

## Anita Angelovska-Bezoska: Ministerial Dialogue on the Economic Reform Programmes of the Candidate Countries

Speech by Ms Anita Angelovska-Bezoska, Governor of the National Bank of the Republic of Macedonia, at the Ministerial Dialogue on the Economic Reform Programmes of the Candidate Countries, Brussels, 25 May 2018.

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Dear Ministers,

Dear representatives of the European Commission, European Central Bank and Eurostat,

It is my great pleasure to join you on the regular Ministerial Dialogue. At the beginning, let me express our gratitude to the ECB, European Commission and Eurostat for their assessment of our Economic Reform Programme that outlines the ongoing, as well as forthcoming medium-term reform priorities aimed at more competitive, flexible and resilient economy. Herewith, we appreciate the positive assessment of the monetary policy as well as the recommendation to continue “to conduct monetary policy consistent with the exchange rate peg, using available scope within this framework in line with safeguarding price stability” which is completely in line with central bank views on monetary policy strategic framework.

**In light of today’s thematic discussion on fiscal sectors reforms, we would like to express our support for the Ministry of Finance’s reforms oriented towards strengthening Public Finance Management system that besides improving the effectiveness of the use of public resources, will also foster the ongoing fiscal consolidation process.** We believe that the numerous reforms enshrined in the medium-term PFM Reform Program, such as strengthening macro-economic forecasting infrastructure, strengthening commitment control, enhancing fiscal transparency and introducing fiscal rules will help prevent potential fiscal slippages and be conducive to further strengthening of fiscal discipline.

**Continuation of prudent fiscal policy leading to stabilization of the public debt will provide room for prolonged accommodative monetary policy, i.e. keeping the main policy rate at its historically lowest level for an extended period, thus providing further stimulus for economic recovery.** This is even of crucial importance considering the implemented exchange rate targeting strategy in our case. Reestablishment of fiscal buffers may be needed in the context of the new forthcoming global cycle of lower liquidity and higher interest rates. In addition, budget forecasts underpinned by sound macro assumptions will be an important input in the medium-term macro-forecasting process of the central bank with positive effects over forecast quality thus further enhancing the quality of the monetary policy decision making.

**Allow me to take this opportunity to also point out that last year’s monetary policy objectives have been achieved, despite the political uncertainty present at that time.** Monetary policy remained accommodative, amid moderate inflation of 1.5% in the first four months of 2018, strong external position and gradual stabilization of market expectation. In March 2018, the main policy rate was reduced to 3%, which is historically lowest level. Deposit and credit growth of the banking sector continued, with revival in the lending to the corporate sector, accompanied with a decline of the NPL ratio in the first quarter of 2018 to 5.1%, due to claims collection. Current account deficit in 2017 additionally reduced to 1.3% of GDP, reflecting the positive contribution of the foreign capital companies on the export side, which indicates further strengthening of the economic fundamentals.

**Regarding the recommendation from the last year’s dialogue,** the central bank prepared draft strategies for NPLs management and strengthening the use of local currency, both agreed

with the Ministry of Finance and currently subject to consultation with other relevant stakeholders. In both areas, as already being confirmed in the assessments and final conclusions, we have already achieved tangible results; however the adoption of these comprehensive strategies will put in place additional mechanisms to deal with these issues.

In light of the challenging time that we have faced in recent years, we need to point to the maintenance of price and financial stability as important pillars of the macroeconomic stability, as well as the need to continue strengthening the fundamentals and resilience of the economy. Implementation of structural reforms and strengthening institutional capacities, including sound public finances, should remain main priorities for faster income convergence and EU integration.

Thank you!