



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

February 2014



Skopje, April 2014

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

February 2014

- Industrial production surged by 4.1% in February 2014 compared to February 2013.
- Inflation rate amounted to 0.6% on annual basis and -0.1% on monthly basis.
- Annual growth of 6.3% of physical output of export in the period January-February 2014 and valuable growth of 10.9%, decline of imported quantities of goods of 20.3% with valuable growth of 6.4%, resulting in decline of trade deficit by 1.1% compared to the same period in 2013.
- Increase of both total budget revenues by 11.3% and total budget expenditures by 12.2% in this 2-month period in 2014, compared to the same period last year; state budget deficit in the amount of Denar 7,558 million (1.54% of GDP) and central budget deficit in the amount of Denar 7,292 million (1.49% of GDP).
- Increase of both total credits to private sector by 7% and total deposit potential of banks by 6.1% on annual basis.

1. Real Sector

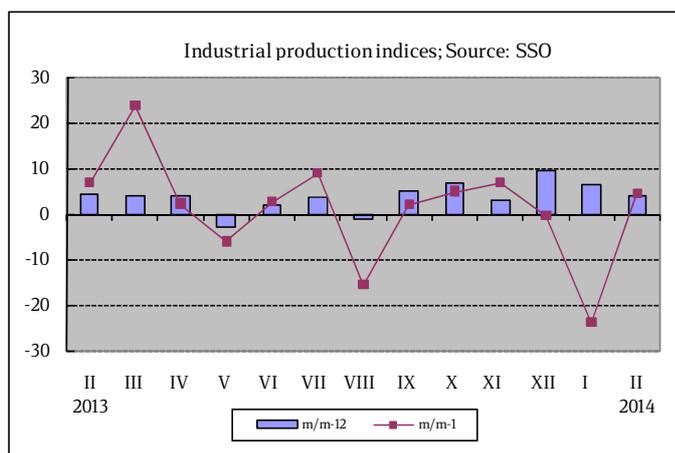
Industrial production surged by 4.1% in February 2014 compared to February 2013. Analyzed by sectors, processing industry sector experienced 10.0% production growth. Mining and quarrying sector experienced a growth of 3.5% as a result of the growth in the branches other mining and quarrying by 36.9% and mining of coal and lignite by 2.0%, while mining of metal ore dropped by 4.3%. Electricity, gas, steam and air-conditioning supply sector dropped by 21.5%.

	m/m-1	m/m-12	I-II 2014
			I-II 2013
Total	4.1	4.4	5.2
Ore and stone extraction	3.5	1.9	1.2
Processing industry	10.0	8.5	11.0
Electricity, gas and water supply	-21.5	-13.6	-15.7

Source: SSO

As for processing industry, annual positive growth was registered at 13 out of 23 branches, comprising 41.75% of the industrial production. As regards the branches with two-digit share in the structure of industrial production, production of clothing grew by 0.1%. Significant growth was seen at the following branches: Production of motor vehicles, trailers and semi-trailers – 493.3%, production of rubber and plastic mass products – 79.7%, production of other non-metal mineral products – 66.3%, production of machines and devices, elsewhere unmentioned – 52.3%, processing of wood, cork and wood products, except furniture – 48.6%, manufacture of electrical equipment – 40.5%, production of textile – 39.1%, production of chemicals and chemical products – 35.2%, production of other transportation equipment – 32.5%, printing and production of recorded media – 22.4%, production of beverages – 22.0% and production of furniture 5.7%.

Industrial production in February 2014 increased by 4.4% compared to January 2014. Analyzed by sectors, processing industry sector experienced growth of 8.5%, growth in the mining and quarrying sector accounted for 1.9% as a result of the growth in the other mining and quarrying branch by 54.9% and mining of coal and lignite by 2.6% while metal ore extraction branch dropped by 10.6%, while decline of 13.6% was observed in the supply of electricity, gas, steam and air conditioning sector.



On cumulative basis, in the period January–February 2014, industrial production surged by 5.2%, compared to the same period in 2013. Processing industry sector surged by 11.0%, mining and quarrying sector grew by 1.2%, while 15.7% decline was registered in the electricity, gas, steam and air-conditioning supply sector.

Data on the industrial production by target groups in February 2014, compared to February 2013, show that there was increase in the production at the following

groups: Capital goods – 39.1% and intermediary goods, except energy – 15.5%. Drop was seen at the following groups: Energy – 16.5%, consumer durables – 7.2%, and consumer non-durables - 0.4%.

On monthly basis, data on the industrial production by target groups in February 2014 showed increase in the production at the group capital goods by 26.6%, intermediary goods, except energy by 13.2% and consumer non-durables by 0.1%, while drop was seen at the following groups: Consumer durables – 9.7% and energy – 9.6%.

On cumulative basis in the period January-February 2014 compared to the same period in the previous year, growth was recorded at the following groups: Consumer durables – 13.0%, capital goods – 24.4% consumer non-durables – 4.7% and intermediary goods, except energy – 15.0%. Drop was registered at the energy group – 14.9%.

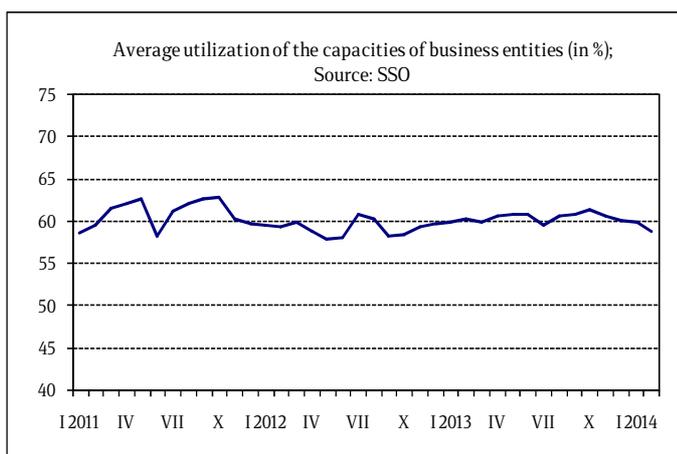
Business Tendencies in the Processing Industry

Current economic trends of business entities in February 2014 were less favourable compared to the previous month and more favourable compared to February 2013.

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

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

Average utilization of the capacities in February 2014 accounted for 58.9%, being a decrease compared to the previous month, when it accounted for 60.0%. Compared to February 2013, the utilization of the capacities was lower by 1.4 p.p..



In February 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 for the current stocks of ready-made products was less favourable compared to the previous month, while compared to February 2013, it was more favourable. 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 February 2014: insufficient foreign demand – 25.7%, insufficient domestic demand – 18.7%, shortage of skilled labour – 11.1%, uncertainty of economic environment – 8.4%, financial problems – 8.3%, competitive import – 7.9%, shortage of raw materials – 2.8%, lack of equipment – 2.8% and unclear economic laws – 1.9%.

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

Number of Industrial Workers

Number of workers in the industry in February 2014 compared to February 2013 increased by 6.8%.

Sector analysis points out to increase in the number of workers in the sectors processing industry by 8.1% while the number of workers in the mining and quarrying sector, as well as the electricity, gas, steam and air-conditioning supply decreased by 0.8% and 0.7% respectively.

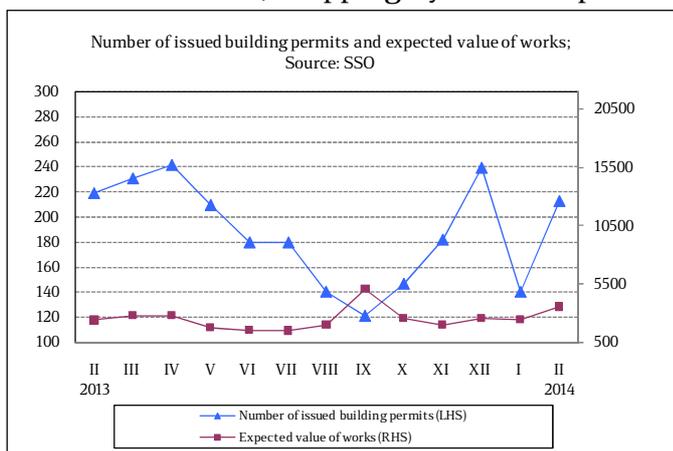
Mining and quarrying sector registered a drop in the number of workers by 0.8% as a result of the reduction of the number of workers in mining of coal and lignite branch (2.4%), while the number of workers increased in the branches other mining and quarrying (0.4%) and mining of metal ore (0.3%).

Data on the number of workers in the industry by target groups in February 2014 compared to February 2013 show increase in the number of workers at the following groups: Capital goods by 75.4%, consumer non-durables by 4.4%, consumer durables by 3.3% and intermediary goods, except energy 0.9%, while reduction of the number of workers was seen at the energy group by 1.8%.

Number of Issued Building Permits and Envisaged Value of Facilities

In February 2014, 212 building permits were issued, dropping by 3.2% compared to the same month in the previous year. Total number of issued building permits compared to January 2014, when 140 permits were issued, increased by 51.4%.

Envisaged value of the facilities, according to the issued building permits in February, amounted to Denar 3,522 million, being by 47.0%



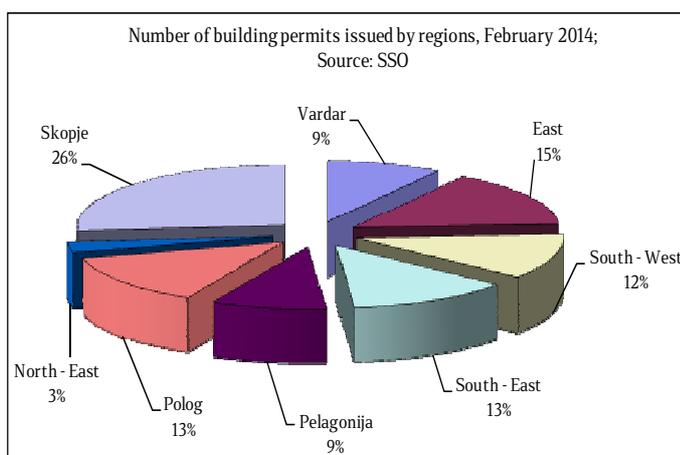
more compared to February 2013. In relation to January 2014, value of the facilities grew by 43.3%.

Analyzed by types of facilities, out of the total number of issued building permits, 147 (or 69.3%) were intended for buildings, 33 (or 15.6%) for civil engineering structures and 32 (or 15.1%) for reconstruction facilities.

Analyzed by types of investors, out of total 212 issued building permits, natural persons were investors in 141 facilities (or 66.5%), while business entities were investors in 71 facilities (or 33.5%).

In February 2014, construction of 445 flats was envisaged, with total usable area of 37,313 m². Number of flats envisaged for construction declined by 24.2% compared to the same month in 2013, while it decreased by 29.6% compared to January 2014.

Analyzed by regions, in February 2014, most permits were issued in the Skopje region, 56 in total, 29 permits out of which were issued to natural persons as investors, while 27 permits were issued to business entities as investors. Least building permits were issued in the Northeastern region, 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.

Analyzed on cumulative basis, in the period January - February 2014, most building permits were issued in the Skopje region, 101 in total, 59 permits out of which were issued to natural persons as investors, while 42 permits were issued to business entities as investors. Least building permits were issued in the Northeastern region, 21 permits in total, 18 permits out of which were issued to natural persons as investors, while 3 permits were issued to business entities as investors.

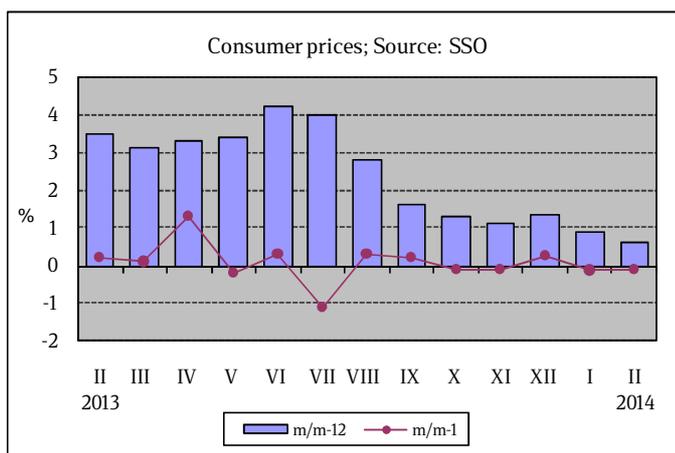
Inflation

Annual inflation rate in February 2014, measured according to the CPI index, amounted to 0.6%, by which the trend of very low inflation observed during the last quarter of the previous year, continues. Average inflation rate in the period January-February 2014 amounted to 0.7%.

On annual basis, food category and non-alcoholic beverages, accounting for the most in the CPI index, experienced 0.7% increase. Highest annual increase of prices in February was seen at the health category by 13.1%. Price increase was also recorded in the following categories: Alcoholic beverages and tobacco by 5.5%, communications by 3.9%, while categories clothing and footwear, education and other goods and services experienced price increase by 0.2%. Reduction of prices was seen at the categories housing, water, electricity, gas and other fuels (2.6%),

transport (1.4%), restaurants and hotels (1.2%), recreation and culture (1.0%) and furniture, household furnishings and maintenance of household furnishings (0.7%).

On monthly basis, inflation in February 2014 dropped by 0.1%. Prices in the categories food and alcoholic beverages and education remained the same. More significant drop of prices was seen in the categories

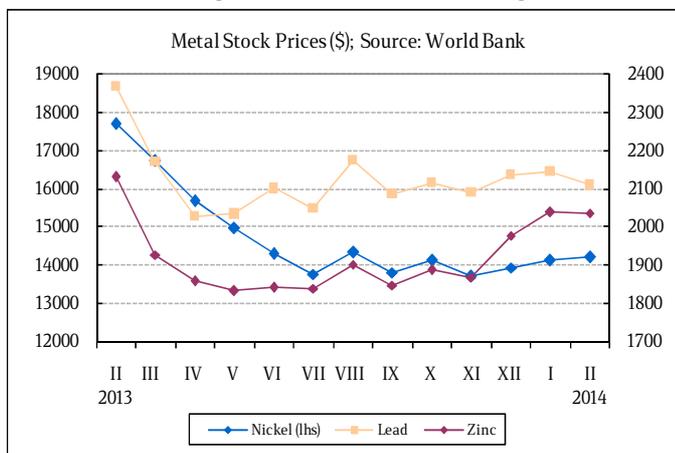


recreation and culture by 1.8% and restaurants and hotels by 1.2%. Monthly drop of prices was also seen in the categories transport by 0.4%, clothing and footwear by 0.3%, furniture, household furnishings and maintenance of household furnishings by 0.2% and housing, water, electricity, gas and other fuels by 0.1%. Increase of prices on monthly basis was seen in the following categories: Communications by 0.9%, alcoholic beverages and tobacco and health by 0.2% and other goods and services by 0.1%.

Retail prices in February 2014 were higher by 0.4% compared to February 2013. Compared to the previous month retail prices in February 2014 decreased by 0.5%.

Stock Market Prices

In February 2014, (Brent) crude oil price on the global stock markets grew by 1.3%, compared to the previous month, reaching the price of US\$ 108.8 per barrel. Compared to February 2013, oil price was lower by 6.6%. Price of natural gas in February increased by 11.6% 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\$ 14,204 for a metric ton (\$/mt) in February 2014, being a monthly price increase by 0.7%. Compared to February 2013, nickel price was lower by 19.7%. As for basic metals, in February, there was monthly reduction of price of copper by 2.0%, aluminium by 1.9%, lead by 1.6% and zinc by 0.1%, while the price of tin increased by 3.4%. Price of iron ore in February experienced monthly decline of 5.3%. As for prices of precious metals, there was monthly increase of price, i.e. price of silver by 4.9% and gold by 4.5%, while price of platinum dropped by 0.8%.

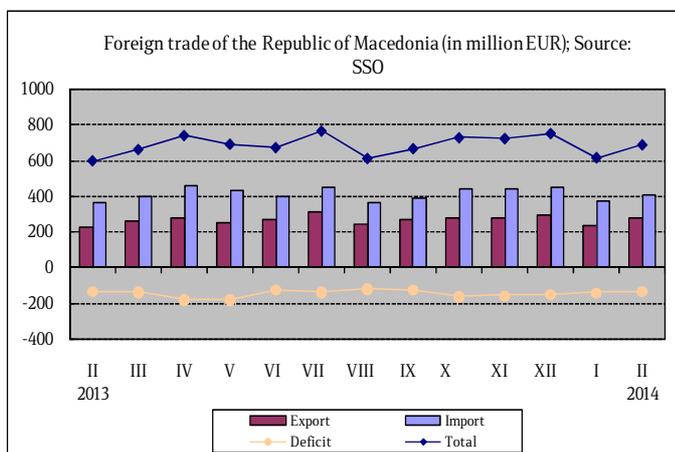
In February 2014 compared to January 2014, price of wheat on global stock markets surged by 6.1%, while price of maize grew by 5.7%. Price of lamb meat experienced monthly increase by 3.2%.

2. Foreign Trade

Total foreign trade in the first two month of 2014 amounted to EUR 1,296.3 million, increasing by 8.1% compared to the same period in 2013.

Export

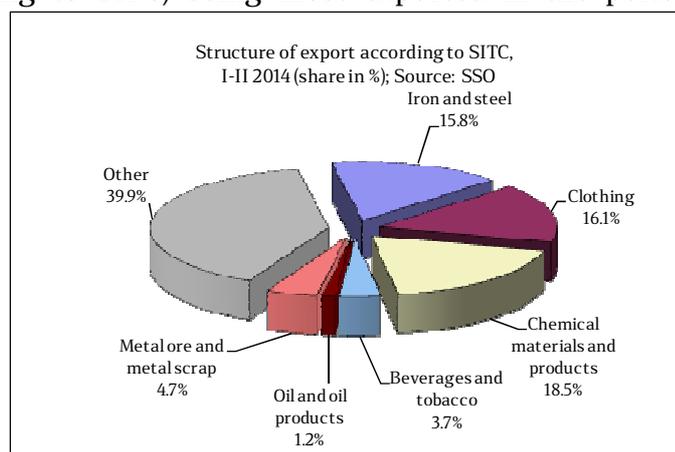
In the period January-February 2014, physical output of export increased by 6.3% compared to the same period in 2013, while value of exported goods amounted to EUR 510.9 million, surging by 10.9% (EUR 50.3 million) compared to the period January-February 2013.



Analyzed on monthly basis, in February 2014, export increased by 17.1% (EUR 40.2 million) compared to the previous month.

Seasonally adjusted trend of export in February 2014 registered monthly increase by 8.1%, pointing out to positive effects of the seasonal factor (9.0 p.p.) on export this month.

Main groups of goods (according to SITC) being most exported in the period January-February 2014 were the following: chemical materials and products – 18.5%, clothing – 16.1%, iron and steel – 15.8%, metal ore and metal scrap – 4.7%, beverages and tobacco – 3.7% and oil and oil products – 1.2%. These six groups of products comprised 60.1% of the total export of the country.



In the first two months of 2014, observed by economic purpose, the following products were most exported: goods for industrial procurement (49.0%), followed by consumer goods (22.0%), products for investments without transport equipment (13.3%), food and beverages (8.5%), transport equipment (6.0%) and fuels and lubricants (1.2%).

Export of oil and oil products*)				
	I - II - 2013	I - II - 2014	Balance	% rate
000 T	22.9	13.5	-9.4	-41.2
EUR mil.	13.5	6.1	-7.4	-54.5
\$ mil.	17.9	8.4	-9.5	-53.3

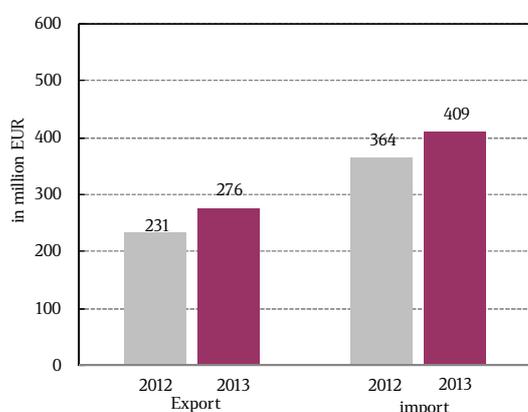
*)Previous data

Import of oil and oil products*)				
	I - II - 2013	I - II - 2014	Balance	% rate
.000 T	110.7	120.4	9.7	8.8
EUR mil.	77.1	75.8	-1.4	-1.8
\$ mil.	102.4	103.3	0.8	0.8

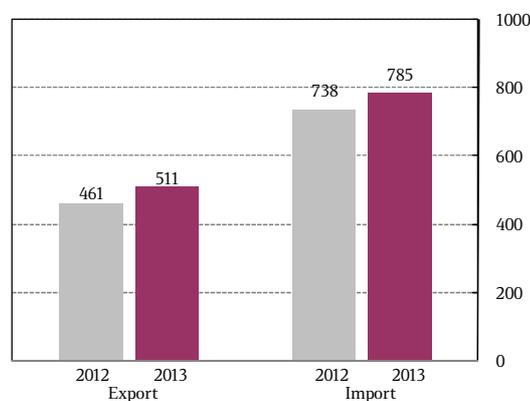
*)Previous data

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; ferrosilicium; ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships; boards, plates, stands, tables, cabinets, etc.; men's shirts of cotton; reaction initiators, reaction accelerators and catalytic preparations; motor vehicles for transport of ten or more persons, including the driver; rolled flat products of iron or non-alloyed steel of width of 600 mm or more, plated or coated; lead ore and concentrates, etc.

Foreign trade, February 2013 and 2014; Source: SSO



Foreign trade, January - February 2013 and 2014; Source: SSO



Import

Imported quantities of goods in the period January-February 2014 dropped by 20.3%, compared to the same period in the previous year, while their value amounted to EUR 785.4 million, increasing by 6.4% (EUR 47.3 million) compared to the same period in 2013.

Export of iron and steel*)				
	I - II - 2013	I - II - 2014	Balance	% rate
000 T	89.7	85.1	-4.6	-5.1
EUR mil.	93.2	80.9	-12.3	-13.2
\$ mil.	124.0	110.4	-13.7	-11.0

*)Previous data

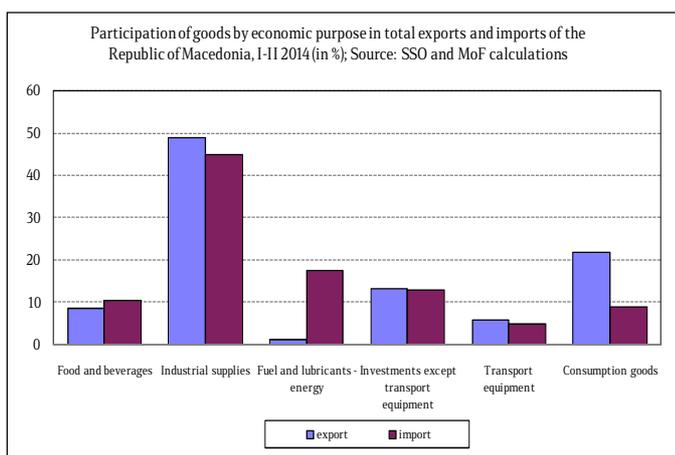
Import of iron and steel*)				
	I - II - 2013	I - II - 2014	Balance	% rate
.000 T	121.6	72.3	-49.3	-40.5
EUR mil.	56.3	36.2	-20.2	-35.8
\$ mil.	75.0	49.3	-25.7	-34.2

*)Previous data

Analyzed on monthly basis, in February 2014, import grew by 8.6% (EUR 32.4 million), compared to the previous month.

Seasonally adjusted trend of import in February 2014 registered monthly increase by 6.9%, pointing out to positive effects of the seasonal factor (1.8 p.p.) on import this month. In addition to non-ferrous metals; oil, yarn; fabrics and textile products; electrical machines, devices and spare parts, iron and steel, electricity; road vehicles, and etc., accounted for the most of the import of goods (according to SITC groups) in the period January-February 2014.

In the period January-February 2014, observed by economic purpose, the following products were most imported: goods for industrial procurement (45.0%), followed by fuels and lubricants (17.7%), food and beverages (10.4%), products for investments without transport equipment (12.9%), consumer goods (9.0%) and transport equipment (4.9%).



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; wind energy generating aggregates, ceramic products for laboratory, chemical or other technical use; heating oils with a sulphur content by weight bigger than 0.1% but not bigger than 1%, hot rolled products with thickness less than 3 mm, coating means (colours and varnishes); etc.

Export of chemical products*)				
	I - II - 2013	I - II - 2014	Balance	% rate
.000 T	1.0	1.8	0.9	89.8
EUR mil.	68.5	94.7	26.2	38.3
\$ mil.	91.5	129.4	37.9	41.4

*)Previous data

Import of chemical products*)				
	I - II - 2013	I - II - 2014	Balance	% rate
.000 T	3.7	3.9	0.2	5.0
EUR mil.	10.7	9.7	-0.9	-8.8
\$ mil.	14.3	13.3	-1.0	-6.8

*)Previous data

Trade Balance

In the first two months of 2014, trade deficit narrowed by EUR 2.9 million or 1.1% compared to the period January- February 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 economic groups of countries, in the period January-February 2014, compared to the same period in 2013, export surged at the following groups: EU 27, EFTA, Organization of Petroleum Exporting Counties, 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 23.7% on annual basis, while as for Western Balkan countries, it declined by 13.5%.

In the first two 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 24.8%, whereby share of trade with the EU in the total foreign trade

increased by 8.1 p.p., accounting for 71.2%. Export of goods to the European Union (EU 27) accounted for 80.8% in the total export of the Republic of Macedonia, while import of goods participated with 64.9%.

In the period January - February 2014, 91.4% of the trade deficit of the country was realized in the trade with Great Britain, Greece, Serbia and China, followed by: Turkey, Russia, Denmark, the Czech Republic, Switzerland, Romania, etc. Surplus was realized in the trade with Germany, Kosovo, Belgium and the Netherlands.

Currency Structure

Observed by currency structure, 74.2% of the trade in the period January-February 2014 was realized in euros, and compared to the period January-February 2013, it surged by 3.9 percentage points. On export and import side, euro accounted for 88.2% and 65.1%, respectively, whereby share of the euro in export was higher by 8.0 p.p., while increase of the share of the euro in import accounted for 1.0 p.p. compared to the period January-February 2013.

import	I - II - 2013					I - II - 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		
EUR	407.5	474,804,101	61.5996	29,247,742,685	64.1	419.6	510,458,692	61.6821	31,486,164,106	65.1	35,654,592	7.5
USD	434.9	217,132,665	46.0427	9,997,374,150	21.9	251.6	203,865,516	45.2280	9,220,429,565	19.1	-13,267,149	-6.1
GBP	0.5	82,429,787	71.5578	5,898,494,193	12.9	0.7	96,747,755	74.8104	7,237,738,268	15.0	14,317,969	17.4
EUR+USD+GBP	842.9			45,143,611,028	86.0	671.9			47,944,331,939	99.2		
tot. import	844.2			45,612,844,210	100.0	673.2			48,352,455,729	100.0		6.0

Source: SSO and NBRM

3. Fiscal Sector

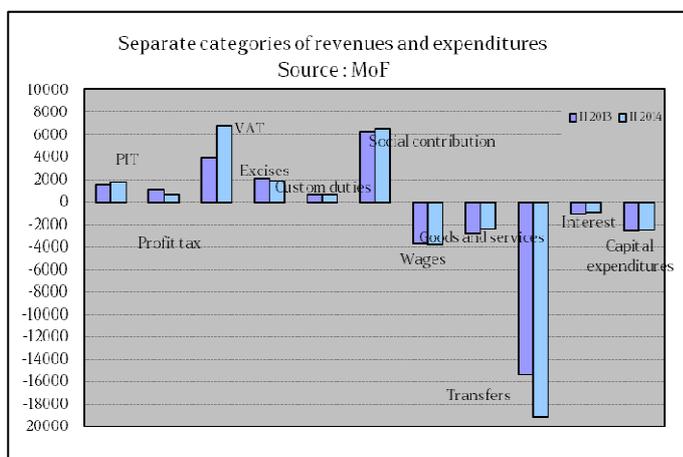
Budget Revenues

In January and February 2014, total budget revenues reached an amount of Denar 21,072 million, i.e. 4.3% of GDP, which was by 11.3% higher in relation to 2013.

Tax revenues in these two months were realized in the amount of Denar 11,987 million, i.e. 2.4% of GDP, being higher by 20.3% in relation to the same period in 2013.

Value added tax was realized in the amount of Denar 6,825 million, whereby share of VAT in total tax revenues this month was dominant, amounting to 56.9%. Revenues on the basis of excises were realized in the amount of

Denar 1,879 million (participating with 15.7% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 8,704 million, i.e. 72.6% of total tax revenues (1.8% of GDP). Thereby, VAT collection amounted to Denar



9,565 million on gross basis, Denar 2,740 million out of which was refunded to taxpayers (gross collection was lower by 2.6%, while VAT refund was lower by 53.5% compared to the same period in 2013).

As for VAT structure, VAT share was the biggest when importing, decreasing by 2.2%, while VAT on the basis of sales in the country dropped by 5.2%, share of VAT grants was small (1.4%), observing higher performance by 113.8%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 1,781 million, increasing by 16.2% on annual basis, whereby revenues on the basis of salaries and other personal earnings accounted for around 2/3, i.e. 65.5% of the personal income tax, while revenues on the basis of contractual agreement accounted for 8.0%. Compared to the same month in 2013, profit tax revenues amounted to Denar 642 million, decreasing by 43.6%, being mainly a result of the tax collected on the basis of monthly advance payments and paid dividend and other profit distribution. VAT revenues experienced record growth of 73.8%, while excises decreased, i.e. experienced lower performance by 12.2%. Revenues on the basis of customs duties were realized in the amount of Denar 654 million, experiencing insignificant decrease by 0.5%. Revenues on the basis of other taxes amounted to Denar 206 million.

Non-tax revenues amounted to Denar 1,785 million and, in relation to the same period in 2013, they were lower by 4.5% (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 142 million, decreasing by 40.1% 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 237 million, being by 35.4% less compared to the same month last year.

Collection of social contributions amounted to Denar 6,592 million, being higher by 5.4% compared to the same period in 2013, whereby collection of health insurance contributions and employment contribution increased by 5.6%, while collection of pension insurance contribution surged by 5.3%.

Budget Expenditures

In January and February 2014, total budget expenditures amounted to Denar 28,630 million, i.e. 5.8% of GDP, which was higher by 12.2% compared to 2013.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 26,143 million increased by 13.8% in relation to the same month in 2013, participating with 5.3% of GDP.

Transfers amounting to Denar 19,118 million (3.9% of GDP) accounted for the most in the current expenditure items, followed by expenditures related to salaries and allowances - Denar 3,783 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 13.2% and, in relation to 2013, they increased by 1.3%.

Expenditures related to goods and services amounted to Denar 2,363 million, decreasing by 15.7% compared to the same period in 2013.

Transfers increased by 24.4% compared to the same period in 2013, participating with 66.8% in the total expenditures. Social transfers amounted to Denar 12,293 million, increasing by 4.6% and participating with 42.9% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 7,683 million, increasing by 5.7% compared to the same period in 2013 and accounting for 26.8% of the total expenditures. Category Other Transfers, which includes transfers to local government units, accounted for 23.3% in the total expenditures. Block grants to local government units amounting to Denar 2,391 million were lower by 0.8% compared to the same period in the previous year.

Interest was collected in the amount of Denar 879 million, being by 16.8% 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 9.5%, while the ones on the basis of foreign borrowing dropped by 25.0%.

In the analyzed period, the realization of the funds for capital expenditures amounted to 0.5% of GDP.

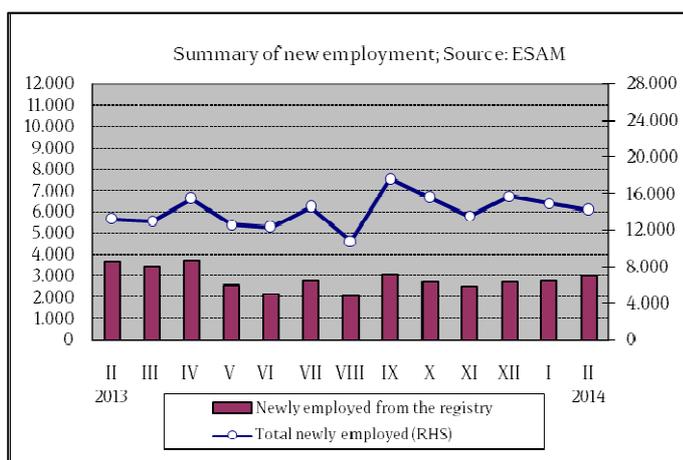
Budget Balance

In the period January - February 2014, state budget deficit reached the amount of Denar 7,558 million, accounting for 1.54% of GDP, while central budget deficit amounted to Denar 7,292 million and accounted for 1.49% of GDP.

4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM¹

In the first two months of 2014, Employment Agency of the Republic of Macedonia registered total of 29,146 new employments. 44.3% 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



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.

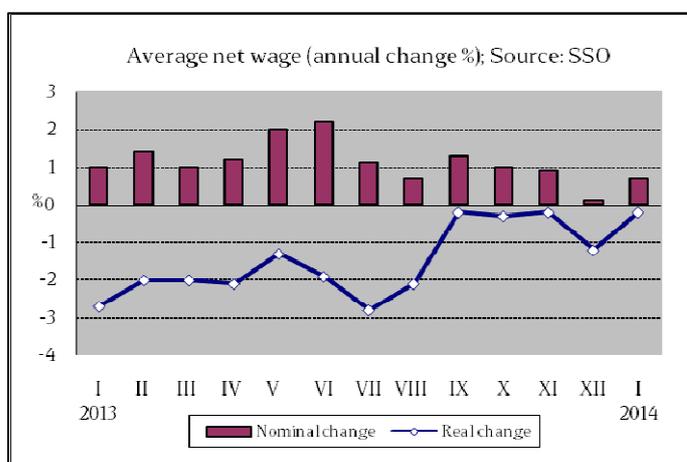
employment and seasonal workers. Compared to February 2013, number of newly employed persons was higher by 10.6%.

In February, 14,210 new employments were registered, whereby 21.3% of the new employments were from the unemployed records. Outflow of persons from the Employment Agency Registry amounted to 5,356, persons in February, 55.6% out of which were new employments. 9,752 persons were registered as inflow to the Agency, 29.6% out of which were persons whose employment was terminated. Thus, in February 2014, 101,854, persons were registered as unemployed, while number of other unemployed persons accounted for 119,787.

Major percentage of the unemployed, i.e. 72.8% came from urban areas (cities), whereby 57.6% were men. Analyzed by education structure, major part, i.e. 45.1% of unemployed persons were without education, primary education or incomplete secondary education, 34.9% was with complete secondary education, while 19.9% completed community college or higher education level. Observed by age, majority of the unemployed persons or 50.4% fall in the category of 25-49 years of age. According to the time they waited for a job, 40.4% of the unemployed persons wait for employment from 1 to 7 years, while 15.2% 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 January 2014 amounted to Denar 31,236, while average monthly paid net salary amounted to Denar 21,327.



On monthly basis, in January 2014, average gross salary and net salary decreased by 0.8% in nominal terms, while being lower by 0.7% in real terms.

In January 2014 compared to January 2013, average gross salary increased by 0.5% in nominal terms, while it was lower by 0.4% in real terms. Average net salary was higher by 0.7% in nominal terms,

decreasing by 0.2% 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 7.3% net salary), construction (4.2% gross salary and 4.0% net salary) and financial activities and insurance activities (3.6% gross salary and 4.0% net salary).

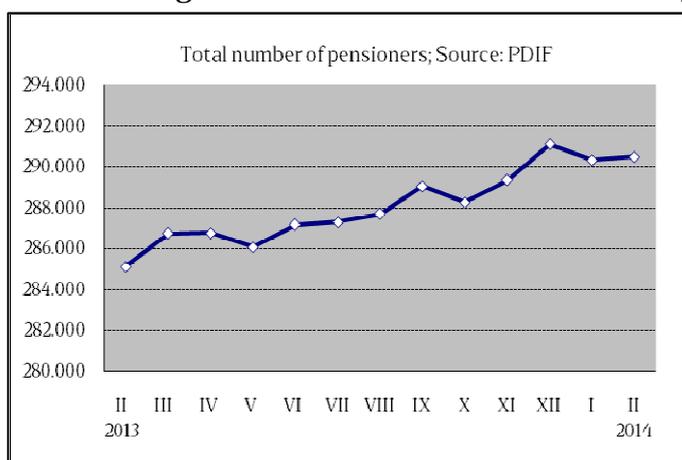
Reduction of average monthly paid gross salary per employee, compared to the previous month, was registered in the following sectors: Other services (7.0% gross salary and 7.2% net salary), wholesale and retail trade; repair of motor vehicles and

motorcycles (4.0% gross salary and 3.5% net salary) and administrative and auxiliary services (2.8% gross salary and 3.6% net salary).

Employees who did not receive salary in January 2013 accounted for 1.5%, being lower by 0.5 p.p. compared to the same month in the previous year, while compared to December 2013, it was lower by 0.3 p.p..

Pensions

In February 2014, 290,488 pensioners were registered at the Pension and Disability Insurance Fund, being an increase by 1.9% compared to the same month in 2013. Number of pension beneficiaries increased by 151 persons in relation to January 2014. 58.4% out of the total number of pensioners are beneficiaries of old-age pension, 26.5% of survival pension and 15.3% of disability pension.



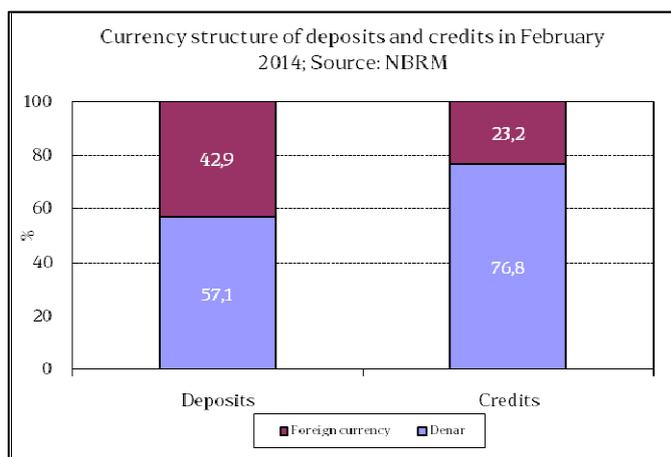
In February 2014, Denar 3,511.77 million was spent for payment of pensions, accounting for 56.6% of the total social transfers².

Average pension in February 2014 amounted to Denar 12,420, increasing by 8.5% on annual basis. Ratio between the average pension and the average paid salary in January 2014 (the most recent available data) was 55.4%.

5. Monetary Sector

Primary Money

In February 2014, primary money³ experienced intensified growth of 3.5% on annual basis, compared to the 1% growth last month, as a result of the increase of ready money in circulation by 11.7%, in conditions of decrease of total liquid assets of banks by 2.3%.



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

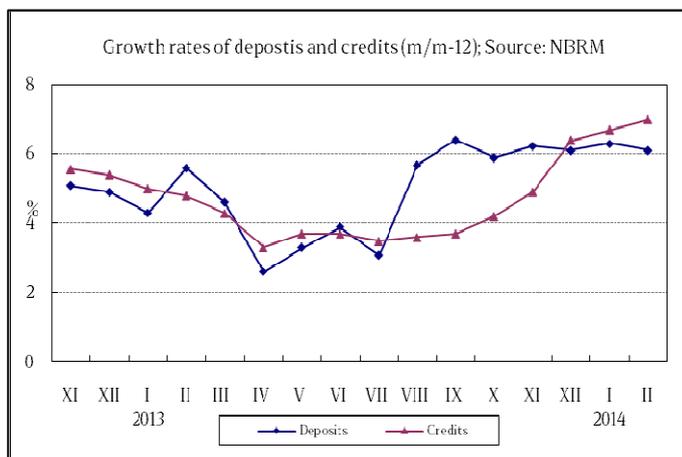
³ Primary money is calculated as a sum of ready money in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).

On monthly basis, primary money increased by 1.5%, as a result of the increase of ready money in circulation by 4.1%. Total liquid assets of banks were reduced by 0.5%.

In February 2014, the National Bank of the Republic of Macedonia, in conditions of stable movements, retained the interest rate on CB bills at 3.25%.

Deposit Potential

Total deposit potential of banks⁴ increased by 1.4% in February 2014 on monthly basis, as a result of the increase of deposits of households by 1.5% and deposits of enterprises by 1%. From currency point of view, domestic currency deposits increased by 2.3%, while foreign currency deposits surged by 0.2%.



On annual basis, total deposits experienced growth of 6.1% in February 2014, compared to the growth of 6.3% in January 2014. From the point of view of sectors, deposits of households increased by 8%, while deposits of enterprises decreased by 0.6%.

From currency point of view, Denar deposits surged by 11.3% in February 2014, while foreign currency deposits remained the same. According to maturity, long-term deposits increased by 25.6%, while short-term deposits declined by 3%.

Bank Credits

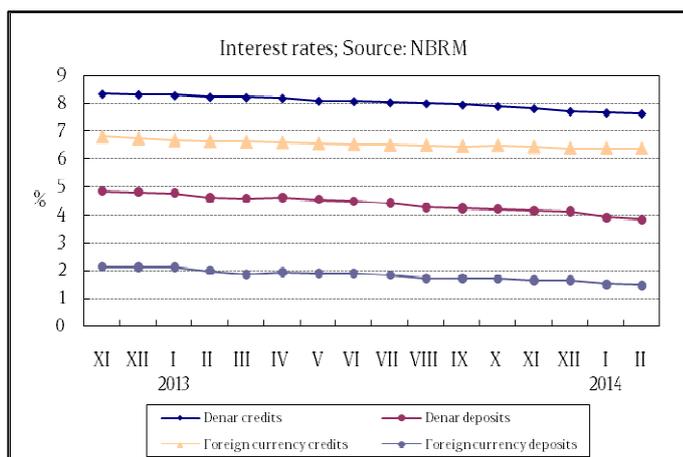
In February 2014, total credits of banks to the private sector surged by 0.4% on monthly basis (compared to the growth of 0.3% in January), in conditions of growth of credits to households by 0.4%. Deposits of private enterprises were higher by 0.3%. From currency aspect, Denar and foreign currency credits surged by 0.4%.

On annual basis, intensified growth of 7% was registered at total credits in February (growth in January accounted for 6.7%). According to currency, new crediting was fully in domestic currency. In fact, Denar credits experienced an intensified growth of 9.3% (growth in January accounted for 8.9%), while foreign currency credits grew by 0.2%. Analyzed according to the sector, credits to enterprises registered growth of 4.3%, while credits to households surged by 10.8%. As regards maturity, long-term credits experienced annual growth of 8.5%, while short-term credits were higher by 5.1%.

⁴Starting January 2009, deposits include calculated interest.

Interest Rates of Deposit Banks

Total interest rate on credits was 7.3% in February 2014, remaining unchanged compared to the previous month. However, it was lower by 0.5 p.p. compared to the same month in 2013. Interest rate on Denar credits dropped by 0.1 p.p., accounting for 7.6%, 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 at the same level from the last month, while compared to February last year, it was lower by 0.6 p.p.. Interest rate on Denar credits dropped by 0.1 p.p. on monthly basis, accounting for 3.8%, while interest rate on foreign currency credits remained unchanged, accounting for 1.5%.

Foreign Currency Reserves

Gross foreign currency reserves at the end of February 2014 amounted to EUR 1,987 million and, compared to the previous month, they were higher by EUR 7.9 million, while compared to February 2013, foreign currency reserves were lower by EUR 257.1 million.

Ministry of Finance

Macroeconomic Policy Department

www.finance.gov.mk

Report was prepared by:

Ana Nikolova

Angela Vasovska

Aneta Dudeska

Bojana Ilievska

Goko Gorgeski

Koprinka Sapunova

Negati Kurtisi

Controlled by: Sanja Kikovska-Georgievska, Ph.D.

Approved by: Jordan Trajkovski

Skopje, April 2014