

## MACEDONIA ECONOMY REPORT

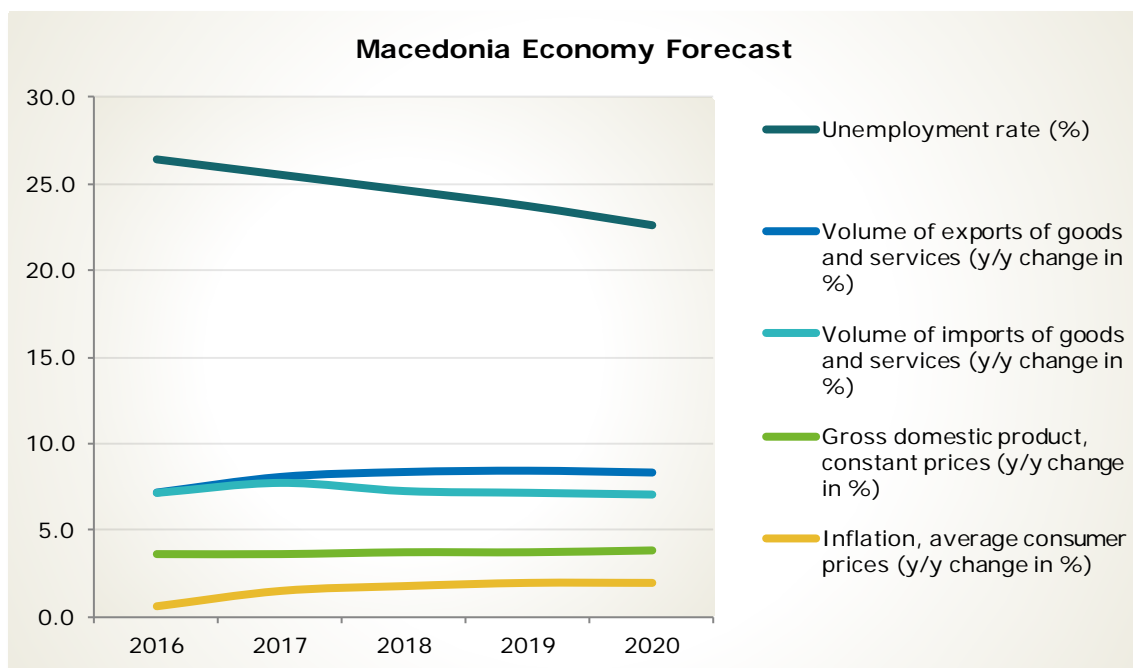
### Q1 2016

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## 1. MACROECONOMIC SNAPSHOT AND FORECAST

MACEDONIA - MACROECONOMIC SNAPSHOT AS OF Q1 2016	
GDP Growth	2.0% y/y
Industrial output	10.7% y/y
Industrial sales	9.3% y/y
Wholesales	9.1% y/y
Retail sales	16.0% y/y
Average annual deflation	0.1%
Unemployment rate	24.5%
Number of building permits	7.6% y/y
Money supply growth	6.2% y/y
Household loans	12.3% y/y
MBI10 blue-chip index	-1.3% y/y
Gross external debt	EUR 6.707 bln
Current account deficit	EUR 11.651 mln
Net FDI inflow	EUR 58.698 mln
Foreign trade deficit	EUR 373.0 bln
Number of foreign tourist overnights	15.1% y/y



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2016

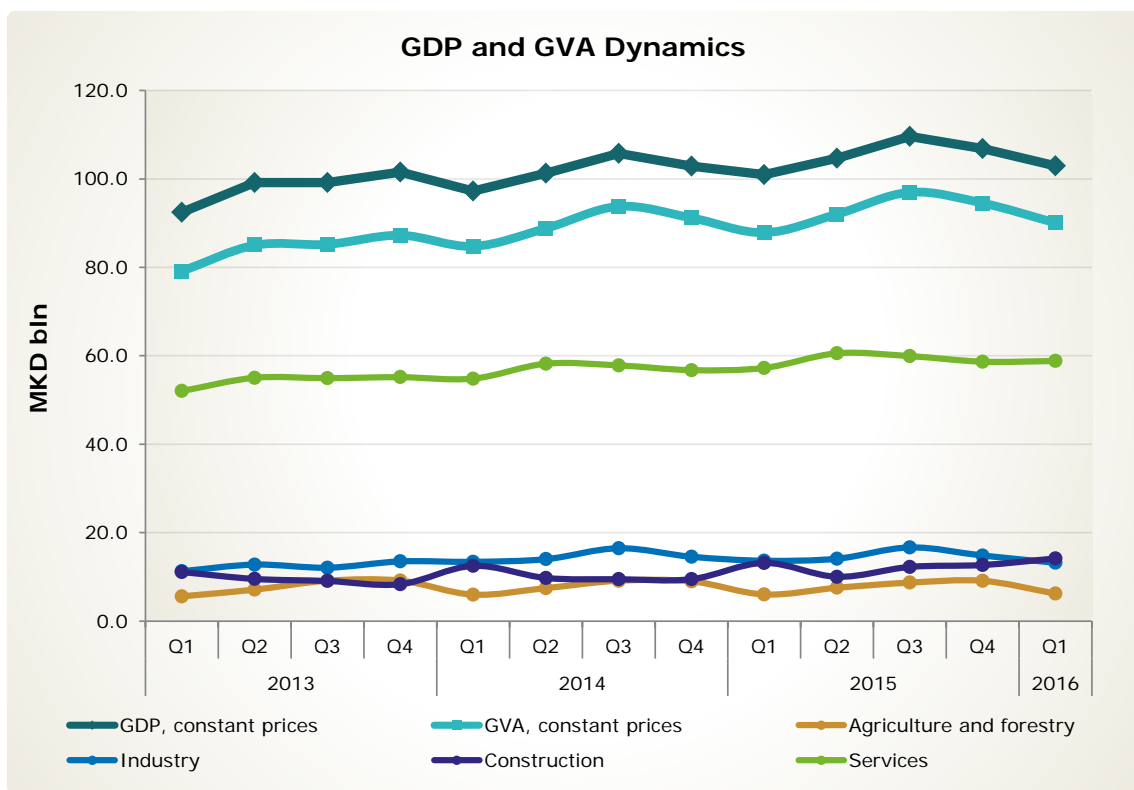
## 2. REAL SECTOR

### 2.1. GROSS DOMESTIC PRODUCT (GDP)

*GDP went up by real 2.0% y/y in Q1 2016, compared to a 3.8% y/y growth in Q1 2015*

The country's GDP decreased by a real 2.0% y/y and totalled MKD 102.9 bln in Q1 2016, according to preliminary data of the State Statistical Office of the Republic of Macedonia (SSORM).

Final consumption, which contributed 85.9% to the GDP, increased in value terms by 3.6% y/y to MKD 88.447 bln in Q1 2016. Gross capital formation went down by 9.1% to MKD 30.523 bln, contributing 29.7% to the GDP. Both exports and imports grew - by 14.7% and 7.6%, respectively.



Source: SSORM

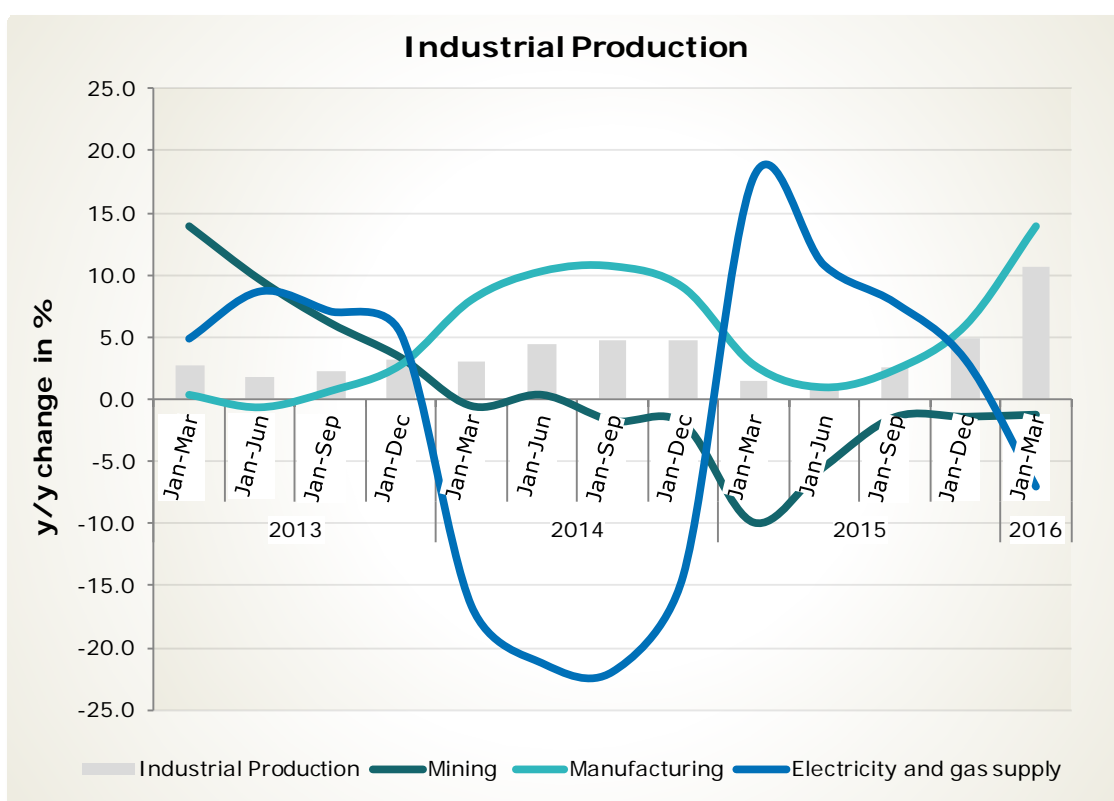
The gross value added (GVA) generated by the national economy increased in value by 2.1% y/y in Q1 2016 and totalled MKD 90.049 bln. The agricultural sector registered an increase of 3.2%, but its share in the GVA inched down to 6.9% from 6.8%. The industrial sector went down by 3.4% and its share in the GVA structure decreased to 14.6% from 15.5%. The construction industry grew by 7.7%, thus slicing a 15.7% share, an increase in comparison to the 14.9% share in Q1 2015. The services sector recorded a 2.7% increase, slicing a 65.3% share in the GVA, compared to 64.9%.

## 2.2. INDUSTRIAL OUTPUT

### Industrial output increased by 10.7% y/y in January - March 2016

Industrial output went up by 10.7% on the year in Q1 2016, according to SSORM. The output of the manufacturing sector rose by 13.9%. The production in the electricity and gas supply sector, and in the mining sector fell by 7.0% and 1.2%.

Manufacturing of wood and of products of wood and cork, except furniture more than tripled and was the segment to report the highest annual production growth, while manufacturing of chemicals and chemical products dropped the most, by 28.0%.

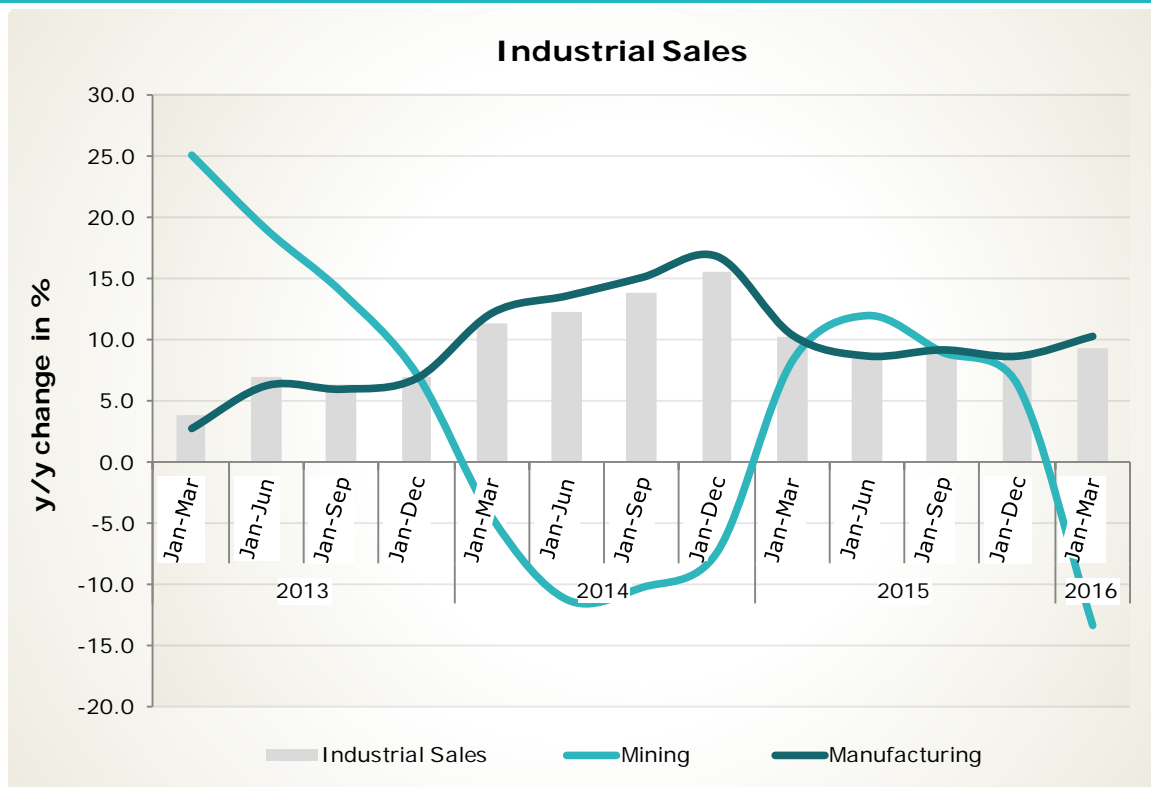


Source: SSORM

## 2.3. INDUSTRIAL SALES

### Industrial sales went up by 9.3% y/y in January - March 2016

Industrial sales rose by 9.3% y/y in the first three months of 2016, according to SSORM data. Sales in the manufacturing sector grew by 10.3%, while sales in the mining sector went down by 13.3%.



Source: SSORM

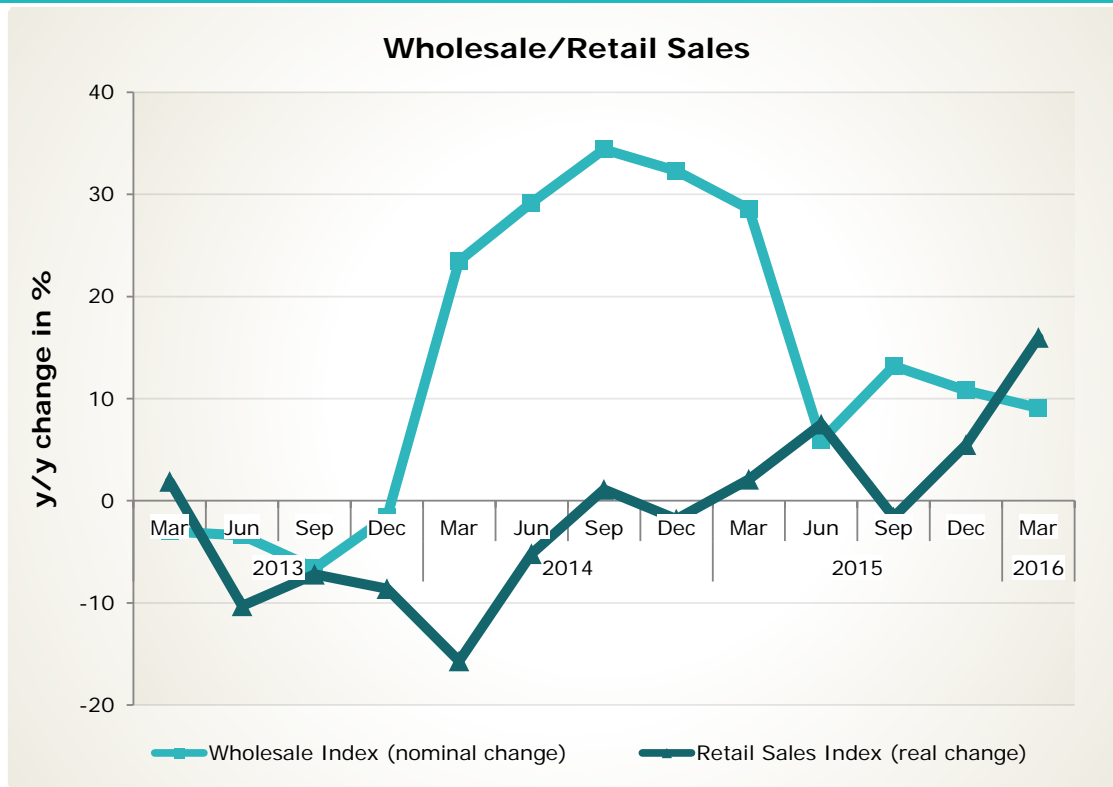
## 2.4. WHOLESALE/RETAIL

### Wholesale and retail grew y/y in March 2016

Retail trade, except motor vehicles and motorcycles, jumped by real 16.0% y/y in March 2016, according to SSORM. In February retail sales increased by 13.3%, while in January they grew by 8.7%.

Retail sales of non-food products (except fuel) marked the highest growth, of 24.3% y/y, in March 2016, while the rise in retail sales of automotive fuel was the weakest, of 3.5%.

The wholesale sector, excluding wholesale of motor vehicles and motorcycles, went up by nominal 9.1% y/y in March 2016. In February and January the sector rose by an annual 11.0% and 16.6%, respectively.



Source: SSORM

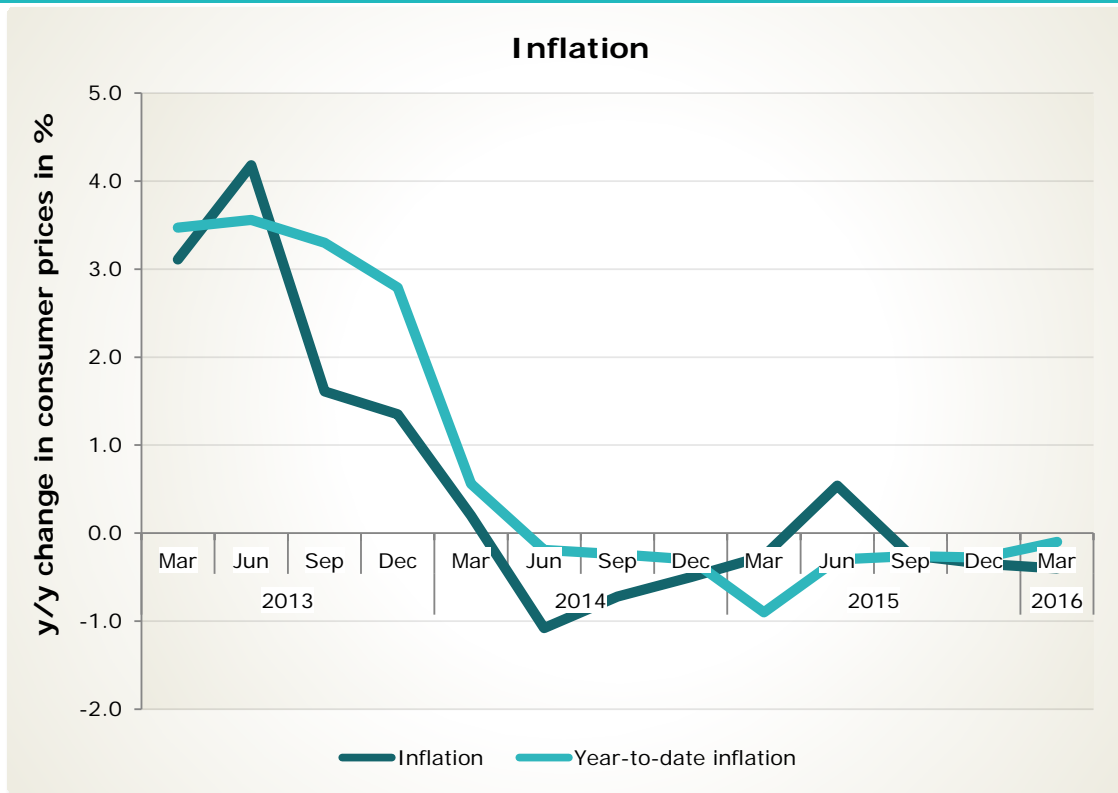
## 2.5. INFLATION

### Annual average deflation of 0.1% in Jan-Mar 2016

In the period of January – March 2016 the average annual deflation slowed down to 0.1% from 0.9% in the same period of the previous year, according to SSORM.

The highest annual average decrease in prices was registered in transportation, communication, and housing, water, electricity, gas and other fuels - 3.7%, 1.5%, and 1.0%, respectively.

The consumer groups that recorded the highest inflation were furnishings and household equipment, recreation and culture, and alcoholic beverages and tobacco - 4.3%, 3.7% and 3.7%, respectively.

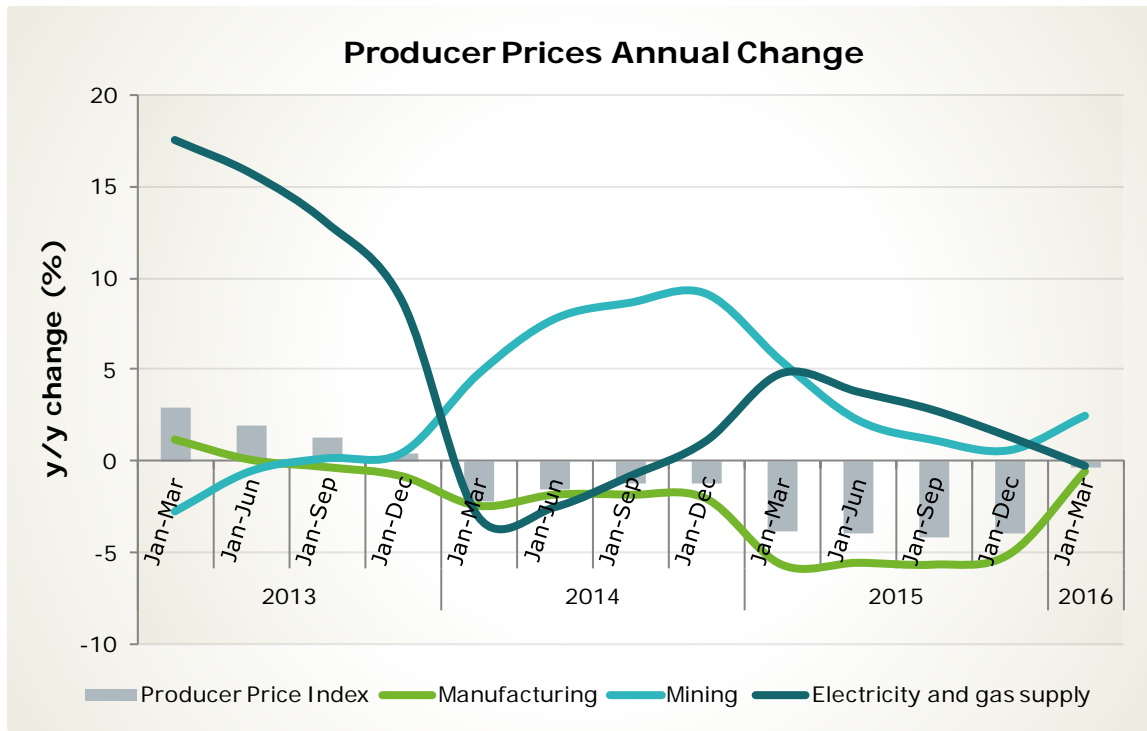


Source: SSORM

Producer prices decreased by 0.3% y/y in Q1 2016 with most of the industries registering a decline – prices in the manufacturing, and electricity and gas supply industries went down by 0.5%, and 0.2%, respectively. Prices in the mining industry rose by 2.5%.

Segment wise, producer prices grew the most, by 16.8%, in the other manufacturing sector, while the sharpest drop, of 13.7%, was in the repair and installation of machinery and equipment.





Source: SSORM

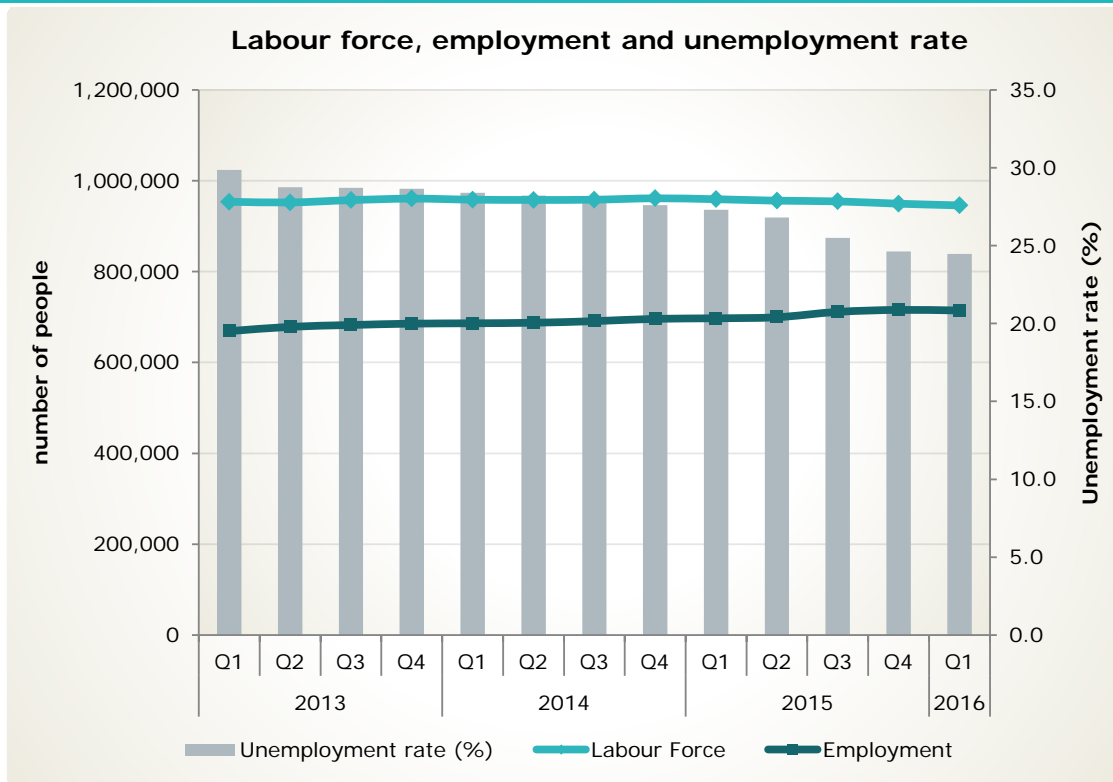
### 3. LABOUR MARKET

#### *Unemployment rate at 24.5%, wages grew 2.8% y/y in Q1 2016*

Unemployment in Macedonia narrowed to 24.5% of the total labour force in the first three months of 2016 from 27.3% a year earlier, according to data of SSORM.

The employed population aged 15 years and older was 714,435 in Q1 2016, up by 2.5% y/y.

The youth (population aged 15-24) unemployment rate went up to 50.2%, compared to 47.6% in Q1 2015.



Source: State Statistical Office

According to data of SSORM, the average monthly salary in Q1 2016 went up by 2.8% in annual terms to MKD 22,040. Employees in the computer programming, consultancy and related activities, and air transport sectors earned the highest salaries, of MKD 44,418 and MKD 44,241, respectively. The advertising and market research activities came third with MKD 42,720. The lowest wages were registered in the manufacture of leather and related products - MKD 11,354, manufacture of wearing apparel - MKD 12,297, and fishing and aquaculture - MKD 12,500.

## 4. CONSTRUCTION AND REAL ESTATE

### *The number of building permits rose by 7.6% y/y in Q1 2016*

The number of building permits issued in Macedonia in Q1 2016 went up by 7.6% y/y and totalled 468, according to SSORM. The buildings construction works value amounted to MKD 8.797 bln, up from MKD 4.185 bln a year earlier.

The number of planned dwellings jumped, by 38.5%, on the year to 1,694. The total built-up area of the housing units, covered by the permits, grew by 37.0% y/y to 134,919 sq m.

## 5. MONEY SUPPLY AND BANKING SYSTEM

### 5.1. MKD EXCHANGE RATE

The average exchange rate of the MKD against the EUR increased to MKD 61.6767 in Q1 2016 from MKD 61.6470 in Q4 2015 and from MKD 61.5516 in Q1 2015, according to National Bank of the Republic of Macedonia (NBRM) data.

MKD Average Exchange Rate			
Foreign Currency	Q1 2016	Q4 2015	Q1 2015
EUR	61.6767	61.6470	61.5516
USD	55.9794	56.2477	54.5937
GBP	80.2357	85.3802	82.7627
CHF	56.3004	56.8146	57.4202

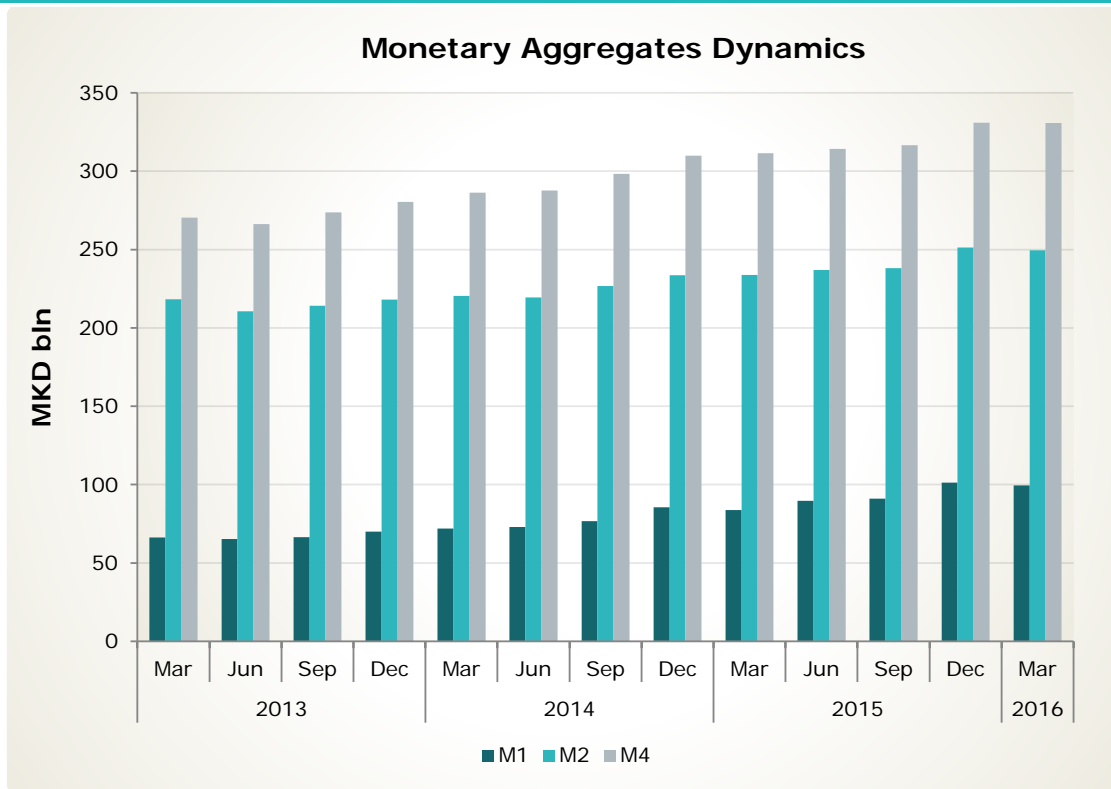
### 5.2. MONETARY AGGREGATES

#### *Money supply growth was 6.2% y/y at end-March 2016*

Broad money (money aggregate M4) increased by 6.2% y/y and reached MKD 330.7 bln at the end of March 2016, according to data provided by NBRM.

The M2 money supply also grew, by 6.7% y/y, to MKD 249.6 bln.

Money aggregate M1, or narrow money, jumped by 18.8% to MKD 99.419 bln.



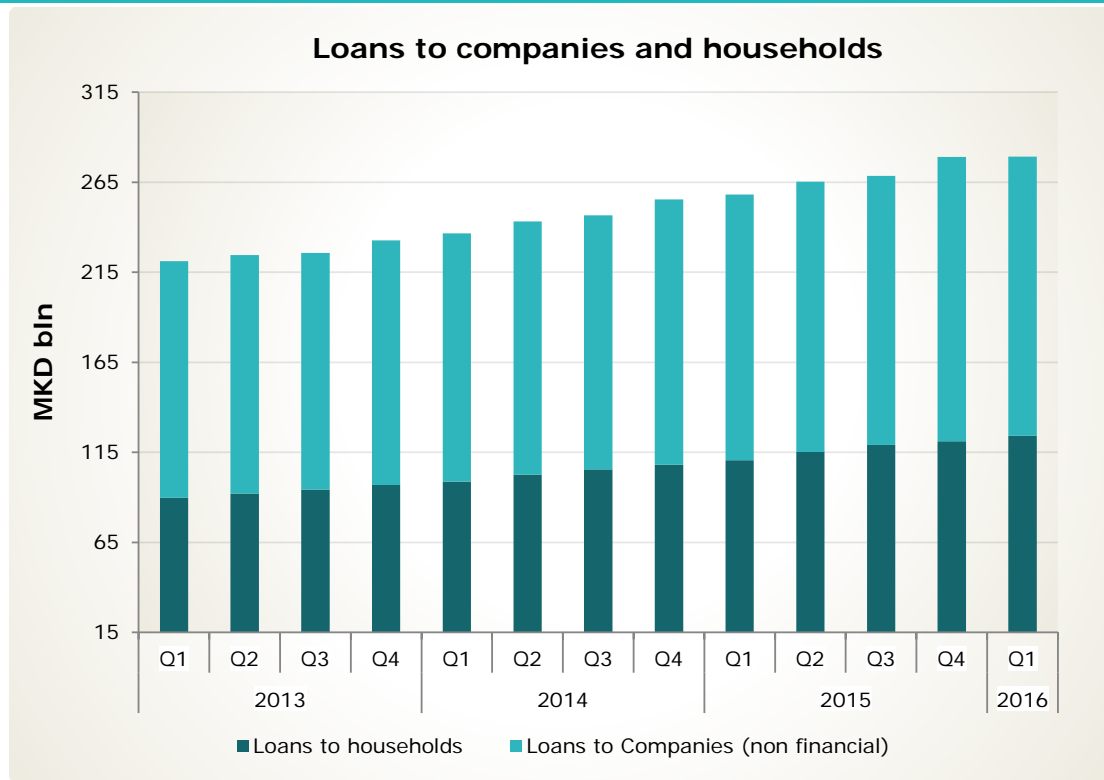
Source: NBRM

### 5.3. BANKING AND INSURANCE

#### *Household loans increased by 12.3% y/y in Q1 2016*

Loans to the non-government sector totalled MKD 279.2 bln in Q1 2016, up by 8.2% y/y, according to NBRM.

Household loans jumped by 12.3% to MKD 124.2 bln. Loans to non-financial corporations rose by 5.1% to MKD 155.0 bln.



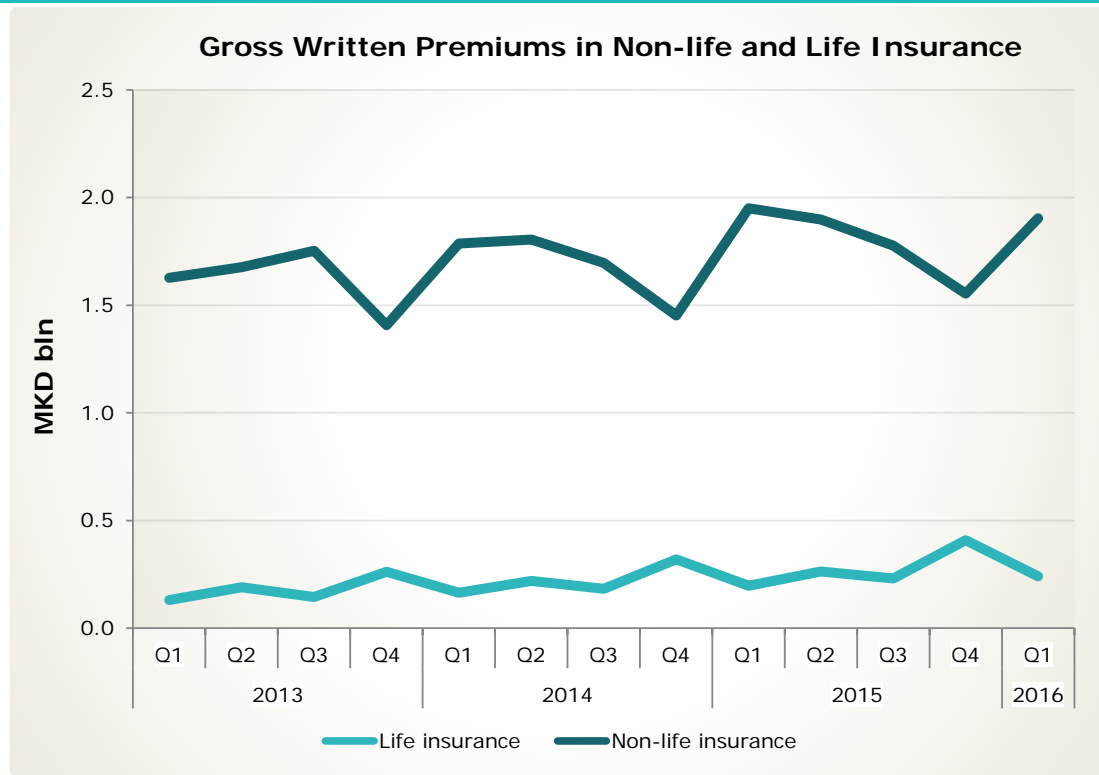
Source: NBRM

As of end-March 2016, the assets of the banking system totalled MKD 422.8 bln, up by 5.6% compared to a year earlier. The total net profit of the banks soared to MKD 1.512 bln versus MKD 592.7 mln in Q1 2015.

### *Insurance premium income inched down by 0.2% y/y in Q1 2016*

The total gross written premiums (GWP) of the non-life and life insurance companies stood at MKD 2.144 bln, down by 0.2% y/y, in Q1 2016, according to Macedonia's Insurance Supervision Agency (ASO).

The GWP of the non-life insurance market stood at MKD 1.903 bln, or by 2.4% less than in the corresponding quarter of the previous year, while the life insurance market grew by 21.8% y/y to MKD 210.4 mln.



Source: ASO

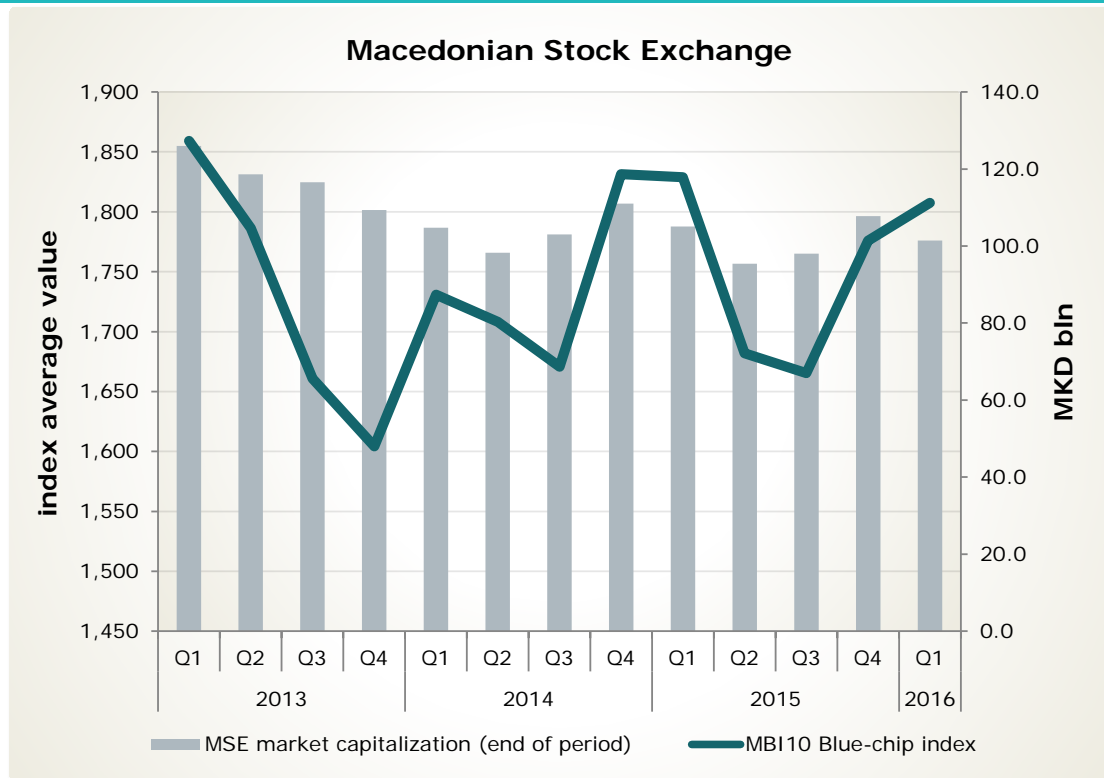
## 6. CAPITAL MARKETS

### *Blue-chip MBI10 went down by 1.3% y/y in Q1 2016*

The average value of MBI10, the blue-chip index of the Macedonian Stock Exchange (MSE), inched down by 1.3% y/y to 1,805 points in Q1 2016.

The total turnover on the MSE reached MKD 538.8 mln in Q1 2016 versus MKD 557.0 bln a year earlier.

The market capitalisation of MSE grew to MKD 106.4 bln from MKD 105.0 bln.



Source: MSE

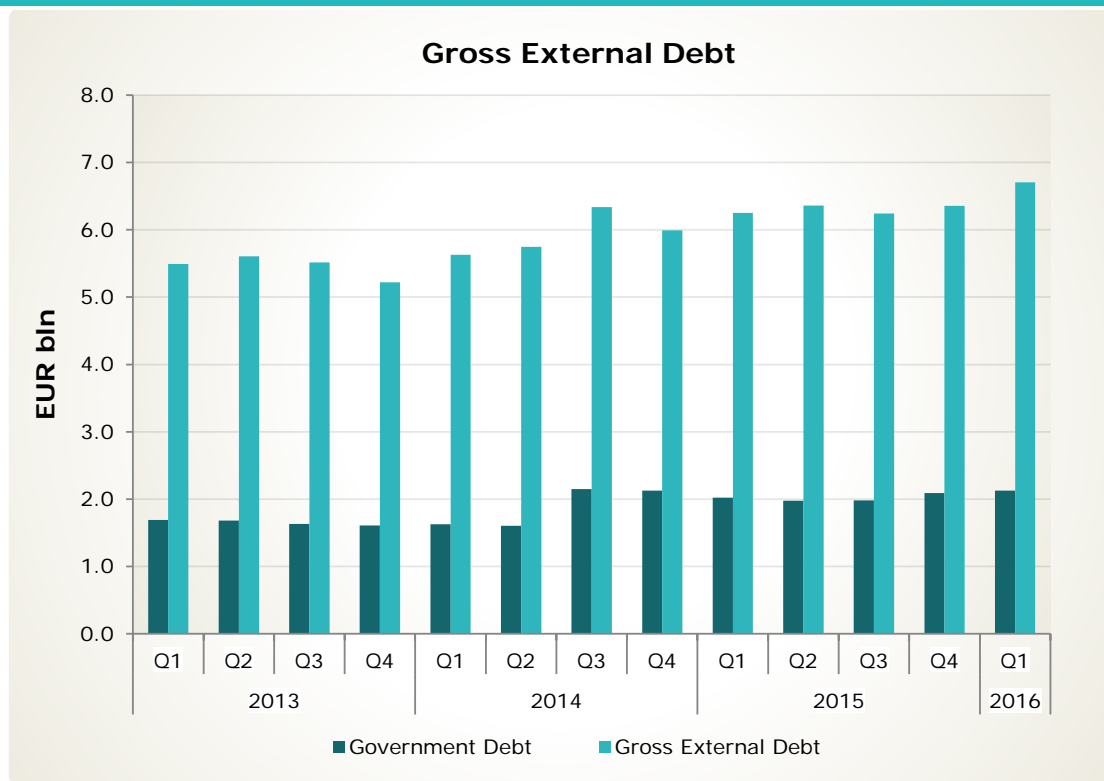
## 7. EXTERNAL SECTOR

### 7.1. FOREIGN DEBT

#### *The gross external debt went up to EUR 6.707 bln in Q1 2016*

The gross external debt totalled EUR 6.707 bln in Q1 2016, which was 70.9% of the projected full-year GDP. The debt increased by 7.3% or EUR 455.9 mln, compared to Q1 2015. In comparison to Q4 2015 the gross external debt rose by EUR 353.7 mln.

As of Q1 2016, long-term liabilities amounted to EUR 5.027 bln, or 74.9% of the total debt, and short-term liabilities totalled EUR 1.680 bln, equal to 25.1% of the total debt.



Source: NBRM

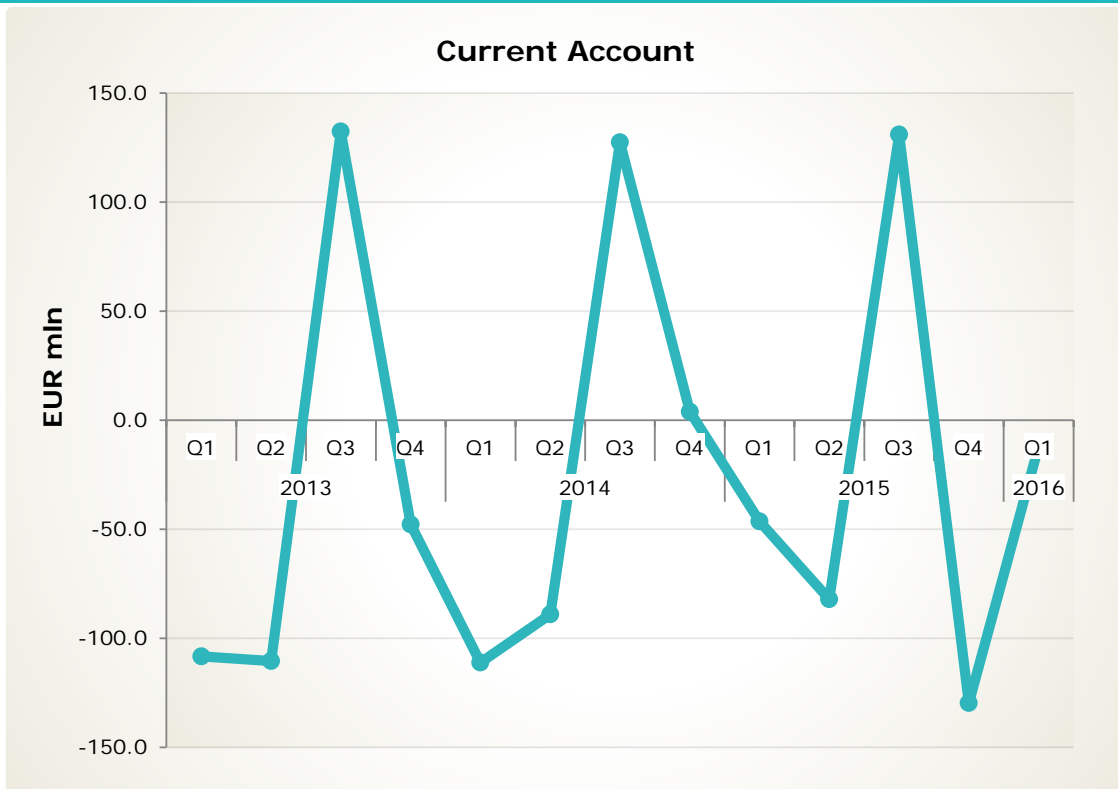
## 7.2. BALANCE OF PAYMENTS

### *Current account deficit at EUR 11.651 mln in Q1 2016*

The current account deficit shrank to EUR 11.651 mln in Q1 2016 from EUR 46.458 mln in Q1 2015, according to central bank statistics data.

Secondary income grew, by 5.1% y/y, to EUR 342.0 bln in Q1 2016.





Source: NBRM

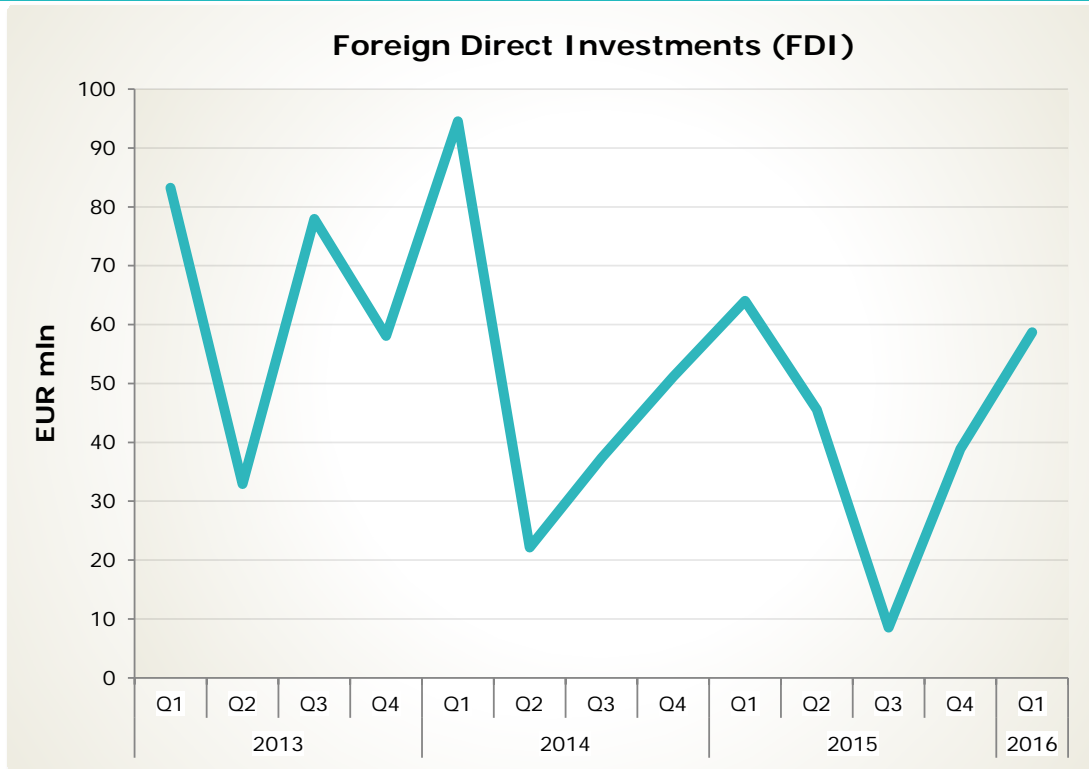
### 7.3. FDI

#### Net FDI inflow at EUR 56.698 mln in Q1 2016

The net FDI inflow in Macedonia decreased to EUR 56.698 mln in the first quarter of 2016 from EUR 64.039 mln a year earlier, according to NBRM.

For the first three months of 2016, the leaders in terms of FDI in Macedonia were Germany, Liechtenstein and Italy with investments of EUR 8.920 mln, EUR 7.587 mln and EUR 4.350 mln, respectively.

A breakdown by industries showed that the motor vehicles, trailers and semitrailers segment was the leader in terms of attracted FDI with EUR 15.096 mln, construction followed with EUR 12.882 mln, and electricity, gas, steam and air conditioning supply was third with EUR 4.815 mln.



Source: NBRM

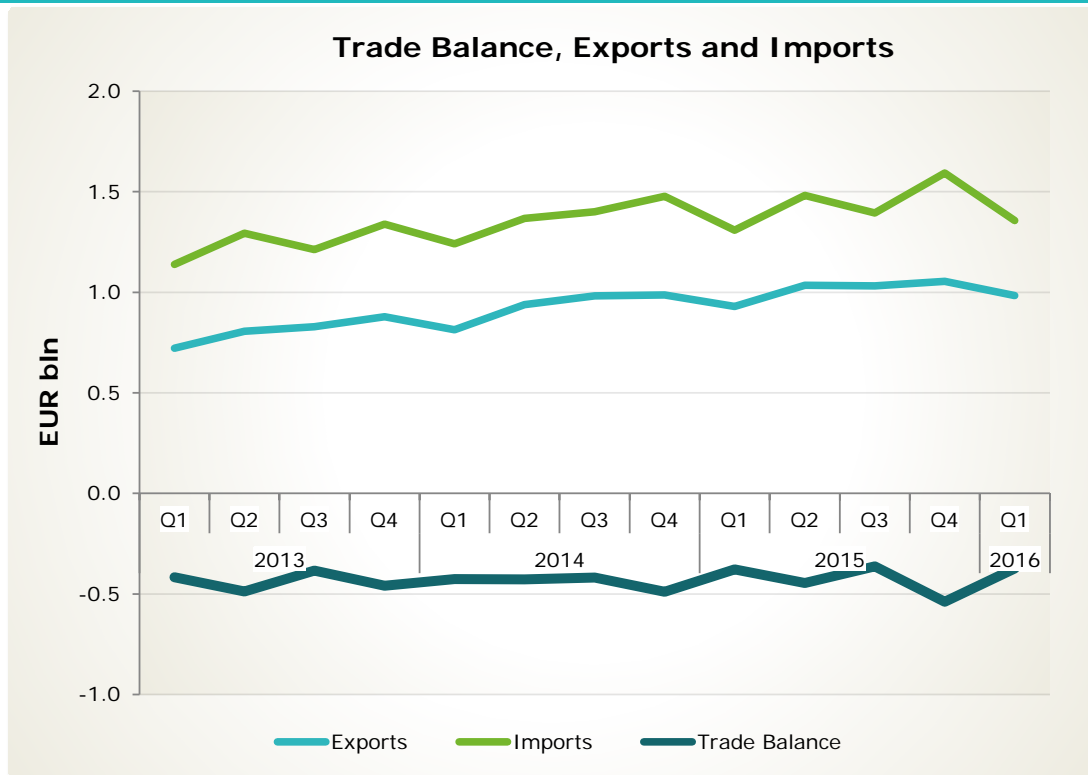
## 7.4. FOREIGN TRADE

### Foreign trade deficit narrows by 1.3% y/y in Q1 2016

The trade deficit stood at EUR 373.0 mln in the first quarter of 2016, compared to EUR 378.1 mln a year earlier, according to NBRM.

Macedonia's most exported goods in Q1 2016 were chemical products, which accounted for 21.9% of the total, followed by general industrial machinery with a 12.1% share and clothing with a 11.9% share.

In terms of imports, non-ferrous metals had the largest share, of 12.1%, followed by textiles with a 6.8% share, and electrical machinery, with a 6.7% share.



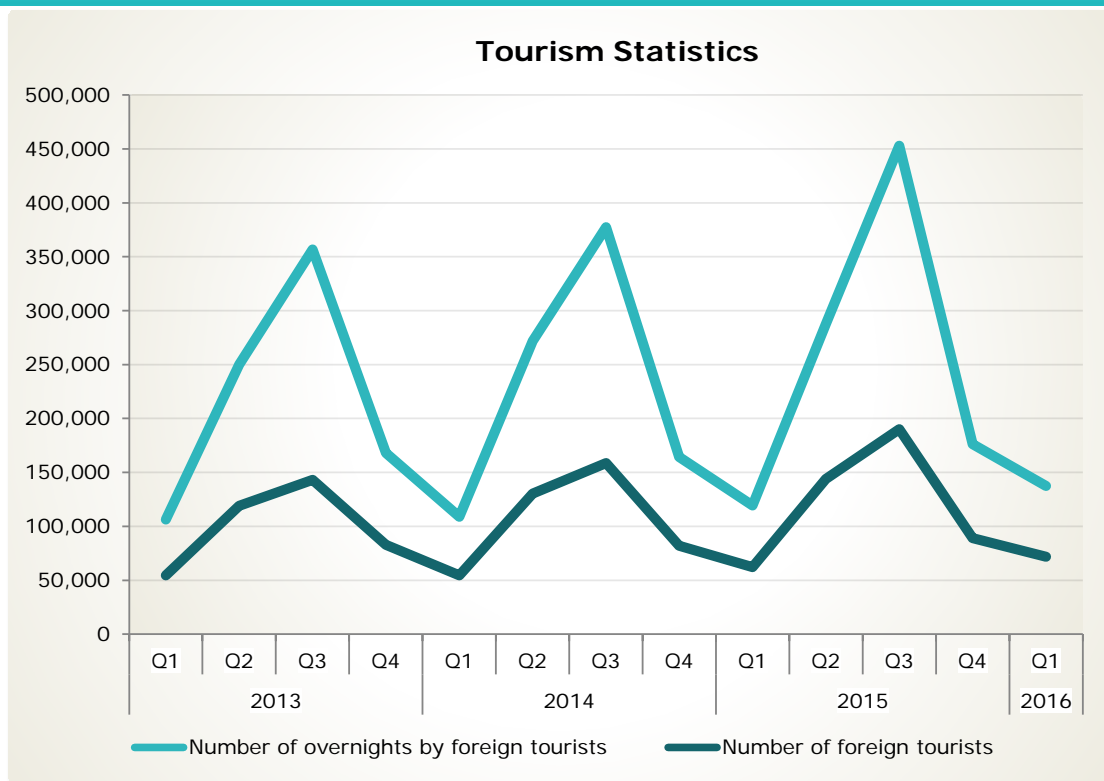
Source: NBRM

## 7.5. TOURSIM

### Number of foreign tourist overnights grew by 15.1% y/y in Q1 2016

Tourist overnights of foreigners jumped by an annual 15.1% to 137,398 in Q1 2016, according to SSORM. Foreign tourist overnights accounted for 55.9% of the total tourist overnights in the country, up from 58.8% in the year-ago quarter.

The number of foreign citizens who visited the country also went up, by 15.8%, to 71,965. Most of the foreign tourists came from Greece, 12.0% of the total, followed by Serbia, with 11.5%, and Turkey with 10.2%.



Source: SSORM

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