



REPUBLIC OF MACEDONIA  
MINISTRY OF FINANCE  
Macroeconomic Policy Department

# SHORT-TERM ECONOMIC TRENDS

July 2012



Skopje, September 2012

## SUMMARY

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

July 2012

- Industrial production surged by 5.4% in July 2012 compared to June 2012;
- Inflation rate amounted to 2.3% on annual basis, being negative on monthly basis, accounting for -0.9%. Average inflation rate in the first seven months of 2012 amounted to 2.3%;
- Annual drop of physical output of export in the period January-July 2012 by 9.2% and unchanged amount and increase of imported quantities of goods by 9.4% with valuable growth by 0.6%, resulting in increase in the trade deficit by 1.5% compared to the same period in 2011.
- Higher performance of total budget revenues by 0.1% and increased performance of total budget expenditures by 1.1% in the period January-July 2012, compared to the same period last year; State budget deficit in the amount of Denar 9,928 million (2.0% of GDP) and central budget deficit in the amount of Denar 8,835 million (1.8% of GDP);
- Increase of both total credits to private sector by 7.4% and total deposit potential of banks by 6.7% on annual basis;
- Drop in the number of registered unemployed persons by 16.3% in July 2012 compared to the same month last year.

# 1. Real Sector

## Industrial Production

Industrial production surged by 5.4% in July 2012 compared to June 2012. Sector analysis points out that increase was seen in all sectors, as follows: Electricity, gas, steam and air-conditioning supply by 11.3%, mining and quarrying by 7.1% and processing industry by 4.6%.

	m/m-12	m/m-1	I-VII 2012
			I-VII 2011
Total	-6.9	5.4	-6.9
Ore and stone extraction	4.3	7.1	-7.0
Processing industry	-10.0	4.6	-6.6
Electricity, gas and water supply	18.0	11.3	-8.9

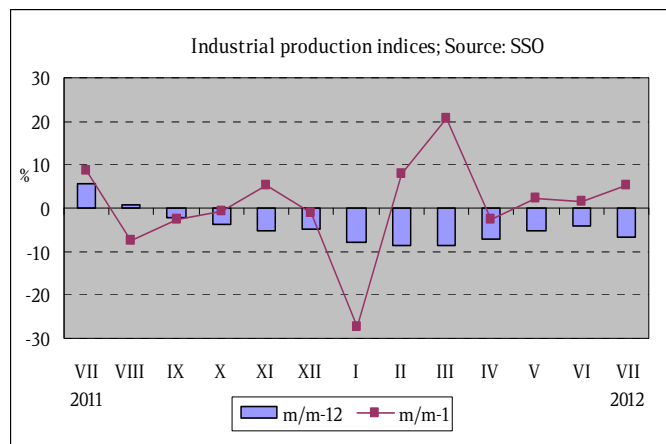
Source: SSO

High monthly growth was seen at the following branches: Production of coke and refined oil products - 343.8%, production of furniture - 42.3%, production of beverages - 28.6%, production of fabricated metal products except machines and equipment -23.3%, production of tobacco products - 19.7% and production of rubber and plastic products - 18.9%.

De-seasoned monthly growth of industrial production in July 2012 was -1.8%, pointing out to positive seasonal effects in the industry.

Industrial production dropped by 6.9% in July 2012 compared to July 2011. Analyzed by sectors, electricity, gas, steam and air-conditioning supply sector and mining and quarrying sector increased by 18% and 4.3% respectively, while processing industry dropped by 10.0%.

As for processing industry, annual positive growth was registered at 11 out of 23 branches, comprising 16.5% of the industrial production. Evident growth on annual basis was seen in the following branches: Production of fabricated metal products except machines and equipment -177.5%, processing of wood and wood products and cork, except furniture - 63.8%, production of textile - 44.8%, production of furniture - 37.8%, production of other transportation equipment 18.3% and production of machines and devices elsewhere unmentioned - 10.2%. Growth was seen at one of the tree driving branches with double-digit share in the industrial production. Thus, production of metals dropped by 23.6%, production of clothing decreased by 7.4%, while production of food products declined by 6.0%.

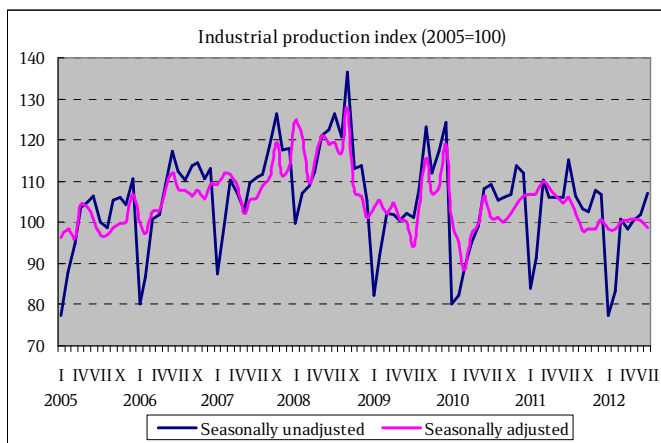


Production of fabricated metal products, except for machines and equipment (5.8 p.p.) contributed the most to the annual increase in industrial production in July

2012, while production of coke and refined oil products (-4.3 p.p.) had the highest negative contribution.

On cumulative basis, in the period January–July 2012, industrial production dropped by 6.9%, compared to the same period in 2011. Processing industry dropped by 6.6%, mining and quarrying decreased by 7.0%, while electricity, gas, steam and air-conditioning supply declined by 8.9%.

Data on industrial production by target groups in July 2012, compared to July 2011, showed production increase in the group of capital goods – 24.1%. Drop of production was seen in the following groups: Consumer durables – 45.1%, energy -14.4%, intermediary goods, except energy – 6.6%, and consumer non-durables – 2.5%.



On monthly basis, data on the industrial production by target groups in July 2012 show that there was increase in the production at the following groups: Capital goods – 19.9%, energy 14.9%, consumer durables - 9.6% and consumer non-durables - 6.0%. Group intermediary goods, except energy dropped by 0.9%.

On cumulative basis, in the first three months of 2012 compared to the same period last year, production growth was seen in the group intermediary goods except energy – 0.2%, while drop was seen in the other groups, as follows: Consumer durables – 46.6%, energy – 20.6%, capital goods – 9.1%, and consumer non-durables – 10.0%.

## Business Trends in Processing Industry

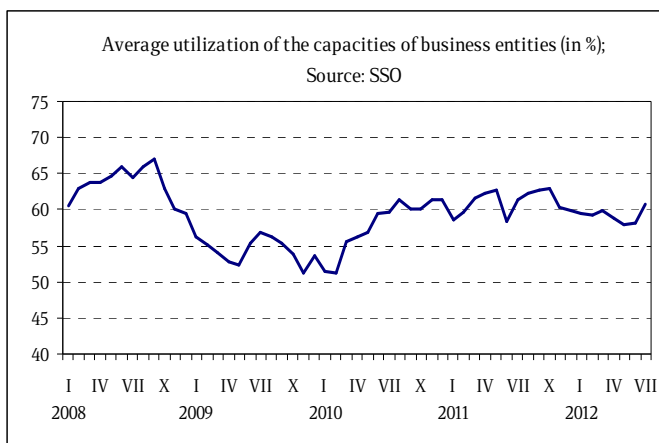
According to the assessments of managers, current economic trends of business entities in July 2012 was more favourable compared to the previous month, and less favourable compared to July 2011.

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

As regards the number of employees, the expectations in July 2012 for the next three months are more favourable compared to the previous month, while compared to July 2011, they are significantly improved.

Average utilization of the capacities in July 2012 accounted for 60.8%, being an increase compared to the previous month, when it accounted for 58.1%. Compared to July 2011, utilization of the capacities was lower by 0.5 p.p..

Stocks of raw materials and intermediate goods, as well as on-going procurement of raw materials and intermediate goods, were below and around the average. Stock of ready-made products declined compared to both the previous month and July 2011. 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.

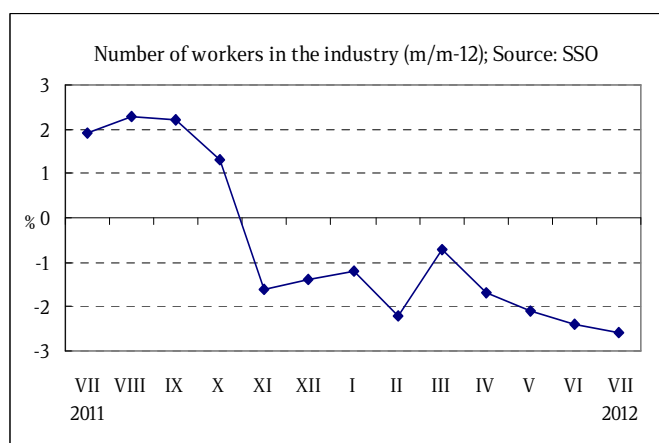


According to the assessment, following factors limited the most the production volume in July 2012: insufficient foreign demand – 21.7%, insufficient domestic demand – 17.1%, financial problems – 13.9% , uncertain economic environment – 8.8%, lack of qualified labour force – 8.2%, competitive import – 6.4% and shortage of raw materials – 5.4%.

In July 2012, lower number of business entities pointed out the lack of insufficient domestic demand, insufficient foreign demand and lack of qualified labour force, while bigger number of business entities pointed out the financial problems and the unclear economic laws as limiting factor compared to June 2012. As regards other factors, there are no significant changes.

## Number of Workers in the Industry

Number of workers in the industry in July 2012 compared to July 2011 decreased by 2.6%. Sector analysis points out to increase in the number of workers in the sectors mining and quarrying by 0.7% and electricity, gas, steam and air-conditioning supply by 0.3%, while processing industry registered reduction of the number of workers by 3.1% on annual basis.

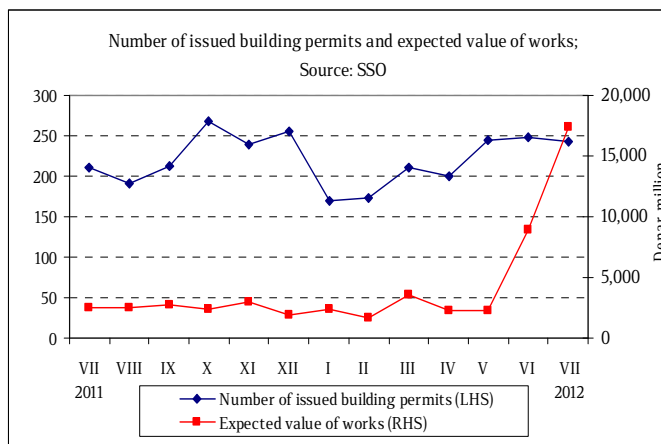


Data on number of workers in the industry by target groups in July 2012 compared to July 2011 show that the number of workers at energy group increased by 0.2%, while reduction of the number of workers was seen at the following groups: Consumer durables – 8.6%, capital goods – 1.4%, consumer non-durables – 2.9% and intermediary goods, except energy – 1.2%.

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

In July 2012, 242 building permits were issued, being by 15.2% more compared to the same month in the previous year. Total number of issued building permits compared to June 2012, when 249 permits were issued, decreased by 2.8%.

Envisaged value of the facilities, according to the issued building permits amounted to Denar 17,357 million in July, being by 610.3% more than the same month in 2011, while compared to June 2012, the value of the facilities increased by 94.7%. Such increase (on monthly and annual basis) is explained with the issued building permits of flats for complex of four skyscrapers in Skopje, being built by Turkish investor "Dzevair Holding".

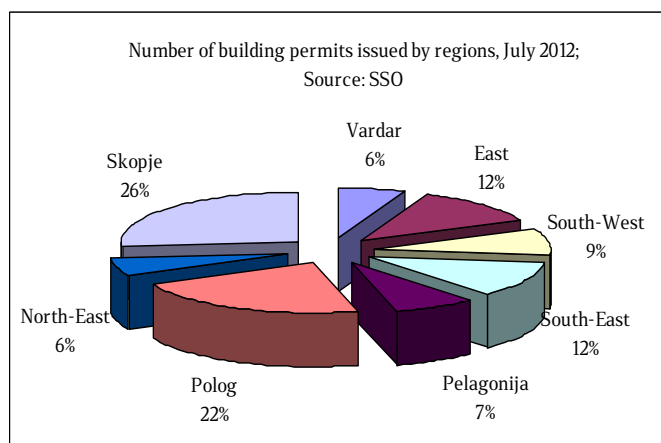


Analyzed by types of facilities, out of the total number of issued building permits, 185 (or 76.5%) are intended for buildings, 23 (or 9.5%) for civil engineering structures and 34 (or 14%) for reconstruction.

Analyzed by types of investors, out of total 242 facilities, natural persons were investors in 177 facilities (or 73.1%), while business entities were investors in 65 facilities (or 26.9%).

In July 2012, construction of 1541 flats is envisaged, with total usable area of 109,196m<sup>2</sup>. Number of envisaged flats for construction increased by 121% compared to the same month in 2011, and by 145% compared to June 2012.

Analyzed by regions, most permits were issued in the Skopje region, 63 in total, 40 permits out of which were issued to natural persons as investors, while 23 permits were issued to business entities as investors.



Least permits were issued in Vardar and Northeastern regions, 15 in total, eight of which were issued to natural persons as investors and seven to business entities as investors in Vardar region, while as for the Northeastern region, 10 permits were issued to natural persons while 5 permits were issued to business entities as investors.

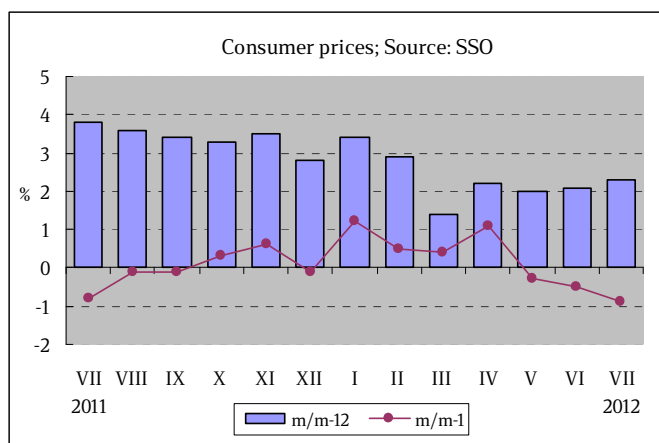
In the period January-July 2012, most building permits were issued in the Skopje region, 451 in total, 267 permits out of which were issued to natural persons as

investors, while 184 permits were issued to business entities as investors. Vardar region had least issued permits, 83 permits in total, 48 permits out of which were issued to natural persons as investors, while 35 permits were issued to business entities as investors.

## Inflation

Inflation rate, measured according to the CPI index amounted to 2.3% in July 2012 compared to the same month in the previous year. Average inflation rate in the first seven months of 2012 remained at the level of 2.3%, as it amounted in the first half of the year.

On annual basis, in July, increase of prices was the highest in the housing category – 5.2%, being mainly a result of the increase of prices of heating and lighting, surging by 7.5%. Price increase



was also registered at the following categories: clothing and footwear – 5%, hygiene and health - 2.4%, restaurants and hotels - 2%, food 1.4%, transportation means and services – 1.3%, culture and entertainment – 1.2% and tobacco and beverages - 0.1%. Reduction of prices was registered in the categories administrative and financial services by 1%.

Inflation rate in July compared to the previous month, amounted to -0.9%. Highest monthly drop of prices was seen in the category food by 1.8%, mainly as a result of the seasonal decrease of prices of vegetables by 15.8%. Prices of fruit reduced by 3.1%. Category means of transport and services experienced monthly drop of prices by 1.7%, as a result of the reduced prices of liquid fuels and gas by 6.3% and oil derivatives by 5.1%. Decline of prices was registered at the categories tobacco and beverages and housing by 0.2% and 0.1% respectively. Prices remained the same in the categories clothing and footwear and administrative and financial services, while price increase was seen in the other categories, as follows: hygiene and health – 0.3%, culture and entertainment – 0.2% and restaurants and hotels - 0.1%.

Retail prices in July 2012 were higher by 1.8% compared to July 2011. Compared to the previous month, retail prices were lower by 0.9%. Average increase of retail prices in the period January-July amounted to 2.8% in the period January-July 2012.

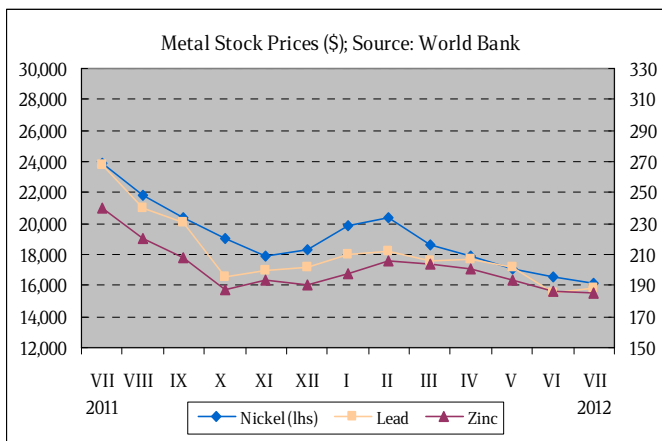
## Stock Market Prices

In July 2012, crude oil price (Brent) on the global stock markets grew by 7.9%, compared to the previous month, reaching the price of US\$ 103.1 per barrel. Compared to July 2011, oil price was lower by 11.4%. Average price of natural gas in July increased by 1.6% 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\$ 16,128 for a metric ton (\$/mt) on the



global stock markets in July, being a monthly drop of the price by 2.5%. Compared to July 2011, nickel price was lower by 32.4%. As for basic metals, highest drop of prices was seen at tin by 3.7%, while prices of copper and lead increased by 2.2% and 1.5% respectively. Price of iron ore decreased by 5% in July compared to the previous month. Precious metals also experienced monthly drop of prices, whereby silver experienced the highest drop of 2%.



In July, there was high increase of the price of wheat on the global stock markets, i.e. it was sold at a price higher by 25.2% compared to June.

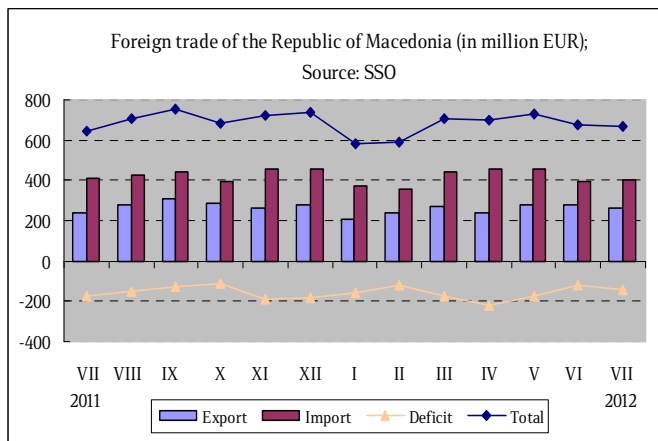
## 2. Foreign Trade

In the first seven months in 2012, total foreign trade surged by 0.4% in relation to the same period in 2011.

### Export

In the period January-July 2012, physical output of export dropped by 9.2% compared to the same period in 2011, while the value of exported goods amounted to EUR 1,776.7 million, being at the same level compared to the period January-July 2011.

Analyzed on monthly basis, in July 2012, export decreased by 4.3%, compared to the previous month.



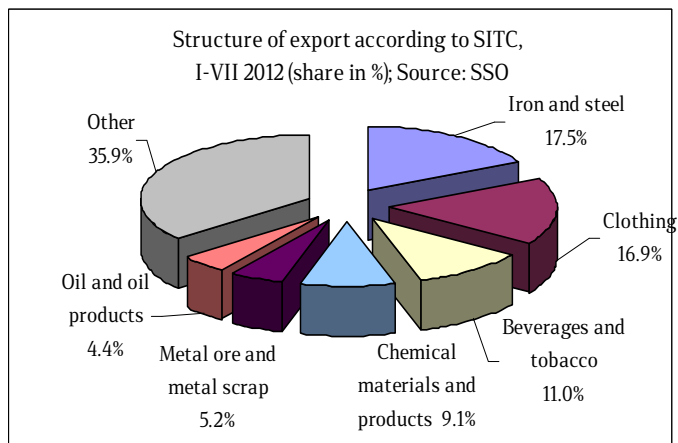
Seasonally adjusted trend of export in July 2012 registered minimum drop by 6.5% on monthly basis, pointing out to positive effects of the seasonal factor (2.2 p.p.) on export this month.

Analyzed by tariffs, the following products were most exported: catalysts with precious metals or precious metal compounds as active substance, ferronickel, filtering or purifying machinery and apparatus for other gases by a catalytic process; tobacco; gas oils for other purposes with a sulphur content up to 0.001% by weight; men's shirts of cotton; boards, plates, stands, tables, cabinets and others; hot rolled flat products of iron or non-alloyed steel of width of 600 mm or more, lead ore and concentrates, copper ore and concentrates; pharmaceuticals put up in measured doses, etc.





Main groups of goods (according to SITC) being most exported in the period January–July 2012 were the following: iron and steel – 17.5%, clothing - 16.9%, beverages and tobacco - 11.0%, chemical materials and products – 9.1%, metal ore and metal scrap – 5.2% and oil and oil products 4.4%. These six groups of products comprised 64.1% of the total export of the country.

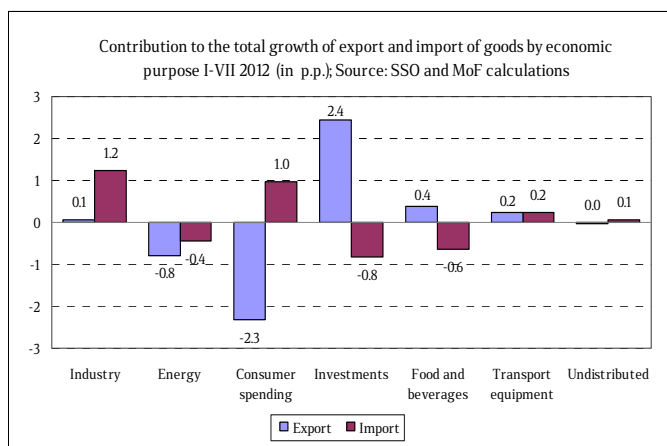


In the first seven months of 2012, observed by economic purpose, the following products were most exported: goods for industrial production (51.7%), followed by personal consumption goods (32.5%), investment goods (9.3%) and energy (6.4%).

### Import

Imported quantities of goods in the period January-July 2012 increased by 9.4%, compared to the same period in the previous year, while their value amounted to EUR 2,877.9 million, increasing by 0.6% (EUR 16.6 million) compared to the period January-July 2011.

Analyzed on monthly basis, in July 2012, import increased by 2.8%, compared to the previous month.



Seasonally adjusted trend of export in July 2012 surged by 0.6% on monthly basis, pointing out to positive effects of the seasonal factor (2.2 p.p.) on import this month.

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

Export of oil and oil products*)				
	I-VII 2011	I-VII 2012	Balance 2012-2011	% rate
000 T	210.0	141.7	-68.3	-32.5
EUR mil.	133.0	99.1	-33.9	-25.5
\$ mil.	188.2	127.9	-60.3	-32.0

\*)Previous data

Import of oil and oil products*)				
	I-VII 2011	I-VII 2012	Balance 2012-2011	% rate
.000 T	721.5	607.3	-114.2	-15.8
EUR mil.	426.6	398.9	-27.7	-6.5
\$ mil.	601.7	513.9	-87.7	-14.6

\*)Previous data

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

Export of chemical products*)				
	I-VII 2011	I-VII 2012	Balance 2012-2011	% rate
000 T	14.0	17.6	3.6	25.6
Мил. ЕУР	226.3	219.2	-7.1	-3.1
Мил.\$	317.3	283.2	-34.0	-10.7

\*)Previous data

Import of chemical products*)				
	I-VII 2011	I-VII 2012	Balance 2012-2011	% rate
.000 T	15.2	14.8	-0.3	-2.3
Мил. ЕУР	49.8	40.6	-9.2	-18.5
Мил.\$	70.0	52.5	-17.5	-25.0

\*)Previous data

Observed by economic purpose in the period January- July 2012, goods for industrial production (42.8%) were most imported, followed by: personal consumption goods (22.9%), energy (20.6%), and investment products (13.6%).

Export of iron and steel*)				
	I-VII 2011	I-VII 2012	Balance 2012-2011	% rate
000 T	466.8	393.6	-73.2	-15.7
EUR mil.	408.1	389.7	-18.3	-4.5
\$ mil.	575.5	501.7	-73.8	-12.8

\*)Previous data

Import of iron and steel*)				
	I-VII 2011	I-VII 2012	Balance 2012-2011	% rate
.000 T	337.3	314.0	-23.3	-6.9
EUR mil.	177.3	163.9	-13.3	-7.5
\$ mil.	249.1	210.6	-38.5	-15.5

\*)Previous data

## Trade Balance

In the first seven months in 2012, trade deficit widened by EUR 16.6 million or 1.5% compared to the same period last year.

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

Analyzed according to economic groups of countries, in the period January-July 2012, compared to the same period in 2011, export dropped at the following groups: Developed countries, EU 27, EFTA, developing countries and Western Balkans, while growth was seen at the following groups: Other developed and undeveloped countries. Export in the EU dropped by 6.5% on annual basis, while as for Western Balkan countries, it declined by 19.0%.

In the first seven months of 2012, foreign trade of the Republic of with the European Union (EU 27), in relation to the same period in the previous year, reduced by 3.7%, whereby share of trade with the EU in the total foreign trade increased by 2.8 p.p., accounting for 60.1%, whereby export of goods participated with 62.8% and import of goods accounted for 58.3%.

In the period January– July 2012, 67.8% of the trade deficit of the country was realized in the trade with Greece, Great Britain, Russia and Turkey, followed by: Serbia, China, Italy, Bulgaria, Switzerland, Slovenia, Romania, etc. Surplus was realized in the trade with Germany, Kosovo, Bosnia and Herzegovina and the Netherlands.

## Currency Structure

Observed by currency structure, 70.0% of the trade in the period January-July 2012 was realized in euros, and compared to the period January-July 2011, it surged by 0.5 percentage points. On export and import side, euro accounted for 78.6% and 64.7%, respectively, whereby share of the euro in export was higher by 1.4 p.p., while decrease of the share of the euro in import accounted for 0.1 p.p. compared to the same period in 2011.

import	I-VII 2011					I-VII 2012					absolute change in currency value	relative change in currency value (in %)
	currency	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar		
EUR	1,710	1,860,528,158	61.6168	114,639,791,436	64.9	1,707	1,857,446,480	61.5723	114,367,251,903	64.7	-3,081,678	-0.2
USD	1,712	1,022,158,524	43.1423	44,098,269,703	25.0	2,038	972,773,412	50.0522	48,689,449,347	27.6	-49,385,113	-4.8
GBP	1	224,595,694	69.5330	15,616,812,377	8.8	2	190,226,913	78.0377	14,844,870,798	8.4	-34,368,780	-15.3
EUR+USD+GBP	3,424			174,354,873,516	89.8	3,747			177,901,572,049	100.7		
tot. import	3,430			176,713,166,962	100.0	3,752			176,649,468,625	100.0		0.0

Source: SSO and NBRM

## 3. Fiscal Sector

### Budget Revenues

In the period January-July 2012, total budget revenues reached an amount of Denar 79,429 million, i.e. 16.3% of GDP, which was by 0.1% higher in relation to 2011.

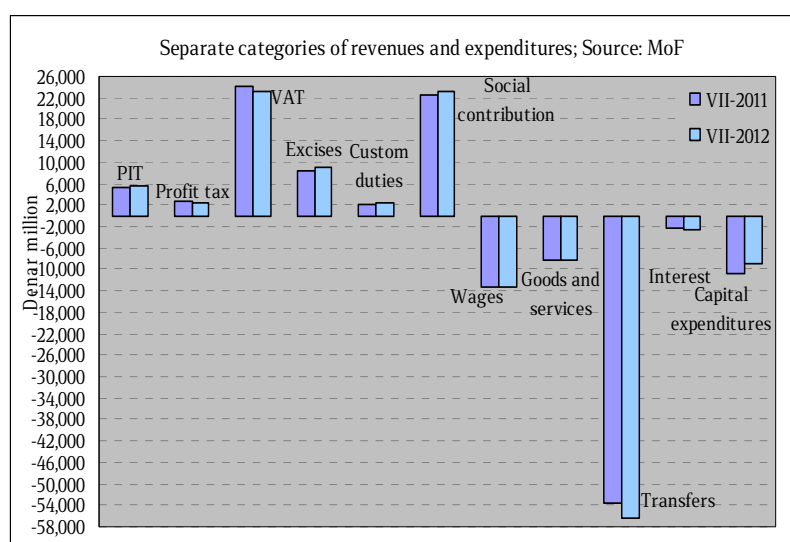
Tax revenues for the first seven months were realized in the amount of Denar 44,093 million, i.e. 9.0% of GDP, being lower by 0.9% in relation to the same period in 2011.

Value added tax was realized in the amount of Denar 23,065 million, whereby share of VAT in total tax revenues in this period was dominant, amounting to 52.3%. Excises were realized in the amount of Denar 8,945 million (participating with 20.3% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 32,010 million, i.e. 72.6% of total tax revenues (6.6% of GDP). Thereby, VAT collection amounted to Denar 33,869 million on gross basis, Denar 10,805 million out of which was refunded to taxpayers (gross collection was lower by 2.6%, while VAT refund was higher by 1.7% compared to the same period in 2011).

As for VAT structure, VAT share was the biggest when importing, decreasing by 0.5%, while VAT on the basis of sales in the country dropped by 6.3%, share of VAT grants and interest was insignificant (0.5%), observing lower decrease by 19.8%, i.e. 42.3%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 5,456 million, increasing by 2.0% on annual basis (revenues on the basis of salaries accounted for around 71.2% of the personal income tax). Compared to the same seven months in 2011, profit tax revenues dropped by 8.6%, being mainly a result of the tax collected on the basis of monthly advance payments and on the basis of collected tax on paid dividend and other profit distribution. VAT revenues dropped by 4.4%, while excises increased by 6.7%. Revenues on the basis of customs duties were realized in the amount of Denar 2,292 million, increasing by 11.1%.

Non-tax revenues amounted to Denar 6,965 million, and in relation to the same period in 2011, they were lower by 10.6% (these revenues are revenues collected on the basis of administrative fees, road toll, etc.).

Capital revenues realized on the basis of sale of construction land, flats and dividends reached Denar 3,644 million, showing increase by 19.2% compared to the same period in the previous year.



Collection of social contributions amounted to Denar 23,111 million, being higher by 2.5% compared to the same period in 2011, whereby collection of pension insurance contributions increased by 2.3%, collection of employment insurance contribution surged by 2.8%, while health contributions rose by 2.9%.

## Budget Expenditures

In the period January-July 2012, total budget expenditures amounted to Denar 89,357 million, i.e. 18.3% of GDP, which was higher by 1.1% compared to 2011.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 80,552 million accounted for 90.1% (16.5% of GDP) and they increased by 3.8% in relation to the same month in 2011.

Transfers amounting to Denar 56,513 million (11.6% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 13,288 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 14.9% and compared to 2011, they decreased by 1.4%.

Expenditures related to goods and services amounted to Denar 8,193 million, decreasing by 2.1% compared to the same period in 2011.

Transfers increased by 5.6% compared to the same period in 2011, participating with 63.2% in the total expenditures. Social transfers amounted to Denar 40,027 million, increasing by 3.3% 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 23,767 million, increasing by 5.2%, compared to the same period in 2011 and accounting for 26.6% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 17.9% in the total expenditures, i.e. they surged by 11.7% compared to the same period in 2011. This year, almost all, i.e. 83 local government units transferred to the second stage of decentralization. Block grants to local government units amounting to Denar 8,098 million, were higher by 6.9% compared to January-July 2011. Subsidies and transfers were higher by 20.4%.

Interest was collected in the amount of Denar 2,558 million, being by 14.6% more compared to the same period in 2011. Such increase was mainly due to the payment of due interest on the basis of foreign borrowing. Costs related to interest on the basis of domestic borrowing decreased by 1.3%, while the ones on the basis of foreign borrowing surged by 22.0%.

During the analyzed period, funds for capital expenditures were realized in the amount of Denar 8,805 million (1.8% share in GDP) and total realized expenditures participated with around 10%.

### **Budget Balance**

In the period January-July 2012, the budget deficit reached the amount of Denar 9,928 million, being 2.0% of GDP, while central budget deficit amounted to Denar 8,835 million or 1.8% of GDP.

## **4. Social Sector**

### **Number of Newly Employed and Registered Unemployed Persons in EARM**

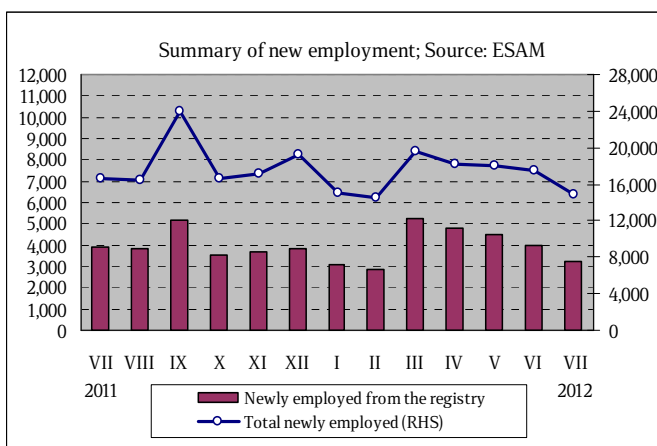
In the period January-July 2012, Employment Agency of the Republic of Macedonia registered total of 117,927 new employments. 41.8% out of the total number of newly employed was on the basis of full-time employment, while the rest of the employed were on the basis of temporary employment and seasonal workers. Compared to the same period in 2011, number of newly employed persons dropped by 10.7%.

During July, 14,930 new employments were registered, whereby 21.6% of the new employments was from the unemployed records. Outflow of persons from the Employment Agency Registry amounted to 11,145, persons in July, 28.1% out of which were new employments. In July, 6,722 persons were registered as inflow to

the Agency, 58.4% out of which were persons whose employment was terminated. As a result, unemployment reduced by 4,373 persons, i.e. by 1.7% compared to the previous month. Thus, in July 2012, 256,949 persons were registered as unemployed. Compared to the same month in 2011, number of unemployed persons declined by 16.3%.

Major percentage of the unemployed, i.e. 67.6% came from urban areas (cities), whereby 57% were men.

Analyzed by education structure, major part, i.e. 48.6% of unemployed persons were unskilled or semi-skilled, while only 10% was with community college or higher education level. Observed by age, majority of the unemployed persons or 55.6% fall in the category of 25-49 years of age. According to the time they



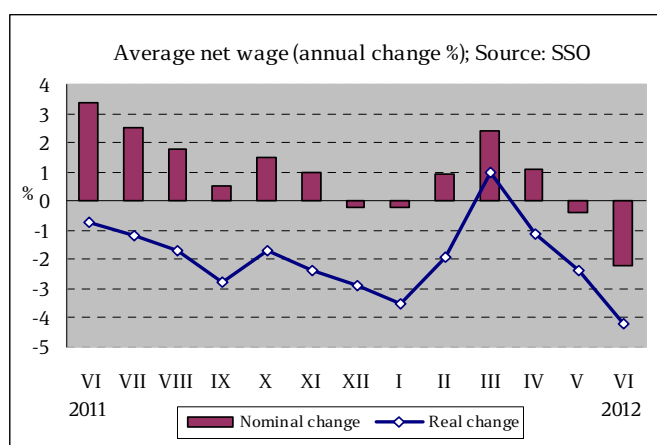
waited for a job, 49.8% of the unemployed persons sought job from 1 to 7 years, while 30.1% sought job for 8 years and more.

## Salaries

According to the data from the State Statistical Office, average monthly paid gross salary per employee in June 2012 amounted to Denar 30,323, while average monthly paid net salary amounted to Denar 20,651.

On monthly basis, in June 2012, average gross salary and net salary decreased by 1% in nominal terms, being lower by 0.5% in real terms.

In June 2012 compared to the same month in 2011, average gross salary and net salary decreased by 2.2% in nominal terms, while they were lower by 4.2% in real terms.



On cumulative basis, in the first six months of 2012, average gross salary increased by 0.1% in nominal terms, while it was lower by 2.1% in real terms. In the same period, average net salary was higher by 0.3% in nominal terms, decreasing by 2% in real terms.

The highest increase of average monthly gross and net salary per employee in June 2012, compared to June 2011, was recorded in the following sectors: Other services (5.7% gross salary and 5.6% net salary), activities related to real estate

(4.4% gross salary and 4.9% net salary) and agriculture, forestry and fishing (3.9% gross salary and 4.3% net salary).

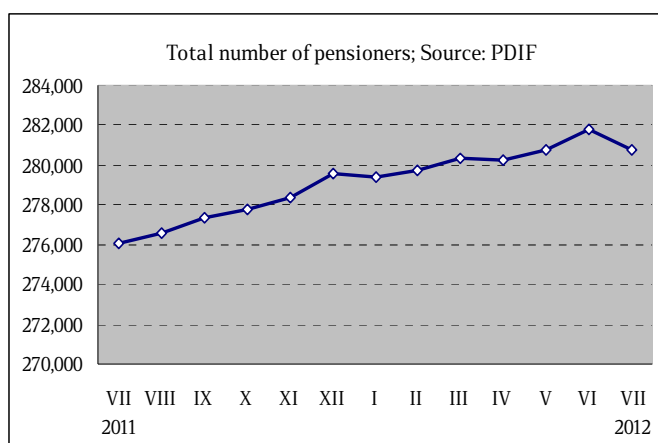
The highest increase of average monthly gross and net salary per employee in June 2012, compared to May 2012, was recorded in the following sectors: Other services (3.8% gross salary and 5% net salary), administrative and auxiliary services (3.4% gross salary and 2.4% net salary), and expert, scientific and technical activities (1.7% gross salary and 2.1% net salary).

Percentage of employed persons who did not receive salary in June 2012 amounted to 2.1%, decreasing by 0.4 percentage points compared to June 2011, being higher by 0.4 p.p. compared to May 2012.

## Pensions

In July 2012, Pension and Disability Insurance Fund registered 280,765 pensioners, increasing by 1.7% compared to same month in 2011. Number of pension beneficiaries dropped by 1,015 persons in relation to June 2012. 56.4% out of the total number of pensioners are beneficiaries of old-age pension, 27.2% of survival pension and 16.4% of disability pension.

In July 2012, Denar 2,965.93 million was spent for payment of pensions, accounting for 51.5% of the total social transfers<sup>1</sup>.



Average pension in July 2012 amounted to Denar 10,698, increasing by 3.3% on annual basis. Ratio between the average pension and the average paid salary in June 2012 (the most recent available data) was 51.7%.

## 5. Monetary Sector

### Primary Money

In June 2012, primary money<sup>2</sup> showed accelerated growth of 6.6% on annual basis, in conditions of increase of ready money in circulation by 11.2% and increase of total liquid assets of banks by 3.2%. On monthly basis, primary money surged by 2.6%, as a result of the increase of ready money in circulation by 7.4%. Total liquidity of banks dropped by 0.9% on monthly basis.

<sup>1</sup> Category social transfers include pensions, unemployment benefit, social assistance and expenditures for health protection.

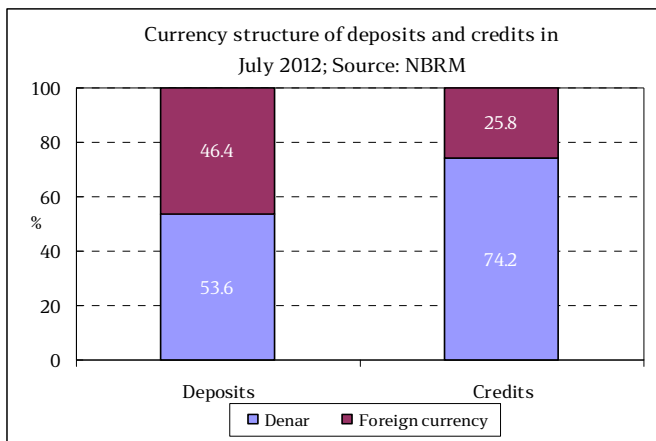
<sup>2</sup> Primary money is calculated as a sum of ready money in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).



In July 2012, the National Bank decided to retain the maximum interest rate on central bank bills at the same level of 3.75%, taking into account the most recent macroeconomic trends.

## Deposit Potential

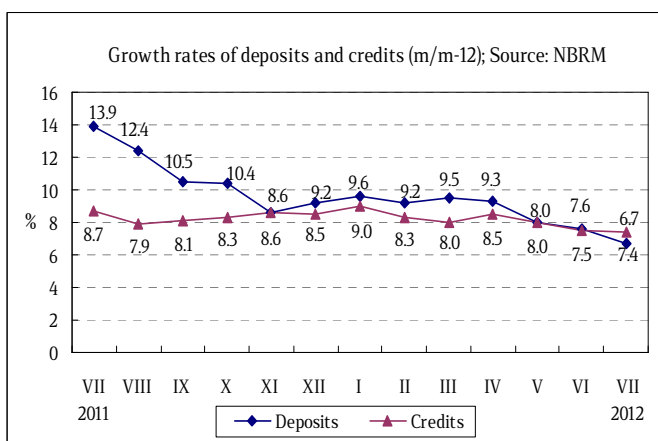
Total deposit potential of banks<sup>3</sup> in July 2012 experienced intensified monthly growth of 1.3% driven, to a great extent, by the growth of deposits of private enterprises which, following the decline several months in a row, registered high growth of 5% in July. Deposits of households grew by 0.2%. From currency point of view, Denar deposits increased by 1.3%, while foreign currency deposits grew by 1.4%.



On annual basis, total deposits continued to experience slowed down growth, reaching 6.7% compared to the growth of 7.6% realized last month. New saving arises mainly from the increased saving of households by 10.3%, while deposits of private enterprises were lower by 0.9%. Analyzed according to currency, new saving is fully in domestic currency in conditions of increase of Denar deposits by 17.4% on annual basis, while foreign currency deposits reduced by 3.4%. According to maturity, long-term deposits increased by 20.7%, while short-term deposits were higher by 3% on annual basis.

## Bank Credits

In July 2012, total credits of banks to private sector surged by 0.5% on monthly basis, whereby from the point of view of the currency structure, growth was fully due to the increased Denar credits by 1.4%, while foreign currency credits dropped by 1.9%. Credits to households increased by 0.6% compared to the previous month, while credits to private enterprises were higher by 0.8%.



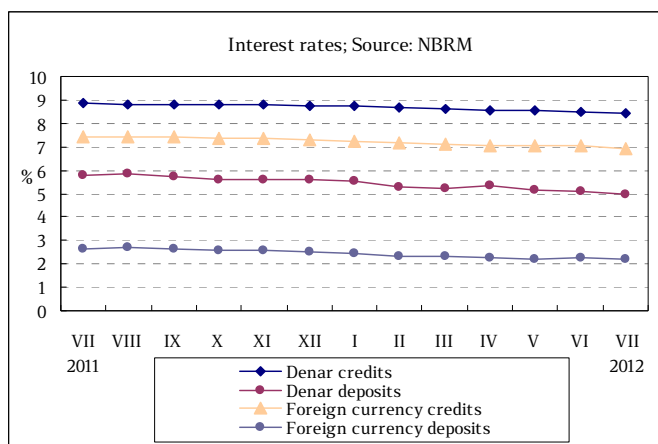
On annual basis, growth of total credits slowed down to 7.4% (compared to 7.5% in June), in conditions of slowed-down increase of crediting to households by 6.6%. Credits to private enterprises retained the same growth rate of 7.6%. From currency point

<sup>3</sup> Starting January 2009, deposits include calculated interest

of view, Denar credits experienced annual growth of 8.5%, while foreign currency credits slowed down their growth to 4.4%. As regards maturity, long-term credits increased by 7.7% on annual basis, while short-term credits were higher by 2.4%.

### Interest Rates of Deposit Banks

In July 2012, total interest rate of credits amounted to 8%, being lower by 0.1 p.p. compared to the previous month, while in relation to the same month in the previous year, it was lower by 0.5 p.p.. Interest rate on Denar credits amounted to 8.4%, while interest rate on foreign currency credits accounted for 6.9%, i.e. they were lower by 0.1 p.p. compared to the previous month. Compared to the same month last year, interest rate on Denar credits declined by 0.4 p.p., while interest rate on foreign currency credits was lower by 0.6 p.p..



Total interest rate on deposits reduced by 0.1 p.p. on monthly basis, accounting for 3.4%, being lower by 0.4 p.p. compared to the same month in the previous year. Interest rate on Denar deposits decreased by 0.1 p.p. on monthly basis, amounting to 5% on annual basis, being lower by 0.8 p.p., while interest rate on foreign currency deposits accounted for 2.2% or 0.5 p.p. below the level of the same month last year.

### Foreign Currency Reserves

Gross foreign currency reserves at the end of July 2012 amounted to EUR 2,096.3 million and, compared to the previous month, they were higher by EUR 77.6 million, while compared to July 2011, foreign currency reserves were higher by EUR 284.9 million.

**Ministry of Finance**

**Macroeconomic Policy Department**

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Skopje, September 2012