

**LAPSE OF
TIME**

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To: Members of the Executive Board

From: The Secretary

Subject: **Republic of North Macedonia—Staff Report for the 2019 Article IV
Consultation—Supplementary Information**

Board Action: Executive Directors' **consideration** on a lapse of time basis

Publication: Yes*

Questions: Ms. Barkbu, EUR (ext. 38138)
Mr. Poulain, EUR (ext. 39444)
Mr. Mangov, EUR (ext. 36583)

Document Transmittal
in the Absence of
an Objection and in
accordance with
Board policy: Forthwith—European Central Bank
After Board Consideration—European Bank for Reconstruction and
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Development Programme, World Trade Organization

***Unless an objection from the authorities is received prior to the conclusion of the Board's consideration,
the document will be published.**



REPUBLIC OF NORTH MACEDONIA

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION—SUPPLEMENTARY INFORMATION

January 14, 2020

Prepared By

The European Department

This supplement provides information that has become available since the issuance of the staff report. The information does not alter the thrust of the staff appraisal.

Preliminary 2019 fiscal outcome. Preliminary numbers received from the authorities indicate that the overall fiscal deficit for 2019 amounted to 13.6 billion denars, or 2 percent of staff's projected GDP. This is somewhat higher than staff's projection (1.8 percent) and is mostly due to an increase in capital spending in December, which nonetheless continues to be below budgeted yearly amounts. The deficit outcome is considerably below what was envisaged in the supplementary budget approved in October 2019 (2.5 percent). These developments do not materially affect staff's baseline projections.

Revised composition of 2018 GDP. Although nominal GDP and real GDP growth for 2018 remained unchanged in the latest data update published by the State Statistical Office, the composition of real expenditures was revised. According to the update, real investment contracted by 7.3 percent in 2018 (versus 0.9 percent growth previously) with a contribution to growth of -2.6 percentage points, while net exports now have a positive contribution of 2 percentage points (versus -0.3 points previously), reflecting postponement of large infrastructure projects and falling construction in 2018.