



GOVERNMENT OF THE REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

March 2013



May 2013, Skopje

Summary

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

March 2013

- Industrial production surged by 4.2% in March 2013 compared to March 2012 and compared to February 2-13, it surged by 23,7%;
- Inflation rate amounted to 3.1% on annual basis and 0.1% on monthly basis. Average inflation rate in the first three months of 2013 amounted to 3.5%.
- Annual drop of physical output of export in the period January-March 2013 by 19.9% and drop in value by 0.3% and decline of imported quantities of goods by 10.6% and drop in value by 2.5%, resulting in reducing the trade deficit by 7.0% compared to the same period in 2012.
- Lower performance of total budget revenues by 5.9% and increase of total budget expenditures by 13.8% in the first three months in 2013, compared to the same period last year; state budget deficit in the amount of Denar 11,421 million (2.3% of GDP) and central budget deficit in the amount of Denar 10,763 million (2.2% of GDP);
- Increase of both total credits to private sector by 4.3% and total deposit potential of banks by 4.6% on annual basis;

1. Real Sector

Industrial Production

Industrial production surged by 4.2% in March 2013 compared to March 2012. Analyzed by sectors, mining and quarrying increased by 8.2% as a result of the growth in the branches mining of metal ore by 12.6% and mining of coal and lignite by 10.3%. Processing industry surged by 0.9%, while electricity, gas, steam and air-conditioning supply sector increased by 20.6%.

	m/m-12	m/m-1	I-III 2013 I-III 2012
Total	4.2	23.7	2.7
Ore and stone extraction	8.2	21.1	14.0
Processing industry	0.9	27.4	0.4
Electricity, gas and water supply	20.6	9.9	4.9

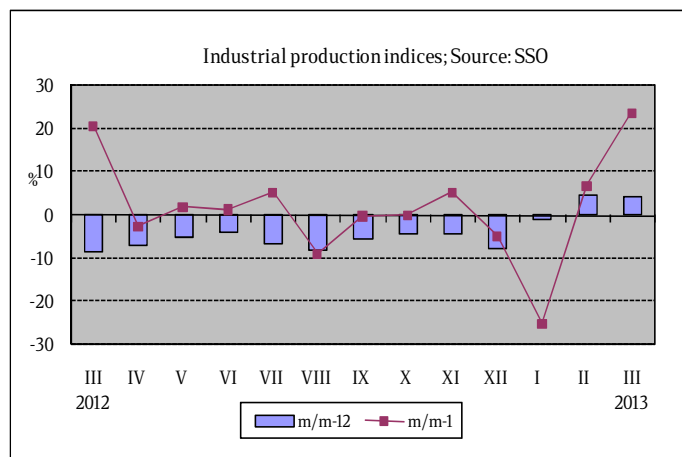
Source: SSO

As for processing industry, positive annual growth was seen at 8 out of the 23 branches, accounting for 37.2% of the industrial production, whereby growth was evidenced at the production of clothing (20.5%) and production of food products (1.5%), as driving branches with two-digit share in the industrial production. High growth was also seen at: Production of tobacco products – 80.6%, production of textile –64.5%, repair and installation of machines and equipment – 53.6%, production of machines and devices, elsewhere unmentioned – 52.5% and production of furniture - 46.4%.

Production of tobacco products (3.6 p.p.) contributed the most to the annual change of industrial production in March 2013, while production of metals had the highest negative contribution (-2.1 p.p.).

Industrial production in March 2013 compared to February 2013 increased by 23.7%.

Sector analysis points out that increase was seen in all sectors, as follows: Processing industry by 27.4%, mining and quarrying by 21.1% and electricity, gas, steam and air conditioning supply by 9.9%. As for the branches with higher share in the industrial production, high growth was seen at the following: Production of tobacco



products – 230.6%, production of other non-metal products – 81.0%, production of machines and devices, elsewhere unmentioned – 60.7%, production of beverages – 51.1%, production of food products – 15.0%, production of basic pharmaceutical products and preparations – 9.4%, production of clothing – 7.5% and production of metals – 3.4%.

On cumulative basis, industrial production, in the period January–March 2013, compared to the same period in 2010, surged by 2.7%. Mining and quarrying sector increased by 14.0%, processing industry surged by 0.4%, while electricity, gas, steam and air-conditioning supply sector increased by 4.9%.

Data on the industrial production by target groups in March 2013, compared to March 2012, show that there was increase in the production at the following groups: Capital goods – 36.1%, consumer durables – 26.9%, energy – 16.2% and consumer non-durables – 13.6%. Production decline was registered at the following group: Intermediary goods, except energy –18.5%.

On monthly basis, data on the industrial production by target groups in March 2013 showed that there was increase in the production at all groups, as follows: Capital goods – 39.0%, consumer non-durables – 32.3%, intermediary goods, except energy – 18.2%, energy – 11.6% and consumer durables – 9.2%.

On cumulative basis in the period January-March 2013 compared to the same period in the previous year, growth was recorded at the following groups: Capital goods – 10.8%, consumer non-durables – 10.0%, consumer durables – 8.9% and energy – 3.8%. Intermediary goods except energy dropped by 8.6%.

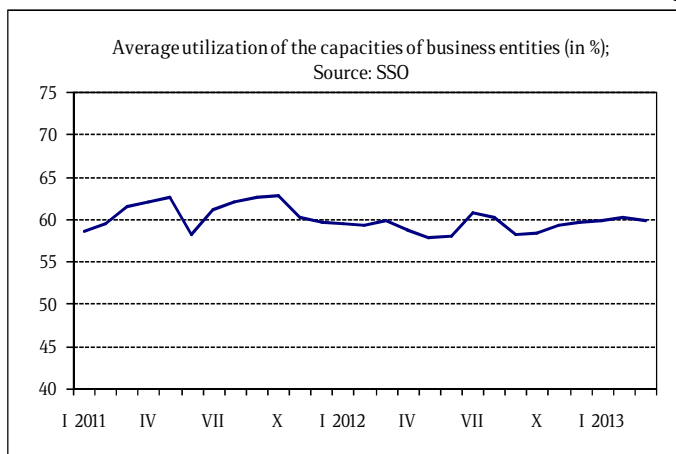
Business Tendencies in the Processing Industry

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

Assessment of current state of delivery-to-production was less favourable compared to the previous month and compared to March 2012. Assessment for the production volume in the past three months was less favourable compared to February 2013. Expectations for the production volume in the next three months are less favourable compared to both the previous month and March 2012.

As regards the number of employees, the expectations in March 2013 for the next three months are less favourable compared to the previous month, as well as compared to March 2012.

Average utilization of the capacities in March 2013 accounted for 59.9%, being decrease compared to the previous month, when it accounted for 60.3%. Compared to March 2012, utilization of the capacities was at the same level.



In March 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. Stock of ready-made products decreased compared to the previous month. 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 decrease.

Following factors limited the most the production volume in March 2013: insufficient foreign demand – 27.6%, insufficient domestic demand – 19.2%, shortage of skilled labour – 10.0%, financial problems – 10.0%, uncertain economic

environment – 8.9%, competitive import – 8.7% and shortage of raw materials – 3.5%.

In March 2013 compared to February 2013, less business entities indicated as limiting factors, the following: insufficient domestic demand, financial problems, shortage of skilled labour, uncertain economic surrounding, while bigger number of business entities pointed out: insufficient foreign demand and competitive import.

Number of Industrial Workers

Number of workers in the industry in March 2013 compared to March 2012 increased by 1.7%.

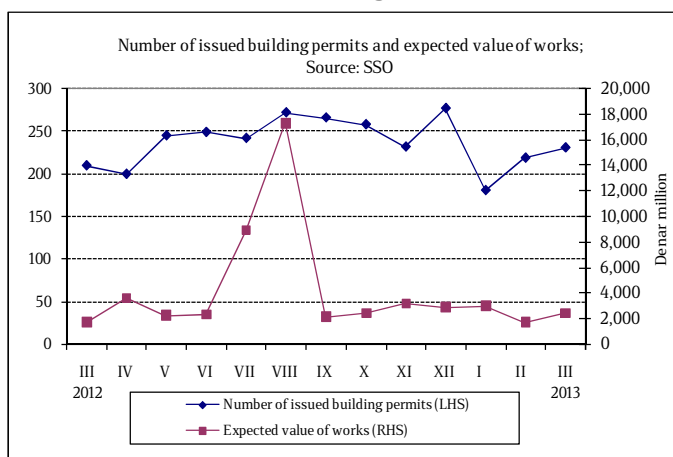
Sector analysis points out to increase of the number of workers in all sectors, as follows: Mining and quarrying by 7.7%, electricity, gas, steam and air-conditioning supply by 1.6% and processing industry by 1.1%.

Data on the number of workers in the industry by target groups in March 2013, compared to March 2012, showed increase in the number of workers at the following groups: Energy by 7.6% consumer non-durables by 2.2%, and consumer durables by 1.4% while reduction of the number of workers was registered in the following groups: Capital goods – 5.3% and intermediary goods, except energy – 0.6%.

Number of Issued Building Permits and Envisaged Value of Facilities

In March 2013, 231 building permits were issued, increasing by 10.0% compared to the same month in 2012. Total number of issued building permits compared to February 2013, when 219 permits were issued, increased by 5.5%.

Envisaged value of the facilities, according to the issued building permits in March amounted to Denar 2,762 million, being by 22.6% less compared to March 2012, while compared to February 2013, the value of the facilities increased by 15.3%.

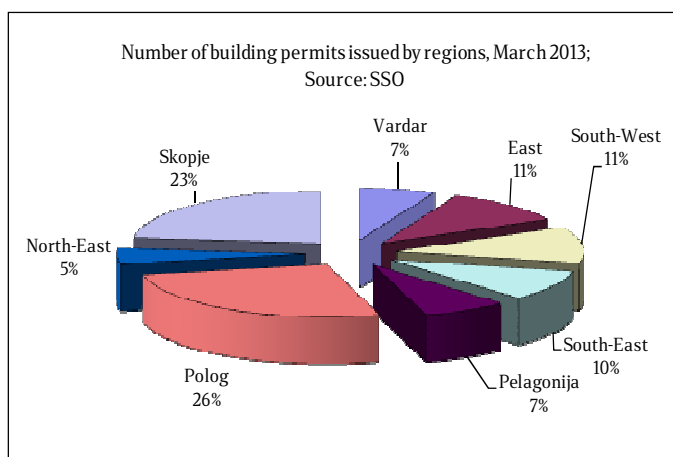


Analyzed by types of facilities, out of the total number of issued building permits, 180 (or 77.9%) are intended for buildings, 14 (or 6.1%) for civil engineering structures and 37 (or 16.0%) for reconstruction.

Analyzed by types of investors, out of total 231 facilities, natural persons were investors in 182 facilities (or 78.8%), while business entities were investors in 49 facilities (or 21.2%).

In March 2013, construction of 589 flats is envisaged, with total usable area of 45,007 m². Number of envisaged flats for construction increased by 15.0% compared to the same month in 2012, increasing by 0.3% compared to February 2013.

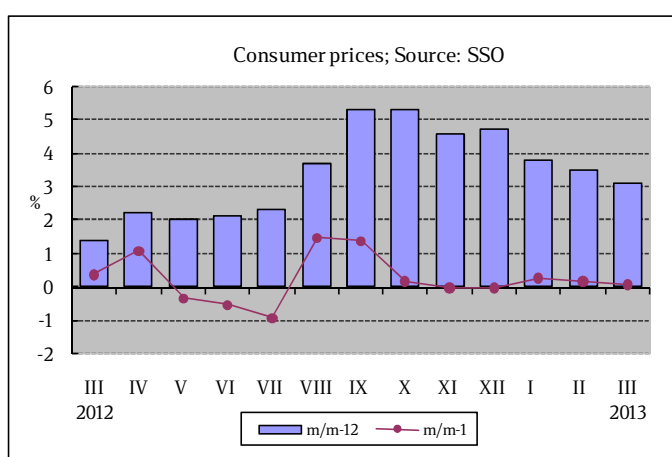
Analyzed by regions, in March 2013, most permits were issued in Polog Region, 61 in total, 59 permits out of which were issued to natural persons as investors, while two permits were issued to business entities as investors. Least permits were issued in the Northeastern region, total of 11 permits all to natural persons. In the period January-March 2013, most permits were issued in the Skopje region, 160 in total, 124 permits out of which were issued to natural persons as investors, while 36 permits were issued to business entities as investors. Vardar region had least issued permits, 35 permits in total, 22 permits out of which were issued to natural persons as investors, while 13 permits were issued to business entities as investors.



Inflation

Annual inflation rate, measured according to the CPI index, amounted to 3.1% in March 2013, by which the downward trend observed in the previous two months, continued. Average inflation rate in the first three months of 2013 amounted to 3.5%.

On annual basis, in March, increase of prices was the highest in the category clothing and footwear by 9.6%, followed by the increase of prices by 5.1% in the category hygiene and health. Reduction of prices was registered in the categories housing - 3.8%, food - 3.2%, tobacco and beverages - 1.6%, culture and entertainment - 1.5% and administrative and financial services - 0.4%. Prices in the category means of transport and services category dropped by 1.8%.



Inflation rate in March compared to the previous month, amounted to 0.1%. Highest increase of prices was seen at the category hygiene and health by 0.6%, being a result of the higher prices for pharmaceuticals by 3.7%. Increase of prices for air transport of passengers by 2.8% and oil derivatives by 1.9% resulted in price

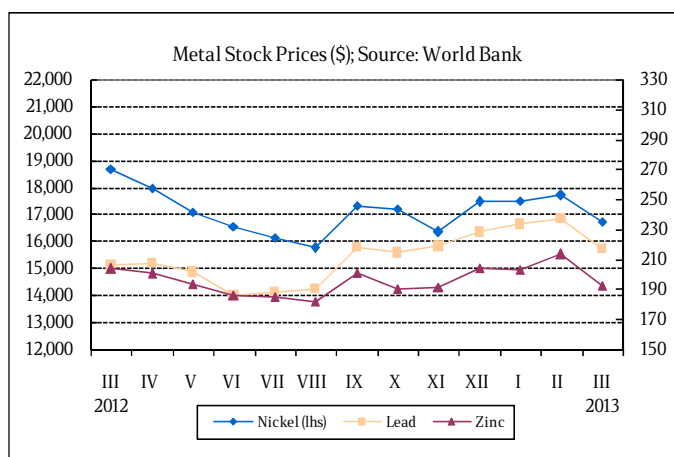
increase in the category means of transport and services by 0.5%. Categories restaurants and hotels and food experienced increase of prices by 0.3%, while the growth amounted to 0.1% in the category culture and entertainment. Prices remained the same in the following categories: tobacco and beverages and administrative and financial services. Drop of prices was seen at the category housing by 0.8% as a result of the reduced price of central heating for the households by 13.8%. Lower prices were also recorded at the category clothing and footwear by 0.7%.

Retail prices in March 2013 were higher by 1% compared to March 2012. Compared to the previous month, retail prices were lower by 0.1%. Average increase of retail prices in the first three months of 2013 amounted to 1.7%.

Stock Market Prices

In March 2013, crude oil price (Brent) on the global stock markets dropped by 6.3%, compared to the previous month, reaching the price of US\$ 109.2 per barrel. Compared to March 2012, oil price was lower by 12.6%. Price of natural gas in March increased by 1.8% 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\$ 16,725 for a metric ton (\$/mt) on the global stock markets in March, being a monthly drop of the price by 5.5%. Compared to March 2012, nickel price was lower by 10.4%. In fact, in March, there was monthly reduction of prices of all metals and iron ore. As for the basic metals, highest monthly decrease was seen in the prices of zinc by 9.5%. Price of lead was



lower by 8.3%, by 7% as regards aluminium, by 5.2%, as for copper and by 3.8% with respect to tin. Price of iron ore registered monthly drop of 9.6% in March. As for precious metals, monthly drop of price of platinum in March amounted to 5.5%, the price of silver was 5.1% while the price of gold amounted to 2.1%.

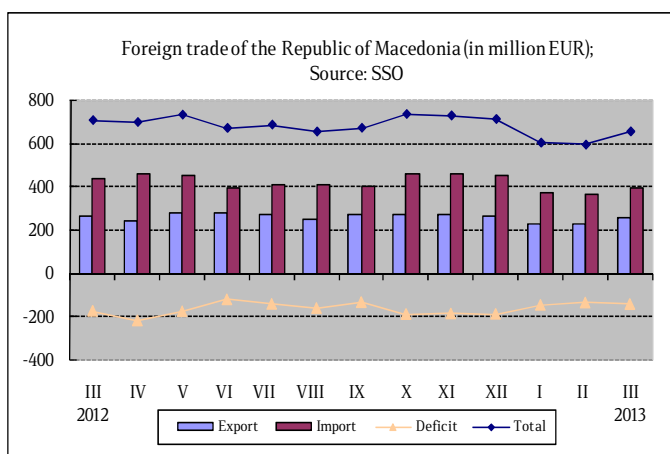
Price of wheat on global stock markets continued to decrease, registering monthly drop of 3% in March.

2. Foreign Trade

In the first three months in 2013, total foreign trade contracted by 1.4% in relation to the same period in 2012.

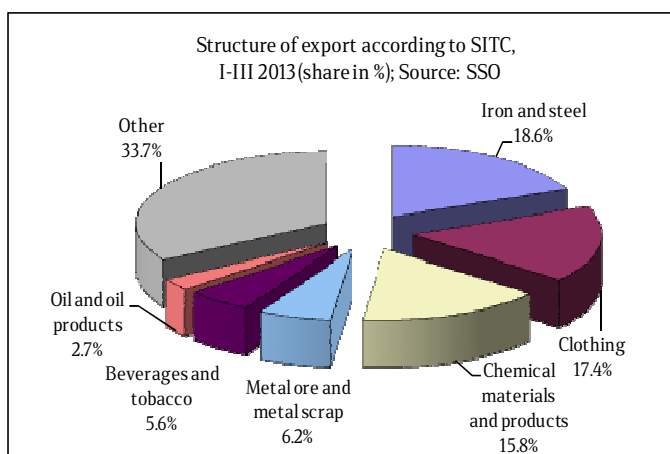
Export

In the period January-March 2013, physical output of export dropped by 19.9% compared to the same period in 2012, while value of exported goods amounted to EUR 718.3 million, surging by 0.3% (EUR 2.5 million) compared to the period January-March 2012.



Analyzed on monthly basis, in March 2013, export increased by 11.7%, compared to the previous month.

Seasonally adjusted trend of export in March 2013 registered monthly growth of 0.7%, pointing out to positive effects of the seasonal factor (11.0 p.p.) on export this month.



Main groups of goods (according to SITC) being most exported in the period

January-March 2013 were the following: iron and steel –18,6%, clothing – 17,4%, chemical materials and products – 15,8%, beverages and tobacco – 5,6%, metal ore and metal scrap – 6,2% and oil and oil products – 2,7%. These six groups of products comprised 66,3% of the total export of the country.

In the first three months of 2013, observed by economic purpose, the following products were most exported: goods for industrial procurement (51.9%), followed by consumer goods (24.1%), products for investments without transport equipment (9.8%), food and beverages 9.6%), fuels and lubricants (2.9%) and transport equipment (1.6%).

Export of iron and steel*)				
	I-III 2012	I-III 2013	Balance 2013-2012	% rate
.000 T	162.4	135.4	-27.0	-16.6
EUR mil.	156.4	133.9	-22.5	-14.4
\$ mil.	205.4	176.7	-28.7	-14.0

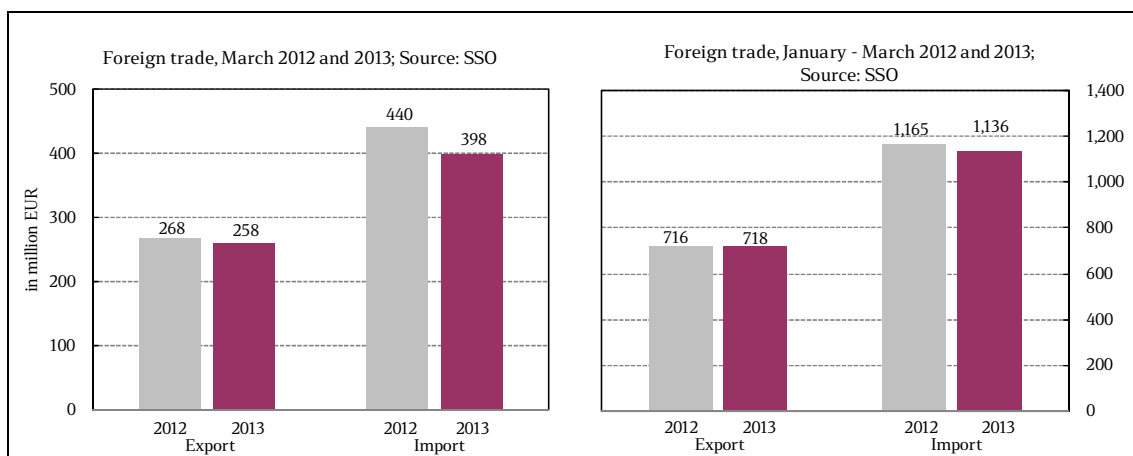
*)Previous data

Import of iron and steel*)				
	I-III 2012	I-III 2013	Balance 2013-2012	% rate
.000 T	105.8	160.0	54.1	51.1
EUR mil.	54.9	75.8	20.9	38.1
\$ mil.	72.0	100.2	28.2	39.1

*)Previous data

Analyzed by tariffs, following products were the most exported: catalysts with precious metals or precious metal compounds as active substance, ferronickel, filtering or purifying machinery and apparatus for other gases by a catalytic

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



Import

Imported quantities of goods in the period January-March 2013 decreased by 10.6%, compared to the period January-March in the previous year, while their value amounted to EUR 1,136.0 million, reducing by 2.5% (EUR 28.9 million) compared to the same period in 2012.

Analyzed on monthly basis, in March 2013, import increased by 9.3%, compared to the previous month.

	I-III 2012	I-III 2013	Balance 2013-2012	% rate
000 T	57.4	35.5	-21.9	-38.1
EUR mil.	43.8	19.5	-24.2	-55.4
\$ mil.	57.5	25.7	-31.8	-55.3

*)Previous data

	I-III 2012	I-III 2013	Balance 2013-2012	% rate
.000 T	292.6	180.6	-112.0	-38.3
EUR mil.	198.7	115.7	-83.0	-41.8
\$ mil.	261.5	152.4	-109.1	-41.7

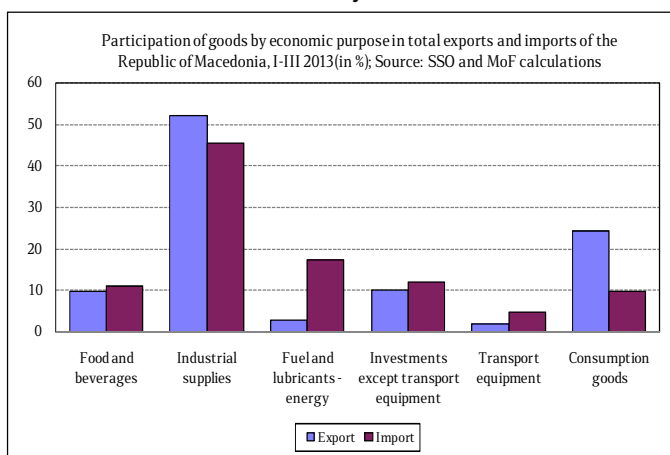
*)Previous data

Seasonally adjusted trend of import in March 2013 dropped by 2.5% on monthly basis, pointing out to positive effects of the seasonal factor (11.8 p.p.) on import this month.

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

In the period January-March 2013, observed by economic purpose, the following products were most exported: goods for industrial

procurement (45.5%), followed by fuels and lubricants (17.3%), investment goods without transport equipment (11.8%), food and beverages (11.0%), consumer goods



(9.7%) and transport equipment (4.7%).

Export of chemical products*)					Import of chemical products*)				
	I-III 2012	I-III 2013	Balance 2013-2012	% rate		I-III 2012	I-III 2013	Balance 2013-2012	% rate
000 T	3.6	1.6	-2.0	-56.8	.000 T	5.3	6.5	1.3	24.0
Мил. ЕУР	102.9	113.3	10.3	10.1	Мил. ЕУР	17.3	19.1	1.8	10.3
Мил.\$	135.2	149.6	14.4	10.6	Мил.\$	22.8	25.2	2.4	10.4

*)Previous data

*)Previous data

Most imported products by tariffs were the following: platinum, unwrought or in powder form; gas oils for other purposes with a sulphur content up to 0.001% by weight; electricity; crude oil; oil gases and other gaseous hydrocarbons; nickel ore and concentrates, palladium: unwrought or in powder form; hot rolled with thickness less than 3 mm, coating means (colours and varnishes), amalgams and similar.

Trade Balance

In the first three months of 2013, trade deficit narrowed by EUR 31.3 million or 7.0% compared to the period January-March last year.

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

It is worth mentioning that starting January 2013, the economic grouping of countries is revised according to the Geonomenclature of EU - Nomenclature of countries and territories for the external trade statistics of the Union and statistics of trade between Member States.

Analyzed according to the economic groups of countries, in the period January-March 2013, compared to the same period in 2012, export surged at the following groups: EU 27 and EFTA, while drop was seen at the following groups: Organization of countries-exporters of oil and oil derivatives, Western Balkans, North American Free Trade Zone, Asia-Pacific Economic Cooperation Organization and Community of Independent States. Export to the EU surged by 12.9% on annual basis, while as for Western Balkan countries, it declined by 15.6%.

In the first three months of 2013, foreign trade of the Republic of Macedonia with the European Union (EU 27), in relation to the same period in the previous year, increased by 7.8%, whereby share of trade with the EU in the total foreign trade showed positive shifts by 5.0 p.p., accounting for 62.5%. Export of goods with the European Union (EU 27) accounted for 72.4% in the total export of the Republic of Macedonia, while import of goods participated with 56.3%.

In the period January- March 2013, 83.0% of the trade deficit of the country was realized in the trade with Great Britain, Russia, China, Greece and Serbia, followed by: Turkey, Switzerland, Slovenia, India, Romania, etc. Surplus was realized in the trade with Germany, Kosovo, Bosnia and Herzegovina and the Netherlands.

Currency Structure

Observed by currency structure, 71.9% of the trade in the period January-March 2013 was realized in euros, and compared to the period January-March 2012, it surged by 3.6 percentage points. On export and import side, euro accounted for 82.7% and 65.1%, respectively, whereby share of the euro in export was higher by 4.7 p.p., while increase of the share of the euro in import accounted for 2.7 p.p. compared to the period January-March 2012.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I-III 2012					I-III 2013					absolute change in currency value	relative change in currency value (in %)
	currency	000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %	000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar		
EUR	613.4	729,290,874	61.5016	44,852,555,644	62.4	659.6	739,002,058	61.6552	45,563,319,656	65.1	9,711,183	1.3
USD	884.5	467,733,848	46.5718	21,783,207,244	30.3	679.1	332,320,305	47.5128	15,789,468,186	22.6	-135,413,543	-29.0
GBP	0.8	58,965,878	73.6944	4,345,454,971	6.0	0.7	117,181,494	71.7134	8,403,483,355	12.0	58,215,616	98.7
EUR+USD+GBP	1,498.7			70,981,217,859	92.7	1,339.4			69,756,271,198	99.7		
tot. import	1,500.8			71,858,782,348	100.0	1,341.6			69,946,521,768	100.0		-2.7

Source: SSO and NBRM

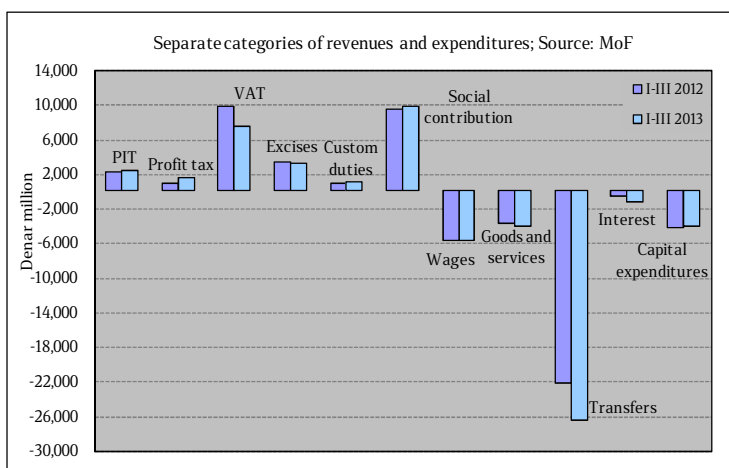
3. Fiscal Sector

Budget Revenues

In the period January-March 2013, total budget revenues reached an amount of Denar 29,929 million, i.e. 6.1% of GDP, which was by 5.9% lower in relation to 2012.

Tax revenues for the first three months were realized in the amount of Denar 16,507 million, i.e. 3.4% of GDP, being lower by 9.4% in relation to the same period in 2012.

Value added tax was realized in the amount of Denar 7,441 million, whereby share of VAT in total tax revenues this month was dominant, amounting to 45.1%. Excises were realized in the amount of Denar 3,168 million (participating with 19.2% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 10,609 million, i.e. 64.3% of



total tax revenues (2.2% of GDP). Thereby, VAT collection amounted to Denar 14,113 million on gross basis, Denar 6,673 million out of which was refunded to taxpayers (gross collection was lower by 3.9%, while VAT refund was higher by 36.5% compared to the same period in 2012).

As for VAT structure, VAT share was the biggest when importing, decreasing by 12.9%, while VAT on the basis of sales in the country increased by 14.2%, share of VAT grants and interest was insignificant (0.8%), observing higher performance by

76.3%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 2,436 million, increasing by 6.0% on annual basis, whereby around $\frac{3}{4}$, i.e. revenues on the basis of salaries account for 68.8% of the personal income tax. Compared to the same months in 2012, profit tax revenues surged by 67.7% amounting to Denar 1,617 million, being mainly a result of the tax collected on the basis of paid dividend and other profit distribution and retained tax paid to foreign legal entities. VAT revenues dropped by 24.1%, while excises decreased, i.e. experienced lower performance by 6.8%. Revenues on the basis of customs duties were realized in the amount of Denar 1,015 million, increasing by 8.9%.

Non-tax revenues amounted to Denar 2,613 million, and in relation to the same period in 2012, they were lower by 6.1% (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 299 million, decreasing by 59.9% compared to the same period in the previous year.

Collection of social contributions amounted to Denar 9,720 million, being higher by 2.9% compared to the same period in 2012, whereby collection of pension insurance contributions increased by 2.5%, collection of employment insurance contribution surged by 2.7%, while health contributions rose by 3.8%.

Budget Expenditures

In the period January-March 2013, total budget expenditures amounted to Denar 41,350 million, i.e. 8.4% of GDP, which was higher by 13.8% compared to 2012.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 37,305 million accounted for 90.2% (7.6% of GDP) and they increased by 16.2% in relation to the same period in 2012.

Transfers amounting to Denar 26,415 million (5.4% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 5,618 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 13.6% and, compared to 2012, they decreased by 1.1%.

Expenditures related to goods and services amounted to Denar 4,109 million, increasing by 9.9% compared to the same period in 2012.

Transfers increased by 19.2% compared to the same period in 2012, participating with 63.9% in the total expenditures. Social transfers amounted to Denar 17,934 million, increasing by 5.4% and participating with 43.4% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 10,958 million, increasing by 8.5%, compared to the same period in 2012. Category other transfers, which includes transfers to local government units, accounted for 20.0% in the total expenditures, i.e. they surged by 67.2% compared to the same period in 2012. Block grants to local government units, amounting to Denar 3,614 million, were higher by 7.7% compared to the first three months in the previous year.

Interest was collected in the amount of Denar 1,163 million, being by 2.2% more times compared to the same period in 2012. Such increase was mainly due to the payment of due interest on the basis of foreign borrowing. Costs related to interest on the basis of domestic borrowing increased by 28.5%, while the ones on the basis of foreign borrowing surged by 3 times.

During the analyzed period, funds for capital expenditures were realized in the amount of Denar 4,045 million (0.8% of GDP).

Budget Balance

In the first three months of 2013, the budget deficit reached the amount of Denar 11,421 million, being 2.3% of GDP, while central budget deficit amounted to Denar 10,763 million or 2.2% of GDP.

4. Social Sector

Salaries

According to the published data from the State Statistical Office, average monthly paid gross salary per employee in February 2013 amounted to Denar 31,644 , while average monthly paid net salary amounted to Denar 20,910.

On monthly basis, in February 2013, average gross salary decreased by 1.4% in nominal terms, while it was lower by 1.6% in real terms. Average net salary was lower by 1.3% in nominal terms, decreasing by 1.5% in real terms.

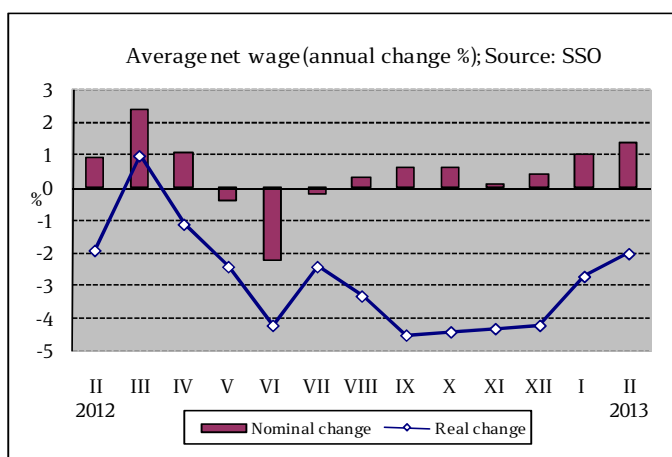
In February 2013 compared to February in 2013, average gross salary increased by 1.3% in nominal terms, while it was lower by 2.1% in real terms. Average net salary was higher by 1.4% in nominal terms, decreasing by 2.0% in real terms.

On cumulative basis, in the period January-February 2013 compared to the same period last year, average gross salary and net salary increased by 1.2% in nominal terms, while they were lower by 2.4% in real terms.

Highest increase of average monthly gross and net salary per employee in February 2013, compared to February 2012, was registered at the following: construction (9.4%

gross salary and 10.6% net salary), information and communications (7.2% gross salary and 7.7% net salary) and transport and storage (6.9% gross salary and 7.0% net salary).

Highest increase of average monthly gross and net salary per employee in February 2013, compared to January 2012, was registered at the following:



information and communications (7.1% gross salary and 8.2% net salary) and transport and storage (3.3% gross salary and 2.6% net salary).

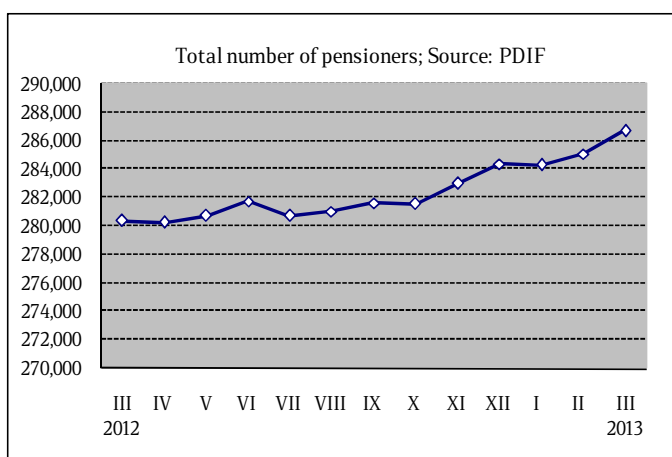
Employees who did not receive salary in February 2013 accounted for 2.3%, being lower by 0.4 p.p. compared to the same month in the previous year, while compared to January 2013, percentage of employees who did not receive salary was higher by 0.3 p.p..

Pensions

In March 2013, Pension and Disability Insurance Fund registered 286,741 pensioners, increasing by 2.3% compared to the same month in 2012. Number of pension beneficiaries increased by 1,626 persons in relation to February 2013. 57.3% out of the total number of pensioners are beneficiaries of old-age pension, 26.9% of survival pension and 15.9% of disability pension.

In March 2013, Denar 3,333.86 million was spent for payment of pensions, accounting for 53.9% of the total social transfers¹.

Average pension in March 2013 amounted to Denar 11.881, increasing by 10.4% on annual basis. Ratio between the average pension and the average paid salary in February 2013 (the most recent available data) was 54.7%.

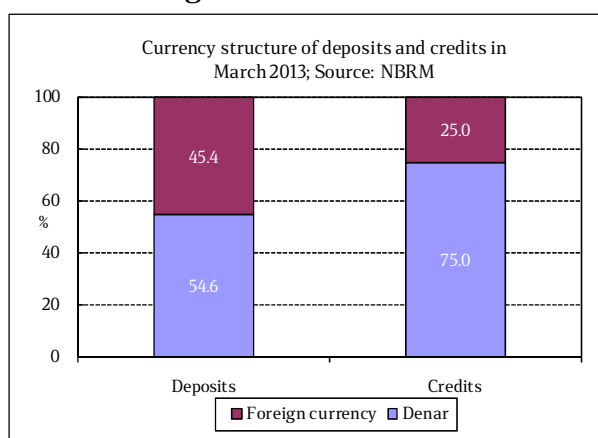


5. Monetary Sector

Primary Money

In March 2013, primary money² showed intensified growth of 13.3% on annual basis (4.8% in the past month), in conditions of intensified increase of both ready money in circulation y 15.8% and total liquid assets of banks by 11.3%.

On monthly basis, primary money increased by 4.3%, as a result of the increase of ready money in circulation by 10.2%. Total liquidity of banks surged by 0.1% compared to



¹ Category social transfers includes pensions, unemployment benefit, social assistance and expenditures for health protection.

² 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).

the previous month.

Taking into account the most recent macroeconomic, market and financial indicators, the National Bank of the Republic of Macedonia decided for the maximum interest rate on central bank bills to be kept at 3.5%.

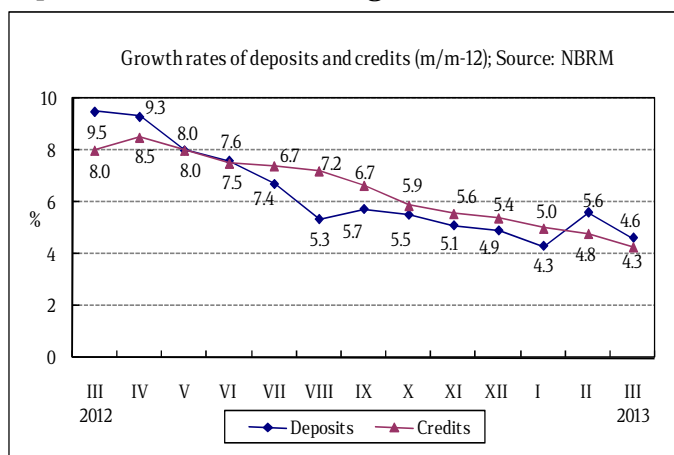
Deposit Potential

Total deposit potential of banks³ in March 2013 dropped by 0.1% on monthly basis, as a result of the decrease of deposits of private enterprises by 4.5%. On the other hand, deposits of households increased by 0.9%. From currency point of view, Denar deposits experienced slowed down growth of 0.2%, while foreign currency deposits decreased by 0.5%.

On annual basis, total deposits experienced slowed down growth of 4.6% in March 2013, compared to the growth of 5.6% in February 2013.

From the point of view of sectors, growth of total deposits was led by deposits of households, experiencing intensified increase by 7.2%, while deposits of enterprises recorded annual drop of 4.6%.

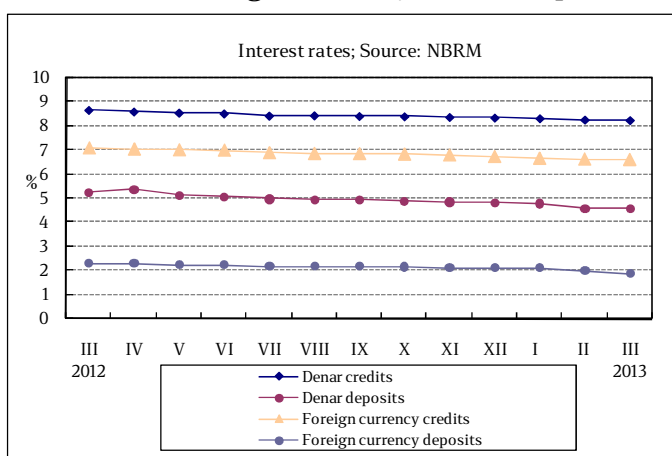
From currency point of view, in March 2013, there was growth of Denar and foreign currency deposits - 8.2% and 0.6% respectively. According to maturity, long-term deposits increased by 28.6%, while short-term deposits reduced by 4%.



Bank Credits

In March 2013, total credits of banks to the private sector were higher by 0.7% on monthly basis. From currency point of view, foreign currency credits experienced intensified growth of 1.5%, while Denar credits surged by 0.4%. Credits to private enterprises increased by 0.7% compared to the previous month, while credits to households were higher by 0.5%.

On annual basis, growth of total credits continued to slow down, accounting for 4.3% in March (compared to 4.8% in February). According to currency, new crediting was fully in domestic currency. In fact, Denar credits surged by 7.8%, while foreign



³ Starting January 2009, deposits include calculated interest

currency credits dropped by 5%. Analyzed according to the sector, credits to enterprises registered growth of 2.4%, while credits to households surged by 6.7%. As regards maturity, long-term credits increased by 1.8% on annual basis, while short-term credits were higher by 3.5%.

Interest Rates of Deposit Banks

In March 2013, total interest rate of credits amounted to 7.8%, as same as in the previous month, while in relation to the same month in 2012, it was lower by 0.4 p.p.. Interest rate on Denar credits remained at 8.2%, while interest rate on foreign currency credits reduced to 6.6% from 6.7% in the past month.

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

Foreign Currency Reserves

Gross foreign currency reserves at the end of March 2013, amounted to EUR 2,230.4 million and, compared to the previous month, they were lower by EUR 13.8 million, while compared to March 2012, foreign currency reserves were higher by EUR 162.5 million.

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Macroeconomic Policy Department

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