

## Global Economic Crisis and the Impact on Macedonia

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## Why?

- » There is no relevant discussion in Macedonia about the economic crisis and how it should be fixed.

## Coordinated response

- » The Governments:
  - (1) Improved the scheme of deposits insurance;
  - (2) Provided significant support of the financial sector;
  - (3) With the budgets they announced significant investments in infrastructure.
- » The Central banks decreased the referent interest rate in order to decrease the interest rates of the commercial banks.

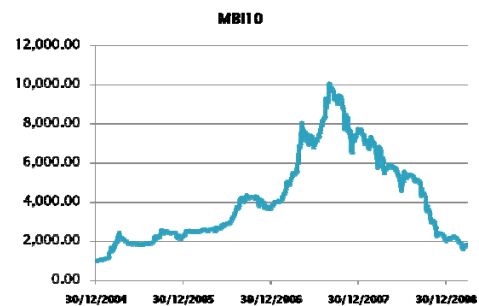
## Impact on Macedonia

- » Financial sector
- Real Sector

## Banking sector

- » The best protection of the banking sector from the crisis was its low level of development. The investment banking almost does not exist.

## Stock Market



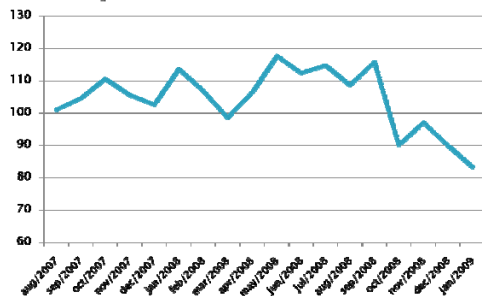
## Second pension pillar

- ▶ Mostly they invest in Macedonian securities.
- ▶ Low rates of return of two funds in this pension pillar.

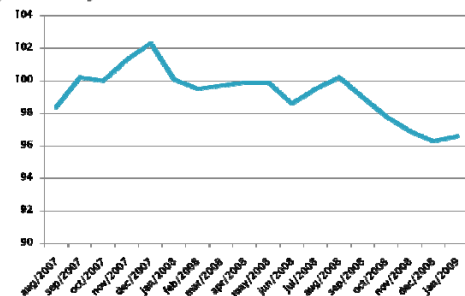
## Real sector

- ▶ The growth of real GDP is predicted to be decreased for several percentages. (Between 2,5% and 3,5% in 2009).
- ▶ Mostly influenced are export sectors: metallurgy, construction and textile

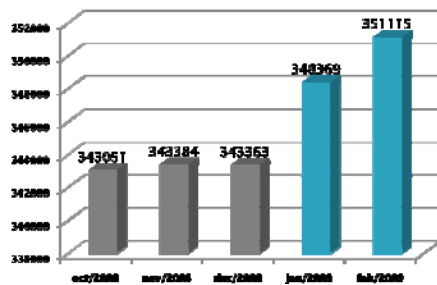
## Index of industrial production (-16.7%)



## Index of industrial workers (-3.4%)

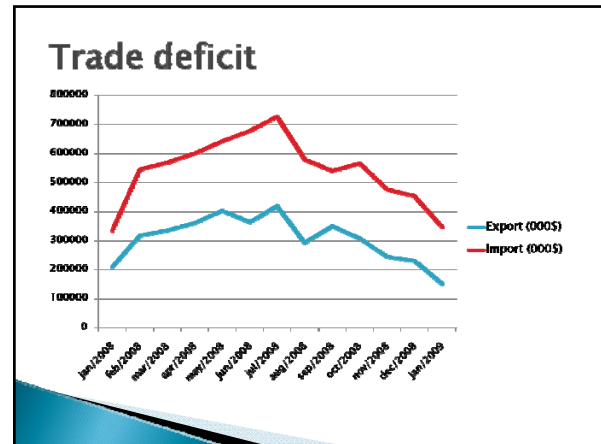
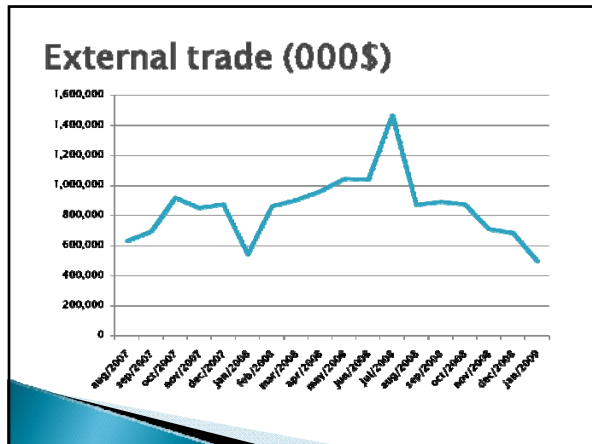


## Unemployment



## Macroeconomic vulnerability of the country is increasing

- ▶▶ Trade deficit
- ▶▶ Current account deficit
- ▶▶ Net private transfers from abroad



### Current account deficit

- ▶ -14% of GDP (2008)
- ▶ -3% of GDP (2007)
- ▶ -0.9% of GDP (2006)

In 2006 Macedonia had lowest current account deficit in comparison with all countries from region.

### Two factors

- ▶ Trade deficit
- ▶ Decreasing of net private transfers from abroad (in 2007 they cover 90% from trade deficit and now only 50%).
- ▶ In 2007 they are 16% of GDP, and in 2008 they are 13% from GDP.

### Credit ranking

- ▶ Fitch and Standard & Poor's decreased credit rating of the country (stable to negative).
- ▶ Credit will be more expensive and the credit conditions will be tighten.

### Foreign investments

- ▶ Dramatic increasing of current account deficit need foreign investment.
- ▶ FDI in 2008 decreased in comparison to 2007 (412 against 506 millions euro)

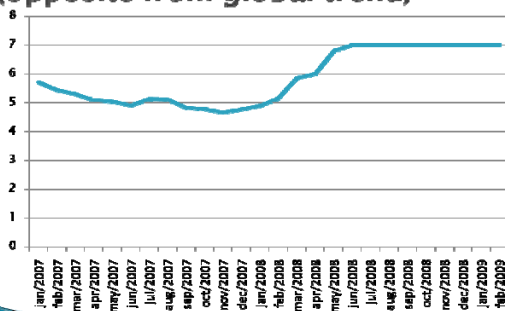
## NATO

- ▶ Joining NATO must be priority for the country.
- ▶ “Security influence FDI more than all economic factors”

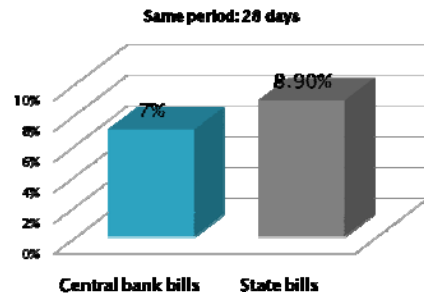
## Monetary policy

- ▶ Restrictive as response of expansive fiscal policy.
- ▶ Focus on macroeconomic stability of the country.

## Referent interest rate of NBRM (opposite from global trend)



## Pressure on interest rate



## Question:

- ▶ How the companies will invest if the interest rates are double digits?

## Measures

- ▶▶ State budget rebalance