

# **National Bank of the Republic of North Macedonia**

MONETARY POLICY AND RESEARCH DEPARTMENT



## **Recent Macroeconomic Indicators Review of the Current Situation**

January 2024

## Recent Macroeconomic Indicators

### Review of the Current Situation – Implications for the Monetary Policy

*The review of the current situation aims to give an overview of the recent macroeconomic data (October - December 2023) and to make a comparison with the latest macroeconomic forecasts (October 2023). This will determine the extent to which the current situation in the economy corresponds to the expected movements of the variables in the latest round of forecasts. The review focuses on the changes in external assumptions and performances of domestic variables and the effect of these changes on the environment for monetary policy conduct.*

The latest forecasts of the international organizations<sup>1</sup> point to slightly more favorable prospects for the global economic growth in the short term, amid an upward revision of the estimate for 2023, in conditions of more favorable performances than expected and an unchanged estimate for 2024, while the forecast for 2025 has been corrected slightly downwards. **Risks around the global growth are predominantly downward** and are primarily associated with the increased geopolitical tensions (the military conflict in the Middle East and the war in Ukraine) with a possible adverse effect on energy prices. The other risks refer to the possible maintenance of inflation at a higher level for a longer time, increased financial stress due to the high interest rates, the weaker than expected growth in China, further trade fragmentations and climate-related risks.

**Analyzing the individual quantitative external environment indicators important for the Macedonian economy for the period 2023-2025**, the estimates for the **foreign effective demand** are almost unchanged, while the **foreign effective inflation** has been slightly revised upwards for 2023 and 2024, and downwards for 2025, compared to the October forecasts. The depreciation of the US dollar against the euro in 2023 is almost the same with the October assessments, and it is expected to further depreciate, but at a slightly slower pace on average for the period 2024–2025 compared to October. **The world prices of primary products** registered a slightly sharper decline in 2023 relative to the October forecasts, and the estimates for the next two years have been revised predominantly downwards, still expecting price decline in 2024 and stabilization in 2025. However, the movements and the assessments of the prices of primary commodities remain extremely volatile and strongly influenced by the developments related to the war in Ukraine and the military conflict in the Middle East, which creates great uncertainty about their future dynamics and effects on the global and domestic economy.

Regarding the **foreign interest rate EURIBOR** with one-month maturity, the performance in 2023 is in line with the October expectations, and the latest forecasts for 2024 and 2025 have been revised slightly upwards, but still point to a downward movement, in line with the expectations for reduction of the ECB interest rates in the second half of 2024. Namely, in January, the ECB made a decision to maintain interest rates at the current level, estimating that the maintenance at that level for a sufficiently long time will contribute to reaching the target inflation of 2% in the medium run.

**The latest indicators of the domestic economy suggest macroeconomic landscape in line with the October forecasts.** In the third quarter of 2023, the **real GDP growth amounted to 1.2% on an annual basis**, a performance in line with that forecasted (growth of 1.1%) within the October forecasting round. The high-frequency data for the period October - November 2023 are currently in line with the expectations for an acceleration in the growth of the economic activity in the last quarter of the year. Thus, this period registered a growth of industrial output, total trade turnover and construction, after their real fall in the previous quarter, while the real turnover in catering registered an acceleration in the annual pace of growth. In addition, the slowdown in inflation, the increase in wages, as well as the new package of anti-crisis measures are expected to support the

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<sup>1</sup> According to the World Bank's Global Economic Prospects Report, January 2024.

purchasing power of households in the last quarter of the year. **In December 2023, the annual inflation rate amounted to 3.6%** (3.1% in the previous month) and is slightly lower than the forecasted rate of the October forecasting round. **For the entire 2023, the average annual inflation rate was in line with the expectations and equaled 9.4% (9.5% according to the October forecast).** In conditions of a significant exhaustion of the pressure from the food and energy components, the annual inflation rate was mainly driven by the core component which decelerated as well. **The consumers' expectations** provided in the December surveys for the price movement in the next period are also more favorable compared to November. In addition, the **spread in relation to headline and core inflation in the euro area** remained at a low level also in December, in conditions of a similar pace of movement of the rates in the country and in the euro area. Revisions in relation to import prices are currently mainly downward, but the uncertainty arising from the future dynamics of the prices of primary products in markets due to the geopolitical tensions and climate changes, is still present.

**At the end of the fourth quarter of 2023, the foreign reserves stood at Euro 4,538.5 million. The analysis of foreign reserves adequacy indicators shows that they remain in the safe zone.** Foreign trade data in the period October - November 2023 currently indicate a slightly lower trade deficit for the last quarter of the year than expected according to the October forecast. Currency exchange operations data as of the end of December 2023, point to net inflows of private transfers that are higher than expected for the fourth quarter according to the October forecast.

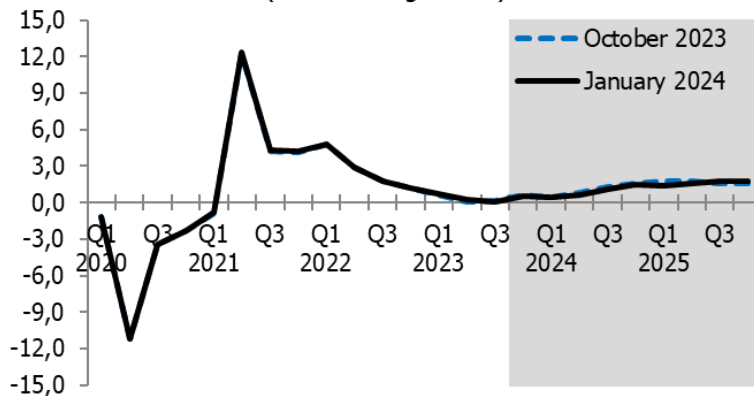
Regarding the **developments in the monetary sector**, the total **deposits** in December 2023 increased by 9.1%, annually, amid forecasted annual growth for the fourth quarter of 8.4% according to the October forecast. The growth of **total private sector loans** in December 2023 decelerated, reducing to 5.1%, amid forecasted annual growth for the fourth quarter of 5.7% according to the October forecast. Survey data on the lending activity for the fourth quarter of 2023 point to a certain tightening of the conditions in terms of credit supply in both sectors, amid reduction of demand. Also, the increase in newly approved loans is reduced, which results from the corporate sector, amid a slight increase in households. Namely, the amount of total new loans extended to the private sector in the last 12 months as of November, on average is lower on an annual basis.

In the period from January to November 2023, the Budget of the Republic of North Macedonia registered a deficit of Denar 28,463 million, or 66.6% of the forecast deficit for 2023. The budget deficit is financed through net government borrowing on the domestic market and by government deposits with the National Bank, amid government net-deleveraging abroad in this period.

**The latest developments in the macroeconomic indicators, which are key to the conduct of monetary policy, are generally in line with the expectations from the latest forecasts.** The annual inflation rate registered in December 2023 slightly accelerated due to the base effect, but at a more moderate pace than expected. The average inflation rate for the entire 2023 is in line with the forecasts, but still, the performances are relatively high compared to the historical average. Survey signals point to further stabilization of inflation expectations. The prices of primary products in markets continue to follow a path of significant downward adjustment, but still, the transmission to domestic prices, primarily food, remains weaker. The latest forecasts point to their stronger dynamics of reduction in the next period, but the uncertainty is still present due to the current military conflicts. The growth of the domestic economy as of the third quarter of 2023 is moderate and in line with that forecasted. A stronger pace of economic growth is expected in the last quarter of the year, which is indicated by the movement of the available short-term indicators for the period October-November. The foreign exchange market developments remain favorable, with further high inflow of foreign currency on the currency exchange market. In the last quarter of the year, banks' deposit potential also grew, at a slightly stronger pace than expected, and the growth of the credit support to the private sector continued with more moderate dynamics, within the forecast.

Selected economic indicators <sup>1</sup>	2022																2023																			
	Jan.	Feb.	Mar.	Q1	Apr.	May	Jun.	Q2	Jul.	Aug.	Sept.	Q3	Oct.	Nov.	Dec.	Q4	2022	Jan.	Feb.	March	Q1	April	May	June	Q2	July	Aug.	Sept.	Q3	Oct.	Nov.	Dec.	Q4	2023		
I. Real sector indicators																																				
Gross domestic product (real growth rate, y-o-y) <sup>2</sup>				1,7				4,0				1,8				1,5	2,2				1,5				1,1				1,2							
Industrial production <sup>3</sup>																																				
y-o-y	0,7	6,2	3,2	3,4	-3,8	8,6	-0,2	1,3	-5,0	0,2	-0,5	-1,8	-5,2	-3,7	-1,3	-3,4	-0,2	-2,3	1,0	1,2	0,1	-1,6	6,1	3,7	2,7	-1,7	-5,1	4,5	-0,6	9,9	-2,3	-5,8	0,4	0,7		
cumulative average	0,7	3,6	3,4	3,5	1,5	2,9	2,3	2,3	1,2	1,1	0,9	0,9	0,3	-0,1	-0,2	-0,2	-0,2	-2,3	-0,5	0,1	0,1	-0,3	1,0	1,5	1,5	1,0	0,3	0,8	0,8	1,7	1,3	0,7	0,7			
Inflation <sup>4</sup>																																				
CPI Inflation (y-o-y) <sup>5</sup>	6,7	7,6	8,8	7,7	10,5	11,9	14,5	12,3	16,0	16,8	18,7	17,2	19,8	19,5	18,7	19,3	18,7	17,1	16,7	14,7	16,1	13,0	11,3	9,3	11,2	8,4	8,3	6,6	7,7	3,5	3,1	3,6	3,4	3,6		
CPI Inflation (cumulative average)	6,7	7,1	7,7	7,7	8,4	9,1	10,0	10,0	10,9	11,6	12,4	12,4	13,2	13,8	14,2	14,2	14,2	17,1	16,9	16,1	16,1	15,3	14,5	13,6	13,6	12,8	12,2	11,5	11,5	10,7	9,9	9,4	9,4	9,4		
Core inflation (cumulative average)	2,6	3,3	3,8	3,8	4,3	4,8	5,2	5,2	5,5	5,8	6,2	6,2	6,5	6,8	7,1	7,1	7,1	10,8	10,6	10,2	10,2	10,2	9,9	9,6	9,6	9,3	9,0	8,7	8,7	8,4	8,2	8,0	8,0	8,0		
Core inflation (y-o-y) <sup>6</sup>	2,6	3,9	4,9	3,8	5,8	6,6	7,3	6,6	7,3	8,1	8,9	8,1	9,2	9,8	10,8	9,9	10,8	10,8	10,4	9,5	10,2	10,1	8,9	8,2	9,1	7,4	7,1	6,3	6,9	6,2	6,2	5,4	6,0	5,5		
Labor force																																				
Unemployment rate <sup>7,8</sup>				14,7				14,5				14,3				14,0	14,4				13,3				13,1				12,8							
II. Fiscal Indicators <sup>9</sup>																																				
(Central Budget and Budgets of Funds)																																				
Total budget revenues	16.761	18.844	21.501	57.106	21.745	16.890	20.572	59.207	21.225	19.308	21.739	62.272	21.838	18.958	23.704	64.500	243.085	19.268	18.749	27.991	66.009	21.207	22.294	21.639	65.140	22.594	22.005	21.728	66.326	26.865	24.128	28.677	79.669	277.144		
Total budget expenditures	20.220	22.241	21.316	63.777	19.753	20.647	22.483	62.883	21.051	20.264	26.694	68.009	22.108	26.456	35.363	83.927	278.596	20.681	23.003	25.849	69.533	30.183	24.814	30.202	85.199	26.057	22.007	22.249	70.313	24.370	27.518	41.633	93.521	318.566		
Overall balance (cash)	-3.459	-3.397	185	-6.671	1.992	-3.757	-1.911	-3.676	174	-956	-4.955	-5.737	-220	-7.498	-11.659	-19.427	-35.511	-1.413	-4.254	2.152	-3.524	-8.976	-2.520	-8.563	-20.059	-3.464	-3	-521	-3.987	2.495	-3.390	-12.956	-13.852	-41.422		
Overall balance (in % of GDP) <sup>1</sup>	-0,4	-0,4	0,0	-0,8	0,2	-0,5	-0,2	-0,5	0,0	-0,1	-0,6	-0,7	0,0	-0,9	-1,5	-2,4	-4,4	-0,2	-0,5	0,2	-0,4	-1,0	-0,3	-1,0	-2,3	-0,4	-0,1	-0,5	0,3	-0,4	-1,5	-1,6	-4,8			
III. Financial indicators <sup>10</sup>																																				
Broad money (M4), y-o-y growth rate	6,5	5,3	2,8	2,8	3,0	1,8	1,4	1,4	1,9	1,3	2,9	2,9	3,5	4,6	5,1	5,1	5,1	4,5	5,7	6,9	6,9	8,6	10,5	11,4	11,4	10,6	9,8	8,8	8,8	8,3	7,4	8,7	8,7	8,7		
Total credits, y-o-y growth rate	8,4	8,9	9,8	9,8	10,0	9,9	10,0	10,0	9,7	9,7	9,9	9,9	10,1	9,6	9,4	9,4	9,4	8,5	7,7	6,6	6,6	6,3	6,5	6,5	6,5	5,8	6,4	5,8	5,8	5,3	5,2	5,1	5,1	5,1		
Total credits - households	7,8	7,8	7,9	7,9	7,8	8,0	7,7	7,6	7,6	7,7	7,6	7,5	7,5	7,3	7,3	7,3	7,4	7,2	6,8	6,8	6,7	6,5	6,4	6,4	6,4	6,3	6,4	6,5	6,7	6,7	6,7	6,7	6,7			
Total credits - enterprises	10,0	10,0	11,9	11,9	12,3	11,9	12,4	12,4	12,1	11,9	12,6	12,6	12,9	12,1	11,5	11,5	11,5	9,7	8,2	6,2	6,2	5,9	6,5	6,5	6,5	5,0	5,8	5,1	5,1	4,1	3,8	3,3	3,3	3,3		
Total deposits (incl. demand deposits), y-o-y growth rate <sup>7</sup>	7,2	5,8	3,2	3,2	3,4	2,1	1,5	1,5	2,0	1,4	3,2	3,2	4,1	4,9	4,9	4,9	4,9	4,5	5,9	6,9	6,9	8,7	10,7	11,6	11,6	11,2	10,2	9,0	9,0	8,3	7,4	9,1	9,1	9,1		
Total deposits - households	6,8	6,0	3,9	3,9	4,6	4,5	5,2	5,2	5,2	4,6	5,3	5,3	5,6	5,3	5,8	5,8	5,8	5,9	6,3	8,4	8,4	8,3	8,7	8,8	8,8	8,4	7,0	6,8	6,8	6,8	7,1	7,9	7,9	7,9		
Total deposits - enterprises	11,5	8,3	3,9	3,9	1,7	-1,6	-4,8	-4,8	-2,9	-3,8	0,4	0,4	1,5	4,3	3,7	3,7	3,7	2,6	5,7	5,9	5,9	12,0	17,8	19,7	19,7	18,9	19,0	15,7	15,7	14,1	9,8	13,2	13,2	13,2		
Interest rates <sup>18</sup>																																				
Interest rates of CBsBills (end of month/quarter/year)	1,25	1,25	1,25	1,25	1,50	1,75	2,00	2,00	2,50	2,50	3,00	3,00	3,50	4,25	4,75	4,75	4,75	4,75	5,25	5,50	5,50	5,50	5,75	6,00	6,00	6,15	6,30	6,30	6,30	6,30	6,30	6,30	6,30			
Lending rates																																				
denar rates	4,6	4,6	4,6	4,6	4,6	4,6	4,6	4,6	4,6	4,6	4,7	4,7	4,7	4,7	4,7	4,7	4,6	5,1	5,1	5,2	5,1	5,2	5,2	5,3	5,2	5,6	5,7	5,7	5,7	5,8	5,8	5,7	5,7	5,4		
fx rates (aggregated, incl. fx and denar with fx clause)	4,0	4,0	4,0	4,0	3,9	3,9	3,9	3,9	4,0	4,0	4,0	4,0	4,1	4,1	4,1	4,1	4,0	4,9	4,9	4,9	4,9	4,9	4,9	4,9	4,9	5,3	5,3	5,2	5,3	5,2	5,2	5,1	5,2	5,1		
Deposit rates																																				
denar rates	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,1	1,0	1,1	1,2	1,3	1,2	1,1	1,3	1,4	1,5	1,4	1,6	1,6	1,8	1,7	1,9	2,0	2,0	2,0	2,1	2,2	2,3	2,2	1,8		
fx rates (aggregated, incl. fx and denar with fx clause)	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,5	0,6	0,5	0,4	0,6	0,7	0,8	0,7	0,9	0,9	1,0	0,9	1,1	1,2	1,2	1,2	1,3	1,3	1,4	1,3	1,0		
IV. External sector indicators																																				
Current account balance (millions of EUR)	-3,1	-254,3	-134,4	-391,8	-165,7	-68,5	-2,8	-236,9	79,8	61,7	-35,6	105,9	-71,9	-34,0	-168,7	-274,6	-797,4	-14,6	19,9	94,6	99,9	-92,2	25,2	-50,5	-117,5	130,3	29,1	99,5	258,9							
Current account balance (% of GDP)	0,0	-2,0	-1,0	-3,0	-1,3	-0,6	-0,3	-1,8	0,6	0,5	0,3	0,8	-0,6	-0,3	-1,3	-2,1	-6,1	-0,1	0,1	0,7	0,7	-0,7	0,2	-0,4	-0,8	0,9	0,2	0,7	1,8							
Trade balance (millions of EUR) <sup>19</sup>	-262,7	-312,3	-324,8	-899,8	-404,6	-315,8	-259,6	-980,0	-269,4	-350,8	-342,1	-962,3	-333,9	-283,8	-363,6	-921,3	-3.823,4	-228,1	-196,1	-209,3	-633,5	-195,6	-215,2	-241,9	-652,6	-201,4	-309,6	-210,3	-721,3	-277,6	-239,2	-301,5	-818,2	-2825,7		
Trade balance (% of GDP)	-2,0	-2,4	-2,5	-6,9	-3,1	-2,4	-2,0	-7,5	-2,1	-2,7	-2,6	-7,4	-2,6	-2,2	-2,8	-7,7	-29,3	-1,6	-1,4	-1,5	-4,5	-1,4	-1,5	-1,7	-4,6	-1,4	-2,2	-1,5	-5,1	-2,0	-1,7	-2,1	-5,8	-20,0		
import (millions of EUR)	-808,8	-982,7	-1.047,7	-2.839,1	-1.318,2	-991,0	-1.000,9	-3.138,2	-939,0	-980,4	-1.102,7	-3.022,1	-1.108,6	-1.001,2	-1.013,8	-3123,6	-12.129,0	-849,4	-915,0	-995,2	-2.759,6	-857,3	-985,1	-936,0	-2.778,3	-897,4	-864,8	-947,8	-2.710,0	-983,2	-957,5	-959,8	-2.900,5	-11148,5		
export (millions of EUR)	546,0	670,3	722,9	1.939,3	682,7	734,2	741,3	2.158,2	669,5	629,6	760,6	2.059,8	774,7	717,4	650,2	2142,3	8.299,6	621,3	718,9	785,9	2.126,1	661,7	769,9	694,1	2.125,7	1.988,7	705,6	718,4	658,4	2.082,3	8322,8					
rate of growth of import (y-o-y)	29,7	31,6	27,7	29,6	22,0	39,3	23,9	27,9	16,6	21,9	52,0	29,4	32,4	14,0	7,4	17,5	19,8	6,0	-6,9	-5,0	-2,8	-21,2	-6,2	-6,5	-11,5	-4,4	-11,8	-14,0	-10,3	-11,3	-4,4	-5,3	-7,1	-8,0		
rate of growth of export (y-o-y)	3,6	23,0	22,8	16,7	10,7	34,2	27,0	16,7	10,7	11,2	34,8	19,9	31,6	16,8	9,7	19,9	19,9	13,8	7,2	8,7	-3,1	4,1	4,0	-1,5	4,0	-1,8	-3,0	-1,5	-8,0	-8,9	0,1	1,3	-2,8	0,3		
Foreign Direct Investment (millions of EUR)	-50,6	-9,2	-48,2	-108,0	-71,8	-60,7	-5,6	-138,1	-87,8	-85,9	-4,4	-178,1	-70,7	-83,6	-75,7	-230,0	-654,2	-15,6	-60,4	-59,8	-135,8	-67,6	-39,3	-2,8	-109,8	-8,3	-41,4	10,5	-39,2							
External debt																																				
Gross external debt (in millions of EUR)				9.973,7				10.346,2				11.076,2				10790,0	10790,0				11.058,2				11.394,6				11.072,1							
public sector				4.589,7				4.883,6				5.343,3				5206,8	5206,8				5.394,7				5.545,6				5.238,1							
public sector/GDP (in %)				35,2				37,5				41,0				40,0	40,0				40,0				39,2				37,1							
private sector				5.384,0				5.462,6				5.733,0				5583,2	5583,2				5.663,6				5.849,0				5.834,0							
Gross external debt/GDP (in %)				76,5				79,4				85,0				82,8	82,8				78,2				80,6				78,3							
Gross official reserves (millions of EUR) <sup>110</sup>	3.465,1	3.382,4	3.272,5	3.272,5	3.240,2	3.183,5	3.116,1	3.116,1	3.196,6	3.285,7	3.753,8	3.753,8	3.752,6	3.824,3	3.862,9	3.862,9	3.862,9	3.775,6	3.900,4	4.152,2	4.159,2	4.123,7	4.174,7	4.189,7	4.189,7	3.801,7	3.934,2	3.901,7	3.901,7	3.920,6	3.963,7	4.538,5	4.538,5	4.538,5		

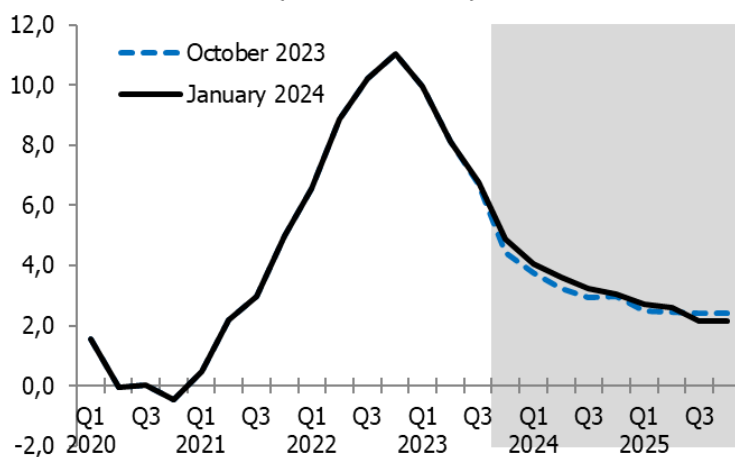
**Foreign effective demand**  
(annual changes in %)



Regarding the **foreign demand**, the estimates for the growth are almost unchanged for the entire period of forecasts (2023-2025).

Source: Consensus forecasts and NBRNM calculations.

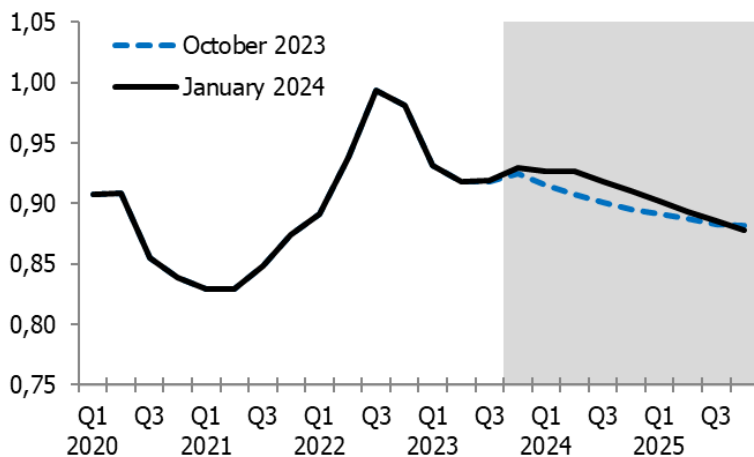
**Foreign effective inflation**  
(annual rates in %)



Small upward adjustments in the **foreign effective inflation** for 2023 and 2024 (amid expectations for a slightly higher price growth in Serbia in 2023 and Poland in 2024<sup>2</sup>) and a small downward adjustment for 2025.

Source: Consensus forecasts and NBRNM calculations.

**EUR/USD exchange rate**

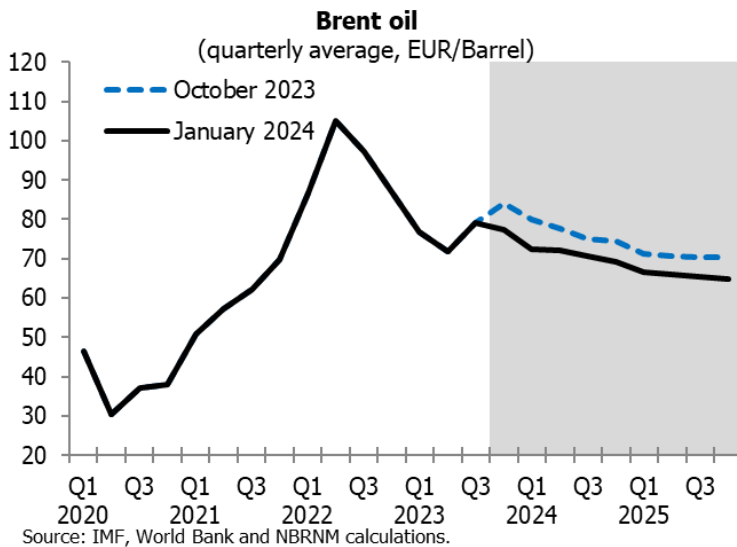


Source: Consensus forecasts and NBRNM calculations.

The depreciation of the **US dollar against the euro** for 2023 is in line with the October forecasts...

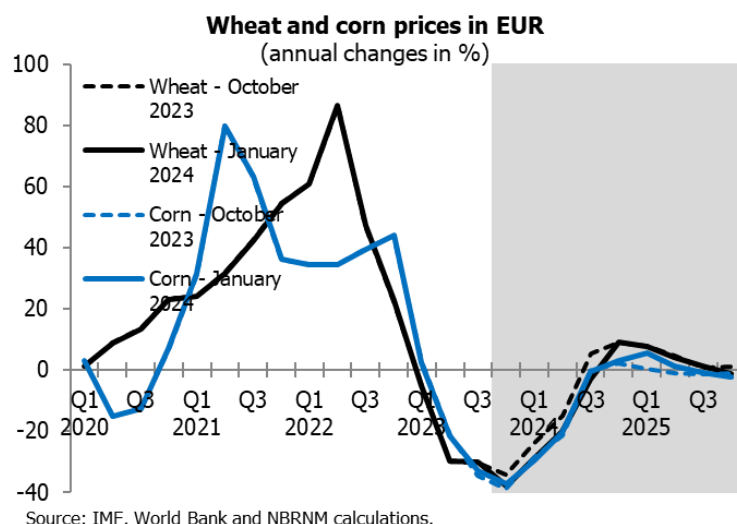
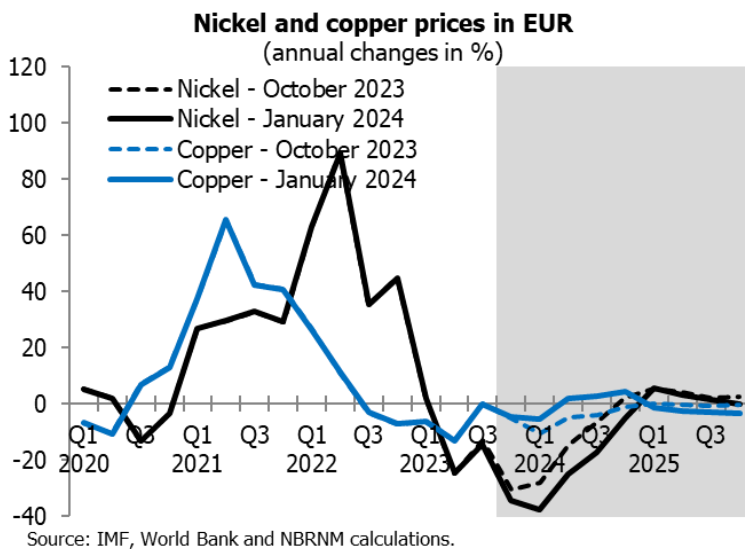
...whereby in the next two years further depreciation is expected of the US dollar against the euro, with intensity that on average is slightly lower than forecasted in October.

<sup>2</sup> Inflation in Serbia and Poland was adjusted for the changes in the exchange rate.



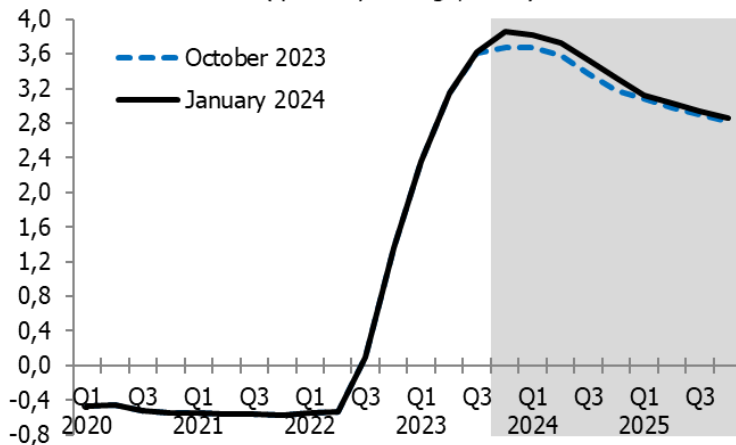
**A slightly sharper decline in the prices of primary products in 2023 compared to the October expectations...**

**...and predominantly downward revisions of the forecasts for 2024 and 2025<sup>3</sup>, as a reflection of the expectations for a weaker demand for oil and metals, due to the deteriorated global economic prospects, and to the expectations for increased production and higher global stocks of food.**



<sup>3</sup> The analysis of prices of oil, metals and food commodities, uses various reports of the IMF, World Bank, FAO, OPEC, the ECB and the specialized international economic portals.

**1-month Euribor**  
(quarterly average, in %)

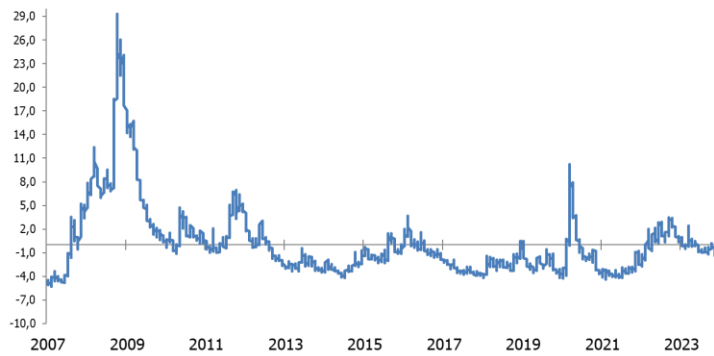


Source: Consensus forecasts and NBRNM calculations.

The performance in the **one-month Euribor** for 2023 is according to the October expectations...

...and for the next two years, the estimates have been slightly adjusted upwards, but with maintenance of a pace for a gradual downward movement, in line with the expectations for reduction of interest rates by the ECB in the second half of the current year.

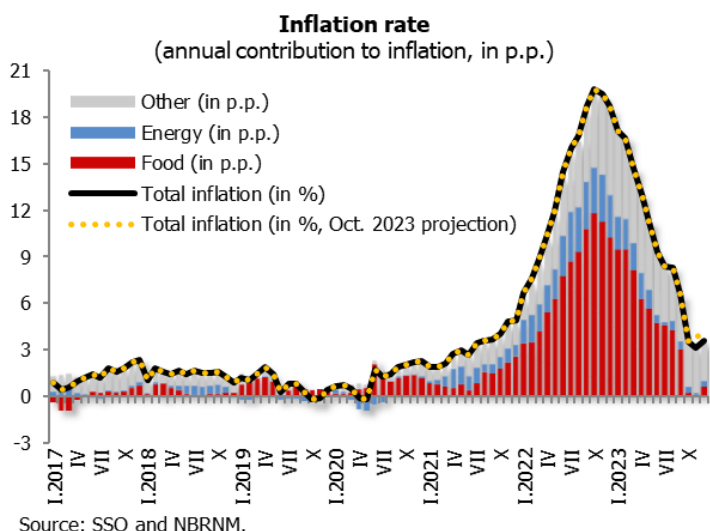
**Financial Stress Index**



Source: Office of Financial Research, US Financial Stability Oversight Council.

**The global financial stress indicator<sup>4</sup>** continues to point to a slight financial market volatility.

<sup>4</sup> The OFR FSI index measures systemic financial stress—disturbances in the normal functioning of the financial markets. It is composed of 33 financial market variables, aggregated into five categories of indicators: credit, capital appreciation, financing, safe/risk-free assets and volatility. The value of the index on a given day represents a weighted average level of each variable observed in the market on that day, relative to its historical value, with the index being positive when the stress level is above the average and negative when the stress level is below the average.

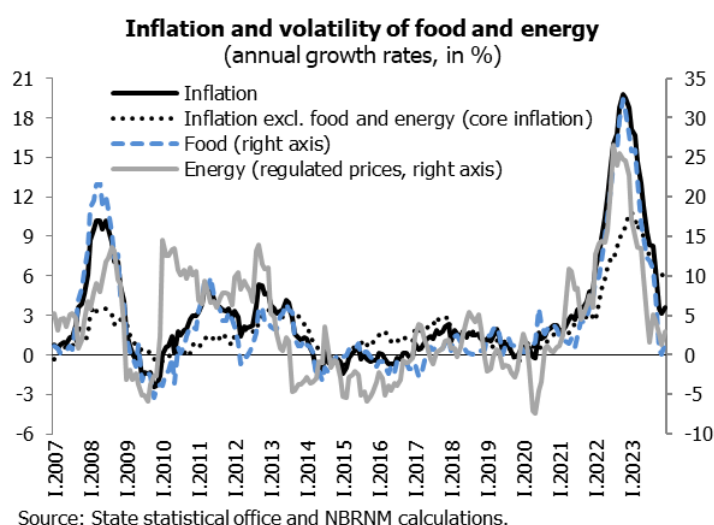


**In December 2023, domestic consumer prices registered a slight increase of 0.2% on a monthly basis** (0.1% in November) mainly due to the seasonal increase in the prices of air transport.

**The prices of food products decreased by 0.2%**, amid lower prices in most of the categories of products, and mostly due to the reduction of the prices of fruit, partially due to seasonal effects.

**Energy prices recorded a monthly decline of 0.7%**, as a result of the decrease in the prices of oil derivatives, given the movements in world markets.

**Core inflation equaled 0.8% on a monthly basis**, primarily due to the seasonal increase in the prices of air traffic.

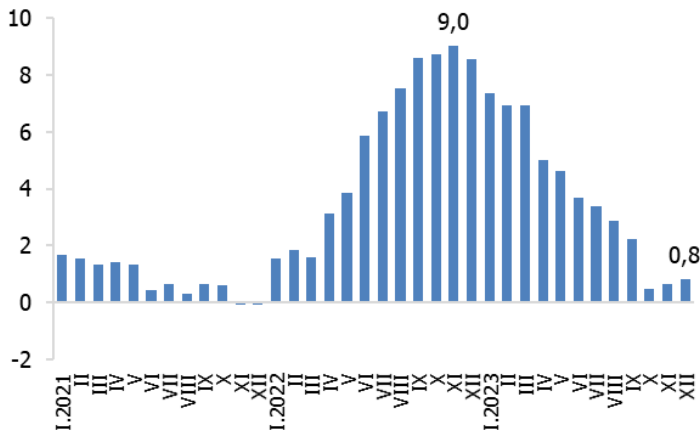


**The annual inflation rate in December registered a moderate acceleration and equaled 3.6%** (3.1% in November). This is due to the base effects in the prices of food<sup>5</sup> and energy, which significantly slowed down in December last year as a result of the measures which referred to electricity for domestic producers of food products and the sharper decline in the prices of oil derivatives in that period, while the contribution of the core component registered a slowdown.



<sup>5</sup> On 19 September, the Government of the RNM adopted a decision to reduce the prices of products within 24 categories of the bakery, milk, meat industry and agriculture of at least 10% in relation to the price they had on 1 August 2023 and to freeze them at that level ([link](#)). Also, on 26 September, the Government prescribed, by a special decision, the highest trade (profit) margin in the trade in fresh fruits and vegetables in a total amount of up to 10% in wholesale trade and of up to 15% in retail trade ([link](#)). These decisions were initially in effect until November 2023, then their application was extended until the end of 2023 ([link](#)), and additionally, as of January 2024 ([link](#)). On 28 September, the Government adopted a decision to raise the import duties on the imports of citrus fruits, which was in effect as of 31 December 2023, and a decision to reduce the import duties on the imports of fresh vegetables, with validity until February 2024 ([link](#)). The government decision to increase the preferential VAT rate from 5% to 10% of some of the food products acted in the opposite direction, adopted on 28 September initially ([link](#)), with amendments to the decision of 10 October ([link](#)).

**Domestic and eurozone headline inflation spread**  
(in p.p.)



Source: State Statistics Office and Eurostat.

**The spread in relation to headline and core inflation in the euro area remained at a low level also in December, in conditions of a similar pace of acceleration in the country and in the euro area.**

**Consumer inflation expectations over next 12 months**  
(balance of answers)



Source: European Commission.

**The consumers' expectations<sup>6</sup>** provided in the December surveys for the price movement in the next period are more favorable compared to November.

**Inflation expectations of managers of enterprises over the next 3 months**  
(balance of answers)



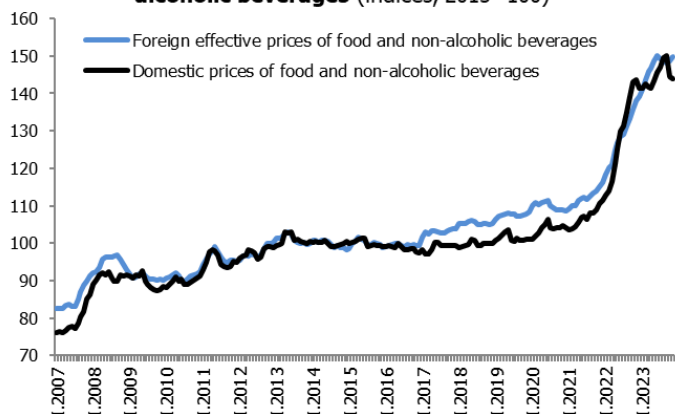
Source: European Commission.

Analyzing the **corporate sector<sup>7</sup>**, the price movement expectations in the following period are more favorable in the manufacturing industry and retail trade, while less favorable in construction and the services sector.

<sup>6</sup> Consumer Confidence Survey of the European Commission for December 2023 based on the question "consumers' expectations about price changes over the next 12 months".

<sup>7</sup> European Commission's business tendency surveys in industry, retail trade, construction and services sector.

**Foreign effective\* and domestic prices of food and non-alcoholic beverages (indices, 2015=100)**



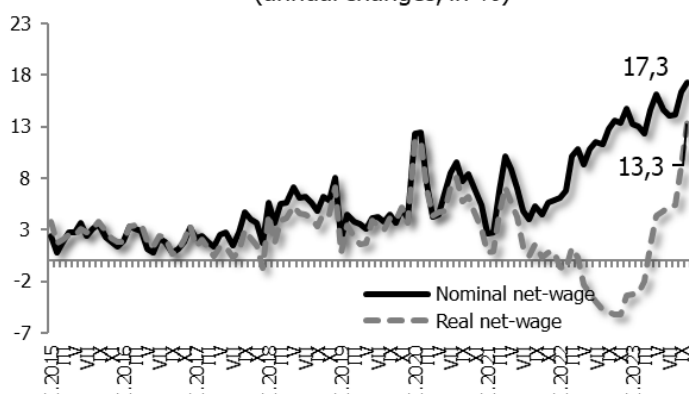
\* Foreign effective food prices are calculated as weighted sum of HICP food prices in countries that are major trade partners of North Macedonia in the field of food import.

Source: State statistical office, Eurostat and NBRNM calculations.

The annual inflation rate in December is slightly lower than the forecasted rate of the October forecasting round. For the entire 2023, the average annual inflation rate was in line with the expectations and equaled 9.4% (9.5% according to the October forecast).

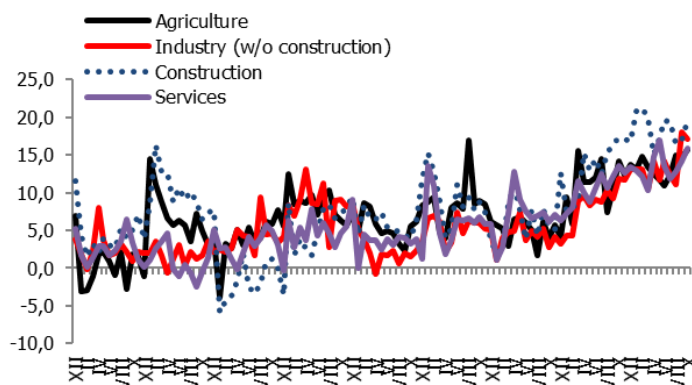
The revisions of the **expected movements of the external input assumptions** in the inflation forecast for 2024 are mainly downward. Thus, the uncertainty arising from the future dynamics of primary products prices in markets is still present and high.

**Average net-wage (annual changes, in %)**



Source: SSO.

**Average monthly net wage paid by sectors (nominal annual changes, in %)**



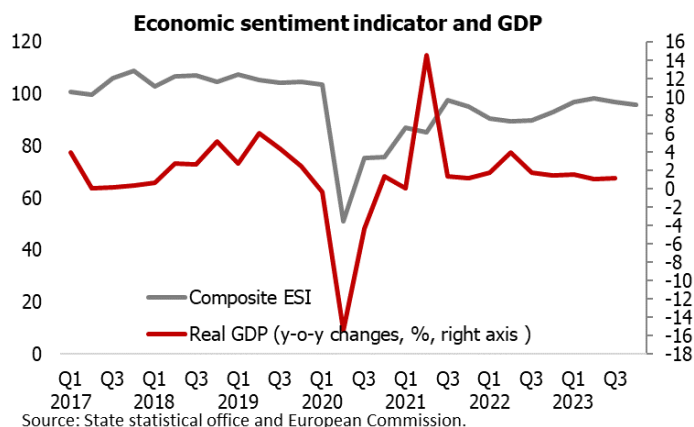
Source: SSO.

In the period October - November 2023, the **nominal average net wage** registered a further annual growth, which is an acceleration compared to the growth registered in the third quarter...

...amid faster acceleration in the growth in "health and social care activities", "public administration and defense; compulsory social security", "financial activities and insurance", "activities related to real estate", "electricity, gas, steam and air-conditioning", and "water supply".

In this period, the growth of the **real net wage** accelerated, given the acceleration in the nominal growth of wages and deceleration in inflation.

The nominal and real annual growth of wages in the period October-November 2023 is slightly higher compared to the expected rates for the fourth quarter within the October forecast.



**High-frequency data on the supply and demand side available for the period October-November 2023 mainly indicate an acceleration in the growth of the economic activity in the fourth quarter of the year.**

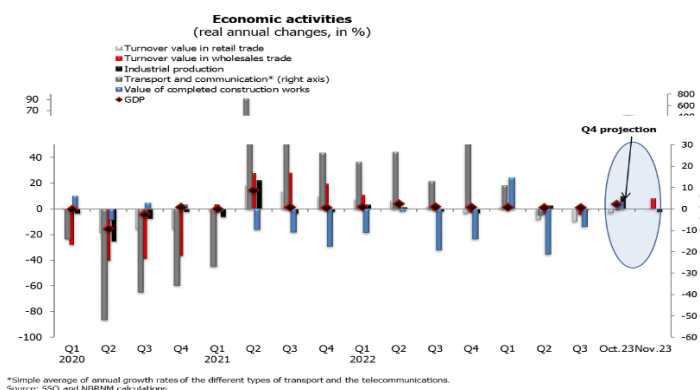
The results of the surveys for the fourth quarter of 2023 point to more favorable perceptions in relation to the fourth quarter of 2022, while in relation to the previous quarter they are slightly less favorable<sup>8</sup>.

In the period October-November, **total trade turnover** registered a small real annual growth, despite the decline in the previous quarter...

...entirely as a result of the growth in wholesale trade, while retail trade and trade in motor vehicles decreased.

In the period October-November, **industrial output** registered a solid real annual growth, despite the slight decline in the previous quarter...

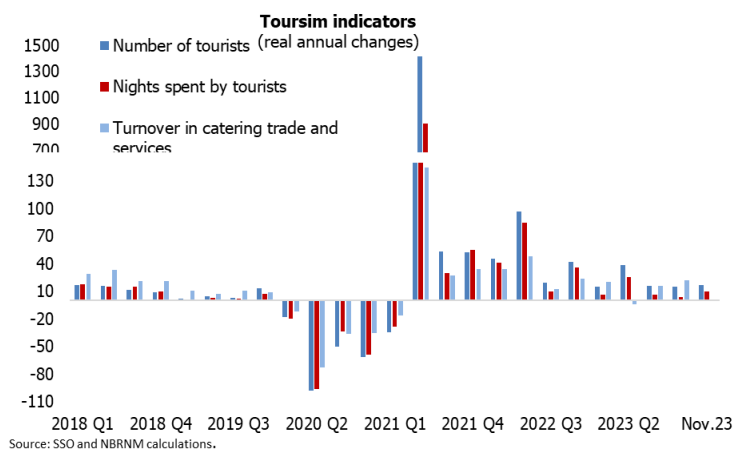
...mostly as a result of the growth of the manufacturing industry (primarily the production of food products, motor vehicles, as well as repair and installation of machinery and equipment), and a positive contribution was registered in energy and mining sector.



INDUSTRIAL OUTPUT AND OTHER ECONOMIC ACTIVITIES																
	2020				2021				2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Nov
real annual change in %																
Gross domestic product	-0,3	-15,4	-4,3	1,3	0,1	14,5	1,4	1,2	1,7	4,0	1,8	1,5	1,5	1,1	1,2	-
Industrial output <sup>1</sup>	-3,7	-25,0	-7,5	-2,3	-6,1	22,3	-3,5	-2,3	3,4	1,3	-1,8	-3,4	0,1	2,7	-0,6	9,9
Construction	6,3	-5,1	3,0	2,3	-1,1	-9,6	-10,8	-17,5	-11,1	-1,2	-19,2	-14,0	14,7	-21,2	-8,4	3,2
Buildings	-8,5	-20,4	17,9	-8,6	18,5	5,3	-20,2	-20,9	-26,0	15,2	-8,8	6,7	15,6	-19,7	-9,8	-35,8
Civil Engineering	21,3	4,7	-6,2	11,1	-16,1	-16,9	-3,5	-15,2	5,1	-11,3	-25,9	-26,9	13,9	-22,3	-7,2	41,2
Retail and wholesale trade	-16,7	-30,6	-26,1	-24,3	0,9	22,5	16,9	10,4	9,7	4,0	0,4	-2,7	3,7	-5,2	-6,3	-2,0
Retail trade	1,0	-18,6	-15,7	-15,5	-1,3	18,3	13,9	10,0	7,6	6,7	1,9	-3,7	1,4	-8,1	-9,8	-3,3
Wholesale trade	-27,8	-40,1	-38,7	-36,3	3,7	27,9	28,4	19,6	11,0	2,4	-1,3	-3,0	3,8	-3,9	-4,4	-1,0

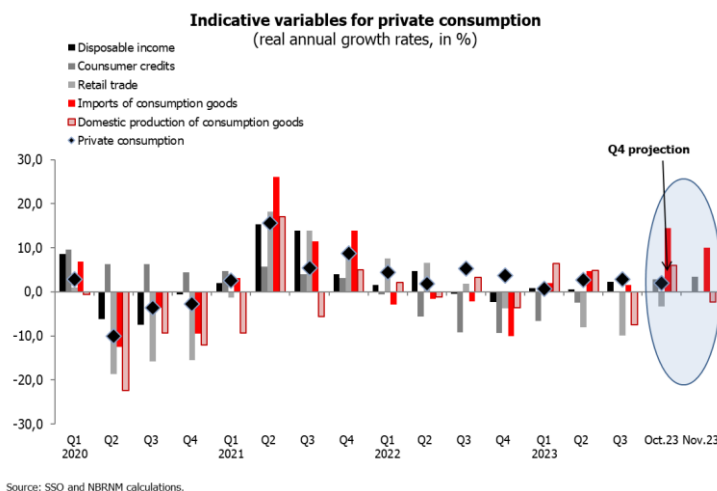
<sup>1</sup> Real growth values are measured by the HBRHM, by deflating volume growth values with consumer prices, measured by CPI. The data for trade in 2024, 2025, 2026 and 2027 are projected data, whereas data for GDP in 2024 and 2025 is projected data, while for 2026 and 2027 is released data.  
Source: SSC and HBRHM staff calculations.

<sup>8</sup> It refers to the surveys conducted by the European Commission to measure the economic confidence of agents in an economy. The composite indicator of economic confidence is a weighted average of the consumer confidence indicators and economic sectors confidence indicators (construction, industry, retail trade and services).



In October, **construction** registered real annual growth, despite the decline in the previous quarter, as a result of the high growth of civil engineering related to public infrastructure projects, while building construction registered a substantial fall.

The period October-November registered a growth of the total number of tourists and overnight stays, and the real annual growth in the total turnover in **catering** accelerated in October.



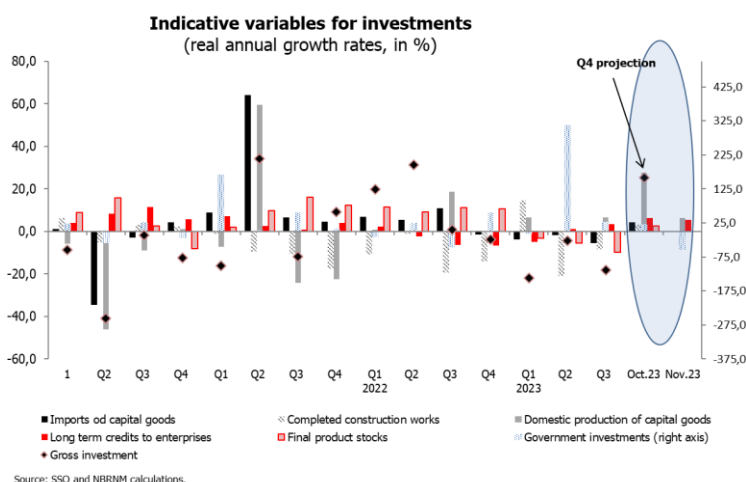
The available data for the movements in **private consumption** for the period October-November 2023 mainly point to its further growth, amid growth in wages, pensions, household loans, import of consumer goods and domestic production of consumer goods, with a slight decline in retail trade and gross revenues from VAT.

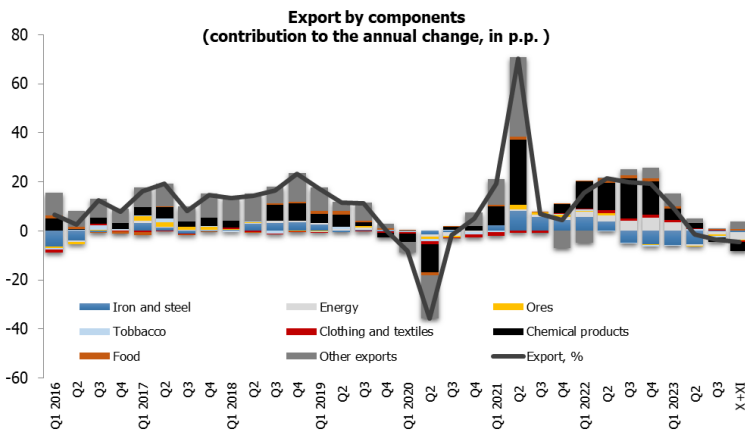
Regarding the high frequency data on the **gross investments**, the movements are generally in an upward direction...

...amid growth in completed construction works, total industrial output, imports of means of operation, income tax, domestic production of capital goods, as well as credit support to companies, while government capital investments registered a relatively significant decline.

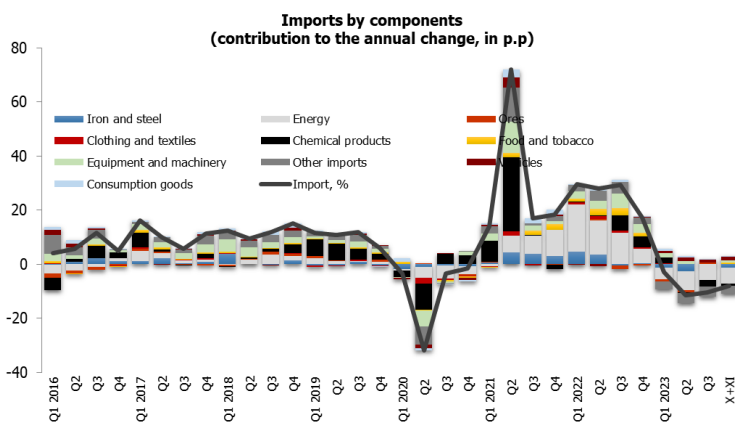
**Foreign trade** data in the period October-November 2023 indicate potential deficit narrowing compared to the same period last year, amid larger nominal drop in imports relative to the fall in exports of goods.

According to the fiscal data for the period October-November 2023, the budget performance suggests real annual growth of **public consumption**.





Source: NBRNM.



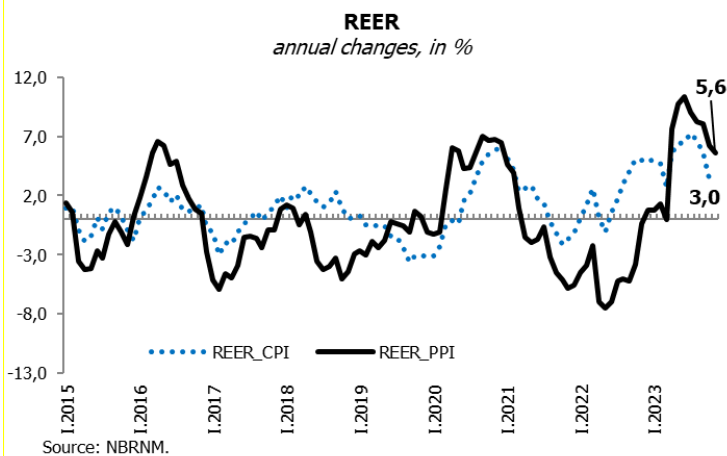
Source: NBRNM.

In the period October - November 2023, the foreign trade deficit decreased by 16.5% on an annual basis, driven by the more pronounced fall in the import than the fall in the exports of goods.

**Export of goods in the period October - November 2023 decreased by 4.6% on an annual basis**, mostly driven by the lower exports of some of the production facilities in foreign ownership from the automotive industry as well as by the lower electricity exports. On the other hand, the improved performance in other exports continued also in this period. Export performances are currently slightly better than expected according to the October forecast.

**Import of goods in the period October - November 2023 decreased by 8.1% on an annual basis**, mostly due to the lower energy imports, as well as to the lower imports of some of the production facilities in foreign ownership from the automotive industry, in accordance with the export performances. Compared to the October forecast, the import is currently lower.

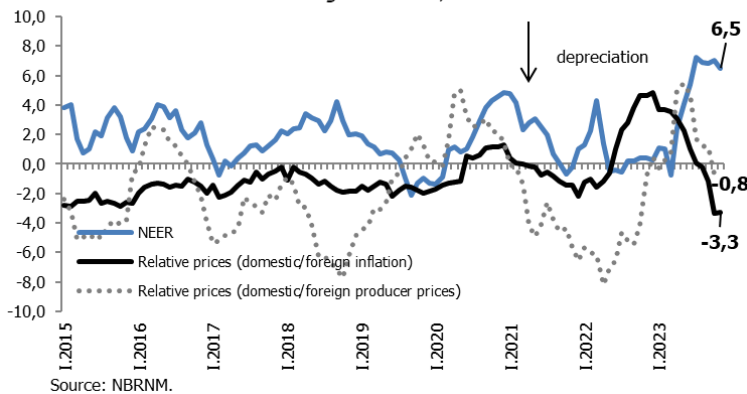
In the period October - November 2023, the trade deficit currently points to the possibility for a slightly lower deficit than expected for the fourth quarter of the year, according to the October forecast.



Source: NBRNM.

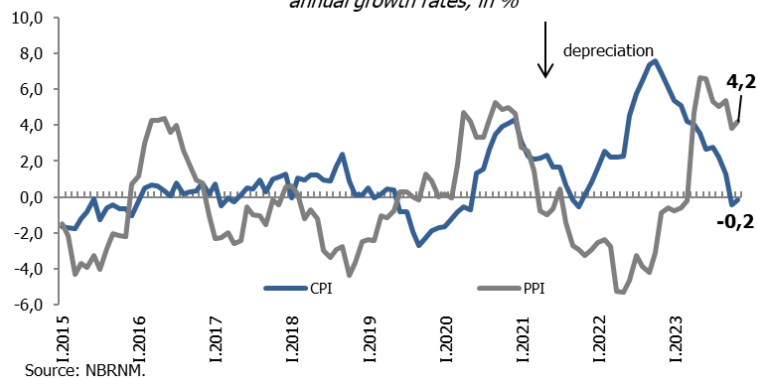
In November 2023, the REER indices appreciated on an annual basis, influenced by the appreciation of the NEER (mainly due to depreciation of the Russian ruble and the Turkish lira against the denar), amid decline in the relative consumer prices and in the relative prices of industrial products.

**NEER and relative prices**  
annual growth rates, in %

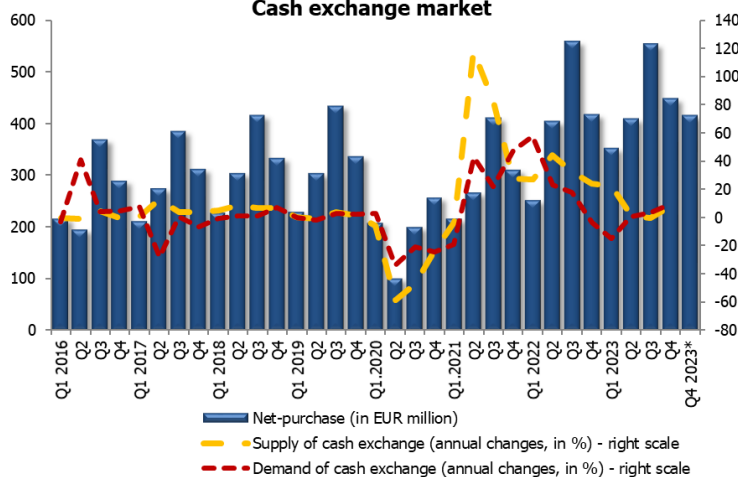


The REER indices calculated with weights based on foreign trade excluding primary products, registered similar movements in this period, but with more moderate intensity, amid more moderate appreciation of the NEER (due to depreciation of the Turkish lira against the denar).

**REER, excluding primary commodities**  
annual growth rates, in %

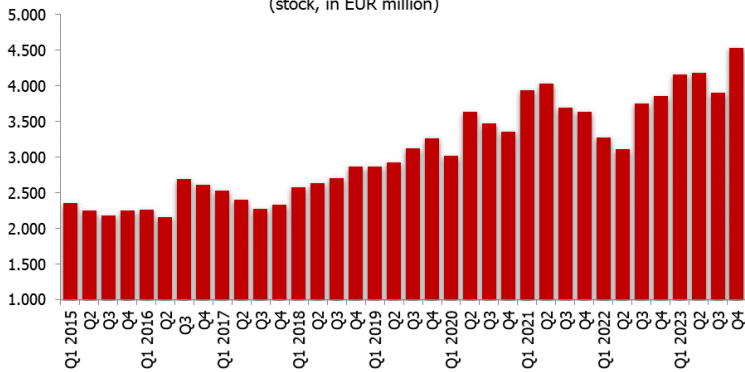


**Cash exchange market**



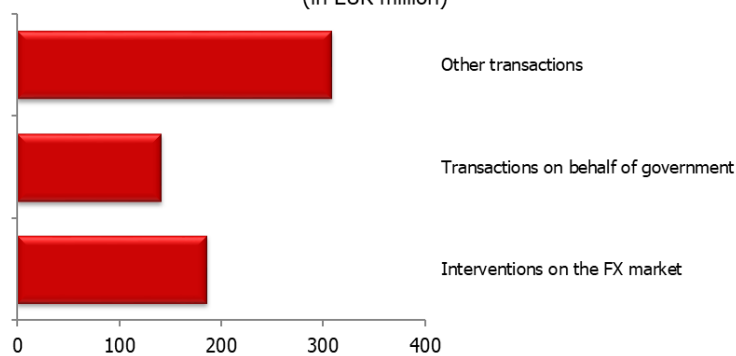
**The net purchase on the currency exchange market in the fourth quarter of 2023 increased compared to the same period last year and pointed to higher private transfers than expected for the fourth quarter, according to the October forecast.**

**Foreign exchange reserves**  
(stock, in EUR million)



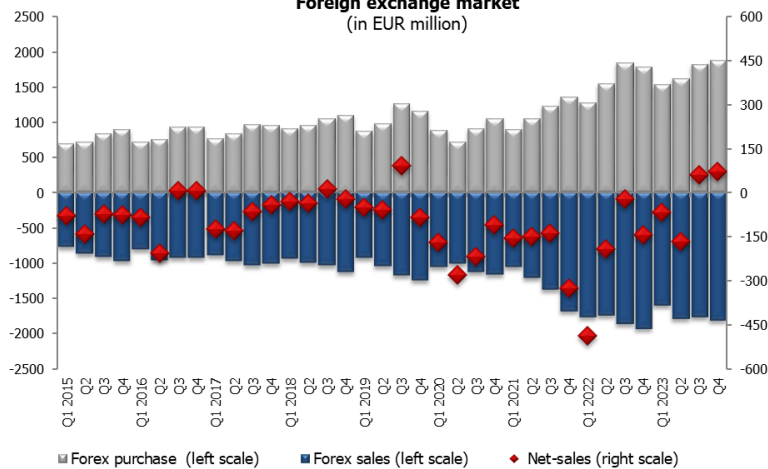
Source: NBRNM.

**Factors of change of the foreign reserves in fourth quarter of 2023**  
(in EUR million)



Source: NBRNM.

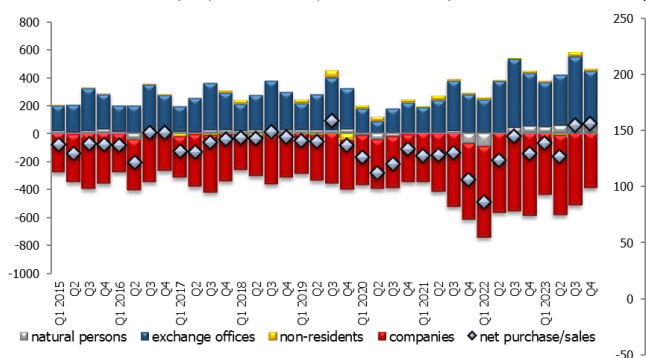
**Foreign exchange market**  
(in EUR million)



Source: NBRNM.

**Structure of foreign exchange market,**  
(net purchase/sales, in millions of euro)

**annual change,**  
Q4 2023 - Q4 2022  
in mill. Euro



Source: NBRNM.

**At the end of December 2023, the gross foreign reserves stood at Euro 4,538.5 million**, which is an increase compared to the end of the third quarter of the year. Analyzing growth factors, all categories contribute to the growth of foreign reserves, but mostly other transactions in the part of the foreign reserves management, as well as the net purchase made during the National Bank interventions on the foreign exchange market.

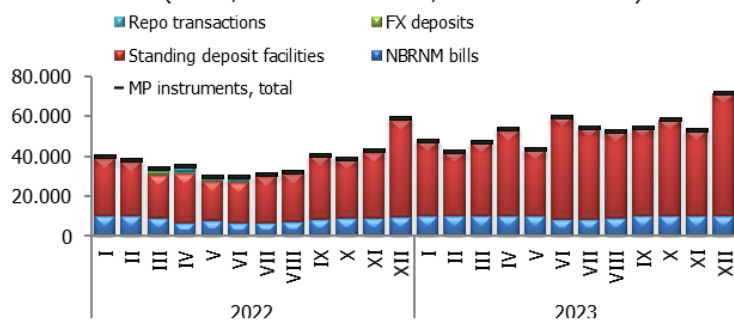
In the fourth quarter of 2023, the banks' foreign exchange market reported a net purchase of foreign currency, despite the net sale registered the same period last year, amid growth of the supply of and simultaneous decline in the demand for foreign currency.

Sector-by-sector analysis shows that such shifts on the foreign exchange market mostly result from the lower net sales of companies.

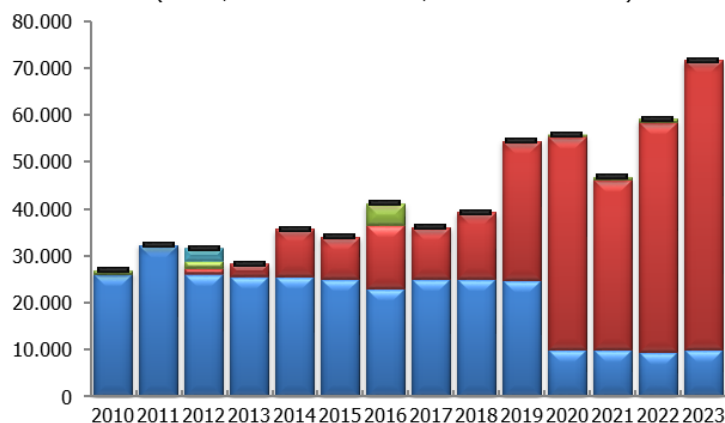


## Monetary policy instruments

(stocks, end of month data, in million of denars)



(stocks, end of month data, in million of denars)



Source: NBRNM

**At the end of December 2023, the monetary instruments increased compared to the previous month,** due to the increased amount of banks' assets placed in deposit facilities with the National Bank.

The stock of monetary instruments at the end of December was higher compared to the level forecasted for the end of the fourth quarter of 2023, amid higher net foreign assets of the National Bank and larger downward deviation in the total government deposits. Also, the reserve money at the end of December was below the forecasted values according to the October forecast.

**Total financial system deposits<sup>9</sup>** registered a significant monthly increase in the last month of 2023, partially due to seasonal factors, but also payment of financial assistance within the measures from the government to the private sector, registering growth of deposits in both sectors (households and companies), and primarily of denar deposits (including demand deposits).

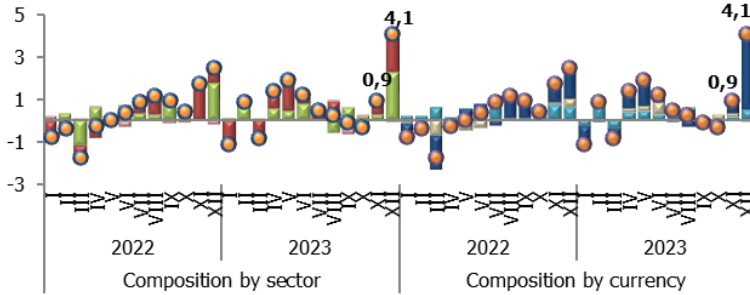
In the period October - December 2023, **total deposits** registered an increase compared to the previous quarter, which exceeds that expected for the fourth quarter, according to the October forecast.

**In December 2023, the annual growth rate of total deposits was 9.1%, exceeding the forecasted rate for the fourth quarter of 2023 of 8.4%.**

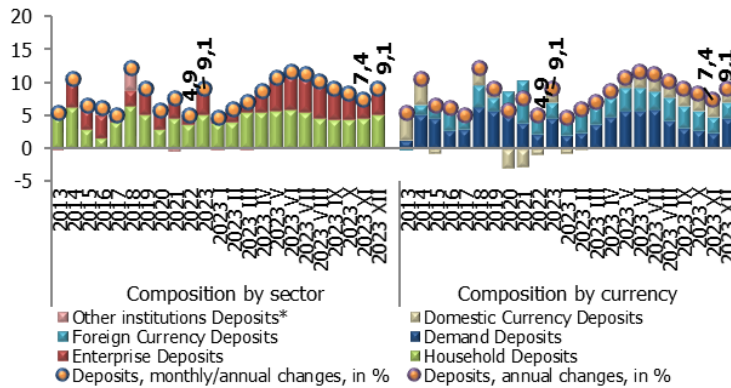
<sup>9</sup> Data refer to non-government deposits in banks and savings houses, funds of other financial institutions on the accounts with the National Bank and funds of local government authorities on the accounts with the National Bank. The data are consistent with the methodological changes of the National Bank from June 2018. For more information on the methodological changes visit: [http://www.nbrm.mk/monetarna\\_statistika\\_i\\_statistika\\_na\\_kamatni\\_stapki.nspix](http://www.nbrm.mk/monetarna_statistika_i_statistika_na_kamatni_stapki.nspix).

## Total Deposits

(contributions in p.p., monthly changes)



(contributions in p.p., annual changes)



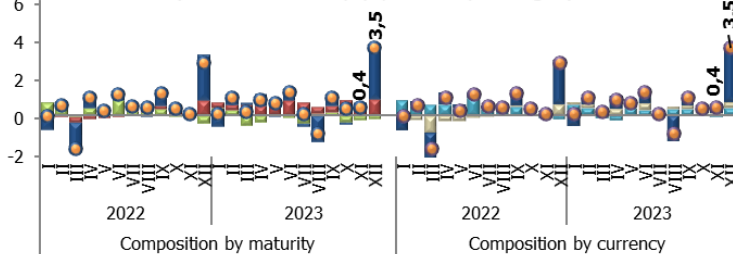
\* The Other Institutions Deposits include the deposits of other financial institutions, deposits of local government and deposits of nonprofit institutions serving households at the banks and also the domestic currency

In December 2023, **household deposits** registered a more significant monthly growth, amid a more pronounced growth of denar deposits, due to the growth of demand deposits, while long-term deposits grew rapidly. On an annual basis, household deposits in December 2023 registered a significant increase of 7.9%.

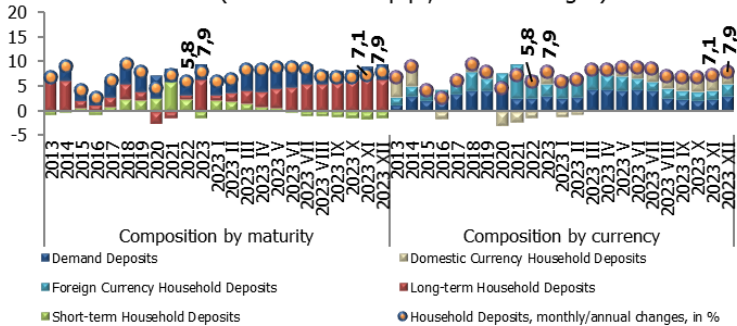
Movements in the currency structure of total household deposits since December 2022 are favorable and reflect a continuous strengthening of the denarization.

## Household Deposits

(contributions in p.p., monthly changes)

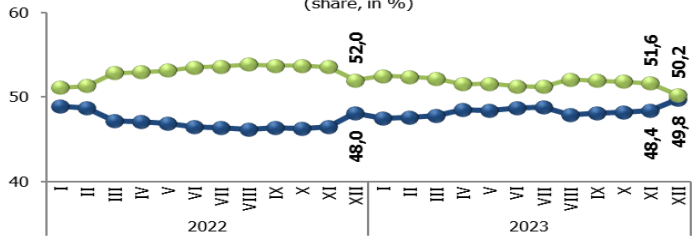


(contributions in p.p., annual changes)

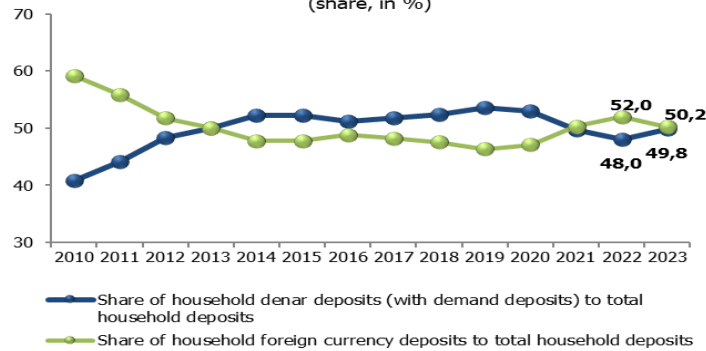


Source: NBRNM.

**Share of Denar and Foreign Currency Deposits of Households/Total Deposits of Households**  
(share, in %)



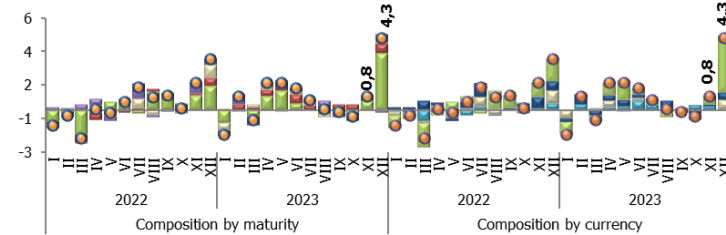
(share, in %)



\* Includes deposits at Banks and Saving Houses  
Source: NBRNM.

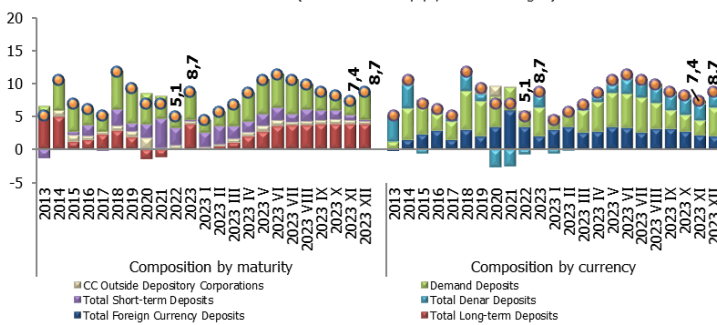
**Broad Money M4**

(contributions in p.p., monthly changes)



**In December 2023, broad money measured through M4 registered a significant monthly growth of 4.3%,** primarily as a result of the growth in demand deposits and currency in circulation. Analyzing the maturity, growth was registered in long-term deposits, while observing by currency, growth was registered in foreign currency deposits.

(contributions in p.p., annual changes)

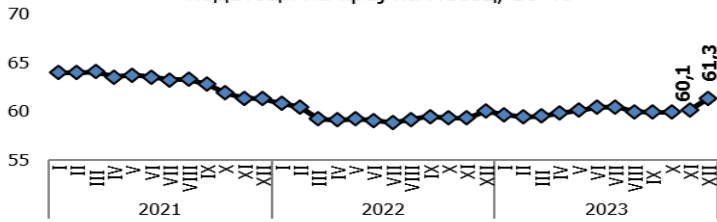


Source: NBRNM.

**In December 2023, broad money increased by 8.7% annually, exceeding the expected annual growth of 8.0% for the fourth quarter of 2023, according to the October forecast.**

## Учество на М4 денарски дел во вкупна парична маса М4

податоци на крај на месец, во %



In the last month of the year, the denar share in the total broad money M4 was larger compared to the previous month and exceeded the forecasted value....

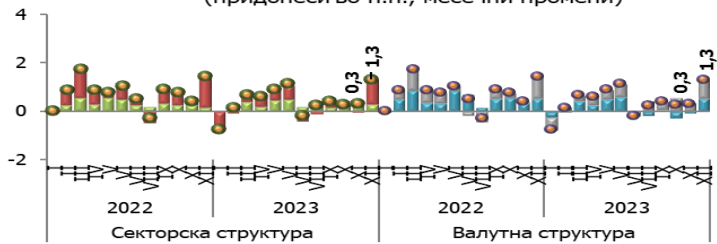
податоци на крај на година, во %



Извор: НБРСМ.

## Вкупни кредити

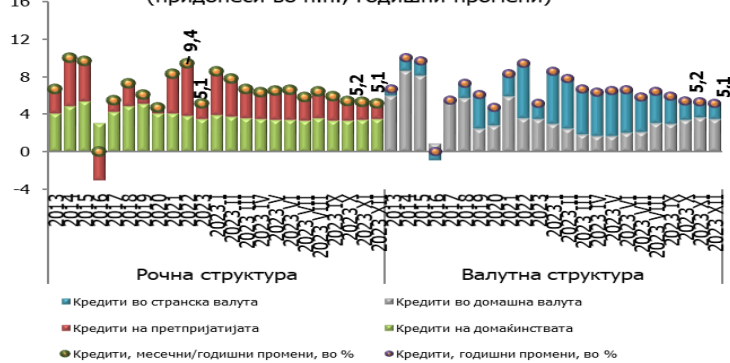
(придонеси во п.п., месечни промени)



In December, total loans registered a more significant monthly growth of 1.3%.

In the period October - December 2023, the increase in total loans compared to the previous quarter was lower than expected according to the October forecast.

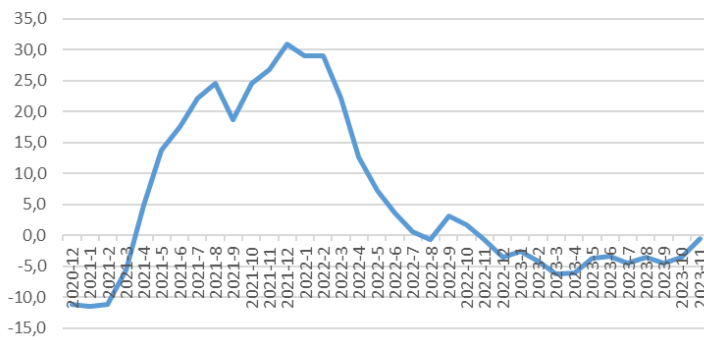
(придонеси во п.п., годишни промени)



In December, the annual growth rate of total loans equaled 5.1% and is below the annual growth of 5.7% forecasted for the fourth quarter of 2023, according to the October forecast.

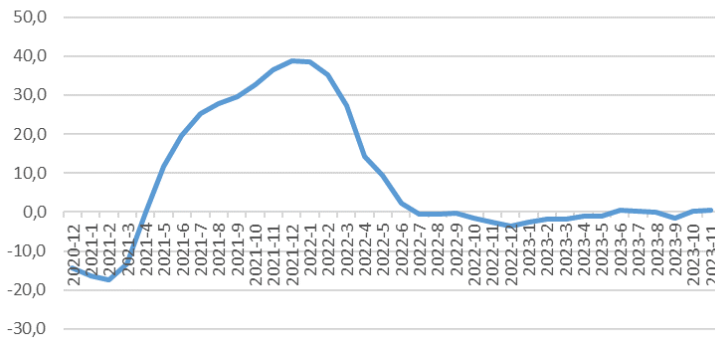
Извор: НБРСМ.

**Newly granted loans to private sector, 12-month moving average**

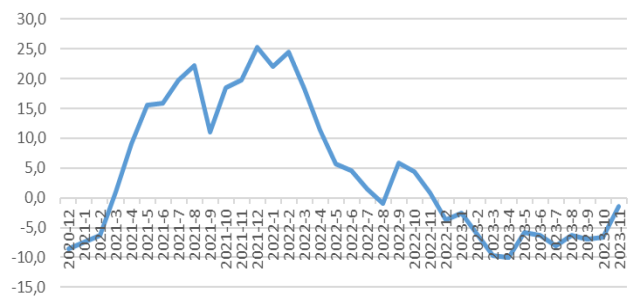


The amount of total new loans extended to the private sector in the last 12 months, as of November is lower on average, on an annual basis, driven by the corporate lending amid reduced liquidity needs this year, while households registered a slight annual growth.

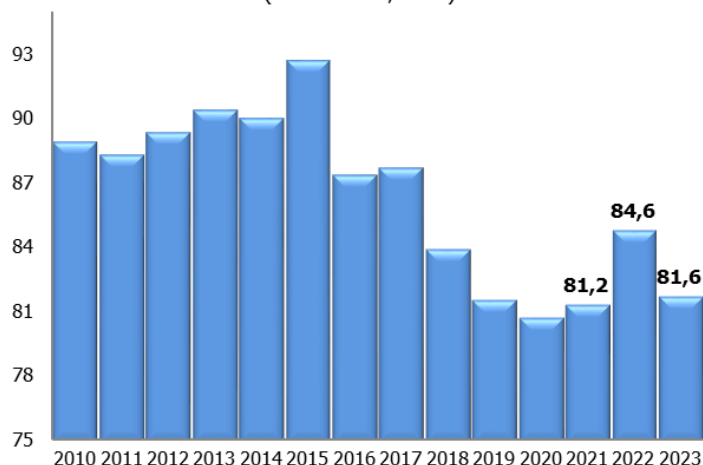
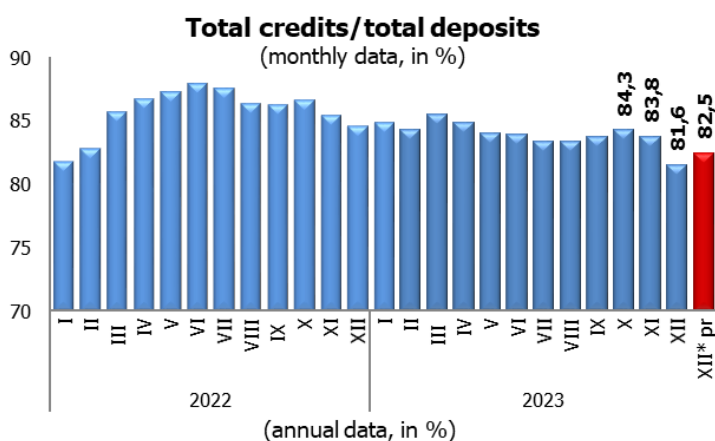
**Newly granted loans to households, 12-month moving average**



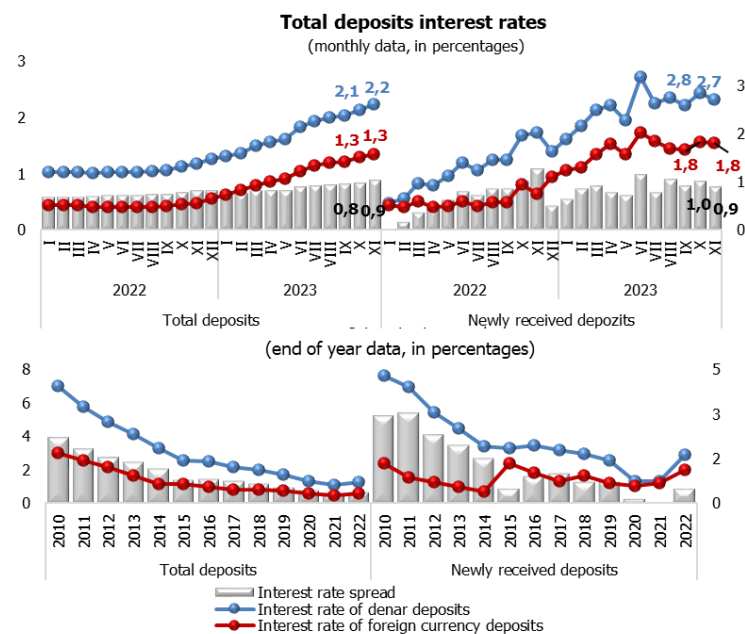
**Newly granted loans to non-financial corporations, 12-month moving average**



The utilization of the deposit potential for lending to the private sector is moderately smaller in December, which is below the value of this indicator forecasted for the end of the fourth quarter of 2023, according to the October forecast.



Source: NBRNM.



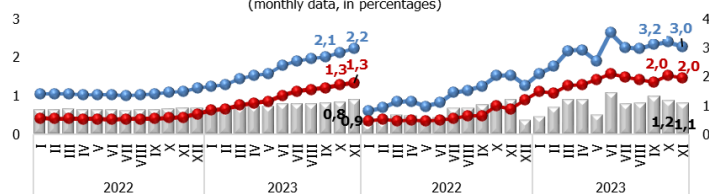
Source: NBRNM

In November 2023, the **interest rates on total denar deposits**<sup>10</sup> increased, amid unchanged interest rates on total foreign currency deposits, which contributed to a greater interest rate spread. A slight decrease in interest rates in this month was registered in **total newly accepted denar deposits**<sup>11</sup>, amid unchanged interest rates on newly accepted foreign currency deposits, which reduced the interest rate spread by 0.1 percentage points....

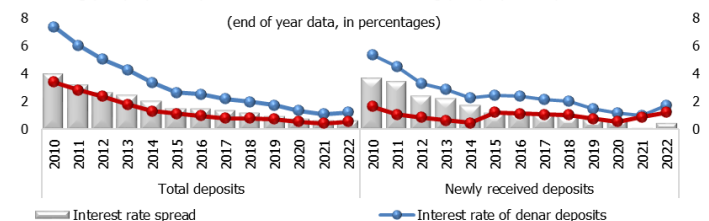
<sup>10</sup> Data on interest rates are in accordance with the methodological changes of the NBRNM from June 2018. For more information on the methodological changes visit: [http://www.nbrm.mk/monetarna\\_statistika\\_i\\_statistika\\_na\\_kamatni\\_stapki.nsp](http://www.nbrm.mk/monetarna_statistika_i_statistika_na_kamatni_stapki.nsp).

<sup>11</sup> Note that the interest rates on newly accepted deposits typically vary. Volatility of interest rate on newly accepted deposits results from the fact that they are determined by the volume of newly accepted deposits (which varies from month to month) and their interest rate.

**Households' deposits interest rates**  
(monthly data, in percentages)



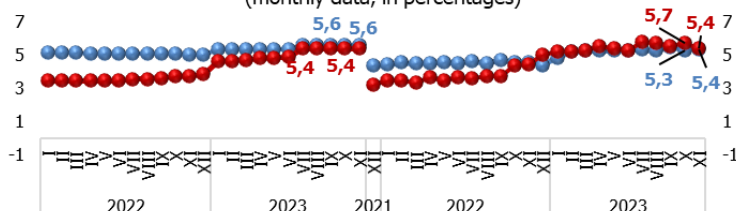
(end of year data, in percentages)



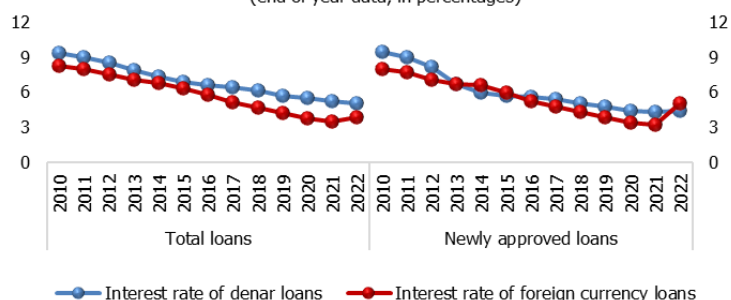
Source: NBRNM.

...identical movements in November were also registered in the respective interest rates in the household sector.....

**Total loans interest rates**  
(monthly data, in percentages)



(end of year data, in percentages)



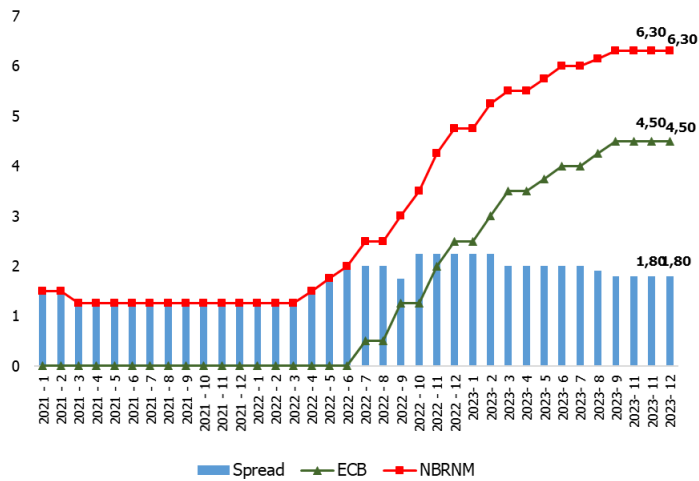
Source: NBRNM.

In November 2023, the interest rates on **total household and corporate loans remained unchanged compared to the previous month**. Interest rates on **newly approved household loans**<sup>12</sup> slightly increased, while the change in companies was downward.

<sup>12</sup> Regarding the interest rates on newly approved loans, one should have in mind that they are characterized with variable movements. Volatility of interest rate on newly approved loans results from the fact that they are determined by the volume of newly approved loans (which can vary from month to month) and their interest rate.

## MONETARY SECTOR

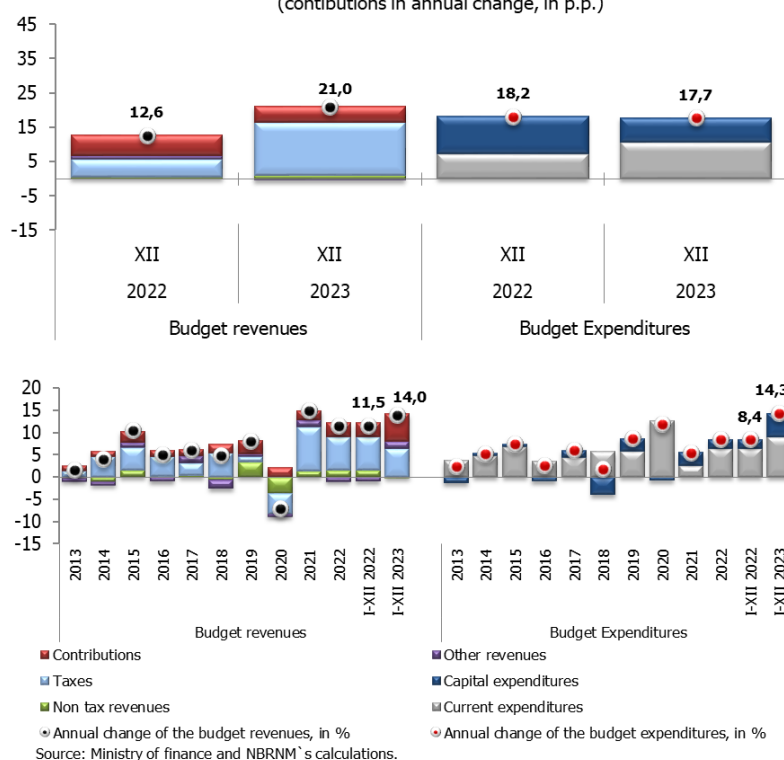
Policy Rates of the NBRNM and ECB (in %) and Spread (in p.p.)



The spread between the policy rates of the National Bank and the European Central Bank remains stable and unchanged.

## Budget revenues and expenditures

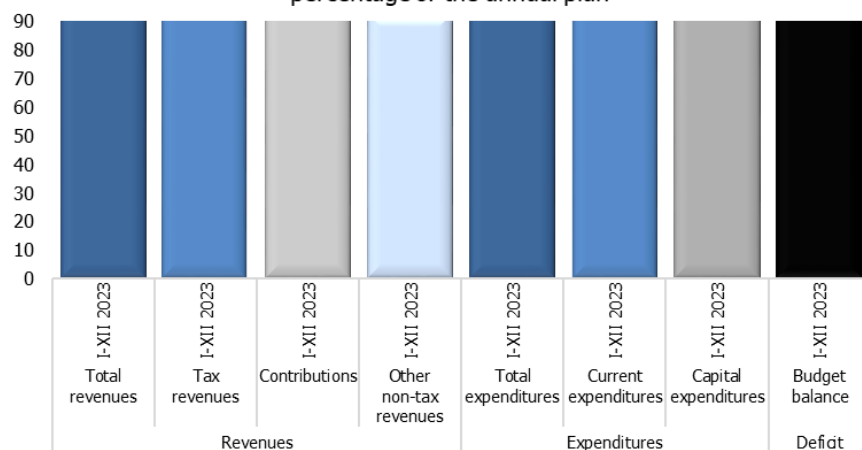
(contributions in annual change, in p.p.)



In December 2023, the budget revenues of the Republic of North Macedonia (central budget and budget of funds) registered a rapid growth, amid high tax revenues, while the growth of budget expenditures is slightly more moderate.

In the period January - December 2023, total budget revenues went up by 14.0% compared to the same period last year, while the total budget expenditures were higher by 14.3%...

## Budget implementation, per categories (central budget and funds), in percentage of the annual plan

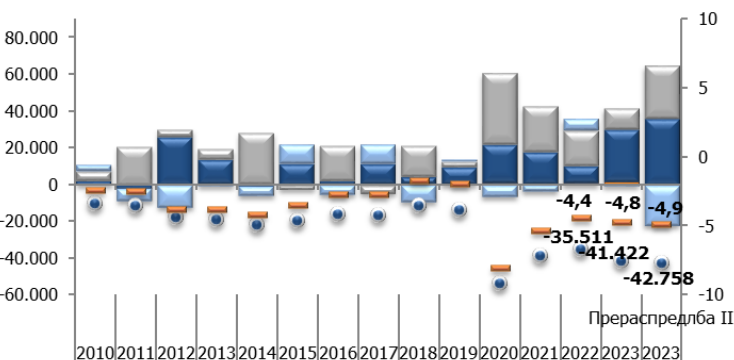


Source: Ministry of Finance and NBRNM's calculations.

... while the realized budget deficit in the amount of Denar 41,422 million accounts for 96.9% of the deficit planned for 2023 in accordance with the second reallocation of resources in the Budget<sup>13</sup>...

<sup>13</sup> Official Gazette of the Republic of North Macedonia No. 264 of 13.12.2023.

(in millions of denars)



... which is financed by net government borrowing on the domestic<sup>14</sup> and on the foreign<sup>15</sup> market, amid a small accumulation of government deposits in the National Bank.

In December 2023, at the regular auctions, the Ministry of Finance maintained the interest rates on the newly issued treasury bills and fifteen-year government bonds with and without currency clause, unchanged. Also, the interest rate on the issued two-year bonds equaled 4.55% and after a longer period, three-year government bonds without currency clause at an average weighted interest rate of 4.63% were again issued.



<sup>15</sup> In March, the ninth Eurobond in the amount of Euro 500 million was issued, at a coupon rate of 6.96% and with a maturity of four years. The Eurobond issued in July 2016, in the amount of Euro 450 million, with a 7-year maturity and at an interest rate of 5.625%, was fully paid in July. The following loans were received in December: from the World Bank in the amount of about Euro 94 million, from OPEC in the amount of about Euro 50 million and from the KfW bank of about Euro 90 million.

## Box 1: Indicative private consumption and gross investment categories

### INDICATIVE VARIABLES FOR PRIVATE CONSUMPTION

	2020				2021				2022				2023				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Oct.	Nov.
	<i>real annual growth rates in %</i>																
Retail trade*	1,0	-18,6	-15,7	-15,5	-1,3	18,3	13,9	10,0	7,6	6,7	1,9	-3,7	1,4	-8,1	-9,8	-3,3	-0,2
VAT revenues*	1,8	-20,0	-10,8	-4,2	2,9	36,6	21,1	20,6	29,2	9,5	3,7	-7,7	-15,0	-9,5	-10,7	-5,5	3,3
Imports of consumption goods*	6,9	-12,4	-3,6	-9,4	3,2	26,2	11,4	13,9	-2,9	-1,5	-2,2	-10,1	2,0	4,8	1,5	14,5	10,0
Domestic production of consumption goods	-0,5	-22,4	-9,3	-12,1	-9,4	17,1	-5,6	5,1	2,2	-1,2	3,3	-3,6	6,4	4,9	-7,5	6,1	-2,3
Consumer credits*	9,7	6,3	6,2	4,5	4,7	5,7	4,0	3,2	-0,5	-5,6	-9,2	-9,3	-6,6	-2,4	0,0	2,9	3,4
Average net wage*	10,0	4,6	7,0	4,7	2,0	5,7	1,1	0,7	0,0	-1,7	-4,6	-4,6	-2,8	3,6	6,6	13,3	-
Private net transfers*	-2,0	-38,0	-34,9	-10,2	9,5	66,5	55,5	14,2	9,8	24,1	11,8	5,1	11,3	-8,4	-10,5	-	-
Pensions*	5,7	6,2	5,3	5,4	2,3	0,3	0,0	-1,8	-3,4	-1,0	-10,4	-4,9	-2,5	1,3	9,9	12,0	12,2

\* real growth rates are calculated by the NBRNM, by dividing the nominal growth rates with the annual CPI inflation.

Source: State Statistical Office, Ministry of Finance and NBRNM calculations.

### INDICATIVE VARIABLES FOR INVESTMENTS

	2020				2021				2022				2023				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Oct.	Nov.
	<i>real annual growth rates in %, except for FDI in million denars</i>																
Imports of capital goods*	1,0	-34,5	-3,0	4,4	8,9	64,2	6,5	4,7	6,8	5,5	10,8	-1,4	-3,8	-1,9	-5,4	4,1	0,0
Completed construction works**	6,3	-5,1	3,0	2,3	-1,1	-9,6	-10,8	-17,5	-11,1	-1,2	-19,2	-14,0	14,7	-21,2	-8,4	3,2	-
Domestic production of capital goods	-5,7	-46,0	-9,0	1,0	-7,3	59,6	-24,3	-22,3	0,9	3,3	18,6	3,7	6,7	8,2	6,7	27,5	6,2
Government investments*	23,8	-34,4	26,0	-20,7	166,5	3,7	56,2	9,3	-16,4	25,0	-47,4	55,6	-6,8	312,9	29,1	21,2	-54,2
Direct Investments***	4668,1	-2737,5	-6616,2	-10681,2	-10610,7	15231,4	1550,0	9560,3	8793,1	-5805,2	9715,3	239,9	592,0	-2571,4	-8512,4	-	-
Long term credits to enterprises*	4,1	8,2	11,5	5,8	7,3	2,5	0,7	3,9	2,2	-2,2	-6,5	-6,7	-5,0	1,2	3,4	6,4	5,3
Final product stocks	9,0	15,7	2,6	-8,0	2,0	9,7	16,1	12,4	11,5	9,2	11,1	10,5	-3,1	-5,5	-9,9	2,5	-

\* real growth rates are calculated by the NBRNM, by dividing the nominal growth rates with the annual CPI inflation.

\*\* real growth rates are obtained using the rate of growth of the construction costs for new housing facilities deflator.

\*\*\* real amounts are calculated by NBRNM, by dividing the nominal amounts with the level of the CPI index (base year: 2022=100).

Source: State Statistical Office, Ministry of Finance and NBRNM calculations.