



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

October 2014



Skopje, December 2014

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

October 2014

- Industrial production surged by 7.5% in October 2014 compared to October 2013.
- Inflation rate amounted to -0.4% on annual basis and 0.2% on monthly basis; Average inflation rate in the period January - October 2014 amounted to -0.2%.
- Export in the period January - October 2014 surged by 17.2%, while import increased by 11.0%, resulting in narrowing of trade deficit by 0.4% compared to the same period in 2013;
- In the period January - October 2014, both total budget revenues and total budget expenditures increased by 2.9% and by 3.3% respectively; state budget deficit amounted to Denar 18,110 million (3.4% of GDP), while central budget deficit amounted to Denar 15,722 million (3.0% of GDP);
- Increase of both total credits to private sector by 9.7% and total deposit potential of banks by 8.5% on annual basis.

1. Real Sector

Industrial Production

Industrial production surged by 7.5% in October 2014 compared to October 2013.

Analyzed by sector, manufacturing industry sector continues to be driver of the production growth, increasing by 7.9%, while electricity, gas, steam and air-conditioning supply sector experienced significant growth of 21.3%,

	m/m-12	m/m-1	I-X 2014
			I-X 2013
Total	7,5	3,5	5,1
Ore and stone extraction	-4,2	9,2	-2,0
Processing industry	7,9	0,9	10,4
Electricity, gas and water	21,3	19,5	-18,8

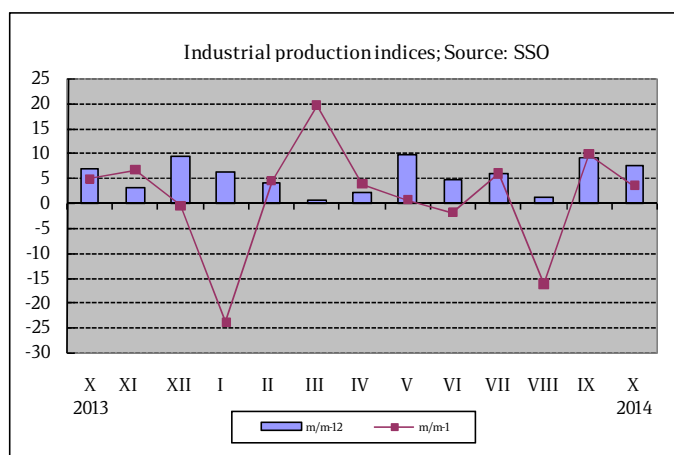
Source: SSO

being first growth on annual basis following December 2013. Mining and quarrying sector decreased by 4.23% as a result of the drop in other mining and quarrying sector by 22.9%.

As for manufacturing industry, annual positive growth was registered at 13 out of 23 branches, comprising 45.7% of the industrial production. As regards the branches with two-digit share in the structure of industrial production, growth of 8.6% was registered at production of food products, while drop of 2.6% was recorded at production of clothing.

High growth was generated at the following branches: Production of tobacco products - 241.2%, production of fabricated metal products - 64.7%, other production industry - 41.1%, production of paper and paper products - 37%, production of other transportation equipment - 19.1%, manufacture of electrical equipment - 19%, production of machines and devices, elsewhere unmentioned - 16.8%, production of rubber products and plastic mass products - 10.7% and production of leather and similar articles of leather - 10.4%. Production of tobacco products (11.3 p.p.) contributed the most to the annual change of industrial production in October 2014, while production of beverages had the highest negative contribution (2.2 p.p.).

Industrial production surged by 3.5% in October 2014 compared to September 2014. Sector analysis points out that increase was seen in all



sectors, as follows: Electricity, gas, steam and air-conditioning supply by 19.5%, mining and quarrying by 9.2% and manufacturing industry by 0.9%.

On cumulative basis, industrial production in the period January-October 2014 increased by 5.1% compared to the same period in 2013. Growth was also registered in the manufacturing industry sector - 10.4%, while electricity, gas, steam and air-

conditioning supply sector and mining and quarrying sector experienced a decline of 18.8% and 2% respectively.

Data on industrial production by target groups in October 2014, compared to October 2013, showed production increase at the following groups: Capital goods – 49%, energy – 16.9%, consumer non-durables - 2.7% and intermediary goods, except energy – 2%, while decline was registered at the consumer durables group – 19.6%.

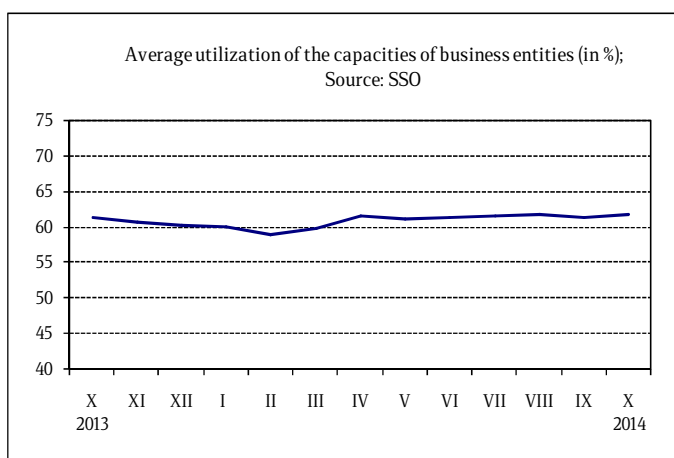
On monthly basis, data on the industrial production by target groups in October 2014 show that there was increase at the following groups: Energy by 24%, capital goods by 6.8%, intermediary goods, except energy by 4.4%, and consumer durables by 1.2%, while decline was registered at the consumer non-durables group by 3.5%.

On cumulative basis, in the period January-October 2014, compared to the same period last year, growth was registered in the following groups: Capital goods – 45.8%, intermediary goods, except energy – 6.9% and consumer non-durables – 4.5%, while decline was observed at the following groups: Energy – 14.9% and consumer durables – 4.4%.

Business Tendencies in the Manufacturing Industry

According to the assessments, current economic trends of business entities in October 2014 was the same compared to the previous month and less favourable compared to October 2013.

Assessment of delivery-to-production was more favourable compared to both the previous month and October 2013. In October 2014, assessment for the production volume in the past three months was more favourable compared to September 2014 and less favourable compared to October 2013. In October 2014, the expectations for the production volume in the next three months are less favourable compared to the previous month, while compared to October 2013, they were more favourable.



As regards the number of employees, the expectations in October 2014 for the next three months are the same compared to the previous month and less favourable compared to October 2013.

Average utilization of capacities in October 2014 accounted for 61.8%, being an increase compared to the previous month, when it accounted for 61.3%. Compared to October 2013, the utilization of the capacities was higher by 0.4 p.p..

In October 2014, stocks of raw materials and intermediate goods, as well as on-going procurement of raw materials and intermediate goods, were below and around the average. Assessment for the present stock of ready-made products was less favourable compared to both the previous month and October 2013. In the

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

According to the assessments, following factors limited the most the production volume in October 2014: insufficient foreign demand – 22.8%, insufficient domestic demand – 19.4%, lack of qualified labour force - 15.9%, financial problems - 9% and uncertain economic surrounding – 8.3%.

In October 2014 compared to September 2014, less business entities indicated as limiting factors, the following: uncertainty of economic environment, unclear economic laws and shortage of raw materials, while most of the business entities indicated: insufficient foreign demand, insufficient domestic demand, financial problems, competitive import and lack of equipment. As regards other factors, there were no significant changes.

Number of Industrial Workers

Number of workers in the industry in October 2014, compared to October 2013, increased by 9.5%. Sector analysis points out to an increase in the number of workers in the manufacturing industry sector by 11.6%, 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 4.0% and 1.6% respectively.

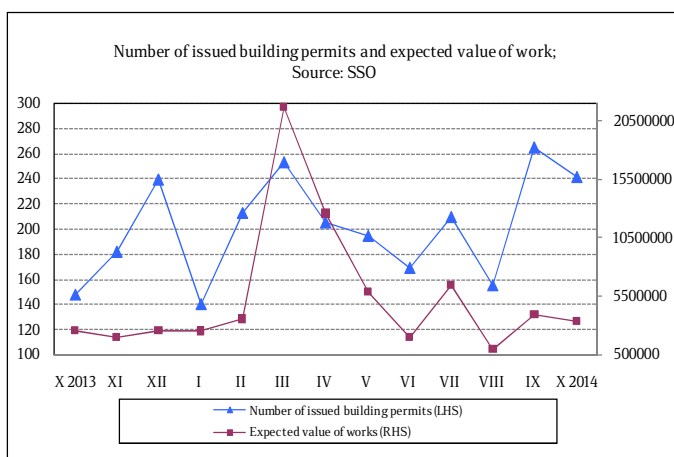
Data on the number of workers in the industry by target groups in October 2014, compared to October 2013, showed increase in the number of workers at the following groups: Capital goods by 114.1%, intermediary goods, except energy by 6.8%, consumer durables by 6.0% and consumer non-durables by 2.9%, while number of workers in the energy group dropped by 5.0%.

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

Number of Issued Building Permits and Envisaged Value of Facilities

In October 2014, 241 building permits were issued, being an increase by 64% compared to the same month last year. Compared to September 2014, when 264 permits were issued, total number of issued building permits decreased by 8.7%.

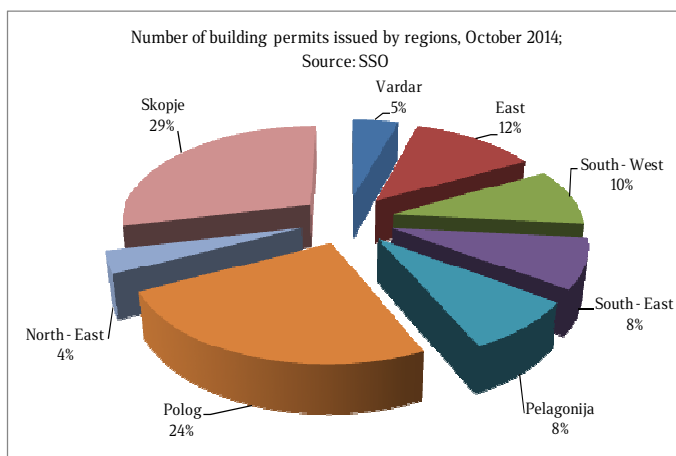
Envisaged value of the facilities, according to the issued building permits in May, amounted to Denar 5,849 million, being by almost 3.4 times more compared to May 2013. In relation to the previous month, value of the facilities declined by 16%.



Analyzed by types of facilities, out of the total number of issued building permits, 169 (or 67%) were intended for buildings, 26 (or 11%) for civil engineering structures and 46 (or 19%) for reconstruction facilities.

Analyzed by types of investors, out of total 241 issued building permits, natural persons were investors in 176 facilities (or 75%), while business entities were investors in 65 facilities (or 27%).

In October 2014, construction of 485 flats was envisaged, with total usable area of 39,498 m². Number of envisaged flats for construction increased by 40% compared to the same month in 2013, and by 8% compared to September 2014.



Analyzed by regions, in October 2014, most permits were issued in the Skopje region, 69 in total, 35 permits out of which were issued to natural persons as investors, while 34 permits were issued to business entities as investors. Least building permits were issued in the Northeastern region, 9 permits in total, 5 permits out of which were issued to natural persons as investors, while 4 permits was issued to business entities as investors.

Analyzed on cumulative basis, in the period January - October 2014, most building permits were issued in the Skopje region, 688 in total, 396 permits out of which were issued to natural persons as investors, while 292 permits were issued to business entities as investors. Least building permits were issued in the Northeastern region, 112 permits in total, 73 permits out of which were issued to natural persons as investors, while 39 permits were issued to business entities as investors.

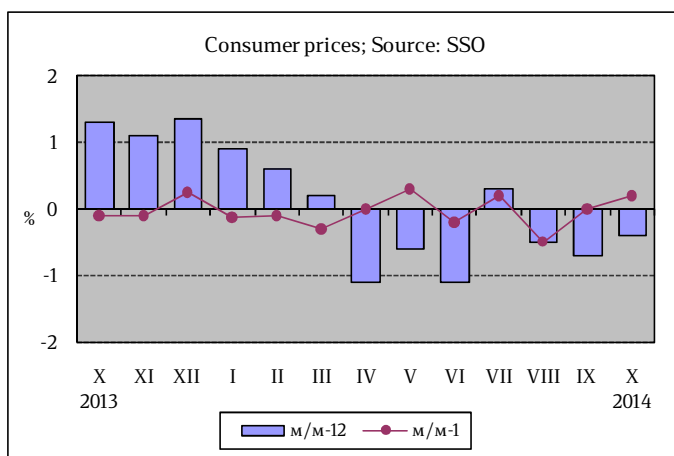
Inflation

Annual inflation rate in October 2014, measured according to the CPI index, amounted to -0.4%. Average inflation rate in the period January - October 2014 amounted to -0.2%, as opposed to 3.1% 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 0.7% decline, whereby the drop in prices was highest in the sub-category oils and fats by 7.3%. Price reduction was registered at the following categories: Recreation and culture by 5.5%, communications by 2.4%, transportation by 2%, furniture, household furnishings and maintenance of household furnishings by 1.5% and restaurants and hotels by 1.4%. The highest annual increase of prices in October was seen at the alcoholic beverages and tobacco category by 3.8%. Monthly increase of prices was also registered at the following categories: Health by 2.1%, other goods and services by 1.7%, housing,

water, electricity, gas and other fuels by 1%, education by 0.2% and clothing and footwear by 0.1%.

On monthly basis, inflation in October 2014 amounted to 0.2%. Prices in the category food and non-alcoholic beverages increased by 0.2%, being a result of the increase of prices in the sub-category vegetables by 4.9%. Monthly price increases was also recorded at the following categories: Clothing and footwear by 1.7%, housing, water, electricity, gas and other fuels by 0.6%, furniture, household furnishings and maintenance of household furnishings and other goods and services by 0.3%, health by 0.2% and restaurants and hotels and recreation and culture by 0.1%. Monthly price decline was also recorded at the following categories: Transport by 0.9% and alcoholic beverages and tobacco by 0.1%. Prices remained the same at the categories communications and education.

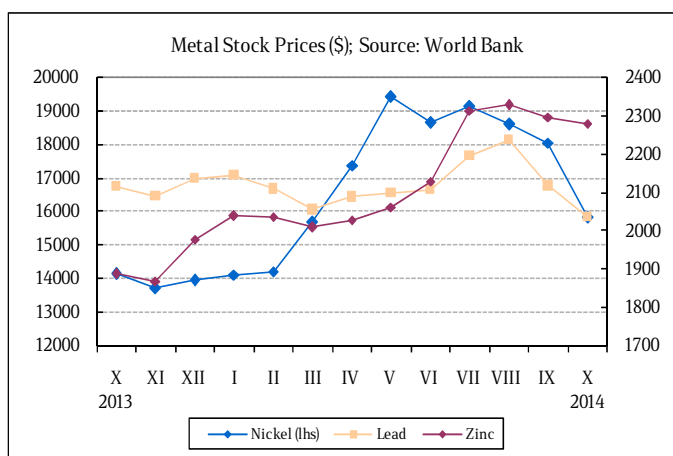


Retail prices in October 2014 were lower by 1.6% compared to October 2013. Compared to the previous month, retail prices were lower by 0.1%. Average increase of retail prices in the period January-October 2014 amounted to -0.7%.

Stock Market Prices

In October 2014, crude oil price (Brent) on the global stock markets declined by 10.3%, compared to the previous month, reaching the price of US\$ 87.3 per barrel. Compared to October 2013, oil price was lower by 20.3%. Price of natural gas in October increased by 1.0% compared to the previous month.

As regards metal products, nickel, as product with high share in the Macedonian export, was traded at an average price of US\$ 15,812 for a metric ton (\$/mt) in October 2014, being a monthly price decrease by 12.3%. Compared to October 2013, nickel price surged by 12.0%. In October, there was monthly decrease of prices of the other base metals as well. Price of tin was lower by 6.0%, by 3.9% as regards lead, by 2.2% as for aluminium, by 2.0% with respect to copper and by 0.8% as regards zinc. Price of iron ore in October experienced monthly decline of 1.7%. Prices of precious metals in October



experienced monthly decrease, i.e. price of platinum dropped by 7.3%, price of silver decreased by 6.6%, while 1.1% drop was seen at the price of gold.

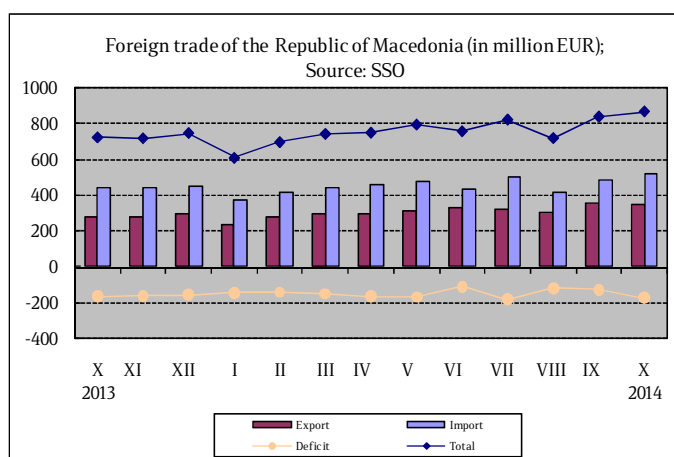
In October 2014, price of maize on the global stock markets remained the same compared to September 2014, while price of wheat grew by 0.7%. Price of lamb meat in October registered monthly drop of 1.5%.

2. Foreign Trade

Total foreign trade in the first ten months in 2014 amounted to EUR 7,612.3 million, increasing by 13.4% compared to the same period last year.

Export

In the period January-October 2014, physical output of export increased by 1.4% compared to the same period in 2013, while the value of exported goods

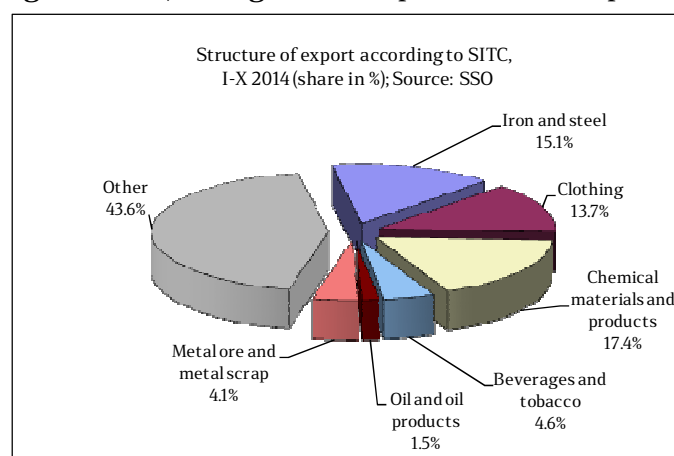


amounted to EUR 3,085.4 million, surging by 17.2% (EUR 453.3 million) in relation to the period January-October in the previous year.

In October 2014, value of exported goods amounted to EUR 349.7 million, surging by 24.2% (EUR 68.1 million) compared to October last year. Analyzed on monthly basis, in October 2014, export dropped by 2.3% (EUR 8.1 million), compared to the previous month.

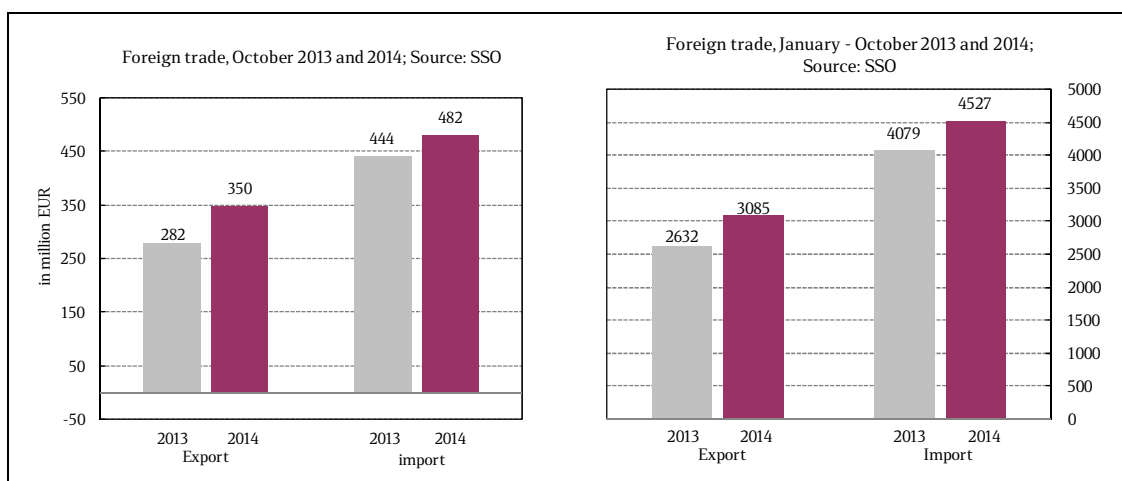
Seasonally adjusted trend of export in October 2014 increased by 1.7% on monthly basis, pointing out to negative effects of the seasonal factor (3.9 p.p.) on export this month.

Main groups of goods (according to SITC) being most exported in the period January-October 2014 were the following: chemical materials and products – 17.4%, iron and steel – 15.1%, clothing – 13.7%, 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 56.4% of the total export of the country.



In the first ten months of 2014, observed by economic purpose, the following products were the most exported: goods for industrial procurement (49.0%), followed by consumer goods (20.1%),

products for investments without transport equipment (12.3%), food and beverages (9.6%), transport equipment (7.4%) 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*)					Import of iron and steel*)				
	I - X - 2013	I - X - 2014	Balance	% rate		I - X - 2013	I - X - 2014	Balance	% rate
000 T	490,0	503,9	13,9	2,8	.000 T	473,0	451,0	-21,9	-4,6
EUR mil.	488,7	464,8	-23,9	-4,9	EUR mil.	233,6	221,7	-11,8	-5,1
\$ mil.	645,4	623,9	-21,5	-3,3	\$ mil.	308,9	297,6	-11,3	-3,6

*)Previous data

*)Previous data

Import

Imported quantities of goods in the period January - October 2014 increased by 7.8%, compared to the same period in the previous year, while their value amounted to EUR 4,526.9 million, increasing by 11.0% (EUR 447.8 million) compared to the period January-October 2013.

Value of imported goods in October 2014 amounted to EUR 518.6 million, increasing by 16.9% (EUR 75.1 million) compared to October last year. Analyzed on monthly basis, in October 2014, import grew by 7.6% (EUR 36.6 million), compared to the previous month.

Export of oil and oil products*)					Import of oil and oil products*)				
	I - X - 2013	I - X - 2014	Balance	% rate		I - X - 2013	I - X - 2014	Balance	% rate
000 T	124,6	107,5	-17,1	-13,7	.000 T	769,2	795,1	25,8	3,4
EUR mil.	62,6	46,4	-16,2	-25,9	EUR mil.	469,1	460,6	-8,5	-1,8
\$ mil.	82,6	62,3	-20,3	-24,6	\$ mil.	619,7	619,7	0,0	0,0

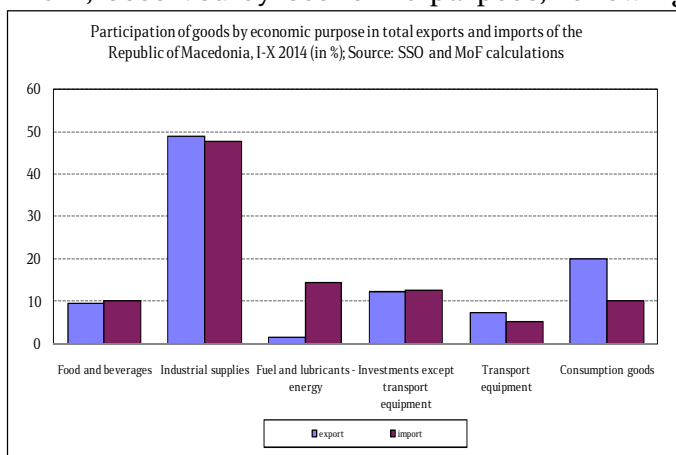
*)Previous data

*)Previous data

Seasonally adjusted trend of import in October 2014 decreased by 3.3% on monthly basis, pointing out to positive effects of the seasonal factor (10.9 p.p.) on import this month.

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

In the period January – October 2014, observed by economic purpose, following products were most imported: goods for industrial procurement (47.7%), followed by fuels and lubricants (14.5%), products for investments without transport equipment (12.5%), 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; etc.

Export of chemical products*)					Import of chemical products*)				
	I - X - 2013	I - X - 2014	Balance	% rate		I - X - 2013	I - X - 2014	Balance	% rate
000 T	6,1	10,4	4,3	71,1	.000 T	26,1	26,8	0,7	2,6
EUR mil.	389,5	535,5	146,0	37,5	EUR mil.	62,0	73,6	11,6	18,8
\$ mil.	514,9	718,5	203,7	39,6	\$ mil.	81,7	99,1	17,4	21,3

*)Previous data

*)Previous data

Trade Balance

In the first ten months in 2014, trade deficit narrowed by 0.4%, i.e. EUR 5.5. 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-October 2014, compared to the same period in 2013, export increased at the following groups: EU 28, EFTA, Organization of Petroleum Exporting Counties, 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 26.2% on annual basis, while as for Western Balkan countries, it declined by 8.8%.

In the first ten 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 3.0 p.p., accounting for 69.2%. Export of goods to the European Union (EU 28) accounted for 76.8% in the total export of the Republic of Macedonia, while import of goods participated with 64.0%.

In the period January – October 2014, 85.0% of the trade deficit of the country was realized in the trade with Great Britain, Greece, Serbia and China, followed by: Turkey, 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, 79.3% of the trade in the period January - October 2014 was realized in euros and, compared to the period January - October 2013, it surged by 5.7 p.p.. On export and import side, euro accounted for 87.4% and 73.8%, respectively, whereby share of the euro in export was higher by 4.0 p.p., while increase of the share of the euro in import increased by 6.5 p.p. compared to the period January-October 2013.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I - X - 2013					I - X - 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	2.5253	2.749.640.965	61.5009	169.105.458.173	67,3	2.670,9	3.337.288.102	61.5246	205.325.159.803	73,8	587.647.137	21,4
USD	2.106,0	1.159.526.421	46.1178	53.474.823.032	21,3	2.319,9	1.247.655.233	47,6534	59.455.005.579	21,4	88.128.812	7,6
GBP	2,8	353.144.537	72.9867	25.774.868.491	10,3	4,4	177.672.064	77,7789	13.819.144.839	5,0	-175.472.472	-49,7
EUR+USD+GBP	4.634,1			248.355.149.696	88,5	4.995,1			278.599.310.221	100,1		
tot. import	4.642,7			251.388.865.758	100,0	5.004,0			278.276.081.605	100,0		10,7

Source: SSO and NBRM

3. Fiscal Sector

Budget Revenues

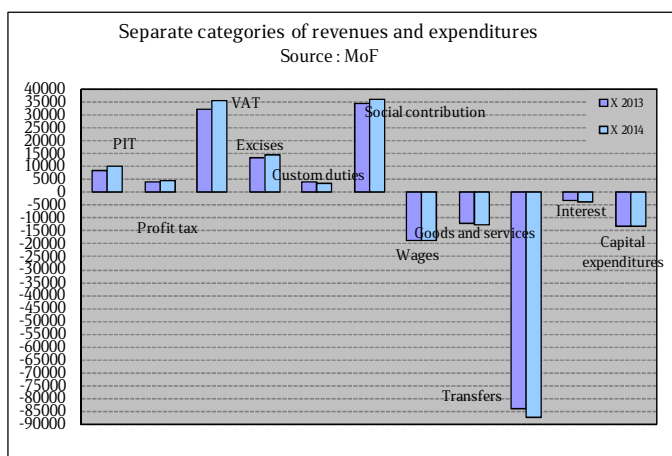
In the period January-October 2014, total budget revenues reached an amount of Denar 118,237 million, i.e. 22.5% of GDP, which was by 2.9% higher in relation to the same period in 2013.

Tax revenues in the first ten months were realized in the amount of Denar 68,112 million, i.e. 13.0% of GDP, being higher by 7.5% in relation to the same period in 2013.

Revenues on the basis of value added tax were realized in the amount of Denar 35,435 million, whereby share of VAT in total tax revenues in this period was dominant, accounting for 52.0%. Revenues on the basis of excises were realized in the amount of Denar 14,305 million (participating with 21.0% in the tax revenues). Hence, revenues realized on the basis of these two indirect taxes amounted to Denar 49,740 million, i.e. 73.0% of total tax revenues (9.5% of GDP). Thereby, VAT

collection amounted to Denar 49,304 million on gross basis, Denar 13,869 million out of which was refunded to taxpayers.

As for VAT structure, VAT share was the biggest when importing, experiencing higher performance by 1.9%, while VAT on the basis of sales in the country experienced minimum decrease by 0.1%, share of VAT grants was insignificant, i.e. 0.1%, whereby tax on donations experienced higher performance by 69.4%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 9,680 million, increasing by 18.6% on



annual basis, whereby revenues on the basis of tax on salaries and other personal earnings accounted for around 3/4, i.e. 65.9% of the personal income tax, revenues on the basis of contractual agreement accounted for 7.6%, revenues on the basis of games of chance and award games – 6.3%, capital revenues accounted for 5.9% and revenues on the basis of property and property rights accounted for 3.5%. Profit tax revenues in the first ten months of 2014 amounted to Denar 4,375 million, increasing by 16.6% 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 the tax collected on the basis of monthly advance payments and tax balances. VAT revenues experienced growth of 10.4%, while excises experienced higher performance by 7.4%. Revenues on the basis of customs duties were realized in the amount of Denar 3,479 million, experiencing almost identical performance, i.e. dropping by 1.3%. Revenues on the basis of other taxes in the amount of Denar 838 million declined by more than 3 times compared to last year.

Non-tax revenues amounted to Denar 8,706 million and, in relation to the same period in 2013, they dropped by 16.9% (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 1,623 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 45.3% compared to the same period in the previous year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 2,156 million, being by 15.3% less compared to the same period last year.

Social contributions were collected in the amount of Denar 36,073 million, being higher by 4.9% compared to the same period in 2013, whereby collection of pension insurance contributions increased by 4.8%, collection of health insurance contribution grew by 5.1% and the one of employment contributions surged by 4.8%.

Budget Expenditures

In the period January-October 2014, total budget expenditures amounted to Denar 122,018 million, i.e. 26.0% of GDP, which was higher by 3.3% compared to same period in 2013.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 110,424 million accounted for 90.3% (21.0% of GDP) and they increased by 3.7% in relation to the same period in 2013.

Transfers amounting to Denar 87,482 million (16.7% of GDP) accounted for the most in the current expenditure items, followed by expenditures related to salaries and allowances - Denar 19,125 million. With respect to total budget expenditures, expenditures related to salaries and allowances accounted for 14.0% and, in relation to 2013, they increased by 1.9%.

Expenditures related to goods and services amounted to Denar 12,626 million, increasing by 3.9% compared to the same period in 2013.

Transfers increased by 3.7% compared to the same period in 2013, participating with 64.2% in the total expenditures. Social transfers amounted to Denar 64,480 million, increasing by 4.8% and participating with 47.3% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 40,137 million, increased by 7.5%, compared to the same period in 2013 and accounting for 29.4% 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 1.0% compared to the same period in 2013. Block grants to local government units amounting to Denar 11,468 million decreased by 1.8% compared to the same period in the previous year. Subsidies and transfers were higher by 13.9%.

Interest was collected in the amount of Denar 3,902 million, being by 12.5% more compared to the same period in 2013. Expenditures related to interest on the basis of domestic borrowing increased by 34.1%, while the ones on the basis of foreign borrowing dropped by 5.5%.

In the analyzed period, capital expenditures were realized in the amount of Denar 13,212 million, participating with 9.7% in the total expenditures (2.5% of GDP), i.e. increasing by 0.2% compared to the same period last year.

Budget Balance

In the period January-October 2014, the budget deficit reached the amount of Denar 18,110 million, being 3.4% of GDP, while central budget deficit amounted to Denar 15,722 million or 3.0% of GDP.

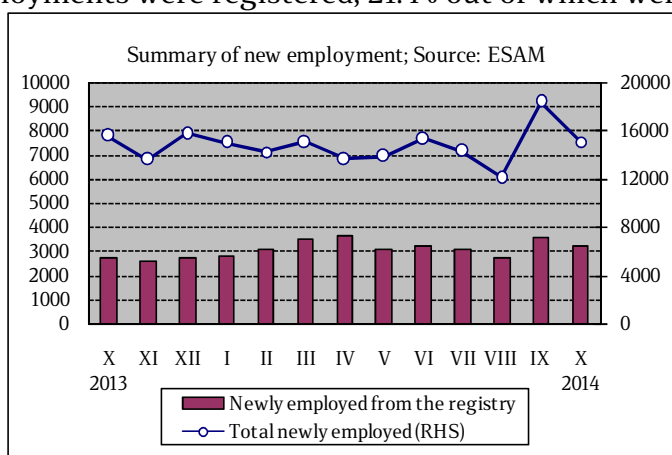
4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM¹

In the first ten months in 2014, Employment Agency of the Republic of Macedonia registered total of 146,551 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 October 2013, number of newly employed persons was higher by 6%.

During October, 15,035 new employments were registered, 21.4% out of which were from the unemployed records.

Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 6,565 persons in October, 47.7% out of which were new employments. In October, 12,819 persons were registered as inflow to the Agency, 27.6% out of which were persons whose



employment was terminated. Thus, 120,741 persons were registered as unemployed, while number of other unemployed persons accounted for 102,100.

Major percentage of the unemployed, i.e. 70.4%, 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 16.1% of the unemployed persons was with completed community college or higher education level. Observed by age, majority of the unemployed persons or 53.5% fall in the category of 25-49 years of age. According to the time they waited for a job, 34.2% of the unemployed persons wait for employment from 1 to 7 years, while 11.5% 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 September 2014 amounted to Denar 31,169, while average monthly paid net salary amounted to Denar 21,278.

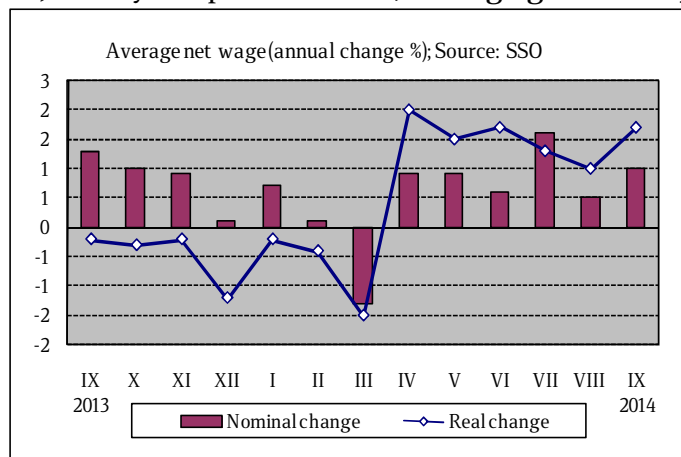
On monthly basis, in September 2014, average gross salary and net salary increased by 0.3% in nominal and real terms.

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 September 2014 compared to September 2013, average gross salary increased by 0.8% in nominal terms, while it was higher by 1.5% in real terms. Average net salary was higher by 1% in nominal terms, increasing by 1.7% in real terms.

On cumulative basis, in the period January - September 2014, average gross salary increased by 0.4% in nominal terms, while it was higher by 0.6% in real terms. Average net salary was higher by 0.6% in nominal terms, increasing by 0.8% in real terms.

Increase of average monthly gross and net salary per employee in September 2014, compared to September 2013, was recorded in the following



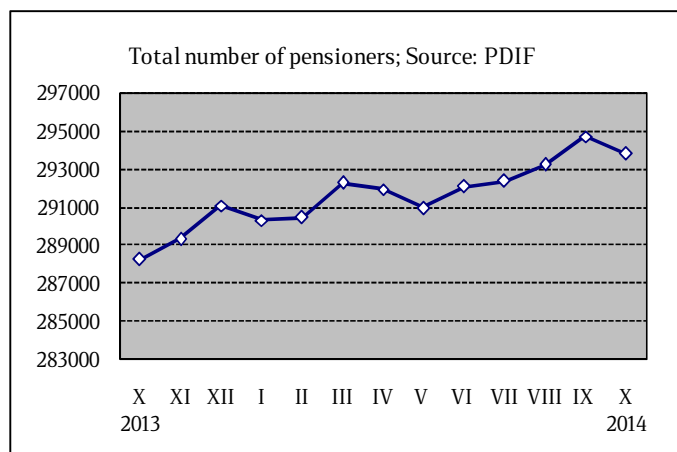
sectors: Arts, entertainment and recreation (7.2% gross salary and 7.8% net salary), construction (6.9% gross salary and 7% net salary), mining and quarrying (5.2% gross salary and 6.6% net salary).

Increase of average monthly gross and net salary per employee in September 2014, compared to the previous month, was recorded in the following sectors: Agriculture, forestry and fishing (2.5% gross salary and 3.5% net salary), manufacturing industry (2.4% gross salary and net salary) and construction (1.9% gross salary and 1.8% net salary).

Percentage of employees who did not receive salary in September 2014 accounted for 0.9% and it was lower by 0.3 p.p. compared to the same month of the previous year, while compared to August 2014, it was lower by 0.5 p.p..

Pensions

In October 2014, 293,850 pensioners were registered at the Pension and Disability Insurance Fund, being an increase by 1.9% compared to the same month in 2013. Number of pension beneficiaries dropped by 894 persons in relation to September 2014. 59.3% out of the total number of pensioners are beneficiaries of old-age pension, 25.9% of survival pension and 14.7% of disability pension.



In October 2014, Denar 3,559.04 million was spent for payment of pensions, accounting for 53.1% of the total social transfers².

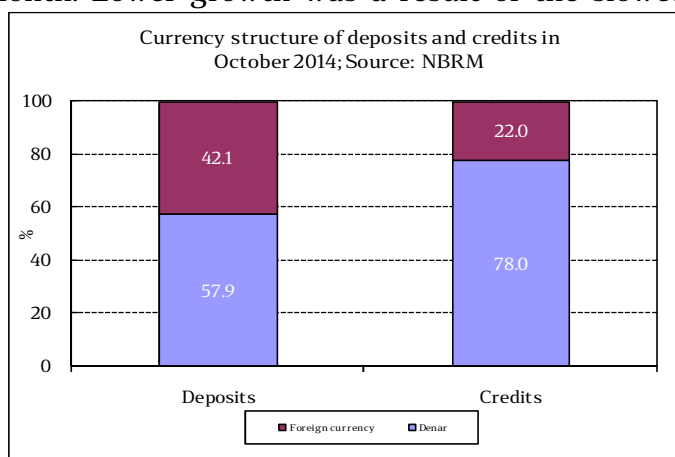
Average pension in October 2014 amounted to Denar 12,434, increasing by 5.2% on annual basis. Ratio between the average pension and the average paid salary in September 2014 (the most recent available data) was 53.1%.

5. Monetary Sector

Primary Money

Primary money³ in October 2014 grew by 5.8% on annual basis, as opposed to the 7.5% increase in the previous month. Lower growth was a result of the slowed down increase of total liquid assets of banks by 1.5% on annual basis, as opposed to the 5.7% last month. Compared to last month, ready money in circulation increased by 11.2%.

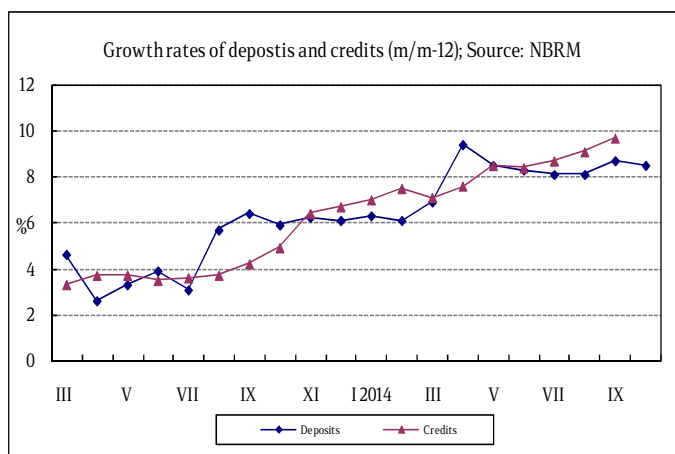
On monthly basis, primary money remained the same as a result of the decrease of ready money in circulation by 0.3% and increase of total liquid assets of banks by 0.3%.



In October 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 October 2014 increased by 0.2% on monthly basis, compared to the growth of 1.0% registered in the previous month. Analyzed by sectors, deposits of private enterprises dropped by 0.5%, while deposits of households increased by 0.7% compared to



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.

the previous month. From currency point of view, Denar deposits surged by 0.7% while foreign currency deposits declined by 0.5%.

Total deposit potential in October 2014 increased by 8.5% on annual basis. From currency point of view, domestic currency deposits increased by 11.9% in October 2014, which were the main drivers of the growth of the total deposits on annual basis, while foreign currency deposits surged by 4.1%. From sector point of view, deposits of households increased by 8.5%, while deposits of enterprises surged by 11.0%. According to maturity, long-term deposits grew by 19.2%, while short-term deposits grew by 1.1%.

Bank Credits

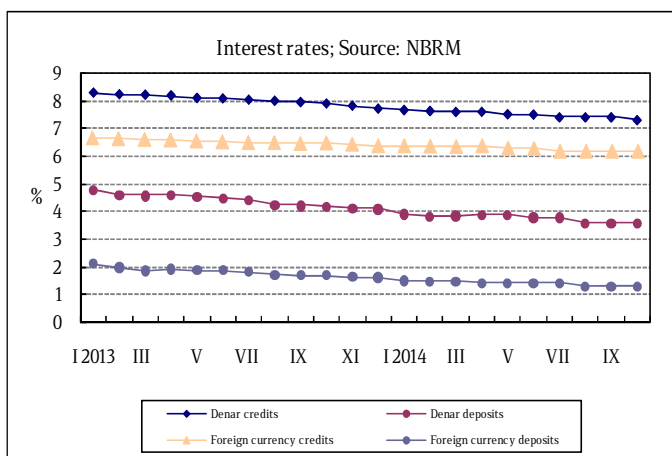
In October 2014, total credits of banks to the private sector grew by 0.7% on monthly basis (as opposed to 0.8% growth in September 2014), in conditions of growth of credits to households by 1.1% and credits to enterprises by 0.4%. From currency aspect, Denar credits surged by 1.2%, while foreign currency credits decreased by 1.1% respectively.

In October 2014, total credits grew by 9.7% on annual basis (compared to the growth of 9.4% in September), in conditions of growth of credits to enterprises by 7.8% and credits of households by 12.3%. Denar credits surged by 11.9%, while foreign currency credits increased by 2.5%. As regards maturity, long-term credits experienced annual growth of 9.1%, while short-term credits were higher by 8.5%.

Interest Rates of Deposit Banks

Total interest rate on credits was 7.0% in October 2014, decreasing by 0.1 p.p. compared to the previous month. It was lower by 0.5 p.p. compared to the same month in 2013. Interest rate on foreign currency credits remained the same compared to the previous month, accounting for 6.2%, while interest rate on Denar credits decreased by 0.1 p.p. compared to the previous month, accounting for 7.3%.

Total interest rate on deposits was 2.3% and it remained the same compared to the previous month, while compared to last year, it was lower by 0.5 p.p.. Interest rate on Denar deposits remained at 3.6%, while interest rate on foreign currency deposits was kept at 1.3%.



Foreign Currency Reserves

Gross foreign currency reserves at the end of October 2014 amounted to EUR 2,429.1 million and, compared to the previous month, they were lower by EUR 5.8 million, while compared to October 2013, foreign currency reserves were higher by EUR 380.9 million.

Ministry of Finance

Macroeconomic Policy Department

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