.5%. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, increasing by 9.3%, compared to the same period in 2012. Category other transfers, which includes transfers to local government units, accounted for 16.5% in the total expenditures, i.e. they surged by 5.9% compared to the same period in 2012. Block grants to local government units, amounting to Denar 12,896 million, were higher by 2.6% compared to the eleven months in the previous year. Subsidies and transfers were higher by 8.2%.

Interest was collected in the amount of Denar 3,800 million, being by 10.9% more compared to the same period in 2012. Such increase was mainly due to the payment of due interest on the basis of domestic borrowing. Costs related to interest on the basis of domestic borrowing increased by 40.3%, while the ones on the basis of foreign borrowing dropped by 4.2%.

In the analyzed period, the funds for capital expenditures were realized in the amount of Denar 14,194 million, retaining the two-digit share in the total expenditures, accounting for 2.9% of GDP.

Budget Balance

In these eleven months in 2013, budget deficit reached the amount of Denar 17,904 million, accounting for 3.6% of GDP, while central budget deficit amounted to Denar 16,078 million or 3.3% of GDP.

4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM¹

In the period January-November 2013, Employment Agency of the Republic of Macedonia registered total of 151,849 new employments. 45.7% 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 2012, number of newly employed persons dropped by 16.0%.

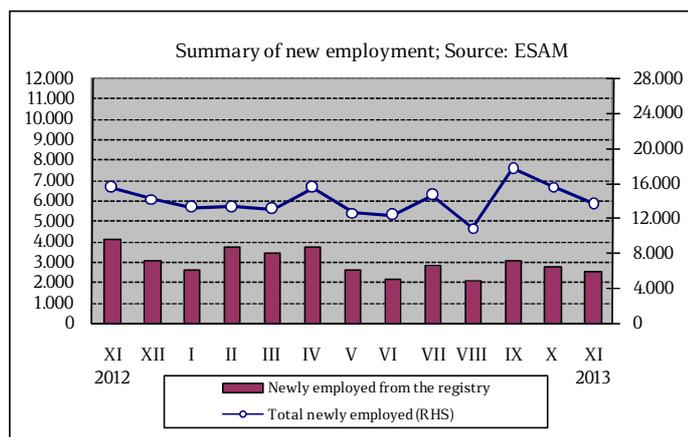
During November, 13,571 new employments were registered, 18.8% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 5,391 persons in November, 45.2% out of which were new employments. In

November, 7,871 persons were registered as inflow to the Agency, 41.7% out of which were persons whose employment was terminated. Thus, in November 2013, 95,279 persons were registered as unemployed, while number of other unemployed persons accounted for 120,626.

Major percentage of the unemployed, i.e. 73.1%, came from urban areas (cities), whereby 56.5% were men. Analyzed by education structure, major part, i.e. 43.8% of unemployed persons were without education, primary education or incomplete secondary education, 35.3% was with complete secondary education, while 20.8% completed community college or higher education level. Observed by age, majority of the unemployed persons or 52.0% fall in the category of 25-49 years of age. According to the time they waited for a job, 44.5% of the unemployed persons wait for employment from 1 to 7 years, while 17.3% 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 October 2013 amounted to Denar 31,228, while average monthly paid net salary amounted to Denar 21,247.



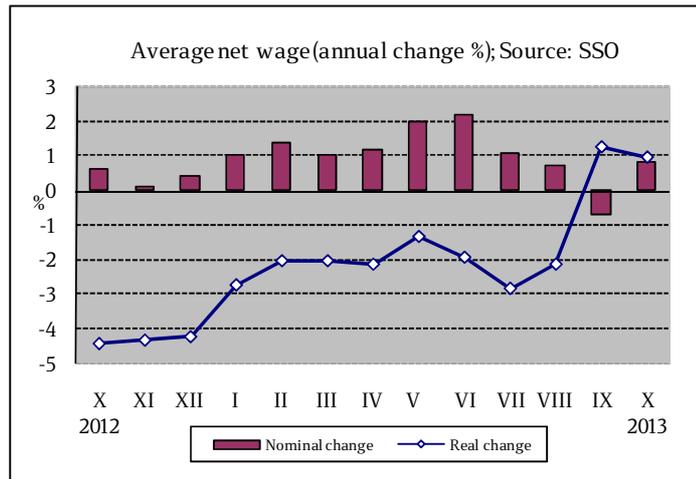
¹ Modifications and amendments to the Law on Employment and Unemployment Insurance ("Official Gazette of the Republic of Macedonia", no. 114/2012) referred to changes as regards records on unemployed persons. This Law sets the basis for establishing and keeping two records: records on unemployed persons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

On monthly basis, in October 2013, average gross salary increased by 0.1% in nominal terms, being higher by 1.1% in real terms. In the same period, average net salary was higher by 0.9% in nominal terms, increasing by 1.0% in real terms.

In October 2013 compared to October 2012, average gross salary increased by 1.1% in nominal terms, while it was lower by 0.2% in real terms. Average net salary was higher by 1.0% in nominal terms, decreasing by 0.3% in real terms.

On cumulative basis, in the period January-October 2013, compared to the same period last year, average gross salary and net salary grew by 1.3% in nominal terms, while they were lower by 1.8% in real terms.

The highest increase of average monthly gross and net salary per employee in October 2013 compared to September 2013 was recorded in the following sectors: Construction (7.4% gross salary and 7.1% net salary), transport and storage (6.5% gross salary and 5.8% net salary) and mining and quarrying (4.7% gross salary and 4.9% net salary).

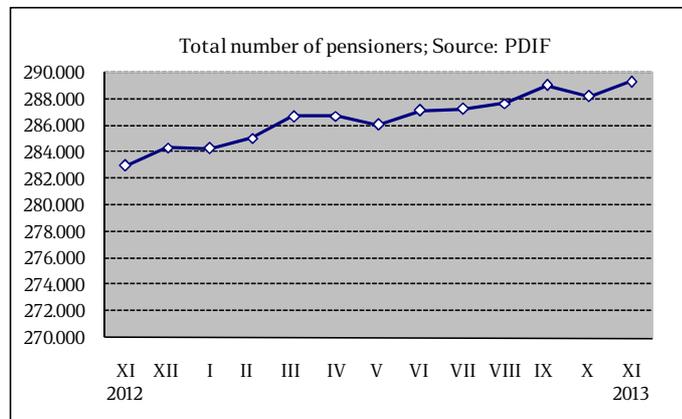


Increase of average monthly paid gross salary per employee, compared to the previous month, was seen in the sectors: Arts, entertainment and recreation (7.2% gross salary and 7.0% net salary), mining and quarrying (5.0% gross salary and 5.7% net salary) and construction (3.3% gross salary and 2.6% net salary).

Percentage of employees who did not receive salary in October 2013 accounted for 1.3% and it was lower by 0.5 p.p. compared to the same month previous year, while compared to September 2013, it was higher by 0.1 p.p..

Pensions

In November 2013, Pension and Disability Insurance Fund registered 289,364 pensioners, increasing by 2.2% compared to the same month in 2012. Number of pension beneficiaries increased by 1,106 persons in relation to October 2013. 58.1% out of the total number of pensioners are beneficiaries of old-age pension, 26.5% of survival pension and 15.4% of disability pension.



In November 2013, Denar 3,333.67 million was spent for payment of pensions, accounting for 52.7% of the total social transfers².

Average pension in November 2013 amounted to Denar 11,811 increasing by 8.3% on annual basis. Ratio between the average pension and the average paid salary in October 2013 (the most recent available data) was 55.6%.

5. Monetary Sector

Primary Money

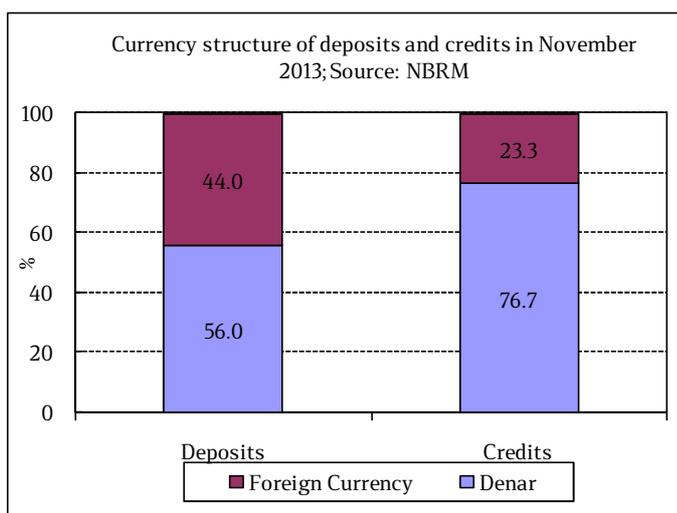
In November 2013, primary money³ dropped by 1.2% on annual basis (increase by 2.4% last month) as a result of the drop of ready money in circulation by 7.2% and total liquid assets of banks by 7.3%.

On monthly basis, primary money decreased by 4.4%, as a result of the drop of both total liquid assets of banks by 6.4 % and ready money in circulation by 2%.

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

Deposit Potential

Total deposit potential of banks⁴ increased by 0.7% in November 2013 on monthly basis, as a result of the increase of deposits of private companies by 1.3% and deposits of households by 0.6%. As for the currency, deposits in domestic currency, as well as foreign currency deposits, increased by 0.5% and 1% respectively.



On annual basis, total deposits increased by 6.2% in November 2013, compared to 5.9% growth in October 2013. From the point of view of sectors, deposits of households surged by 6.7%, while deposits of enterprises recorded intensified annual increase by 3.7%.

From currency point of view, Denar deposits surged by 10.4% in November 2013, while foreign currency deposits grew by 1.3%. According to maturity, long-term deposits increased by 29%, while short-term deposits reduced by 2.9%.

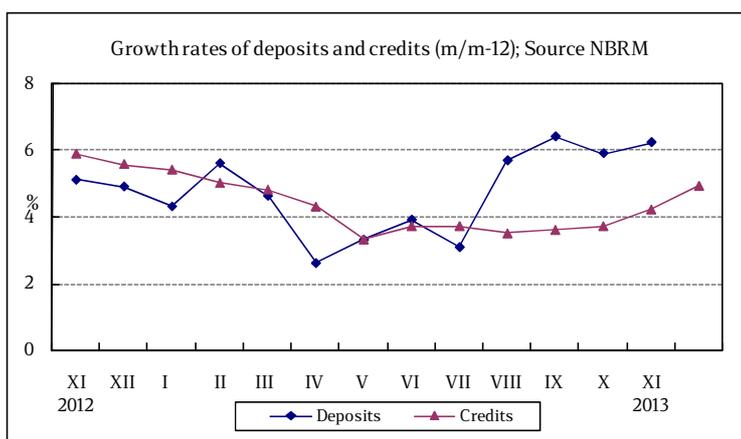
Bank Credits

² Category social transfers includes pensions, unemployment benefit, social assistance and expenditures for health care

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

⁴ Starting January 2009, deposits include calculated interest

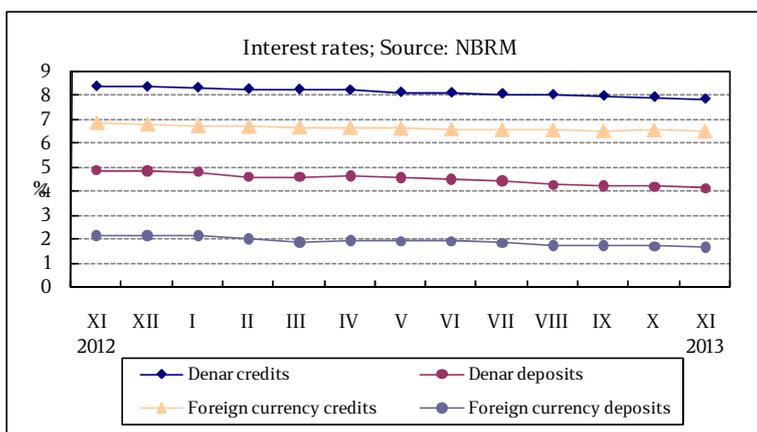
In November 2013, total credits of banks to the private sector surged by 1% on monthly basis (compared to the growth of 0.3% in October), in conditions of growth of credits to households and private enterprises by 1%. According to currency structure, Denar credits increased by 1.2%, while foreign currency credits grew by 0.3%.



On annual basis, in November, total credits experienced intensified growth of 4.9% (In October, they increased by 4.2%). According to currency, new crediting was fully in domestic currency. In fact, Denar credits experienced intensified growth of 6.6% (in October, they increased by 6.1%), while the foreign currency credits dropped by 0.3%. Analyzed by sectors, credits to enterprises registered growth of 1.6%, while credits to households surged by 9.3%. As regards maturity, long-term credits increased by 5% on annual basis, while short-term credits were lower by 0.2%.

Interest Rates of Deposit Banks

Total interest rate on credits was 7.5% in November 2013, remaining at the same level from the past two months. In relation to the same month in 2012, it was lower by 0.5 p.p.. Interest rate on Denar credits accounted for 7.8%, dropping by 0.1 p.p. compared to last month, while interest rate on foreign currency credits remained the same, accounting for 6.5%.



Total interest rate on deposits amounts to 2.8%, remaining the same compared to the previous month. Interest rates on Denar and foreign currency deposits reduced by 0.1 p.p., accounting for 4.1% and 1.6% respectively.

Foreign Currency Reserves

Gross foreign currency reserves at the end of November 2013 amounted to EUR 2,020.5 million and, compared to the previous month, they were lower by EUR 27.8 million, while compared to November 2012, foreign currency reserves were lower by EUR 77 million.

Ministry of Finance

Macroeconomic Policy Department

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