Macedonia Country reports



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Macedonia: Stagnating on

In the short run, some recovery can be expected in Macedonia due to some pick-up in investments, public and private, and the continuing positive contribution of net exports. In the medium run growth should speed up a bit on the assumption that both the EU and the local markets will improve. Additional fiscal consolidation is not contemplated, though fiscal stimulus is not to be expected either. The policy-makers will continue to take care of internal stability and wait for the tide, when and if it comes, to lift their boat too.

The crisis has been as prolonged as in other countries, but the recession was shallower both in 2009 and last year. In part this has been the case because the country has been in more or less prolonged stagnation for about two decades. This is better indicated by the persistent high unemployment rate than by temporary speed-ups of growth, which have happened in some of the years preceding the eruption of the crisis. Also, the country is not as dependent on foreign financing even though the successive governments have made policies to attract foreign investments the cornerstone of their policy strategies. Finally, private and public debts are not high and reliance on credit is not as pervasive as in other countries.

This has made it possible for the government to rely somewhat more on public spending than is traditional for this country. As it relies on a hard peg to the euro, fiscal policy has traditionally been either balanced year on year or over the medium term. In the current crisis the government has allowed for some deficit financing which is probably responsible for the stability in the labour market and for on average positive real growth throughout the crisis. However, private consumption is not increasing, nor is investment.

The policy framework has been, since the stabilisation in the mid-1990s and the introduction of the strict fixed exchange rate, to rely on net exports for growth. This has delivered rather low growth rates, on average, and has not performed better during the crisis. In particular, it has not contributed significantly to the increase of the tradable sector, which continues to rely on agricultural products and on extraction. In about the past five

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years, as in some neighbouring countries, industrial production has declined and is below the 2007 level still.

Political, social, and ethnic stability has been preserved, though there have been challenging moments throughout the crisis. The main opposition party has attempted several times to unseat the government in elections and in non-parliamentary actions, but has not been successful. The governing coalition has strengthened the hold on power and on the public opinion. It also sees no reason to significantly change its economic policy.

In the short run, some recovery can be expected due to some pick-up in investments, public and private, and the continuing positive contribution of the net exports. In the medium run growth should speed up a bit on the assumption that both the EU and the local markets will improve. Additional fiscal consolidation is not contemplated, though fiscal stimulus is not to be expected either. The policy-makers will continue to care for internal stability and wait for the tide, when and if it comes, to lift their boat too.

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Table MK

Macedonia: Selected Economic Indicators

Population, th pers., mid-year 2050.7 2050.7 2050.8 2050		2009	2010	2011	2012 ¹⁾	2012 1st	2013 quarter	2013	2014 Forecas	2015 st
annual change in % (real) 6	Population, th pers., mid-year	2050.7	2055.0	2058.5	2065.0			2070	2075	2080
annual change in % (real) 6	Gross domestic product, MKD mn, nom. 2)	410734	434112	459789	460587	102228	104789	480100	505400	534100
Consumption of households, MKD mn, nom.		-0.9	2.9	2.8	-0.2	-1.0	2.9	1.2	2.2	2.6
Consumption of households, MKD mn, nom. 2019 4.47 2.1 2.9 1.12 0.1 0.1 0.0 0.0 1.0	GDP/capita (EUR at exchange rate)	3300	3400	3600	3600					
annual change in % (real) 30 4.7 2.1 2.9 1.2 0.1 0.1 0.0 0.0 0.0 1.0 Gross fixed capital form, MKD mn, nom. 81872 82988 94988 04500 2.0 4.0 5.0 Gross industrial production 4.3 2.7 3.2 7.0 2.0 4.0 5.0 Gross agricultural production (EAA) annual change in % (real) 2.3 8.2 2.0 0.0 5.0 5.0 Gross agricultural production (EAA) annual change in % (real) 2.3 8.2 2.0 0.0 5.0 3.0 3.0 Gross agricultural production (EAA) annual change in % (real) 2.1 5.8 14.2 11.6 11.3 30.8 5.0 5.0 5.0 Employed persons, LFS, th, average 629.9 637.9 645.1 650.6 643.7 654.6 664 674 annual change in % (real) 3.4 3.1 1.1 0.8 0.9 0.6 6.5 6.5 6.5 Unemployed persons, LFS, th, average 32.2 30.0 31.4 31.0 31.6 31.0 31.0 30.0 Unemployed persons, LFS, th, average 32.2 30.2 31.4 31.0 31.6 31.0 31.0 30.0 Unemployment trate, LFS, in %, average 32.2 30225 36602 30669 30634 30973 Unemployment trate, LFS, in %, average 32.2 30225 30602 30669 30634 30973 Unemployment rate, reg., in %, end of period 2.4 2.9 2.1 2.5 3.5 3.0 3.0 3.0 Unemployment rate, reg., in %, end of period 2.2 3.2 3.2 3.3 3.2 2.5 3.5 3.0 3.0 3.0 Unemployment rate, reg., in %, end of period 2.2 3.2 3.3 3.2 2.5 3.5 3.0 3.0 3.0 Unemployment rate, reg., in %, end of period 2.2 3.2 3.3 3.3 3.2 2.5 3.5 3.0 3.0 3.0 Unemployment rate, reg., in %, end of period 3.1 3.0 2.9 3.3 3.2 2.5 3.5 3.0 3.0 3.0 Unemployment rate, reg., in %, end of period 3.1 3.0 3.0 3.0 3.0 3.0 3.0 3.0 3.0 Unemployment row, (and in the first of the first o	GDP/capita (EUR at PPP)	8500	8700	8900	8900					
Gross fixed capital form, MKD mn, nom. 9 81872 82968 94698 104500 2.0 4.0 5.0 5.0 annual change in % (real) 9 4.3 2.7 7.0 5.0 5.0 5.0 4.0 5.0 5.0 Gross industrial production (EAA) 2.7 4.8 6.9 2.7 6.0 5.9 4.0 5.0 5.0 5.0 Gross agricultural production (EAA) 2.3 8.2 2.0 0.0 5.0 5.0 3.0 3.0 Construction output, hours worked annual change in % (real) 2.1 5.8 14.2 11.6 113.1 30.8 5.0 5.0 5.0 5.0 5.0 5.0 5.0 5.0 5.0 5.0										1.0
Annual change in % (real) 2						0.1	-0.1	0.0	0.0	1.0
Gross industrial production ⁶¹ annual change in % (real) Accommodate								2.0	4.0	5.0
annual change in % (real) Gross agricultural production (EAA) annual change in % (real) -2.3 8.2 2.0 0.0 5.0 5.0 3.0 3.0 Construction output, hours worked annual change in % (real) -2.1 5.8 14.2 -11.6 -13.1 30.8 5.0 5.0 5.0 5.0 Employed persons, LFS, th, average 629.9 637.9 645.1 660.6 643.7 . 664 664 674 annual change in % (real) -2.1 5.8 14.2 -11.6 0.8 -0.9 . 66 1.5 1.5 Employed persons, LFS, th, average 28.9 300.4 295.0 292.5 297.4	Cross industrial production 4)									
Gross agricultural production (EAA) annual change in % (real)		0.7	10	6.0	2.7	6.0	5 0	4.0	5 0	5 0
Annual change in % (real) Construction output, hours worked annual change in % (real) -2.1 5.8 14.2 -11.6 -13.1 30.8 5.0 5.0 5.0 Employed persons, LFS, th, average annual change in % (real) -2.1 5.8 14.2 -11.6 -13.1 30.8 5.0 5.0 5.0 Employed persons, LFS, th, average 32.9 645.1 650.6 643.7 . 654 664 674 annual change in % (real) -2.1 5.8 14.2 -11.6 05.6 643.7 . 654 664 674 annual change in % (real) -2.1 5.8 14.2 -11.6 05.6 643.7 . 654 664 674 annual change in % (real) -2.1 5.8 14.2 -11.6 05.6 643.7 . 654 664 674 annual change in % (real) -2.1 5.8 14.2 -11.6 05.6 643.7 . 654 664 674 annual change in % (real) -2.1 5.8 14.2 -11.6 05.6 643.7 . 654 664 674 annual change in % (real) -2.1 5.8 14.2 -11.6 05.6 643.7 . 654 664 674 annual change in % (real) -2.1 5.8 14.2 -11.6 05.6 643.7 . 654 664 674 annual change in % (real) -2.1 5.8 14.2 -11.6 05.6 643.7 . 654 664 674 annual change in % (real) -2.1 5.8 14.2 -11.6 05.6 645.7 . 654 664 674 annual change in % (real) -2.1 5.8 14.2 -11.6 05.6 645.7 . 654 664 674 annual change in % (real) -2.1 5.2 30.0 31.0 31.0 31.0 31.0 30.0 Unemployment rate, LFS, in %, average -2.2 30.2 30.20 30.60 30.63 30.9 31.0 31.0 31.0 31.0 30.0 Employment rate, reg., in %, end of period -2.2 5.0 1.4 -2.4 -2.9 -1.5 -2.3 -5. 3.5 3.0 3.0 3.0 Enchange rate MKD/EUR, which is a series of the series o		-0.7	-4.0	0.9	-2.1	-0.0	5.9	4.0	5.0	5.0
Construction output, hours worked annual change in % (real) -2.1 5.8 14.2 -11.6 -13.1 30.8 5.0 5.0 5.0 Employed persons, LFS, th, average 629.9 637.9 645.1 650.6 643.7 . .654 664 674 Annual change in % 3.4 1.3 1.1 0.8 -0.9 . .0.6 1.5 1.5 Unemployed persons, LFS, th, average 298.9 300.4 295.0 292.5 297.4 . <td></td> <td>-23</td> <td>8.2</td> <td>2.0</td> <td>0.0</td> <td></td> <td></td> <td>5.0</td> <td>3.0</td> <td>3.0</td>		-23	8.2	2.0	0.0			5.0	3.0	3.0
Employed persons, LFS, th, average 629,9 637,9 645,1 650,6 643,7		-2.5	0.2	2.0	0.0	•	•	5.0	3.0	3.0
Employed persons, LFS, th, average 629,9 637,9 645,1 650,6 643,7 . 664 664 674 annual change in % 3,4 1,3 1,1 0,8 -0,9 . 0.6 1.5 1.5 1.5 Unemployed persons, LFS, th, average 298,9 300.4 295.0 292.5 297.4		-21	5.8	14 2	-116	-13.1	30.8	5.0	5.0	5.0
annual change in %							30.0			
Unemployed persons, LFS, th, average							·			
Unemployment rate, LFS, in %, average Unemployment rate, reg., in %, end of period Unemployment rate, reg., in %, end of GDP Unemployment rate, reg., end of GDP Unemployment rat							· · · · · · · · · · · · · · · · · · ·	0.6	1.5	1.5
New Propert Name Company Compa							······································			
Average gross monthly wages, MKD ⁵⁾ 29922 30225 30602 30669 30634 30973 annual change in % (real, net) ⁵⁾ 25.0 1.4 -2.4 -2.9 -1.5 -2.3		32.2	32.0	31.4	31.0	31.6	· · · · · · · · · · · · · · · · · · ·	31.0	31.0	30.0
Annual change in % (real, net) 6) 25.0 1.4 -2.4 -2.9 -1.5 -2.3	Unemployment rate, reg., in %, end of period				•					•
Consumer prices, % p.a.	Average gross monthly wages, MKD 5)	29922	30225	30602	30669	30634	30973			
Producer prices in industry, % p.a. 6 -7.2 8.7 12.4 4.6 5.1 2.9	annual change in % (real, net) 5)	25.0	1.4	-2.4	-2.9	-1.5	-2.3			
Producer prices in industry, % p.a. 6 -7.2 8.7 12.4 4.6 5.1 2.9	Consumer prices % p.a.	-0 B	16	3.0	3 3	2.5	3.5	3.0	3.0	3.0
Revenues 31.3 30.4 29.8 30.0 31.1 28.6										
Revenues 31.3 30.4 29.8 30.0 31.1 28.6										
Expenditures 33.9 32.9 32.3 33.8 35.5 39.5		31 3	30.4	29.8	30.0	31 1	28.6			
Deficit (-) / surplus (+) -2.7 -2.4 -2.5 -3.9 -4.4 -10.9 -2.5 -2.0 -1.0 Public debt, nat.def., % of GDP 8) 31.7 34.8 35.0 36.0								•		······································
Public debt, nat.def., % of GDP 8) 31.7 34.8 35.0 36.0 . 36.0								-25	-2 O	-1 0
Central bank policy rate, %, p.a., end of period 9 8.50 4.11 4.00 3.73 4.00 3.42 3.5 3.5 3.5 Current account, EUR mn -457.1 -143.6 -224.3 -291.4 -130.0 -109.3 -310 -490 -520 Current account, % of GDP -6.8 -2.0 -3.0 -3.9 -7.8 -6.4 -4.0 -6.0 -6.0 Exports of goods, BOP, EUR mn 1932.6 2530.1 3178.9 3092.6 708.8 717.6 3190 3350 3580 Imports of goods, BOP, EUR mn 3492.2 3977.9 4860.6 4877.0 1118.5 1093.8 4880 5030 5280 Exports of services, BOP, EUR mn 3492.2 3977.9 4860.6 4877.0 1118.5 1093.8 4880 5030 5280 Exports of services, BOP, EUR mn 617.6 681.4 805.8 828.9 170.4 172.4 862 914 987 annual change in % -10.8 10.3 18.3 2.9										
Current account, EUR mn -457.1 -143.6 -224.3 -291.4 -130.0 -109.3 -310 -490 -520 Current account, % of GDP -6.8 -2.0 -3.0 -3.9 -7.8 -6.4 -4.0 -6.0 -6.0 Exports of goods, BOP, EUR mn 1932.6 2530.1 3178.9 3092.6 708.8 717.6 3190 3350 3580 annual change in % -28.2 30.9 25.6 -2.7 -0.5 1.3 3.0 5.0 7.0 Imports of goods, BOP, EUR mn 3492.2 3977.9 4860.6 4877.0 1118.5 1093.8 4880 5030 5280 annual change in % -21.6 13.9 22.2 0.3 -4.7 -2.2 0.0 3.0 5.0 Exports of services, BOP, EUR mn 617.6 681.4 805.8 828.9 170.4 172.4 862 914 987 annual change in % -10.8 10.3 18.3 2.9 -4.2 1.2 4.0 <td></td> <td></td> <td></td> <td></td> <td></td> <td>4.00</td> <td>2.42</td> <td></td> <td></td> <td></td>						4.00	2.42			
Current account, % of GDP -6.8 -2.0 -3.0 -3.9 -7.8 -6.4 -4.0 -6.0 -6.0 Exports of goods, BOP, EUR mn 1932.6 2530.1 3178.9 3092.6 708.8 717.6 3190 3350 3580 annual change in % -28.2 30.9 25.6 -2.7 -0.5 1.3 3.0 5.0 7.0 Imports of goods, BOP, EUR mn 3492.2 3977.9 4860.6 4877.0 1118.5 1093.8 4880 5030 5280 annual change in % -21.6 13.9 22.2 0.3 -4.7 -2.2 0.0 3.0 5.0 Exports of services, BOP, EUR mn 617.6 681.4 805.8 828.9 170.4 172.4 862 914 987 annual change in % -10.8 10.3 18.3 2.9 -4.2 1.2 4.0 6.0 8.0 Imports of services, BOP, EUR mn 601.1 644.6 707.7 806.3 182.9 166.4 806 <td>Central bank policy rate, %, p.a., end of period</td> <td></td> <td>4.11</td> <td></td> <td></td> <td>4.00</td> <td>3.42</td> <td>3.5</td> <td>3.5</td> <td>3.5</td>	Central bank policy rate, %, p.a., end of period		4.11			4.00	3.42	3.5	3.5	3.5
Exports of goods, BOP, EUR mn 1932.6 2530.1 3178.9 3092.6 708.8 717.6 3190 3350 3580 annual change in % -28.2 30.9 25.6 -2.7 -0.5 1.3 3.0 5.0 7.0 Imports of goods, BOP, EUR mn 3492.2 3977.9 4860.6 4877.0 1118.5 1093.8 4880 5030 5280 annual change in % -21.6 13.9 22.2 0.3 -4.7 -2.2 0.0 3.0 5.0 Exports of services, BOP, EUR mn 617.6 681.4 805.8 828.9 170.4 172.4 862 914 987 annual change in % -10.8 10.3 18.3 2.9 -4.2 1.2 4.0 6.0 8.0 Imports of services, BOP, EUR mn 601.1 644.6 707.7 806.3 182.9 166.4 806 830 872 annual change in % -12.0 7.2 9.8 13.9 15.7 -9.0 0.0 3.0 5.0 FDI inflow, EUR mn 145.0 160.0 336.8										
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Gross external debt, % of GDP 56.4 58.2 64.9 69.0 66.1 Exchange rate MKD/EUR, average 61.27 61.52 61.53 61.53 61.50 61.59 61.5 61.5 61.5	······································						1957.5			•
Exchange rate MKD/EUR, average 61.27 61.52 61.53 61.53 61.50 61.59 61.5 61.5 61.5							······			
	Gross external debt, % of GDP	56.4	58.2	64.9	69.0	66.1			-	
Purchasing power parity MKD/EUR 23.65 24.15 25.19 25.16	Exchange rate MKD/EUR, average	61.27	61.52	61.53	61.53	61.50	61.59	61.5	61.5	61.5
	Purchasing power parity MKD/EUR	23.65	24.15	25.19	25.16		•			

Note: Gross industrial production and producer prices refer to NACE Rev. 2. Gross agricultural production refers to Economic Accounts for Agriculture (EAA).

Source: wiiw Database incorporating national statistics. Forecasts by wiiw.

¹⁾ Preliminary. - 2) According to ESA'95 (FISIM reallocated to industries, including non-observed economy, real growth rates based on previous year prices). - 3) Including Non-Profit Institutions Serving Households (NPISHs). - 4) Enterprises with 10 and more employees. - 5) Including allowances for food and transport. - 6) Domestic output prices. - 7) Refers to central government budget and extra-budgetary funds. - 8) In 2011 and 2012 wiiw estimates. - 9) Central Bank bills (28-days).