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BOGOV: MACEDONIAN ECONOMY ON UPWARD TREND

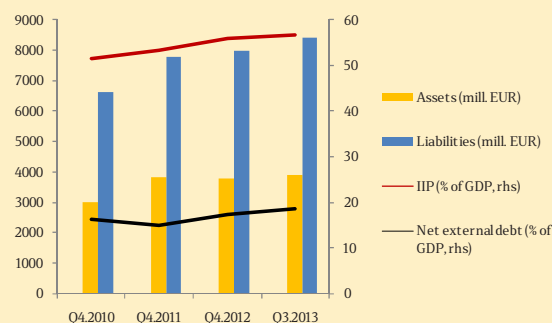
The movements in the Macedonian economy are quite favorable. There is an upward trend of the economy, improvement of the credit growth and increase of the deposit activity in banks, said Governor of the National Bank of the Republic of Macedonia, Dimitar Bogov.

He does not expect for the pre-election activities to cause substantial turbulences if, as he said, a normal and civilized campaign is run.

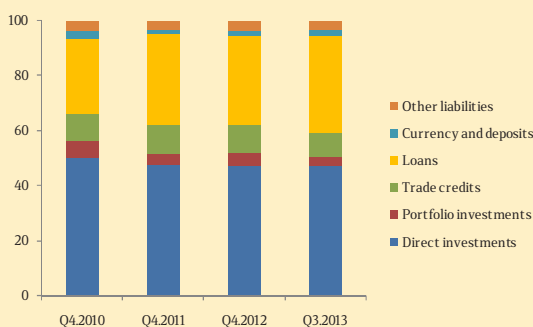
Bogov emphasized that the Macedonian economy has a positive trend which is expected to continue although there are external risks such as the situation in Ukraine.

The inflow of foreign, as well as of public investments, is to resume this year, Bogov said, pointing out that the construction of Kicevo-Ohrid and Skopje-Stip road sections, as well as the railway to Bulgaria, would contribute to that effect.

International investment position (Euro million)



Structure of the international liabilities (in %)



Bogov also believes for the growth of European economy to bolster the growth of national GDP. Governor Dimitar Bogov stressed that there is a predictable ambience for companies; inflation and movement of the main macroeconomic indicators. The interest rates since Macedonia's independence are at the lowest level, between 6 and 7 percent, which represents a favorable condition for business.



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INSIDE

page 4 ► **MCC: COMPANIES TO PREPARE FOR THE LAW ON FINANCIAL DISCIPLINE**

The Law on Financial Discipline is aimed at regulating obligations among private entities in terms of payment of the obligations within 60 days, unless both parties agree otherwise with a maximum up to 120 days

page 7 ► **THE DIASPORA SUPPORTS THE DOMESTIC ECONOMY**

Data of the National Bank of the Republic of Macedonia shows significant growth of private transfers from abroad in the last decade. In 2003, the remittances totaled modest 556.7 million euro which is far less than their level in the seven months of last year

page 9 ► **COULD MACEDONIAN COMPANIES PROFIT FROM AFGHANISTAN'S REBUILDING**

Experts say that sustainable projects supported by the Government are necessary. The international donators from 2001 to 2010 provided 35 billion dollars for Afghanistan while from 2012 to 2014 16 billion dollars, namely 4 billion dollars per year, have been put aside

page 12 ► **GOVERNMENT TO GET 15 MILLION EURO DIVIDEND FROM TELEKOM**

The value of the share is set at 31,49 denars. According to the dividend calendar, the allocation of the profit will be carried out during the last week of April. This year's profit of Telekom is drastically smaller than the profit of previous years. For instance, last year a profit of 65 million euro was paid out while in 2011 more than 71 million euro

page 16 ► **MACEDONIAN HUNTING GROUNDS TO BE GIVEN UNDER CONCESSION**

From the total number of hunting grounds, 26 are for small game and they will be given under 10 year concession whereas 13 hunting grounds are for big game with 20 year concession. There are 264 hunting grounds in Macedonia, 204 of which are given under concession. There is an ongoing procedure for 39 and the concession expires in 2015 for the other 24

BOGOV: MACEDONIAN ECONOMY ON UPWARD TREND

Governor Dimitar Bogov stressed that there is a predictable ambience for companies, inflation and movement of the main macroeconomic indicators. The interest rates since Macedonia's independence are at the lowest level, between 6 and 7 percent, which represents a favorable condition for business. He does not expect for the upcoming pre-election activities to cause substantial turbulences

The movements in the Macedonian economy are quite favorable. There is an upward trend of the economy, improvement of the credit growth and increase of the deposit activity in banks, said Governor of the National Bank of the Republic of Macedonia, Dimitar Bogov.

He does not expect for the pre-election activities to cause substantial turbulences if, as he said, a normal and civilized campaign is run.

Bogov emphasized that the Macedonian economy has a positive trend which is expected to continue although there are external risks such as the situation in Ukraine.

The inflow of foreign, as well as of public investments, is to resume this year, Bogov said, pointing out that the construction of Kicevo-Ohrid and Skopje-Stip road sections, as well as the railway to Bulgaria, would contribute to that effect. Bogov also believes for the growth of European economy to bolster the growth of national GDP.

Governor Dimitar Bogov stressed that there is a predictable ambience for companies, inflation and movement of the main macroeconomic indicators. The interest rates since Macedonia's independence are at the lowest level, between 6 and 7 percent, which represents a favorable condition for business.

"Last year, we had a mild growth of the crediting of companies of around 1.5 percent while in the last months the crediting began growing and the growth with the population was 10 percent," said Bogov, adding that the increase of the economic activity already shows that there might be a bigger credit activity.

Bogov considers that after the stabilization of the financial markets in the Euro-zone, the domestic banks that are over-solvent, should give more credit and

invest less in treasury notes. The profit from the interest rates of loans is bigger with the one of the treasury notes but it requires greater risk and cautiousness from bankers.

"They get 3-4 percent from the treasury notes and 7-8 percent from the enterprises. Banks, unlike the state, are always in favor of crediting the business," said Bogov.

The Governor stressed that the foreign exchange reserves are at a stable level, that there are no significant changes over the past two months and that there is no potential to endanger the macroeconomic stability.

Commenting on the spent budget deficit since the start of the year, Bogov said that there is no disturbance felt in the economy's balance and that it is important to maintain the deficit within the predicted frames until the end of the year. Our analyses on the maintenance of the public debt show that it will be stabilized at a much lower level than the projections of IMF," said Bogov.

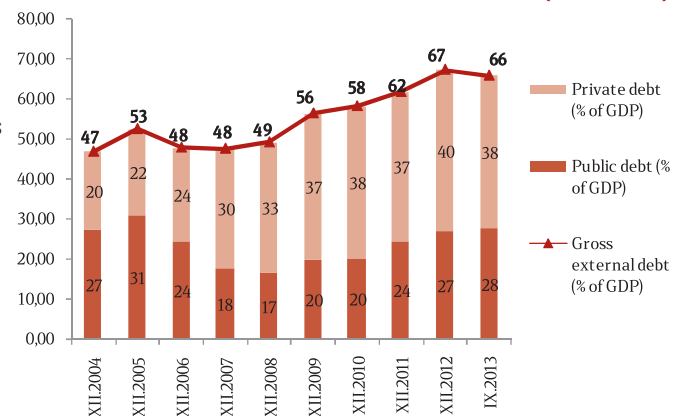
"All of us have different projections. We will see which projection will be correct in the end, but past years have shown that our projections are still always closer to the achievements. The reason for this is that we have a comprehensible model for the Macedonian economy while the international institutions do not have a separate model for the Macedonian economy but view it in a regional context thus probably dedicating little attention to it," said Bogov.

The National Bank, as Bogov said, evaluates the macroeconomic situation and if a need of undertaking measures appears, they will surely be implemented. At the moment, he assesses the macroeconomic stability as proper.

The anticipated level of foreign investments of 300 million euro per year will cause small imbalances on the foreign exchange market but, on the other hand, the increased export will significantly reduce the deficit in the trade balance.

The National Bank expects 7 percent growth of the crediting and an average inflation of around 3 percent. Despite the political crisis in Ukraine, the projections are currently based on stable prices of natural gas and oil while the prices of food might vary.

GROSS EXTERNAL DEBT (% OF GDP)



Source: NBRM

DENARS TO BE CONVERTED TO FOREIGN CURRENCY AT ATMS

Under the latest modifications to the foreign exchange regulations passed by the Council of the National Bank of Macedonia, denars can hereafter be converted to foreign currency and vice versa at ATMs.

The National Bank said that the modern technologies available for the other banking products will hereafter be offered in the foreign exchange operations as well. The principal benefits for the clients will be the speed and availability of the service irrespective of the banks' working hours.

The National Bank stated that in the beginning this novelty will only be allowed to banks, which will be responsible to provide a notice with the proper accompanying documentation of every ATM with a foreign exchange function to the National Bank.

Some banks have already started offering additional services via ATMs—in addition to drawing money, clients may deposit money, make payments into transaction accounts and settle overhead costs.

MCC: COMPANIES TO PREPARE FOR THE LAW ON FINANCIAL DISCIPLINE

The Law on Financial Discipline is aimed at regulating obligations among private entities in terms of payment of the obligations within 60 days, unless both parties agree otherwise with a maximum up to 120 days

The Law on Financial Discipline will solve the problems with the solvency and discipline of payment among the private sector as well as between the government and private sector, businessmen say in relation to the Law on Financial Discipline.

“The firms should use the period prior to the adoption of the Law well and calculate the costs and decide how to organize in terms of economy and efficiency, scrutinize the existing internal organization, adapt, primarily in order to provide quicker recovery, and avoid delays in payment of obligations,” said President of the Service Chamber at the Macedonian Chamber of Commerce (MCC) Daniela Arsovska.

prove the solvency in the economy by projecting clear and precise deadlines for paying the obligations in the private sector.

The basic deadline for paying the obligations will be 60 days and the deadline can be extended to a maximum of 120 days if the two entities in the private sector agree.

“The same deadlines are envisaged for payment of the state’s obligations toward the private sector in order for them to be paid in due time,” Stavreski said.

According to the Minister, it is a matter of European guidelines that will have to be implemented in Macedonia and help improve the discipline in payment as there are many cases where stable compa-

sector, that is to say, I expect the solvency to be improved and all firms that work in accordance with the law and that want to collect their money to be assisted,” Stavreski underlined.

In case that the deadline is not observed, contributions in a form of penal interest will be charged for every day of delay and there will be fines for the responsible person in the firm or the state institution or the firm itself, that is to say, institution.

The fight against financial indiscipline within the EU resulted with a new Guideline that entered into force on 23 February 2011 while the EU member-states got a deadline of two years until 16 February 2013 to implement it in the national legislations.

The guideline limits the general deadline for payments in all transactions and in the public and private sector to 30 days and only this deadline can be extended to 60 days in isolated cases. Also, this guideline prescribes deadlines and sanctions regardless whether it is about payments between private or state firms. The problem with the delays in the payments is not only seen in Macedonia, because before the adoption of this Guideline, the EU was trying for many years to reduce the financial indiscipline too.

With the adoption of the Small Business Act, it became clear that the old system does not provide good protection from delays with the payment and that it is important for the EU member-states to additionally promote the culture of payments.

Macedonia is currently only an EU candidate-country but it is slowly adjusting its legislation, especially in the sphere of business climate and finances.

PROTECTING INVESTORS

DB 2014 Rank 16

Indicator	Macedonia	Europe & Central Asia	OECD
Extent of disclosure index (0-10)	9	6	7
Extent of director liability index (0-10)	8	5	5
Ease of shareholder suits index (0-10)	4	6	7
Strength of investor protection index (0-10)	7.0	5.7	6.2

Source: *Doing Business 2014*

Announcing the new Law on Financial Discipline, Finance Minister Zoran Stavreski recently stressed that this law will help protect the creditors and im-

nies do not pay to smaller firms.

“Usually smaller and medium firms are mostly struck by such indiscipline and this will introduce systemic order in this

BANKS MADE A PROFIT OF 38 MILLION EURO LAST YEAR

Latest data of the National Bank show increase in profit of domestic banks for 2013. According to information, last year the banks made a profit of 38 million euro and this is a much greater amount than in 2012 which ended with a total profit of 23.7 million euro.

The large banks last year made a profit of 27.5 million euro, the medium-sized banks made a profit of 10.8 million euro while the small banks showed a slight loss of 780,000 euro.

The interesting part is that the banks showed a loss of 630,000 euro in the first

three months of 2013 but they ended the first six months with a total profit of 5.7 million euro. They showed total profit of 19.3 million euro in the first nine months of last year.

SARAQINI: REFORMS IN MINING BRING NEW INVESTMENTS

The Ministry of Economy remains focused on the mineral resources sector and this year new jobs and opening of new production capacities are expected. Companies that work in the mining sector welcomed the amendments to the Law on Mineral Resources, particularly the electronic auction, as the most transparent way of working

The Government adopted 26 decisions, 20 of which for detailed geological explorations and 6 decisions for exploitation of mineral raw resources. The total revenue, which investors must pay within 30 days, is 35 million denars, of which 27 million denars present revenues for municipalities.

According to Economy Minister Valon Saraqini, electronic auctions have for the first time been carried out for all locations and this is one of the amendments to the Law on Mineral Raw Resources.

As most attractive locations, the Minister pointed the locations for exploration of metal mineral resources, gold, silver and copper, but also the locations for exploration and exploitation of non-metal mineral resources, as well as for ornamental stone (such as granite, marble and others).

With the granting of these 26 locations 700 million Denars are expected to be invested during the next 5 years, but also opening of 150 new working positions.

“Pursuant the amendments to the Law on Mineral Resources that is in parliamentary procedure, a possibility to be granted

large spaces of 5000 m² is given with the geological explorations,” he informed.

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MACEDONIA: PRODUCTION OF MINERAL COMMODITIES

Commodity ²	(Metric tons unless otherwise specified)				
	2007	2008	2009	2010	2011
METALS					
Copper, mine and concentrator output:					
Ore, gross weight thousand metric tons	4,109	4,240	3,767	4,199 ^r	4,118
Concentrate:					
Gross weight	33,467	38,337	35,430	37,678 ^r	35,976
Cu content ³	7,400	8,400	7,600	7,900	7,900
Metal, refined	--	--	--	--	300 ^e
Iron and steel:					
Ferrous:					
Ferromanganese	--	12,623	--	-- ^r	--
Feronickel (23% Ni), gross weight ³	66,600	65,300	52,200	62,700 ^r	75,200
Ferro-silicon	34,215	42,674	7,657	30,044 ^r	56,167
Silicomanganese	70,472	54,931	--	36,705 ^r	50,756
Total	171,287 ^r	175,528 ^r	59,857 ^r	129,449 ^r	182,123
Steel:					
Crude, secondary	371,930	252,461	276,215	292,126	386,000
Semimanufactures	366,076	252,946	270,397	291,886 ^r	385,816
Lead, mine output, concentrate, Pb content	29,000	35,000 ^r	38,000 ^r	40,000 ^r	40,000
Nickel, Ni content of FeNi	15,321	15,026	12,000	14,413 ^r	17,292
Zinc, mine output, concentrate, Zn content	24,000	29,000	35,000	35,000	36,000
INDUSTRIAL MINERALS					
Cement thousand metric tons	945	916	909	820 ^r	981
Clays, bentonite	35,234	22,890	15,350	12,798 ^r	14,466
Dolomite:					
Agglomerated	3,337	4,179	3,814	4,748 ^r	5,249
Not frayed, not calcined	96,723	75,855	78,523	116,290 ^r	125,700
Sintered	19,351	23,933	21,607	24,989 ^r	28,251
Feldspar, crude	32,814	28,920	19,377	23,188 ^r	25,032
Gypsum, crude	255,500	242,400	154,550	143,118 ^r	162,984
Lime	7,517	--	2,713	2,700 ^e	2,700 ^e
Limestone flux	848,498	827,100	694,968	953,190 ^r	1,016,765
Marl	1,112,870	1,083,830	560,170	749,750 ^r	861,666
Pumice and related materials, volcanic tuff	80,910	103,476	113,064	113,323 ^r	57,356
Sand and gravel, excluding glass sand cubic meters	30,020	39,559	30,631	40,493 ^r	1,357
Silica sands (quartz sands or industrial sands)	151,000 ^{r,e}	132,000 ^{r,e}	112,106 ^r	116,079 ^r	125,949
Stone, excluding quartz and quartzite:					
Crushed and broken cubic meters	58,369	33,023	59,715 ^r	130,105 ^r	104,209
Dimension, crude	60,271	71,819	69,082	78,603	64,320
Talc, crude	1,775	977	682 ^r	1,292 ^r	547
MINERAL FUELS AND RELATED MATERIALS					
Lignite thousand metric tons	6,569	7,746	7,454	6,583 ^r	7,902
Petroleum, refinery products ^{e,3} thousand 42-gallon barrels	8,300	8,300	7,700	6,600 ^r	5,400

^rEstimated, data are rounded to no more than three significant digits; may not add to totals shown. ^eRevised. -- Zero.

¹Table includes data available through June 6, 2012.

²In addition to commodities listed, secondary aluminum in small amounts, common clay, diatomite, and gold contained in copper concentrate also are thought to have been produced, but available information is inadequate to make reliable estimates of output.

³Figures were converted to barrels from production in thousand metric tons, which was reported as the following: 2007—1,042; 2008—1,036; 2009—963; 2010—829 (revised); 2011—680.

Source: 2011 Minerals Yearbook

NUMBER OF EMPLOYEES IN MANUFACTURING INDUSTRY GREW BY 7.8 PERCENT

The number of employees in industry by main industrial groupings in January 2014, in comparison to January 2013, was higher in Intermediate goods industries, except energy by 1.4 percent

According to the State Statistical Office data, the index of the number of employees in industry in January 2014, in comparison with January 2013, was 106.5.

The number of employees in industry in the section mining and quarrying in January 2014, in comparison with January

2013, decreased by 0.7 percent, in the section manufacturing industry it increased by 7.8 percent, while in the section electricity, gas, steam and air conditioning supply it decreased by 1.1 percent.

The number of employees in industry by main industrial groupings in January

2014, in comparison to January 2013, was higher in Intermediate goods industries, except energy by 1.4 percent, capital goods industries by 66.5 percent, durable consumer goods industries by 4.4 percent and non-durable consumer goods industries by 4.7 percent, but lower in energy by 2.0 percent.

NEW SECTION OF TAB MAK FACTORY OPENED IN PROBISTIP

TAB MAK Battery Factory sells only 5 percent of the overall production on the domestic market, while the remaining 95 percent of the production is exported to the western European markets, Russia, Ukraine and other countries, and in 2014, the factory expects to realize EUR 25 million inflows

New section within TAB MAK Battery Factory was commissioned, an investment worth EUR 6 million. Minister of Finance Zoran Stavreski pointed out that the investment would create 80 new jobs for the citizens in this municipality.

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The investments provide for increased production capacities for manufacturing starter batteries to 600,000 pieces, as well as 100,000 pieces of industrial 2-volt cells.

Minister Stavreski, also attended the commencement of the construction of four new streets in the Village of Dobrevo near Probistip, an investment ensured by the Agency for Financial Support in Agriculture and Rural Development. Stavreski pointed out that such investments were of particular significance for the citizens in the municipalities, and as regards the Village of Dobrevo, its citizens

and the children would no longer walk on mud.

He announced that, in the course of 2014, the road from Probistip to the Village of Krupiste, i.e. the road that connects this road with Stip-Kocani national road, will be reconstructed. Streets in the Village of Dobrevo which are to be constructed are long thousand meters, and Denar 100 million will be invested therefore.

Construction works in Probistip Village of Dobrevo will be performed by the contractor "Zikol".

TOTAL OF 5,790 VACANCIES

Business entities with 50-249 employees had the highest job vacancy rate of 1.56 percent. The Pelagonia Region had the highest job vacancy rate at 2.66 percent

According to the data of the State Statistical Office, in the fourth quarter of 2013, the job vacancy rate was 1.33 percent. According to data, the total number of vacancies totals 5,790 while the number of filled job positions in this period totaled 429,167.

The job vacancy rate was highest, 2.41 percent, in section R-Arts, entertainment and recreation, while the lowest rate was registered in the section D-Electricity,

gas, steam and air conditioning supply, 0.12 percent.

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The highest number of job vacancies, 1,357, was recorded in the fifth group of occupations - Service and sales workers.

According to the data of the State Statistical Office, in the third quarter

of 2013, the job vacancy rate was 1.07 percent.

The job vacancy rate was highest, 1.79 percent, in manufacturing, while the lowest rate was registered in the section electricity, gas, steam and air conditioning supply, 0.07 percent.

Business entities with 10-49 employees had the highest job vacancy rate of 1.61 percent. The Southeast Region had the highest job vacancy rate at 2.08 percent.

The highest number of job vacancies, 975, was recorded in the fifth group of occupations - service and sales workers.

OCCUPIED POSTS AND JOB VACANCIES BY SIZE OF THE ENTERPRISE

Size of the enterprise	Number of occupied posts	Number of job vacancies	Job Vacancy Rate (%)
Total	429 167	5 790	1.33
3-9	83 070	1 052	1.25
10-49	93 828	1 242	1.31
50-249	127 407	2 025	1.56
250 and more	124 863	1 471	1.16

Source: State Statistical Office

DIASPORA TO PLAY MAJOR PART IN DRAWING FOREIGN INVESTMENTS

Prime Minister Nikola Gruevski underlined that the Macedonian Government kept its promises and showed that with a sincere approach it could stay in touch and be close with the Macedonians living abroad

Boosting the economic growth and subduing the unemployment rate by way of drawing foreign investments, which will help create new jobs is the main objective of the Government in the attainment of which the active involvement of the Macedonian diaspora plays a major part, said Prime Minister Nikola Gruevski at his meeting with representatives of the Macedonian community in Dusseldorf, Germany.

“It is very important for us that our citizens, Macedonians and all other ethnic groups in Macedonia, become employed as soon as possible while those who are already employed get to more opportunities for higher salaries,” the prime minister said and stressed that this Government was economically oriented and friendly toward the business sector and cared for the state and national interests.

Prime Minister Gruevski underlined at the meeting that the Macedonian Government kept its promises and showed that with a sincere approach it could stay

in touch and be close with the Macedonians living abroad.

He also appealed to them, in the countries they live in, to take active part in the promotion of the potentials and advantages that the Republic of Macedonia offers in the areas of economy and investment development.

ESTIMATES AND PROJECTIONS FOR REMITTANCE FLOWS TO DEVELOPING COUNTRIES

	2009	2010	2011	2012e	2013f	2014f	2015f
	(\$ billions)						
All developing countries	316	341	380	401	427	468	515
East Asia and Pacific	85	95	106	109	117	130	145
Europe and Central Asia	37	37	41	40	43	47	52
Latin America and Caribbean	57	58	62	62	67	73	81
Middle-East and North Africa	34	41	43	49	52	55	58
South Asia	75	83	97	109	117	127	140
Sub-Saharan Africa	28	29	30	31	33	36	39
World	436	464	514	529	559	608	665
Low-income countries	22	24	28	33	36	41	46
Middle income	294	317	352	368	391	427	469
High income	120	122	134	128	132	140	149
	(Growth rate, percent)						
All developing countries	-4.3	8.0	11.5	5.3	6.7	9.5	10.2
East Asia and Pacific	1.8	10.9	12.3	2.5	7.1	11.2	11.7
Europe and Central Asia	-19.3	-0.1	13.5	-3.9	6.9	10.5	11.4
Latin America and Caribbean	-11.8	0.9	7.3	0.9	7.1	10.0	10.5
Middle-East and North Africa	-6.2	20.9	6.1	14.3	5.1	5.7	6.3
South Asia	4.9	9.8	17.6	12.3	6.9	9.1	10.0
Sub-Saharan Africa	-1.7	4.0	4.9	1.6	5.6	8.6	8.8
World	-5.9	6.2	10.9	2.8	5.7	8.7	9.4
Low-income countries	3.9	11.0	17.7	15.6	10.4	13.0	13.4
Middle income	-4.8	7.8	11.0	4.5	6.3	9.2	9.9
High income	-10.0	1.6	9.4	-4.2	2.8	6.3	6.7

e= estimate; f=forecast

Notes and sources: The revised estimates are slightly lower than the figures reported in the Migration and Development Brief 19 (<http://goo.gl/vkGt3>). Data on remittance flows come from Central Banks and the IMF Balance of Payments statistics, and are the sum, of three items: workers' remittances, compensation of employees, and migrants' transfers. The estimates for 2012 are based on monthly and quarterly data as available, with year-on-year growth for the partial year data used to estimate the remaining periods of 2012. For countries that have not released any data for 2012, as well as projections in the forecast period, a model is used that relies on migrant stocks, remittance inflows, and the growth outlook of the remittance source countries. GDP projections used in the model come from the World Bank's Global Economic Prospects and from the IMF's World Economic Outlook (where data is not available from the former). The remittances data for 2012 are likely to change as countries release actual data for the year.

Source: World Bank, Migration and Development Brief

THE DIASPORA SUPPORTS THE DOMESTIC ECONOMY

Data of the National Bank of the Republic of Macedonia shows significant growth of private transfers from abroad in the last decade. In 2003, the remittances totaled modest 556.7 million euro which is far less than their level in the seven months of last year

The billion euro that averagely are sent each year, except for providing livelihood for the families of migrant workers in the homeland, is also very important for the country. The balance of payments is significantly supported with this money and the data that the money totals 18 to 20 percent of the gross do-

mestic product shows that the sums are not insignificant.

A good part of the country's trade deficit is covered with it. Data of the National Bank of the Republic of Macedonia shows significant growth of private transfers from abroad in the last decade. In 2003, the remittances totaled modest 556.7 mil-

lion euro which is far less than their level in the seven months of last year.

Other countries which have large number of migrant workers have the same trends. A World Bank report reads that the remittances in the developing countries are expected to grow by 6.3 percent and reach 414 billion dollars.

“The money that the immigrants earn abroad and send to their families in the homeland is more helpful for the developing countries than the foreign aid they receive,” the report underlines.

At a global level, including the developed countries, it is estimated that until the end of last year, the remittances will total 550 billion dollars while the record of 707 billion should be reached in 2016.

FORTON: MORE APARTMENTS BUT NO DROP IN PRICES

In one year, from 2012 to 2013, the offer of new apartments in Skopje increased by 46 percent but the average sale price of residences dropped by 6 percent last year. The most expensive square meter is in the Municipality of Centar which reached 1,200 euro per square meter while the cheapest is in the Municipality of Gjorce Petrov

CONSTRUCTION

Almost half of the newly-built apartments in Skopje have not been sold but their price drops very slowly due to the reduced solvency on the market and the complicated access to bank financing, assessed real-estate advisory company “Forton” in its latest analysis of the real-estate market.

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by 46 percent but the average sale price of residences dropped by 6 percent last year. The most expensive square meter is in the Municipality of Centar which reached 1,200 euro per square meter while the cheapest is in the Municipality of Gjorce Petrov.

Investors, on the other hand, are mostly building in the municipalities of Aerodrom, Centar and Karpos, which

participate with 66 percent of the total number of offered residences.

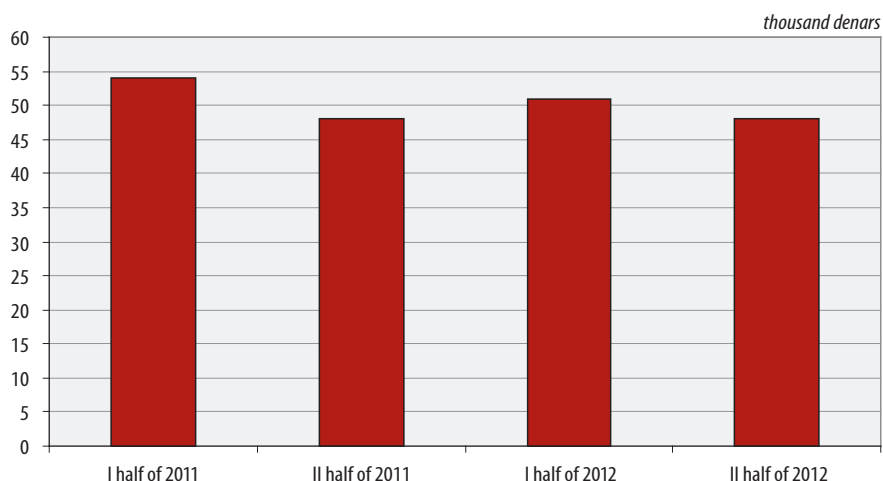
Forton points out that there is an increase of 9 percent in the offer of retail premises in Skopje. Nearly 19 percent of the total area envisaged for retail in malls, retail galleries and main pedestrian zones is empty.

The highest percent of available premises is in shopping mall “Soravia” – 70 percent, followed by “Bunjakovec” and “SP Planet” with 35 percent as well as the City Trade Center in which 27 percent of the total premises are available for rent or purchase.

The analysis of “Forton” also highlights the fact that despite this situation, the price for renters has not changed during this period.

It moves from 27 euro per square meter along pedestrian zones to 40 euro per square meter in Skopje’s trade centers.

PRICES OF DWELLINGS IN THE REPUBLIC OF MACEDONIA PER 1m²



Source: State Statistical Office

CONSTRUCTION COST FOR NEW RESIDENTIAL BUILDINGS INCREASED BY 1.4 PERCENT

According to the State Statistical Office data, in the fourth quarter of 2013, the construction costs for new residential buildings increased by 1.4 percent in comparison with the fourth quarter of 2012.

In the fourth quarter of 2013, compared to the third quarter of 2013, the construction costs for new residential buildings remained at the same level, the material costs increased by 0.2 percent,

while the labour costs decreased by 0.7 percent.

In the fourth quarter of 2013, in comparison with the fourth quarter of 2012, the construction costs for new residential buildings increased by 1.4 percent, the material costs decreased by 2.5 percent, whereas the labour costs increased by 14.6 percent

The construction cost indices for new residential buildings are intended for

reviewing or monitoring costs incurred by a construction company in the execution of the construction process of building new residential buildings. The main users of construction costs indices for new residential buildings are construction companies, which refer to the movement of construction costs in calculations when entering a construction contract.

COULD MACEDONIAN COMPANIES PROFIT FROM AFGHANISTAN'S REBUILDING

Experts say that sustainable projects supported by the Government are necessary. The international donors from 2001 to 2010 provided 35 billion dollars for Afghanistan while from 2012 to 2014 - 16 billion dollars, namely 4 billion dollars per year, have been put aside

Can the Macedonian companies, primarily the construction companies, truly profit from Afghanistan's rebuilding, as experts suggest?

According to Sead Kocan, President of the Chamber of Construction at the Macedonian Chamber of Commerce, it

is difficult to expect that singly, a company could alone realize this but the possibility is open if they participate as a consortium with partners from the region or as subcontractors.

"Currently there are domestic companies that work or mediate in finding

labour force for those markets. There are also companies in the sphere of logistics, food supply and other services," explains Kocan.

There are many opportunities to earn money in Afghanistan. British companies know this best as many of them are engaged in the rebuilding of Afghanistan.

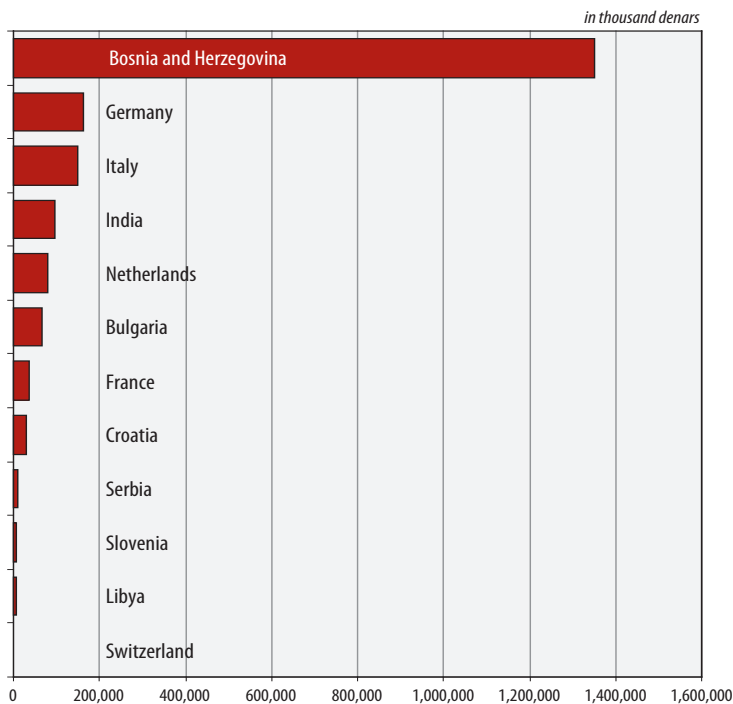
"These are major companies which we had the opportunity to see in Macedonia when NATO was present here. They follow the NATO missions around the world and they know the rules. The Macedonian construction companies are still not developed enough for that challenge," said Kocan.

Experts say that sustainable projects supported by the government are necessary.

"The enterprises, if emerged and if they compete in the post-Afghanistan society, could win. The governments in the region can only appear as helpers in this activity but not as leaders because it is a matter of private capital," said Professor Metodija Hadzi-Janev, from the Euro-Atlantic Council.

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VALUE OF COMPLETED CONSTRUCTION WORKS, I-XII 2013



Source: State Statistical Office

INDIA AND LIBYA – NEW MARKETS FOR CONSTRUCTION COMPANIES

In the reference period, there was an increase in the volume of completed construction works in France, the Netherlands, Serbia and Germany, while a decrease was registered in the other countries

According to the State Statistical Office data, in the period January-December 2013, the total value of contracted construction works abroad was 5,207,960 thousand denars, which is 0.7 percent less compared with the same period of the previous year.

In the specified period, the construction enterprises from the Republic of Macedonia have completed construction works abroad totaling 1,997,546 thousand denars, which is 119.3% more compared with the same period of the previous year.

In the reference period, there was an increase in the volume of completed construction works in France, the Netherlands, Serbia and Germany, while a decrease was registered in the other countries.

India, Bulgaria, Bosnia and Herzegovina, Slovenia and Libya appear as new markets.

IMPORT OF NATURAL GAS IN MACEDONIA REACHES RECORD!

The Energy Balance for 2014 indicated that the needs for natural gas will be bigger by around 75 percent because of the needs of gas thermal power plant TE-TO. However, an increase with the distributive consumers in Kumanovo, Strumica and Skopje has also been registered. The assessments are that by 2018 the need for natural gas will averagely grow by 13.9 percent per year

The total import of natural gas in Macedonia in November 2013 reached 21,459 million normal cubic meters, which compared to the import in the same period of 2012 presents an increase of 64.6%. As our statisticians analyze, in the total consumption of natural gas, as much as 84% is used for energy transformations and only 15.5% for final consumption.

Energy experts are satisfied with these data because this is confirmation of the

development of gasification in the country and this means that this energy source will be supplied and used more in the future.

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natural gas will averagely grow by 13.9% per year.

The Statistical Office also calculated that in November, the gross-domestic consumption of electrical energy totaled 746,545 MWh which is 1.3% more compared to November 2012.

The net-import of electrical energy participated with 29.5% in the gross-domestic consumption while the gross-domestic production remains 70.5%.

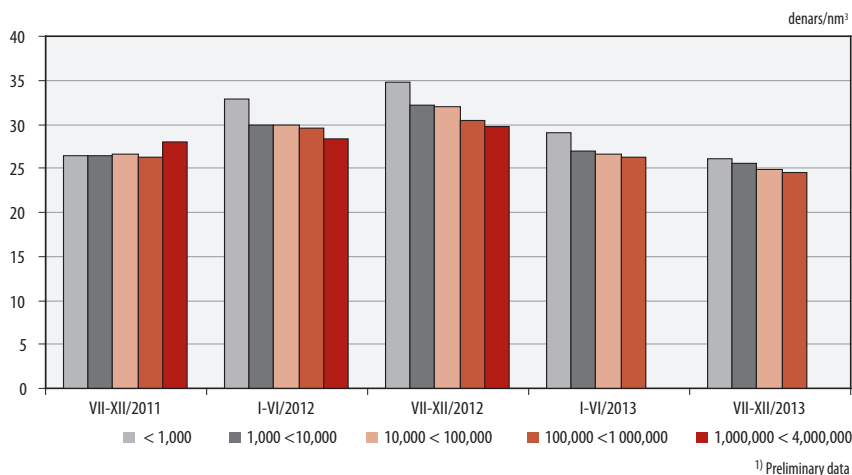
Analyzed in months, it is determined that the domestic electricity production was the highest in January and February last year. Also, numbers show that the biggest% of the produced electricity is from the thermal power plants, followed by the combined power plants and hydro and solar power plants.

As regards the participation of energy sources in the total gross production of electricity from domestic production, lignite has been spent the most, followed by natural gas and black oil.

According to the data of the State Statistical Office, in the second semester of 2013, the average electricity retail price for households in the Republic of Macedonia was 4,88 denars/KWh, which represents a decrease of 2.24% compared to the first semester of the year. The average electricity price without value added tax for industry is between 3,65 and 7,99 denars/KWh by consumer bands. The average price of natural gas without value added tax for industry is between 24,60 and 26,13 denars/nm³ by consumer bands.

Source: State Statistical Office

AVERAGE GAS PRICES FOR INDUSTRY WITH VAT EXCLUDED, BY CONSUMER BANDS¹⁾



ELECTRICITY MARKET LIBERALIZATION BEGINS ON 1 APRIL

The price of electricity for companies that will be supplying it from the free market as of 1 April will be cut by 13-17 percent. As of 1 April, 222 companies will no longer be tariff consumers and will instead supply electricity in the free market. This has also brought about a change in the price of electricity distribution that EVN charges and which is expected to have favorable effects not just on these companies' operations but also on the entire economy.

However, the price reduction for these companies is not going to entail a price reduction for citizens and small firms. They will remain tariff consumers by January next year and only then will they have the choice of supplying electricity in the free market.

Once distribution prices are defined, traders and electricity suppliers will have one month to offer their services to potential clients. Companies that become qualified consumers will be obliged to

register their participation in the market if they supply electricity from traders and to conclude electricity procurement contracts by 1 March.

Based on the list posted by MEPSO, almost all banks in Macedonia, as well as large factories such as Alkaloid, Pivara Skopje, Evropa and Makpetrol, will have to conclude electricity procurement contracts. This list also includes building companies such as Granit and Karpos, health companies, the large private hospitals Acibadem Sistina and Philip II, agricultural companies, large hotels, telecommunication operators, etc.

GOVERNMENT TO GET 15 MILLION EURO DIVIDEND FROM TELEKOM

The value of the share is set at 31,49 denars. According to the dividend calendar, the allocation of the profit will be carried out during the last week of April. This year's profit of Telekom is drastically smaller than the profit of previous years. For instance, last year a profit of 65 million euro was paid out while in 2011 more than 71 million euro

The Macedonian Government will get around 15.3 million euro of dividend from last year's profit of "Makedonski Telekom" for its 34.81% of capital. As it was announced on the Macedonian Stock Exchange, the entire profit from last year will be allocated, namely around 44 million euro. The decision for allocation of the dividend for 2013 will be reached on 27 March by the Shareholders' Assembly of "Makedonski Telekom."

The majority shareholder in our biggest telecommunication operator is German "Deutsche Telekom" with 51% of the capital. The International Financial Corporation (IFC) has 1.79% of shares, "Makedonski Telekom" is owner of 10% of the capital whereas 2.40% is owned by small shareholders.

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Last year, the company registered a major fall in the revenues, mostly in the sector of communication services, in the fixed and mobile telephony, while positive results were registered in the sector internet and TV. According to the published financial results, the net-profit last year totaled around 32.5 million euro and it is by 47.3% smaller than the one of last year. There is 8.5% drop with the user base of "Telekom" in the fixed telephony and by the end of 2013 it totaled 267,000 users. There are smaller revenues by 15.5% also in the mobile telephony where the dominant position of 1.2 million users is maintained, namely a market share of 47.5%. The reduced revenues, as the company explained, are result of the drop in tariffs, the reduced number of

sent SDSM and the strong competitiveness.

Telecommunication operator ONE in Macedonia (the fixed, mobile telephony and internet) and Digi Plus Multimedia (digital services), on the other hand, significantly improved their success rate during 2013, which resulted with realized revenues in an amount of 79.9 million euro which is a growth of 8% compared to 2012. The number of fixed broadband internet subscribers of ONE registered a growth of 3% compared to the end of 2012 and totals 39,563 at the end of 2013 while the subscriptions in the fixed and mobile telephony reduced by less than 1% and total 528,000.

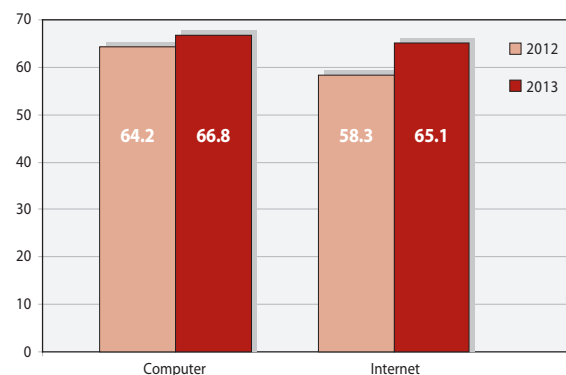
Telekom Slovenije invested 20.5 million euro in Macedonia in 2013, gaining licenses for additional frequencies which will provide new technologies.

Meanwhile, the companies in Macedonia that offer

services from the mobile telephony are facing a serious challenge on how to maintain profitability considering the fact that the number of subscribers is dropping and the prices of services are falling under the pressure of the regulatory body and the stronger competitiveness. According to the assessments of the management of Vip Operator, this reduction of the revenues of operators will not be insignificant and marginal, but it will be significant and realized with all operators. Nikola Ljusev, chief executive manager of Vip Operator, stressed that this market is not growing but registers a trend of stagnation.

According to the results presented, Vip Operator has maintained its position as the second mobile operator on the Macedonian market by increasing its market share of 28%. The total number of users at the end of 2013 totaled 630,000 while the share of post-paid users reached 47.5%. Vip's revenues grew by 8%.

HOUSEHOLDS THAT USED COMPUTER AND INTERNET (%)



Source: State Statistical Office

INDUSTRIAL TURNOVER INCREASED, REDUCED EXPENSES IN AGRICULTURE

The industrial turnover increased by a total of 6.9% in 2013, latest data of the State Statistical Office show. The export, namely, the sale on foreign markets increased by 15.2% but dropped by 8.5% on the domestic market. The highest growth of nearly 40% was registered with the turnover of capital products – machines, tools and car components. With energy, on the other hand, there was a drop of nearly 50%.

Statistical data show that the expenses of farmers were smaller by 4.9% in Janu-

ary 2014 compared to the same month of last year. The prices of agricultural products were higher by 9.9%.

Retailers, on the other hand, assessed that their economic situation improved. The fourth quarter of 2013 was more successful than the third quarter. Yet, the expectations for the financial situation and the number of employees in the upcoming period are unfavorable. In the poll conducted by the Statistical Office, managers said that they expect a decrease in retail prices.

CIVIL AVIATION AND TAV MACEDONIA SEEK A SOLUTION FOR THE FOG

A study was conducted in the 1980s by the Belgrade-based Traffic Engineering Institute which suggested that another landing strip should be built at Skopje's airport which would accept intercontinental flights, even during conditions of thick fog. The concessioner of Skopje's airport, TAV Macedonia, suffers damages as well, because a one-day stop of the air traffic costs from 30,000 to 50,000 euro of uncollected airport services from airline companies

Relevant institutions and concessioner TAV are seeking for a solution for the fog that appears during the winter time and which postpones flights from Skopje's airport and thus reducing the number of passengers. This situation was seen in December 2013 but also in the beginning of January which resulted with Skopje's airport "Alexander the Great" failing to fulfill the plan for over million passengers in 2013.

This situation reduces the attractiveness of Skopje's airport among foreign airline companies since it brings financial losses and passengers must land in the surrounding airports and be brought to Skopje by organized transportation.

Momo Rafajlovski, Manager of the Adria Airways representative office in Skopje said that the damages from the closure of Skopje's airport due to the fog are major. First, he said, the flights to Skopje are canceled and the money is repaid to passengers or there are additional expenses for accommodation of passengers in a hotel, who, on the other hand, lose their next flight connections. The concessioner of Skopje's airport,

Environment	Note	2001	2008	2009	2010	2011	2012
*Greenhouse gas emissions, CO ₂ equivalent (tons, 1990 = 100)	¹³⁾	92.6	83.9	73.6	:	:	:
Energy intensity of the economy (kg of oil equivalent per 1000 euro GDP)		720.4	613.9	575.7	573.3p	607.1p	:
Electricity generated from renewable sources in% of gross electricity consumption		9.2	9.3	15.4	28.0	15.0p	:
Road share of inland freight transport (% of tonne-km)	¹⁴⁾	87.0b	84.3	89.0	89.0	91.8	93.2

¹³⁾ 2001, the data are recalculated in the frame of the Third National Communication (UNFCCC); data for the period 2003–2009 are part of the greenhouse gas inventory prepared in the frame of the Third National Communication (UNFCCC). The Communication will be adopted by the Government of the Republic of Macedonia in November 2013.

¹⁴⁾ Break in series: 2004–2008 revised data (included transport for own account); break in series: 2005–2010 revised data (included pipeline transport).

Source: 2013 Progress Report

TAV Macedonia, suffers damages as well, because a one-day stop of the air traffic costs from 30,000 to 50,000 euro of uncollected airport services from airline companies.

TAV Macedonia Deputy General Manager of Alper Tunga Ersoy announced that TAV Macedonia, together with the Macedonian Air Navigation (M-NAV), the Ministry of Transport and the Civil Aviation Agency are currently working on introducing procedures that will secure safe departure and landing on Skopje's airport in conditions of reduced visibility.

Dejan Mojsoski, Director General of the Civil Aviation Agency (CAA), said that CAA will support all measures aimed

at providing safe and economical operation of airports.

Nevertheless, as a potential solution for departing and landing in unfavorable weather conditions is the global navigation system "Galileo" which should be put into use at all European airports as of next year. A study was conducted in the 1980s by the Belgrade-based Traffic Engineering Institute which suggested that another landing strip should be built at Skopje's airport which would accept intercontinental flights, even during conditions of thick fog.

This option could be accepted by the relevant institutions and the aviation authorities.

ROAD INFRASTRUCTURE – KEY TO BUSINESS BETWEEN MACEDONIA AND ALBANIA

The main precondition for higher trade and closer economic cooperation between Macedonia and Albania is constructing road infrastructure, in which the governments of both countries should invest more effort, said Macedonian and Albanian businessmen at their meeting in Skopje.

"Albania is our trade partner and this meeting is expected to promote cooperation in tourism, textile and food industries and enhance participation in joint

projects," said Jelisaveta Georgieva, chief executive of the Economic Chamber of Macedonia.

According to Menderes Kuci, President of the Economic Chamber of Northwest Macedonia, trade does not match the high level of diplomatic and political relations between the two countries. He singled out the road infrastructure as the main problem.

According to the representatives of the Albanian chambers and associations,

the present investments in road infrastructure between the two countries are not enough. Nikolin Jaka, President of the Tirana Chamber of Commerce and Industry, appealed to both governments to invest more in the construction of Corridor 8 connecting the two countries and stressed the significance of the good infrastructure connections with Tirana and Durres.

RECORD HIGH WINE EXPORT IN 2013 – FOREIGN EXCHANGE EARNINGS OF 50 MILLION EURO

Macedonia wields 24,000 hectares of vineyards, data of the wine cadastre show. Annually, 235,000 tons of grapes are produced

Macedonian wine is conquering the foreign markets. Last year, a record of 885,000 hectoliters was exported while the foreign exchange earnings reached 50 million euro, data of the Ministry of Agriculture show. In comparison to previous years, the export is increased by nearly 50 percent according to the quantity and by 25 percent according to the value. The Macedonian wine is slowly becoming recognizable, particularly among European consumers, wineries say.

“We already have new markets which we slowly but surely appear and each year the quantities for bottled wine which we

export increases,” said Venera Gelebeveva-Krstik from winery Stobi.

“We managed to open new European markets – Germany, the Netherlands, Slovenia, Croatia, Great Britain. We started exporting to the United States and Russia too,” said Nikola Derebanov, winery Stobi.

Yet, most of the Macedonian wine is still exported as bulk wine, namely in tanks, although the export of bottled and branded wine is slowly increasing. Agroeconomists advise the state, through cheap loans, to stimulate wineries to modernize the production.

“Equipment that most of the wineries cannot supply is required, the latest technologies are relatively expensive, automated and guarantee for quality of bottled wine,” said Professor Dr. Boris Anakiev, agro-economist.

Wineries, on the other hand, say that the way of operating is slowly changing too. They are satisfied with the state’s subsidizing of bottled wine while there is also support for participation at fair manifestations.

Winegrowers are also supported by the state in an amount of 2 denars per kilogram of grapes and additional funds depending on the planted surfaces.

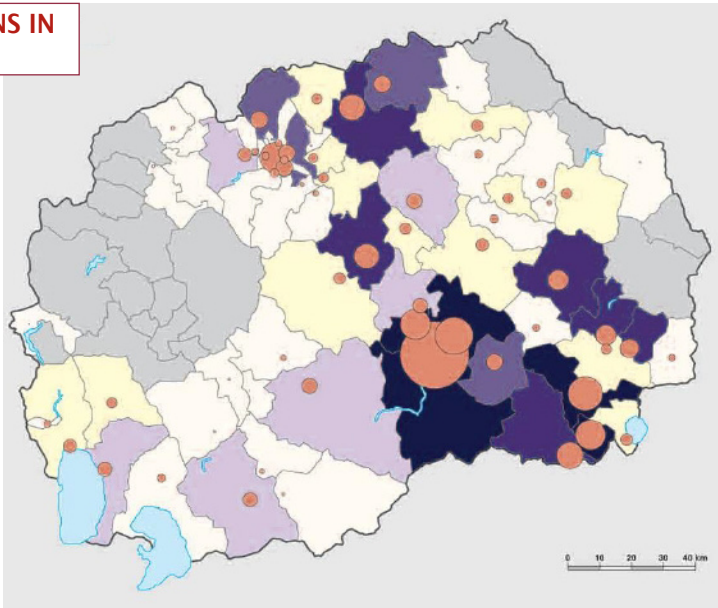
“If it wasn’t for the subsidies, we would not be able to offer greater competitiveness... It is direct financial support to help the farmer offer more competitive production,” said Professor Anakiev.

Last year was good for the winegrowers and rich crop is expected this year too. The subsidies for 2013 have been fully paid out while the Government’s support for winegrowers and agriculture continues,” said Finance Minister Zoran Stavreski.

“This shows the Government’s care for winegrowers,” said Stavreski, adding that there will always be money in the budget.

Macedonia wields 24,000 hectares of vineyards, data of the wine cadastre shows. Annually, 235,000 tons of grapes are produced.

WINE REGIONS IN MACEDONIA



Source: State Statistical Office

CONSTRUCTION OF DUTCH MUSHROOM FACTORY IN SVETI NIKOLE BEGINS

The construction of a new mushroom factory, Dutch foreign investment, has begun in industrial zone “Ovce Pole” near Sveti Nikole.

The first investment phase includes 3.5 million euro while the entire investment in the period of five years is assessed at 25 million euro. According to Prime Minister Nikola Gruevski, the most important part is the opening of new jobs that will revive the region.

Gruevski said that in the future, the government with the Municipality of Sveti Nikole and other municipalities will work in providing better business climate in the country and more attractive investment opportunities and communication with already existing companies.

Investor Theodorus Van Kampen stressed that Macedonia has enormous potential but the “trick” is how to use it.

MACEDONIAN HUNTING GROUNDS TO BE GIVEN UNDER CONCESSION

From the total number of hunting grounds, 26 are for small game and they will be given under 10 year concession whereas 13 hunting grounds are for big game with 20 year concession. There are 264 hunting grounds in Macedonia, 204 of which are given under concession. There is an ongoing procedure for 39 and the concession expires in 2015 for the other 24

AGRICULTURE

A total of 39 hunting grounds in 11 regions will be given under concession. The public call has already been announced and the electronic auction for allocating the hunting grounds has for the first time been introduced this year.

From the total number of hunting grounds, 26 are for small game and they will be given under 10 year concession whereas 13 hunting grounds are for big game with 20 year concession.

“Despite domestic association, foreign companies that are interested in investing their capital in developing the hunting sector in the Republic of Macedonia can also apply in the contest,” said Agriculture Minister Ljupco Dimovski.

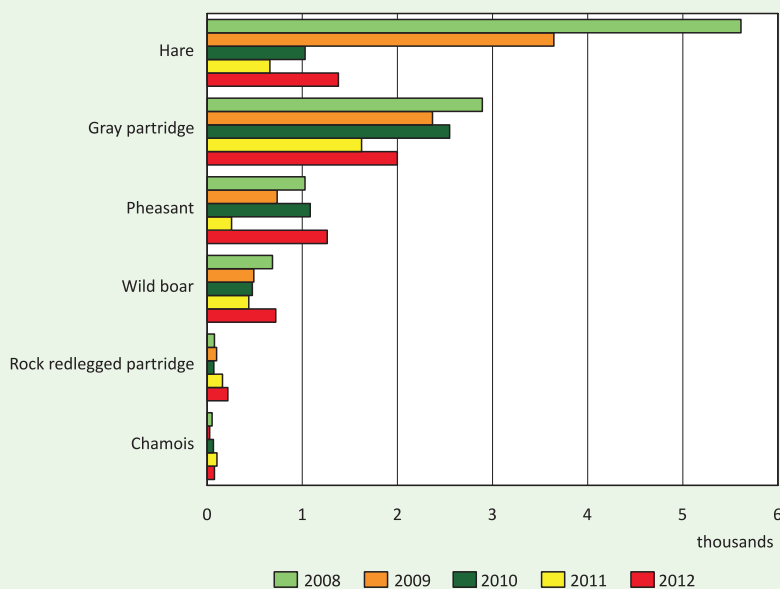
There are 264 hunting grounds in Macedonia, 204 of which are given under concession. There is an ongoing procedure for 39 and the concession expires in 2015 for the other 24.

The Government also announced that it will give the fish funds from the Lake Prespa, Lake Tikves and part of Lake Ohrid and the waters of six accumula-

tions and several confluences of rivers under concession. The concession refers to the economic and recreational fishing. The concession for economic fishing

refers to Lake Prespa, Lake Tikves and Lake Ohrid from HPP Globocica to Daljan in Struga. The concessions for the recreational fishing refer to Lake Prespa, accumulations Vodoca, Glaznja, Lipkovo, Lake Tikves, Crnicani, Globocica, Matka, Treska, as well as the confluence of rivers Vardar, Treska, Pcinja, Crna Reka, Bregalnica, Strumica, Crn Drim and the confluence of Lake Prespa.

HUNTED GAME BY SPECIES



Source: State Statistical Office

TOBACCO PRODUCTION TO BE CONTROLLED ELECTRONICALLY

Macedonia is the only country where the tobacco is intensively supported with subsidies of one euro per kilo and this cultivation uniquely is regulated with precise law on tobacco and tobacco products

“Electronic record of tobacco surfaces in order to realize more efficient control and avoid double agreements,” Minister of Agriculture, Forestry and Water Economy Ljupco Dimovski announced.

“We will be connected with the buyers by the electronic system and have full insight into particular contracts with tobac-

co farmers. The control will be increased, the illegal activities, the unreported tobacco production will be hampered and the production of non-agreed quantity of oriental tobacco will be reduced,” said Dimovski.

He informed that 27.5 million kilos of tobacco have been purchased so far, or over 80 per cent of the agreed 32 million

kilos. The average price reached MKD 154,65 per kilo.

Macedonia is the only country where the tobacco is intensively supported with subsidies of one euro per kilo and this cultivation uniquely is regulated with precise law on tobacco and tobacco products.

“This is good and this is the reason why the tobacco production is increasing,” said experts.

Higher production and purchase up to 30,000 tons of tobacco is expected this year. With the regular payment of subsidies for farmers, Macedonia remains consistent in supporting the agriculture as one of the leading branches in economy.