

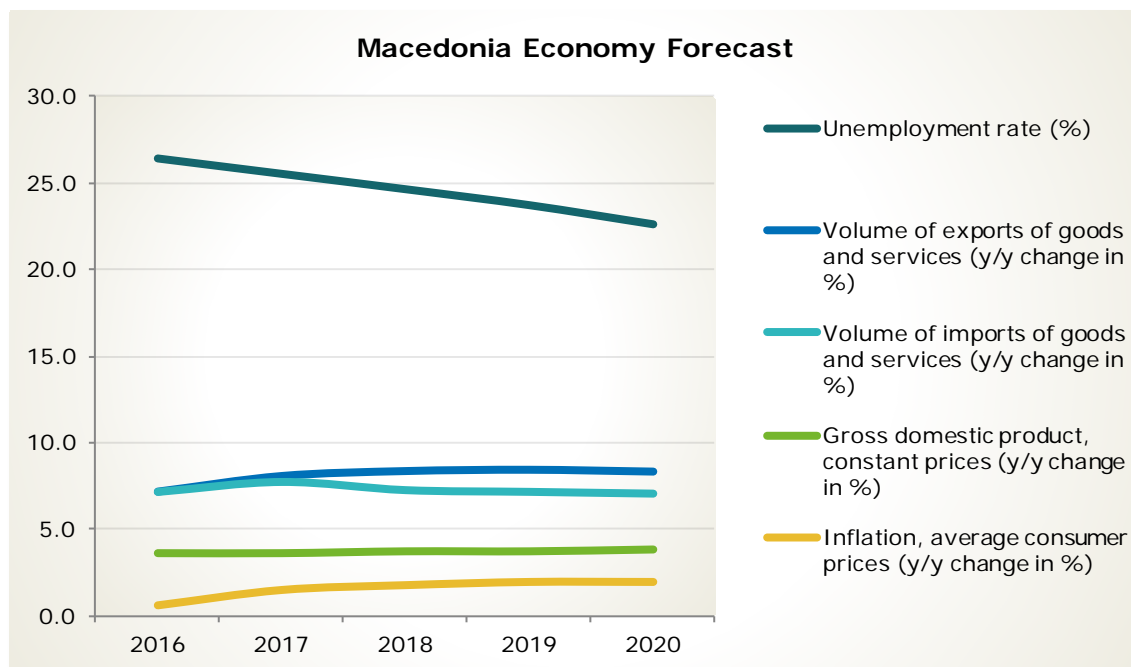
MACEDONIA ECONOMY REPORT
2015

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1. MACROECONOMIC SNAPSHOT AND FORECAST

MACEDONIA – MACROECONOMIC SNAPSHOT AS OF END-2015	
GDP Growth	3.7% y/y
Industrial output	4.9% y/y
Industrial sales	8.6% y/y
Wholesales	10.8% y/y
Retail sales	5.1% y/y
Average annual inflation	-0.3%
Unemployment rate	26.1%
Number of building permits	5.9% y/y
Money supply growth	6.8% y/y
Household loans	12.1% y/y
MBI10 blue-chip index	0.2% y/y
Gross external debt	EUR 6.354 bln
Current account deficit	EUR 129.7 mln
Net FDI inflow	EUR 157.0 mln
Foreign trade deficit	EUR 1.726 bln
Number of foreign tourist overnights	12.3% y/y



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

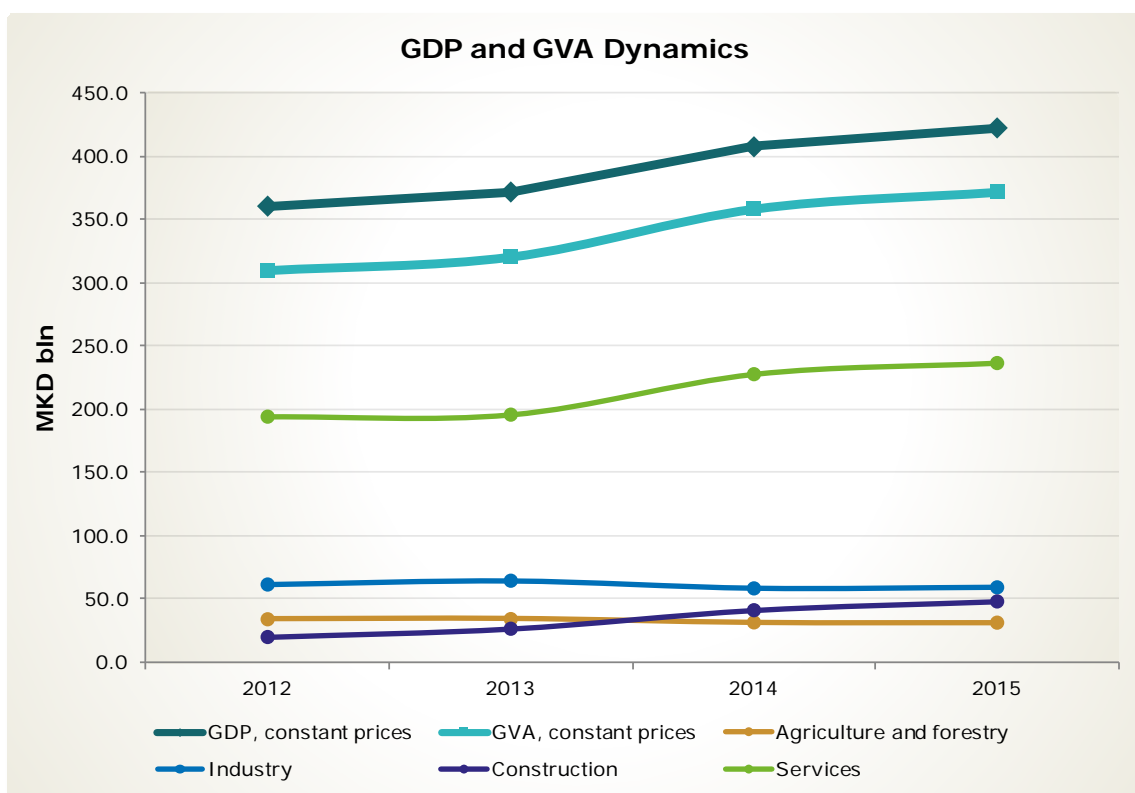
2. REAL SECTOR

2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP went up by real 3.7% y/y in 2015, compared to a 3.5% y/y growth a year ago

The country's GDP increased by a real 3.7% y/y and totalled MKD 422.1 bln in 2015, 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 3.5% y/y to MKD 362.7 bln in 2015. Gross capital formation inched up by 0.1% to MKD 131.2 bln, contributing 31.1% to the GDP. Both exports and imports grew - by 4.6% and 2.4%, respectively.



Source: SSORM

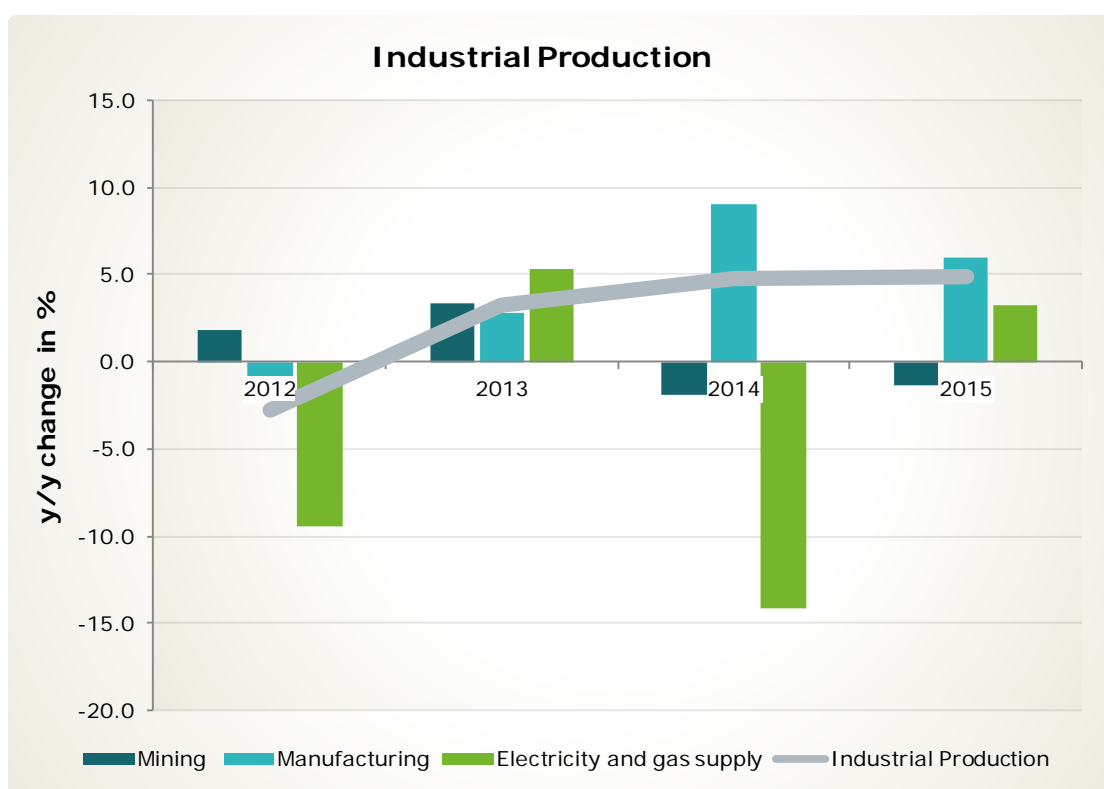
The gross value added (GVA) generated by the national economy increased in value by 3.7% y/y in 2015 and totalled MKD 371.9 bln. The agricultural sector registered an annual decline of 0.7%, and its share in the GVA decreased to 8.4% from 8.8% in the previous year. The industrial sector grew by 1.4% and its share in the GVA structure went down to 15.9%, from 16.3%. The construction industry jumped by 16.8%, thus slicing a 12.9% share, an increase in comparison to the 11.5% share in the previous year. The services sector recorded a 3.9% annual increase, slicing a 63.6% share in the GVA, almost unchanged from a year ago.

2.2. INDUSTRIAL OUTPUT

Industrial output increased by 4.9% y/y in 2015

Industrial output went up by 4.9% on the year in 2015, according to SSORM. The output of the manufacturing sector rose by 6.0%, followed by the 3.2% increase in the output of the electricity and gas supply sector, while production in the mining sector fell by 1.4%.

Manufacture of motor vehicles, trailers and semi-trailers was the segment to report the highest annual production growth, of 37.0%, while the manufacturing of coke and refined petroleum products has ceased.

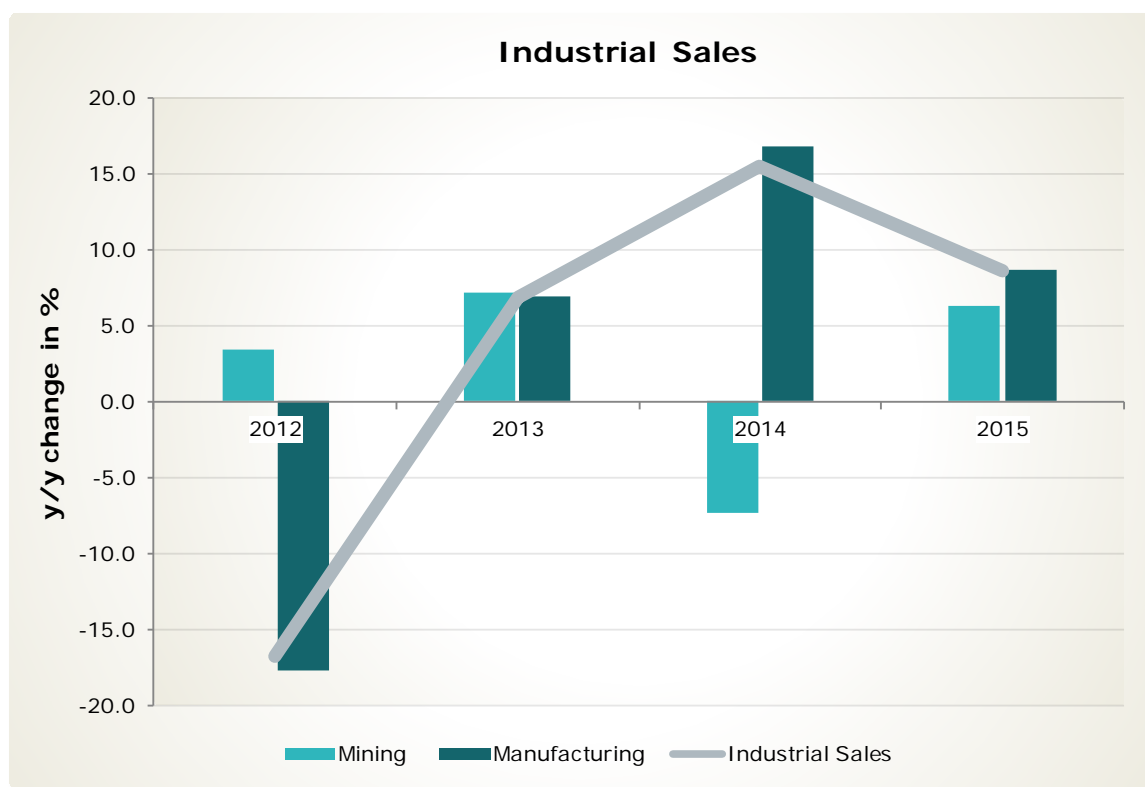


Source: SSORM

2.3. INDUSTRIAL SALES

Industrial sales went up by 8.6% y/y in 2015

Industrial sales rose by 8.6% y/y in 2015, according to SSORM data. Sales in the manufacturing, and mining sectors grew by 8.7% and 6.3%, respectively.



Source: SSORM

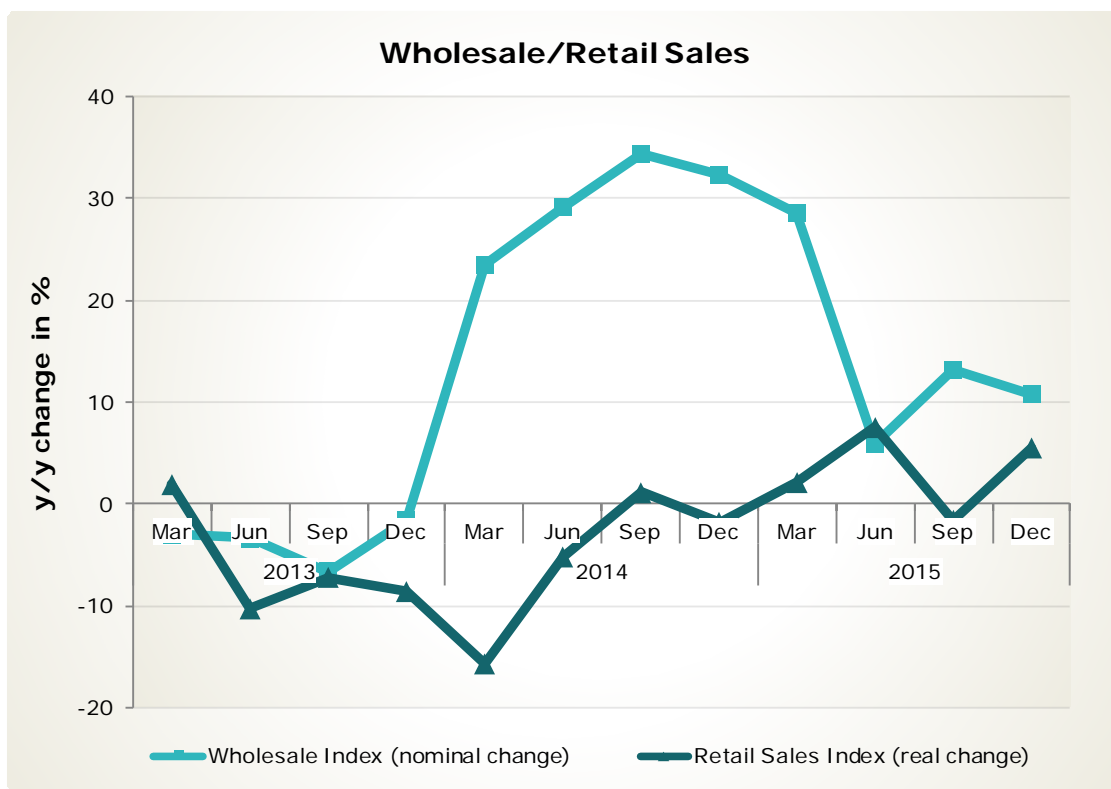
2.4. WHOLESALE/RETAIL

Wholesale jumped, retail grew y/y in December 2015

Retail sales went up by real 5.1% y/y in December 2015, according to SSORM. In November retail sales increased by 5.4%, while in October they grew by 2.7%.

Retail sales of automobile fuel marked the highest growth, of 10.9% y/y, in December 2015, while the rise in retail sales of food, beverages and tobacco was the weakest, of 1.0%.

The wholesale sector went up by nominal 10.8% y/y in December 2015. In November and October the sector rose by an annual 22.0% and 10.4%, respectively.



Source: SSORM

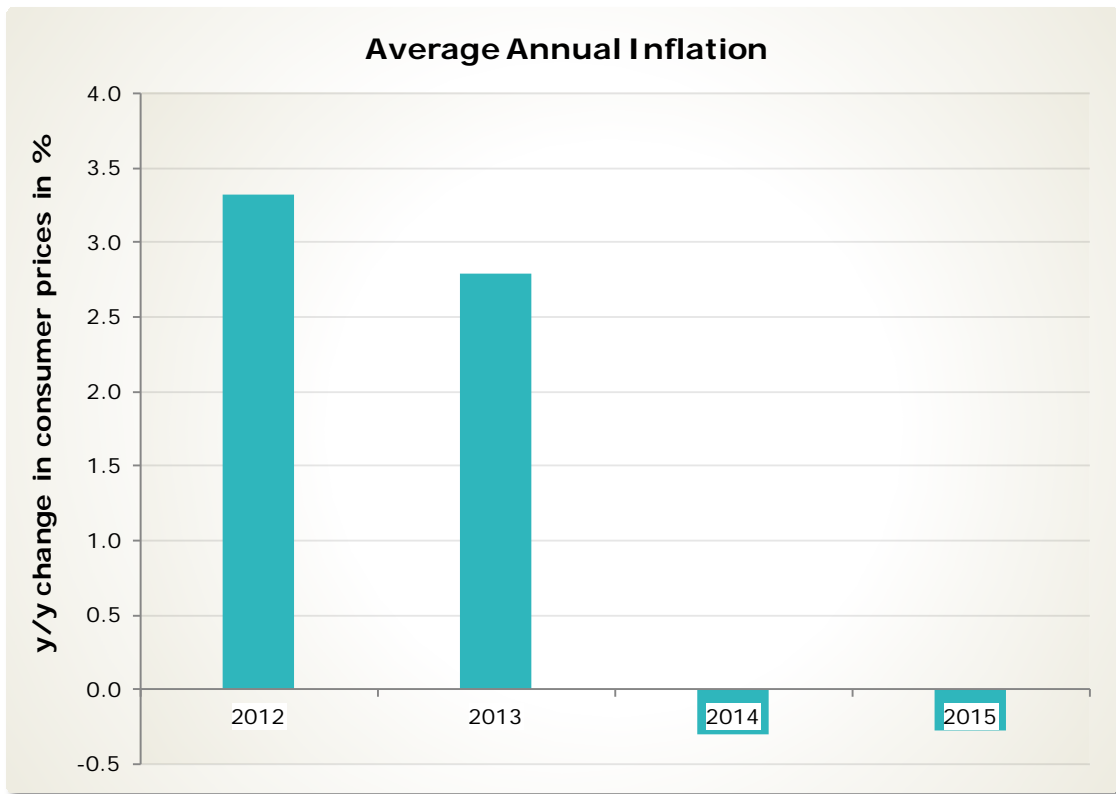
2.5. INFLATION

Annual average deflation of 0.3% in 2015

In 2015 the average annual deflation remained unchanged in comparison to the previous year, at 0.3%, according to SSORM.

Despite the overall deflation, only three consumer groups recorded an annual average decrease in prices - transport services, communications, and miscellaneous goods and services - their prices went down by 9.0%, 4.9%, and 0.01%, respectively.

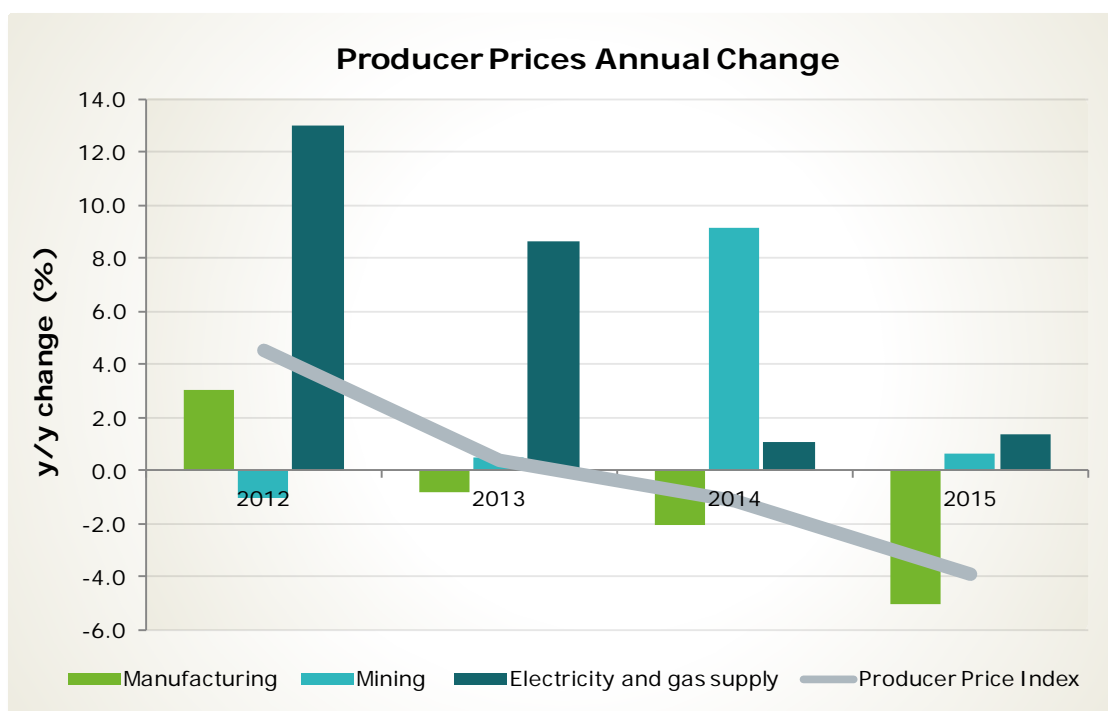
The consumer groups that recorded the highest inflation were alcoholic beverages and tobacco, furnishings, household equipment and routine maintenance of the house, and healthcare services, of 5.4%, 2.0% and 1.5%, respectively.



Source: SSORM

Producer prices increased by 3.9% y/y in 2015 with most of the industries registering a growth – prices of the electricity and gas supply, and mining industries went up by 1.4%, and 0.6%, respectively, while prices in the manufacturing industry fell by 5.0%.

Segment wise, producer prices grew the most, by 3.1%, in the manufacture of rubber and plastic products sector, while the sharpest decline, of 18.8%, was in the manufacture of coke and refined petroleum products sector.



Source: SSORM

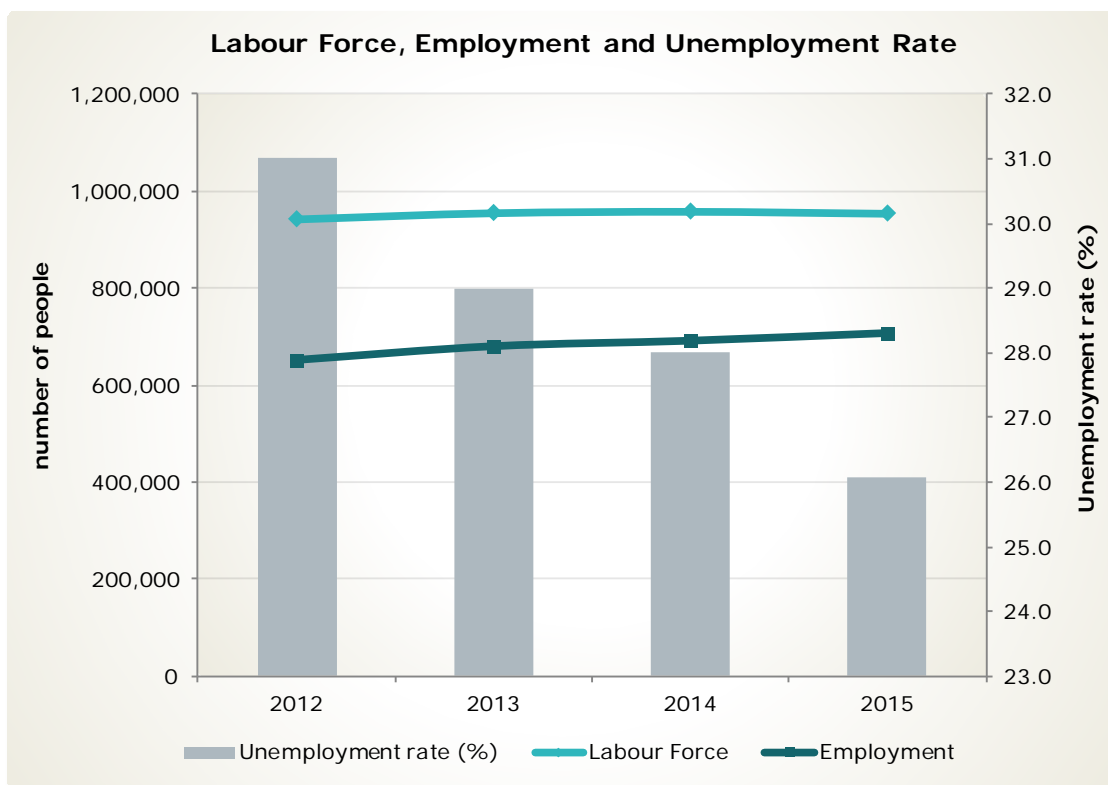
3. LABOUR MARKET

Unemployment rate went down to 26.1%, wages grew 2.4% y/y in 2015

Unemployment in Macedonia narrowed to 26.1% of the total labour force in 2015 from 28.0% a year earlier, according to data of SSORM.

The employed population aged 15 years and older was 705,991 in 2015, up by 2.3% y/y.

The youth (population aged 15-24) unemployment rate went down to 47.3%, compared to 53.1% in 2014.



Source: State Statistical Office

According to data of SSORM, the average monthly salary in 2015 went up by 2.4% in annual terms to MKD 21,906. Employees in the air transport and computer programming, consultancy and related activities sectors earned the highest salaries, of MKD 47,635 and MKD 47,070, respectively. The sports activities and amusement and recreation activities came third with MKD 42,035. The lowest wages were registered in the manufacture of leather and related products - MKD 11,096, fishing and aquaculture - MKD 11,809, and manufacture of wearing apparel - MKD 12,113.

4. CONSTRUCTION AND REAL ESTATE

The number of building permits rose by 5.9% y/y in 2015

The number of building permits issued in Macedonia in 2015 went up by 5.9% y/y and totalled 1,938, according to SSORM. The buildings construction works value amounted to MKD 29.786 bln, up from MKD 23.918 bln in 2014.

The number of planned dwellings jumped, by 13.2% on the year to 6,174. The total built-up area of the housing units, covered by the permits, grew by 4.0% y/y to 495,244 sq m.

5. MONEY SUPPLY AND BANKING SYSTEM

5.1. MKD EXCHANGE RATE

The average exchange rate of the MKD against the EUR decreased to MKD 61.6098 in 2015 from MKD 61.6228 in 2014, according to National Bank of the Republic of Macedonia (NBRM) data.

Average Annual MKD Exchange Rate				
Foreign Currency	2015	2014	2013	2012
EUR	61.6098	61.6228	61.5834	61.5304
USD	55.4968	46.4431	46.3970	47.8981
GBP	84.8680	76.4506	72.5624	75.8941
CHF	57.7286	50.7375	50.0426	51.0491

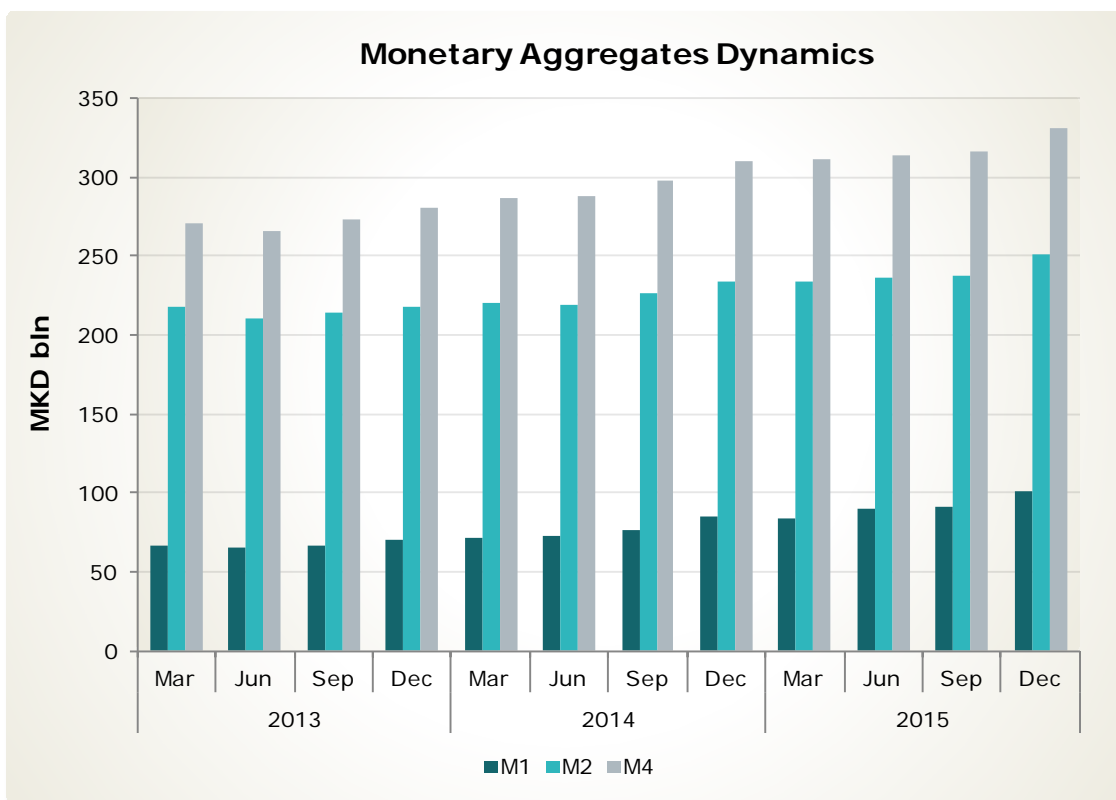
5.2. MONETARY AGGREGATES

Money supply growth was 6.8% y/y at end-December 2015

Broad money (money aggregate M4) increased by 6.8% y/y and reached MKD 331.0 bln in 2015, according to data provided by NBRM.

The M2 money supply also grew, by 7.6% y/y, to MKD 251.3 bln.

Money aggregate M1, or narrow money, jumped by 18.4% to MKD 101.3 bln.



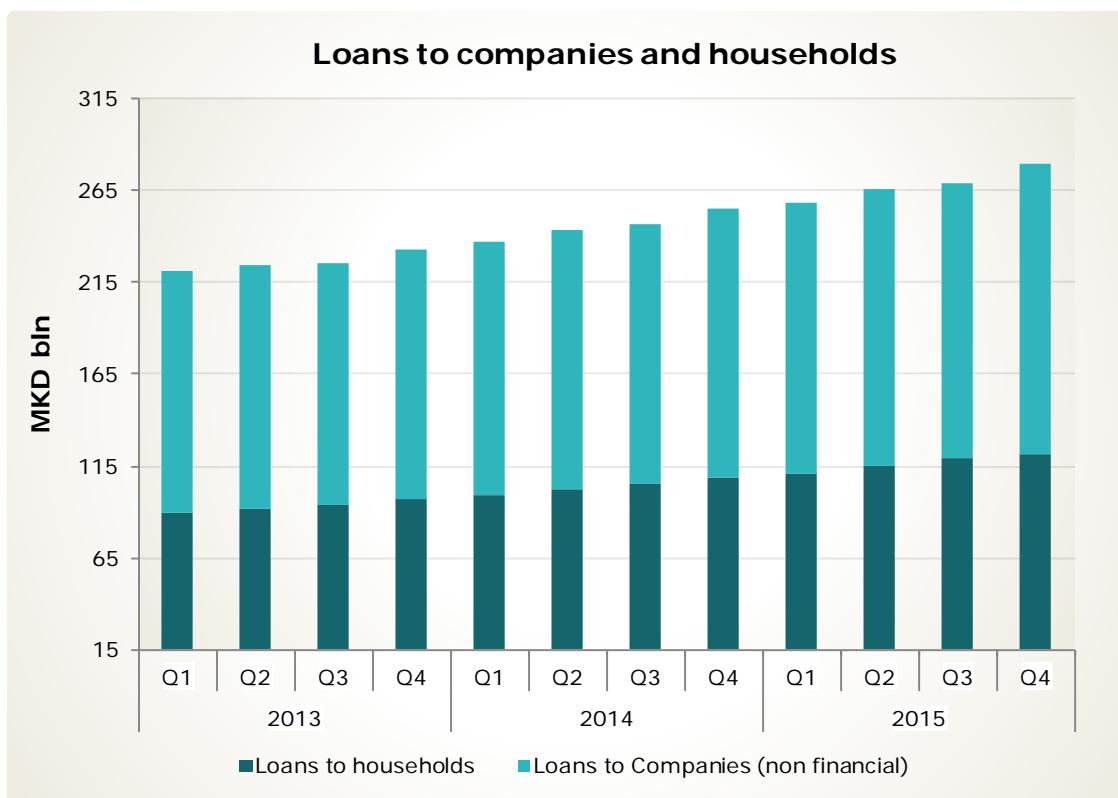
Source: NBRM

5.3. BANKING AND INSURANCE

Household loans increased by 12.1% y/y in Q4 2015

Loans to the non-government sector totalled MKD 279.1 bln in Q4 2015, up by 9.2% y/y, according to NBRM.

Household loans jumped by 12.1% to MKD 121.2 bln. Loans to non-financial corporations rose by 7.1% to MKD 157.8 bln.



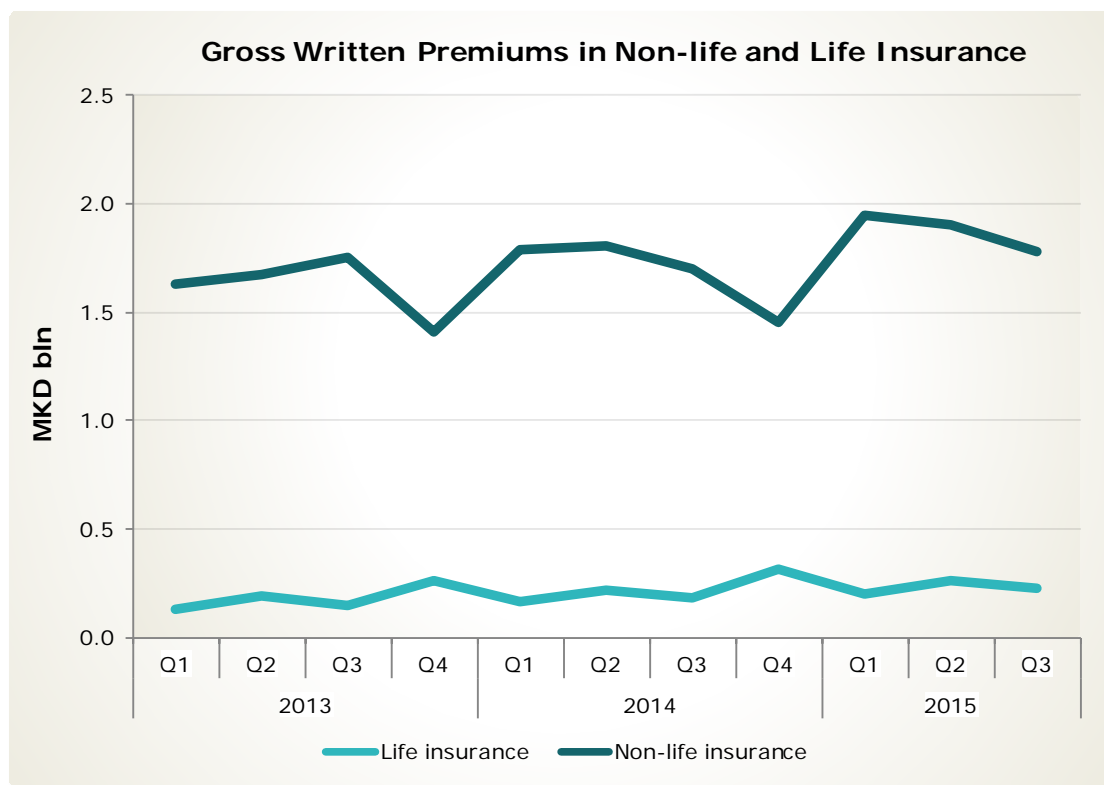
Source: NBRM

As of end-2015 the assets of the banking system totalled MKD 423.7 bln, up by 5.8% compared to a year earlier. The total net profit of the banks also grew – to MKD 4.639 bln versus MKD 3.149 bln in 2014.

Insurance premium income up 6.7% y/y in Q3 2015*

*Data for Q4 2015 or and for the whole 2015 was not available as of the date of the preparation of this report.

The total gross written premiums (GWP) of the non-life and life insurance companies stood at MKD 2.007 bln, up by 6.7% y/y in Q3 2015, according to Macedonia's Insurance Supervision Agency (ASO). The GWP of the non-life insurance market stood at MKD 1.776 bln, or by 4.7% more than in the corresponding period of the previous year, while the life insurance market grew by 25.4% y/y to MKD 230 mln.



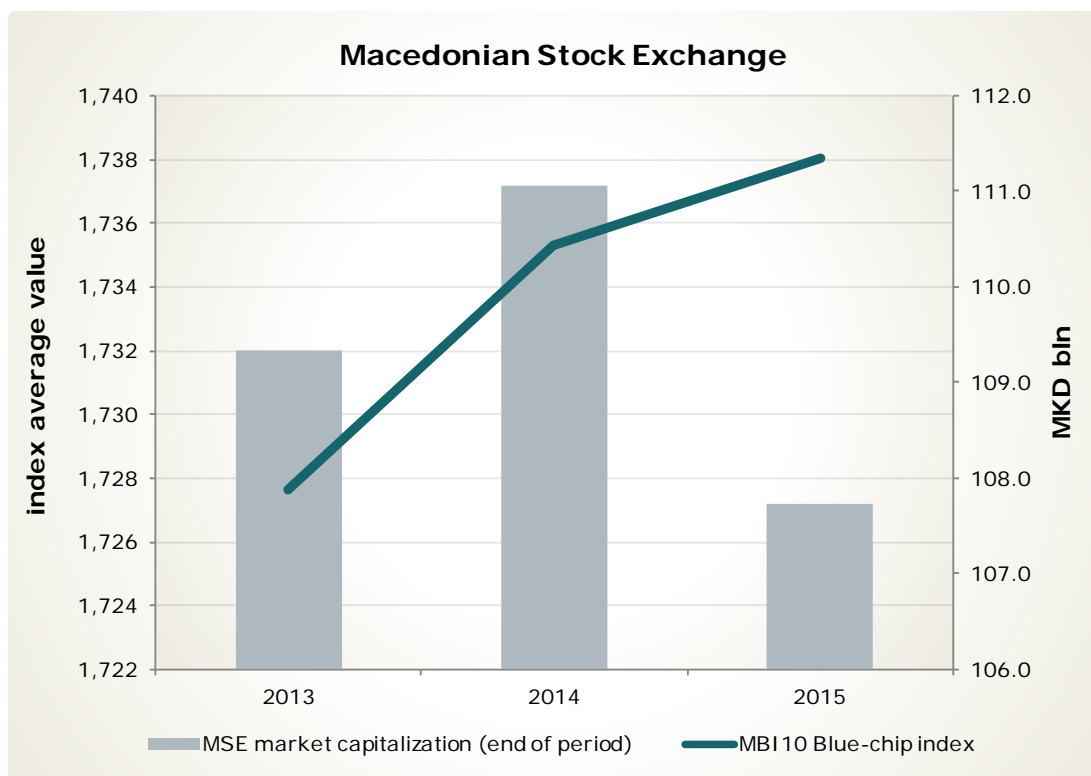
Source: ASO

6. CAPITAL MARKETS

Blue-chip MBI10 went up by 0.2% y/y in 2015

The average annual value of MBI10, the blue-chip index of the Macedonian Stock Exchange (MSE), inched up by 0.2% y/y to 1,738 points in 2015.

The total turnover on the MSE reached MKD 2.660 bln in 2015 versus MKD 8.704 bln a year earlier. The market capitalisation of MSE declined to MKD 107.7 bln from MKD 111.1 bln.



Source: MSE

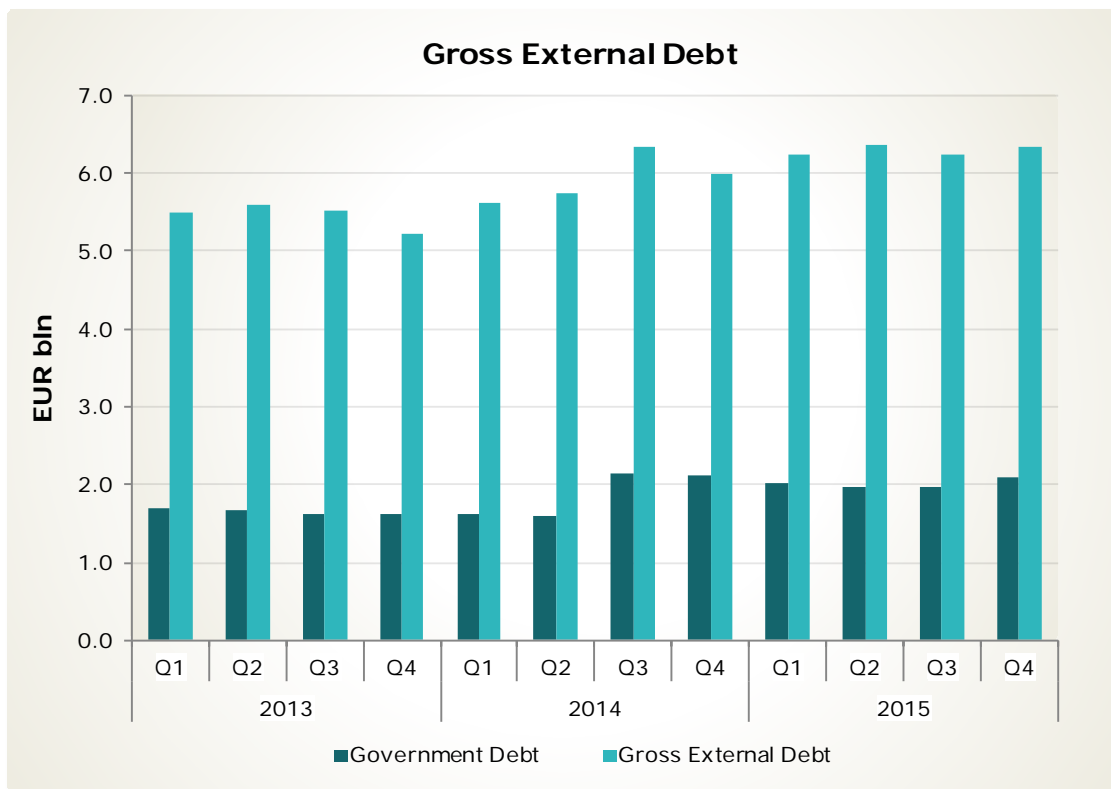
7. EXTERNAL SECTOR

7.1. FOREIGN DEBT

The gross external debt went up to EUR 6.354 bln in Q4 2015

The gross external debt increased, totalling EUR 6.354 bln in Q4 2015, which was 69.9% of the projected full-year GDP. The debt decreased by 6.0% or EUR 361.4 mln, compared to Q4 2014. In comparison to Q3 2015 the gross external debt rose by EUR 113.6 mln.

As of Q4 2015 long-term liabilities amounted to EUR 4.959 bln, or 78.0% of the total debt, and short-term liabilities totalled EUR 1.395 bln, equal to 22.0% of the total debt.



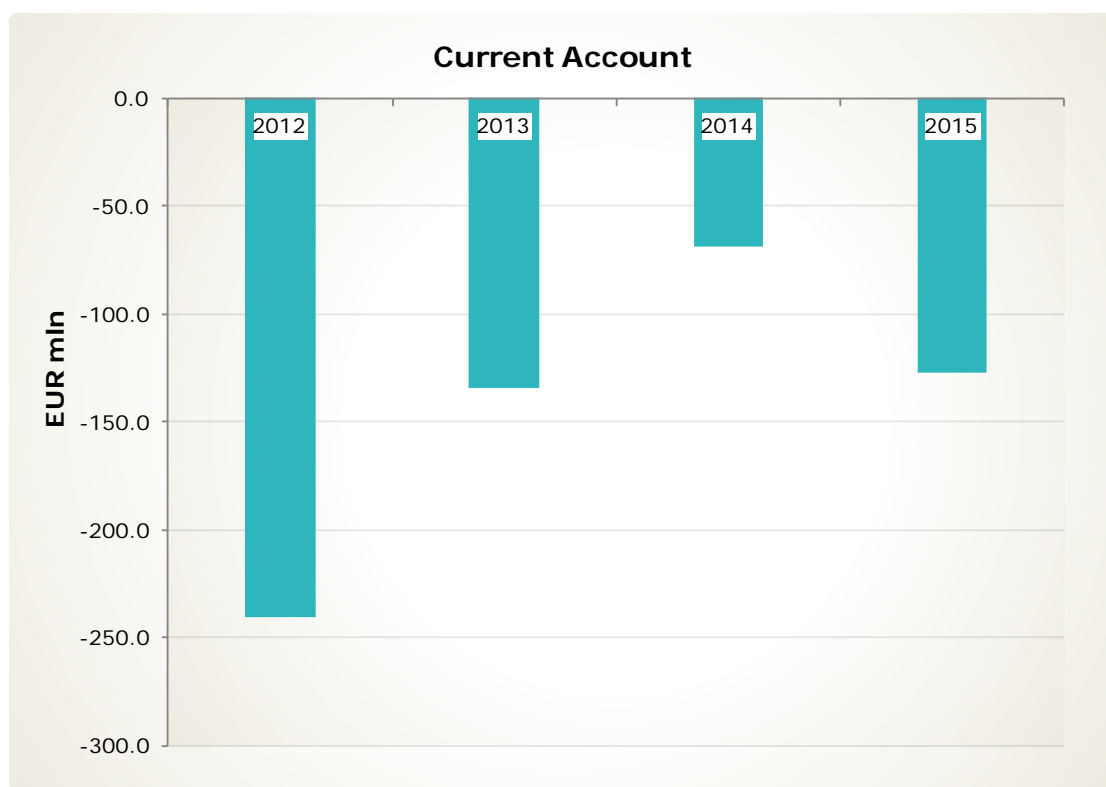
Source: NBRM

7.2. BALANCE OF PAYMENTS

Current account deficit at EUR 127.3 mln in 2015

The current account deficit widened to EUR 127.3 mln in 2015 from EUR 68.7 mln in 2014, according to central bank statistics data.

Secondary income narrowed, by 0.8% y/y to EUR 1.577 bln in 2015.



Source: NBRM

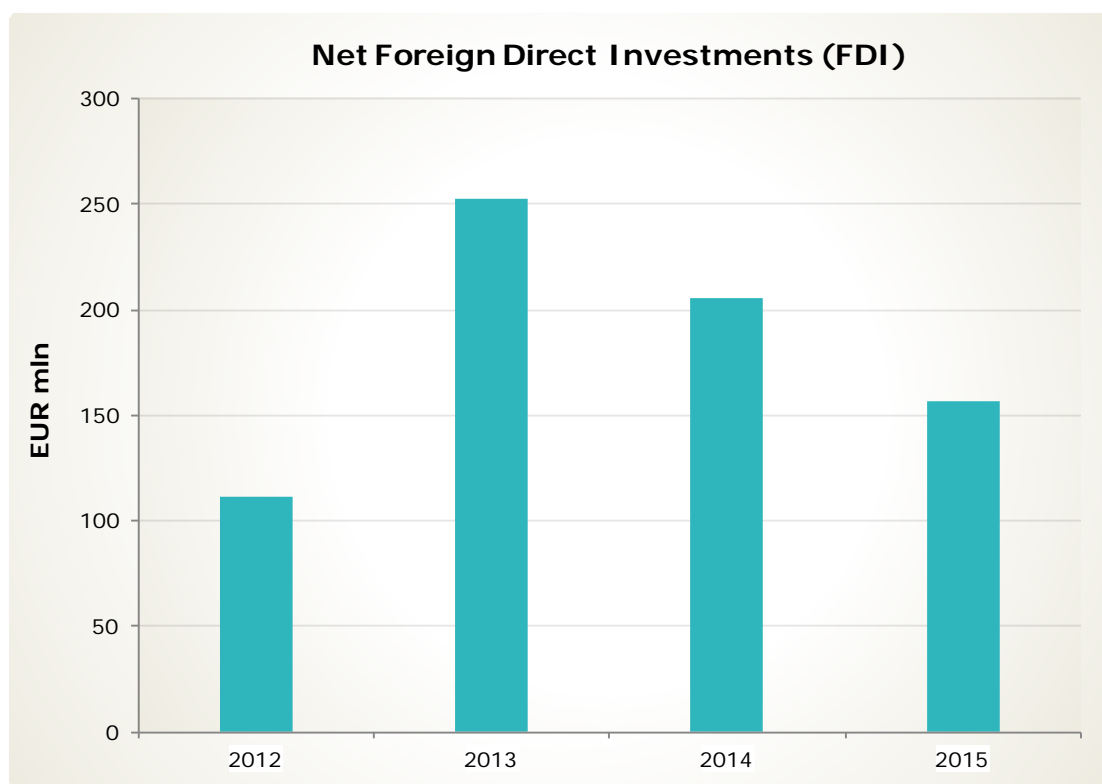
7.3. FDI

Net FDI inflow at EUR 157.0 mln in 2015

The net FDI inflow in Macedonia slumped to EUR 157.0 mln in 2015 from EUR 205.1 mln in 2014, according to NBRM.

In 2015, the leaders in terms of FDI in Macedonia were offshore zones such as Bermuda, and Saint Vincent and the Grenadines with investments of EUR 181.7 mln and EUR 49.5 mln, respectively. Germany was third with FDI of EUR 32.5 mln.

A breakdown by industries showed that the wholesale trade, except of motor vehicles and motorcycles was the leader in terms of attracted FDI with EUR 208.7 mln, or far ahead of the second - retail trade, except of motor vehicles and motorcycles with EUR 5.990 mln. Manufacturing of basic metals and fabricated metal products was third with EUR 5.460 mln.



Source: NBRM

7.4. FOREIGN TRADE

Foreign trade deficit narrows by 2.0% y/y in 2015

The trade deficit stood at EUR 1.726 bln in 2015, compared to EUR 1.762 bln in 2014, according to NBRM.

Macedonia's most exported goods in 2015 were chemical products, which accounted for 19.2% of the total, followed by iron and steel with a 12.8% share and clothing with a 11.8% share.

In terms of imports, non-ferrous metals had the largest share, of 12.9%, followed by petroleum and petroleum products, and textiles, each with a 7.1% share.



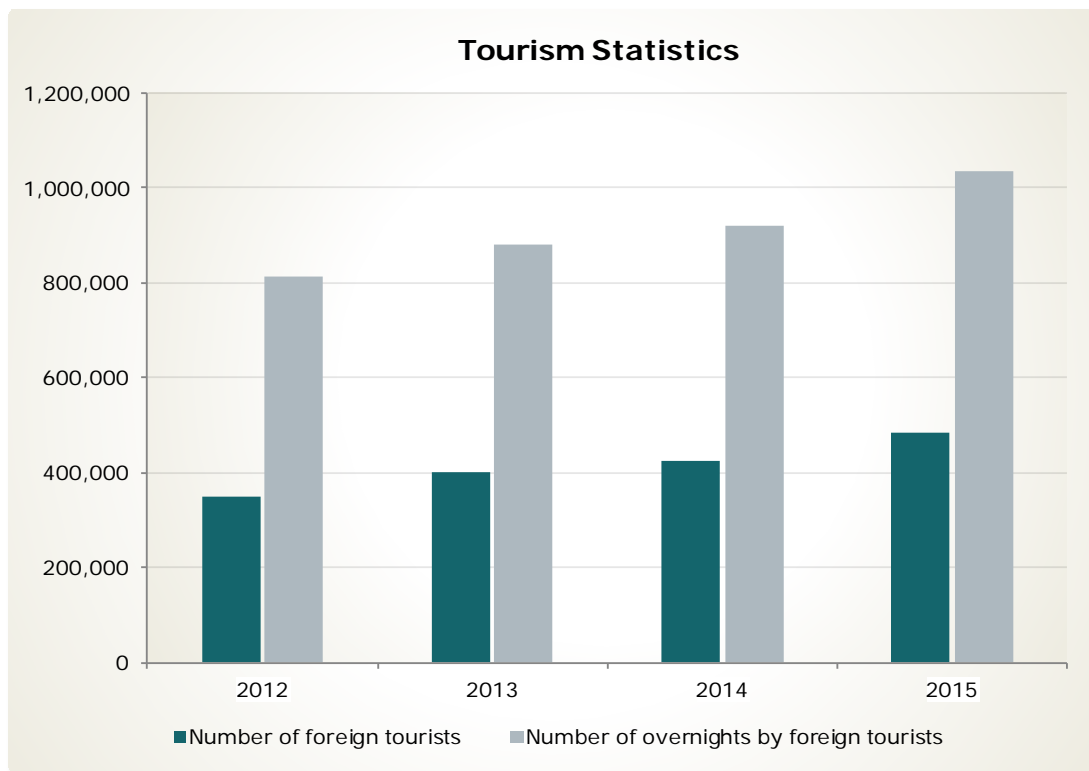
Source: NBRM

7.5. TOURSIM

Number of foreign tourist overnights grew by 12.3% y/y in 2015

Tourist overnights of foreigners jumped by an annual 12.3% to 1,036,383 in 2015, according to SSORM. Foreign tourist overnights accounted for 43.3% of the total tourist overnights in the country, up from 42.0% in the previous year.

The number of foreign citizens who visited the country also went up, by 14.2% to 485,530. Most of the foreign tourists came from Turkey, 18.7% of the total, followed by Serbia, with 9.0%, and Greece with 8.0%.



Source: SSORM

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