

REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department



SHORT-TERM ECONOMIC TRENDS

October 2016

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SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

October 2016

- Industrial production dropped by 3.6% in October 2016 compared to October 2015;
- Consumer prices in October 2016 increased by 0.2% compared to September 2015, following the annual increase of prices by 0.2% in September 2016;
- Export in the period January - October 2016 surged by 5.8%, while import grew by 5.6%, resulting in increase of the trade deficit by 5.4% compared to the same period last year;
- In the period January - October 2016, total budget revenues reached an amount of Denar 140,196 million, showing higher performance by 6.6% in relation to the same period in 2015; Total budget expenditures amounted to Denar 151,117 million, being higher by 3.3% compared to the same period in 2015;
- Total credits of banks experienced growth of 1.8% on annual basis, while total deposit potential of banks grew by 4%.

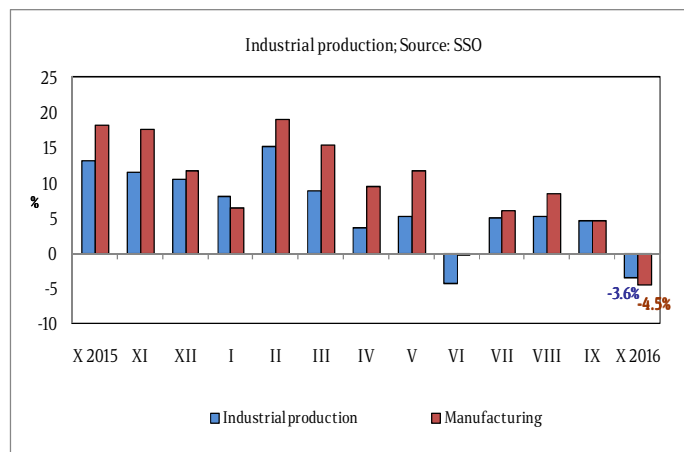
REAL SECTOR

Industrial Production

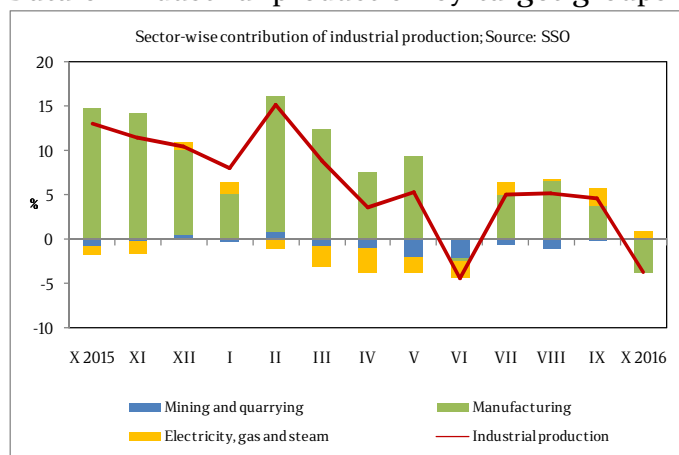
Industrial production dropped by 3.6% in October 2016 compared to October 2015. Analyzed by sectors, growth was also registered in the Electricity, gas, steam and air-conditioning supply sector, while Manufacturing and Mining and quarrying sector experienced a decline of 4.5% and 0.8% respectively.

Manufacture of machinery and equipment (1.6 p.p.) contributed the most to the annual change of industrial production in October 2016, while Manufacture of wearing apparel (-4.2 p.p.) had the highest negative contribution.

On cumulative basis, industrial production in the period January-October 2016 increased by 4.4% compared to the same period in 2015. Growth was seen at the Manufacturing by 7.0%, while drop was seen at Mining and quarrying sector by 7.5% and the Electricity, gas, steam and air-conditioning supply sector by 5.7%.



Data on industrial production by target groups in October 2016, compared to October 2015, showed production increase at the following groups: Durable consumer goods industry by 73.8%, Capital goods by 18.3% and Energy by 4.2%. Decline in the production was observed at the following groups: Non-durable consumer goods industry by 16.9% and Intermediary goods industry, except energy by 4.4%.

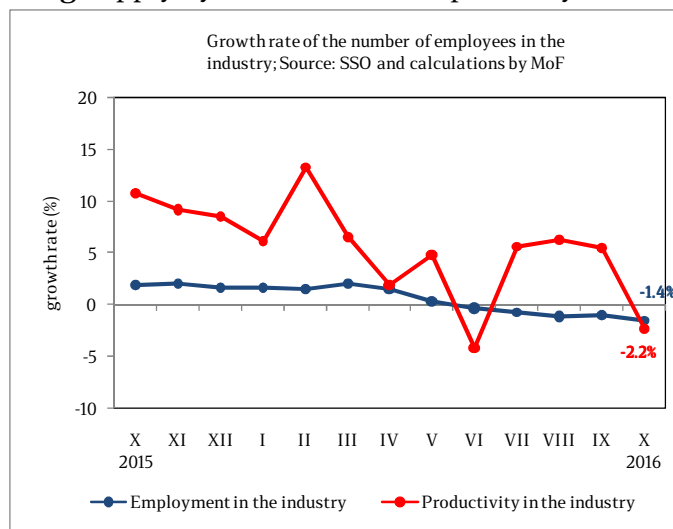


On cumulative basis, in the period January – October 2016, compared to the same period in 2015, growth was registered in the following groups: Capital goods by 33.3%, Durable consumer goods industry by 29.3% and Intermediary goods, except energy by 0.3%. Decline was observed at the following groups: Energy by 6.6% and No–durable consumer goods by 2.0%.

Number of Employees in the Industry

In October 2016, number of employees in the industry declined by 1.4% annually. Such decline was a result of the decreased number of employees in the Manufacturing by 1.8%. Increase in the number of employees was seen at Mining and quarrying and Electricity, gas, steam and air-conditioning supply by 3.2% and 0.6% respectively.

On cumulative basis, number of employees in the industry in the period January – October 2016, compared to the same period previous year, increased by 0.3%. Increase in the number of employees was seen in all sectors, as follows: Mining and quarrying by 1.8%, Electricity, gas, steam and air-conditioning supply by 1.1% and Manufacturing by 0.1%.



Data on the number of employees in the industry by target groups in

October 2016, compared to the same period last year, showed increase in the number of employees at the following groups: Durable consumer goods industry by 5.1%, Capital goods by 4.3% and Energy by 3.1%. Decline was observed at the following groups: Non-durable consumer goods industry by 3.7% and Intermediary goods industry, except energy by 1.4%.

On cumulative basis, in the first ten months of 2016, compared to the same period in 2015, growth of the number of employees was seen at the following groups: Capital goods by 11.2%, Intermediary goods industry, except energy by 2.2%, Energy by 2.1% and Durable consumer goods industry by 1.7%. Drop of the number of employees was registered at Non-durable consumer goods industry by 3.3%.

Business Tendencies in Manufacturing

Economic situation of business entities in October 2016 was more favourable compared to September 2016, and much more favourable than the same month in the previous year.

Average utilization of the capacities of business entities in October accounted for 65.8%, being an increase compared to the previous month, when it accounted for 65.6%. Compared to October 2015, the utilization of the capacities was higher by 1.8 p.p..

Following factors limited the most the production volume in October 2016: insufficient foreign demand by 24.5%, insufficient domestic demand by 20.4%, shortage of skilled labour by 17.9%, uncertain economic environment by 10.2%, financial problems by 7.6% and competitive import by 6.4%.

As regards the volume of production orders in October 2016, compared to September 2016, it was more favourable, it is expected for the production volume in the next three

months to remain at almost the same level as in the previous month, while stocks of finished products were increased.

Number of Issued Building Permits and Expected Value of Works

In October 2016, 291 building permits were issued, dropping by 10.7% compared to the same month last year. Total number of issued building permits, compared to September 2016, when 297 building permits were issued, decreased by 2.0%. Expected value of works, according to the issued building permits in October 2016, decreased by 44.1% on annual basis. Compared to previous month, value of works dropped by 44.5%. Analyzed by types of constructions, out of the total number of issued building permits, 187 (or 64.3%) were intended for buildings, 36 (or 12.4%) for civil engineering structures and 68 (or 23.3%) for reconstruction.

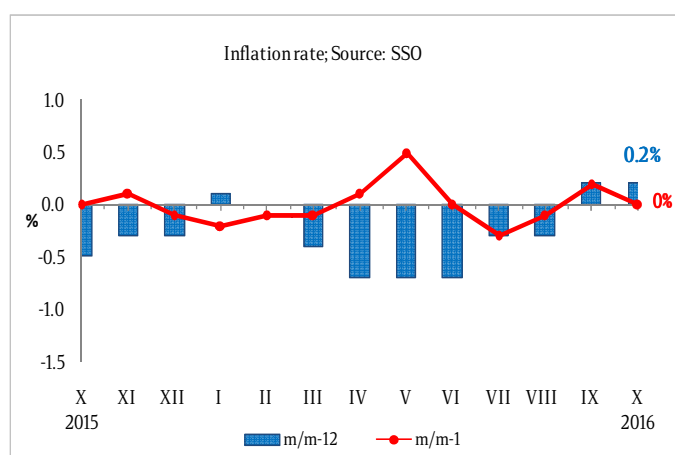
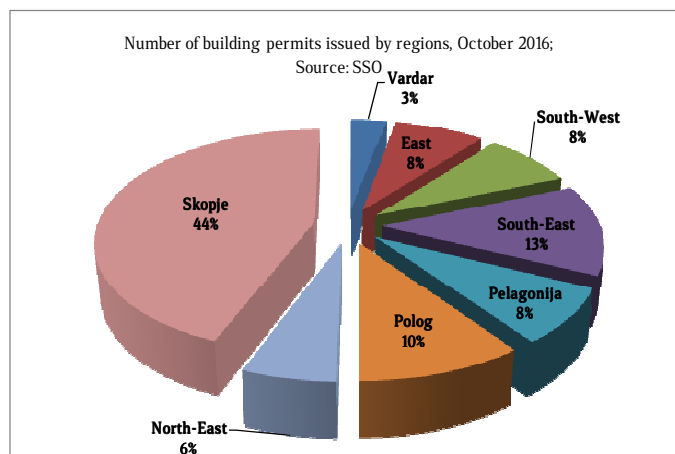
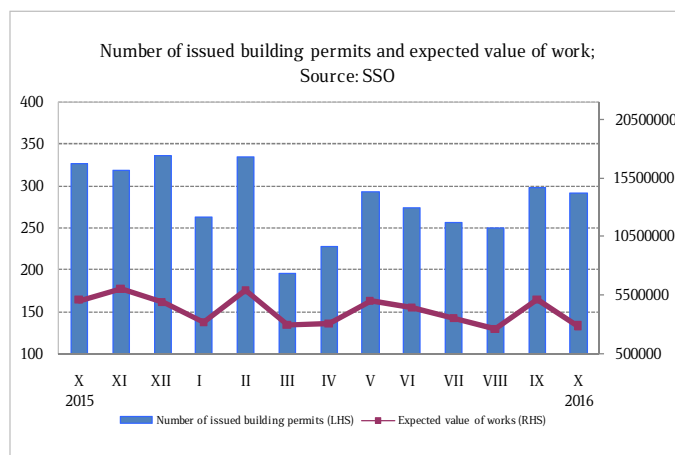
Analyzed by types of investors, out of total 291 issued building permits, individuals were investors in 193 facilities (or 66.3%), while business entities were investors in 98 facilities (or 33.7%).

In October 2016, construction of 675 flats was envisaged, with total usable area of 52,163 m². Number of flats envisaged for construction declined by 33.1% on monthly basis and by 22.3% compared to October 2015.

Inflation

Consumer prices in October 2016 increased by 0.2% compared to October 2015, following the annual increase of prices by 0.2% in September 2016. Average inflation rate in the first ten months of 2016 amounted to -0.3%;

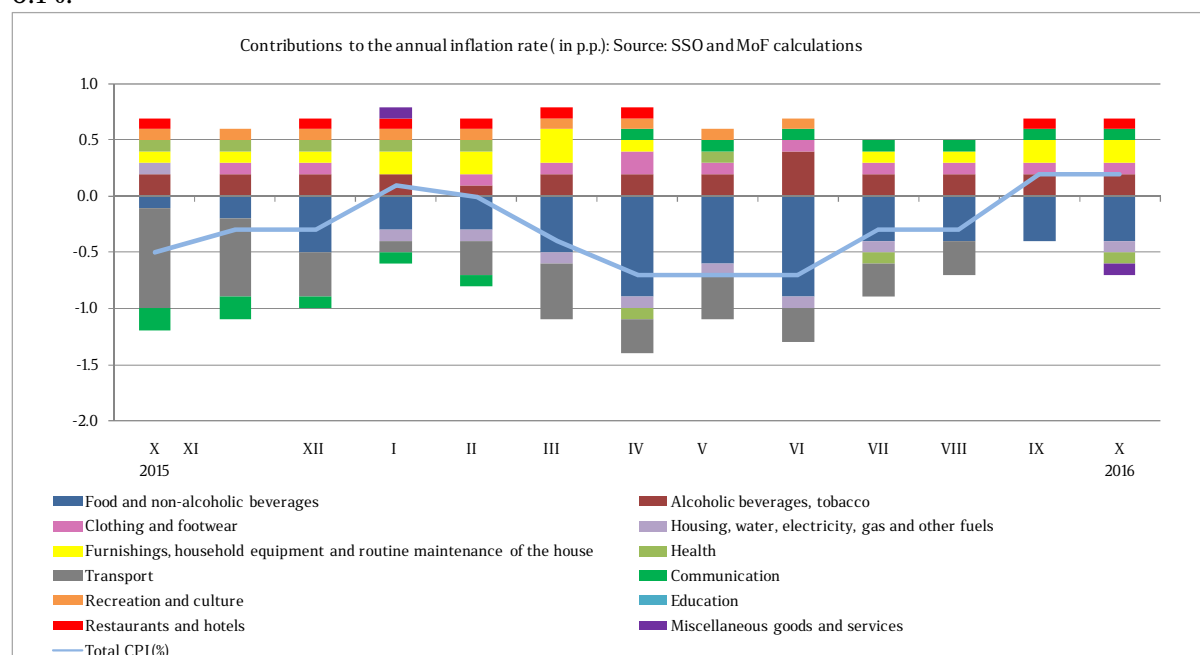
Food and non-alcoholic beverages category, having the largest share in the CPI, experienced 0.9% drop in prices in October on annual basis,



mainly as a result of the lower prices in the sub-categories Oil and fats by 5.7% and Fruit by 4.2%.

Annual price decline in October was also recorded at the following categories: Health by 1.6%, Miscellaneous goods and services by 1.2% and Housing, water, electricity, gas and other fuels by 0.5%.

The highest annual increase of prices was observed at the category Alcoholic beverages, tobacco and narcotics by 4.9%, followed by the increase in prices at the following categories: Furnishings, household equipment and routine maintenance of the house by 3.6%, Clothing and footwear by 1.7%, Communications by 1.4%, Restaurants and hotels by 1.2%, Transport by 0.6% Recreation and culture by 0.3% and Education by 0.1%.



Consumer prices in October 2016 remained unchanged in relation to the previous month. Increase in prices was registered at the following categories: Clothing and footwear by 1.7%, Health by 0.2% and Restaurants and hotels by 0.1%.

Monthly drop of prices was recorded at the following categories: Furnishings, household equipment and routine maintenance of the house by 0.5%, Transport by 0.3%, Food and non-alcoholic beverages and Miscellaneous goods and services by 0.2% and Recreation and Culture by 0.1%.

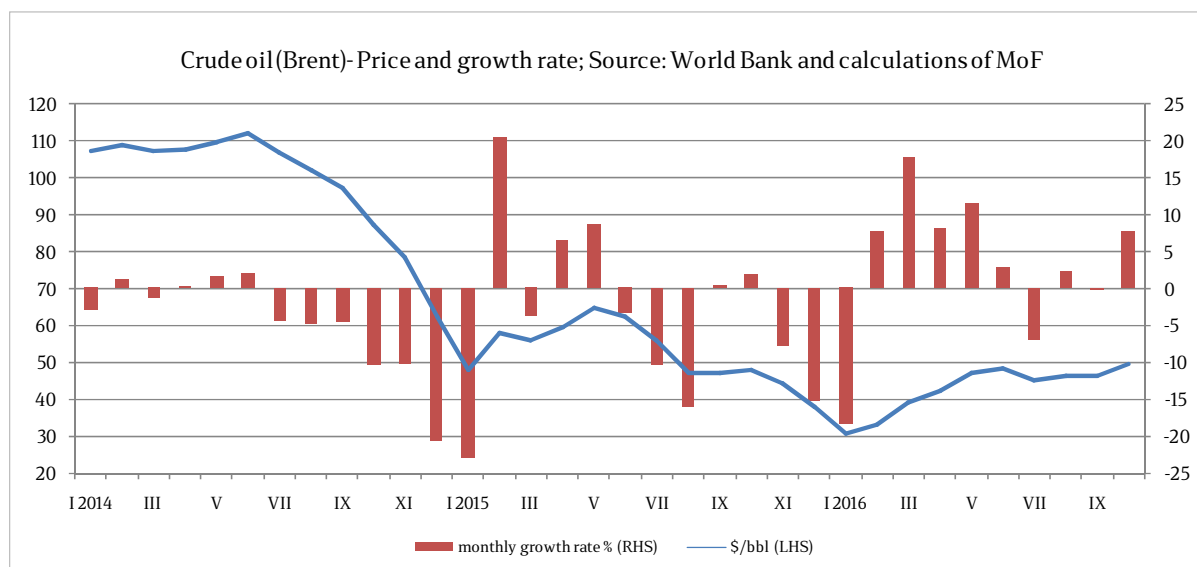
Prices in the categories Housing, water, electricity, gas and other fuels, Alcoholic beverages, tobacco and narcotics, Communications and Education remained the same.

Retail prices in October 2016 were higher by 0.5% compared to the same month last year, while compared to the previous month, they were lower by 0.3%. Retail prices in the first ten months in 2016 were lower by 0.3%.

Stock Market Prices

In October 2016, (Brent) crude oil price on the global stock markets grew by 7.7% compared to September 2016, reaching the price of US\$ 49.7 per barrel. Oil price surged

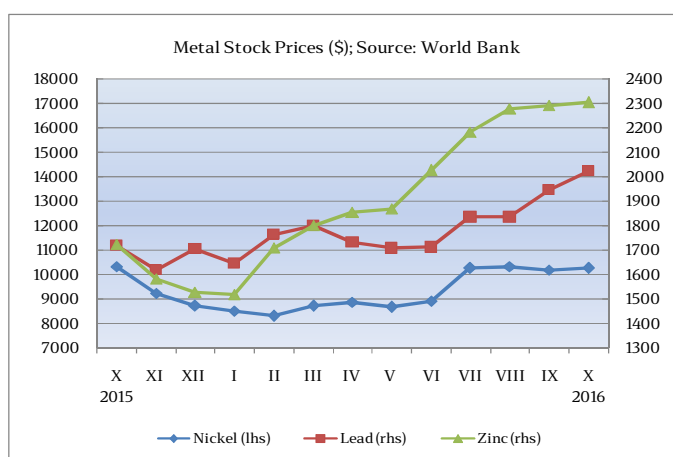
by 3.3% on annual basis. Price of natural gas in October grew by 0.4% compared to the previous month.



As regards metal products, nickel, as a product with high share in the Macedonian export, was traded at an average price of US\$ 10,251 for a metric ton (\$/mt) in October 2016, being a price increase by 0.6% compared to September 2016. Compared to same month from the previous year, nickel price was lower by 0.6%. Price of other base metals increased in October on monthly basis. Hence, price of aluminium surged by 4.4%, price of lead grew by 3.9%, price of tin increased by 2.9%, price of zinc picked up by 0.5% and the price of copper experienced 0.1% growth. Price of iron ore in October grew by 1.7% compared to September 2016.

Prices of precious metals in October dropped on monthly basis. Hence, price of silver decreased by 8.8%, price of platinum declined by 8.4% and price of gold dropped by 4.5%.

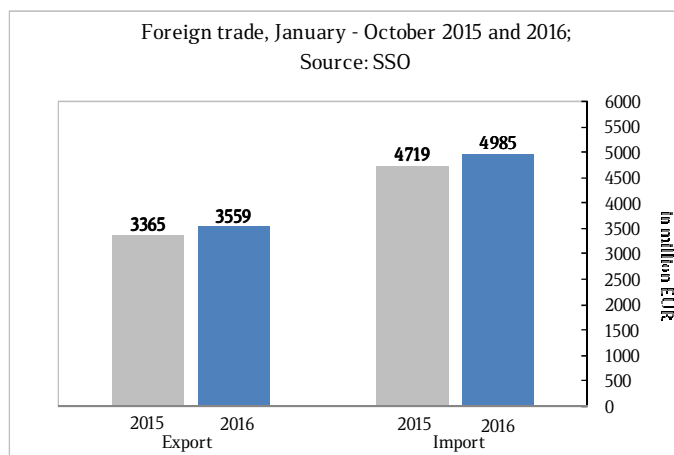
In October, price of maize on global stock markets grew by 2.6%, while price of wheat increased by 0.7%, compared to October. The price of lamb in October declined by 0.4% on a monthly basis.



FOREIGN TRADE

Total foreign trade in the first ten months in 2016 amounted to EUR 8,544.3 million, increasing by 5.7% compared to the same period last year.

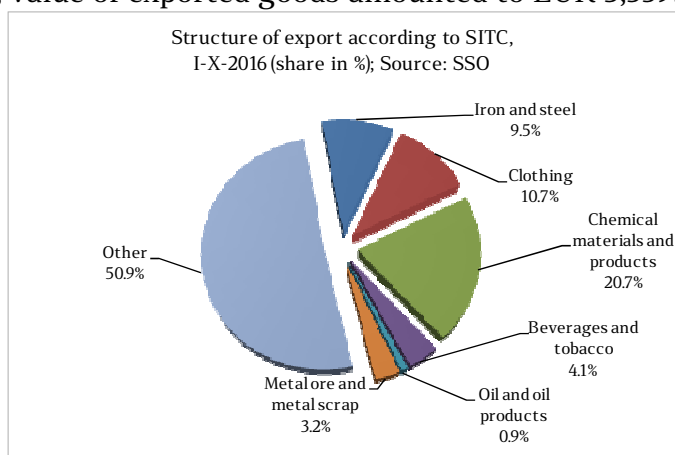
Foreign trade of the Republic of Macedonia with the European Union (EU 28) participated the most in the total foreign trade in the period January – October 2016, accounting for 70.2%, being an increase of 1.6 p.p. in relation to the same period last year.



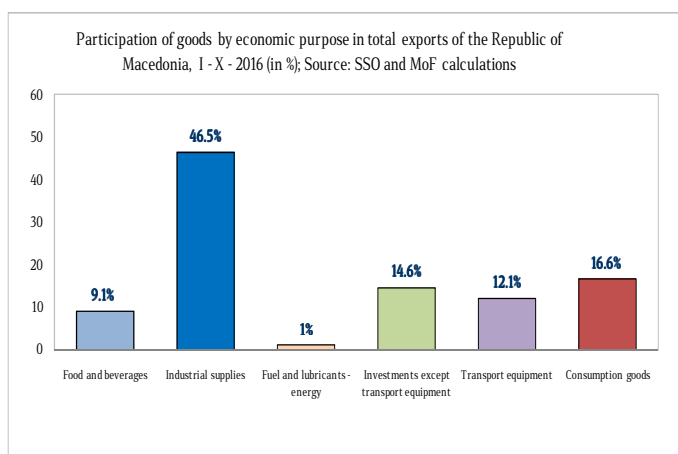
Export

In the period January – October 2016, value of exported goods amounted to EUR 3,559.1 million, surging by 5.8% (EUR 193.6 million) compared to the same period in 2015, while physical output of export surged by 6%.

Value of exported goods amounted to EUR 370.9 million in October 2016, increasing by 0.6% (EUR 2.3 million) compared to the same month of the previous year, while physical output of export dropped by 16.3%.



Analyzed on monthly basis, in October 2016, export dropped by 5.1% (EUR 20.1 million), compared to the previous month and, should export be seasonally adjusted, it registered monthly decline of 3.8%.



Main groups of goods (according to SITC) being most exported in the period January-October 2016 were the following: chemical materials and products, clothing, iron and steel, beverages and tobacco, metal ore and metal scrap and oil and oil products. These six groups of products comprised 49.1% of the total export of the country.

Analyzed according to economic

groups of countries, in the period January-October 2016, compared to the same period in 2015, export increased at the following groups: EU 28, Western Balkans, North American Free Trade Zone and Commonwealth of Independent States, while drop was seen at the following groups: EFTA, Organization of Petroleum Exporting Countries and Asia-Pacific Economic Cooperation. Export to EU 28 grew by 10.1% annually, while export to Western Balkan countries grew by 5.9%, whereby export of goods to EU 28 and the Western Balkan countries accounted for 80.2% and 12.4% respectively in the total export from the Republic of Macedonia.

Import

In the period January – October 2016, value of imported goods amounted to EUR 4,985.2 million, surging by 5.6% (EUR 266.4 million) compared to the same period in 2015, while physical output of import dropped by 1.8%.

Import value amounted to EUR 531 million in October 2016, dropping by 0.8% (EUR 4 million) compared to the same month in 2015, while imported quantities of goods decreased by 6.8%.

Analyzed on monthly basis, in October 2016, import grew by 3.3% (EUR 17.1 million), compared to the previous month, and, should import be seasonally adjusted, it registered monthly drop of 5.4%.

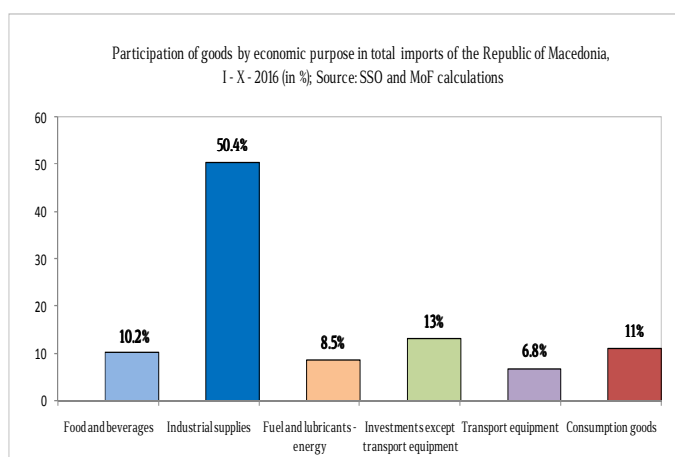


Table 1. Review of export and import of selected groups of products

Export of oil and oil products*)				
	I - X - 2015	I - X - 2016	Balance	% rate
000 T	52.6	84.2	31.6	60.2
EUR mil.	28.5	30.7	2.1	7.5
\$ mil.	31.8	34.2	2.4	7.7

*)Previous data

Import of oil and oil products*)				
	I - X - 2015	I - X - 2016	Balance	% rate
.000 T	769.3	868.5	99.2	12.9
EUR mil.	351.8	302.4	-49.4	-14.0
\$ mil.	391.7	337.3	-54.4	-13.9

*)Previous data

Export of chemical products*)				
	I - X - 2015	I - X - 2016	Balance	% rate
000 T	13.0	13.5	0.5	4.0
EUR mil.	631.5	738.1	106.6	16.9
\$ mil.	703.8	822.6	118.8	16.9

*)Previous data

Import of chemical products*)				
	I - X - 2015	I - X - 2016	Balance	% rate
.000 T	26.0	25.6	-0.4	-1.7
EUR mil.	102.7	137.6	34.9	34.0
\$ mil.	114.2	153.5	39.3	34.4

*)Previous data

Export of iron and steel*)				
	I - X - 2015	I - X - 2016	Balance	% rate
000 T	494.1	538.3	44.2	9.0
EUR mil.	455.4	338.5	-116.9	-25.7
\$ mil.	506.0	377.4	-128.6	-25.4

*)Previous data

Import of iron and steel*)				
	I - X - 2015	I - X - 2016	Balance	% rate
.000 T	513.3	679.5	166.3	32.4
EUR mil.	240.3	266.8	26.5	11.0
\$ mil.	267.1	297.3	30.2	11.3

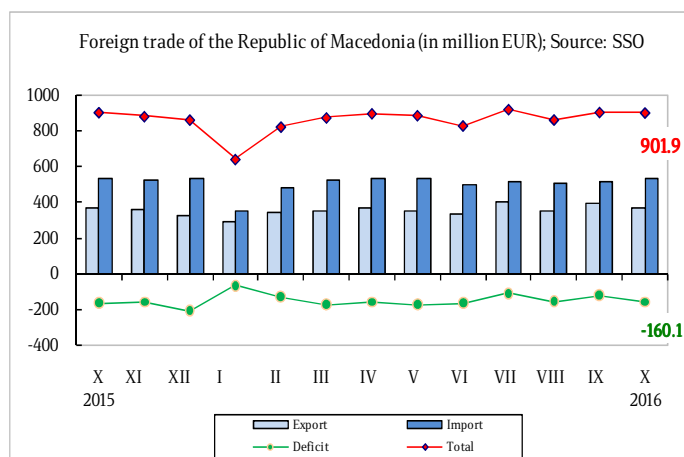
*)Previous data

Trade Balance

In the first ten months in 2016, trade deficit increased by 5.4%, i.e. EUR 72.8 million, compared to the same period last year.

In October 2016, trade deficit decreased by 3.8%, i.e. EUR 6.3 million compared to October last year.

If we analyze the balance of export and import of goods by economic purpose, deficit increasing was a result of the combined effect from: widening of negative balance in the trade of industrial supplies, investment goods without transport equipment and consumer goods, while the narrowed negative balance in the trade of fuels and lubricants, transport equipment and food and beverages acted in opposite direction.



In the period January–October 2016, 87.8% of the trade deficit of the country was realized in the trade with Great Britain, China, Greece and Serbia followed by: Turkey, Italy, USA, Russia, Hungary and others. Surplus was realized in the trade with Germany, Kosovo, Belgium, Spain and Bosnia and Herzegovina.

Currency Structure

Observed by currency structure, 86.6% of the trade in the period January - October 2016 was realized in euros and, compared to the period in 2015, it surged by 4.8 p.p.. On export and import side, euro accounted for 92.8% and 82.2%, respectively, whereby share of the euro in export increased by 5.1 p.p., while share of the euro in import surged by 4.7 p.p. compared to the period January-October 2015.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I - X - 2015					I - X - 2016					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	structure in %		
EUR	2,855.6	3,656,652,295	61.6054	225,269,527,309	77.5	3,713.1	4,095,807,558	61.6160	252,367,278,471	82.2	439,155,262	12.0
USD	2,217.6	1,115,705,211	55.1981	61,584,807,815	21.2	1,268.9	938,077,077	55.2937	51,869,752,462	16.9	-177,628,134	-15.9
GBP	5.5	17,357,974	84.6256	1,468,928,940	0.5	4.6	15,635,827	76.2202	1,191,765,876	0.4	-1,722,147	-9.9
EUR+USD+ GBP	5,078.6			288,323,264,064	98.7	4,986.5			305,428,796,810	99.4		
tot. import	5,087.9			290,731,170,722	100.0	4,998.3			307,166,245,196	100.0		5.7

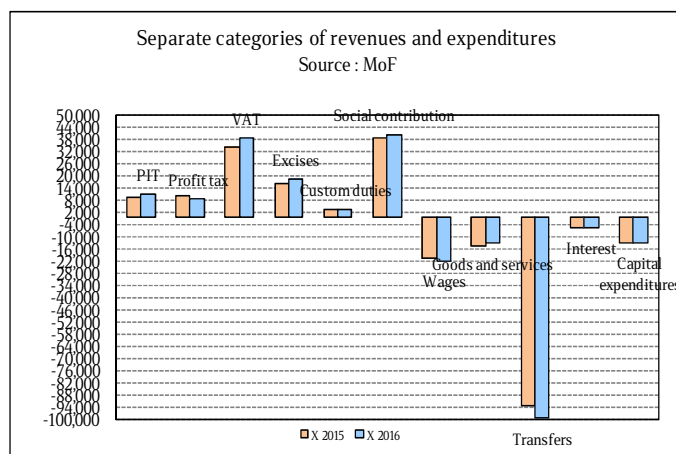
Source: SSO and NBRM

FISCAL SECTOR

Budget Revenues

Total budget revenues were collected in the amount of Denar 140,196 million in the period January-October 2016, i.e. 24.2% of GDP, which was by 6.6% higher in relation to the same ten-month period in 2015.

Tax revenues in the period January – October were collected in the amount of Denar 82,279 million, i.e. they accounted for 14.2% of GDP, being higher by 8.5% in relation to the same period in 2015. Revenues on the basis of value added tax were collected in the amount of Denar 39,181 million, increasing by 12.0% in relation to the same period in 2015, whereby share of VAT in total tax revenues was dominant, accounting for 47.6%. As for VAT structure, collection of VAT when importing accounted for the most, increasing by 7.1%, while VAT revenues collected on the basis of sales in the country picked up by 9.4%. VAT revenues on the basis of grants, the share of which was insignificant, experienced a lower performance by 88.0%.



PIT revenues were collected in the amount of Denar 11,132 million, increasing by 10.9% on annual basis, whereby revenues on the basis of tax on salaries and other personal earnings accounted for around 2/3, i.e. 66.5% of the personal income tax, capital revenues accounted for 7.3%, revenues on the basis of games of chance and award games accounted for 7.0%, revenues on the basis of contractual agreement accounted for 6.1%, revenues on the basis of property and property rights accounted for 3.5% and revenues on the basis of agricultural and forestry activity accounted for 2.2%. Profit tax revenues in this period in 2016 were collected in the amount of Denar 8,963 million, being lower by 13.6% compared to the same period last year.

Revenues on the basis of excises were collected in the amount of Denar 18,581 million (participating with 22.6% in the tax revenues), surging by 13.3% compared to the same period last year. Revenues on the basis of customs duties were collected in the amount of Denar 3,941 million, increasing by 11.1%.

Collection of revenues on the basis of other taxes, amounting to Denar 481 million, declined by 9.1% compared to last year.

Social contributions were collected in the amount of Denar 40,929 million, being higher by 4.8% compared to the same period in 2015, whereby collection of pension insurance contributions grew by 4.8%, while collection of health insurance contributions and employment contributions surged by 4.9% and 5.2% respectively.

Non-tax revenues were collected in the amount of Denar 10,844 million and, in relation to the same period in 2015, they were higher by 5.4% (these revenues include revenues on the basis of profit realized by the public institutions, revenues collected on the basis of administrative fees and fines, concessions, etc.).

Capital revenues collected on the basis of sale of construction land, flats and dividends reached Denar 1,799 million, decreasing by 11.6% compared to the same period in the previous year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 2,765 million, increasing by 7.4% compared to the same period last year.

Budget Expenditures

Total budget expenditures amounted to Denar 151,117 million in the period January - October 2016, i.e. they accounted for 26.1% of GDP, being higher by 3.3% compared to the same period in 2015.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 138,636 million, accounted for 91.7% and they increased by 3.9% in relation to the same period in 2015.

Expenditures related to wages and salaries and allowances were executed in the amount of Denar 21,565 million and they accounted for 14.3% of the total budget expenditures, while in relation to 2015, their execution increased by 5.4%.

Expenditures related to goods and services were executed in the amount of Denar 12,824 million, decreasing by 11.3% compared to the same period in 2015.

Transfers amounting to Denar 98,979 million accounted for the most in the current expenditure items. Transfers increased by 6.3% compared to the same period in 2015, accounting for 65.5% of the total expenditures.

Social transfers amounted to Denar 73,797 million, increasing by 7.3% and accounting for 48.8% of the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounting for the most of the social transfers, amounted to Denar 45,229 million, increasing by 8.7% compared to the same period in 2015, and accounting for 29.9% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 16.0% in the total expenditures, i.e. they surged by 4.2% compared to the same period in 2015. Block grants to local government units, amounting to Denar 12,326 million, grew by 1.8% compared to the same period in the previous year. Subsidies and transfers, accounting for 6.8% in the total expenditures, were higher by 6.3% compared to last year.

Interest payments expenditures amounted to Denar 5,268 million, being lower by 2.5% compared to the same period in 2015. Costs related to interest payment on the basis of domestic borrowing dropped by 7.7%, while the ones on the basis of foreign borrowing increased by 1.4% compared to the same period in 2015.

During the analyzed period, funds for capital expenditures were executed in the amount of Denar 12,481 million, accounting for 8.3% of the total expenditures, i.e. their execution was lower by 2.1% compared to the same period last year.

Budget Balance

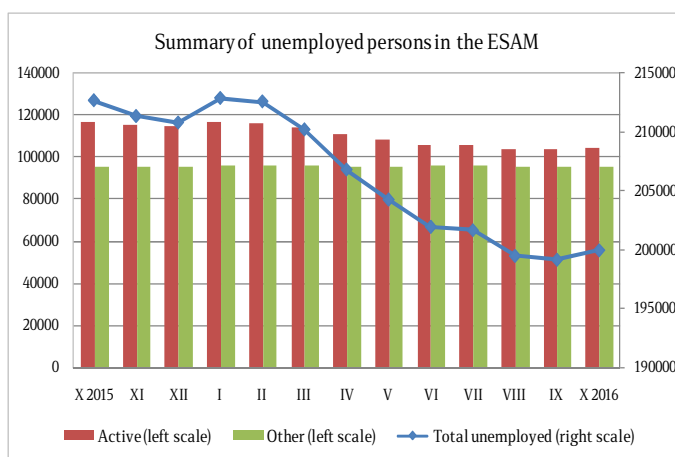
Budget deficit reached the amount of Denar 10,921 million in the period January – October 2016, accounting for 1.9% of GDP, while central budget deficit amounted to Denar 9,994 million, accounting for 1.7% of GDP.

SOCIAL SECTOR

Number of Newly Employed and Registered Unemployed Persons in EARM

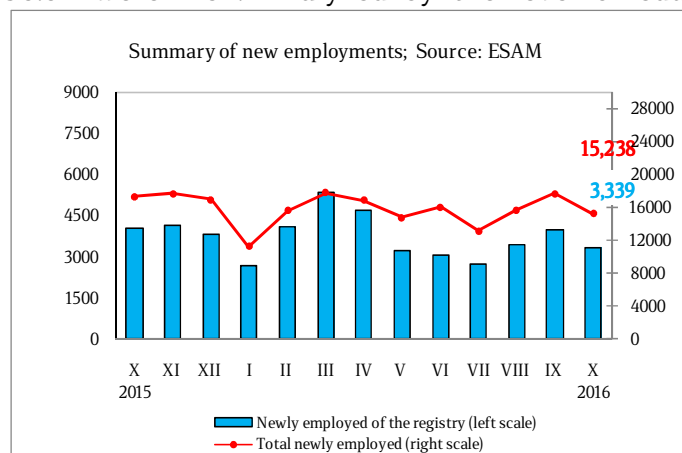
In the period January–October 2016, Employment Agency of the Republic of Macedonia registered total of 154,150 new employments. Total number of newly employed persons in this period was lower by 0.6% compared to the same period in 2015.

As regards the total number of newly employed, 45.5% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In October 2016, 21.9% out of the total number of newly employed persons was from the unemployed records.



Total number of unemployed persons was 199,955, out of which 104,406 persons were active job seekers, while 95,549 persons were from the category “other unemployed”. Compared to the same month last year, total number of unemployed persons was lower by 6.0%.

Major percentage of the unemployed (67.4%) came from urban areas (cities), whereby 58.8% were men. Analyzed by the level of education, major part, i.e. 55.2%, of the



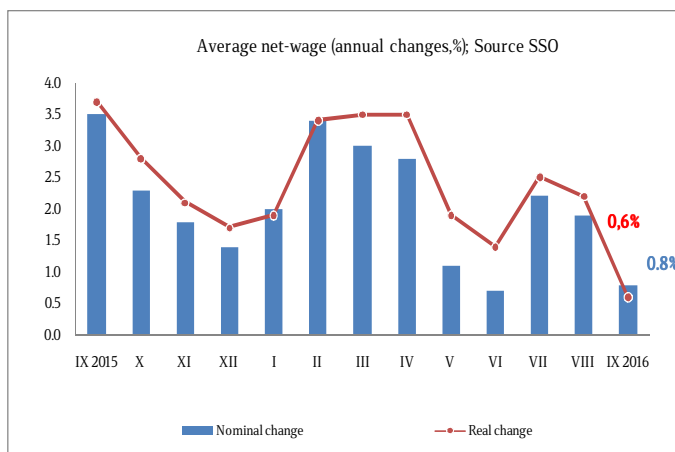
unemployed persons were with incomplete secondary education or less, 30.0% were with completed secondary education, while 14.8% of the unemployed persons were with completed community college or higher education level.

Observed by age, majority of the unemployed persons or 54.0% fall in the category of 25-49 years of age.

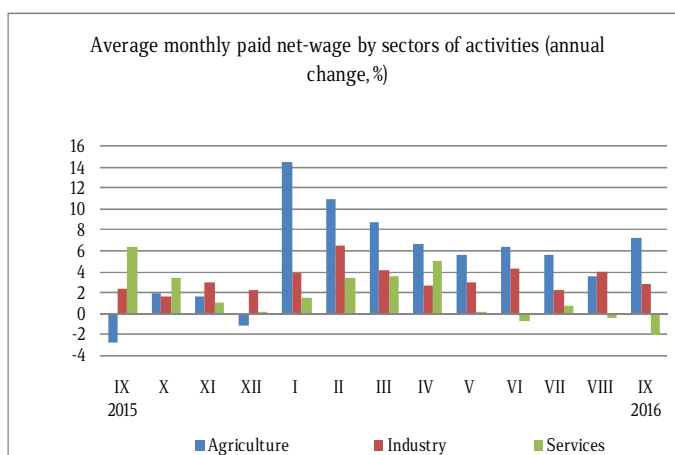
According to the time they waited for a job, 53.5% of the unemployed persons wait for employment from 1 to 7 years, while 9.9% wait for employment for 8 years and more.

Salaries

Average net salary in September 2016 increased by 0.8% in nominal terms on annual basis, and it was lower by 0.5% in relation to the previous month. The highest increase of average net salary was observed at the following sectors: Construction (8.7%), Agriculture, forestry and fishing (7.2%) and Information and communications (6.0%). In September, the average net salary grew by 0.6% in real terms on annual basis.



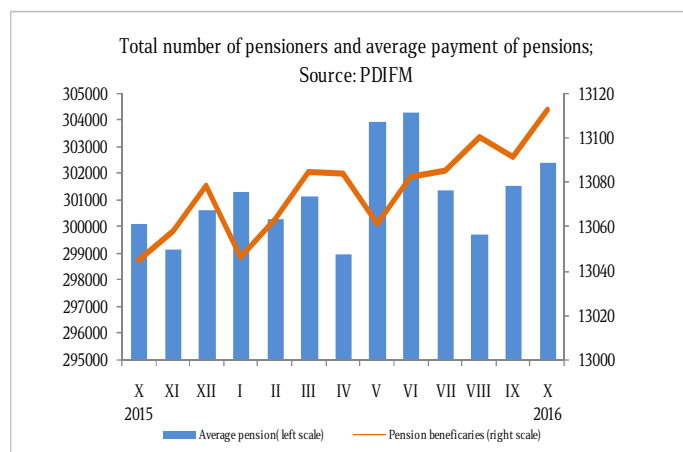
Average gross salary in September 2016 increased by 1.0% in nominal terms on annual basis and it was lower by 0.5% in relation to the previous month. The highest increase of average gross salary was observed at the following sectors: Construction (9.6%), Agriculture, forestry and fishing (7.2%) and Information and communications (5.5%). Real gross salary surged by 0.8% annually.



Percentage of employees who did not receive salary in September 2016 accounted for 1.2% and, compared to the same month of the previous year, it was higher by 0.2 p.p., while compared to August 2016, it remained the same.

Pensions

In October 2016, 304,417 pensioners were registered at the Pension and Disability



Insurance Fund, being an increase of 1.9% compared to the same period last year. Number of pension beneficiaries increased by 1743 persons on monthly basis. As regards the total number of pensioners, 62.2% were beneficiaries of old-age pension, 25.1% of survival pension and 12.7% of disability pension.

Average pension in October 2016 amounted to Denar 13,063, and is unchanged compared to the same month last year. Ratio between the average pension and the average paid salary in September 2016 (the most recent available data) was 58.9%.

In October, average old-age pension amounted to Denar 14,399, average disability pension amounted to Denar 11,781, while average survival pension amounted to Denar 10,397. In October 2016, Denar 3,896.50 million was spent for payment of pensions, accounting for 53.0% of the total social transfers.

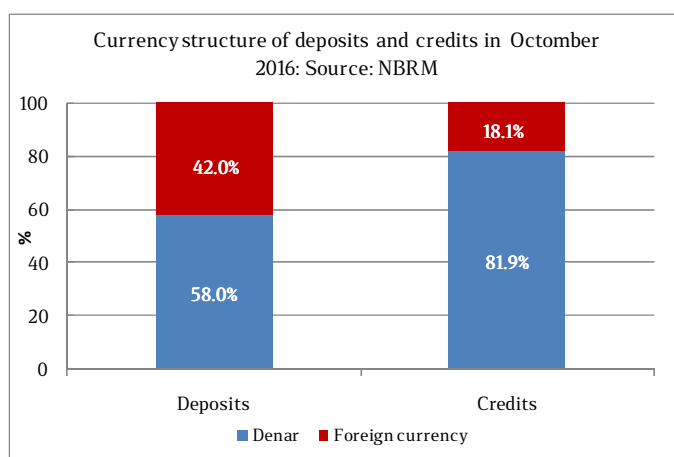
MONETARY SECTOR

In October 2016, National Bank of the Republic of Macedonia kept the reference interest rate at 4.0%, after increasing it by 0.75 p.p. in May 2016, which was due to the increased demand for foreign currency and the pressures on the banks' deposit base, as a result of the worsened expectations of the economic agents, caused by the instable political situation in the country. Interest rate on available 7-day deposits remained unchanged compared to September 2016, accounting for 0.5%.

Primary Money

In October 2016, primary money ¹ grew by 7.5% on annual basis, in conditions of increase of currency in circulation and total liquid assets of banks by 7.3% and 7.6% respectively.

On monthly basis, primary money dropped by 0.7%, as a result of decline of currency in circulation by 0.1% and decrease of total liquid assets of banks by 1.3%.



Deposit Potential

In October 2016, total deposits of banks increased by 1% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises grew by 2.3%, while deposits of households surged by 0.7%.

Analyzed by currency, compared to the previous month, Denar deposits and foreign currency deposits surged by 1.2% and 0.7% respectively in October 2016.

Total deposit potential in October 2016 grew by 4% on annual basis. Analyzed by currency, Denar deposits and foreign currency deposits grew by 2.1% and 6.7% respectively.

¹Primary money is calculated as a sum of currency in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).

From sector point of view, this month, deposits of households increased by 1.8%, while deposits of enterprises grew by 9.1%, on annual basis. According to maturity, short-term deposits increased by 1%, while long-term deposits surged by 4.3%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was higher, accounting for 58%.

Deposit potential and credits to private sector (October 2016)	Denar million	Monthly change	Annual change
Deposit Potential	305817	1%	4%
Denar	177359	1,2%	2,1%
Foreign currency	128459	0,7%	6,7%
Short-term	147503	0,7%	1%
Long-term	84178	1%	4,3%
Credits to private sector	274068	-0,4%	1,8%
Denar	224542	0,4%	4,1%
Foreign currency	49526	-3,8%	-7,6%
Short-term	60310	0,1%	-0,5%
Long-term	192145	-0,6%	9,9%
Doubtful and contested claims	20086	0,7%	-35,5%

Source: NBRM

Bank Credits

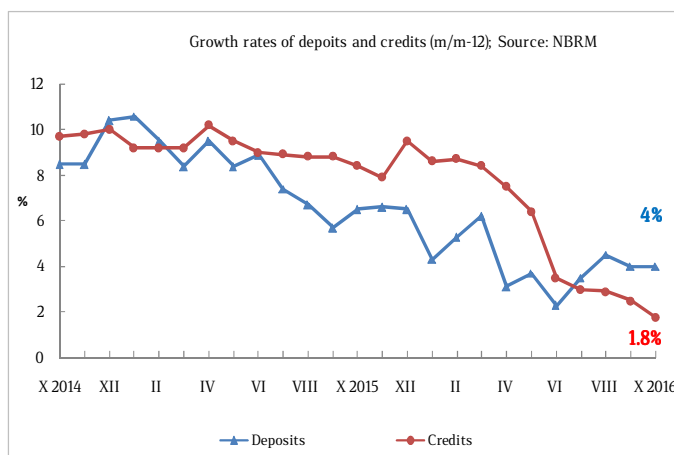
In October 2016, total credits of banks to the private sector declined by 0.4% compared to the previous month. Sector analysis shows that credits to enterprises decreased by 1.6%, while credits to households grew by 1% in October. Analyzed by currency, in October 2016, Denar credits grew by 0.4%, while foreign currency credits dropped by 3.8%, on monthly basis.

On annual basis, total credits grew by 1.8% in October 2016, in conditions of growth of credits to households by 7.5% and decline of credits to enterprise by 2.7%. Denar credits surged by 4.1%, while foreign currency credits decreased by 7.6%.

As regards maturity, long-term credits experienced annual growth of 9.9%, while short-term credits dropped by 0.5%.

Interest Rates of Deposit Banks

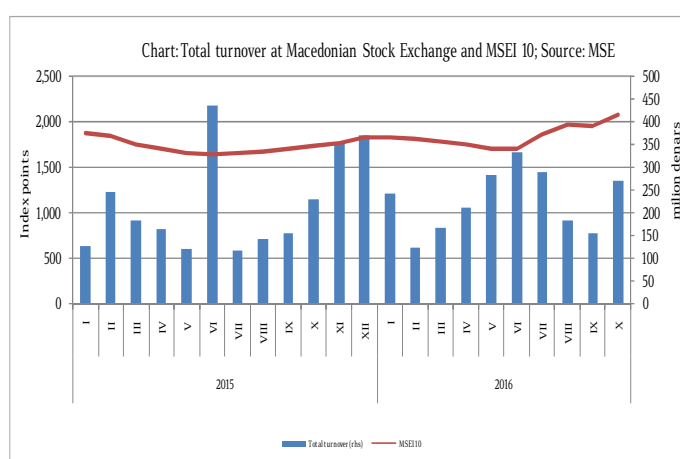
In October 2016, total interest rate on credits was 6.3%, remaining the same compared to the previous month. Interest rates on Denar and foreign currency credits dropped by 0.1 p.p. on monthly basis, accounting for 6.5% and 5.3%, respectively.



Total interest rate on deposits in October was 1.8%, remaining unchanged compared to the previous month. Interest rates on Denar and foreign currency deposits also remained unchanged on monthly basis, accounting for 2.5% and 1% respectively.

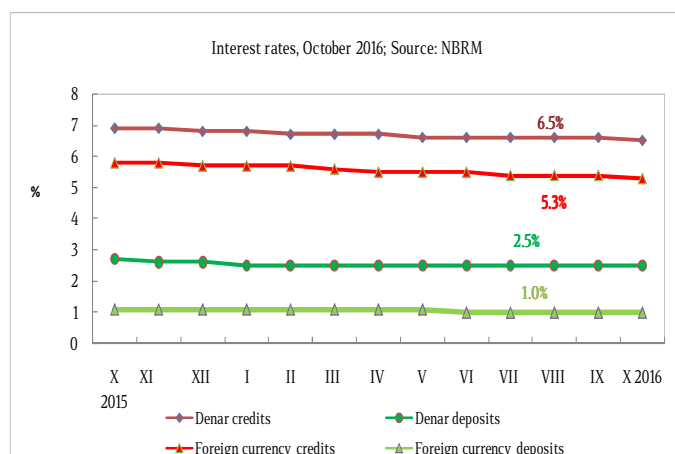
Capital Market

As for the capital market, in October 2016, total turnover on the stock exchange increased by 73.6% on monthly basis, as a result of the increase of turnover realized from trading in BEST and turnover from block transactions by 86.8% and 27.2% respectively.



Reserve Assets

Gross foreign currency reserves at the end of October 2016 amounted to EUR 2,729 million and, compared to the previous month, they were higher by EUR 30 million, while compared to October 2015, they surged by EUR 540.9 million.



Total turnover on the stock exchange amounted to Denar 272 million in October 2016, being an increase of 18.1% on annual basis. Macedonian stock exchange index MBI - 10 amounted to 2,078.84 index points in October 2016, whereby the index grew by 6.4% on monthly basis, while, compared to the same month last year, the index was higher by 20.3%.

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