



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department



SHORT-TERM ECONOMIC
TRENDS

April, 2018

CONTENTS

Summary	2
I. Real Sector	
Industrial Production.....	3
Number of Employees in the Industry	4
Business Tendencies in Manufacturing	5
Number of Issued Building Permits and Expected Value of Works	5
Inflation	6
Stock Market Prices	7
2. Foreign Trade	
Export.....	8
Import	9
Trade Balance.....	10
Currency Structure	10
3. Fiscal Sector	
Budget revenues according to the economic clasiffication.....	11
Revenues by budget users.....	12
Budget expenditures according to the economic clasiffication	13
Expenditures by budget users	14
Budget Balance	16
4. Social Sector	
Number of Newly Employed and Registered Unemployed Persons in EARM	16
Wages	17
Pensions.....	17
5. Monetary Sector	
Primary Money.....	18
Deposit Potential	18
Bank Credits	19
Interest Rates of Deposit Banks	20
Capital Market.....	20
Reserve assets	20

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

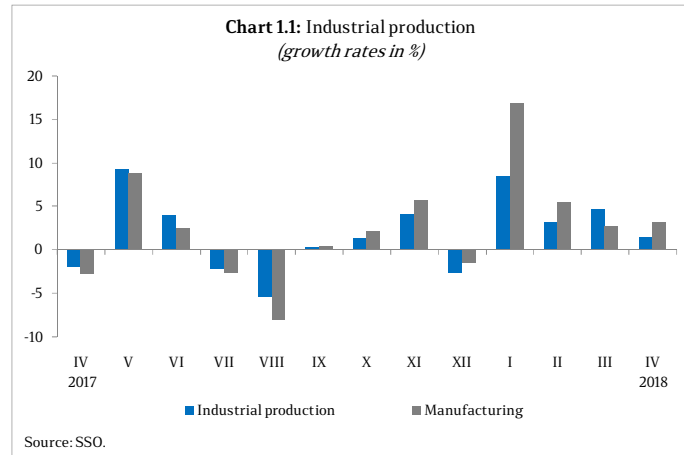
April 2018

- Industrial production surged by 1.5% in April 2018 compared to April 2017;
- Consumer prices in April 2018 increased by 1.4% compared to April 2017, following the annual increase of prices by 1.6% in March 2018. Average inflation rate in the period January - April 2018 amounted to 1.5%.
- Export in the period January – April 2018 surged by 14.3%, while import grew by 11.8%, resulting in increase of the trade deficit by 5.3% compared to the same period in 2017;
- In the first four months of 2018, total budget revenues were collected in the amount of Denar 60,466 million, i.e. 9.1% of GDP, which was higher performance by 4.6% compared to the same period in 2017;
- In the first four months of 2018, total budget expenditures amounted to Denar 63,006 million, i.e. 9.5% of GDP, being higher by 2.6% compared to the same period in 2017;
- Total credits of banks in April 2018 grew by 5.8% compared to April 2017, while total deposit potential of banks surged by 7.5%.

1. REAL SECTOR

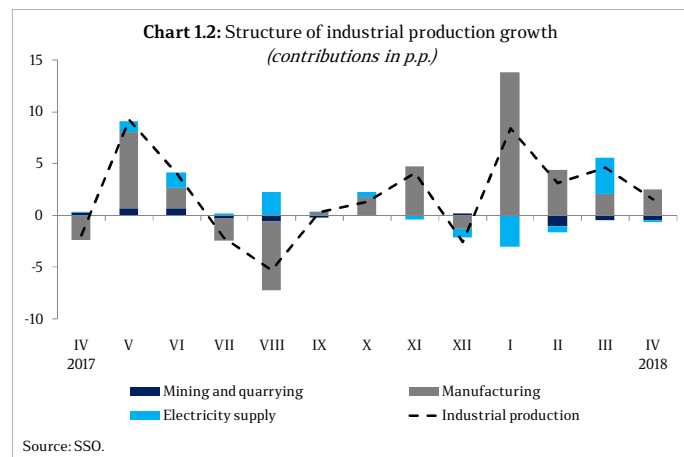
Industrial Production

Industrial production surged by 1.5% in April 2018 compared to April 2017. Growth was fully a result of the positive trends in Manufacturing sector, where production picked up by 3.1% and the contribution to growth accounted for 2.5 p.p.. Other sectors experienced drop as follows: Mining and quarrying decreased by 5.5% with contribution of -0.5 p.p., while Electricity, gas, steam and air conditioning supply declined by 1.9% with contribution of -0.2 p.p..



Data by branches show that growth was recorded at 12 out of total 27 branches, participating with 38.6%

in the industrial production structure, by which several branches for manufacture of highly sophisticated technologic products continued to be the driving force of the growth, where high increase of manufacture was registered. Thus, growth of more than 30% was seen at the manufacture of electric equipment, motor vehicles and fabricated metal products. As for the branches with two-digit share in the industrial production structure, growth of production was only seen at Manufacture of machinery and equipment by 5.5% (contribution of 0.7 p.p.), while Electricity, gas, steam and air conditioning supply declined by 1.9% (contribution of -0.2 p.p.), and Food industry experienced 1.2% drop (contribution of -0.1 p.p.).



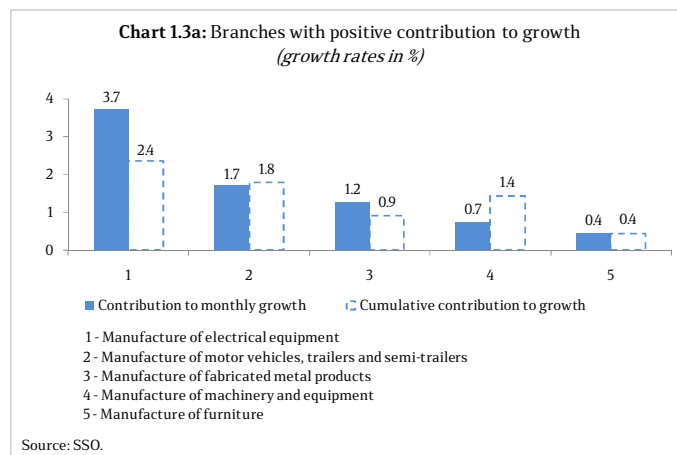
In line with the data by target groups, growth was seen at the groups: Capital goods by 21.2% (contribution of 4.5 p.p.) and Durable consumer goods industry by 67.9% (contribution of 1.7.p.p.). Drop was seen at the following groups: Non-durable consumer goods industry by 6.6% (contribution of -2.2 p.p.) and

Intermediary goods, except energy by 3.0% (contribution of -0.9 p.p.) and Energy by 5.5% (contribution of -0.7. p.p.).

As per the cumulative data on the trends in the industrial production in the first four months in 2018, it experienced 4.2% growth, fully a result of the increased production in the Manufacturing sector by 6.2% and contribution of 5.1 p.p., being mitigated by the drop in the Electricity, gas, steam and air-conditioning supply sector by 5.0% and

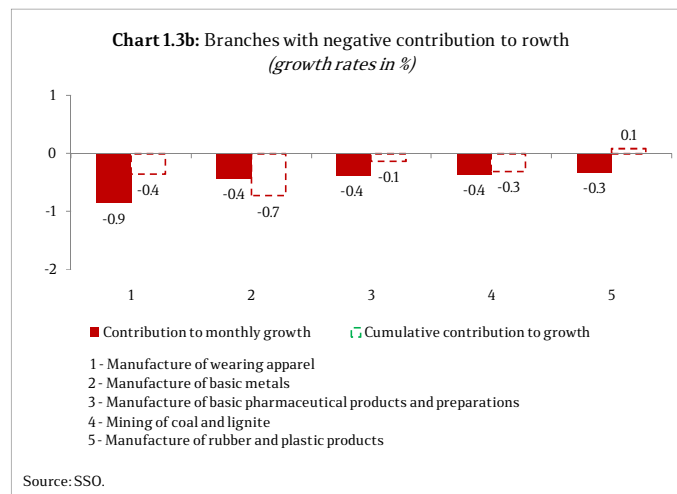
negative contribution of 0.5 p.p., as well as Mining and quarrying sector by 6.0% and negative contribution of 0.5 p.p..

According to the analysis by sector, growth was registered at 13 out of 27 branches, comprising 50.1% of the total industrial production structure. Branches with two-digit share in the industrial production structure, experiencing growth are



Manufacture of machinery and equipment by 11.1% (contribution of 1.4 p.p.) and Manufacture of food products by 0.7% (contribution of 0.1 p.p.), while drop was only seen at Electricity, gas, steam and air conditioning supply by 5.0% (contribution of -0.5 p.p.).

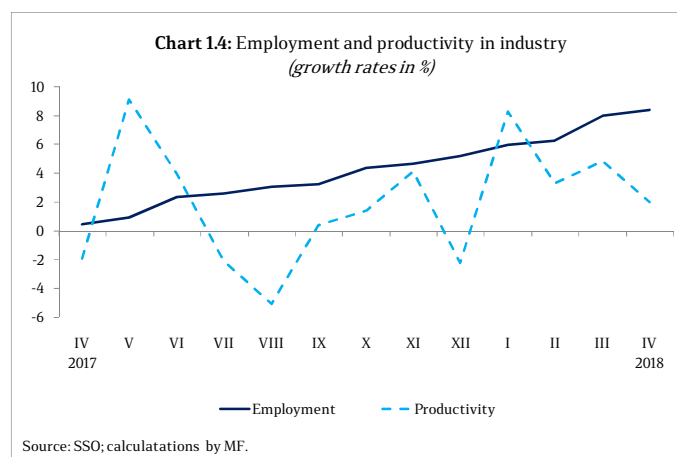
As for target groups, growth was mainly a result of the increased production in the Capital goods by 19.8% (contribution of 4.2 p.p.) being underpinned by the increase of production at the Durable consumer goods industry by 57.0% (contribution of 1.4 p.p.). Growth was mitigated by the drop of production at the following groups: Energy by 6.6% (contribution of -0.8%) and Intermediary goods, except energy by 2.4% (contribution of -0.7 p.p.), while the unchanged level of production at the Non-durable consumer goods industry had a neutral effect thereon.



Number of Employees in the Industry

In April 2018, number of employees in the industry increased by 8.4% annually. Growth was mainly a result of the increased number of employees in Manufacturing sector by 9.4%, as well as in Mining and quarrying sector by 1.3%, while number of employees in Electricity, gas, steam and air-conditioning supply sector dropped by 0.1%.

Data on the number of employees in the industry by target groups in April 2018, compared to the same period last year, showed increase in the number of employees at the following groups: Capital goods by 24.6%, Intermediary



goods, except energy by 15.7% and Non-durable consumer goods industry by 2.1%. Drop was only seen at Energy group by 0.6%, while number of employees in the Durable consumer goods industry remained the same.

Number of employees in the first four months of 2018 grew by 7.2%, which was mainly a result of the increased number of employees in Manufacturing sector by 8.0%, as well as in Mining and quarrying sector by 0.8%, while number of employees in Electricity, gas, steam and air-conditioning supply sector dropped by 0.4%.

In the period January-April 2018, number of employees increased in the following target groups: Capital goods by 21.5%, Intermediary goods, except energy by 14.3%, Non-durable consumer goods industry by 1.3% and Durable consumer goods industry by 1.1%. Drop in the number of employees was registered only at the Energy group of 0.8%.

Business Tendencies in Manufacturing

Economic situation of business entities in April 2018 was more favourable compared to March 2018, as well as in relation to the same month in 2017.

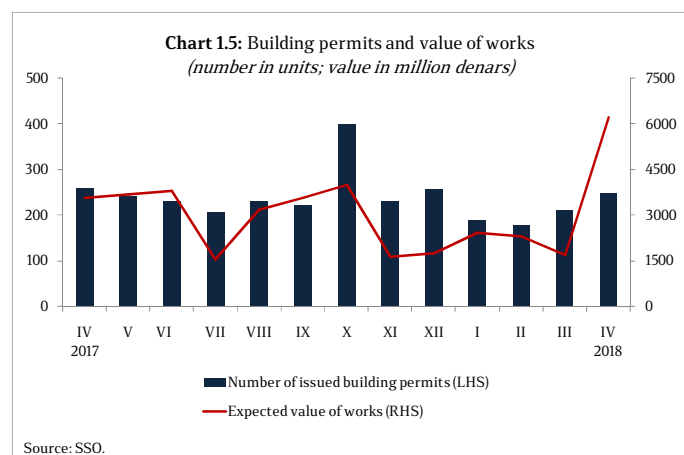
Average utilization of capacities of business entities in April accounted for 67.3%, being an increase compared to the previous month, when it accounted for 67.0%. On annual basis, utilization of the capacities was higher by 2.7 p.p..

Shortage of skilled labour with 21.7%, insufficient domestic demand with 19.2%, insufficient foreign demand with 18.5%, uncertain economic environment with 10.3%, financial problems with 9.0% and competitive import with 6.6% limited the most the production volume in April 2018.

As regards the volume of production orders in April 2018, it was at almost the same level compared to March 2018, it is expected for the production volume in the next three months to be more favourable compared to the previous month, while stocks of finished products were decreased on monthly basis.

Number of Issued Building Permits and Expected Value of Works

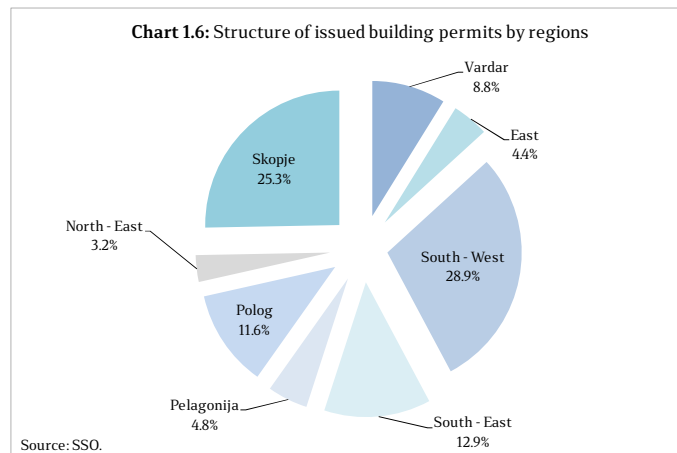
In April 2018, 249 building permits were issued, decreasing by 3.9% compared to April 2017. Compared to the previous month, when 211 building permits were issued, number of issued building permits surged by 18.0%. Expected value of works, according to the issued building permits in April 2018, increased by 73.3% annually. Compared to March 2018, value of the works experienced almost four-fold increase.



Analyzed by types of constructions, out of the total number of issued building permits, 134 (or 53.8%) were intended for buildings, 44 (or 17.7%) for civil engineering structures and 71 (or 28.5%) for reconstruction.

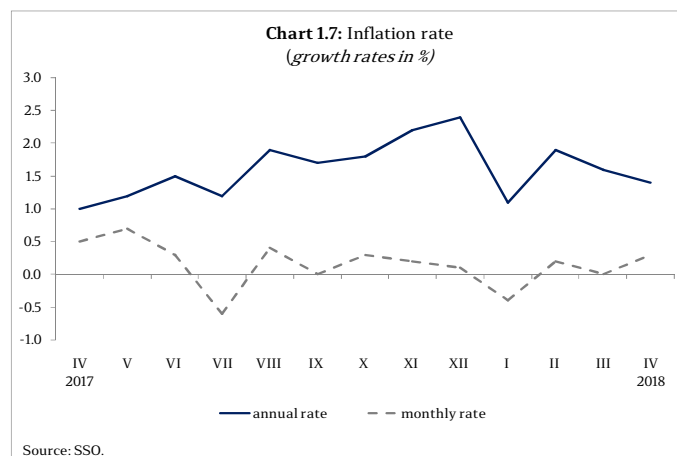
Analyzed by types of investors, out of total 249 issued building permits, individuals were investors in 161 facilities (or 64.7%), while business entities were investors in 88 facilities (or 35.3%).

In April 2018, construction of 965 flats was envisaged, with total usable area of 62,340 m². Number of envisaged flats for construction experienced almost three-fold increase on monthly basis, while it surged by 5.0 on annual basis.



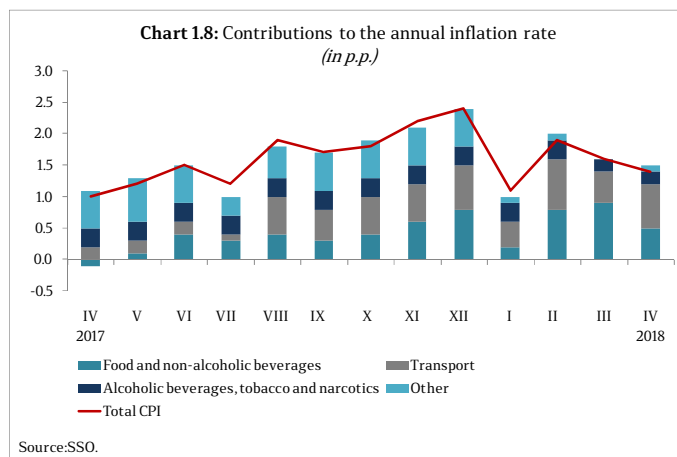
Inflation

Consumer prices in April 2018 increased by 1.4% compared to April 2017, following the annual increase of prices by 1.6% in March 2018. Average inflation rate in the period January - April 2018 amounted to 1.5%.



Food and non-alcoholic beverages category, having the largest share in the CPI, experienced 1.4% increase in prices in April on annual basis, whereby prices of both Fruit and Meat categories experienced the highest increase by 10.7% and 4.0% respectively.

Highest annual increase of prices in April 2018 was observed at the category Transport by 8.0%, followed by the increase in prices at the following categories: Alcoholic beverages, tobacco and narcotics by 5.2%, Restaurants and hotels, Furnishings, household equipment and routine maintenance of the house and Recreation and culture by 0.9% each and Communications by 0.7%.



Annual drop in prices in April 2018 was registered at the following categories: Clothing and footwear by 1.5%, Housing, water, electricity, gas and other fuels by 0.2% and Health by 0.1%. Prices in the Education and Other goods and services remained the same.

Consumer prices in April 2018 increased by 0.3% compared to the

previous month. Thereby, increase of prices on monthly basis was recorded in the following categories: Transport by 0.7%, Food and non-alcoholic beverages by 0.5%, Health by 0.3%, Furnishings, household equipment and routine maintenance of the house, Alcoholic beverages, tobacco and narcotics and Communications by 0.2% each and Clothing and footwear and Restaurants and Hotels by 0.1% each.

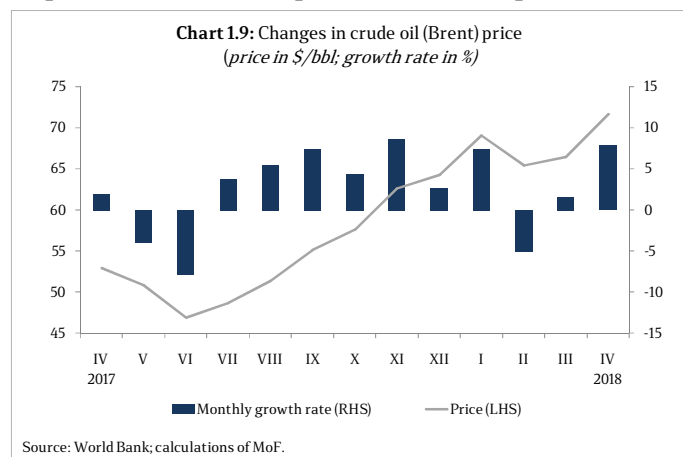
Monthly drop of prices was recorded at the following categories: Recreation and culture by 1.3% and Miscellaneous goods and services by 0.2%.

Prices in the following categories: Housing, water, electricity and other fuels and Education remained unchanged.

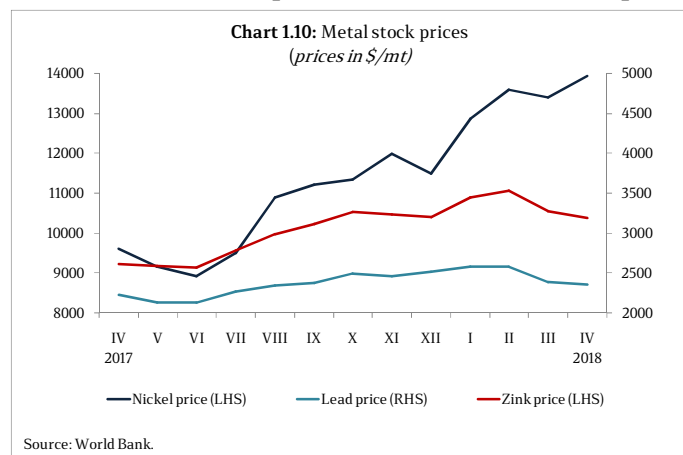
Retail prices in April 2018 were higher by 3.0% compared to the same month last year, while, on monthly basis, they increased by 0.3%. Retail prices in the period January - April 2018 were higher by 2.9%.

Stock Market Prices

In April 2018, crude oil price (Brent) on the global stock markets increased by 7.8%, compared to March 2018, reaching the price of US\$ 71.6 per barrel. Compared to the same month in the previous year, price of oil was higher by 35.2%. Price of natural gas in April 2018 increased by 23.0% on monthly basis.



As regards metal products, nickel, as an important export product, was traded at an average price of US\$ 13,938 for a metric ton (\$/mt) in April 2018, being a price increase by 4.1% compared to the previous month. Nickel price surged by 45.0% on annual basis. In addition to nickel, other base metals also experienced monthly price increase in April. Hence, aluminium price surged by 9.0%, price of copper increased by 0.8%, while price of tin experienced 0.4% growth. Zinc and lead in April experienced price decrease by 2.5% and 1.6%, respectively. Price of iron ore in April declined by 6.5% on monthly basis.



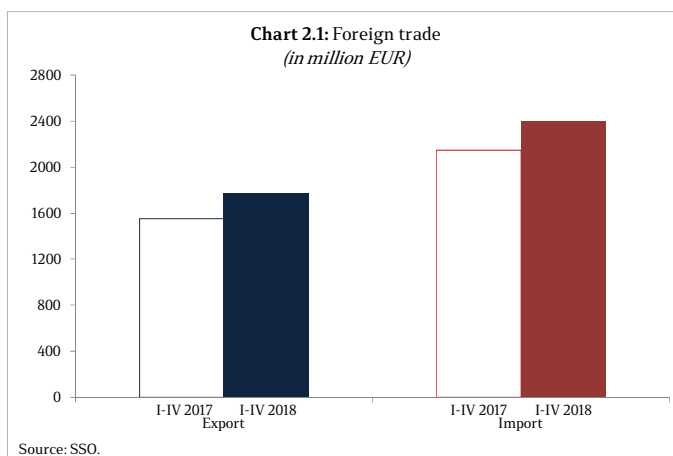
As regards precious metals, price of silver in April 2018, compared to the previous month, increased by 1.1%, price of gold surged by 0.8%, while price of platinum decreased by 3.2% on monthly basis.

Price of wheat on global stock markets grew by 11.3% in April 2018 compared to March 2018, while price of maize increased by 2.1%.

2. FOREIGN TRADE

Total foreign trade in the first four months in 2018 amounted to EUR million 4.173,7 million, increasing by 12.9% compared to the same period last year.

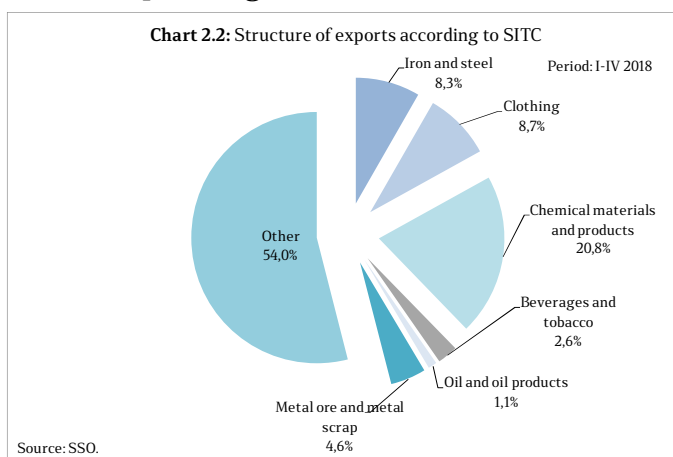
Foreign trade of the Republic of Macedonia with the European Union (EU 28) participated the most in the total foreign trade in the period January - April 2018, accounting for 72.7%, being an increase of 2.2 p.p. in relation to the same period last year.



Export

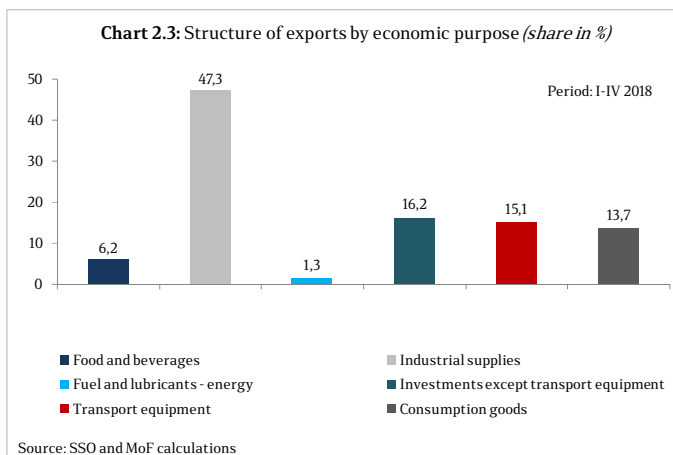
In the period January - April 2018, value of exported goods amounted to EUR 1.771,1 million, surging by 14,3% (EUR 221.8 million) compared to the same period in 2017, while physical output of export dropped by 0.1%.

Value of exported goods amounted to EUR 462.4 million in April 2018, increasing by 15.4% (EUR 61.7 million) compared to the same month of the previous year, while physical output of export dropped by 19.0%.



Analyzed on monthly basis, in April 2018, export grew by 8.5% (EUR 36.2 million), compared to the previous month and, should export be seasonally adjusted, it registered monthly growth of 8.7%.

Main groups of products (according to SITC) being most exported in the period January-April 2018 were the following: chemical materials and products, clothing, iron and steel,



metal ore and metal scrap, beverages and tobacco and oil and oil products. These six groups of products comprised 46.0% of the total export of the country.

Analyzed according to economic groups of countries, in the period January – April 2018, compared to the same period in 2017, export grew at the following groups: EU 28 EFTA, Western Balkans and North American Free Trade Zone, while drop was seen at the following groups: Organization of Petroleum Exporting Counties, Asia-Pacific Economic Cooperation and Commonwealth of Independent States. Export to EU 28 grew by 18.3% annually, while export to Western Balkan countries increased by 8.1%, whereby export of goods to EU 28 and the Western Balkan countries accounted for 84.7% and 10.0% respectively in the total export from the Republic of Macedonia.

Import

In the period January – April 2018, value of imported goods amounted to EUR 2,402.6 million, surging by 11.8% (EUR 253.6 million) compared to the same period in 2017, while physical output of import dropped by 10.2%.

In April 2018, import value amounted to EUR 619.2 million, growing by 9.5% (EUR 53.9 million) compared to the same month in 2017, while imported quantities of goods decreased by 10.8%.

Analyzed on monthly basis, in April 2018, import dropped by 4.0% (EUR 25.6 million), compared to the previous month and, should import be seasonally adjusted, it registered monthly drop of 1.2%.

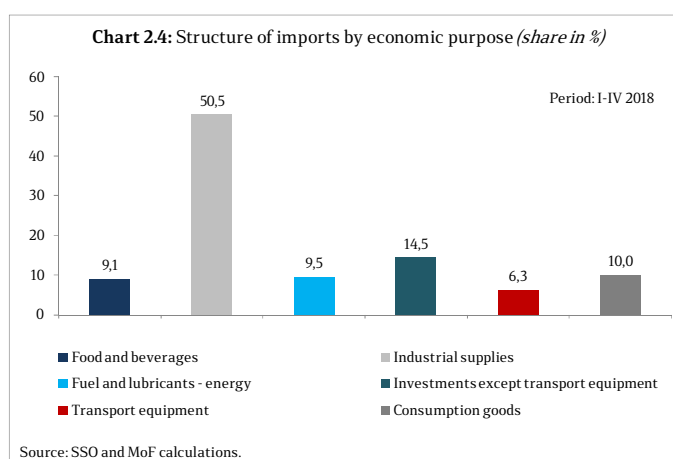


Table 2.1. Review of export and import of selected groups of products

Export of oil and oil products*)				
	I - IV - 2017	I - IV - 2018	Balance	% rate
000 T	33,2	45,8	12,6	38,0
EUR mil.	14,2	19,9	5,7	40,1
\$ mil.	15,2	24,4	9,3	61,0

*)Previous data

Import of oil and oil products*)				
	I - IV - 2017	I - IV - 2018	Balance	% rate
.000 T	331,4	300,8	-30,6	-9,2
EUR mil.	138,7	142,9	4,3	3,1
\$ mil.	147,8	175,6	27,7	18,8

*)Previous data

Export of chemical products*)				
	I - IV - 2017	I - IV - 2018	Balance	% rate
000 T	19,0	6,0	-13,0	-68,7
EUR mil.	328,5	367,9	39,3	12,0
\$ mil.	350,9	451,6	100,8	28,7

*)Previous data

Import of chemical products*)				
	I - IV - 2017	I - IV - 2018	Balance	% rate
.000 T	9,5	9,2	-0,3	-3,3
EUR mil.	60,0	67,6	7,6	12,6
\$ mil.	64,1	83,1	19,1	29,8

*)Previous data

Export of iron and steel*)				
	I - IV - 2017	I - IV - 2018	Balance	% rate
000 T	226,1	230,9	4,8	2,1
EUR mil.	151,8	147,0	-4,8	-3,2
\$ mil.	162,5	180,6	18,1	11,1

*)Previous data

Import of iron and steel*)				
	I - IV - 2017	I - IV - 2018	Balance	% rate
.000 T	235,5	297,5	62,0	26,3
EUR mil.	117,5	160,2	42,7	36,4
\$ mil.	125,7	197,1	71,4	56,8

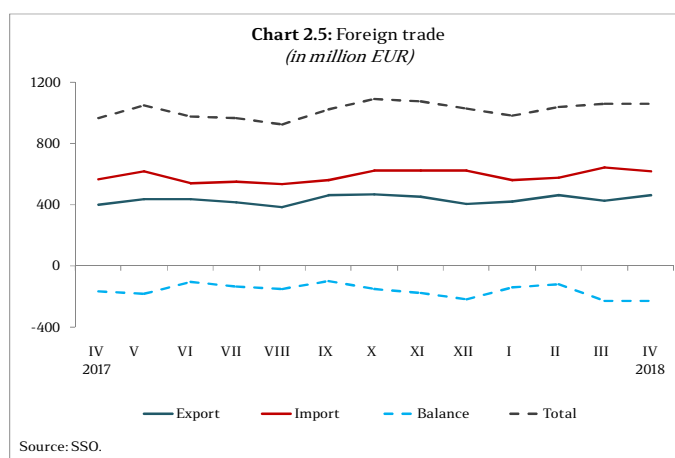
*)Previous data

Trade Balance

In the first four months in 2018, trade deficit increased by 5.3%, i.e. EUR 31.8 million, compared to the same period last year.

In April 2018, trade deficit declined by 4.7% or EUR 7.8 million compared to April 2017.

If we analyze the balance of export and import of goods by economic purpose, deficit increasing was a result of widening of negative balance in the trade of industrial supplies, investment goods without transport equipment, food and beverages, and fuels and lubricants, as well as narrowing of positive balance in the trade of consumer goods. On the other hand, widening of the positive balance in the trade of transport equipment contributed to reducing the deficit.



In the period January – April 2018, 89.4% of the trade deficit of the country was realized in the trade with Great Britain, China, Greece and Serbia, followed by: Turkey, Italy, the USA, Poland, Romania, and others. Surplus was realized in the trade with Germany, Kosovo, Belgium, Spain and Croatia.

Currency Structure

Observed by currency structure, 88.2% of the trade in the period January – April 2018 was realized in euros and, compared to the same period in 2017, it surged by 1.7 percentage points. On export and import side, euro accounted for 93.8% and 84.1%, respectively, whereby share of the euro in export was higher by 1.7 p.p., while increase of the share of the euro in import accounted for 1.6 p.p. compared to the period January–April 2017.

import	I - IV - 2017					I - IV - 2018					absolute change in currency value	relative change in currency value (in %)
	currency	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar		
EUR	1.338,3	1.772.022.952	61,5652	109.094.947.451	82,4	1.424,1	2.020.004.481	61,5440	124.319.155.771	84,1	247.981.529	14,0
USD	688,8	384.358.443	57,7532	22.197.930.046	16,8	395,2	443.196.141	50,0970	22.202.797.067	15,0	58.837.698	15,3
GBP	1,4	6.373.332	71,8113	457.677.257	0,3	1,9	9.468.476	69,8758	661.617.356	0,4	3.095.144	48,6
EUR+USD+GBP	2.028,5			131.750.554.754	99,2	1.821,2			147.183.570.194	99,5		
tot. import	2.033,0			132.317.001.135	100,0	1.826,6			147.867.913.687	100,0		11,8

Source: SSO and NBRM

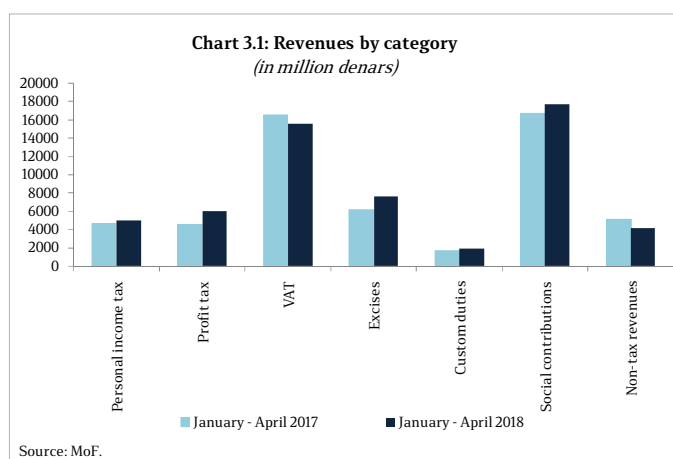
3. FISCAL SECTOR

Budget Revenues According to the Economic Classification

In the first four months of 2018, total budget revenues were collected in the amount of Denar 60,466 million, i.e. 9.1% of GDP, which was higher performance by 4.6% compared to the same period in 2017.

Tax revenues in this period were collected in the amount of Denar 36.187 million, being higher by 7.2% in relation to the same period last year.

Revenues on the basis of value added tax were collected in the amount of Denar 15,607 million, decreasing by 5.7% in relation to last year, whereby share of VAT in total



tax revenues was dominant, accounting for 43.1%. Thereby, VAT collection amounted to Denar 23,562 million on gross basis, out of which Denar 7,955 million was refunded to taxpayers (gross collection was higher by 6.1%, while VAT refund was higher by 40.6% compared to the same period in 2017, being a significant increase). As for VAT structure, collection of VAT when importing accounted for the most, increasing by 11.8%, while VAT revenues collected on the basis of sales in the country dropped by 4.2%.

Revenues on the basis of excises were collected in the amount of Denar 7,586 million (participating with 21.0% in the tax revenues), surging by 22.9%. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 23,193 million, i.e. 64.1% of total tax revenues in this period.

PIT revenues were collected in the amount of Denar 4,939 million, increasing by 6.1% on annual basis, whereby revenues on the basis of tax on salaries and other personal earnings accounted for 66.9% of the personal income tax, capital revenues accounted for 8.1%, revenues on the basis of contractual agreement accounted for 6.6%, revenues on the basis of games of chance and award games accounted for 6.4%, revenues on the basis of property and property rights accounted for 4.1% and income from independent activity accounted for 2.1%. Profit tax revenues were collected in the amount of Denar 5,976 million in this 4-month, increasing by 30.7% compared to the same period in the previous year, being mainly a result of the additional payments on the basis of tax balances (40.0% increase) and the tax collected on the basis of monthly advance payments (28.5%). Tax on the basis of dividends and other profit distributions (48.2%), withholding tax for foreign legal entities (19.6%) and tax on the basis of interest (6.7%) experienced drop.

Revenues on the basis of customs duties were collected in the amount of Denar 1,909 million, increasing by 13.5%. Collection of revenues on the basis of other taxes, amounting to Denar 170 million, surged by 39.3% compared to last year.

Social contributions were collected in the amount of Denar 17,752 million, being higher by 6.0% compared to the same period in 2017, whereby collection of pension and disability insurance contributions grew by 5.7%, collection of employment contributions increased by 6.4% and health insurance contributions experienced 6.6% growth.

Non-tax revenues were collected in the amount of Denar 4,115 million and, in relation to the same period in 2017, they were lower by 20.4% (these revenues include revenues on the basis of profit realized by the public institutions, revenues collected on the basis of administrative fees and fines, concessions, etc.).

Capital revenues realized on the basis of sale of construction land, flats and dividends reached Denar 689 million, increasing by 3.5 times 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 1,230 million, decreasing by 18.1% compared to the same period last year.

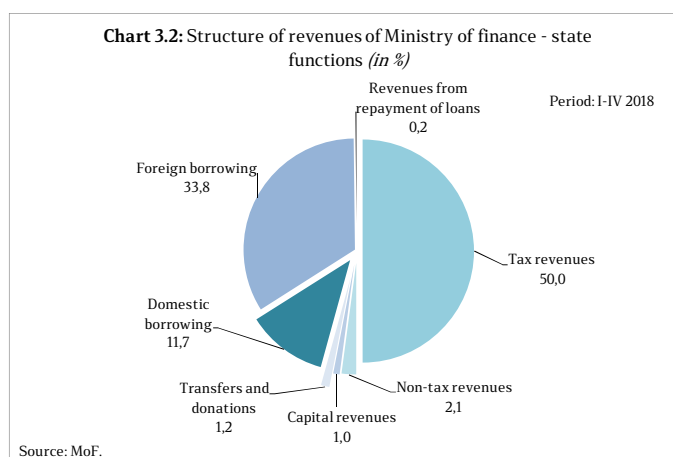
Revenues by Budget Users

Budget revenues, i.e. inflows to the Central Budget, are generated mainly through the Ministry of Finance – Functions of the State, which amounted to Denar 71,595 million in January -April 2018, i.e. 95.3% of the revenues of all budget users, accounting for 45.1% of the annual projections of this budget user.

Within the Ministry of Finance - Functions of the State, tax revenues accounted for the most – 50.0% of total revenues and inflows to this budget user, whereby their collection reached 32.1% of the annual projections in the period January-April. Funds on the basis of foreign borrowing amounted to Denar 24,206 million, accounting for 33.8% of the total amount of this budget user.

Ministry of Education and Science collected revenues in the amount of Denar 1,161 million, accounting for 1.5% of the revenues and inflows of all budget users, being mainly non-tax revenues (86.6% of the total revenues and inflows of this budget user) i.e. funds collected on the basis of fees and charges.

Next budget user, having the highest revenues and inflows, is the Ministry of Health that collected revenues in the amount of Denar 562 million, i.e. 0.7% of the revenues and inflows of all budget users, 54.5% of which were inflows on the basis of foreign borrowing. The remaining budget users collectively generated revenues, accounting for 2.4% of total revenues and inflows. Detailed data on each budget user are presented in the statistical annex attached at the following link (<http://finance.gov.mk/mk/node/693>).



As for budget funds, Pension and Disability Insurance Fund of Macedonia collected the most revenues, amounting to Denar 22,222 million in January-April 2018, accounting for 32.7% of the Fund's annual projections. Health Insurance Fund of Macedonia collected revenues in the amount of Denar 9,513 million in this period, i.e. 33.1% of the Fund's annual projections. Employment Agency of the Republic of Macedonia collected revenues in the amount of Denar 763 million in the first four months of 2018, accounting for 32.8% of the annual projections.

Budget Expenditures According to the Economic Classification

In the first four months of 2018, total budget expenditures were executed in the amount of Denar 63,006 million, i.e. 9.5% of GDP, being higher by 2.6% compared to the same period 2017.

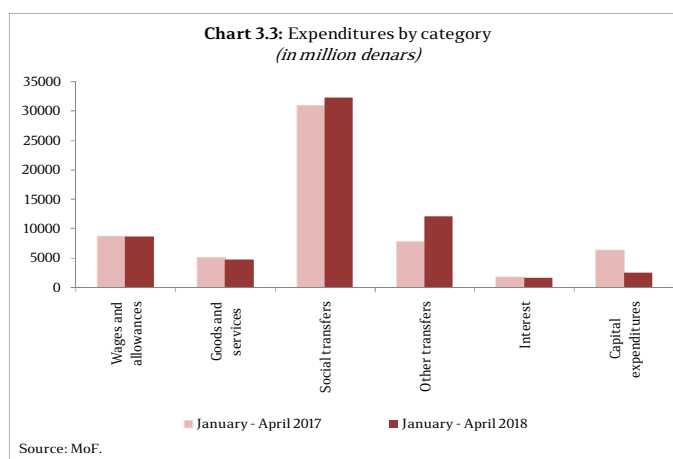
With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 60,371 million, accounted for 95.8% and they increased by 9.8% in relation to the same period in 2017.

Expenditures related to wages and allowances were executed in the amount of Denar 8,703 million, accounting for 13.8% of the total budget expenditures and, in relation to 2017, they dropped by 0.5%.

Expenditures related to goods and services were executed in the amount of Denar 4,865 million, decreasing by 4.5% compared to the same period in 2017.

Funds allocated for transfers amounting to Denar 45,136 million accounted for the most in the current expenditure items. Such expenditures grew by 14.7% compared to the same period in 2017, participating with 71.6% in the total expenditures.

Funds allocated for social transfers amounted to Denar 32,432 million, increasing by 4.9% and accounting for 51.5% of the total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 19,995 million, increasing by 4.7% compared to the same period in 2017 and accounting for 31.7% of the total expenditures. Category "other transfers", which includes transfers to local government units, accounted for 19.3% of the total expenditures, i.e. they grew by 54.2%. Block grants to local government units, amounting to Denar 5,254 million, grew by 4.2% compared to the same period in the previous year. Expenditures related to subsidies and transfers amounted to Denar 6,191 million, being by almost three times higher compared to last year.



Interest payments expenditures amounted to Denar 1,667 million, being lower by 6.8% compared to the same period in 2017. Costs related to interest on the basis of domestic borrowing increased by 8.7%, while the ones on the basis of foreign borrowing dropped by 24.4%.

During the analyzed period, funds for capital expenditures were executed in the amount of Denar 2,635 million, participating with 4.2% in the total expenditures (0.4% of GDP), i.e. decreasing by 58.9% compared to the same period last year.

Expenditures by Budget Users

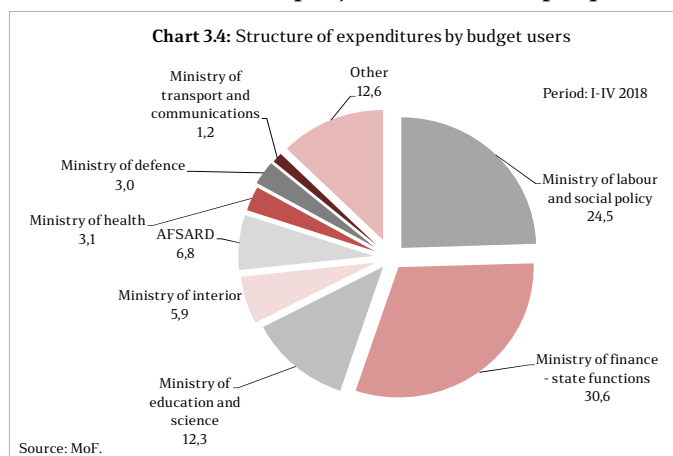
Review of budget expenditures for the largest budget users is shown below, the total annual budget of which accounts for 89.1% of the total budget of all budget users.

In the first four months of 2018, Denar 17,765 was spent through the organizational code Ministry of Finance - Functions of the State¹, accounting for 45.3% of its annual budget. Repayment of principal accounted for most of the expenditures or 77.5%, Denar 13,761 million being spent therefore, i.e. 61.2% of the funds projected for this purpose in 2018. As regards expenditures related to interest payments, they accounted for 9.2% of the total expenditures, Denar 1,632 million being spent therefore or accounting for 18.8% of the projected interest payments.

In the period January - April 2018, Ministry of Labour and Social Policy executed funds in the amount of Denar 14,221 million or 32.6% of its

total 2018 budget. Thereby, most of the expenditures (74.4%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 10,575 million was spent or 33.4% of the funds allocated for 2018. The second highest expenditure category was social benefits, participating with 17.9% in the total expenditures. As for this purpose, 31.6% (Denar 2,541 million) of the expenditures projected for 2018 was executed.

In the period January - April 2018, Ministry of Education and Science executed budget funds in the amount of Denar 7,108 million, i.e. 28.2% of its total 2018 budget. Current transfers to LGUs accounted for the most of the expenditures (64.0%), Denar 4,550 million being spent therefore or 33.0% of total projected funds. Wages and allowances



¹ As regards the Organizational Code "*Functions of the State*", the following activities are included: timely servicing of liabilities (interest and principal repayment) of the state on the basis of domestic and foreign borrowing; regular payment of operating costs of the state upon prior submitted payment documentation; share in the capital of international financial institutions; payment of VAT on the basis of capital investments funded by donations, financing projects by individual IPA components (national co-financing and IPA funds from the EU). In addition, this organizational code, pursuant to the Law on Budgets of the Republic of Macedonia and the Law on Budget Execution, envisages funds allocated for covering the damages caused by natural disasters and funds for financing unforeseen costs in the course of the fiscal year.

were the second highest expenditure category, participating with 15.5%, Denar 1,105 million being spent therefore, i.e. 31.6% of the total projected funds.

In the period January-April 2018, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 3,952 million, accounting for 45.8% of the funds projected for the current year, while expenditures related to subsidies and transfers accounted for 96.3% thereof.

In the first four months of 2018, Ministry of Internal Affairs executed expenditures in the total amount of Denar 3,423 million, accounting for 33.4% of its 2018 budget. Wages and allowances were the highest expenditure category, accounting for 69.9%, Denar 2,394 million being spent therefore, or accounting for 32.8% of the projected ones. The second highest expenditure category was goods and services, participating with 15.7%, funds in the amount of Denar 537 million being executed therefore or 30.9% of the annual projections.

In the first four months of 2018, Ministry of Health executed budget funds in the amount of Denar 1,771 million, accounting for 26.5% of its total 2018 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 52.7%, for which, Denar 934 million was spent or 33.5% of the funds projected for 2018. Expenditures related to goods and services were the second highest expenditure category, accounting for 37.6% of the total expenditures, funds in the amount of Denar 666 million being executed therefore in the analyzed period, i.e. 33.8% of total projected ones.

In the period January-April 2018, Ministry of Defense executed budget funds in the amount of Denar 1,723 million, i.e. 26.4% of its total 2018 budget. Expenditures related to wages and allowances accounted for the most with 71.2%, Denar 1,226 million being spent therefore in 2018, accounting for 32.4% of the total funds projected for the current year. Expenditures related to goods and services accounted for 23.9% of total expenditures, Denar 412 million being spent therefore during the analyzed period, i.e. 23.7% execution of the total projected funds.

As regards “Financing the activities in the field of culture”² in the period January-April 2018, funds in the amount of Denar 989 million were spent, accounting for 26.4% of the total 2018 budget therefore. Wages and allowances accounted for the most in the total expenditures with 34.4%, while their execution in this period accounted for 32.4%, i.e. Denar 340 million was spent therefore. Expenditures related to subsidies and transfers accounted for 22.5% of total funds projected for the current year, whereby Denar 276 million or 27.9% of the total expenditures were spent therefore. Capital expenditures accounted for 23.1%, in the total expenditures, whereby Denar 228 million or 23.4% of the projected funds were spent for this purpose.

In the first four months of 2018, Ministry of Transport and Communications executed funds in the amount of Denar 715 million, i.e. 11.8% of its total 2018 budget. Capital

2. Financing activities in the area of culture support the programs of cultural institutions related to publishing, library activities, film, music and theatre, protection of cultural heritage, arts and exhibitions, cultural and artistic events, museum and film library activities, international cooperation in the area of culture, support to young talents, organizations in the field of culture, decentralization and more intensive realization of capital projects.

expenditures accounted for the most in the total expenditures with 59.6%, while their execution in this period accounted for 8.1%, i.e. Denar 426 million being spent therefore. Expenditures related to subsidies and transfers amounted to Denar 235 million, accounting for 38.9% of the total projected ones and 32.8% of the expenditures of this budget user. Detailed data on each budget user are presented in the statistical annex attached at the following link (<http://finance.gov.mk/mk/node/693>).

Budget Balance

In the period January–April 2018, the budget deficit reached the amount of Denar 2,540 million, being 0.4% of GDP, while central budget deficit amounted to Denar 2,750 million or 0.4% of GDP.

4. SOCIAL SECTOR

Number of Newly Employed and Registered Unemployed Persons in EARM

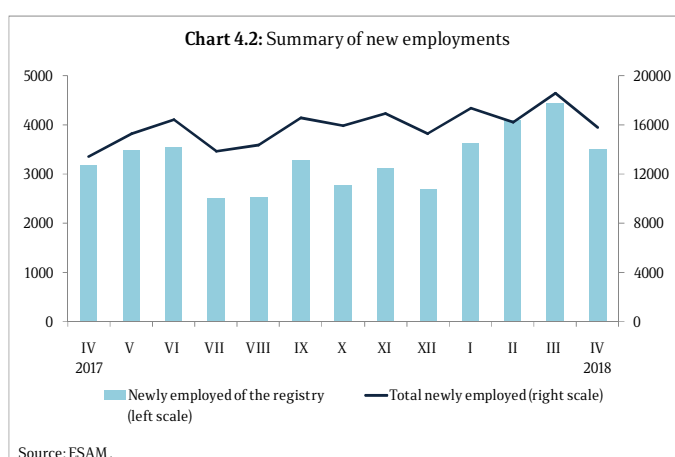
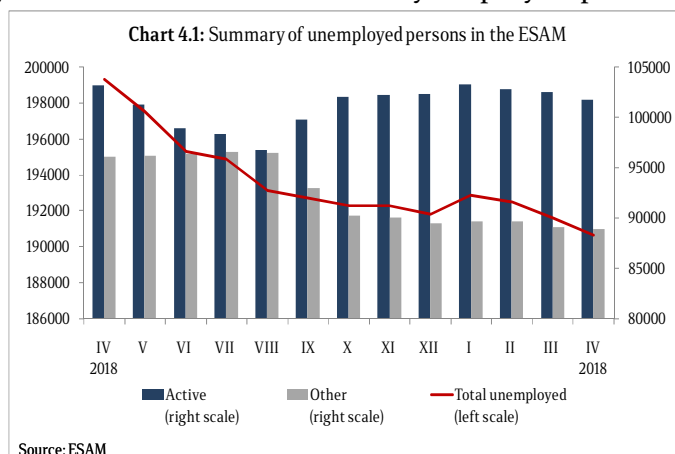
In the period January–April 2018, Employment Agency of the Republic of Macedonia registered total of 68,001 new employments. Total number of newly employed persons in this period was higher by 12.8% compared to the same period in 2017.

As regards the total number of newly employed, 39.7% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In April 2018, 22.2% out of the total number of newly employed persons was from the unemployed records.

Total number of unemployed persons in April 2018 was 190,659, out of which 101,762 persons were active job seekers, while 88,897 persons were from the category “other unemployed”. Compared to the same month last year, total number of unemployed persons was lower by 4.4%.

Major percentage of the unemployed (66.9%) came from

urban areas (cities), whereby 58.5% were men. Analyzed by the level of education, major part, i.e. 57.4% of the unemployed persons, were with incomplete secondary education



or less, 28.1% were with completed secondary education, while 14.5% of the unemployed persons were with completed community college or higher education level.

Observed by age, majority of the unemployed persons or 48.3% fall in the category of 25-49 years of age. According to the time they waited for a job, 48.6% of the unemployed persons wait for employment from 1 to 7 years, while 8.2% wait for employment for 8 years and more.

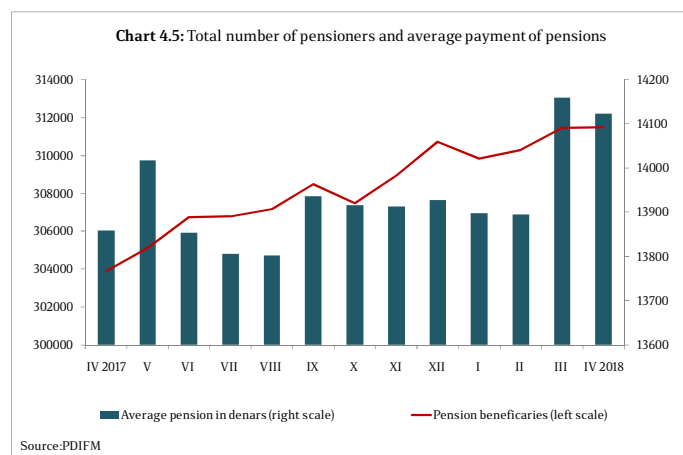
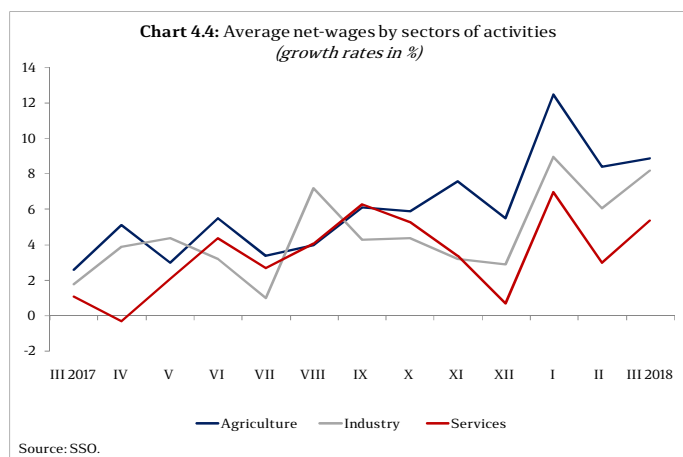
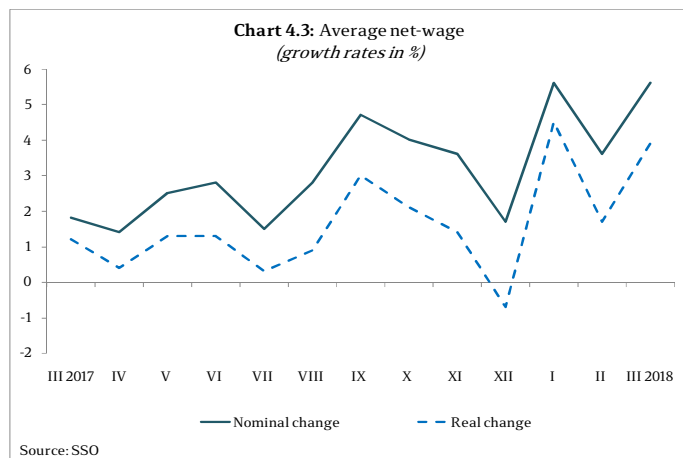
Wages

In March 2018, average net wage increased by 5.6% in nominal terms on annual basis, and it was higher by 2.3% in relation to the previous month. The highest increase of average net wage was observed at the following sectors: Mining and quarrying (19.0%), Information and communications (14.2%) and Manufacturing (12.4%). In March, wages grew by 3.9% in real terms on annual basis.

In March 2018, average gross wage increased by 5.3% in nominal terms on annual basis, and it was higher by 2.3% in relation to the previous month. The highest increase of average gross wage was observed at the following sectors: Mining and quarrying (17.3%), Information and communications (14.6%) and Manufacturing (12.7%). Real gross wage surged by 3.7% annually.

Pensions

In April 2018, 311,517 pensioners were registered at the Pension and Disability Insurance Fund, being an increase of 2.5% compared to the same period last year. Number of pension beneficiaries increased by 25 persons on monthly basis. As regards the total number of pensioners, 63.8% were beneficiaries of old-age pension, 24.5% of survival pension and 11.7% of disability pension.

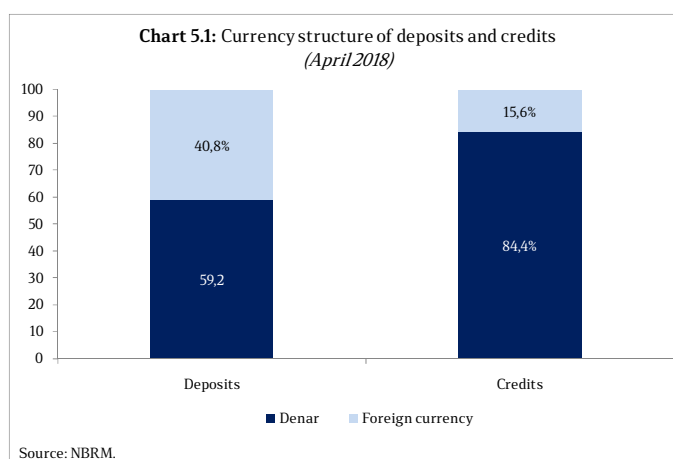


Average pension in April 2018 amounted to Denar 14,124, being higher by 1.9% compared to the same month last year. Ratio between the average pension and the average paid wage in March 2018 (the most recent available data) was 59.8%.

In April, average old-age pension amounted to Denar 15,432, average disability pension amounted to Denar 12,810, while average survival pension amounted to Denar 11,343. In April 2018, Denar 4,453.38 million was spent for payment of pensions, accounting for 51.9% of the total social transfers.

5. MONETARY AND FINANCIAL SECTOR

In April 2018, the National Bank of the Republic of Macedonia retained the reference interest rate at 3.0% as a result of sound economic fundamentals, without any imbalances and amid stabilization of the confidence and the expectations of the economic agents, evident from the favourable trends on the foreign currency market and the gradual acceleration of the deposit growth.



Interest rate on available 7-day deposits remained unchanged compared to last month, accounting for 0.3%.

Primary Money

In April 2018, primary money³ grew by 4.3% on annual basis, in conditions of increase of total liquid assets of banks by 3.2% and increase of currency in circulation by 5.4%

On monthly basis, primary money grew by 8.6%, as a result of increase of currency in circulation and total liquid assets of banks by 2.7% and 15.9%, respectively.

Deposit Potential

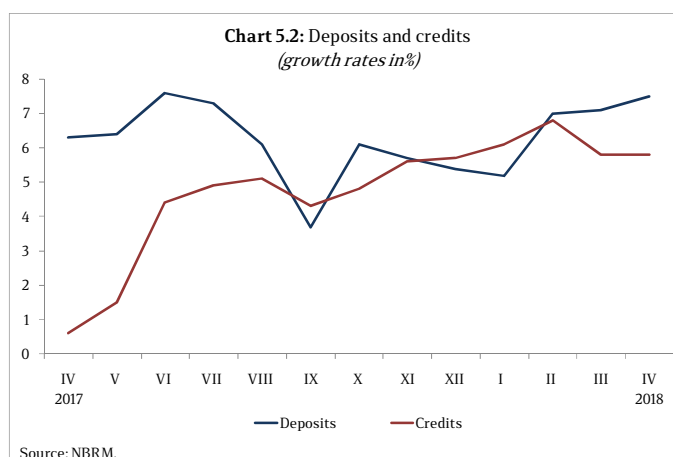
In April 2018, total deposits of banks increased by 0.1% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises declined by 0.7%, while deposits of households grew by 0.5%.

Analyzed by currency, in April 2018, compared to March 2018, Denar deposits picked up by 0.6, while foreign currency deposits dropped by 0.5%.

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

Total deposit potential in April 2018 surged by 7.5% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 9.1% and 5.3% respectively.

From sector point of view, this month, deposits of enterprises grew by 2.8%, while deposits of households increased by 8.2%, on annual basis.



According to maturity, short-term deposits declined by 0.04%, while long-term deposits surged by 11.2%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was higher, accounting for 59.2%.

Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (April 2018)	Denar million	Monthly change	Annual change
Deposit Potential	340,571	0.1%	7.5%
Denar	201,625	0.6 %	9.1%
Foreign currency	138,946	-0.5%	5.3%
Short-term	152,234	-0.4%	-0.04%
Long-term	96,566	-0.6%	11.2%
Credits to private sector	298,144	0.6%	5.8%
Denar	251,590	0.9%	8.3%
Foreign currency	46,555	-1.2%	-5.7%
Short-term	63,695	0.3%	3.8%
Long-term	217,640	0.6%	8.6%
Doubtful and contested claims	15,338	2.1%	-16.8%

Source: NBRM

Bank Credits

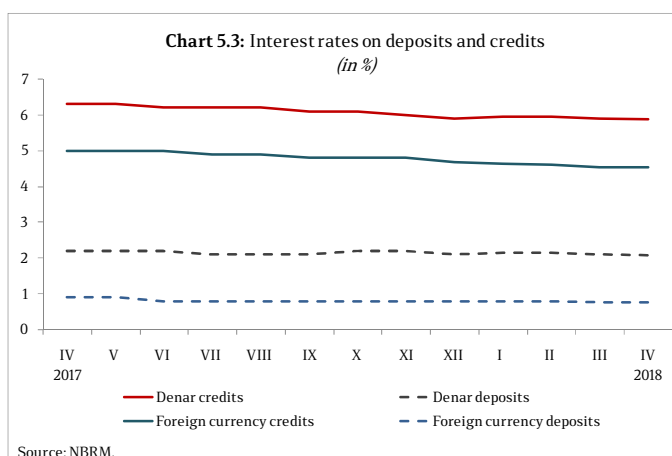
In April 2018, total credits of banks to the private sector surged by 0.6% compared to the last month. Sector analysis shows that credits to enterprises experienced growth of 0.2% in April 2018, while credits to households increased by 1.0%. Analyzed by currency, in April 2018, Denar credits grew by 0.9%, while foreign currency credits dropped by 1.2%, on monthly basis.

On annual basis, total credits grew by 5.8% in April 2018, in conditions of growth of credits to households of 9.6% and credits to enterprises of 2.1%. Denar credits surged by 8.3%, while foreign currency credits decreased by 5.7%.

As regards maturity, long-term credits experienced annual growth of 8.6%, while short-term credits grew by 3.8%.

Interest Rates of Deposit Banks

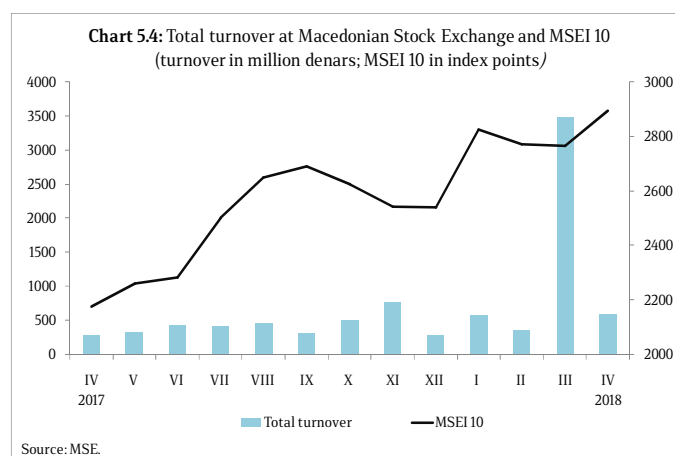
In April 2018, total interest rate on credits dropped by 0.02 p.p. compared to the previous month, accounting for 5.65%. Interest rate on Denar credits reduced by 0.03 p.p., amounting to 5.88%, while interest rate on foreign currency credits dropped by 0.01 p.p. on monthly basis, accounting for 4.55%.



Total interest rate on deposits was 1.48% in April 2018, being lower by 0.02 p.p. compared to last month. Interest rate on Denar deposits decreased by 0.03 p.p., accounting for 2.07%, while interest rate on foreign currency deposits was the same compared to last month, accounting for 0.77%.

Capital Market

As for the capital market, in April 2018, total turnover on the stock exchange dropped by 83.1% on monthly basis, as a result of the decline of turnover from block transactions by 94.1%, while turnover from trading in best surged by 13.9%.



Total turnover on the stock exchange amounted to Denar 587.1 million in April 2018, increasing by 2.1 times (111.1%) on annual basis. Macedonian Stock Exchange Index MSEI - 10 amounted to 2,895.03 index points at the end of April 2018, whereby the index grew by 4.7% on monthly basis, while, compared to the same month last year, the index was higher by 33.1%.

Reserve Assets

Gross reserve assets at the end of April 2018 amounted to EUR 2,588.4 million and, compared to the previous month, they were higher by EUR 11.4 million, while compared to April 2017, they were higher by EUR 92.5 million.

Ministry of Finance
Macroeconomic Policy Department
Gruev Street, no. 12, 1000 Skopje
<http://www.finance.gov.mk/mk>
<http://www.finance.gov.mk/mk/node/693>