



REPUBLIC OF MACEDONIA  
MINISTRY OF FINANCE  
Macroeconomic Policy Department

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# SHORT-TERM ECONOMIC TRENDS

June 2014



Skopje, August 2014

## SUMMARY

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

June 2014

- In June 2014, industrial production increased by 4.9% compared to June 2013.
- Inflation dropped by 1.1% on annual basis, while it decreased by 0.2% on monthly basis. Average inflation rate in the first half of 2014 amounted to -0.2%.
- Export in the period January – June 2014, surged by 12.8%, while import increased by 6.7%, resulting in decrease of trade deficit by 3.6% compared to the same period in 2013;
- In the first half of 2014, total budget revenues grew by 3.8%, while total expenditures increased by 4.3%. Deficit of the Budget of the Republic of Macedonia amounted to Denar 14,758 million (2.97% of GDP), while central budget deficit amounted to Denar 12,624 million (2.5% of GDP);
- Increase of both total credits to private sector by 8.5% and total deposit potential of banks by 8.3% on annual basis.

# 1. Real Sector

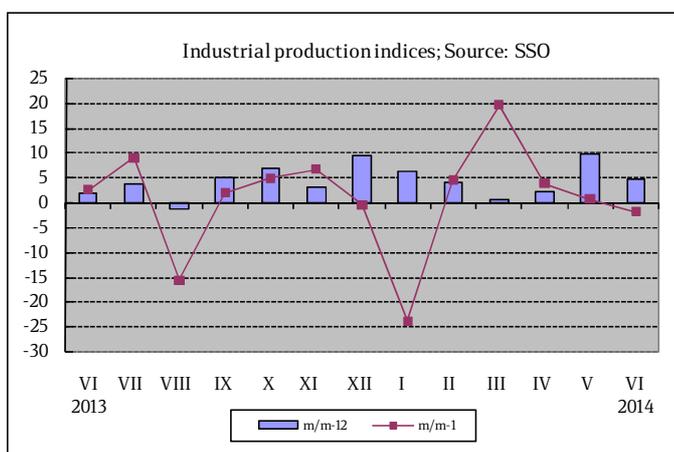
## Industrial Production

In June 2014, industrial production increased by 4.9% compared to June 2013. Analyzed by sectors, processing industry sector experienced 12.8% production growth. Mining and quarrying sector experienced a drop of 9.9% as a result of the drop in the branches mining of metal ore by 20.5% and mining of coal and lignite by 3.1%, while other mining and quarrying surged by 11.6%. Electricity, gas, steam and air-conditioning supply sector experienced a 33.1% decline.

	m/m-1	m/m-12	$\frac{I-VI\ 2014}{I-VI\ 2013}$
Total	4.9	-1.9	4.5
Ore and stone extraction	-9.9	-15.4	0.4
Processing industry	12.8	3.6	10.3
Electricity, gas and water supply	-33.1	-28.8	-21.2

Source: SSO

As for processing industry, annual positive growth was registered at 16 out of 23 branches, comprising 62.95% of the industrial production. As regards the branches with two-digit share in the structure of industrial production, growth of 9.4% was registered at production of clothing, while growth of 4.2% was recorded at production of food products. High growth was seen at the following branches: Production of textile – 72.7%, repair and installation of machinery and equipment – 71.8%, production of furniture – 53.9%, production of chemicals and chemical products – 51.8%, production of machines and devices elsewhere unmentioned – 42.4%, manufacture of electrical equipment – 29.7% and production of basic pharmaceutical products and preparations – 23.2%. Production of machines and devices, not mentioned elsewhere (2.5 p.p.) contributed the most to the annual change of industrial production in June 2014, while production of rubber and plastic mass products, as well as production of fabricated metal products, except machines and equipment had the highest negative contribution (-0.3 p.p.).



Industrial production in June 2014 compared to May 2014 dropped by 1.9%. Sector analysis points out to increase in the sector processing industry by 3.6%, while drop was recorded in the sectors electricity, gas, steam and air-conditioning supply by 28.8% and mining and quarrying by 15.4%.

On cumulative basis, industrial production in the period January-June 2014 increased by 4.5% compared to the same period in 2013. Sectors processing industry sector and mining and quarrying sector increased by 10.3%, i.e. 0.4%, while electricity, gas, steam and air-conditioning supply sector dropped by 21.2%.

Data on the industrial production by target groups in June 2014, compared to June 2013, show that there was increase in the production at the following groups: Capital goods – 70.6%, consumer durables – 3.6%, consumer non-durables by 6.4% and intermediary goods, except energy – 0.2%, while decline was registered at the energy group – 26.9%.

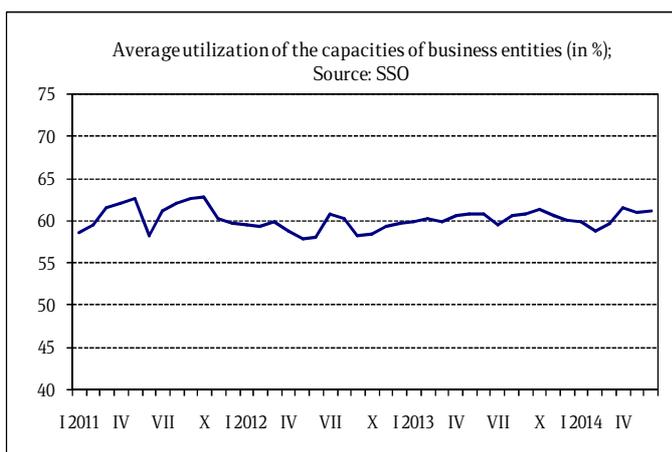
On monthly basis, data on the industrial production by target groups in June 2014 show that there was increase in the production at the following groups: Consumer durables – 43.8%, consumer non-durables – 4.2% and capital goods – 1.1%. Drop was seen at the following groups: Energy by 28.8% and intermediary goods, except energy by 1.8%.

On cumulative basis, in the period January–June 2014, compared to the same period last year, growth was registered in the following groups: Capital goods – 41.7%, intermediary goods, except energy – 8.7%, consumer non-durables – 3.5% and consumer durables – 2.2%. Drop of 16% was registered only at the energy group.

### Business Tendencies in the Processing Industry

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

Assessment of current state of delivery-to-production was more favourable compared to the previous month, while compared to June 2013, it was less favourable. In June 2014, assessment for the production volume in the past three months was more favourable compared to May 2014, and less favourable compared to June 2013.



In June 2014, the expectations for the production volume in the next three months were less favourable compared to the previous month, while compared to June 2013, they were more favourable.

As regards the number of employees, the expectations in June 2014 for the next three months remain unchanged compared to the previous month, while compared to June 2013, they were more favourable.

Average utilization of the capacities in June 2014 accounted for 61.2%, being an increase compared to the previous month, when it accounted for 61.1%. Compared to June 2013, the utilization of the capacities was higher by 0.3 p.p..

In June 2014, stocks of raw materials and intermediate goods, as well as on-going procurement of raw materials and intermediate goods, were below and around the average. Assessment of the current stock of ready-made products was more favourable compared to both the previous month and June 2013. In the next 3-month period, according to the assessment of managers, average purchase prices

of inputs are expected to decline, while selling prices of ready-made products are expected to increase.

According to the assessment, following factors limited the most the production volume in June 2014: insufficient foreign demand – 25.8%, insufficient domestic demand – 18.8%, lack of qualified labour force – 13.3%, uncertain economic surrounding – 7.8% and , financial problems -7.6%.

Less business entities indicated the following as a limiting factor in June 2014, compared to May 2014: insufficient domestic demand, insufficient foreign demand, competitive import, financial problems, and uncertain economic surrounding while bigger number of business entities indicated: shortage of raw materials, lack of equipment, shortage of skilled labour force and unclear economic laws.

### Number of Industrial Workers

Number of workers in the industry in June 2014 compared to June 2013 increased by 7.4%. Sector analysis points out to increase in the number of workers in the sectors processing industry by 8.7% and in the mining and quarrying sector by 0.6%, while the number of workers in the sector electricity, gas, steam and air-conditioning supply, decreased by 0.8%.

Data on the number of workers in the industry by target groups in June 2014, compared to June 2013, showed increase in the number of workers at the following groups: Capital goods – 99.7%, consumer durables – 8.5%, intermediary goods, except energy – 3.1%, and consumer non-durables by 2.5%, while decline was registered at the energy group – 4.2%.

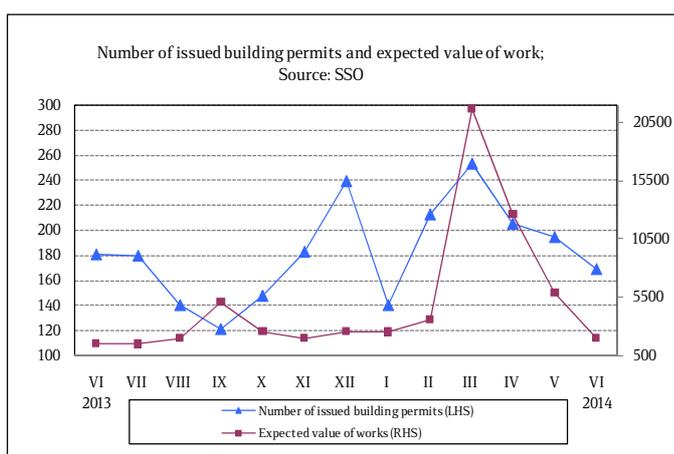
Index on the number of workers in the industry in the period January - June 2014, compared to the period January –June 2013, accounted for 7%.

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

In June 2014, 169 building permits were issued, dropping by 6.1% compared to the same month in the previous year. Compared to May 2014, when 194 permits were issued, total number of issued building permits decreased by 12.9%.

Envisaged value of the facilities, according to the

issued building permits in June, amounted to Denar 1,933 million, being by almost 1.3 times more compared to June 2013. In relation to May 2014, value of the facilities declined by 67%.

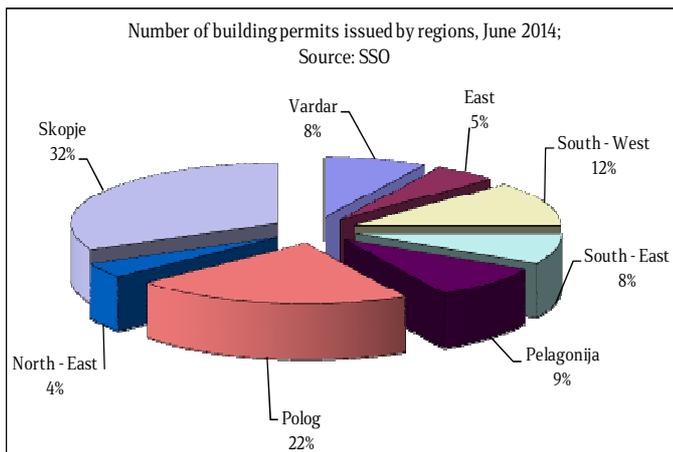


Analyzed by types of facilities, out of the total number of issued building permits, 126 (or 74.6%) were intended for buildings, 18 (or 10.6%) for civil engineering structures and 25 (or 14.8%) for reconstruction facilities.

Analyzed by types of investors, out of total 169 issued building permits, natural persons were investors in 119 facilities (or 70.4%), while business entities were investors in 50 facilities (or 29.6%).

In June 2014, construction of 292 flats was envisaged, with total usable area of 26,765 m<sup>2</sup>. Number of flats envisaged for construction increased by 46.7% compared to the same month in 2013, while it decreased by 42.1% compared to May 2014.

Analyzed by regions, in June 2014, most permits were issued in the Skopje region, 54 in total, 36 permits out of which were issued to natural persons as investors, while 18 permits were issued to business entities as investors. Least building permits were issued in the Northeastern



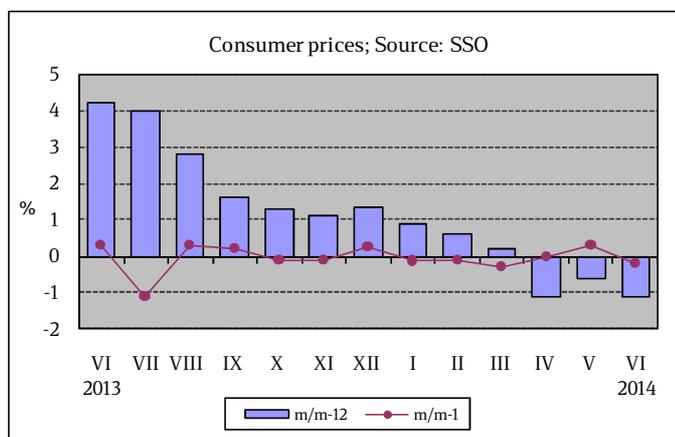
region, 6 permits in total, 5 permits out of which were issued to natural persons as investors, while 1 permit was issued to business entities as investors.

Analyzed on cumulative basis, in the period January - June 2014, most building permits were issued in the Skopje region, 397 in total, 209 permits out of which were issued to natural persons as investors, while 188 permits were issued to business entities as investors. Least building permits were issued in the Northeastern region, 60 permits in total, 42 permits out of which were issued to natural persons as investors, while 18 permits were issued to business entities as investors.

## Inflation

Annual inflation rate in June 2014, measured according to the CPI index, amounted to -1.1%. Compared to May 2014, inflation decreased by 0.2%. Average inflation rate in the first six months in 2014 amounted to -0.2%.

On annual basis, prices in food and non-alcoholic beverages category, accounting for the most in the CPI index, experienced 3% decrease, being mainly due to the drop of prices of oil, fruit and vegetables. Price reduction was registered at the following



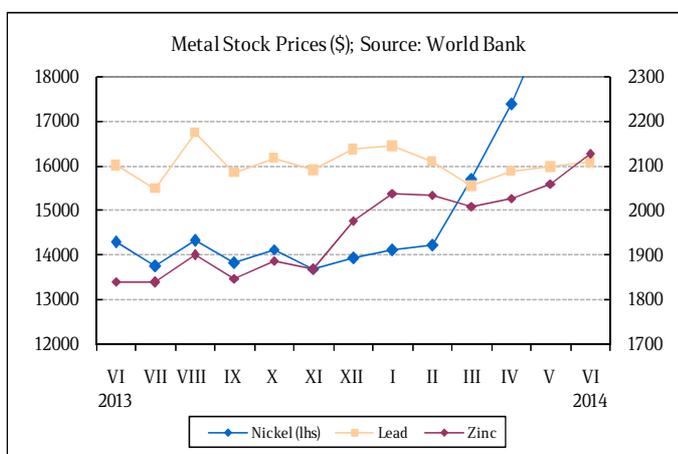
categories: Recreation and culture by 5.4%, communications by 3.4%, furniture, household furnishings and maintenance of household furnishings by 1.7%, housing, water, electricity, gas and other fuels by 1.5%, and restaurants and hotels by 1.2%. Highest annual increase of prices in June was seen at the health category by 10.9%. Price increase was also recorded in the following categories: Alcoholic beverages and tobacco by 2.7%, other goods and services by 1.8%, clothing and footwear by 1.5%, transport by 1.2% and education by 0.2%.

Inflation dropped by 0.2% in June 2014 on monthly basis. Prices in the category food and non-alcoholic beverages decreased by 0.6%. Monthly drop of prices was also registered at the following categories: Communications by 2.1%, recreation and culture by 0.6% and furniture, household furnishings and maintenance of household furnishings by 0.3%. Highest increase of prices on monthly basis in June was recorded in the health category by 1.5%. Price increase was registered in the following categories: Alcoholic beverages and tobacco and transport by 0.3%, restaurants and hotels by 0.2% and other goods and services by 0.1%. Prices remained the same in the categories clothing and footwear, housing, water, electricity, gas and other fuels and education.

Retail prices in June 2014 compared to June 2013 were lower by 1.4%. Compared to the previous month, retail prices were reduced by 0.4%. Average increase of retail prices in the first half of 2014 amounted to -0.5%.

### Stock Market Prices

In June 2014, (Brent) crude oil price on the global stock markets grew by 2%, compared to the previous month, reaching the price of US\$ 111.9 per barrel. Compared to June 2013, oil price surged by 8.5%. Price of natural gas in June decreased by 1.8% 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\$ 18,629 for a metric ton (\$/mt) in June 2014, being a monthly price decrease by 4%. Compared to June 2013, nickel price surged by 30.5%. As for basic metals, monthly decrease of prices was also seen at tin and copper by 2.2% and 1% respectively, while price increase was recorded at aluminum by 5%, zinc by 3.4% and lead by 0.5%. Price of iron ore in June experienced monthly decline of 7.9%. As for precious metals, silver experienced monthly increase of price by 3.1%, while price of gold and platinum decreased by 0.8% and 0.2% respectively on monthly basis.

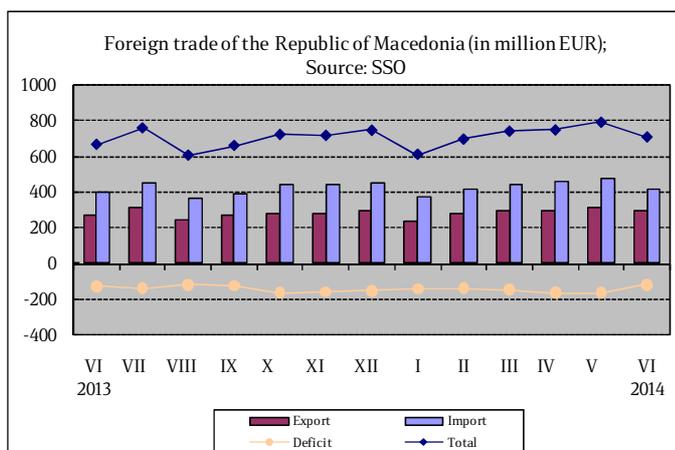
In June 2014, price of wheat on global stock markets dropped by 8.4% compared to May, while price of maize declined by 6.9%. Price of lamb meat registered monthly growth of 0.4%.

## 2. Foreign Trade

Total foreign trade in the first half of 2014 amounted to EUR 4,311.8 million, increasing by 9.1% compared to the same period in 2013.

### Export

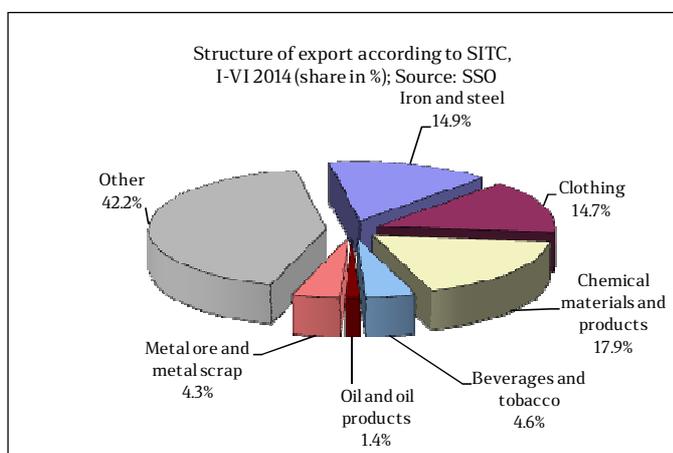
In the period January - June 2014, physical output of export remained at the same level compared to the period January-June 2013, while value of exported goods amounted to EUR 1720.7 million, surging by 12.8% (EUR 195.7 million) compared to the period January - June in 2013.



In June 2014, value of exported goods amounted to EUR 295.0 million, surging by 8.4% (EUR 22.9 million) compared to June last year. Analyzed on monthly basis, in June 2014, export decreased by 6.7% (EUR 21.3 million) compared to the previous month.

Seasonally adjusted trend of export in June 2014 decreased by 4.4% on monthly basis, pointing out to negative effects of the seasonal factor (2.3 p.p.) on export this month.

Main groups of goods (according to SITC) being most exported in the period January-June 2014 were the following: chemical materials and products - 17.9%, iron and steel - 14.9%, clothing - 14.7%, metal ore and metal scrap - 4.3%, beverages and tobacco - 4.6% and oil and oil products - 1.4%. These six groups of products comprised 42.2% of the total export of the country.



In the first half of 2014, observed by economic purpose, the following products were most exported: goods for industrial procurement (49.2%), followed by consumer goods (20.9%), products for investments without transport equipment (12.8%), food and beverages (9.2%), transport equipment (6.6%) and fuels and lubricants (1.3%).

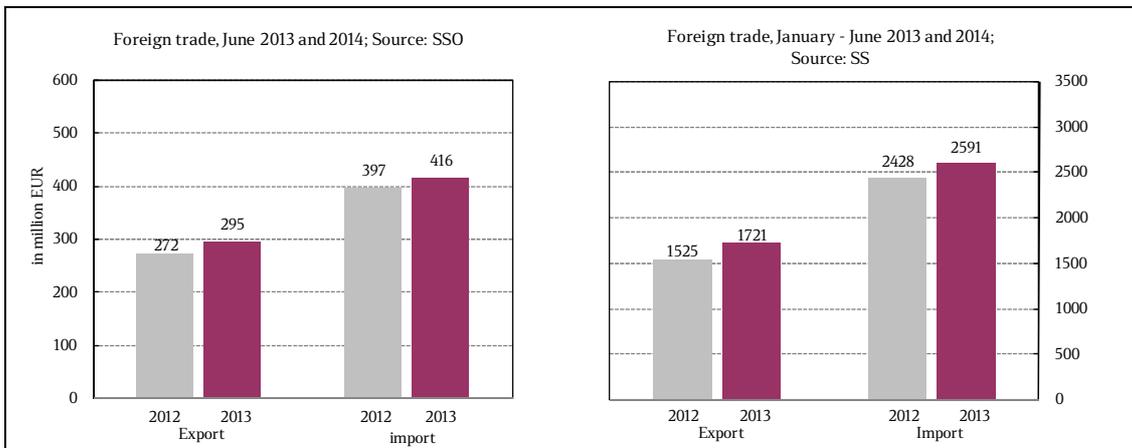
Export of iron and steel*)				
	I - VI - 2013	I - VI - 2014	Balance	% rate
000 T	283.2	278.6	-4.6	-1.6
EUR mil.	291.3	256.0	-35.2	-12.1
\$ mil.	381.8	350.8	-31.1	-8.1

\*)Previous data

Import of iron and steel*)				
	I - VI - 2013	I - VI - 2014	Balance	% rate
.000 T	306.5	237.6	-69.0	-22.5
EUR mil.	149.3	118.0	-31.3	-21.0
\$ mil.	196.1	161.8	-34.3	-17.5

\*)Previous data

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



## Import

Imported quantities of goods in the period January-June 2014 decreased by 3.4%, compared to the period January-June in the previous year, while their value amounted to EUR 2591.1 million, increasing by 6.7% (EUR 163.5 million) compared to the same period in 2013.

Imported goods in June 2014 amounted to EUR 415.9 million, increasing by 4.6% (EUR 18.5 million) compared to June last year. Analyzed on monthly basis, in June 2014, import dropped by 13.2% (EUR 63.2 million), compared to the previous month.

Seasonally adjusted trend of import in June 2014 decreased by 3.3% on monthly basis, pointing out to negative effects of the seasonal factor (9.9 p.p.) on import this month.

Export of oil and oil products*)				
	I - VI - 2013	I - VI - 2014	Balance	% rate
000 T	73.4	56.2	-17.2	-23.4
EUR mil.	37.3	23.4	-13.9	-37.2
\$ mil.	48.9	32.1	-16.8	-34.4

\*)Previous data

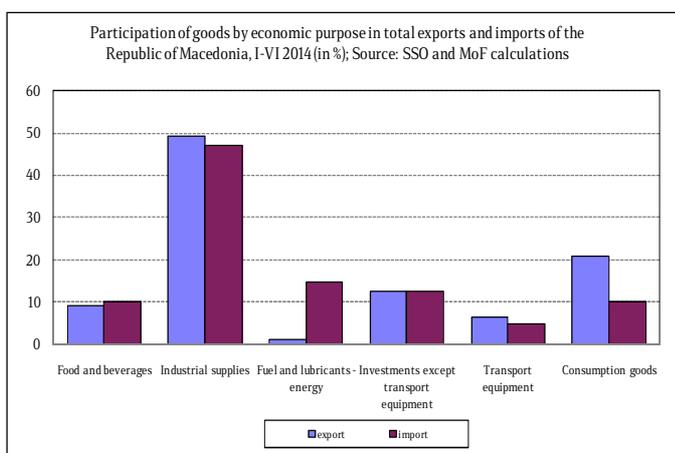
Import of oil and oil products*)				
	I - VI - 2013	I - VI - 2014	Balance	% rate
.000 T	417.0	472.0	55.0	13.2
EUR mil.	256.4	256.9	0.4	0.2
\$ mil.	336.1	352.1	16.0	4.8

\*)Previous data

In addition to non-ferrous metals, (according to SITC) in the period January – June 2014: oil; yarn, fabrics and textile products; electrical machines, devices and spare

parts, iron and steel, road vehicles, etc., participated the most in the import of goods.

In the period January - June 2014, observed by economic purpose, following products were most imported: goods for industrial procurement (47.2%), followed by fuels and lubricants (14.8%), products for investments without transport equipment (12.7%), food and beverages (10.1%), consumer goods (10.1%) and transport equipment (5.1%).



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

Export of chemical products*)				
	I - VI - 2013	I - VI - 2014	Balance	% rate
000 T	3.4	6.6	3.2	95.6
EUR mil.	231.9	308.4	76.6	33.0
\$ mil.	304.3	422.7	118.4	38.9

\*)Previous data

Import of chemical products*)				
	I - VI - 2013	I - VI - 2014	Balance	% rate
.000 T	15.5	15.3	-0.2	-1.0
EUR mil.	40.5	42.0	1.5	3.7
\$ mil.	53.0	57.6	4.6	8.6

\*)Previous data

## Trade Balance

In the first half of 2014, trade deficit narrowed by EUR 32.2 million or 3.6% compared to the same period last year.

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

Analyzed according to economic groups of countries, in the period January - June 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, while drop was recorded at the following groups: Western Balkan Countries, Asia-Pacific Economic Cooperation Organization and Commonwealth of Independent States. Export to the EU surged by 26.5% on annual basis, while as for Western Balkan countries, it declined by 9.1%.

In the first half 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 21.6%, whereby share of trade with the EU in the total foreign trade increased by 4.4 p.p., accounting for 70.2%. Export of goods to the European Union (EU 28) accounted for 78.8% in the total export of the Republic of Macedonia, while import of goods participated with 64.5%.

In the period January - June 2014, 95.9% of the trade deficit of the country was realized in the trade with Great Britain, Greece, China, Serbia and Turkey followed by: Italy, the USA, Romania, 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, 78.2% of the trade in the period January-June 2014 was realized in Euros, and compared to the period January-June 2013, it surged by 5.2 percentage points. On export and import side, euro accounted for 88.1% and 71.7% respectively, whereby share of the euro at export was higher by 5.6 p.p., while increase of the share of the euro at import increased by 4.5 p.p, compared to the period January - June 2013.

Foreign trade of the Republic of Macedonia (by currency ); calculations: MoF												
import	1 - VI - 2013					1 - VI - 2014						
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 %	absolute change in currency value	relative change in currency value (in %)
EUR	1,470.7	1,629,396,244	61.6694	100,483,888,730	67.1	1,503.4	1,854,198,649	61.6833	114,373,153,345	71.7	224,802,405	13.8
USD	1,288.4	680,873,024	46.7918	31,859,303,849	21.3	1,161.7	685,735,234	45.4070	31,137,150,070	19.5	4,862,211	0.7
GBP	1.4	220,453,233	72.3482	15,949,403,435	10.7	2.2	172,498,331	76.7224	13,234,479,051	8.3	-47,954,902	-21.8
EUR+USD+GBP	2,760.5			148,292,596,014	88.4	2,667.3			158,744,782,467	99.5		
tot. import	2,765.7			149,665,335,071	100.0	2,672.5			159,597,196,301	100.0		6.6

Source: SSO and NBRM

## 3. Fiscal Sector

### Budget Revenues

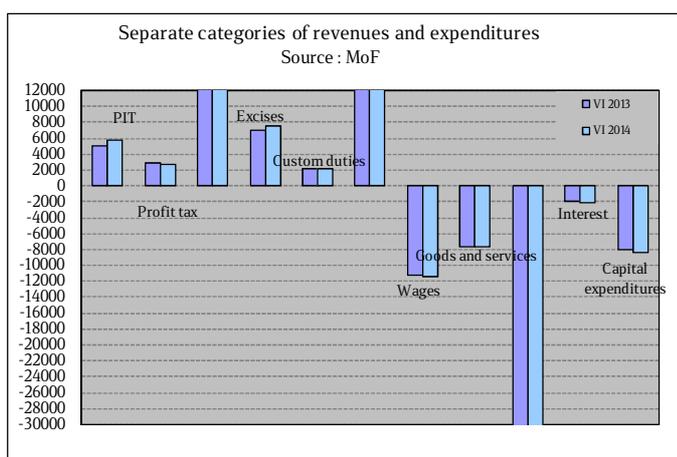
In the period January-June 2014, total budget revenues reached an amount of Denar 68,550 million, i.e. 13.8% of GDP, which was by 3.8% higher in relation to the same period in 2013.

Tax revenues for the first half were realized in the amount of Denar 39,103 million, i.e. 7.9% of GDP, being higher by 7.1% in relation to the same period in 2013.

Value added tax was realized in the amount of Denar 20,646 million, whereby share of VAT in total tax revenues in this period was dominant, amounting to 52.8%. Revenues on the basis of excises were realized in the amount of Denar 7,465 million (participating with 19.1% in the tax revenues). Hence, revenues realized on the basis of these two indirect taxes amounted to Denar 28,111 million, i.e. 71.9% of total tax revenues (5.7% of GDP). Thereby, VAT collection amounted to Denar 28,384 million on gross basis, Denar 7,738 million out of which was refunded to taxpayers.

As for VAT structure, VAT share was the biggest when importing, experiencing almost identical increase, while VAT on the basis of sales in the country dropped by 3.1%, share of VAT grants and interest was insignificant, i.e. 0.8% and 0.2% respectively, whereby tax on donations experienced higher performance by 102.6%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 5,658 million, increasing by 15.2% on annual basis, whereby revenues on the basis of tax on salaries and other personal earnings accounted for around 2/3, i.e. 65.8% of the personal income tax, revenues on the basis of contractual agreement accounted for 7.8%, and revenues on the basis of games of chance accounted for 6.3%. Profit tax revenues in the first six months of 2014 amounted to Denar 2,687 million, decreasing by 6.2% compared to the same period in the

previous year, being mainly a result of the 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 dividend and other profit distribution. VAT revenues experienced significant growth of 15.0%, while excises experienced



higher performance by 7.0%. Revenues on the basis of customs duties were realized in the amount of Denar 2,134 million, increasing by 1.6%. Revenues on the basis of other taxes with realized amount of Denar 513 million experienced performance lower by 3 times compared to last year.

Non-tax revenues amounted to Denar 5,024 million and, in relation to the same period in 2013, they were higher by 3.4% (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 1,227 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 53.5% 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 1,146 million, being by 5.1 less compared to the same month last year.

Collection of social contributions amounted to Denar 21,102 million, being higher performance by 4.7% compared to the same period in 2013, whereby collection of pension insurance contributions increased by 4.8%, collection of health insurance contribution grew by 4.5% and the one of employment contributions surged by 4.7%.

## **Budget Expenditures**

In the period January – June 2014, total budget expenditures amounted to Denar 83,308 million, i.e. 16.8% of GDP, showing an increase by 4.3% compared to 2013.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 74,861 million accounted for 89.9% (15.1% of GDP) and they increased by 4.2% in relation to the same period in 2013.

Transfers amounting to Denar 53,313 million (10.7% of GDP) accounted for the most in the current expenditure items, followed by expenditures related to salaries and allowances - Denar 11,477 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 13.8% and, in relation to 2013, they increased by 2.0%.

Expenditures related to goods and services amounted to Denar 7,781 million, decreasing by 0.2% compared to the same period in 2013.

Transfers increased by 5.1% compared to the same period in 2013, participating with 64.0% in the total expenditures. Social transfers amounted to Denar 38,562 million, increasing by 6.0% and participating with 46.3% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 23,761 million, increasing by 6.8%, compared to the same period in 2013 and accounting for 28.5% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 17.1% in the total expenditures, i.e. they surged by 2.5% compared to the same period in 2013. Block grants to local government units amounting to Denar 7,169 million grew by 3.5% compared to the same period in the previous year. Subsidies and transfers were higher by 0.5%.

Interest was collected in the amount of Denar 2,290 million, being by 11.1% more compared to the same period in 2013. Costs related to interest on the basis of domestic borrowing increased by 45.8%, while the ones on the basis of foreign borrowing dropped by 13.6%.

In the analyzed period, capital expenditures were realized in the amount of Denar 8,447 million, participating with 10.1% in the total expenditures (1.7% of GDP), i.e. they increased by 10.1% compared to the same period last year.

## **Budget Balance**

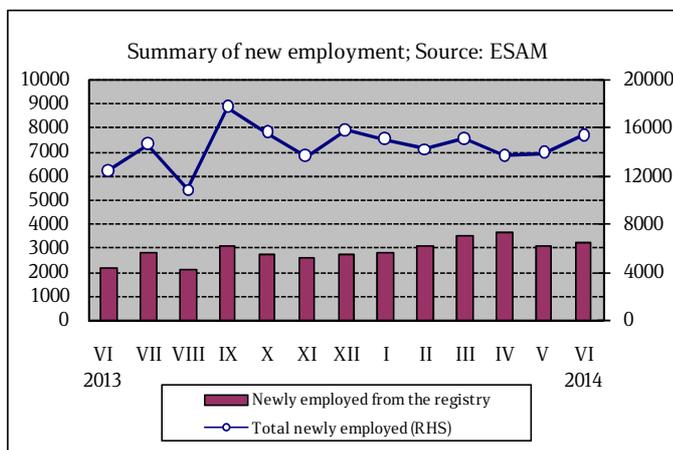
In the period January-June 2014, the budget deficit reached the amount of Denar 14,758 million, being 2.97% of GDP, while central budget deficit amounted to Denar 12,624 million or 2.5% of GDP.

## 4. Social Sector

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

In the first six months in 2014, Employment Agency of the Republic of Macedonia registered total of 86,904 new employments. 47.1% 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 June 2013, number of newly employed persons was higher by 9.0%.

In the course of June, 15,289 new employments were registered, 20.9% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 6,289 persons in June, 50.0% out of



which were new employments. In June 2014, 4,256 persons were registered as inflow to the Agency, 53.1% out of which were persons whose employment was terminated. Thus, in June 2014, 101,176 persons were registered as unemployed, while number of other unemployed persons accounted for 115,266.

Major percentage of the unemployed, i.e. 72.6% came from urban areas (cities), whereby 58.1% were men. Analyzed by education structure, major part, i.e. 45.9% of unemployed persons were without education, primary education or incomplete secondary education, 34.8% was with complete secondary education, while 19.3% completed community college or higher education level. Observed by age, majority of the unemployed persons or 50.3% fall in the category of 25-49 years of age. According to the time they waited for a job, 40.3% of the unemployed persons wait for employment from 1 to 7 years, while 14.7% wait for employment for 8 years and more.

### Salaries

According to the data from the State Statistical Office, average monthly paid gross salary per employee in May 2014 amounted to Denar 31,429, while average monthly paid net salary amounted to Denar 21,483.

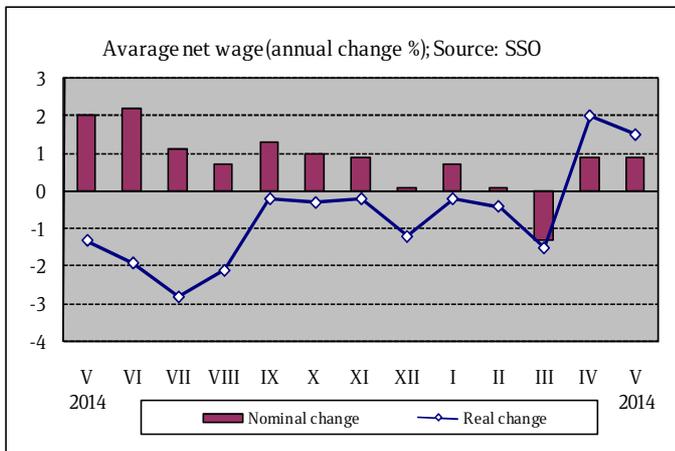
On monthly basis, in May 2014, average gross salary increased by 1.3% in nominal terms, being higher by 1.0% in real terms. Average net salary was higher by 1.5% in nominal terms, increasing by 1.2% in real terms.

<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 May 2014 compared to May 2013, average gross salary increased by 0.6% in nominal terms, while it was higher by 1.2% in real terms. Average net salary was higher by 0.9% in nominal terms, increasing by 1.5% in real terms.

On cumulative basis, in the period January-May, average gross salary increased by 0.1% in nominal and real terms, while average net salary surged by 0.3% in nominal and real terms.

Increase of average monthly gross and net salary per employee in May 2014, compared to May 2013, was recorded in the following sectors: Expert, scientific and technical activities (9.1% gross salary and 10.9% net salary), Construction (7.6% gross salary and 8.2% net salary) and administrative and auxiliary services (4.9% gross salary and 6.4% net salary).

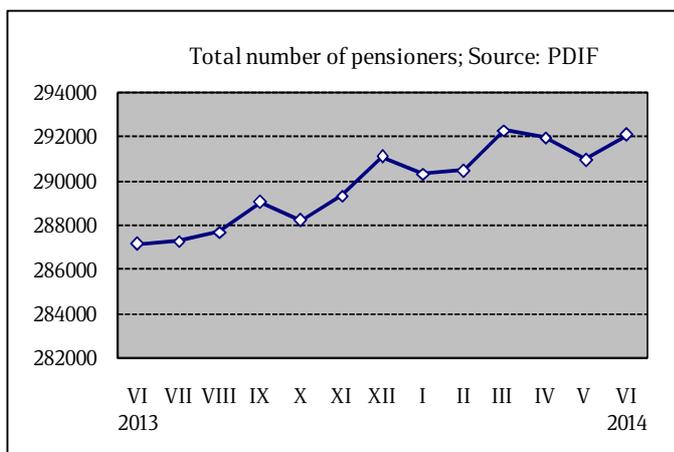


Increase of average monthly paid gross salary per employee, compared to the previous month, was seen in the sectors: Mining and quarrying (26.2% gross salary and 25.3% net salary), public administration and defense, mandatory social insurance (4.2% gross salary and 4.0% net salary), information and communications (3.5% gross salary and 5.1% net salary) and expert, scientific and technical activities (3.5% gross salary and 4.5% net salary).

Percentage of employed persons who did not receive salary in May 2014 amounted to 1.6%, increasing by 0.1 p.p. compared to the same month in the previous year, as well as compared to April 2014.

### Pensions

In June 2014, 292,122 pensioners were registered at the Pension and Disability Insurance Fund, being an increase by 1.7% compared to the same month in 2013. Number of pension beneficiaries increased by 1,140 persons in relation to May 2014. 58.8% out of the total number of pensioners are beneficiaries of old-age pension, 26.2% of survival pension and 15.0% of disability pension.



In June 2014, Denar 3,529.65 million was spent for payment of pensions, accounting for 54.9% of the total social transfers<sup>2</sup>.

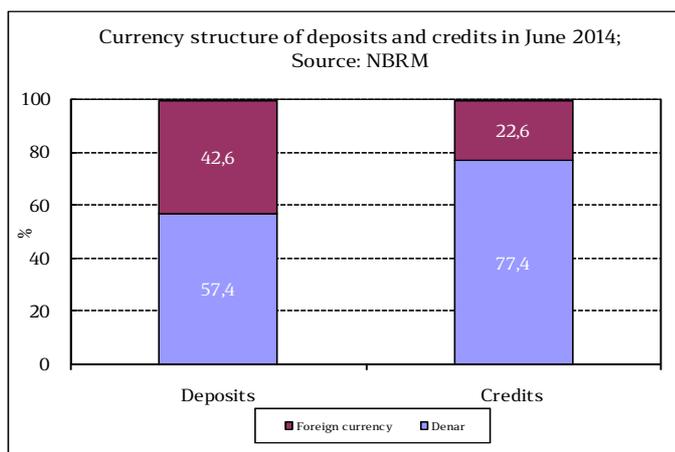
Average pension in June 2014 amounted to Denar 12,462, increasing by 7.3% on annual basis. Ratio between the average pension and the average paid salary in May 2014 (the most recent available data) was 58.0%.

## 5. Monetary Sector

### Primary Money

Primary money<sup>3</sup> in June 2014 grew by 2.2% on annual basis, compared to the 2.0% drop in the previous month. Growth was due to the increased ready money in circulation by 5.4%. Total liquid assets of banks were lower by 0.4% on annual basis.

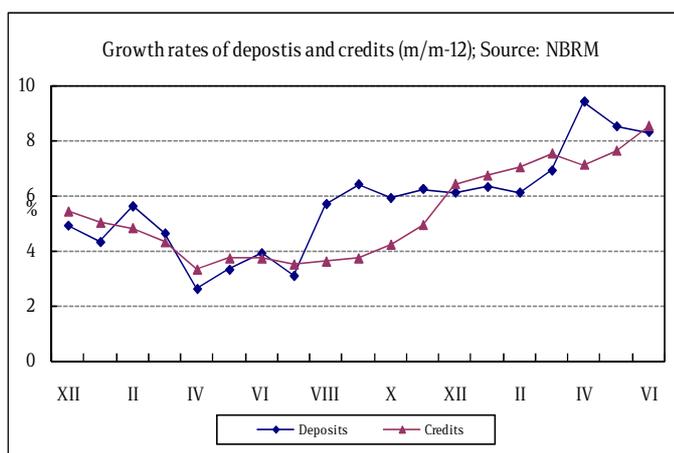
On monthly basis, primary money increased by 0.5%, as a result of the increase of ready money in circulation by 0.8% and total liquidity assets of the banks by 0.2%, compared to the previous month.



In June 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 June 2014 increased by 0.7% on monthly basis, compared to the unchanged amount in the previous month. Analyzed by sectors, deposits of private enterprises grew by 2.9%, while deposits of households increased by 0.2% compared to the previous month. From currency point of



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

<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 from January 2009, deposits include calculated interest.

view, Denar deposits increased by 0.8%, while foreign currency deposits increased by 0.6%.

Total deposit potential in June 2014 increased by 8.3% on annual basis. From currency point of view, domestic currency deposits increased by 10.7% in June 2014, which were the main drivers of the growth of the total deposits on annual basis, while foreign currency deposits surged by 5.1%. From sector point of view, deposits of households increased by 7.4%, while deposits of enterprises surged by 13.9%. According to maturity, long-term deposits grew by 21.2%, while short-term deposits grew by 1.1%.

### Bank Credits

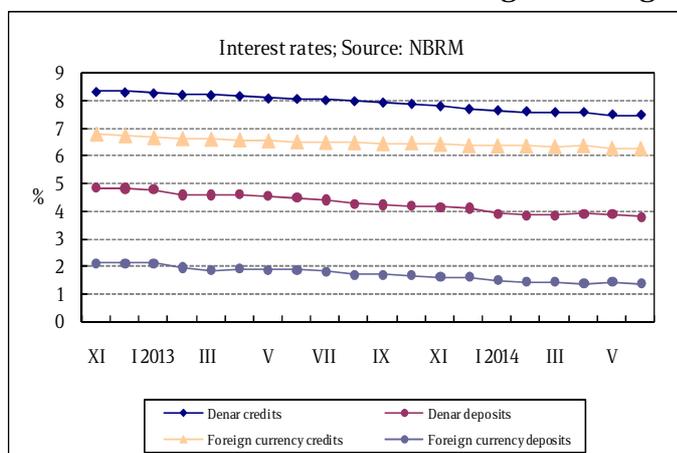
In June 2014, total credits of banks to the private sector grew by 1.3% on monthly basis, (compared to the 1.6% growth in May) in conditions of growth of credits to households by 1.4% and credits to enterprises by 1.2%. From currency aspect, Denar credits surged by 1.3%, while foreign currency credits grew by 1.2% respectively.

In June 2014, total credits grew by 8.5% on annual basis (compared to the growth of 7.6% in May), in conditions of growth of credits to enterprises of 5.9% and credits of households of 11.8%. According to currency, new crediting was fully in domestic currency. Denar credits surged by 11.8%, while foreign currency credits dropped by 1.4%. As regards maturity, long-term credits increased by 10.3% on annual basis, while short-term credits were higher by 5.7%.

### Interest Rates of Deposit Banks

Total interest rate on credits was 7.2% in June 2014, remaining unchanged 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 on monthly basis, accounting for 7.5% and 6.3%, respectively.

Total interest rate on deposits was 2.5%, being lower by 0.1 p.p. compared to last month, while compared to June last year, it was lower by 0.5 p.p. Interest rate on Denar deposits decreased by 0.1 p.p. compared to the previous month, accounting for 3.8%, while interest rate on foreign currency deposits was the same, accounting for 1.4%.



### Foreign Currency Reserves

Gross foreign currency reserves at the end of June 2014 amounted to EUR 1,873 million and, compared to the previous month, they were lower by EUR 47.1 million, while compared to June 2013, foreign currency reserves were lower by EUR 166.2 million.

**Ministry of Finance**

**Macroeconomic Policy Department**

**[www.finance.gov.mk](http://www.finance.gov.mk)**

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