

MACROECONOMIC INDICATORS FOR¹ MACEDONIA

Center for Economic Analyses (CEA)

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Basic Economic Indicators

GDP (real growth rates)																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
-7.5	-1.8	-1.1	1.2	1.4	3.4	4.3	4.5	-4.5	0.9	2.8	4.1	4.1	4.0	5.9	4.8*	/	-0.9*	-1.4*	-1.8*	/
Inflation (end of period, on annual base, in %)																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
229.6	55.4	9.2	0.2	4.5	-1.0	2.3	6.1	3.7	1.1	2.6	-1.9	1.2	2.9	6.1	4.1	-1.6	0.2	-1.7	-1.4	-1.6
Inflation (average, on cumulative basis, in %) /1																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
349.8	121.8	15.9	3.0	4.4	0.8	-1.1	5.8	5.5	1.8	1.2	-0.4	0.5	3.2	2.3	8.3	-0.8	1.0	0.1	-0.4	-0.8
Retail Price Index (end of period, on annual base, in %)																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
229.6	55.4	9.2	0.2	4.5	-1.0	2.3	10.8	1.2	2.2	2.9	-0.1	3.2	2.9	4.6	2.8	-0.9	-0.7	-2.4	-1.9	-0.9
Retail Price Index (average, on cumulative basis, in %)																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
349.8	121.8	15.9	3.0	4.4	0.8	-1.1	10.6	5.2	1.4	2.4	0.9	2.1	3.9	2.6	6.7	-1.4	0.0	-0.9	-1.2	-1.4
Unemployment rate (in %) /2																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
27.7	30.0	35.6	31.9	36.0	34.5	32.4	32.2	30.5	31.9	36.7	37.2	37.3	36.0	34.9	33.8	/	32.7	31.9	31.7	/
Budget deficit (Central budget balance as % of GDP)																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
-13.4	-2.9	-1.2	-0.5	-0.4	-1.7	0.0	1.8	-7.2	-5.7	-1.1	0.0	0.2	-0.5	0.6	-1.0	/	/	/	/	/
Money supply M1 (annual percentage changes)/3																				

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
3.4 times	87.9	19.3	-3.1	15.2	8.5	29.8	12.3	14.5	3.5	7.8	2.0	6.4	17.9	30.7	14.5	-3.5	5.2	-3.6	-4.5	-3.5
Money supply M2 denar (annual percentage changes)/3																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
4.5 times	56.0	10.1	0.4	13.2	11.1	33.5	15.2	13.6	6.9	18.7	12.6	11.7	31.7	41.1	0.8	-5.5	-7.1	-12.9	-15.7	-5.5
Weighted lending interest rates (average for the period, in %, p.a.) /4																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
676.3	151.7	47.8	23.2	21.6	21.0	20.5	18.9	19.4	18.4	16.0	12.4	12.1	11.3	10.2	9.7	10.1	9.8	10.0	10.2	10.3
Weighted deposit interest rates (average for the period, in %, p.a.) /5																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
483.8	118.5	22.0	11.7	13.0	12.5	11.5	11.2	9.9	9.6	8.0	6.5	5.2	4.7	4.9	5.9	7.1	6.7	6.8	7.3	7.4
Average exchange rate MKD / EUR																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
/	/	/	/	/	/	60.62	60.73	60.91	60.98	61.26	61.34	61.30	61.19	61.18	61.27	61.27	61.41	61.34	61.18	61.17
Average exchange rate MKD / USD																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
23.57	43.24	38.04	39.99	49.83	54.45	56.90	65.89	68.04	64.73	54.30	49.41	49.29	48.79	44.72	41.86	44.08	47.07	45.08	42.82	41.41
Exports f.o.b (in million of USD)																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
1,055.3	1,086.3	1,204.0	1,147.4	1,236.8	1,291.5	1,190.0	1,320.7	1,155.4	1,112.1	1,362.7	1,674.9	2,040.6	2,410.7	3,391.5	3,970.9	/	520.0	669.6	761.3	/
Imports f.o.b. (in million of USD)																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009

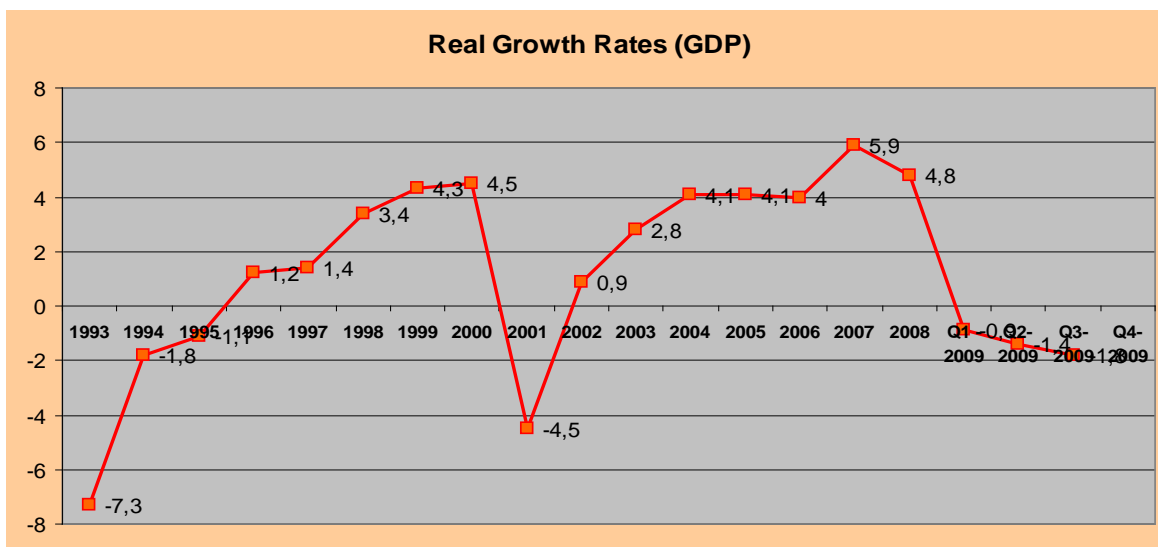
1,012.5	1,271.3	1,426.8	1,462.1	1,623.1	1,807.1	1,685.9	2,011.6	1,682.2	1,917.7	2,213.7	2,813.8	3,103.6	3,671.2	5,030.0	6,543.4	/	1,101.3	1,129.8	1,190.4	/
Trade balance f.o.b (in million of USD)																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
42.8	-184.9	-222.8	-314.7	-386.3	-515.6	-495.9	-690.8	-526.7	-805.6	-851.0	-1,139.0	-1,063.0	-1,260.5	-1,638.5	-2572.5	/	-581.4	-460.2	-429.1	/
Current account balance (in million of USD)																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
-82.5	-262.9	-298.9	-339.8	-286.5	-280.1	-65.6	-103.1	-235.4	-378.8	-185.5	-451.6	-159.3	-28.5	-605.7	-1220.1	/	-447.3	-128.2	155.1	/
Current account balance (as % of GDP) /6																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
-3.3	-7.8	-6.7	-7.7	-7.7	-7.8	-1.8	-2.9	-6.8	-10.0	-4.0	-8.4	-2.7	-0.4	-7.6	-12.8	/	/	/	/	/
Gross foreign reserves (stock, end of period in million of USD) /7																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
123.2	172.4	282.9	277.5	258.7	323.9	449.9	713.6	775.2	734.6	903.4	975.3	1,324.7	1,865.8	2,239.6	2,107.6	2,290.5	1,672.6	1,692.0	2,221.0	2,290.5
Gross foreign reserves (stock, end of period in million of EUR) /7																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
	/	/		/	/	/	/	/	/	723.0	716.9	1,122.9	1,416.7	1,524.4	1,494.9	1,597.5	1,267.8	1,203.6	1,526.6	1,597.5
Import coverage (gross foreign reserves in USD/import f.o.b plus payments for services from current year), in months																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
1.2	1.3	1.9	1.9	1.6	1.9	2.8	3.8	4.8	4.0	4.2	3.5	4.4	5.3	4.6	3.4	/	/	/	/	/
Total external debt (stock, end of period, in million of USD) /8																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
1,140.0	1,260.0	1,430.0	1,170.0	1,130.0	1,470.0	1,502.1	1,547.9	1,494.4	1,640.6	1,840.5	2,079.4	2,274.8	2,410.8	/	/	/	/	/	/	/

Total debt service (in million of USD) /9																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
20.0	140.0	50.0	140.0	120.0	140.0	156.9	187.3	205.8	235.3	249.7	246.9	234.3	510.0	/	/	/	/	/	/	/
Total external debt (as % of GDP) /8																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
45.4	37.2	32.1	26.5	30.3	41.1	40.9	43.1	43.5	43.5	39.7	38.7	39.1	37.8	/	/	/	/	/	/	/
Gross external debt (stock, end of period, in million of USD) /10																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
/	/	/	/	/	/	/	/	/	/	/	2,829.9	2,982.6	3,297.0	4,174.1	4,658.2	/	4,409.5	4,750.6	5,457.7	/
Gross external debt (as % of GDP)																				
1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Q 1 2009	Q 2 2009	Q 3 2009	Q 4 2009
/	/	/	/	/	/	/	/	/	/	/	52.7	51.3	51.8	52.7	48.9	/	/	/	/	/

Source: National Bank of the Republic of Macedonia (NBRM),
<http://www.nbrm.gov.mk/default-en.asp?ItemID=89A26FA4B8AA8F4CA6CF243F984FF307>

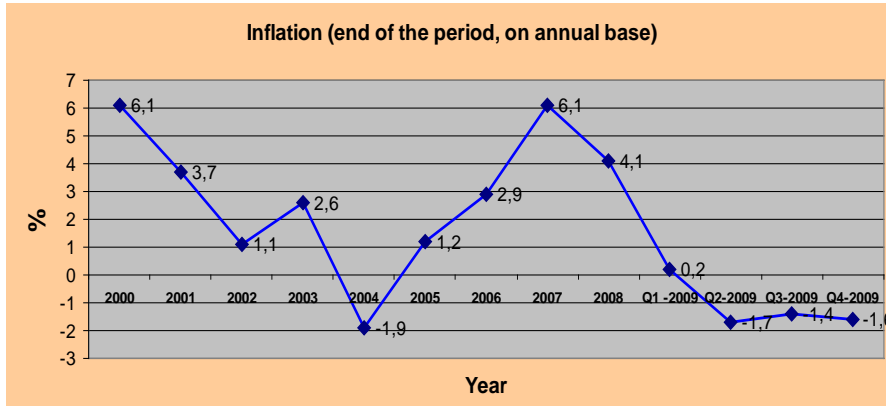
- Preliminary data for 2008, estimated data for 2009 (SSO).
 - 1/ Up to 1999, according to the retail price index, since 2000, according to the consumer price index.
 - 2/ For the period 1993-1995 the unemployment rate published by Statistical Office of the Republic of Macedonia is given, while for the period 1996-2003 the unemployment rate from the Labour force survey of Statistical Office of the Republic of Macedonia is given.
 - 3/ The annual rates of change are calculated according to a new methodology starting from 2004.
 - 4/ Up to 2004 the figures refer to interest rate on Denar credits up to 1 year; since 2005 figures refer to interest rate on Denar credits for all maturities and sectors, including Denar credits with fx clause.
 - 5/ Up to 2004 figures refer to interest rate paid on 3 month deposits; since 2005 figures refer to interest rate paid on Denar deposits regarding all maturities and sectors, including Denar deposits with fx clause.
 - 6/ Calculated on the basis of SSO nominal GDP in denars convert in USD (EUR) using average exchange rate. 7/ Since 01.01.2008, gross foreign reserves are calculated with accrued interest.
 - 8/ Total external debt - old methodology. The data are available up to 2006.
 - 9/ Refers to long-term external debt.
 - 10/ Gross external debt - new methodology. The data are available since 2004.

Recovery of global economy that began in the first half of the 2009 continued in the last quarter of 2009. Generally strong fiscal and monetary stimulus and the gradual return of the economic actor's confidence are assessed as factors that represent the way out of the global recession. The key question that remains is the dilemma about the sustainability of these recent trends.

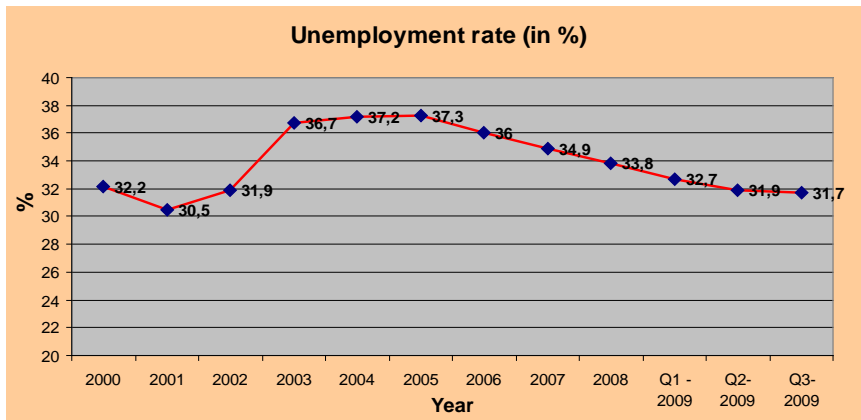


The latest data on Macedonian GDP confirm the NBRM assessments² for deeper contraction of the economy in the third quarter of 2009. Such trends were caused by the status of the economies of the main trading partners, the increasingly lower credit flows in the domestic economy, the increased precaution of the economic agents amid the still present uncertainty, as well as by the expectations for slow recovery of the demand, and hence lower new investments.

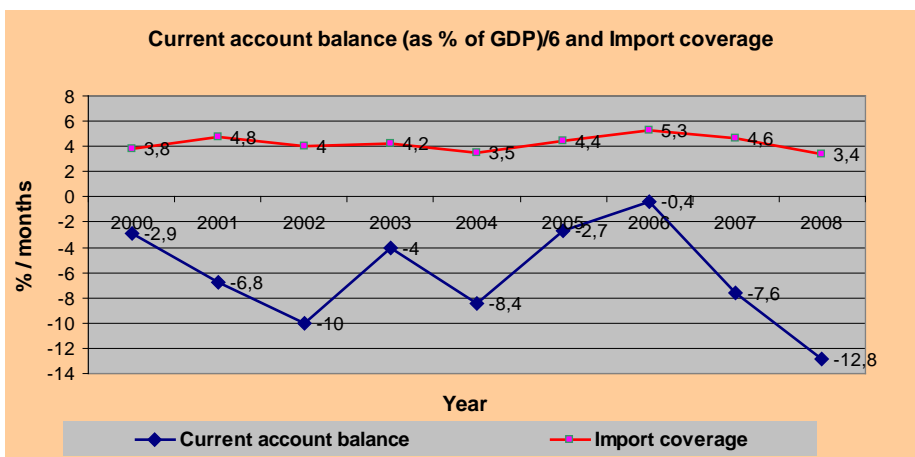
² More for NBRM macroeconomic projections and assessments see http://www.nbrm.gov.mk/WBStorage/Files/WebBuilder_Quarterly_Jan-2010%20Macroec%20Projections.pdf



The decline in the price level continued in the fourth quarter of 2009. In the last quarter of the year, a negative inflation of 2.1% was registered, as opposed to -1.4% in the preceding quarter. Such trends in the domestic prices are mainly a result of the changes in the import prices, which, after the sharp growth in the first three quarters of the preceding year, since the last quarter of 2008 and throughout 2009 have been continuously following a disinflationary path.



In the third quarter of 2009 the number of employees registered increase on annual base at 3.7%, the employment rate reached 39.2% (1.2 percent points higher compared to the same period of the previous year). The unemployment rate in the third quarter reached 31, 7% (1.3 percent points lower compared to the previous year). Latest labor market trends partly can be explained by the existence of structural mismatch between supply and demand of labor force. This mismatch, combined with uncertainty about the duration and consequences of the global crisis on short term result in a more cautious approach in policies of permanent dismissal. However, if recovery from the crisis at the global level is slow, serious negative implications on the labor market in the Macedonian economy are possible.

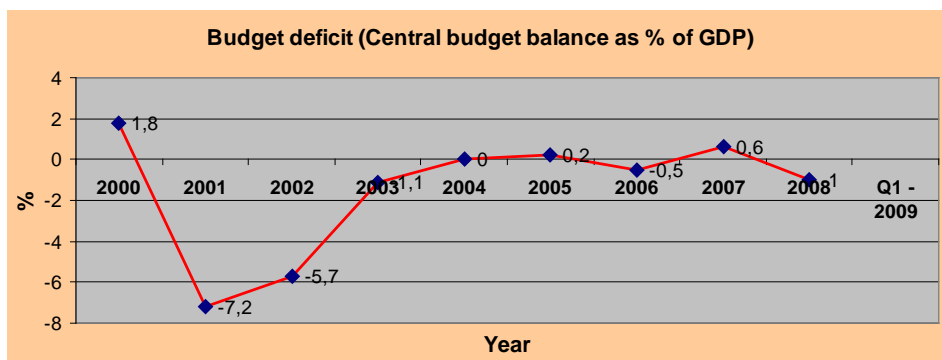


The realized surplus in the current account in the third quarter of 2009 (1.6% of the GDP) does not deviate from the projections³. On the other hand, the trends in the external sector in the last quarter of the year point to better movements than projected. Thus, the deficit on the current account in 2009 is estimated at 7.5% of the GDP, opposite to the previous projection of 8% of the GDP. Such corrections in the estimates, is almost completely due to the more intensive growth in the private transfers, given higher level of trade deficit than projected.

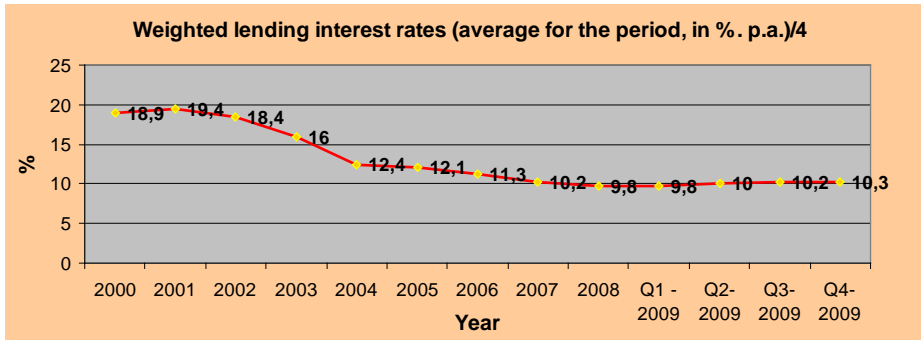
³ More for NBRM latest macroeconomic projections and assessments (reports) see http://www.nbrm.gov.mk/WBStorage/Files/WebBuilder_Quarterly_Jan-2010%20Macroec%20Projections.pdf

In the last quarter of the year, there were no pressures on the demand for foreign exchange. Contrary to the expectations, the gap between the supply and the demand for foreign exchange in this period was positive, allowing NBRM interventions with purchase of foreign exchange and accumulation of foreign reserves. Such a situation is an indicator of further correction of the external imbalances, whose pressures on the economy have started to diminish significantly since the end of the second quarter. The continuous purchasing of foreign exchange also in the last quarter is a clear indicator of further adjustment of the external position and of the positive expectations of domestic economic agents. Although the movements on the foreign exchange market, which were in the focus of the monetary policy, were continuously favorable in the second half of 2009, their sustainability remains to be the key question.

At the end of November 2009, NBRM reduced its key interest rate by 50 basis points, from 9% to 8.5%, while in January the key interest rate was lowered again by additional 50 basis points, down to 8%. The change in the monetary policy stance is a result of the changed environment, i.e. the significantly improved trends in the external sector relative to the expectations and the more favorable outlook for the forthcoming period.



Public spending in the third quarter counts annual real growth of 1.5%. Compared with previous quarter, public spending counts real decline of 2.1%, while cumulative in the last three quarters of 2009 it is actually lower for 0.4% compared to the same period of the 2008. Under the influence of intensive growth of budgetary expenditures in the last quarter of 2009, the consolidated budget deficit is 3.4 times higher compared to the previous quarter (38.2% of the total budget deficit realized in 2009).



The latest trends of the deposit and credit market segment, where growth in deposits, credits and insignificant increase of interest rates, confirm the assessments for more stable expectations, though still present risks and favorable tendencies in the external position of the economy. The changes in the banks' deposit base correspond with the more stable flows in the economy and the improved expectations of the economic agents, as well as with the foreign exchange inflows in the economy generated through the position of the balance of payments in this period. The credit market registered the first signs of recovery, after the significant contraction in the second quarter of the year.

