

FYR Macedonia

More foreign currency lending and hands-off parent banks

The banking landscape of FYR Macedonia is characterised by an obvious clustering of branches around Skopje and a sprinkling around the remainder of the country (Chart 1). The large presence of foreign-owned banks results in the perception by the respondent banks that they are strong competitors. However, a larger share of Macedonian banks views private domestic banks as strong competitors, which is unique in this region.

Macedonian banks reported the launch of new products and expenditure on advertising as more important in attracting new customers, while branch and staff expansion have fallen drastically in importance from 2007 to 2011. Another important factor in attracting new clients was participation in specialised lending programmes supported by the government or international agencies to target micro, small and medium-sized enterprise lending. During this same period over 40 per cent of Macedonian banks, the largest percentage in the region, reported an increase in foreign currency lending (Chart 2). This is potentially driven by foreign currency indexed lending which grew strongly in FYR Macedonia over this period.

Foreign-owned banks in FYR Macedonia score the lowest in the region with regards to the overall influence of parent banks on their subsidiaries. Chart 3 compares the share of banks in FYR Macedonia and the region that view their parent bank’s influence as either “important” or “very important” in shaping various business areas. However, almost 80 percent of these banks (the largest portion in the region) report that their parent bank sets them annual targets in terms of market share.

While a slight majority of Macedonian banks view their court system as fair and impartial, less than one-third agree it is able to enforce its decisions, while even less view it as quick and efficient (Chart 4). The percentage of banks reporting that they “frequently”, “almost always” or “always” have to pay irregular payments/gifts to these officials jumped from 0 to 10 percent between 2007 and 2011. However, an increase is observed in the portion of Macedonian banks that “agree” or “strongly agree” that laws related to security rights over immovable assets provide adequate scope of security.

Chart 1 Bank localities by ownership

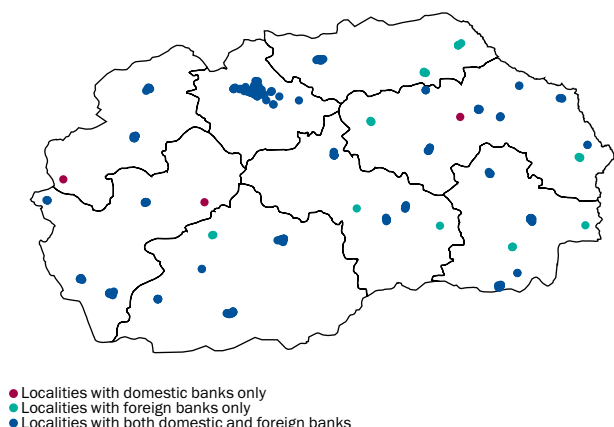


Chart 2 Change in FX lending 2007-11

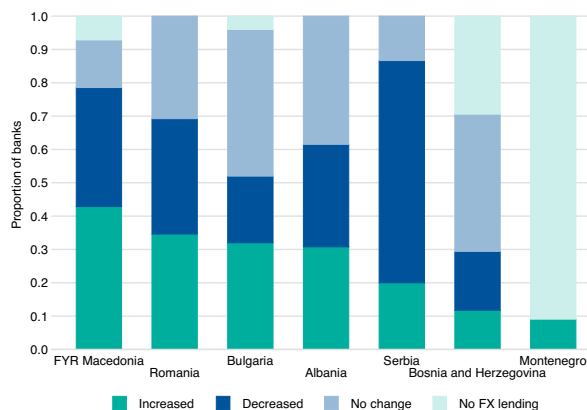


Chart 3 Areas of parent bank influence

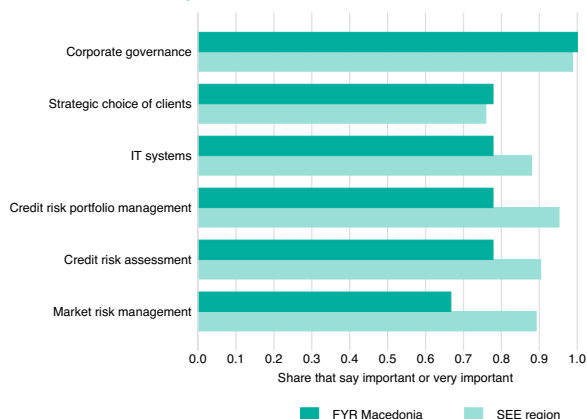


Chart 4 Perceptions of the court system

