



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

September 2012



November 2012, Skopje

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

September 2012

- Industrial production in September 2012 experienced minimum drop of 0.1% compared to August 2012;
- Inflation rate amounted to 5.3% on annual basis and 1.4% on monthly basis; Average inflation rate in the first nine months of 2012 amounted to 2.8%;
- Annual drop of physical output of export in the period January-September 2012 by 13.5% and drop in value by 3.5% and decrease of imported quantities of goods by 0.1% and drop in value by 1.9%, resulting in increase in the trade deficit by 0.9% compared to the same period in 2011.
- Higher performance of total budget revenues by 0.5% and increased performance of total budget expenditures by 2.8% in the period January-September 2012, compared to the same period last year; State budget deficit in the amount of Denar 12,025 million (2.47% of GDP) and central budget deficit in the amount of Denar 10,427 million (2.14% of GDP);
- Increase of total credits both to private sector by 6.7% and total deposit potential of banks by 5.7% on annual basis;
- Drop in the number of registered unemployed persons by 15.9% in September 2012 compared to the same month last year.

1. Real Sector

Industrial Production

Industrial production in September 2012 experienced minimum drop of 0.1% compared to August 2012. Sector analysis points out increase in the sectors processing industry by 2.5% and mining and quarrying by 0.3%, while the sector electricity, gas, steam and air-conditioning supply dropped by 21.6%. De-seasoned monthly growth of industrial production in September 2012 was -0.4%, pointing out to positive seasonal effects in the industry.

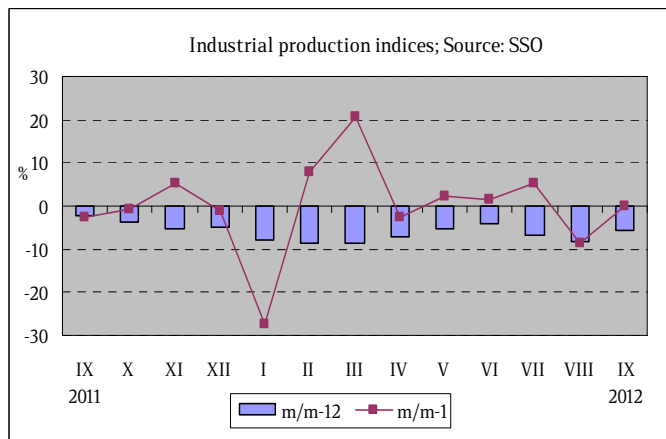
	m/m-12	m/m-1	I-IX 2012 I-IX 2011
Total	-5.6	-0.1	-6.9
Ore and stone extraction	3.3	0.3	-4.2
Processing industry	-6.8	2.5	-7.0
Electricity, gas and water supply	3.1	-21.6	-6.9

Source: SSO

Significant monthly growth was seen at the following branches: production of textile 40.5%, production of paper and paper products 27.6%, production of chemicals and chemical products 23.7%, production of food products 17.7%, production of basic pharmaceutical products and preparations 15.4%, production of furniture 13.3%, production of rubber products and plastic mass products 11.3% and production of clothing 9.5%.

Industrial production dropped by 5.6% in September 2012 compared to September 2011. Analyzed by sectors, mining and quarrying sector increased by 3.3%, electricity, gas, steam and air-conditioning supply sector surged by 3.1%, while processing industry sector dropped by 6.8%.

As for processing industry, annual positive growth was registered at 7 out of 23 branches, comprising 22.82% of the industrial production. Growth was seen at one of the tree driving branches with double-digit share in the industrial production. Thus, production of food products significantly increased by 12.4%. Production of metals dropped by 2.0% and production of clothing declined by 13.2%



High increase on annual basis was registered at production of fabricated metal products except for machines and equipment by 143.1%, production of rubber products and plastic mass products by 27.9% and production of basic pharmaceutical products and pharmaceutical preparations by 24.8%.

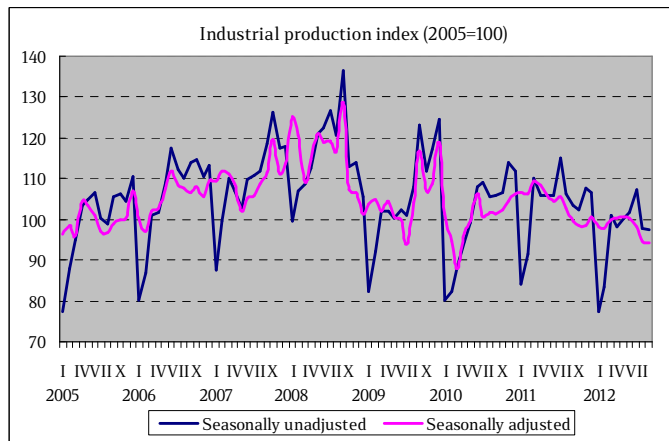
Production of fabricated metal products, except for machines and equipment (4.7 p.p.) contributed the most to the annual increase in industrial production in September 2012, while production of coke and refined petroleum products (-4.4 p.p.) had the highest negative contribution.

On cumulative basis, in the period January–September 2012, industrial production surged by 6.9%, compared to the same period in 2011. Processing industry dropped

by 7.0%, electricity, gas, steam and air-conditioning supply declined by 6.9%, while mining and quarrying decreased by 4.2%.

Data on industrial production by target groups in September 2012, compared to September 2011, show that there was increase in the production at the following groups: Capital goods by 19.6% and energy by 1.0%/ Production decline was registered at the following groups: consumer non-durables – 14.7%, consumer durables – 3.5% and intermediary goods except energy – 1.8%.

On monthly basis, data on the industrial production by target groups in September 2012 showed that there was increase in the production at the following groups: Capital goods –21.6%, consumer non-durables – 1.9% and consumer durables – 1.2%. Drop of production was seen in the following groups: Energy – 18.3% and intermediary goods, except energy –0.7%.



On cumulative basis in the first nine months of 2012 compared to the same period in the previous year, all groups registered drop of production, as follows: Consumer durables – 40.2%, energy – 19.3%, consumer non-durables – 3.2%, capital goods - 1.9%, and intermediary goods, except energy – 1.6%.

Business Trends in Processing Industry

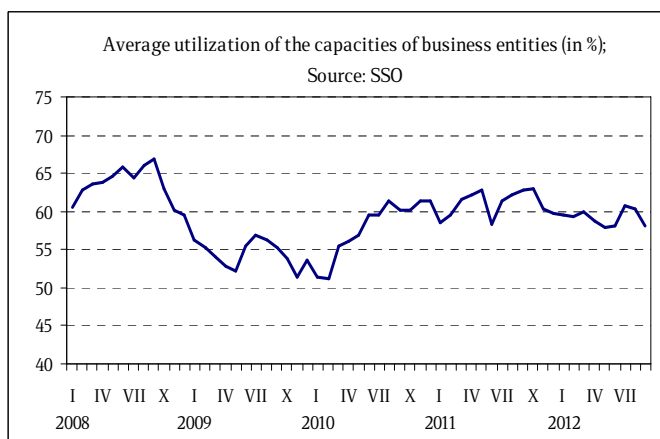
According to the assesment of the managers of business entities, current economic trends of business entities in September 2012 were less favourable compared to both the previous month and September 2011.

Assessment of current state of delivery-to-production was less favourable compared to the previous month and compared to September 2011. Assessment for the production volume in the past three months was less favourable compared to August 2012, as well as compared to September 2011. Expectations for the production volume in the next three months are less favourable compared to both the previous month and September 2011.

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

Average utilization of the capacities in September 2012 accounted for 58.2%, being decrease compared to the previous month, when it accounted for 60.3%. Compared to September 2011, utilization of the capacities was lower by 4.5 p.p..

Stocks of raw materials and intermediate goods, as well as on-going procurement of raw materials and intermediate goods, were below and around the average. Assessment for the current stock of ready-made products was less favourable compared to the previous month and compared to September 2011. In the next 3-month period, according to the assessment of managers, average purchase prices of inputs, as well as the selling prices of ready-made products are expected to decrease.

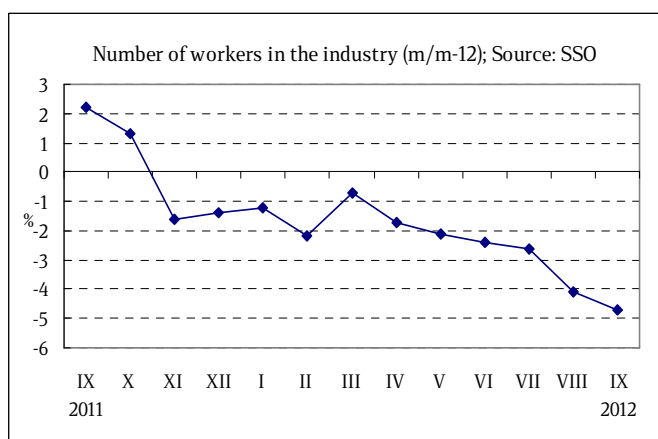


Following factors limited the most the production volume in September 2012: insufficient foreign demand -24.0%, insufficient domestic demand -19.0%, financial problems -14.8%, uncertain economic surrounding -8.8%, lack of qualified labour force -7.9% and competitive import -7.4%.

In September 2012, lower number of business entities pointed out the lack of qualified labour force, lack of energy, lack of raw materials and financial problems, while bigger number of business entities pointed out the lack of qualified foreign demand and insufficient domestic demand as limiting factor compared to August 2012. As regards other factors, there are no significant changes.

Number of Workers in the Industry

Number of workers in the industry in September 2012, compared to September 2012, decreased by 4.7%. Sector analysis points out to increase in the number of workers in the sectors electricity, gas, steam and air-conditioning supply by 1.7% and mining and quarrying by 0.5%, while processing industry registered reduction of the number of workers by 5.7% on annual basis.



Data on the number of workers in the industry by target groups in September 2012 compared to September 2011 show increase in the number or workers at group energy by 1.1%, while reduction of the number of workers was seen at the following groups: Capital goods - 11.3%, consumer durables - 9.2%, consumer non-durables - 6.9% and intermediary goods, except energy - 1.6%.

Number of Issued Building Permits and Envisaged Value of Facilities

In September 2012, 266 building permits were issued, being by 25.5% more compared to September in 2011. Total number of issued building permits compared to August 2012, when 272 permits were issued, decreased by 2.2%.

Envisaged value of the facilities in September 2011, according to the issued building permits amounted to Denar 2,384 million, being by 13.2% less than the same month in 2011, while compared to August 2012, the value of the facilities increased by 13.5%.

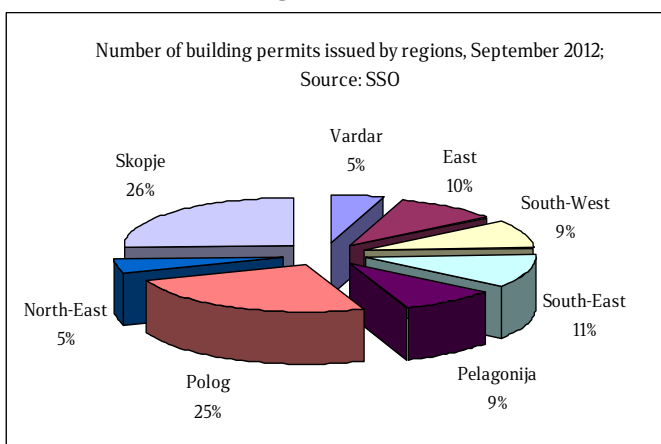
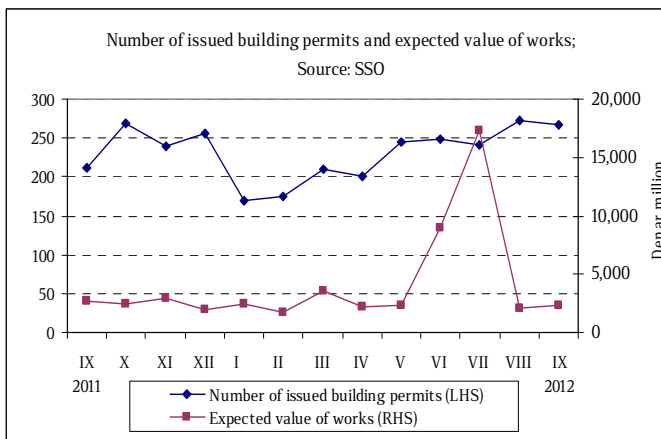
Analyzed by types of facilities, out of the total number of issued building permits, 196 (or 73.7%) are intended for buildings, 21 (or 7.9%) for civil engineering structures and 49 (or 18.4%) for reconstruction.

Analyzed by types of investors, out of total 266 facilities, natural persons were investors in 210 facilities (or 78.9%), while business entities were investors in 56 facilities (or 21.1%).

In September 2012, construction of 476 flats is envisaged, with total usable area of 47,536 m². Number of envisaged flats for construction decreased by 29.6% compared to the same month in 2011, decreasing by 23% compared to August 2012.

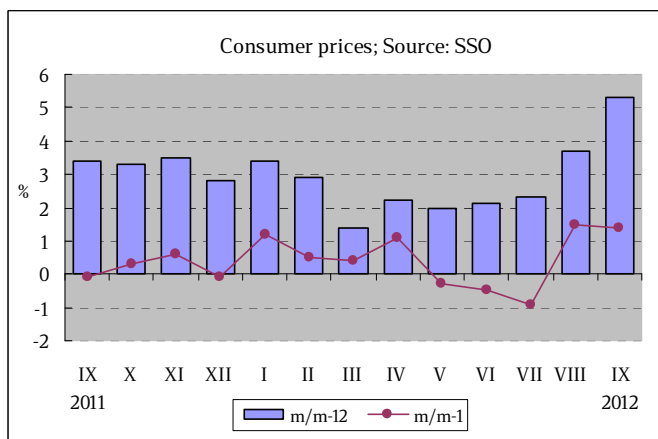
Analyzed by regions, most building permits were issued in the Skopje region, 68 in total, 49 permits out of which were issued to natural persons as investors, while 19 permits were issued to business entities as investors. Least permits were issued in Vardar and Northeastern regions, 13 in total, whereby 11 permits were issued to natural persons as investors and two to business entities as investors in both regions.

In the period January-September 2012, most building permits were issued in the Skopje region, 600 in total, 370 permits out of which were issued to natural persons as investors, while 230 permits were issued to business entities as investors. Vardar region had least issued permits, 101 permits in total, 62 permits out of which were issued to natural persons as investors, while 39 permits were issued to business entities as investors.



Inflation

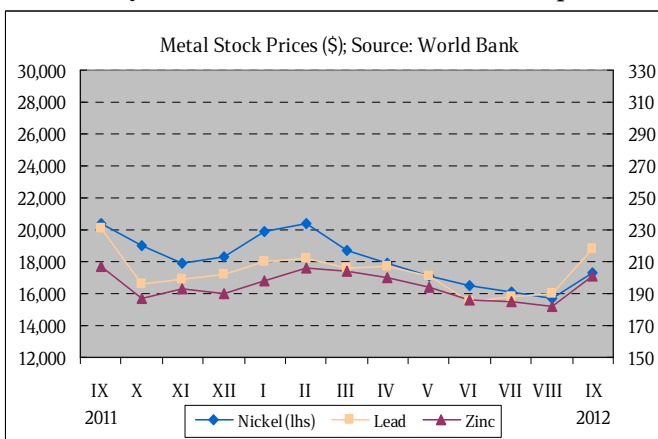
Inflation rate, measured according to the CPI index amounted to 5.3% in September 2012 compared to the same month in the previous year. Average inflation rate in the period January-September 2012 amounted to 2.8%.



On annual basis, in September, increase of prices was the highest in the housing category – 10.4%, being mainly a result of the increase of

prices of heating and lighting, surging by 15.2%. Price increase was also registered at the following categories: clothing and footwear – 6.6%, food – 5.8%, transportation means and services – 3.6%, culture and entertainment – 3%, hygiene and health - 2.6%, restaurants and hotels - 2% and tobacco and beverages - 0.1%. Reduction of prices was registered in the categories administrative and financial services by 1%.

Inflation rate in September compared to the previous month, amounted to 1.4%. Highest monthly price increase was seen in the category culture and entertainment by 2.8%. Category food experienced monthly price increase by 2.4%, mainly as a result of the increased prices of vegetables (11.1%), eggs (10.8%) and vegetable oils (10.4%). Category means of transport and services experienced monthly increase of prices by 1.9%, mainly as a result of the increased prices of liquid fuels and gas by 4.8% and oil derivatives by 4.3%. Price increase was also seen in the categories clothing and footwear by 1%, hygiene and health by 0.3% and housing by 0.1%. Prices remained the same at categories tobacco and beverages and administrative and financial services, while drop of prices was seen in the category restaurants and hotels by 0.3%.



Retail prices in September 2012 were higher by 4.7% compared to September 2011. Compared to the previous month, retail prices were higher by 1.1%. Average increase of retail prices in the period January-September 2012 amounted to 3.1%.

Stock Market Prices

In September 2012, the crude oil price (Brent) on the global stock markets amounted to US\$ 113.4 per barrel, as same as in the previous month. Compared to

September 2010, oil price surged by 2.3%. Average price of natural gas in September decreased by 1.6% 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\$ 17,288 for a metric ton (\$/mt) on the global stock markets in September, being a monthly price increase by almost 10%. Compared to September 2011, nickel price was lower by 15.2%. As for the basic metals, highest monthly increase was seen in the prices of lead by 14.6%. Price of iron ore in September dropped by almost 7.4% compared to the previous month. Precious metals registered monthly price increase, whereby increase was the highest for silver by 16.7%.

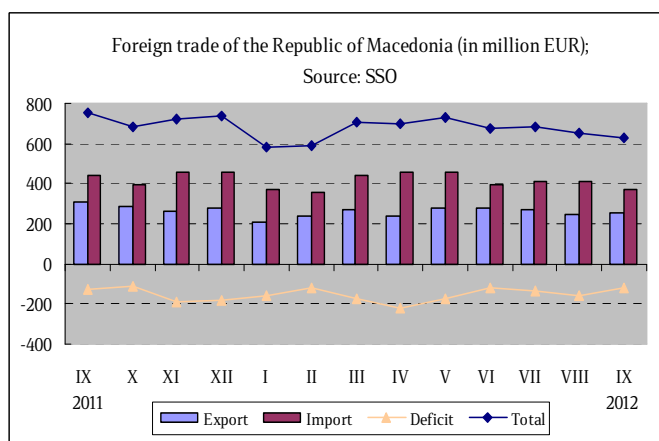
Price of wheat on global stock markets in September increased by 1.1% on monthly basis, as the same as in the previous month.

2. Foreign Trade

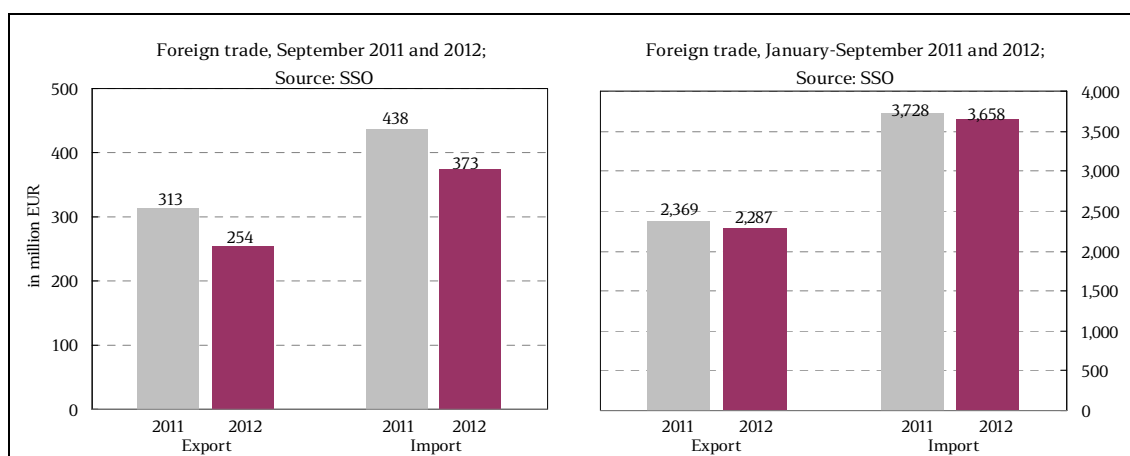
In the first nine months in 2012, total foreign trade dropped by 2.5% in relation to the same period in 2011.

Export

In the period January-September 2012, physical output of export dropped by 13.5% compared to the same period in 2011, while the value of exported goods amounted to EUR 2,286.6 million, contracting by 3.5% (EUR 82.1 million) compared to the period January-September 2011.2.

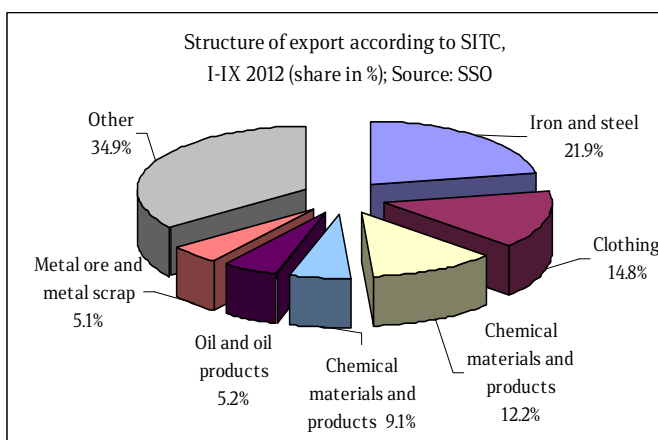


Analyzed on monthly basis, in September 2012, export increased by 2.7%, compared to the previous month.



Seasonally adjusted trend of export in September 2012 registered minimum drop by 8.2%, pointing out to positive effects of the seasonal factor (10.9 p.p.) on export this month.

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



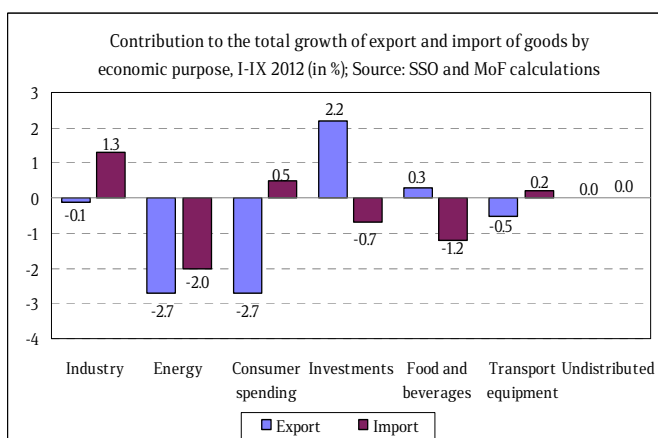
Main groups of goods (according to SITC) being most exported in the period January-September 2012 were the following: iron and steel – 21.9%, clothing – 14.8%, chemical materials and products – 12.2%, beverages and tobacco – 5.9%, oil and petroleum products – 5.2%, metal ore and metal scrap – 5.1%. These six groups of products comprised 65.1% of the total export of the country.

In the first nine months of 2012, observed by economic purpose, the following products were most exported: goods for industrial production (51.7%), followed by personal consumption goods (32.6%), investment goods (9.4%) and energy (6.3%).

Import

Imported quantities of goods in the period January-September 2012 decreased by 0.1%, compared to the same period in the previous year, while their value amounted to EUR 3,658.0 million, reducing by 1.9% (EUR 69.7 million) compared to the period January-September 2011.

Analyzed on monthly basis, in September 2012, import dropped by 8.3%, compared to the previous month.



Seasonally adjusted trend of import in September 2012 increased by 2.0% on monthly basis, pointing out to negative effects of the seasonal factor (10.3 p.p.) on import this month.

Export of oil and oil products*)				
	I-IX 2011	I-IX 2012	Balance 2012-2011	% rate
000 T	281.5	169.7	-111.9	-39.7
EUR mil.	179.4	118.0	-61.4	-34.2
\$ mil.	235.8	151.7	-102.1	-40.2

*)Previous data

Import of oil and oil products*)				
	I-IX 2011	I-IX 2012	Balance 2012-2011	% rate
.000 T	925.7	778.6	-147.1	-15.9
EUR mil.	541.5	513.2	-28.3	-5.2
\$ mil.	764.5	658.2	-106.3	-13.9

*)Previous data

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

Export of chemical products*)				
	I-IX 2011	I-IX 2012	Balance 2012-2011	% rate
000 T	19.6	19.2	-0.4	-2.1
Мил. ЕУР	298.4	279.0	-19.4	-6.5
Мил.\$	418.4	358.5	-59.8	-14.3

*)Previous data

Import of chemical products*)				
	I-IX 2011	I-IX 2012	Balance 2012-2011	% rate
.000 T	20.6	19.4	-1.1	-5.4
Мил. ЕУР	58.7	51.2	-7.5	-12.8
Мил.\$	82.4	65.8	-16.6	-20.2

*)Previous data

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

Observed by economic purpose in the period January - September 2012, goods for industrial production (42.5%) were most imported, followed by: personal consumption goods (23.2%), energy (20.4%), and investment products (13.9%).

Export of iron and steel*)				
	I-IX 2011	I-IX 2012	Balance 2012-2011	% rate
000 T	600.9	499.3	-101.6	-16.9
EUR mil.	532.8	500.9	-31.9	-6.0
\$ mil.	750.5	642.0	-108.6	-14.5

*)Previous data

Import of iron and steel*)				
	I-IX 2011	I-IX 2012	Balance 2012-2011	% rate
.000 T	446.5	407.6	-38.9	-8.7
EUR mil.	237.9	213.4	-24.5	-10.3
\$ mil.	334.2	272.9	-61.3	-18.3

*)Previous data

Trade Balance

In the first nine months in 2012, trade deficit widened by EUR 12.4 million or 0.9% compared to the same period last year.

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

Analyzed according to economic groups of countries, in the period January-September 2012, compared to the same period in 2011, export dropped at the following groups: Developed countries, EU 27, EFTA, developing countries and Western Balkans, while growth was seen at the following groups: Other developed

and undeveloped countries. Export in the EU dropped by 9.6% on annual basis, while as for Western Balkan countries, it declined by 23.6%.

In the first nine months of 2012, foreign trade of the Republic of with the European Union (EU 27), in relation to the same period in the previous year, reduced by 6.2%, whereby share of trade with the EU in the total foreign trade increased by 3.2 p.p., accounting for 60.4%, whereby export of goods participated with 62.5% and import of goods accounted for 59.1%.

In the period January- September 2012, 76.4% of the trade deficit of the country was realized in the trade with Greece, Great Britain, Russia, Turkey and Serbia, followed by: China, Bulgaria, Switzerland, Italy, Poland, Austria, Slovenia, etc. Surplus was realized in the trade with Germany, Kosovo, Bosnia and Herzegovina and the Netherlands.

Currency Structure

Observed by currency structure, 70.3% of the trade in the period January-September 2012 was realized in euros, and compared to the period January-September 2011, it surged by 0.6 percentage points. On export and import side, euro accounted for 79.0% and 64.9%, respectively, whereby share of the euro in export was higher by 1.7 p.p., while share of the euro in import was at the same level compared to the same period in 2011.

import	I-IX 2011					I-IX 2012					absolute change in currency value	relative change in currency value (in %)
	currency	000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %	000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar		
EUR	2,274.2	2,425,850,016	61.5027	149,196,325,782	64.9	2,171.1	2,373,925,057	61.5031	146,003,750,155	64.9	-51,924,959	-2.1
USD	2,303.1	1,322,657,497	44.5426	58,914,603,834	25.6	2,400.7	1,213,840,488	47.8767	58,114,676,889	25.8	-108,817,009	-8.2
GBP	1.9	293,134,846	70.4906	20,663,251,149	9.0	2.0	246,883,364	77.0299	19,017,400,847	8.5	-46,251,482	-15.8
EUR+USD+GBP	4,579.1			228,774,180,765	90.5	4,573.8			223,135,827,89	99.2		
tot. import	4,586.8			229,955,578,464	100.0	4,580.5			224,939,843,657	100.0		-2.2

Source: SSO and NBRM

3. Fiscal Sector

Budget Revenues

In the period January-September 2012, total budget revenues reached an amount of Denar 102,377 million, i.e. 21.0% of GDP, which was by 0.5% higher in relation to 2011.

Tax revenues for the first nine months were realized in the amount of Denar 56,822 million, i.e. 11.7% of GDP, being lower by 1.5% in relation to the same period in 2011.

Value added tax was realized in the amount of Denar 29,358 million, whereby share of VAT in total tax revenues in this period was dominant, amounting to 51.7%. Excises were realized in the amount of Denar 12,166 million (participating with 21.4% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 41,524 million, i.e. 73.1% of total tax revenues (8.5% of

GDP). Thereby, VAT collection amounted to Denar 43,563 million on gross basis, Denar 14,206 million out of which was refunded to taxpayers (gross collection was lower by 3.6%, while VAT refund was higher by 0.1% compared to the same period in 2011).

As for VAT structure, VAT share was the biggest when importing, decreasing by 13.3%, while VAT on the basis of sales in the country dropped by 8.3%, share of VAT grants and interest was insignificant (0.6%), observing higher performance by 9.8%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 6,937 million, increasing by 1.2% on annual basis (revenues on the basis of salaries accounted for around 72.1% of the personal income tax). Compared to the same nine months in 2011, profit tax revenues dropped by 6.7%, 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 5.3%, while excises increased by 6.4%. Revenues on the basis of customs duties were realized in the amount of Denar 2,972 million, increasing by 6.7%.

Non-tax revenues amounted to Denar 9,546 million, and in relation to the same period in 2011, they were lower by 5.0% (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 4,066 million,

showing increase by 26.7% compared to the same period in the previous year.

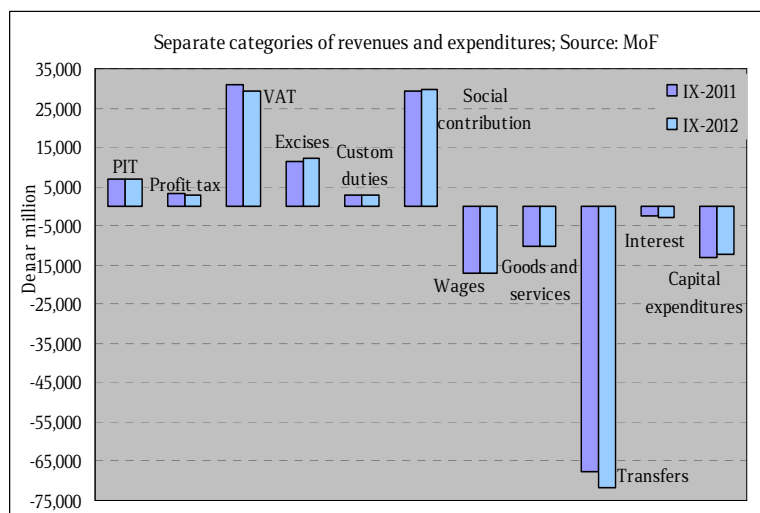
Collection of social contributions amounted to Denar 29,754 million, being higher by 2.0% compared to the same period in 2011, whereby collection of pension insurance contributions increased by 1.9%, collection of employment insurance contribution surged by 2.2%, while health contributions rose by 2.4%

Budget Expenditures

In the period January-September 2012, total budget expenditures amounted to Denar 114,402 million, i.e. 23.5% of GDP, which was higher by 2.8% compared to 2011.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 101,933 million accounted for 89.1% (20.9% of GDP) and they increased by 3.9% in relation to the same month in 2011.

Transfers amounting to Denar 71,570 million (14.7% of GDP) accounted for the most in the current expenditure items, followed by salaries and allowances - Denar



17,032 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 14.9% and compared to 2011, they decreased by 1.8%.

Expenditures related to goods and services amounted to Denar 10,407 million, and compared to the same period in 2011, they were almost the same, i.e. higher by 0.1%.

Transfers increased by 5.5% compared to the same period in 2011, participating with 62.6% in the total expenditures. Social transfers amounted to Denar 51,798 million, increasing by 3.9% and participating with 45.3% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 30,582 million, increasing by 5.3%, compared to the same period in 2011 and accounting for 26.7% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 16.7% in the total expenditures, i.e. they surged by 10.0% compared to the same period in 2011. This year, almost all, i.e. 83 local government units transferred to the second stage of decentralization. Block grants to local government units amounting to Denar 10,275 million, were higher by 6.8% compared to the nine months in the previous year. Subsidies and transfers were higher by 15.1%.

Interest was collected in the amount of Denar 2,924 million, being by 15.5% more compared to the same period in 2011. Such increase was mainly due to the payment of due interest on the basis of foreign borrowing. Costs related to interest on the basis of domestic borrowing increased by 1.9%, while the ones on the basis of foreign borrowing surged by 22.5%.

During the analyzed period, funds for capital expenditures were realized in the amount of Denar 12,496 million (2.6% share in GDP), participating with 10.9% in the total realized expenditures.

Budget Balance

In the period January-September 2012, the budget deficit of the Republic of Macedonia reached the amount of Denar 12,025 million, being 2.47% of GDP, while central budget deficit amounted to Denar 10,427 million or 2.14% of GDP.

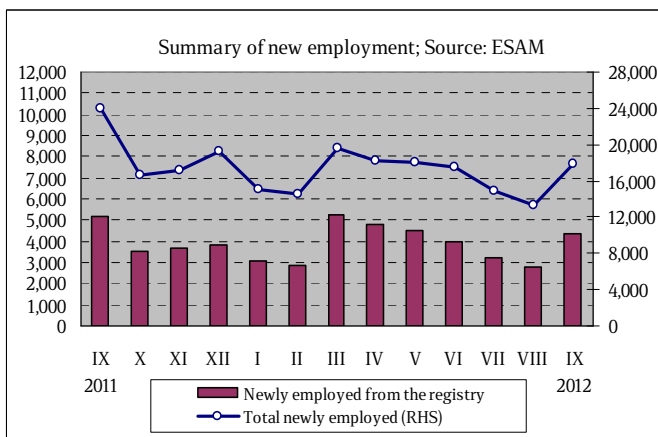
4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM

In the period January-September 2012, Employment Agency of the Republic of Macedonia registered total of 149,129 new employments. 41.4% 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 2011, number of newly employed persons dropped by 13.5%.

During September, 17,856 new employments were registered, 24.6% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 11,409, persons in September, 37.2% out of which were new employments. In September, 8,101 persons were registered as inflow to the Agency, 50% out of which were persons whose employment was terminated. As a result, unemployment reduced by 3,308 persons, i.e. by 1.3% compared to the previous month. Thus, in September 2012, 248,509 persons were registered as unemployed. Compared to the same month in 2011, number of unemployed persons declined by 15.9%.

Major percentage of the unemployed, i.e. 67.5% came from urban areas (cities), whereby 56.8% were men. Analyzed by education structure, major part, i.e. 47.8% of unemployed persons were unskilled or semi-skilled, while only 10.2% was with community college or higher education level. Observed by age, majority of the unemployed persons or 55.6% fall in the category of 25-49 years of age. According to the time they waited for a job, 50.6% of the unemployed persons sought job from 1 to 7 years, while 30% sought job for 8 years and more.

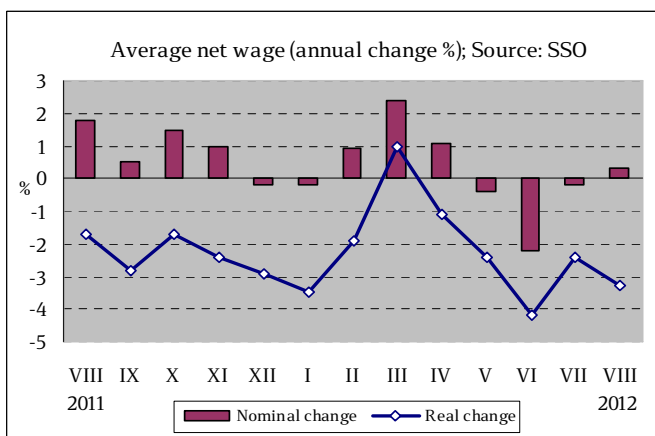


Salaries

According to the data from the State Statistical Office, average monthly paid gross salary per employee in August 2012 amounted to Denar 30,777, while average monthly paid net salary amounted to Denar 20,965.

On monthly basis, in August 2012, average gross salary increased by 1% in nominal terms, being lower by 0.5% in real terms. In the same period, average net salary was higher by 0.9% in nominal terms, decreasing by 0.6% in real terms.

In August 2012 compared to the August in 2011, average gross salary increased by 0.2% in nominal terms, while it was lower by 3.4% in real terms, while net salary grew by 0.3% in nominal terms, while it was lower by 3.3% in real terms.



On cumulative basis, in the first eight months of 2012, average gross salary increased by 0.1% in nominal terms, while it was lower by 2.3% in real terms. In the same period, average net salary was higher by 0.2% in nominal terms, decreasing by 2.2% in real terms.

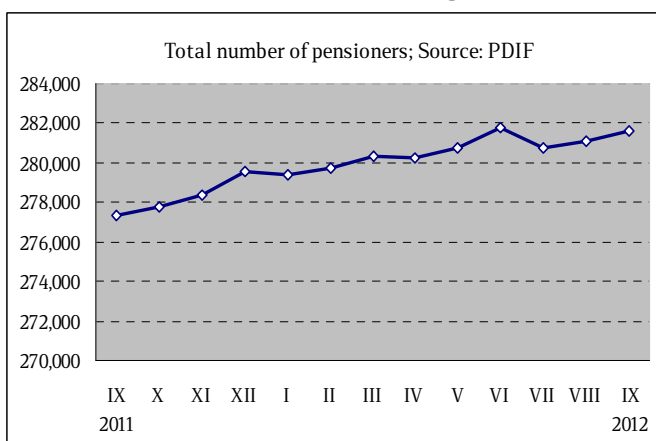
Highest increase of average monthly gross and net salary per employee in August 2012 compared to August 2011 was seen in the expert, scientific and technical activities (12.9% gross salary and 15.2% net salary), agriculture, forestry and fishing (6.5% gross salary and 6.5% net salary) and electricity, gas, steam and air-conditioning supply (3.9% gross salary and 3.7% net salary).

Increase of average monthly gross and net salary per employee in August 2012 compared to July 2012 was seen in the activities electricity, gas, steam and air-conditioning supply (6.5% gross salary and 6.5% net salary); mining and quarrying (4.9% gross salary and 4.8% net salary), and facilities for accommodation and food-related services (4.2% gross salary and 4.2% net salary).

Employees who did not receive salary in August 2012 accounted for 2.5%, being lower by 0.6 p.p. compared to the same month in the previous year, while compared to July 2012, percentage of employees who did not receive salary was higher by 0.5 p.p..

Pensions

In September 2012, Pension and Disability Insurance Fund registered 281,649 pensioners, being an increase by 1.6% compared to the same month in 2011. Number of pension beneficiaries increased by 589 persons in relation to August 2012. 56.8% out of the total number of pensioners are beneficiaries of old-age pension, 27% of survival pension and 16.2% of disability pension.



In September 2012, Denar 3,099.38 million was spent for payment of pensions, accounting for 52.8% of the total social transfers¹.

Average pension in September 2012 amounted to Denar 11,187, increasing by 1.5% on annual basis. Ratio between the average pension and the average paid salary in August 2012 (the most recent available data) was 51%.

5. Monetary Sector

Primary Money

In September 2012, primary money² showed accelerated growth of 13.7% on annual basis, in conditions of increase of ready money in circulation by 10.6% and increase of total liquid assets of banks by 16.2%. On monthly basis, primary money dropped

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

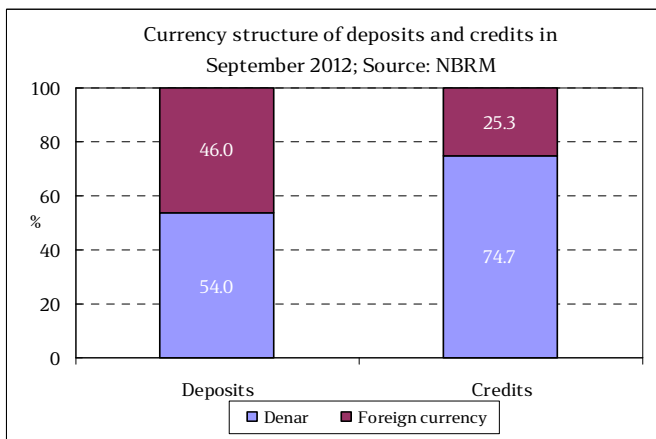
² Primary money is calculated as a sum of ready money in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).

by 0.5%, as a result of drop of ready money in circulation by 2.8%. Total liquidity of banks surged by 1.3%.

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

Deposit Potential

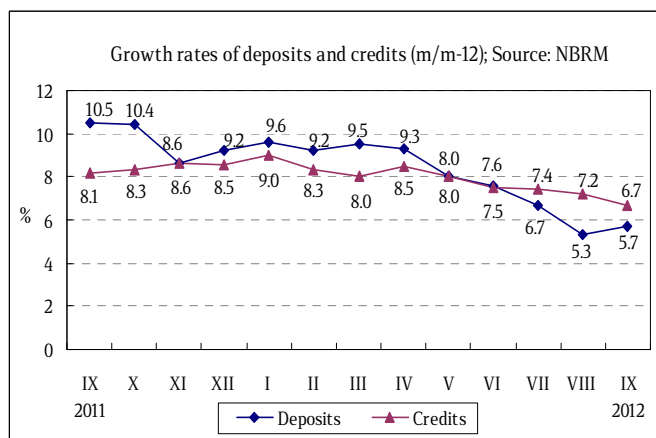
Total deposit potential of banks³ in September 2012 experienced monthly drop of 0.3%, following the decrease of deposits of private enterprises in foreign currency by 6.7%, leading to decrease of deposits of enterprises by 2.5%. Deposits of households compared to the previous month remained the same. From currency point of view, Denar deposits increased by 0.4%, while foreign currency deposits decreased by 1.2%.



On annual basis, total deposits in September 2012 stopped to slow down, realizing growth of 5.7% compared to 5.3% in August.

In fact, deposits of private enterprises slowed down the decreasing intensity to 3.4% (compared to the growth of 5.9% in August 2012). Deposits of households grew by 9.2%.

Analyzed according to currency, new saving is fully in domestic currency in conditions of increase of Denar deposits by 16.4% on annual basis, while foreign currency deposits reduced by 4.6%.



According to maturity, long-term deposits increased by 24.2%, while short-term deposits were higher by 0.3% on annual basis.

Bank Credits

In September 2012, total credits of banks to private sector surged by 0.2% on monthly basis, whereby from the point of view of the currency structure, growth was fully due to the increased Denar credits by 1%, while foreign currency credits dropped by 2%. Credits to households increased by 0.5% compared to the previous

³ Starting January 2009, deposits include calculated interest

month, while credits to private enterprises retained the level of the previous month.

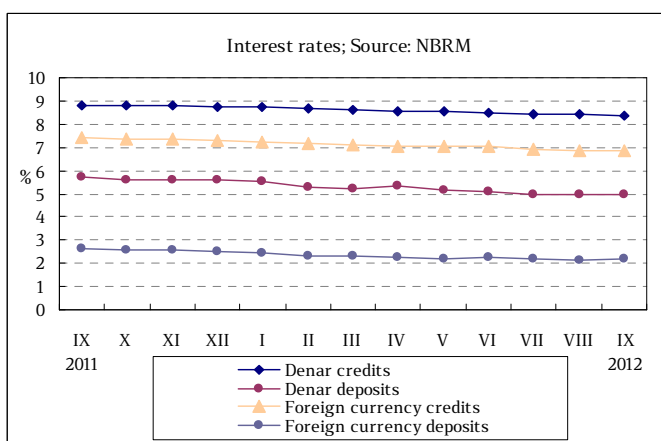
On annual basis, growth of total credits slowed down to 6.7% (compared to 7.2% in August), in conditions of slowed-down increase of crediting to private enterprises by 6.4%. Credits to households increased by 6.7%. From currency point of view, Denar credits experienced annual growth of 9.3%, while foreign currency credits reduced by 0.6%. As regards maturity, long-term credits increased by 5.3% on annual basis, while short-term credits were higher by 5.6%.

Interest Rates of Deposit Banks

In September 2012, total interest rate of credits amounted to 8%, being lower by 0.4 p.p. compared to the previous month. Interest rate on Denar credits amounted to 8.4%, while interest rate on foreign currency credits accounted for 6.9%, i.e. they were lower by 0.4 p.p. and 0.6 p.p. compared to same month in the previous year.

Total interest rate on deposits reduced by 0.5% compared to the same month in the previous year, accounting for 3.4%. Interest rate on Denar deposits

amounted to 4.9%, being lower by 0.9 p.p. on annual basis, while interest rate on foreign currency deposits accounted for 2.2% or 0.5 p.p. below the level of the same month last year.



Foreign Currency Reserves

Gross foreign currency reserves at the end of September 2012 amounted to EUR 2,103.6 million and, compared to the previous month, they were lower by EUR 10.9 million, while compared to September 2011, foreign currency reserves were higher by EUR 255.8 million.

Ministry of Finance

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