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Економетриско моделирање за банкари I

Статистичка оценка на трошокот на капиталот

НОЌ НА ИСТРАЖУВАЧИ

University American College Skopje

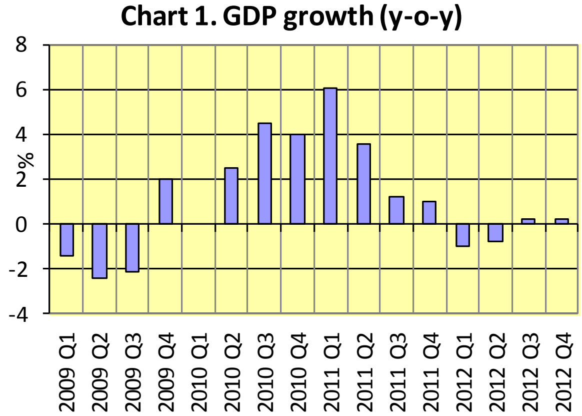
Quarterly Outlook

Volume 3, Issue 4, Q4-2012

1. The real economy[1]

Along the deep European sovereign crisis, the domestic economy further stagnated in Q4-2012. There has been again a small positive growth of 0.2% in the respective quarter while the entire 2012 ended up with negative 0.3% growth. The growth weakness fully reflects the materialization of the downside risks identified earlier: weakening foreign demand, consumers' and investors' hesitation and fading out of government stimulus. The growth rates are slightly below the UACS Quarterly Outlook projection of 1% for Q4-2012 and of 0% for 2012.

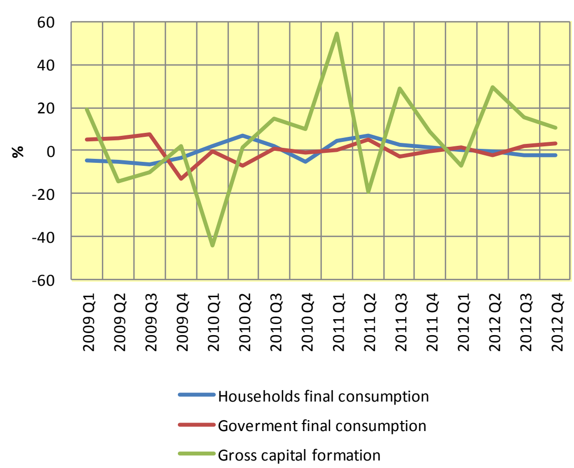
Chart 1. GDP growth (y-o-y)



Source: State Statistical Office (SSO)

The economic activity weakness and consumer confidence hesitation determined further decline of household consumption by 2% in Q4-2012. Again, household consumption vacillation has been somehow compensated by the positive spending of the government, which in Q4 rose by 3.5% (chart 2). The endured foreign investment commenced earlier continued to affect the gross capital formation in this quarter also, as it increased by 10.8% at the annual level. Investment behaviour is likely in line with our earlier projection that investment may be taking on a more stable component.

Chart 2. Growth of GDP and its components

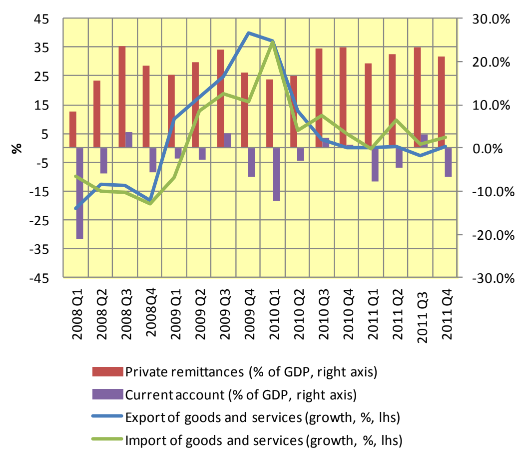


Source: State Statistical Office (SSO)

[1] **DISCLAIMER**: As educational and research institution, UACS does not formulate its own opinions on the economic policy. Hence, although by far balanced, any opinions expressed herein are solely those of the editorial team and not of UACS.

The realisation of the foreign investment dragged import further up by 3.8% in Q4-2012, while export moderated by only 0.6%. Private remittances retained their high level (21.1% of GDP), which in turn again contributed to closing the large trade deficit and determined a current account deficit of 6.7%. Despite somehow larger, the latter is still in line with the perceptions of sustainable deficit. Given Macedonia's large trade openness, the dragged-down foreign demand is still the most pertinent determinant of the moderating export, while its effect is likely to endure over the first half of 2013.

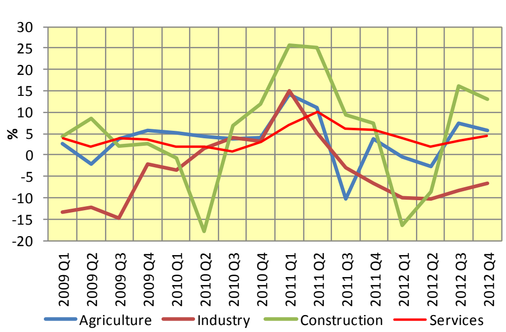
Chart 3. Foreign trade



Source: SSO and National Bank of Macedonia (NBM)

The sectoral overview of Q4-2012 suggests that the overall low growth has been mainly driven by the industry decline of 6.6%, but to an extent compensated by the construction activity of government and the foreign direct investment. Agriculture and services also moderately grew by 5.6% and 4.5%, respectively.

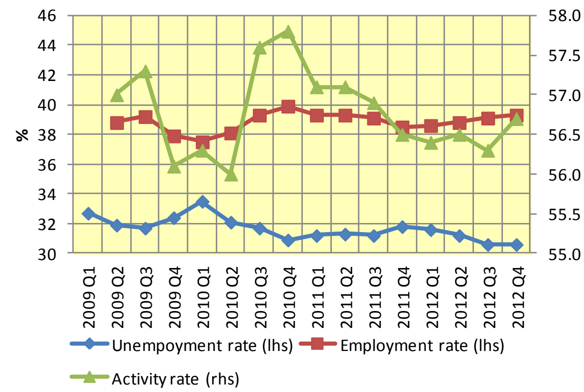
Chart 4. Production sectors growth rates



Source: State Statistical Office (SSO)

Despite growth hold-back, unemployment moderated at 30.6%, while job creation increased by 0.2 p.p. compared to the previous quarter. These jobs are mainly borne by the service sectors and construction, while expectedly agriculture and industry faced layoffs in Q4-2012. Young workers remain the most vulnerable group in terms of their job prospects, and their unemployment rate slightly increased to 53% in Q4-2012 from 52.1% a quarter ago. Also, unemployment increases with the decrease of level of education.

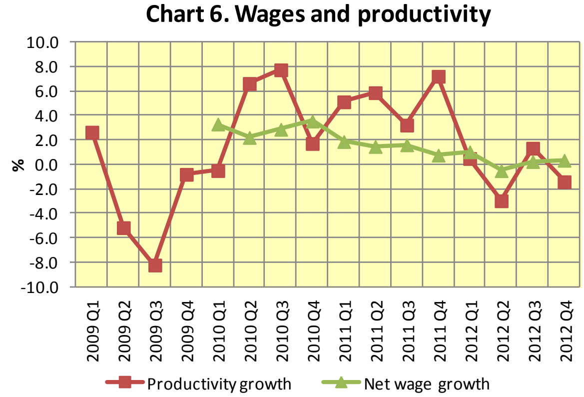
Chart 5. Labour market



Source: State Statistical Office (SSO)

The weak economic activity reflects the slow net-wage and productivity growth. Nominal net wage in Q4-2012 increased by 0.3% at the annual level. In the same quarter, productivity declined by 1.4%. While the sluggish net wage growth may be suggesting a recovery on the horizon, productivity growth still lacks robustness.

Chart 6. Wages and productivity

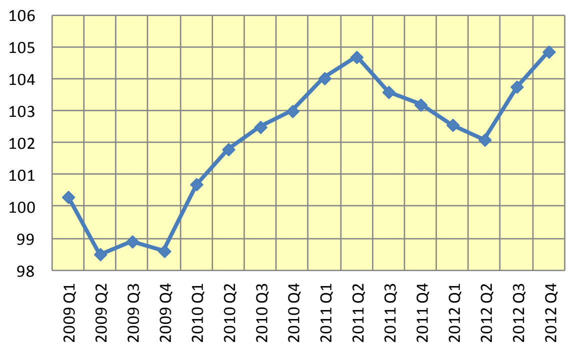


Source: State Statistical Office (SSO)

2. Inflation

Despite low demand presses prices downward, inflation accelerated in Q4-2012 at 4.9% annually. This persistent price hike is due to the level effect of rising prices which happened over the summer, but partly can be explained by the upholding of oil prices, along with the developments in Syria and Iran.

Chart 7. Consumer price index

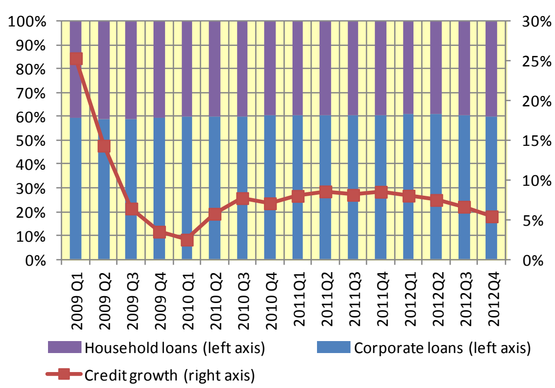


Source: State Statistical Office (SSO)

3. Financial intermediation and interest rates

Financial intermediation growth further decelerated in Q4-2012 at 5.4% annually. The deceleration of credit is dragging recovery behind, especially given it is present in both corporate loans (4.5%) and consumer loans (6.5%) (chart 8).

Chart 8. Credit



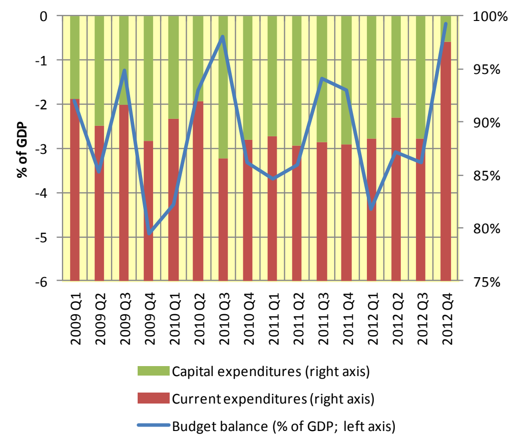
Source: National Bank of Macedonia (NBM)

Monetary policy retained its relaxed stance in conditions of stable money market and foreign-exchange market conditions. The reference interest rate has been maintained at 3.7% at the end of Q4-2012**.** Both Denar- and forex-loan interest rate slightly declined at 8.3% and 6.8%, respectively, following the stance of the monetary policy, but still reflecting the pertaining micro-risks in the economy.

4. Fiscal behavior

Fiscal policy largely remains prudent, with budget deficit of 0.2% of GDP in Q4-2012, hence ending up the year with the projected deficit of 2.7%. However, to achieve this, capital expenditures suffered exhibiting a decline of 80% in Q4-2012, while the current expenditures reasonably increased (chart 9).

Chart 9. Government finance



Source: Ministry of finance (MoF)

5. Near-term economic outlook

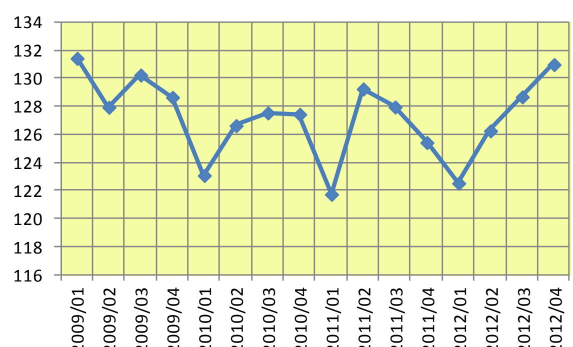
Growth is expected to take on the stage over 2013, as the factors determining weak economic activity subside. However, the recovery is likely to be slow and gradual. Policy responses lowered acute crisis risks in the euro area and the United States, but the return on a steadier growth path in the former after a protracted contraction may be delayed. Policies have also supported a modest growth pickup in some emerging market economies, although others continue to struggle with weak external demand and domestic bottlenecks. IMF forecasts the world output to grow by 3.5%, while emerging markets by 5.5% over 2013, with positive prospects. However, downside risks remain significant, including renewed setbacks in the euro area and risks of excessive near-term fiscal consolidation in the United States. Policy actions must urgently address these risks.

Commodity prices sparked again in mid-212, but are expected to ease further. The oil price came back again at the pre-2011 level. Geopolitical risks to oil prices, mainly stemming from Iran and Syria, remain at the stage, though. Hence, these risks are expected to remain elevated for some time, and oil prices will ease only marginally in 2013. For commodities, on the other hand, supply is expected to normalize and price pressures to fade out over 2013.

The global easing prospects with significant downside risks challenge a fast recovery of the Macedonian economy. The external demand may be further held back for a while, but foreign direct investment may give a near-term boost of the economy. Overall, the first half of 2013 may be economically stagnant, but the positive near-term prospects may be appearing on the horizon. A wind in the back may be the accommodative stance of policies though amid a rising micro-risks in the economy.

The leading index of the Macedonian economy, UACS LeadEcon predicted the current deceleration, but now predicts moderate recovery in the second half of 2013. In Q4-2012, the index increased by 2.3 index points at the quarterly level and by 5.6% at the annual level (chart 10).

Chart 10. UACS LeadEcon



Source: Trademark of UACS (based on data from SSO, Macedonian Stock Exchange, The employment agency and NBM)

The realization of some foreign investment and the government construction activity in the quarters of 2012 curb the downside risks which existed earlier. Though, the main pertaining risks remains the uncertain foreign-demand recovery as well the potential further deceleration of the credit activity amid the pertaining micro risks and the soaked-up liquidity among companies.

Due to consumers' hesitation, consumption will be further growing sluggishly or declining. The level effect of the elevation of prices of commodities is still on the stage and this may has put additional burden on households' decisions to spend. The net-wage and consumer-loan growth will be further moderating and only reinforcing this trend.

Net external trade's contribution to growth will noticeably continue the pull-back in the near term, in the context of the slow external demand resume. The moderating trend of industrial production will likely continue by early-2013, at least.

Inflation will likely subside. The droughts and floods in parts of the world dragged prices up again but it seems their effect sluggishly fades out. However, the return of prices to the pre-shock level may be unwarranted.

Overall, prospects may now be more optimistic than before, but downside risks for the growth continue to be around. The quarters ahead will be pulled up but the potential intensification of the raise up of factories by the foreign investors, the continued government construction activity, but potentially retarded by the moderation of the external demand. Consumers' confidence will be restored only gradually. Policy responses at present remain appropriate, both from the monetary and fiscal side, despite with very limited power given the prevailing micro risks which retard the credit activity.

Overall, the hold-back of the economic activity in the first half of 2013 and its potential reversal in the second half allow for devising an overall growth forecast of 1.5% for 2013, while Q1-2013 is expected to be around 1%.

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