



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

April 2014



June 2014, Skopje

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

April 2014

- Industrial production surged by 2.2% in April 2013 compared to April 2014;
- Inflation dropped by 1.1% on annual basis, and compared to March, inflation remained the same. Average inflation rate in the first four months of 2014 amounted to 0.1%;
- Annual increase of physical output of export in the period January-April 2014 by 0.4% and valuable growth by 10.2% and decline of imported quantities of goods by 11.0% and valuable growth by 5.6%, resulting in reducing the trade deficit by 2.0% compared to the same period in 2013;
- Increase of both total budget revenues by 2.2% and total budget expenditures by 3.6% in this 4-month period in 2014, compared to the same period last year; state budget deficit in the amount of Denar 12,293 million (2.5% of GDP) and central budget deficit in the amount of Denar 10,885 million (2.2% of GDP);
- Increase of both total credits to private sector by 7.1% and total deposit potential of banks by 9.4% on annual basis.

1. Real Sector

Industrial Production

Industrial production surged by 2.2% in April 2014 compared to April 2013. Analyzed by sectors, processing industry sector experienced 6.5% production growth. Mining and quarrying sector experienced growth of 0.4% as a result of the growth in the branches mining of coal and lignite by 21% and other mining and quarrying by 2.7%, while mining of metal ore dropped by 11.5%. Electricity, gas, steam and air-conditioning supply sector experienced 19.9% decline.

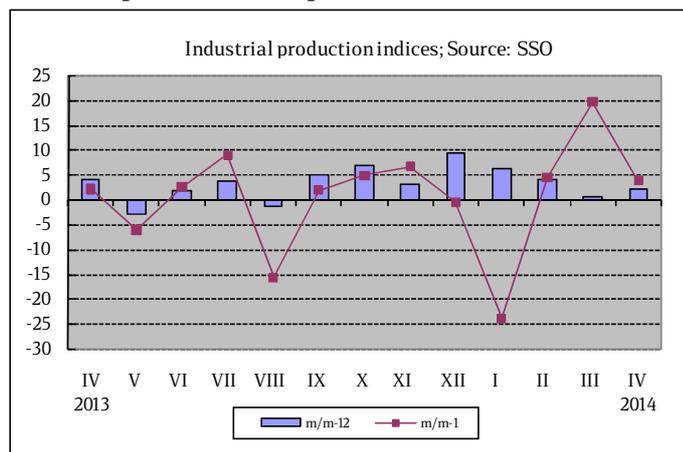
	m/m-1	m/m-12	I-IV 2014
			I-IV 2013
Total	2.2	3.8	3.1
Ore and stone extraction	0.4	-3.8	-0.2
Processing industry	6.5	6.0	8.0
Electricity, gas and water supply	-19.9	-3.4	-17.4

Source: SSO

As for processing industry, annual positive growth was registered at 13 out of 23 branches, comprising 30.5% of the industrial production. As regards the branches with two-digit share in the structure of industrial production, drop was recorded in the branches production of clothing and production of food products by 5.2% respectively. High growth was seen at the following branches: Processing of wood, wood products and cork -234.6%, production of rubber products and products of plastic mass - 51.8%, production of fabricated metal products - 40.2%, production of chemicals and chemical products - 21% and production of machines and devices - 18.4%. Production of rubber products and plastic mass products (1.5 p.p.) contributed the most to the annual change of industrial production in April 2014, while production of food products (-0.7 p.p.) had the highest negative contribution.

Industrial production surged by 3.8% in April 2014 compared to March 2014. Sector analysis points out to increase in the sector processing industry by 6%, while drop was recorded in the sectors mining and quarrying by 3.8%, and electricity, gas, steam and air-conditioning supply by 3.4%.

On cumulative basis, industrial production, in the period January-April 2014, compared to the same period in 2013, surged by 3.1%. Processing industry sector surged by 8%, while mining and quarrying sector and electricity, gas, steam and air-conditioning supply sector experienced a decline of 0.2%, i.e. 17.4%.



Data on the industrial production by target groups in April 2014 compared to April 2013 show that there was increase in the production of the following groups: Capital goods - 61.8%, intermediary goods, except energy - 6.8%, while decline was

registered at the following groups: Energy – 12.9%, consumer durables – 10.6% and consumer non-durables – 4.1%.

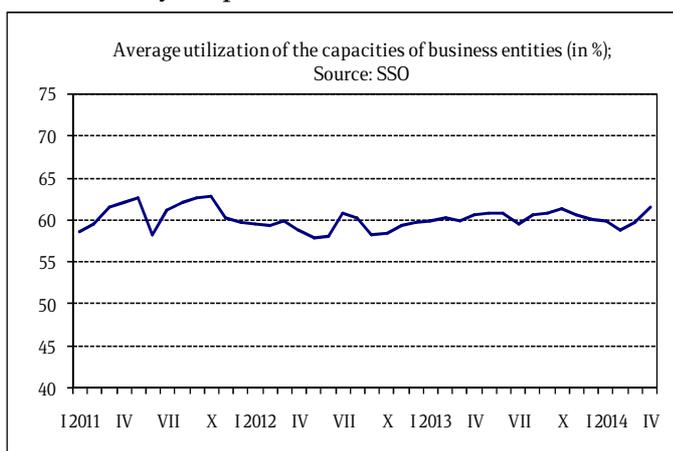
On monthly basis, data on the industrial production by target groups in April 2014 showed increase in the production at the group capital goods by 16.1%, consumer durables by 9.9%, intermediary goods, except energy by 6.4% and consumer non-durables by 1.8%, while drop was seen at the group energy by 5%.

On cumulative basis, in the period January–April 2014 compared to the same period in the previous year, growth was recorded at the following groups: Capital goods – 26.7%, intermediary goods, except energy – 12%, consumer non-durables – 0.6% and consumer durables – 0.1%. Drop of 15% was registered only at the energy group.

Business Tendencies in the Processing Industry

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

Assessment of current state of delivery-to-production was less favourable compared to the previous month, while compared to April 2013, it was more favourable. In April 2014, assessment for the production volume in the past three months was less favourable compared to March 2014, as well as compared to April 2013. In April 2014, the expectations for the production volume in the next three months are more favourable compared to the previous month, while compared to April 2013, they were less favourable.



As regards the number of employees, the expectations in April 2014 for the next three months were more favourable compared to both the previous month and April 2013.

Average utilization of capacities in April 2014 accounted for 61.5%, being an increase compared to the previous month, when it accounted for 59.8%. Compared to April 2013, the utilization of the capacities was higher by 0.7 p.p..

In April 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 April 2013. According to the assessment of managers, in the next 3-month period, average purchase prices of inputs are expected to increase, while selling prices of ready-made products are expected to decrease.

According to the assessment, following factors limited the most the production volume in April 2014: insufficient foreign demand – 27.1%, insufficient domestic demand – 17.4%, lack of qualified labour force - 12.8%, financial problems - 10.3% and uncertain economic surrounding – 7.5%.

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

Number of Industrial Workers

Thus, the number of workers in the industry in April 2014 compared to April 2013 increased by 7.1%.

Sector analysis points out to increase in the number of workers in the sectors processing industry by 8.5% while the number of workers in the mining and quarrying sector, as well as the electricity, gas, steam and air-conditioning supply decreased by 1.9% and 0.8% respectively.

Data on the number of workers in the industry by target groups in April 2014, compared to April 2013, showed increase in the number of workers at the following groups: Capital goods – 92.2%, consumer durables – 6.1%, consumer non-durables – 3.1% and intermediary goods, except energy – 1.5%, while decline was registered at the energy sector – 4.0%.

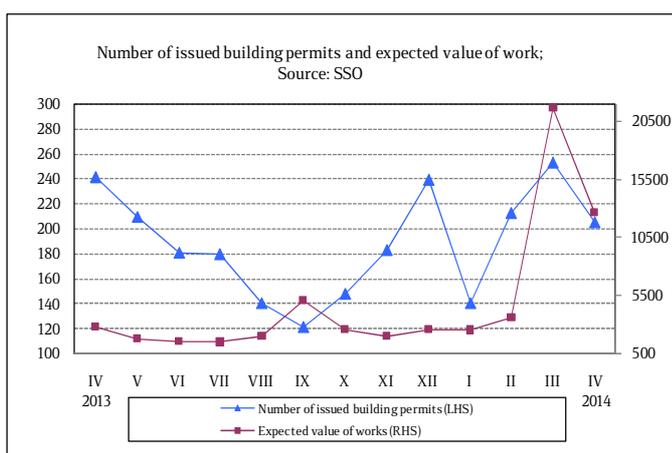
Index on the number of workers in the industry in the period January – April 2014, compared to the period January – April 2013, accounted for 6.9%.

Number of Issued Building Permits and Envisaged Value of Facilities

In April 2014, 205 building permits were issued, dropping by 14.9% compared to the same month in the previous year. Compared to March 2014, when 253 permits were issued, total number of issued building permits decreased by 18.9%.

Envisaged value of the facilities, according to the

issued building permits in April, amounted to Denar 12,548 million, being by almost 4.5 times more compared to April 2013. In relation to March 2014, value of the facilities declined by 42%.

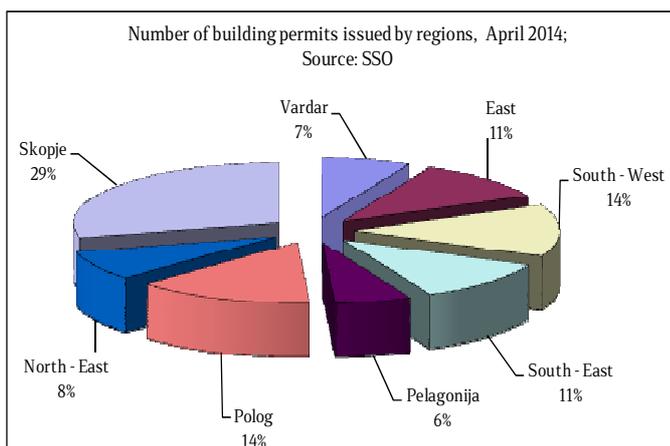


Analyzed by types of facilities, out of the total number of issued building permits, 130 (or 63.4%) were intended for buildings, 37 (or 18.1%) for civil engineering structures and 38 (or 18.5%) for reconstruction facilities.

Analyzed by types of investors, out of total 205 issued building permits, natural persons were investors in 131 facilities (or 63.9%), while business entities were investors in 74 facilities (or 36.1%).

In April 2014, construction of 422 flats was envisaged, with total usable area of 36,734 m². Number of flats envisaged for construction declined by 7.9% compared to the same month in 2013, while it decreased by 28.7% compared to March 2014.

Analyzed by regions, in April 2014, most permits were issued in the Skopje region, 59 in total, 31 permits out of which were issued to natural persons as investors, while 28 permits were issued to business entities as investors. Least permits were issued in Vardar and southeastern regions, 13 in total, 2 of which were issued to natural persons



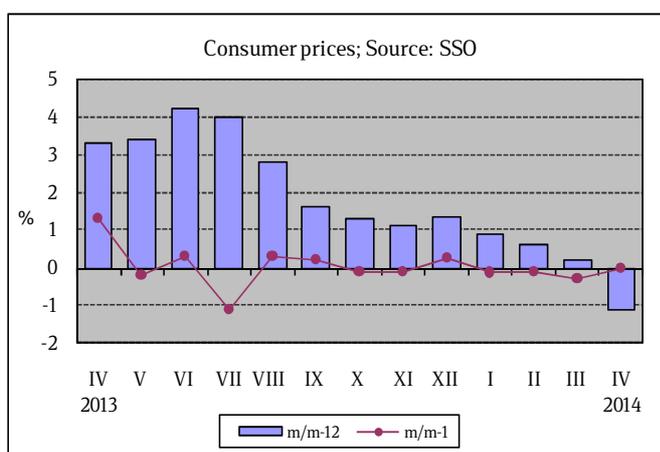
as investors and 11 to business entities as investors in Vardar region, while as for the southeastern region, 9 permits were issued to natural persons while 4 permits were issued to business entities as investors.

Analyzed on cumulative basis, in the period January - April 2014, most building permits were issued in the Skopje region, 291 in total, 131 permits out of which were issued to natural persons as investors, while 160 permits were issued to business entities as investors. Least building permits were issued in the Northeastern region, 48 permits in total, 34 permits out of which were issued to natural persons as investors, while 14 permits were issued to business entities as investors.

Inflation

Annual inflation rate in April 2014, measured according to the CPI index, amounted to -1.1%. Average inflation rate in the first four months of 2014 amounted to 0.1%.

On annual basis, drop in prices was mainly due to the reduced prices in the category food and non-alcoholic beverages by 2.7%. Price reduction was also



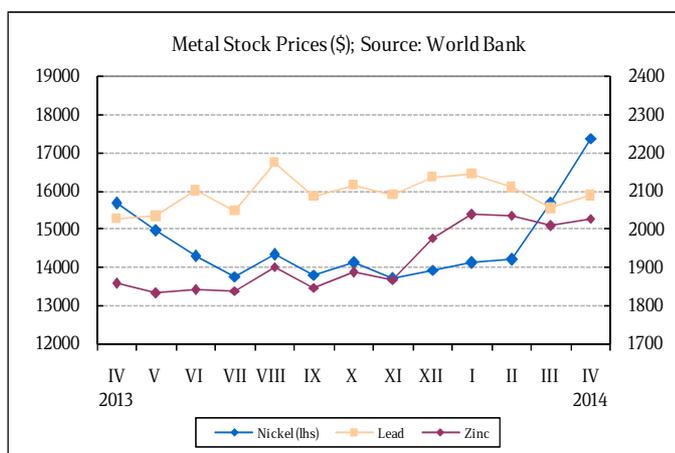
recorded at the following categories: Housing, water, electricity, gas and other fuels, transport and restaurants and hotels by 1.7%, recreation and culture and furniture, household furnishings and maintenance of household furnishings by 1.2%. Highest annual increase of prices in April was seen at the health category by 9.9%. Price increase was also recorded in the following categories: Alcoholic beverages and tobacco by 2.8%, other goods and services by 2%, clothing and footwear by 0.9% and education by 0.2%.

On monthly basis, inflation in April 2014 remained the same. Highest drop of prices on monthly basis was seen in the category transport by 0.4%. Monthly drop of prices (by 0.1%) was recorded on the categories health, recreation and culture, furniture, household furnishings and maintenance of household furnishings, housing, water, electricity, gas and alcoholic beverages and tobacco. Prices remained the same in the categories education, restaurants and hotels, communications and other goods and services, while price increase was seen in the categories food and non-alcoholic beverages and clothing and footwear by 0.2% and 0.3% respectively.

Retail prices in April 2014 were lower by 1.5% compared to April 2013. Compared to the previous month, retail prices were higher by 0.1%, average increase of retail prices in the first four months of 2014 amounted to -0.3%.

Stock Market Prices

In April 2014, (Brent) crude oil price on the global stock markets grew by 0.4%, compared to the previous month, reaching the price of US\$ 107.8 per barrel. Compared to April 2013, oil price surged by 4.8%. Price of natural gas in April decreased by 3.5% compared to the previous month.



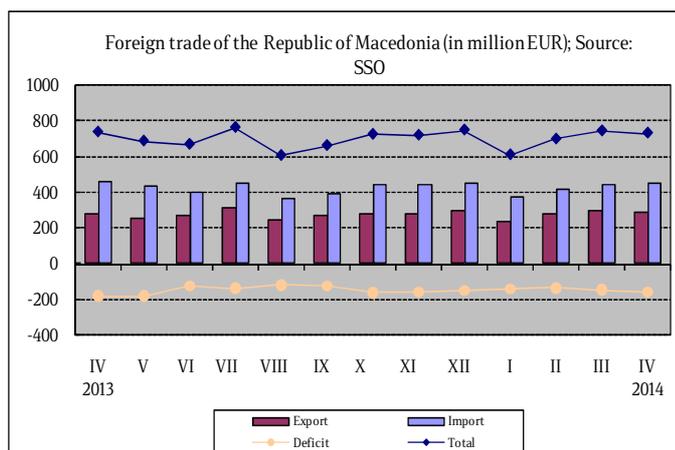
As regards metal products, nickel, as product with high share in the Macedonian export, was traded at an average price of US\$ 17,374 for a metric ton (\$/mt) in April 2014, being a monthly price increase of 10.8%. Compared to April 2013, nickel price was higher by 10.9%. In April, there was monthly increase of prices of basic metals, thus aluminium experienced monthly growth of 6.2%, tin by 1.7%, lead by 1.7%, zinc by 1% and copper by 0.4%. Price of iron ore in April experienced monthly increase by 2.8%. Monthly decline of prices was also observed at precious metals in April. Hence, price of silver dropped by 4.9%, price of gold reduced by 2.9% and platinum by 1.5%. In April 2014, price of wheat and maize on global stock markets surged by 0.4% and 0.03% respectively, compared to March 2014. Price of lamb meat registered monthly growth of 0.8% in April.

2. Foreign Trade

Total foreign trade in the first four months in 2014 amounted to EUR 2,786.5 million, increasing by 7.4% compared to the same period in 2013.

Export

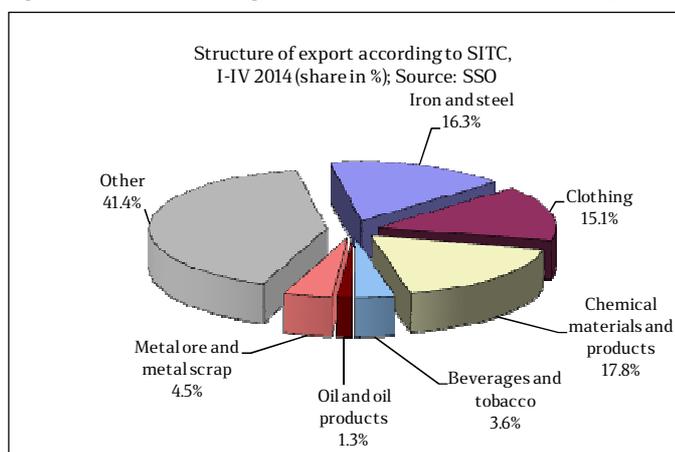
In the period January-April 2014, physical output of export surged by 0.4% compared to the same period in 2013, while value of exported goods amounted to EUR 1099.9 million, surging by 10.2% (EUR 101.8 million) compared to the period January-April 2013.



In April 2014, value of exported goods amounted to EUR 285.6 million, surging by 2.8% (EUR 7.8 million) compared to April last year. Analyzed on monthly basis, in April 2014, export decreased by 4.3% (EUR 12.7 million) compared to the previous month.

Seasonally adjusted trend of export in April 2014 decreased by 4.1% on monthly basis pointing out to negative effects of the seasonal factor (0.2 p.p.) on export this month.

Main groups of goods (according to SITC) being most exported in the period January-April 2014 were the following: chemical materials and products – 17.8%, iron and steel –16.3%, clothing – 15.1%, metal ore and metal scrap – 4.5%, beverages and tobacco – 3.6% and oil and oil products – 1.3%. These six groups of products comprised 58.6% of the total export of the country.



In the first four months of 2014, observed by economic purpose, the following products were most exported: goods for industrial procurement (49.2%), followed by consumer goods (21.0%), products for investments without transport equipment (12.7%), food and beverages (9.3%), transport equipment (6.6%) and fuels and lubricants (1.2%).

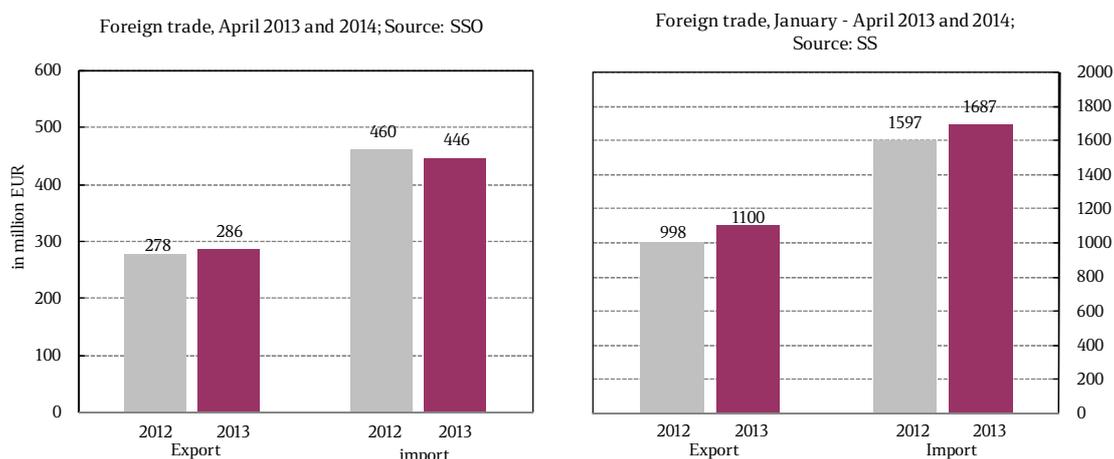
Export of iron and steel*)				
	I - IV - 2013	I - IV - 2014	Balance	% rate
000 T	196.4	187.3	-9.1	-4.6
EUR mil.	196.3	179.5	-16.8	-8.6
\$ mil.	257.8	246.5	-11.4	-4.4

*)Previous data

Import of iron and steel*)				
	I - IV - 2013	I - IV - 2014	Balance	% rate
.000 T	211.7	170.5	-41.2	-19.4
EUR mil.	101.8	83.9	-17.9	-17.6
\$ mil.	134.1	115.2	-18.9	-14.1

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



Import

Imported quantities of goods in the period January-April 2014 decreased by 11.0%, compared to the period January-April in the previous year, while their value amounted to EUR 1686.7 million, increasing by 5.6% (EUR 89.6 million) compared to the same period in 2013.

Imported goods in April 2014 amounted to EUR 446.3 million, decreasing by 3.0% (EUR 13.7 million) compared to April last year. Analyzed on monthly basis, in April 2014, import grew by 0.1% (EUR 0.6 million), compared to the previous month.

Export of oil and oil products*)				
	I - IV - 2013	I - IV - 2014	Balance	% rate
000 T	50.6	32.7	-17.9	-35.3
EUR mil.	26.3	13.9	-12.4	-47.0
\$ mil.	34.6	19.2	-15.4	-44.6

*)Previous data

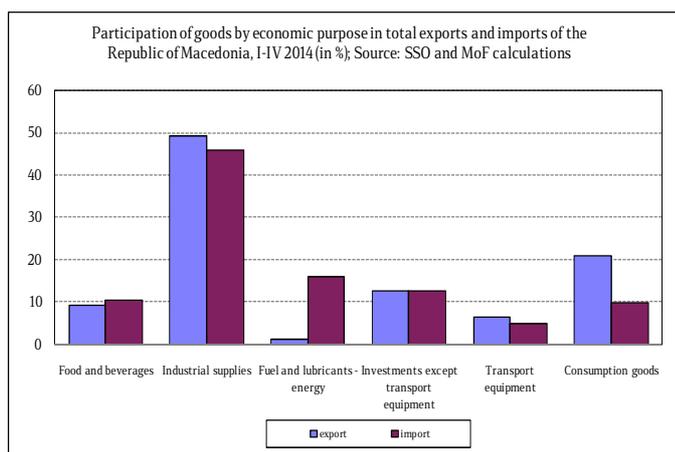
Import of oil and oil products*)				
	I - IV - 2013	I - IV - 2014	Balance	% rate
.000 T	273.5	294.0	20.6	7.5
EUR mil.	163.4	167.6	4.2	2.6
\$ mil.	214.5	230.2	15.7	7.3

*)Previous data

Seasonally adjusted trend of import in April 2014 recorded monthly growth of 6.7%, pointing out to positive effects of the seasonal factor (6.9 p.p.) on import this month.

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

In the period January-April 2014, observed by economic purpose, the following products were most imported: goods for industrial procurement (45.8%), followed by fuels and lubricants (16.0%) investment goods without transport equipment (12.7%), food and beverages (10.4%), consumer goods (9.9%) 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; oil gases and other gaseous hydrocarbons; ceramic products for laboratory, chemical or other technical use; hot rolled products 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; motor petrol with an octane number (RON) of 95 or more, but lower than 98; pharmaceuticals put up in measured doses nickel ore and concentrates; etc.

Export of chemical products*)				
	I - IV - 2013	I - IV - 2014	Balance	% rate
000 T	2.2	4.6	2.4	105.5
EUR mil.	152.9	195.7	42.8	28.0
\$ mil.	201.2	269.0	67.7	33.6

*)Previous data

Import of chemical products*)				
	I - IV - 2013	I - IV - 2014	Balance	% rate
.000 T	9.8	9.7	-0.1	-0.9
EUR mil.	27.3	28.0	0.7	2.5
\$ mil.	35.9	38.6	2.7	7.5

*)Previous data

Trade Balance

In the first four months of 2014, trade deficit narrowed by EUR 12.1 million or 2.0% compared to the period January-April 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 investment goods without transport equipment, transport equipment, food and beverages and consumer goods, while the widened negative balance in the trade of goods for industrial procurement and fuels and lubricants acted in opposite direction.

Analyzed according to the economic groups of countries, in the period January-April 2014, compared to the same period in 2013, export surged at the following groups: EU 27, EFTA and Organization of Petroleum Exporting Countries, while drop was recorded at the following groups: Western Balkan Countries, North American Free Trade Agreement, Asia-Pacific Economic Cooperation Organization and Commonwealth of Independent States. Export to the EU surged by 23.4% on annual basis, while as for Western Balkan countries, it declined by 12.4%.

In the first four months of 2014, foreign trade of the Republic of Macedonia with the European Union (EU 27), in relation to the same period in the previous year, increased by 21.4%, whereby share of trade with the EU in the total foreign trade showed positive shifts by 5.3 p.p., accounting for 69.8%. Export of goods to the European Union (EU 27) accounted for 78.7% in the total export of the Republic of Macedonia, while import of goods participated with 63.9%.

In the period January-April 2014, 95.1% of the trade deficit of the country was realized in the trade with Great Britain, Greece, China, Serbia and Turkey followed by: Russia, Romania, Slovenia, the USA, Austria, etc. Surplus was realized in the trade with Germany, Kosovo, Belgium, Bosnia and Herzegovina and the Netherlands.

Currency Structure

Observed by currency structure, 76.2% of the trade in the period January-April 2014 was realized in euros, and compared to the period January-April 2013, it surged by 3.5 percentage points. On export and import side, euro accounted for 87.1% and 69.1%, respectively, whereby share of the euro in export was higher by 4.9 p.p., while increase of the share of the euro in import accounted for 2.4 p.p. compared to the period January–April 2013.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	1 - IV - 2013					1 - IV - 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	975.7	1,064,521,545	61.6510	65,628,810,689	66.7	988.7	1,164,247,815	61.6900	71,822,486,516	69.1	99,726,270	9.4
USD	966.5	452,946,058	47.3870	21,463,769,956	21.8	738.1	451,109,114	44.6589	20,146,041,321	19.4	-1,836,944	-0.4
GBP	0.9	148,979,041	72.5475	10,808,051,543	11.0	1.5	147,316,102	74.7354	11,009,724,879	10.6	-1,662,939	-1.1
EUR+USD+GBP	1,943.1			97,900,632,189	88.5	1,728.3			102,978,252,716	99.1		
tot. import	1,946.3			98,402,681,683	100.0	1,731.7			103,943,512,677	100.0		5.6

Source: SSO and NBRM

3. Fiscal Sector

Budget Revenues

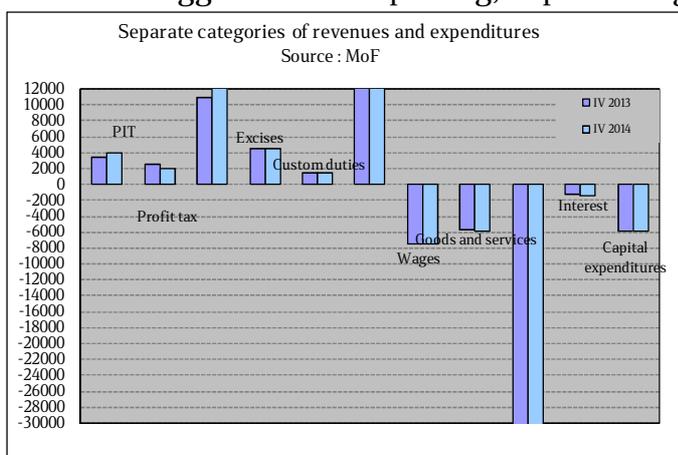
In the period January-April 2014, total budget revenues reached an amount of Denar 45,532 million, i.e. 9.3% of GDP, which was by 2.2% higher in relation to 2013.

Tax revenues in the first four months were realized in the amount of Denar 25,609 million, i.e. 5.2% of GDP, being higher by 8.5% in relation to the same period in 2013.

Value added tax was realized in the amount of Denar 13,674 million, whereby share of VAT in total tax revenues in this period was dominant, amounting to 53.4%. Revenues on the basis of excises were realized in the amount of Denar 4,457 million (participating with 17.4% in the tax revenues). Hence, revenues realized on the basis of these two indirect taxes amounted to Denar 18,131 million, i.e. 71.7% of total tax revenues (3.7% of GDP). Thereby, VAT collection amounted to Denar 19,144 million on gross basis, Denar 5,470 million out of which was refunded to taxpayers (gross collection was lower by 2.1%, while VAT refund was lower by 37.0% compared

to the same period in 2013). It is worth mentioning that, compared to data on the same period, gross collection was lower than the one in 2012 and 2011, and the VAT refund was lower as well.

As for VAT structure, VAT share was the biggest when importing, experiencing insignificant increase by 0.2%, while VAT on the basis of sales in the country dropped by 7.6%, share of VAT grants and interest was insignificant, i.e. 0.4% and 0.1%, whereby tax on donations experienced higher performance by 100.0%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of



Denar 3,794 million, increasing by 11.8% on annual basis, whereby revenues on the basis of tax on salaries and other personal earnings accounted for around 2/3, i.e. 69.6% of the personal income tax, revenues on the basis of contractual agreement accounted for 4.2%, and revenues on the basis of property and property rights accounted for 4.2%. Compared to the same month in 2013, profit tax revenues amounted to Denar 1,895 million, decreasing by 20.1%, being mainly a result of the 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 increase by 25.9%, while excises experienced moderate increase, i.e. higher performance by 2.2%. Revenues on the basis of customs duties were realized in the amount of Denar 1,426 million, experiencing insignificant decrease by 0.9%. Revenues on the basis of other taxes amounted to Denar 363 million, declining by 69.0%.

Non-tax revenues amounted to Denar 3,528 million and, in relation to the same period in 2013, they were higher by 5.4% (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 1,153 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 56.1% 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 682 million, being by 25.2% less compared to the same month last year.

Collection of social contributions amounted to Denar 13,959 million, accounting for 2.8% of GDP, being higher performance by 2.4% compared to the same period in 2013, whereby collection of pension insurance contributions increased by 2.5%,

while collection of health insurance contribution and employment contributions surged by 2.1%.

Budget Expenditures

In the period January-April 2014, total budget expenditures amounted to Denar 57,825 million, i.e. 11.8% of GDP, which was higher by 3.6% compared to 2013.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 51,826 million accounted for 89.6% (10.6% of GDP) and they increased by 3.7% in relation to the same period in 2013.

Transfers amounting to Denar 36,807 million (7.5% of GDP) accounted for the most in the current expenditure items, followed by expenditures related to salaries and allowances - Denar 7,596 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 13.1% and, in relation to 2013, they increased by 1.5%.

Expenditures related to goods and services amounted to Denar 5,964 million, increasing by 2.36% compared to the same period in 2013.

Transfers increased by 4.3% compared to the same period in 2013, participating with 63.7% in the total expenditures. Social transfers amounted to Denar 25,504 million, increasing by 5.2% and participating with 44.1% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 15,772 million, increasing by 6.8% compared to the same period in 2013 and accounting for 27.3% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 19.0% in the total expenditures, i.e. they surged by 1.9% compared to the same period in 2013. Block grants to local government units amounting to Denar 4,782 million, were lower by 0.3% compared to the same period in the previous year. Subsidies and transfers were higher by 5.6%.

Interest was collected in the amount of Denar 1,459 million, being by 5.5% more compared to the same period in 2013. Such performance was mainly due to the payment of due interest-related liabilities on the basis of both domestic and foreign borrowing. Costs related to interest on the basis of domestic borrowing increased by 55.2%, while the ones on the basis of foreign borrowing dropped by 19.4%.

In the analyzed period, capital expenditures were realized in the amount of Denar 5,999 million, participating with 10.4% in the total expenditures (1.2% of GDP), i.e. they increased by 2.1% compared to the same period last year.

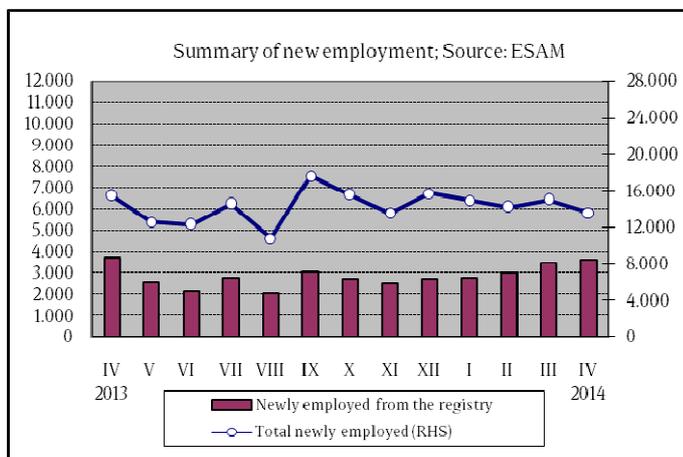
Budget Balance

In the period January-April 2014, the budget deficit reached the amount of Denar 12,293 million, being 2.5% of GDP, while central budget deficit amounted to Denar 10,885 million or 2.2% of GDP.

4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM¹

In the first four months in 2014, Employment Agency of the Republic of Macedonia registered total of 57,766 new employments. 47.4% out of the total number of newly employed was on the basis of full-time employment, while the rest of the employed were on the basis of temporary employment and seasonal workers. Compared to April 2013, number of newly employed persons was higher by 5.4%.



In April, 13,612 new employments were registered, 26.6% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 6,184 persons in April, 56.9% out of which were new employments. In April 2014, 5,367 persons were registered as inflow to the Agency, 47.6% out of which were persons whose employment was terminated. Thus, in April 2014, 103,250 persons were registered as unemployed, while number of other unemployed persons accounted for 115,668.

Major percentage of the unemployed, i.e. 72.7%, came from urban areas (cities), whereby 58.2% were men. Analyzed by education structure, major part, i.e. 46.1% of unemployed persons were without education, primary education or incomplete secondary education, 34.7% was with complete secondary education, while 19.1% completed community college or higher education level. Observed by age, majority of the unemployed persons or 49.7% fall in the category of 25-49 years of age. According to the time they waited for a job, 40.0% of the unemployed persons wait for employment from 1 to 7 years, while 14.5% wait for employment for 8 years and more.

Salaries

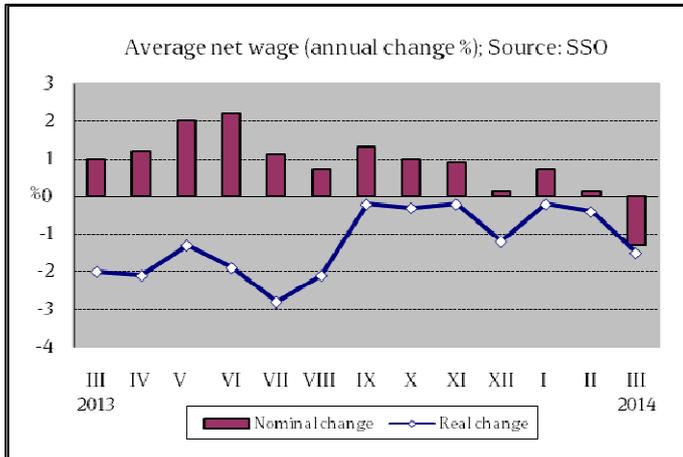
According to the data from the State Statistical Office, average monthly paid gross salary per employee in March 2014 amounted to Denar 30,756, while average monthly paid net salary amounted to Denar 21,007.

On monthly basis, in March 2014 average gross salary and net salary increased by 0.3% in nominal terms, while being higher by 0.6% in real terms.

¹Modifications 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 March 2014 compared to March 2013, average gross salary decreased by 1.4% in nominal terms, while it was lower by 1.6% in real terms. Average net salary was lower by 1.3% in nominal terms, decreasing by 1.5% in real terms.

On cumulative basis, in the period January-March 2014, average gross salary decreased by 0.3% in nominal terms, while it was lower by 0.9% in real terms. Average net salary was lower by 0.2% in nominal terms, decreasing by 0.8% in real terms.



Decrease of average monthly gross and net salary per employee in March 2014, compared to March 2013, was recorded in the following sectors: Information and communications (26.2% gross salary and 28.6% net salary) facilities for accommodation and food-related services (3.4% gross salary and 3.6% net salary) and water supply;

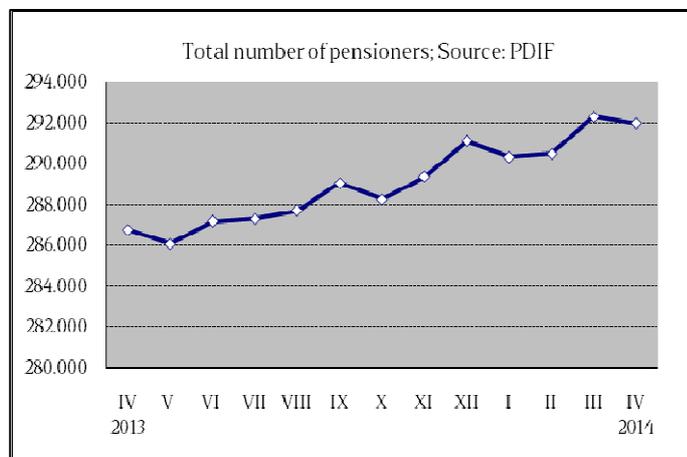
removal of wastewater, waste management and environmental rehabilitation activities (2.3% gross salary and 2.1% net salary).

Reduction of average monthly paid gross salary per employee, compared to the previous month, was registered in the following sectors: Agriculture, forestry and fishing (4.6% gross salary and 4.8% net salary) mining and quarrying (4.1% gross salary and 5.2% net salary) and other services (3.8% gross salary and 3.5% net salary).

Employees who did not receive salary in March 2014 accounted for 1.4%, and compared to the same month in the previous year, it was lower by 1.2 p.p., while compared to February 2014, it was higher by 0.1 p.p..

Pensioners

In April 2014, 291,976 pensioners were registered at the Pension and Disability Insurance Fund, being an increase by 1.8% compared to the same month in 2013. Number of pension beneficiaries dropped by 344 persons in relation to March 2014. 58.5% out of the total number of pensioners are beneficiaries of old-age pension, 26.4% of survival pension and 15.1% of disability pension.



In April 2014, Denar 3,523.17 million was spent for payment of pensions, accounting for 53.3% of the total social transfers².

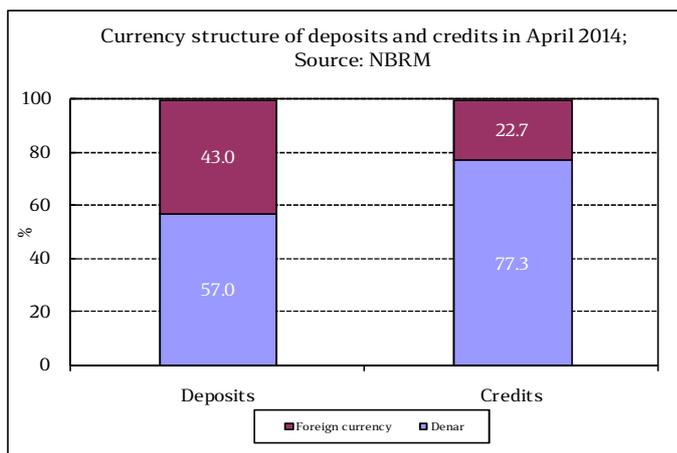
Average pension in April 2014 amounted to Denar 12,418, increasing by 7.3% on annual basis. Ratio between the average pension and the average paid salary in March 2014 (the most recent available data) was 59.2%.

5. Monetary Sector

Primary Money

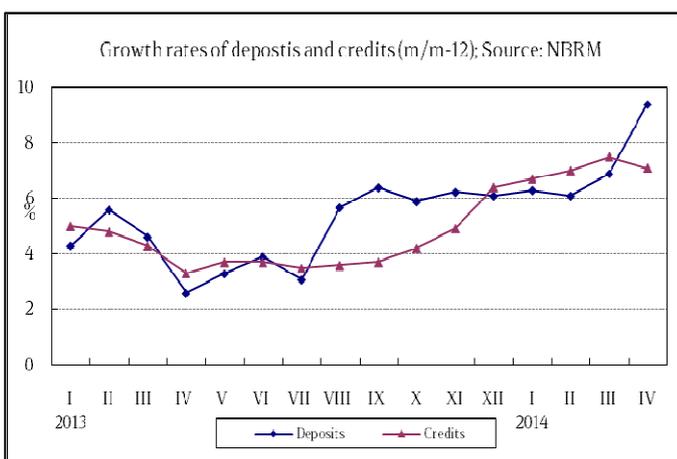
Primary money³ in April 2014 dropped by 1.4% on annual basis, compared to the 3.6% drop in the previous month. Such drop was due to the reduced total liquid assets of banks of 5.5%. Ready money in circulation grew by 3.6% on annual basis.

On monthly basis, primary money increased by 0.5%, as a result of the drop of total liquidity assets of the banks of 0.8%, while ready money in circulation surged by 1.9% compared to the previous month. In April 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

On monthly basis, total deposit potential of banks⁴ dropped by 0.3% in April 2014, compared to the growth of 0.6% in the previous month. Analyzed by sectors, growth of deposits was, to a great extent, driven by the decreased deposits of private enterprises, which decreased by 5.0%, while deposits of households increased by 0.9%.



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

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.

From currency point of view, Denar deposits dropped by 0.7%, while foreign currency deposits increased by 0.2%.

On annual basis, total deposit potential increased by 9.4% in April 2014, being an increase compared to the previous month, when 6.9% growth was registered. From currency point of view, domestic currency deposits increased by 12.5% in April 2014, which were the main drivers of the growth of the total deposits on annual basis, while foreign currency deposits surged by 5.6%. From sector point of view, deposits of households increased by 7.6%, while deposits of enterprises surged by 16.9%. According to maturity, long-term deposits grew by 24.1%, while short-term deposits grew by 1.5%.

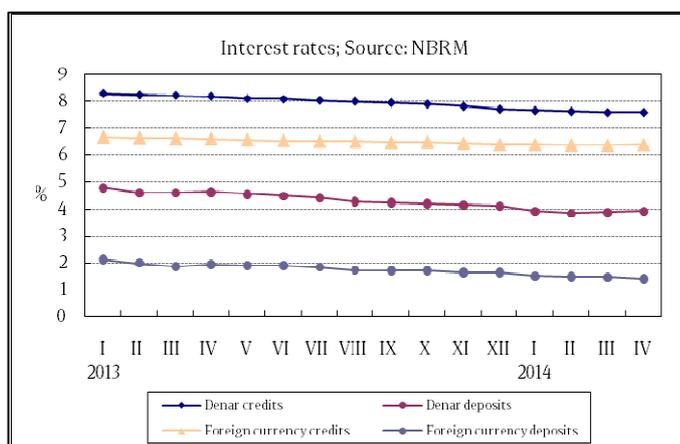
Bank Credits

In April 2014, total credits of banks to the private sector dropped by 0.1% on monthly basis, (compared to the 1.1% growth in March) as a result of the growth of credits to households by 0.9% and drop of credits to enterprises by 0.9%. From currency aspect, Denar credits surged by 0.4%, while foreign currency credits decreased by 1.8% respectively.

In April 2014, total credits experienced grew by 7.1% on annual basis (compared to the growth of 7.5% in March), in conditions of growth of credits to enterprises of 3.8% and credits of households of 11.5%. According to currency, new crediting was fully in domestic currency. Denar credits surged by 10.1%, while foreign currency credits dropped by 2.0%. As regards maturity, long-term credits increased by 9.4% on annual basis, while short-term credits were higher by 3.8%.

Interest Rates of Deposit Banks

Total interest rate on credits was 7.3% in April 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 remained at 7.6%, while interest rate on foreign currency credits remained unchanged at 6.4%.



Total interest rate on deposits was 2.6%, being at the same level from the last month, while compared to April last year, it was lower by 0.6 p.p.. Interest rate on Denar deposits increased remained the same as in the previous month, accounting for 3.9%, while interest rate on foreign currency deposits was changed, accounting for 1.4%.

Foreign Currency Reserves

Gross foreign currency reserves at the end of April 2014 amounted to EUR 1,899.2 million and, compared to the previous month, they were lower by EUR 42.0 million, while compared to April 2013, foreign currency reserves were lower by EUR 246.5 million.

Ministry of Finance

Macroeconomic Policy Department

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