



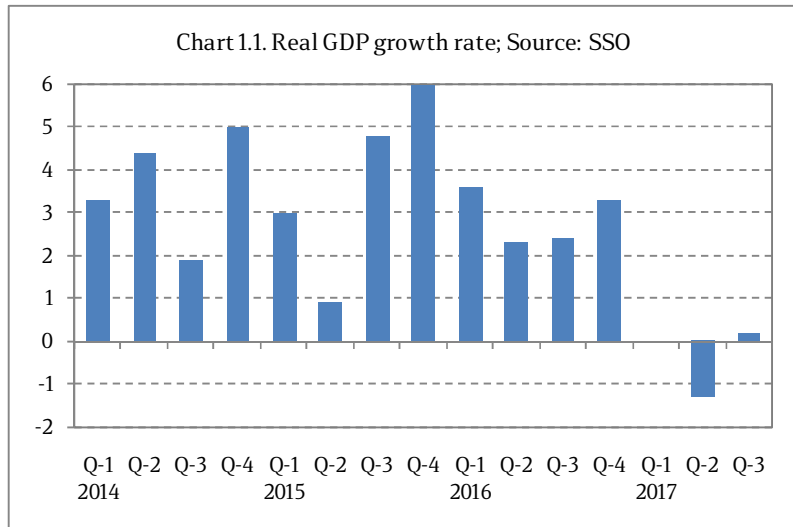
## Summary

- **Gross Domestic Product** in Q3 2017 compared to the same quarter in 2016 grew by 0.2% in real terms;
- Number of **employees** in Q3 2017 was higher by 2.1% compared to the same quarter in 2016. Number of **unemployed persons** dropped by 4.8%, which resulted in reduction of **unemployment rate** to 22.1% in Q3 2017;
- **Inflation rate** in Q3 2017, measured according to CPI, amounted to 1.6% on annual basis;
- Average **gross wage** amounted to Denar 33,710 in Q3 2017, increasing by 2.9% in nominal terms, i.e. surging by 1.3% in real terms, compared to the gross wage in Q3 2016;
- Total **budget revenues** were higher by 1.8% in Q3 2017, while total **budget expenditures** surged by 3.0% compared to the same quarter of 2016;
- Total **deposit potential** of banks increased by 0.8% in Q3 2017 on quarterly basis;
- **Credit activity** of banks to non-government sector in Q3 2017 grew by 0.2% on quarterly basis;
- Macedonian Stock Exchange Index **MSEI-10** surged by 17.8% in September 2017 compared to June 2017. Total turnover on the stock exchange surged by 15.7% in Q3 2017 compared to the previous quarter;
- In Q3 2017, both **export and import of goods** grew by 8.8% and by 6.9% respectively on annual basis, whereby total **foreign trade**, expressed in euros, grew by 7.7%;

## 1. Macroeconomic Trends and Real Sector

**Gross Domestic Product (GDP)** in Q3 2017, compared to the same quarter in 2016, grew by 0.2% in real terms, following the 1.3% drop in the second quarter<sup>1</sup> and the stagnation in the first quarter, by which GDP in the first three quarters of 2017 reduced by 0.4%. Nominal GDP growth in Q3 2017 amounted to 3.7% on annual basis, while GDP deflator was 3.5%.

Analyzed according to the **GDP by production method**, economic growth in Q3 2017 was due to the positive performance in the services sector and the agriculture, while construction and industrial sector experienced drop.

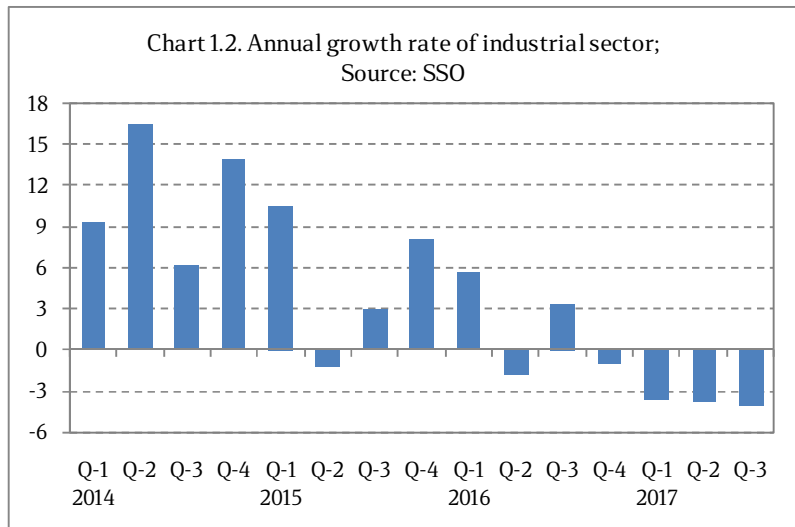


Growth in the services sector amounted to 1.9%, being a result of the increased activity in the Trade, transportation and catering (9.8%) and Real estate activities (0.9%), while drop of activity was recorded in the following sectors: Arts, entertainment, recreation and other services (6.9%), Professional, scientific, technical and administrative activities (4.6%), Financial and insurance activities (2.6%), Public administration and defense, education and health (2.1%) and Information and communications (0.1%). Agricultural sector registered 3.8% growth in real terms on annual basis.

Drop of activity in the construction sector in Q3 2017 amounted to 11.6% in real terms, in conditions of drop of the value of completed construction works, as regards both civil engineering structures and buildings. Industrial sector dropped by 4.1%, being mainly due to the drop in the Manufacturing by 5.8%. In accordance with the **monthly data on industrial production**, unfavourable trends at Manufacturing in the period July-September 2017 were seen at: manufacture of other transportation equipment (21.1%), manufacture of base metals (20.4%), manufacture of wearing apparel (17.2%), manufacture of wood and wood and cork products (15.0%), manufacture of furniture (12.7%), manufacture of computer, electronic and optical products (10.0%), manufacture of chemicals and chemical products (9.0%), manufacture of motor vehicles (5.3%), printing and reproduction of recorded media (5.2%) manufacture of food products (4.3%), manufacture of paper and paper products (2.1%), manufacture of rubber and plastic products (0.4%) and manufacture of leather and articles of leather (0.1%).

<sup>1</sup> At the same time, the State Statistical Office carried out upward revision of the GDP growth rate in this quarter from the previous -1.8%.

On the other hand, growth was observed in the following branches: repair and installation of machinery and equipment (52.7%), manufacture of electrical equipment (13.5%), manufacture of beverages (9.5%), manufacture of textile (7.8%), manufacture of tobacco products (6.3%), manufacture of pharmaceutical products



and preparations (5.4%), manufacture of other non-metallic mineral products (4.7%), manufacture of fabricated metal products (1.2%), manufacture of machinery and equipment (0.5%) and other manufacturing (13.2%).

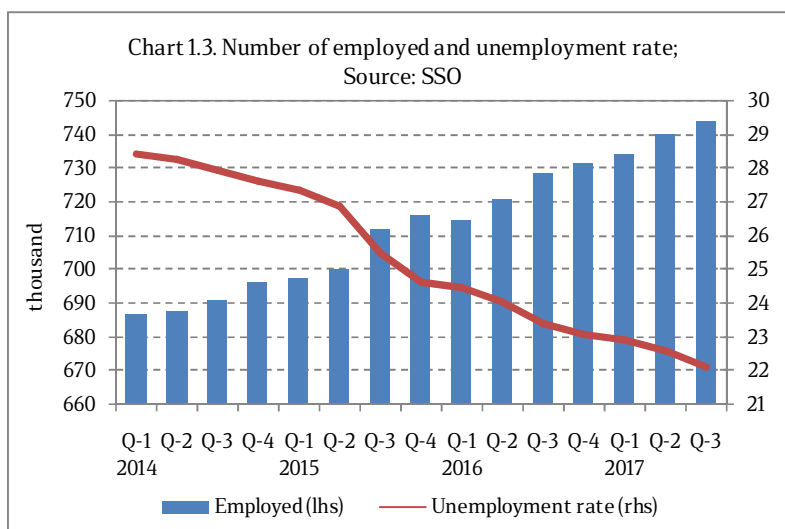
Analyzed according to the [expenditure side of GDP](#), economic growth in Q3 2017 was driven by growth of both export and private consumption. Growth of export of goods and services amounted to 5.5% in real terms, mainly as a result of the growth of export by the capacities in the free economic zones, in conditions of favourable trends of the economic activity in the EU, as the most important destination to export the Macedonian products. Import of goods and services experienced significantly lower growth compared to export, i.e. 2.1% growth in real terms, hence net export had positive contribution to the economic growth.

Final consumption experienced 1.6% growth in real terms, being a result of the 2.9% growth of private consumption, which is a result, above all, of the increase of household disposable income, in conditions of increase of employment and wages, also supported by the crediting to households. Public consumption in Q3 2017 dropped by 3.6% in real terms, in conditions of reduced public expenditures for goods and services, as well as for wages and allowances.

Gross investments in Q3 2017 were lower by 9.4% in real terms, being a result of the reduced construction activity (in line with the data on GDP by production method), as well as the decreased import of capital goods.

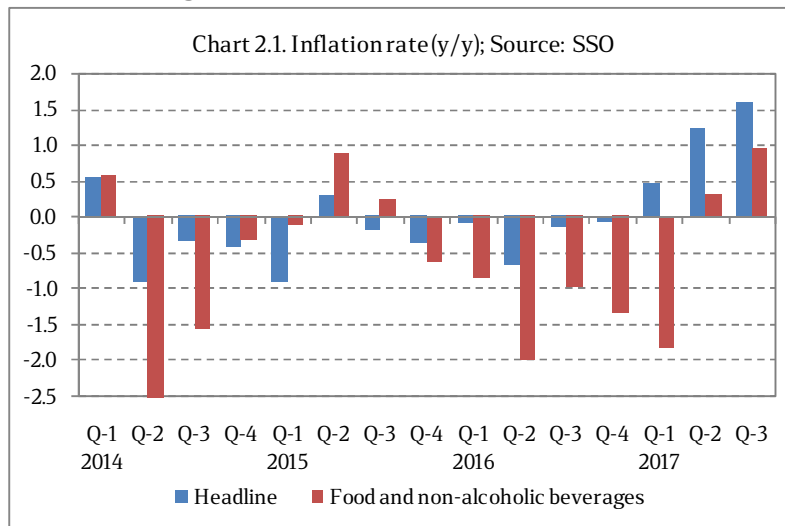
Positive trends on the [labour market](#) continued in Q3 2017 as well. According to the Labour Force Survey, number of employed persons was higher by 2.1% compared to the same quarter of 2016, being accompanied by the drop of the number of unemployed persons by 4.8%. The number of active population grew by 0.5% on annual basis.

Such trends on the labour market caused for the unemployment rate in Q3 2017 to drop to 22.1%, i.e. by 1.3 p.p. compared to the same quarter in 2016, while in relation to the previous quarter, it was lower by 0.5 percentage points (p.p.). Employment rate in Q3 2017 amounted to 44.2%, being higher by 0.8 p.p. compared to the same quarter of 2016. Active population accounted for 56.8% of total working age population, being higher by 0.2 p.p. on annual basis.



## 2. Prices, Costs and Productivity

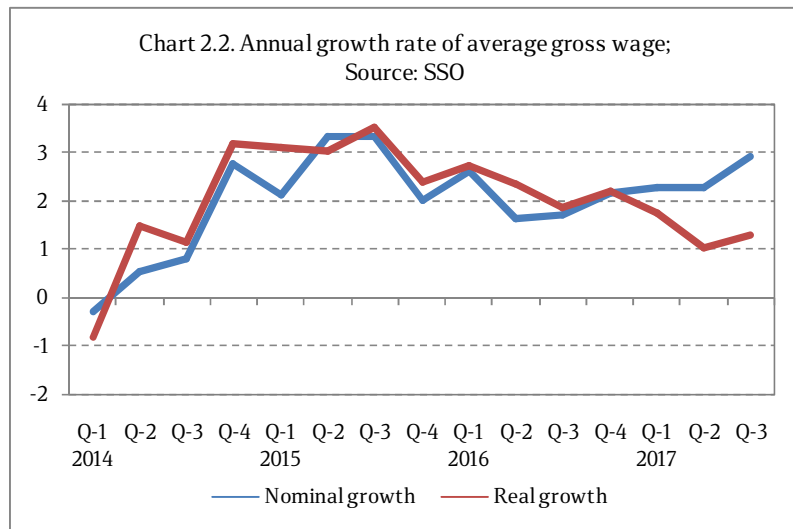
**Inflation rate**, measured according to CPI index, in Q3 2017, amounted to 1.6% on annual basis, following the 1.2% growth registered in Q2 2017. Growth of consumer prices in Q3 2017 was a result of the higher prices in the following categories. Communications by 9.5%, Alcoholic beverages, tobacco and narcotics by 6.6%, Transport by 5.0%, Restaurants and hotels by 4.2%, Recreation and culture by 1.6%, Food and non-alcoholic beverages by 1.0% and Clothing and footwear by 0.3%. Price decline in Q3 2017 was recorded at the following categories: Health by 0.7%, Furnishings, household equipment and routine maintenance of the house by 0.5%, Education by 0.3%, Housing, water, electricity, gas and other fuels by 0.2% and Miscellaneous goods and services by 0.5%.



**Retail prices** in Q3 2017, compared to the same quarter in 2016, surged by 3.7% following their 2.6% growth in Q2 2017. Prices of goods in Q3 2017 increased by 1.3%, while prices of services picked up by 7.6% compared to the same quarter in 2016. Within Goods category, prices of agricultural products surged by 5.7%, while prices of industrial

products grew by 0.8%. Increase of prices of industrial produces were a result of the higher prices of: tobacco by 9.1%, food industrial products by 1.0%, non- food industrial products by 0.2% while retail price of beverages decreased by 0.1%.

Average monthly **net wage** in Q3 2017 amounted to Denar 22,937, being higher by 3.0% in nominal terms compared to the same quarter in 2016. Net wage increased by 1.4% in real terms. Average monthly **gross wage** amounted to Denar 33,710, increasing by 2.9% in nominal terms, i.e. surging by 1.3% in real terms.



**Labour productivity** in Q3 2017 decreased by 1.9%, following the 3.8% drop in the previous quarter, as a result of the significantly higher growth of employment than the production growth.

### 3. Fiscal Sector

#### 3.1. Budget revenues according to the economic classification

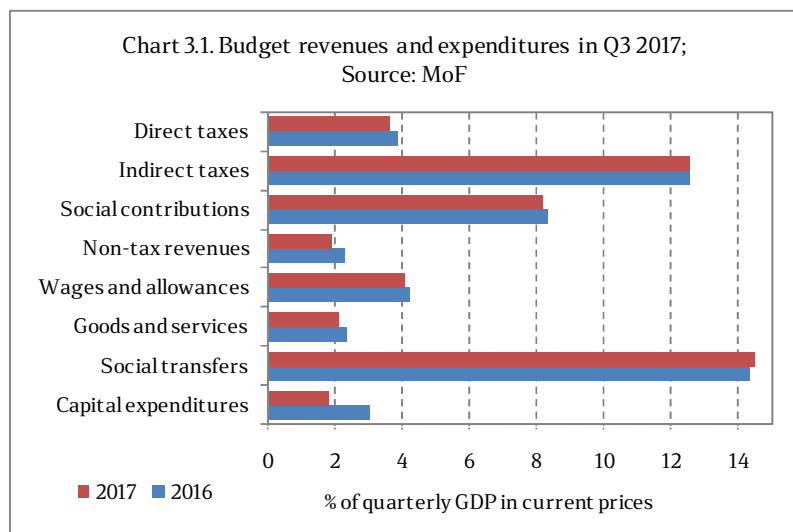
In Q3 2017, share of total budget revenues accounted for 27.9% of the realized quarterly GDP, being higher by 1.8% compared to the same quarter of last year, due to the higher collection of tax revenues and social contributions, while the collection of non-tax revenues was lower. Thereby, as for tax revenues, higher collection was recorded at value added tax, personal income tax, customs duties, as well as revenues on the basis of other taxes, while revenues on the basis of profit tax and excise duties experienced lower collection.

With respect to **indirect taxes**, VAT revenues predominated, accounting for 46.6% of total tax revenues in Q3 2017, being higher by 6.4% compared to the same quarter of last year. As for VAT revenue structure, the highest share was on the basis of import, followed by VAT revenues collected on the basis of sales in the country. Excise revenues were lower by insignificant 0.3%, while customs revenues grew by 3.5% compared to the same quarter of 2016.

As for **direct taxes**, collection of revenues on the basis of personal income tax increased by 4.2%, while profit tax revenues declined by 9.6% compared to the same

quarter of the previous year, as a result of the lower collection on the basis of monthly advance payments.

Collection of indirect taxes in Q3 2017 was higher by 3.9%, while collection of direct taxes was lower by 1.6% compared to Q3 2016. From the point of view of structural share in GDP, the share of revenues on the basis of direct taxes decreased by 0.2 p.p., i.e. from 3.9% of quarterly GDP in Q3 2016 to 3.7% in Q3 2017, while the share of revenues on the basis of indirect taxes remained at the same level, accounting for 12.6% of GDP in Q3 2017.



Collection of **social contributions** was higher by 1.6%, whereby higher collection was recorded at all contributions, i.e. pension and disability insurance by 1.7%, health insurance contributions by 1.5%, and employment contributions by 1.8%.

Collection of **non-tax revenues**, accounting for 1.9% of the quarterly GDP, was lower by 14.5% in Q3 2017 compared to the same quarter of 2016.

**Capital revenues**, including revenues on the basis of lease of construction land, sale of flats, as well as revenues on the basis of dividends, were lower by 8.1% on annual basis in Q3 2017. Revenues on the basis of foreign donations picked up by 71.8%.

### 3.2. Revenues by Budget Users<sup>2</sup>

Budget revenues and inflows in the Central Budget are performed mainly through the **Ministry of Finance – Functions of the State**, amounting to Denar 37.0 billion, i.e. 92.2% of revenues and inflows of all budget users in Q3 2017, accounting for 24.4% of the annual projections of this budget user. Within the Ministry of Finance - Functions of the State, tax revenues accounted for the most, i.e. 69.6% of total revenues and inflows to this budget user, whereby their collection reached 24.8% of the annual projections in the third quarter. Inflows on the basis of domestic borrowing in this period amounted to Denar 7.9 billion, accounting for 21.3% of the total amount of collected revenues and inflows at this budget user.

<sup>2</sup> Data also include the inflows and they are not consolidated.

**Ministry of Education and Science** has collected revenues in the amount of Denar 973 million, i.e. 2.4% of the revenues and inflows of all budget users, most of which, i.e. 84.8% of the total amount are non-tax revenues, mainly on the basis of fees and charges.

Next budget user having the largest revenues and inflows is the **Ministry of Transport and Communications**, the total revenues and inflows of which amount to Denar 439 million, i.e. 1.1% of the revenues and inflows of all budget users, being revenues on the basis of loans, i.e. realized on the basis of foreign borrowing.

**Ministry of Internal Affairs**, in Q3 2017, collected revenues in the amount of Denar 338 million, or 0.8% of the revenues and inflows of all budget users. Most, i.e. 80.7% of the total amount is on the basis of non- tax revenues.

The remaining budget users collectively generated revenues, accounting for 3.4% of total revenues and inflows. Detailed data on each budget user are shown in the statistical annex attached to the report.

As for budget funds, Pension and Disability Insurance Fund of Macedonia collected the most revenues, amounting to Denar 16.2 billion in Q3 2017, accounting for 24.9% of the Fund's annual projections.

### **3.3. Budget expenditures according to the economic classification**

In Q3 2017, total budget expenditures, accounting for 29.6% of the quarterly GDP, were higher by 3.0% compared to the same quarter of 2016.

**Current expenditures**, accounting for 27.9% of the quarterly GDP, participated with 94.0% in the total expenditures and experienced 8.0% higher execution on annual basis. As for current expenditures, expenditures for goods and services were lower by 6.2%, while expenditures related to wages and allowances decreased by 0.5% compared to the same quarter of 2016.

Funds for transfers, which participated with 64.5% in the total expenditures, were higher by 6.6% on annual basis. Social transfers surged by 5.0%, accounting for 49.0% of the total expenditures. Pension-related expenditures, accounting for the most of the social transfers, surged by 9.0%, accounting for 30.9% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 14.4% in the total expenditures, i.e. they surged by 8.8% compared to the third quarter in 2016. Block and earmarked grants to local government units surged by 2.1%, while subsidies and transfers were higher by 18.7%.

Interest-related expenditures grew by 67.6% on annual basis, whereby domestic debt interest-related expenditures increased by 19.1%, and expenditures related to interest on foreign debt surged by 82.8%.

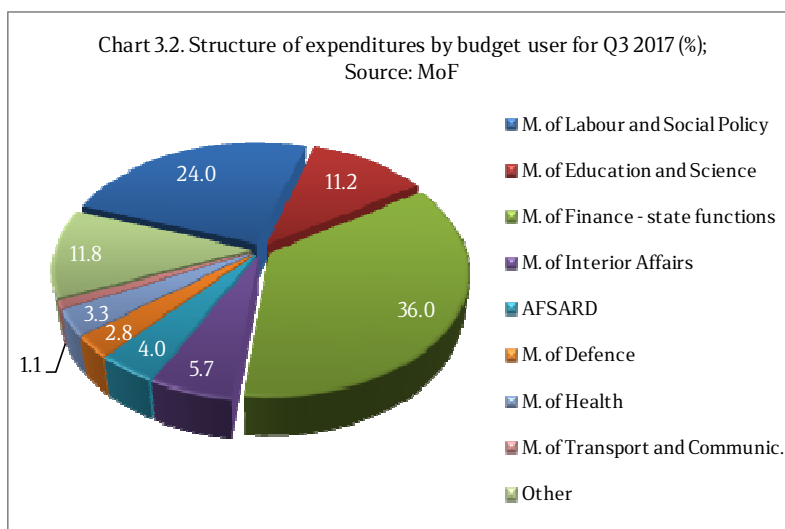
Execution of **capital expenditures**, accounting for 1.8% of the quarterly GDP, declined by 39.9% compared to the same quarter of 2016, i.e. they accounted for 6.0% of the total expenditures.

### 3.4. Expenditures by Budget Users<sup>3</sup>

Review of budget expenditures for the largest budget users is shown below, the total annual budget of which accounts for around 85% of the total budget of all budget users.

**Ministry of Labour and Social Policy**, in Q3 2017, executed expenditures in the amount of Denar 10.6 billion or 25.0% of the total budget for 2017. Thereby, most of the expenditures (72.5%) in this period are intended for current transfers to extra-budgetary funds, for which Denar 7.7 billion was spent or 24.7% of the funds intended for 2017. The second highest expenditure category was social benefits, participating with 20.7% in the total expenditures. As for this purpose, 27.2% (Denar 2.2 billion) of the expenditures projected for 2017 were executed.

**Ministry of Education and Science**, in Q3 2017, realized budget funds in the amount of Denar 5.0 billion, i.e. 20.8% of the total budget for 2017. Current transfers to local government units account for most of the expenditures (64.2%), for which Denar 3.2 billion was spent or 24.4% of total projected funds. Wages and allowances are the second



highest expenditure category, participating with 16.6%, Denar 820 million being spent therefore, i.e. 24.5% of the total projected funds. As for goods and services, accounting for 14.2% of the total expenditures, Denar 701 million was spent, accounting for 16.1% of the total funds projected for the current year.

In Q3 2017, Denar 15.9 billion was spent through the organizational code **Ministry of Finance – Functions of the State**<sup>4</sup>, accounting for 41.3% of the annual budget. Most of

<sup>3</sup> Data also include the outflows and they are not consolidated.

<sup>4</sup> As regards the organizational code “Functions of the State”, 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



the expenditures or 59.4% are for principal repayment, for which Denar 9.4 billion was spent or 51.9% of the funds projected for this purpose. As regards interest payments, they accounted for 25.8% of the total expenditures, with Denar 4.1 billion being spent therefore or 49.9% of the projected interest payments. The third highest expenditure category was capital expenditures, accounting for 8.0%, with Denar 1.3 billion being spent therefore or 17.1% of the annual projections.

In Q3 2017, **Ministry of Internal Affairs** spent a total amount of Denar 2.5 billion, accounting for 24.6% of its 2017 budget. Wages and allowances were the highest expenditure category, accounting for 69.7%, with Denar 1.8 billion being spent therefore or 24.3% of the projected ones. Second most important item is goods and services, participating with 21.3%, for which Denar 538 million was spent or 31.0% of the annual projections.

**Agency for Financial Support in Agriculture and Rural Development** spent funds in the amount of Denar 1.8 billion in Q3 2017, accounting for 21.3% of the funds projected for the current year. Subsidies and transfers were the highest expenditure category, accounting for 92.5%, funds in the amount of Denar 1.6 billion being executed therefore or 24.5% of the projected ones. Capital expenditures accounted for 6.3% of the total expenditures, with funds in the amount of Denar 112 million being executed therefore or 7.3% of the annual projections.

**Ministry of Defense**, in Q3 2017, spent budget funds in the amount of Denar 1.2 billion, i.e. 22.1% of the total 2017 budget. Wages and allowances accounted for the most with 70.7%, for which Denar 867 million was realized, accounting for 24.6% of the total funds planned for the current year. Expenditures related to goods and services accounted for 24.5% of total expenditures, with Denar 301 million being spent therefore during the analyzed period, i.e. 22.2% execution of the total projected funds.

**Ministry of Health**, in Q3 2017, spent budget funds in the amount of Denar 1.5 billion, accounting for 24.7% of the total 2017 budget. Current transfers to extra-budgetary funds account for the most of the expenditures with 59.1%, for which, in this period, Denar 862 million was spent or 35.9% of the funds projected for 2017. Expenditures related to goods and services were the second highest expenditure category, accounting for 23.0% of the total expenditures, with funds in the amount of Denar 336 million being executed therefore in the analyzed period, i.e. 17.8% of total projected ones. Capital expenditures, participating with 16.3% in the total expenditures, were executed in the amount of Denar 238 million or 15.9% of the annual plan.

**Ministry of Transport and Communications**, in Q3 2017, spent budget funds in the amount of Denar 479 million, i.e. 11.0% of the 2017 total budget. Capital expenditures accounted for the most in the total expenditures with 67.4%, while their execution in this period accounted for 9.2%, i.e. Denar 322 million was spent. Subsidies and transfers

accounted for 21.9% of total expenditures, their execution accounting for 17.4%, i.e. Denar 105 million being spent therefore.

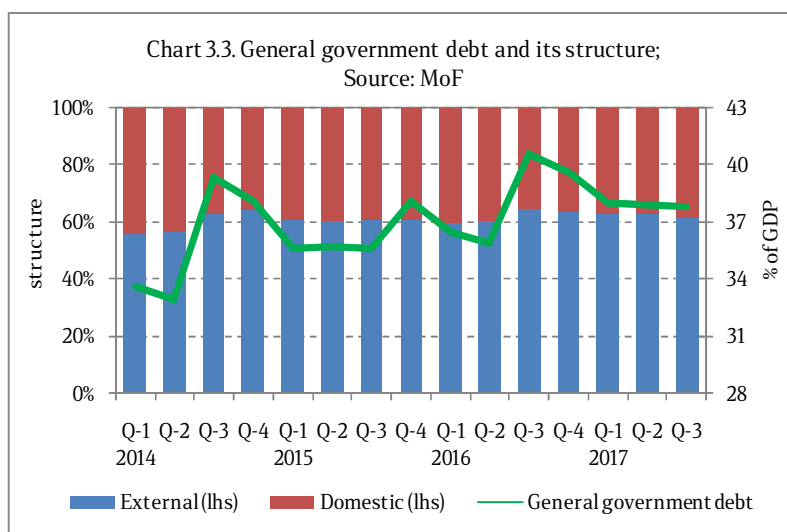
For the purpose of **financing the activities in the field of culture**<sup>5</sup>, funds in the amount of Denar 769 million were spent in Q3 2017, i.e. 15.7% of the total budget for 2017. Wages and allowances accounted for the most in the total expenditures with 33.7%, while their execution in this period accounted for 24.9%, i.e. Denar 259 million was spent. Subsidies and transfers accounted for 27.7%, whereby Denar 213 million or 16.8% of the projected funds were spent for this purpose. As for capital expenditures, Denar 207 million was executed, being 9.8% of the total funds projected for the current year, accounting for 26.9% of the total expenditures.

Detailed data on each budget user are shown in the statistical annex attached to the report.

### 3.5. Budget deficit and government debt

In the third quarter of 2017, the **consolidated budget deficit** amounted to Denar 2,745 million or 1.7% of GDP realized in this quarter, while central budget deficit amounted to Denar 3,216 million, i.e. 2.0% of quarterly GDP.

Total **government debt** at the end of Q3 2017 accounted for 37.8% of GDP, decreasing by 0.1 p.p. compared to Q2 2017. The share of the external debt in the total government debt decreased by 1.8 p.p. compared to Q2 2017, accounting for 61.3% of total government debt, while the share of domestic debt increased accordingly to 38.7% of the total government debt.



## 4. Monetary and Financial Trends

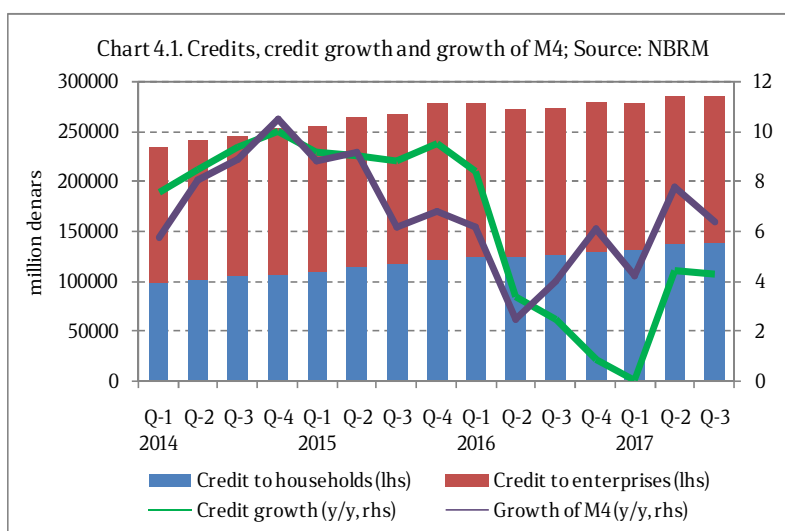
In the third quarter of 2017, National Bank of the Republic of Macedonia retained the reference interest rate at 3.25%, after its reduction by 0.5 p.p., from 3.75% to 3.25% in the

<sup>5</sup>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 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.

first quarter, being due to the constant stabilization of the expectations of the economic entities and the continuous exhaustion of the effects of the political crisis, as well as the favourable trends on the foreign currency market, as a result of the NBRM intervention by repurchasing foreign currencies. Interest rate on available 7-day deposits amounted to 0.5% in September 2017 and, compared to the previous quarter, it remained unchanged.

**Primary money**<sup>6</sup> in Q3 2017 increased by 0.6% on quarterly basis (0.3% growth was recorded in the previous quarter) as a result of the increase of currency in circulation by 1.0%, while total liquidity of banks grew by 0.2%. Compared to Q3 2016, primary money surged by 4.3% (compared to 5.1% growth in Q2 2017), as a result of the increase of currency in circulation by 9.8% and drop of total liquidity of banks by 1.1%.

In Q3 2017, the narrowest money supply M1<sup>7</sup> experienced 2.7% increase compared to the previous quarter. Monetary aggregate M2 surged by 0.5%, while the widest monetary aggregate M4 increased by 1.0%.



Total **deposit potential**<sup>8</sup> of banks in Q3 2017 increased by 0.8% on quarterly basis, compared to the previous quarter when the deposit potential grew by 0.2%. Sector analysis shows that deposits of enterprises dropped by 2.5%, while deposits of households grew by 0.9%. From currency point of view, Denar and foreign currency deposits, surged by 0.9% and 0.6% respectively compared to the previous quarter. Level of euroization dropped by 0.1 p.p. compared to the previous quarter, i.e. to 41.1%, measured through the share of foreign currency deposits in the total deposit potential.

As regards maturity, share of long-term deposits in total deposit potential in Q3 2017 increased by 0.5 p.p. compared to the previous quarter, reaching 27.8% (accounting for 27.3% in Q2 2017), as a result of the increase of long-term deposits by 2.4% in relation to the previous quarter. Short-term deposits dropped by 1.1% in the analyzed period.

<sup>6</sup> It includes currency in circulation (including cash in hand of banks), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).

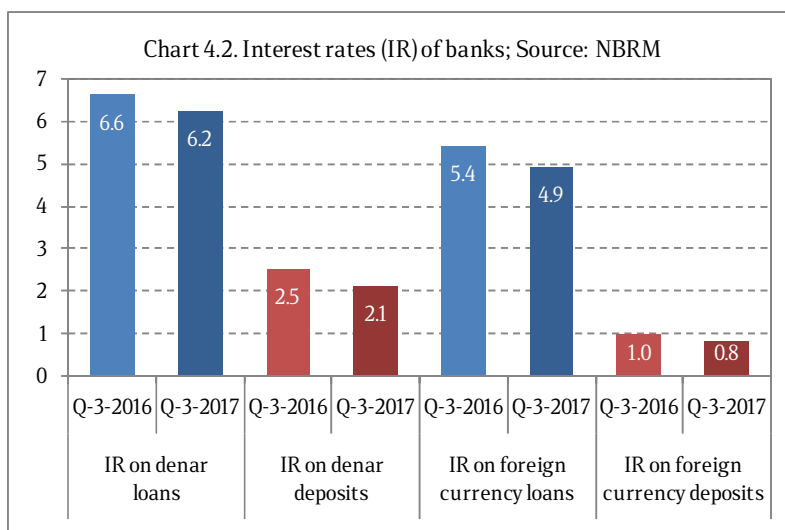
<sup>7</sup> Monetary aggregate M1 includes currency in circulation and demand deposits. Monetary aggregate M2 is composed of monetary aggregate M1 and short-term deposits, while the monetary aggregate M4 is composed of monetary aggregate M2 and long-term deposits.

<sup>8</sup> Deposits also include calculated interest.

**Credit activity** of banks to non-government sector in Q3 2017 increased by 0.2 % on quarterly basis (compared to 2.2% growth in the previous quarter), in conditions of drop of credits to private enterprises by 1.4%, while credits to households grew by 2.1%.

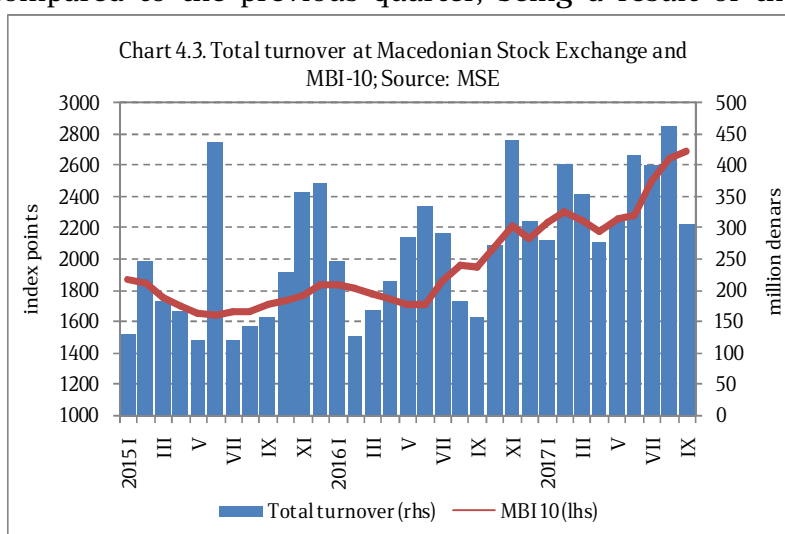
From currency point of view, Denar credits grew by 0.8%, while foreign currency credits registered 2.7% drop in Q3 2017. From maturity point of view, in Q3 2017, long-term credits experienced 1.3% growth in relation to the previous quarter, while short-term credits dropped by 2.9%.

In Q3 2017, **interest rate** on Denar credits amounted to 6.2%, decreasing by 0.1 p.p. compared to the previous quarter. Interest rate on foreign currency credits was 4.9% in Q3 2017, dropping by 0.1 p.p. compared to the previous quarter. Interest rate on Denar deposits dropped by 0.1 p.p., accounting for 2.1% in Q3 2017 compared to the



previous month, while interest rate on foreign currency deposits reduced by 0.1 p.p., accounting for 0.8%. In Q3 2017, interest rate on newly granted Denar credits amounted to 5.3%, while interest rate on newly approved foreign currency credits accounted for 4.2%. Interest rates on newly received Denar and foreign currency deposits accounted for 1.5% and 0.9% respectively.

As regards the **capital market**, in Q3 2017, total turnover on the Stock Exchange experienced 15.7% increase compared to the previous quarter, being a result of the increase of the turnover realized through block transactions by 48.0%, while the turnover realized through trading in best grew d by 6.3%. Compared to the same quarter in 2016, total turnover surged by 85.0%, in conditions of increase of the turnover realized through trading in best by 73.8%, while turnover realized through



block transactions grew by 1.2 times (120.0%).

Macedonian Stock Exchange Index MSEI -10, as aggregate indicator of stock exchange trends at the end of the third quarter amounted to 2,688.66 index points, increasing by 17.8% compared to June 2017, while compared to September 2016, the index was higher by 37.6%.

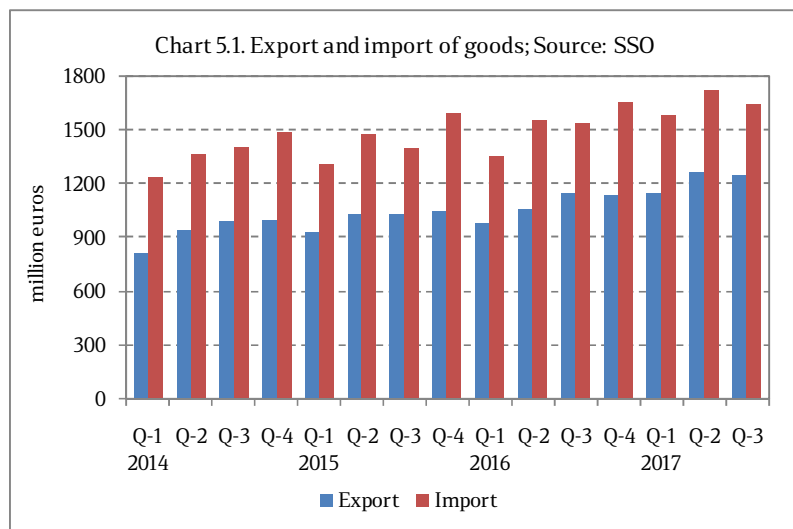
## 5. External Sector

### 5.1. Foreign Trade

According to the data of the State Statistical Office, total foreign trade amounted to EUR 2,895.9 million in Q3 2017, surging by 7.7% compared to the same quarter of 2016.

In Q3 2017, **export of goods** amounted to EUR 1,250.1 million, whereby compared to Q3 2016, it surged by 8.8%, while compared to the previous quarter, it decreased by 1.6%.

Analyzed by SITC **sectors** (Standard International Trade Classification), positive trends in the export in Q3 2017, compared to the same quarter of 2016, were registered at the following:



- machinery and transport equipment, increasing by 14.7% (within which highest increase was seen at the following categories: electrical machinery, apparatus and appliances by EUR 38.7 million or 30.8% and road vehicles by EUR 17.3 million or 49.8%);
- chemical products, increasing by 12.5% (chemical materials and products by EUR 25.8 million or 12.1%);
- crude materials, inedible, except fuels, growing by 43.1% (metal ores and metal scrap by EUR 12.8 million or 34.7%);
- miscellaneous manufactured articles, surging by 6.9% (furniture and parts thereof, bedding, mattresses and similar by EUR 7.9 million or 23.2% and footwear by EUR 2.5 million or 15.3%);
- mineral fuels and lubricants, increasing by 36.4% (electricity by EUR 5.5 million or increase by eight times) and

- beverages and tobacco, growing by 3.5% (tobacco and tobacco products by EUR 2.1 million or 3.8%).

On the other hand, negative export trends were seen at:

- manufactured goods classified chiefly by material, dropping by 7.0% (export of iron and steel dropped by EUR 14.9 million or 12.2%);
- animal and vegetable oils, decreasing by 77.6% (fixed vegetable fats and oils, crude, refined or fractionated by EUR 4.5 million or 80.3%) and
- food products, declining by 1.2% (fruit and vegetables by EUR 4.1 million or 8.7%).

In Q3 2017, **observed by economic purpose**, the largest share in export had industrial supplies (47.1%), followed by the categories: consumer goods (15.9%), products for investments without transport equipment (14.8%), transport equipment (12.8%), food and beverages (7.8%) and fuels and lubricants (1.5%).

**Import of goods** in Q3 2017 amounted to EUR 1,645.9 million, surging by 6.9% compared to Q3 2016, while in relation to the previous quarter, it decreased by 4.4%.

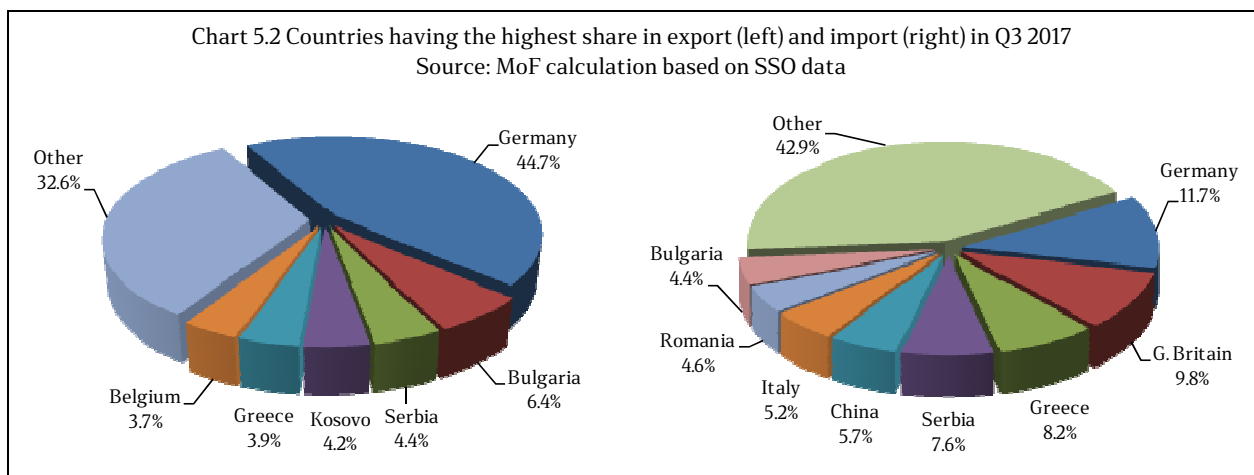
Analyzed by SITC **sectors**, increase of import in Q3 2017, compared to Q3 2016, was seen at:

- machinery and transport equipment, increasing by 12.9% (within which highest increase was seen at the following categories: electrical machinery, apparatus and appliances by EUR 32.6 million or 30.5% and road vehicles by EUR 9.3 million or 12.7%);
- mineral fuels and lubricants, increasing by 13.5% (petroleum and petroleum products by EUR 11.5 million or 11.0% and natural and manufactured gas by EUR 7.1 million or 58.3%);
- manufactured goods classified chiefly by material by 3.6% (textile yarn, fabrics and made-up articles by EUR 7.7 million or 8.8%; leather, leather manufactures and dressed furskins by EUR 6.1 million or 74.6% and non-metallic mineral manufactures by EUR 4.4 million or 5.1%);
- crude materials, inedible, except fuels, growing by 28.6% (metal ores and metal scrap by EUR 7.0 million or 48.7%);
- food products, surging by 6.0% (cereals and cereal preparations by EUR 4.6 million or 27.7% and meat and meat preparations by EUR 2.9 million or 8.8%);
- chemical products, increasing by 4.3% (plastics in non-primary forms by EUR 2.9 million or 12.5%, chemical materials and products by EUR 2.5 million or 6.3% and inorganic chemicals by EUR 2.3 million or 26.0%) and
- miscellaneous manufactured articles, increasing by 3.7% (professional, scientific and controlling instruments and apparatus by EUR 2.1 million or 14.3% and furniture and parts thereof, bedding, mattresses and similar by EUR 1.9 million or 14.6%).

The highest decline of import was seen at the following:

- animal and vegetable oils, decreasing by 29.3% (wherein, highest drop was seen at the category fixed vegetable fats and oils, crude, refined or fractionated by EUR 4.2 million or 29.8%) and
- beverages and tobacco, decreasing by 1.2% (tobacco and tobacco manufactures by EUR 1.6 million or 12.8%).

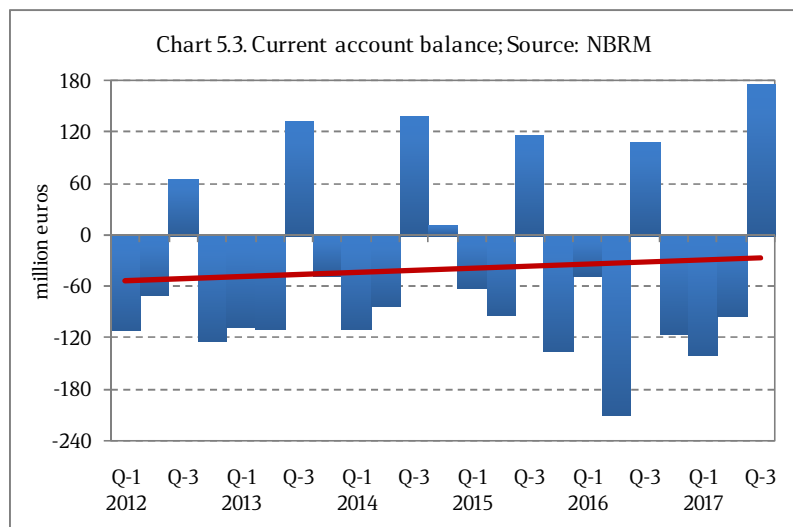
Observed **by economic purpose**, the largest share in import in Q3 2017 had industrial supplies (50.1%), followed by the categories: products for investments without transport equipment (13.8%), consumer goods (10.3%), food and beverages (9.8%), fuels and lubricants (9.6%) and transport equipment (6.4%).



In Q3 2017, foreign trade of the Republic of Macedonia with the European Union (EU28), in relation to Q3 2016, surged by 14.4%, whereby share of trade with the EU28 in the total foreign trade increased by 1.4 p.p. compared to the same quarter in 2016, accounting for 71.1%. Thereby, in Q3 2017, export of goods accounted for 80.8%, while share of import of goods was 63.8%.

## 5.2. Balance of Payments

According to the data from the National Bank of the Republic of Macedonia, surplus in the amount of EUR 174.9 million was recorded on the balance of payments **current account** in Q3 2017, accounting for 6.7% of quarterly GDP, as opposed to the surplus of 4.3% of GDP registered in the same quarter of 2016.



Analyzed on annual basis, current account surplus increased by EUR 66.9 million in Q3 2017, being a result of the increase of the positive balance on the secondary income account by 4.7% and the services account by 38.8%, as well as the narrowed deficit of the goods account by 0.6%. Widened deficit on the primary income account by 10.1% had the opposite effect.

In Q3 2017, in conditions of greater increase of export compared to import of goods, **trade deficit** narrowed by EUR 2.6 million on annual basis, accounting for 15.9% of quarterly GDP, being by 0.6 p.p. lower than the deficit in the same quarter of 2016.

Surplus on **services account** amounted to EUR 182.9 million in Q3 2017 and,

compared to the same quarter of 2016, it surged by EUR 51.1 million.

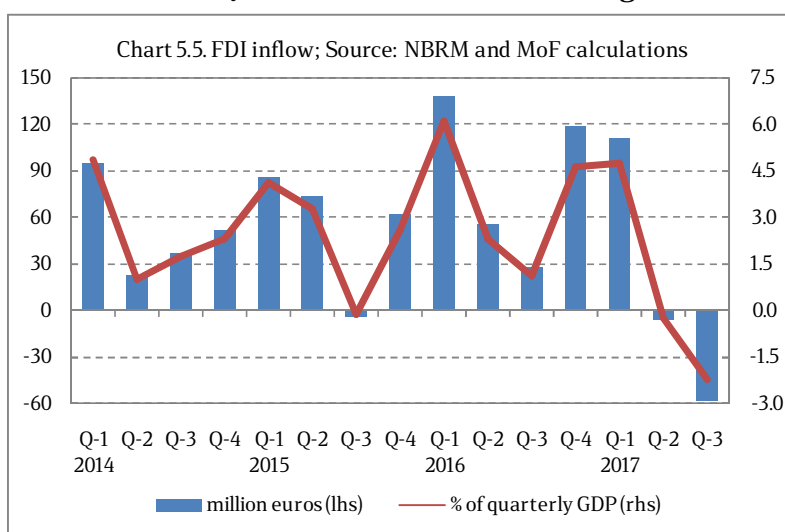
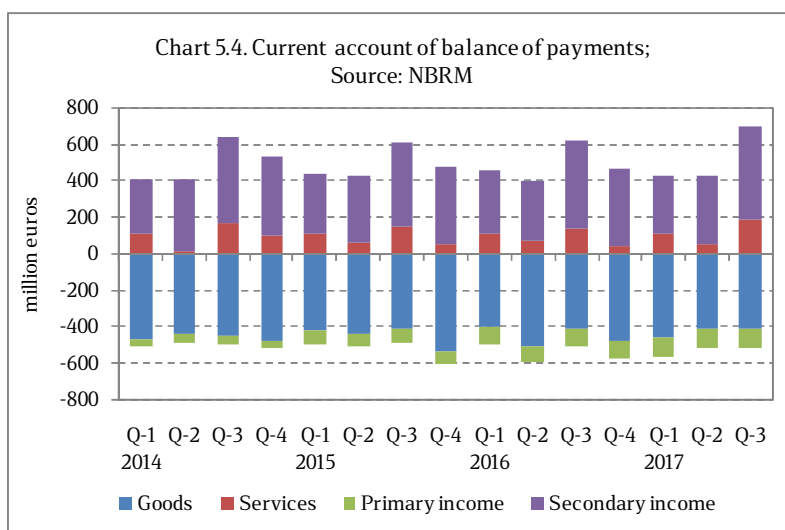
**Trade openness** of Macedonia in Q3 2017 accounted for 121.0% of quarterly GDP, increasing by 3.2 p.p. compared to Q3 2016.

**Primary income** account experienced EUR 105.1 million deficit in Q3 2017, widening by EUR 9.6 million on annual basis.

Surplus on the **secondary income** account amounted to EUR 509.2 million in Q3 2017, increasing by EUR 22.8 million on annual basis. Growth was mostly a result of the official transfers, increasing by EUR 15.2 million, accounting for 4.5% in the secondary income account. Private transfers increased by EUR 7.6 million, accounting for 95.5% in the secondary income account.

Balance on the **capital account** amounted to EUR 0.04 million in Q3 2017 and, compared to the same quarter of last year, it dropped by EUR 5.2 million, which is due to the reduced inflow of capital transfers.

**Foreign Direct Investments** (FDIs) in the





country in Q3 2017 were negative, amounting to EUR 57.8 million, mainly arising from the debt instruments, through which there was outflow of EUR 67.0 million on net basis, being a result, to a lesser extent (EUR 5.3 million) from the outflow on the basis of equity, while on the basis of reinvested earnings, inflow of EUR 14.4 million was registered.

**Portfolio investments** amounted to EUR 39.6 million in Q3 2017, as opposed to the negative value in the amount of EUR 432.4 million in the same quarter in 2016.

**Other investments** in Q3 2017 amounted to EUR 180.0 million, under which, currencies and deposits amounted to EUR 158,2 million and the loans amounted to EUR 43.6 million, while the balance on the account of trade credits and advance payments was negative, amounting to EUR 21.8 million.

**Reserve assets** amounted to EUR 2.3 billion at the end of the third quarter of 2017, decreasing by 15.8% compared to Q3 2016. At the end of Q3 2017, reserve assets provided for 4-month coverage of import of goods and services in the previous 12-month period.