



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

May 2014



July 2014, Skopje

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

May 2014

- Industrial production in May 2014 surged by 9.7% compared to May 2013;
- Inflation dropped by 0.6% on annual basis, while it surged by 0.3% on monthly basis; Average inflation rate in the first five months of 2014 remained the same.
- Annual drop of 0.5% of physical output of export in the period January-May 2014, with valuable growth of 13.2% and decline of imported quantities of goods of 7.7% and valuable growth of 6.8%, resulting in decline of trade deficit by 3.5% compared to the same period in 2013.
- In the first five months of 2014, total budget revenues increased by 4.6%, and total budget expenditures grew by 5.1%, Deficit of the Budget of the Republic of Macedonia amounted to Denar 13,340 million (2.7% of GDP) in this period, while central budget deficit amounted to Denar 11,513 million (2.3% of GDP);
- Increase of both total credits to private sector by 7.6% and total deposit potential of banks by 8.5% on annual basis.

1. Real Sector

Industrial Production

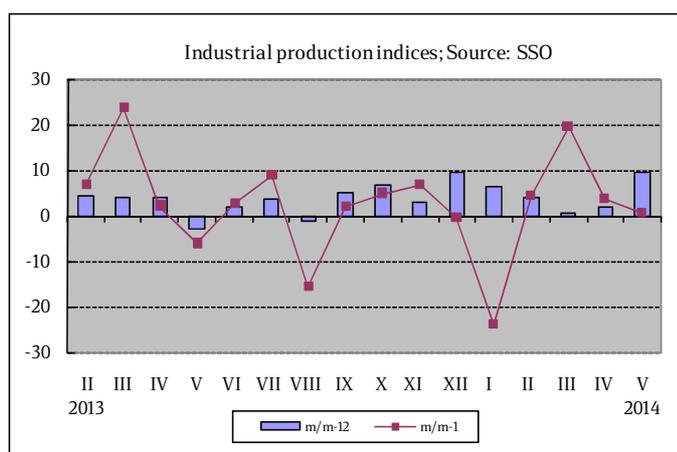
Industrial production in May 2014 surged by 9.7% compared to May 2013; Analyzed by sectors, processing industry sector experienced 16.2% production growth. Mining and quarrying sector experienced growth of 13.9% as a result of the growth in the branches mining of coal and lignite by 97.9% and mining of metal ore by 55.9%, while the branch other mining and quarrying dropped by 23.3%. Electricity, gas, steam and air-conditioning supply sector experienced 26.1% decline.

Industrial production (%) – May 2014			
	m/m-1	m/m-12	$\frac{I-V\ 2014}{I-V\ 2013}$
Total	9.7	0.7	4.5
Ore and stone extraction	13.9	6.6	2.5
Processing industry	16.2	1.0	9.7
Electricity, gas and water supply	-26.1	-7.0	-19.2

Source: SSO

As for processing industry, annual positive growth was registered at 15 out of 23 branches, comprising 53.3% of the industrial production. As regards the branches with two-digit share in the structure of industrial production, growth of 33.6% was registered at production of clothing, while growth of 3.8% was recorded at production of food products. High growth was seen at the following branches: Production rubber and plastic mass products – 57.9%, production of fabricated metal products, except machines and equipment – 55.5%, manufacture of electrical equipment – 50.5%, production of chemicals and chemical products – 43.5%, production of motor vehicles, trailers and semi-trailers - 42%, production of textile - 29%, printing and production of recorded media (records) –16.7% , production of leather and similar articles of leather – 12.9%. Production of clothing (3.8 p.p.) contributed the most to the annual change of industrial production in May 2014, while production of other non-metal mineral products (-0.6 p.p.) had the highest negative contribution.

Industrial production surged by 0.7% in May 2014 compared to April 2014. Sector analysis points out to increase in the sectors mining and quarrying by 6.6% and processing industry by 1.0%, while drop was recorded in the sector and electricity, gas, steam and air-conditioning supply by 7.0%.



On cumulative basis, in the period January–May 2014, industrial production grew by 4.5%, compared to the same period in 2013. Sectors processing industry sector and mining and quarrying sector increased by 9.7%, i.e. 2.5%, while electricity, gas, steam and air-conditioning supply sector dropped by 19.2%.

Data on industrial production by target groups in May 2014, compared to May 2013, showed that there was an increase in the production at the following groups: Capital products - 77%, consumer non-durables - 10.9%, intermediary goods, except energy - 6.4%, while drop was seen at the following groups: Consumer durables by 19.7% and energy by 10.8%.

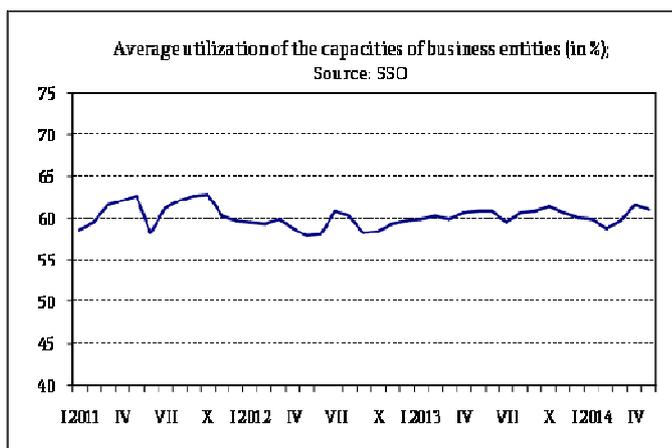
On monthly basis, data on the industrial production by target groups in May 2014 show that there was increase in the production at the following groups: Capital goods by 7.5%, and consumer non-durables by 2.3%. Drop was seen at the following groups: Consumer durables -9.9%, energy by 2.6% and intermediary goods except energy - 1.3%.

On cumulative basis, in the period January-May 2014, compared to the same period last year, growth was registered in the following groups: Capital goods - 36.1%, intermediary goods, except energy - 10.7% and consumer non-durables - 2.8%. Drop was seen at the following groups: Energy - 14.2% and intermediary goods, except energy - 4.5%.

Business Tendencies in the Processing Industry

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

Assessment of current state of delivery-to-production was more favourable compared to the previous month, while compared to May 2013, it was less favourable. In May 2014, assessment for the production volume in the past three months was more favourable compared to April 2014, and less favourable



compared to May 2013. In May 2014, the expectations for the production volume in the next three months are more favourable compared to both the previous month and May 2013.

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

Average utilization of the capacities in May 2014 accounted for 61.1%, being decrease compared to the previous month, when it accounted for 61.5%. Compared to May 2013, utilization of capacities was higher by 0.3 p.p..

In May 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 current stocks of ready-made products was less favourable compared to the previous month, while compared to May 2013, it was

more favourable. In the next 3-month period, according to the assessment of managers, average purchase prices of inputs, as well as selling prices of ready-made products, are expected to decrease.

According to the assessments, following factors limited the most the production volume in May 2014: insufficient foreign demand – 27.3%, insufficient domestic demand – 19.5%, shortage of skilled labour – 11.9%, uncertainty of economic environment – 9.1% and competitive import – 8.4%.

Less business entities indicated the following as a limiting factor in May 2014, compared to April 2014: shortage of raw materials, lack of equipment, shortage of energy, lack of skilled labour, financial problems and unclear economic laws, while bigger number of business entities indicated: insufficient domestic demand, insufficient foreign demand, competitive import and uncertain economic surrounding.

Number of Industrial Workers

Number of workers in the industry in May 2014, compared to May 2013, increased by 6.7%. Sector analysis points out to increase in the number of workers in the sectors processing industry by 7.8% and mining and quarrying sector by 0.7%, while the number of workers in the sector electricity, gas, steam and air-conditioning supply, decreased by 0.7%.

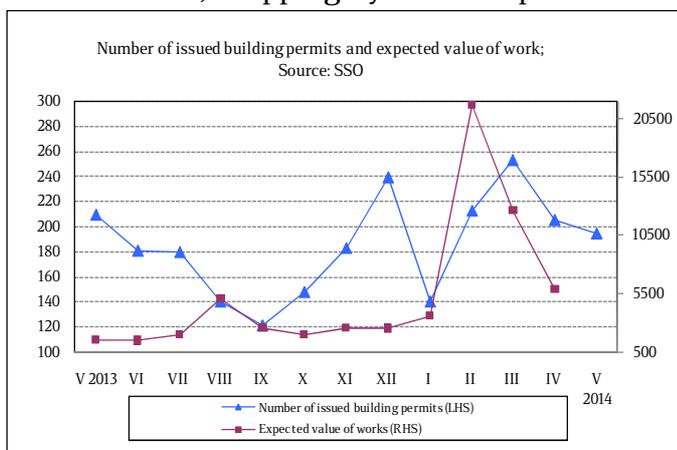
Data on the number of workers in the industry by target groups in May 2014, compared to May 2013, showed increase in the number of workers at the following groups: Capital goods – 97.1%, consumer durables – 7.1%, intermediary goods, except energy – 2.3%, and consumer non-durables by 1.7%, while decline was registered at the energy group – 4%.

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

Number of Issued Building Permits and Envisaged Value of Facilities

In May 2014, 194 building permits were issued, dropping by 7.2% compared to the same month in the previous year. Compared to April 2014, when 205 permits were issued, total number of issued building permits decreased by 5.4%.

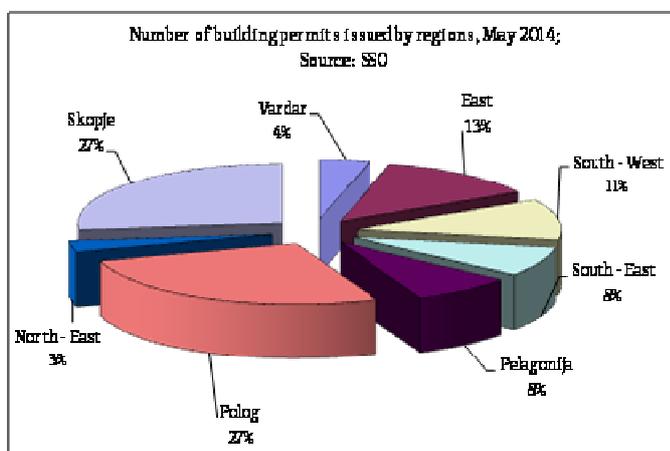
Envisaged value of the facilities, according to the issued building permits in May, amounted to Denar 5,849 million, being by almost 3.4 times more compared to May 2013. In relation to April 2014, value of the facilities declined by 53%.



Analyzed by types of facilities, out of the total number of issued building permits, 139 (or 71.1%) were intended for buildings, 27 (or 13.9%) for civil engineering structures and 28 (or 14.4%) for reconstruction facilities.

Analyzed by types of investors, out of total 194 issued building permits, natural persons were investors in 150 facilities (or 77.3%), while business entities were investors in 44 facilities (or 22.7%).

In May 2014, construction of 504 flats was envisaged, with total usable area of 43,765 m². Number of flats envisaged for construction increased by 42.4% compared to the same month in 2013, while it increased by 19.4% compared to April 2014.



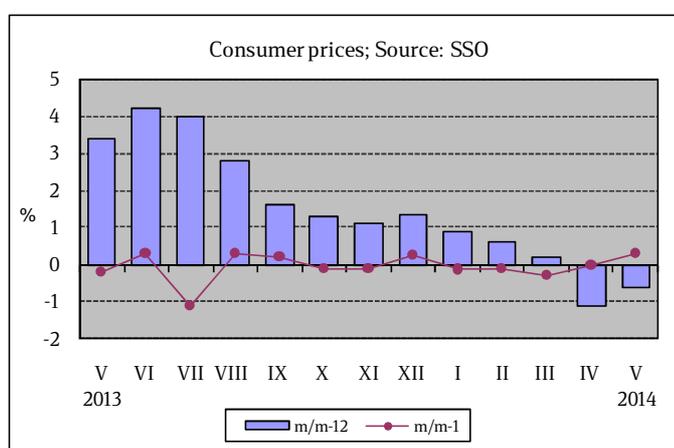
Analyzed by regions, in May 2014, most building permits were issued in Polog and Skopje regions, i.e. 52 in each of them, 46 permits out of which were issued to natural persons as investors in Polog region and 6 to business entities as investors, while 42 permits were issued to natural persons as investors and 10 to business entities as investors in Skopje region. Least building permits were issued in the Northeastern region, 6 permits in total, 3 permits out of which were issued to natural persons as investors, while 3 permits were issued to business entities as investors.

Analyzed on cumulative basis, in the period January - May 2014, most building permits were issued in the Skopje region, 343 in total, 173 permits out of which were issued to natural persons as investors, while 170 permits were issued to business entities as investors. Least building permits were issued in the Northeastern region, 54 permits in total, 37 permits out of which were issued to natural persons as investors, while 17 permits were issued to business entities as investors.

Inflation

Annual inflation rate in May 2014, measured according to the CPI index, amounted to -0.6%. Average inflation rate in the first five months in 2014 amounted to 0%, compared to the 3.4% inflation rate in the same quarter last year.

On annual basis, food and non-alcoholic beverages category, accounting for the most in the



CPI index, experienced 1.9% decrease. Price reduction was registered at the following categories: Recreation and culture by 4,1%, restaurants and hotels by 2,2%, furniture, household furnishings and maintenance of household furnishings by 1.6% and housing, water, electricity, gas and other fuels by 1.5%. Highest annual increase of prices in May was seen at the health category by 9.3%. Price increase was also registered at the following categories: Alcoholic beverages and tobacco by 2.5%, clothing and footwear by 1.7%, transport by 1.6%, other goods and services by 1.4%, education by 0.2% and communications by 0.1%.

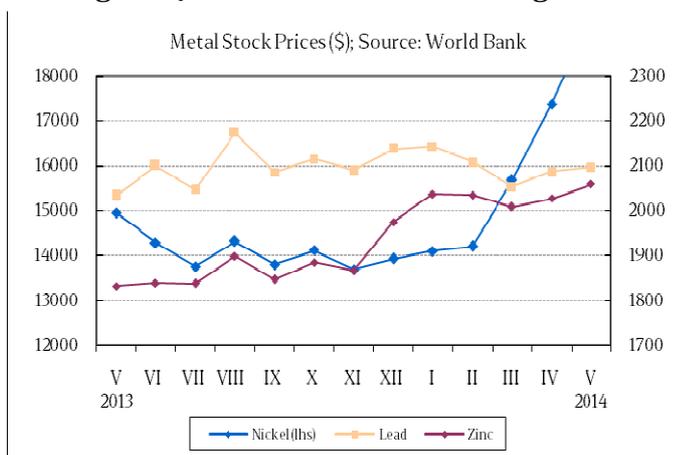
On monthly basis, inflation in May 2014 surged by 0.3%. Prices in the category food and non-alcoholic beverages increased by 0.4%, being a result of the increase of food prices by 0.5%. Monthly price increase was also registered in the categories clothing and footwear by 1.6%, transport by 1% and housing, water, electricity, gas and other equipment by 0.1%. Drop of prices on monthly basis was recorded in the following categories: Recreation and culture by 3%, health by 0.2% and alcoholic beverages and tobacco, furniture, household furnishings and maintenance of household furnishings, communications and other goods and services by 0.1%. Prices remained the same in the categories education and restaurants and hotels.

Retail prices in May 2014 were lower by 0.7% compared to May 2013. Compared to the previous month, retail prices were higher by 0.3%. Average increase of retail prices in the first five months of 2014 accounted for -0.3%.

Stock Market Prices

In May 2014, (Brent) crude oil price on the global stock markets grew by 1.8%, compared to the previous month, reaching the price of US\$ 109.7 per barrel. Compared to May 2013, oil price surged by 6.5%. Price of natural gas in May decreased by 2.4% 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\$ 19,401 for a metric ton (\$/mt) in May 2014, being a monthly price increase by 11.7%. Compared to May 2013, nickel price surged



by 29.8%. As for basic metals, in May, there was increase of the price of copper by 3.3%, zinc by 1.6% and lead by 0.5%. Monthly decrease of price was seen at aluminium and tin by 3.3% and 0.6% respectively. Price of iron ore in May experienced monthly decline of 12.2%. As regards precious metals, in May, price of platinum increased by 1.8% compared to April, while prices of silver and gold decreased by 2% and 0.7% respectively.

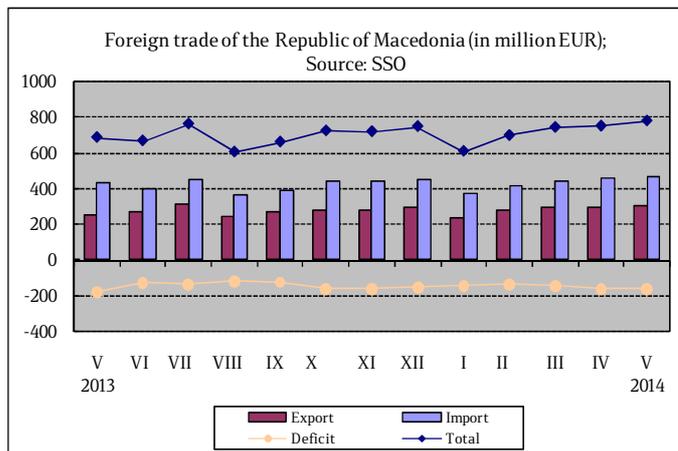
In May 2014, price of wheat on global stock markets surged by 3% compared to April, while price of maize declined by 2.3%. Price of lamb meat registered monthly growth of 5.7% in May.

2. Foreign Trade

Total foreign trade in the first five months in 2014 amounted to EUR 3,585.4 million, increasing by 9.2% compared to the same period in 2013.

Export

In the period January - May 2014, physical output of export dropped by 0.5%



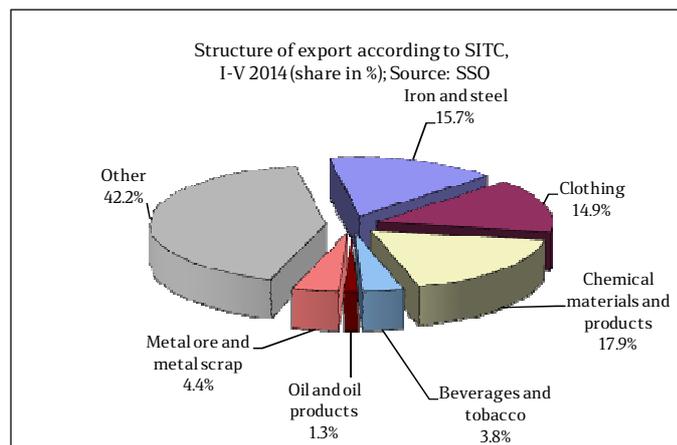
compared to the same period in 2013, while value of exported goods amounted to EUR 1417.7 million, surging by 13.2% (EUR 164.8 million) compared to the period January - May in 2013.

In May 2014, value of exported goods amounted to EUR 308.3 million, surging by 21.0% (EUR 53.5 million) compared to May last year. Analyzed on monthly basis, in May 2014, export

increased by 4.5% (EUR 13.2 million) compared to the previous month.

Seasonally adjusted trend of export in May 2014 registered minimum drop of 0.8%, pointing out to positive effects of the seasonal factor (3.7 p.p.) on export this month.

Main groups of goods (according to SITC) being most exported in the period January-May 2014 were the following: chemical materials and products – 17.9%, iron and steel – 15.7%, clothing – 14.9%, metal ore and metal scrap – 4.4%, beverages and tobacco – 3.8% and oil and oil products – 1.3%. These six groups of products comprised 57.8% of the total export of the country.



In the first five months of 2014, observed by economic purpose, following products were the most exported: goods for industrial procurement (49.2%), followed by consumer goods (21.0%), products for investments without transport equipment (12.7%), food and beverages (9.2%), transport equipment (6.6%) and fuels and lubricants (1.2%).

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;

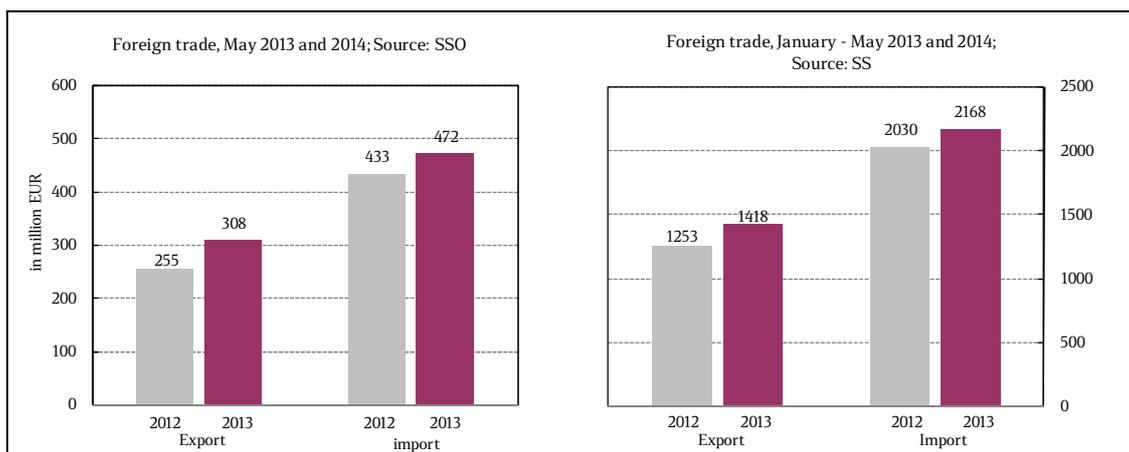
ferronickel; ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships; ferrosilicium; boards, plates, stands, tables, cabinets and others; reaction initiators, reaction accelerators and catalytic preparations; motor vehicles for transport of ten or more persons, including the driver; men's shirts of cotton; rolled flat products of iron or non-alloyed steel of width of 600 mm or more, plated or coated; lead ore and concentrates; etc.

Export of iron and steel*)				
	I - V - 2013	I - V - 2014	Balance	% rate
000 T	246.0	238.1	-7.8	-3.2
EUR mil.	249.2	222.1	-27.1	-10.9
\$ mil.	326.5	304.6	-21.9	-6.7

*)Previous data

Import of iron and steel*)				
	I - V - 2013	I - V - 2014	Balance	% rate
.000 T	267.1	209.7	-57.4	-21.5
EUR mil.	129.5	103.2	-26.3	-20.3
\$ mil.	170.0	141.7	-28.3	-16.6

*)Previous data



Import

Imported quantities of goods in the period January-May 2014 decreased by 7.7%, compared to the period January-May in the previous year, while their value amounted to EUR 2167.7 million, increasing by 6.8% (EUR 137.5 million) compared to the same period in 2013.

Imported goods in May 2014 amounted to EUR 471.5 million, increasing by 8.9% (EUR 38.4 million) compared to May last year. Analyzed on monthly basis, in May 2014, import grew by 3.5% (EUR 15.8 million), compared to the previous month.

Seasonally adjusted trend of import in May 2014 increased by 6.2% on monthly basis, pointing out to negative effects of the seasonal factor (2.7 p.p.) on import this month.

Export of oil and oil products*)				
	I - V - 2013	I - V - 2014	Balance	% rate
000 T	62.5	44.7	-17.8	-28.5
EUR mil.	32.0	18.4	-13.7	-42.7
\$ mil.	42.0	25.2	-16.8	-40.0

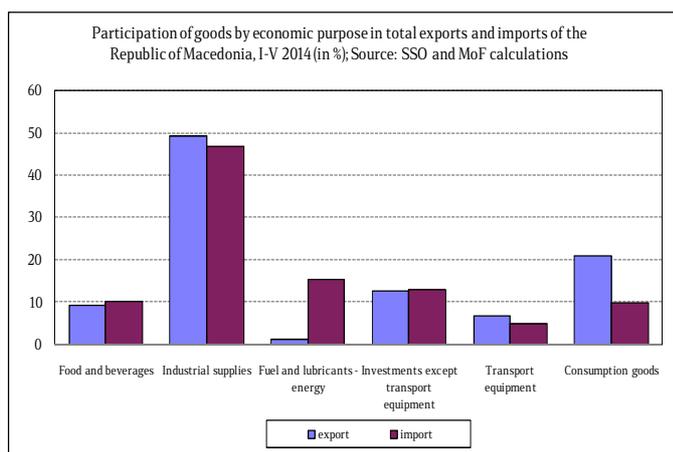
*)Previous data

Import of oil and oil products*)				
	I - V - 2013	I - V - 2014	Balance	% rate
.000 T	349.1	367.3	18.2	5.2
EUR mil.	209.7	213.0	3.3	1.6
\$ mil.	274.4	292.5	18.1	6.6

*)Previous data

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

In the period January - May 2014, observed by economic purpose, following products were most imported: goods for industrial procurement (46.7%), followed by fuels and lubricants (15.3%), products for investments without transport equipment (12.8%), food and beverages (10.2%), consumer goods (9.9%) 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; oil gases and other gaseous hydrocarbons; 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; pharmaceuticals put up in measured doses; motor petrol with an octane number (RON) of 95 or more, but lower than 98; nickel ore and concentrates; etc.

Export of chemical products*)				
	I - V - 2013	I - V - 2014	Balance	% rate
.000 T	2.8	5.6	2.8	100.4
EUR mil.	190.5	253.1	62.7	32.9
\$ mil.	249.8	347.6	97.8	39.2

*)Previous data

Import of chemical products*)				
	I - V - 2013	I - V - 2014	Balance	% rate
.000 T	12.9	12.5	-0.4	-3.1
EUR mil.	34.7	35.0	0.3	1.0
\$ mil.	45.4	48.1	2.7	6.0

*)Previous data

Trade Balance

In the first five months of 2014, trade deficit narrowed by EUR 27.3 million or 3.5% compared to the period January - May last year.

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

Analyzed according to economic groups of countries, in the period January - May 2014, compared to the same period in 2013, export grew at the following groups: EU 27, EFTA and Organization of Petroleum Exporting Countries, while drop was recorded at the following groups: Western Balkan Countries, North American Free Trade Agreement, Asia-Pacific Economic Cooperation Organization and Commonwealth of Independent States. Export to the EU surged by 27.9% on annual basis, while as for Western Balkan countries, it declined by 10.0%.

In the first five months of 2014, foreign trade of the Republic of Macedonia with the European Union (EU 27), in relation to the same period in the previous year, increased by 23.4%, whereby share of trade with the EU in the total foreign trade

increased by 5.1 p.p., accounting for 70.1%. Export of goods to the European Union (EU 27) accounted for 78.9% in the total export of the Republic of Macedonia, while import of goods participated with 64.4%.

In the period January- May 2014, 95.0% of the trade deficit of the country was realized in the trade with Great Britain, Greece, China, Serbia and Turkey followed by: the USA, Russia, Italy, Romania, Slovenia, Austria, and others. Surplus was realized in the trade with Germany, Kosovo, Belgium and Bosnia and Herzegovina.

Currency Structure

Observed by currency structure, 77.5% of the trade in the period January - May 2014 was realized in euros and, compared to the period January - May 2013, it surged by 5.0 p.p.. On export and import side, euro accounted for 87.6% and 70.9%, respectively, whereby share of the euro at export was higher by 5.4 p.p., while increase of the share of the euro at import accounted for 4.4 p.p. compared to the period January – May 2013.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
I - V - 2013						I - V - 2014						
import												
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 %	absolute change in currency value	relative change in currency value (in %)
EUR	1,239.2	1,349,364,237	61.6522	83,191,273,826	66.5	1,271.6	1,537,563,684	61.5899	94,698,433,191	70.9	188,199,446	13.9
USD	1,188.8	578,838,664	47.4611	27,472,304,779	22.0	967.4	569,885,560	44.8203	25,542,467,518	19.1	-8,953,104	-1.5
GBP	1.2	188,559,867	72.6641	13,701,527,592	11.0	1.9	160,407,002	75.4866	12,108,581,804	9.1	-28,152,865	-14.9
EUR+USD+GBP	2,429.2			124,365,106,198	88.5	2,240.9			132,349,482,513	99.1		
tot. import	2,433.4			125,022,083,839	100.0	2,245.3			133,576,536,735	100.0		6.8

Source: SSO and NBRM

3. Fiscal Sector

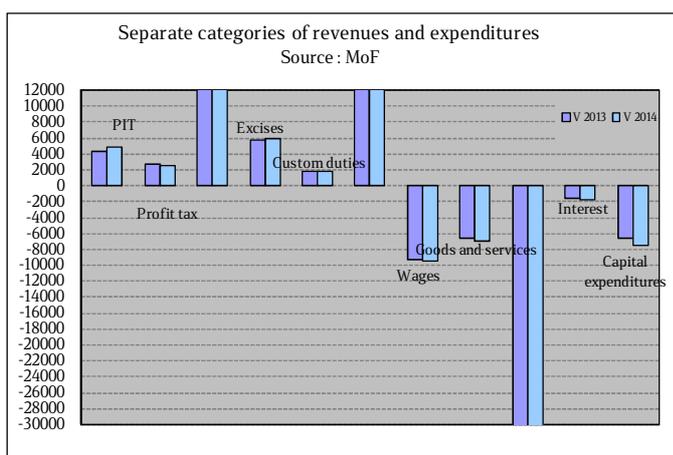
Budget Revenues

In the period January-May 2014, total budget revenues reached an amount of Denar 57,641 million, i.e. 11.6% of GDP, which was by 4.6% higher in relation to the same period in 2013.

Tax revenues in the first five months were realized in the amount of Denar 32,865 million, i.e. 6.6% of GDP, being higher by 9.5% in relation to the same period in 2013.

Value added tax was realized in the amount of Denar 17,614 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 5,893 million (participating with 17.9% in the tax revenues). Hence, revenues realized on the basis of these two indirect taxes amounted to Denar 23,507 million, i.e. 71.5% of total tax revenues (4.7% of GDP).



Thereby, VAT collection amounted to Denar 24,005 million on gross basis, Denar 6,391 million out of which was refunded to taxpayers.

As for VAT structure, VAT share was the biggest when importing, experiencing increase by 0.7%, while VAT on the basis of sales in the country dropped by 3.6%, share of VAT grants and interest was insignificant, i.e. 0.8% and 0.2%, whereby tax on donations experienced higher performance by 105.1%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 4,732 million, increasing by 13.8% on annual basis, whereby revenues on the basis of tax on salaries and other personal earnings accounted for around 2/3, i.e. 65.2% of the personal income tax, revenues on the basis of contractual agreement accounted for 7.8%, and revenues on the basis of games of chance accounted for 6.3%. Profit tax revenues in the first five months of 2014 amounted to Denar 2,387 million, decreasing by 8.6% compared to the same period in the previous year, being mainly a result of the 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 21.6%, while excises experienced higher performance by 5.5%. Revenues on the basis of customs duties were realized in the amount of Denar 1,790 million, increasing by 0.5%. Revenues on the basis of other taxes amounted to Denar 449 million, declining by 67.6%.

Non-tax revenues amounted to Denar 4,245 million and, in relation to the same period in 2013, they were higher by 1.8% (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 1,183 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 53.8% 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 1,057 million, being by 9.3% more compared to the same period last year.

Collection of social contributions amounted to Denar 17,505 million, being higher performance by 4% compared to the same period in 2013, whereby collection of pension insurance contributions increased by 4.1%, collection of health insurance contribution grew by 3.8% and the one of employment contributions surged by 3.9%.

Budget Expenditures

In the period January - May 2014, total budget expenditures amounted to Denar 70,981 million, i.e. 14.3% of GDP, showing an increase by 5.1% compared to 2013.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 63,425 million accounted for 89.4% (12.8% of GDP) and they increased by 4.4% in relation to the same period in 2013.

Transfers amounting to Denar 45,181 million (9.1% of GDP) accounted for the most in the current expenditure items, followed by expenditures related to salaries and allowances - Denar 9,502 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 13.4% and, in relation to 2013, they increased by 1.3%.

Expenditures related to goods and services amounted to Denar 6,967 million, increasing by 3.3% compared to the same period in 2013.

Transfers increased by 5% compared to the same period in 2013, participating with 63.7% in the total expenditures. Social transfers amounted to Denar 32,133 million, increasing by 6.2% and participating with 45.3% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 19,791 million, increasing by 6.9%, compared to the same period in 2013 and accounting for 27.9% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 17.8% in the total expenditures, i.e. they surged by 1.9% compared to the same period in 2013. Block grants to local government units amounting to Denar 5,975 million, were at almost the same level compared to the same period in the previous year. Subsidies and transfers were higher by 5.2%.

Interest was collected in the amount of Denar 1,775 million, being by 9.8% more compared to the same period in 2013. Costs related to interest on the basis of domestic borrowing increased by 55%, while the ones on the basis of foreign borrowing dropped by 17.7%.

In the analyzed period, capital expenditures were realized in the amount of Denar 7,556 million, participating with 10.6% in the total expenditures (1.5% of GDP), i.e. they increased by 11.7% compared to the same period last year.

Budget Balance

In the period January-May 2014, the budget deficit reached the amount of Denar 13,340 million, being 2.7% of GDP, while central budget deficit amounted to Denar 11,513 million or 2.3% of GDP.

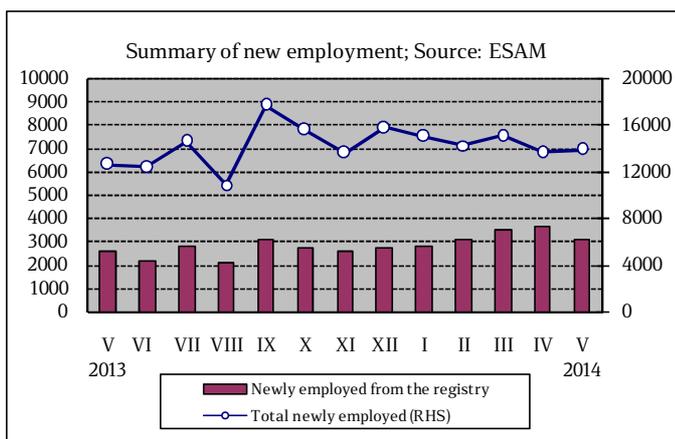
4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM¹

In the first five months in 2014, Employment Agency of the Republic of Macedonia registered total of 71,615 new employments. 47.2% 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 May 2013, number of newly employed persons was higher by 6.2%.

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.

In May, 13,849 new employments were registered, whereby 22.0% of the new employments was from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 6,139 persons in May, 48.2% out of which were new employments. In May 2014, 5,098 persons were registered as inflow to the Agency, 46.3% out of which were persons whose employment was terminated. Thus, in May 2014, 102,209 persons were registered as unemployed, while number of other unemployed persons accounted for 114,266.



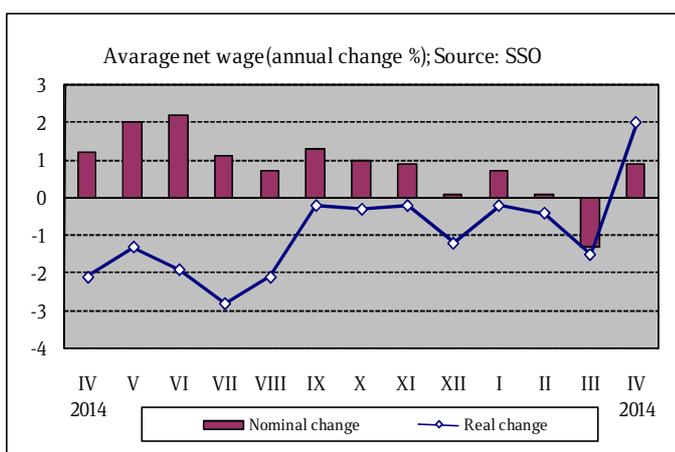
Major percentage of the unemployed, i.e. 72.7%, came from urban areas (cities), whereby 58.2% were men. Analyzed by education structure, major part, i.e. 46.1% of unemployed persons were without education, primary education or incomplete secondary education, 34.8% was with complete secondary education, while 19.1% completed community college or higher education level. Observed by age, majority of the unemployed persons or 50.0% fall in the category of 25-49 years of age. According to the time they waited for a job, 39.6% of the unemployed persons wait for employment from 1 to 7 years, while 14.5% wait for employment for 8 years and more.

Salaries

According to the data announced by the State Statistical Office, average monthly paid gross salary per employee in April 2014 amounted to Denar 31,027, while average monthly paid net salary amounted to Denar 21,175.

On monthly basis, in April 2014, average gross salary increased by 0.9% in nominal and real terms, while average net salary surged by 0.8% in nominal and real terms.

In April 2014 compared to April 2013, average gross salary increased by 0.7% in nominal terms, while it was higher by 1.9% in real terms.



Average net salary was higher by 0.9% in nominal terms, decreasing by 2.0% in real terms.

On cumulative basis, in the period January-April 2014, average gross salary remained the same in nominal terms, while it was lower by 0.1% in real terms.

Average net salary was higher by 0.1% in nominal terms, remaining the same in real terms.

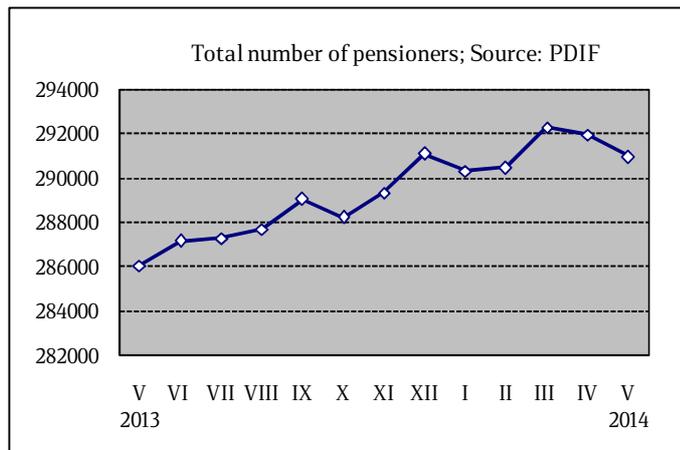
Increase of average monthly gross and net salary per employee in April 2014, compared to April 2013, was recorded in the following sectors: Construction (6.8% gross salary and 7.4% net salary), activities related to real estate (5.5% gross salary and 5.6% net salary) and administrative and auxiliary services (5.1% gross salary and 5.2% net salary).

Increase of average monthly paid gross salary per employee, compared to the previous month, was seen in the sectors: Supply of electricity, gas, steam and air conditioning (5.0% gross salary and 5.0% net salary), wholesale and retail trade, repair of motor vehicles and motorcycles (3.1% gross salary and 2.9% net salary), financial and insurance activities (2.9% gross and 3.1% net salary) and construction (2.4% gross salary and 3.0% net salary).

Employees who did not receive salary in April 2014 accounted for 1.5%, and compared to the same month in the previous year, it was lower by 0.2 p.p., while compared to March 2014, it was higher by 0.1 p.p..

Pensions

In May 2014, 290,982 pensioners were registered at the Pension and Disability Insurance Fund, being an increase by 1.7% compared to the same month in 2013. Number of pension beneficiaries dropped by 994 persons in relation to April 2014. 58.7% out of the total number of pensioners are beneficiaries of old-age pension, 26.3% of survival pension and 15.0% of disability pension.



In May 2014, Denar 3,532.99 million was spent for payment of pensions, accounting for 53.1% of the total social transfers².

Average pension in May 2014 amounted to Denar 12,451, increasing by 7.5% on annual basis. Ratio between the average pension and the average paid salary in April 2014 (the most recent available data) was 58.6%.

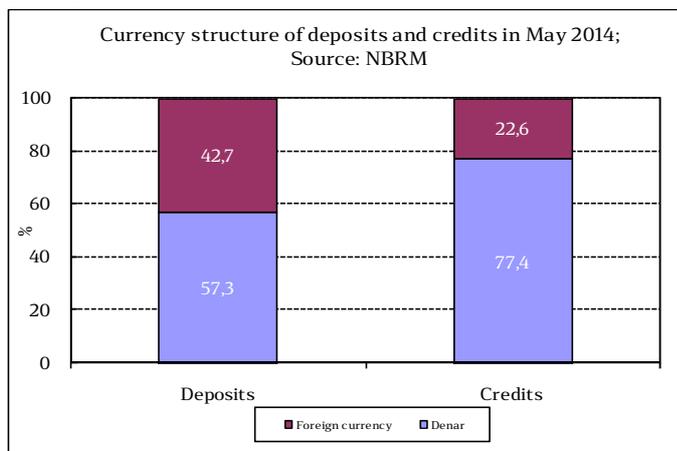
²Category social transfers include pensions, unemployment benefit, social assistance and expenditures for health protection.

5. Monetary Sector

Primary Money

Primary money³ in May 2014 grew by 2% on annual basis, compared to the 1.4% drop in the previous month. Growth was due to the increased ready money in circulation by 7.4%. Total liquid assets of banks were lower by 2.2% on annual basis.

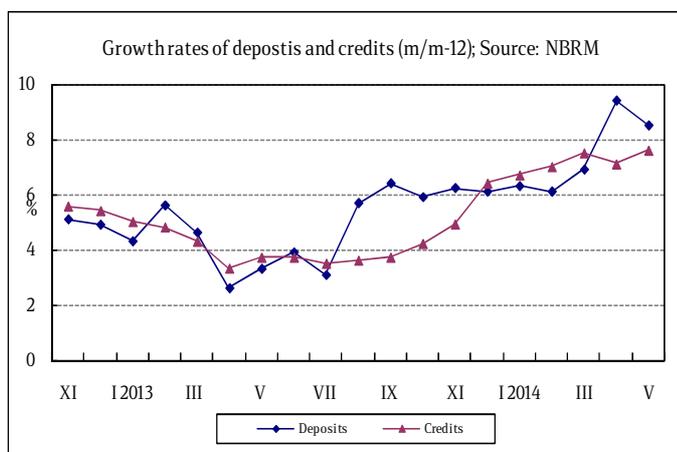
On monthly basis, primary money increased by 1.5%, as a result of the increase of total liquidity assets of the banks by 4.5%, while ready money in circulation decreased by 1.7% compared to the previous month.



In May 2014, National Bank of the Republic of Macedonia, in conditions of stable trends, retained the interest rate on CB bills at 3.25%.

Deposit Potential

On monthly basis, total deposit potential of banks⁴ remained the same in 2014, compared to the drop of 0.3% in the previous month. Analyzed by sectors, deposits of private enterprises dropped by 0.2%, while deposits of households retained the level from the previous month. From currency point of view, Denar deposits surged by 0.6%, while foreign currency deposits declined by 0.7%.



Total deposit potential in May 2014 increased by 8.5% on annual basis. From currency point of view, domestic currency deposits increased by 11.7% in May 2014, which were the main drivers of the growth of the total deposits on annual basis, while foreign currency deposits surged by 4.5%. From sector point of view, deposits of households increased by 7.6%, while deposits of enterprises surged by 12.2%. According to maturity, long-term deposits grew by 23.8%, while short-term deposits grew by 0.4%.

³Primary 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.

Bank Credits

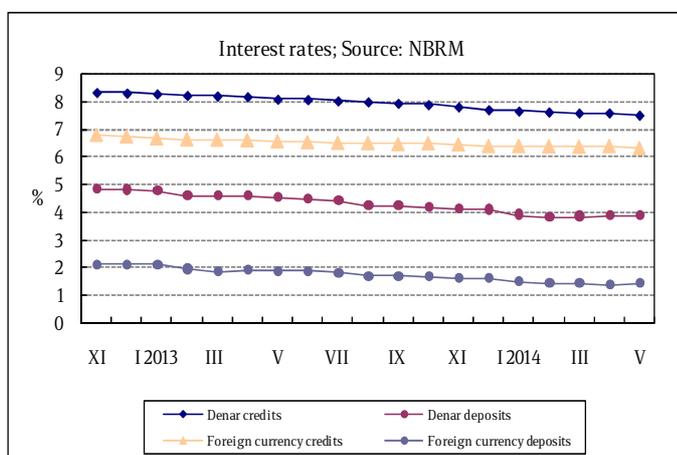
In May 2014, total credits of banks to the private sector grew by 1.6% on monthly basis, (compared to the 0.1% drop in April) in conditions of growth of credits to households by 1.6% and credits to enterprises by 1.7%. From currency aspect, Denar credits surged by 1.8%, while foreign currency credits grew by 1.1% respectively.

In May 2014, total credits experienced growth by 7.6% on annual basis (compared to the growth of 7.1% in April), in conditions of growth of credits to enterprises of 4.7% and credits of households of 11.6%. According to currency, new crediting was fully in domestic currency. Denar credits surged by 10.5%, while foreign currency credits dropped by 1.2%. As regards maturity, long-term credits increased by 9.3% on annual basis, while short-term credits were higher by 4.3%.

Interest Rates of Deposit Banks

Total interest rate on credits was 7.2% in May 2014, decreasing by 0.1 p.p. 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 p.p. on monthly basis, accounting for 7.5% and 6.3%, respectively.

Total interest rate on deposits was 2.6%, being at the same level from the last month, while compared to May 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 3.9% and 1.4% respectively.



Foreign Currency Reserves

Gross foreign currency reserves at the end of May 2014 amounted to EUR 1,920.1 million and, compared to the previous month, they were higher by EUR 20.9 million, while compared to May 2013, foreign currency reserves were lower by EUR 197.8 million.

Ministry of Finance

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