



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

July 2014



Skopje, September 2014

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

July 2014

- Industrial production surged by 5.9% in July 2014 compared to July 2013.
- Inflation rate amounted to 0.3% on annual basis and it grew by 0.2% on monthly basis. Average inflation rate in the period January - July of 2014 dropped by 0.1%.
- Export in the period January - July 2014, surged by 12.9%, while import increased by 7.9%, resulting in decrease of trade deficit by 5.3% compared to the same period in 2013.
- In the period January – July 2014, both total budget revenues and total budget expenditures increased by 0.8% and by 1.9% respectively; state budget deficit amounted to Denar 15,439 million (3.1% of GDP) and central budget deficit amounted to Denar 13,375 million (2.7% of GDP).
- Total credits to private sector surged by 8.4% on annual basis and total deposit potential of banks increased by 8.1% on annual basis.

1. Real Sector

Industrial Production

Industrial production surged by 5.9% in July 2014 compared to July 2013. Analyzed by sectors, processing industry sector experienced 10.4% production growth. Mining and quarrying sector experienced a drop of 12% as a result of the decline in the following branches: mining of metal ore 15.5%, mining of coal and lignite – 12.3% and other mining and quarrying – 4.1%. Electricity, gas, steam and air-conditioning supply sector dropped by 7.6%.

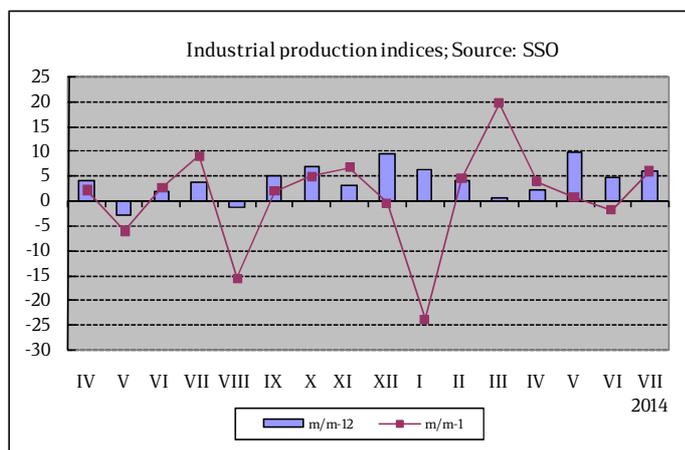
As for processing industry, annual positive growth was registered at 13 out of 23 branches, comprising 56.26% of the industrial production. As

	m/m-1	m/m-12	I-VII 2014 I-VII 2013
Total	5.9	5.9	4.7
Ore and stone extraction	-12	-0.7	-1.5
Processing industry	10.4	4.2	10.3
Electricity, gas and water supply	-7.6	34.5	-19.6

Source: SSO

regards the branches with two-digit share in the structure of industrial production, growth of 31% was registered at production of food products, while growth of 3.7% was recorded at production of clothing. High growth was generated at the following branches: production of electrical equipment – 42.5%, production of fabricated metal products except machines and equipment – 27.1%, production of metals – 16.3% and production of paper and paper products – 10.4%. Production of food products (4 p.p.) contributed the most to the annual change of industrial production in July 2014, while production of basic pharmaceutical products and preparations had the highest negative contribution (-0.9 p.p.).

Industrial production surged by 5.9% in July 2014 compared to June 2014. Sector analysis points out that electricity, gas, steam and air-conditioning supply sector and processing industry sector experienced increase of 34.5% and 4.2% respectively, while the mining and quarrying sector experienced a 0.7% decline.



On cumulative basis, in the period January-July 2014, industrial production grew by 4.7%, compared to the same period in 2013. Growth was also registered in the processing industry sector – 10.3%, while electricity, gas, steam and air-conditioning supply sector and mining and quarrying sector experienced a decline of 19.6% and 1.5% respectively.

Data on industrial production by target groups in July 2014, compared to July 2013, showed that there was an increase in the production at the following groups:

capital goods – 47.6%, intermediary goods, except energy – 5.5% and consumer non-durables – 5.2%, while decline was observed at the following groups: consumer durables – 9.2% and energy – 8.8%.

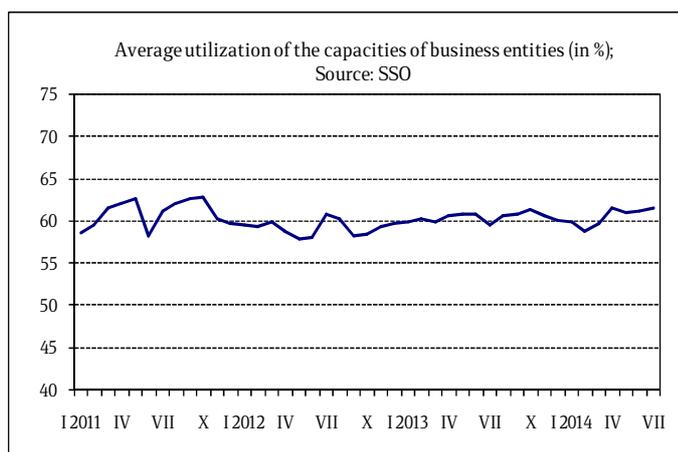
On monthly basis, data on the industrial production by target groups in July 2014 show that there was an increase in the production at the following groups: energy – 26.4%, consumer non-durables – 8.8% and intermediary goods except energy – 5.8%. Drop was seen at the following groups: consumer durables – 20.3% and capital goods – 15.4%.

On cumulative basis, in the period January–July 2014, compared to the same period in 2013, growth was registered at the following groups: capital goods – 42.5%, intermediary goods, except energy – 8.2%, consumer non-durables – 3.8% and consumer durables – 0.3%. Drop was registered at the energy group – 15.1%.

Business Tendencies in the Processing Industry

According to the assessments, current economic trends of business entities in July 2014 were more favourable compared to the previous month, and they remained the same in relation to July 2013.

Assessment of delivery-to-production was more favourable compared to both the previous month and July 2013. In July 2014, assessment of the production volume in the past three months was more favourable compared to June 2014, while it was less favourable compared to July 2013. In July 2014, expectations for the production volume in



the next three months are more favourable compared to both the previous month and July 2013.

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

Average utilization of the capacities in July 2014 accounted for 61.6%, being an increase compared to the previous month, when it accounted for 61.2%. Compared to July 2013, utilization of the capacities was lower by 1.2 p.p..

In July 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 of the current stock of ready-made products was more favourable compared to both the previous month and July 2013. According to the assessment of managers, in the next 3-month period, both average purchase prices of inputs and selling prices of ready-made products are expected to increase.

According to the assessment, following factors limited the most the production volume in July 2014: insufficient foreign demand – 22.2%, insufficient domestic demand – 18.5%, shortage of skilled labour – 15.4%, uncertainty of the economic environment – 9.2% and financial problems – 8.9%.

Less business entities indicated the following as a limiting factor in July 2014, compared to June 2014: shortage of raw materials, insufficient domestic demand, insufficient foreign demand and unclear economic laws, while more of the business entities indicated the following: lack of equipment, shortage of skilled labour, competitive export, financial problems and uncertainty of the economic environment.

Number of Industrial Workers

Number of workers in the industry in July 2014 compared to July 2013 increased by 6.3%. Sector analysis points out to increase in the number of workers in the processing industry sector by 7.8% while the number of workers in the mining and quarrying sector, as well as the electricity, gas, steam and air-conditioning supply sector decreased by 3% and 1.9% respectively.

Data on the number of workers in the industry by target groups in July 2014, compared to July 2013, showed increase in the number of workers at the following groups: capital goods – 96.9%, consumer durables – 6.3% and intermediary goods, except energy – 4.8%, while number of workers in the energy group dropped by 5.1%. Number of workers in the consumer non-durables group remained unchanged.

Index on the number of workers in the industry in the period January – July 2014, compared to the period January - July 2013, accounted for 6.9%.

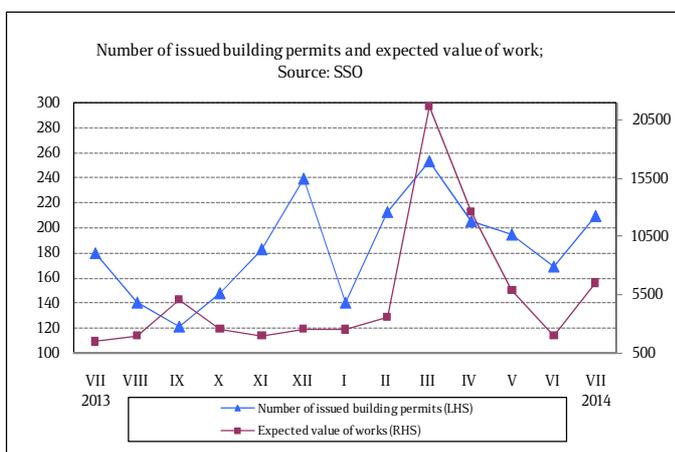
Number of Issued Building Permits and Envisaged Value of Facilities

In July 2014, 209 building permits were issued, being an increase of 16.8% compared to the same month last year. Total number of issued building permits, compared to June 2014, when 169 permits were issued, increased by 23.7%.

Envisaged value of the facilities, according to the issued building permits in July, amounted to Denar 6,453 million, being by 4.4 times more compared to July 2013. In relation to June 2014, value of the facilities grew by 3.3 times.

Analyzed by types of facilities, out of the total number of issued building permits, 146 (or 69.9%) were intended for buildings, 24 (or 11.4%) for civil engineering structures and 39 (or 18.7%) for reconstruction facilities.

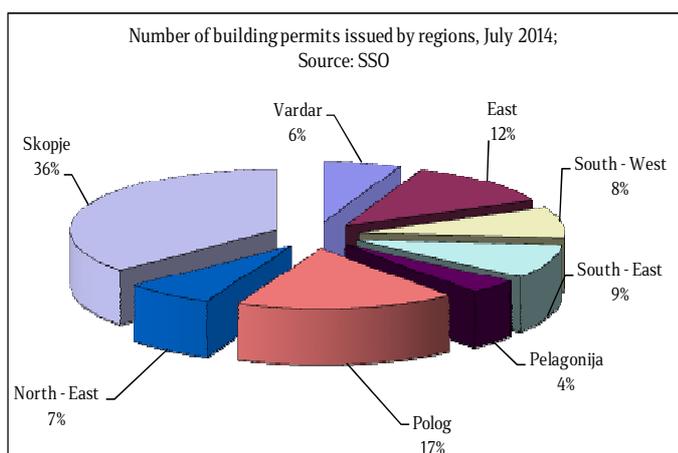
Analyzed by types of investors, out of total 209 issued building permits, natural persons were



investors in 141 facilities (or 67.5%), while business entities were investors in 68 facilities (or 32.5%).

In July 2014, construction of 314 flats was envisaged, with total usable area of 29,573 m². Number of flats envisaged for construction declined by 3.1% compared to the same month in 2011, and it increased by 7.5% compared to June 2014.

Analyzed by regions, in July 2014, most permits were issued in the Skopje region, 76 in total, 53 permits out of which were issued to natural persons as investors, while 23 permits were issued to business entities as investors.



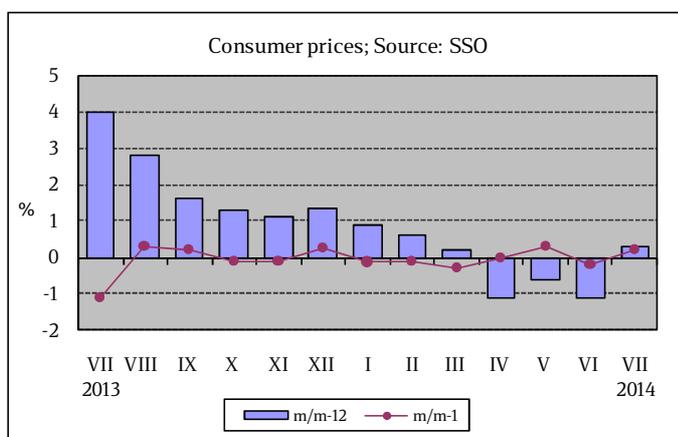
Pelagonija region had least issued permits, 8 permits in total, 7 permits out of which were issued to natural persons as investors, while 1 permit was issued to business entities as investors.

Analyzed on cumulative basis, in the period January - July 2014, most building permits were issued in the Skopje region, 473 in total, 262 permits out of which were issued to natural persons as investors, while 211 permits were issued to business entities as investors. Least building permits were issued in the Northeastern region, 75 permits in total, 51 permits out of which were issued to natural persons as investors, while 24 permits were issued to business entities as investors.

Inflation

Annual inflation rate in July 2014, measured according to the CPI index, amounted to 0.3%, by which the trend of negative inflation observed in the period April - June 2014 stopped. Average inflation rate in the period January - July 2014 amounted to -0.1%, being significantly lower compared to the same period last year, when it amounted to 3.6%.

On annual basis, food and non-alcoholic beverages category, accounting for the most in the CPI index, experienced 1.5% decline. Highest annual increase of prices in July was seen at the health category by 10.9%. Monthly increase of prices was also registered at the following categories: alcoholic beverages and tobacco by 4.1%, housing, water, electricity, gas and other fuels by 3.1%, transport by 2.3%, other goods and services by 1.6%, clothing and footwear by 1.4% and education by 0.2%. Price reduction was registered at the following categories:



recreation and culture by 5.3%, communications by 3.4%, furniture, household furnishings and maintenance of household furnishings by 2.2% and restaurants and hotels by 1.1%.

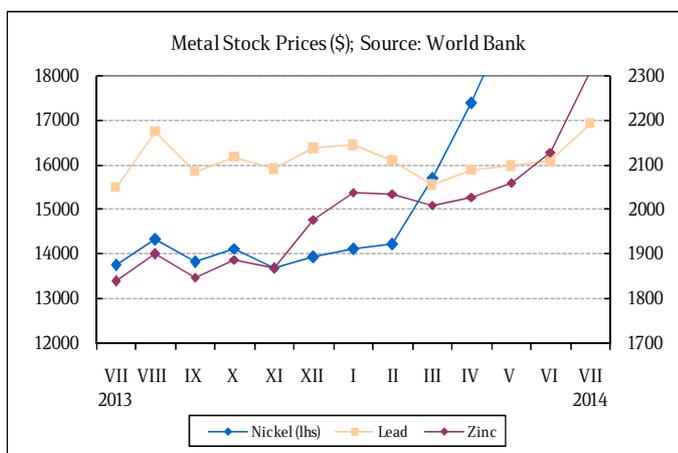
On monthly basis, inflation in July 2014 increased by 0.2%. Prices in the category food and non-alcoholic beverages decreased by 0.9% as a result of the drop of food prices by 0.8%. Monthly price increase was also recorded at the following categories: alcoholic beverages and tobacco by 3.7%, housing, water, electricity, gas and other fuels by 2%, transport by 1.2%, health by 0.6%, restaurants and hotels by 0.4%, recreation and culture and goods and services by 0.1% respectively. Monthly price decline was also recorded at the following categories: clothing and footwear and furniture, household furnishings and maintenance of household furnishings by 0.3% respectively. Prices remained the same at the categories communications and education.

Retail prices in July 2012 remained unchanged compared to July 2013. Compared to the previous month, retail prices were higher by 0.6%. Average increase of retail prices in the first seven months in 2014 accounted for -0.5%.

Stock Market Prices

In July 2014, (Brent) crude oil price on the global stock markets declined by 4.4%, compared to the previous month, reaching the price of US\$ 107 per barrel. Compared to July 2013, oil price dropped by 0.7%. Price of natural gas in July decreased by 8.6% 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\$ 19,118 for a metric ton (\$/mt) in July 2014, being a monthly price increase by 2.6%. Compared to July 2013, nickel price surged by 39%. As for basic metals, monthly increase of prices was also seen at zinc by 8.6%,



aluminum by 5.9%, copper by 4.3% and lead by 4.1%, while price decrease was recorded at tin by 1.5%. Price of iron ore in July experienced monthly growth of 3.2%. Precious metals recorded a monthly price increase in July i.e. price of silver increased by 5.2%, price of platinum by 2.7% and price of gold by 2.5%.

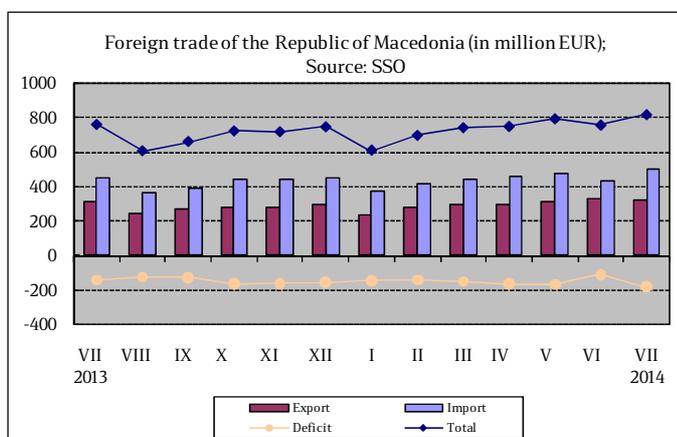
In July 2014, price of wheat on global stock markets dropped by 8.5% on monthly basis, while price of maize declined by 9.7%. Price of lamb meat registered monthly decline of 1.5%.

2. Foreign Trade

Total foreign trade in the first seven month in 2014 amounted to EUR 5,180.0 million, increasing by 9.9% compared to the same period in 2013.

Export

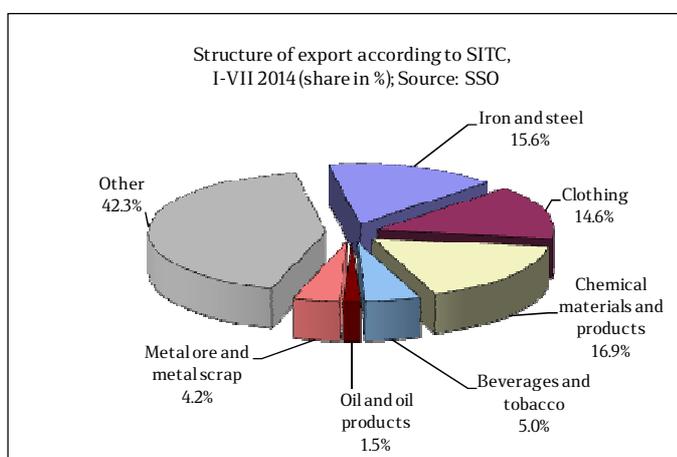
In the period January-July 2014, physical output of export increased by 1.3% compared to the same period in 2013, while the value of exported goods amounted to EUR 2,072.9 million, being an increase of 12.9% (EUR 236.1 million) in relation to the period January-July 2013.



In July 2014, value of exported goods amounted to EUR 320.2 million, surging by 2.7% (EUR 8.3 million) compared to July last year. Analyzed on monthly basis, in July 2014, export decreased by 2.0 (EUR 6.6 million) compared to the previous month.

Seasonally adjusted trend of export in July 2014 registered monthly drop of 3.6%, pointing out to negative effects of the seasonal factor (1.6 p.p.) on the export in the concerned month.

Main groups of goods (according to SITC) being most exported in the period January-July 2014 were the following: chemical materials and products – 16.9%, iron and steel – 15.6%, clothing – 14.6%, metal ore and metal scrap – 4.2%, beverages and tobacco – 5.0% and oil and oil products – 1.5%. These six groups of products comprised 42.3% of the total export of the country.

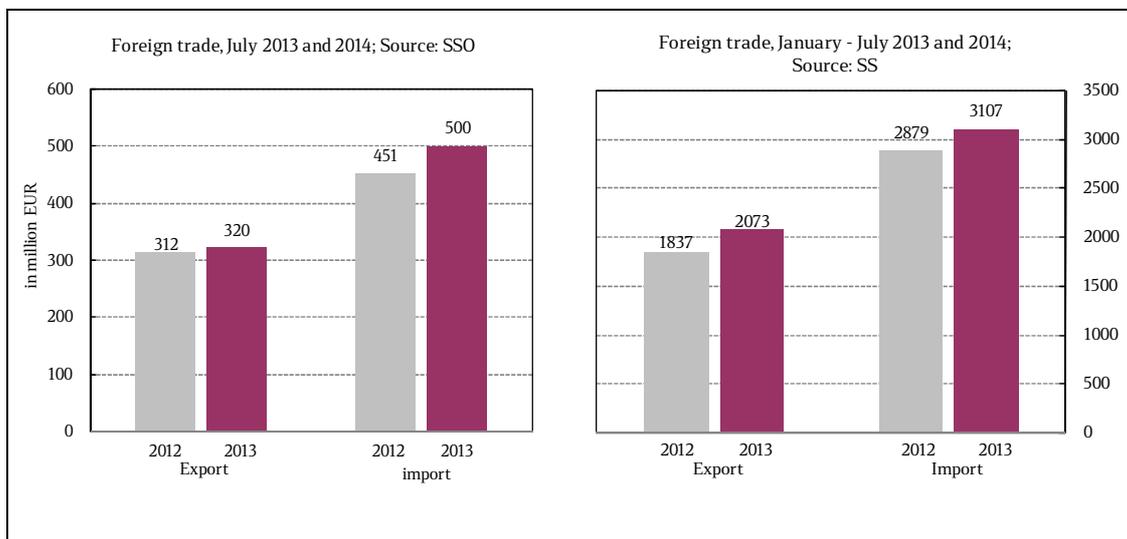


Export of iron and steel*)				
	I - VII - 2013	I - VII - 2014	Balance	% rate
000 T	346.5	346.3	-0.1	0.0
EUR mil.	350.4	323.0	-27.5	-7.8
\$ mil.	459.3	441.1	-18.2	-4.0

Import of iron and steel*)				
	I - VII - 2013	I - VII - 2014	Balance	% rate
.000 T	348.2	290.4	-57.8	-16.6
EUR mil.	171.9	143.8	-28.2	-16.4
\$ mil.	225.8	196.7	-29.1	-12.9

In the first seven months of 2014, observed by economic purpose, the following products were most exported: goods for industrial procurement (49.4%), followed by consumer goods (21.0%), products for investments without transport equipment (12.4%), food and beverages (9.1%), transport equipment (6.6%) and fuels and lubricants (1.3%).

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; tobacco; ferrosilicium; boards, plates, stands, tables, cabinets and others; reaction initiators, reaction accelerators and catalytic preparations; motor vehicles for transport of ten or more persons, including the driver; men's shirts of cotton; lead ore and concentrates; etc.



Import

Imported quantities of goods in the period January - July 2014 increased by 3.1%, compared to the same period January - July previous year, while their value amounted to EUR 3,107.0 million, increasing by 7.9% (EUR 228.4 million) compared to the same period in 2013.

Export of oil and oil products*)				
	I - VII - 2013	I - VII - 2014	Balance	% rate
000 T	90.4	70.3	-20.1	-22.2
EUR mil.	45.3	30.2	-15.1	-33.4
\$ mil.	59.4	41.2	-18.2	-30.6

*)Previous data

Import of oil and oil products*)				
	I - VII - 2013	I - VII - 2014	Balance	% rate
.000 T	527.0	560.3	33.2	6.3
EUR mil.	319.5	314.7	-4.9	-1.5
\$ mil.	418.7	430.4	11.7	2.8

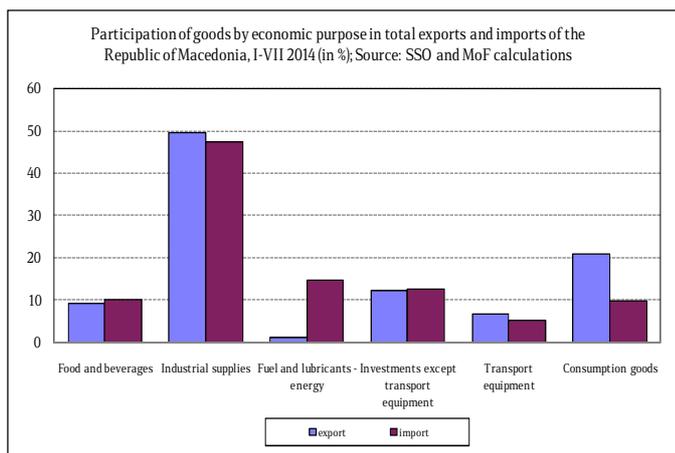
*)Previous data

Value of imported goods in July 2014 amounted to EUR 499.9 million, increasing by 10.8% (EUR 48.9 million) compared to July last year. Analyzed on monthly basis, in July 2014, import dropped by 15.7% (EUR 67.9 million), compared to the previous month.

Seasonally adjusted trend of import in July 2014 surged by 5.7% on monthly basis, pointing out to negative effects of the seasonal factor (10.0 p.p.) on the import in July.

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

In the period January - July 2014, observed by economic purpose, following goods were the most imported: goods for industrial procurement (47.3%), followed by fuels and lubricants (14.8%), products for investments without transport equipment (12.7%), food and beverages (10.1%), consumer goods (10.0%) and transport equipment (5.1%).



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; heating oils with a sulphur content by weight bigger than 0.1% but not bigger than 1% by weight; hot rolled products with thickness less than 3 mm; oil gas and other gaseous hydrocarbons; etc.

Export of chemical products*)				
	I - VII - 2013	I - VII - 2014	Balance	% rate
000 T	4.0	7.5	3.5	86.1
EUR mil.	265.4	350.9	85.5	32.2
\$ mil.	348.0	480.1	132.1	38.0

*)Previous data

Import of chemical products*)				
	I - VII - 2013	I - VII - 2014	Balance	% rate
.000 T	18.3	18.6	0.3	1.7
EUR mil.	46.6	50.9	4.3	9.2
\$ mil.	61.1	69.8	8.6	14.1

*)Previous data

Trade Balance

In the first seven months in 2014, trade deficit narrowed by EUR 48.2 million or 5.3% compared to the same period last year.

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

Analyzed according to economic groups of countries, in the period January - July 2014, compared to the same period in 2013, export grew 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 25.2% on annual basis, while as for Western Balkan countries, it declined by 9.2%.

In the first seven months of 2014, foreign trade of the Republic of Macedonia with the European Union (EU 28), in relation to the same period in the previous year, increased by 20.5%, whereby share of trade with the EU in the total foreign trade

increased by 3.5 p.p., accounting for 69.7%. Export of goods to the European Union (EU 28) accounted for 78.0% in the total export of the Republic of Macedonia, while import of goods participated with 64.2%.

In the period January - July 2014, 94.8% of the trade deficit of the country was realized in the trade with Great Britain, Greece, China, Serbia and Turkey, followed by Italy, Romania, the USA, Russia, Slovenia, etc. Surplus was realized in the trade with Germany, Kosovo, Belgium and Bosnia and Herzegovina.

Currency Structure

Observed by currency structure, 78.4% of the trade in the period January - July 2014 was realized in euros and, compared to the period January - July 2013, it surged by 5.0 p.p.. On export and import side, euro accounted for 87.3% and 72.4%, respectively, whereby share of the euro in export was higher by 4.6 p.p., while increase of the share of the euro in import accounted for 5.0 p.p. compared to the period January - July 2013.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I - VII - 2013					I - VII - 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	1,771.6	1,938,098,141	61.6491	119,482,074,849	67.4	1,819.5	2,248,808,293	61.6029	138,533,199,416	72.4	310,710,152	16.0
USD	1,492.2	815,877,588	47.1648	38,480,719,032	21.7	1,545.3	842,402,723	45.4719	38,305,630,632	20.0	26,525,135	3.3
GBP	1.8	253,802,158	71.5884	18,169,287,972	10.2	2.5	171,669,141	77.6615	13,332,090,180	7.0	-82,133,017	-32.4
EUR+USD+GBP	3,265.6			176,132,081,853	89.1	3,367.4			190,170,920,228	99.4		
tot. import	3,271.9			177,372,503,222	100.0	3,373.8			191,393,624,397	100.0		7.9

Source: SSO and NBRM

3. Fiscal Sector

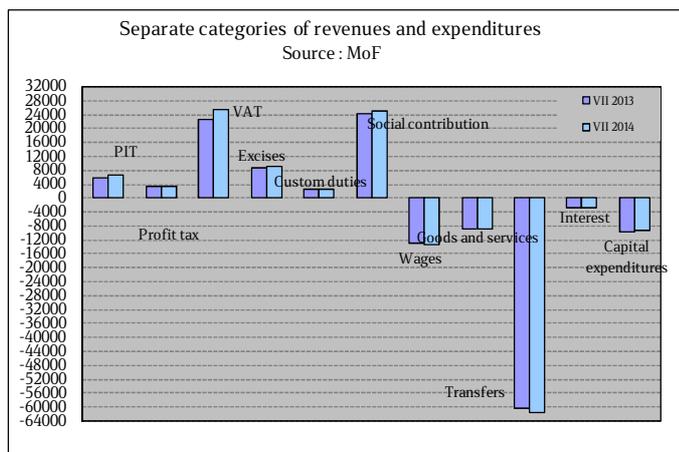
Budget Revenues

In the period January - July 2014, total budget revenues reached an amount of Denar 81,429 million, i.e. 16.4% of GDP, which was by 0.8% higher in relation to the same period in 2013.

Tax revenues in the first seven months were realized in the amount of Denar 46,950 million, i.e. 9.4% of GDP, being higher by 6.3% in relation to the same period in 2013.

Value added tax was realized in the amount of Denar 25,181 million, whereby share of VAT in total tax revenues in this period was dominant, amounting to 53.6%. Revenues on the basis of excises were realized in the amount of Denar 8,968 million (participating with 19.1% in the tax revenues). Hence, revenues realized on the basis of these two indirect taxes amounted to Denar 34,149 million, i.e. 72.7% of total tax revenues (6.9% of GDP). Thereby, VAT collection amounted to Denar 34,160 million on gross basis, Denar 8,979 million out of which was refunded to taxpayers.

As for VAT structure, VAT share was the biggest when importing, experiencing almost identical performance, i.e. insignificant decline of 0.2%, while VAT on the basis of sales in the country slightly dropped by 0.6%, share of VAT grants was insignificant, i.e. 0.5%, whereby tax on donations experienced higher performance by 114.9%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 6,662 million, increasing by 15.4% on annual basis, whereby revenues on the basis of tax on salaries and other personal earnings accounted



for around 2/3, i.e. 66.2% of the personal income tax, revenues on the basis of contractual agreement accounted for 7.9%, revenues on the basis of games of chance accounted for 6.1% and capital revenues accounted for 5.5%. Profit tax revenues in the first seven months of 2014 amounted to Denar 3,110 million, decreasing by 1.3% compared to the same period in the previous year, being mainly a result of the withheld tax on paid revenues to foreign legal entities, tax collected on the basis of monthly advance payments and tax balances, as well as paid dividend and other profit distribution. VAT revenues experienced significant growth of 13.2%, while excises experienced higher performance by 5.7%. Revenues on the basis of customs duties were realized in the amount of Denar 2,447 million, experiencing almost identical performance, i.e. dropping by 0.2%. Revenues on the basis of other taxes in the amount of Denar 582 million declined by almost 3 times compared to last year.

Non-tax revenues amounted to Denar 5,839 million and, in relation to the same period in 2013, they were lower by 20.5% (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 1,367 million (Denar 946 million out of the total revenues on this basis accounted for the funds paid from AD Macedonian Telecom dividend paid in April) decreasing by 53.5% 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 1,265 million, being by 19.0% less compared to the same month last year.

Social contributions were collected in the amount of Denar 24,920 million, being higher by 4.1% compared to the same period in 2013, whereby collection of pension insurance contributions increased by 4.1%, collection of health insurance contribution grew by 4.1% and the one of employment contributions surged by 4.3%.

Budget Expenditures

In the period January - July 2014, total budget expenditures amounted to Denar 96,868 million, i.e. 19.5% of GDP, which was higher by 1.9% compared to the same period in 2013.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 87,229 million accounted for 90.0% (17.5% of GDP) and they increased by 2.1% in relation to the same period in 2013.

Transfers amounting to Denar 61,914 million (12.4% of GDP) accounted for the most in the current expenditure items, followed by expenditures related to salaries and allowances - Denar 13.384 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 13.8% and, in relation to 2013, they increased by 1.6%.

Expenditures related to goods and services amounted to Denar 8,960 million, decreasing by 1.4% compared to the same period in 2013.

Transfers increased by 2.5% compared to the same period in 2013, participating with 63.9% in the total expenditures. Social transfers amounted to Denar 45,065 million, increasing by 5.4% and participating with 46.5% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 27,889 million, increasing by 7.1%, compared to the same period in 2013 and accounting for 28.8% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 16.9% in the total expenditures, i.e. they dropped by 4.6% compared to the same period in 2013. Block grants to local government units, amounting to Denar 8,135 million, grew by 0.2% compared to the same period in the previous year. Subsidies and transfers were lower by 10.9%.

Interest-related expenditures amounted to Denar 2,971 million, being by 9.0% more compared to the same period in 2013. Expenditures related to interest on the basis of domestic borrowing increased by 40.4%, while the ones on the basis of foreign borrowing dropped by 9.1%.

In the analyzed period, capital expenditures were realized in the amount of Denar 9,639 million, participating with 10.1% in the total expenditures (1.9% of GDP), i.e. they slightly dropped by 0.4% compared to the same period last year.

Budget Balance

In the period January-July 2014, the state budget deficit reached the amount of Denar 15,439 million, being 3.1% of GDP, while central budget deficit amounted to Denar 13,375 million or 2.7% of GDP.

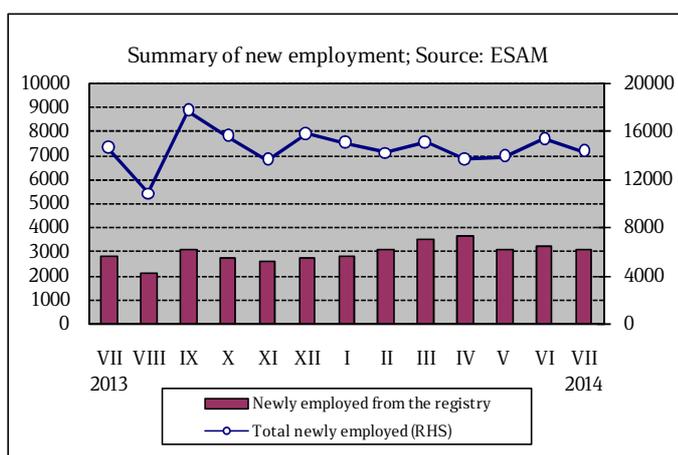
4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM¹

In the first seven months in 2014, Employment Agency of the Republic of Macedonia registered total of 101,141 new employments. 46.8% 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 July 2013, number of newly employed persons was higher by 7.3%.

During July, 14,237 new employments were registered, whereby 21.7% of the new employments was from the unemployed records. Outflow of persons from the Employment Agency Registry amounted to 6,830, persons in July, 43.6% out of which were new employments. In July 2014, 4,492 persons were registered as inflow to the Agency, 58.8% out of which were persons whose employment was terminated. Thus, in July 2014, 97,838 persons were registered as unemployed, while number of other unemployed persons accounted for 116,076.

Major percentage of the unemployed, i.e. 72.6%, came from urban areas (cities), whereby 57.8% were men. Analyzed by education structure, major part, i.e. 45.6% of unemployed persons were without education, primary education or incomplete secondary education, 34.7% was with complete secondary education, while 19.7%



completed community college or higher education level. Observed by age, majority of the unemployed persons or 50.8% fall in the category of 25-49 years of age. According to the time they waited for a job, 40.4% of the unemployed persons wait for employment from 1 to 7 years, while 14.8% wait for employment for 8 years and more.

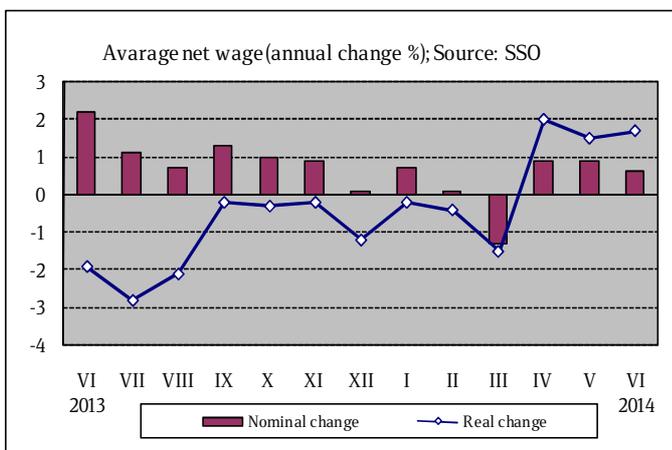
Salaries

According to the data from the State Statistical Office, average monthly paid gross salary per employee in June 2014 amounted to Denar 31,061, while average monthly paid net salary amounted to Denar 21,233.

¹Modifications 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.

On monthly basis, in June 2014, average gross salary decreased by 1.2% in nominal and real terms, while average net salary was lower by 1.0% in nominal and real terms.

In June 2014, compared to June 2013, average gross salary increased by 0.3% in nominal terms, while it was lower by 1.5% in real terms. Average net salary was higher by 0.6% in nominal terms, increasing by 1.7% in real terms.



On cumulative basis, in the period January-June 2014, average gross salary increased by 0.1% in nominal terms, while it was lower by 0.3% in real terms. Average net salary was higher by 0.3% in nominal terms, increasing by 0.5% in real terms.

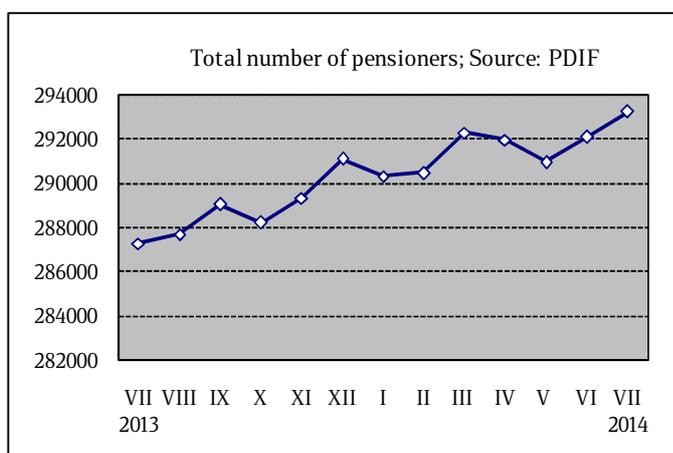
Increase of average monthly gross and net salary per employee in June 2014, compared to June 2013, was recorded in the following sectors: real estate – related activities (21.2% gross salary and 27.2% net salary), construction (9.6% gross salary and 10.3% net salary) and expert, scientific and technical activities (7.9% gross salary and 9.6% net salary).

Reduction of average monthly paid gross salary per employee, compared to the previous month, was registered in the following sectors: mining and quarrying (4.2% gross salary and 3.9% net salary) and facilities for accommodation and food-related services (3.6% gross salary and 3.8% net salary).

Percentage of employees who did not receive salary in June 2014 accounted for 1.5%, being lower by 0.8 p.p. compared to the same month in the previous year, while compared to May 2014, percentage of employees who did not receive salary was lower by 0.1 p.p..

Pensions

In July 2014, 292,412 pensioners were registered at the Pension and Disability Insurance Fund, being an increase by 1.8% compared to the same month in 2013. Number of pension beneficiaries dropped by 290 persons in relation to June 2014. 58.8% out of the total number of pensioners are beneficiaries of old-age pension, 26.3% of survival pension and 14.9% of disability pension.



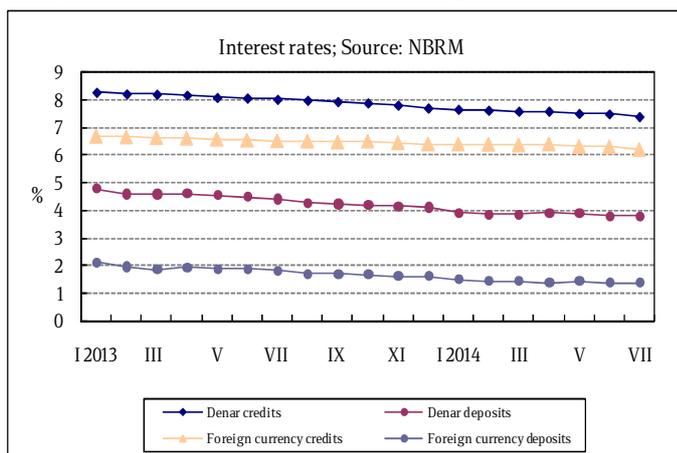
In July 2014, Denar 3,541.54 million was spent for payment of pensions, accounting for 54.9% of the total social transfers.²

Average pension in July 2014 amounted to Denar 12,440, increasing by 7.6% on annual basis. Ratio between the average pension and the average paid salary in June 2014 (the most recent available data) was 58.7%.

5. Monetary Sector

Primary Money

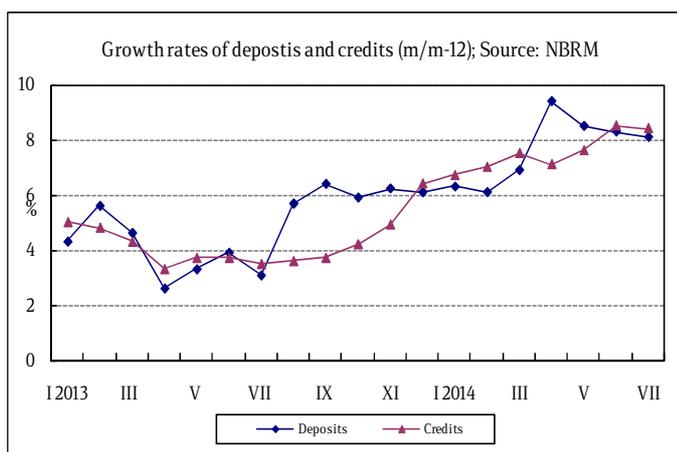
Primary money³ in July 2014 grew by 5.2%, on annual basis, compared to the 2.2% increase in the previous month. Such growth was due to the increased ready money in circulation by 7% and the increase of total liquid assets of banks by 3.7%. On monthly basis, primary money increased by 5.4%, as a result of the increase of ready money in circulation by 5.7% and total liquidity assets of the banks by 5.2%, compared to the previous month.



In July 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 July 2014⁴ increased by 0.4% on monthly basis, compared to the growth of 0.7% registered in the previous month. Analyzed by sectors, deposits of private enterprises grew by 0.3%, while deposits of households increased by 0.5% compared to the previous month. From currency point of view, Denar deposits increased by 0.6%, while foreign currency deposits increased by 0.1%.



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

³ 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).

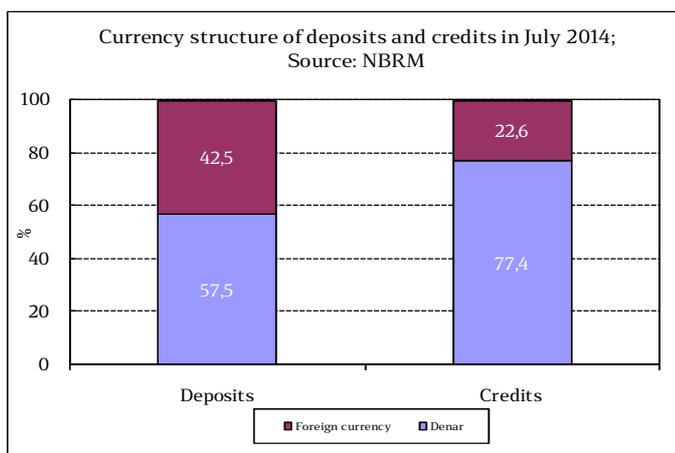
⁴ Starting January 2009, deposits include calculated interest.

Total deposit potential in July 2014 increased by 8.1% on annual basis. From currency point of view, domestic currency deposits increased by 11.2% in July 2014, which were the main drivers of the growth of total deposits on annual basis, while foreign currency deposits surged by 4.1%. From sector point of view, deposits of households increased by 7.4%, while deposits of enterprises surged by 13.5%. According to maturity, long-term deposits grew by 20.2%, while short-term deposits grew by 1%.

Bank Credits

In July 2014, total credits of banks to the private sector grew by 0.3% on monthly basis (compared to the 1.3% growth in June), in conditions of growth of credits to households by 1%. Credits to enterprises dropped by 0.2%. From currency aspect, Denar credits surged by 0.3%, while foreign currency credits grew by 0.1% respectively.

In July 2014, total credits grew by 8.4% on annual basis (compared to the growth of 8.5% in June), in conditions of growth of credits to enterprises of 5.9% and credits



of households of 11.8%. According to currency, new crediting was fully in domestic currency. Denar credits surged by 11.3%, while foreign currency credits dropped by 0.3%. As regards maturity, long-term credits experienced annual growth of 10.1%, while short-term credits were higher by 6.7%.

Interest Rates of Deposit Banks

Total interest rate on credits was 7.1% in July 2014, decreasing by 0.1% compared to the previous month. In relation to the same month in 2013, it was lower by 0.5 p.p.. Interest rate on Denar credits and foreign currency credits dropped by 0.1% compared to the previous month, accounting for 7.4% and 6.2% respectively on monthly basis.

Total interest rate on deposits was 2.5% and it remained unchanged compared to the previous month, while compared to June last year, it was lower by 0.5 p.p.. Interest rates on Denar and foreign currency deposits remained unchanged on monthly basis, accounting for 3.8% and 1.4% respectively. Interest rate on Denar deposits dropped by 0.6 p.p. on annual basis, while interest rate on foreign currency deposits was reduced by 0.4 p.p..

Foreign Currency Reserves

Gross foreign currency reserves at the end of July 2014 amounted to EUR 2,377.2 million and, compared to the previous month, they were higher by EUR 504.2 million, while compared to July 2013, foreign currency reserves were higher by EUR 322.2 million.

Ministry of Finance

Macroeconomic Policy Department

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