

# **Overview of Macedonia's Economy**

**U.S. Embassy Skopje**

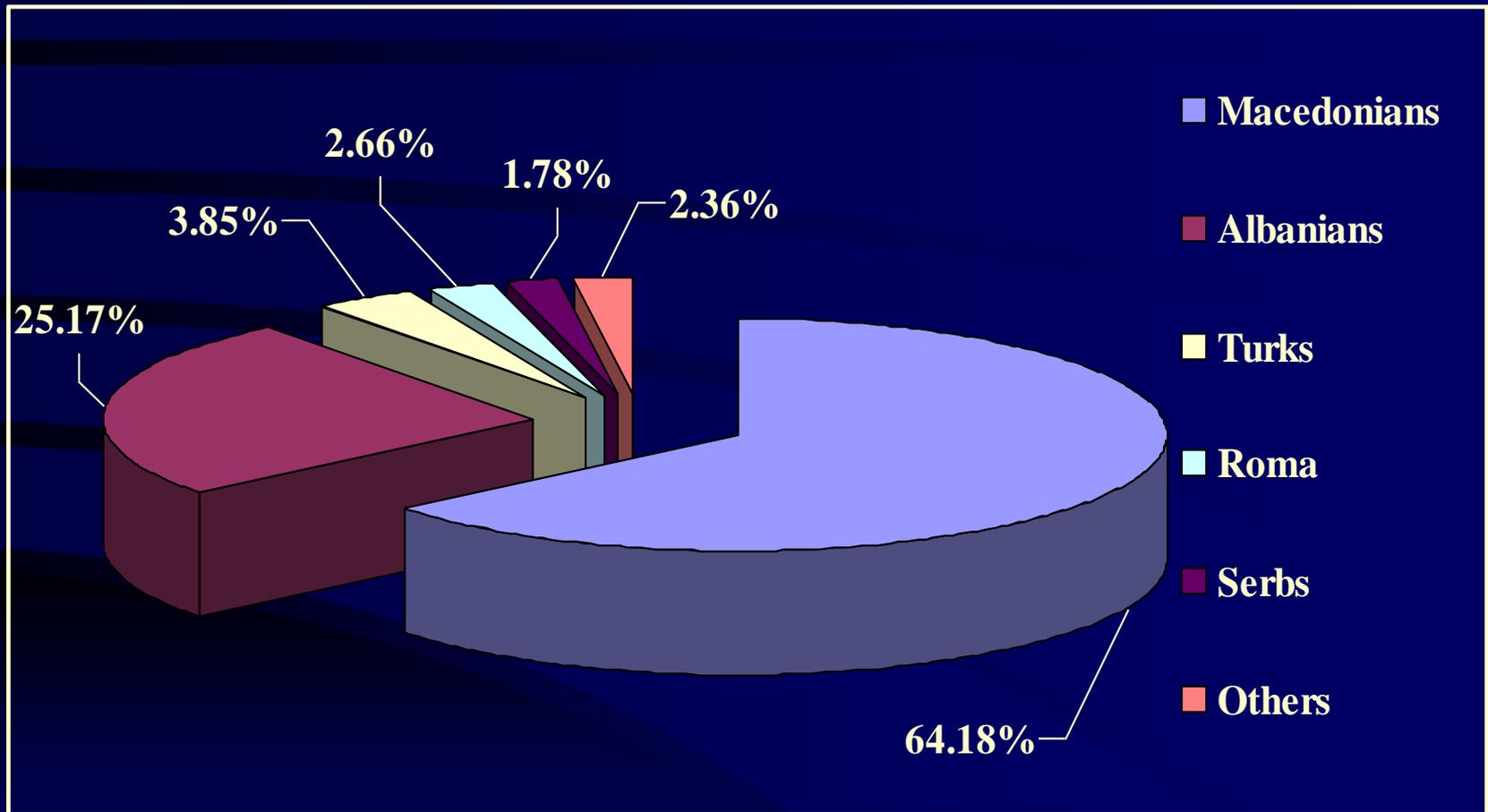
# Important events

- September 8th, 1991, a referendum on sovereignty and independence
- November 17th, 1991, Constitution was adopted
- April 26th, 1992, monetary independence and introduction of new national currency - Denar
- April 8th, 1993, Macedonia became the 181st member of the UN
- April 1993, Macedonia became a member of the World Bank and the IMF
- April 4th, 2003, Macedonia became a member of the WTO
- November 2005, Macedonia became candidate country for membership in the EU

# Demography

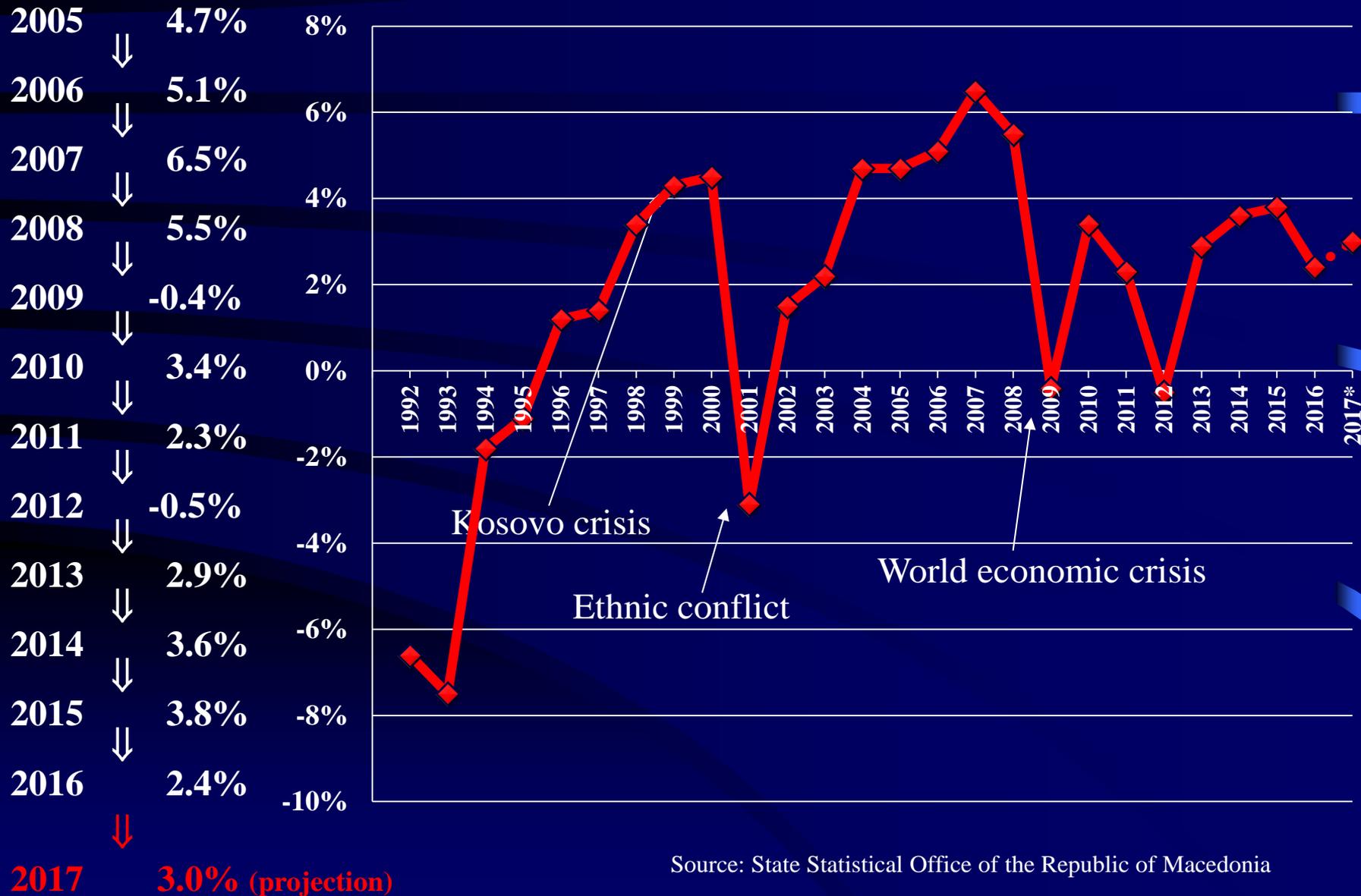
- Total area: 25,713 square km
- Total population: 2.0 million
- Growth rate: 0.4%
- Rural: 40.2%
- Urban: 59.8%

# Ethnic composition



Source: Census 2002, State Statistical Office of the Republic of Macedonia

# Gross Domestic Product (in %)



Source: State Statistical Office of the Republic of Macedonia

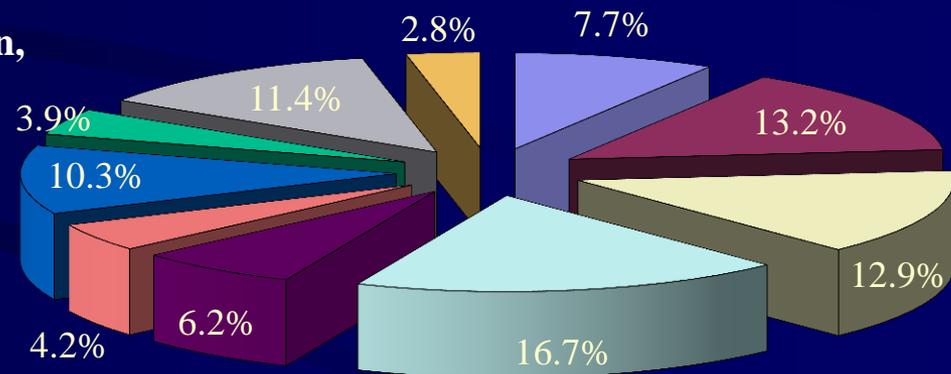
# GDP per capita (in US\$)

2005	3,080
2006	3,380
2007	4,100
2008	4,864
2009	4,599
2010	4,581
2011	5,096
2012	4,726
2013	5,233
2014	5,486
2015	4,850
2016	5,256



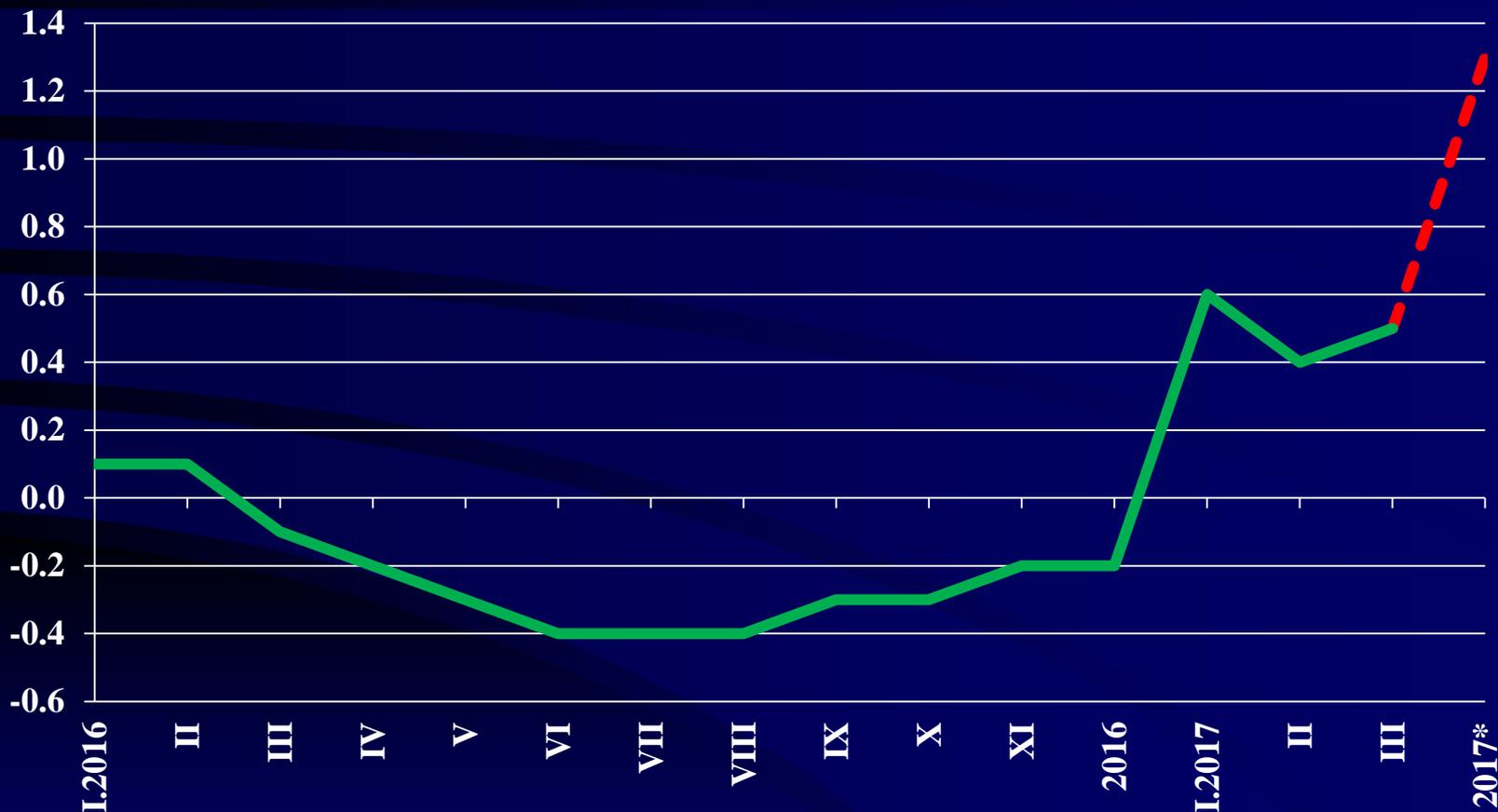
# Main components of GDP in 2016

16.7	Trade (wholesale and retail)
13.2	Mining, quarrying, manufacturing, electricity, gas and water supply
12.9	Construction
11.4	Public administration and defense, compulsory social security, education, health and social work
10.3	Real estate activities
7.7	Agriculture, forestry and fishing
6.2	Information and communication
4.2	Financial and insurance activities
3.9	Professional, scientific, technical activities, administrative services
2.8	Arts, entertainment and recreation, other services



# Inflation

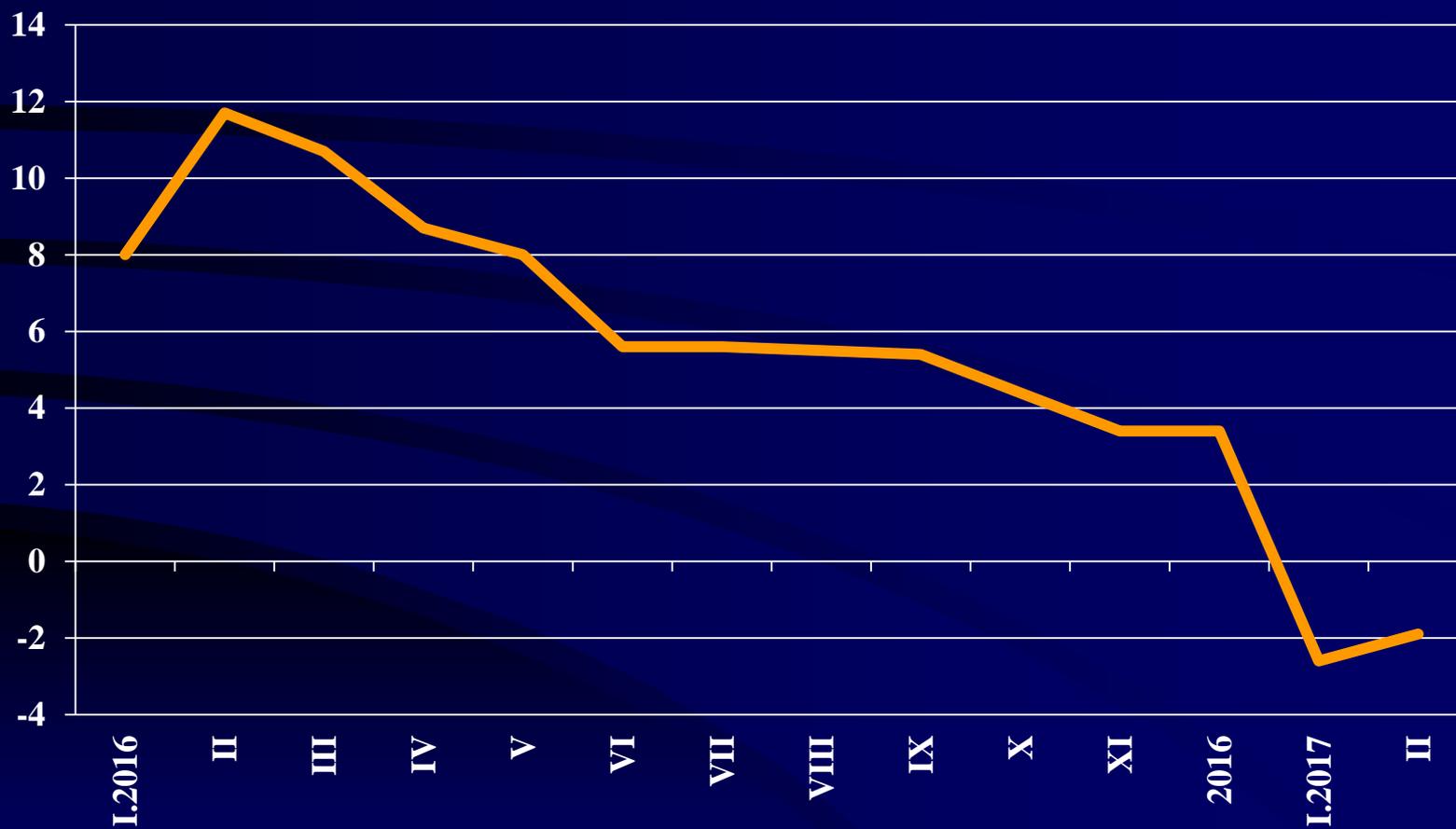
(average rate = period / last year's period)



\* projected

# Industrial output

(average rate = period / last year's period)



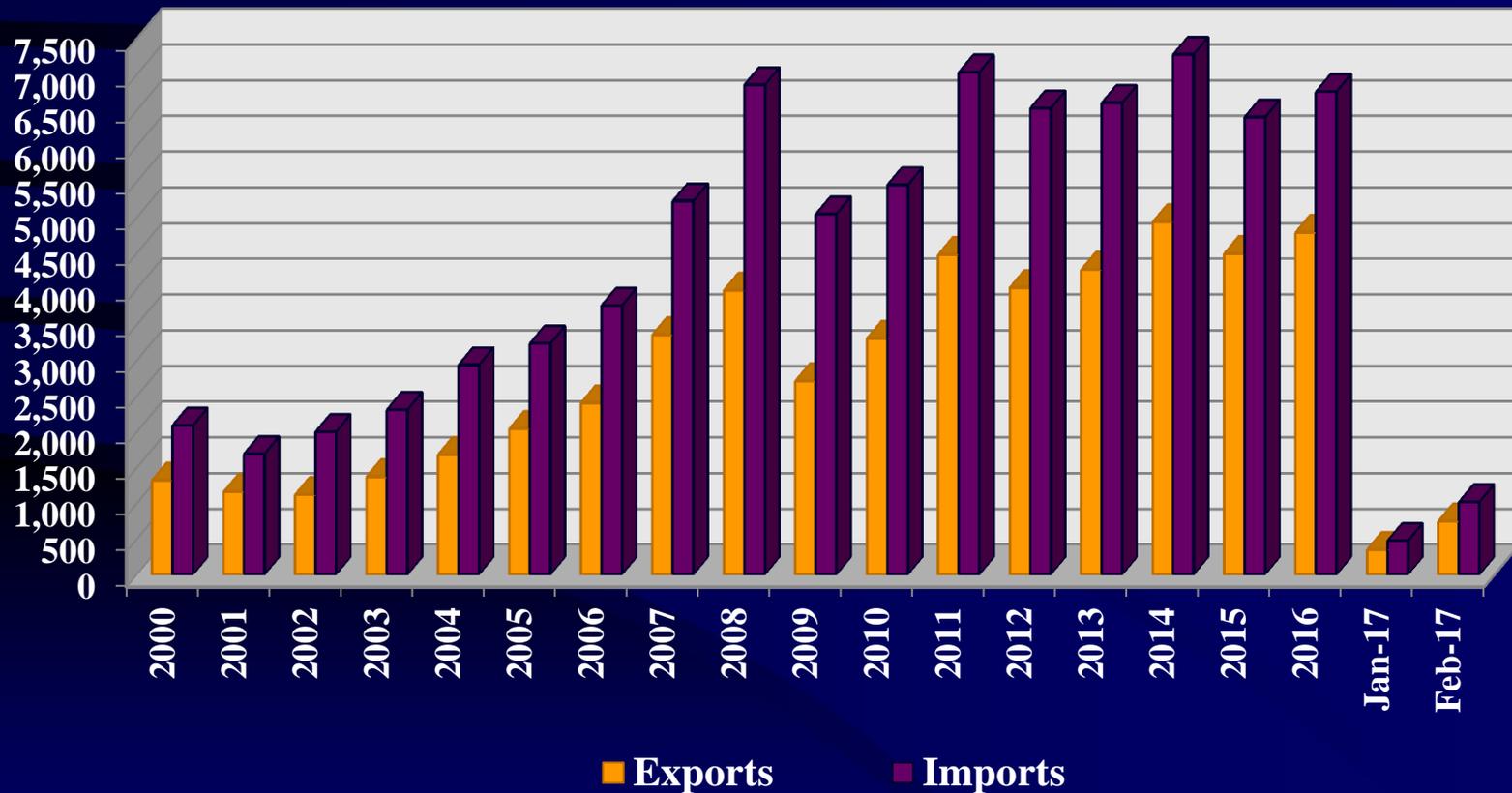
# Industrial output by branches

## (% change)

	Structure	I - II '17	I - II '17
		I - II '16	I - II '16
<b>Total</b>	<b>100.00</b>	<b>98.1</b>	<b>-1.9</b>
<b>Manufacturing</b>	82.94	95.9	-4.1
Production of basic metals	2.59	74.8	-25.2
Food production	11.48	94.9	-5.1
Production of wearing apparel	9.60	77.9	-22.1
Production of other non-metallic minerals	6.29	109.0	9.0
Tobacco industry	2.67	77.7	-22.3
Beverages production	4.45	85.5	-14.5
Production of coke and refined petroleum products	1.28	116.2	16.2
Production of electrical equipment	4.88	98.6	-1.4
Production of fabricated metal products, except machinery and equipment	0.70	170.2	70.2
Production of basic pharmaceuticals and pharmaceutical preparations	2.79	99.1	-0.9
Production of chemicals and chemical products	2.95	129.3	29.3
Production of rubber products and plastics	5.40	100.7	0.7
Production of leather and other leather products	1.16	71.9	-28.1
Textile industry	3.02	82.8	-17.2
<b>Electricity, gas, steam, and air conditioning supply</b>	7.92	119.5	19.5
<b>Mining and quarrying</b>	9.14	94.0	-6.0

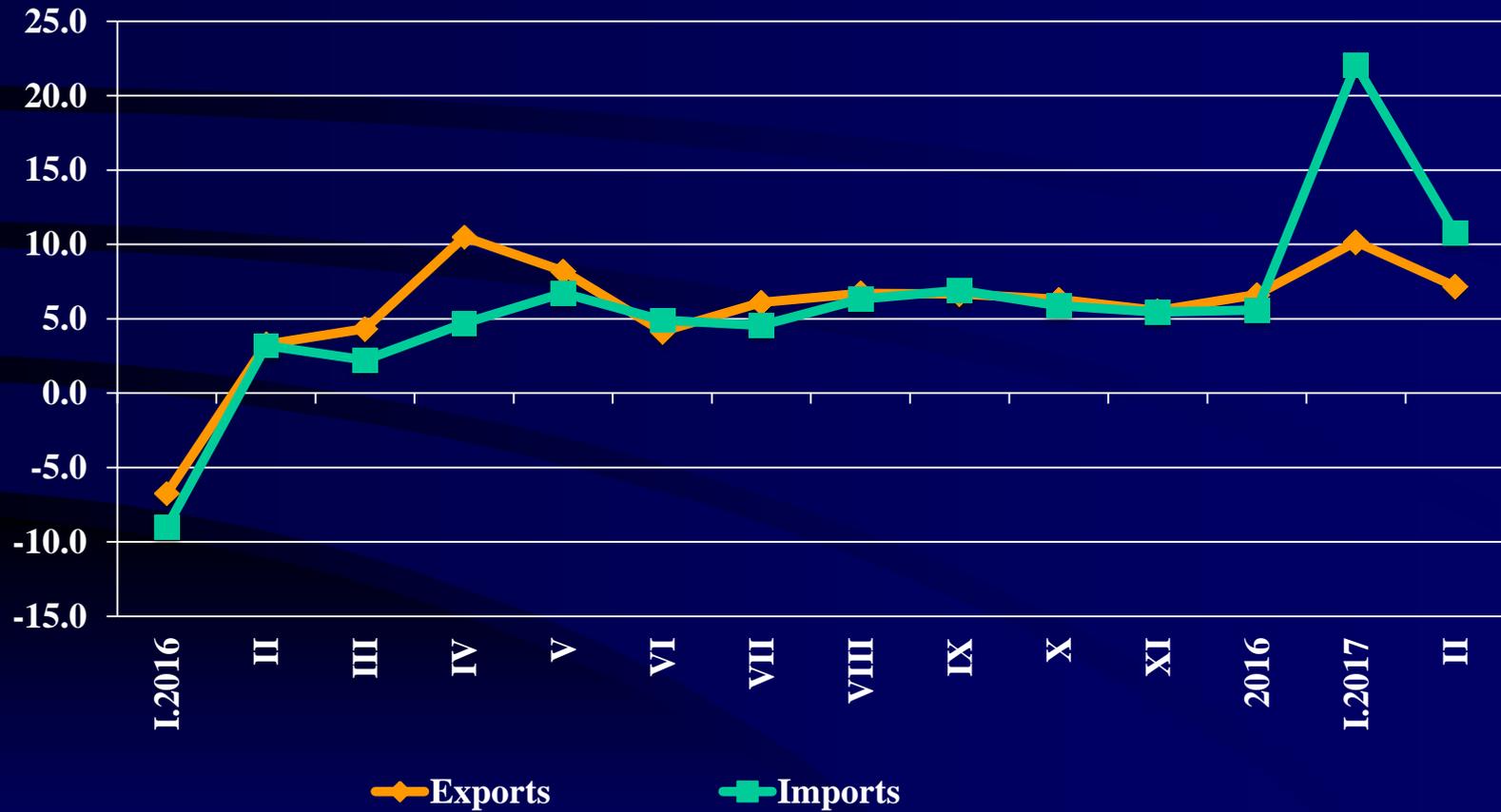
# Foreign trade

(in million US\$)

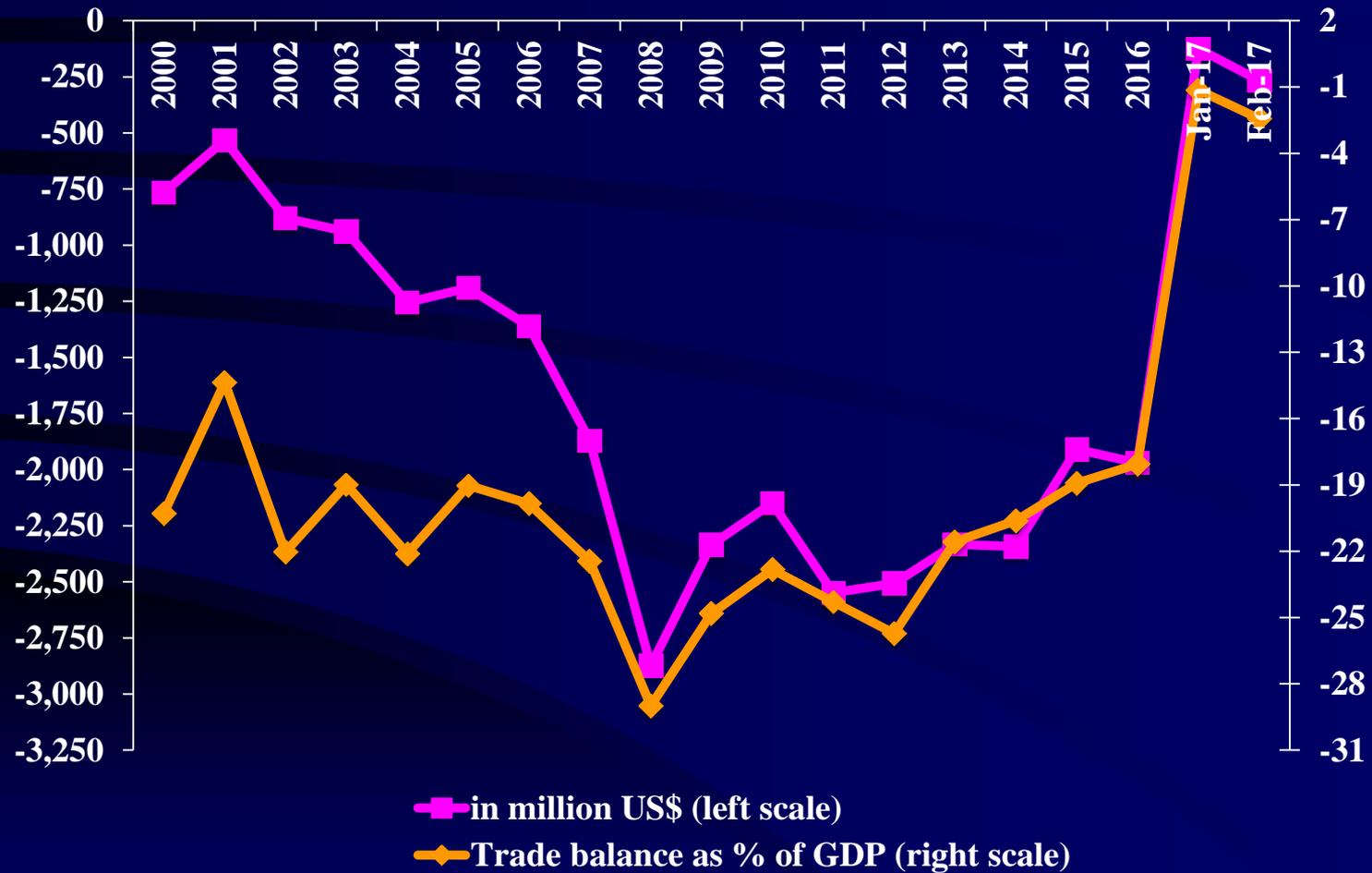


# Foreign trade

(% change = period / last year's period)



# Trade balance



# Top trading partners

(at the end of February 2017, in percent of total)

## • Exports

1. Germany = 50.0%
2. Bulgaria = 5.5%
3. Serbia = 3.8%
4. Belgium = 3.7%
5. Greece = 3.5%
6. Italy = 3.2%
7. Romania = 3.2%

## • Imports

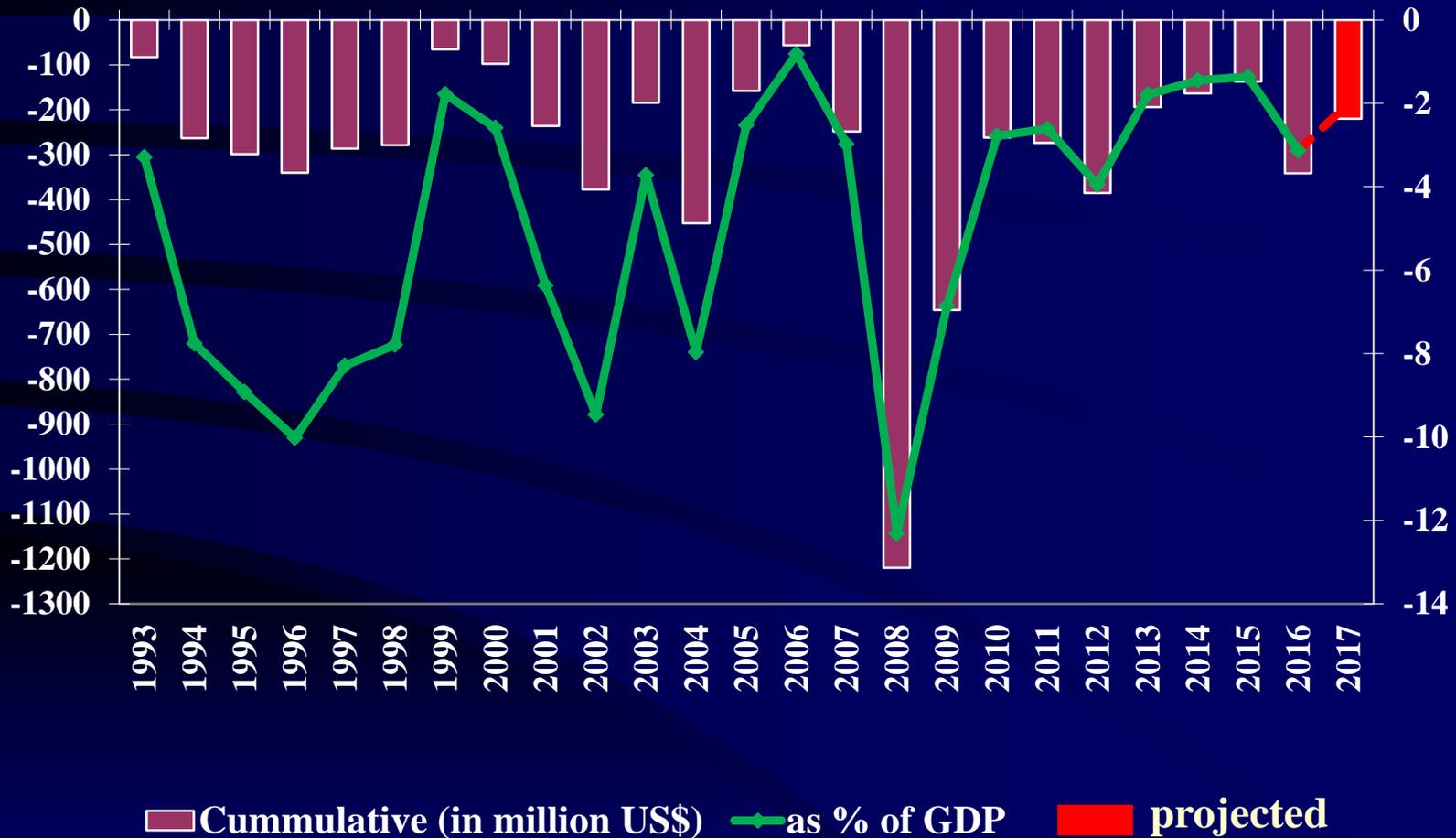
1. Germany = 11.6%
2. UK = 10.6%
3. Greece = 7.7%
4. China = 6.6%
5. Serbia = 6.3%
6. Italy = 5.1%
7. Turkey = 4.3%

# Trade with the USA

(on cumulative basis, in million US\$)



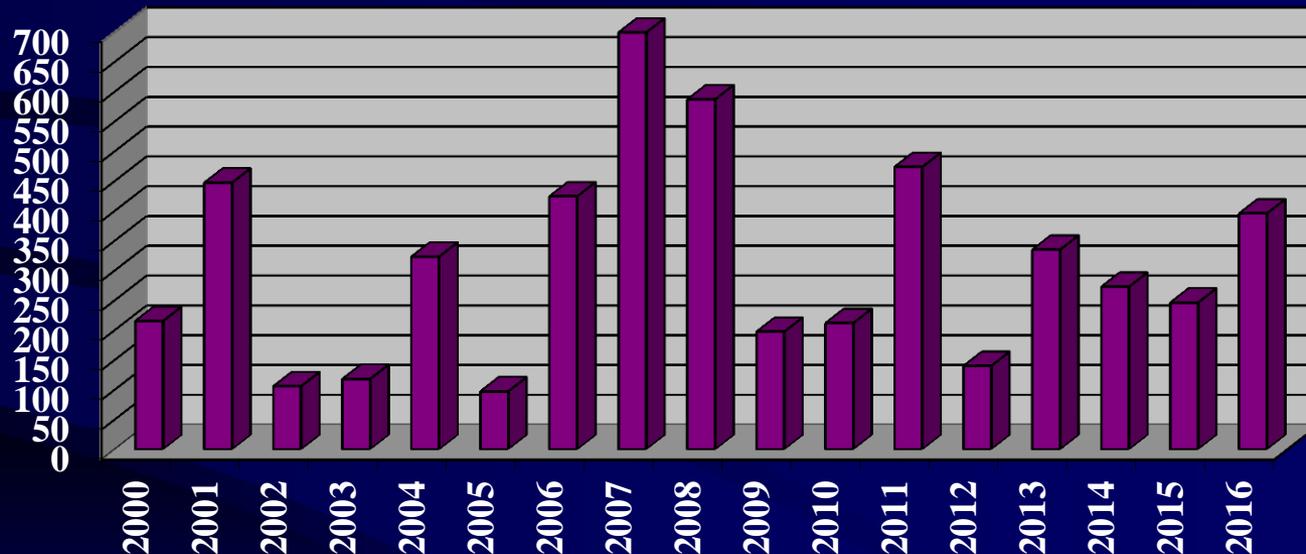
# Current account balance



# Foreign Direct Investment

(in million US\$)

2006	424.2
↓	
2007	699.1
↓	
2008	587.0
↓	
2009	197.1
↓	
2010	211.6
↓	
2011	473.5
↓	
2012	139.7
↓	
2013	334.7
↓	
2014	272.5
↓	
2015	245.9
↓	
2016	395.5



# Foreign exchange reserves

(in million US\$)

Dec.2004 985.7



Dec.2005 1,331.1



Dec.2006 1,871.0



Dec.2007 2,219.2



Dec.2008 2,106.2



Dec.2009 2,289.8



Dec.2010 2,276.9



Dec.2011 2,666.6



Dec.2012 2,891.4



Dec.2013 2,746.9



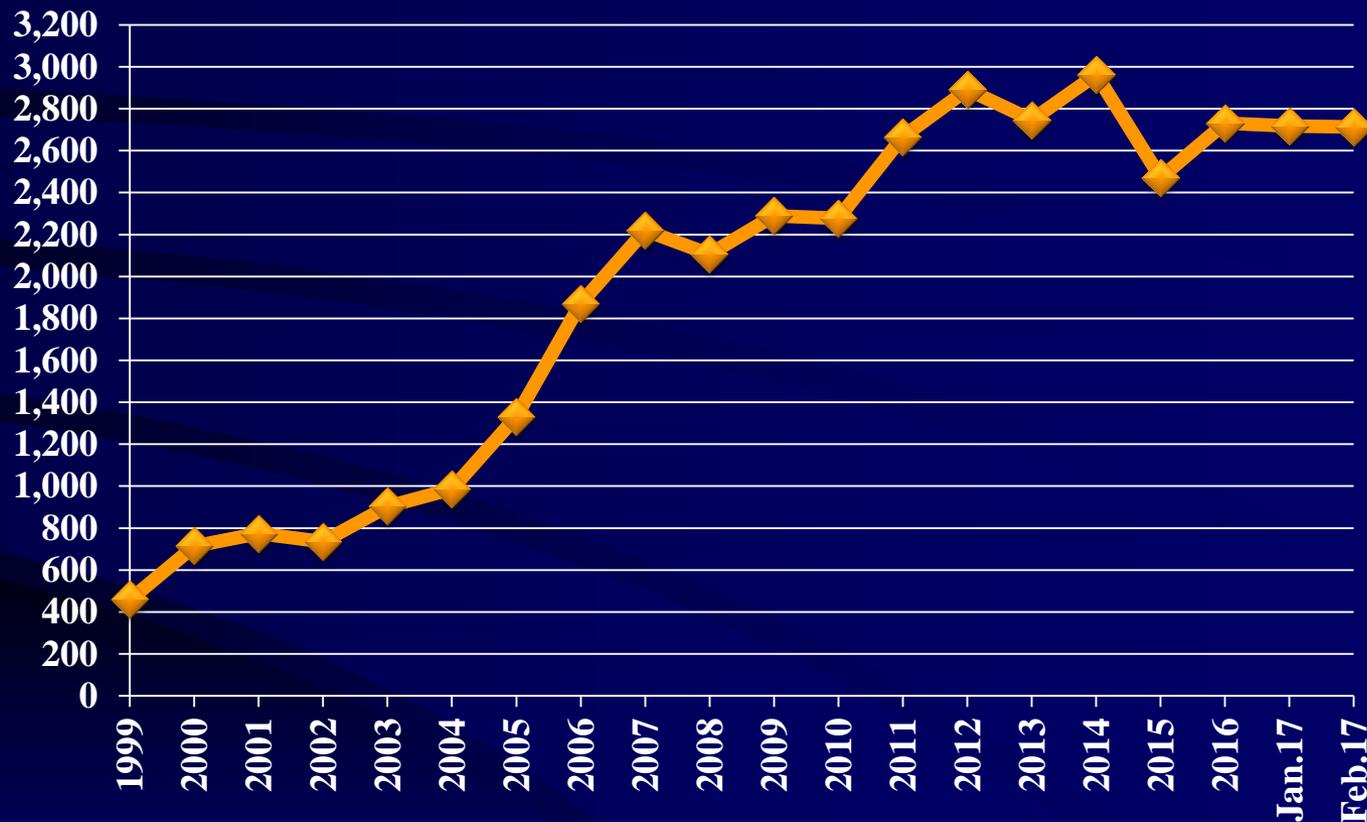
Dec.2014 2,962.8



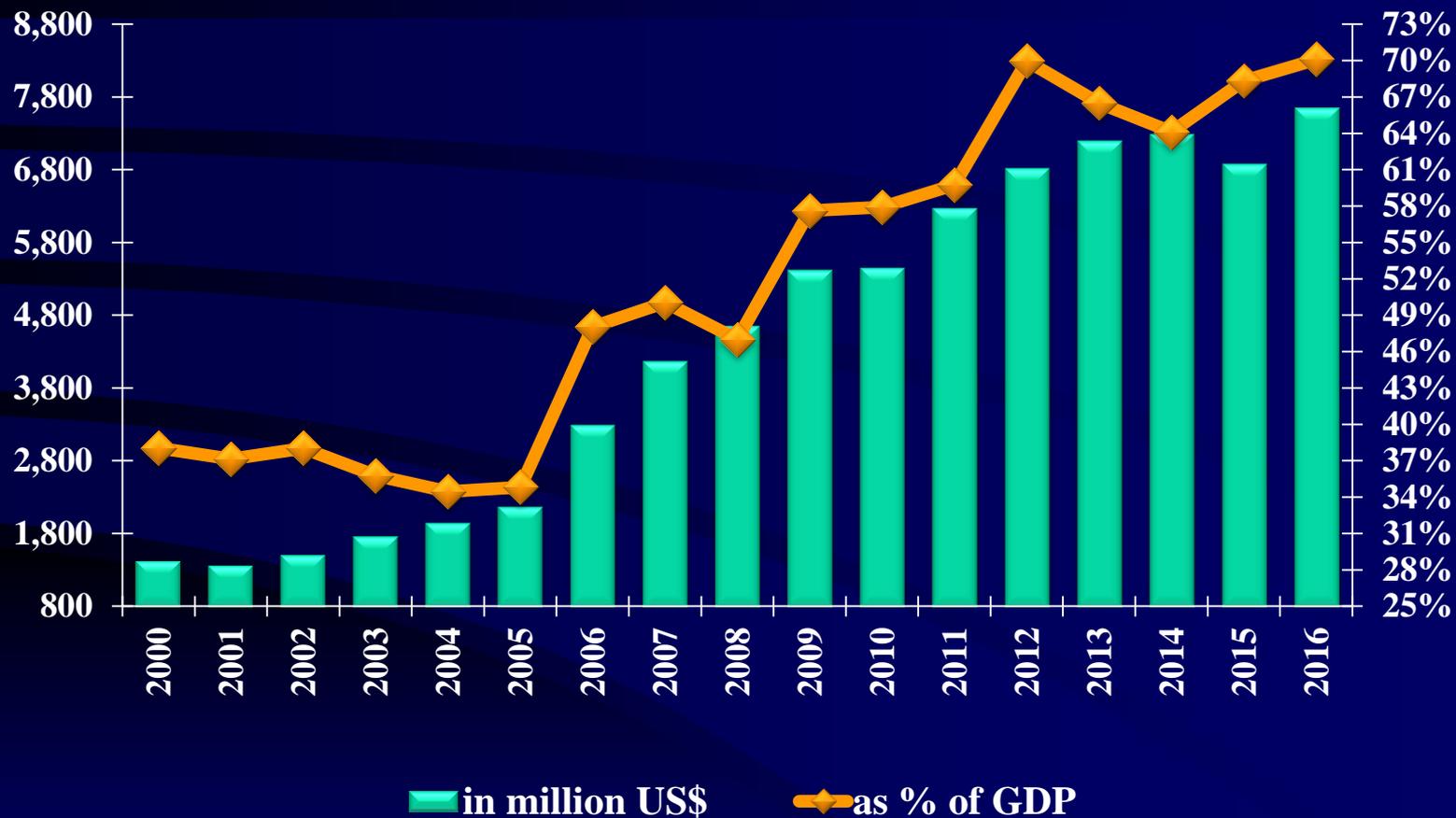
Dec.2015 2,471.2



Dec.2016 2,731.8

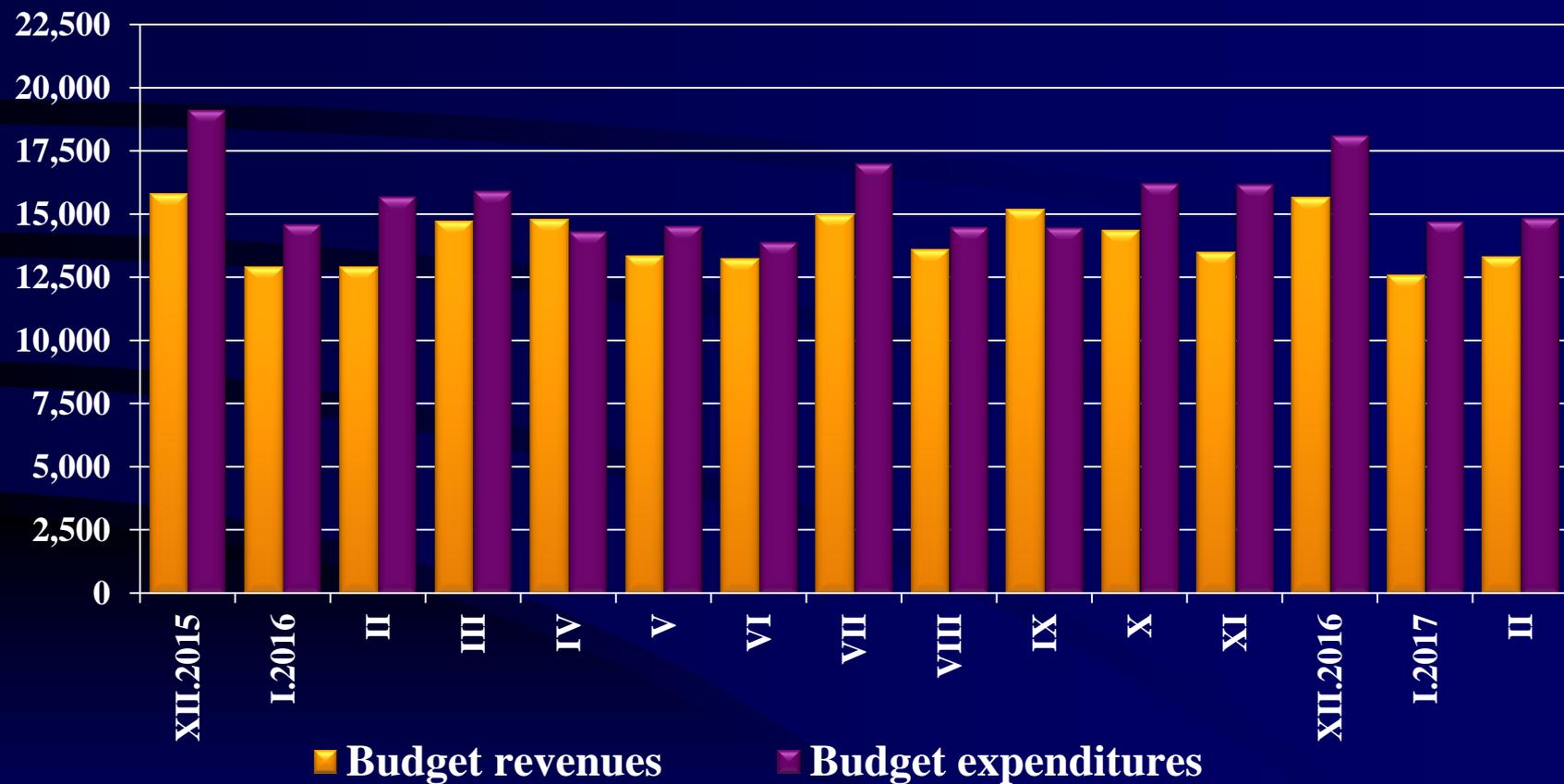


# External Debt



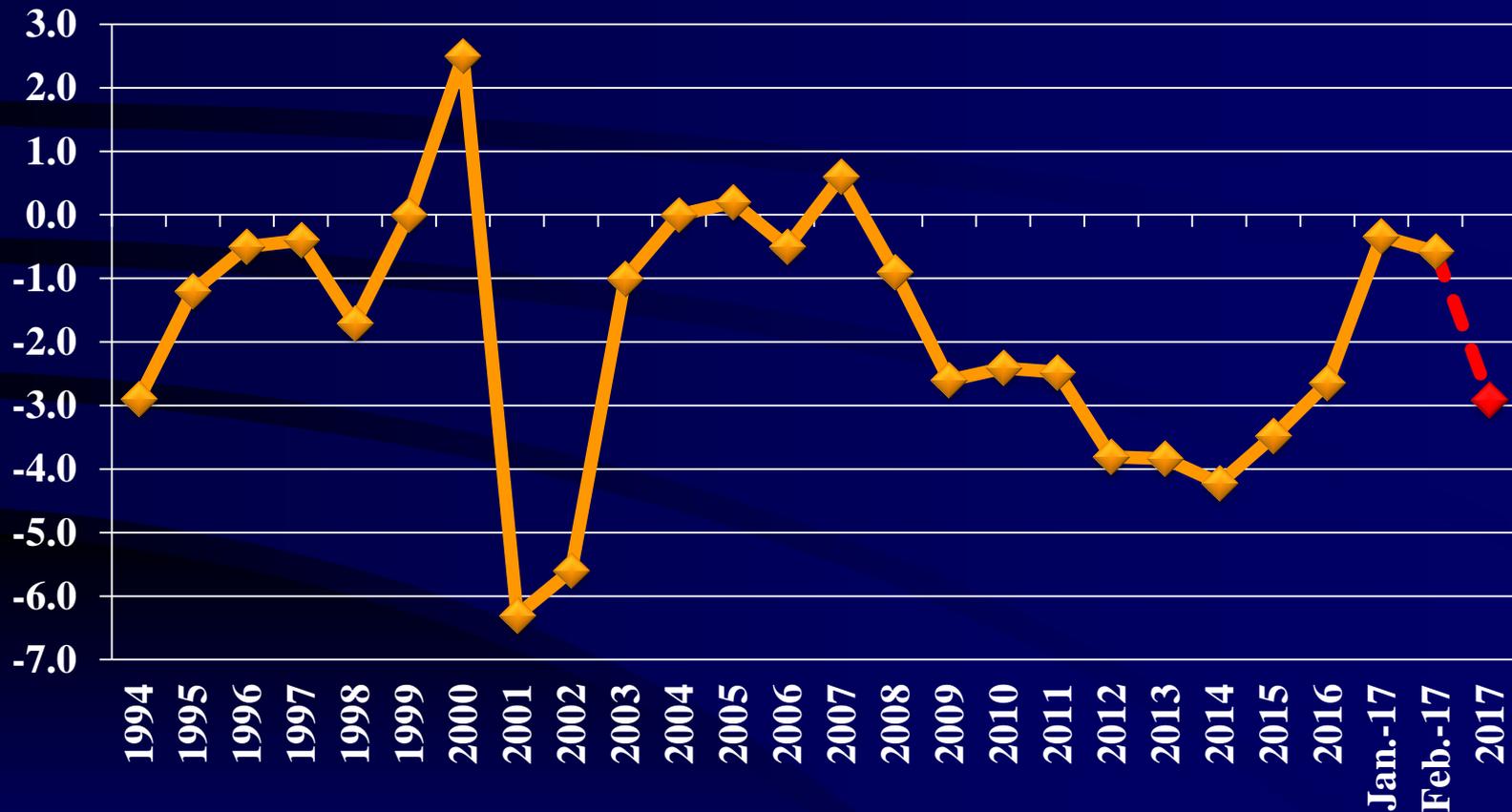
# Budget revenues and expenditures

(in million Denar)



# Budget balance

(as % of GDP)

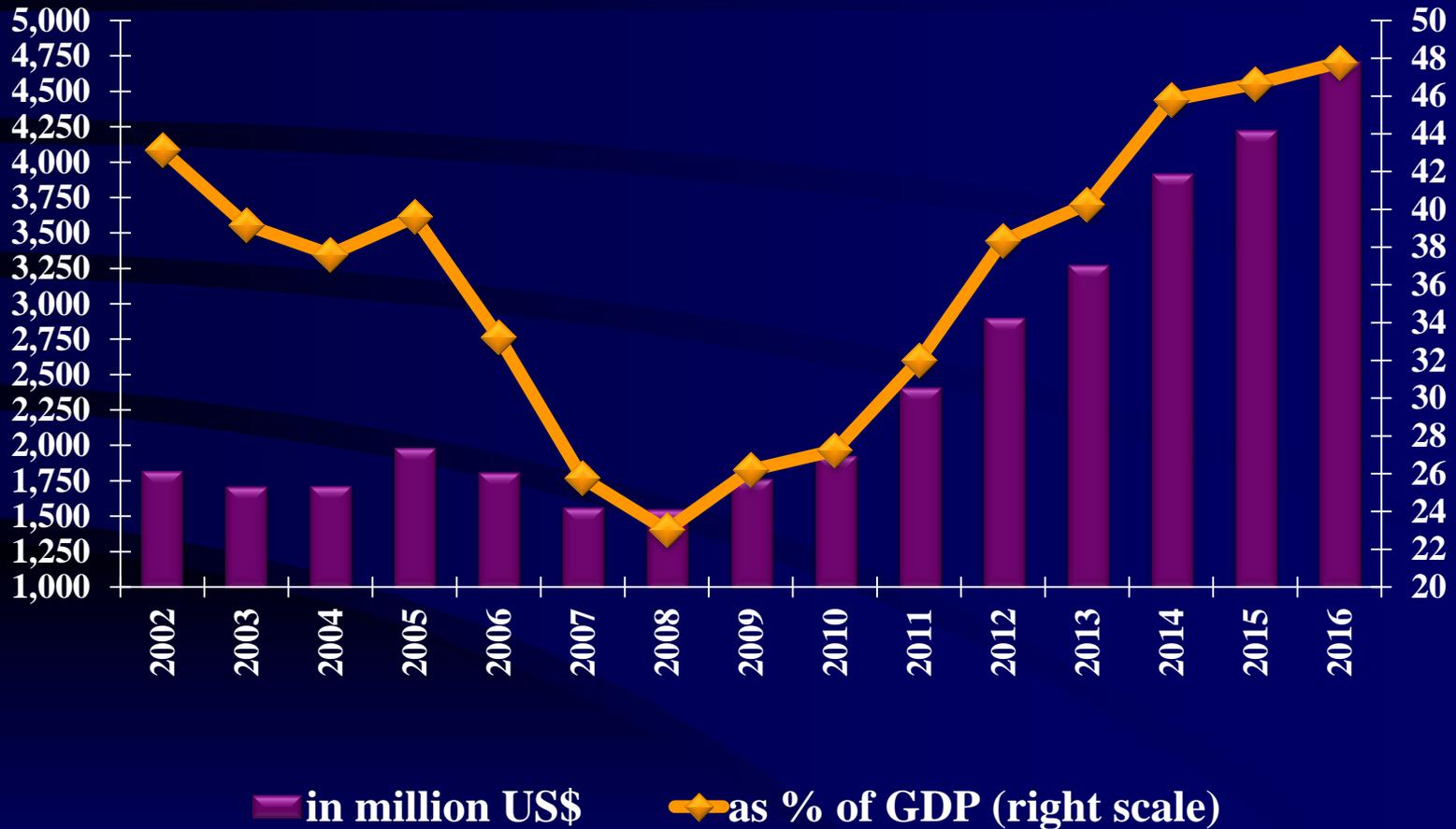


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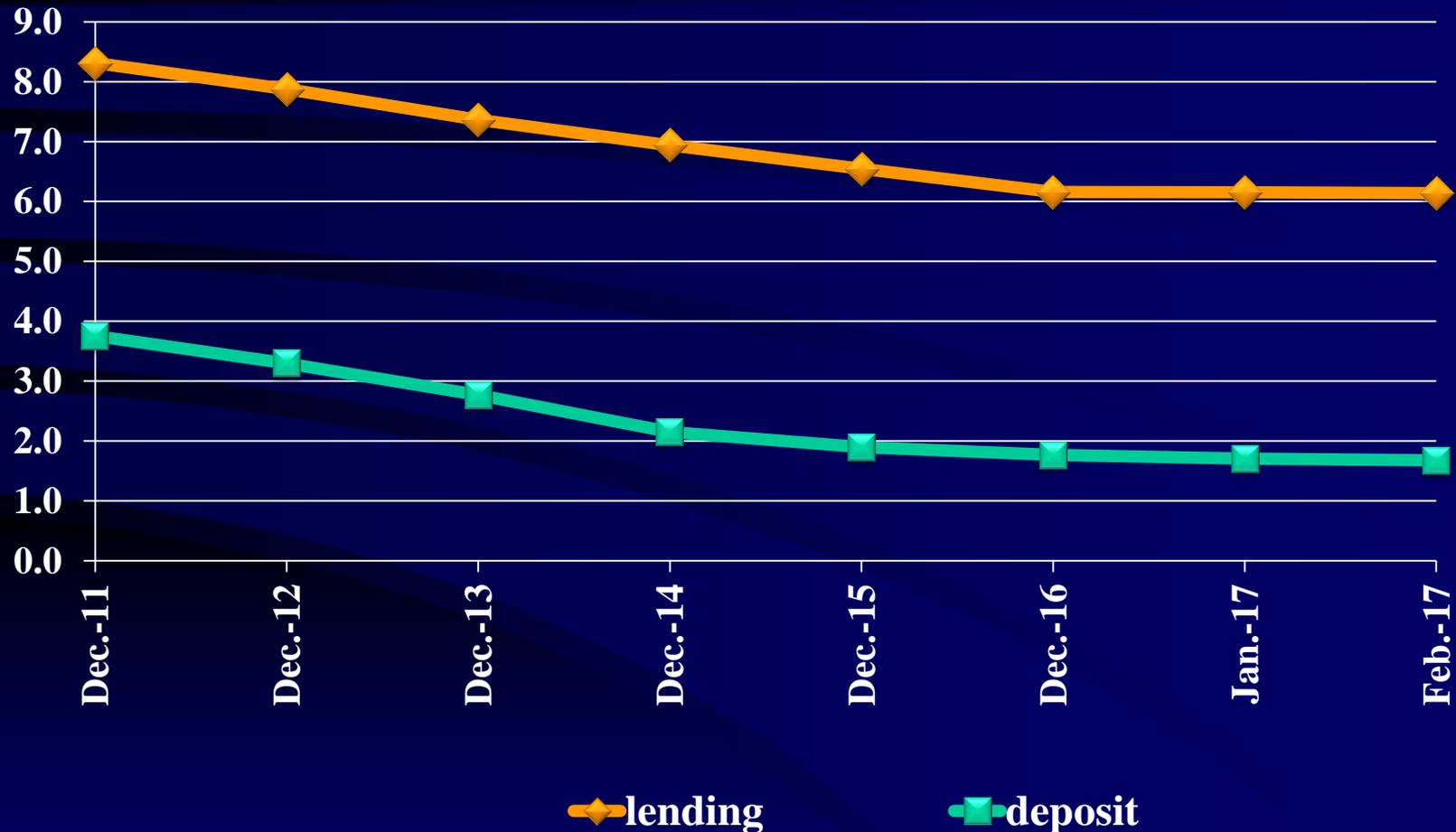
# Fiscal performance (February 2017, in million denars)

	January - February		Index	January - February 2017	
	2016	2017	2017/2016	% share	% of plan
<b>Total Budget revenues</b>	25,844	25,864	100.1	100.0	13.8
1. Primary revenues	17,357	17,498	100.8	67.7	13.8
A. Tax revenues	14,883	14,982	100.7	57.9	13.8
- personal income tax	2,035	2,153	105.8	8.3	14.1
- profits tax	1,177	1,276	108.4	4.9	11.0
- VAT	7,742	7,889	101.9	30.5	15.2
- excises	2,869	2,657	92.6	10.3	11.8
- import duties	714	758	106.2	2.9	15.0
B. Non-tax revenues	2,474	2,516	101.7	9.7	14.4
2. Capital revenues	531	89	16.8	0.3	3.4
3. Foreign donations	481	407	84.6	1.6	6.5
<b>Total Budget expenditures</b>	30,301	29,568	97.6	100.0	14.3
1. Current expenditures	28,551	26,696	93.5	90.3	14.9
- wages, salaries and allowances	4,238	4,389	103.6	14.8	16.4
- goods and services	2,520	2,120	84.1	7.2	10.8
- transfers	20,813	19,066	91.6	64.5	15.3
- interest	980	1,121	114.4	3.8	13.6
2. Capital expenditures	1,750	2,872	164.1	9.7	10.7
<b>Financing</b>	4,457	3,674	82.4		19.7
1. Borrowing from abroad	612	499	81.5		2.8
2. Domestic borrowing	3,607	2,468	68.4		13.8
3. Deposits	1,164	1,567	134.6		94.2
4. Repayment of principal (outflow)	926	860	92.9		4.6

# Public Debt

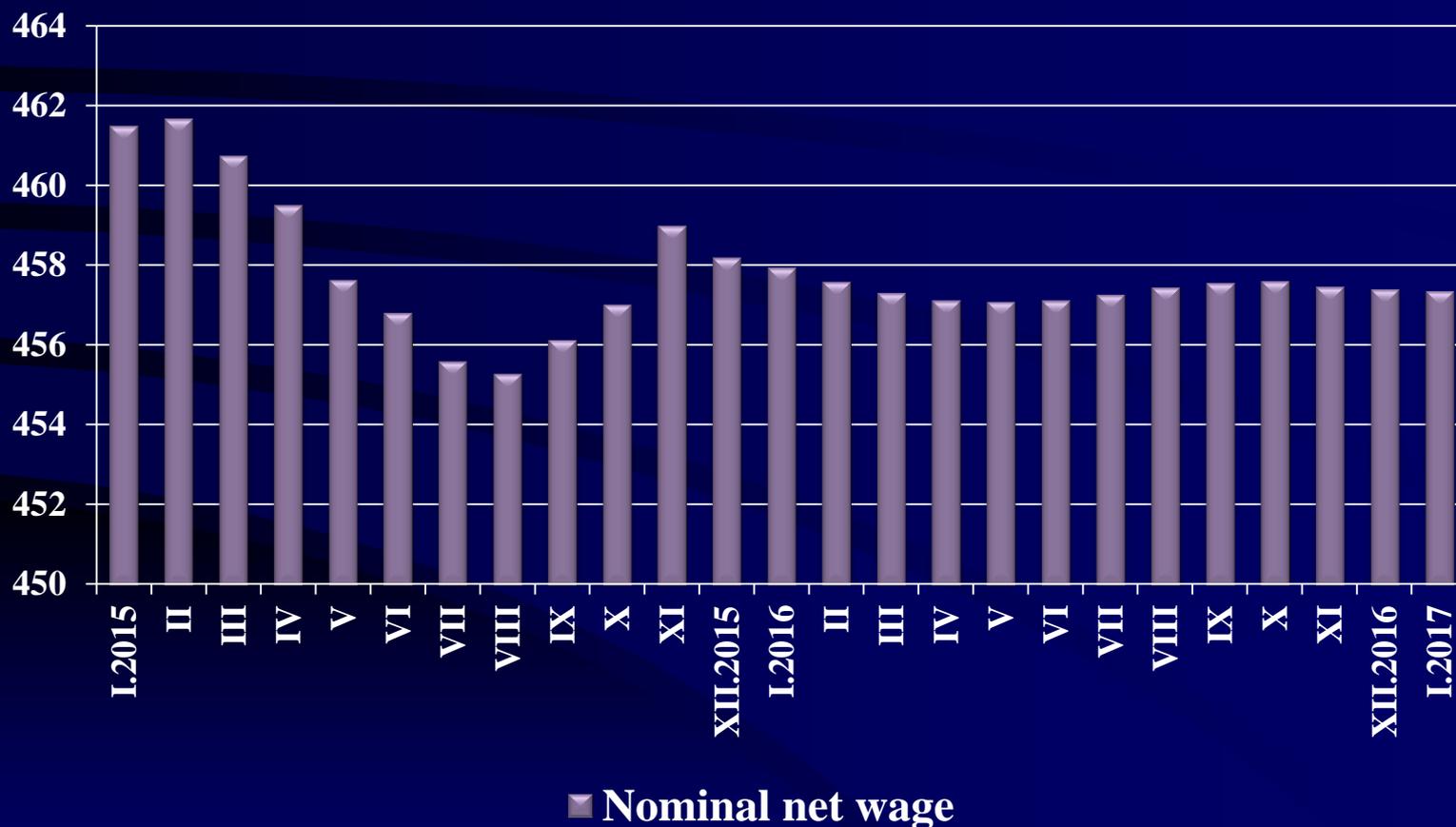


# Nominal Weighted Interest Rates

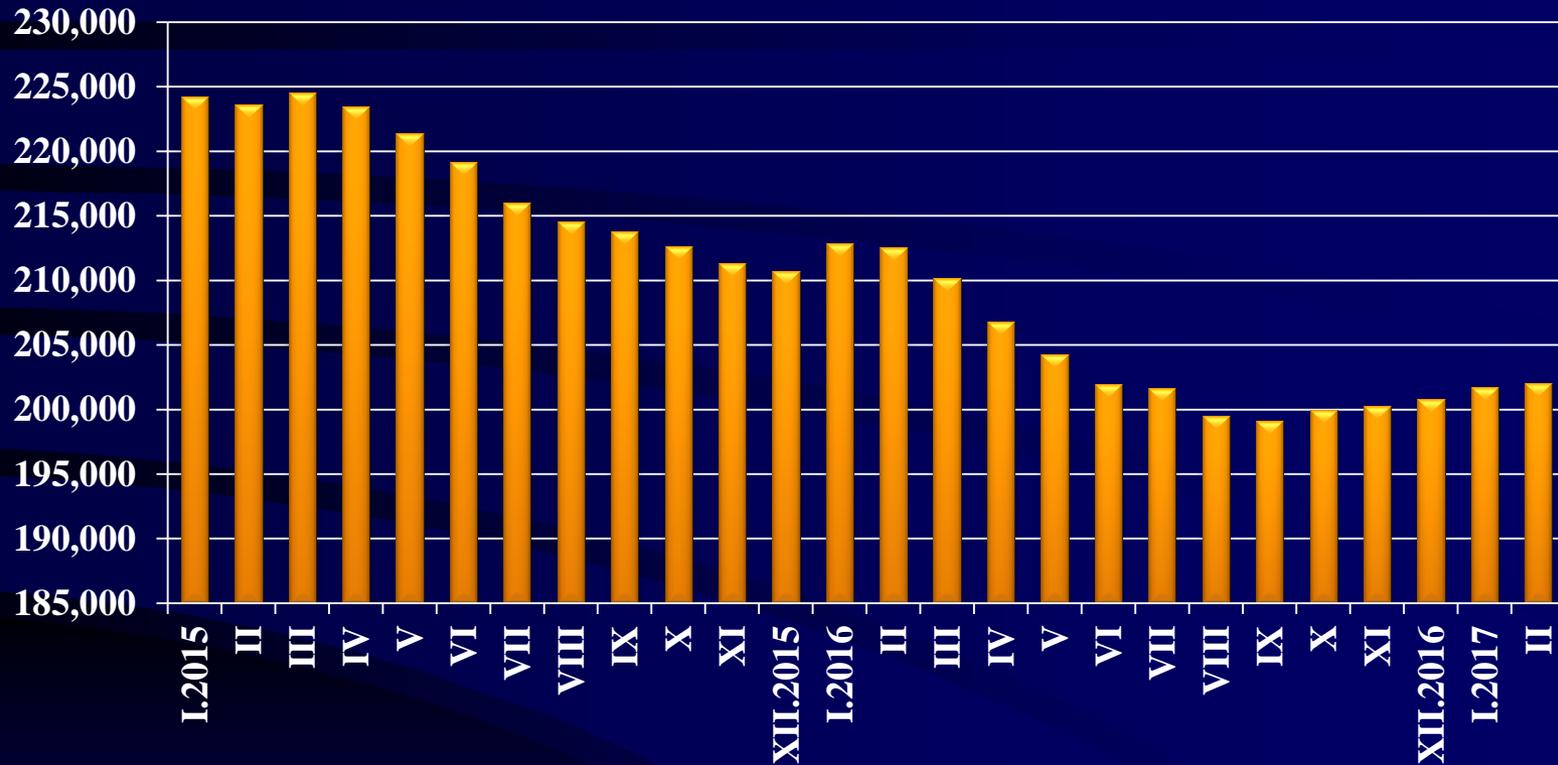


# Nominal Net Wages

(in US\$)



# Unemployment (in percent)



\* Source: Labor Force Survey (State Statistical Office)

- 30.4% of the population lived below the poverty line in 2011
- “gray economy” is estimated between 20% and 40% of GDP

# Challenges

- Restore political stability
- Increase transparency and ensure rule of law
- Combat corruption, improve governance, strengthen judiciary
- Pursue fiscal consolidation
- Strengthen linkages between FDI and domestic firms
- Increase private sector's role in the economy
- Improve skills of labor force; reduce brain drain
- Implement reforms needed for EU and NATO accession