

Macedonian Economy at a Glance

(as of 07/30/2009)

Real Sector

- ◆ Affected by the World Economic Crisis, GDP in Q1 of 2009 was -0.9%, after 4.9% growth in 2008. The drop was mostly driven by the 7% fall in mining and quarrying, 5.2% fall in financial services and 4.7% fall in transport and communications.
- ◆ GOM downscaled the real GDP growth projection to optimistic 1% in 2009.
- ◆ The industrial output in the period January – June 2009 dropped by 12.1%. GOM's end-year 2009 projection is -7.6%.
- ◆ The year-on-year CPI-based inflation rate at the end of June 2009 was -1.7%. IMF's and GOM's end-year projection is up to 1%.
- ◆ Unemployment rate in Q1 2009: 32.7%¹; Employment rate in Q1 2009: 37.8%¹
Number of employed persons at the end of April 2009: 249,579², down by 2.8% on annual basis.
Number of unemployed persons at the end of June 2009: 347,622² – down by 0.2% on annual basis.
- ◆ Wage policy - Nominal average net wage per worker in April 2009: Denar 20,167 - up by 29.2% on annual basis.
- ◆ The value of consumers' basket in August 2008: Denar 12,992 – up by 4.7% 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 is below expectations in 2009, due to unrealistic projections of economic activity. Total budget revenues at the end of June 2009: Denar 42,700 million – down by 5.4% on cumulative basis. Total budget expenditures at the end of June 2009: Denar 48,295 million – up by 21.2%. Budget deficit at the end of June 2009: Denar 5,595 million = 1.3% of GDP. End-of-2008 General Government budget balance projection: -2.8% of GDP
- ◆ Tax collection at the end of June 2009:

Type of revenue	% of total revenues	% of 2009 plan
Personal income tax: Denar 4,227 million	9.9	45.9
Profit tax: Denar 2,610 million	6.1	49.9
VAT: Denar 15,902 million	37.5	41.4
Excises: Denar 6,443 million	15.1	44.4
Import duties: Denar 2,620 million	6.1	40.4
Non-tax revenues: Denar 8,233 million	19.3	43.0

External Sector

- ◆ At the end of May 2009:
Exports: US\$ 951.1 million - down by 43.5%; Imports: US\$ 1,902.2 million – down by 32.9%;
Import/export coverage ratio: 50.0%; Trade deficit: US\$ 951.1 million – 9.7% of GDP
- ◆ Trade with USA at the end of May 2009:
Exports: US\$ 3.4 million – 0.4% of the total Macedonian exports
Imports: US\$ 38.2 million – 2.0% of the total Macedonian imports
- ◆ Current account deficit at the end of April 2009: US\$ 535.7 million = 5.5% 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.

¹ Data from the Labor Force Survey - Statistical Office of the Republic of Macedonia

² Data from the Employment Fund

- ◆ FDI at the end of April 2009: US\$ 115.3 million = 1.2% of GDP
- ◆ External debt at the end of March 2009: US\$ 4,449 million; 45.4% of GDP
- ◆ Foreign exchange reserves at the end of June 2009: US\$ 1,692.6 million = 3 months of imports

Monetary Sector

- ◆ Lack of revenues in the budget prompted the GOM to borrow domestically at high interest rates, affecting the interest rates of the Central Bank and consequently of the banks.
Average nominal weighted lending rate in May 2009: 10.1%
Average nominal weighted deposit rate in May 2009: 6.8%
Money market weighted interest rate in May 2009: 7.1%
- ◆ The CB so far successfully manages the exchange rate of the denar, maintaining the peg against the euro at its targeted level, despite losing foreign exchange reserves.
- ◆ Total deposits with banks at the end of May 2009: Denar 173,259 million - up by 2.9% on annual basis. 47.5% of the total are denar deposits, while 52.5% of the total are foreign currency deposits.
- ◆ Total bank loans at the end of May 2009: Denar 176,261 - up by 18.5% on annual basis. 77.9% of the total bank loans are in denars, while 22.1% are in foreign currency.

Relations with international financial institutions

- ◆ 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.
- ◆ GOM already received US\$ 90 million from the World Bank withdrawing three tranches of the PDPL program. In April 2008, the WB Board approved their latest Country Partnership Strategy for Macedonia 2007-2010. In July 2009, they signed with the GOM a US\$ 25 million loan for providing financing facility for local governments.
- ◆ EBRD - In the period 1991-2009, EBRD financed projects worth more than 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. 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.