



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

November 2014



Skopje, January 2015

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

November 2014

- Industrial production in November 2014 surged by 5.8% compared to November 2013;
- Inflation rate amounted to -0.3% on annual basis and 0% on monthly basis. Average inflation rate in the period January - November 2014 amounted to -0.3%.
- Export in the period January - November 2014 surged by 16.9%, while import increased by 10.2%, resulting in narrowing of trade deficit by 2.0% compared to the same period in 2013;
- In the period January - November 2014, both total budget revenues and total budget expenditures increased by 3.1% and by 3.6% respectively; state budget deficit amounted to Denar 19,125 million (3.6% of GDP), while central budget deficit amounted to Denar 16,430 million (3.1% of GDP);
- Increase of both total credits to private sector by 9.8% and total deposit potential of banks by 8.5% on annual basis.

1. Real Sector

Industrial Production

In November 2014, industrial production increased by 5.8% compared to November 2013. Analysed by sectors, electricity, gas, steam and air-conditioning supply grew significantly by 27.7%, being the driving force behind industrial production growth. Growth was seen at the manufacturing industry sector – 3.4% and the mining and quarrying sector – 3.0%.

	m/m-12	m/m-1	I-XI 2014
			I-XI 2013
Total	5.8	5.0	5.2
Ore and stone extraction	3.0	-3.1	-1.5
Processing industry	3.4	3.4	9.7
Electricity, gas and water supply	27.7	26.5	-15.1

Source: SSO

As for manufacturing industry, annual positive growth was registered at 12 out of 23 branches, comprising 22.4% 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 14.4%, while decline of 7.3% was recorded at production of clothing.

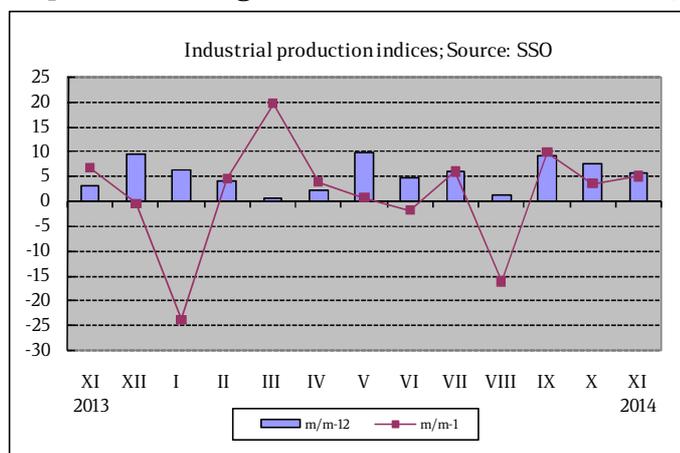
High growth was generated at the following branches: production of machines and devices, not mentioned elsewhere – 62.9%, other production industry – 60.4%, repair and installation of machinery and equipment – 38.6%, production of electrical equipment – 32.9%, production of basic pharmaceutical products and preparations – 23.4%, production of fabricated metal products – 22.2%, production of chemicals and chemical products – 19.7%, production of other transportation equipment – 18.1% and production of rubber products and plastic mass products – 14.7%.

Production of machines and devices, not mentioned elsewhere (3.8 p.p.) contributed the most to the annual change of industrial production in November 2014, while production of food products had the highest negative contribution (1.9 p.p.).

Industrial production in November 2014, compared to October 2014, increased significantly by 5%. Sector analysis points out to growth in the sectors electricity, gas, steam and air-conditioning supply and manufacturing industry by 26.5 and by 3.4% respectively, while mining and quarrying sector dropped by 3.1%.

On cumulative basis, in the period January-November 2014, industrial production grew by 5.2%, compared to the same period in 2013. Growth

was also registered in the manufacturing industry sector – 9.7%, while electricity,



gas, steam and air-conditioning supply sector and mining and quarrying sector experienced a decline of 15.1% and 1.5% respectively.

Data on industrial production by target groups in November 2014, compared to November 2013, showed that there was an increase in the production at the following groups: capital goods – 78.1%, energy – 17.4%, intermediary goods, except energy – 7.9% and consumer durables – 5.9%. Decline of 9.9% was observed at consumer non-durables.

On monthly basis, data on industrial production by target groups in November 2014 showed that there was an increase at the all groups, as follows: energy – 15.6%, consumer durables – 11.7%, consumer non-durables – 4%, intermediary goods, except energy – 2.1% and capital goods – 2.1%.

On cumulative basis, in the period January–November 2014, compared to the same period in 2013, growth was registered in the following groups: capital goods – 48.7%, intermediary goods, except energy – 7% and consumer non-durables – 2.9%, while decline was observed at the following groups: energy – 12.2% and consumer durables – 3.3%.

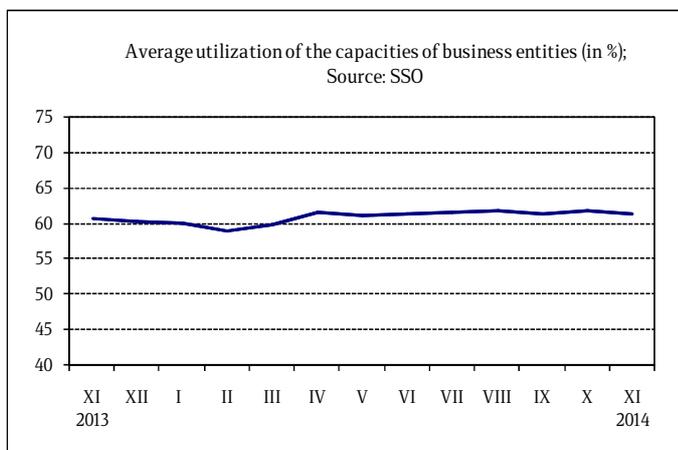
Business Tendencies in the Manufacturing Industry

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

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

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

Average utilization of the capacities in November 2014 accounted for 61.2%, being a drop compared to the previous month, when it accounted for 61.8%. Compared to November 2013, utilization of the capacities was higher by 0.4 p.p..



In November 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 stocks of ready-made products was less favourable

compared to both the previous month and November 2013. In the next 3-month period, according to the assessment of managers, average purchase prices of inputs are expected to decline, while selling prices of ready-made products are expected to increase.

According to the assessment, following factors limited the most the production volume in November 2014: insufficient foreign demand – 23.6%, insufficient domestic demand – 16.8%, shortage of skilled labour – 15.5%, financial problems – 10.2% and uncertainty of the economic environment – 8.4%.

Less of the business entities indicated the following as a limiting factor in November 2014, compared to October 2014: insufficient domestic demand, shortage of skilled labour, shortage of raw materials, lack of equipment and shortage of energy, while more of the business entities indicated the following: insufficient foreign demand, financial problems, uncertainty of the economic environment, competitive import and unclear economic laws. As regards other factors, there were no significant changes.

Number of Industrial Workers

Number of workers in the industry in November 2014, compared to November 2013, increased by 8.6%. Sector analysis points out to increase in the number of workers in the manufacturing industry sector by 10.4% and the electricity, gas, steam and air-conditioning supply sector by 0.7%, while the number of workers in the mining and quarrying sector decreased by 3.8%.

Data on the number of workers in the industry by target groups in November 2014, compared to November 2013, showed increase in the number of workers at the following groups: capital goods – 115.3%, intermediary goods, except energy – 6.2%, consumer durables – 3.9% and consumer non-durables – 1.3%, while number of workers in the energy group dropped by 3.4%.

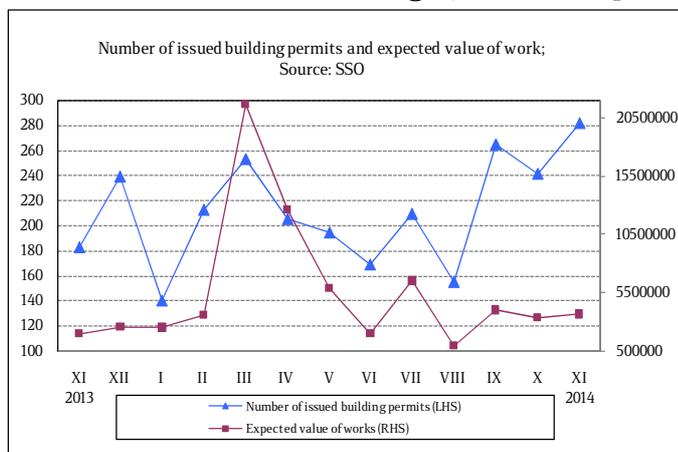
Index on the number of workers in the industry in the period January – November 2014, compared to the period January – November 2013, accounted for 7.9%.

Number of Issued Building Permits and Envisaged Value of Facilities

In November 2014, 281 building permits were issued, increasing by 54.4% compared to the same month last year. Total number of issued building permits compared to October 2014, when 241 permits were issued, increased by 16.6%.

Envisaged value of the facilities, according to the issued building permits in November 2014, amounted to Denar 3,602 million, being by

84% more compared to November 2013. Compared to the previous month, value of facilities surged by 9%.

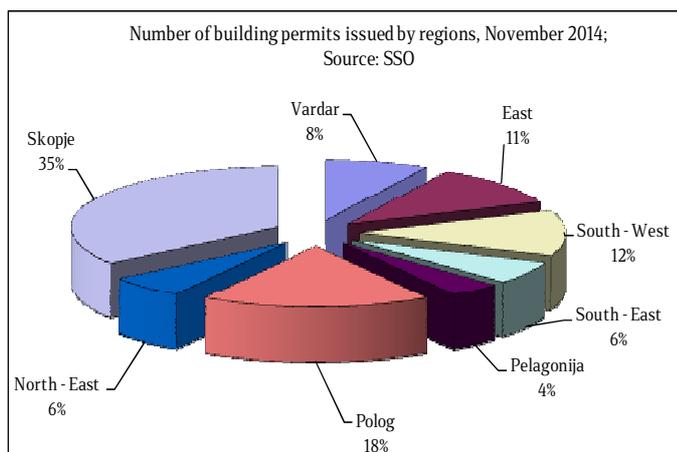


Analyzed by types of facilities, out of the total number of issued building permits, 181 (or 64%) were intended for buildings, 41 (or 15%) for civil engineering structures and 59 (or 21%) for reconstruction facilities.

Analyzed by types of investors, out of total 281 issued building permits, natural persons were investors in 184 facilities (or 65%), while business entities were investors in 97 facilities (or 35%).

In November 2014, construction of 361 flats was envisaged, with total usable area of 35.324 m². Number of envisaged flats for construction declined by 12.8% compared to the same month in 2013 and by 25.6% compared to October 2014.

Analyzed by regions, in November 2014, most permits were issued in the Skopje region, 98 in total, 57 permits out of which were issued to natural persons as investors, while 41 permits were issued to business entities as investors. Pelagonija region had least issued permits, 12 permits in total, 9 permits out of which were issued to natural persons as investors, while 3 permit was issued to business entities as investors.

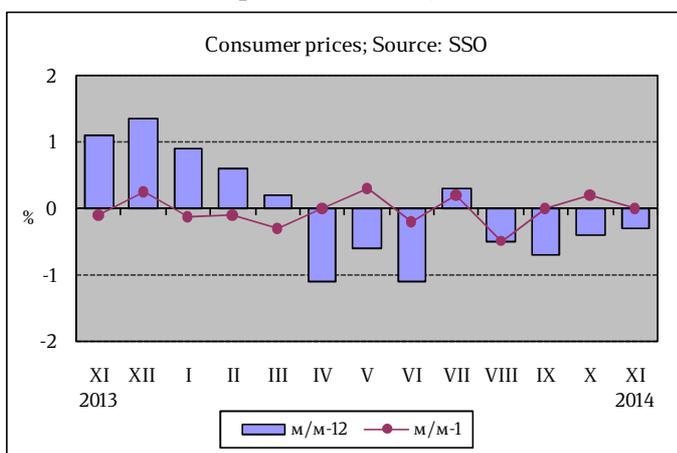


Analyzed on cumulative basis, in the period January - November 2014, most building permits were issued in the Skopje region, 786 in total, 453 permits out of which were issued to natural persons as investors, while 333 permits were issued to business entities as investors. Least building permits were issued in the Northeastern region, 128 permits in total, 86 permits out of which were issued to natural persons as investors, while 42 permits were issued to business entities as investors.

Inflation

Annual inflation rate in November 2014, measured according to the CPI index, amounted to -0.3%. Average inflation rate in the period January - November 2014 amounted to -0.3%, as opposed to 2.9% rate registered in the same period last year.

On annual basis, food and non-alcoholic beverages category, accounting for the most in the CPI index, experienced 0.1% decline, mostly as a result of the drop of prices of meat and oils and fats. Price reduction was also registered at the



following categories: recreation and culture by 6.2%, transportation by 3.9%, communications by 2.5%, furniture, household furnishings and maintenance of household furnishings by 2.4% and restaurants and hotels by 0.8%. The highest annual increase of prices in November was seen at the alcoholic beverages and tobacco category by 3.8%. Price increase was also registered at the following categories: health by 2.3%, housing, water, electricity, gas and other fuels by 1.6%, other goods and services by 1.1% and clothing and footwear by 0.1%. Prices remained the same at the education category.

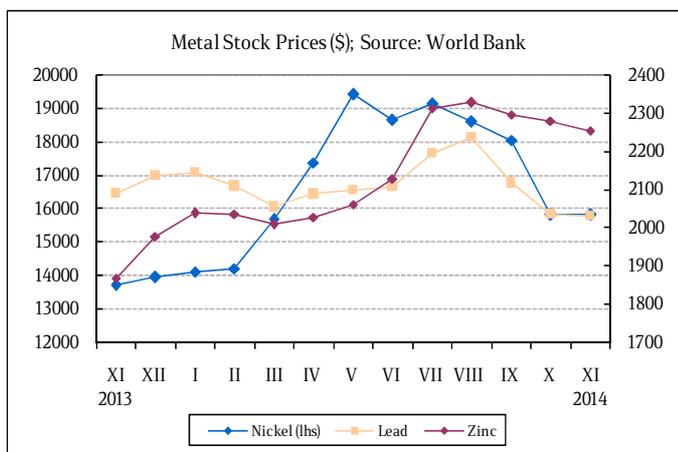
On monthly basis, inflation in November 2014 accounted for 0%. Prices in the food and non-alcoholic beverages category picked up by 0.3% as a result of the 5% increase of vegetable prices. Monthly price decline was also recorded at the following categories: housing, water, electricity, gas and other fuels by 0.6%, clothing and footwear and restaurants and hotels by 0.3% each, alcoholic beverages and tobacco by 0.2% and health and other goods and services by 0.1% each. Price reduction was registered at the following categories: transportation by 3.1%, recreation and culture by 0.9% and furniture, household furnishings and maintenance of household furnishings by 0.3%. Prices remained the same at the following categories: communications and education.

Retail prices in November 2014 were lower by 1.7% compared to November 2013. Compared to the previous month, retail prices were lower by 0.3%. Retail prices in the period January - November 2014 were lower by 0.8%.

Stock Market Prices

In November 2014, crude oil price (Brent) on the global stock markets declined by 10%, compared to the previous month, reaching the price of US\$ 78.4 per barrel. Compared to November 2013, oil price was lower by 27.4%. Price of natural gas in November decreased by 1.2% 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\$ 15,807 for a metric ton (\$/mt) in November 2014, being a slight drop in relation to the previous month. Compared to November 2013, nickel price surged by 15.5%. As for basic metals, in November, there was monthly increase of prices of aluminum and tin by 5.6% and 1.0% respectively, while drop of prices was seen at zinc by 1.0%, copper by 0.4% and lead by 0.2%. Price of iron ore in November experienced monthly decline of 8.6%. Price of precious metals in November dropped on monthly basis. Hence, price of silver dropped by 7.0%, price of platinum by 4.1% and price of gold 3.9%.



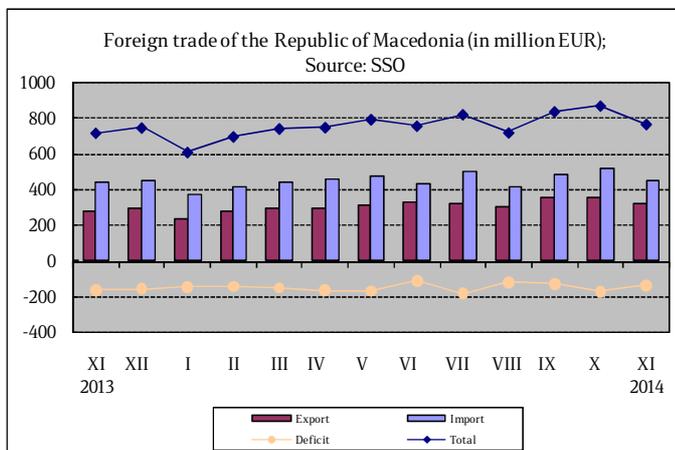
In November 2014, compared to October, price of maize and wheat on global stock markets surged by 9.6% and 5.4% respectively. Price of lamb's meat registered monthly decline of 1.8% in November.

2. Foreign Trade

Total foreign trade in the first eleven months in 2014 amounted to EUR 8,384.7 million, increasing by 12.8% compared to the same period in 2013.

Export

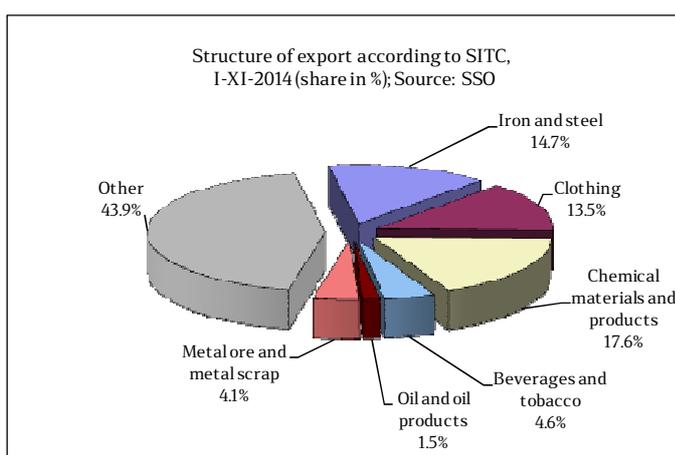
In the period January-November 2014, physical output of export increased by 1.2% compared to the same period in 2013, while the value of exported goods amounted to EUR 3,405.7 million, being an increase of 16.9% (EUR 492.6 million) in relation to the period January-November 2013.



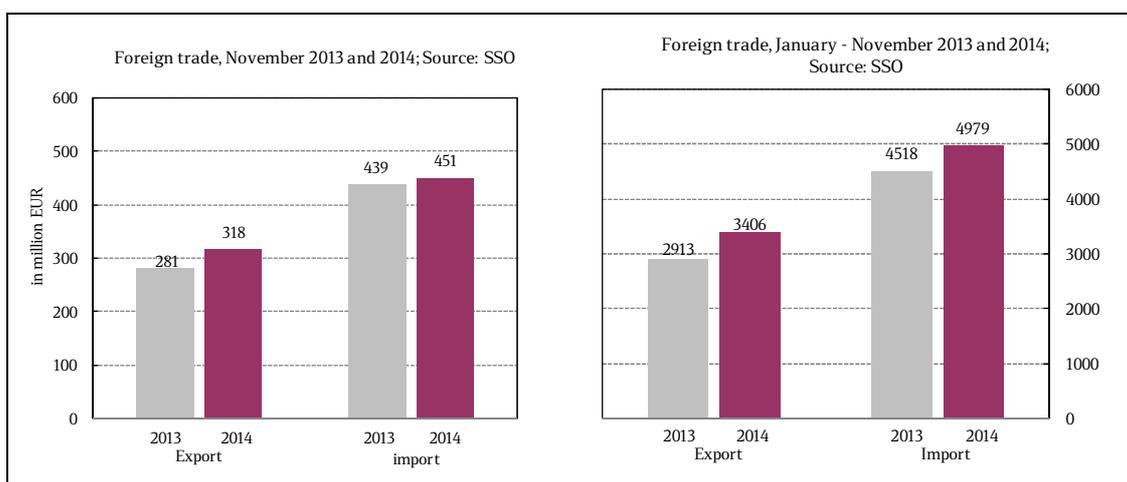
In November 2014, value of exported goods amounted to EUR 317.6 million, surging by 13.0% (EUR 36.6 million) compared to November last year. Analyzed on monthly basis, in November 2014, import dropped by 9.9% (EUR 34.8 million), compared to the previous month.

Seasonally adjusted trend of export in November 2014 registered monthly drop of 6.6%, pointing out to negative effects of the seasonal factor (3.3 p.p.) on the export in the concerned month.

Main groups of goods (according to SITC) being most exported in the period January - November 2014 were the following: chemical materials and products – 17.6%, iron and steel – 14.7%, clothing – 13.5%, beverages and tobacco – 4.6%, metal ore and metal scrap – 4.1% and oil and oil products – 1.5%. These six groups of products comprised 56.1% of the total export of the country.



In the first eleven months of 2014, observed by economic purpose, the following products were most exported: goods for industrial procurement (48.7%), followed by consumer goods (19.9%), products for investments without transport equipment (12.5%), food and beverages (9.7%), transport equipment (7.7%) and fuels and lubricants (1.4%).



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

Export of iron and steel*)				
	I - XI - 2013	I - XI - 2014	Balance	% rate
000 T	546.7	549.1	2.4	0.4
EUR mil.	542.5	501.2	-41.4	-7.6
\$ mil.	718.2	669.3	-48.9	-6.8

*)Previous data

Import of iron and steel*)				
	I - XI - 2013	I - XI - 2014	Balance	% rate
.000 T	518.5	507.1	-11.3	-2.2
EUR mil.	255.9	249.0	-6.9	-2.7
\$ mil.	339.0	331.6	-7.4	-2.2

*)Previous data

Import

Imported quantities of goods in the period January-November 2014 increased by 5.6%, compared to the same period in the previous year, while their value amounted to EUR 4,979.0 million, increasing by 10.2% (EUR 460.8 million) compared to the period January-November 2013.

Imported goods in November 2014 amounted to EUR 451.1 million, increasing by 2.7% (EUR 11.9 million) compared to November last year. Analyzed on monthly basis, in November 2014, import dropped by 13.2% (EUR 68.5 million), compared to the previous month.

Export of oil and oil products*)				
	I - XI - 2013	I - XI - 2014	Balance	% rate
000 T	132.5	118.9	-13.6	-10.2
EUR mil.	66.4	50.6	-15.9	-23.9
\$ mil.	87.8	67.5	-20.3	-23.1

*)Previous data

Import of oil and oil products*)				
	I - XI - 2013	I - XI - 2014	Balance	% rate
.000 T	836.7	859.4	22.6	2.7
EUR mil.	512.5	494.6	-17.9	-3.5
\$ mil.	678.3	662.0	-16.2	-2.4

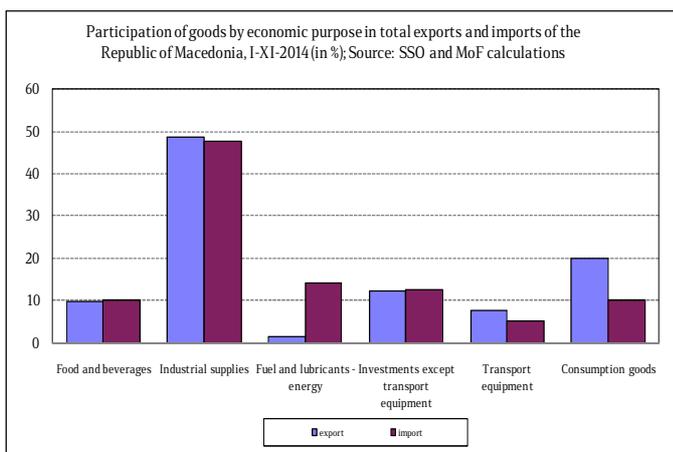
*)Previous data

Seasonally adjusted trend of import in November 2014 decreased by 9.8% on monthly basis, pointing out to negative effects of the seasonal factor (3.4 p.p.) on the import in November.

In addition to non-ferrous metals, following goods were the most imported (according to SITC) in the period January - November 2014: oil; yarn, fabrics and

textile products; electrical machines, devices and spare parts; iron and steel; road vehicles, etc.

In the period January – November 2014, observed by economic purpose, the following products were most imported: goods for industrial procurement (47.6%), followed by fuels and lubricants (14.2%), products for investments without transport equipment (12.7%), food and beverages (10.1%), consumer goods (10.1%) and transport equipment (5.2%).



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.

Export of chemical products*)				
	I - XI - 2013	I - XI - 2014	Balance	% rate
000 T	6.8	11.7	4.8	70.7
EUR mil.	434.1	600.5	166.4	38.3
\$ mil.	575.2	799.7	224.6	39.0

*)Previous data

Import of chemical products*)				
	I - XI - 2013	I - XI - 2014	Balance	% rate
.000 T	28.8	29.4	0.6	2.1
EUR mil.	66.7	81.0	14.3	21.5
\$ mil.	88.1	108.3	20.2	23.0

*)Previous data

Trade Balance

In the first eleven months in 2014, trade deficit narrowed by 2.0% or EUR 31.9 million 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: narrowed 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-November 2014, compared to the same period in 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 24.4% on annual basis, while as for Western Balkan countries, it declined by 8.7%.

In the first eleven 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 18.3%, whereby share of trade with the EU in the total foreign trade increased by 2.6 p.p., accounting for 69.1%. Export of goods to the European Union (EU 28) accounted for 76.9% in the total export of the Republic of Macedonia, while import of goods participated with 63.8%.

In the period January - November 2014, 84.6% 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, the USA, Austria, Russia 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 the period January - November 2014 was realized in euros, and compared to the period January - November 2013, it surged by 6.2 percentage points. On export and import side, euro accounted for 87.9% and 74.7%, respectively, whereby share of the euro in export was higher by 4.1 p.p., while share of the euro in import increased by 7.3 p.p. compared to the period January - November 2013.

import	1 - XI - 2013					1 - XI - 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	2,775.2	3,049,490,355	61.5075	187,566,568,688	67.4	2,943.1	3,704,609,634	61.6884	228,531,354,500	74.7	655,119,279	21.5
USD	2,282.0	1,268,498,822	45.5824	57,821,165,754	20.8	2,397.4	1,346,190,191	49.4832	66,613,802,971	21.8	77,691,369	6.1
GBP	3.5	397,194,963	73.3669	29,140,955,197	10.5	5.2	179,180,038	78.0942	13,992,917,563	4.6	-218,014,925	-54.9
EUR+USD+GBP	5,060.7			274,528,689,639	88.2	5,345.7			309,138,075,034	101.0		
tot. import	5,070.3			278,291,733,531	100.0	5,355.7			306,055,067,120	100.0		10.0

Source: SSO and NBRM

3. Fiscal Sector

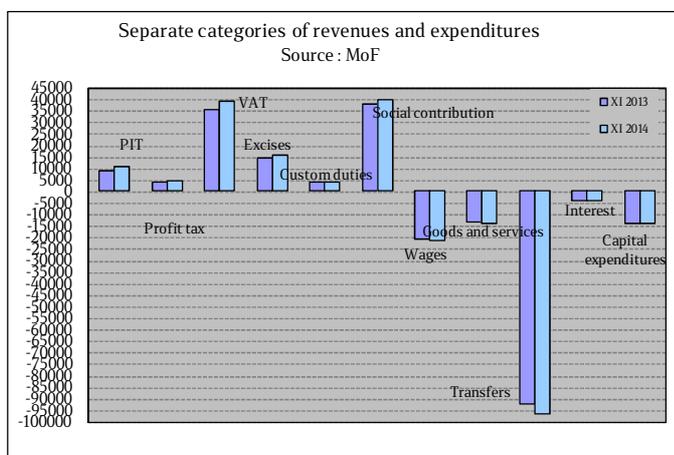
Budget Revenues

In the period January-November 2014, total budget revenues reached an amount of Denar 130,300 million, i.e. 24.8% of GDP, which was by 3.1% higher in relation to the same period in 2013.

Tax revenues in the first eleven months were realized in the amount of Denar 75,228 million, i.e. 14.3% of GDP, being higher by 8.1% in relation to the same period in 2013.

Revenues on the basis of value added tax were realized in the amount of Denar 39,301 million, whereby share of VAT in total tax revenues in this period was dominant, accounting for 52.2%. Revenues on the basis of excises were realized in the amount of Denar 15,949 million (participating with 21.2% in the tax revenues). Hence, revenues realized on the basis of these two indirect taxes amounted to Denar 55,250 million, i.e. 73.4% or almost 3/4 of total tax revenues (9.5% of GDP). Thereby, VAT collection amounted to Denar 54,164 million on gross basis, Denar 14,864 million out of which was refunded to taxpayers.

As for VAT structure, VAT share was the biggest when importing, increasing by 1.8%, while VAT on the basis of sales in the country increased by 1.5%, share of VAT grants was insignificant, i.e. 0.1%, whereby collection of tax on donations was higher by 44.4%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 10,658 million, increasing by 18.0% on annual basis, whereby revenues on the basis of tax on salaries and other personal earnings accounted for almost 2/3, i.e. 65.8% of the personal income tax, revenues on the basis of contractual agreement accounted for 7.6%, revenues



collected on the basis of games of chance and prize games accounted for 6.5%, capital revenues accounted for 5.6% and revenues collected on the basis of property and property rights accounted for 3.5%. Profit tax revenues in the first eleven months of 2014 amounted to Denar 4,600 million, increasing by 16.7% compared to the same period in the previous year, being mainly a result of the paid dividend and other profit distribution, withheld tax on paid revenues to foreign legal entities, as well as tax collected on the basis of monthly advance payments and tax balances. VAT revenues experienced growth of 10.7%, while excises experienced higher performance by 8.9%. Revenues on the basis of customs duties were realized in the amount of Denar 3,808 million, experiencing almost identical performance, i.e. dropping by 1.6%. Revenues on the basis of other taxes, in the amount of Denar 912 million, declined by almost 2.8 times compared to last year.

Non-tax revenues amounted to Denar 9,621 million and, in relation to the same period in 2013, they were lower by 14.2% (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 1,690 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 44.0% compared to the same period in the previous year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 2,386 million, being by 21.4% less compared to the same period last year.

Social contributions were collected in the amount of Denar 39,664 million, being higher by 3.9% compared to the same period in 2013, whereby collection of pension insurance contributions increased by 3.5%, collection of health insurance contribution grew by 4.6% and the one of employment contributions surged by 4.3%.

Budget Expenditures

In the period January - November 2014, total budget expenditures amounted to Denar 149,425 million, i.e. 28.4% of GDP, showing an increase by 3.6% compared to the same period in 2013.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 135,251 million accounted for 90.5% (25.8% of GDP) and they increased by 4.0% in relation to the same period in 2013.

Transfers amounting to Denar 96,346 million (18.3% of GDP) accounted for the most in the current expenditure items, followed by expenditures related to wages and salaries and allowances - Denar 21,101 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 14.1% and, in relation to 2013, they increased by 2.1%.

Expenditures related to goods and services amounted to Denar 13,641 million, increasing by 4.7% compared to the same period in 2013.

Transfers increased by 4.1% compared to the same period in 2013, participating with 64.5% in the total expenditures. Social transfers amounted to Denar 71,133 million, increasing by 4.8% and participating with 47.6% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 44,228 million, increasing by 7.5% compared to the same period in 2013, and accounting for 29.6% 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 2.7% compared to the same period in 2013. Block grants to local government units, amounting to Denar 12,767 million, dropped by 1.0% compared to the same period in the previous year. Subsidies and transfers were higher by 7.9%.

Interest-related expenditures amounted to Denar 4,163 million, being by 9.5% more compared to the same period in 2013. Expenditures related to interest on the basis of domestic borrowing increased by 26.0%, while the ones on the basis of foreign borrowing dropped by 5.7%.

In the analyzed period, capital expenditures were realized in the amount of Denar 14,174 million, participating with 9.5% in the total expenditures (2.7% of GDP), i.e. they were almost identical, i.e. they were lower by 0.1%, compared to the same period last year.

Budget Balance

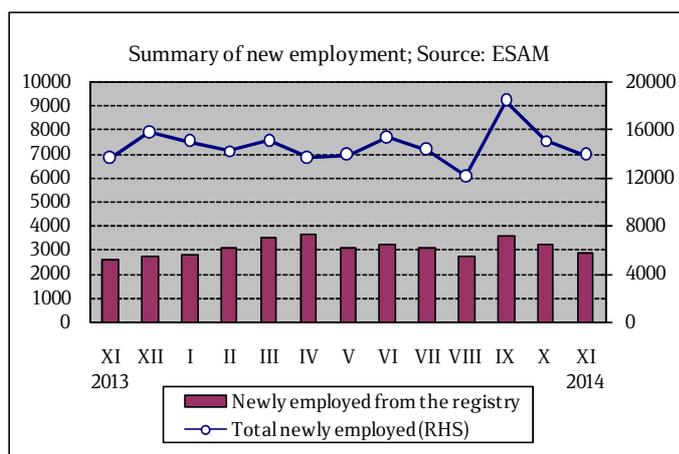
In the period January - November 2014, budget deficit of the Republic of Macedonia reached the amount of Denar 19,125 million, being 3.6% of GDP, while central budget deficit amounted to Denar 16,430 million, accounting for 3.1% of GDP.

4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM¹

In the period January-November 2014, Employment Agency of the Republic of Macedonia registered total of 160,375 new employments. 45.8% 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 the same period in 2013, number of newly employed persons surged by 5.6%.

During November, 13,824 new employments were registered, 20.4% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 6,254 persons in November, 43.8% out of which were new employments. In November, 9,119 persons were registered as inflow to the Agency, 36.5% out of which were persons whose employment was terminated. Thus, 123,606 persons were registered as unemployed, while number of other unemployed persons accounted for 100,819.



Major percentage of the unemployed, i.e. 70.1%, came from urban areas (cities), whereby 60.4% were men. Analyzed by education structure, major part, i.e. 53.9% of unemployed persons, was without education, with primary education or incomplete secondary education, 30% was with completed secondary education, while 15.8% of the unemployed persons was with completed community college or higher education level. Observed by age, majority of the unemployed persons or 53.7% 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 11,2% wait for employment for 8 years and more.

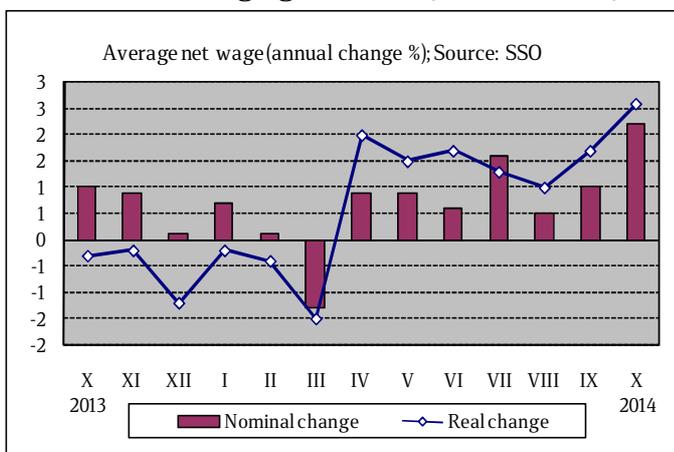
Salaries

According to the data from the State Statistical Office, average monthly paid gross salary per employee in October 2014 amounted to Denar 31,847, while average monthly paid net salary amounted to Denar 21,717.

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 October 2014, average gross salary increased by 2.2% in nominal terms and by 2.0% in real terms, while average net salary surged by 2.1% in nominal terms and by 1.9% in real terms.

In October 2014, compared to October 2013, average gross salary increased by 2.0% in nominal terms, while it was higher by 2.4% in real terms. Average net salary was higher by 2.2% in nominal terms, increasing by 2.6% in real terms.



On cumulative basis, in the period January - October 2014, average gross salary increased by 0.5% in nominal terms, while it was higher by 0.7% in real terms. Average net salary was higher by 0.7% in nominal terms, increasing by 0.9% in real terms.

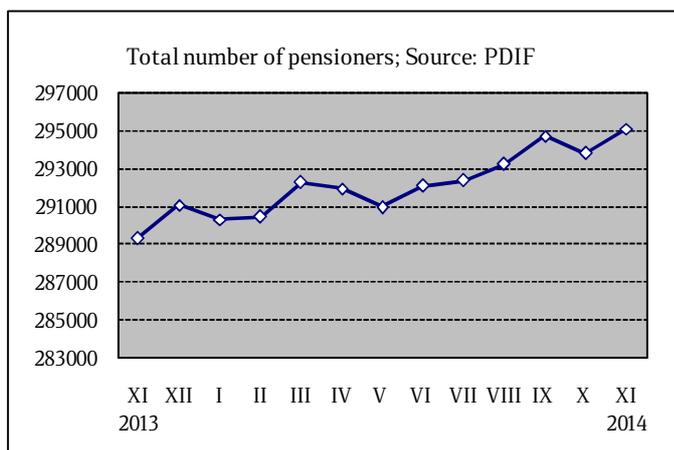
Increase of average monthly gross and net salary per employee in October 2014, compared to October 2013, was recorded in the following sectors: mining and quarrying (9.4% gross salary and 10.5% net salary), construction (6.6% gross salary and 6.8% net salary) and health and social protection (gross and net salary surged by 5.5% respectively).

Increase of average monthly gross and net salary per employee in October 2014, compared to the previous month, was registered in the following sectors: mining and quarrying (9.4% gross salary and 9.6% net salary), education (5.1% gross salary and 5.0% net salary) and health and social protection (4.8% gross salary and 4.5% net salary).

Employees who did not receive salary in October 2014 accounted for 1.4%, being higher by 0.1 p.p. compared to the same month in the previous year, while compared to September 2014, percentage of employees who did not receive salary was higher by 0.5 p.p..

Pensions

In November 2014, 295,130 pensioners were registered at the Pension and Disability Insurance Fund, being an increase by 2.0% compared to the same month in 2013. Number of pension beneficiaries increased by 1,280 persons in relation to October 2014. 59.3% out of the total number of pensioners are beneficiaries of old-age pension, 26.0% of survival



pension and 14.7% of disability pension.

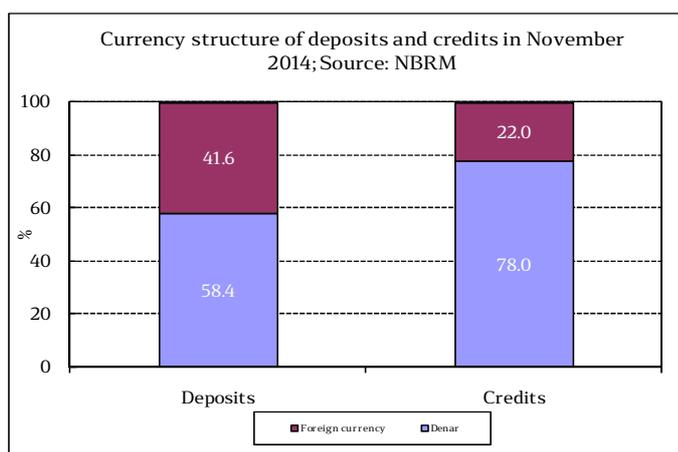
In November 2014, Denar 3,584.56 million was spent for payment of pensions, accounting for 53.9% of the total social transfers².

Average pension in November 2014 amounted to Denar 12,428, increasing by 5.2% on annual basis. Ratio between the average pension and the average paid salary in October 2014 (the most recent available data) was 57.3%.

5. Monetary Sector

Primary Money

Primary money³ in November 2014 grew by 13.1% on annual basis, as opposed to the 5.8% increase in the previous month. Such growth was due to the increased ready money in circulation by 13.1% and the increase of total liquid assets of banks by 13.1% on annual basis.



On monthly basis, primary money picked up by 2.1%, as a result of the drop of total liquidity assets of the banks of 4.2%, while ready money in circulation dropped slightly by 0.3%.

In November 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 banks⁴ in November 2014 increased by 0.7% on monthly basis, compared to the growth of 0.2% registered in the previous month. Analyzed by sectors, deposits of private enterprises grew by 0.2%, while deposits of households increased by 0.4% compared to the previous month. From currency point of view, Denar deposits increased by 1.5%, while foreign currency deposits declined by 0.4%.

Total deposit potential in November 2014 increased by 8.5% on annual basis. From currency point of view, domestic currency deposits increased by 13.1% in November 2014, which were the main drivers of the growth of the total deposits on annual basis, while foreign currency deposits surged by 2.7%. From sector point of view, deposits of households increased by 8.4%, while deposits of enterprises surged by

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

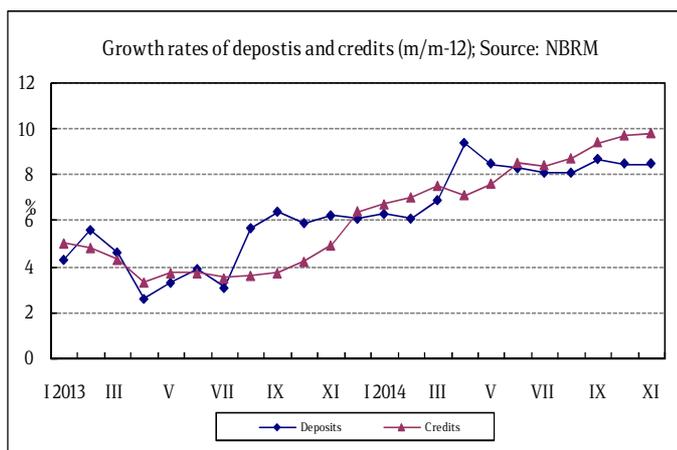
³ Primary money is calculated as a sum of ready money in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).

⁴ Starting January 2009, deposits include calculated interest.

9.8%. According to maturity, long-term deposits grew by 20.1%, while short-term deposits declined by 0.1%.

Bank Credits

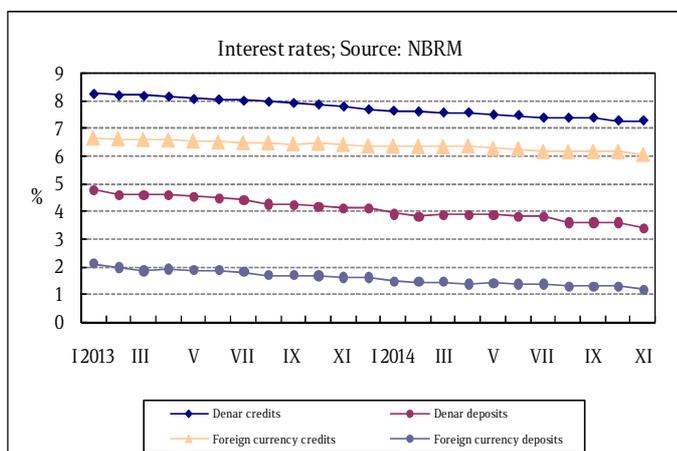
In November 2014, total credits of banks to the private sector grew by 1.1% on monthly basis (as opposed to 0.7% growth in October 2014), in conditions of growth of credits to households by 0.7% and credits to enterprises by 1.3%. From currency aspect, Denar credits surged by 1.0%, while foreign currency credits grew by 1.4%.



In November 2014, total credits grew by 9.8% on annual basis (compared to the growth of 9.7% in October), in conditions of growth of credits to enterprises of 8.2% and credits to households of 12.0%. Denar credits surged by 11.7%, while foreign currency credits increased by 3.7%. As regards maturity, long-term credits experienced annual growth of 10.5%, while short-term credits were higher by 9.6%.

Interest Rates of Deposit Banks

Total interest rate on credits was 7.0% in November 2014, remaining unchanged 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%, declining by 0.1 p.p. compared to the previous month, while interest rate on denar credits remained unchanged in relation to the previous month, accounting for 7.3%.



Total interest rate on deposits was 2.2%, being lower by 0.1 p.p. compared to last month, while compared last year, it was lower by 0.6 p.p. Interest rate on Denar deposits accounted for 3.4%, declining by 0.2 p.p. compared to the previous month, while interest rate on foreign currency deposits accounted for 1.2%, dropping by 0.1 p.p..

Foreign Currency Reserves

Gross foreign currency reserves at the end of November 2014 amounted to EUR 2,417.1 million and, compared to the previous month, they were lower by EUR 12 million, while compared to November 2013, foreign currency reserves were higher by EUR 396.6 million.

Ministry of Finance

Macroeconomic Policy Department

www.finance.gov.mk

Report was prepared by:

Ana Nikolova

Angela Vasovska

Aneta Dudeska

Bojana Ilievska

Goko Gorgeski

Koprinka Sapunova

Negati Kurtisi

Controlled by: Sanja Kikovska-Georgievska, Ph.D.

Approved by: Jordan Trajkovski

Skopje, January 2015