

**National Bank of the Republic of North Macedonia**  
MONETARY POLICY AND RESEARCH DEPARTMENT



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

March 2023

## 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 (December 2022 - February 2023) and to make a comparison with the latest macroeconomic forecasts (October 2022). 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 assessments of the global economy point to a slightly more favorable economic outlook for 2023, primarily due to the greater resilience of demand in the US and Europe than expected, smaller negative effects of the European energy crisis compared to expectations, as well as the reopening of the Chinese economy after the abandonment of the "zero COVID" policy. **At the same time, the risks related to the forecasts for the future global growth remain downward, although less pronounced**, and are mainly related to the escalation of the war in Ukraine, slower recovery of the Chinese economy, longer-term maintenance of high inflation levels and possibly stronger monetary tightening, increased vulnerability of highly indebted countries and the possibility of debt crisis, larger financial markets instability, as well as intensification of geopolitical tensions. On the other hand, the possible stronger growth in demand for goods and services than expected, and the eventual faster decrease in inflation globally are being stated as **positive risks**. Regarding economic developments in the **euro area**, as our main trading partner, the latest surveys are more favorable than the previous month and point to an annual growth of economic activity in the first quarter of 2023. Moreover, the March ECB forecasts indicate upward revision for 2023, expecting the growth to equal 1%, followed by economic acceleration reaching 1.6% in 2024 and 2025, which is a small downward revision<sup>1</sup>. The trends on the labor market in the euro area remain stable, whereby the unemployment rate in January remained at the level of 6.7%, as it was the average for the fourth quarter. Inflation in the euro area continued to decelerate, but minimally, so that in February it was reduced to 8.5% on an annual basis (from 8.6% in January), in conditions of further slow growth of energy prices, but accelerated price growth of food and core inflation. Hence, amid lower energy price estimates, the ECB's latest forecasts indicate downward revision of the future inflation trend, and inflation is currently expected to slow to 5.3% in 2023, 2.9% in 2024 and to 2.1% in 2025<sup>2</sup>. Regarding **the foreign interest rate EURIBOR** with a maturity of one month, the latest estimates for 2023 and 2024 have been revised upwards, which is in line with the ECB decision from the March meeting to increase interest rates by 50 basis points and the expectations for their further increase, in line with inflation, which is still high. However, the latest unfavorable developments with the US banking sector and the possibility of spillover of financial stress to European banks increase the uncertainty surrounding the future decisions about the ECB monetary policy setting.

**Analyzing the quantitative external environment indicators important for the Macedonian economy, the latest foreign effective demand estimates** were revised upwards for 2022, while for 2023 and 2024 they remained almost the same as in October forecast, while the **foreign effective inflation** forecasts were revised upwards for this and the following year. Regarding the **euro/US dollar exchange rate**, for 2023 a depreciation of the US dollar against the euro is expected, instead of an appreciation, while for 2024 its smaller depreciation is forecasted compared to October forecasts. Estimates for the world prices of **primary commodities** for 2023 and 2024 have been revised in a different direction, mostly expecting a price drop in both years. The

<sup>1</sup> The December forecasts envisaged economic growth of 0.5% in 2023, and 1.9% in 2024 and 2025.

<sup>2</sup> The December inflation forecast equaled 6.3%, 3.4% and 2.3% for 2023, 2024 and 2025, respectively.

movements and the assessments of commodity prices are still extremely volatile and under the strong influence of developments related to the Russia - Ukraine war, which cause great uncertainty about their future dynamics and effects on both global and domestic economy, primarily in the short term.

**The latest macroeconomic indicators of the domestic economy are mainly in line with the October forecasts, with some deviations in certain segments.** According to the disclosed estimated GDP data, **the real GDP growth** slowed down in the fourth quarter of 2022 to 0.6% annually (2% in the previous quarter), which corresponds to the growth for this quarter in the alternative scenario in the October forecasting round, which envisaged certain downward risks. On average, the economy during entire 2022 registered a real growth that averaged 2.1%, which is close to the expectations of the October forecast. The currently available high frequency data for the first quarter of 2023 are insufficient to have an overall view of the situation. For the time being, January data show a solid real annual growth of total trade turnover, despite the small decline in the previous quarter, as well as more moderate negative developments in industrial output. **Regarding changes in consumer prices, in February 2023 the annual inflation rate reduced to 16.7% (17.1% in January). The average annual inflation rate in the first two months of 2023 is in line with the estimates for the inflation rate slowdown within the October forecast round.** The slowdown in the annual inflation rate is conditioned by the slower growth of the prices in both energy and core component of inflation, with certain stabilization in the food component. The revisions in terms of the expected movements in the external input assumptions about the inflation forecast are in different directions, whereby the risks with respect to the forecasted inflation rate for 2023 are mainly balanced. The high uncertainty is still pronounced in the movement of world prices of primary products in the following period, amid uncertain economic effects of the war in Ukraine.

**The analysis of foreign reserves adequacy indicators shows that they are still within the safe zone.** Regarding the latest available data from the external sector, the trade deficit in January 2023 is currently slightly lower than expected for the first quarter of the year, according to the October forecast, but the assessment period is too short to draw more precise conclusions. Currency exchange operations data in the period January - February 2023 point to a possibility for slightly higher net inflows of private transfers than expected for the first quarter of 2023, according to the October forecast. The balance of payments performances in the fourth quarter of 2022 indicate higher current account surplus than forecasted in October, amid higher net financial inflows than expected.

As for the **monetary sector developments**, total **deposits** in January 2023 decreased by 1.1% on a monthly basis. The decrease is influenced by seasonal factors and results entirely from the decrease in the corporate deposits, with a stable level of deposits of households and other sectors. From currency point of view, the decrease is a result of the negative contribution of deposits in domestic currency (including demand deposits) and less to the decrease in foreign currency deposits. On annual basis, the total deposits in December 2022 increased by 4.5%, which matches the forecasted annual growth for the first quarter of 4.5%, in line with the October forecast. **The total loans** of the private sector in January 2023 also recorded usual seasonal movements, i.e. a monthly decrease of 0.8%, which is contributed by the corporate loans, with no changes being registered with households. Analyzing the currency structure, the decrease mostly results from the growth of loans in domestic currency, amid lower negative contribution of foreign currency loans. On annual basis, the total deposit growth in January 2023 equals 8.5%, which is in conformity with the forecasted growth for the first quarter of 2023, in line with the October forecast.

In January 2022, the Budget of the Republic of North Macedonia registered a deficit of Denar 1,412 million. The budget deficit is financed by Government borrowings on the domestic market and spending the government deposits with the National Bank, while reducing net foreign borrowing. The budget deficit for the period January 2023 accounts for 3.3% of the budget deficit forecast for 2023.

**In accordance with the latest evaluations and observations, the realization of the key macroeconomic indicators mostly coincide with the expectations, but the environment for the implementation of the monetary policy is still uncertain. Consequently, further caution in policy making is necessary.** In accordance with expectations, the annual growth of domestic prices decelerated in the first two months of 2023, while since February, a slight slowdown in core inflation has already been registered. The uncertainty arising from the future dynamics of primary products prices in markets is still present in conditions of military developments in Ukraine. In terms of economic growth, the performance in the last quarter of 2022 point to the realization of the downside risks included in the alternative GDP scenario from the last forecasts, which pointed to a stronger growth slowdown. The available high-frequency data on domestic economic activity for the first quarter of this year are currently insufficient for more precise assessments. The foreign reserves are still at the appropriate level, with more moderate pressures from the energy crisis, stable movements on the foreign exchange market and a further high inflow of foreign currencies on the foreign exchange market. In the monetary sector, the latest data on loans and deposits are currently in line with the forecasts for the first quarter of the year.

#### **Increased net inflows based on foreign direct investments in 2022**

Foreign direct investments in the Macedonian economy are one of the key financial flows used for financing the current account. Despite the deteriorating and uncertain global environment, the realization of foreign direct investments in 2022 was extremely favorable. Total net inflows reached Euro 670 million, or 5.2% of GDP, which is more by about 2 pp of GDP compared to last year. The largest portion of net inflows refer to intercompany lending (about two thirds), while the rest is in for of equity, which is nondebit component of the direct investments, while the reinvested gain is negative. At the same time, favorable structural changes were registered, in terms of a greater share of the equity in the total net inflows, compared to the previous year. The increased foreign direct investments correspond to the intensified export activity, primarily in the automotive industry, with interest in new investments in the economy also being noted.

Selected economic indicators <sup>1/1</sup>								2022																2023	
	2016	2017	2018	2019	2020	2021	Jan.	Feb.	Mar.	Q1	Apr.	May	Jun.	Q2	Jul.	Aug.	Sept.	Q3	Oct.	Nov.	Dec.	Q4	2022	Jan.	Feb.
I. Real sector indicators																									
Gross domestic product (real growth rate, y-o-y) <sup>1/2</sup>	2.8	1.1	2.9	3.9	-4.7	3.9				2.2				4.0				2.0				0.6	2.1		
Industrial production <sup>1/3</sup>																									
y-o-y	3.4	0.2	5.4	3.7	-9.5	1.4	0.7	6.2	3.2	3.4	-3.8	8.6	-0.2	1.3	-5.0	0.2	-0.5	-1.8	-5.3	-3.7	-1.3	-3.4	-0.3	-2.3	
cumulative average	3.4	0.2	5.4	3.7	-9.5	1.4	0.7	3.6	3.5	3.5	1.5	2.9	2.4	2.4	1.2	1.1	0.9	0.9	0.3	-0.1	-0.3	-0.3	-0.3	-2.3	
Inflation <sup>1/4</sup>																									
CPI Inflation (y-o-y) <sup>1/5</sup>	-0.2	2.4	0.9	0.4	2.3	4.9	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
CPI Inflation (cumulative average)	-0.2	1.4	1.5	0.8	1.2	3.2	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
Core inflation (cumulative average)	1.3	2.3	1.5	0.5	0.9	2.4	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
Core inflation (y-o-y) <sup>1/5</sup>	1.0	2.8	1.4	-0.3	1.9	2.9	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
Labor force																									
Unemployment rate	23.7	22.4	20.7	17.3	16.4	15.7				14.7				14.5				14.3				14.0	14.4		
II. Fiscal Indicators□ (Central Budget and Budgets of Funds)																									
Total budget revenues	169,356	179,673	188,505	203,822	189,554	218,021	16,761	18,844	21,501	57,106	21,745	16,890	20,572	59,207	21,225	19,301	21,674	62,200	21,838	18,958	23,724	64,520	243,033	19,278	
Total budget expenditures	185,407	196,561	200,071	217,445	243,421	256,906	20,220	22,241	21,316	63,777	19,751	20,647	22,484	62,882	21,052	20,257	26,603	67,912	22,108	26,456	35,383	83,947	278,518	20,690	
Overall balance (cash)	-16,051	-16,888	-11,566	-13,623	-53,867	-38,885	-3,459	-3,397	185	-6,671	1,994	-3,757	-1,912	-3,675	173	-956	-4,929	-5,712	-270	-7,498	-11,659	-19,427	-35,485	-1,412	
Overall balance (in % of GDP) <sup>1/1</sup>	-2.7	-2.7	-1.8	-2.0	-8.0	-5.4	-0.4	-0.4	0.0	-0.8	0.3	-0.5	-0.2	-0.5	0.0	-0.1	-0.6	-0.7	0.0	-0.9	-1.5	-2.4	-4.5	-0.1	
III. Financial indicators <sup>1/6</sup>																									
Broad money (M4), y-o-y growth rate	6.2	5.1	11.8	9.3	6.9	7.0	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	
Total credits, y-o-y growth rate	-0.1	5.4	7.3	6.0	4.7	8.3	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	
Total credits - households	7.0	9.2	10.3	10.5	8.0	7.8	7.8	7.8	7.9	7.9	7.8	8.0	7.7	7.7	7.6	7.7	7.6	7.6	7.6	7.5	7.5	7.3	7.3	7.3	7.4
Total credits - enterprises	-5.3	2.3	4.5	1.9	1.1	8.7	9.0	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	
Total deposits (incl. demand deposits), y-o-y growth rate <sup>1/7</sup>	6.1	5.0	12.1	9.0	5.7	7.5	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	
Total deposits - households	2.5	6.1	9.5	7.9	4.6	7.1	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	
Total deposits - enterprises	13.4	2.1	9.5	14.6	10.1	11.6	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	
Interest rates <sup>1/8</sup>																									
Interest rates of CBBills (end of month/quarter/year)	3.75	3.25	2.50	2.25	1.50	1.25	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
Lending rates																									
denar rates	7.0	6.6	6.1	5.6	5.2	4.9	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	4.7	4.6	5.1	
f/x rates (aggregated, incl. f/x and denar with f/x clause)	5.7	5.3	4.9	4.6	4.3	4.1	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	
Deposit rates																									
denar rates	2.5	2.2	2.0	1.9	1.5	1.2	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	
f/x rates (aggregated, incl. f/x and denar with f/x clause)	1.0	0.9	0.8	0.8	0.6	0.5	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	
IV. External sector indicators																									
Current account balance (millions of EUR)	-252.5	-78.3	22.4	-334.7	-318.0	-366.4	-2.6	-254.5	-131.7	-388.8	-165.3	-68.3	-0.4	-234.0	76.6	53.9	-33.9	96.6	-55.1	-30.1	-161.0	-246.2	-772.4		
Current account balance (% of GDP)	-2.6	-0.8	0.2	-3.0	-2.9	-3.1	0.0	-2.0	-1.0	-3.0	-1.3	-0.5	0.0	-1.8	0.6	0.4	-0.3	0.7	-0.4	-0.2	-1.2	-1.9	-6.0		
Trade balance (millions of EUR) <sup>9</sup>	-1,786.2	-1,816.2	-1,811.4	-2,007.7	-1,816.6	-2,715.7	-262.7	-312.3	-324.8	-899.8	-404.6	-315.8	-259.6	-980.0	-269.4	-350.8	-344.3	-964.5	-333.9	-283.8	-363.6	-981.3	-3,825.6	-227.9	
Trade balance (% of GDP)	-18.0	-18.1	-16.9	-17.8	-16.7	-23.2	-2.0	-2.4	-2.5	-7.0	-3.1	-2.4	-2.0	-7.6	-2.1	-2.7	-2.7	-7.5	-2.6	-2.2	-2.8	-7.6	-29.7	-1.8	
import (millions of EUR)	-6,176.5	-6,834.9	-7,676.3	-8,441.0	-7,594.5	-9638.3	-808.8	-982.7	-1,047.7	-2,839.1	#####	#####	-1,000.9	-3,138.2	-939.0	-980.4	-1,104.9	-3,024.3	-1,108.6	-1,001.2	-1,013.8	-3123.6	-12,125.2	-849.0	
export (millions of EUR)	4,390.3	5,018.7	5,872.4	6,433.3	5,777.9	6922.6	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	621.1	
rate of growth of import (y-o-y)	6.5	10.7	12.3	10.0	-10.0	26.9	29.7	31.6	27.7	29.6	22.0	39.3	23.9	27.9	16.6	21.9	52.3	29.5	32.4	14.0	7.4	17.5	25.8	5.0	
rate of growth of export (y-o-y)	7.4	14.3	17.0	9.6	-10.0	19.8	3.6	23.0	22.8	16.7	10.7	34.2	27.0	23.5	14.0	11.2	34.8	19.9	31.6	16.8	9.7	19.3	19.9	13.7	
Foreign Direct Investment (millions of EUR)	316.9	179.9	603.7	363.3	154.7	387.5	50.1	8.7	52.9	111.7	71.7	61.5	4.5	137.7	90.3	85.5	6.0	181.8	73.3	87.2	78.5	239.0	670.2		
External debt																									
Gross external debt (in millions of EUR)	7,216.6	7,372.5	7,843.7	8,154.4	8,536.1	9,576.6				9,976.5				10,353.8				11,077.3							
public sector	3,445.3	3,461.8	3,756.2	3,836.6	4,301.5	4,802.0				4,589.7				4,883.6				5,344.0							
public sector/GDP (in %)	35.7	34.5	35.1	34.2	40.4	40.9				35.6				37.9				41.4							
private sector	3,771.2	3,910.7	4,087.5	4,317.8	4,234.6	4,774.6				5,386.8				5,470.2				5,733.3							
Gross external debt/GDP (in %)	74.7	73.4	73.3	72.7	80.3	81.6				77.3				80.3				85.9							
Gross official reserves (millions of EUR) <sup>10</sup>	2,613.4	2,336.3	2,867.1	3,262.6	3,359.8	3,643.3	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

<sup>1</sup> In calculating the relative indicators, until 2021 the annual GDP from the official announcement of SSO is used. For 2022, the projected level from NBRM's last forecasting round is used.

<sup>2</sup> The quarterly data for 2021 are preliminary and for 2022 are estimated (Press release for quarterly data on GDP as of 02.03.2023). The annual data for 2020 are final and for 2021 is preliminary data (Announcement for annual data for GDP from 30.09.2022).

<sup>3</sup> The changes of index of industrial production are according to base year 2015=100.

<sup>4</sup> CPI calculated according to COICOP 2022=100.

<sup>5</sup> The rate on annual basis corresponds to end-year inflation (December current year/December previous year)

<sup>6</sup> The calculations are based on the New Methodology for compiling standard forms of the monetary balance sheets and surveys and the new accounting plan (in force since June 2018).

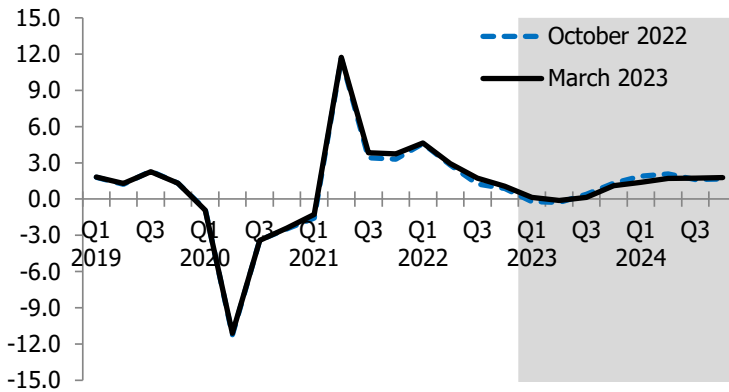
<sup>7</sup> It encompasses the deposits from non-government sector at Banks and Saving Houses, transferable deposits from Other Financial Corporations in denars and transferable deposits from state and local government in denars.

<sup>8</sup> As of June 2018 data for active and passive interest rates are compiled according to the new methodology of NBRM.

<sup>9</sup> Trade balance according to foreign trade statistics (on c.i.f. base).

<sup>10</sup> The data from 2008 include accrued interest. The latest available data on gross official reserves are preliminary data.

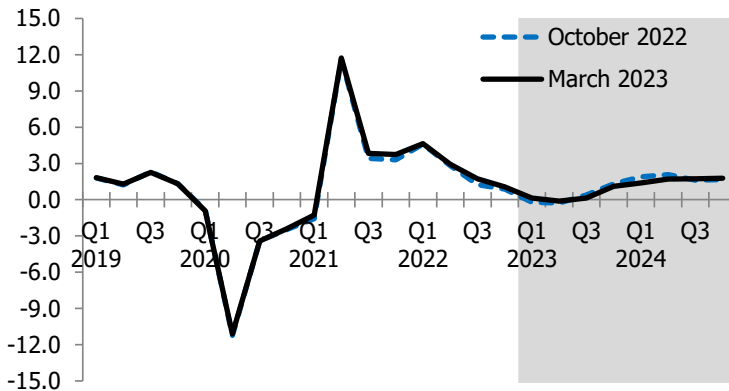
**Foreign effective demand**  
(annual changes in %)



Source: Consensus forecasts and NBRNM calculations.

The **foreign effective demand** in 2022 equals 2.6%, a slightly higher level than the October forecasts (2.4%). Regarding the expectations for the next two years, the latest estimates are almost unchanged compared to October and point to a more significant growth slowdown in 2023, which would fall to 0.3% (same as in October), followed by its recovery thus registering a growth rate of 1.7% in 2024 (1.8% in October).

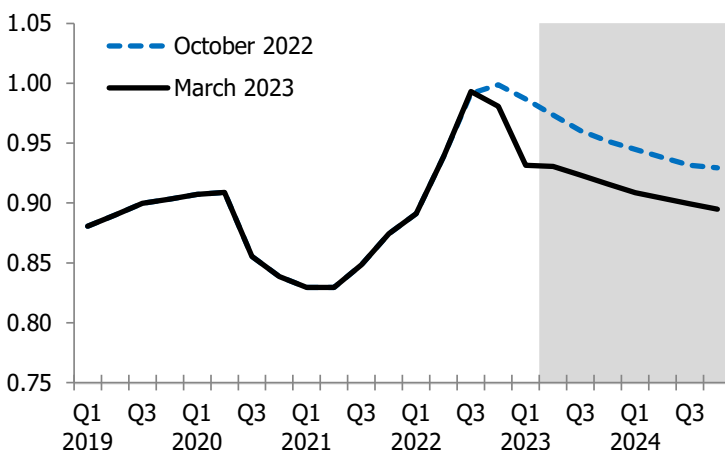
**Foreign effective demand**  
(annual changes in %)



Source: Consensus forecasts and NBRNM calculations.

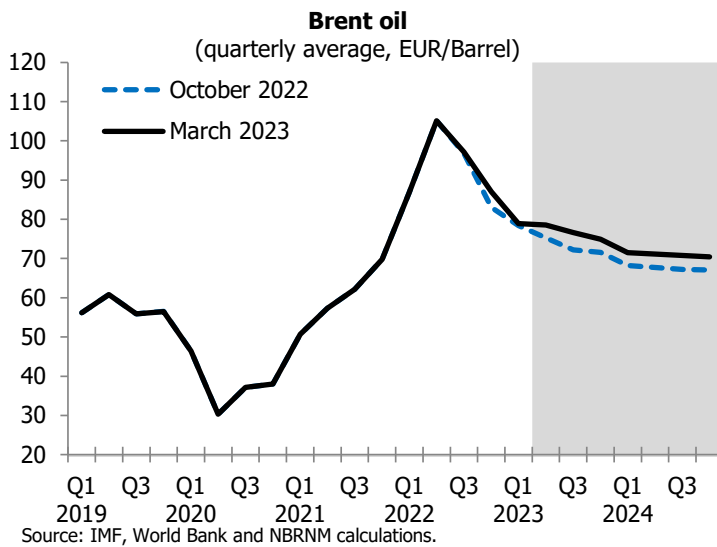
On the other hand, the foreign inflation estimates for 2023 and 2024 have been revised upwards. Moreover, the increase in the foreign effective inflation is currently expected to amount to 6.9% and 3.3% in 2023 and 2024, respectively (6% and 2.4% in October, respectively). The corrections are due to the expectations for higher inflation in almost all our import partners, with the greatest average contribution of Italy, Germany and Bulgaria for the both years.

**EUR/USD exchange rate**

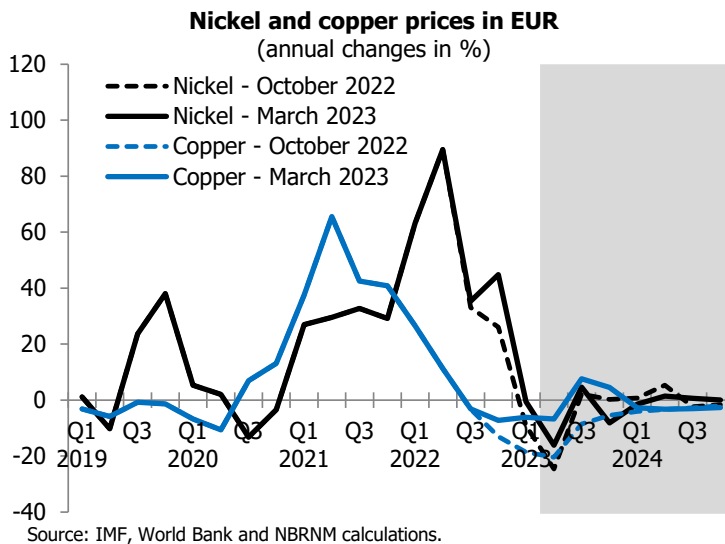


Source: Consensus forecasts and NBRNM calculations.

Regarding the **euro/US dollar exchange rate**, the latest estimates suggest a depreciation of the US dollar against the euro in 2023 (as opposed to appreciation in October), which would continue in 2024, but more moderately than expected in October. Such movements largely reflect the expectations for further and greater tightening of monetary policy by the ECB, in conditions of acceleration of the core inflation in the euro area.



The expectations for the **oil price**<sup>3</sup> in euros in 2023 and 2024, have been revised upwards compared to October, although expecting that it will fall, but not as much as previously forecasted. Such movements are mainly a result of the expectations for increase in the demand for oil, mainly driven by China and Russia's announcements<sup>4</sup> on decreasing the oil production after the introduction of a price cap on Russian oil by the EU.

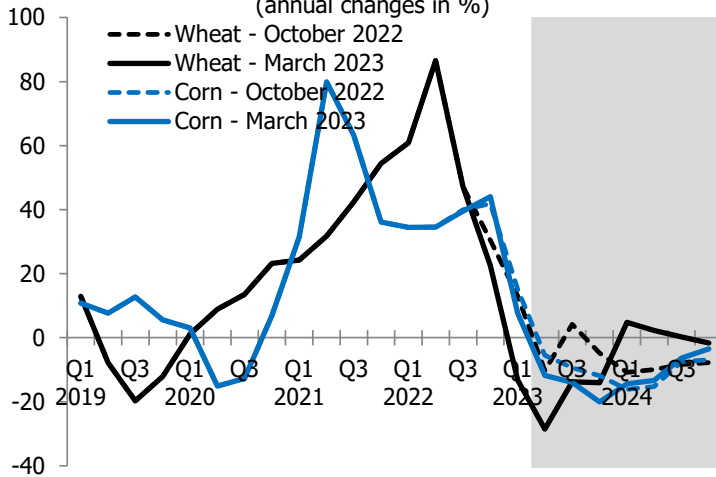


**Regarding the metals prices, the revisions are upward for the current year, especially for copper.** Namely, the latest forecasts point to a smaller decline in copper and nickel prices in 2023 compared to the one forecasted in October, which is the result of expectations for higher demand for metals, primarily from China. For 2024, the estimates are almost the same as in October, with a stabilization of the price of nickel and a slight fall in the price of copper being expected again.

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

<sup>4</sup> Russia has decided to voluntarily cut oil production by 500,000 barrels per day starting in March 2023, due to the introduction of a measure to cap the price of its oil (US dollar 60) by the G7 countries, the EU and Australia.

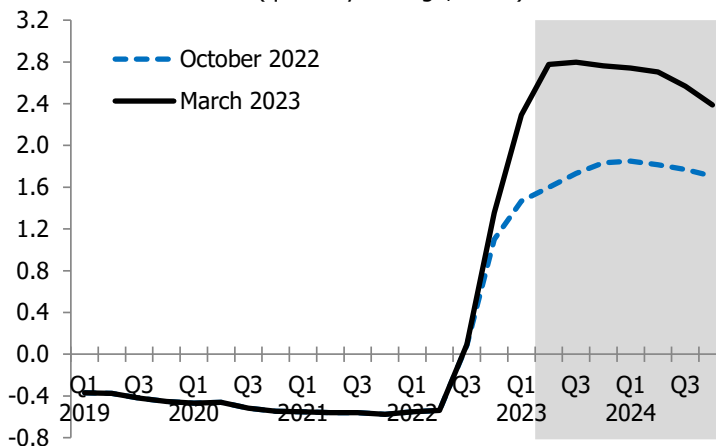
**Wheat and corn prices in EUR**  
(annual changes in %)



Source: IMF, World Bank and NBRNM calculations.

The expectations for **wheat and corn prices in euros** on the world markets for 2023 have been revised downwards compared to October, with the latest forecasts indicating significant price drop. The downward correction in wheat price is mostly a result of the higher level of wheat production in Russia and Canada, while regarding the corn price, the corrections are the result of expectations of lower global demand. For 2024, the prices have been revised upwards, now expecting slight increase instead of a decrease in the price of wheat and a minimal decline in the price of corn.

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



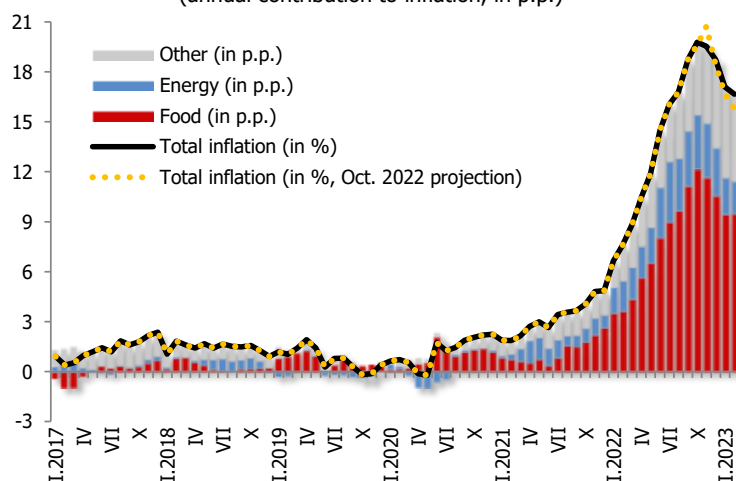
Source: Consensus forecasts and NBRNM calculations.

**Regarding the one-month EURIBOR, the revisions go upwards for the entire forecast round,** currently expecting that it will equal on average 2.66% and 2.60%, respectively (1.66% and 1.78% in October, respectively). Such movements are in line with the expectations for further tightening of the monetary policy by the ECB.



## Inflation rate

(annual contribution to inflation, in p.p.)



Source: SSO and NBRNM.

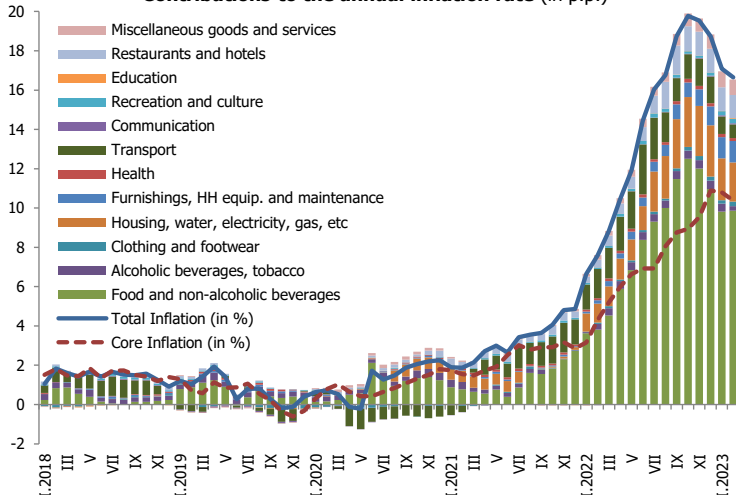
In February 2023, **domestic consumer prices increased by 0.6% on a monthly basis**, registering higher food prices and core inflation, which have a similar contribution, given lower prices for the energy component. **Food prices** rose 0.9%, after falling 0.2% in January, mostly due to higher vegetable prices (partially due to seasonal effects). The increased prices of the "bread and cereals" category and of meat had a more significant contribution to the food component<sup>5</sup>. The price growth in the food component has been partially mitigated by the drop in fruit prices, as well as the decrease in the prices of oils, which have recorded a steady decline since last July, with a mainly downward trend in the price at world stock markets.

**Energy prices** recorded a monthly decrease of 0.3%, resulting from the decline in solid fuel prices, partially offset by increased prices of petroleum products.

In February, **the core inflation** equaled 0.6% on a monthly basis. Namely, the further reduction of air transport prices (mainly due to seasonal effects) was not enough to neutralize the price growth of beverages and products for personal hygiene and routine household maintenance, which had the largest positive contribution to core inflation.

**The annual inflation rate in February decreased to 16.7% (17.1% in January)**, in conditions of slow price growth in the energy component and core inflation and a certain stabilization in the food component. The biggest contribution to the annual inflation rate in February is made by the increased food prices, especially bread, cereals, meat, milk, cheese and eggs, products that contribute by 87% of the price increase of the food component. In terms of energy, most of the growth is a transmission effect from the previous year's increases, supplemented by the effects of the increase in the regulated price of electricity for households in January this year<sup>6</sup>.

## Contributions to the annual inflation rate (in p.p.)

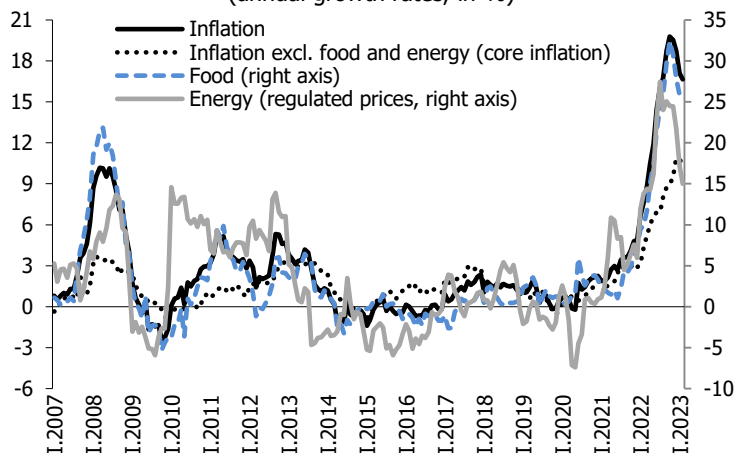


Source: SSO and NBRNM.

<sup>5</sup> In order to alleviate the price pressures of these products (more precisely, bread and bakery products, flour, cooking oil, meat, milk and dairy products) due to the high price of electricity, the Government of RNM, on 30 October 2022, adopted a decision according to which companies that produce such products will be allowed to buy electricity at a subsidized price of 80 euros per megawatt/hour, as long as the crisis situation in the supply of electricity lasts, starting from December 2022. However, on 28 February 2023, the Government adopted a decision on abolishing this measure.

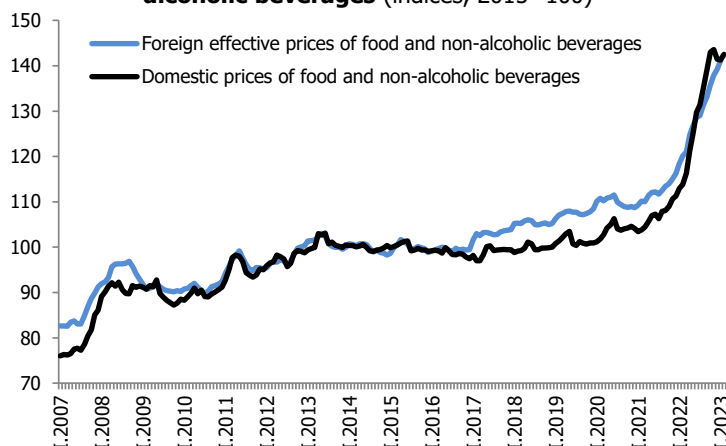
<sup>6</sup> In accordance with the decision of the Regulatory Commission for Energy (RKE), in January 2023 the following changes to the electricity price for the universal supplier were made: the price in the first and second block decreased by 4.11% and 2.95% respectively, while the price in the third and fourth block has an upward correction of 0.85% and 7.65%, respectively ([press release](#)), and the price of the low tariff has increased to 1.3183 den/kWh from 0.6193 den/kWh previously ([prices](#)). In addition to this, from January 2023 the tax rate for the sale of electricity to households equals 10%, instead of

**Inflation and volatility of food and energy**  
(annual growth rates, in %)



Source: State statistical office and NBRNM calculations.

**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 core inflation rate slowed down also in February, marking a twist in trend after almost a year, to 10.4% on an annual basis** (10.8% in the previous month). At the same time, the highest contribution is still made by the prices of restaurant and hotel services, the increase of which represents about 1/4 of the core inflation, supplemented by the prices of products for personal hygiene and household routine maintenance, beverages, clothes, household appliances and air traffic.

**The average annual inflation rate in the first two months of 2023 is in line with the estimates for the inflation rate slowdown within the October forecast round.**

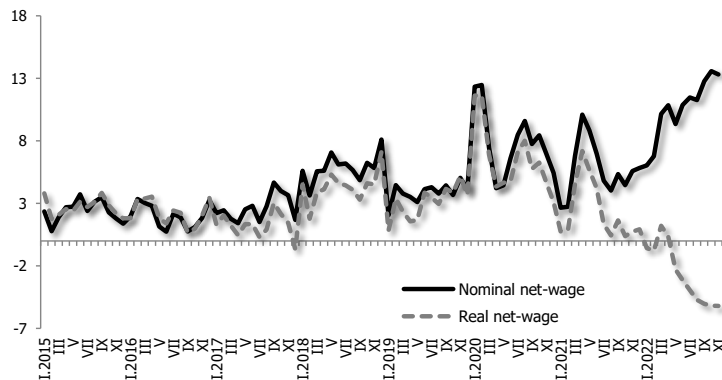
**In terms of the expected movements of the external input assumptions in the inflation forecast, the revisions are in different directions**, i.e. upward revision was made to the foreign effective inflation and oil prices, which are expected to decrease at a lower rate compared to the expectations in October 2022, while downward revision was registered in the prices of wheat and corn, which would decrease, but at a faster pace. The movements of world prices of primary products remain highly unsure in the following period, amid uncertain economic effects of the war in Ukraine.

**In December 2022, the nominal annual growth of the average net wage accelerated and amounted to 14.8%** (13.3% in the previous month). The annual wage growth is largely a reflection of the transmission effect of the increase of the minimum wage by 18.5% in March 2022, as well as the increase in part of the wages in the public sector<sup>7</sup> in

5% as it was in the past year and a half. In July last year, when the four-tariff block model was introduced, the price of electricity for the universal supplier increased by an average of 9.9% (the low tariff by 8.8% and the high tariff by 10.4%, in average).

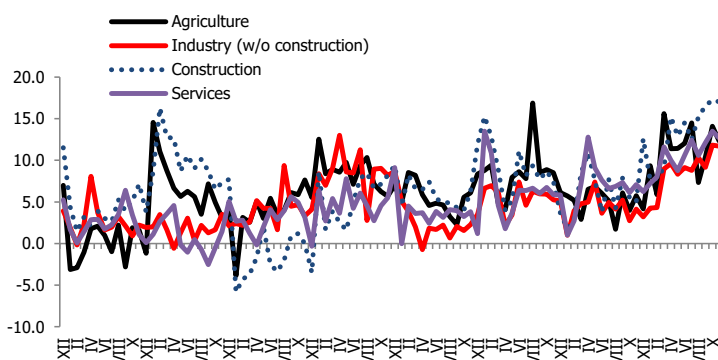
<sup>7</sup> In accordance with the Budget revision, the September wage rose by 15% for the judiciary employees, secondary and primary education and child care, by 7% for the employees in higher education, and by 5% for the MOI and health employees.

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



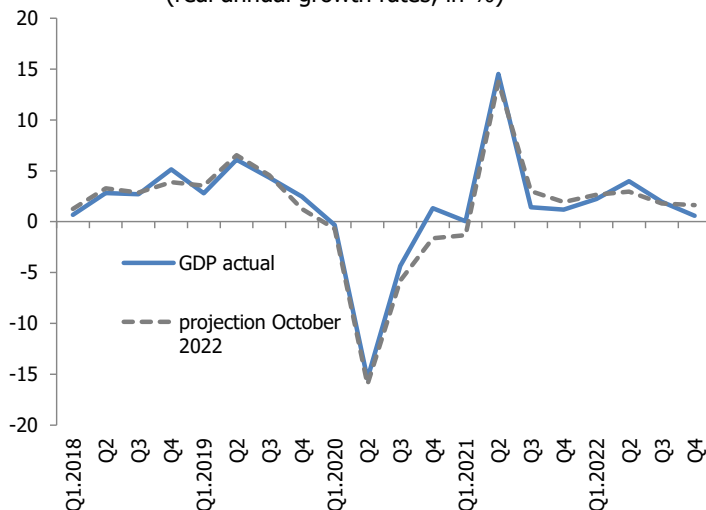
Source: SSO.

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



Source: SSO.

**Gross domestic product**  
(real annual growth rates, in %)



Source: SSO and NBRNM projections.  
The differences in the series in the realized period are due to regular revisions of the SSO.

September 2022. The wage growth is still widely dispersed and is registered in all activities, with the highest one being recorded in "manufacturing industry", "art, entertainment and recreation", "administrative and auxiliary service activities", "transportation", "hotels and restaurants", "trade", and "construction".

Amid decelerated growth of consumer prices on an annual level, **the real net wage in December registered a minor decline of 3.3% on an annual basis** (5.2% in the previous month).

The realized nominal and real annual change in wages in the fourth quarter of 2022 (of 13.9% and -4.6%, respectively) is mainly in line with the expected rates for the same quarter within the October forecasts.

**In the fourth quarter of 2022 the real GDP growth decelerated and reduced to 0.6%, annually** (2% in the preceding quarter). The growth slowdown is a reflection of changes in domestic demand, i.e. the decline in gross investments (which recorded strong growth in the previous period under the influence of inventories growth) and the slowdown in private consumption. The achieved economic growth corresponds to the projected growth for this quarter from the alternative scenario in the October forecast round, influenced by the adverse effects of geopolitical tensions, global challenges related to the energy crisis and high inflation rates, as well as the uncertainty of external economic and financial conditions.

Observed from the expenditure side of the GDP, the growth in the fourth quarter is largely due to the positive contribution of domestic demand, amid growth of private consumption, while the gross investments and the public consumption registered a decrease. The net export component also has additional positive contribution, amid faster growth in exports compared to the growth in imports.

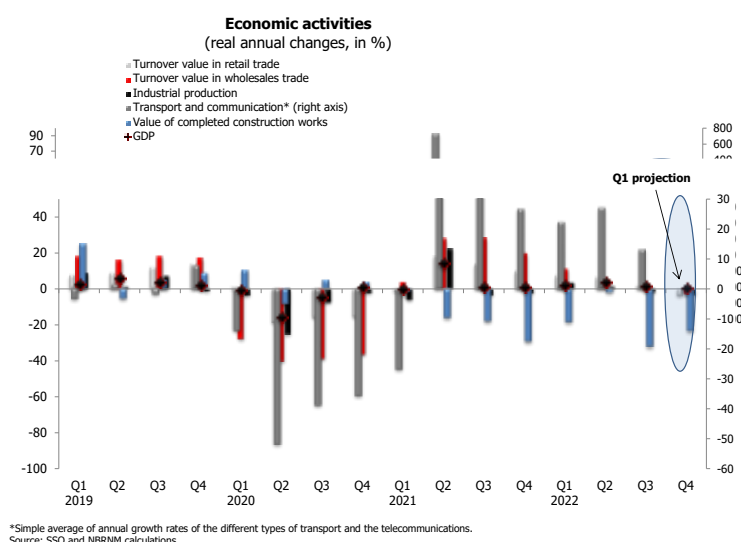
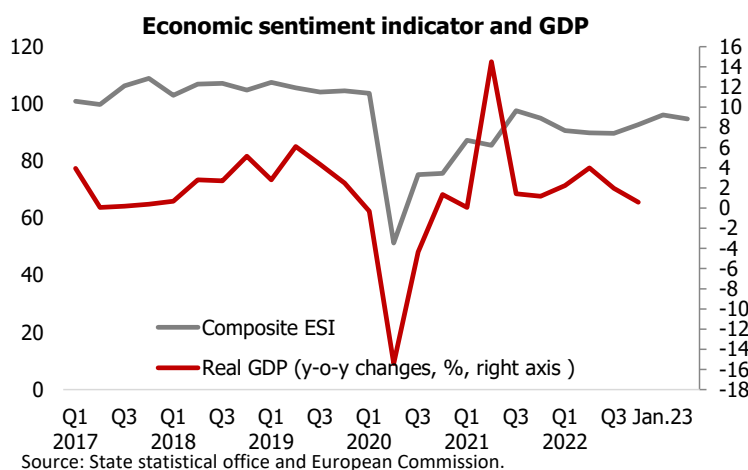
Observed from the production side of the GDP, the growth in the fourth quarter is mostly due to the positive contribution of trade, transport and catering group of activities, which were the most affected by the COVID-19 crisis, with the real estate activities having an additional positive contribution. On the other hand, largest negative contribution was made by the construction, and additionally, negative contribution was made by industry, public administration and defense, education, health care and social care, agriculture and information and communications.

**Having a limited scope of available data, it is difficult to provide precise assessment of the overall condition of the economy in the first quarter of 2023.** When it comes to the economic agents' perceptions for the economic situation<sup>8</sup>, the results of the surveys for the January - February 2023 period indicate slightly more favorable perceptions compared to the first quarter of 2022, as well as in the preceding quarter.

**As for high-frequency data on the supply side, trade and industry data for January 2023 are available.**

In January, **total trade turnover** recorded a relatively high real growth on an annual basis, against a slight decline in the previous quarter, amid more significant growth in wholesale trade and trade in motor vehicles, as well as lower growth in retail trade.

On the other hand, in January, **industrial output** registered a real decline of 2.3% on an annual basis (down from 3.4% in the previous quarter), entirely as a result of the decrease in the manufacturing industry, while energy and mining had positive contributions as a result of the increased domestic production of electricity in conditions of energy crisis. Within the manufacturing industry, the largest negative contribution was registered in part of traditional activities, such as the production of metals (as a result of the nonfunctioning of a larger metal manufacturing facility) and production of manufactured metal) except machinery and



<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).

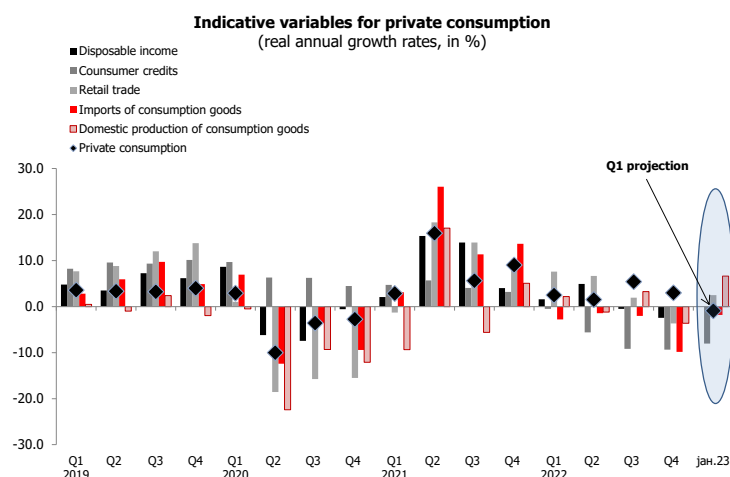
INDUSTRIAL OUTPUT AND OTHER ECONOMIC ACTIVITIES												
	2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
real annual changes in %												
Gross domestic product	-0.3	-15.4	-4.3	1.3	0.1	14.5	1.4	1.2	2.2	4.0	2.0	0.6
Industrial output*	-3.7	-25.0	-7.5	-2.3	-6.1	22.3	-3.5	-2.3	3.4	1.3	-1.8	-3.4
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
Building	-8.5	-20.4	17.9	-8.6	18.5	5.3	-20.2	-20.9	-26.0	15.2	-8.8	6.7
Civil Engineerings	21.3	4.7	-6.2	11.1	-16.1	-16.9	-3.5	-15.2	5.1	-11.3	-25.9	-26.9
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
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
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

\* Real growth rates are calculated by the NBRNM, by dividing nominal growth rates with annual inflation, measured by CPI. The data for trade in 2020, 2021, 2022 and 2023 is previous data, whereas data for GDP in 2021 is previous data, while for 2022 it is estimated data.  
Source: SSO and NBRNM staff calculations.

equipment, with the production of beverages also having a negative contribution. On the other hand, the largest positive contribution within the manufacturing industry was registered in the production of other nonmetal mineral products, other manufacturing industry, as well as the production of basic pharmaceutical products and pharmaceutical preparations.

The available **aggregate demand** indicators are also relatively limited, thus hindering the possibility to assess the developments in the individual components more accurately in the first quarter of 2023. However, risks to growth are still mainly downward, influenced by the prolonged unfavorable effects of the war in Ukraine, as well as amid pronounced volatility and uncertainty of the external economic and financial conditions. In such conditions, the adoption of additional economic measures to protect the living standard continued<sup>9</sup>.

The available data for the movements in **private consumption** for January 2023 mainly suggest a slowdown in its growth also during the first quarter of 2023. Namely, regarding the funding sources of private consumption, the available data are limited (there are only available data on pensions<sup>10</sup>, which continue to register real annual decline, but smaller), amid further, but slower real annual fall also in household loans. Short-term indicators of the dynamics of private consumption move in different directions. Thus, retail trade and domestic production of consumer goods increased, while gross revenues from VAT and import of consumer goods decreased, but at a slower pace. The consumer confidence indicator<sup>11</sup> points to more favorable perceptions in the period January - February 2023 relative to the fourth quarter of 2022, and less favorable compared to the same period in 2022.



Source: SSO and NBRNM calculations.

<sup>9</sup>Also, on 28.2.2023, the Government made a decision to freeze the price of white and semi-white bread (cut into pieces or whole), according to which the highest prices of the products are determined at a price of Denar 33 per loaf, with a weight that amounts to 450 grams and more, while for a weight of less than 450 grams, a price of up to Denar 33 per loaf is determined, i.e. a price that will be in proportion to the weight of the bread. This Decision is expected to apply from 1 March to 31 May 2023. At the same time, the Government made a decision to abolish subsidized energy for consumers from the food industry, thus the decision of 30 October 2022 on taking a measure in case of a crisis situation in the supply of electricity ceases to be valid. Also, on 3 March 2023, a decision was made imposing an obligation on registered bread producers to produce and sell white and semi-white bread, while on registered traders to purchase and sell the bread in a quantity of at least 80% of production in December 2022. This Decision is envisaged to become effective as of 31 May 2023. On 10 March 2023, the Government adopted an additional decision on reducing and freezing the prices of some of the pasta and dairy products, which will become effective from 16 March. Thus, the price of part of pasta products (macaroni and spaghetti) is reduced by 15% compared to the price that was applied in the retail trade on 1 March 2023 (on average by Denar 8.00 to 9.00) and at that level it will be frozen until May 31st. At the same time, a decision on abolishing the customs duty on pasta for the period from 13 March to 31 May 2023 was adopted. The prices of some dairy products (permanent cow's milk with a fat content of 2.8%, 3.2% and 3.5%; curds; cow's milk white cheese and mixed white cheese; cow's milk cheese - with the exception of cow's milk cheese without additives and parmesan; sour milk; cream and yogurt without additives) are reduced by 10% compared to the price that was applied on 1 March 2023 in the retail trade and will be frozen at that level until 31 May.

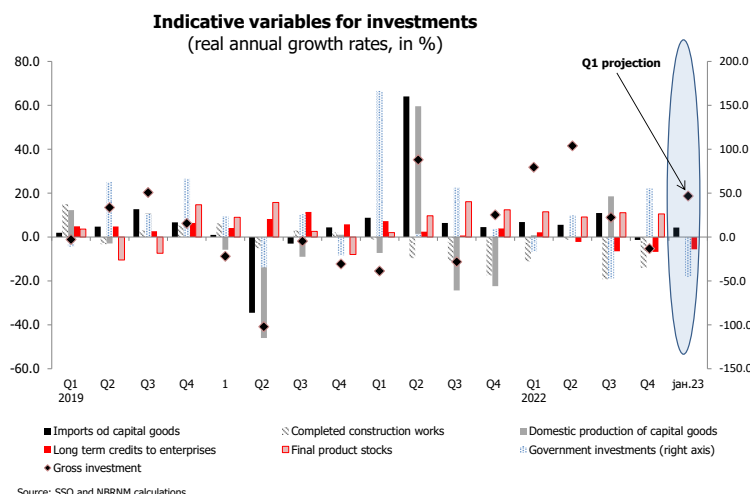
<sup>10</sup> In accordance with the latest set of target measures to help the most vulnerable groups of citizens adopted in October, in the next 4 months (November and December 2022 and January and February 2023), Denar 1,500 will be paid to pensioners that receive pension of up to Denar 11,525 and Denar 750 to pensioners whose pensions range from Denar 11,525 to Denar 14,000.

<sup>11</sup> In accordance with the European Commission surveys.

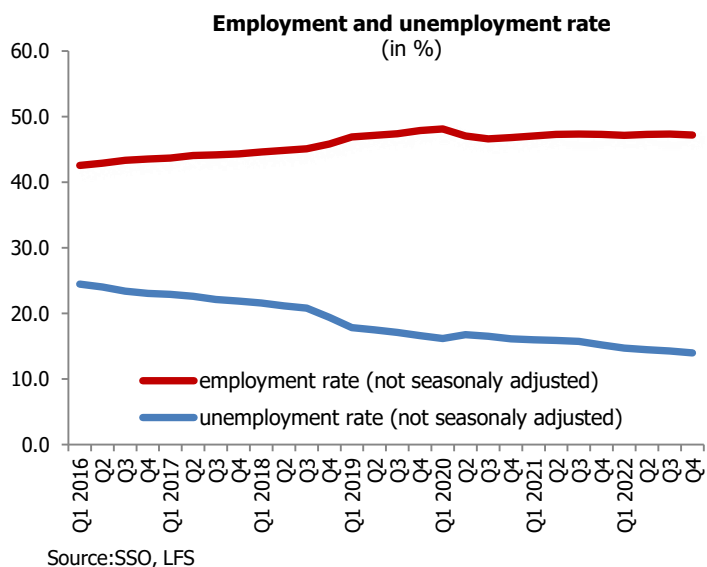
Regarding the high frequency data on the **gross investments**, in January 2023 there is a further decline in total industrial output, and the fall in long-term corporate loans also continued. Following the growth in the previous quarter, this period registered a decline in domestic production of capital goods and government capital investments. On the other hand, the import of means of work and the income tax increased. The confidence indicators of industry and construction for the period January - February 2023 indicate more favorable movements in industry and almost the same movements in construction compared to the fourth quarter of 2022. Compared to the same period of 2022, they are more favorable in industry, and less favorable in construction.

**Foreign trade** data in January 2023 indicate potential deficit narrowing in the first quarter of the year compared to the same period last year, amid higher nominal growth of the export than the import of goods.

Budget performances in accordance with the fiscal data for January 2023 point to a further real annual fall in **public consumption**, given the decline in almost all its main categories.



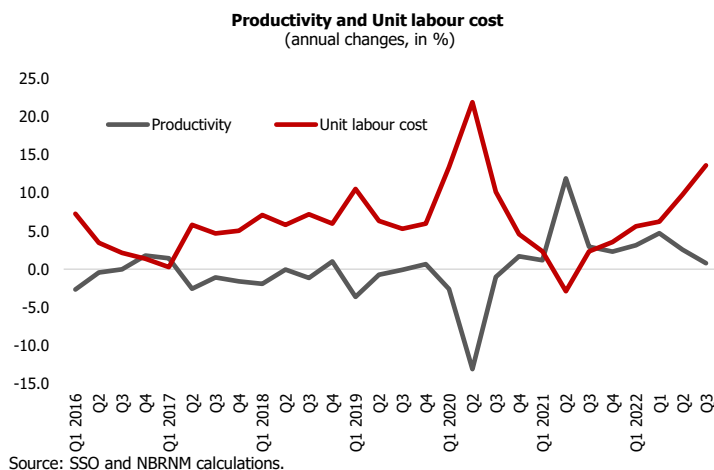




In terms of the labor market<sup>12</sup>, in the fourth quarter of 2022, the number of employees registered a slight decrease of 0.4% compared to the previous quarter, amid reduction of the number of unemployed persons of 2.6%. Consequently, the **employment rate** remained almost the same and equaled 47.2% (47.3% in the previous quarter), amid further decline in the **unemployment rate** which reduced to 14% (14.3% in the previous quarter). In terms of labor supply, the fourth quarter registered a decrease in the active population, at the expense of the increase in the inactive population, hence the decline in the unemployment rate.

**Labor productivity<sup>13</sup> grew also in the fourth quarter of 2022, but at a slower pace, registering small annual growth of 0.8%<sup>14</sup>** (growth of 2.6% in the previous quarter), as a result of the growth of economic activity amid a slight decrease in the number of employees. The slower annual productivity growth fully reflects the slowdown of the growth of economic activity.

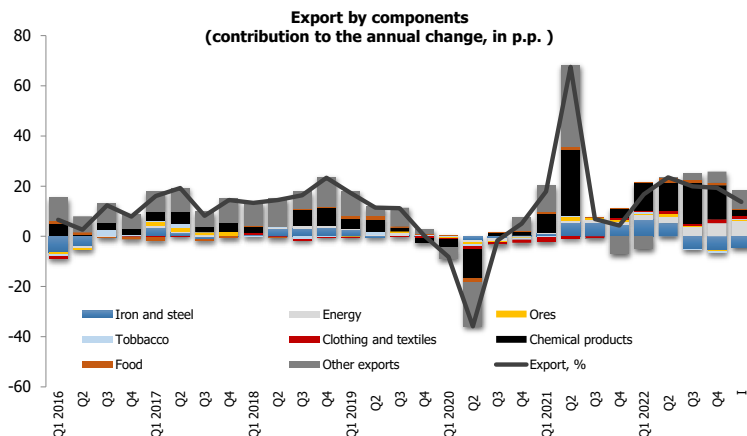
**In the fourth quarter of 2022, the nominal unit labor costs registered an annual growth of 13.6%** (9.8% in the previous quarter), due to the further growth of nominal gross wages, amid slowdown in productivity growth.



<sup>12</sup> In accordance with the press release of the SSO published on 10.3.2023, on the *active population in the Republic of North Macedonia, results of the Labor Survey for the fourth quarter of 2022*, the processing of data by quarters for 2022 uses the regional demographic distributions by gender and by five-year age groups for calibration of the population in accordance with the 2021 Census data. According to the SSO, 2021 assessments will be made very soon, after which the press release for the previous announcements from 2022 will be corrected.

<sup>13</sup> Total productivity is a weighted sum of productivity of each sector. Sector productivity is the ratio of the sector's value added to the number of employees.

<sup>14</sup> The productivity data are internal calculations of the National Bank and should be interpreted with caution. According to the 2021 Census of Population, Households and Dwellings, there was a structural break in the series for the number of employees in the first quarter of 2022. For the purposes of consistent analysis of productivity, the NBRNM has made certain adjustments to the data on the number of employees.

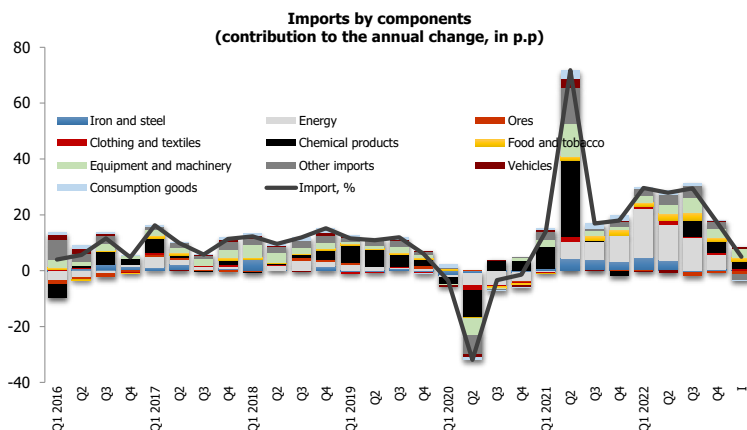


Source: NBRNM.

**In January 2023, the foreign trade deficit decreased by 13.3% on an annual basis**, in conditions of higher growth of the export than the growth of the import component. Moreover, the total foreign trade rose by 8.5% compared to the same month last year.

**Export of goods in January 2023 increased by 13.7% on an annual basis**, whereby the largest contribution to such performances was made by other exports, as a result of the export of the companies in foreign ownership related to the automotive industry, as well as by energy exports. The export of textile and ores also has a positive impact on the export growth in this period, although the contribution of the last two categories is significantly smaller. On the other hand, the export of iron and steel registered a decline in this period.

Compared to the October forecast, the export performances in January 2023 are currently within the expectations for the first quarter of the year. Significant upward deviations were registered in the energy exports, as well as in the export of iron and steel. On the other hand, downward deviations were registered in other exports, including the export of some of the companies in foreign ownership related to the automotive industry, while the movements in other export categories are mainly within the expectations according to the October forecast.



Source: NBRNM.

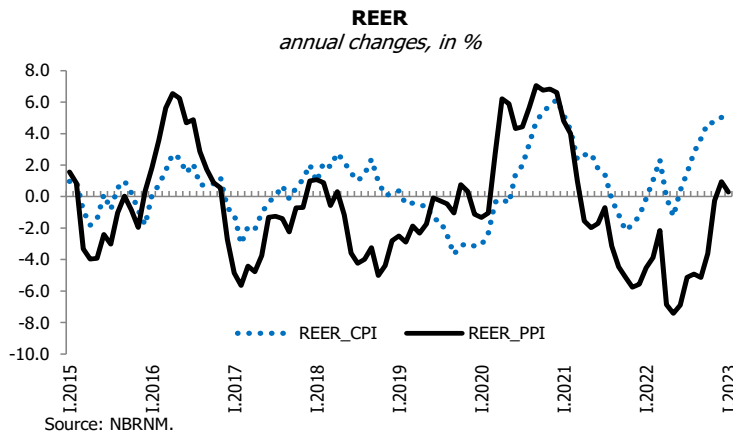
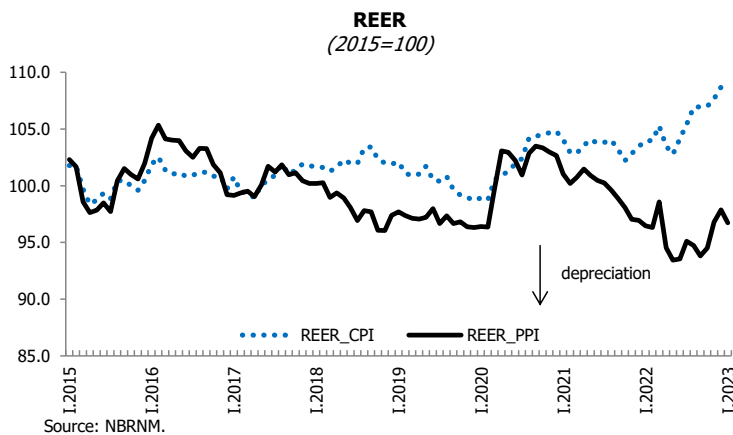
**Imports of goods in January 2023 registered significant slowdown in the growth, which reduced to 5% on an annual basis.** The greatest contribution to the growth was made by the import of equipment and machinery, as well as by the import of food. The higher other imports also had a similar impact, primarily as a result of the imports of raw materials for the companies in foreign ownership related to the automotive industry, and to a lesser extent the import of textile and vehicles. On the other hand, an annual decline was registered in the import of ores.

The performances of the imports of goods in January 2023 are currently slightly lower than expected for the first quarter according to the October forecast, mainly as a result of the downward deviations in other imports, including the imports of raw materials for some of the

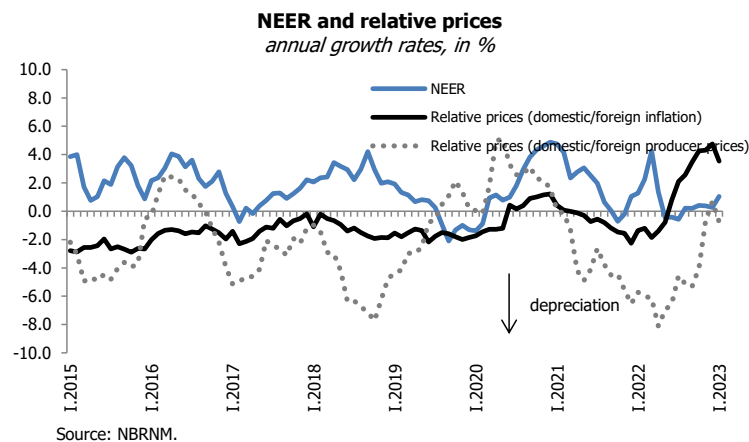


companies in foreign ownership related to the automotive industry, as well as energy imports. On the other hand, upward deviations were registered in the import of iron and steel, while the movements in other import categories are within the expectations, according to the October forecast.

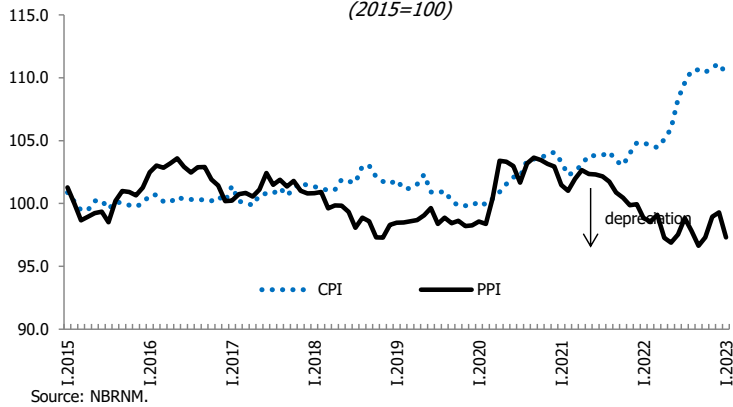
The performances in the trade deficit in January 2023 suggest a deficit that is lower than expected for the first quarter of the year according to the October forecast, but the assessment period is too short to draw more precise conclusions.



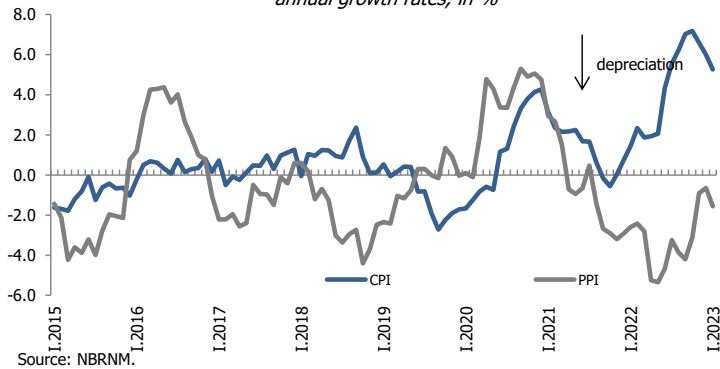
In January 2023, the REER index deflated by consumer prices appreciated by 4.6%, while the REER index deflated by producer prices appreciated by 0.3%. Namely, the relative consumer prices increased by 3.5%, and the relative prices of industrial products declined by 0.8% annually. At the same time, the NEER appreciated by 1%, which is mostly due to the depreciation of the Turkish lira, and to a lesser extent to the depreciation of the Ukrainian hryvnia and the British pound, against the domestic currency.



**REER, excluding primary commodities**  
(2015=100)

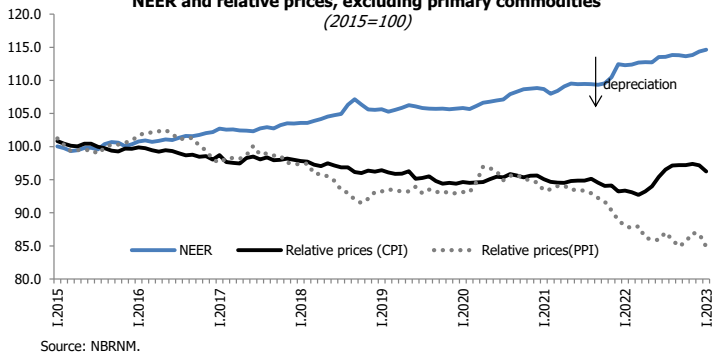


**REER, excluding primary commodities**  
annual growth rates, in %

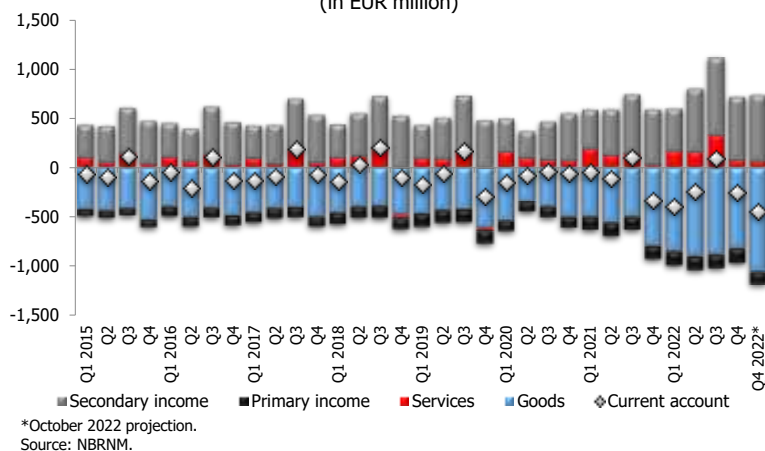


On the basis of the calculation by using weights based on the foreign trade without primary products, the REER index deflated by consumer prices in January 2023 appreciated by 5.3%, while the REER index deflated by producer prices depreciated by 1.6%. Moreover, the relative consumer prices increased by 3.1%, while the relative producer prices decreased by 3.6%. On the other hand, the NEER appreciated by 2.1%, mostly as a result of the depreciation of the Turkish lira against the domestic currency.

**NEER and relative prices, excluding primary commodities**  
(2015=100)



**Main components of the current account**  
(in EUR million)

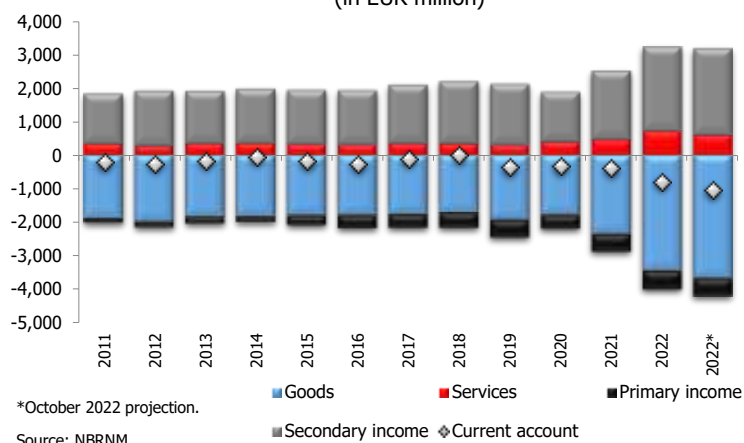


**In the fourth quarter of 2022, the current account in the balance of payments registered a deficit of Euro 246.2 million, or 1.9% of GDP, which is a lower deficit than expected for the fourth quarter according to the October forecast.**

**In terms of the current account components,** the favorable performances are mainly due to the lower trade deficit (higher exports), as well as to the slightly higher surplus in services (the result of the improved performances in other services).

On an annual basis, in 2022, the current account registered a deficit that is lower than expected according to the October forecast. Significant positive deviations were registered in the trade deficit, whose amount is lower than planned for the year, as well as in services, whose surplus is higher as a result of other services. On the other hand, the performances in secondary income are slightly less favorable than expected, amid lower official transfers, and the deficit in primary income is higher than forecasted.

**Main components of the current account**  
(in EUR million)

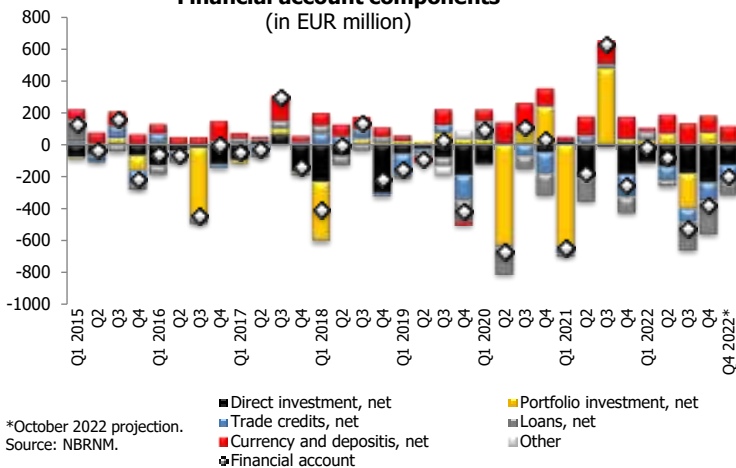


**In the fourth quarter of 2022, the financial account registered net inflows<sup>15</sup> of Euro 377.9 million (or 2.9% of GDP), which are higher than the net inflows expected for the fourth quarter according to the October forecast.**

Analyzed by component, there were higher net inflows than expected in direct investments, mainly due to the significantly higher net inflows in intercompany debt. The performances in short-term loans (the registered net inflows versus the expected net outflows, as a result of

<sup>15</sup> According to the new methodology for compiling the balance of payments (BPM6), the terms net inflows and net outflows denote net incurrence of liabilities and net acquisition of financial assets, respectively.

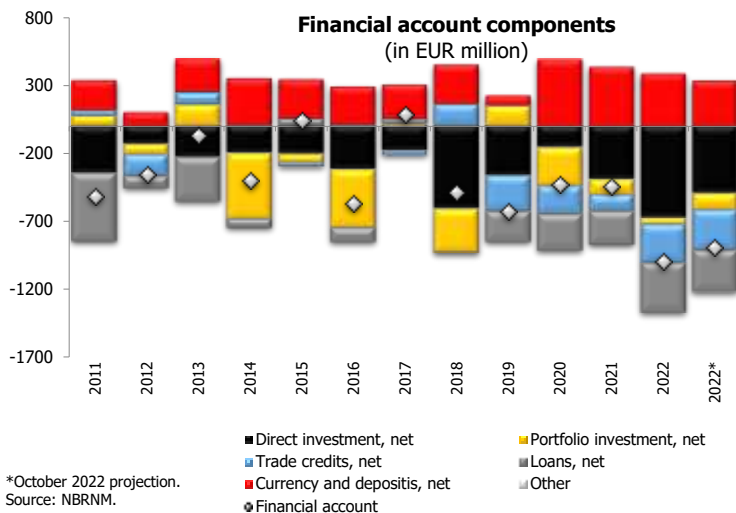
**Financial account components**  
(in EUR million)



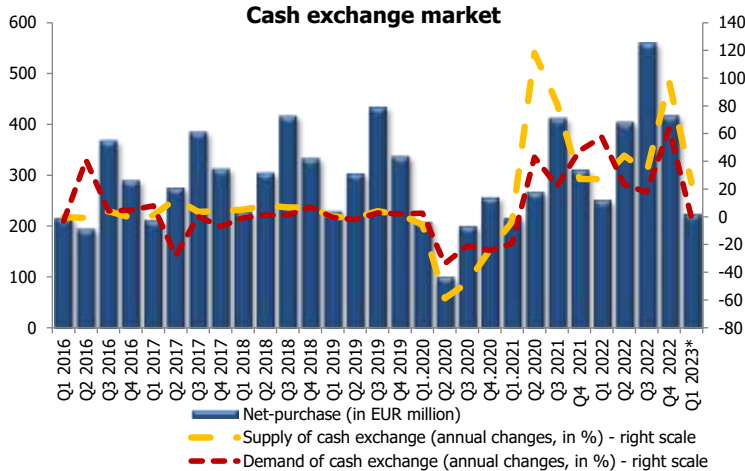
the central bank's foreign reserves management activities), as well as in trade credits, significantly improved. On the other hand, portfolio investments and currency and deposits registered negative deviations from the October forecast.

On an annual basis, in 2022, the financial account registered higher net inflows than expected according to the October forecast. Moreover, positive deviations were registered in direct investments, as well as in loans, amid higher net inflows in short-term loans. On the other hand, negative deviations were registered in portfolio investments and trade credits, amid lower net inflows than expected, as well as in the category of currency and deposits that registered higher net outflows than expected according to the October forecast.

**Financial account components**  
(in EUR million)

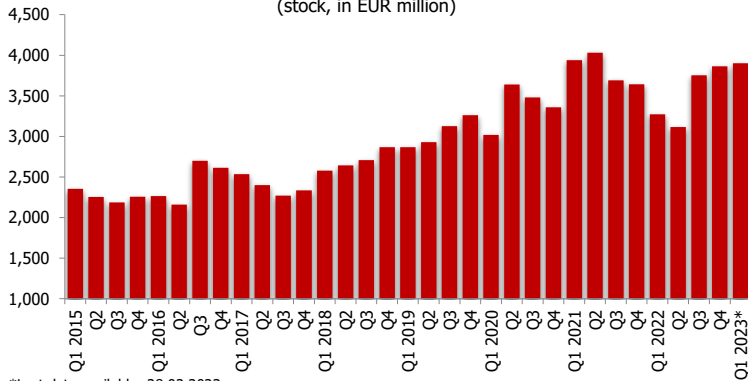


**Cash exchange market**



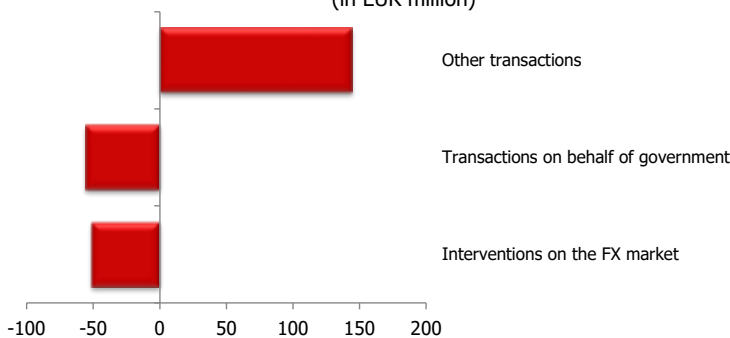
**The net purchase on the currency exchange market in the period January - February 2023 was Euro 224.3 million, which is an annual increase of 34.3%, caused by the growth of the supply of foreign currency (of 24.5%), amid a decline in the demand for foreign currency (of 0.7%).**

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

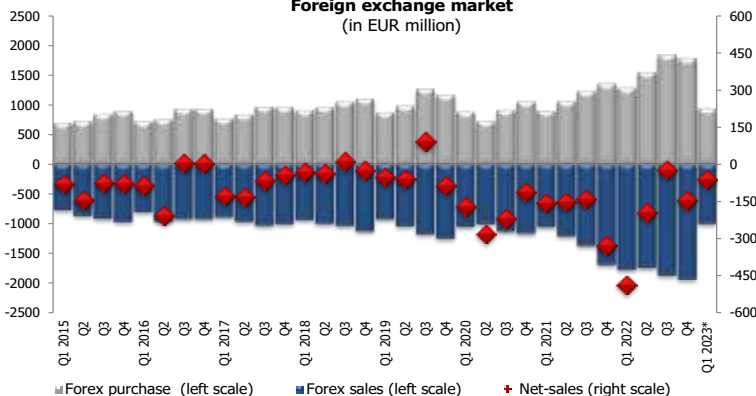


**At the end of February 2023, the gross foreign reserves stood at Euro 3,900.4 million**, which is an increase compared to the end of the fourth quarter, which, observed by growth factors, mainly results from the National Bank's foreign reserves management operations.

**Factors of change of the foreign reserves in January and February 2023**  
(in EUR million)

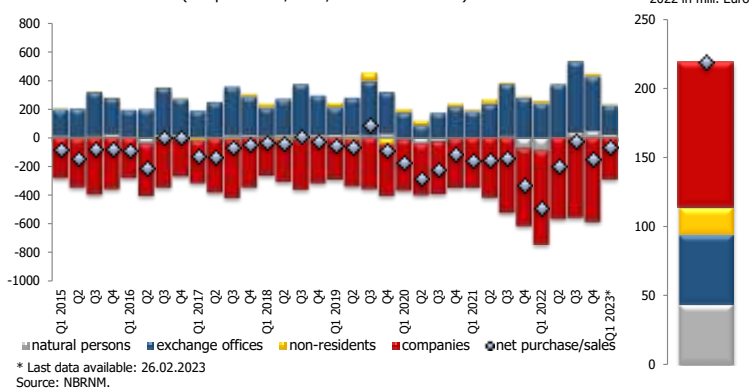


**Foreign exchange market**  
(in EUR million)



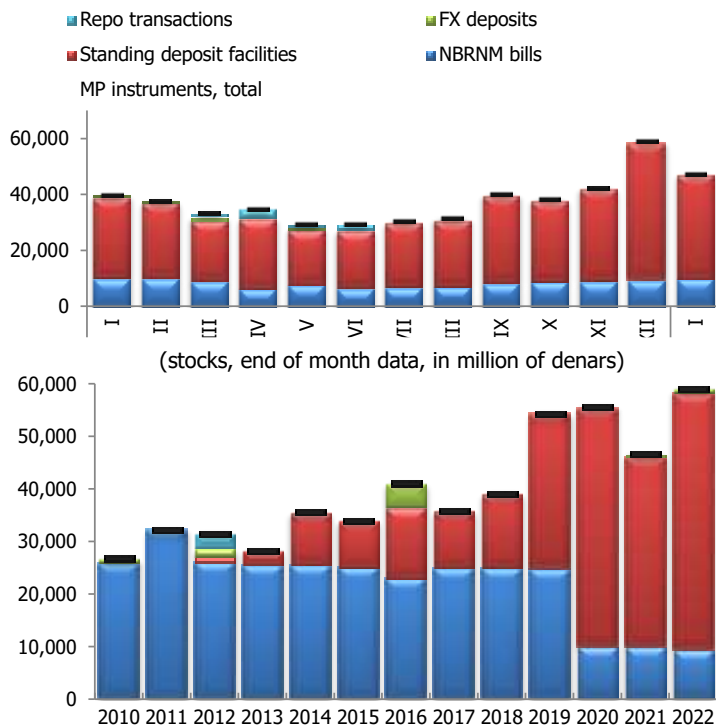
In the period from 1.1 to 28.2.2023, the banks' foreign exchange market reported a net sale of foreign currency which is significantly lower compared to the same period last year, amid growth in the supply of, and fall in the demand for foreign currency.

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



Sector-by-sector analysis shows that such shifts on the foreign exchange market result from the lower net sale in companies, the higher net purchase in exchange offices, as well as the net purchase in natural persons, contrary to the net sale of foreign currency in the same period last year.

## Monetary policy instruments (stocks, end of month data, in million of denars)



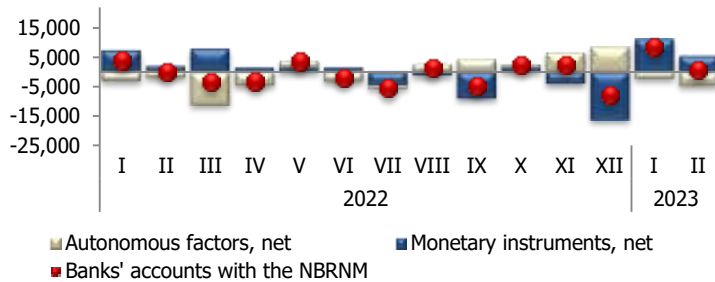
Source: NBRNM

**At the end of January 2023, the stock of monetary instruments decreased compared to the previous month,** due to the reduced amount of banks' assets placed in deposits with the National Bank, amid a moderate increase in the placements in CB bills. The stock of monetary instruments at the end of January was higher compared to the level forecasted for the end of the first quarter of 2023. At the same time, the National Bank's net foreign assets at the end of January are slightly below the level forecasted for the first quarter, and the level of total government deposits for the same period is also lower.

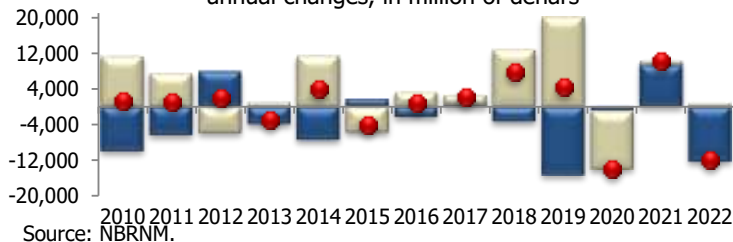
Reserve money in January 2023 increased compared to December 2022, as a result of the substantial increase in the banks' total reserves with the National Bank, amid moderate reduction of currency in circulation. Moreover, the reserve money stock is higher compared to the forecast for the end of the first quarter in 2023.

## Banks liquidity\*

monthly changes, in million of denars



annual changes, in million of denars

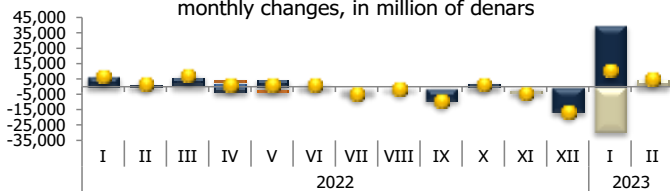


\* positive change: liquidity creation, negative change: liquidity withdrawal

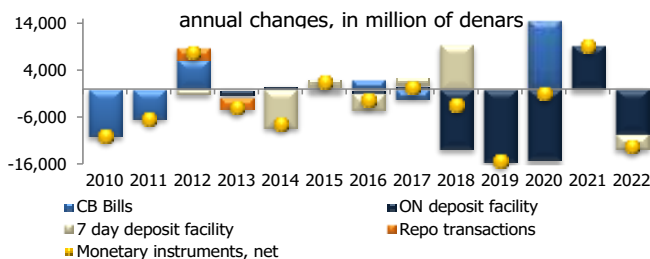
According to the operational data on liquidity flows, the **liquidity<sup>16</sup> of the banking system in the period January - February 2023 increased**. Namely, during this period, the autonomous factors reduced the liquidity of the banking system, which was entirely a result of government transactions and foreign currency interventions. On the other hand, by reducing the banks' placements in overnight deposits in the National Bank, the monetary instruments increased the liquidity of the banking system.

## Monetary policy instruments\*

monthly changes, in million of denars



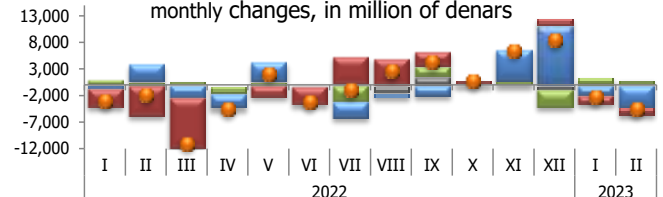
annual changes, in million of denars



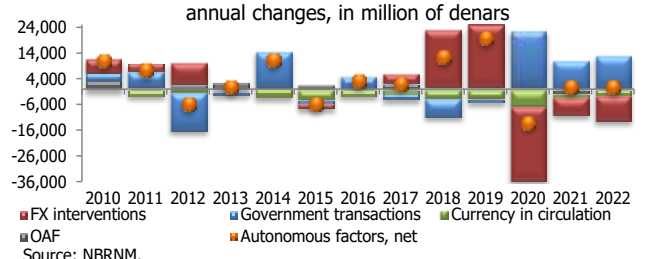
\* positive change: liquidity creation, negative change: liquidity withdrawal

## Autonomous factors\*

monthly changes, in million of denars



annual changes, in million of denars



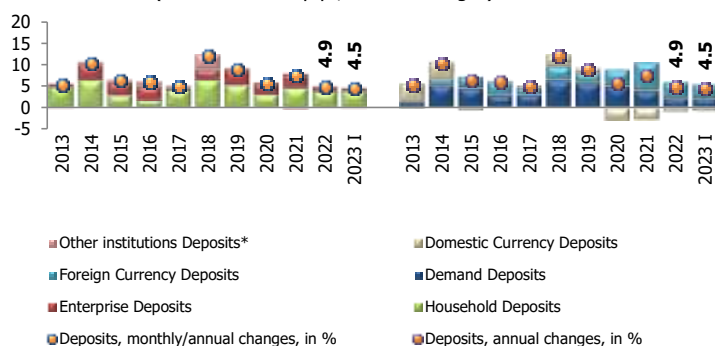
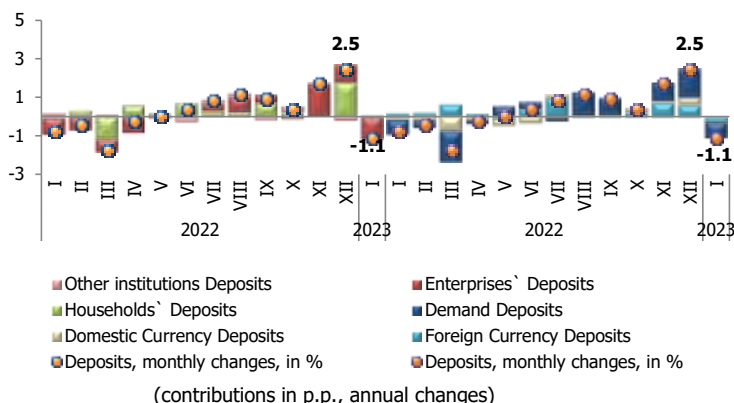
\* positive change: liquidity creation, negative change: liquidity withdrawal

<sup>16</sup>The data refer to banks' liquid assets in denars on the accounts with the National Bank.



## Total Deposits

(contributions in p.p., monthly 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 transferable deposits of other financial institutions and local government at the National Bank.  
Source: NBRNM.

**Total deposits<sup>17</sup> in the financial system in January 2023 registered a monthly decrease of 1.1%, after the growth of 2.5% in the previous month, which is usual for this period.** Observed by **sector**, the reduction entirely results from the negative contribution of corporate deposits, amid stable level of household and other sectors deposits. Observing by **currency**, the reduction stems mainly from denar deposits (including demand deposits), with a smaller decline in foreign currency deposits. Total deposits in January 2023 decreased compared to the end of December 2022, which is within the reduction expected for the first quarter of 2023 according to the October forecast.

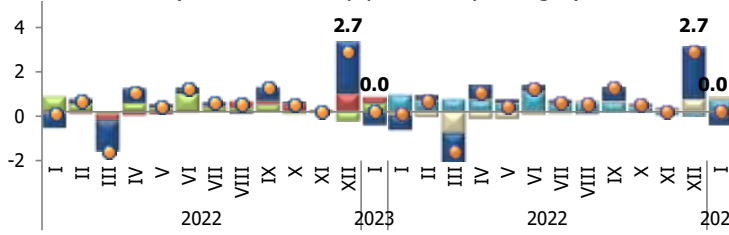
**In January 2023, the annual growth rate of total deposits equals 4.5% and is in line with the rate forecasted for the end of the first quarter of 2023 (of 4.5%).** Observed by **sector**, the increase in total deposits is mainly a result of the positive contribution of household deposits, with a smaller positive contribution of corporate deposits. Analyzed by **currency**, the increase results from foreign currency deposits, amid a smaller positive contribution of denar deposits (demand deposits included).

<sup>17</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.nsp](http://www.nbrm.mk/monetarna_statistika_i_statistika_na_kamatni_stapki.nsp).



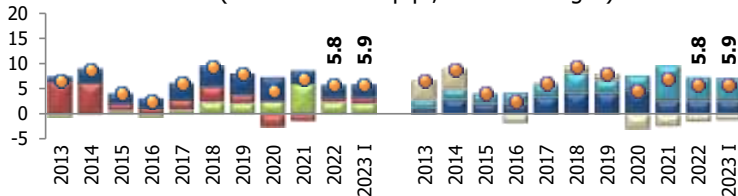
## Household Deposits

(contributions in p.p., monthly changes)



**Household deposits in January 2023 stagnated, after the growth in December last year.** Analyzed by **currency**, foreign currency deposits increased, amid reduction of denar deposits (including demand deposits). Observing by **maturity**, growth was recorded in short-term and long-term household deposits. **The annual increase in household deposits in January 2023 reached 5.9%.**

(contributions in p.p., annual changes)

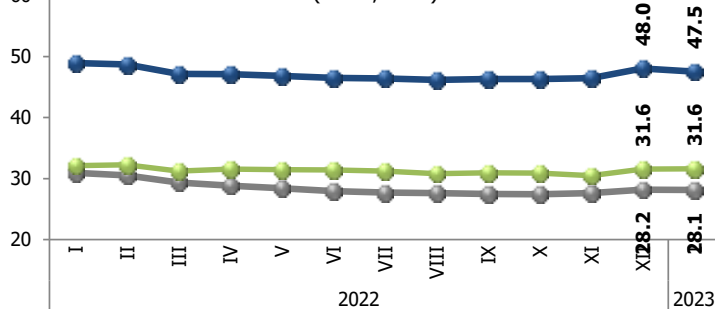


- Demand Deposits
- Domestic Currency Household Deposits
- Foreign Currency Household Deposits
- Long-term Household Deposits
- Short-term Household Deposits
- Household Deposits, monthly/annual changes, in %

Source: NBRNM.

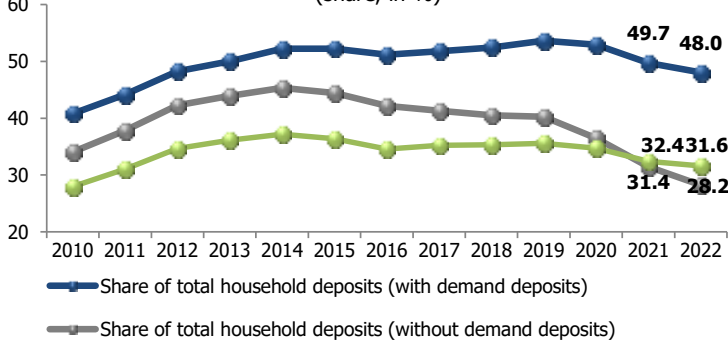
## Denar Deposits of Households/Total Deposits of Households

(share, in %)



At the end of January 2023, the share of denar deposits (including demand deposits) in total household deposits slightly declined on a monthly basis and equaled 47.5%.

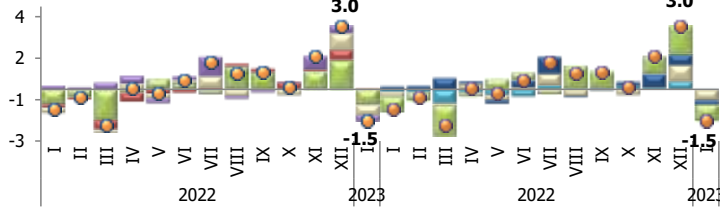
(share, in %)



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

## Broad Money M4

(contributions in p.p., monthly changes)



(contributions in p.p., annual changes)



- CC Outside Depository Corporations
- Demand Deposits
- Total Short-term Deposits
- Total Denar Deposits
- Total Foreign Currency Deposits
- Total Long-term Deposits
- Broad Money M4, monthly/annual Changes, in %

Source: NBRNM.

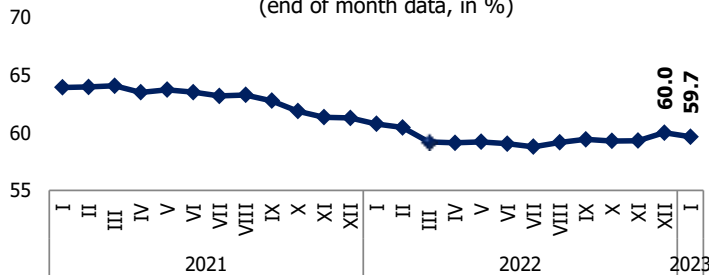
**In January 2023, broad money, measured through M4, registered a monthly decrease of 1.5% (after the growth of 3% in the previous month).** The reduction is common and results from the most liquid money supply components, primarily from the decrease in demand deposits and currency in circulation. Short-term deposits also decreased, amid unchanged long-term deposits. Observing by currency, there is a monthly decrease in both denar deposits (including demand deposits) and in foreign currency deposits.

**In January 2023, broad money increased by 4.5% annually, amid identical forecasted annual growth of 4.5% for the first quarter of 2023.**

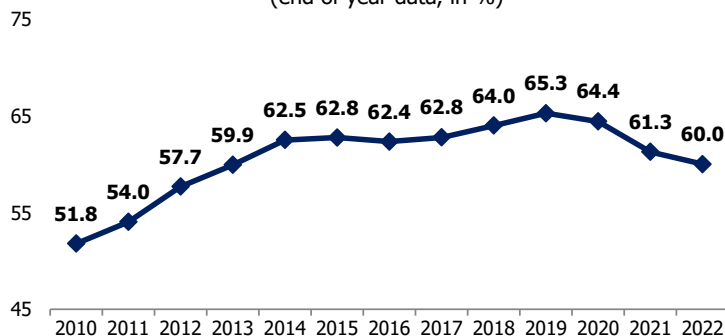
At the end of January 2023, the denar share in the total broad money M4 was 59.7% (60.0% in the previous month).

## Share of Denar M4 in total M4

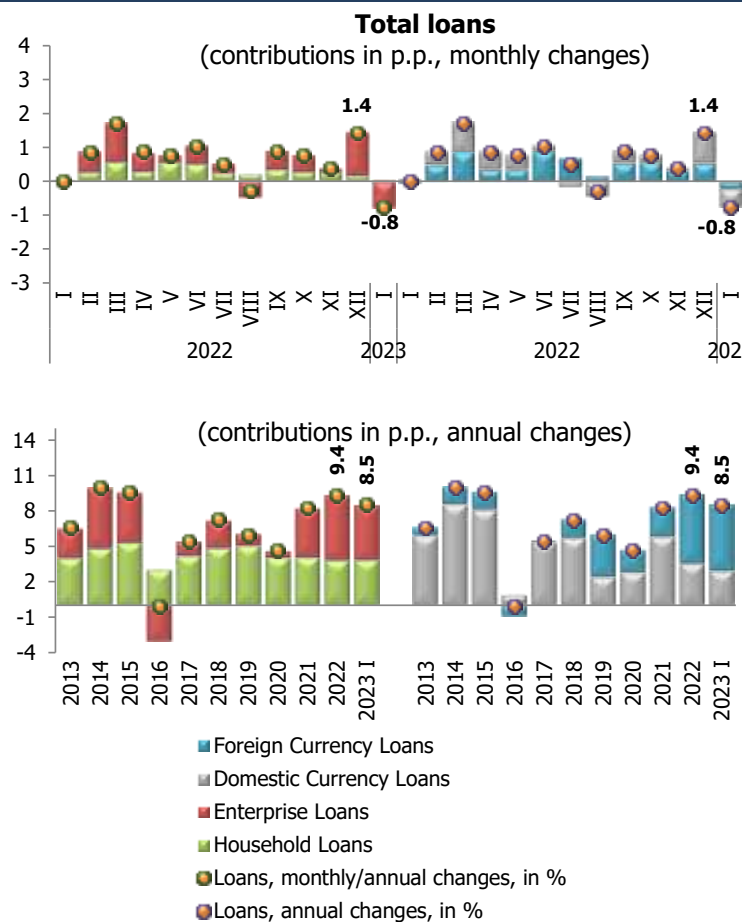
(end of month data, in %)



(end of year data, in %)



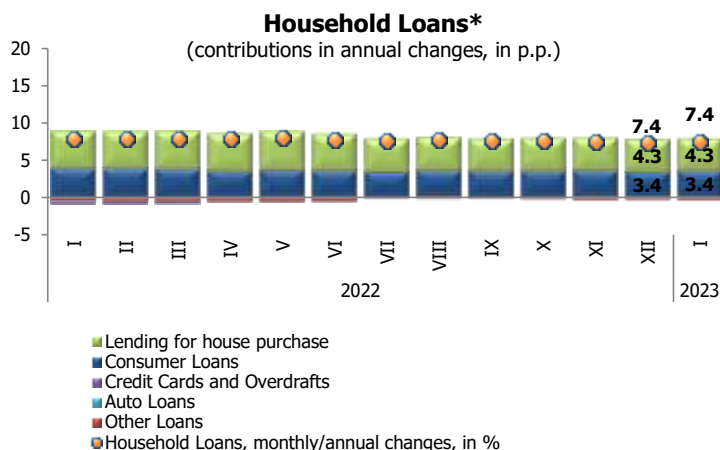
Source: NBRNM.



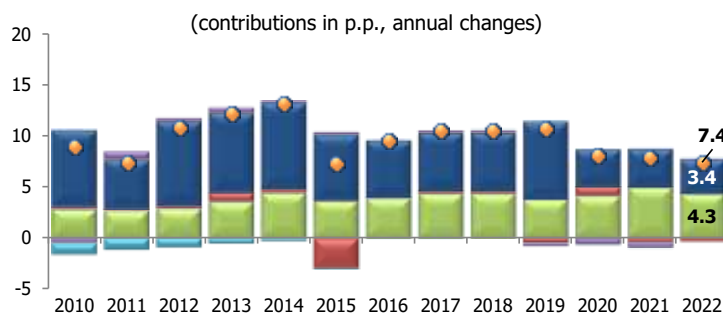
Source: NBRNM.

**In January, total loans registered a monthly decrease of 0.8% (increase of 1.4% in the previous month).** Observed by **sector**, the decrease is almost entirely a result of the reduction of corporate loans, amid stagnation of household loans. Regarding the **currency structure**, there is a decrease in denar and foreign currency loans. In January 2023, total loans decreased compared to the end of the fourth quarter of 2022, with an expected increase for the first quarter of 2023, according to the October forecast.

**In January, the annual growth rate of total loans equals 8.5% and is currently in line with the annual growth forecasted for the first quarter of 2023, according to the October forecast (8.5%).** Observed by **sector**, the growth results from corporate loans, amid unchanged level of household loans on an annual basis. Regarding the **currency structure**, a positive contribution was made by loans in foreign and in domestic currency.



**In January 2023, household loans<sup>18</sup> increased by 7.4%,** which still largely results from housing loans, with a solid positive contribution of consumer loans.



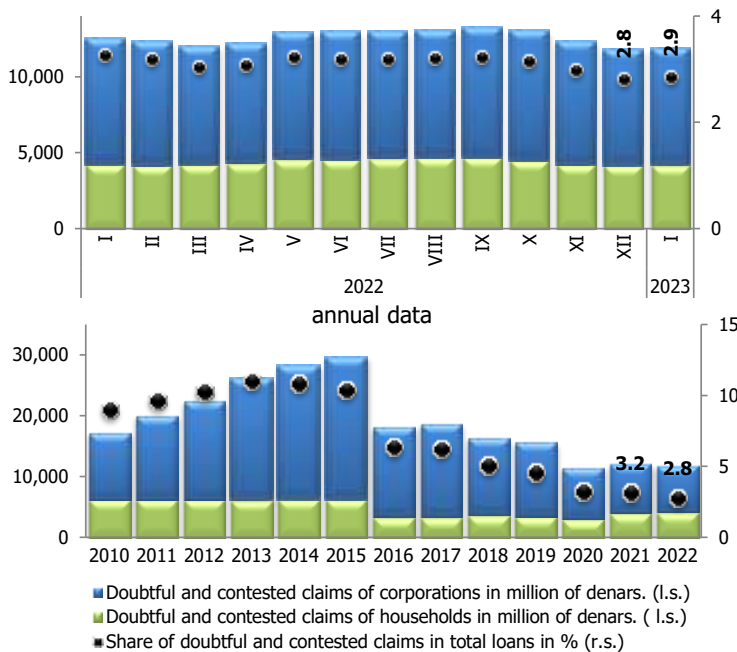
\* Self-employed individuals are not included.

Source: NBRNM.

<sup>18</sup> Excluding loans of self-employed individuals.

## Doubtful and contested claims

(composition by sector and share in total loans)



Source: NBRNM.

**The share of doubtful and contested claims in total loans in January 2023 marginally increased compared to the previous month, and equaled 2.9%.**

In terms of the **sector structure**, most of the total amount of non-performing loans still results from the corporate sector, while the share of non-performing loans of the household sector is lower.

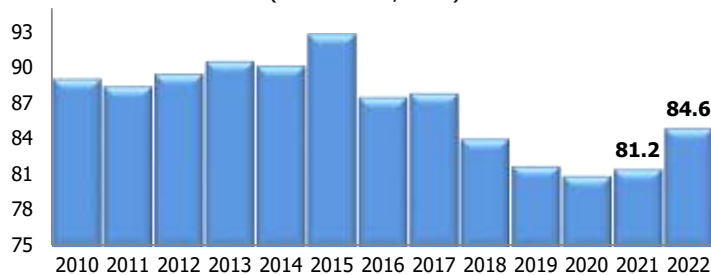
## Total credits/total deposits

(monthly data, in %)



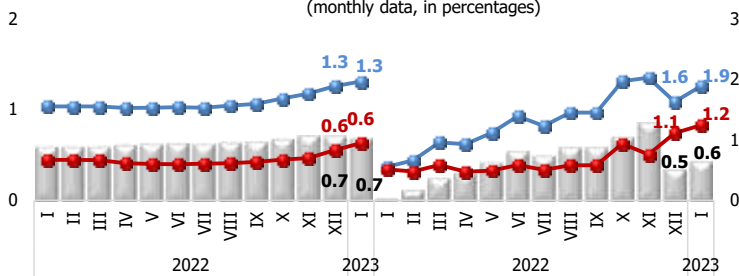
The indicator for the utilization of banks' deposit potential for lending to the private sector in January equals 84.9%, which is below the value of this indicator forecasted for the end of the first quarter of 2023 (89.1%), according to the October forecast.

(annual data, in %)

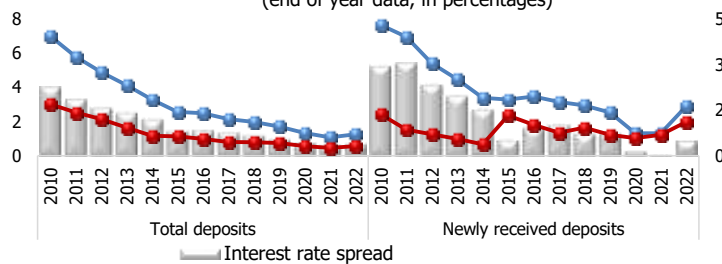


Source: NBRNM.

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



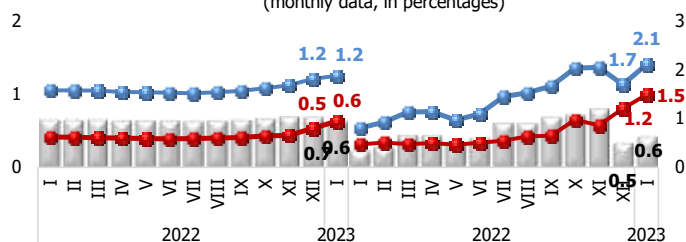
(end of year data, in percentages)



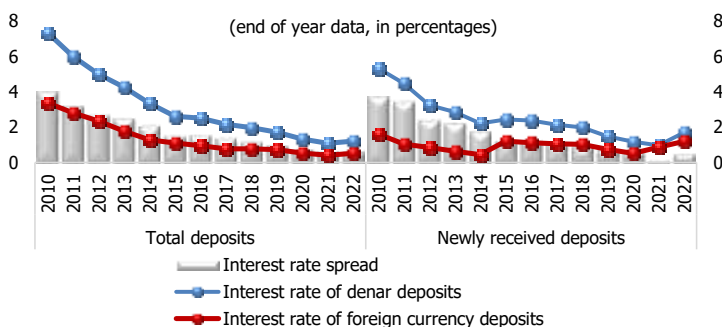
Source: NBRNM

In January 2023, the interest rates on total deposits (denar and foreign currency)<sup>19</sup> remained unchanged on a monthly basis, whereby the interest rate spread is stable at the level of 0.7 percentage points. In **total newly accepted deposits**<sup>20</sup>, the interest rate spread registered a monthly increase and amounted to 0.6 percentage points, due to the higher growth of the interest rates on newly received denar deposits relative to the growth of the interest rates on newly received foreign currency deposits.

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



(end of year data, in percentages)



Source: NBRNM.

In households, in January 2023, the spread between the interest rates on total denar and foreign currency deposits reduced to 0.6 percentage points, due to the small increase in the interest rates on foreign currency deposits of 0.1 percentage points, amid unchanged denar interest rates. **The interest rate spread of the newly accepted household deposits** registered a monthly increase and amounted to 0.6 percentage points, amid faster growth of the interest rates on newly received denar deposits, relative to the increase in the interest rates on newly received foreign currency deposits.

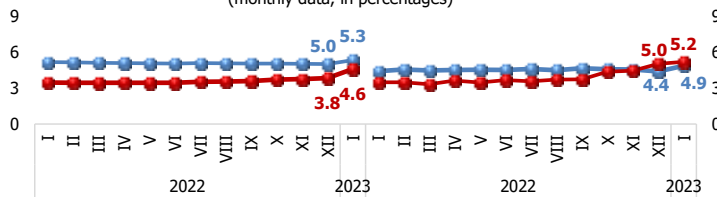
<sup>19</sup>Data on interest rates are in accordance with the methodological changes of the NBRNM from June 2018. For more information on the methodological changes visit: [http://www.nbrm.mk/monetarna\\_statistika\\_i\\_statistika\\_na\\_kamatni\\_stapki.nspix](http://www.nbrm.mk/monetarna_statistika_i_statistika_na_kamatni_stapki.nspix).

<sup>20</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.

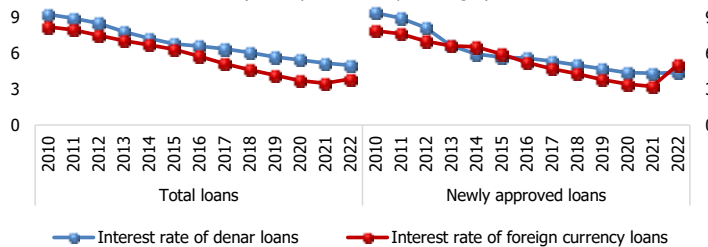
## MONETARY SECTOR

### Total loans interest rates

(monthly data, in percentages)



(end of year data, in percentages)



— Interest rate of denar loans

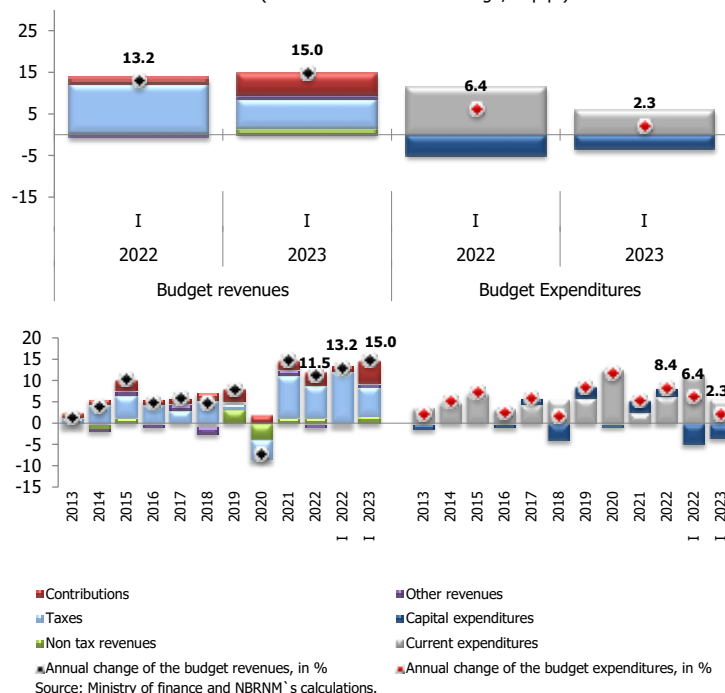
— Interest rate of foreign currency loans

Source: NBRNM.

Compared to the previous month, in January 2023, the interest rates on **total household loans** increased to 5.3%, and the interest rates on **total corporate loans** reached 4.6%. In the **newly approved loans**<sup>21</sup>, the interest rates on corporate loans increased by 0.2 percentage points and amounted to 5.2%, while the interest rates on household loans increased by 0.5 percentage points and reached 4.9%.

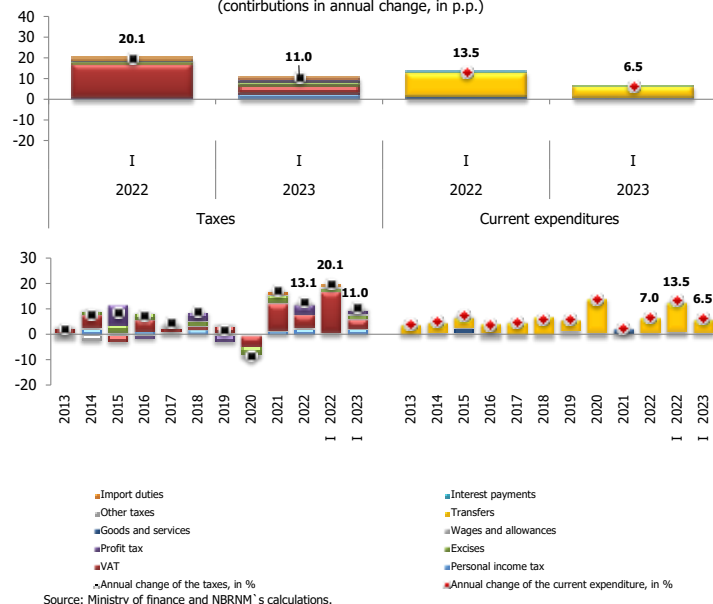
<sup>21</sup> Regarding the interest rates on newly approved loans, one should have in mind that they are characterized with variable movements. Volatility of interest rate on newly approved loans results from the fact that they are determined by the volume of newly approved loans (which can vary from month to month) and their interest rate.

## Budget revenues and expenditures (contributions in annual change, in p.p.)



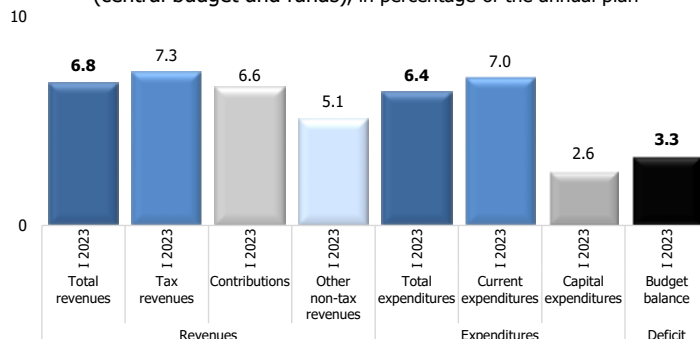
In January 2023, in the Budget of the Republic of North Macedonia (central budget and budgets of funds), total budget revenues and expenditures increased annually by 15.0% and 2.3%, respectively. The growth of **budget revenues** is a result of the growth in tax revenues, contributions, non-tax revenues and other revenues<sup>22</sup> (positive contributions of 6.9 percentage points, 5.3 percentage points, 1.6 percentage points and 0.9 percentage points, respectively). In January 2023, tax revenues grew by 11.0% on an annual basis, mostly as a result of the increased inflows from VAT, personal income tax, corporate tax, excises and import duties. The increase in **budget expenditures** in January 2023 is due to the increase in current expenditures (mostly due to the higher transfers), amid reduction of capital expenditures.

## Taxes and current expenditures (contributions in annual change, in p.p.)



<sup>22</sup> Other revenues include capital revenues, donations from abroad and revenues from recovered loans.

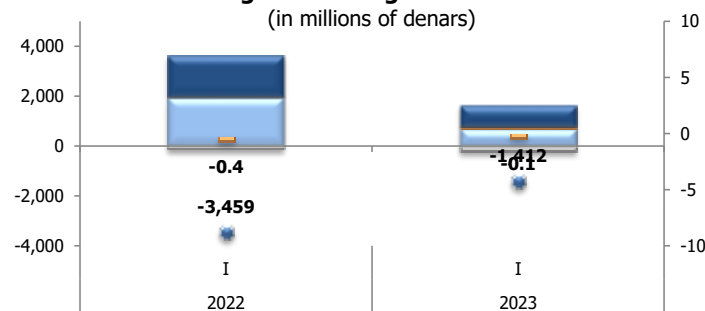
**Budget implementation, per categories**  
(central budget and funds), in percentage of the annual plan



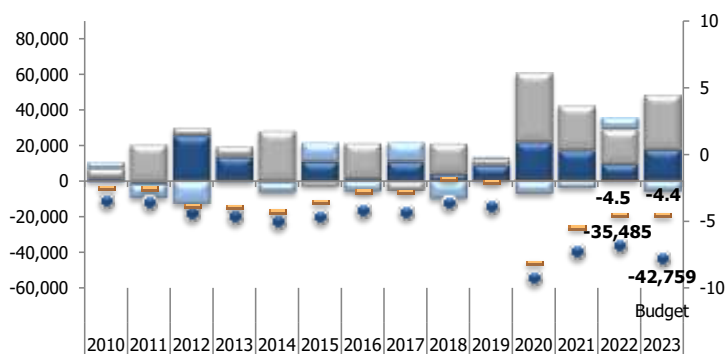
Compared to the 2023 Budget<sup>23</sup>, the budget revenues and expenditures in January 2023 amounted to 6.8% and 6.4%, respectively. The budget deficit in the amount of Denar 1,412 million accounts for 3.3% of the deficit planned for 2023.

Source: Ministry of Finance and NBRNM's calculations.

**Financing of the budget balance**  
(in millions of denars)



The budget deficit in January 2023 of Denar 1,412 million (or 0.1% of GDP<sup>24</sup>) was fully financed through the net government borrowing on the domestic market and the spending of government deposits with the National Bank, amid reduction of the net foreign borrowing.



\* Positive change: deposits withdrawal; negative change: deposits accumulation.  
Source: MoF.

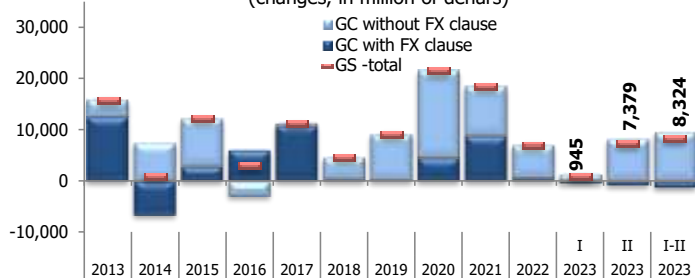
<sup>23</sup> Official Gazette of the Republic of North Macedonia No. 282 of 27.12.2022.

<sup>24</sup> The analysis uses the National Bank's October forecasts for the nominal GDP for 2023.

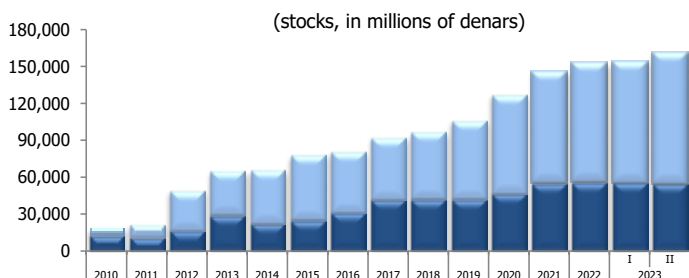


## Government securities

(changes, in million of denars)



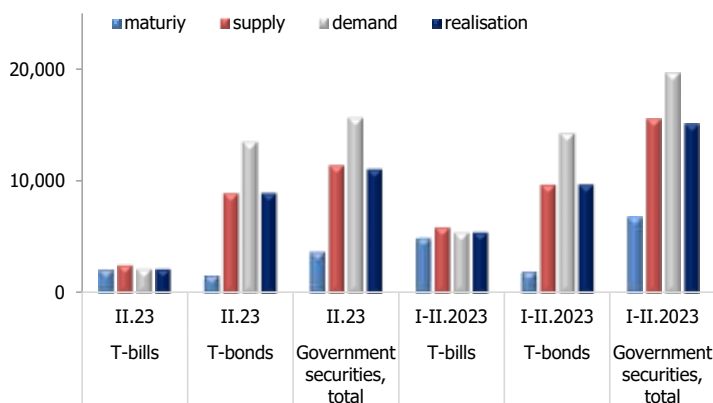
In February 2023, the stock of issued government securities<sup>25</sup> in the primary market registered a monthly growth of Denar 7,379 million. The stock of government securities at the end of February 2023 amounted to Denar 161,646 million. The increase is mostly due to the growth of the twelve-month treasury bills (without currency clause) and the two-year and the fifteen-year government bonds (without currency clause).



Source: MoF.

## Government securities auctions

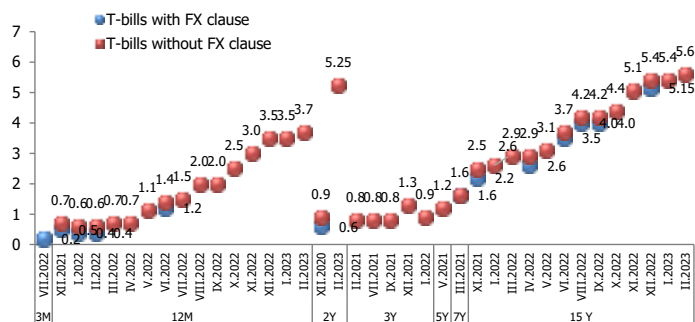
in million of denars



Source: Ministry of finance.

The new issues of government securities in February 2023 were with maturity of twelve months without currency clause, two-year and fifteen-year government bonds (without currency clause). In February 2023, previously issued twelve-month treasury bills (without and with currency clause) and five-year government bonds (without currency clause) fell due.

## Interest rates of T-Securities in percent



Source: Ministry of Finance

In February 2023, at the regular auctions, the Ministry of Finance increased the interest rates on the newly issued securities compared to the previous month, in particular on the twelve-month treasury bills without currency clause to the level of 3.7% (3.5% in January), on the two-year government bonds without currency clause to the level of 5.3% (the last issuance of the two-year government bonds without clause was in December 2020, at an interest rate of 0.9%) and on the fifteen-year government bonds, without currency clause, to the level of 5.6% (5.4% in the last month).

<sup>25</sup> The Budget plans a net domestic borrowing (continuous government securities) of the government of Denar 21,535 million for 2023, i.e. increase in the stock of government securities to Denar 174,857 million.

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

INDICATIVE VARIABLES FOR PRIVATE CONSUMPTION																				
	2019				2020				2021				2022							2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	October	November	December	January
	real annual growth rates in %																			
Retail trade*	7.6	8.8	12.0	13.8	1.0	-18.6	-15.7	-15.5	-1.3	18.3	13.9	10.0	7.6	6.7	1.9	-3.7	-5.8	-2.4	-2.8	2.5
VAT revenues*	3.5	1.4	7.5	6.6	1.8	-20.0	-10.8	-4.2	2.9	36.6	21.1	20.6	29.2	9.5	3.7	-7.7	2.7	-13.7	-12.0	-10.8
Imports of consumption goods*	2.8	5.9	9.7	4.9	6.9	-12.4	-3.6	-9.4	3.1	26.0	11.3	13.6	-2.8	-1.4	-2.0	-9.8	-8.2	-11.5	-9.9	-1.8
Domestic production of consumption goods	0.5	-1.0	2.4	-2.0	-0.5	-22.4	-9.3	-12.1	-9.4	17.1	-5.6	5.1	2.2	-1.2	3.3	-3.6	-5.8	-5.1	0.1	6.6
Consumer credits*	8.2	9.6	9.3	10.1	9.7	6.3	6.2	4.5	4.7	5.7	4.0	3.2	-0.5	-5.6	-9.2	-9.3	-10.0	-9.8	-9.3	-8.1
Average net wage*	2.2	2.4	3.5	4.2	10.0	4.6	7.0	4.7	2.0	5.7	1.1	0.7	0.0	-1.7	-4.6	-4.6	-5.2	-5.2	-3.3	-
Private net transfers*	-2.1	-4.5	5.6	2.2	-2.0	-38.0	-34.9	-10.2	9.5	66.5	55.5	14.2	9.8	25.1	11.8	4.8	9.1	9.2	-2.4	-
Pensions*	4.1	2.2	3.9	2.1	5.7	6.2	5.3	5.4	2.3	0.3	0.0	-1.8	-3.4	-1.0	-10.4	-4.9	-6.1	-5.4	-3.0	-2.3

\* 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																				
	2019				2020				2021				2022							2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	October	November	December	January
	real annual growth rates in %, except for FDI in million denars																			
Imports of capital goods*	2.0	4.8	12.7	6.7	1.0	-34.5	-3.0	4.4	8.8	64.1	6.4	4.6	6.9	5.6	10.9	-1.3	8.0	-8.5	-2.3	4.3
Completed construction works**	15.1	-3.3	3.0	5.3	6.3	-5.1	3.0	2.3	-1.1	-9.6	-10.8	-17.5	-11.1	-1.2	-19.2	-14.0	-23.9	-10.7	-7.8	-
Domestic production of capital goods	12.3	-2.9	10.7	7.1	-5.7	-46.0	-9.0	1.0	-7.3	59.6	-24.3	-22.3	0.9	3.3	18.6	3.7	10.6	1.7	-0.8	-2.5
Government investments*	-11.1	62.7	26.3	66.4	23.8	-34.4	26.0	-20.7	166.5	3.7	56.2	9.3	-16.4	25.0	-47.3	55.6	-9.8	190.1	31.1	-45.4
Direct Investments***	-13063.5	-3031.8	6303.9	-8235.4	4668.1	-2737.5	-6616.2	-10681.2	-10610.7	15231.4	1550.0	9560.3	9032.6	-5832.2	9936.2	763.8	4240.7	5033.5	4536.6	-
Long term credits to enterprises*	4.9	4.8	2.6	6.4	4.1	8.2	11.5	5.8	7.3	2.5	0.7	3.9	2.2	-2.2	-6.5	-6.7	-8.0	-7.5	-6.7	-5.6
Final product stocks	3.6	-10.5	-7.4	14.7	9.0	15.7	2.6	-8.0	2.0	9.7	16.1	12.4	11.5	9.2	11.1	10.5	11.9	9.3	10.5	-

\* 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.