

KEY CHALLENGES FOR SUSTAINING GROWTH AND COMPETITIVENESS IN SEE



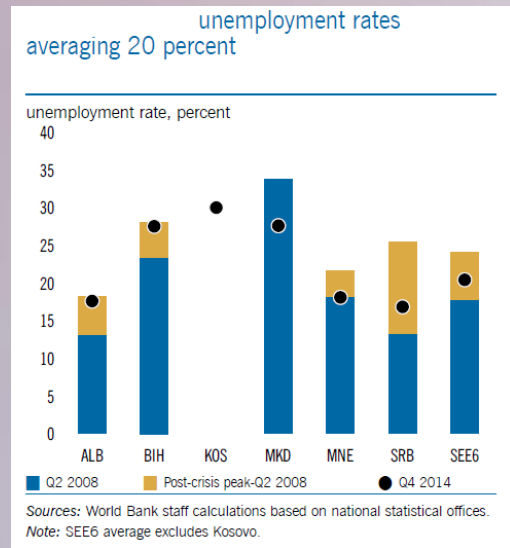
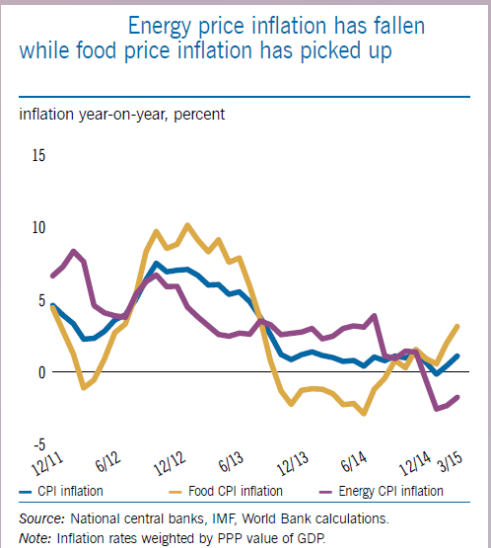
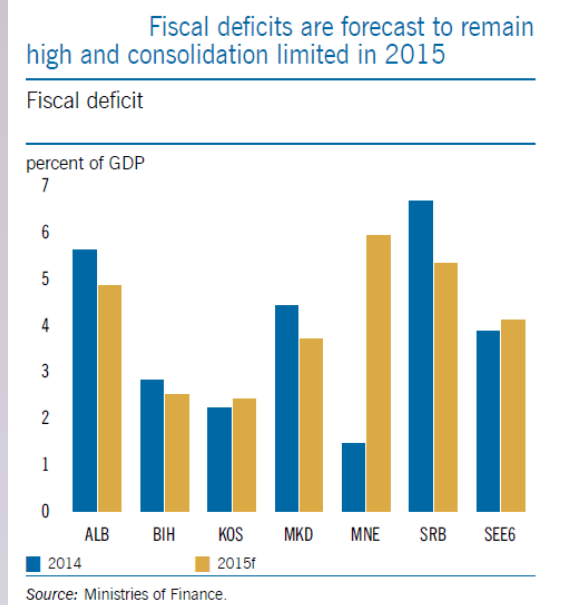
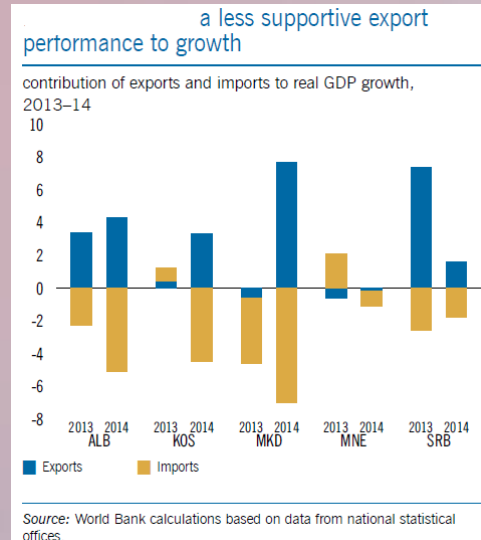
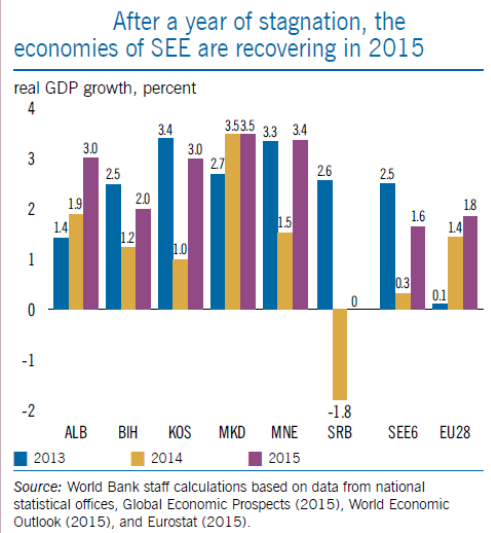
GLOBAL TRENDS

- Accelerating growth in advanced economies (US, UK, Eurozone) vs. Slowdown in almost all emerging markets
- Downward revisions of oil prices have an impact on global inflation and thus on monetary policies
- Increasing uncertainties on Chinese growth and US monetary policy have lead to higher volatility

EUROPE: A REGION SPARED BY THE CURRENT TURMOIL?

- Sustained growth in Central and Eastern Europe
- “Two-speed” differences in the banking sector between north and south are asset quality and loan growth
- Rising political uncertainties in several countries

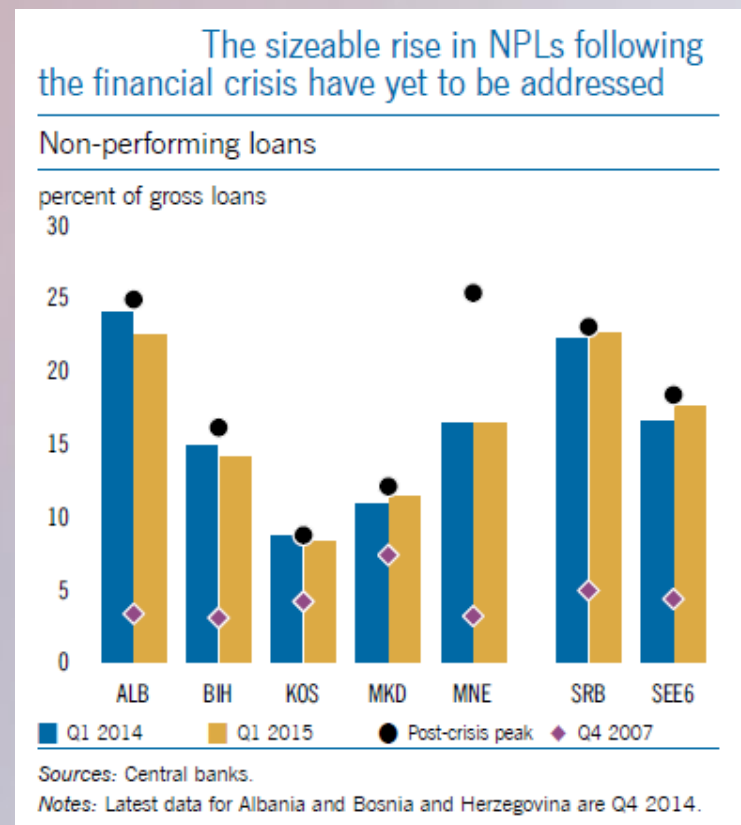
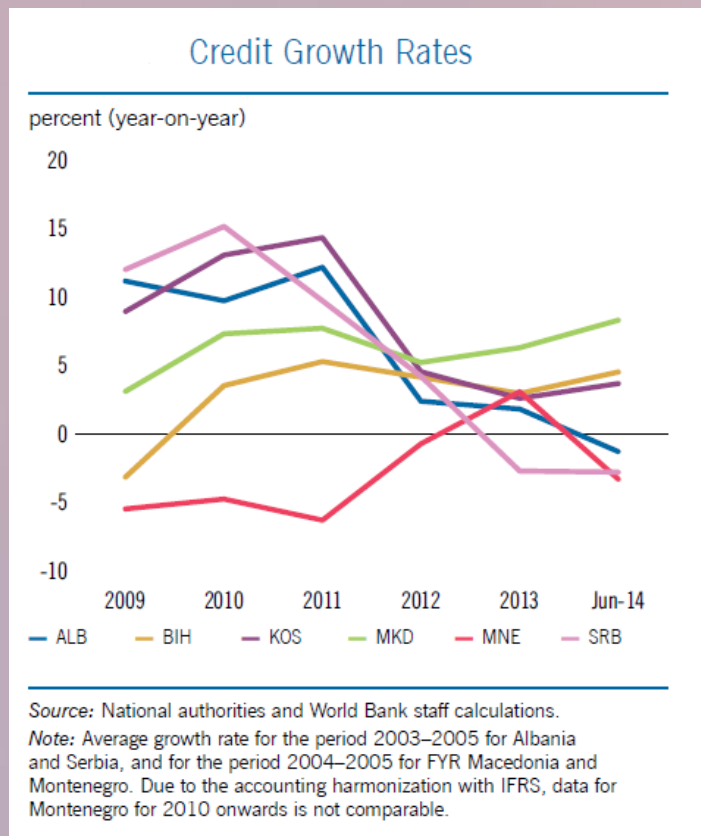
MACROECONOMIC DATA SEE



BANKING SECTOR IN SEE

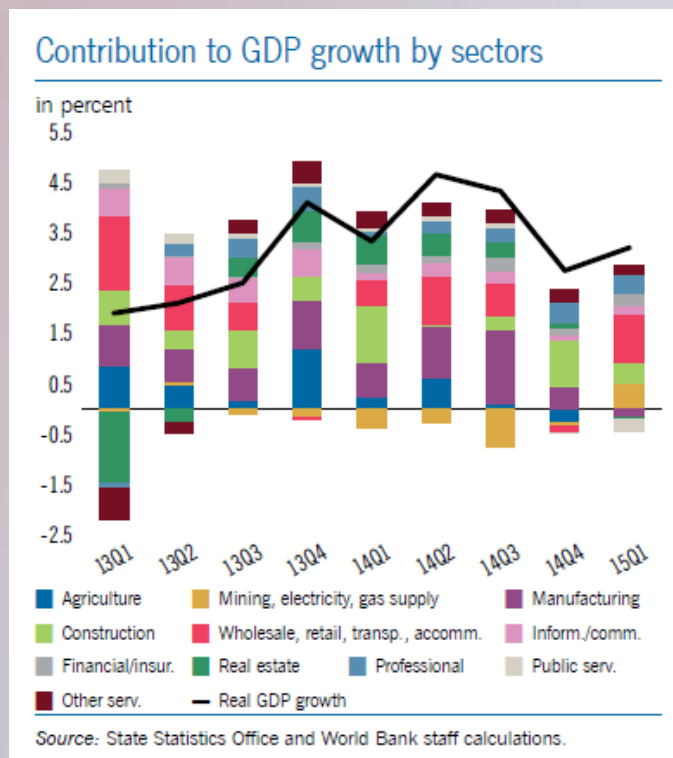
Domestic credit is still contracting in Southeastern Europe, albeit at a slower pace

Still high NPLs ratio and uncertainty about collateral values



REPUBLIC OF MACEDONIA KEY DATA

- Economic growth in R. Macedonia continued to be strong in the first quarter of 2015.
- The economic expansion has been led by commerce and services, particularly retail trade and financial services. Industrial production and construction slowed down in early 2015.
- On the demand side, private consumption growth has been strong since the beginning of 2015, while investment growth moderated compared to 2014.
- The trade deficit continued to narrow as exports perform well, driven by foreign direct investments companies.
- Fiscal performance in the first four months of 2015 improved compared to 2014, but the composition of spending remains unfavorable.

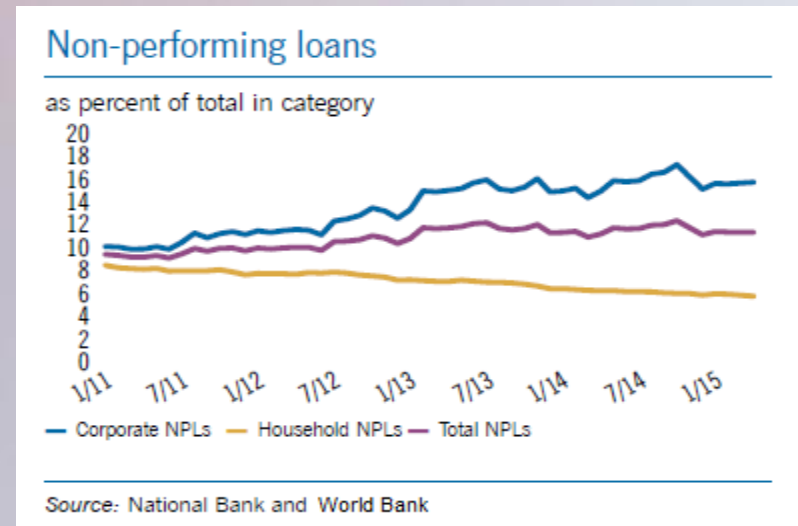
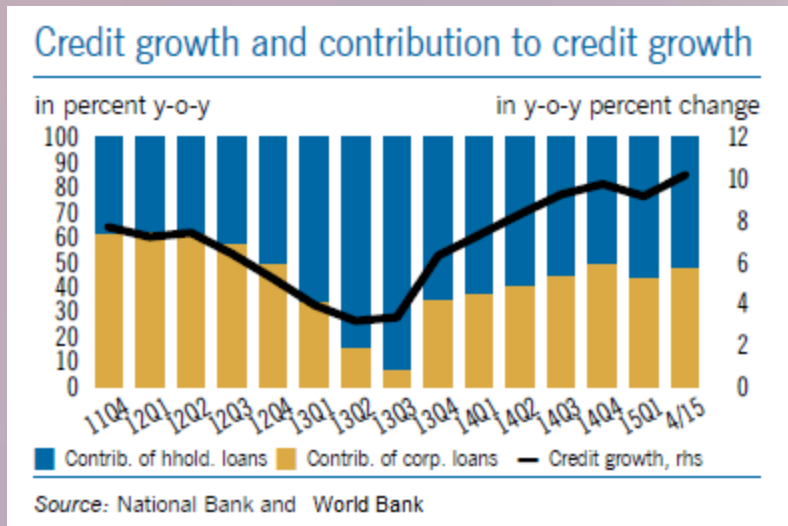


REPUBLIC OF MACEDONIA OUTLOOK

- Public investment and FDI-related exports will remain the main drivers of growth in 2015.
- GDP growth is projected to reach 3.5 percent in 2015 and accelerate to 3.8 percent in 2016.
- A number of public investment projects, which include the construction of two new highways, have started or are expected to start in 2015.
- In addition, private consumption is expected to gain strength, increasing its contribution to growth.
- Most of the government's financing needs for 2015 and early 2016 have been met.
- The announced inflows of FDI pipeline remains sizable as new investments were announced in 2015 and some existing companies started expanding their facilities. Nevertheless, the current political crisis poses a downside risk to the economy, if not resolved soon.

REPUBLIC OF MACEDONIA BANKING SECTOR

- **Financial sector stability has been preserved during the global financial crisis.**
- The market is dominated by foreign banks, which account for over 90 per cent of total banking assets.
- Banks have relied primarily on domestic deposits to fund lending and less on parent bank capital (the loan-to-deposit ratio of the private sector is about 93 per cent), so they were not as affected by deleveraging pressures during the crisis as their regional peers.
- The non-performing loan ratio has been kept between 11% and 12% in last two years.



KEY CHALLENGES FOR SUSTAINING GROWTH AND COMPETITIVENESS IN SEE

- Education of workforce
- Infrastructure
- Financial Markets development
- Technological readiness
- Business Sophistication
- Innovation

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Thank You.