



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

January 2014



Skopje, March 2014

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

January 2014

- Industrial production surged by 6.4% in January 2014 compared to January 2013.
- Inflation rate amounted to 0.9% on annual basis and -0.1% on monthly basis.
- Annual drop of physical output of export in January 2014 by 4.2% and valuable growth by 1.7% and decline of imported quantities of goods by 30.6% and drop in value by 0.6%, resulting in reducing the trade deficit by 4.3% compared to January 2013.
- Drop of both total budget revenues by 5.3% and total budget expenditures by 11.4% in January 2014, compared to the same period last year; state budget deficit in the amount of Denar 1,889 million (0.4% of GDP) and central budget deficit in the amount of Denar 1,414 million (0.3% of GDP);
- Increase of both total credits to private sector by 6.7% and total deposit potential of banks by 6.3% on annual basis;

1. Real Sector

Industrial Production

Industrial production surged by 6.4% in January 2014 compared to January 2013. Analyzed by sectors, processing industry sector experienced 12.1% production growth. Mining and quarrying sector experienced a drop of 1.1% as a result of the decline in the following branches mining of coal and lignite by 4.4% and mining of metal ore by 2.0%, while other mining and quarrying branch grew by 15.5%. Electricity, gas, steam and air-conditioning supply sector dropped by 9.9%.

As for processing industry, annual positive growth was registered at 19 out of 23 branches, comprising 67.51% of the industrial production.

As regards the branches with two-digit share in the structure of industrial production, high growth of 16.5% was registered at production of clothing, while growth of 5.8% was recorded at production of food products.

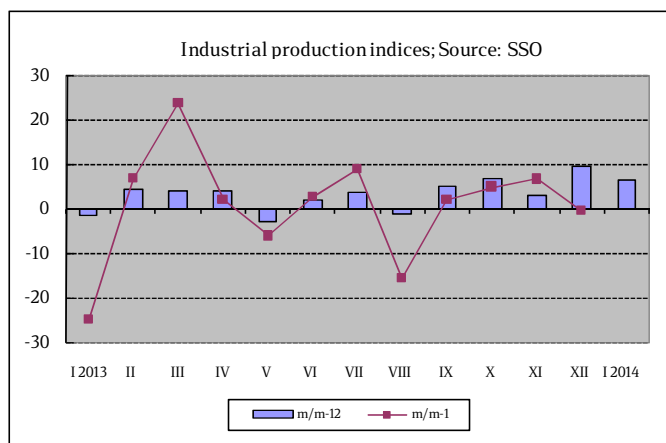
Growth was seen at the following branches: Production of motor vehicles, trailers and semi-trailers - 448.3%, other production industry - 78.3%, production of rubber and plastic mass products - 64.4%, production of other non-metal mineral products - 48.9%, repair and installation of machines and

equipment - 42.0%, manufacture of electrical equipment - 37.7%, production of furniture - 34.9%, processing of wood, cork and wood products - 27.3%, production of chemicals and chemical products - 20.1%, production of beverages - 19.5%, production of paper and paper products - 16.4%, production of machines and devices, elsewhere unmentioned - 13.7%, production of leather and articles of leather - 9.7%, printing and production of recorded media - 8.6%, production of other transportation equipment - 8.1%, production of basic pharmaceutical products and preparations - 7.1% and production of metals - 4.5%.

Processing industry (9.2 p.p.) contributed the most to the annual change of industrial production in January 2014, under which production of rubber products and plastic mass products contributed the most thereto, while production of tobacco products (-0.7 p.p.) had the highest negative contribution. Observed by sectors, electricity, gas, steam and air conditioning supply sector had the highest negative contribution (-1.2 p.p.).

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Total	6,4
Ore and stone extraction	-1,1
Processing industry	12,1
Electricity, gas and water supply	-9,9

Source: SSO



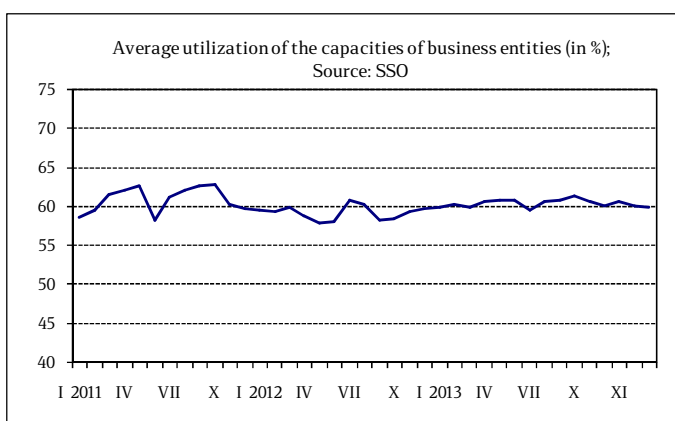
Data on industrial production by target groups in January 2014, compared to January 2013, showed that there was an increase in the production at the following groups: Consumer durables – 40.5%, intermediary goods, except energy – 14.5%, consumer non-durables – 10.4% and intermediary goods, except energy – 9.6%. A drop of 13.3% was registered only at the energy group.

Business Tendencies in the Processing Industry

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

Assessment of current state of delivery-to-production was less favourable compared to the previous month, while compared to January 2013, it was more favourable. Assessment of production volume in January 2014 was less favourable compared to both the previous month and January 2013, while expectations for the production volume in the next three months were more favourable compared to the previous month, and less favourable compared to January last year. Expectations for the number of employees are less favourable compared to the past month, and more favourable compared to January 2013.

Average utilization of the capacities in January 2014 accounted for 60.0%, being decrease compared to the previous month, when it accounted for 60.1%. Compared to January 2013, utilization of the capacities remained the same.



In January 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 January 2013. According to the assessment of managers, in the next 3-month period, both average purchase prices of inputs and selling prices of ready-made products are expected to increase. Following factors limited the most the production volume in January 2014: insufficient foreign demand – 23.6%, insufficient domestic demand – 17.6%, lack of qualified labour force – 12.2%, financial problems – 10.5% and uncertain economic surrounding – 10.2%.

Less business entities indicated the following as a limiting factor in January 2014, compared to December 2013: insufficient foreign demand, insufficient domestic demand and competitive import, lack of energy, while most of the business entities indicated: financial problems, lack of equipment, shortage of raw

materials, uncertain economic surrounding, shortage of skilled labour force and unclear economic laws.

Number of Industrial Workers

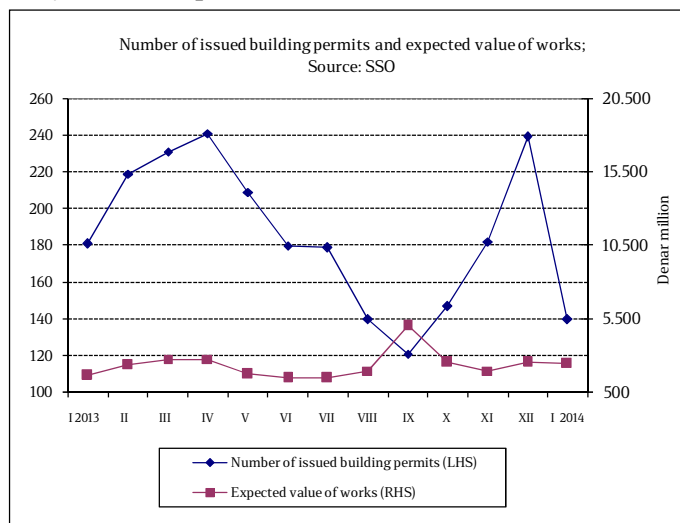
In January 2014, number of industrial workers compared to January 2013, surged by 6.5%.

Sector analysis points out to increase in the number of workers in the sectors processing industry by 7.8% while the number of workers in the mining and quarrying sector, as well as the electricity, gas, steam and air-conditioning supply decreased by 0.7% and 1.1% respectively. Mining and quarrying sector experienced a decline in the number of workers by 0.7%, as a result of the decline in the number of workers in the following branches: mining of coal and lignite (2.5%) and other mining and quarrying (0.7%), while mining of metal ore experienced 1.0% increase. Data on the number of workers in the industry by target groups in January 2014, compared to January 2013, showed increase in the number of workers at the following groups: Capital goods by 66.5%, consumer non-durables by 4.7%, consumer durables by 4.4% and intermediary goods, except energy – 1.4%, while energy declined by 2.0%.

Number of Issued Building Permits and Envisaged Value of Facilities

In January 2014, 140 building permits were issued, dropping by 22.7% compared to the same month in the previous year. Compared to December 2013, when 239 permits were issued, total number of issued building permits decreased.

Envisaged value of the facilities, according to the issued building permits in January, amounted to Denar 2,458 million, being by 47.4% more compared to January 2013. In relation to December 2013, value of the facilities declined by 3.5%.



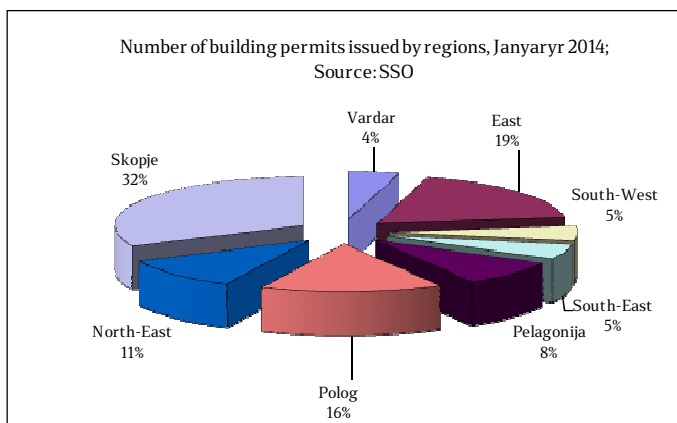
Analyzed by types of facilities, out of the total number of issued building permits, 113 (or 80.7%) were intended for buildings, 17 (or 12.1%) for civil engineering structures and 10 (or 7.2%) for reconstruction facilities.

Analyzed by types of investors, out of total 140 issued building permits, natural persons were investors in 102 facilities (or 72.9%), while business entities were investors in 38 facilities (or 27.1%).

In January 2014, construction of 632 flats is envisaged, with total usable area of 43,778 m². Number of envisaged flats for construction increased by 23.4%

compared to the same month in 2013, increasing by 88.1% compared to December 2013.

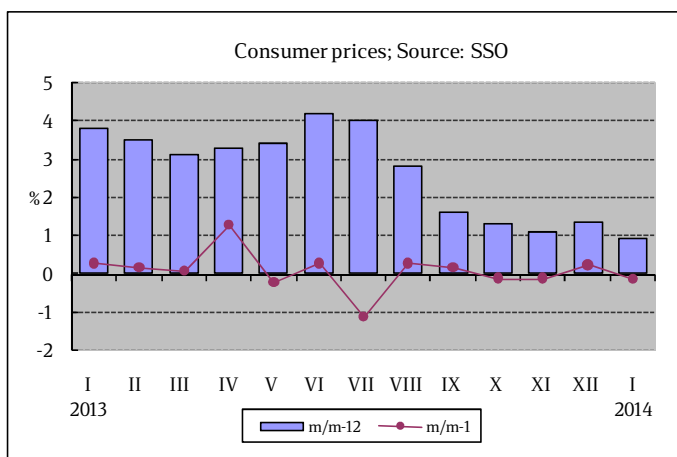
Analyzed by regions, in January 2014, most permits were issued in the Skopje region, 45 in total, 30 permits out of which were issued to natural persons as investors, while 15 permits were issued to business entities as investors. Vardar region had least issued permits, 6 permits in total, 4 permits out of which were issued to natural persons as investors, while 2 permits were issued to business entities as investors.



Inflation

Annual inflation rate in January 2014, measured according to the CPI index, amounted to 0.9%, by which the trend of very low inflation observed during the last quarter of the previous year, continues.

On annual basis, food category and non-alcoholic beverages, accounting for the most in the CPI index, experienced 1% increase. Highest annual increase of prices in January was seen at the health category by 13%. Price increase was also recorded in the following categories: Alcoholic beverages and tobacco by 5.3%, communications by 0.8%, furniture, household furnishings and maintenance of household furnishings by 0.6%, clothing and footwear and restaurants and hotels by 0.4%, education by 0.2%, transport by 0.1% and other goods and services by 1.9%. Price reduction was seen at the categories housing, water, electricity, gas and other fuels and recreation and culture by 2.2% and 0.8% respectively.



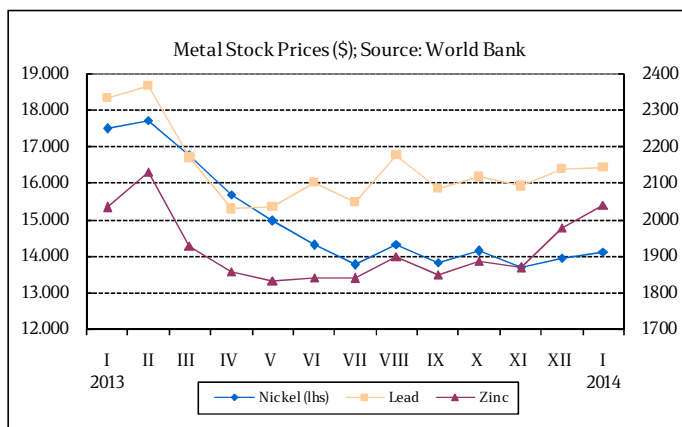
Highest annual increase of prices in January was seen at the health category by 13%. Price increase was also recorded in the following categories: Alcoholic beverages and tobacco by 5.3%, communications by 0.8%, furniture, household furnishings and maintenance of household furnishings by 0.6%, clothing and footwear and restaurants and hotels by 0.4%, education by 0.2%, transport by 0.1% and other goods and services by 1.9%. Price reduction was seen at the categories housing, water, electricity, gas and other fuels and recreation and culture by 2.2% and 0.8% respectively.

On monthly basis, inflation in January 2014 dropped by 0.1%. Prices in the category food and non-alcoholic beverages decreased by 0.1% as a result of the general drop of food prices by 0.2%. More significant drop of prices was seen in the category clothing and footwear by 2%, mainly as a result of the lower prices for footwear by 3.8%. Monthly drop of prices was also seen in the categories recreation and culture by 1.1%, furniture, household furnishings and maintenance of household furnishings and communications by 0.5%. Prices remained the same in the categories alcoholic beverages and tobacco, housing, water, electricity, gas and other fuels and education, while price increase on monthly basis was seen in the following categories: Health by 2.2%, restaurants and hotels by 0.6%, transport by 0.3% and other goods and services by 0.1%.

In January 2014, retail price were higher by 0.8% compared to January 2013. Compared to the previous month, retail prices in January 2014 surged by 0.2%.

Stock Market Prices

In January 2014, crude oil price (Brent) on the global stock markets declined by 2.9%, compared to the previous month, reaching the price of US\$ 107.4 per barrel. Compared to January 2013, oil price was lower by 4.9%. Price of natural gas in January increased by 2.5% 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\$ 14,101 for a metric ton (\$/mt) in January 2014, being a monthly price increase by 1.3%. Compared to January 2013, nickel price was lower by 19.3%. As for basic metals, in January, there was monthly increase of prices of zinc by 3.1%, copper by 1.1% and lead by 0.3%, while drop of prices was seen at tin and aluminum by 3.1% and 0.7% respectively. Price of iron ore in January experienced monthly decline of 5.6%. Monthly price increase was also observed at precious metals. Hence, price of platinum, gold and silver increased by 4.8%, 1.9% and 1% respectively.

In January 2014, compared to December 2013, price of wheat on the global stock markets dropped by 5.3%, while price of corn experienced 0.3% growth. Price of lamb meat experienced monthly increase by 0.6% in January.

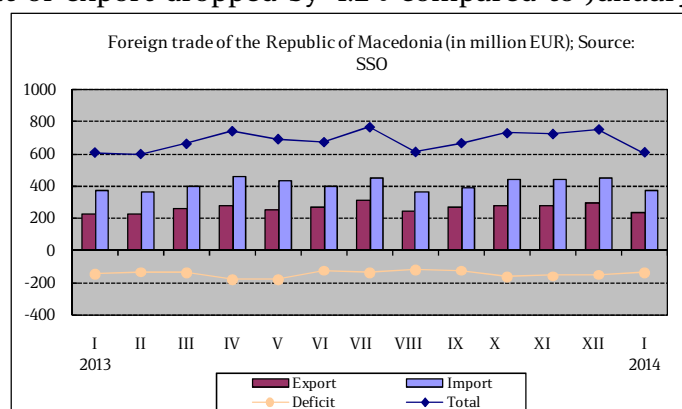
2. Foreign Trade

Total foreign trade in January 2014 amounted to EUR 605.9 million, increasing by 0.3% compared to January 2013.

Export

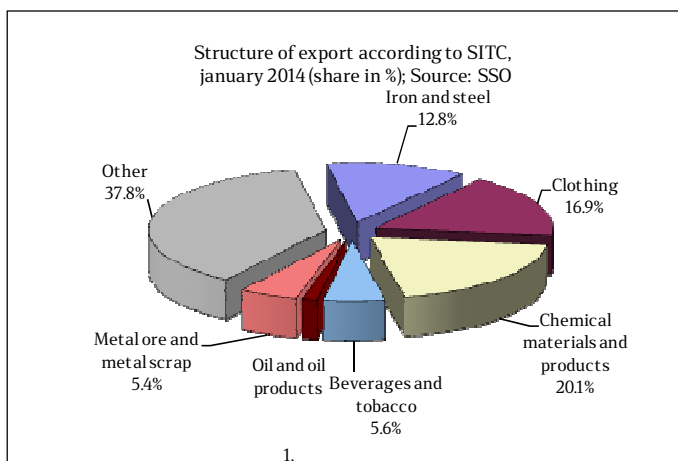
In January 2014, physical output of export dropped by 4.2% compared to January 2013, while value of exported goods amounted to EUR 234.0 million, surging by 1.7% (EUR 4 million) compared to January 2013.

Analyzed on monthly basis, in January 2014, export decreased by 21.6% (EUR 64.6 million) compared to the previous month.

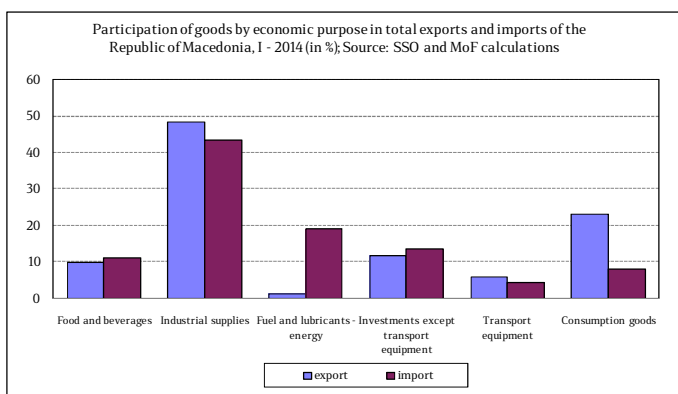


Seasonally adjusted trend of export in January 2014 decreased by 2.2% on monthly basis, pointing out to negative effects of the seasonal factor (19.4 p.p.) on export this month.

Main groups of goods (according to SITC) having the biggest share in export in January 2014 were the following: iron and steel – 12.8%, clothing – 16.9%, chemical materials and products – 20.1%, beverages and tobacco – 5.6%, metal ore and metal scrap – 5.4% and oil and oil products – 1.4%. These six groups of products comprised 62.2% of the total export of the country.



In January 2014, observed by economic purpose, the following products were most exported: goods for industrial procurement (48.3%), followed by consumer goods (22.9%), food and beverages (9.8%), products for investments without transport equipment (11.8%), fuels and lubricants (1.3%), and transport equipment (5.7%).



Export of oil and oil products*)				
	I - 2013	I - 2014	Balance	% rate
.000 T	13,6	8,0	-5,5	-40,8
EUR mil.	9,0	3,4	-5,7	-62,8
\$ mil.	11,9	4,6	-7,4	-61,7

*)Previous data

Import of oil and oil products*)				
	I - 2013	I - 2014	Balance	% rate
.000 T	79,0	60,4	-18,6	-23,6
EUR mil.	53,6	37,9	-15,7	-29,3
\$ mil.	70,9	51,6	-19,3	-27,3

*)Previous data

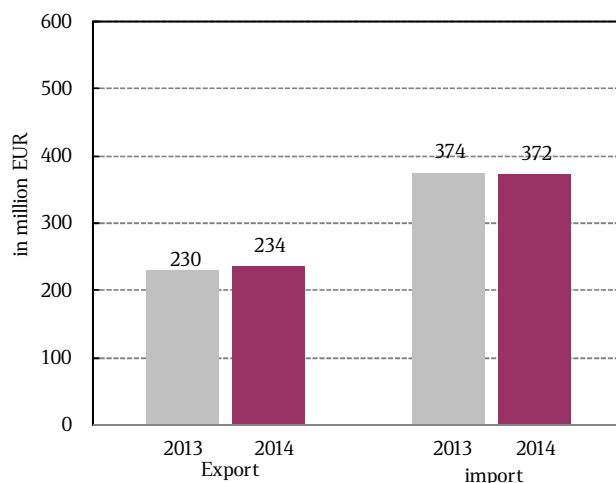
Analyzed by tariffs, following products were the most exported: catalysts with precious metals or precious metal compounds as active substance; filtering or purifying machinery and apparatus for other gases by a catalytic process; ferrosilicium; ferronickel; men's shirts of cotton; boards, plates, stands, tables, cabinets and others; motor vehicles for transport of ten or more persons, lead ore and concentrates; rolled flat products of iron or non-alloyed steel of width of 600 mm or more, etc. ignition wiring sets and other wiring sets of a kind uses in vehicles, aircraft or ships.

Import

Imported quantities of goods in January 2014 reduced by 30.6%, compared to January 2013, amounting to EUR 371.9 million, decreasing by 0.6% (EUR 2.2 million) compared to January last year. Analyzed on monthly basis, in January 2014, import dropped by 17.4% (EUR 78.3 million), compared to the previous month.

Seasonally adjusted trend of import in January 2014 increased by 1.2% on monthly basis, pointing out to negative effects of the seasonal factor (18.6 p.p.) on import this month. Following participated the most in the import of goods (according to SITC), in January 2014: non-ferrous metals; oil and oil products; yarn, fabrics and textile products; electricity, electrical machines, devices and spare parts, iron and steel, gas, natural and industrial one; road vehicles, etc.

Foreign trade, January 2013 and 2014; Source: SSO



Export of iron and steel*)				
	I - 2013	I - 2014	Balance	% rate
.000 T	40,7	32,1	-8,6	-21,3
EUR mil.	42,2	29,9	-12,3	-29,1
\$ mil.	56,2	40,7	-15,5	-27,6

*)Previous data

Import of iron and steel*)				
	I - 2013	I - 2014	Balance	% rate
.000 T	57,3	29,2	-28,1	-49,1
EUR mil.	26,4	14,7	-11,7	-44,5
\$ mil.	35,3	20,0	-15,3	-43,4

*)Previous data

In January 2014, observed by economic purpose, the following products were most imported: goods for industrial procurement (43.4%), followed by fuels and lubricants (19.2%), food and beverages (11.2%), products for investments without transport equipment (13.6%), consumer goods (8.0%) and transport equipment (4.5%).

Most imported products by tariffs were the following: platinum, unwrought or in powder form; gas oils for other purposes with a sulphur content up to 0.001% by weight; electricity; oil gases and other gaseous hydrocarbons; palladium: unwrought or in powder form; wind energy generating aggregates coating means (colours and varnishes); ceramic products for laboratory, chemical or other technical use; heating oils; motor petrol with an octane number (RON) of 95 or more but less than 98; and similar.

Export of chemical products*)				
	I - 2013	I - 2014	Balance	% rate
.000 T	0,5	0,8	0,3	71,8
EUR mil.	34,9	47,0	12,1	34,8
\$ mil.	46,5	64,0	17,5	37,7

*)Previous data

Import of chemical products*)				
	I - 2013	I - 2014	Balance	% rate
.000 T	1,6	1,5	-0,2	-9,3
EUR mil.	4,4	3,1	-1,3	-30,0
\$ mil.	5,8	4,2	-1,7	-28,4

*)Previous data

Trade Balance

In January 2014, trade deficit narrowed by EUR 6.2 million or 4.3% compared to January 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 food and beverages, fuels and lubricants, transport equipment and consumer goods, while the widened negative balance in the trade of goods for industrial procurement and investment goods without transport equipment acted in opposite direction.

Analyzed according to economic groups of countries, in January 2014, compared to January 2013, export surged at the following groups: EU 28, EFTA, Organization of Petroleum Exporting Countries, Commonwealth of Independent States, while drop was recorded at the following groups: Western Balkan Countries, North American Free Trade Agreement and Asia-Pacific Economic Cooperation. Export to the EU surged by 17.4% on annual basis, while as for Western Balkan countries, it declined by 26.9%.

In January 2013, foreign trade of the Republic of with the European Union (EU 27), in relation to January in the previous year, increased by 21.8%, whereby share of trade with EU in the total foreign trade increased by 11.4 p.p., accounting for 71.9%. Export of goods to the European Union (EU 28) accounted for 82.1% in the total export of the Republic of Macedonia, while import of goods participated with 65.5%.

In January 2014, 90.4% of the trade deficit of the country was a result of the trade with Great Britain, Greece, China and Turkey, followed by Serbia, Denmark, Russia, Switzerland, the Czech Republic, etc. Surplus was realized in the exchange with Germany, Kosovo, Slovakia, Belgium, Spain and Croatia.

Currency Structure

Observed by currency structure, 73.6% of the trade in January 2014 was realized in euros, and compared to January 2013, it surged by 6.7 percentage points. On export and import side, euro accounted for 89.7% and 63.4%, respectively, whereby share of the euro in export was higher by 10.4 p.p., while share of the euro in import increased by 4.1 p.p. compared to January 2013.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	I - 2013					I - 2014					absolute change in currency value	relative change in currency value (in %)
currency	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %		
EUR	186.4	222,944,673	61.5043	13,712,056,053	59.2	197.5	234,664,176	61.5759	14,449,657,857	63.4	11,719,503	5.3
USD	251.0	129,265,341	46.3616	5,992,948,012	25.9	105.5	100,032,638	45.1808	4,519,554,633	19.8	-29,232,702	-22.6
GBP	0.2	43,790,373	74.0866	3,244,279,831	14.0	0.3	49,039,258	74.3879	3,647,927,384	16.0	5,248,885	12.0
EUR+USD+GBP	437.5			22,949,283,897	85.1	303.4			22,617,139,874	99.2		
tot. import	438.1			23,156,747,604	100.0	303.9			22,806,728,327	100.0		-1.5

Source: SSO and NBRM

3. Fiscal Sector

Budget Revenues

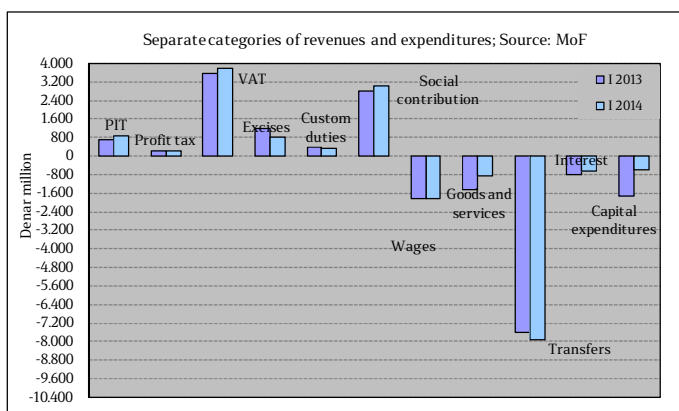
In January 2014, total budget revenues reached an amount of Denar 10,086 million, i.e. 1.9% of GDP, which was by 5.3% lower in relation to 2013.

Tax revenues for January were realized in the amount of Denar 5,973 million, i.e. 1.1% of GDP, being lower by 5.9% in relation to the same period in 2013.

Value added tax was realized in the amount of Denar 3,760 million, whereby share of VAT in total tax revenues in this month was dominant, amounting to 63.0%. Revenues on the basis of excises were realized in the amount of Denar 765 million (participating with 12.8% in the tax revenues). Hence, revenues realized on the

basis of these two taxes amounted to Denar 4,525 million, i.e. 75.8% of total tax revenues (0.9% of GDP). Thereby, VAT collection amounted to Denar 5,260 million on gross basis, Denar 1,500 million out of which was refunded to taxpayers (gross collection was lower by 6.9%, while VAT refund was lower by 28.8% compared to the same period in 2013).

As for VAT structure, VAT share was the biggest when importing, decreasing by 8.0%, while VAT on the basis of sales in the country decreased by 8.1%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 833 million, increasing by 18.7% on



annual basis, whereby revenues on the basis of salaries and other personal earnings accounted for 63.6% of the personal income tax or around 2/3, while revenues on the basis of contractual agreement accounted for 8.1%. Compared to the same month in 2013, profit tax revenues amounted to Denar 179 million, decreasing by 16.0%, being mainly a result of the tax collected on the basis of monthly advance payments and paid dividend and other profit distribution and retained tax paid to foreign legal entities. VAT revenues surged by 6.0%, while excises decreased, i.e. experienced lower performance by 34.5%. Revenues on the basis of customs duties were realized in the amount of Denar 318 million, decreasing by 11.7%. Revenues on the basis of other taxes amounted to Denar 118 million, declining by 67.0%.

Non-tax revenues amounted to Denar 748 million and, in relation to the same period in 2013, they were lower by 18.5% (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 83 million, decreasing by 51.7% compared to the same month in the previous year.

Revenues collected on the basis of foreign donations from international multilateral and bilateral cooperation amounted to Denar 139 million, being by 50.0% less compared to the same month last year.

Collection of social contributions amounted to Denar 3,014 million, being higher by 7.2% compared to the same period in 2013, whereby collection of pension insurance contributions increased by 7.1%, collection of employment insurance contribution surged by 7.6%, while health contributions rose by 7.4%.

Budget Expenditures

In January 2014, total budget expenditures amounted to Denar 11,975 million, i.e. 2.3% of GDP, which was less by 11.4% compared to 2013.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 11,362 million accounted for 94.9% (2.2% of GDP) and they decreased by 3.5% in relation to the same period in 2013.

Transfers amounting to Denar 7,930 million (1.5% of GDP) accounted for the most in the current expenditure items, followed by expenditure related to salaries and allowances - Denar 1,877 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 15.7% and, in relation to 2013, they increased by 0.9%.

Expenditures related to goods and services amounted to Denar 863 million, decreasing by 41.0% compared to the same period in 2013.

Transfers increased by 4.4% compared to the same period in 2013, participating with 66.2% in the total expenditures. Social transfers amounted to Denar 6,093 million, surging by 3.2%. Transfers towards the Pension and Disability Insurance Fund increased by 2.8%, compared to the same period in 2013. Category other transfers, which includes transfers to local government units, accounted for 14.7% in the total expenditures, i.e. they surged by 6.9% compared to the same period in 2013. Block grants to local government units amounting to Denar 1,196 million, were lower by 0.8% compared to January in the previous year. Subsidies and transfers were higher by 33.7%.

Interest was collected in the amount of Denar 692 million, being by 18.6% less compared to the same period in 2013. Such decrease was mainly due to the payment of due interest on the basis of foreign borrowing. Costs related to interest on the basis of domestic borrowing increased by 65.2%, while the ones on the basis of foreign borrowing dropped by 28.8%.

Budget Balance

In January 2014, state budget deficit reached the amount of Denar 1,889 million, accounting for 0.4% of GDP, while central budget deficit amounted to Denar 1,414 million and accounted for 0.3% of GDP.

4. Social Sector

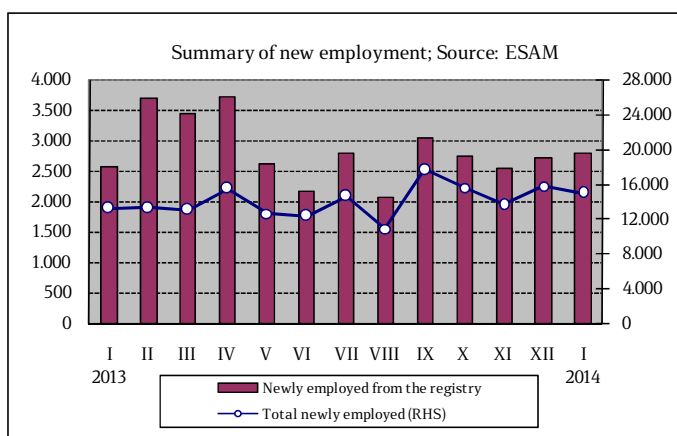
Number of Newly Employed and Registered Unemployed Persons in EARM¹

In January 2014, Employment Agency of the Republic of Macedonia registered total of 14,936 new employments. 41.7% out of the total number of newly employed was on the basis of full-time employment, while the rest of the employed were on

¹ Modifications and amendments to the Law on Employment and Unemployment Insurance ("Official Gazette of the Republic of Macedonia", no. 114/2012) 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.

the basis of temporary employment and seasonal workers. Compared to January 2013, number of newly employed persons was higher by 13.7%.

In the course of January, 14,936 new employments were registered, 18.7% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 5,289 persons in January, 51.9% out of which were new employments. In January 2014, 6,546 persons

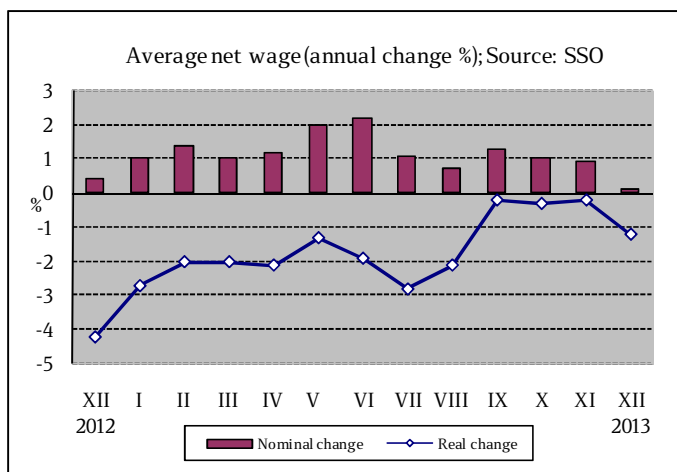


were registered as inflow to the Agency, 50.8% out of which were persons whose employment was terminated. Thus, in January 2014, 97,458 persons were registered as unemployed, while number of other unemployed persons accounted for 122,563.

Major percentage of the unemployed, i.e. 72.9% came from urban areas (cities), whereby 56.8% were men. Analyzed by education structure, major part, i.e. 43.9% of unemployed persons were without education, primary education or incomplete secondary education, 35.4% was with complete secondary education, while 20.7% completed community college or higher education level. Observed by age, majority of the unemployed persons or 52.1% fall in the category of 25-49 years of age. According to the time they waited for a job, 42.4% of the unemployed persons wait for employment from 1 to 7 years, while 16.1% 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 December 2013 amounted to Denar 31,498, while average monthly paid net salary amounted to Denar 21,500.



On monthly basis, in December 2013, average gross salary increased by 1.9% in nominal terms, being higher by 1.6% in real terms. Average net salary in the same period surged by 2.1% in nominal terms, decreasing by 1.8% in real terms.

Average net salary in the same period surged by 2.1% in nominal terms, decreasing by 1.8% in real terms.

In December 2013 compared to December 2012, average gross salary increased by 0.1% in nominal terms, while it was lower by 1.3% in real terms. Average net salary was higher by 0.1% in nominal terms, decreasing by 1.2% in real terms.

On cumulative basis, in the period January-December 2013, compared to the same period last year, average gross salary and net salary grew by 1.2% in nominal terms, while they were lower by 1.6% in real terms.

The highest increase of average monthly gross and net salary per employee in December 2013, compared to December 2012, was recorded in the following sectors: Transport and storage (8.2% gross salary and 7.9% net salary), mining and quarrying (8.1% gross salary and 10.2% net salary) and other services (7.0% gross salary and 5.8% net salary).

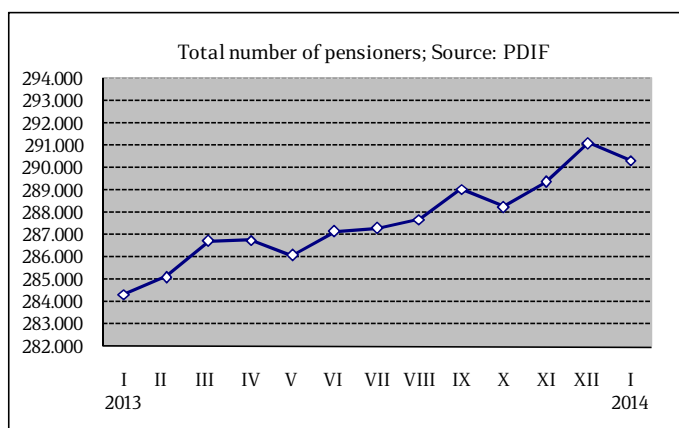
Increase of average monthly paid gross salary per employee, compared to the previous month, was seen in the sectors: Mining and quarrying (10.3% gross salary and 10.8% net salary), expert, scientific and technical activities (9.3% gross salary and 11.1% net salary) and wholesale and retail trade; repair of motor vehicles and motorcycles (8.4% gross salary and 8.9% net salary).

Employees who did not receive salary in December 2013 accounted for 1.8%, being lower by 0.3 p.p. compared to December in the previous year, while compared to November 2013, it was lower by 0.2 p.p..

Pensions

In January 2014, 290,337 pensioners were registered at the Pension and Disability Insurance Fund, being an increase by 2.1% compared to the same month in 2013.

Number of pension beneficiaries dropped by 781 persons in relation to December 2013. 58.2% out of the total number of pensioners are beneficiaries of old-age pension, 26.5% of survival pension and 15.3% of disability pension.



In January 2014, Denar 3,335.20 million was spent for payment of pensions, accounting for 54.7% of the total social transfers².

Average pension in January 2014 amounted to Denar 11,814, increasing by 8.5% on annual basis. Ratio between the average pension and the average paid salary in December 2013 (the most recent available data) was 55%.

5. Monetary Sector

Primary Money

In January 2014, primary money³ surged by 1% on annual basis compared to the 4.4% drop in the previous month, as a result of the increase of ready money in circulation by 7.4%. Total liquid assets of banks reduced by 3.5%.

² Category social transfers includes pensions, unemployment benefit, social assistance and expenditures for health protection.

On monthly basis, primary money surged by 1.1%, as a result of the increase of total liquidity of banks by 6.4%. Ready money in circulation dropped by 5%.

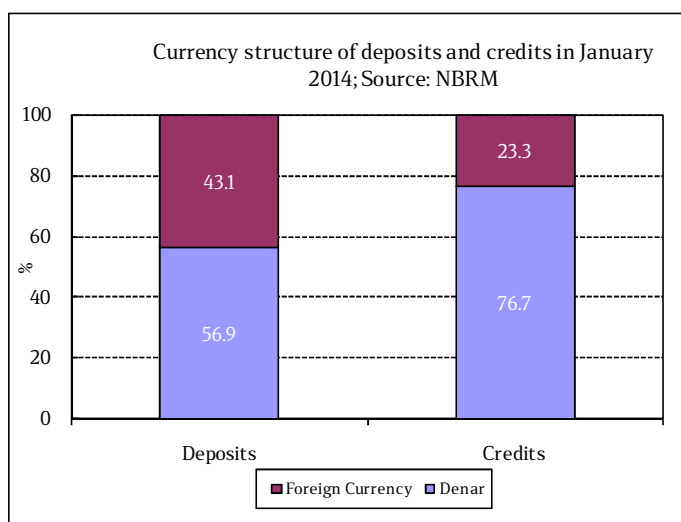
In January 2014, the National Bank of the Republic of Macedonia, in conditions of stable movements, and taking into account the already undertaken measures in the previous period, decided to retain the current monetary setup and the interest rate on CB bills at 3.25%.

Deposit Potential

Total deposit potential of banks⁴ increased by 0.2% on monthly basis in January 2014, as a result of the increase of deposits of household by 0.7%. Deposits of private enterprises were lower by 2.9%. From currency point of view, Denar deposits dropped by 0.3%, while foreign currency deposits increased by 0.9%.

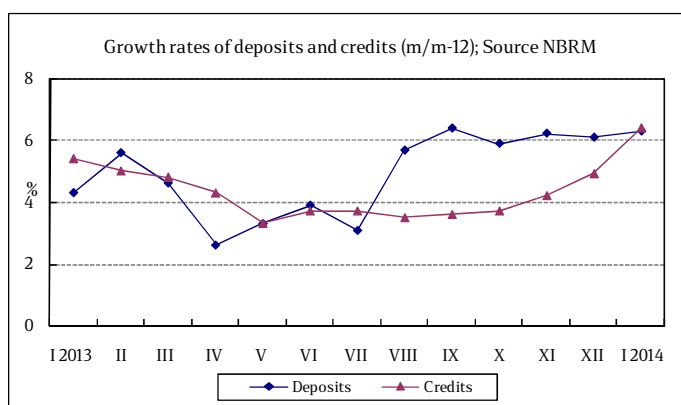
On annual basis, total deposits experienced growth of 6.3% in January 2014, compared to 6.1% growth in December 2013. From the point of view of sectors, deposits of households increased by 7.3%, while deposits of enterprises recorded intensified annual growth of 2.5%.

From currency point of view, Denar deposits surged by 10.7% in January 2014 as in the last month, while foreign currency deposits experienced intensified growth of 1.2%. According to maturity, long-term deposits increased by 26.5%, while short-term deposits declined by 2.7%.



Bank Credits

In January 2014, total credits of banks to the private sector registered slowed down growth of 0.3% on monthly basis (compared to 1.7% increase in December), in conditions of increase of credits to households by 0.7%. Deposits of private



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

⁴ Starting January 2009, deposits include calculated interest

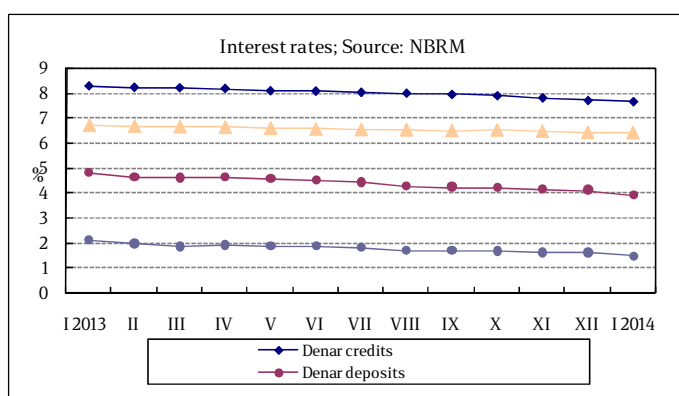
enterprises were lower by 0.1%. According to the currency structure, Denar credits increased by 0.4%, while foreign currency credits declined by 0.4%.

On annual basis, intensified growth of 6.7% was registered at total credits in January (growth in December accounted for 6.4%). According to currency, new crediting was fully in domestic currency. In fact, Denar credits experienced intensified growth of 8.9% (in December, they increased by 8.6%), while the foreign currency credits remained the same on annual basis. Analyzed according to the sector, credits to enterprises registered growth of 3.7%, while credits to households surged by 10.2%. As regards maturity, long-term credits increased by 7% on annual basis, while short-term credits were higher by 4.1%.

Interest Rates of Deposit Banks

Total interest rate on credits was 7.3% in January 2014, being a decrease in relation to the previous month, when it accounted for 7.4%. However, it was lower by 0.5 p.p. compared to the same month 2013. Interest rate on Denar credits accounted for 7.7%, while interest rate on foreign currency credits remained unchanged on monthly basis, accounting for 6.4%.

Total interest rate on deposits was 2.6%, being lower by 0.2 p.p. compared to the previous month. In relation to January in the previous year, interest rate was lower by 0.7 p.p.. Interest rates on Denar and foreign currency deposits decreased on monthly basis, accounting for 3.9% and 1.5% respectively, compared to the 4.1% and 1.6% last month.



Foreign Currency Reserves

Gross foreign currency reserves at the end of January 2014 amounted to EUR 1,979.1 million and, compared to the previous month, they were lower by EUR 13.9 million, while compared to January 2013, they were lower by EUR 284.3 million.

Ministry of Finance

Macroeconomic Policy Department

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