



Center for Economic Analyses

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*The Center for Economic Analyses (CEA) is a think tank of economists who share a common vision for the Republic of Macedonia as an emerging new European economy integrated in the regional and worldwide market.*

*The Mission of CEA is to continuously research economic development and economic policy in the Republic of Macedonia and to offer recommendations, suggestions and measures where it is deemed appropriate.*

## PRESS RELEASE

### New CEA Quarterly Economic Monitor – 1<sup>st</sup> quarter 2006

The next issue of the quarterly publication on macroeconomic developments has been just released. This time we discuss the results of the first quarter of 2006. This is regular publication that aims to summarize the main developments in the economy concentrating on trends and main headlines. Full text is available on the CEA website ([www.cea.org.mk](http://www.cea.org.mk)).

#### **Main findings**

In the first quarter of 2006 economic growth was driven by investments (machinery and equipment), whereas domestic consumption remained weak. Falling unemployment and growing wages increased households' incomes, which they preferred to deposit in the banking sector instead to consume. In the medium term these additional incomes may be diminished by the inflation as growing oil prices combined with rise in prices of agricultural products pose inflationary risk in the economy.

The main event was sale of power distribution company (ESM Distribution) to the Austrian Energy provider which generated inflows of foreign direct investments of 3 times more than for the whole 2005. As a result gross official reserves increased.

The main puzzle is construction sector which continued to shrink despite the fact that value of completed construction works has doubled. This trend could be reversed as for the second quarter in line the value of contracted construction works is growing and the employment in this sector increased by  $\frac{1}{4}$  in the first quarter (on the annual basis).

Positive developments were observed in the labor market where unemployment was falling and chances to find a new job when becoming unemployed increased. The risks are generated by weak export performance and growing consumption prices.