

## Macedonian Economy at a Glance

(as of 11/10/2008)

### Real Sector

- ◆ GDP accelerated growth in the first half of 2008 to an average of 6% annually. Q2 2008 GDP growth alone was 6.5%. The broad-based growth was driven by construction (up by 23.2%) and mining and quarrying (up by 12.6%).
- ◆ GOM unofficially downscaled real GDP growth projection to 5% in 2008%.
- ◆ The industrial output in the period January – September 2008 increased by 10.4%, accelerating from the end of 2007. GOM's end-year 2008 projection is 6.1% growth.
- ◆ Higher oil prices prompted a price increase in other categories, food products in particular. The year-on-year CPI-based inflation rate at the end of October 2008 was 7.1%. IMF's and GOM's end-year projection is up to 5%.
- ◆ Unemployment rate in Q2 2008: 33.8%<sup>1</sup>; Employment rate in Q2 2008: 37.2%<sup>1</sup>  
Number of employed persons at the end of July 2008: 258,171<sup>2</sup>, down by 0.1% on annual basis.  
Number of unemployed persons at the end of September 2008: 343,692<sup>2</sup> – down by 4.7% on annual basis.
- ◆ Wage policy - Nominal average net wage per worker in August 2008: Denar 15,820 - up by 9.5% on annual basis.
- ◆ The value of consumers' basket in August 2008: Denar 11,957 – up by 14.6% on annual basis.
- ◆ 29.8% of the population lived below the poverty line (USD \$75/month) in 2006 – a drop from 30.0% in 2005
- ◆ The “gray economy” is estimated to be between 15 and 42% of GDP

### Fiscal Sector

- ◆ Collection of revenues continued to be robust in 2008, due to a prudent fiscal policy, while spending was delayed for later in the year. A flat rate of 10% is applied on personal income tax and profit tax from 2008.  
Total budget revenues at the end of September 2008: Denar 71,732 million – up by 17.9% on cumulative basis. Total budget expenditures at the end of September 2008: Denar 59,670 million – up by 18.7%.  
Budget surplus at the end of September 2007: Denar 12,062 million = 3.3% of GDP.  
End-of-2008 Central Government budget balance projection: –1.5% of GDP
- ◆ Tax collection at the end of September 2008:

Type of revenue	% of total revenues	% of 2008 plan
Personal income tax: Denar 6,197 million	8.6	69.6
Profit tax: Denar 6,646 million	9.3	73.8
VAT: Denar 27,699 million	38.6	71.6
Excises: Denar 10,019 million	14.0	73.5
Import duties: Denar 4,661 million	6.5	62.8
Non-tax revenues: Denar 12,635 million	17.6	64.5

### External Sector

- ◆ At the end of September 2008:  
Exports: US\$ 3,139.6 million - up by 29.0%; Imports: US\$ 5,365.9 million – up by 53.3%;  
Import/export coverage ratio: 58.5%; Trade deficit: US\$ 2,226.3 million – 25.7% of GDP
- ◆ Trade with USA at the end of September 2008:  
Exports: US\$ 7.8 million – 0.2% of the total Macedonian exports  
Imports: US\$ 76.6 million – 1.4% of the total Macedonian imports

<sup>1</sup> Data from the Labor Force Survey - Statistical Office of the Republic of Macedonia

<sup>2</sup> Data from the Employment Fund

- ◆ Current account deficit at the end of June 2008: US\$ 613.7 million = 7.1% of GDP
- ◆ On April 4, 2003 Macedonia officially became member of the WTO. Stabilization and Association Agreement officially went into force on April 1, 2004.
- ◆ Free trade agreements with Turkey and Ukraine. Macedonia is a member of EFTA and CEFTA 2006.
- ◆ FDI at the end of June 2008: US\$ 411.9 million = 5% of GDP
- ◆ External debt at the end of June 2008: US\$ 4,738.1 million; 54.6% of GDP
- ◆ Foreign exchange reserves at the end of August 2008: US\$ 2,347.7 million = 3 months of imports

## **Monetary Sector**

- ◆ Gradual decline of banks' interest rates started in Q4 of 2005 and continued in 2006, and 2007. Higher inflation and financial crisis in 2008 prompted a slight increase in banks' interest rates.  
Average nominal weighted lending rate in September 2008: 9.6%  
Average nominal weighted deposit rate in September 2008: 6.0%  
Money market weighted interest rate in September 2008: 5.0%
- ◆ The CB successfully manages the exchange rate of the denar, maintaining the peg against the euro at its targeted level.
- ◆ Total deposits with banks at the end of September 2008: Denar 148,433 million - up by 22.2% on annual basis. 66.5% of the total are households' deposits, while 30.9% of the total are enterprises' deposits.
- ◆ Total bank loans at the end of September 2008: Denar 160,222 - up by 38.4% on annual basis. 76.4% of the total bank loans are in denars, while 60.3% are long-term loans.

## **Relations with international financial institutions**

- ◆ The 14-month stand-by arrangement (SBA), approved by the Board on April 30, 2003 was successfully completed on August 15, 2004, with GOM withdrawing the last tranche of about US\$ 11 million. A new three-year SBA was approved on August 31, 2005, and first withdrawal of US\$ 12 million was made in late-2005. After that, the program turned to be precautionary and there were no other withdrawals of IMF funds. IMF Mission approved the fourth and final review of the SBA in September 2008 after the program ended in August 2008. The GOM did not initiate talks for a new program with the IMF.
- ◆ World Bank Group - FESAL II- arrangement with the World Bank was completed with disbursement of the third tranche of US\$ 20.5 million in January 2004. In April 2002, PSMAC credit for restructuring public administration was approved by the WB Board. In June 2003 US\$ 17.1 million were disbursed to GOM. PSMAL credit worth US\$ 49.8 million was signed and approved in April 2004. Two new loans have been approved in 2005: Programmatic Development Policy Loan (PDPL) – focused on structural reforms in labor, health, public administration and judiciary was approved on October 27, and Business Environment Reforms and Institutional Strengthening (BERIS) got approved in June 2005. GOM already received US\$ 90 million withdrawing three tranches of the PDPL program. In April 2008, the WB Board approved their latest Country Partnership Strategy for Macedonia 2007-2010.
- ◆ EBRD - In the period 1991-2008, EBRD financed 38 projects worth euro 415 million for: private sector development, restructuring the banking sector, development of financial institutions, supporting SME's, infrastructure projects, AG projects, municipal services, etc. It co-founded a micro-finance bank ProCredit that began operations in July 2003, and extended over 65 million euros in loans so far. EBRD collected on its pre-privatization loan to ESM, as it decided not to be a co-shareholder in ESM with the Austrian EVN, which bought ESM in March 2006.