



REPUBLIC OF MACEDONIA  
MINISTRY OF FINANCE  
Macroeconomic Policy Department

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# SHORT-TERM ECONOMIC TRENDS

February 2013

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April 2013, Skopje

## SUMMARY

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

February 2013

- Industrial production surged by 4.5% in February 2013 compared to February 2012.
- Inflation rate amounted to 3.5% on annual basis, while compared to the previous month, prices increased by 0.2%.
- Annual drop of physical output of export in the period January-February 2013 by 12.2% and valuable growth of 2.6% and decline of imported quantities of goods by 5.8% and valuable growth of 1.6%, resulting in trade deficit, which remained at the same level compared to the same period in 2012.
- Decrease of total budget revenues by 8.5% and increase of total budget expenditures by 6.4% in the first two months in 2013, compared to the same period last year; state budget deficit in the amount of Denar 6,594 million (1.3% of GDP) and central budget deficit in the amount of Denar 6,281 million (1.2% of GDP);
- Increase of both total credits to private sector by 4.8% and total deposit potential of banks by 5.6% on annual basis;

# 1. Real Sector

## Industrial Production

Industrial production surged by 4.5% in February 2013 compared to February 2012. Analyzed by sectors, mining and quarrying increased by 17.7% as a result of the growth in the branches other mining and quarrying by 155.4% and mining of metal ore by 15%. Processing industry surged by 4.4%, while electricity, gas, steam and air-conditioning supply sector decreased by 3.6%.

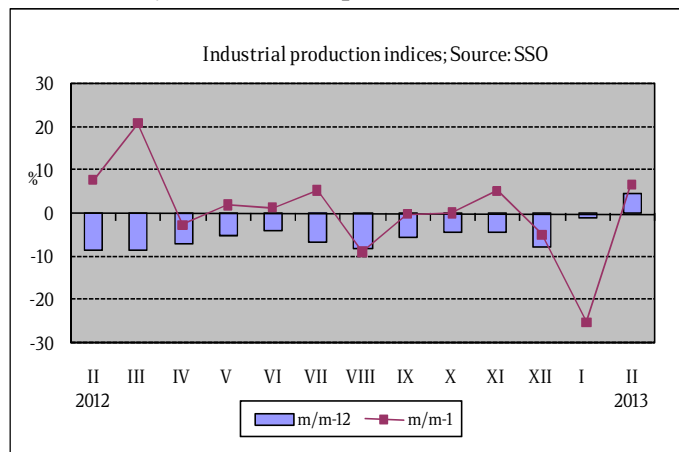
	m/m-12	m/m-1	$\frac{I-II\ 2013}{I-II\ 2012}$
Total	4.5	6.8	1.9
Ore and stone extraction	17.7	-2.7	17.8
Processing industry	4.4	10.6	0.3
Electricity, gas and water supply	-3.6	-0.8	-2.1

Source: SSO

As for processing industry, positive annual growth was seen at 12 out of the 23 branches, accounting for 51.23% of the industrial production, whereby growth was evidenced at the production of clothing (16.9%) and production of food products (4.7%), as driving branches with two-digit share in the industrial production. Significant annual growth was seen at the following branches: Production of tobacco products - 105.7%, production of other non-metal mineral products - 82.7%, production of textile - 47.7%, production of leather - 26.1%, repair and installation of machines and equipment - 19.6%, manufacture of electrical equipment - 19.4%, production of beverages - 18.1% and production of pharmaceutical products and preparations - 12.9%.

Production of tobacco products (4.7 p.p.) contributed the most to the annual change of industrial production in February 2013, while production of metals had the highest negative contribution (-0.8 p.p.).

Industrial production in February 2013 to January 2013 increased by 6.8%. Sector analysis points out to increase in the sector processing industry by 10.6%, while sectors electricity, gas, steam and air-conditioning supply and mining and quarrying dropped by 0.8% and 2.7% respectively.



On cumulative basis, in the period January–February 2013, industrial production surged by 1.9%, compared to the same period in 2012. Mining and quarrying sector increased by 17.8%, processing industry surged by 0.3%, while electricity, gas, steam and air-conditioning supply sector dropped by 2.1%.

Data on the industrial production by target groups in February 2013, compared to February 2012, show that there was increase in the production at the following groups: consumer non-durables - 12.0%, intermediary goods except energy - 7.9%

and consumer durables – 7.2%. Production decline was registered at the following groups: Capital goods by 7.0% and energy by 6.8%.

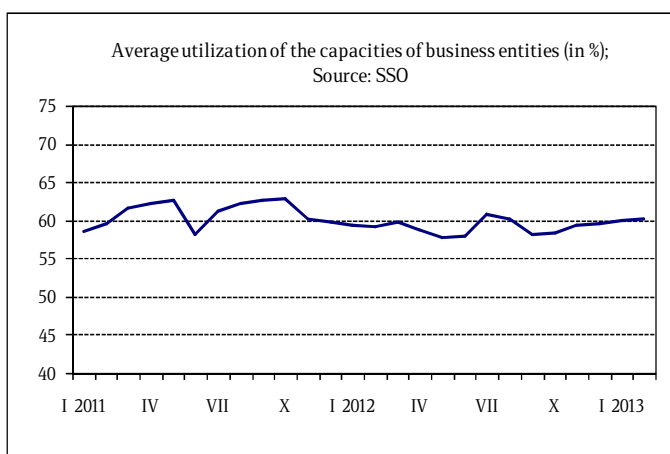
On monthly basis, data on the industrial production by target groups in February 2013 showed that there was increase in the production at the following groups: Consumer durables – 36.7%, intermediary goods, except energy – 12.2%, and consumer non-durables – 11.1%. Production decline was registered at the following groups: Energy – 6.3% and capital goods – 0.2%.

On cumulative basis in the period January-February 2013 compared to the same period in the previous year, growth was recorded at the following groups: Consumer non-durables – 7.6% and consumer durables – 1.4%. Drop of production was seen at the following groups: Energy – 1.9%, capital goods – 1.9% and intermediary goods, except energy – 0.7%.

### **Business Tendencies in the Processing Industry**

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

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



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

Average utilization of capacities in February 2013 accounted for 60.3%, being an increase compared to the previous month, when it accounted for 60.0%. Compared to February 2012, the utilization of the capacities was higher by 1 p.p..

In February 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 February 2012, it was more favourable. 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.

Following factors limited the most the production volume in February 2013: insufficient foreign demand – 25.6%, insufficient domestic demand – 20.2%, shortage of skilled labour – 11.7%, financial problems – 10.7%, uncertain economic environment – 10.6%, competitive import – 6.7% and shortage of raw materials – 3.5%.

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

### Number of Industrial Workers

Number of workers in the industry in February 2013 compared to February 2012 increased by 1.1%.

Sector analysis points out to increase of the number of workers in all sectors, as follows: Mining and quarrying by 8.5%, electricity, gas, steam and air-conditioning supply by 1.7% and processing industry by 0.4%.

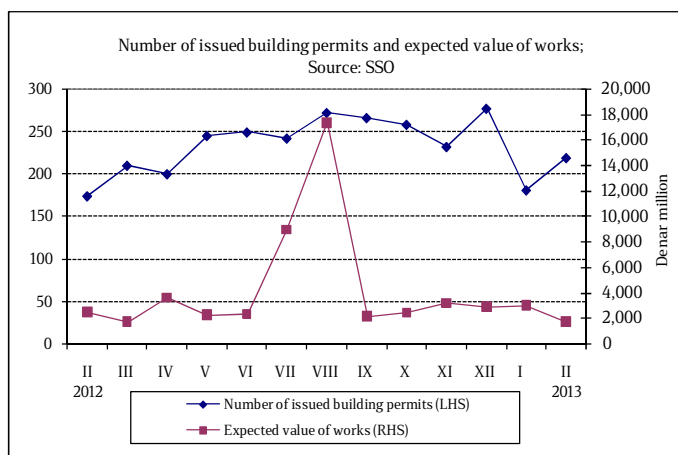
Data on the number of workers in the industry by target groups in February 2013 compared to February 2012 show increase in the number of workers at the following groups: Energy by 7.6% and consumer durables by 3.2% and consumer non-durables by 1.3%, while reduction of the number of workers was registered in the following groups: Capital goods – 6.1% and intermediary goods, except energy – 1.0%.

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

In February 2013, 219 building permits were issued, increasing by 25.9% compared to the same month in 2012. Total number of issued building permits compared to January 2013, when 181 permits were issued, increased by 21.0%.

Envisaged value of the facilities, according to the issued building permits in February amounted to Denar 2,396 million, being by 43.6% more compared to February 2012, while compared to January 2013, the value of the facilities increased by 43.7%.

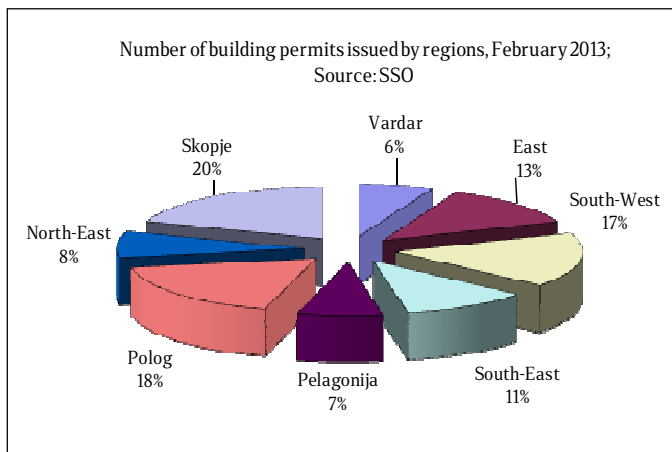
Analyzed by types of facilities, out of the total number of issued building permits, 168 (or 76.7%) are intended for buildings, 16 (or 7.3%) for civil engineering structures and 35 (or 16.0%) for reconstruction.



Analyzed by types of investors, out of total 219 facilities, natural persons were investors in 165 facilities (or 75.3%), while business entities were investors in 54 facilities (or 24.7%).

In February 2013, construction of 587 flats is envisaged, with total usable area of 48,100 m<sup>2</sup>. Number of envisaged flats for construction increased by 32.8% compared to the same month in 2012, increasing by 14.6% compared to January 2013.

Analyzed by regions, in February 2013, most permits were issued in the Skopje region, 43 in total, 36 permits out of which were issued to natural persons as investors, while 7 permits were issued to business entities as investors. Vardar region had least issued permits, 14 permits in total, eight permits out of which were issued to natural persons as investors, while six permits were issued to business entities as investors.

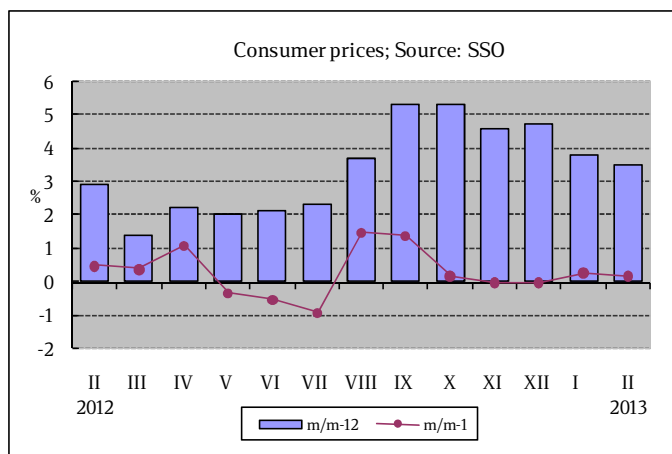


In the period January-February 2013, most permits were issued in the Skopje region, 106 in total, 86 permits out of which were issued to natural persons as investors, while 20 permits were issued to business entities as investors. Vardar region had least issued permits, 20 permits in total, 12 permits out of which were issued to natural persons as investors, while 8 permits were issued to business entities as investors.

## Inflation

Inflation rate, measured according to the CPI index amounted to 3.5% in February 2013 compared to the same month in the previous year.

On annual basis, in February, increase of prices was the highest in the category clothing and footwear by 10.5%, followed by the increase of prices in the category housing by 4.9%, being mainly due to the increase of prices for heating and lighting by 6.6%. Price increase was also registered at the following categories: Hygiene and health



– 4.8%, restaurants and hotels – 3.6%, food – 3.2%, culture and entertainment - 1.8%, tobacco and beverages – 1.6% and administrative and financial services - 0.4%. Prices in the means of transport and services category dropped by 0.5%.

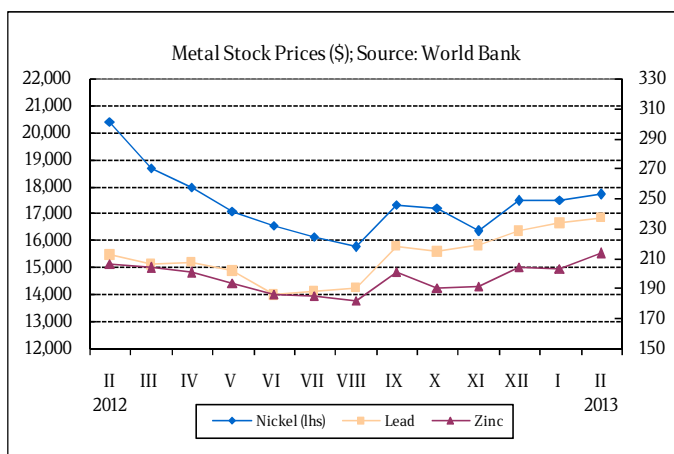
Consumer Price Index in February, compared to the previous month, surged by 0.2%. Thereby, positive monthly growth was seen in the categories hygiene and health by 0.6%, administrative and financial services by 0.4%, food by 0.3%, housing by 0.3%, means of transport and services by 0.2% and restaurants and hotels by 0.1%. Prices in the category tobacco and beverages remained the same, while drop of prices was seen in the categories culture and entertainment by 0.6% and clothing and footwear by 0.1%.

Retail prices in February 2013 were higher by 1.8% compared to February 2012. Compared to the previous month, retail prices were lower by 0.1%.

## Stock Market Prices

In February 2013, crude oil price (Brent) on the global stock markets decreased by 2.7%, compared to February 2012, reaching the price of US\$ 116.5 per barrel. Compared to the previous month, oil price increased by 3.1%. Average price of natural gas in February decreased by 0.1% compared to the previous month.

As regards metal products, nickel, as product with high share in the Macedonian export, was traded at an average price of US\$ 17,690 for a metric ton (\$/mt) on the global stock markets in February, being a monthly price increase by 1.2%. Compared to February 2012, nickel price was lower by 13.3%. In fact, in February, there was monthly price increase of all base metals expect for tin and iron ore. As for the basic metals, highest monthly increase was seen in the prices of zinc by 4.8%.



Price of iron ore registered monthly growth of 2.6% in February. As regards precious metals, monthly price increase was observed at platinum by 2.2%, while prices of gold and silver registered a decline.

Price of wheat on global stock markets in February registered a monthly decrease by 4.9%.

## 2. Foreign Trade

In the first two months in 2013, total foreign trade surged by 2.0% in relation to the same period in 2012.

### Export

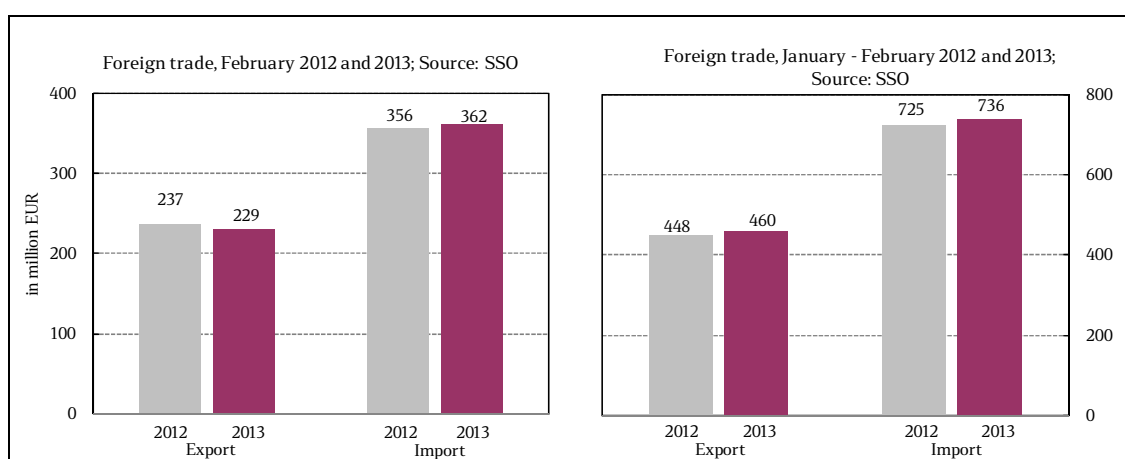
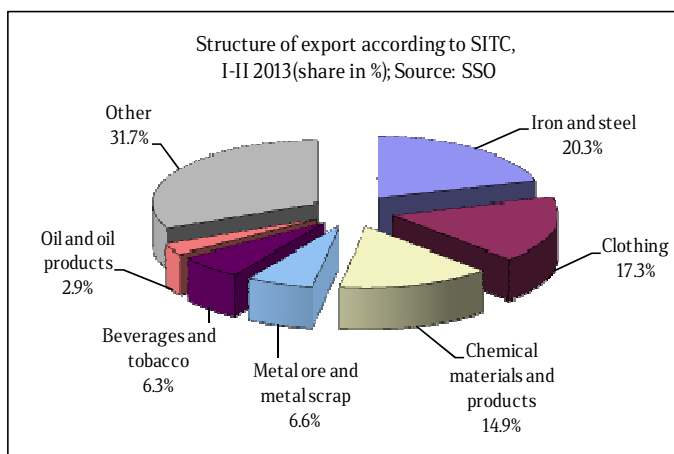
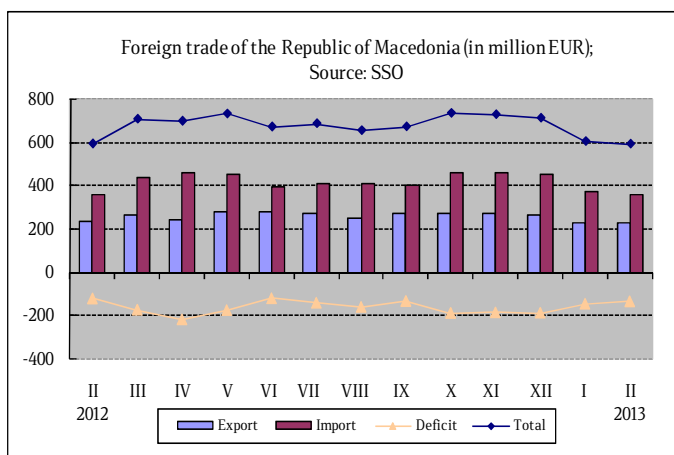
In the period January-February 2013, physical output of export dropped by 12.2% compared to the same period in 2012, while value of exported goods amounted to EUR 495.5 million, surging by 2.6% (EUR 11.5 million) compared to the period January-February 2012.

Analyzed on monthly basis, in February 2013, export decreased by 0.2%, compared to the previous month.

Seasonally adjusted trend of export in February 2013 registered monthly drop by 7.0%, pointing out to positive effects of the seasonal factor (6.7 p.p.) on export this month.

Main groups of goods (according to SITC) being most exported in the period January-February 2013 were the following: iron and steel -20.3%, clothing - 17.3%, chemical materials and products - 14.9%, metal ore and metal scrap - 6.6%, beverages and tobacco - 6.3% and oil and oil products - 2.9%. These six groups of products comprised 68.3% of the total export of the country.

In the first two months of 2013, observed by economic purpose, the following products were most exported: goods for industrial procurement (52.5%), followed by consumer goods (24.2%), food and beverages (9.1%), products for investments without transport equipment (9.1%), fuels and lubricants (3.2%) and transport equipment (1.7%).



Analyzed by tariffs, following products were the most exported: catalysts with precious metals or precious metal compounds as active substance, ferronickel, filtering or purifying machinery and apparatus for other gases by a catalytic process; men's shirts of cotton; cooper ore and concentrates, tobacco; boards, plates, stands, tables, cabinets and others; lead ore and concentrates, hot rolled



flat products of iron or non-alloyed steel of width of 600 mm or more, women's cotton pants, etc.

Export of iron and steel*)				
	I-II 2012	I-II 2013	Balance 2013-2012	% rate
000 T	97.2	89.7	-7.4	-7.7
EUR mil.	99.8	93.2	-6.5	-6.6
\$ mil.	130.7	124.0	-6.6	-5.1

\*)Previous data

Import of iron and steel*)				
	I-II 2012	I-II 2013	Balance 2013-2012	% rate
.000 T	55.6	120.9	65.3	117.3
EUR mil.	29.0	56.0	27.0	93.0
\$ mil.	37.8	74.6	36.8	97.2

\*)Previous data

## Import

Imported quantities of goods in the period January-February 2013 dropped by 5.8%, compared to the same period in the previous year, while their value amounted to EUR 736.3 million, increasing by 1.6% (EUR 11.5 million) compared to the same period in 2012.

Analyzed on monthly basis, in February 2013, import dropped by 3.2%, compared to the previous month.

Seasonally adjusted trend of import in February 2013 dropped by 5.5% on monthly basis, pointing out to positive effects of the seasonal factor (2.3 p.p.) on import this month.

Export of oil and oil products*)				
	I-II 2012	I-II 2013	Balance 2013-2012	% rate
000 T	39.3	22.9	-16.4	-41.7
EUR mil.	29.4	13.5	-16.0	-54.2
\$ mil.	38.6	17.9	-20.7	-53.6

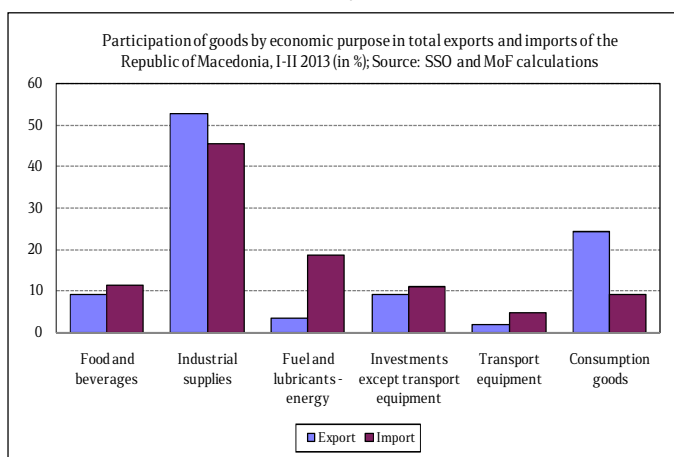
\*)Previous data

Import of oil and oil products*)				
	I-II 2012	I-II 2013	Balance 2013-2012	% rate
.000 T	215.2	110.7	-104.5	-48.6
EUR mil.	141.6	77.1	-64.5	-45.5
\$ mil.	186.1	102.4	-83.6	-44.9

\*)Previous data

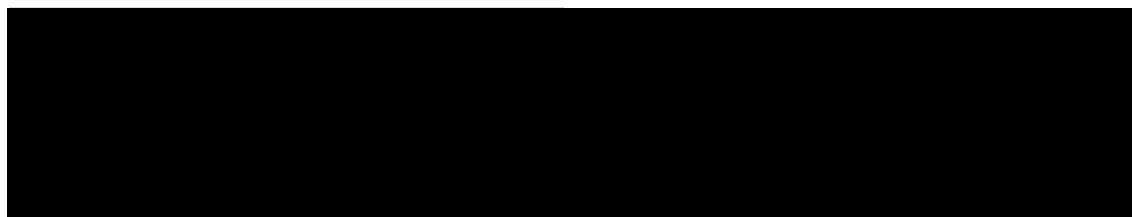
In addition to oil, non-ferrous metals; iron and steel; yarn; fabrics and textile products; electricity; road vehicles; etc., accounted for the most of the import of goods (according to SITC groups) in the period January-February 2013.

In the period January-February 2013, observed by economic purpose, the following products were most exported: goods for industrial procurement (45.4%), followed by fuels and lubricants (18.4%), food and beverages (11.4%), investment goods without transport equipment (11.0%), consumer goods (9.0%) and transport equipment (4.8%).



Most imported products by tariffs were the following: platinum, unwrought or in powder form, crude oil; electricity; gas oils for other purposes with a sulphur content up to 0.001% by weight; electricity; oil gases and other gaseous hydrocarbons; hot rolled with thickness less than 3mm; pharmaceutical, nickel ore

and concentrates, coating means (colours and varnishes) palladium; unwrought or in powder form and similar.



## **Trade Balance**

In the first two months in 2013, the trade deficit remained at the same level in relation to the period January-February last year.

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

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 economic groups of countries, in the period January-February 2013, compared to the same period in 2012, export surged at the following groups: EU 27, EFTA and Community of Independent States, while drop was recorded at the following groups: Organization of countries-exporters of oil and oil derivatives, Western Balkans, North American Free Trade Zone and Asia-Pacific Economic Cooperation Organization. Export to the EU surged by 15.9% on annual basis, while as for Western Balkan countries, it declined by 8.8%.

In the first two months of 2013, foreign trade of the Republic of with the European Union (EU 27), in relation to the same period in the previous year, increased by 13.2%, whereby share of trade with EU in the total foreign trade showed positive shifts by 5.0 p.p., accounting for 61.3%. Export of goods with the European Union (EU 27) accounted for 71.8% in the total export of the Republic of Macedonia, while import of goods participated with 54.7%.

In the period January- February 2013, 84.7% of the trade deficit of the country was realized in the trade with Great Britain, Russia, China, Serbia and Turkey followed by: Greece, Switzerland, Ukraine, India, Romania, Slovenia, etc. Surplus was realized in the trade with Germany, Kosovo and the Netherlands.

## **Currency Structure**

Observed by currency structure, 70.2% of the trade in the period January-February 2013 was realized in euros, and compared to the period January-February 2012, it surged by 3.8 percentage points. On export and import side, euro accounted for 80.2% and 64.0%, respectively, whereby share of the euro in export was higher by

4.0 p.p., while increase of the share of the euro in import accounted for 3.7 p.p. compared to the period January-February 2012.

Foreign trade of the Republic of Macedonia (by currency ); calculations: MoF												
import	I-II 2012					I-II 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	345.8	439,472,713	61.5024	27,028,626,592	60.3	406.4	473,013,689	61.5996	29,137,454,014	64.0	33,540,975	7.6
USD	547.6	306,753,021	46.5380	14,275,672,102	31.9	434.9	217,123,042	46.0427	9,996,931,079	22.0	-89,629,979	-29.2
GBP	0.4	38,245,245	73.5147	2,811,587,733	6.3	0.5	82,429,769	71.5578	5,898,492,911	13.0	44,184,524	115.5
EUR+USD+GBP	893.8			44,115,886,427	92.2	841.9			45,032,878,003	99.0		
tot. import	895.0			44,792,264,631	100.0	843.2			45,503,824,824	100.0		1.6

Source: SSO and NBRM

### 3. Fiscal Sector

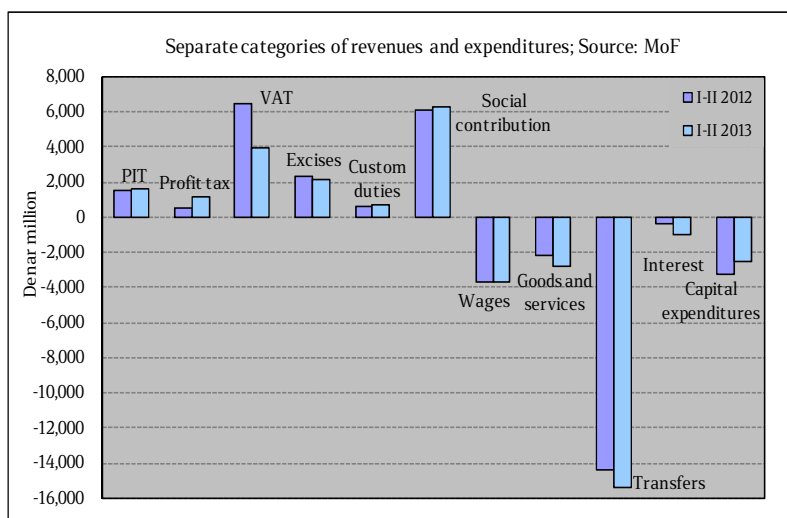
#### Budget Revenues

In January and February 2013, total budget revenues reached an amount of Denar 18,928 million, i.e. 3.8% of GDP, which was by 8.5% lower in relation to 2012.

Tax revenues for the first two months were realized in the amount of Denar 9,963 million, i.e. 2.0% of GDP, being lower by 15.9% in relation to the same period in 2012.

Value added tax was realized in the amount of Denar 3,928 million, whereby share of VAT in total tax revenues this month was dominant, amounting to 39.4%. Excises were realized in the amount of Denar 2,139 million (participating with 21.5% in the tax revenues). Hence, revenues realized on the basis of these two

taxes amounted to Denar 6,067 million, i.e. 60.9% of total tax revenues (1.2% of GDP). Thereby, VAT collection amounted to Denar 9,820 million on gross basis, Denar 5,892 million out of which was refunded to taxpayers (gross collection was higher by 1.7%, while VAT



refund was higher by 81.2% compared to the same period in 2012). What is worth mentioning is that compared to the data on the same period, gross collection was higher compared to both 2010 and 2011, and the VAT refund was also much higher.

As for VAT structure, VAT share was the biggest when importing, decreasing by 5.7%, while VAT on the basis of sales in the country surged by 13.7%, share of VAT grants and interest was insignificant (0.6%) and is registering higher performance of VAT on the basis of grants by twice. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 1,533 million, increasing by 4.4% on annual basis, whereby around  $\frac{3}{4}$ , i.e. revenues

on the basis of salaries account for 70.7% of the personal income tax. Compared to the same month in 2012, profit tax revenues increased by 2,5 times, 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 38.7%, while excises decreased, i.e. lower performance by 8.3%. Revenues on the basis of customs duties were realized in the amount of Denar 657 million, increasing by 8.2%.

Non-tax revenues amounted to Denar 1,883 million, and in relation to the same period in 2012, they were higher by 0.9% (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 237 million, decreasing by 58.8% compared to the same period in the previous year.

Collection of social contributions amounted to Denar 6,256 million, being higher by 3.5% compared to the same period in 2012, whereby collection of pension insurance contributions increased by 3.2%, collection of employment insurance contribution surged by 3.5%, while health contributions rose by 4.2%.

### **Budget Expenditures**

In January and February 2013, total budget expenditures amounted to Denar 25,522 million, i.e. 5.1% of GDP, which was higher by 6.4% compared to 2012.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 22,967 million accounted for 90.0% (4.6% of GDP) and they increased by 10.7% in relation to the same period in 2012.

Transfers amounting to Denar 15,374 million (3.1% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar 3,733 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 14.6% and, compared to 2012, they decreased by 0.9%.

Expenditures related to goods and services amounted to Denar 2,804 million, increasing by 27.6% compared to the same period in 2012.

Transfers increased by 6.8% compared to the same period in 2012, participating with 60.2% in the total expenditures. Social transfers amounted to Denar 11,755 million, increasing by 4.4% and participating with 46.1% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 7,271 million, increasing by 8.0%, compared to the same period in 2012 and accounting for 28.5% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 13.6% in the total expenditures, i.e. they surged by 15.5% compared to the same period in 2012. Block grants to local government units amounting to Denar 2,410 million were higher by 11.7% on annual basis. Subsidies and transfers were higher by 29.4%.

Interest was collected in the amount of Denar 1,056 million, being by three times more compared to the same period in 2012. Such increase was mainly due to the payment of due interest on the basis of foreign borrowing. Costs related to interest on the basis of domestic borrowing increased by 35.1%, while the ones on the basis of foreign borrowing surged by almost 4 times.

During the analyzed period, funds for capital expenditures were realized in the amount of Denar 2,555 million, participating with 10.0% in the total expenditures. (0.5% of GDP).

## Budget Balance

In February 2013, the budget deficit reached the amount of Denar 6,594 million, being 1.3% of GDP, while central budget deficit amounted to Denar 6,281 million or 1.2% of GDP.

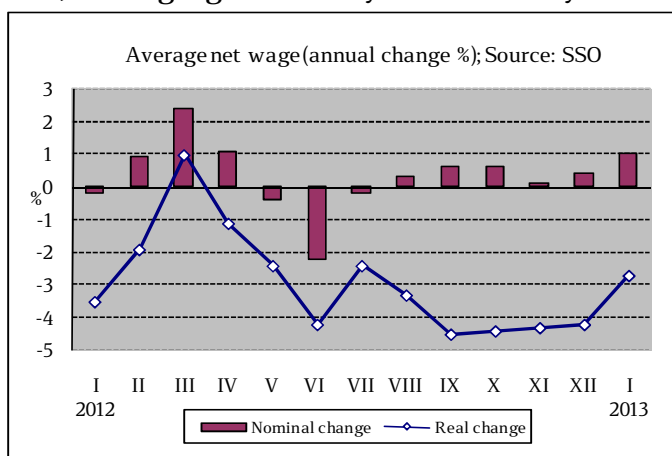
## 4. Social Sector

### Salaries

According to the data from the State Statistical Office, average monthly paid gross salary per employee in January 2013 amounted to Denar 31,090, while average monthly paid net salary amounted to Denar 21,185.

On monthly basis, in January 2013, average gross salary decreased by 1.2% in nominal terms, while it was lower by 1.5% in real terms. Average net salary was lower by 1.3% in nominal terms, decreasing by 1.6% in real terms.

In January 2013 compared to January 2012, average gross salary and net salary increased by 1.0% in nominal terms, while they were lower by 2.7% in real terms.



Highest increase of average monthly gross and net salary per employee in January 2013, compared to January 2012, was registered at the following: mining and quarrying (11.6% gross salary and 10.3% net salary) other services (9.0% gross salary and 8.8% net salary) and construction (6.2% gross salary and 6.9% net salary).

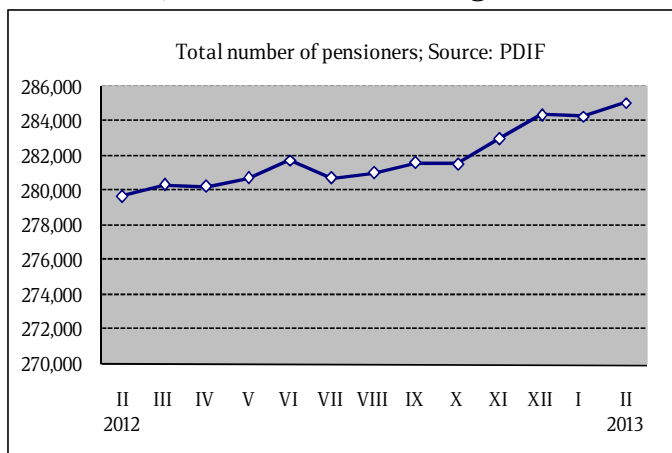
Highest increase of average monthly gross and net salary per employee in January 2013, compared to December 2012, was registered at the following: mining and quarrying (11.6% gross salary and 10.3% net salary) construction (6.2% gross salary and 6.9% net salary) and other services (9.0% gross salary and 8.8% net salary).

Employees who did not receive salary in January 2013 accounted for 2.0%, being lower by 0.3 p.p. compared to the same month in the previous year, while

compared to December 2012, percentage of employees who did not receive salary was lower by 0.1 p.p..

## Pensions

In February 2013, Pension and Disability Insurance Fund registered 285,115 pensioners, increasing by 1.9% compared to the same month in 2012. Number of pension beneficiaries increased by 776 persons in relation to January 2013. 57.1% out of the total number of pensioners are beneficiaries of old-age pension, 27% of survival pension and 15.9% of disability pension.



In February 2013, Denar 3,216.19 million was spent for payment of pensions, accounting for 55% of the total social transfers<sup>1</sup>.

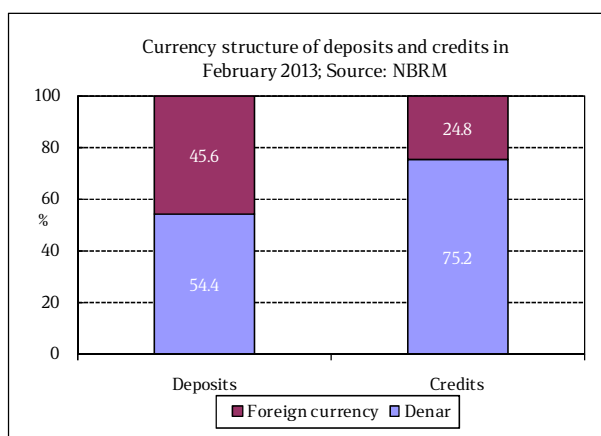
Average pension in February 2013 amounted to Denar 11,448, increasing by 7.9% on annual basis. Ratio between the average pension and the average paid salary in January 2013 (the most recent available data) was 52.3%.

## 5. Monetary Sector

### Primary Money

In February 2013, primary money<sup>2</sup> showed intensified growth of 4.8% on annual basis (4.6% in the past month), in conditions of intensified increase of total liquid assets of banks by 6.4%. Ready money in circulation increased by 2.6% on annual basis.

On monthly basis, primary money dropped by 0.9% as a result of the drop of total liquidity of banks by 1.6%. Ready money in circulation increased by 0.1%.



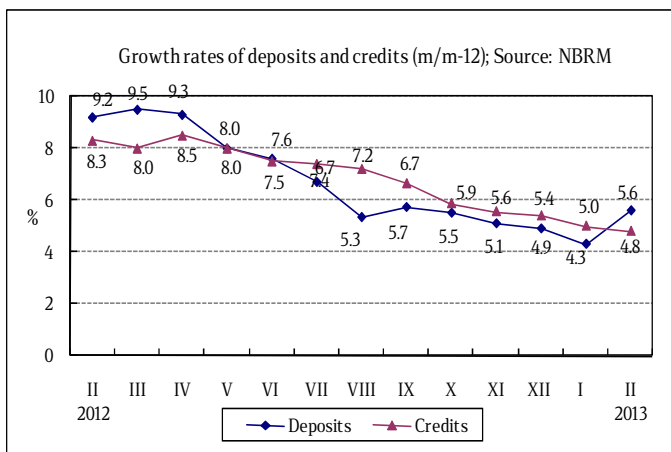
In February 2013, taking into account the most recent macroeconomic, market and financial indicators, the National Bank of the Republic of Macedonia decided for the maximum interest rate on central bank bills to be kept at 3.5%.

<sup>1</sup> Category social transfers includes 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).

## Deposit Potential

Total deposit potential of banks<sup>3</sup> in February 2013 surged by 1.6% on monthly basis, predominantly led by increase of deposits of households. Analyzed by sectors, deposits of households increased by 0.8%, while deposits of private enterprises experienced high monthly growth of 4.1% following the drop of 1.4% registered in the last month. According to currency, Denar deposits surged by 1.7% on monthly basis, while foreign currency deposits surged by 1.4%.



On annual basis, total deposits experienced intensified growth of 5.6% in February 2013, compared to 4.3% in January 2013. Growth was led by deposits of households, increasing by 6.6%, while deposits of enterprises recorded annual drop of 2.3%, thus interrupting the downward trend in the past seven months.

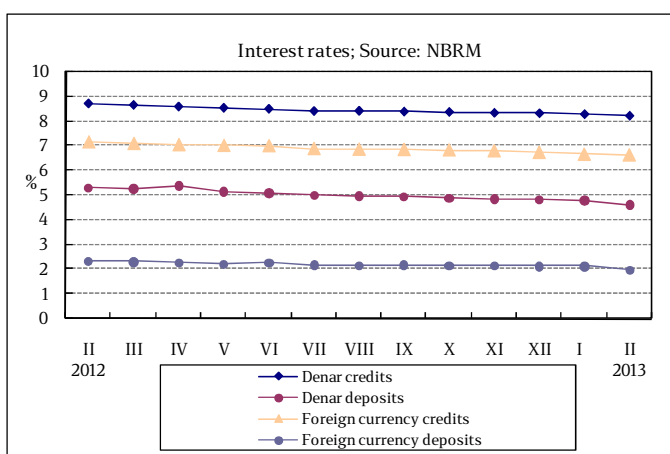
From currency point of view, following the continuous drop in the past eight months, in February 2013, there was growth of foreign currency deposits of 1.4%, thus contributing with 12% to total deposit potential. Domestic currency deposits had dominant contribution, increasing by 9.4%. According to maturity, long-term deposits increased by 30.3%, while short-term deposits reduced by 2.7%.

## Bank Credits

In February 2013, total credits of banks to the private sector increased by 0.1% on monthly basis. According to the currency structure, foreign currency credits increased by 0.1%, while Denar credits remained the same.

Credits to private enterprises remained the same compared to the previous month, while credits to households were higher by 0.2%.

On annual basis, growth of total credits slowed down to 4.8% (compared to 5.0% in January). According to currency, new crediting was fully in domestic currency. In fact, Denar credits surged by 8.7%, while foreign currency credits dropped by 5.7%. Analyzed according to the sector, credits to enterprises registered growth of 3.0%, while credits to



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

households surged by 7.0%. As regards maturity, long-term credits increased by 2.6% on annual basis, while short-term credits were higher by 2.4%.

### **Interest Rates of Deposit Banks**

In February 2013, total interest rate on credits was kept at 7.8%. Interest rate on Denar credits reduced to 8.2% from 8.3% last months, while interest rate on foreign currency credits were kept at 6.7%.

Total interest rate on deposits reduced to 3.1% from 3.3% last month, during simultaneous reduction of interest rates on Denar and foreign exchange deposits, i.e. to 4.6% (from 4.8% in January 2013) on Denar deposits and to 2.0% (from 2.1% in January 2013) on foreign exchange deposits.

### **Foreign Currency Reserves**

Gross foreign currency reserves at the end of February 2013 amounted to EUR 2,244.2 million and, compared to the previous month, they were lower by EUR 19.2 million, while compared to February 2012, foreign currency reserves were higher by EUR 182.4 million.



**Ministry of Finance**

**Macroeconomic Policy Department**

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