



REPUBLIC OF MACEDONIA  
MINISTRY OF FINANCE  
Macroeconomic Policy Department

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# SHORT-TERM ECONOMIC TRENDS

December 2014



Skopje, February 2015

## SUMMARY

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

December 2014

- Industrial production in December 2014 surged by 0.7% compared to December 2013;
- Inflation amounted to – 0.5% on annual basis, while it accounted for 0% on monthly basis, hence, average inflation rate in 2014 amounted to – 0.3%;
- Export in 2014 surged by 15.9%, while import increased by 10.4%, resulting in widening the trade deficit by 0.3% compared to 2013;
- In 2014, total budget revenues grew by 4.1%, and total budget expenditures increased by 5.4%; state budget deficit amounted to Denar 22,134 million, while central budget deficit amounted to Denar 19,669 million;
- Increase of both total credits to private sector by 10% and total deposit potential of banks by 10.4% on annual basis.

# 1. Real Sector

## Industrial Production

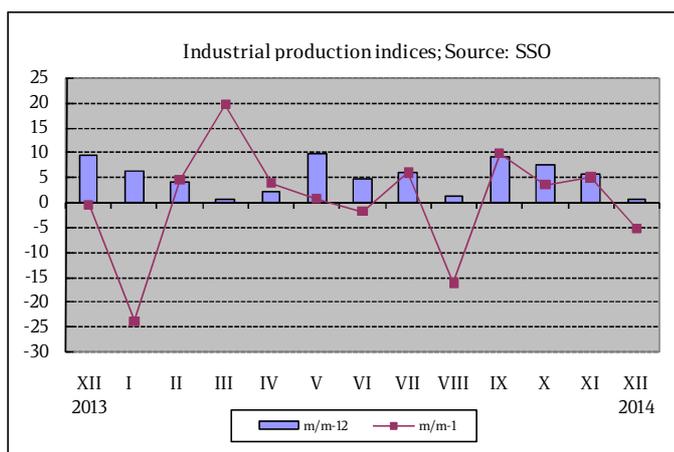
Industrial production in December 2014 surged by 0.7% compared to December 2013; Analyzed by sectors, growth was seen only in the manufacturing industry sector by 2.7%, while sectors mining and quarrying and electricity, gas, steam and air-conditioning supply sector dropped by 6.6%, i.e. 5%.

	m/m-1	m/m-12	I-XII 2014
			I-XII 2013
Total	0,7	-5,3	4,8
Ore and stone extraction	-6,6	-10,2	-1,9
Processing industry	2,7	-4,0	9,0
Electricity, gas and water supply	-5,0	-9,4	-14,2

Source: SSO

As for manufacturing industry, annual positive growth was registered at 14 out of 23 branches, comprising 33.9% of the industrial production. As regards the branches with two-digit share in the structure of industrial production, decline was registered at production of food products of 6.2%, while growth of 2.6% was recorded at production of clothing.

High growth was generated at the following branches: Other production industry of 51.7%, production of coke and refined oil products of 38.9%, processing of wood, cork and wood products of 33.9%, manufacture of electrical equipment of 33.8%, production of other non-metal mineral products of 29.5%, production of furniture of 27%, printing and production of recorded media (records) of 23.6%, repair and installation of machines and equipment of 21.2%, production of tobacco products of 21% and production of other transportation equipment of 17.4%. High drop of production



on annual basis was recorded at the following branches: Production of beverages by 38.5%, production of leather and similar articles of leather by 32.4%, production of fabricated metal products by 21% and production of chemicals and chemical products by 13.5%. Production of furniture (1.5 p.p.) contributed the most to the annual change of industrial production in December 2014, while production of beverages had the highest negative contribution (2.2 p.p.).

Industrial production in December 2014 compared to November 2014 decreased by 5.3%. Sector analysis points out that drop was seen in all sectors, as follows: Mining and quarrying by 10.2%, electricity, gas, steam and air-conditioning supply by 9.4% and manufacturing industry by 4%.

On cumulative basis, in 2014 compared to 2013, industrial production increased by 4.8%. Growth was registered only in the manufacturing industry sector – 9%, while

electricity, gas, steam and air-conditioning supply sector and mining and quarrying sector experienced a decline of 14.2% and 1.9% respectively.

Data on industrial production by target groups in December 2014, compared to December 2013, showed that there was an increase in the production at the following groups: Capital goods by 47.1%, consumer durables by 16.9% and intermediary goods, except energy by 8%. Drop was observed at the following groups: Energy by 12.2% and consumer non-durables by 10.2%.

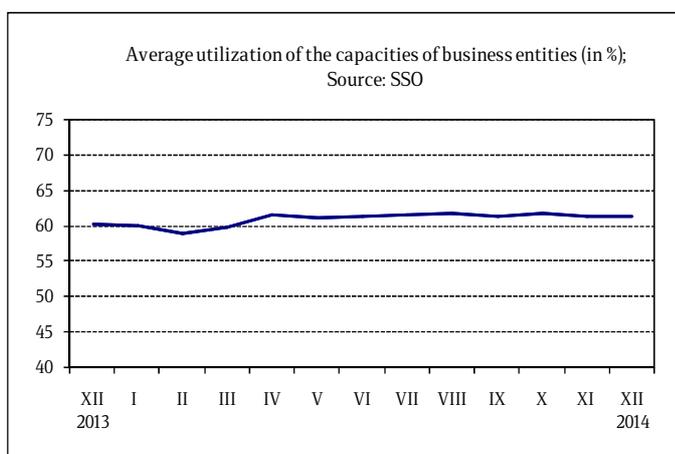
On monthly basis, data on the industrial production by target groups in December 2014 showed that there was increase only in the group capital goods by 13.7%, while decrease was seen at all following groups: Energy by 13.6%, intermediary goods, except energy by 10.2%, consumer non-durables by 4.2% and consumer durables by 1.2%

On cumulative basis, in 2014 compared to 2013, growth was seen at the following groups: Capital goods by 48.5%, intermediary goods, except energy by 7.1% and consumer non-durables by 1.7%, while decline was observed at the following groups: Energy by 12.2% and consumer durables by 1.6%.

### **Business Tendencies in the Manufacturing Industry**

According to the assessments, current economic trends of business entities in December 2014 were more favourable compared to the previous month, and less favourable compared to December 2013.

Assessment of current state of delivery-to-production was more favourable compared to both the previous month and December 2013. In December 2014, assessment of the production volume in the past three months was less favourable compared to November 2014, as well as compared to December 2013. In December 2014, expectations for the production volume in the next three months were less favourable compared to both the previous month and December 2013.



As regards the number of employees, expectations in December 2014 for the next three months were more favourable compared to the previous month, while compared to November 2013, they were less favourable.

Average utilization of capacities in December 2014 accounted for 61.3%, being an increase compared to the previous month, when it accounted for 61.2%. Compared to December 2013, utilization of capacities was higher by 1.2 p.p..

In December 2014, 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 present stock of ready-made products was

less favourable compared to both the previous month and December 2013. In the next 3-month period, according to the assessment of managers, average purchase prices of inputs, as well as selling prices of ready-made products, are expected to decrease.

According to the assessment, following factors limited the most the production volume in December 2014: insufficient foreign demand – 22.9%, insufficient domestic demand – 18.5%, lack of qualified labour force - 15.2%, financial problems – 9.5% and uncertain economic surrounding – 7.6%.

Less of the business entities indicated the following as a limiting factor in December 2014, compared to November 2014: uncertain economic surrounding, financial problems, insufficient foreign demand, shortage of skilled labour and lack of equipment, while bigger number of business entities indicated: insufficient domestic demand, unclear economic laws and shortage of energy. As regards other factors, there were no significant changes.

### Number of Industrial Workers

Number of industrial workers in December 2014 increased by 7.9% compared to December 2013. Sector analysis points out to increase in the number of workers in the sector manufacturing industry by 9.6% while the number of workers in the mining and quarrying sector, as well as the electricity, gas, steam and air-conditioning supply decreased by 3.5% and 1% respectively.

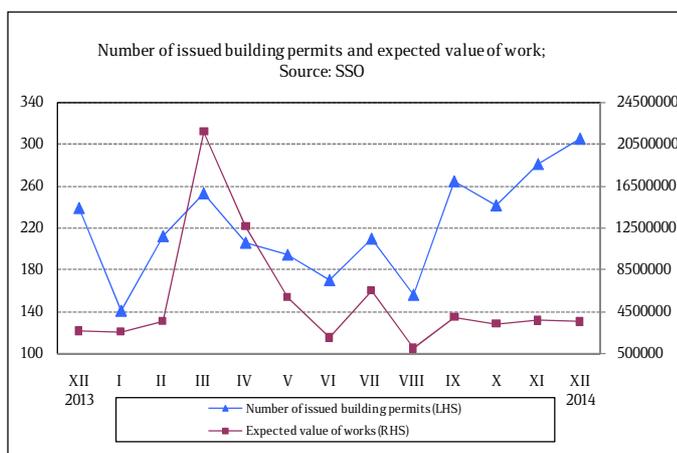
Data on the number of workers in the industry by target groups in December 2014, compared to December 2013, showed an increase in the number of workers at the following groups: Capital goods by 113.6%, consumer durables by 4.9%, intermediary goods, except energy by 4.7%, and consumer non-durables by 1%, while decline was registered at the energy group by 4.5%.

Number of workers in the industry in 2014 compared to 2013 was 7.9%.

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

In December 2014, 305 building permits were issued, increasing by 27.6% compared to the same month of the previous year. Total number of issued building permits compared to November 2014, when 281 permits were issued, increased by 8.5%.

Envisaged value of the facilities, according to the issued building permits in December, amounted to Denar 3,473 million, being by 36.3% more compared to December 2013. In relation to the previous month, value of the facilities declined by 3.6%.

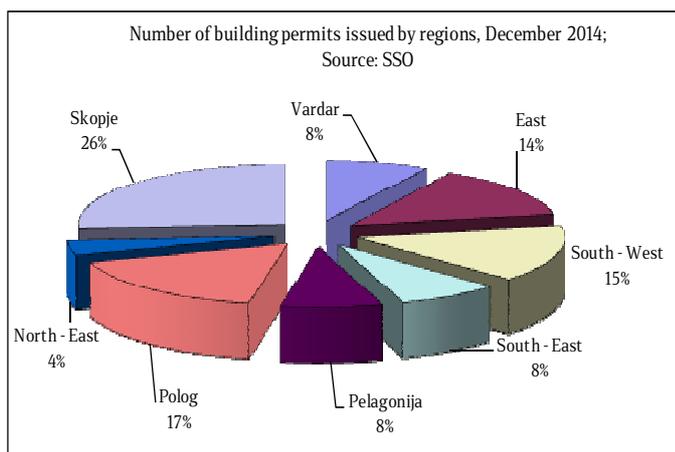


Analyzed by types of facilities, out of the total number of issued building permits, 207 (or 67.9%) were intended for buildings, 30 (or 9.8%) for civil engineering structures and 68 (or 22.3%) for reconstruction facilities.

Analyzed by types of investors, out of total 305 issued building permits, natural persons were investors in 213 facilities (or 69.8%), while business entities were investors in 92 facilities (or 30.2%).

In December 2014, construction of 795 flats was envisaged, with total usable area of 64,441 m<sup>2</sup>. Number of flats envisaged for construction increased by 136.6% compared to the same month in 2013, and by 120.2% compared to November 2014.

Analyzed by regions, in December 2014, most permits were issued in the Skopje region, 80 in total, 46 permits out of which were issued to natural persons as investors, while 34 permits were issued to business entities as investors. Least building permits were issued in the Northeastern region, 12 permits in total, 8 permits out of which were issued to natural persons as investors, while 4 permits was issued to business entities as investors.



Analyzed on cumulative basis, in 2014, most building permits were issued in the Skopje region, 866 in total, 499 permits out of which were issued to natural persons as investors, while 367 permits were issued to business entities as investors. Least building permits were issued in the Northeastern region, 140 permits in total, 94 permits out of which were issued to natural persons as investors, while 46 permits were issued to business entities as investors.

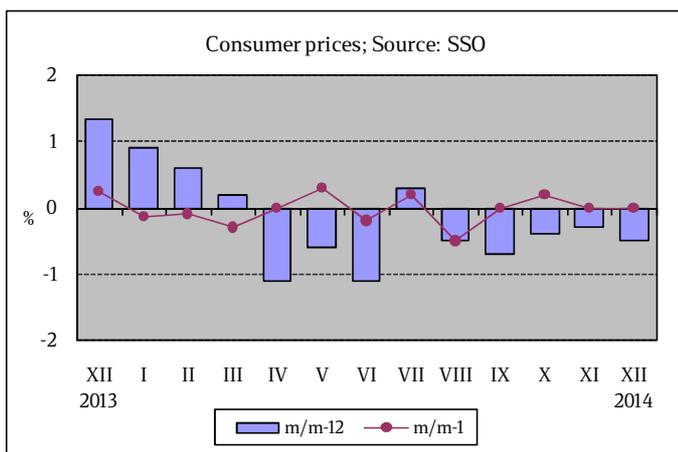
## Inflation

Annual inflation rate in December 2014, measured according to the CPI index, amounted to -0.5%. Average inflation rate in 2014 amounted to -0.3%, compared to the 2.8% inflation rate observed in 2013.

On annual basis, food and non-alcoholic beverages category, accounting for the most in the CPI index, experienced 0.1% decline, whereby the drop in prices was highest in the sub-category oils and fats by 7%. Price reduction was also registered at the following categories: Transportation by 7.2%, recreation and culture by 5.5%, communications by 2.5%, furniture, household furnishings and maintenance of household furnishings by 2.3% and restaurants and hotels by 0.2%. The highest annual increase of prices in December was seen at the alcoholic beverages and tobacco category by 4.1%. Price increase was also registered at the following categories: Health by 2.1%, housing, water, electricity, gas and other fuels by 1.5%,

other goods and services by 0.8% and clothing and footwear by 0.2%. Prices remained the same at the education category.

On monthly basis, inflation in December 2014 accounted for 0%. Prices in the food and non-alcoholic beverages category picked up by 0.6% as a result of the 8.7% increase of vegetable prices. Monthly price increase was also recorded at the following categories:

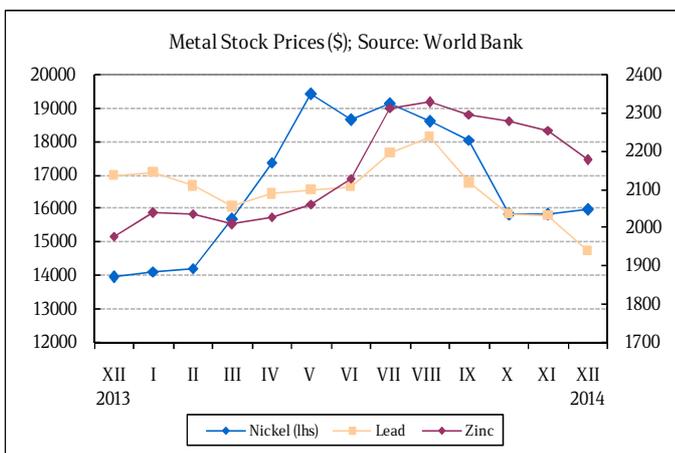


Recreation and culture by 1% and clothing and footwear by 0.1%. Price reduction was also registered at the following categories: Transport by 3% and housing, water, electricity, gas and other fuels by 0.1%. Prices remained the same at the following categories: Alcoholic beverages and tobacco, furniture, household furnishings and maintenance of household furnishings, health, communications, education, restaurants and hotels and other goods and services.

Retail prices in December 2014, compared to December 2013 dropped by 2.3%. Compared to the previous month, retail prices were lower by 0.3%. Retail prices in 2014 reduced by 0.9% in average compared to 2013.

### Stock Market Prices

In December 2014, crude oil price (Brent) on the global stock markets declined by 20.5%, compared to the previous month, reaching the price of US\$ 62.3 per barrel. Compared to December 2013, oil price was lower by 43.7%. Price of natural gas in December decreased by 4.0% 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\$ 15,962 for a metric ton (\$/mt) in December 2014, being a monthly price increase by 1.0%. Compared to December 2013, nickel price was higher by 14.6%. In December, there was monthly decrease of prices of the other base metals as well. Price of aluminium decreased by 7.1%, price of lead declined by 4.5%, price of copper declined by 4.0%, price of zinc decreased by 3.4% while price of tin dropped by 1.0%. Price of iron ore in December experienced monthly decline of 8.1%. Monthly price increase was also observed at precious metals. Hence, price of gold, silver and platinum increased by 2.3%, 2.1% and 0.6% respectively.

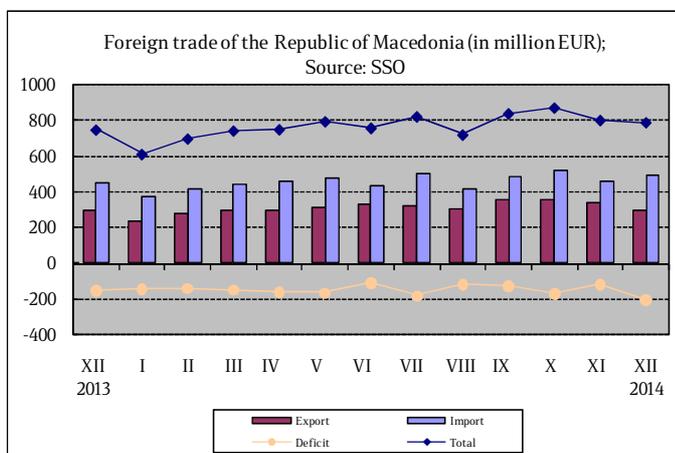
In December 2014, price of wheat on global stock markets surged by 4.2%, while price of maize experienced insignificant drop compared to November. Price of lamb's meat registered monthly drop of 3.0% in December.

## 2. Foreign Trade

In 2014, total foreign trade amounted to EUR 9,207.9 million, increasing by 12.6% compared to last year.

### Export

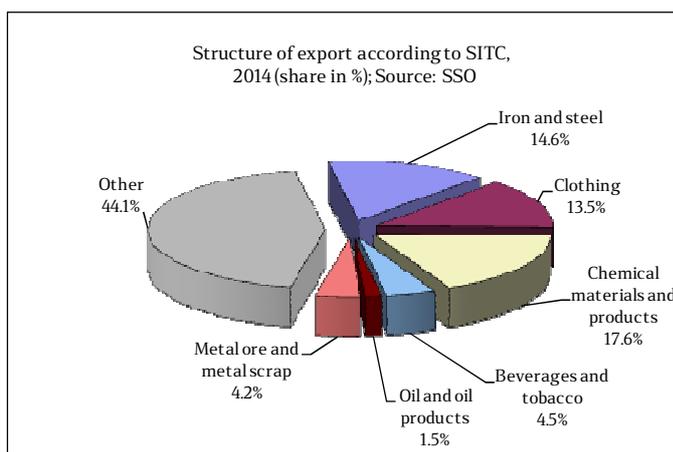
In 2014, physical output of export surged by 1.0% compared to 2013, while value of exported goods amounted to EUR 3,723.0 million, increasing by 15.9% (EUR 511.2 million) compared to the previous year.



In December 2014, value of exported goods amounted to EUR 292.6 million, dropping by 2.0% (EUR 6.0 million) compared to December last year. Analyzed on monthly basis, in December 2014, export dropped by 14.5% (EUR 49.5 million), compared to the previous month.

Seasonally adjusted trend of export in December 2014 dropped by 15.5% on monthly basis, pointing out to positive effects of the seasonal factor (1.0 p.p.) on export this month.

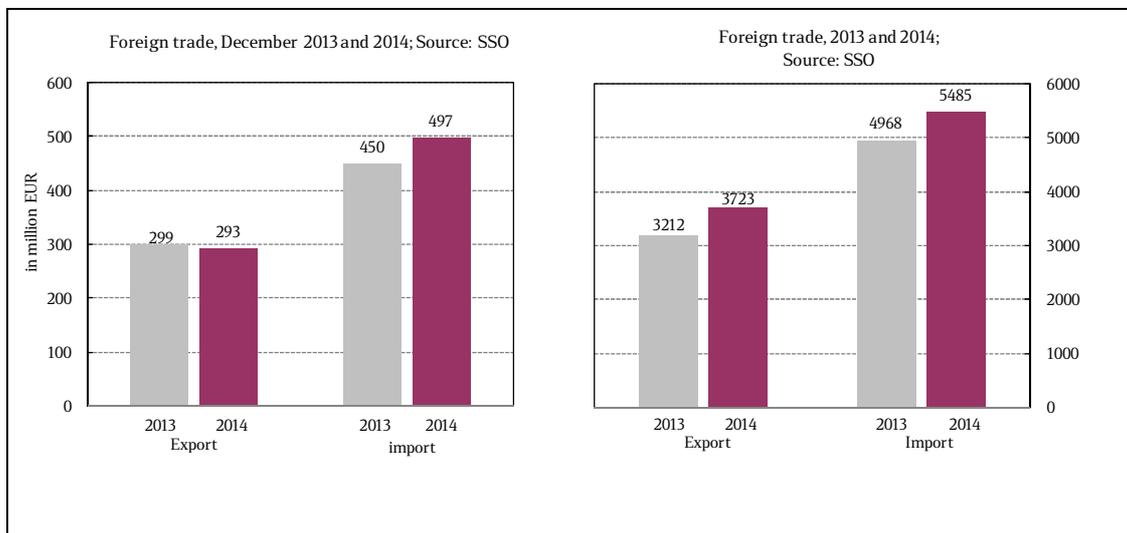
Main groups of goods (according to SITC) having the biggest share in export in 2014 were the following: chemical materials and products – 17.6%, iron and steel – 14.6%, clothing – 13.5%, beverages and tobacco – 4.5%, metal ore and metal scrap – 4.2%, and oil and oil products – 1.5%. These six groups of products comprised 55.9% of the total export of the country.



In 2014, observed by economic purpose, the following products were most exported: goods for industrial procurement (48.4%), followed by consumer goods (20.0%), products for investments without transport equipment (12.6%), food and beverages (9.7%), transport equipment (7.7%) and fuels and lubricants (1.5%).

Analyzed by tariffs, following products were the most exported: catalysts with precious metals or precious metal compounds as active substance; filtering or

purifying machinery and apparatus for other gases by a catalytic process; ferronickel; ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships; reaction initiators, reaction accelerators and catalytic preparations; tobacco; motor vehicles for transport of ten or more persons, including the driver; ferrosilicium; boards, plates, stands, tables, cabinets and others; men's shirts of cotton; lead ore and concentrates, etc.



Export of iron and steel*)				
	I - XII - 2013	I - XII - 2014	Balance	% rate
000 T	594.1	595.6	1.5	0.3
EUR mil.	593.2	544.8	-48.4	-8.2
\$ mil.	787.7	723.2	-64.4	-8.2

\*)Previous data

Import of iron and steel*)				
	I - XII - 2013	I - XII - 2014	Balance	% rate
.000 T	557.0	556.0	-0.9	-0.2
EUR mil.	274.6	273.5	-1.1	-0.4
\$ mil.	364.6	361.8	-2.9	-0.8

\*)Previous data

## Import

Imported quantities of goods in 2014 surged by 6.1%, compared to the previous year, while their value amounted to EUR 5,485.0 million, increasing by 10.4% (EUR 516.5 million) compared to 2013.

Value of imported goods in December 2014 amounted to EUR 497.0 million, increasing by 10.4% (EUR 46.8 million) compared to December last year. Analyzed on monthly basis, in December 2014, import grew by 8.0% (EUR 37.0 million) compared to the previous month.

Seasonally adjusted trend of import in December 2014 grew by 5.1% on monthly basis, pointing out to positive effects of the seasonal factor (2.9 p.p.) on import this month.

Export of oil and oil products*)				
	I - XII - 2013	I - XII - 2014	Balance	% rate
000 T	142.6	130.0	-12.6	-8.8
EUR mil.	71.5	55.2	-16.3	-22.8
\$ mil.	94.7	73.2	-21.5	-22.7

\*)Previous data

Import of oil and oil products*)				
	I - XII - 2013	I - XII - 2014	Balance	% rate
.000 T	913.4	939.2	25.9	2.8
EUR mil.	561.2	531.0	-30.2	-5.4
\$ mil.	745.0	707.0	-38.0	-5.1

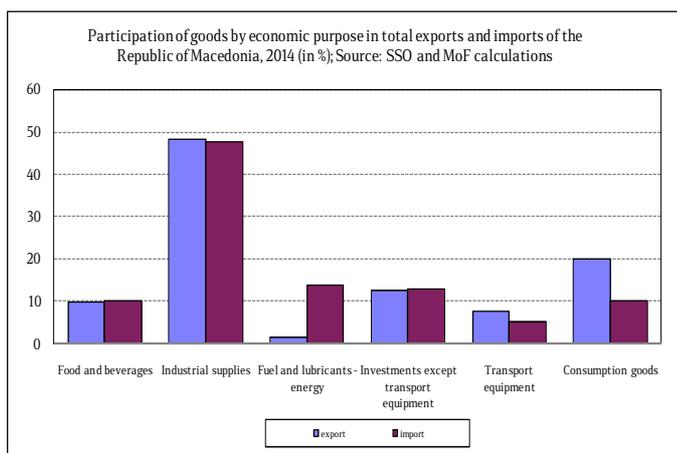
\*)Previous data

In addition to non-ferrous metals, following goods were the most imported (according to SITC) in 2014: oil; yarn, fabrics and textile products; electrical machines, devices and spare parts; iron and steel; road vehicles, etc.

Observed by economic purpose, the following products were the most imported in 2014: goods for industrial procurement (47.6%), followed by fuels and lubricants

(13.9%), products for investments without transport equipment (12.8%), food and beverages (10.2%), consumer goods (10.1%) and transport equipment (5.3%).

Most imported products by tariffs were the following: platinum, unwrought or in powder form; gas oils for other purpose with a sulphur content up to 0.001% by weight; electricity; palladium: unwrought or in powder form; ceramic products for laboratory, chemical or other technical use; nickel ore and concentrates; motor petrol with an octane number (RON) of 95 or more but less than 98; pharmaceuticals put up in measured doses; hot rolled products with thickness less than 3 mm, heating oils with a sulphur content by weight bigger than 0.1% but not bigger than 1% by weight; etc.



	I - XII - 2013	I - XII - 2014	Balance	% rate
000 T	7.6	14.6	7.0	91.5
EUR mil.	484.0	655.4	171.4	35.4
\$ mil.	643.5	867.4	223.8	34.8

\*)Previous data

	I - XII - 2013	I - XII - 2014	Balance	% rate
.000 T	31.6	31.6	0.0	0.1
EUR mil.	71.6	89.8	18.2	25.4
\$ mil.	94.8	119.1	24.4	25.7

\*)Previous data

## Trade Balance

In 2014, trade deficit widened by EUR 5.4 million or 0.3% compared to last year.

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

Analyzed according to economic groups of countries, in 2014, compared to 2013, export surged at the following groups: EU 28, EFTA, Organization of Petroleum Exporting Countries, North American Free Trade Zone, while drop was recorded at the following groups: Western Balkan Countries, Asia-Pacific Economic Cooperation Organization and Commonwealth of Independent States. Export to the EU surged by 22.0% on annual basis, while as for Western Balkan countries, it declined by 8.4%.

In 2014, foreign trade of the Republic of with the European Union (EU 28), in relation to the previous year, increased by 16.2%, whereby share of trade with EU in the total foreign trade increased by 2.3 p.p., accounting for 68.8%. Export of goods to the European Union (EU 28) accounted for 76.6% in the total export of the Republic of Macedonia, while import of goods participated with 63.5%.

In 2014, 83.0% of the trade deficit of the country was realized in the trade with Great Britain, Greece, Serbia and China, followed by: Turkey, Italy, Romania, Slovenia, Russia, Austria, the USA and others. Surplus was realized in the trade with Germany, Kosovo, Belgium and Bosnia and Herzegovina.

### Currency Structure

Observed by currency structure, 80.0% of the trade in 2014 was realized in euros, and compared to 2013, it surged by 5.9 percentage points. On export and import side, euro accounted for 87.6% and 74.9%, respectively, whereby share of the euro in export was higher by 3.6 p.p., while increase of the share of the euro in import accounted for 7.2 p.p. compared to 2013.

Foreign trade of the Republic of Macedonia (by currency ); calculations: MoF												
import	I - XII - 2013					I - XII - 2014					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	3,024.6	3,361,194,539	61.6131	207,093,777,879	67.7	3,197.0	4,097,274,766	61.6002	252,393,116,832	74.9	736,080,227	21.9
USD	2,469.6	1,387,673,457	44.9929	62,435,502,313	20.4	2,628.2	1,478,932,820	49.9305	73,843,869,496	21.9	91,259,364	6.6
GBP	4.0	436,145,123	73.6574	32,125,320,007	10.5	6.1	181,325,436	78.1113	14,163,565,531	4.2	-254,819,687	-58.4
EUR+USD+GBP	5,498.2			301,654,600,199	88.1	5,831.3			340,400,551,860	101.0		
tot. import	5,509.1			306,067,472,311	100.0	5,843.1			337,181,641,472	100.0		10.2

Source: SSO and NBRM

## 3. Fiscal Sector

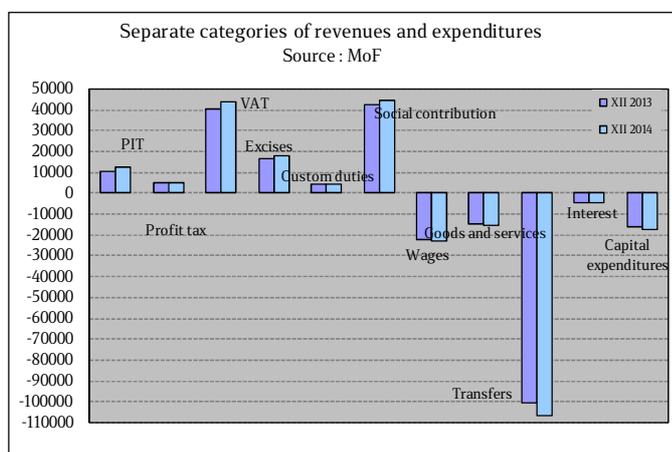
### Budget Revenues

In the period January - December 2014, total budget revenues reached an amount of Denar 145,929 million, i.e. 27.7% of GDP, which was by 4.1% higher in relation to the same period in 2013.

Tax revenues in these twelve months were realized in the amount of Denar 83,845 million, i.e. 15.9% of GDP, being higher by 8.2% in relation to the same period in 2013.

Revenues on the basis of value

added tax were realized in the amount of Denar 43,860 million, whereby share of VAT in total tax revenues in this period was dominant, accounting for 52.3%. Revenues on the basis of excises were realized in the amount of Denar 17,392 million (participating with 20.7% in the tax revenues). Hence, revenues realized on the basis of these two indirect taxes amounted to Denar 61,252 million, i.e. 73.1% or almost 3/4 of total tax revenues (11.6% of GDP). Thereby, VAT collection amounted to Denar 59,382 million on gross basis, Denar 15,523 million out of which was refunded to taxpayers.



As for VAT structure, VAT share was the biggest when importing, increasing by 2.0%, as same as the growth of VAT on the basis of sales in the country. Share of VAT grants was insignificant, accounting for 0.1%, whereby tax on donations experienced higher performance by 32.7%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 12,320 million, increasing by 20.1% on annual basis, whereby revenues on the basis of tax on salaries and other personal earnings accounted for around 2/3, i.e. 65.3% of the personal income tax, revenues on the basis of contractual agreement accounted for 8.2%, revenues on the basis of games of chance and award games – 6.4%, capital revenues accounted for 5.6% and revenues on the basis of property and property rights accounted for 3.6%. Profit tax revenues in this period in 2014 amounted to Denar 5,060 million, increasing by 14.5% compared to the same period in the previous year, being mainly a result of the paid dividend and other profit distribution and withheld tax on paid revenues to foreign legal entities. VAT revenues experienced growth of 10.1%, while excises experienced higher performance by 8.8%. Revenues on the basis of customs duties were realized in the amount of Denar 4,223 million, experiencing insignificant decrease by 0.7%. Revenues on the basis of other taxes in the amount of Denar 990 million declined by 63.3% times compared to last year.

Non-tax revenues amounted to Denar 10,634 million and, in relation to the same period in 2013, they dropped by 12.2% (these revenues are revenues on the basis of profit realized by the public institutions, revenues collected on the basis of administrative fees, fines, concessions, etc.).

Capital revenues realized on the basis of sale of construction land, flats and dividends reached Denar 1,874 million (out of the total revenues on this basis, Denar 946 million are the paid funds from the dividend of AD Makedonski Telecom (Macedonian Telecom) paid in April) decreasing by 40.3% 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 3,383 million, being by 2.0% less compared to the same period last year.

Social contributions were collected in the amount of Denar 44,185 million, being higher by 4.1% compared to the same period in 2013, whereby collection of pension insurance contributions increased by 3.8%, collection of health insurance contribution grew by 4.8% and the one of employment contributions surged by 4.6%.

### **Budget Expenditures**

In the period January–December 2014, total budget expenditures amounted to Denar 168,063 million, i.e. 31.9% of GDP, which was higher by 5.4% compared to 2013.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 150,440 million accounted for 89.5% (28.6% of GDP) and they increased by 5.3% in relation to the same period in 2013.

Transfers amounting to Denar 106,787 million (20.3% of GDP) accounted for the most to the current expenditure items. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 13.7% and, in relation to 2013, they increased by 2.3%.

Expenditures related to goods and services amounted to Denar 15,467 million, increasing by 4.0% compared to the same period in 2013.

Transfers increased by 5.9% compared to the same period in 2013, participating with 63.5% in the total expenditures. Social transfers amounted to Denar 78,367 million, increasing by 5.5% and participating with 46.6% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 48,073 million, increased by 6.9%, compared to the same period in 2013 and accounting for 28.6% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 16.3% in the total expenditures, i.e. they surged by 7.3% compared to the same period in 2013. Block grants to local government units amounting to Denar 14,254 million grew by 1.2% compared to the same period in the previous year. Subsidies and transfers were higher by more than 15.3%.

Interest was collected in the amount of Denar 5,090 million, being by 10.5% more compared to the same period in 2013. Expenditures related to interest on the basis of domestic borrowing increased by 26.6%, while the ones on the basis of foreign borrowing dropped by 1.8%.

In the analyzed period, capital expenditures were realized in the amount of Denar 17,623 million, participating with 10.5% in the total expenditures (3.3% of GDP), i.e. increasing by 6.1% compared to the same period last year.

### **Budget Balance**

In the period January-December 2014, the budget deficit reached the amount of Denar 22,134 million, while central budget deficit amounted to Denar 19,669 million.

## **4. Social Sector**

### **Number of Newly Employed and Registered Unemployed Persons in EARM<sup>1</sup>**

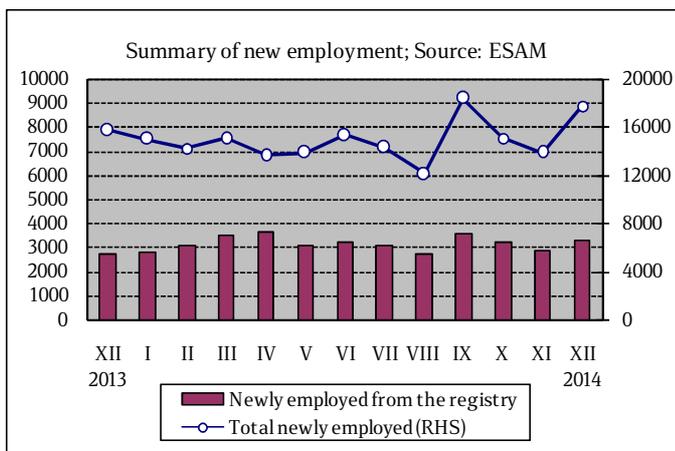
During 2014, Employment Agency of the Republic of Macedonia registered total of 178,115 new employments. 45.7% out of the total number of newly employed was on the basis of full-time employment, while the rest of the employed were on the

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<sup>1</sup>Modifications and Amendments to the Law on Employment and Unemployment Insurance ("Official Gazette of the Republic of Macedonia", no. 114/2012) also referred to changes as regards records on unemployed persons. This Law sets the basis for establishing and keeping two records: records on unemployed persons and records on other persons applying to the Employment Agency.

basis of temporary employment and seasonal workers. Compared to the same period last year, number of newly employed persons surged by 6.3%.

During December, 17,740 new employments were registered, 18.5% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 6,967 persons in December, 45.7% out of which were new employments. In December, 7,022 persons were registered as inflow to the Agency, 48% out of which were persons whose employment was



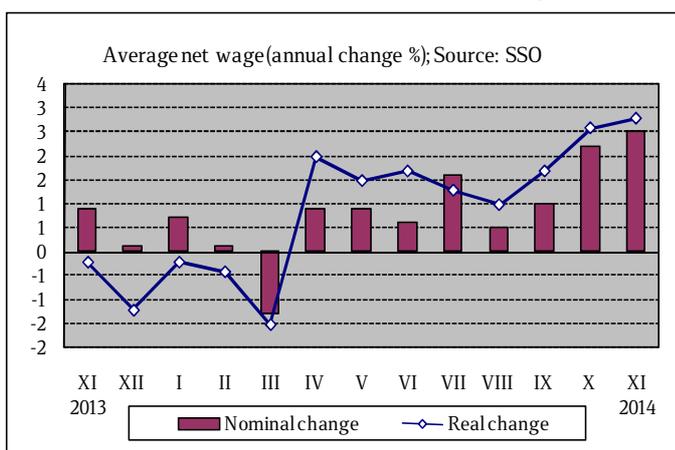
terminated. Thus, 123,661 persons were registered as unemployed, while number of other unemployed persons accounted for 100,147.

Major percentage of the unemployed, i.e. 69.7% came from urban areas (cities), whereby 60.4% were men. Analyzed by education structure, major part, i.e. 54.6% of unemployed persons, was without education, with primary education or incomplete secondary education, 29.8% was with completed secondary education, while 15.6% of the unemployed persons was with completed community college or higher education level. Observed by age, majority of the unemployed persons or 53.8% fall in the category of 25-49 years of age. According to the time they waited for a job, 34.9% of the unemployed persons wait for employment from 1 to 7 years, while 11.1% wait for employment for 8 years and more.

## Salaries

According to the published data of the State Statistical Office, average monthly paid gross salary per employee in November 2014 amounted to Denar 31,644, while average monthly paid net salary amounted to Denar 21,588.

On monthly basis, in November 2014, average gross salary and net salary decreased by 0.6% in nominal and real terms.



In November 2014, compared to November 2013, average gross salary increased by 2.4% in nominal terms, while it was higher by 2.7% in real terms. Average net salary was higher by 2.5% in nominal terms, increasing by 2.8% in real terms.

On cumulative basis, in the period January - November 2014, average gross salary increased by 0.7% in nominal terms, while it was higher by 1.0% in real terms. Average net salary was higher by 0.9% in nominal terms, increasing by 1.2% in real terms.

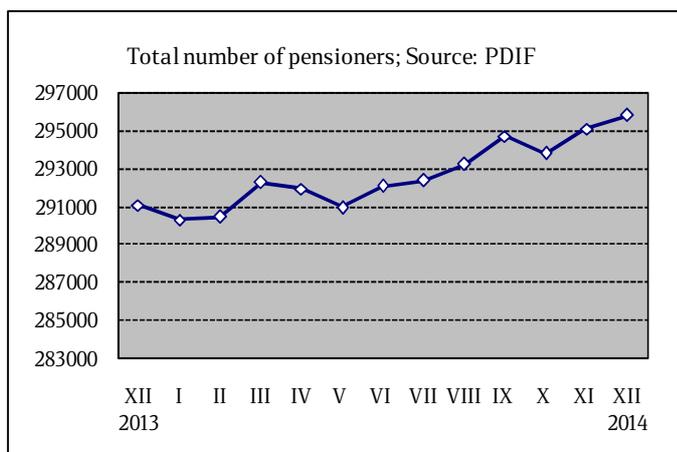
Increase of average monthly gross and net salary per employee in November 2014, compared to November 2013, was recorded in the following sectors: Mining and quarrying (7.9% gross salary and 7.6% net salary), financial and insurance activities (7.9% gross salary and 7.4% net salary) and expert, scientific and technical activities (6.9% gross salary and 8.5% net salary).

Reduction of average monthly gross and net salary per employee in November 2014, compared to the previous month, was registered in the following sectors: Mining and quarrying (11.0% gross salary and 11.2% net salary), construction (4.7% gross salary and 4.4% net salary) and electricity, gas, steam and air conditioning supply (2.9% gross salary and 2.8% net salary).

Employees who did not receive salary in November 2014 accounted for 1.1%, being lower by 0.9 p.p. compared to the same month in the previous year, while compared to October 2014, it was lower by 0.3 p.p..

## Pensions

In December 2014, 295,831 pensioners were registered at the Pension and Disability Insurance Fund, being an increase by 1.6% compared to the same month in 2013. Number of pension beneficiaries increased by 701 persons in relation to December 2014. 59.6% out of the total number of pensioners are beneficiaries of old-age pension, 25.8% of survival pension and 14.6% of disability pension.



In December 2014, Denar 3,568.29 million was spent for payment of pensions, accounting for 49.3% of the total social transfers<sup>2</sup>. Average pension in December 2014 amounted to Denar 12,460, increasing by 5.4% on annual basis. Ratio between the average pension and the average paid salary in November 2014 (the most recent available data) was 57.6%.

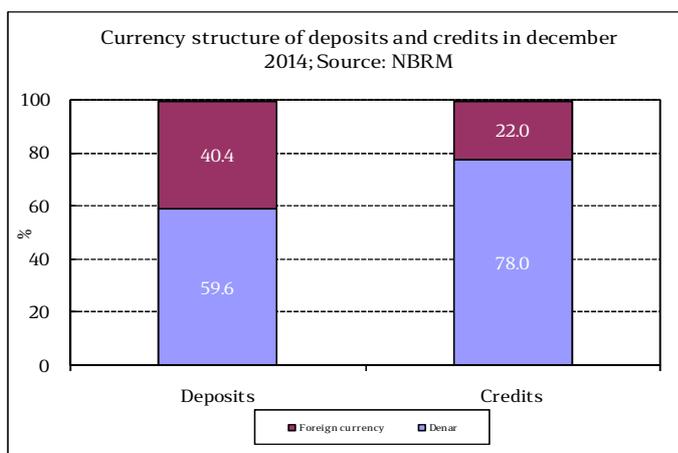
<sup>2</sup>Category social transfers include pensions, unemployment benefit, social assistance and expenditures for health protection.

## 5. Monetary Sector

### Primary Money

Primary money<sup>3</sup> in December 2014 grew by 13.8% on annual basis, as opposed to the 13.1% increase in the previous month. Such growth was due to the increased ready money in circulation by 12.1% and the increase of total liquid assets of banks by 15.3% on annual basis.

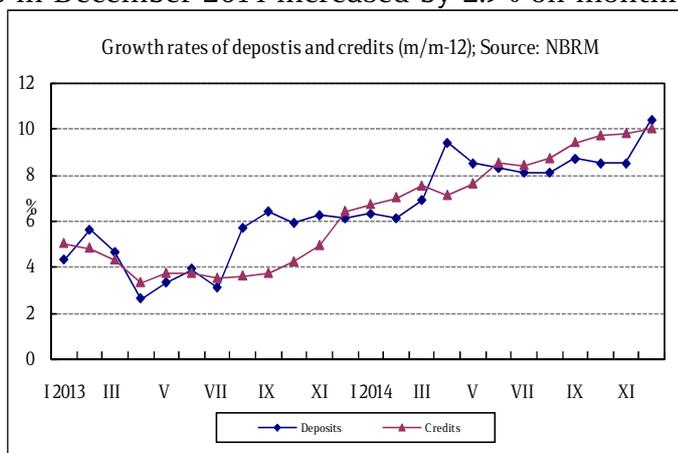
On monthly basis, primary money increased by 6.1%, as a result of the increase of both ready money in circulation by 7.2% and total liquid assets of banks by 5.1%.



In December 2014, National Bank of the Republic of Macedonia, in conditions of stable trends, decided to retain the interest rate on CB bills at 3.25%.

### Deposit Potential

Total deposit potential of banks in December 2014 increased by 2.9% on monthly basis, compared to the growth of 0.7% registered in the previous month. Analyzed by sectors, deposits of private enterprises grew by 6.6%, while deposits of households increased by 2.1% compared to the previous month. From currency point of view, Denar deposits increased by 5.1%, while foreign currency deposits declined by 0.1%.



Total deposit potential in December 2014 increased by 10.4% on annual basis. From currency point of view, domestic currency deposits increased by 15.7% in December 2014, which were the main drivers of the growth of the total deposits on annual basis, while foreign currency deposits surged by 3.4%. From sector point of view, deposits of households increased by 8.9%, while deposits of enterprises surged by 15%. According to maturity, long-term deposits grew by 21%, while short-term deposits slightly increased by 0.3%.

<sup>3</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).

## Bank Credits

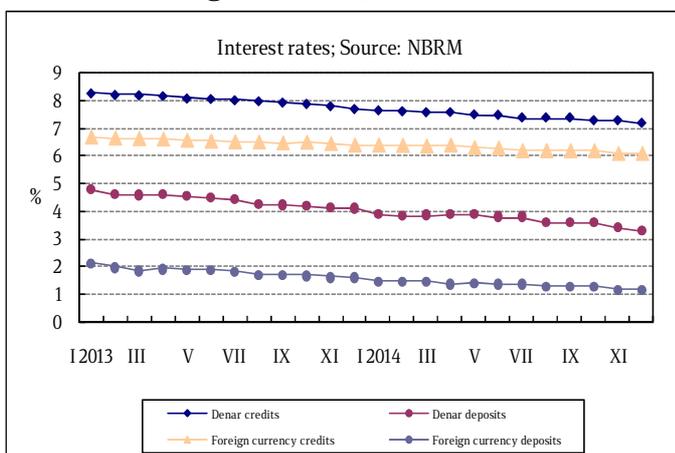
In December 2014, total credits of banks to the private sector grew by 1.8% on monthly basis (as opposed to 1.1% growth in November 2014), in conditions of growth of credits to households by 0.6% and credits to enterprises by 2.6%. From currency aspect, Denar credits surged by 1.7%, while foreign currency credits grew by 2%.

In December 2014, total credits grew by 10% on annual basis (compared to the growth of 9.8% in November), in conditions of growth of credits to enterprises of 8.4% and credits to households of 11.8%. Denar credits surged by 11.8%, while foreign currency credits increased by 4%. As regards maturity, long-term credits experienced annual growth of 9.6%, while short-term credits were higher by 11.7%.

## Interest Rates of Deposit Banks

Total interest rate on credits was 6.9% in December 2014, decreasing by 0.1 p.p. compared to the previous month. However, it was lower by 0.5 p.p. compared to the same month in 2013. Interest rate on foreign currency credits accounted for 6.1% remaining the same compared to the previous month, while interest rate on denar credits accounted for 7.2%, being lower by 0.1 p.p. compared to the previous month.

Total interest rate on deposits was 2.2% and it remained the same compared to the previous month, while compared to last year, it was lower by 0.6 p.p.. Interest rate on Denar deposits accounted for 3.3%, declining by 0.1 p.p. compared to the previous month, while interest rate on foreign currency deposits accounted for 1.2%, remaining the same compared to last month.



## Foreign Currency Reserves

Gross foreign currency reserves in December 2014 amounted to EUR 2,436.5 million and, compared to the previous month, they were lower by EUR 19.4 million, while compared to December 2013, they were higher by EUR 443.5 million.

**Ministry of Finance**

**Macroeconomic Policy Department**

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