



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
Macroeconomic Policy Department

SHORT-TERM ECONOMIC TRENDS

September 2014



November 2014, Skopje

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

September 2014

- Industrial production grew by 9.1% in September 2014 compared to September 2013;
- Inflation amounted to -0.7% on annual basis, while it remained unchanged on monthly basis, hence, average inflation rate in the period January – September 2014 amounted to -0.2%;
- Export in the period January - September 2014 surged by 16.2%, while import increased by 10.0%, resulting in narrowing of trade deficit by 1.3% compared to the same period in 2013;
- In the period January - September 2014, both total budget revenues and total budget expenditures increased by 1.5% and by 2.7% respectively; state budget deficit amounted to Denar 17,454 million (3.3% of GDP), while central budget deficit amounted to Denar 15,214 million (2.9% of GDP);
- Increase of both total credits to private sector by 9.4% and total deposit potential of banks by 8.7% on annual basis.

1. Real Sector

Industrial Production

Industrial production experienced high growth of 9.1% in September 2014 compared to September 2013. Analyzed by sectors, production in the Manufacturing industry grew by 12.9%, while production in the Mining and quarrying sector surged by 7.7%. Production in the Electricity, gas, steam and air-conditioning supply sector dropped by 15.9%.

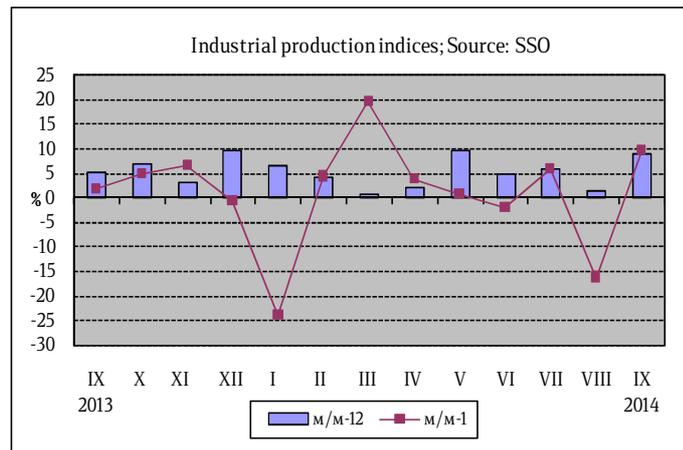
	m/m-12	m/m-1	$\frac{\text{I-IX 2014}}{\text{I-IX 2013}}$
Total	9.1	9.8	4.8
Ore and stone extraction	7.7	6.5	-1.7
Processing industry	12.9	7.2	10.7
Electricity, gas and water supply	-15.9	49.3	-21.9

Source: SSO

As for the Manufacturing industry, annual positive growth was registered at 16 out of 23 branches, comprising 63% of the industrial production. As regards the branches with two-digit share in the structure of industrial production, an increase was registered at Manufacture of wearing apparel by 5% and Manufacture of food products by 4.2%. High growth was generated at the following branches: Manufacture of tobacco products 46.5%, Manufacture of other transport equipment 45.7%, Manufacture of chemicals and chemical products 37.0%, Manufacture of machinery and equipment 29.0%, Manufacture of fabricated metal products 23.5%, Manufacture of basic pharmaceutical products 23.1% Manufacture of electrical equipment – 18.8% and Manufacture of rubber products and plastic mass products 13.5%.

Manufacture of tobacco products (2.2 p.p) contributed the most to the annual change of industrial production in September 2014, while Manufacture of other non-metal mineral products had the highest negative contribution (-0.4 p.p.).

Industrial production surged by 9.8% in September 2014 compared to August 2014. Sector analysis points out that increase was seen in all



sectors, as follows: Electricity, gas, steam and air-conditioning supply by 49.3%, Manufacturing industry by 7.2% and Mining and quarrying by 6.5%.

On cumulative basis, in the period January-September 2014, industrial production grew by 4.8%, compared to the same period in 2013. Growth was also registered in the Manufacturing industry sector -10.7%, while Electricity, gas, steam and air-conditioning supply sector and Mining and quarrying sector experienced a decline of 21.9% and 1.7% respectively.

Data on industrial production by target groups in September 2014, compared to September 2013, show that there was increase in the production at the following groups: Capital goods -64.5%, Consumer non-durables -8.3% and Intermediary goods, except energy -6.9%, while decline was observed at the following groups: Energy -11.1% and Consumer durables -8%.

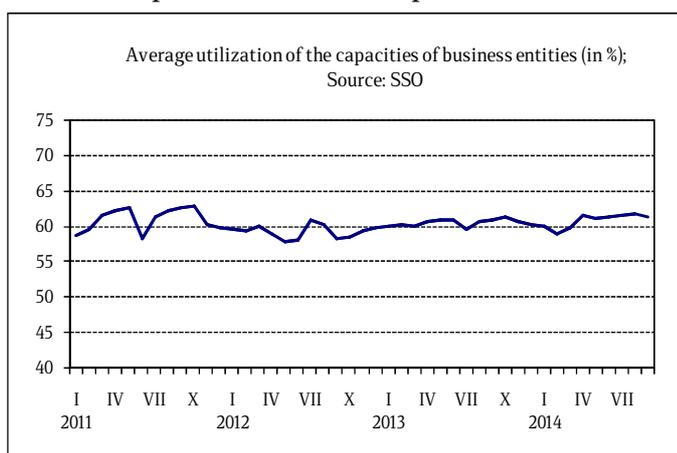
On monthly basis, data on the industrial production by target groups in September 2014 showed an increase at the following groups: Energy – 37.9%, Consumer durables – 33.4%, Consumer non-durables – 10.0%, Capital goods – 6.5% and Intermediary goods, except energy – 1.9%.

On cumulative basis, in the period January–September 2014, compared to the same period in 2013, growth was registered at the following groups: Capital goods – 45.4%, Intermediary goods, except energy – 7.5% and Consumer non-durables – 4.7%. Decline was observed at the following groups: Energy – 17.5% and Consumer durables – 1.9%.

Business Tendencies in the Manufacturing Industry

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

Assessment of delivery-to-production was more favourable compared to both the previous month and September 2013. Assessment of the production volume in the past three months was more favourable compared to August 2014, while it was less favourable compared to



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

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

Average utilization of the capacities in September 2014 accounted for 61.3%, being a decrease compared to the previous month, when it accounted for 61.8%. Compared to September 2013, utilization of the capacities was higher by 0.4 p.p..

In September 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 stocks of ready-made products was less favourable compared to both the previous month and September 2013. In the next 3-month period, according to the assessment of managers, average purchase

prices of inputs and selling prices of ready-made products are expected to decrease.

According to the assessment, following factors limited the most the production volume in September 2014: insufficient foreign demand – 22.7%, insufficient domestic demand – 18.0%, shortage of skilled labour – 15.9%, uncertainty of the economic environment – 10.6% and financial problems – 8.9%.

Less business entities indicated the following as a limiting factor in September 2014, compared to August 2014: insufficient foreign demand, competitive import, unclear economic laws and lack of equipment, while more of the business entities indicated the following: insufficient domestic demand, shortage of skilled labour, uncertainty of the economic environment, financial problems, shortage of raw materials and shortage of energy. As regards other factors, there were no significant changes.

Number of Industrial Workers

Number of workers in the industry in September 2014, compared to September 2013, grew by 10.4%. Sector analysis points out to an increase in the number of workers in the Manufacturing industry sector by 12.5%, while the number of workers in the Mining and quarrying sector, as well as the Electricity, gas, steam and air-conditioning supply sector, decreased by 2.8% and 1.3% respectively.

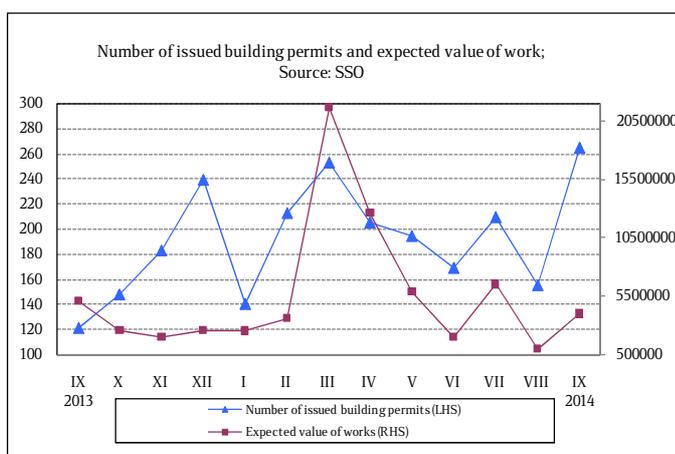
Data on the number of workers in the industry by target groups in September 2014, compared to September 2013, showed an increase in the number of workers at the following groups: Capital goods – 111%, Intermediary goods, except energy – 8.2%, Consumer durables – 7.3% and Consumer non-durables – 4.1%, while number of workers in the Energy group dropped by 4.6%.

Index on the number of workers in the industry in the period January – September 2014, compared to the period January - September 2013, accounted for 7.7%.

Number of Issued Building Permits and Envisaged Value of Facilities

In September 2014, 264 building permits were issued, being a two-fold increase compared to the same month last year. Total number of issued building permits, compared to August 2014, when 155 permits were issued, increased by 70.3%.

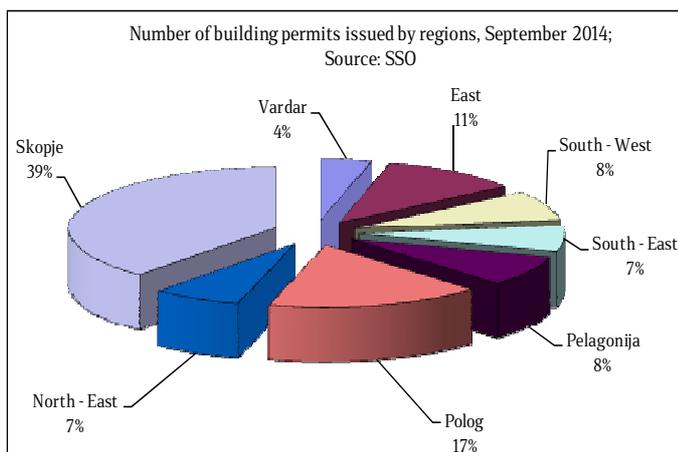
Envisaged value of the facilities, according to the issued building permits in September, amounted to Denar 3,939,191 million, being by 22% less compared to September 2013. In relation to August 2014, value of the facilities grew by 4.4 times.



Analyzed by types of facilities, out of the total number of issued building permits, 176 (or 66.7%) were intended for buildings, 29 (or 11%) for civil engineering structures and 59 (or 22.3%) for reconstruction facilities.

Analyzed by types of investors, out of total 264 issued building permits, natural persons were investors in 198 facilities (or 75%), while business entities were investors in 66 facilities (or 25%).

In September 2014, construction of 448 flats was envisaged, with total usable area of 38,500 m². Number of envisaged flats for construction dropped by 10.8% compared to the same month in 2013, increasing by 171.5% compared to August 2014.



Analyzed by regions, in September 2014, most permits were issued in the Skopje region, 102 in total, 74 permits out of which were issued to natural persons as investors, while 28 permits were issued to business entities as investors. Vardar region had least issued permits, 10 permits in total, 7 permits out of which were issued to natural persons as investors, while 3 permits were issued to business entities as investors.

Analyzed on cumulative basis, in the period January - September 2014, most building permits were issued in the Skopje region, 619 in total, 361 permits out of which were issued to natural persons as investors, while 258 permits were issued to business entities as investors. Least building permits were issued in the Northeastern region, 103 permits in total, 68 permits out of which were issued to natural persons as investors, while 35 permits were issued to business entities as investors.

Inflation

Annual inflation rate in September 2014, measured according to the CPI index, amounted to -0.7%. Average inflation rate in the period January - September 2014 amounted to -0.2%, as opposed to 3.3% rate registered in the same period last year.

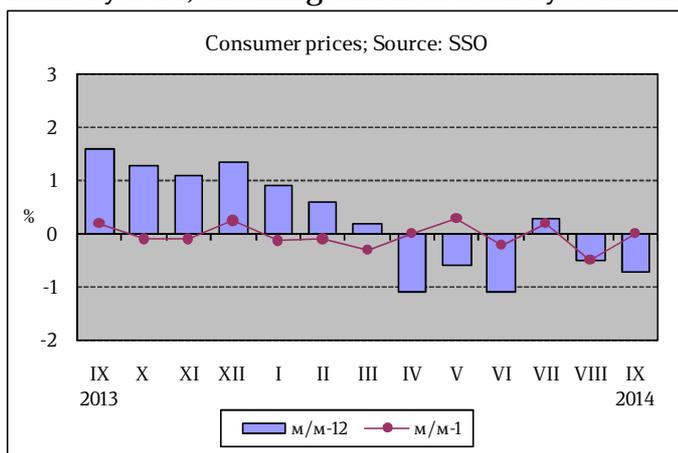
On annual basis, Food and non-alcoholic beverages category, accounting for the most in the CPI index, experienced 1.1% decline, mostly as a result of the 11.9% drop of prices in the sub-category Oils and fats. Price reduction was registered at the following categories: Recreation and culture by 5.7%, Transportation by 2.7%, Communications by 2.4%, Furniture, household furnishings and maintenance of household furnishings by 1.9% and Restaurants and hotels by 1.6%. The highest annual increase of prices in September was seen at the Alcoholic beverages and tobacco category by 3.6%. Monthly increase of prices was also registered at the following categories: Health by 2.5%, Other goods and services by 1.4%, Housing,

water, electricity, gas and other fuels by 0.5%, Clothing and footwear by 0.4% and Education by 0.2%.

On monthly basis, inflation in September 2014 remained unchanged. Prices in the Food and non-alcoholic beverages category decreased by 0.3% as a result of the increase of food prices by the same percentage. Monthly price increase was also observed at the following categories:

Furniture, household furnishings and maintenance of household furnishings and Communications by 0.5% each, Other goods and services by 0.4%, Housing, water, electricity, gas and other fuels by 0.2% and Clothing and footwear by 0.1%. Monthly price decline was also recorded at the Transportation and Health categories by 1.5% and 0.6% respectively. Prices remained the same at the following categories: Alcoholic beverages and tobacco, Recreation and culture, Education and Restaurants and hotels.

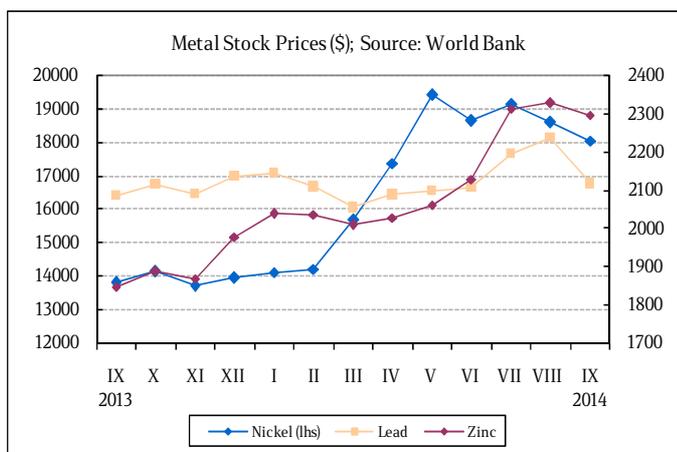
Retail prices in September 2014 were lower by 1.8% compared to September 2013. Compared to the previous month, retail prices were lower by 0.5%. Average increase of retail prices in the first nine months of 2014 accounted for -0.6%.



Stock Market Prices

In September 2014, crude oil price (Brent) on the global stock markets declined by 4.5%, compared to the previous month, reaching the price of US\$ 97.3 per barrel. Compared to September 2013, oil price was lower by 12.8%. Price of natural gas in September surged by 1.9% compared to the previous month.

As regards metal products, nickel, as product with high share in the Macedonian export, was traded at an average price of US\$ 18,035 for a metric ton (\$/mt) in September 2014, being a monthly price decrease by 3.0%. Compared to September 2013, nickel price surged by 30.7%. As for basic metals, in September, there was monthly reduction of price of lead by 5.3%, tin by 5.1%, aluminium by 2%, copper by 1.9% and zinc by 1.4%. Price of iron ore in September experienced monthly decline of 11.1%. Price of precious metals in September dropped on monthly basis. Hence, price of silver dropped by 6.9%, price of platinum and gold declined by 6.0% and 4.5% respectively.



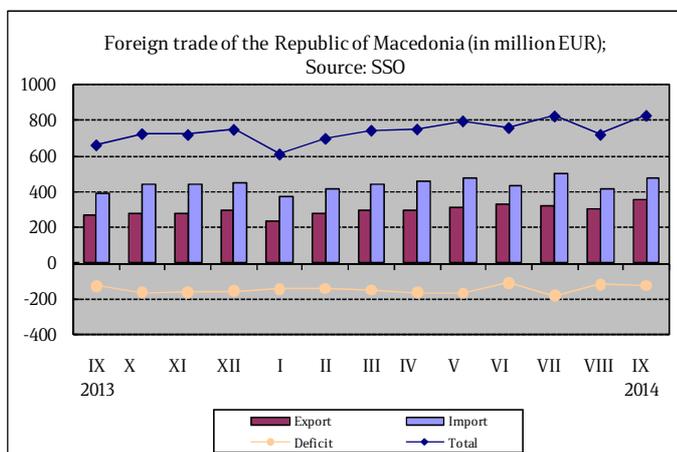
In September 2014, compared to August 2014, price of maize and wheat on global stock markets dropped by 7.6% and 7.5% respectively. Price of lamb's meat registered monthly decline of 2.3% in September.

2. Foreign Trade

Total foreign trade in the first nine months in 2014 amounted to EUR 6,731.0 million, increasing by 12.4% compared to the same period in 2013.

Export

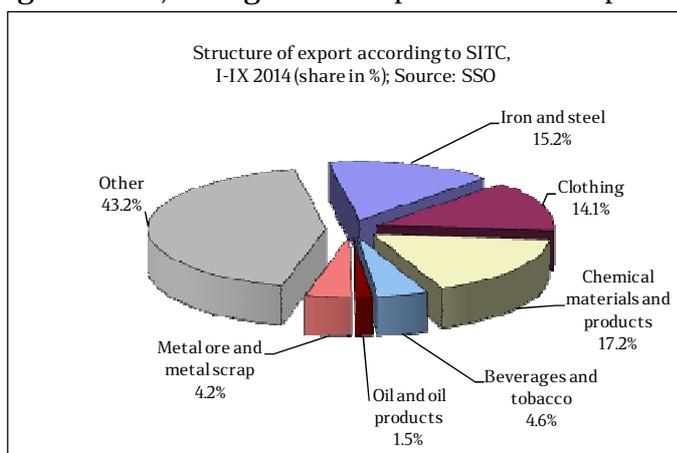
In the period January - September 2014, physical output of export increased by 3.5% compared to the same period in 2013, while value of exported goods amounted to EUR 2,731.6 million, being an increase of 16.2% (EUR 381.1 million) in relation to the period January - September 2013.



In September 2014, value of exported goods amounted to EUR 353.7 million, surging by 31.3% (EUR 84.3 million) compared to September last year. Analyzed on monthly basis, in September 2014, export increased by 16.6% (EUR 50.3 million) compared to the previous month.

Seasonally adjusted trend of export in September 2014 increased by 3.3% on monthly basis, pointing out to positive effects of the seasonal factor (13.3 p.p.) on the export in September.

Main groups of goods (according to SITC) being most exported in the period January - September 2014 were the following: chemical materials and products – 17.2%, iron and steel – 15.2%, clothing – 14.1%, beverages and tobacco – 4.6%, metal ore and metal scrap – 4.2% and oil and oil products – 1.5%. These six groups of products comprised 56.8% of the total export of the country.



In the first nine months of 2014, observed by economic purpose, following products were most exported: goods for industrial procurement (49.0%), followed by consumer goods (20.5%), products for investments without transport equipment

(12.4%), food and beverages (9.5%), transport equipment (7.2%) and fuels and lubricants (1.4%).

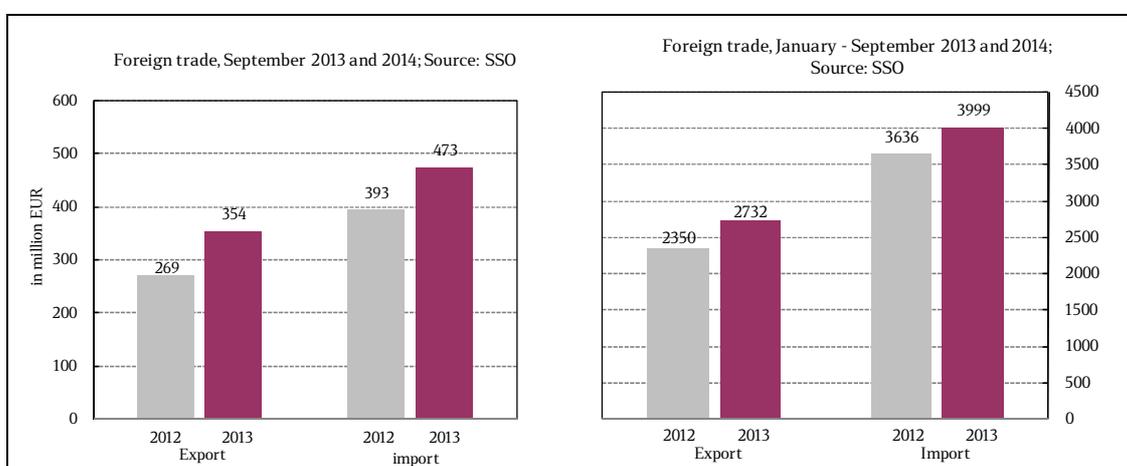
Export of iron and steel*)				
	I - IX - 2013	I - IX - 2014	Balance	% rate
000 T	433.3	447.3	14.0	3.2
EUR mil.	434.4	414.2	-20.2	-4.6
\$ mil.	571.3	559.8	-11.4	-2.0

*)Previous data

Import of iron and steel*)				
	I - IX - 2013	I - IX - 2014	Balance	% rate
.000 T	425.7	401.0	-24.8	-5.8
EUR mil.	210.5	197.2	-13.3	-6.3
\$ mil.	277.2	266.5	-10.8	-3.9

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



Import

Imported quantities of goods in the period January - September 2014 increased by 5.1%, compared to the same period in the previous year, while their value amounted to EUR 3,999.4 million, increasing by 10.0% (EUR 363.8 million) compared to the period January - September 2013.

Imported goods in September 2014 amounted to EUR 473.1 million, increasing by 20.3% (EUR 79.7 million) compared to September last year. Analyzed on monthly basis, in September 2014, import grew by 13.3% (EUR 55.4 million), compared to the previous month.

Seasonally adjusted trend of import in September 2014 surged by 9.2% on monthly basis, pointing out to positive effects of the seasonal factor (4.0 p.p.) on the import in September.

Export of oil and oil products*)				
	I - IX - 2013	I - IX - 2014	Balance	% rate
000 T	112.4	95.5	-16.9	-15.1
EUR mil.	57.5	41.2	-16.3	-28.4
\$ mil.	75.7	55.7	-20.0	-26.4

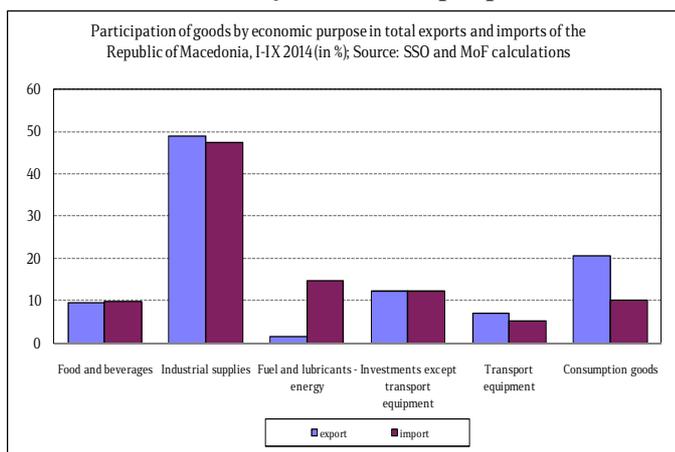
*)Previous data

Import of oil and oil products*)				
	I - IX - 2013	I - IX - 2014	Balance	% rate
.000 T	685.8	712.5	26.7	3.9
EUR mil.	416.2	412.9	-3.3	-0.8
\$ mil.	547.5	559.1	11.6	2.1

*)Previous data

In addition to non-ferrous metals, following goods were the most imported (according to SITC) in the period January – September 2014: oil; yarn, fabrics and textile products; electrical machines, devices and spare parts; iron and steel; road vehicles, etc.

In the period January – September 2014, observed by economic purpose, following products were the most imported: goods for industrial procurement (47.4%), followed by fuels and lubricants (14.8%), products for investments without transport equipment (12.4%), consumer goods (10.1%), food and beverages (10.0%) and transport equipment (5.2%).



Most imported products by tariffs were the following:

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

Export of chemical products*)				
	I - IX - 2013	I - IX - 2014	Balance	% rate
000 T	5.3	9.3	4.0	75.0
EUR mil.	346.6	470.2	123.6	35.7
\$ mil.	456.4	635.8	179.4	39.3

*)Previous data

Import of chemical products*)				
	I - IX - 2013	I - IX - 2014	Balance	% rate
.000 T	23.4	24.2	0.8	3.2
EUR mil.	56.9	65.3	8.5	14.9
\$ mil.	74.7	88.6	13.9	18.6

*)Previous data

Trade Balance

In the first nine months in 2014, trade deficit narrowed by EUR 17.3 million or 1.3% compared to the same period last year.

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

Analyzed according to economic groups of countries, in the period January - September 2014, compared to the same period in 2013, export surged at the following groups: EU 28, EFTA, Organization of Petroleum Exporting Countries, North American Free Trade Zone, while drop was recorded at the following groups: Western Balkan Countries, Asia-Pacific Economic Cooperation Organization and Commonwealth of Independent States. Export to the EU surged by 26.6% on annual basis, while as for Western Balkan countries, it declined by 8.6%.

In the first nine months of 2014, foreign trade of the Republic of Macedonia with the European Union (EU 28), in relation to the same period in the previous year, increased by 21.1%, whereby share of trade with the EU in the total foreign trade increased by 3.1 p.p., accounting for 69.4%. Export of goods to the European Union (EU 28) accounted for 77.2% in the total export of the Republic of Macedonia, while import of goods participated with 64.1%.

In the period January - September 2014, 86.6% of the trade deficit of the country was realized in the trade with Great Britain, Greece, Serbia and China, followed by: Turkey, Romania, Italy, the USA, Slovenia, Russia, Austria, and others. Surplus was realized in the trade with Germany, Kosovo, Belgium and Bosnia and Herzegovina.

Currency Structure

Observed by currency structure, 79.3% of the trade in the period January - September 2014 was realized in euros and, compared to the period January - September 2013, it surged by 5.8 percentage points. On export and import side, euro accounted for 87.3% and 73.8%, respectively, whereby share of euro in the export was higher by 4.2 p.p., while share of euro in the import increased by 6.6 p.p. compared to the period January - September 2013.

Foreign trade of the Republic of Macedonia (by currency); calculations: MoF												
import	1 - IX - 2013					1 - IX - 2014						
currency	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %	absolute change in currency value	relative change in currency value (in %)
EUR	2,250.5	2,444,275,319	61.5009	150,325,188,987	67.1	2,371.4	2,949,430,704	61.5246	181,462,406,654	73.8	505,155,385	20.7
USD	1,853.5	1,036,206,400	46.1178	47,787,573,314	21.3	1,939.7	1,079,850,404	47.6534	51,458,536,058	20.9	43,644,005	4.2
GBP	2.3	315,531,373	72.9867	23,029,606,306	10.3	3.6	175,423,233	77.7789	13,644,233,102	5.5	-140,108,140	-44.4
EUR+USD+GBP	4,106.3			221,142,368,608	88.5	4,314.8			246,565,175,814	100.2		
tot. import	4,113.9			223,963,309,126	100.0	4,322.5			246,021,996,121	100.0		9.8

Source: SSO and NBRM

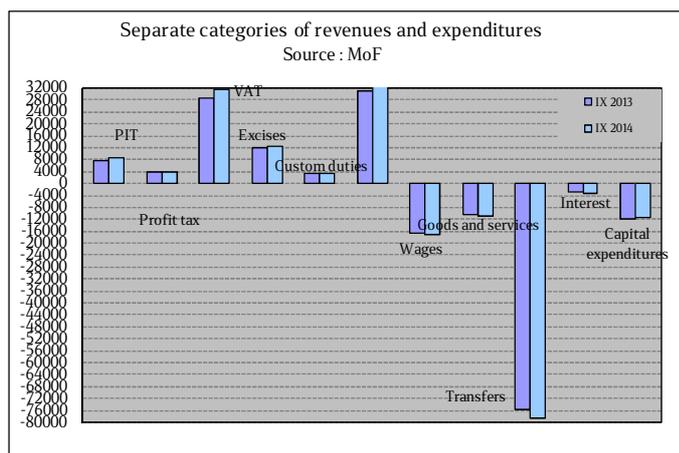
3. Fiscal Sector

Budget Revenues

In the period January - September 2014, total budget revenues reached the amount of Denar 104,564 million, i.e. 19.9% of GDP, being higher by 1.5% in relation to the same period in 2013.

Tax revenues in the first nine months were realized in the amount of Denar 59,848 million, i.e. 11.4% of GDP, being higher by 5.5% in relation to the same period in 2013.

Revenues on the basis of value added tax were realized in the amount of Denar 31,422 million, whereby share of VAT in total tax revenues in this period was dominant, accounting for 52.5%. Revenues on the basis of excises were realized in the amount of Denar 12,385 million (participating with 20.7% in the tax revenues). Hence, revenues realized on the basis of these two indirect taxes amounted to Denar 43,807 million, i.e. 73.2% of total tax revenues (8.4% of GDP). Thereby, VAT collection amounted to Denar 43,538 million on gross basis, Denar 12,116 million out of which was refunded to taxpayers.



As for VAT structure, VAT share was the biggest when importing, increasing by 1.4%, while VAT on the basis of sales in the country registered slight decline of 0.6%. Share of VAT grants was insignificant, accounting for 0.5%, whereby tax on donations experienced higher performance by 87.5%. Observed by certain categories of taxes, revenues on the basis of personal income tax were realized in the amount of Denar 8,603 million, increasing by 17.3% on annual basis, whereby revenues on the basis of tax on salaries and other personal earnings accounted for around 3/4, i.e. 71.9% of the personal income tax, revenues on the basis of contractual agreement accounted for 7.6%, capital revenues accounted for 6.0% and revenues on the basis of property and property rights accounted for 3.5%. Profit tax revenues in the first nine months of 2014 amounted to Denar 3,590 million, increasing by 0.5% compared to the same period in the previous year, being mainly a result of the paid dividend and other profit distribution, withheld tax on paid revenues to foreign legal entities, tax collected on the basis of monthly advance payments and tax balances. VAT revenues experienced growth of 9.8%, while excises experienced higher performance by 6.4%. Revenues on the basis of customs duties were realized in the amount of Denar 3,102 million, experiencing almost identical performance, i.e. dropping by 1.2%. Revenues on the basis of other taxes in the amount of Denar 746 million declined by more than 3 times compared to last year.

Non-tax revenues amounted to Denar 7,679 million and, in relation to the same period in 2013, they were lower by 18.4% (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 1,563 million (Denar 946 million out of the total revenues on this basis accounted for the funds paid from AD Macedonian Telecom dividend paid in April), decreasing by 48.9% compared to the same period in the previous year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 1,912 million, being by 13.7% less compared to the same period last year.

Social contributions were collected in the amount of Denar 32,154 million, being higher by 4.3% compared to the same period in 2013, whereby collection of pension insurance contributions increased by 4.2%, collection of health insurance contribution grew by 4.6% and the one of employment contributions surged by 4.4%.

Budget Expenditures

In the period January - September 2014, total budget expenditures amounted to Denar 122,018 million, i.e. 23.2% of GDP, being higher by 2.7% compared to the same period in 2013.

With respect to the structure of total realized expenditures, current expenditures in the amount of Denar 110,424 million accounted for 90.5% (21.0% of GDP) and they increased by 3.4% in relation to the same period in 2013.

Transfers amounting to Denar 78,682 million (15.0% of GDP) accounted for the most in the current expenditure items, followed by expenditures related to wages and salaries and allowances - Denar 17,194 million. With respect to total budget expenditures, expenditures related to wages and salaries and allowances accounted for 14.1% and, in relation to 2013, they increased by 1.8%.

Expenditures related to goods and services amounted to Denar 11,038 million, increasing by 2.1% compared to the same period in 2013.

Transfers increased by 3.6% compared to the same period in 2013, participating with 64.5% in the total expenditures. Social transfers amounted to Denar 57,789 million, increasing by 4.6% and participating with 47.4% in the total expenditures. Transfers towards the Pension and Disability Insurance Fund accounted for the most of the social transfers, amounting to Denar 36,030 million, increasing by 7.4%, compared to the same period in 2013 and accounting for 29.5% of the total expenditures. Category other transfers, which includes transfers to local government units, accounted for 16.6% in the total expenditures, i.e. they dropped by 0.8% compared to the same period in 2013. Block grants to local government units, amounting to Denar 10,354 million, grew by 0.3%, i.e. almost the same amount compared to the same period in the previous year. Subsidies and transfers were higher by 1.0%.

Interest-related expenditures amounted to Denar 3,510 million, being by 10.6% more compared to the same period in 2013. Expenditures related to interest on the basis of domestic borrowing increased by 35.0%, while the ones on the basis of foreign borrowing dropped by 7.7%.

In the analyzed period, capital expenditures were realized in the amount of Denar 11,594 million, participating with 9.5% in the total expenditures (2.2% of GDP), i.e. they slightly dropped by 3.2% compared to the same period last year.

Budget Balance

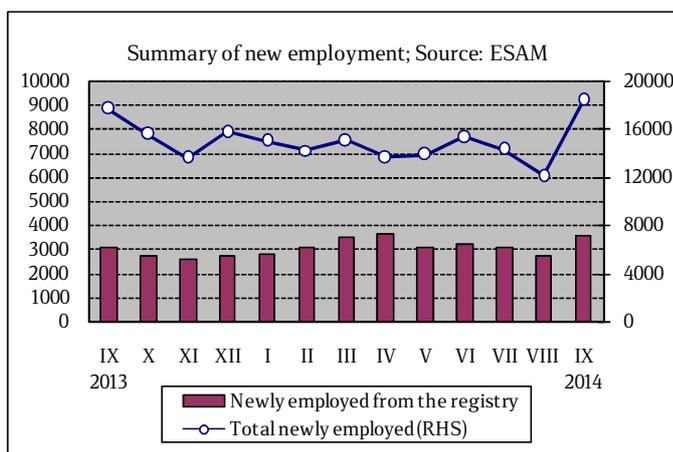
In the period January - September 2014, the budget deficit of the Republic of Macedonia reached the amount of Denar 17,454 million, being 3.3% of GDP, while central budget deficit amounted to Denar 15,214 million, accounting for 2.9% of GDP.

4. Social Sector

Number of Newly Employed and Registered Unemployed Persons in EARM¹

In the first nine months in 2014, Employment Agency of the Republic of Macedonia registered total of 131,516 new employments. 45.5% 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 September 2013, number of newly employed persons was higher by 7.2%.

During September, 18,327 new employments were registered, 19.5% out of which were from the unemployed records. Outflow of persons from the Employment Agency Registry of the Republic of Macedonia amounted to 6,685, persons in September, 52.1% out of which were new employments. In September 2014, 20,714 persons were registered as inflow to the Agency, 17.3% out of which were persons whose employment was terminated. Thus, in September 2014, 114,487 persons were registered as unemployed, while number of other unemployed persons accounted for 105,814.



Major percentage of the unemployed, i.e. 70.7%, came from urban areas (cities), whereby 59.8% were men. Analyzed by education structure, major part, i.e. 52.3% of unemployed persons, was without education, with primary education or incomplete secondary education, 30.9% was with complete secondary education, while 16.8% of the unemployed persons was with completed community college or higher education level. Observed by age, majority of the unemployed persons or 53.0% fall in the category of 25-49 years of age. According to the time they waited for a job, 34.4% of the unemployed persons wait for employment from 1 to 7 years, while 12.3% wait for employment for 8 years and more.

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.

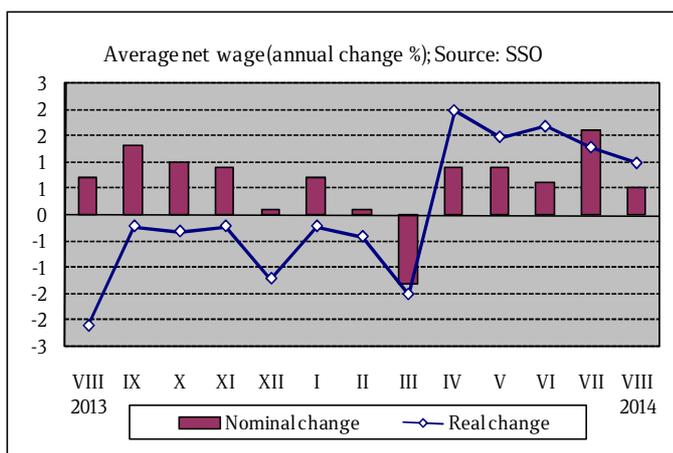
Salaries

According to the data from the State Statistical Office, average monthly paid gross salary per employee in August 2014 amounted to Denar 31,080, while average monthly paid net salary amounted to Denar 21,217.

On monthly basis, in August 2014, average gross salary decreased by 0.5% in nominal terms, remaining unchanged in real terms, while average net salary dropped by 0.6% in nominal terms, being lower by 0.1% in real terms.

In August 2014, compared to August 2013, average gross salary increased by 0.3% in nominal terms, while it was higher by 0.8% in real terms. Average net salary was higher by 0.5% in nominal terms, increasing by 1.0% in real terms.

On cumulative basis, in the period January - August 2014, average gross salary increased by 0.3% in nominal terms, while it was higher by 0.5% in



real terms. Average net salary was higher by 0.5% in nominal terms, increasing by 0.7% in real terms.

Increase of average monthly gross and net salary per employee in August 2014, compared to August 2013, was recorded in the following sectors: expert, scientific and technical activities (7.0% gross salary and 8.9% net salary), construction (4.6% gross salary and 5.0% net salary) and art, entertainment and recreation (4.2% gross salary and 4.8 net salary).

Reduction of average monthly gross and net salary per employee in August 2014, compared to the previous month, was registered in the following sectors: construction (3.5% gross salary and 3.9% net salary), mining and quarrying (2.5% gross salary and 2.3% net salary) and manufacturing industry (2.2% gross salary and 2.4% net salary).

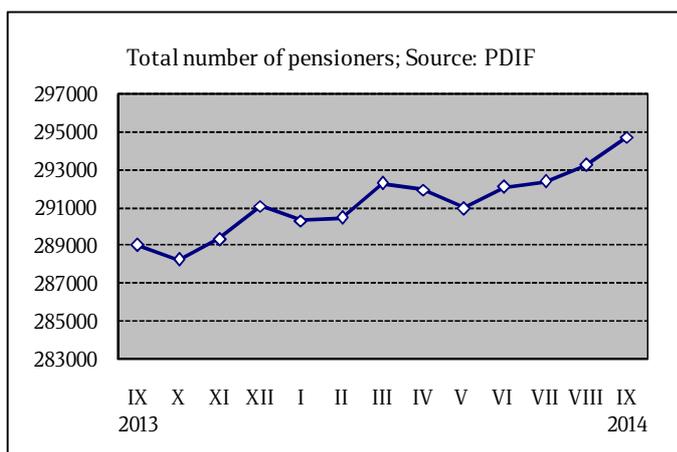
Employees who did not receive salary in August 2014 accounted for 1.4%, being lower by 0.1 p.p. compared to the same month in the previous year, while compared to July 2014, percentage of employees who did not receive salary was higher by 0.2 p.p..

Pensions

In September 2014, 294,744 pensioners were registered at the Pension and Disability Insurance Fund, being an increase by 2.0% compared to the same month in 2013. Number of pension beneficiaries increased by 1,502 persons in relation to August 2014. 59.2% out of the total number of pensioners are beneficiaries of old-age pension, 26.1% of survival pension and 14.8% of disability pension.

In September 2014, Denar 3,551.02 million was spent for payment of pensions, accounting for 54.6% of the total social transfers².

Average pension in September 2014 amounted to Denar 12,439, increasing by 5.3% on annual basis. Ratio between the average pension and the average paid salary in August 2014 (the most recent available data) was 58.6%.

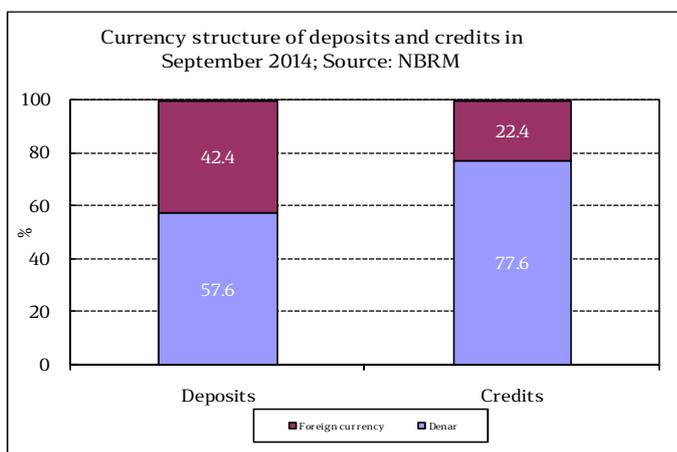


5. Monetary Sector

Primary Money

Primary money³ in September 2014 grew by 7.5% on annual basis, as opposed to the 6.7% increase in the previous month. Such growth was due to the increased ready money in circulation by 9.6% and the increase of total liquid assets of banks by 5.7% on annual basis.

On monthly basis, primary money dropped by 1.5%, as a result of the decline of ready money in circulation by 2.5% compared to 0.8% increase in the previous month, as well as the decline of total liquidity assets of the banks by 0.7%.



In September 2014, National Bank of the Republic of Macedonia, in conditions of stable trends, decided to retain the interest rate on CB bills at 3.25%.

Deposit Potential

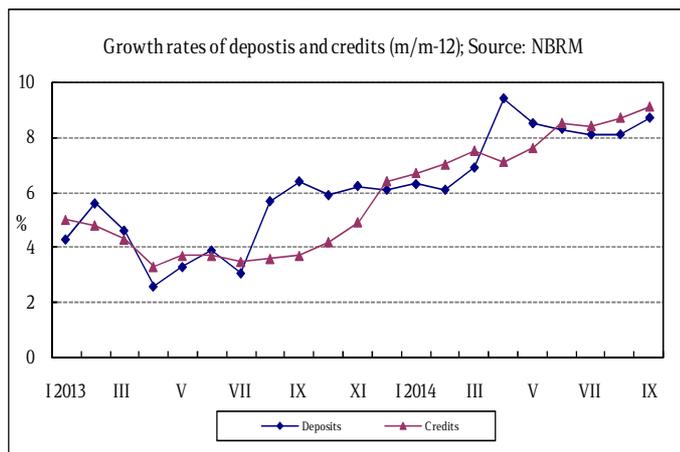
Total deposit potential of banks⁴ in September 2014 increased by 1% on monthly basis, as opposed to the growth of 2.2% registered in the previous month. Analyzed by sectors, deposits of private enterprises grew by 1.9%, while deposits of households increased by 0.5% compared to the previous month. From currency point of view, Denar deposits increased by 1.3%, while foreign currency deposits increased by 0.5%.

²Category 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.

Total deposit potential in September 2014 increased by 8.7% on annual basis. From currency point of view, domestic currency deposits increased by 11.6% in September 2014, which were the main drivers of growth of total deposits on annual basis, while foreign currency deposits surged by 5.1%. From sector point of view, deposits of households increased by 8%, while deposits of enterprises surged by 14.3%. According to maturity, long-term deposits grew by 19.1%, while short-term deposits grew by 1.7%.



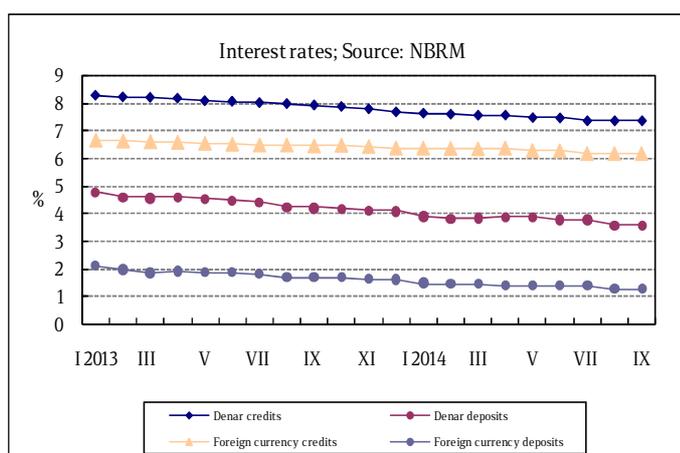
Bank Credits

In September 2014, total credits of banks to the private sector grew by 0.8% on monthly basis (as opposed to 0.3% growth in August 2014), in conditions of growth of credits to households by 1% and credits to enterprises by 0.7%. From currency aspect, Denar credits surged by 1%, while foreign currency credits grew by 0.4%.

In September 2014, total credits grew by 9.4% on annual basis (compared to the growth of 8.7% in August), in conditions of growth of credits to enterprises by 7.2% and credits of households by 12.3%. Denar credits surged by 11.6%, while foreign currency credits increased by 2.1%. As regards maturity, long-term credits experienced annual growth of 9.3%, while short-term credits were higher by 7.4%.

Interest Rates of Deposit Banks

Total interest rate on credits was 7.1% in September 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 rates on Denar and foreign currency deposits remained unchanged in relation to the previous month, accounting for 7.4% and 6.2% respectively.



Total interest rate on deposits was 2.3%, being lower by 0.1 p.p. compared to last month, while compared to September last year, it was lower by 0.5 p.p. Interest rate on Denar deposits remained at 3.6%, while interest rate on foreign currency deposits were kept at 1.3%.

Foreign Currency Reserves

Gross foreign currency reserves at the end of September 2014 amounted to EUR 2,435 million and, compared to the previous month, they were lower by EUR 14.1 million, while compared to September 2013, foreign currency reserves were higher by EUR 370.2 million.

Ministry of Finance

Macroeconomic Policy Department

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