



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

September 2013



November 2013, Skopje

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

September 2013

- Industrial production surged by 5.1% in September 2013 compared to September 2012 and, compared to August 2013, it increased by 1.9%;
- Inflation rate amounted to 1.6% on annual basis and 0.2% on monthly basis; Average inflation rate in the first nine months of 2013 amounted to 3.3%;
- Annual drop of physical output of export in the period January-September 2013 by 16.8% and growth in value by 1.7%, decrease of imported quantities of goods by 11.7% and drop in value by 1.7%, resulting in a decrease in the trade deficit by 7.3% compared to the same period in 2012;
- Lower performance of total budget revenues by 0.6% and increase of total budget expenditures by 3.9% in the first nine months of 2013, compared to the same period last year; state budget deficit in the amount of Denar 15,790 million (3.2% of GDP) and central budget deficit in the amount of Denar 13,518 million (2.8% of GDP);
- Increase of both total credits to private sector by 3.7% and total deposit potential of banks by 6.4% on annual basis.

1. Real Sector

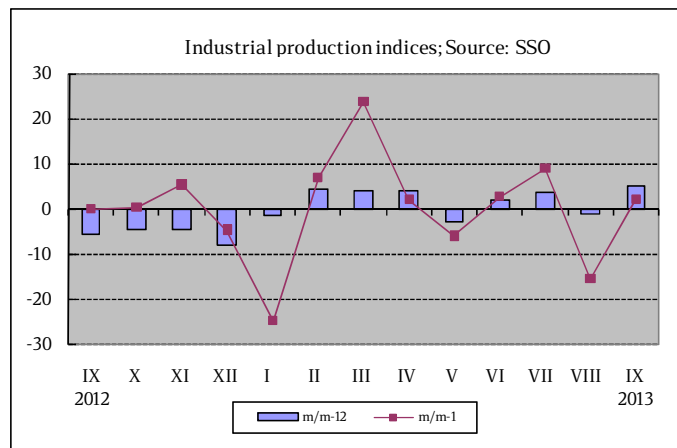
Industrial Production

Industrial production grew by 5.1% in September 2013 compared to September 2012. Analyzed by sectors, mining and quarrying sector experienced a drop of 8.9% as a result of 33.6% drop in the extraction of coal and lignite branch, while the branches metal ore extraction and other mining and quarrying experienced a decline of 2.9% and 1.3% respectively. Production in the electricity, gas, steam and air-conditioning supply sector surged by 32.6%, and production in the processing industry sector grew by 4.2%.

	m/m-1	m/m-12	I-IX 2013
			I-IX 2012
Total	5.1	1.9	2.2
Ore and stone extraction	-8.9	-12.8	6.2
Processing industry	4.2	5.6	0.7
Electricity, gas and water supply	32.6	-5.2	7.1

Source: SSO

As for the processing industry, annual positive growth was registered at 14 out of 23 branches, comprising 55.2% 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 27.6%, while production of food products grew by 2.6%. Significant growth was seen at the following branches: production of textile – 107.4%, production of coke and refined oil products – 83.0%, production of electrical equipment – 54.8%, printing and production of recorded media – 49.0%, production of tobacco products – 46.4%, production of leather and leather products – 40.9%, repair and installation of machinery and equipment – 40.1%, production of furniture – 37.5%, production of machines and devices, not mentioned elsewhere – 23.0% and production of rubber products and plastic mass products – 12.4%.



Industrial production surged by 1.9% in September 2013 compared to August 2013. Sectoral analysis shows that growth was seen at the processing industry sector – 5.6%. Electricity, gas, steam and air-conditioning supply sector experienced 5.2% drop, while 12.8% decline was observed at the mining and quarrying sector. Decline in the mining and quarrying sector was a result of the decline in all branches, as follows: extraction of coal and lignite - 31%, metal ore extraction – 6.5% and other mining and quarrying – 2.1%.

On cumulative basis, in the period January–September 2013, industrial production surged by 2.2%, compared to the same period in 2012. Electricity, gas, steam and

air-conditioning supply sector experienced 7.1% growth, mining and quarrying sector grew by 6.2% and 0.7% growth was registered in the processing industry sector.

Data on industrial production by target groups in September 2013, compared to September 2012, show that there was increase in the production at the following groups: consumer non-durables – 15.4%, energy – 12.4% and consumer durables – 12.3%. Drop of production was seen at the following groups: capital goods – 8% and intermediary goods, except energy – 5.9%.

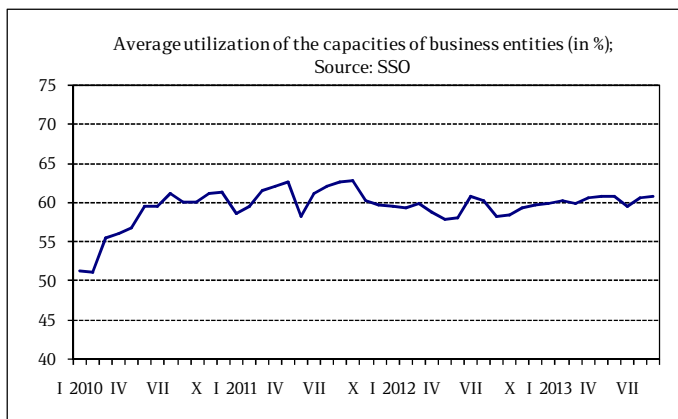
On monthly basis, data on the industrial production by target groups in September 2013 show that there was increase in the production at the following groups: consumer durables – 30.4% and consumer non-durables – 9.5%. Drop was observed at the following groups: Energy – 11.2%, capital goods – 4.9% and intermediary goods, except energy – 1%.

On cumulative basis, in the period January-September 2013, compared to the same period in 2012, growth was registered at the following groups: consumer non-durables – 6.2%, capital goods – 5.4%, energy – 2.3% and consumer durables – 1.9%. Drop was registered at intermediary goods, except energy – 3.4%.

Business Tendencies in the Processing Industry

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

Assessment of current state of delivery-to-production was less favourable compared to the previous month, while compared to September 2012, it was more favourable. In September 2013, assessment for the production volume in the past three months was less favourable compared to August 2013 and more favourable compared to September 2012. In September 2013, the expectations for the production volume in the next three months are more favourable compared to the previous month, while compared to September 2012, they were less favourable.



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

Average utilization of capacities in September 2013 accounted for 60.9%, being an increase compared to the previous month, when it accounted for 60.7%. Compared to September 2012, the utilization of the capacities was higher by 2.7 p.p..

In September 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 for the current stocks of ready-made products was less favourable compared to the previous month while compared to September 2012, it was more favourable. In the next 3-month period, according to the assessment of managers, average purchase prices of inputs are expected to decrease and selling prices of ready-made products are also expected to decline.

According to the assessments, following factors limited the most the production volume in September 2013: insufficient foreign demand – 25.5%, insufficient domestic demand – 18.6%, shortage of skilled labour – 10.6%, uncertainty of economic environment – 10.1%, financial problems – 9.5%, competitive import – 8.1%, unclear economic laws – 3.2% shortage of raw materials – 2.9% and lack of equipment – 1.7%.

In September 2013 compared to August 2013, less business entities indicated as limiting factors, the following: insufficient foreign demand, insufficient domestic demand, competitive import, financial problems, shortage of skilled labour, lack of equipment and uncertain economic surrounding while bigger number of business entities indicated: Unclear economic laws and shortage of raw materials. As regards other factors, there are no significant changes.

Number of Workers in the Industry

Number of workers in the industry in September 2013, compared to September 2012, increased by 1.3%.

Sector analysis points out to increase of the number of workers in all sectors, as follows: Mining and quarrying by 8.7%, electricity, gas, steam and air-conditioning supply by 0.9% and processing industry by 0.7%. Mining and quarrying sector experienced increase in the number of workers by 8.7%, as a result of the increase in the number of workers in the sectors mining of coal and lignite (24.8%) and mining of metal ore (2.3%), while the number of workers in the other mining and quarrying sector dropped by 6.3%.

Data on the number of workers in the industry by target groups in September 2013, compared to September 2012, showed increase in the number of workers at the following groups: Energy by 6.8%, consumer durables by 3.8%, consumer non-durables by 2.0% and capital goods by 1.6%, while reduction of the number of workers was registered in the following group: Intermediary goods, except energy –2.4%.

Number of Issued Building Permits and Envisaged Value of Facilities

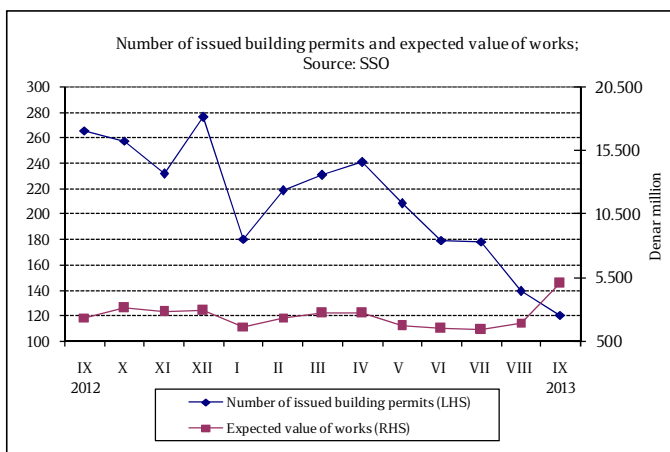
In September 2013, 121 building permits were issued, dropping by 54.5% compared to September 2012. Total number of issued building permits compared to August 2013, when 140 permits were issued, decreased by 13.6%.

Envisaged value of the facilities, according to the issued building permits in September, amounted to Denar 5,059 million, being higher by twice compared to September 2012, i.e. by 2.5 times more compared to the previous month.

Analyzed by types of facilities, out of the total number of issued building permits, 81 (or 67.0%), were intended for buildings, 9 (or 7.4%) for civil engineering structures and 31 (or 25.6%) for reconstruction.

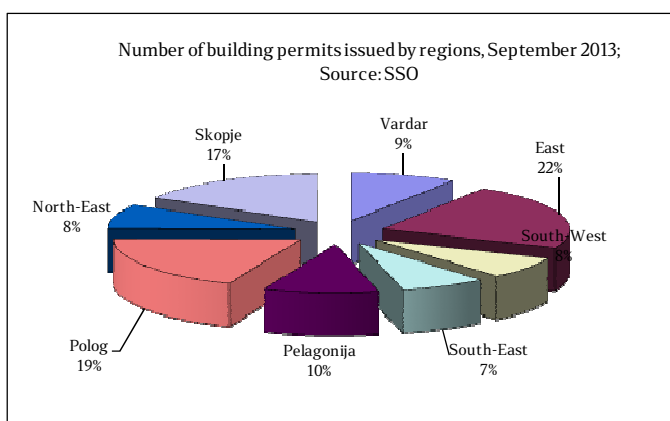
Analyzed by types of investors, out of total 121 facilities for which building permits were issued, natural persons were investors in 88 facilities (or 72.7%), while business entities were investors in 33 facilities (or 27.3%).

In September 2013, construction of 502 flats was envisaged, with total usable area of 42,992 m². Number of envisaged flats for construction surged by 5.5% compared to the same month in 2012, while it increased by 2.3 times compared to August 2013.



Analyzed by regions, in September 2013, most building permits were issued in the eastern region, 27 in total, 17 permits out of which were issued to natural persons as investors, while 10 permits were issued to business entities as investors. Northwestern and northeastern regions had least issued permits, 9 permits in total, 1 permit out of which were issued to natural person as investor, while 8 permits were issued to business entities as investors.

Analyzed on cumulative basis, in the period January-September 2013, most building permits were issued in the Skopje region, 469 in total, 337 permits out of which were issued to natural persons as investors, while 132 permits were issued to business entities as investors. Northeastern region had least issued permits, 103 permits in total, 86 permits out of which were issued to natural persons as investors, while 17 permits were issued to business entities as investors.



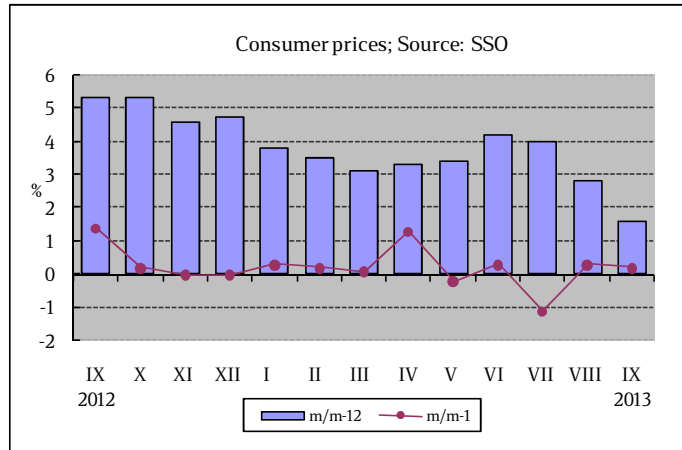
Inflation

Annual inflation rate in September 2013, measured according to the CPI index, amounted to 1.6%. Average inflation rate in the period January-September 2013 increased to 3.3%.

On annual basis, prices in food category surged by 2%. Prices in housing category reduced by 2.4%, whereby prices in sub-category heating and lighting decreased by 4%, while prices at the sub-categories rent, water and services and household furnishings increased by 0.2% and 1.4% respectively. High, although slowed down

increase of prices was seen in the clothing and food category, while price increase in the following categories is as follows: Hygiene and health – 5.8%, tobacco and beverages – 4.1%, restaurants and hotels – 3.7%, and administrative and financial services - 0.9%. Decrease of prices was recorded in the categories means of transport and services - 1% and culture and entertainment - 0.1%.

Inflation rate in September compared to the previous month surged by 0.2% unlike the monthly drop by 0.3% realized in August 2013. Prices in food category decreased by 0.7%, followed by the drop in the category restaurants and hotels by 0.6%. Monthly increase of prices by 1.1% was seen in housing category, while the price



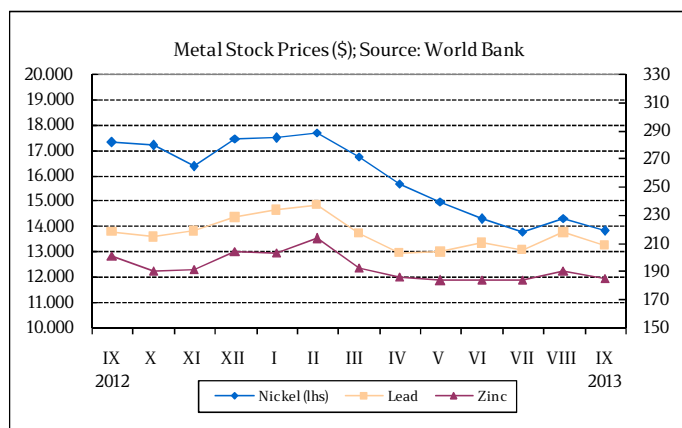
increase in the other categories is as follows: Hygiene and health - 2%, culture and entertainment - 1.6%, transportation means and services – 0.6%, clothing and footwear – 0.4% and tobacco and beverages – 0.3%. Prices in the categories administrative and financial service remain unchanged.

Retail prices in September 2013 were higher by 0.7% compared to September 2012. Compared to the previous month, retail prices were higher by 0.5%. Average increase of retail prices in the first nine months in 2013 accounted for 1.5%.

Stock Market Prices

In September 2013, (Brent) crude oil price on the global stock markets grew by 0.5%, compared to the previous month, reaching the price of US\$ 111.6 per barrel. Compared to September 2012, oil price dropped by 1.6%. Price of natural gas in September decreased by 6.4% compared to the previous month.

As regards metal products, nickel, as product with high share in Macedonian export, was traded at an average price of US\$ 13,801 for a metric ton (\$/mt) on the global stock markets in July, being a monthly drop of the price by 3.6%. Compared to September 2012, nickel price was lower by 20.2%. In September, there was monthly decrease of prices of basic metals, except for tin, the price of which increased by 5.0%. Lead experienced highest drop of 4.1%, aluminium decreased by 3.1%, while zinc and copper dropped by 2.7% and 0.5% respectively. As for prices of



precious metals, price of silver increased by 3.1%, while price of platinum dropped by 2.6% and price of gold decreased by 0.2%. Price of iron ore in September experienced monthly decline of 1.8%.

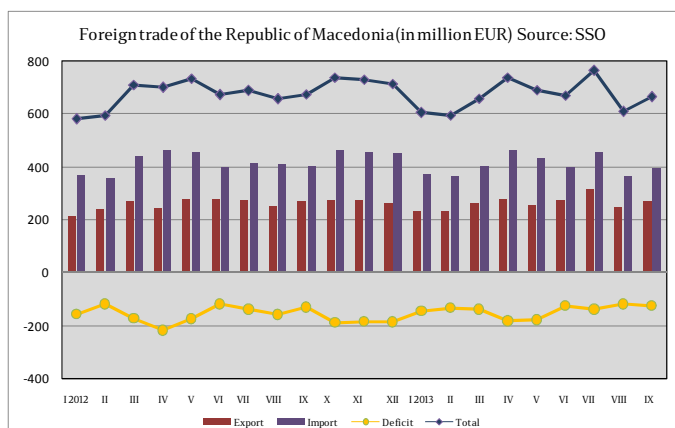
Drop of price of wheat on the global stock markets stopped in September and, compared to August, it was higher by 0.7%. Price of maize registered monthly decline of 13.1% in September.

2. Foreign Trade

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

Export

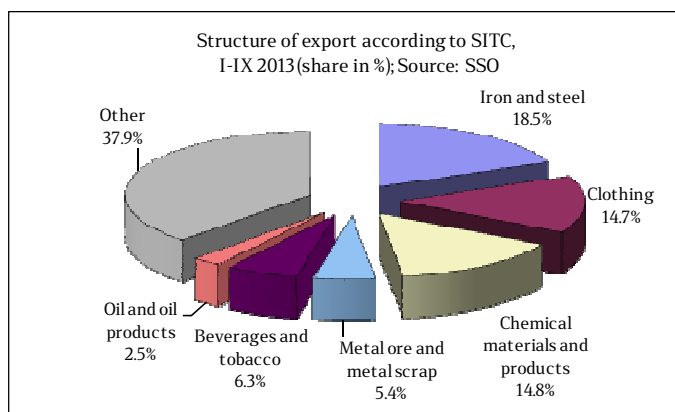
In the period January-September 2013, physical output of export dropped by 16.8% compared to the same period in 2012, while the value of exported goods amounted to EUR 2,344.2 million, increasing by 1.7% (EUR 39.7 million) in relation to the period January-September 2012.



Analyzed on monthly basis, in September 2013, export surged by 7.7%, compared to the previous month.

Seasonally adjusted trend of export in September 2013 registered minimum drop by 4.0%, pointing out to positive effects of the seasonal factor (11.7 p.p.) on export this month.

Main groups of goods (according to SITC) being most exported in the period January-September 2013 were the following: iron and steel – 18.5%, clothing – 14.7%, chemical materials and products – 14.8%, beverages and tobacco – 6.3%, metal ore and metal scrap – 5.4%, oil and oil products – 2.5%. These six groups of products comprised 62.1% of the total export of the country.



In the period January-September 2013, observed by economic purpose, the following products were the most exported: goods for industrial procurement (52.6%), followed by consumer goods (22.2%), food and beverages (10.8%), products for investments without transport equipment (10.1%), fuels and lubricants (2.5%) and transport equipment (1.8%).



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; hot rolled flat products of iron or non-alloyed steel of width of 600 mm or more; plated or coated, lead ore and concentrates; copper ore and concentrates; ferrosilicium; pharmaceuticals put up in measured doses; and others.

Export of iron and steel*)				
	I-IX 2012	I-IX 2013	Balance 2013-2012	% rate
000 T	507.8	433.2	74.6	-14.7
EUR mil.	506.4	434.3	-72.1	-14.2
\$ mil.	649.1	571.2	-77.9	-12.0

*)Previous data

Import of iron and steel*)				
	I-IX 2012	I-IX 2013	Balance 2013-2012	% rate
.000 T	364.3	425.1	60.8	16.7
EUR mil.	215.1	210.1	-4.9	-2.3
\$ mil.	275.1	276.8	1.7	0.6

*)Previous data

Import

Imported quantities of goods in the period January-September 2013 decreased by 11.7%, compared to the same period in the previous year, while their value amounted to EUR 3,632.3 million, reducing by 1.7% (EUR 61.4 million) compared to the same period in 2012.

Analyzed on monthly basis, in September 2013, import grew by 7.3%, compared to the previous month.

Export of oil and oil products*)				
	I-IX 2012	I-IX 2013	Balance 2013-2012	% rate
000 T	173.2	112.3	-60.9	-35.2
EUR mil.	120.4	57.4	-63.0	-52.3
\$ mil.	154.8	75.6	-79.2	-51.2

*)Previous data

Import of oil and oil products*)				
	I-IX 2012	I-IX 2013	Balance 2013-2012	% rate
.000 T	708.5	685.5	-22.9	-3.2
EUR mil.	533.6	415.9	-117.7	-22.1
\$ mil.	684.2	547.1	-137.1	-20.0

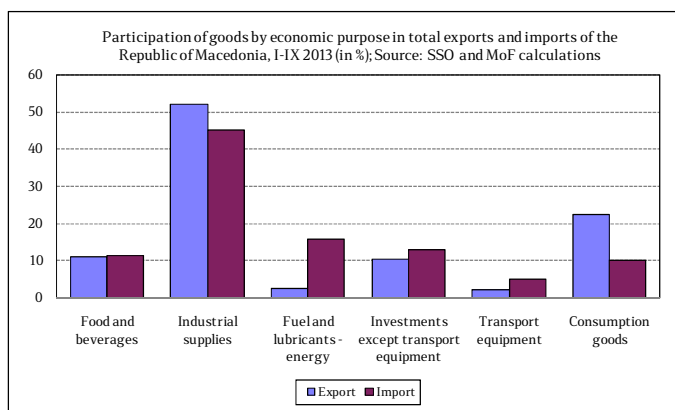
*)Previous data

Seasonally adjusted trend of import in September 2013 increased by 15.0% on monthly basis, pointing out to negative effects of the seasonal factor (7.7 p.p.) on import this month.

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

In the period January - September 2013, observed by economic purpose, following products were most imported: goods for industrial procurement (45.0%), followed by fuels and lubricants (15.9%) investment goods without transport equipment (12.8%), food and beverages (11.2%), 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 petrol with an 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, oil gases and other gaseous hydrocarbons; crude oil and similar.



Trade Balance

In the period January– September 2013, trade deficit narrowed by EUR 101.2 million or 7.3% 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, transport equipment, food and beverages and consumer goods, while the widened negative balance in the trade of goods for industrial procurement and investment goods without transport equipment acted in opposite direction.

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

Export of chemical products*)				
	I-IX 2012	I-IX 2013	Balance 2013-2012	% rate
000 T	19.2	5.3	-13.9	-72.4
Мил. ЕУР	279.0	346.6	67.6	24.2
Мил.\$	358.5	456.4	97.8	27.3

*)Previous data

Import of chemical products*)				
	I-IX 2012	I-IX 2013	Balance 2013-2012	% rate
.000 T	17.3	23.4	6.1	35.3
Мил. ЕУР	51.4	56.8	5.4	10.5
Мил.\$	66.1	74.7	8.6	12.9

*)Previous data

Analyzed according to economic groups of countries, in the period January-September 2013, compared to the same period in 2012, export surged at the following groups: EU 28, EFTA and Commonwealth of Independent States, while drop was recorded at the following groups: Organization of Petroleum Exporting Counties, Western Balkan Countries, North American Free Trade Agreement and Asia-Pacific Economic Cooperation. Export to the EU surged by 17.0% on annual basis, while as for Western Balkan countries, it declined by 13.6%.

In the period January-September 2013, foreign trade of the Republic of Macedonia with the European Union (EU 28), in relation to the same period last year, increased by 8.5%, whereby share of trade with the EU in the total foreign trade increased by 3.8 p.p., accounting for 66.3%. Export of goods to the European Union (EU 28) accounted for 72.8% in the total export of the Republic of Macedonia, while import of goods participated with 62.0%.

In the period January-September 2013, 79.5% of the trade deficit of the country was realized in the trade with Great Britain, Greece, China, Serbia and Turkey followed by: Russia, Italy, Slovenia, the USA, Austria, Switzerland, and others. Surplus was realized in the trade with Germany, Kosovo and Bosnia and Herzegovina.

Currency Structure

Observed by currency structure, 73.4% of the trade in the period January-September 2013 was realized in euros, and compared to the period January-September 2012, it surged by 3.3 percentage points. On export and import side, euro accounted for 83.2% and 67.1%, respectively, whereby share of the euro in export was higher by 4.1 p.p., while increase of the share of the euro in import increased by 2.5 p.p. compared to the period January-September 2012.

import	1-IX 2012					1-IX 2013					absolute change in currency value	relative change in currency value (in %)
	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in denar	structure in %	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in denar	structure in %		
EUR	2,189.5	2,385,551,496	61.5031	146,718,812,218	64.6	2,248.3	2,441,542,712	61.5009	150,157,074,173	67.1	55,991,216	2.3
USD	2,460.0	1,244,441,036	47.8767	59,579,730,140	26.2	1,853.2	1,035,600,641	46.1178	47,759,623,230	21.3	-208,840,395	-16.8
GBP	2.0	246,938,821	77.0299	19,021,672,703	8.4	2.3	315,464,823	72.9867	23,024,736,388	10.3	68,526,002	27.8
UR+USD+GBE	4,651.5			225,320,215,061	90.8	4,103.8			220,941,433,791	98.7		
tot. import:	4,658.2			227,168,396,581	100.0	4,111.4			223,762,548,941	100.0		-1.5

Source: SSO and NBRM

3. Fiscal Sector

Budget Revenues

In the period January-September 2013, total budget revenues reached an amount of Denar 103,012 million, i.e. 21.1% of GDP, which was by 0.6% higher in relation to the same period in 2012.

Tax revenues in the first nine months were realized in the amount of Denar 56,716 million, i.e. 11.6% of GDP, being lower by 0.2% in relation to the same period in 2012.

Value added tax was realized in the amount of Denar 28,630 million, whereby share of VAT in total tax revenues in this period was dominant, amounting to 50.5%. Excises were realized in the amount of Denar 11,644 million (participating with 20.5% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 40,274 million, i.e. higher by 2/3 or 71.0% of total tax revenues (8.3% of GDP). Thereby, VAT collection amounted to Denar 43,015 million on gross basis, Denar 14,385 million out of which was refunded to taxpayers. Gross collection was lower by 1.3%, while VAT refund was higher by 1.3% compared to the same period in 2012.

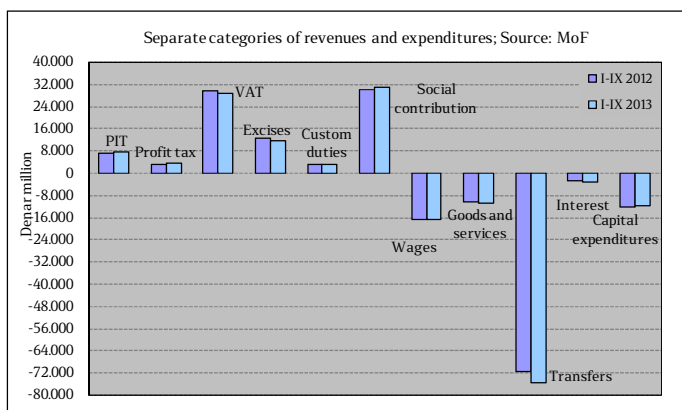
As for VAT structure, VAT share was the biggest when importing, decreasing by 6.9%, while VAT on the basis of sales in the country surged by 10.6%, share of VAT

grants was insignificant (0.7%), observing higher performance by 73.6%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 7,336 million, increasing by 5.8% on annual basis, whereby revenues on the basis of salaries and other personal earnings accounted for around $\frac{3}{4}$, i.e. 72.0% of the personal income tax, capital revenues accounted for 8.8%, etc. Compared to the same period in 2012, profit tax revenues in the amount of Denar 3,572 million surged by 21.6%, 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 dropped by 2.5% (being less by 0.9 p.p. compared to the decline in the previous eight-month period), while excises revenues declined, i.e. experienced lower performance by 4.3% (being less by 0.9 p.p. compared to the previous cumulative amount). Revenues on the basis of customs duties were realized in the amount of Denar 3,141 million, increasing by 5.7%. Revenues on the basis of other taxes, amounting to Denar 2,393 million, decreased by 2.4%.

Non-tax revenues amounted to Denar 9,215 million and, in relation to the same period in 2012, they were lower by 3.5% (these revenues are revenues on the basis of profit realized by the public institutions, revenues collected on the basis of administrative fees, fines, etc.).

Capital revenues realized on the basis of sale of construction land, flats and dividends reached Denar 3,053 million, decreasing by 24.9% compared to the same period in the previous year (71.7% of total funds or Denar 2,185 million are revenues from the payment of the dividend of AD Makedonski Telecom (Macedonian Telecom)).

Collection of social contributions amounted to Denar 30,826 million (accounting for 6.3% of GDP), being higher by 3.6% compared to the same period in 2012, whereby collection of pension and disability insurance contributions increased by 3.3%, collection of employment insurance contribution surged by 3.1%, while collection of health insurance contributions rose by 4.4%.



Budget Expenditures

In the period January-September 2013, total budget expenditures amounted to Denar 118,802 million, i.e. 24.4% of GDP, which was higher by 3.9% compared to 2012.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 106,817 million accounted for 89.9% (21.9% of GDP) and they increased by 4.7% in relation to the same period in 2012.

Transfers amounting to Denar 75,947 million (15.6% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 16,901 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 14.2% and, compared to 2012, they decreased by 0.8%.

Expenditures related to goods and services amounted to Denar 10,796 million, increasing by 3.7% compared to the same period in 2012.

Transfers increased by 5.9% compared to the same period in 2012, participating with 63.9% in the total expenditures. Social transfers amounted to Denar 55,256 million, increasing by 6.7% and participating with 46.5% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 33,540 million, increasing by 9.7% compared to the same period in 2012 and accounting for 28.2% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 16.8% in the total expenditures, i.e. they surged by 4.3% compared to the same period in 2012. Block grants to local government units amounting to Denar 10,322 million, were higher by 0.5% compared to the nine months in the previous year. Subsidies and transfers were higher by 8.1%.

Interest was collected in the amount of Denar 3,173 million, being by 8.5% 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 34.0%, while the ones on the basis of foreign borrowing dropped by 2.5%.

During the analyzed period, funds for capital expenditures were realized in the amount of Denar 11,985 million, participating with 10.1% in the total expenditures. (2.5% of GDP).

Budget Balance

In the first nine months in 2013, budget deficit reached the amount of Denar 15,790 million, accounting for 3.2% of GDP, while central budget deficit amounted to Denar 13,518 million or 2.8% of GDP.

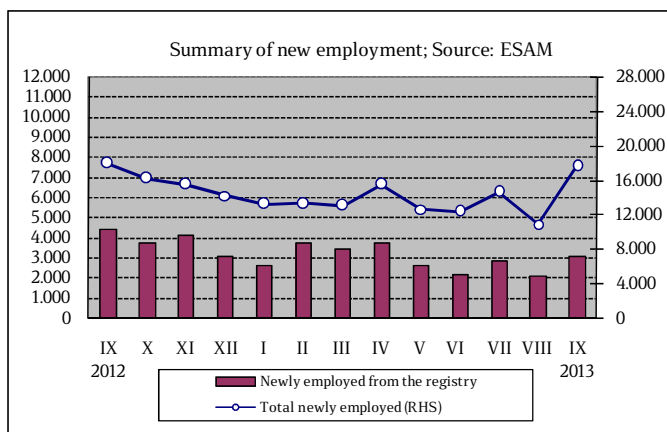
4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM¹

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.

In the period January-September 2013, Employment Agency of the Republic of Macedonia registered total of 122,731 new employments. 45.4% 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 17.7%.

During September, 17,615 new employments were registered, 17.3% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 7,371 persons in September, 40.6% out of which were new employments. In September, 5,677 persons were



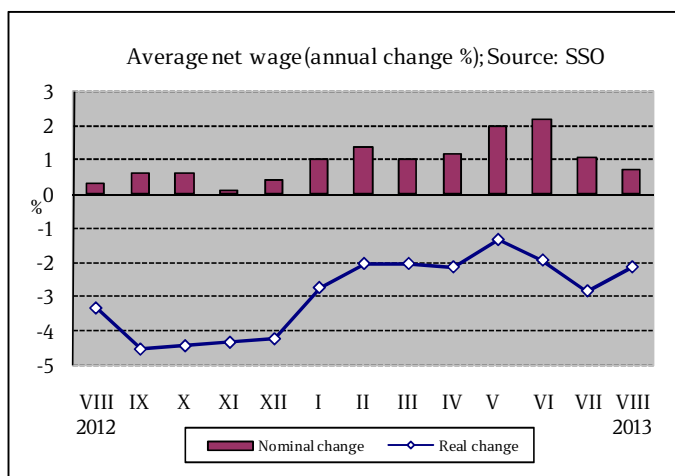
registered as inflow to the Agency, 48.8% out of which were persons whose employment was terminated. Thus, in September 2013, 92,799 persons were registered as unemployed, while number of other unemployed persons accounted for 130,094.

Major percentage of the unemployed, i.e. 73.4%, came from urban areas (cities), whereby 56.2% were men. Analyzed by education structure, major part, i.e. 44.1% of unemployed persons were without education, primary education or incomplete secondary education, 35.1% 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 V of 25-49 years of age. According to the time they waited for a job, 48.6% of the unemployed persons wait for employment from 1 to 7 years, while 19.3% 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 August 2013 amounted to Denar 30,957, while average monthly paid net salary amounted to Denar 21,108.

On monthly basis, in August 2013, average gross salary and net salary increased by 0.5% in



nominal terms, being higher by 0.2% in real terms.

In August 2013 compared to August 2012, average gross salary increased by 0.7% in nominal terms, while it was lower by 2.0% in real terms. Average net salary was higher by 0.7% in nominal terms, decreasing by 2.1% in real terms.

On cumulative basis, in the period January-August 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 2.1% in real terms.

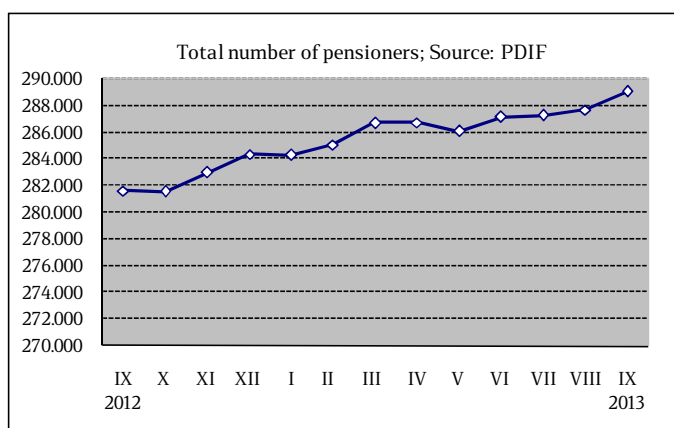
Highest increase of average monthly gross and net salary per employee in August 2013, compared to July 2012, was registered at the following: transport and storage (7.0% gross salary and 6.7% net salary) other services (6.7% gross salary and 6.6% net salary) and mining and quarrying (5.6% gross salary and 6.6% net salary).

Increase of average monthly gross and net salary per employee in August 2013 compared to July 2013, was seen in the activities water supply, removal of wastewater, waste management and environmental rehabilitation activities (4.7% gross salary and 4.9% net salary) and electricity, gas, steam and air-conditioning supply (3.8% gross salary and 4.4% net salary).

Employees who did not receive salary in August 2013 accounted for 1.5%, being lower by 1.0 p.p. compared to the same month in the previous year, being identical compared to July 2013.

Pensions

In September 2013, Pension and Disability Insurance Fund registered 289,055 pensioners, being an increase by 2.6% compared to the same month in 2012. Number of pension beneficiaries increased by 1,349 persons in relation to August 2013. 57.9% out of the total number of pensioners are beneficiaries of old-age pension, 26.6% of survival pension and 15.5% of disability pension.



In September 2013, Denar 3,360.55 million was spent for payment of pensions, accounting for 53.6% of the total social transfers².

Average pension in September 2013 amounted to Denar 11,809, increasing by 5.6% on annual basis. Ratio between the average pension and the average paid salary in August 2013 (the most recent available data) was 54.7%.

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

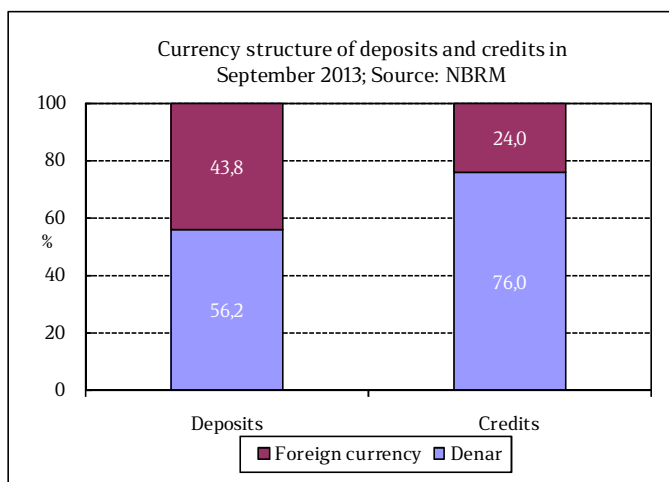
5. Monetary Sector

Primary Money

In September 2013, primary money³ dropped by 1.2% on annual basis (increase by 0.6% last month) as a result of the drop of total liquid assets of banks by 7.1%, while ready money surged by 6.8%.

On monthly basis, primary money dropped by 2.3%, as a result of drop of ready money in circulation by 3.1%. Total liquidity of banks decreased by 1.5%.

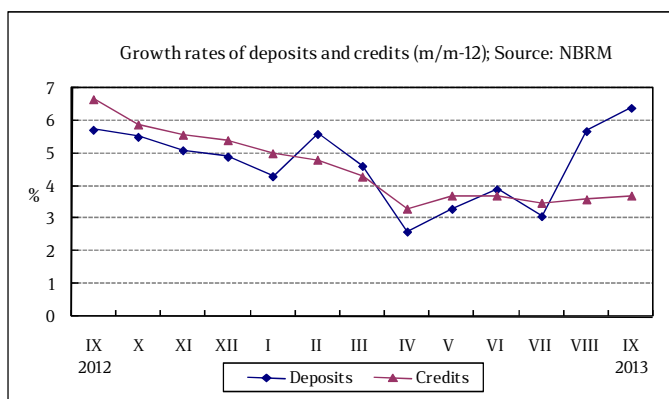
In September 2013, the National Bank of the Republic of Macedonia, in conditions of stable movements, taking into account the expected effects from the carried out monetary loosening decided for the interest rate on CB bills to remain at 3.25%.



Deposit Potential

Total deposit potential of banks⁴ increased by 0.4% in September 2013 on monthly basis, as a result of the increase of deposits of private companies by 0.1% and deposits of household by 0.3%. From currency point of view, Denar deposits surged by 1.3% while foreign currency deposits declined by 0.7%.

On annual basis, total deposits experienced intensified growth of 6.4% in September 2013, compared to the growth of 5.7% in August 2013. From a sector point of view, deposits of households experienced intensified growth of 6.6%, while deposits of enterprises registered annual growth of 4.1% (compared to the 1.4% growth in August).



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

From currency point of view, Denar deposits surged by 10.6% in September 2013, while foreign currency deposits grew by 1.5%. According to maturity, long-term deposits increased by 29.0%, while short-term deposits reduced by 2.6%.

Bank Credits

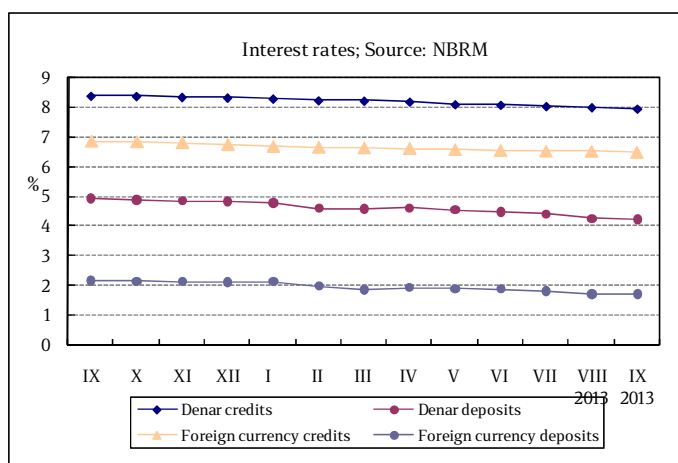
In September 2013, total credits of banks to the private sector surged by 0.3% on monthly basis, as a result of the growth of credits to households by 0.8% and 0.1% drop of credits to private companies. According to currency structure, Denar credits increased by 0.6%, while foreign currency credits dropped by 0.8%.

On annual basis, growth of total credits in September amounted to 3.7%. According to currency, new crediting was fully in domestic currency. In fact, Denar credits surged by 5.6%, while foreign currency credits dropped by 2.0%. Analyzed by sectors, credits to enterprises registered growth of 0.4%, while credits to households surged by 8.1%. As regards maturity, long-term credits increased by 4.5% on annual basis, while short-term credits were lower by 1.6%.

Interest Rates of Deposit Banks

Total interest rate on credits was 7.5% in September 2013, being lower by 0.1 p.p. compared to last month. In relation to the same month in 2012, it was lower by 0.4 p.p.. Interest rate on Denar credits remained the same, accounting for 8%, as same as the interest rate on foreign currency credits, which accounted for 6.5%.

Total interest rate on deposits remained the same on monthly basis, amounting to 2.9%, in conditions of unchanged interest rates on Denar and foreign currency deposits, which amounted to 4.3% and 1.7% respectively.



Foreign Currency Reserves

Gross foreign currency reserves at the end of September 2013 amounted to EUR 2,064.8 million and, compared to the previous month, they were lower by EUR 19.7 million, while compared to September 2012, foreign currency reserves were lower by EUR 38.8 million.

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