

Most firms in Macedonia work with wholesale and retail trade and employ 94,000 persons. The trade and industry are followed by the construction, transport and electrical energy supply, gas, air conditioning supply. Turnover of over 1 billion euro is realized in all these three sectors. According to the statistics in the country, there are 77 energy companies that employ 7,746 persons and realize a total turnout of 1.1 billion euro

6.4 BILLION EURO REALIZED IN TRADE

The richest people in Macedonia are not traders but most money is seen in this sector. Most of the enterprises are part of the sector – wholesale and retail trade, namely 24,235 companies or around 44.6 percent of the total number of firms in the country. They employ 94,000 people and cover over 40 percent of the total realized turnover in the country. Around 6.4 billion euro is realized in the trade.

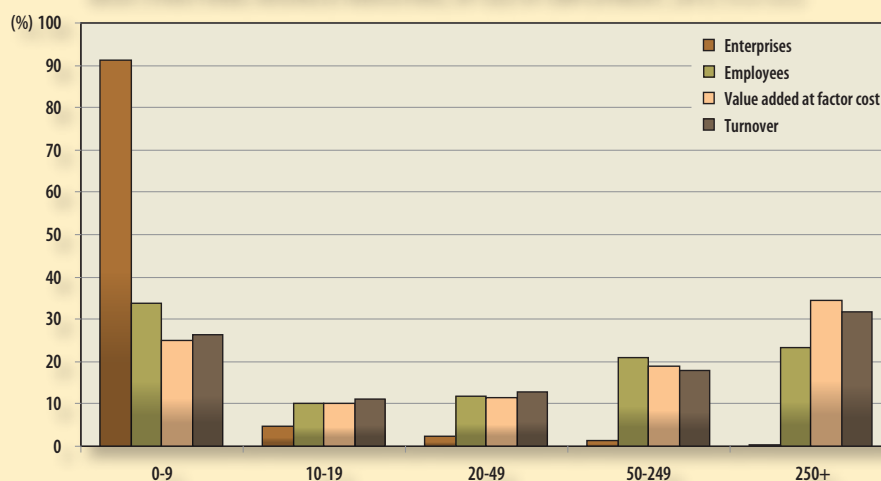
The State Statistical Office presented data on the total number of companies that operate in the country, the number of employees and in what sectors the highest turnover is realized.

The data is for 2012 and within the structural business statistics, 54,392 business entities with 335,771 employees have been analyzed in which a total turnover of 947,419 million denars, or 15.4 billion euro, have been realized which has created an added value of 197,989 million denars, or 3 billion euro.

The second most important sector is the manufacturing industry which includes 7,209 companies, most of the employees, or 101,543 persons and the total turnover in this sector in 2012 was 4 billion euro.

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BASIC STRUCTURAL BUSINESS INDICATORS, BY SIZE OF EMPLOYMENT, 2012 (final data)



Source: State Statistical Office

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Around 40 percent of Macedonia's territory is subjected to extreme draught that is repeated every three to four years and the country is also subjected to floods that can also cause significant damages

6.4 BILLION EURO REALIZED IN TRADE

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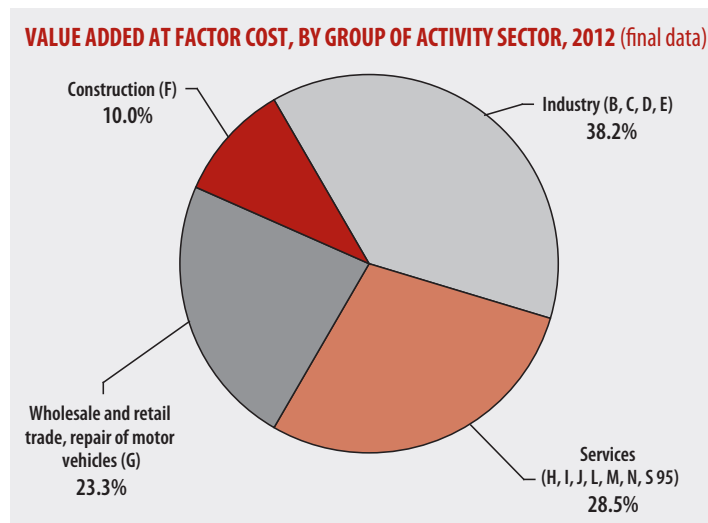
The second most important sector is the manufacturing industry which includes 7,209 companies, most of the employees, or 101,543 persons and the total turnover in this sector in 2012 was 4 billion euro.

The manufacturing industry participates with 13.3% in the total number of enterprises; it

covers 30.2% of employees and 26.6% of the total turnover. In the total added value, calculated according to the cost factor, in 2012 the biggest participation is of enterprises in the manufacturing industry – 25.8% as well as the wholesale and retail trade sector – 23.3%.

The trade and industry are followed by the construction, transport and electrical energy supply, gas, air conditioning supply. Turnover of over 1 billion euro is realized in all these three sectors.

There are 3,909 companies with 28,235 employees in the construction sector and around 1 billion euro is realized annually in this business. The turnover in the sector transport and storage is the same, which includes 5,707 firms and 27,541 workers.



MANUFACTURING INDUSTRY INCREASED WHILE MINING DECREASED NUMBER OF WORKERS

According to the State Statistical Office data, the index of the number of employees in industry in February 2014, in comparison to February 2013, was 106.8.

The number of employees in industry in the section mining and quarrying in February 2014, in comparison with February 2013, decreased by 0.8 percent, in the section manufacturing industry it increased by 8.1 percent, whereas in the section electricity, gas, steam and air

conditioning supply it decreased by 0.7 percent.

According to the statistics in the country, there are 77 energy companies that employ 7,746 persons and realize a total turnout of 1.1 billion euro.

Around 1,322 firms with 10,401 employees work in the information sector and 600 million euro were realized in 2012. It is followed by the vocational, scientific and technical sector with a turnover of around 330 million euro.

In 2012, the hotels and restaurants realized turnover of 129 million euro while the administrative and service sector realized over 200 million euro. There are 146 firms in the mining sector which has 4,206 employees and annually realized a total turnover of 200 million euro.

In terms of the greatness, in 2012, micro-enterprises with less than 10 employees dominated which covered around 91.2%. 33.7% of the total number of employees in the country is engaged in them and they create 25.1% of the total added value.

On the other hand, in the large enterprises, which participate with 0.2% in the total number of companies in Macedonia, 23.3% of the total number of employees is engaged. 34.4% of the total added value in the economy is realized in these companies. Unlike the countries in the region where most of the millionaires are wholesale traders and food producers, in Macedonia, according to the list of magazine "Forbes", which made a list of Macedonian millionaires for the first time last year, the richest Macedonians are from the industry, shipping, oil business and pharmacy.

conditioning supply it decreased by 0.7 percent.

The number of employees in industry by Main Industrial Groupings in February 2014, in comparison with February 2013, was higher in intermediate goods industries, except energy by 0.9 percent, capital goods industries by 75.4 percent, durable consumer goods industries by 3.3 percent and non-durable consumer goods industries by 4.4 percent, but lower in energy by 1.8 percent.

STAVRESKI: FITCH'S AFFIRMATION RECOGNITION OF GOVERNMENT'S POLICIES

Fitch noted a moderate level of budgetary deficit and moderate public debt projecting to be maintained at a level of 36 to 37 percent by 2015

ECONOMY

It is excellent news that one of the three most renowned credit rating agencies in the world affirmed Macedonia's credit rating in a time when there is a reduction of the ratings of several countries in the region and beyond, said Finance Minister Zoran Stavreski.

Agency "Fitch" affirmed the stable BB+ credit rating of Macedonia – recognition of the economic policies that are implemented in the country. Fitch noted a moderate level of budgetary deficit and moderate public debt projecting to be maintained at a level of 36 to 37 percent by 2015.

"The affirmation of Macedonia's stable credit rating by Fitch, one of the most re-

nowned agencies in the world, is recognition that the macroeconomic policies are stable with a solid economic growth rate driven mainly by the construction sector, high capital investments from the budget and funds invested by foreign companies," said Stavreski.

Fitch forecasts that the Macedonian economy will grow at a rate of between 3.2 and 3.5 percent over the next two years. According to Fitch, Macedonia's business climate is positive and an advantage for the country.

Although foreign direct investments have increased to one-fourth of the overall exports, the effects from them are yet to be seen in the form of a higher and

sustainable economic growth rate, the report says. The high unemployment rate of 29 percent remains to be a grave problem of the Macedonian economy though. Fitch expects peaceful elections in Macedonia that would have no effect on the overall political situation as the governing majority is expected to win the poll. The positive factors highlighted in the report include the strong and sustainable economic growth substantiated by domestic private investments and the resolution of disputes with neighboring countries, which would pave the way to integration into international organizations.

GDP GROWTH RATES (PRODUCTION AND EXPENDITURE METHODS)

| | 2012 | 2012 | | | | 2013 | | | |
|----------------------------------|------|-------|------|------|-------|-------|------|-------|---------|
| | | I | II | III | IV | I | II | III | Average |
| GDP | -0.4 | -1.1 | -1.5 | 0.8 | 0.0 | 2.6 | 3.5 | 3.3 | 3.2 |
| GDP by production method | | | | | | | | | |
| Agriculture | -6.2 | -7.1 | -7.0 | 0.0 | -10.1 | -3.1 | -0.4 | 1.1 | -0.5 |
| Industry | 2.8 | -5.0 | 2.6 | 5.6 | 7.8 | 9.1 | 7.0 | 1.7 | 5.8 |
| Construction | 4.8 | -11.7 | -5.7 | 16.5 | 11.3 | 37.3 | 33.7 | 30.5 | 33.0 |
| Services | -0.7 | 1.3 | -1.3 | -0.8 | -1.7 | 0.4 | 1.1 | 2.1 | 1.2 |
| GDP by expenditure method | | | | | | | | | |
| Final consumption | -2.7 | -2.4 | -3.1 | -3.3 | -1.9 | 5.1 | 4.9 | 0.4 | 3.4 |
| Private | -3.0 | -2.7 | -2.7 | -3.9 | -2.6 | 7.0 | 7.1 | 1.6 | 5.2 |
| Public | -1.4 | -1.1 | -4.7 | -0.6 | 0.8 | -2.2 | -4.3 | -4.4 | -3.6 |
| Gross capital formation | 20.0 | 4.8 | 39.1 | 28.0 | 12.7 | -23.2 | -6.5 | -16.4 | -14.9 |
| Export of goods and services | 0.0 | 0.2 | 0.7 | -1.3 | 0.6 | -3.0 | 2.5 | 8.8 | 2.9 |
| Import of goods and services | 4.2 | -0.3 | 9.5 | 3.9 | 3.8 | -4.9 | 1.6 | -4.7 | -2.6 |

Source:
State Statistical Office and
calculations of Ministry of
Finance

CUSTOMS ADMINISTRATION PROMOTES NEW COMPUTERIZED TRANSIT SYSTEM

The Customs Administration of Macedonia officially put to use the new national computerized transit system. As the Customs Administration's press release says, the established system, in accordance with the standards of the European Union, offers new possibilities in the customs operations, including use of advanced computer systems, electronic transit declaration, carrying out formalities only by exchanging e-mails and electronic data processing, all of which is going to contribute to more efficient execution

of procedures in comparison with the hitherto used paper system.

The system enables electronic sharing of information between the Customs Administration and economic operators from any point in the country.

Submitting a customs declaration, only electronically, is done via the website of the Customs Administration which is suitable for operators with a small scope of operations as well as for operators with a large scope of operations, which can also establish connection through their own software.

YOUTH TO BE MORE ACTIVE IN SELF-EMPLOYMENT

Hundreds of thousands working posts were opened within more than seven years. According to the Employment Agency, almost 669,000 persons have been employed while since 2006, over 98,000 persons have been employed. Experts said that most of them are realized in the private sector but there is such that from grey economy entered legal channels. The number of unemployed dropped by over 36,000 persons

Young people should be more active on the labour market, not wait for the state to secure them with a job but alone take the benefits for starting a business into advantage, experts suggest. The foreign investments and small and medium enterprises, through the package of anti-crisis measures, opened the doors. They increased the offer and reduced the unemployment to 28.6 percent.

“Certain policies such as “Dare” or “Get Encouraged” with 3,000 euro for starting a business or the active self-employment policies yielded effects. They should motivate individuals because the

EMPLOYMENT RATES OF THE POPULATION AGED 15 YEARS AND OVER, BY GENDER AND AGEURBAN AND RURAL, 2011

| Age | Employment rate | | | |
|--------------|-----------------|-----------|-----------|-----------|
| | Urban | | Rural | |
| | Women | Men | Women | Men |
| 15-19 | 1 | 4 | 8 | 8 |
| 20-24 | 17 | 24 | 16 | 35 |
| 25-29 | 43 | 50 | 34 | 59 |
| 30-34 | 57 | 63 | 46 | 68 |
| 35-39 | 56 | 73 | 41 | 67 |
| 40-44 | 59 | 69 | 36 | 68 |
| 45-49 | 58 | 69 | 35 | 73 |
| 50-54 | 50 | 66 | 33 | 70 |
| 55-59 | 36 | 57 | 27 | 59 |
| 60-64 | 13 | 30 | 15 | 40 |
| 65 and over | 1 | 2 | 5 | 8 |
| Total | 35 | 67 | 26 | 49 |

Source: Labour Force Survey

time when the state could take care of everyone and hire them has passed. We live in a market economy and this is a time when the individual should be self-motivated and turned towards entrepreneurial working,” Professor Jovan Pejkovski assessed.

Hundreds of thousands working posts were opened within more than seven years. According to the Employment Agency, almost 669,000 persons have been employed while since 2006, over 98,000 persons have been employed.

Experts said that most of them are realized in the private sector but there is such that from grey economy entered legal channels. The number of unemployed dropped by over 36,000 persons.

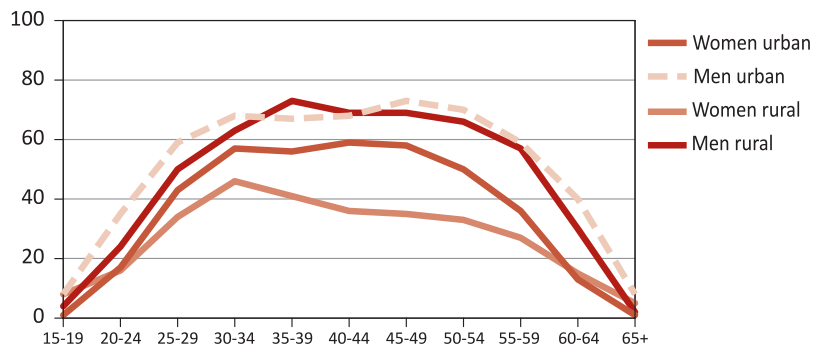
According to the National Bank of Macedonia, most working posts are created in the free economic zones. New employments are also connected with the engagement of construction firms

in the public infrastructural projects, agricultural subsidies and the package of employment measures.

In the third quarter of 2013, the State Statistical Office informed that the active population totals over 960,000, the number of employees was 658,479 (40.9 percent) while the number of unemployed – 275,225 (28.8 percent). The rate has dropped by ten percent since 2006 when there were 321,274 persons without a job.

“This means that the government policies are good while the foreign investments play a major role since we have 6,500 employments in these companies,” said Finance Minister Zoran Stavreski.

The National Bank projects that there will be an increase of the number of employees in the upcoming period too, not only as a result of the positive movements in the domestic economy but also due to the gradual recovery of the global economy.



**75 PERCENT OF
BUSINESSES
SUSTAINABLE
THROUGH THE
SELF-EMPLOYMENT
MEASURE**

A total of 5,835 micro-businesses were formed within five years through the self-employment programme and 75 percent of them survived. This is a significant move in reducing the unemployment, said Deputy PM for Economic Affairs Vladimir Pesevski before the participants of the training on “Entrepreneurship and business planning,” that has thus far been visited by 7,000 candidates.

“A total of 7,000 persons have passed the self-employment programme that started in 2007, and the successfulness rate is around 75 percent. This means that 75 percent of the companies that started with these measures achieved to survive on the market for more than three years,” Pesevski stressed.

STAVRESKI: 10,000 NEW JOBS IN THE INDUSTRIAL ZONES THIS YEAR

Many companies choose to locate their production, manufacture, distribution and service activities in the "special zones". They are seen as a way for swift progress of companies as they offer powerful financial and operational alleviations and in return they expect investments on the inside and new working posts for the hosting countries

The industrial zones are currently employing 6,500 persons but in the next 12 months, the number will increase by 10,000 new jobs, informed Finance Minister Zoran Stavreski.

While the unemployment rate was rising across Europe, 119,000 jobs have been created in Macedonia in recent years. The companies located in the industrial zones currently are employing 6,500 people. However the figure in the coming 12 months is to be increased with additional 10,000 jobs. It proves that the government's policies are good, substantial and effective," said Deputy PM and Finance Minister Zoran Stavreski.

Stavreski stated the real sector contributed to job creation by using opportunities offered by the government.

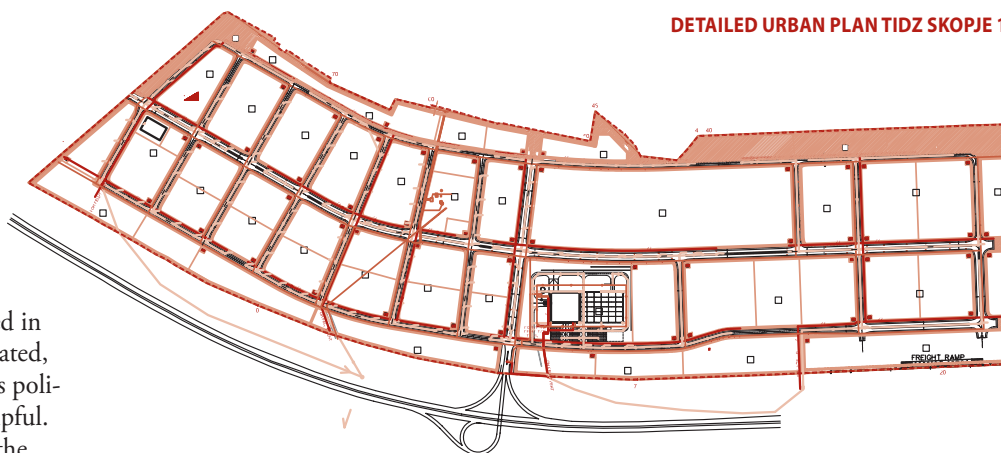
"All across Europe, the unemployment rate rose while it dropped in Macedonia. 119,000 jobs have created, which shows that the government's policies were good, substantial and helpful. Through low taxes, by exempting the

companies from paying profit tax, the four anti-crisis packages providing affordable loans in amount of 350 million euro for small and medium enterprises, active employment policies and the overall number of capital investments opening jobs for construction companies, jobs have been created in 25 industrial branches," Stavreski noted.

Experts' view on the zones is that their development is a motor for investments. The key advantages from investing in the

industrial zones are the preferred treatment of clients, integrative logistics and support, as well as the simplified administrative procedure. Due to this, many companies choose to locate their production, manufacture, distribution and service activities in the "special zones". They are seen as a way for swift progress of companies as they offer powerful financial and operational alleviations and in return they expect investments on the inside and new working posts for the hosting countries.

Over the past decades, a large number of economies in transition formed free trade zones or so-called industrial parks. Romania was the first country in Eastern Europe to create a free trade zone in 1978 in Sulina. At one point, Poland had 17 free economic zones which exempted investors from paying profit tax in a period of ten years and 50 percent reduction for the following ten years.



ZONE COJLIJA IS AN INDUSTRIAL "BOOM"

Industrial zone Cojlja, near Petrovec in Skopje, is a true hit among domestic and foreign investors. Out of the projected 74 locations, 70 have been sold and only four are free. The first object is already in its final stage, 14 building permits have been issued and there are also plans for the zone to be expanded.

The offer is a magnet for all interested investors and the only condition is for them to build objects of light non-polluting industry and service activities.

Industrial zone Cojlja is the largest one in the country, stretching on a surface of 202 hectares.

"The largest parcel of 70,000 square meters is free, which three investors are interested in. An amusement town, ho-

tels, motor-race lane, shopping mall, gas stations, and logistic centers will be built. Company "Euroitalia" is already building a super-modern clinic worth 35 million euro but it is planning other investments as well, said Borce Mitevski, Mayor of the Municipality of Petrovec.

Thus far, 14 building permits have been issued, the first object of "Globko" is in its final stage and soon the construction of six other objects will begin.

Trade chain "Tinex" plans on building a storage space of 22,000 square meters. "Jugoprema" is to build a hall with an identical surface. The interest to invest in Cojlja is great and there are plans to expand the zone with additional 300 hectares.

GLOBAL MONEY WEEK IN MACEDONIA

Global Money Week is an initiative of the Child and Youth Finance International Organization. This year, Global Money Week took place in the period 10th March – 17th March, in which around two million children from over 100 countries in the world participated

The celebration of the Global Money Week in Macedonia was officially started with symbolic marking of the trading by ringing the bell at the Macedonian Stock Exchange by the best 4-year student of the Secondary Economic-Law School “Vasil Antevski-Dren” Skopje. 30 best students from this school were provided the possibility to trade at the virtual stock exchange, an educational portal of Macedonian Stock Exchange, being a simulation of the real trading. The student, who will, after 1 month of trading, achieve the best results, will be awarded with free training about the capital market principles at the Macedonian Stock Exchange.

“Certain research showed that almost half of the people, in certain phase, have

financial problems, for which, they, most often, do not turn to the financial experts, but they rather talk among themselves, with their colleagues from work or with their family members. Therefore, it is necessary to increase the level of financial education for all generations, starting from the primary-school children,” Deputy Prime Minister and Minister of Finance, Zoran Stavreski said.

He recommended that it is significant to respect the money, to be aware that they are not easily available and to manage them properly so as to both budget them appropriately and be able to respond to all financial needs.

Ministry of Finance, as he added, would be included in the financial edu-

cation activities by preparing a brochure with description of the financial sector in Macedonia, the financial institutions and the institution that supervise them.

CEO of Macedonian Stock Exchange, Ivan Steriev pointed out that one of the main preconditions for increasing the financial inclusion is to improve the education of young people and children and to give them financial knowledge.

“There is global consensus that it is necessary for the level of financial education and literacy in the world to be improved and for more and more people to be involved in the financial world, i.e. for the financial inclusion to be increased,” Steriev said.

Global Money Week is an initiative of the Child and Youth Finance International Organization. This year, Global Money Week took place in the period 10th March – 17th March, in which around two million children from over 100 countries in the world participated. They will be engaged in the activities, which will be organized by more than 500 institutions and organizations.

NBRM EXPANDS EXCHANGE RATE LIST WITH NEW CURRENCIES

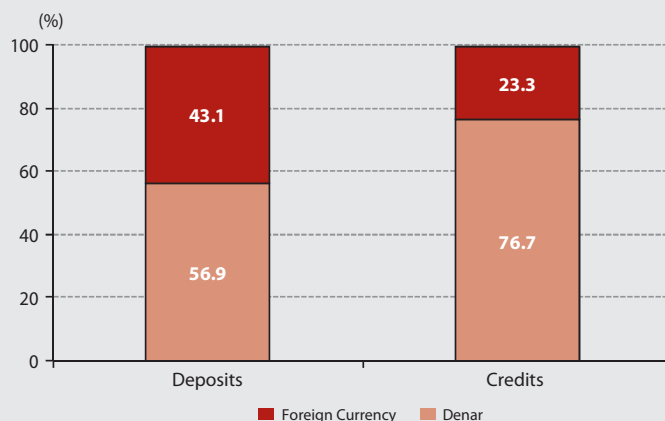
The National Bank of the Republic of Macedonia (NBRM) decided to expand the list of currencies in relation to which denar exchange rate data will be posted. This decision, according to the announcement from the National Bank of Macedonia, has been taken because of Macedonia’s strategic goal of joining the European Union.

“The legislation has thus far stipulated that trading in the foreign exchange market should be done with only ten currencies. Based on the new decision, however, transactions can be made with foreign legal tenders expressed in the currencies from the exchange rate list of the National Bank, which has been expanded with all the currencies posted on the website of the European Central Bank,” reads the announcement from the National Bank.

The National Bank has also revised its foreign exchange market bylaws and has decided to issue coins for coin-collecting

purposes with the faces of Ss Cyril and Methodius and with the horoscope sign of Leo. The Ss Cyril and Methodius coins will be in 100 and 1,000 denar denominations while the Leo coin will be in a 10 denar denomination.

CURRENCY STRUCTURE OF DEPOSITS AND CREDITS IN DECEMBER 2013



Source: NBRM

50,000 PARCELS TO REGISTER RIGHT TO OWNERSHIP

By June, all construction parcels in the country will get an owner and be able to get privatized, which according to Finance Minister Zoran Stavreski will move the real-estate market and according to Transport Minister Mile Janakieski, will speed up the legalization

Citizens who have building land with unregistered right to ownership have the opportunity to register it in the cadastre free of cost by June 2014. It is a matter of 50,000 parcels and the Agency for Real-Estate Cadastre has record for 40,000 of them. Owners are urged to bring proper documents for the remaining 10,000 parcels mainly located in the rural areas, which there are no data on. Based on these documents, ownership right will be registered.

According to Finance Minister Zoran Stavreski, it is an important project in the interest of citizens which will finalize the process of registering properties on the entire territory of the country and move the real-estate market.

"This is a major process which kicked off in 2006 and has been finalized in 90 percent of cases, with which citizens gained the ownership right to property. In this way, a movement of the real-estate market will be achieved. In 2005, 3,400 real-estate transactions were registered, 636,000 in 2008 and there have been over one million transactions in recent years," Stavreski stressed.

He assessed that with this, the process of privatization and purchase of yard land for the price of one euro per square

meter will be finalized while 26,000 citizens will get the opportunity to get their own property by undergoing small expenses.

Minister of Transport and Communications Mile Janakieski considers that this will speed up the process of property legalization. Director of the Agency for Real-Estate Cadastre Slavce Trpeski informed that there are a total of 4.2 million parcels in the country, 90 percent of which are with registered rights.

TOPOGRAPHIC MAPS - INDEX MAP OF 1:25,000



MONTENEGRO SEEKS MACEDONIAN CONSTRUCTION WORKERS

Last year, 3,500 seasonal workers from Macedonia were registered by the institutions but there were many who worked illegally

Macedonian construction workers will be able to find jobs in Montenegro this year too.

"Major investments are being realized at the seashore, thus the need of hiring domestic and foreign staff," said Director of Montenegro's Employment Agency Vukica Jelic after signing the Memorandum of Cooperation with the Macedonian Employment Agency.

Many seasonal workers work in Montenegro each year but a small number of them are registered in the institutions. Last year, only 3,500 licenses seasonal workers from Macedonia were registered through the institutions but there were many who worked illegally.

The agreement between the two institutions is aimed at overcoming this situation.

"By signing the Memorandum, we will have a directory of all the workers that are regularly or seasonally hired in Montenegro. We will be able to offer our citizens who work in Montenegro and the Montenegrin ones in Macedonia proper information regarding the procedures," said Director of the Employment Agency Vlatko Popovski.

As Popovski and Jelic stated, they agreed on exchange of experiences and use of all programs with positive practice, as well as work and application for joint projects of the European Union.

BUILDING SECTOR GROWS 33 PERCENT LAST YEAR

365 million euros has been allocated in this year's budget for capital investments. This implies involvement of Macedonian building companies and Macedonian workers, which is going to contribute to their better performance, said Finance Minister Zoran Stavreski

Apartments are still sold well in Macedonia and the price of 900-1,250 euros per sq. meter in Skopje is normal for Macedonian conditions, said representatives of some of the building firms exhibiting at the construction fair and real estate and investment fair in Skopje.

"The price of apartments in Macedonia is normal at the moment because the price of the input materials, such as concrete, iron and cement, is high. Investors will realize for themselves that lowering this price further makes no profit," said

Vanco Cifliganec, owner of Adora inženjering.

According to Cifliganec, crucial for customers when buying apartments is the location, the quality of the construction and the credibility of the investor.

Three hundred companies are exhibiting at the fairs, as 3,000 apartments are offered for sale.

"The Macedonian economy closed 2013 with a growth rate of more than 3.3 percent, while the building sector registered an increase of 33 percent. This shows that the building sector played

a very important part in the growth of the Macedonian economy," said Finance Minister Zoran Stavreski.

Stavreski also said that construction would be given priority this year, too. "365 million euros has been allocated in this year's budget for capital investments. This implies involvement of Macedonian building companies and Macedonian workers, which is going to contribute to their better performance," he said.

PRICES OF APARTMENTS IN SUBURBS DROP

According to the data from the State Statistical Office, the average price per 1 m² of dwelling surface in 2013 was 46,825 denars, which is 6.2 percent lower than in 2012.

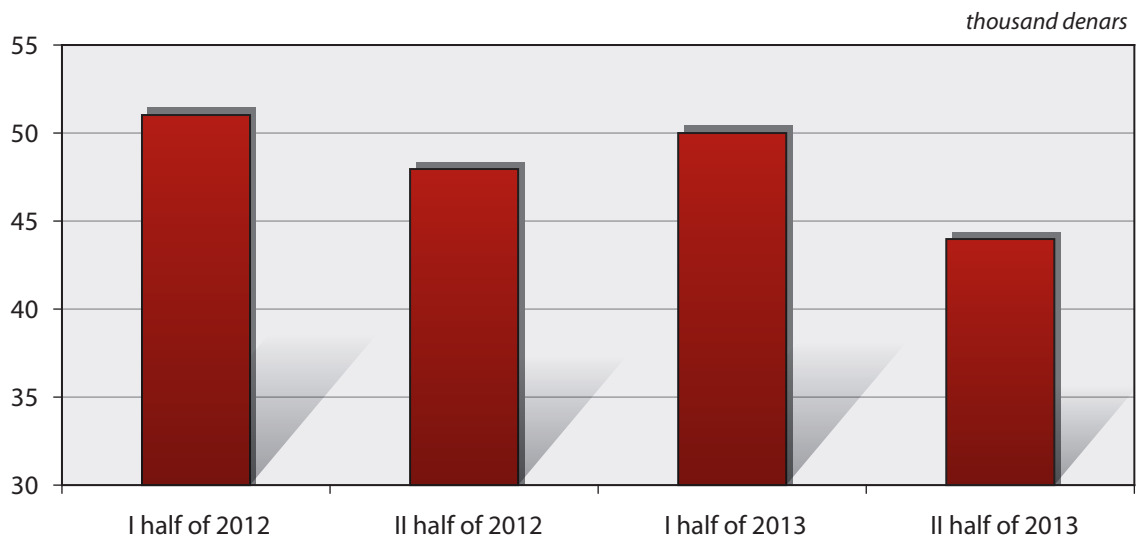
In Skopje, the average price per 1 m² was 54,857 denars, which is 6.5 percent

lower compared with 2012, while in the other settlements it was 39,264 denars, which is 9.4 percent lower compared with 2012.

Regarding the average price per 1 m² in the second half of 2013, it decreased by 12.5 percent compared with the first half,

and in Skopje it was lower by 8.1 percent. The average prices of 1 m² dwelling surface are shown without VAT.

PRICES OF DWELLINGS IN THE REPUBLIC OF MACEDONIA (PER 1 m²)



Source: State Statistical Office

STAVRESKI: NEW FOREIGN COMPANIES TO INVEST IN MUNICIPALITIES IN WHICH IT HAS NOT BEEN INVESTED SO FAR

This year, around 6,000 people will be employed with the existing factories alone. This, according to Minister of Finance Zoran Stavreski, is a considerable number, which, as he said, has contributed a lot to unemployment reduction, being one of the main goals of the Government

“New investments creating several thousands of new jobs are planned to be realized this year in municipalities in which there have been no foreign investments so far,” announced Minister of Finance Zoran Stavreski.

He went on by saying that the efforts the Government has put for many years have resulted in Macedonia becoming a success story as regards foreign investments.

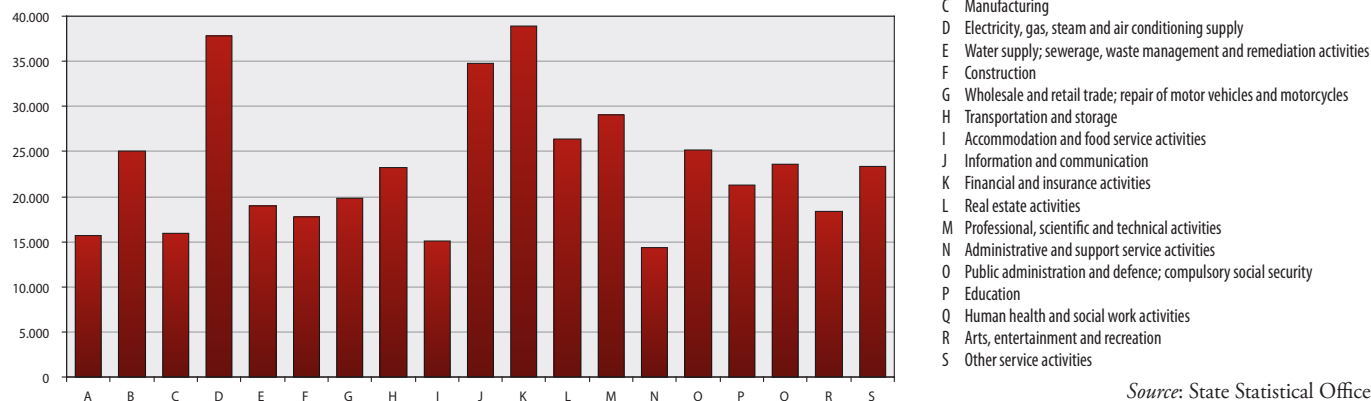
“We have several global companies established their presence, which have decided to invest for the second time, some of them for the third time, in new factories. As a result of the presence of these global brands, their suppliers also decide to come. They say: given that “Johnson Matthey” and “Johnsons Controls”, “Kemet Electronics” or “Dräxlmaier” have decided to come to Macedonia, some of

them have even decided to repeat their investments, it speaks in favour of the good business environment in the country, it confirms that the Government is serious and ensures transparency and good business conditions, low taxes, there is skilled labour force in the country, free economic zones are well equipped in infrastructure terms. All this inspires the investors with confidence,” Stavreski underlined.

He also announced that in the course of this year, around 6,000 people will be employed with the existing factories alone. This, according to Minister Stavreski, is a considerable number, which, as he said, has contributed a lot to unemployment reduction, being one of the main goals of the Government.

“We have attained this rate by reducing unemployment to below 30 percent, while the most recent rate of 28.7 percent shows that, step by step even in such troubled times, like in the previous years, we have reduced unemployment,” Stavreski said.

AVERAGE MONTHLY NET WAGE PAID PER EMPLOYEE, JANUARY 2014



AUSTRIAN “NOVOMATIC” TO INVEST 7 MILLION EURO IN THE “FLAMINGO” CASINO

The Austrian investments in Macedonia have a long-term plan and the proof for that is the fact that Austria is second largest foreign investor in Macedonia, said Austrian Ambassador Thomas Baier, who attended the business promotion of Austrian Novomatic in Gevgelija. The company plans to invest 7 million euro in casino “Flamingo”: at border-crossing Bogorodica.

“One of the goals of the Republic of Austria is to bring Macedonia closer to the European Union as we believe that it would be an important move for the entire region,” Ambassador Baier said.

EVN, Securicom, Sparkasse are only few of the companies with Austrian capital. The investments of Novomatic, which is a brand of the prize games has been present in Macedonia since 2008, reached 40 million euro.

“Thus far, we are one of the biggest investments in the Republic of Macedonia. It is a firm that you can trust, a firm that respects your employees, your laws and rules,” said CEO Franz Wohlfahrt.

According to the official statistics of the National Bank of Macedonia, the total amount of Austrian direct investments in the country in 2013 totaled 36.5 million euro.

BUSINESS PLAN COMPETITION WITHIN THE FRAMES OF THE PLATFORM ON ENERGY EFFICIENCY

Pursuant the Strategy for promotion of the energy efficiency and the Action Plan for energy efficiency is envisaged increase of the energy savings for 9 percent until 2018

The students of the economic and technical faculties will compete in preparation of business plan with special accent on energy efficiency. The best three projects will be rewarded with 30,000, 18,000 and 9,000 denars.

The competition for preparation of best business plan is part of the activities within the frames of the Platform on energy efficiency organized by EVN and the Ministry of Economy.

The Ministry of Economy through several programs works on the increased application of the energy efficiency in the real sector. Pursuant the Strategy for promotion of the energy efficiency and the Action Plan for energy efficiency is

envisaged increase of the energy savings for 9 percent until 2018. For the realization of these goals are undertaken numerous measures and for which are envisaged about 400 million euro for a period of nine years.

“The energy efficiency is crucial for the increase of the competitiveness of the companies on the domestic and foreign markets, but also for improvement of the productivity and optimization of the expenses. Beside the regular programs for creation of development in this segment additionally will contribute also the funds from the credit line of EBRD in the amount of 75 million Euros for the countries from Western Balkan aimed for

the energy efficiency”, emphasized Minister of Economy Valon Saraqini.

The Ministry of Economy and EVN Macedonia in 2012 started the “Platform on energy efficiency” and the purpose is raising the consciousness and application of the energy efficiency primarily in the real sector. According the last data over 30 percent of the companies already apply energy efficient technologies. Part of this platform is also the educational program “Energy Alphabet”. The Platform on energy efficiency was positively evaluated also in the report of the European Commission for Macedonia in which was marked that in the field of energy efficiency is made serious progress.

MACEDONIA TO GET THE FIRST BIOGAS PLANT

The thermal power plant that is being built in Tetovo's village of Trebosh will be the first project of this kind, not only in Macedonia but beyond, which turns the Republic of Macedonia into a leader in the region for production of electrical energy from renewable sources. This plant will obtain electrical energy by utilizing biogas from natural waste

from poultry farm "Veze Sharri & Lecker Store". Economy Minister Valon Saraqini announced that the investment worth 6 million euro plans to launch the production as of June.

Company owner Arben Abdurahmani expressed his gratitude for the support received from the local and state institutions.

Abdurahmani said the plant would serve a double purpose since while it will make possible for the natural waste from their poultry farm to be used as a fuel, the ultimate benefit of which will be better environmental protection, it will also generate electricity to meet the farm's power demand.

TOTAL PRIMARY RENEWABLE ENERGY PRODUCTION

000 toe

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 ¹⁾ |
|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------|
| Total | 322.386 | 222.924 | 221.283 | 312.985 | 304.258 | 289.403 | 321.497 | 249.582 | 246.454 | 313.745 | 421.500 |
| Hydroelectricity | 100.587 | 53.826 | 65.099 | 118.117 | 127.404 | 128.245 | 141.812 | 86.830 | 72.221 | 109.209 | 208.841 |
| Solar energy | - | - | - | - | - | - | - | - | - | - | 0.002 |
| Geothermal heat | 15.590 | 23.118 | 12.962 | 13.153 | 11.750 | 10.047 | 10.356 | 9.850 | 8.918 | 9.749 | 11.913 |
| Biomass | 206.210 | 145.980 | 143.222 | | 165.104 | 151.111 | 169.329 | 149.933 | 164.257 | 194.279 | 198.978 |
| Biofuel | - | - | - | - | - | - | - | 2.969 | 1.059 | 0.508 | 1.766 |

Source: State Statistical Office

NORTHEASTERN REGION TO GET REGIONAL LANDFILL

The EU accession process, according to Deputy Minister of Environment Stevo Temelkovski, imposes significant requirements for financing but also for capacity building

ECOLOGY

The Northeastern and Eastern region are the first in Macedonia to obtain a European integrated system for waste management through the IPA-funds, said Atina Murgasanska, Head of the Regional Committee of the Northeastern region.

“We will enable citizens to get a landfill in accordance to all standards and modern installation which will allow modern and environmental waste management to be agreed on,” said Murgasanska.

The EU accession process, according to Deputy Minister of Environment Stevo Temelkovski, imposes significant requirements for financing but also for capacity building.

“With the decision to utilize the European pre-accession funds, the Eastern and North-eastern regions are promoted in leaders in establishing a modern integrated system of waste management in the country. This approach is an important segment in the protection of the environment,” Temelkovski said.

The Eastern region, he added, is leading in the utilization of the IPA-funds.

Team leader of the project, Teofanis Lolos, informed that a financial analysis has been conducted and the investment and operative expenses have been calcu-

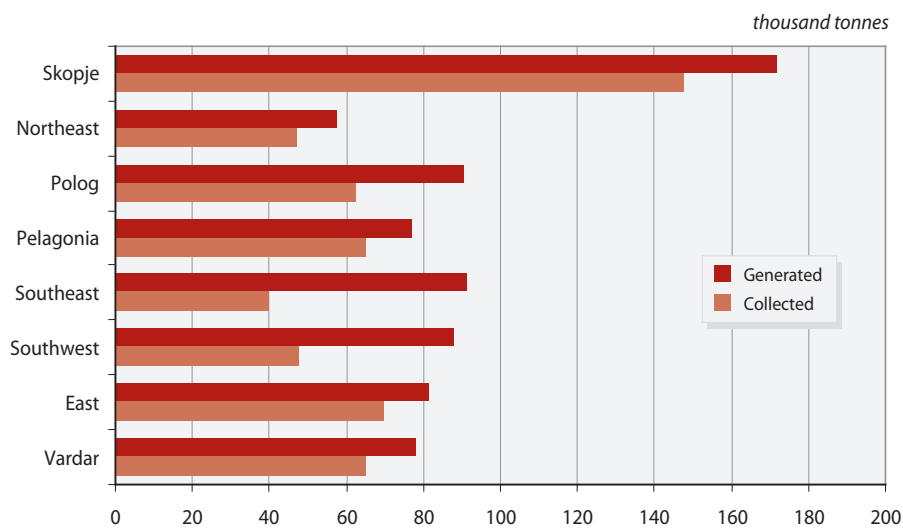
lated, as well as the expenses people must pay. He stressed that he will propose various options and scenarios for collecting waste.

“Capacities where the bio-waste can be processed and where materials will be recycled are needed,” Lolos said.

According to mayor of the Municipality of Probistip, Toni Tonevski, by using the IPA-funds, the problem with the

landfills will be solved permanently and the environment will be protected. The cleaning and selection of waste, according to Stip mayor Ilco Zahariev, should be priority for every municipality, which will contribute to preserving the health of people and environment.

COLLECTED AND GENERATED MUNICIPAL WASTE BY REGIONS



Source: State Statistical Office

MAKSTIL DEMANDS EIGHT MORE MONTHS FOR INTRODUCING ECO STANDARDS

Makstil, Macedonia's steel production and metal transformation industry, has demanded eight more months of the Ministry of Environment to implement environmental protection standards in its operations. Its managers explain that the construction of a filtering system, in which 10 million euros has been invested, has already gone underway. In the meantime, Makstill will operate at one-third of its capacity.

“The construction has begun. Most responsibilities have been completed and we are to bring the project to its conclusion in late November or early December,” Makstil managers say.

Jugohrom of Jegunovce has also requested a deadline extension.

The deadline for implementing top environmental standards by all major industrial facilities in Macedonia passes on 1 April. The Government is yet to decide

whether these companies will be allowed the requested deadline extension. Environment Minister Abdulaqim Ademi has recently said the deadline would be extended for a short period of time only for those companies whose investment in environmental standards is about to be completed.

MACEDONIA TO PROMOTE ADVENTURE TOURISM MORE

Macedonia is still part of the relatively unknown destinations for foreigners. However, despite this, the domestic but also foreign tourist agencies say that Macedonia will be one of the most interesting locations for adventure and cultural tourism, which registers growth of over 60 percent in recent years

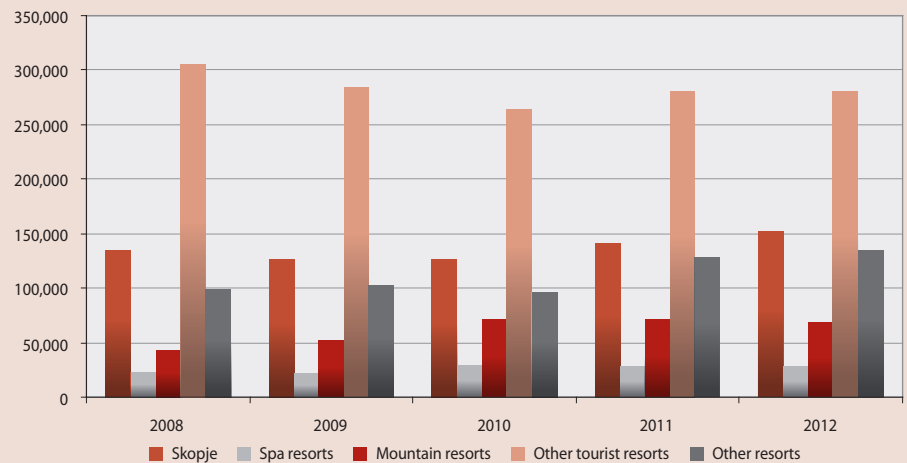
Kayaking, hiking and mountain biking, stay in monasteries, food and wine tasting, music festivals, visiting rural areas is part of what Macedonia can offer foreign tourists who visit the country. Foreign tourist experts advise domestic tour-operators to focus more on the adventure and cultural tourism and not the massive tourism since they cannot compete with the neighbors neither with the offer nor with the prices.

“I had an excellent experience when I stayed at a monastery built in the XXI century and rebuilt in the XIII century. It was an incredible visit to the monks who painted icons there. I also paid a visit to Kokino, a locality ranked in the top four world observatories according to NASA. You have mountains, ski tours, incredible food. If you join all of them into one offer, this will make Macedonia an even more attractive destination,” said Christopher Doyle, President of the Association for Active and Cultural Tourism from California.

The Agency for Support of Tourism said that although the tourist agencies offer such arrangements to foreign tourists, the cooperation with neighboring countries in organizing tours is still necessary. The connection of all participants in creating the tourist offer is key.

Macedonia is still part of the relatively unknown destinations for foreigners. However, despite this, the domestic but also foreign tourist agencies say that Macedonia will be one of the most interesting locations for adventure and cultural tourism, which registers growth of over 60 percent in recent years.

TOURIST ARRIVALS BY TYPES OF RESORTS



Source: State Statistical Office

400,000 FOREIGN TOURISTS VISITED MACEDONIA IN 2013

In January this year, foreign tourists in Macedonia totaled 16,000 and the number of their overnights went up by one percent from the same month of last year. In 2013, there were 400,000 foreign tourists in 2012 – 350,000 and in 2006 only 200,000. Macedonia is advertising itself as a country of good wine, tasty food, medieval monasteries, ancient localities, modern spa centers and rich hunting grounds.

The Tourism Agency explains that the country's promotion is adjusted to the

needs of the concrete markets. Tourism has also been encouraged with the reduction of the VAT rate from 18 to 5 percent and with the direct subsidizing of tour operators bringing foreign tourists. Moreover, the country has become more reachable thanks to the low-cost airlines and cheap plane tickets.

“In the past three year, the number of passengers has been rising by more than 10 percent a year, which is very important for air traffic in Macedonia. This is a result of the new flights,” said Alp Er

Tunga Ersoy, Deputy General Manager at TAV Macedonia.

Skopje has recently taken from Ohrid the title of the most desired travel destination. The most numerous are the tourists from Turkey, Greece, the Netherlands, Serbia and Bulgaria.

Tourism contributes nearly 2 percent to Macedonia's GDP and is one of the fastest growing industries.

WITH TRAINING TO GREATER TOURISM

The goal is to reach one million tourists per year in the next three to four years and the tourism revenues over the next ten years to reach five percent of the domestic gross product (GDP)

With a donation of 220,000 euro from the Slovenian government, the Ministry of Economy will engage foreign experts to train the Macedonian tourist workers. The goal is to reach one million tourists per year in the next three to four years and the tourism revenues over the next ten years to reach five percent of the domestic gross product (GDP).

Project “Promoting Sustainable Relationships and Cluster Development in the Tourism Industry in Macedonia” will be implemented by the United Nations’ Industrial Development Organization (UNIDO).

“The entire project cost 220,000 euro provided by donation from the Slovenian government, which will be managed by the UNIDO due to the opportunities for

legal regulations, which are binding for Slovenia. They will be used to train our tourism workers,” said Economy Minister Valon Saraqini.

“There will be trainings also for the employees in the state administration that are responsible for the development of the tourism such as the Tourism Department in the Ministry of Economy, as well as the Agency for promotion and support of the tourism”, informed Saraqini, adding that trainings are planned also for the employees of the local self-government which municipalities have capacity for development of the tourism.

“Through parallel working on the three most important elements the connection, human capital and the touristic products on the market, we expect improvement of the access to the market of the tour-

ism clusters, their connection at a level of state, but also with the similar clusters in the region, strengthening of the connection of the tourism with the other industries in the state and with that also accelerated development of the tourism and development of the economy”, emphasized Lela Krstevska, President of the Chamber of Commerce for Tourism of Macedonia, adding that the purpose is to increase the quality of the touristic offer, but also to increase the quality of the touristic offer, but also to extend the offer in the tourism department through spa centers, wellness centers, rural tourism and others.

Adnan Sherikj, grant program manager of UNIDO, the agency responsible for the development of tourism, based in Vienna, said that the focus of the project would be the development of tourism cluster in Ohrid and Tikves region.

“The aim of the training will be to develop techniques, skills of regional, and district level stakeholders in tourism to strengthen ties between the target clusters and improve access to tourism markets not only in the region, but also beyond,” Sherikj said.

NUMBER OF TOURISTS IN JANUARY 2014 TOTALED 30,836

According to the data of the State Statistical Office, the number of tourists in January 2014 was 30,836 and the number of nights spent by tourists was 65,019.

The number of tourists in January 2014, compared to January 2013, decreased by 2.9%, and the number of nights spent decreased by 2.9%.

The number of domestic tourists in January 2014, compared to January 2013, decreased by 5.8% while the number of foreign tourists decreased by 0.2%.

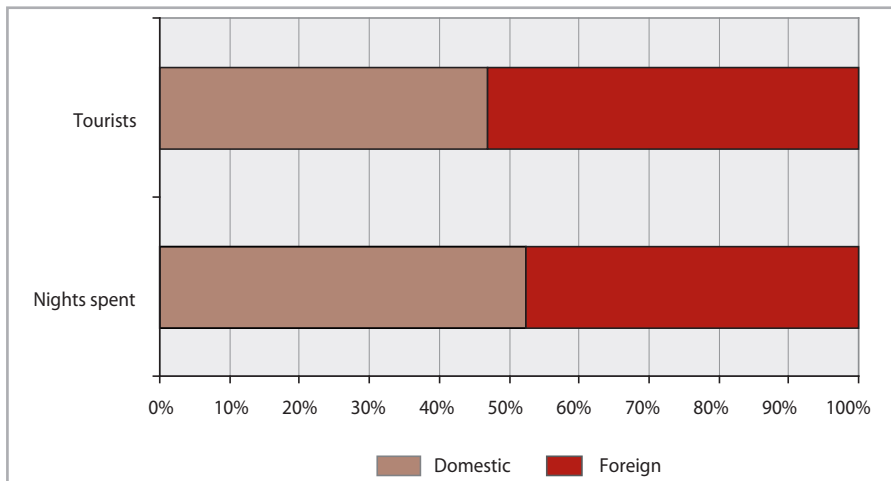
The number of nights spent by domestic tourists in January 2014, compared to January 2013, decreased by 6.2%, whereas the number of nights spent by foreign tourists increased by 1.0%.

The number of tourists in January 2014, compared to the previous month, decreased by 8.4%: the number of

domestic tourists increased by 8.3%, whereas that of foreign tourists decreased by 19.5%.

The number of nights spent in January 2014, compared to the previous month, decreased by 5.8%: the number of nights spent by domestic tourists increased by 22.2%, while those by foreign tourists decreased by 24.8%.

STRUCTURE OF TOURISTS AND NIGHTS SPENT, JANUARY 2014



Source: State Statistical Office

MACEDONIANS DO NOT GET NATURAL DISASTER INSURANCE

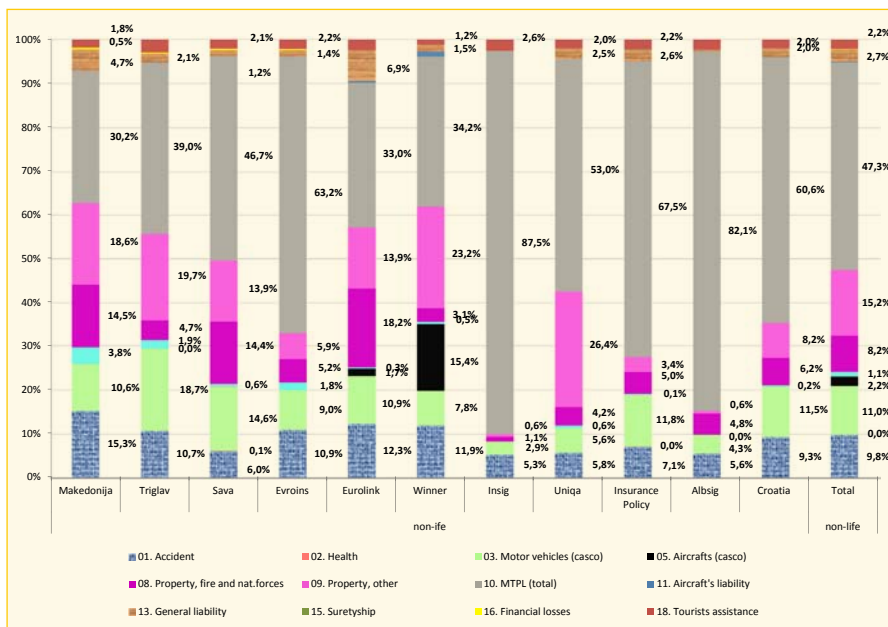
Around 40 percent of Macedonia's territory is subjected to extreme draught that is repeated every three to four years and the country is also subjected to floods that can also cause significant damages

The market for natural disaster insurance in Macedonia is at a poor level. There is no offer of effective insurance and reinsurance products but the awareness with the population regarding the possible risks and damages from this type of catastrophes and their trust toward the

insurance is also low, said representatives of company "Europa Re", which is announced as the carrier of the new system for natural disaster insurance in the region of South East Europe.

"Despite being greatly subjected to risks from natural disasters, only one to

STRUCTURE OF GROSS WRITTEN PREMIUM FOR THE PERIOD 01.01.2013-30.06.2013



Source: Insurance Supervision Agency Macedonia

two out of 100 households in Macedonia own some kind of natural disaster insurance. The population believes that it is secluded from such disasters or that they will not happen, which is wrong. The perception that the state represents the only solution to absorb the risk is also wrong, because in case of a major catastrophe, the predetermined budget does not allow the damage to be reimbursed," said the company's Director of Public Relations Andrej Gjokic.

It is estimated, he said, that the losses in Macedonia, in case of an enormous natural disaster, could reach up to 40 percent of the domestic gross product (GDP) or around 3 billion euro. In addition, around 40 percent of Macedonia's territory is subjected to extreme draught that is repeated every three to four years and the country is also subjected to floods that can also cause significant damages.

Due to the assessment of the risks of great disasters, the United Nations, the World Bank and other global institutions altered the model of taking action, which in the past was directed toward creating systems for insurance and reinsurance from risks that natural disasters cause.

This, as the representatives of "Europa Re" pointed out, was recognized by the governments of Macedonia, Serbia and Albania, which are the company's main shareholders. The company's seat is located in Switzerland and it is formed with the support of the World Bank, the Swiss Organization for Economic Co-operation, the Global Partnership on Environment Protection, the European Union and United Nations.

PRODUCERS DEMAND REDUCTION OF FROZEN PORK IMPORTS

Macedonian farmers are concerned that large amounts of frozen pork are imported and demand that these imports be cut.

"The import of frozen pork has increased by 87 percent since 2007. Last year alone, 33 million dollars was spent on importing 9,000 tons of frozen meat, and only 2,000 tons of fresh pork. Therefore, we demand that these imports be reduced," said Eftim Saklev, President of the Pork Production Group at the Macedonian Economic Chamber.

Pork producers also demand that the VAT rate on cattle food be cut from 18 to 5 percent, that subsidies be paid by the end of May at the latest, that vaccination of pigs against plague be cancelled, and that livestock breeders be given precedence when distributing farmland.

"In this way, cheaper food for producers would be provided and exports of pork to the EU would begin, which is currently banned as a result of the vaccination," Saklev explained.

In his view, a rapid production growth has been registered in the past eight years. There were 170,000 pigs in 2006, and last year they totaled 300,000.

A total of 10,000 tons of pork are consumed in Macedonia annually, while 9,000 tons of frozen meat and 2,000 tons of fresh meat are imported. According to the latest statistics, one Macedonian citizen consumes 10 kg of pork a year on average. Macedonia's meat industry exported meat products of approximately 40 million dollars in 2013.

WINE AND TOBACCO BRING MOST PROFIT

In accordance to the five-year national program for subsidizing, 60 percent of the money for direct payments in agriculture is intended for support of products that are export-oriented, such as tobacco, gardening, winegrowing and pomi-culture, sheep farming and goat farming

Experts agree that the subsidies that have thus far been paid for tobacco and winegrowing have played an important role in increasing and maintaining the level of production and simultaneously securing greater revenues for tobacco production and winegrowers.

“Tobacco is an important culture for the country in terms of the socio-economy, especially because up to 40,000 families live from the tobacco production and this is a significant number of the population. Although the European Union is joining the measures of the World Health

Organization (WHO) and reduces and makes the criteria for tobacco production stricter, it still supported the tobacco production,” said Dragi Dimitrievski, Dean at the Faculty of Agricultural Sciences and Food.

In his view, the increase of the surfaces under vine plantations, the export of grapes and wine are of crucial importance for Macedonia.

In relation to the wine industry, Agriculture Minister Ljupco Dimovski stressed that the fact that Macedonia is breaking records with the export of wine

on foreign markets points out that the subsidies in this sector yield results. According to him, the analyses of the Ministry show that the wine export in the EU has increased by 45 percent and the average price has increased by 10 euro per hectoliter compared to last year.

“It is good news that the primary objective of all programmes and measures of the Government and the Ministry of Agriculture for increased promotion and recognition of the Macedonian wine has been realized. As result, over the past few years, the most significant increased is registered with the export of wine in bottles,” explained Dimovski.

In accordance to the five-year national program for subsidizing, 60 percent of the money for direct payments in agriculture is intended for support of products that are export-oriented, such as tobacco, gardening, winegrowing and pomi-culture, sheep farming and goat farming.

INSTEAD FOR CIGARETTES, TOBACCO FOR BIODIESEL

Joint cooperation for utilizing all positive knowledge on tobacco and its use in other goals is necessary. Studies are conducted to turn tobacco leaves into oil which can be a bio-energy-generating product

Italian and Macedonian representatives of the economic chambers from Macedonia and Veneto exchanged experiences in the Prilep-based Tobacco Institute on finding alternatives for exploitation of the tobacco in the biodiesel production. The Italians already have projects that they presented before the European Union institutions while in Prilep they presented opportunities for including the oriental types of tobacco that thrive in Macedonia.

Filippo Massariol from the developmental sector of the Union of Economic Chambers in Veneto assessed that there are good possibilities for cooperation with Prilep, especially through the Tobacco Institute.

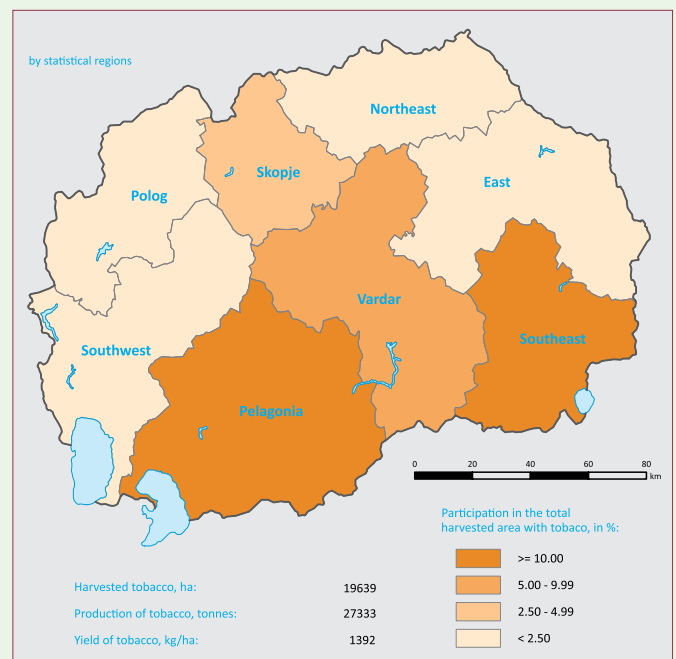
“We have projects financed by the EU. We will be able to share the positive experiences in Macedonia too. Joint cooperation for utilizing all positive knowledge on tobacco and its use in other goals is necessary. Studies are conducted to turn tobacco leaves into oil which can be a bio-energy-generating product,” Massariol said.

Vasko Ristovski from the Macedonian Economic Chamber said that the World Health Organization’s framework convention for reduction of the tobacco production is rather disadvantageous for Macedonia.

“We cooperate with Veneto’s Union of Chambers and the Naples Institute, looking for an alternative for use of the tobacco, which is quite important for Prilep’s region. We support the tobacco but it would also be good to look for alternatives

on how to use it. One is the use of tobacco for production of biodiesel,” said Ristovski.

HARVESTED TOBACCO AREA, 2012



Source: Statistical Yearbook of the Republic of Macedonia, 2013