



REPUBLIC OF MACEDONIA  
MINISTRY OF FINANCE  
Macroeconomic Policy Department

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# SHORT-TERM ECONOMIC TRENDS

August 2014



Skopje October 2014

## SUMMARY

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

August 2014

- Industrial production grew by 1.3% in August 2014 compared to August 2013.
- Inflation dropped by 0.5% on monthly basis. On annual basis, it also dropped by 0.5%, by which average inflation rate in the period January-August 2014 amounted to -0.2%.
- Export in the period January - August 2014, surged by 13.1%, while import increased by 8.7%, resulting in widening the trade deficit by 0.8% compared to the same period in 2013;
- In the period January - August 2014, total budget revenues experienced insignificant decrease by 0.1%, while total budget expenditures surged by 2.0%; state budget deficit amounted to Denar 16,978 million (3.2% of GDP) and central budget deficit amounted to Denar 14,671 million (2.8% of GDP).
- Increase of both total credits to private sector by 8.7% and total deposit potential of banks by 8.1% on annual basis.

# 1. Real Sector

## Industrial Production

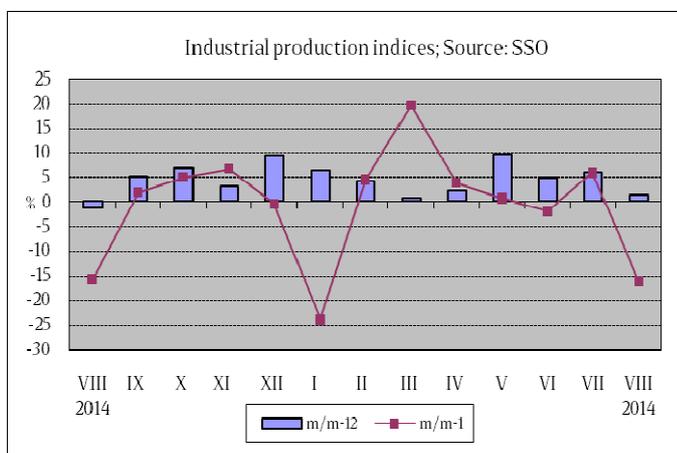
Industrial production grew by 1.3% in August 2014 compared to August 2013. Analyzed by sectors, processing industry sector experienced 11.2% production growth. Mining and quarrying sector experienced a drop of 11.8% as a result of the drop in the branches mining of coal and lignite by 30.1% and mining of metal ore by 9.0%, while other mining and quarrying surged by 7.8%. Electricity, gas, steam and air-conditioning supply sector experienced 46.6% decline.

	m/m-1	m/m-12	$\frac{I-VIII\ 2014}{I-VIII\ 2013}$
Total	1.3	-16.2	4.3
Ore and stone extraction	-11.8	-3.6	-2.8
Processing industry	11.2	-14.8	10.4
Electricity, gas and water supply	-46.6	-41.5	-22.5

Source: SSO

As for processing industry, annual positive growth was registered at 14 out of 23 branches, comprising 51.52% of the industrial production. As regards the branches with two-digit share in the structure of industrial production, growth of 4.7% was registered at production of food products, while drop of 0.6% was recorded at production of clothing.

High growth was generated at the following branches: Production of tobacco products - 69%, production of other transportation equipment - 64.2%, production of paper and paper products - 60.8%, production of basic pharmaceutical products and pharmaceutical preparations - 51.9%, other production industry - 49.5%, production of machines and devices, elsewhere unmentioned - 15.2%, manufacture of electrical equipment - 12.8% and production of fabricated metal products, except machines and equipment - 11%. Production of food products (3.2 p.p.)



contributed the most to the annual change of industrial production in August 2014, while production of basic pharmaceutical products and pharmaceutical preparations had the highest negative contribution (-0.4 p.p.).

Industrial production dropped by 16.2% in August 2014 compared to July 2014. Sector analysis points out that drop was seen in all sectors, as follows: Electricity, gas, steam and air-conditioning supply by 41.5%, processing industry by 14.8% and mining and quarrying by 3.6%.

On cumulative basis, industrial production in the period January-August 2014 increased by 4.3% compared to the same period in 2013. Growth was also registered in the processing industry sector - 10.4%, while electricity, gas, steam

and air-conditioning supply sector and mining and quarrying sector experienced a decline of 22.5% and 2.8% respectively.

Data on the industrial production by target groups in August 2014, compared to August 2013, show that there was increase in the production at the following groups: Capital goods – 46.9%, consumer non-durables – 7.7% and intermediary goods, except energy – 3.8%, while drop was seen at the following groups: Energy – 42.8% and consumer durables – 10.1%.

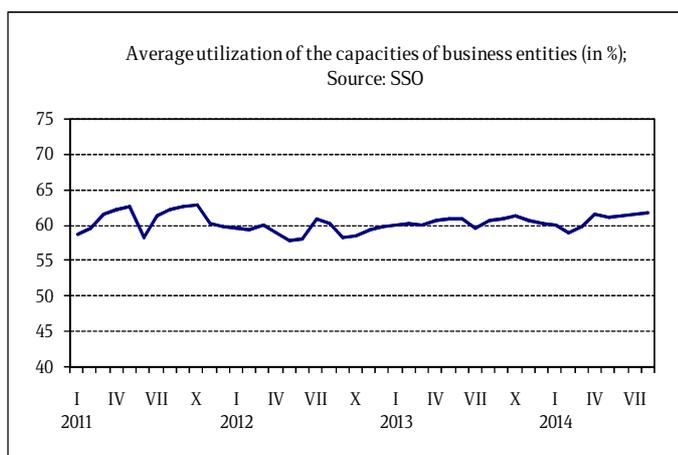
On monthly basis, data on the industrial production by target groups in August 2014 showed that there was increase in the production in the group capital goods by 7.2%. Drop was seen at the following groups: Energy – 37.0%, consumer non-durables – 19.9%, consumer durables – 15.5% and intermediary goods, except energy – 10.3%.

On cumulative basis, in the period January–August 2014 compared to the same period in the previous year, growth was recorded at the following groups: Capital goods - 43.1%, intermediary goods, except energy – 7.6% and consumer non-durables – 4.2%. Drop was seen at energy – 18.2% and consumer durables – 1.0%.

### Business Tendencies in the Processing Industry

According to the assessment, current economic trends of business entities in August 2014 were more favourable compared to both the previous month and August 2013.

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



production volume in the next three months were less favourable compared to the previous month, while compared to August 2013, they were more favourable.

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

Average utilization of capacities in August 2014 accounted for 61.8%, being an increase compared to the previous month, when it accounted for 61.6%. Compared to August 2013, utilization of the capacities was higher by 1.2 p.p..

In August 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 August 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 assessment, following factors limited the most the production volume in August 2014: insufficient foreign demand – 24.0%, insufficient domestic demand – 17.8%, lack of qualified labour force - 14.7%, uncertain economic surrounding – 8.5% and , financial problems -8.4%.

Less business entities indicated the following as a limiting factor in August 2014, compared to July 2014: shortage of skilled labour, insufficient domestic demand, financial problems and uncertain economic surrounding, while bigger number of business entities pointed out: shortage of raw materials, lack of equipment, insufficient foreign demand and competitive import. As regards other factors, there were no significant changes.

### Number of Industrial Workers

Number of workers in the industry in August 2014 compared to August 2013 increased by 9.1%. Sector analysis points out to increase in the number of workers in the sector processing industry by 11.1%, while the number of workers in the mining and quarrying sector, as well as the electricity, gas, steam and air-conditioning supply decreased by 1,3%.

Data on the number of workers in the industry by target groups in August 2014, compared to August 2013, showed increase in the number of workers at the following groups: Capital goods – 104.7%, consumer durables – 6.9%, intermediary goods, except energy – 5.9%, and consumer non-durables - 3.7%, while decline was registered at the energy group – 4.7%.

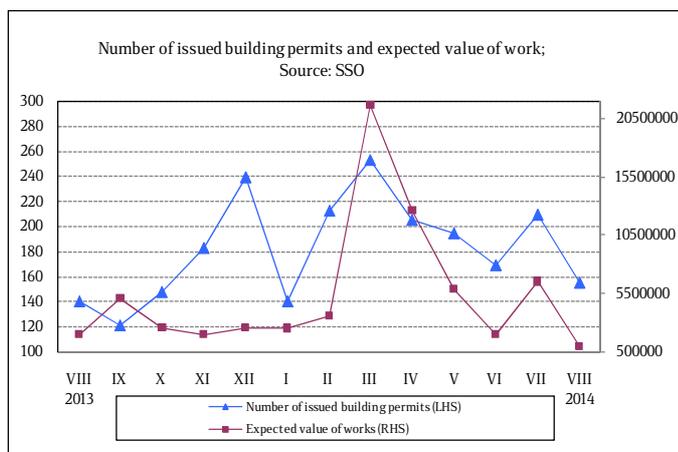
Index on the number of workers in the industry in the period January – August 2014, compared to the period January –August 2013, accounted for 7.4%.

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

In August 2014, 155 building permits were issued, increasing by 10.7% compared to the same month last year. Compared to July 2014, when 209 permits were issued, total number of issued building permits decreased by 25.8%.

Envisaged value of the facilities, according to the issued building permits in

August, amounted to Denar 904,534 million, being by almost 0.5 times compared to August 2013. In relation to July 2014, value of the facilities declined by 0.1 times.

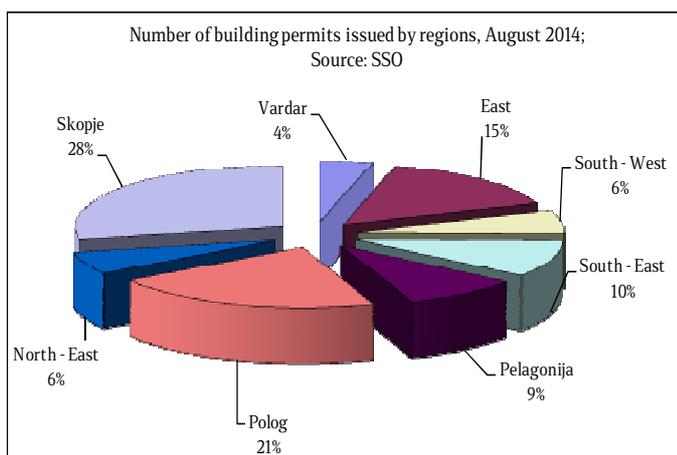


Analyzed by types of facilities, out of the total number of issued building permits, 100 (or 64.5%) were intended for buildings, 11 (or 7.1%) for civil engineering structures and 44 (or 28.4%) for reconstruction facilities.

Analyzed by types of investors, out of total 155 issued building permits, natural persons were investors in 114 facilities (or 73.5%), while business entities were investors in 41 facilities (or 26.5%).

In August 2014, construction of 165 flats was envisaged, with total usable area of 15,327 m<sup>2</sup>. Number of flats envisaged for construction declined by 24.3% compared to the same month in 2013, while it decreased by 47.5% compared to July 2014.

Analyzed by regions, in August 2014, most permits were issued in the Skopje region, 44 in total, 25 permits out of which were issued to natural persons as investors, while 19 permits were issued to business entities as investors. Vardar region had least issued permits, 6 permits in total, 4 permits out of which were issued to natural persons as investors, while 2 permits were issued to business entities as investors.

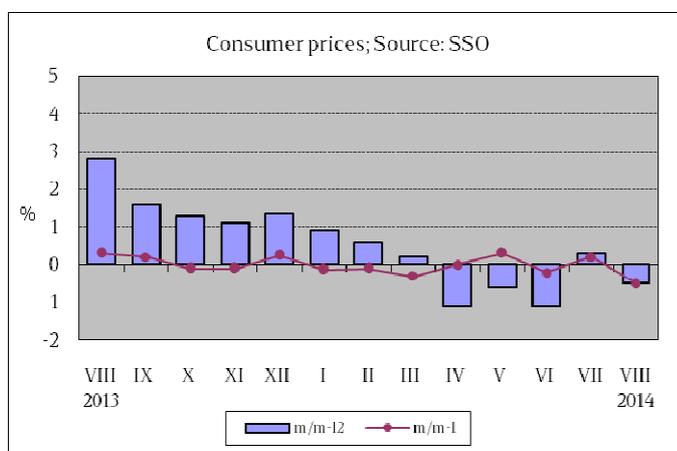


Analyzed on cumulative basis, in the period January – August 2014, most building permits were issued in the Skopje region, 517 in total, 287 permits out of which were issued to natural persons as investors, while 230 permits were issued to business entities as investors. Least building permits were issued in the Northeastern region, 84 permits in total, 59 permits out of which were issued to natural persons as investors, while 25 permits were issued to business entities as investors.

## Inflation

Annual inflation rate in August 2014, measured according to the CPI index, amounted to -0.5%. Average inflation rate in the period January-August 2014 amounted to -0.2%, compared to the 3.5% 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 2% decrease, mainly as a result of the drop in prices in the subcategory oil and fats by 21%. Price reduction



was registered at the following categories: Recreation and culture by 5.2%, furniture, household furnishings and maintenance of household furnishings by 3.2%, communications by 2.8%, restaurants and hotels by 1.3% and transport by 0.3%. Highest annual increase of prices in August was seen at the health category by 9.7%. Monthly increase of prices was also registered at the following categories: Alcoholic beverages and tobacco by 4%, housing, water, electricity, gas and other fuels by 1.5%, other goods and services by 1.2%, clothing and footwear by 0.8% and education by 0.2%.

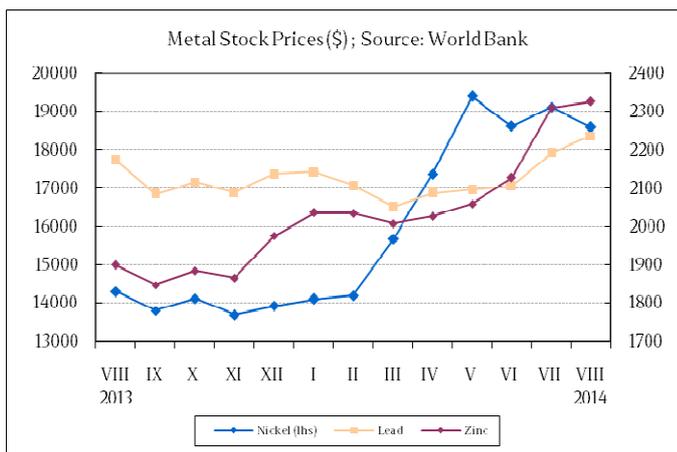
On monthly basis, inflation in August 2014 dropped by 0.5%. Prices in the category food and non-alcoholic beverages decreased by 0.1% as a result of the drop of food prices by the same percentage. Monthly price decline was also recorded at the following categories: Housing, water, electricity, gas and other fuels by 1.7%, health by 1.1%, clothing and footwear by 0.9%, transport by 0.8%, furniture, household furnishings and maintenance of household furnishings by 0.6% and restaurants and hotels and other goods and services by 0.3%. Prices remained the same in the education category. Monthly price increase was also recorded at the following categories: Communications by 0.6% and alcoholic beverages and tobacco and recreation and culture by 0.1%.

Retail prices in August 2014 were lower by 0.8% compared to August 2013. Compared to the previous month, retail prices were lower by 0.3%. Average increase of retail prices in the first eight months in 2014 accounted for -0.5%.

### Stock Market Prices

In August 2014, (Brent) crude oil price on the global stock markets decreased by 4.7%, compared to the previous month, reaching the price of US\$ 101.9 per barrel. Compared to August 2013, oil price was lower by 8.2%. Price of natural gas in August decreased by 1.9% 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\$ 18,600 for a metric ton (\$/mt) in August 2014, being a monthly price decrease by 2.7%. Compared to August 2013, nickel price surged by 29.9%. In August, there was monthly increase of prices of basic



metals, thus aluminium grew by 4.2%, lead by 2.0% and zinc by 0.7%. Monthly decrease of price was seen at copper and tin by 1.6% and 0.9% respectively. Price of iron ore in August experienced monthly decrease by 3.6%. Monthly decline of prices was also observed at precious metals in August. Hence, price of silver dropped by 5.7%, price of platinum by 3.1% and price of gold by 1.2%. In August 2014, price of wheat and maize on global stock markets decreased by 6.0% and 3.4%

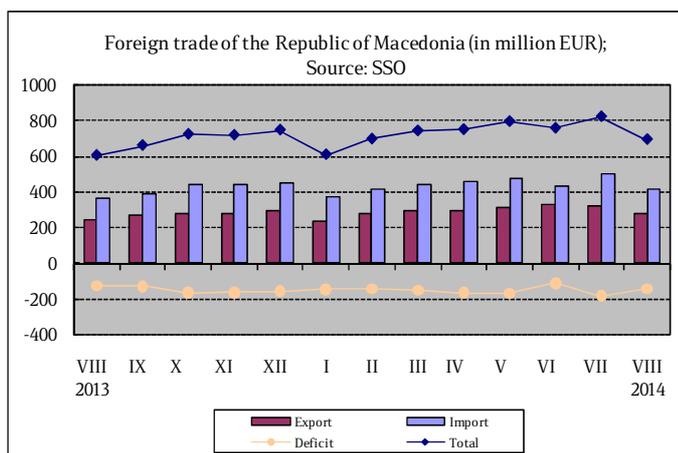
respectively, compared to July 2014. Price of lamb meat in August registered monthly drop of 4.6%.

## 2. Foreign Trade

Total foreign trade in the first eight months in 2014 amounted to EUR 5,879.2 million, increasing by 10.4% compared to the same period in 2013.

### Export

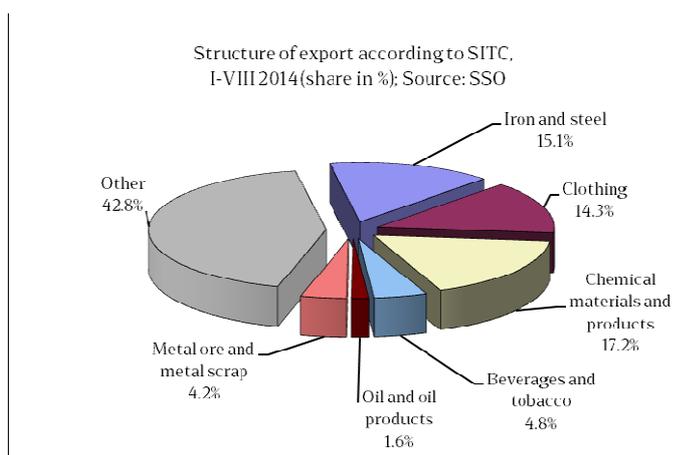
In the period January-August 2014, physical output of export grew by 0.9% compared to the period January-August 2013, while the value of exported goods amounted to EUR 2,354.2 million, increasing by 13.1% (EUR 273.1 million) in relation to the period January-August 2013.



In August 2014, value of exported goods amounted to EUR 279.5 million, surging by 14.5% (EUR 35.3 million) compared to August last year. Analyzed on monthly basis, in August 2014, export decreased by 13.2% (EUR 42.3 million) compared to the previous month.

Seasonally adjusted trend of export in August 2014 decreased by 1.0% on monthly basis, pointing out to negative effects of the seasonal factor (12.1 p.p.) on export this month.

Main groups of goods (according to SITC) being most exported in the period January-August 2014 were the following: chemical materials and products – 17.2%, iron and steel – 15.1%, clothing – 14.3%, beverages and tobacco – 4.8%, metal ore and metal scrap – 4.2%, and oil and oil products – 1.6%. These six groups of products comprised 42.8% of the total export of the country.



In the first eight months of 2014, observed by economic purpose, the following products were most exported: goods for industrial procurement (48.9%), followed by consumer goods (20.8%), products for investments without transport equipment

Export of iron and steel*)				
	I - VIII - 2013	I - VIII - 2014	Balance	% rate
000 T	386.6	386.3	-0.3	-0.1
EUR mil.	386.5	355.0	-31.5	-8.2
\$ mil.	507.3	483.6	-23.7	-4.7

\*)Previous data

Import of iron and steel*)				
	I - VIII - 2013	I - VIII - 2014	Balance	% rate
.000 T	385.6	340.5	-45.2	-11.7
EUR mil.	190.2	167.9	-22.3	-11.7
\$ mil.	250.1	228.8	-21.3	-8.5

\*)Previous data

(12.3%), food and beverages (9.3%), transport equipment (7.2%) and fuels and lubricants (1.5%).



Analyzed by tariffs, following products were the most exported: catalysts with precious metals or precious metal compounds as active substance; filtering or purifying machinery and apparatus for other gases by a catalytic process; ferronickel; ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships; tobacco; ferosilicium; boards, plates, stands, tables, cabinets and others; motor vehicles for transport of ten or more persons, including the driver; men's shirts of cotton; lead ore and concentrates; etc.

## Import

Imported quantities of goods in the period January - August 2014 increased by 6.2%, compared to the same period January - August previous year, while their value amounted to EUR 3525.0 million, increasing by 8.7% (EUR 282.8 million) compared to the same period in 2013.

Imported goods in August 2014 amounted to EUR 416.4 million, increasing by 14.5% (EUR 52.9 million) compared to August last year. Analyzed on monthly basis, in August 2014, import dropped by 17.0% (EUR 85.0 million), compared to the previous month.

Seasonally adjusted trend of import in August 2014 decreased by 7.6% on monthly basis, pointing out to negative effects of the seasonal factor (9.3 p.p.) on import this month.

Export of oil and oil products*)				
	1 - VIII - 2013	1 - VIII - 2014	Balance	% rate
000 T	103.0	84.5	-18.5	-18.0
EUR mil.	52.6	36.6	-16.0	-30.3
\$ mil.	69.1	49.8	-19.3	-27.9

\*)Previous data

Import of oil and oil products*)				
	1 - VIII - 2013	1 - VIII - 2014	Balance	% rate
.000 T	621.2	637.1	16.0	2.6
EUR mil.	372.4	365.2	-7.2	-1.9
\$ mil.	489.1	497.6	8.6	1.8

\*)Previous data

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

In the period January - August 2014, observed by economic purpose, following products were most imported: goods for industrial procurement (47.4%), followed

by fuels and lubricants (14.9%), products for investments without transport equipment (12.6%), food and beverages (10.1%), consumer goods (10.0%) and transport equipment (5.0%).

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

Export of chemical products*)				
	I - VIII - 2013	I - VIII - 2014	Balance	% rate
000 T	4.7	8.3	3.6	77.1
EUR mil.	308.7	404.8	96.1	31.1
\$ mil.	405.7	551.8	146.1	36.0

\*)Previous data

Import of chemical products*)				
	I - VIII - 2013	I - VIII - 2014	Balance	% rate
.000 T	20.7	21.1	0.5	2.2
EUR mil.	51.6	57.4	5.8	11.2
\$ mil.	67.8	78.4	10.6	15.7

\*)Previous data

## Trade Balance

In the first eight months in 2014, trade deficit widened by EUR 9.7 million or 0.8% compared to the same period last year.

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

Analyzed according to economic groups of countries, in the period January - August 2014, compared to the same period in 2013, export grew at the following groups: EU 28, EFTA, Organization of Petroleum Exporting Countries, North American Free Trade Zone and Commonwealth of Independent States, while drop was recorded at the following groups: Western Balkan Countries and Asia-Pacific Economic Cooperation Organization. Export to the EU surged by 25.2% on annual basis, while as for Western Balkan countries, it declined by 9.6%.

In the first eight 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 20.3%, whereby share of trade with the EU in the total foreign trade increased by 3.3 p.p., accounting for 69.6%. Export of goods to the European Union (EU 28) accounted for 77.8% in the total export of the Republic of Macedonia, while import of goods participated with 64.1%.

In the period January- August 2014, 96.0% of the trade deficit of the country was realized in the trade with Great Britain, Greece, China, Serbia and Turkey followed by: Romania, Italy, the USA, Slovenia, Russia, Austria, and others. Surplus was realized in the trade with Germany, Kosovo, Belgium and Bosnia and Herzegovina.

## Currency Structure

Observed by currency structure, 78.7% of the trade in the period January-August 2014 was realized in euros, and compared to the period January-August 2013, it surged by 5.5 percentage points. On export and import side, euro accounted for 87.5% and 72.8%, respectively, whereby share of the euro in export was higher by 4.5 p.p., while increase of the share of the euro in import accounted for 6.0 p.p. compared to the period January–August 2013.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I - VIII - 2013					I - VIII - 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	structure in %		
EUR	2,004.2	2,172,747,584	61.4965	133,616,343,793	66.9	2,081.3	2,570,112,205	61.4977	158,055,997,639	72.8	397,364,620	18.3
USD	1,660.2	927,061,365	46.1982	42,828,542,449	21.4	1,808.9	966,017,524	46.1532	44,584,818,686	20.5	38,956,159	4.2
GBP	1.9	290,582,690	71.5340	20,786,543,111	10.4	2.9	174,540,984	77.1164	13,459,966,700	6.2	-116,041,706	-39.9
EUR+USD+GBP	3,666.4			197,231,429,353	88.3	3,893.2			216,100,783,024	99.6		
tot. import	3,673.2			199,813,093,902	100.0	3,900.0			217,034,778,537	100.0		8.6

Source: SSO and NBRM

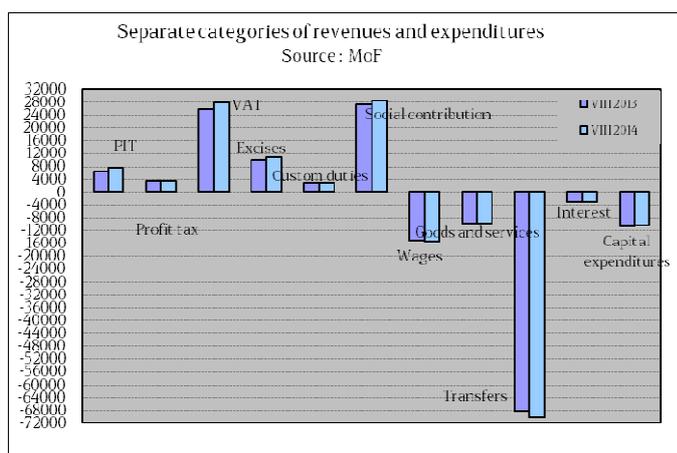
## 3. Fiscal Sector

### Budget Revenues

In the period January-August 2014, total budget revenues reached an amount of Denar 91,824 million, i.e. 17.5% of GDP, being almost identical performance, i.e. decrease by only 0.1% compared to the same period in 2013.

Tax revenues in the first eight months were realized in the amount of Denar 52,778 million, i.e. 10.1% of GDP, being higher by 4.1% in relation to the same period in 2013.

Value added tax was realized in the amount of Denar 27,793 million, whereby share of VAT in total tax revenues in this period was dominant, amounting to 52.7%. Revenues on the basis of excises were realized in the amount of Denar 10,653 million (participating with 20.2% in the tax revenues). Hence, revenues realized on the basis of these two indirect taxes amounted to Denar 38,446 million, i.e. 72.9% of total tax revenues (7.3% of GDP). Thereby, VAT collection amounted to Denar 38,508 million on gross basis, Denar 10,715 million out of which was refunded to taxpayers.



As for VAT structure, VAT share was the biggest when importing, experiencing higher performance by insignificant 0.3%, while VAT on the basis of sales in the country experienced minimum decrease by 1.4%, share of VAT grants was insignificant, i.e. 0.6%, whereby tax on donations experienced higher performance

by 99.6%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 7,547 million, increasing by 15.6% on annual basis, whereby revenues on the basis of tax on salaries and other personal earnings accounted for around 3/4, i.e. 71.9% of the personal income tax, revenues on the basis of contractual agreement accounted for 8.1%, capital revenues accounted for 6.7%, and revenues on the basis of property and property rights accounted for 3.9%. Profit tax revenues in the first eight months of 2014 amounted to Denar 3,350 million, increasing by 1.1% 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, tax collected on the basis of monthly advance payments and tax balances, as well as paid revenues to foreign legal entities. VAT revenues experienced growth of 7.9%, while excises experienced higher performance by 5.8%. Revenues on the basis of customs duties were realized in the amount of Denar 2,763 million, experiencing almost identical performance, i.e. dropping by 0.9%. Revenues on the basis of other taxes in the amount of Denar 672 million declined by almost 3 times compared to last year.

Non-tax revenues amounted to Denar 6,544 million and, in relation to the same period in 2013, they dropped by 21.2% (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 1,434 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 48.9% 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 1,414 million, being by 23.3% less compared to the same month last year.

Social contributions were collected in the amount of Denar 28,452 million, being higher by 4.0% compared to the same period in 2013, whereby collection of pension insurance contributions increased by 3.9%, collection of health insurance contribution grew by 4.2% and the one of employment contributions surged by 4.1%.

### **Budget Expenditures**

In the period January - August 2014, total budget expenditures amounted to Denar 108,802 million, i.e. 20.7% of GDP, showing an increase by 2.0% compared to 2013.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 98,382 million accounted for 90.4% (18.7% of GDP) and they increased by 2.4% in relation to the same period in 2013.

Transfers amounting to Denar 70,153 million (13.4% of GDP) accounted for the most in the current expenditure items, followed by expenditures related to salaries and allowances – Denar 15,265 million. With respect to total budget expenditures,

expenditures related to wages and salaries and allowances accounted for 14.0% and, in relation to 2013, they increased by 1.5%.

Expenditures related to goods and services amounted to Denar 9,750 million, decreasing by 1.3% compared to the same period in 2013.

Transfers increased by 2.9% compared to the same period in 2013, participating with 64.5% in the total expenditures. Social transfers amounted to Denar 51,286 million, increasing by 4.7% and participating with 47.1% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 31,942 million, increased by 7.2%, 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 16.8% in the total expenditures, i.e. they surged by 2.0% compared to the same period in 2013. Block grants to local government units, amounting to Denar 9,245 million, grew by 0.3% compared to the same period in the previous year. Subsidies and transfers were higher by 5.0%.

Interest was collected in the amount of Denar 3,214 million, being by 8.4% more compared to the same period in 2013. Expenditures related to interest on the basis of domestic borrowing increased by 33.8%, while the ones on the basis of foreign borrowing dropped by 7.9%.

In the analyzed period, capital expenditures were realized in the amount of Denar 10,420 million, participating with 9.6% in the total expenditures (2.0% of GDP), i.e. they dropped by 1.7% compared to the same period last year.

### **Budget Balance**

In the period January-August 2014, the budget deficit of the Republic of Macedonia reached the amount of Denar 16,978 million, being 3.2% of GDP, while central budget deficit amounted to Denar 14,671 million or 2.8% of GDP.

## **4. Social Sector**

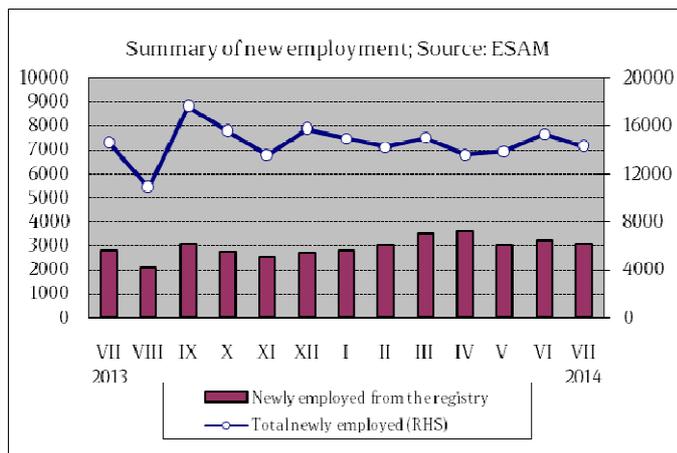
### **Number of Newly Employed and Registered Unemployed Persons in EARM<sup>1</sup>**

In the first eight months in 2014, Employment Agency of the Republic of Macedonia registered total of 113,189 new employments. 46.4% 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 August 2013, number of newly employed persons was higher by 7.7%.

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

In August, 12,048 new employments were registered, 22.5% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 5,883 persons in August, 44.9% out of which were new employments. In August 2014, 8,503 persons were registered as inflow to the Agency, 28.8% out of which were persons whose employment was terminated. Thus, in August 2014, 100,458 persons were registered as unemployed, while number of other unemployed persons accounted for 114,515.

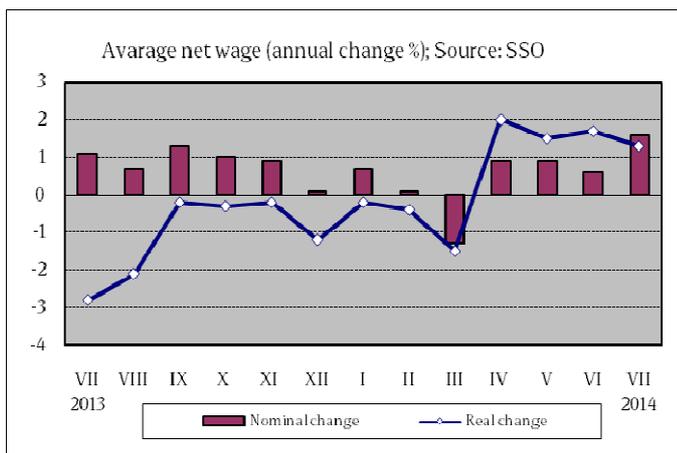


Major percentage of the unemployed, i.e. 72.3% came from urban areas (cities), whereby 58.1% were men. Analyzed by education structure, major part, i.e. 47.1% of unemployed persons were without education, primary education or incomplete secondary education, 33.7% was with complete secondary education, while 19.1% completed community college or higher education level. Observed by age, majority of the unemployed persons or 51.5% fall in the category of 25-49 years of age. According to the time they waited for a job, 38.7% of the unemployed persons wait for employment from 1 to 7 years, while 14.2% 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 2013 amounted to Denar 30,799, while average monthly paid net salary amounted to Denar 20,983.

On monthly basis, in July 2014, average gross salary increased by 0.6% in nominal terms, being higher by 0.4% in real terms, while average net salary surged by 0.6% in nominal terms, increasing by 0.3% in real terms.



In July 2014 compared to July 2013, average gross salary increased by 1.3% in nominal terms, while it was higher by 1% in real terms. Average net salary was higher by 1.6% in nominal terms, increasing by 1.3% in real terms.

On cumulative basis, in the period January-July 2014, average gross salary increased by 0.3% in nominal terms, while it was higher by 0.4% in real terms.

Average net salary was higher by 0.5% in nominal terms, increasing by 0.6% in real terms.

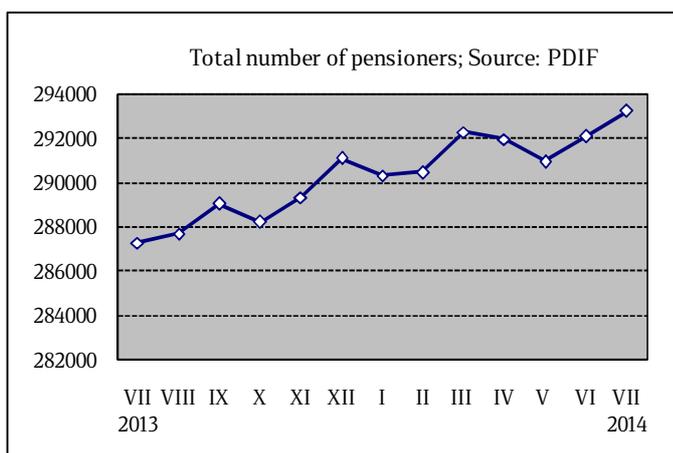
Increase of average monthly gross and net salary per employee in July 2014, compared to July 2013, was recorded in the following sectors: Construction (8.7% gross salary and 9.6% net salary), expert, scientific and technical activities (7.8% gross salary and 9.5% net salary), and administrative and auxiliary services (5.5% gross salary and 6.8% net salary).

Increase of average monthly gross and net salary per employee in July 2014, compared to the previous month, was recorded in the following sectors: Mining and quarrying (7.4% gross salary and 6.8% net salary), agriculture, forestry and fishing (3.4% gross salary and 3.5% net salary) and processing industry (2.5% gross salary and 2.7% net salary).

Employees who did not receive salary in July 2014 accounted for 1.52%, and compared to the same month in the previous year, it was lower by 0.3 p.p., as well as compared to June 2014.

## Pensions

In August 2014, 293,242 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 increased by 830 persons in relation to July 2014. 58.9% out of the total number of pensioners are beneficiaries of old-age pension, 26.2% of survival pension and 14.9% of disability pension.



In July 2014, Denar 3,543.21 million was spent for payment of pensions, accounting for 56.9% of the total social transfers<sup>2</sup>.

Average pension in August 2014 amounted to Denar 12,431, increasing by 7.7% on annual basis. Ratio between the average pension and the average paid salary in July 2014 (the most recent available data) was 58.3%.

## 5. Monetary Sector

### Primary Money

Primary money<sup>3</sup> in August 2014 grew by 6.7% on annual basis, compared to the 5.2% increase in the previous month. Such growth was due to the increased ready

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

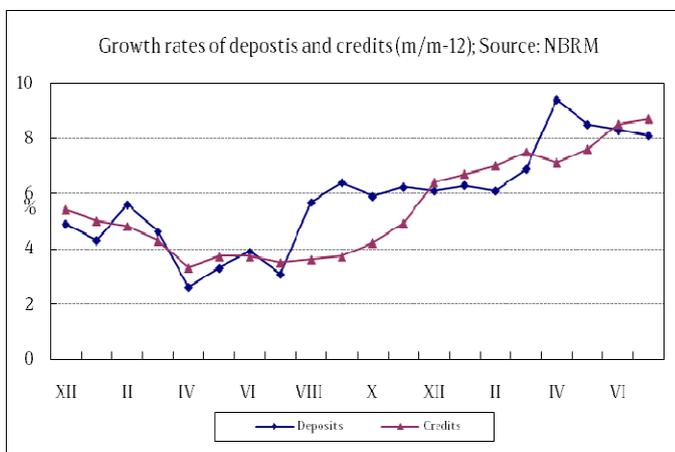
money in circulation by 9% and the increase of total liquid assets of banks by 4.7% on annual basis.

On monthly basis, primary money decreased by 0.8%, as a result of the drop of total liquidity assets of the banks of 2.2%, as well as the slowed down growth of ready money in circulation by 0.8% compared to the 5.7% growth in the previous month.

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

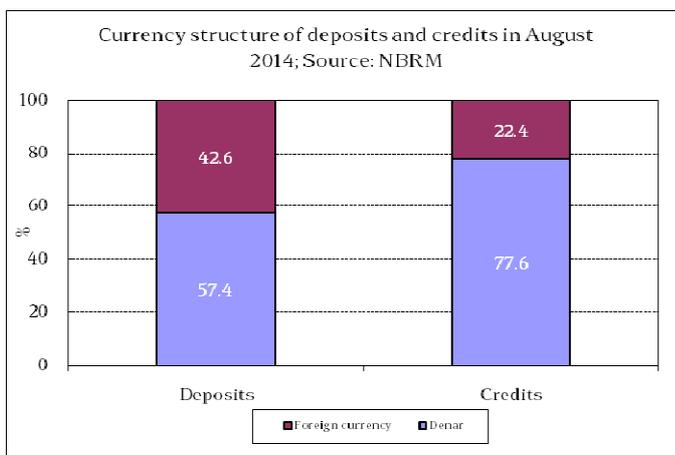
### Deposit Potential

Total deposit potential of banks<sup>4</sup> in August 2014 experienced intensified growth of 2.2% on monthly



basis, compared to the growth of 0.4% registered in the previous month. Analyzed by sectors, deposits of private enterprises grew by 6.5%, while deposits of households increased by 0.9% compared to the previous month. From currency point of view, Denar deposits increased by 2.1%, while foreign currency deposits surged by 2.3%.

Total deposit potential in August 2014 increased by 8.1% on annual basis. From currency point of view, in August 2014, Denar deposits increased by 11.5%, which were the main drive force of growth of total deposits on annual basis, while foreign currency deposits surged by 3.8%. From sector point of view, deposits of households increased by



7.9%, while deposits of enterprises surged by 12.3%. According to maturity, long-term deposits grew by 19.6%, while short-term deposits grew by 1.2%.

### Bank Credits

In August 2014, total credits of banks to the private sector grew by 0.3% on monthly basis, (growth rate remained the same compared to July 2014) in

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

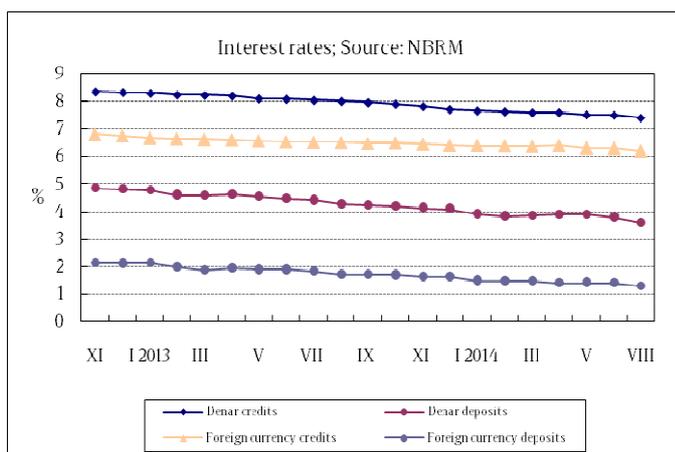
<sup>4</sup>Starting January 2009, deposits include calculated interest.

conditions of growth of credits to households by 0.9%, while credits to enterprises dropped by 0.1%. From currency aspect, Denar credits surged by 0.4%, while foreign currency credits decreased by 0.2% respectively.

In August 2014, total credits grew by 8.7% on annual basis (compared to the growth of 8.4% in July), in conditions of growth of credits to enterprises of 6.3% and credits of households of 12%. Denar credits surged by 11.3%, while foreign currency credits grew by 0.7%. As regards maturity, long-term credits increased by 9.3% on annual basis, while short-term credits were higher by 6.1%.

### Interest Rates of Deposit Banks

Total interest rate on credits was 7.1% in August 2014, remaining the same 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 remained the same compared to the previous month, accounting for 7.4% and 6.2% on monthly basis, respectively.



Total interest rate on deposits was 2.4%, being lower by 0.1 p.p. compared to last month, while compared to August last year, it was lower by 0.5 p.p. Interest rate on Denar deposits decreased by 0.2 p.p. compared to the previous month, and by 0.7 p.p., compared to August in the previous year, accounting for 3.6%. Interest rate on foreign currency deposits was lower by 0.1 p.p. on monthly basis, and 0.4 p.p. on annual basis, accounting for 1.3%.

### Foreign Currency Reserves

Gross foreign currency reserves at the end of August 2014 amounted to EUR 2,449.1 million and, compared to the previous month, they were higher by EUR 71.9 million, while compared to August 2013, foreign currency reserves were higher by EUR 364.5 million.

**Ministry of Finance**

**Macroeconomic Policy Department**

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October 2014, Skopje