



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

March 2014

Skopje, May 2014

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

March 2014

- Industrial production in March 2014 surged by 0.6% compared to March 2013;
- Inflation rate amounted to 0.2% on annual basis, being negative on monthly basis, accounting for 0.3%; Average inflation rate in the first three months in 2014 amounted to 0.6%;
- Annual growth of 10.7% of physical output of export in the period January-March 2014 and valuable growth of 12.7%, increase of imported quantities of goods of 0.5% with valuable growth of 8.9%, resulting in increase of trade deficit by 2.3% compared to the same period in 2013;
- Increase of both total budget revenues by 8.0% and total budget expenditures by 5.0% in this 3-month period in 2014, compared to the same period last year; state budget deficit in the amount of Denar 11,126 million (2.3% of GDP) and central budget deficit in the amount of Denar 9,991 million (2.0% of GDP);
- Increase of both total credits to private sector by 7.5% and total deposit potential of banks by 6.9% on annual basis.

1. Real Sector

Industrial Production

Industrial production in March 2014 surged by 0.6% compared to March 2013. Analyzed by sectors, processing industry sector experienced 4.9% production growth. Mining and quarrying sector experienced a drop of 3.2% as a result of the decline in the following branches: mining of coal and lignite by 13.1% and mining of metal ores by 1.7%, while other mining and quarrying branch grew by 13.3%. Electricity, gas, steam and air-conditioning supply sector dropped by 18.2%.

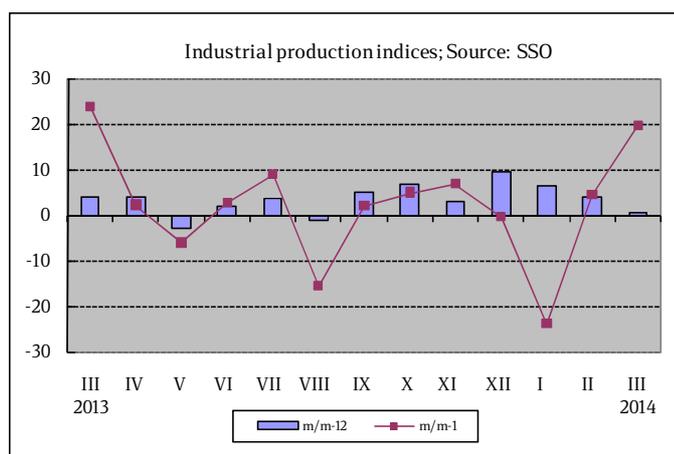
Industrial production (%) - Mart 2014			
	m/m-1	m/m-12	I-III 2014
			I-III 2013
Total	0,6	19,6	3,0
Ore and stone extraction	-3,2	13,2	-0,5
Processing industry	4,9	21,5	8,0
Electricity, gas and water supply	-18,2	14,6	-16,6

Source: SSO

As for the processing industry, annual positive growth was registered at 13 out of 23 branches, comprising 52.7% of the industrial production. As regards the branches with two-digit share in the structure of industrial production, growth was registered at production of clothing of 7.2% and at the production of food products of 0.7%. Significant growth was seen at the following branches: production of motor vehicles, trailers and semi-trailers – 205.4%, production of rubber products and plastic mass products – 65.1%, production of electrical equipment – 58.6%, production of chemicals and chemical products – 46.6%, production of textile – 27.6%, production of beverages – 16.5% and production of other non-metal mineral products – 14.6%. Production of rubber products and plastic mass products (1.9 p.p.) contributed the most to the annual growth of industrial production in March 2014, while electricity, gas, steam and air-conditioning supply sector had the highest negative contribution (-2.3 p.p.).

Industrial production surged by 19.6% in March 2014 compared to February 2014. Sector analysis points out to that growth was observed in the following sectors: processing industry by 21.5%, electricity, gas, steam and air-conditioning supply by 14.6%

and mining and quarrying by 13.2%, above all as a result of the growth realized at the following branches: other mining and quarrying by 30.0% and mining of metal ores by 16.9%, while the mining of coal and lignite branch experience slight growth of 0.4%.



On cumulative basis, in the period January–March 2014, industrial production grew by 3%, compared to the same period in 2013. Processing industry sector surged by 8%, while mining and quarrying sector and electricity, gas, steam and air-conditioning supply sector experienced a decline of 0.5%, i.e. 16.6%.

Data on industrial production by target groups in March 2014, compared to March 2013, showed that there was an increase in the production at the following groups: intermediary goods, except energy – 13.1% and capital goods – 3.8%, while decline was registered at the following groups: energy – 17.2%, consumer durables – 8.1% and consumer non-durables – 0.2%.

On monthly basis, data on the industrial production by target groups in March 2014 showed that there was an increase at the following groups: consumer non-durables – 32.6%, intermediary goods, except energy – 15.7%, energy – 10.6%, consumer durables – 8.1% and capital goods – 3.7%.

On cumulative basis, in the period January–March 2014, compared to the same period in 2013, growth was registered in the following groups: intermediary goods, except energy – 14.3%, capital goods – 11.1%, consumer durables – 4.8% and consumer non-durables – 2.7%. Drop of 15.7% was registered only at the energy group.

Business Tendencies in the Processing Industry

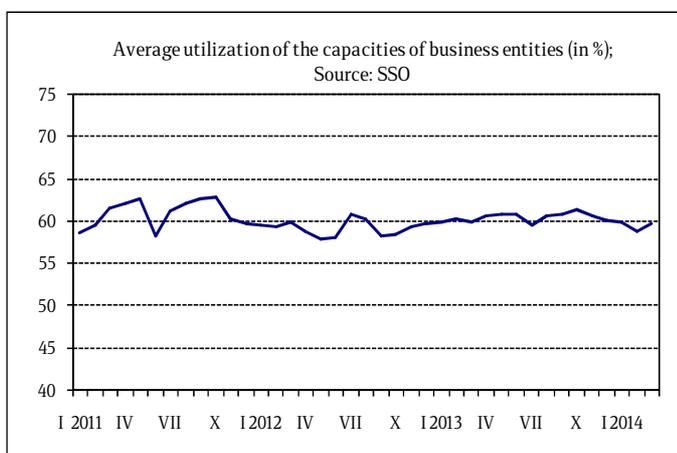
According to the assessments, current economic trends of business entities in March 2014 were less favourable compared to the previous month, and more favourable compared to March 2013.

Assessment of delivery-to-production was more favourable compared to both the previous month and March 2013. In March 2014, assessment of the production volume was less favourable compared to the previous month, while the expectations for the production volume in the next three months are more favourable compared to both the previous month and March 2013.

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

Average utilization of capacities in March 2014 accounted for 59.8%, being an increase compared to the previous month, when it accounted for 58.9%. Compared to March 2013, utilization of the capacities was lower by 0.1 p.p..

In March 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 March 2013, it was more favourable. 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.

According to the assessments, following factors limited the most the production volume in March 2014: insufficient foreign demand – 25.7%, insufficient domestic demand – 18.3%, shortage of skilled labour – 13.4%, financial problems – 9.7% and uncertainty of the economic environment – 7.4%.

Less business entities indicated the following as a limiting factor in March 2014, compared to February 2014: uncertainty of the economic environment, competitive import and insufficient domestic demand, while most of the business entities indicated: shortage of skilled labour, financial problems, unclear economic laws, 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 March 2014 increased by 7.3% compared to March 2013.

Sector analysis points out to increase in the number of workers in the sectors processing industry by 8.7% while the number of workers in the mining and quarrying sector, as well as the electricity, gas, steam and air-conditioning supply, decreased by 1.3 and 0.5% respectively.

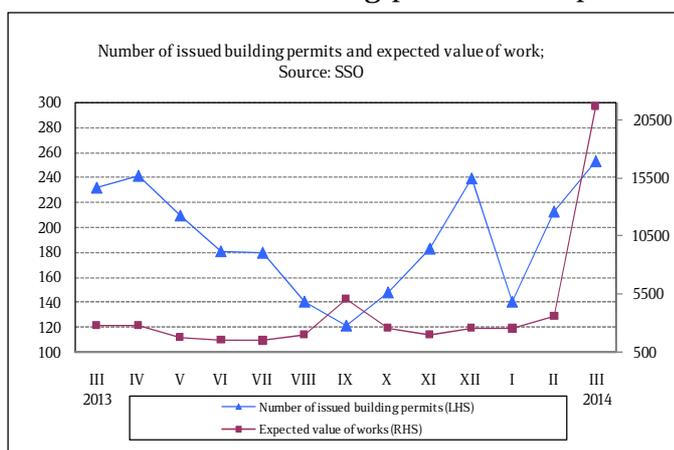
Data on the number of workers in the industry by target groups in March 2014, compared to March 2013, showed increase in the number of workers at the following groups: capital goods – 86.9%, consumer durables and consumer non-durables – 3.7%, intermediary goods, except energy – 1.9%, while a decline was registered at the energy sector – 1.8%.

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

Number of Issued Building Permits and Envisaged Value of Facilities

In March 2014, 253 building permits were issued, increasing by 9.5% compared to the same month last year. Total number of issued building permits, compared to February 2014, when 212 permits were issued, increased by 19.3%.

Envisaged value of the facilities, according to the issued building permits in March, amounted to Denar 21,644 million, being by 8 times more compared to March 2013. In relation to February 2014, value of the



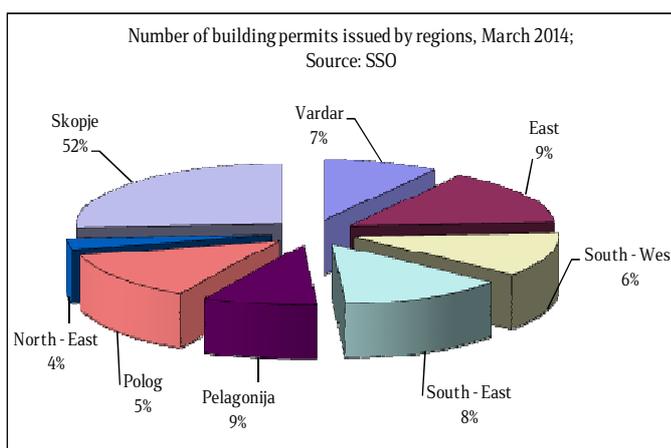
facilities grew by 6 times.

Analyzed by types of facilities, out of the total number of issued building permits, 196 (or 77.5%) were intended for buildings, 30 (or 11.8%) for civil engineering structures and 27 (or 10.7%) for reconstruction facilities.

Analyzed by types of investors, out of total 253 issued building permits, natural persons were investors in 114 facilities (or 45.1%), while business entities were investors in 139 facilities (or 54.9%).

In March 2014, construction of 592 flats is envisaged, with total usable area of 65,077 m². Number of envisaged flats for construction increased by 0.5% compared to the same month in 2013 and by 33% compared to February 2014.

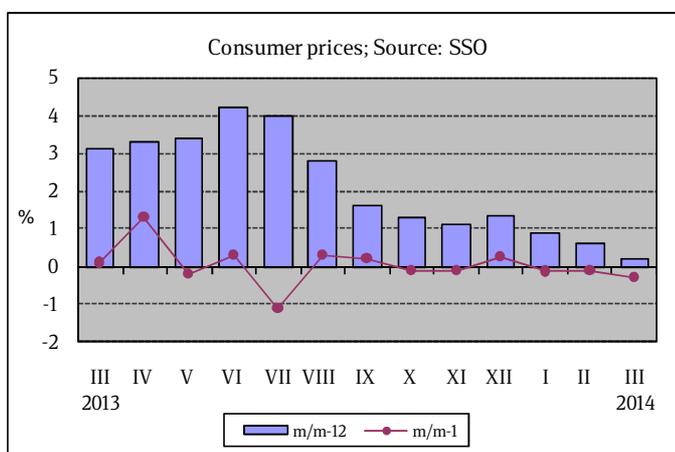
Analyzed by regions, in March 2014, most permits were issued in the Skopje region, 131 in total, 41 permits out of which were issued to natural persons as investors, while 90 permits were issued to business entities as investors. Least building permits were issued in the Northeastern region - 10 permits, 5 permits out of which were issued to natural persons as investors and 5 permits were issued to business entities as investors.



Analyzed on cumulative basis, in the period January - March 2014, most building permits were issued in the Skopje region, 232 in total, 100 permits out of which were issued to natural persons as investors, while 132 permits were issued to business entities as investors. Least building permits were issued in the Northeastern region, 31 permits in total, 23 permits out of which were issued to natural persons as investors, while 8 permits were issued to business entities as investors.

Inflation

Annual inflation rate in March 2014, measured according to the CPI index, amounted to 0.2%, by which the trend of very low inflation observed during the last quarter of the previous year and at the beginning of the current year, continues. Average inflation rate in the first quarter in 2014 amounted to 0.6%, compared to the 3.5% inflation



in the same quarter last year.

On annual basis, food and non-alcoholic beverages category, accounting for the most in the CPI index, experienced 0.1% increase. Highest annual increase of prices in March was seen at the health category by 10.2%. Price increase was also recorded in the following categories: alcoholic beverages and tobacco by 5.5%, communications by 2.1%, clothing and footwear by 0.5%, education by 0.2% and other goods and services by 2%. Price reduction was registered at the following categories: transport by 2.3%, housing, water, electricity, gas and other fuels and restaurants and hotels by 1.7%, furniture, household furnishings and maintenance of household furnishings by 1.1% and recreation and culture by 0.5%.

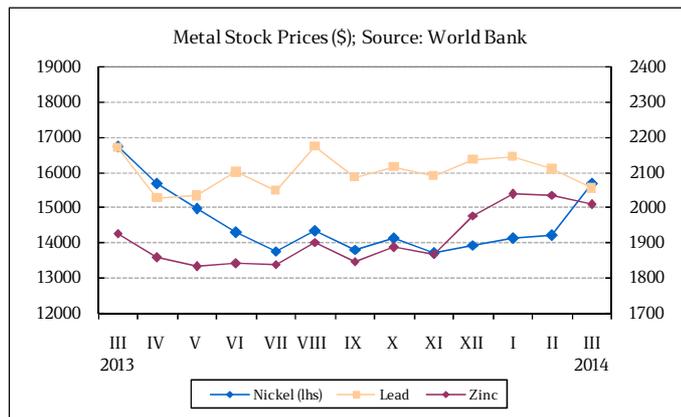
On monthly basis, inflation in March 2014 dropped by 0.3%. Prices in the food and non-alcoholic beverages category decreased by 0.3%, as a result of the drop of food prices by the same percentage. More significant price drop of 1.8% was registered in the communication category. Monthly drop of prices was also registered at the following categories: furniture, household furnishings and maintenance of household furnishings by 0.7%, clothing and footwear and health by 0.4% respectively, restaurants and hotels by 0.3% and transport by 0.2%. Prices remained the same in the categories alcoholic beverages and tobacco and education, while price increase on monthly basis was seen in the following categories: recreation and culture by 0.6% and other goods and services by 0.1%.

Retail prices in March 2014 were lower by 0.7% compared to March 2013. Compared to the previous month, retail prices were lower by 1.2%. Average increase of retail prices in the first three months in 2014 accounted for 0.2%.

Stock Market Prices

In March 2014, crude oil price (Brent) on the global stock markets declined by 1.3%, compared to the previous month, reaching the price of US\$ 107.4 per barrel. Compared to May 2013, oil price was lower by 1.7%. Price of natural gas in March decreased by 11.7% 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\$ 15,678 for a metric ton (\$/mt) in March 2014, being a monthly price increase of 10.4%. Compared to March 2013, nickel price was lower by 6.3%. As for basic metals, in March, there was monthly increase of prices of tin and aluminum by 0.9% respectively, while drop of prices was seen at copper by 7.0%, lead by 2.6% and zinc by 1.3%. Price of iron ore in March experienced monthly decline of 7.9%. As for prices of precious metals, there was monthly increase of the price of platinum by 0.3% and price of gold by 2.8%, while price of silver dropped by 0.6%.

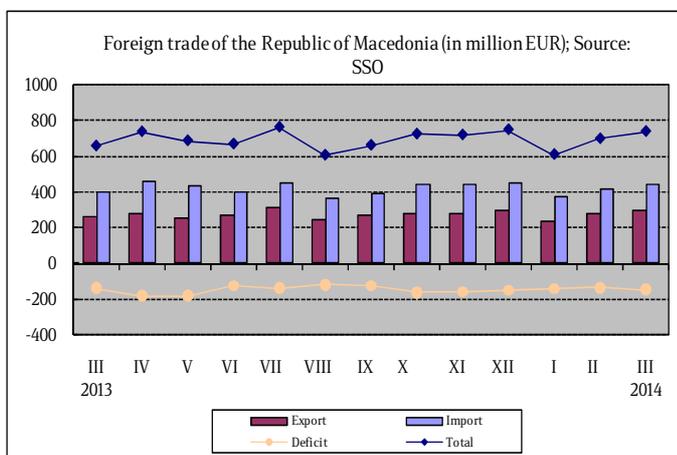
In March 2014, compared to February 2014, price of wheat on global stock markets surged by 10.7%, while price of maize grew by 6.2%. Price of lamb meat registered monthly growth of 0.4% in March.

2. Foreign Trade

Total foreign trade in the first three month in 2014 amounted to EUR 2,050.0 million, increasing by 10.4% compared to the same period in 2013.

Export

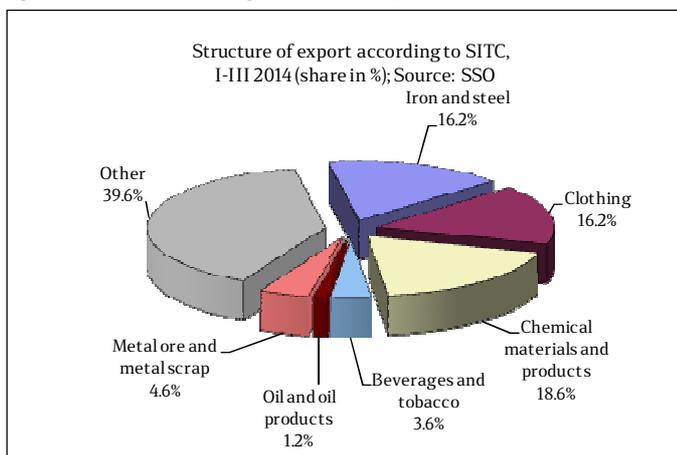
In the period January - March 2014, physical output of export grew by 10.7% compared to the same period in 2013, while value of exported goods amounted to EUR 811.9 million, surging by 12.7% (EUR 91.5 million) compared to the period January - March 2013.



Analyzed on monthly basis, in March 2014, export increased by 5.3% (EUR 15.0 million) compared to the previous month.

Seasonally adjusted trend of export in March 2014 registered monthly drop of 3.3%, pointing out to positive effects of the seasonal factor (8.6 p.p.) on the export in March.

Main groups of goods (according to SITC) being most exported in the period January-March 2014 were the following: chemical materials and products - 18.6%, iron and steel - 16.2%, clothing - 16.2%, metal ore and metal scrap - 4.6%, beverages and tobacco - 3.6% and oil and oil products - 1.2%. These six groups of products comprised 60.4% of the total export of the country.



In the first three months in 2014, observed by economic purpose, the following products were most exported: goods for industrial procurement (49.9%), followed by consumer goods (21.9%), products for investments without transport equipment (12.3%), food and beverages (8.3%), transport equipment (6.4%) and fuels and lubricants (1.1%).

Export of oil and oil products*)				
	I - III - 2013	I - III - 2014	Balance	% rate
000 T	35,5	22,3	-13,2	-37,3
EUR mil.	19,5	9,6	-9,9	-50,7
\$ mil.	25,7	13,2	-12,5	-48,8

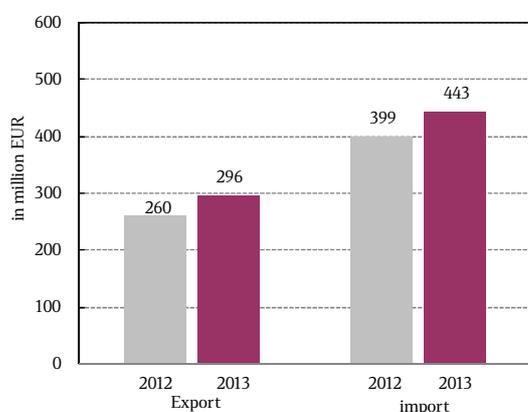
*)Previous data

Import of oil and oil products*)				
	I - III - 2013	I - III - 2014	Balance	% rate
.000 T	180,6	221,6	41,0	22,7
EUR mil.	115,9	121,8	5,9	5,1
\$ mil.	152,6	166,9	14,3	9,4

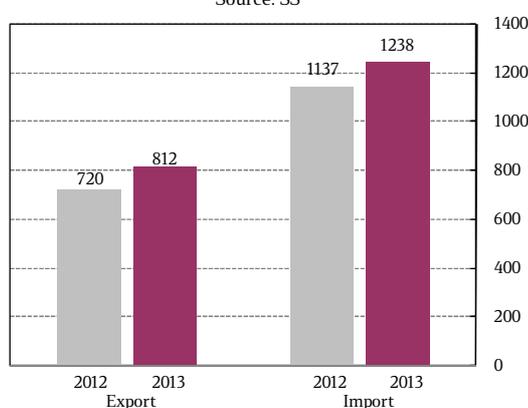
*)Previous data

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; rolled flat products of iron or non-alloyed steel of width of 600 mm or more, plated or coated; lead ore and concentrates; copper ore and concentrates, etc.

Foreign trade, March 2013 and 2014; Source: SSO



Foreign trade, January - March 2013 and 2014; Source: SS



Import

Imported quantities of goods in the period January-March 2014 increased by 0.5%, compared to the period January – March 2013, while their value amounted to EUR 1238.2 million, increasing by 8.9% (EUR 101.1 million) compared to the same period in 2013.

Export of iron and steel*)				
	I - III - 2013	I - III - 2014	Balance	% rate
000 T	135,4	136,2	0,7	0,5
EUR mil.	133,9	131,4	-2,5	-1,8
\$ mil.	176,7	179,9	3,2	1,8

*)Previous data

Import of iron and steel*)				
	I - III - 2013	I - III - 2014	Balance	% rate
.000 T	160,2	124,7	-35,5	-22,1
EUR mil.	75,9	61,4	-14,5	-19,0
\$ mil.	100,3	84,2	-16,1	-16,0

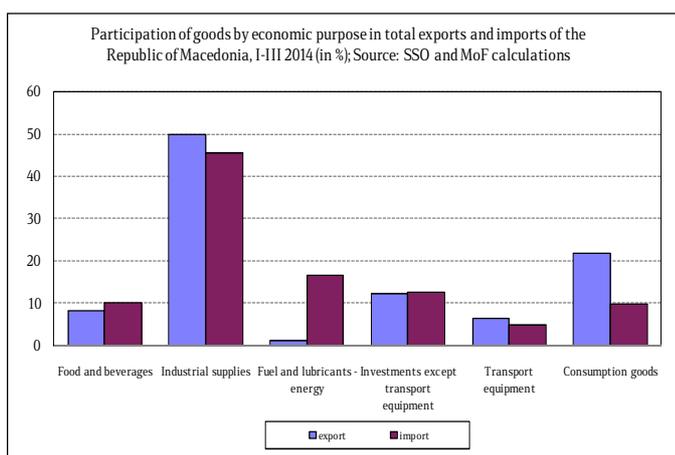
*)Previous data

Analyzed on monthly basis, in March 2014, import grew by 6.0% (EUR 25.3 million), compared to the previous month.

Seasonally adjusted trend of import in March 2014 decreased by 3.4% on monthly basis pointing out to positive effects of the seasonal factor (9.4 p.p.) on the import in March.

The following, in addition to oil participated the most in the import of goods (according to SITC) in the period January – March 2014: non-ferrous metals; yarn, fabrics and textile products; iron and steel; electrical machines, devices and spare parts, road vehicles; items from non-metal minerals, etc.

In the period January - March 2014, observed by economic purpose, following products were most imported: goods for industrial procurement (45.7%), followed by fuels and lubricants (16.7%), products for investments without transport equipment (12.5%), food and beverages (10.3%), consumer goods (9.8%) 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; 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% by weight; nickel ore and concentrates; hot rolled products with thickness less than 3 mm; pharmaceuticals put up in measured doses, etc.

Export of chemical products*)				
	I - III - 2013	I - III - 2014	Balance	% rate
.000 T	1,6	3,0	1,5	94,5
EUR mil.	113,3	151,4	38,1	33,6
\$ mil.	149,6	207,7	58,1	38,8

*)Previous data

Import of chemical products*)				
	I - III - 2013	I - III - 2014	Balance	% rate
.000 T	6,5	6,8	0,3	4,9
EUR mil.	19,1	19,0	-0,2	-0,8
\$ mil.	25,2	26,0	0,9	3,4

*)Previous data

Trade Balance

In the first three months in 2014, trade deficit widened by EUR 9.6 million or 2.3% compared to the period January - March last year.

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

Analyzed according to economic groups of countries, in the period January - March 2014, compared to the same period in 2013, export grew 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 25.2% on annual basis, while as for Western Balkan countries, it declined by 11.8%.

In the first three months in 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 24.3%, whereby share of trade with the EU in the total foreign trade increased by 5.5 p.p., accounting for 69.9%. Export of goods to the European Union

(EU 27) accounted for 80.1% in the total export of the Republic of Macedonia, while import of goods participated with 63.2%.

In the period January - March 2014, 85.0% of the trade deficit of the country was realized in the trade with Great Britain, Greece, Serbia and China, followed by: Turkey, Russia, Romania, Slovenia, Austria, etc. Surplus was realized in the trade with Germany, Kosovo, Belgium, Bosnia and Herzegovina and the Netherlands.

Currency Structure

Observed by currency structure, 75.0% of the trade in the period January - March 2014 was realized in euros and, compared to the period January - March 2013, it surged by 3.0 p.p.. On export and import side, euro accounted for 87.4% and 66.8%, respectively, whereby share of the euro in export was higher by 4.6 p.p., while share of the euro in import increased by 1.7 p.p. compared to the period January - March 2013.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	1- III - 2013					1- III - 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	660,2	739.884.131	61,6552	45.617.720.766	65,2	717,3	827.053.309	61,6898	51.020.718.562	66,8	87.169.179	11,8
USD	679,1	332.547.126	47,5128	15.800.228.982	22,6	627,9	339.400.896	44,6246	15.145.621.570	19,8	6.853.771	2,1
GBP	0,7	117.181.470	71,7134	8.403.484.637	12,0	1,2	126.310.322	74,2057	9.372.948.333	12,3	9.128.853	7,8
EUR+USD+GBP	1.340,0			69.821.434.385	87,7	1.346,4			75.539.288.465	99,0		
tot. import	1.342,3			70.011.319.817	100,0	1.348,7			76.337.551.410	100,0		9,0

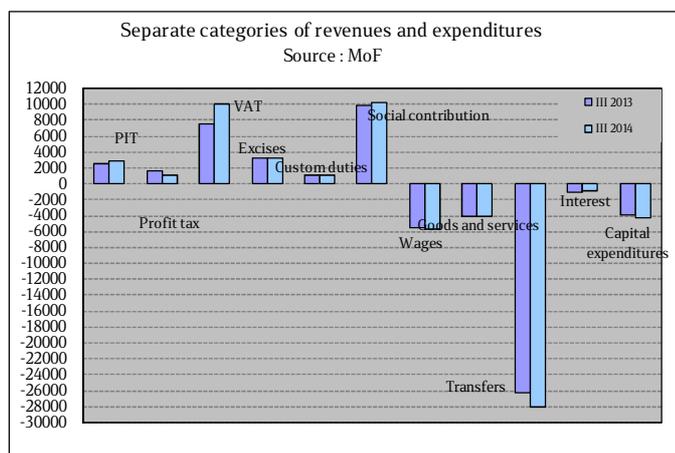
Source: SSO and NBRM

3. Fiscal Sector

Budget Revenues

In the period January-July 2014, total budget revenues reached an amount of Denar 32,291 million, i.e. 6.6% of GDP, which was by 8.0% higher in relation to 2013.

Tax revenues in the first three months amounted of Denar 18,216 million, i.e. 3.7% of GDP, being higher by 10.4% in relation to the same period in 2013.



Value added tax was realized in the amount of Denar 9,971 million, whereby share of VAT in total tax revenues was dominant in this period, amounting to 54.7%. Revenues on the basis of excises were realized in the amount of Denar 3,095 million (participating with 17.0% in the tax revenues). Hence, revenues realized on the basis of these two taxes amounted to Denar 13,066 million, i.e. 71.7% of total tax revenues (2.7% of GDP). Thereby, VAT collection amounted to Denar 14,106 million on gross basis, Denar 4,135 million out of which was refunded to taxpayers (gross

collection was almost the same, i.e. insignificantly lower by 0.05%, while VAT refund was lower by 38.0% compared to the same period in 2013).

As for VAT structure, VAT share was the biggest when importing, decreasing by 2.9%, while VAT on the basis of sales in the country dropped by 6.6%, share of VAT grants was insignificant (1.2%), showing higher performance by 95.6%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 2,786 million, increasing by 14.4% on annual basis, whereby revenues on the basis of tax on salaries and other personal earnings accounted for around 64.9% of the personal income tax, while revenues on the basis of contractual agreement accounted for 7.9% and capital revenues accounted for 4.3%. Compared to the same month in 2013, profit tax revenues amounted to Denar 1,039 million, decreasing by 35.7%, being mainly a result of the tax collected on the basis of monthly advance payments and paid dividend and other profit distribution. VAT revenues surged significantly by 34.0%, while excises registered a moderate decrease, i.e. experienced lower performance by 2.3%. Revenues on the basis of customs duties were realized in the amount of Denar 1,042 million, increasing by 2.7%. Revenues on the basis of other taxes amounted to Denar 283 million.

Non-tax revenues amounted to Denar 2,591 million and, in relation to the same period in 2013, they grew by 0.8% (these revenues are revenues on the basis of profit realized by the public institutions, revenues collected on the basis of administrative fees and fines, concessions, etc.).

Capital revenues realized on the basis of sale of construction land, flats and dividends reached Denar 181 million, decreasing by 39.5% compared to the same period in the previous year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 612 million, being by 34.2% more compared to the same period last year.

Collection of social contributions amounted to Denar 10,211 million, being higher by 5.1% compared to the same period in 2013, whereby collection of pension insurance contributions increased by 5.2%, while collection of health insurance contributions and employment insurance contribution surged by 4.8%.

Budget Expenditures

In the period January - March 2014, total budget expenditures amounted to Denar 43,417 million, i.e. 8.8% of GDP, showing an increase by 5.0% compared to the same period in 2013.

With respect to the structure of total realized expenditures, current expenditures amounted to Denar 39,109 million, i.e. 8.0% of GDP, increasing by 4.8% in relation to the same month in 2013.

Transfers amounting to Denar 28,208 million (5.7% of GDP) accounted for the most in the current expenditure items, followed by expenditures related to salaries and allowances - Denar 5,702 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 4,159 million, increasing by 1.2% compared to the same period in 2013.

Transfers increased by 6.8% compared to the same period in 2013, participating with 65.0% in the total expenditures. Social transfers amounted to Denar 18,895 million, increasing by 5.4% and participating with 43.5% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 11,696 million, increasing by 6.7% compared to the same period in 2013 and accounting for 26.9% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 20.8% in the total expenditures, i.e. they surged by 9.4% compared to the same period in 2013. Block grants to local government units amounting to Denar 3,586 million were lower by 0.8% compared to the same period in the previous year. Subsidies and transfers were higher by 17.6%.

Interest was collected in the amount of Denar 1,040 million, being by 10.6% less 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 27.0%, while the ones on the basis of foreign borrowing dropped by 24.3%.

In the analyzed period, funds for capital expenditures were realized in the amount of Denar 4,308 million, showing two-digit share in the total expenditures (0.9% share in GDP), i.e. they increased by 6.5% compared to the same period last year.

Budget Balance

In the period January - March 2014, state budget deficit reached the amount of Denar 11,126 million, accounting for 2.3% of GDP, while central budget deficit amounted to Denar 9,991 million and accounted for 2.0% of GDP.

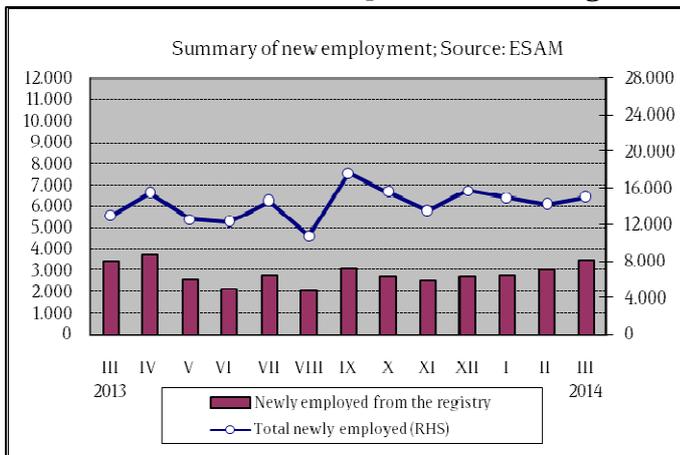
4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM¹

In the first three months in 2014, Employment Agency of the Republic of Macedonia registered total of 44,154 new employments. 46.0% 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 March 2013, number of newly employed persons was higher by 12.2%.

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.

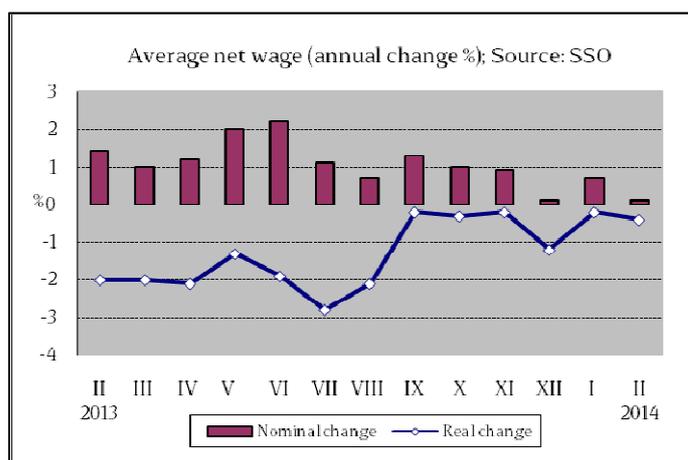
During March, 15,008 new employments were registered, 23.4% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 6,297 persons in March, 54.7% out of which were new employments. In March 2014, 5,510 persons were registered as inflow to the Agency, 34.3% out of which were persons whose employment was terminated. Thus, in March 2014, 104,067 persons were registered as unemployed, while number of other unemployed persons accounted for 116,944.



Major percentage of the unemployed, i.e. 72.7%, came from urban areas (cities), whereby 58.1% were men. Analyzed by education structure, major part, i.e. 45.9% of unemployed persons were without education, primary education or incomplete secondary education, 34.7% was with complete secondary education, while 19.4% completed community college or higher education level. Observed by age, majority of the unemployed persons or 49.4% fall in the category of 25-49 years of age. According to the time they waited for a job, 39.3% of the unemployed persons wait for employment from 1 to 7 years, while 14.7% wait for employment for 8 years and more.

Salaries

According to the data announced by the State Statistical Office, average monthly paid gross salary per employee in February 2014 amounted to Denar 30,662, while average monthly paid net salary amounted to Denar 20,941.



On monthly basis, in February 2014, average gross salary and net salary decreased by 1.8% in nominal terms, while being lower by 1.7% in real terms.

In February 2014, compared to February 2013, average gross salary increased by 0.1% in nominal terms, while it was lower by 0.5% in real terms. Average net salary was higher

by 0.1% in nominal terms, decreasing by 0.4% in real terms.

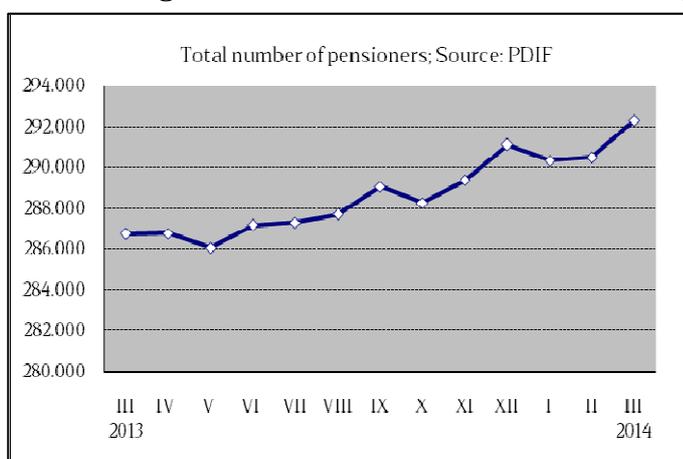
On cumulative basis, in the period January-February 2014, average gross salary increased by 0.3% in nominal terms, while it was lower by 0.4% in real terms. Average net salary was higher by 0.4% in nominal terms, decreasing by 0.3% in real terms.

The highest increase of average monthly gross and net salary per employee in February 2014, compared to February 2013, was recorded in the following sectors: mining and quarrying (13.8% gross salary and 16.5% net salary) and construction (8.5% gross salary and 8.7% 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 (7.0% gross salary and 6,5% net salary) and electricity, gas, steam and air-conditioning supply (6.6% gross salary and 6.5% net salary).

Employees who did not receive salary in February 2014 accounted for 1.3%, being lower by 1.0 p.p. compared to the same month in the previous year, while compared to January 2014, it was lower by 0.2 p.p..

Pensions

In March 2014, 292,320 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 1,832 persons in relation to February 2014. 58.5% out of the total number of pensioners are beneficiaries of old-age pension, 26.3% of survival pension and 15.2% of disability pension.

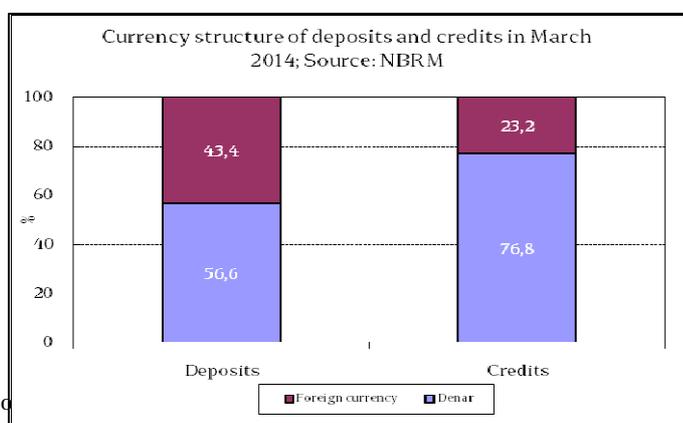


In March 2014, Denar 3,527.33 million was spent for payment of pensions, accounting for 53.4% of the total social transfers². Average pension in March 2014 amounted to Denar 12,429, increasing by 4.6% on annual basis. Ratio between the average pension and the average paid salary in February 2014 (the most recent available data) was 59.3%.

5. Monetary Sector

Primary Money

Primary money³ in March 2014 dropped by 3.6% on annual basis compared to the 3.5% increase in the previous month. Such drop was due to the reduced total liquid assets of banks of 8.9%. Ready money



² Category social transfers include pension 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).

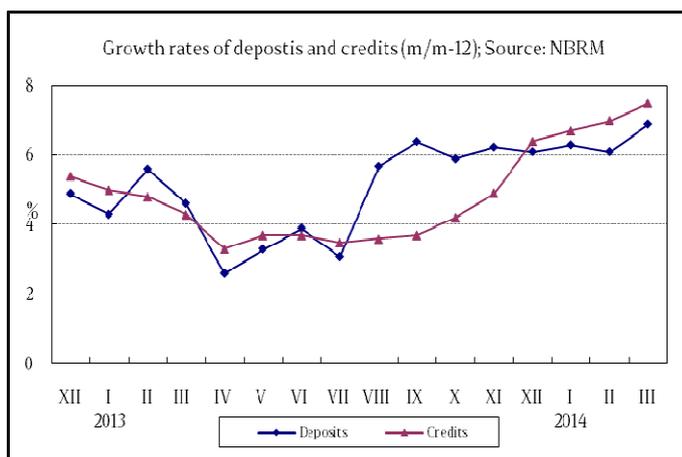
in circulation grew by 3% on annual basis.

On monthly basis, primary money decreased by 2.9%, as a result of the drop of total liquidity assets of the banks of 6.6%, while ready money in circulation surged by 1.6% compared to the previous month.

In March 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 experienced slowed down growth of 0.6% in March 2014, compared to the growth of 1.4% in the previous month. Analyzed by sectors, growth of deposits was, to a great extent driven by the increased deposits of private enterprises, which grew by 3.8%, while deposits of households increased by 0.2%. From currency point of view, domestic currency deposits, which increased by 0.8%, drove the growth of total deposits, while foreign currency deposits surged by 0.3%.



On annual basis, total deposit potential increased by 6.9% in March 2014, being an increase compared to the previous month, when 6.1% growth was registered. From currency point of view, domestic currency deposits increased by 12% in March 2014, which were the main drivers of the growth of the total deposits on annual basis, while foreign currency deposits surged by 0.8%. From sector point of view, deposits of households increased by 7.2%, while deposits of enterprises surged by 8.2%. According to maturity, long-term deposits grew by 24%, while short-term deposits declined by 2%.

Bank Credits

In March 2014, total credits of banks to the private sector experienced an intensified growth of 1.1% on monthly basis (compared to the growth of 0.4% in February), in conditions of growth of credits to households of 1% and credits to enterprises of 1.2%. From currency aspect, Denar and foreign currency credits surged by 1.2% and 0.7% respectively.

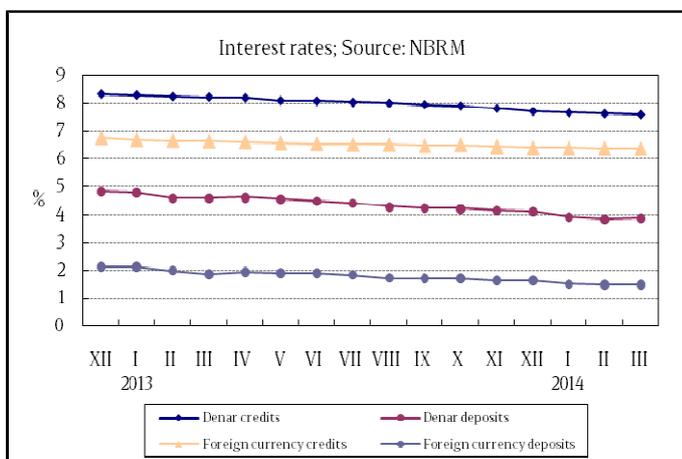
In March 2014, total credits experienced an intensified growth of 7.5% on annual basis (compared to the growth of 7% in February), in conditions of growth of credits to enterprises of 4.7% and credits of households of 11.3%. According to currency, new crediting was fully in domestic currency. Denar credits surged by 10.2%, while

⁴ Starting January 2009, deposits include calculated interest.

foreign currency credits dropped by 0.6%. As regards maturity, long-term credits experienced annual growth of 9.3%, while short-term credits were higher by 6.4%.

Interest Rates of Deposit Banks

Total interest rate on credits was 7.3% in March 2014, remaining unchanged compared to the previous month. Compared 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 March last year, it was lower by 0.5 p.p.. Interest rate on Denar deposits increased from 3.8% to 3.9% on monthly basis, while interest rate on foreign currency deposits remained unchanged, accounting for 1.5%.

Foreign Currency Reserves

Gross foreign currency reserves at the end of March 2014 amounted to EUR 1,941.2 million and, compared to the previous month, they were lower by EUR 45.9 million, while compared to March 2013, foreign currency reserves were lower by EUR 289.2 million.

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