

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

MONETARY POLICY AND RESEARCH DEPARTMENT



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

July 2019

## 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 (April - June 2019) and to make a comparison with the latest macroeconomic forecasts (April 2019). This will determine the extent to which the current situation in the economy corresponds to the expected movements of the variables in the previous 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 data published after the completion of the April forecasting round indicate a deceleration in the growth rate of the global economy in the first half of the year, whereby part of the international organizations<sup>1</sup> made downward revisions of the forecasts for the global economic growth. At the same time, the risks around these forecasts for the growth are also assessed as downward. As before, the main risk to the growth again relates to the possibility for a further escalation of trade tensions between the major economies in the world. The other risks relate to the potential major slowdown in the growth of systemically important economies such as China and the euro area, the prospects for a no-deal Brexit, the exhaustion of the effects of the fiscal stimulus in the USA, the possible materialization of the financial risks in the developing economies given the worsened market sentiment and tighter global financial conditions, as well as the increased political and geopolitical risks in global terms. Regarding the **economic developments in the euro area**, as our major trading partner, the latest high-frequency data and household and corporate surveys in June are less favorable and indicate possibility for deceleration of the economic growth in the second quarter of 2019. However, in the newly published views of the ECB on the prospects of the European economy from June, a minimal upward revision of the growth of the euro area for 2019 (from 1.1% to 1.2%) was made, mainly due to the improved performance in the first quarter, but at the same time the forecasts for the growth in 2020 and 2021 were reduced (from 1.6% and 1.5%, respectively, in March, to 1.4% for both years). According to initial announcements, labor market conditions continued to improve during the second quarter, with the unemployment rate declining to 7.6% in April - May period (7.7% in the first quarter of 2019). Regarding the inflation in the euro area, the initial assessment for June shows its maintenance at the level of the previous month, of 1.2%. The ECB's latest inflation forecast in 2019 is minimally revised upwards, while for 2020 the revision is downward, mainly due to the effect of the changed assumptions about world oil prices. On the other hand, the forecast for 2021 remained unchanged compared to March<sup>2</sup>. According to the latest estimates, the **EURIBOR** was revised downward especially for 2020, and it is expected to be more negative, but also relatively stable in the period of forecasts, which is different from the April forecast that this interest rate will follow a path of gradual normalization.

**Analyzing the quantitative external environment indicators of the Macedonian economy, the foreign effective demand forecasts** were minimally revised downwards for 2019 and 2020 compared to the April forecasts. On the other hand, the **foreign effective inflation** was not revised compared to the April forecasts. Compared to April, the US dollar is expected to register a greater appreciation in 2019 and a similar depreciation rate in 2020. **Forecasts for primary commodities prices on the world markets for 2019 were generally revised upwards, whereas for 2020, most prices were revised downwards.** Observed by product, the latest assessments of **world oil prices** point to a slower price fall in 2019 and a faster price fall in 2020, compared to April. **Metal prices** were subject to downward revisions for the period of forecasts, whereby the copper price is expected to register sharper decline, while the nickel price is expected to decrease rather than to increase as forecasted in April. Regarding the **prices of primary food**

<sup>1</sup> OECD, Economic Prospects, May 2019; the World Bank, Global Economic Prospects, June 2019.

<sup>2</sup> According to the latest forecasts, inflation of 1.3%, 1.4% and 1.6% in 2019, 2020 and 2021 is expected, contrary to the expectations in March for inflation of 1.2%, 1.5% and 1.6%, respectively, for the same period.

**products**, in 2019 the revisions are upward compared to April, currently expecting a smaller decline in the wheat price and a significantly faster growth of the corn price. On the other hand, in 2020 small upward corrections were made only in the wheat price, while the forecast for the growth of the corn price remained unchanged compared to April. However, one should bear in mind that the assessments of the prices of primary commodities are extremely volatile, which creates uncertainty about the assessment of their future dynamics and effects on the domestic economy, especially in the longer term.

**The comparison of the latest macroeconomic indicators of the domestic economy with their forecast dynamics within the April forecasting round indicates certain deviations in the individual segments of the economy.** The currently available high-frequency data for the period April-May 2019 generally suggest a continuation of the favorable developments in the economy, visible through the accelerated growth in trade and a continuation of the growth in industry. This, coupled with a rate of growth of the economic activity in the first quarter of 2019 of 4.1%, close to the forecast, corresponds to the expectations for solid economic growth in 2019. **Regarding the changes in consumer prices**, the performances in the second quarter of 2019 are lower than the April inflation forecast. Thus, with the latest data on the June annual inflation of 0.3%, the average annual inflation rate in the second quarter of 2019 amounts to 1.2%, which is below the forecasted level. Amid revised external input assumptions mainly in an upward direction in the inflation forecast for the entire 2019 and currently lower inflation than forecasted, the assessments say that the risks to the inflation forecasts for this year are balanced. The uncertainty around the forecasted movement of the world primary commodities prices remains the main risk surrounding the inflation forecast.

**The data on the foreign reserves (adjusted for price and exchange rate differentials and price changes of securities) for the second quarter of 2019 indicate an increase compared to the end of the first quarter.** Analyzing growth factors, the increase in reserves is mainly due to the National Bank interventions on the foreign exchange market with purchase of foreign currency. The analysis of the adequacy indicators shows that they are still within the safe zone. Foreign trade performances in April and May point to the possibility for higher than expected trade deficit for the second quarter according to the April forecast. Currency exchange market data as of June point to net inflows of private transfers as expected for the second quarter.

As for the monetary sector developments, final data as of May show a monthly decrease in **total deposits** of 0.7%, compared to the growth of 1.8% in the previous month. The monthly decrease in total deposits was mostly due to the fall in corporate deposits, amid a slight decrease in household deposits. Analyzing the currency, the greatest contribution to the monthly fall was made by foreign currency deposits. On an annual basis, total deposits in May grew by 10.7%, which slightly exceeds the forecasted growth of 10.2% for the end of the second quarter of 2019, according to the April forecast. Analyzing the credit market, in May, **total private sector loans** registered a monthly growth of 0.6%, similar to the previous month (0.5%), amid growth in loans to households. Analyzing the currency structure, the growth in total loans largely results from foreign currency loans, amid a slower growth of loans in domestic currency. On annual basis, total loans in May grew by 8.3%, which is almost at a level of the forecasted annual growth of 8.4% for the second quarter of 2019.

In the first five months of 2019, the Budget of the Republic of North Macedonia registered a deficit of Denar 4,992 million mostly financed by government borrowing on the domestic financial market, and less by using government deposits with the National Bank. The deficit constitutes 28.2% of the deficit envisaged in the Budget for 2019.

**The latest macroeconomic indicators and assessments indicate certain deviations in terms of the forecasted dynamics, but the perceptions about the environment for conducting the monetary policy remained mainly unchanged compared to the previous forecasts.** At the end of June 2019, foreign reserves (adjusted for price and exchange rate differentials and securities price changes) increased compared to the end of the first quarter and remain in the safe

zone. Regarding the economic activity, the acceleration in the growth in the first quarter of 2019 at a pace within the expectations and movements of the high-frequency indicators for April and May, are generally in line with the expectations within the April forecasting round for the dynamics of the economic growth in 2019. Regarding the inflation, the current risks are assessed as balanced, amid lower performances as of June 2019 relative to the forecast, but revisions in an upward direction in the external input assumptions for the period ahead, as well as their pronounced volatility. Observing the monetary sector, the annual deposit growth in May 2019 is slightly higher than forecasted for the second quarter of 2019, while the credit growth is almost at a level of the forecasts.

#### ***Downward movements of the prices in the markets of primary products***

According to the latest data published by the World Bank, primary commodities prices on the world markets continued to fall during June, reflecting the concern about the slowdown of the global economic growth, combined with the intensification of trade tensions between the major world economies. Thus, a significant decline was registered in world oil prices, whereby the price of the crude oil "Brent" fell from 70.53 \$/barrel in May to 63.3 \$/barrel in June, which is a decline of 10.3%. Such price movements, as well as the downward revisions of the forecasts for the global demand for oil in 2019, resulted in downward revisions of the expectations for the movement of oil prices for the next year. Metal markets continued registering unfavorable movements, affected by the weaker economic performances of the Chinese economy, the concern about the stability of its financial sector, and especially due to the growing trade tensions with the USA, given that China is the main driver of the world demand for almost all basic metals. Consequently, metal prices during the second quarter registered continuous fall on a monthly basis, which reached -5.4% in May and is the largest in the last ten months.

Selected economic indicators <sup>1</sup>	2018							2019							
	2016	2017	Q1	Q2	Q3	Q4	2018	Jan.	Feb.	Mar	Q1	Apr.	May	Jun.	Q2
I. Real sector indicators															
Gross domestic product (real growth rate, y-o-y) <sup>2</sup>	2.8	0.2	0.9	3.0	3.0	3.7	2.7				4.1				
Industrial production <sup>3</sup>															
y-o-y	3.4	0.2	5.2	4.9	5.1	6.4	5.4	12.0	7.3	7.5	8.8	5.5	1.2		
cumulative average	3.4	0.2	5.2	5.0	5.0	5.4	5.4	12.0	9.6	8.8	8.8	7.9	6.5		
Inflation <sup>4</sup>															
CPI Inflation (y-o-y) <sup>5</sup>	-0.2	2.4	1.5	1.5	1.6	1.2	0.9	1.2	1.1	1.4	1.2	1.9	1.4	0.3	1.2
CPI Inflation (cumulative average)	-0.2	1.4	1.5	1.5	1.5	1.5	1.5	1.2	1.1	1.2	1.2	1.4	1.4	1.2	1.2
Core inflation (cumulative average)	1.3	2.3	1.6	1.6	1.6	1.5	1.5	1.3	1.0	0.9	0.9	0.9	0.9	0.9	0.9
Core inflation (y-o-y)	1.3	2.3	1.6	1.5	1.7	1.3	1.5	1.3	0.7	0.6	0.9	1.1	0.9	0.9	1.0
Labor force															
Unemployment rate	23.7	22.4	21.6	21.1	20.8	19.4	20.7				17.8				
II. Fiscal Indicators <sup>6</sup>															
(Central Budget and Budgets of Funds)															
Total budget revenues	169,356	179,673	43,369	47,275	45,992	51,869	188,505	14,925	15,134	16,017	46,076	17,798	16,742		
Total budget expenditures	185,407	196,561	46,502	48,680	48,462	56,427	200,071	15,634	17,116	16,520	49,270	18,828	17,510		
Overall balance (cash)	-16,051	-16,888	-3,133	-1,405	-2,470	-4,558	-11,566	-709	-1,982	-503	-3,194	-1,030	-768		
Overall balance (in % of GDP) <sup>1</sup>	-2.7	-2.7	-0.5	-0.2	-0.4	-0.7	-1.8	-0.1	-0.3	-0.1	-0.5	-0.1	-0.1		
III. Financial indicators <sup>16</sup>															
Broad money (M4), y-o-y growth rate	6.2	5.1	7.5	10.1	11.7	11.8	11.8	12.0	11.2	11.7	11.7	13.3	10.6		
Total credits, y-o-y growth rate	-0.1	5.4	5.7	6.2	7.9	7.3	7.3	7.8	8.2	9.0	9.0	8.9	8.3		
Total credits - households	7.0	9.2	9.4	9.7	10.1	10.3	10.3	9.9	9.6	9.7	9.7	9.3	9.6		
Total credits - enterprises	-5.3	2.3	2.3	2.9	5.7	4.5	4.5	5.7	6.9	8.2	8.2	8.5	7.0		
Total deposits (incl. demand deposits), y-o-y growth rate/ <sup>7</sup>	6.1	5.0	7.6	10.6	12.3	12.1	12.1	12.2	11.3	11.9	11.9	13.4	10.7		
Total deposits - households	2.5	6.1	7.3	7.9	8.4	9.5	9.5	9.3	8.8	8.7	8.7	9.6	8.8		
Total deposits - enterprises	13.4	2.1	4.1	11.6	16.8	9.5	9.5	10.6	9.5	12.1	12.1	16.9	11.3		
Interest rates <sup>8</sup>															
Interest rates of CBBills	3.75	3.25	3.0	3.0	2.75	2.50	2.50	2.50	2.50	2.25	2.25	2.25	2.25	2.25	2.25
Lending rates															
denar rates	7.0	6.6	6.3	6.2	6.0	5.9	6.1	5.8	5.8	5.7	5.8	5.7	5.7		
f/x rates (aggregated, incl. f/x and denar with f/x clause)	5.7	5.3	5.0	4.9	4.8	4.8	4.9	4.7	4.7	4.7	4.7	4.7	4.6		
Deposit rates															
denar rates	2.5	2.2	2.1	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.9		
f/x rates (aggregated, incl. f/x and denar with f/x clause)	1.0	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8		
IV. External sector indicators															
Current account balance (millions of EUR)	-275.5	-102.9	-144.5	23.9	195.8	-107.1	-31.9	-59.9	-63.3	-39.3	-162.5				
Current account balance (% of GDP)	-2.9	-1.0	-1.3	0.2	1.8	-1.00	-0.3	-0.6	-0.6	-0.4	-1.5				
Trade balance (millions of EUR) <sup>9</sup>	-1,786.2	-1,816.2	-474.2	-431.6	-382.3	-523.1	-1,811.1	-154.8	-149.7	-151.8	-456.2	-228.9	-152.8		
Trade balance (% of GDP)	-18.0	-18.1	-4.4	-4.0	-3.6	-4.9	-16.9	-1.4	-1.3	-1.3	-4.0	-2.0	-1.4		
import (millions of EUR)	-6,176.5	-6,834.9	-1,783.6	-1,889.8	-1,845.4	-2153.1	-7,671.9	-570.1	-679.5	-740.6	-1,990.3	-760.8	-708.8		
export (millions of EUR)	4,390.3	5,018.7	1,309.5	1,458.3	1,463.1	1,630.0	5,860.8	415.3	529.8	588.9	1,534.0	531.9	556.0		
rate of growth of import (y-o-y)	6.5	10.7	12.3	9.6	11.8	15.0	12.2	1.5	17.8	14.9	11.6	22.1	13.4		
rate of growth of export (y-o-y)	7.4	14.3	13.3	14.4	15.8	23.0	16.8	-1.9	15.2	38.2	17.1	13.2	10.0		
Foreign Direct Investment (millions of EUR)	316.9	180.0	235.4	74.1	-1.5	313.8	621.9	-28.7	0.3	6.8	-21.6				
External debt															
Gross external debt (in millions of EUR)	7,216.6	7,372.5	8,251.3	8,420.0	8,396.6	7,907.5	7,907.5				8,304.2				
public sector	3,445.3	3,461.8	4,053.1	4,077.9	3,986.3	3,756.2	3,756.2				4,095.2				
public sector/GDP (in %)	35.7	34.6	37.8	37.0	37.1	35.0	35.0				36.3				
private sector	3,771.2	3,910.7	4,198.2	4,342.2	4,410.3	4,151.3	4,151.3				4,209.1				
Gross external debt/GDP (in %)	74.7	73.6	76.9	78.4	78.2	73.7	73.7				73.5				
Gross official reserves (millions of EUR) <sup>10</sup>	2,613.4	2,336.3	2,577.1	2,642.2	2,709.1	2,867.3	2,867.3	2,877.4	2,864.3	2,866.4	2,866.4	2,874.4	2,901.4	2,928.2	2,928.2

<sup>1</sup> While calculating the relative indicators, the annual GDP from the official announcement of SSO is used. For 2018, the projected level from the NBRM projections from October 2018 is used.

<sup>2</sup> The quarterly data for 2017 are preliminary, while for 2018 and 2019Q1 are estimated (Press release for quarterly data on GDP as of 07.06.2019). The annual data for 2016 is final, and for 2017 is preliminary data (Announcement for annual data for GDP from 28.09.2018).

<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 2018=100.

<sup>5</sup> Inflation 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).

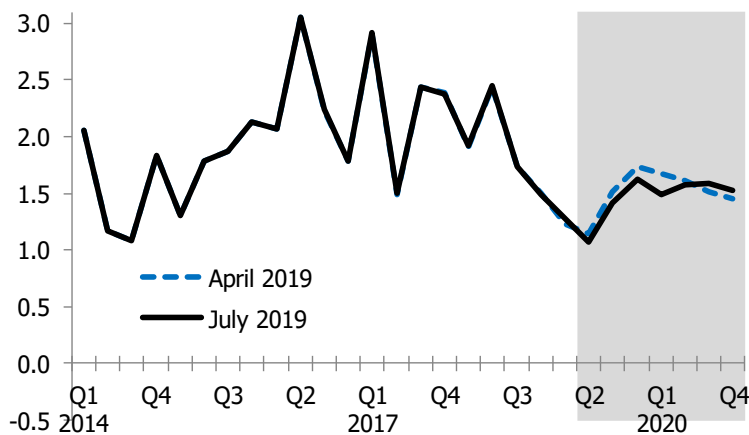
<sup>7</sup> It encompasses the deposits from non-government sector at Banks and Saving Houses, transferable deposits from Other Financial Corporations in denars and transferable deposits from state and local government in denars.

<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).

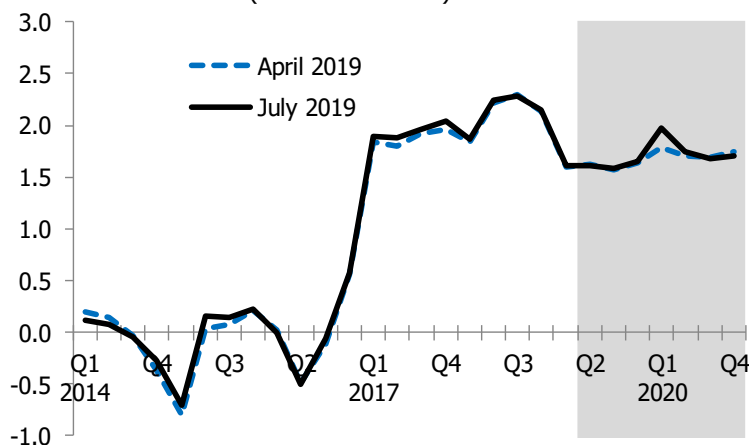
<sup>10</sup> The data from 2008 include accrued interest. The latest available data on gross official reserves are preliminary data.

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



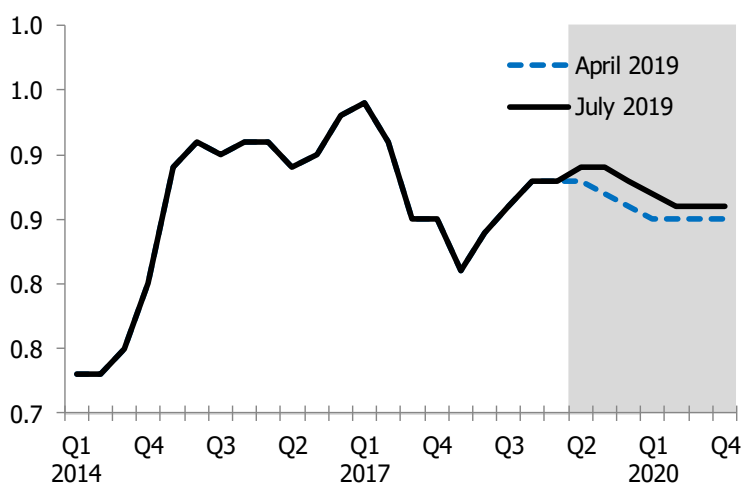
**According to the latest estimates, the foreign effective demand was minimally revised downwards for 2019 and 2020, relative to the April forecasting round.** Namely, it is now expected that the growth will equal 1.3% and 1.5% in 2019 and 2020, respectively (1.4% and 1.6%, respectively, according to the April forecasts). The downward revision in 2019 largely reflects the expectations for lower growth of the German economy, while in 2020 as a result of the expectations for lower growth of Bulgaria, Serbia and Italy.

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

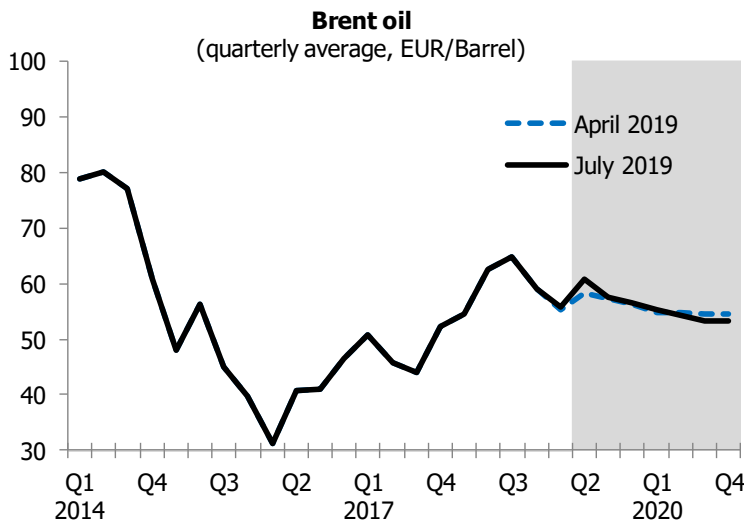


**Regarding the foreign effective inflation,** the assessments of the April forecasting round were maintained, i.e. the foreign effective inflation is expected to amount to 1.6% and 1.8% in 2019 and 2020, respectively.

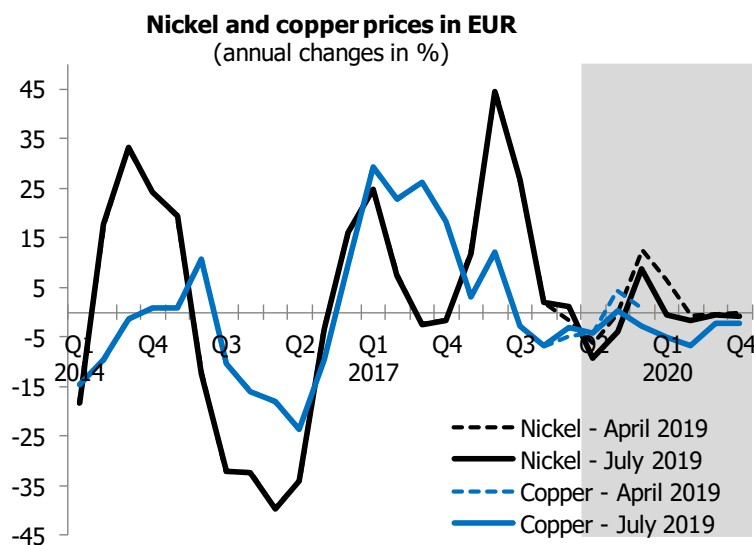
**EUR/USD exchange rate**



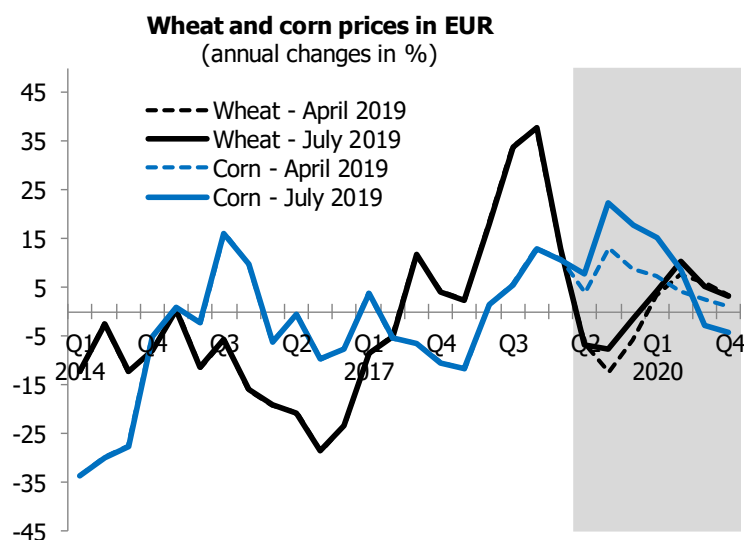
**The latest euro/US dollar exchange rate estimates resulted in an upward revision for 2019, i.e. a greater appreciation of the US dollar against the euro is expected.** This shift mostly reflects the better results than previously expected of the manufacturing sector of the USA in the last period, the increased political uncertainty in the euro area, as well as the expectations for an additional monetary stimulus by the ECB in the period ahead. **For 2020,** a similar rate of depreciation of the US dollar against the euro as in April is expected.



According to the latest estimates, the oil price<sup>3</sup> for 2019 was revised upwards compared with the April forecasts, now expecting a smaller decline than forecasted in April. The upward revision largely reflects the reduced level of inventories of oil in the USA and the decision of the OPEC+ countries to further continue the agreement for reduction of the production of oil<sup>4</sup>. On the other hand, for 2020, the oil price was revised downwards, now expecting larger decline in prices than the April forecasting round.



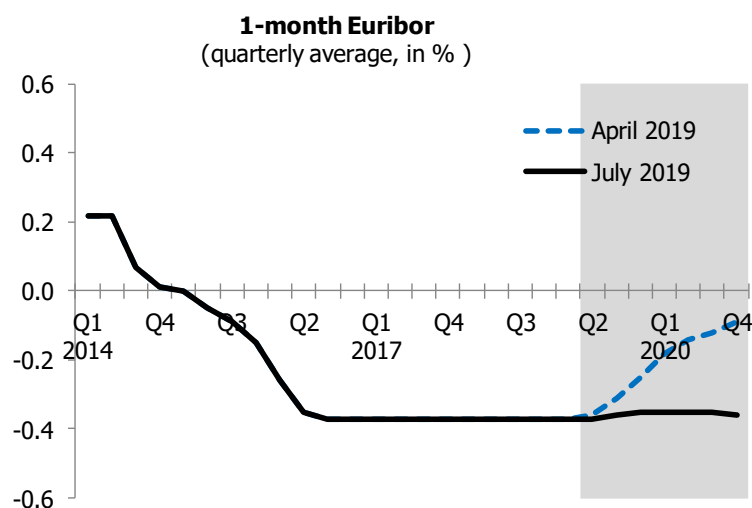
Metal prices for 2019 and 2020 have been revised downwards. Thus, fall (instead of growth) of the nickel price and larger decline in the copper price relative to the fall forecasted in April is now expected. The downward revision largely reflects the expectations for lower global demand for nickel and copper, in conditions of a slowdown in the global economic activity.



The wheat prices for 2019 and 2020 have been revised upwards. Thus, a slightly smaller decline in 2019 and a slightly faster growth in 2020 relative to the April forecasts is currently expected. The upward revision of prices largely reflects the expectations for a poorer harvest in Russia as a result of the bad weather conditions in that region. **An upward revision for the corn price estimates was also made for 2019**, now expecting faster growth than forecasted in April. The upward revision of the corn price mostly reflects the expectations for smaller production of corn in the USA and the reduced level of world inventories. On the other hand, for 2020, no changes in the forecast for the growth of the corn price were made.

<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> At their last meeting in June, the OPEC+ countries agreed to continue the measure for reduction of the production of oil by 1.2 millions of barrels of oil per day by the end of the first quarter of 2020 (for additional 9 months).

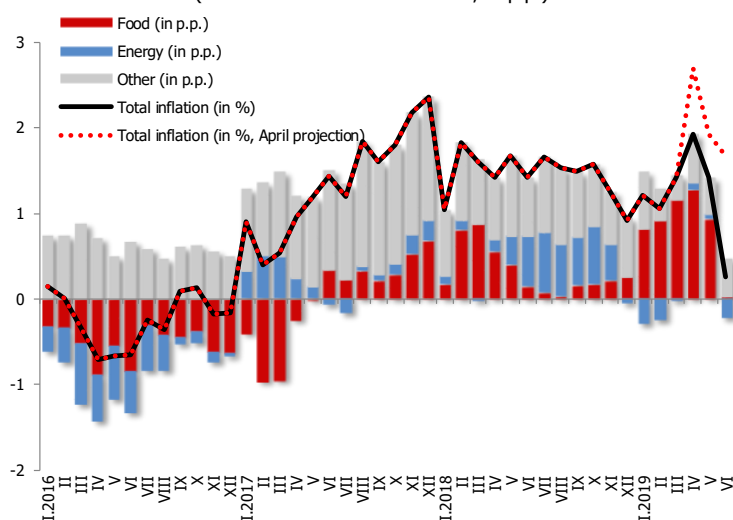


According to the latest estimates, the **one-month EURIBOR expected** for 2019 was minimally revised downwards (-0.36% versus -0.32% in April forecasts), with a significant downward revision made for 2020 (-0.35% versus -0.13% according to the April forecasts). The downward revision for the one-month EURIBOR mostly reflects the expectations for an additional monetary stimulus by the ECB, with expectations for domination of a relatively low inflation rate in the euro area in the period ahead.



## Inflation rate

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



Source: SSO and NBRNM.

**Domestic consumer prices dropped by 1.1% on a monthly basis in June 2019** (contrary to the growth of 0.5% in May)...

...mostly due to the fall registered in the food component (predominantly as a result of the strong decline in the price of vegetables), and a small negative contribution was also made by the energy component (lower prices of liquid fuels), while a small positive contribution was made by core inflation (growth of the prices of air traffic).

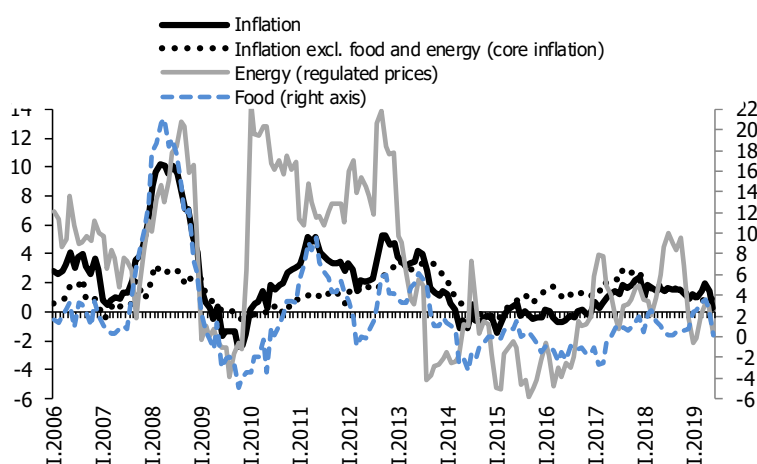
**The annual inflation rate equaled 0.3% in June** (compared to 1.4% in May), suggesting a downward deviation compared to the April forecasting round. Observing the structure, a downward deviation from the April forecast is typical for food prices, and to a lesser extent energy, while core inflation is generally in line with the April forecasts.

**The core inflation rate in June registered a small increase of 0.1% on a monthly level** (a slight slowdown compared to 0.3% in May), while the rate on an annual level was 0.9% (unchanged compared to the last month).

Similar to the previous month, the annual growth of core inflation is predominantly associated with the higher positive contribution of the prices of tobacco<sup>5</sup>, as well as the prices of package tours, but also the prices of health and hospital services.

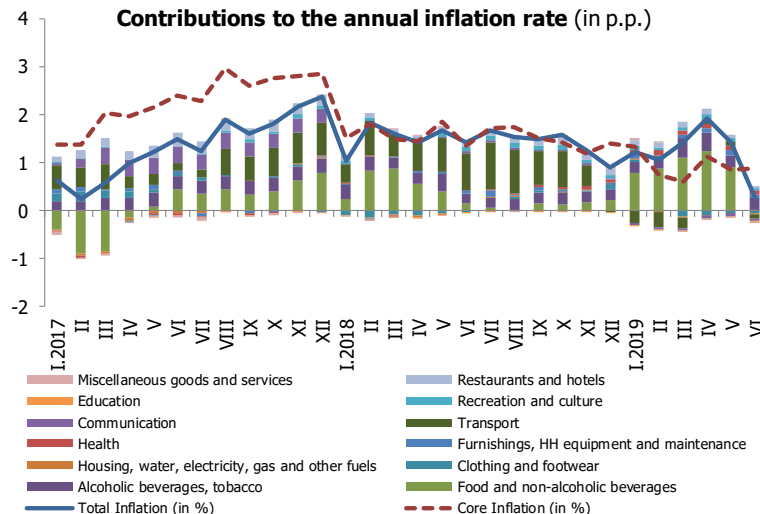
## Inflation and volatility of food and energy

(annual growth rates, in %)



Source: State statistical office and NBRNM calculations.

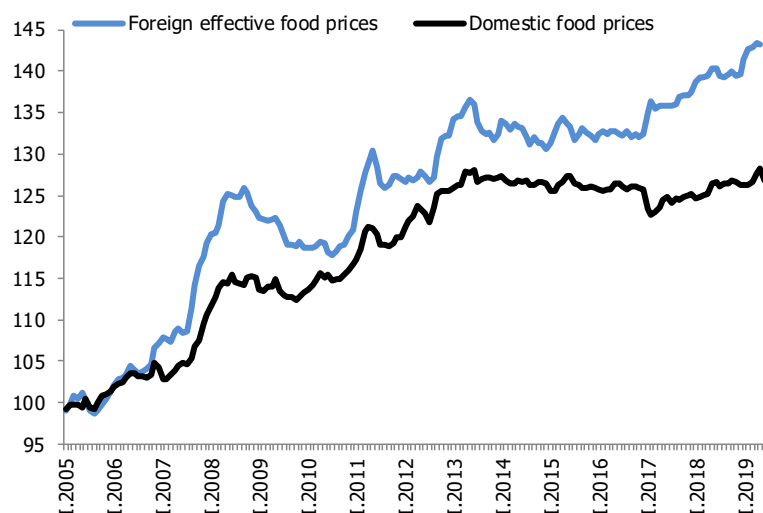
## Contributions to the annual inflation rate (in p.p.)



Source: SSO and NBRNM.

<sup>5</sup> The annual growth of tobacco price in June reflects the increase in the prices of cigarettes in April and May 2019, as well as in July 2018, in consistence with the annual planned increase in excise duties on cigarettes by Denar 0.20 per piece as of 1 July 2023.

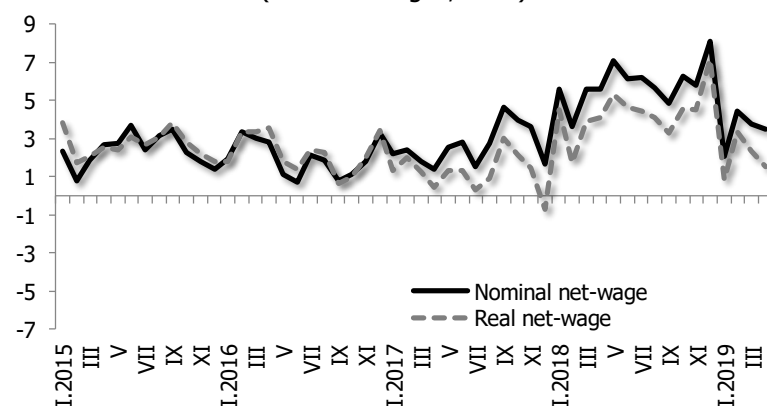
**Foreign effective food prices\* and domestic food prices**  
(indices, 2005 = 100)



\* Foreign effective food prices are calculated as weighted sum of food prices in countries that are major trade partners with North Macedonia.  
Source: State statistical office, Eurostat and NBRNM calculations.

**The expected price movements of the external input assumptions in the inflation forecast for 2019 were mainly revised upwards.** Considering the currently lower inflation than forecasted in April, but also the revisions in the external assumptions, risks to the inflation forecast for 2019 for now have been assessed as balanced. Yet, the movement of global primary commodities prices remains uncertain.

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



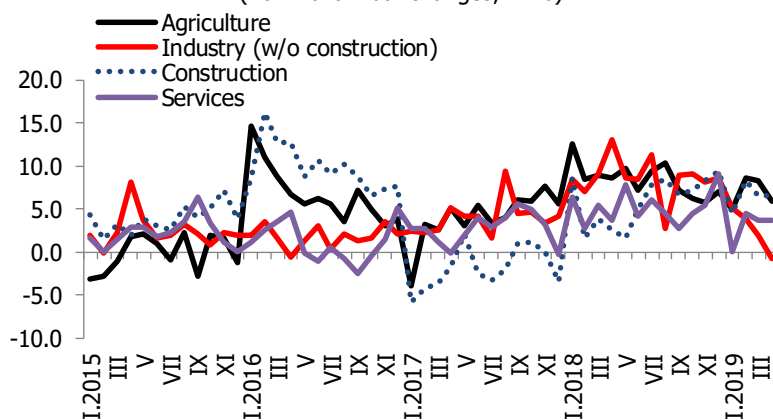
Source: SSO.

**In April 2019, the nominal annual growth rate of the average net wage amounted to 3.5%,** in part reflecting the annual adjustment of the growth of the legally determined minimum net wage in April<sup>6</sup>, as well as the spillover effect of the increase in wages in certain segments of the public sector<sup>7</sup>. However, this wage growth is slightly slower than the nominal annual growth of 3.8% in the previous month. Analyzing structure, the growth is registered in most of the activities, from which, the growth in the "health and social care activities", "administrative and ancillary services", "transport and storage" and in construction, stands out as more significant. Also, a solid growth rate of wages is observed in the activities education and agriculture, while the activity "mining and quarrying" registered a significant decline (compared with the small increase of the previous month), due to high base effect.

<sup>6</sup> The amount of minimum wage according to the Law on Minimum Wage (Official Gazette of the Republic of North Macedonia No. 59/19) which is paid for the period from April 2019 to March 2020 is Denar 17,943 in gross amount, i.e. Denar 12,507 net wage (before this period, the minimum wage was Denar 17,370 gross and Denar 12,165 net) in accordance with the adjustment with the increase for the previous year of the average wage paid in the RNM, the consumer price index and the real GDP growth (with one third of the growth of each indicator, respectively).

<sup>7</sup> There was an increase in the wages of 5% for the employees in health, education and in kindergartens starting with the September wage in 2018. The RNM Budget for 2019 increased the wages of specialists by 10% from January and increased the wages by 5% of other medical personnel in the public health institutions with the payment of the January wage in 2019 (an additional increase in the wages of specialists of 5% is planned, starting with the payment of the September wage in 2019).

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



Amid moderate increase in the consumer prices on an annual level, **in April, the net wage registered real annual growth of 1.6%.**

Wages in April (3.5% and 1.6% nominal and real annual growth, respectively) are higher than expected for the second quarter in 2019 according to the April forecasts (2.5% and 0.4% nominal and real annual growth, respectively).

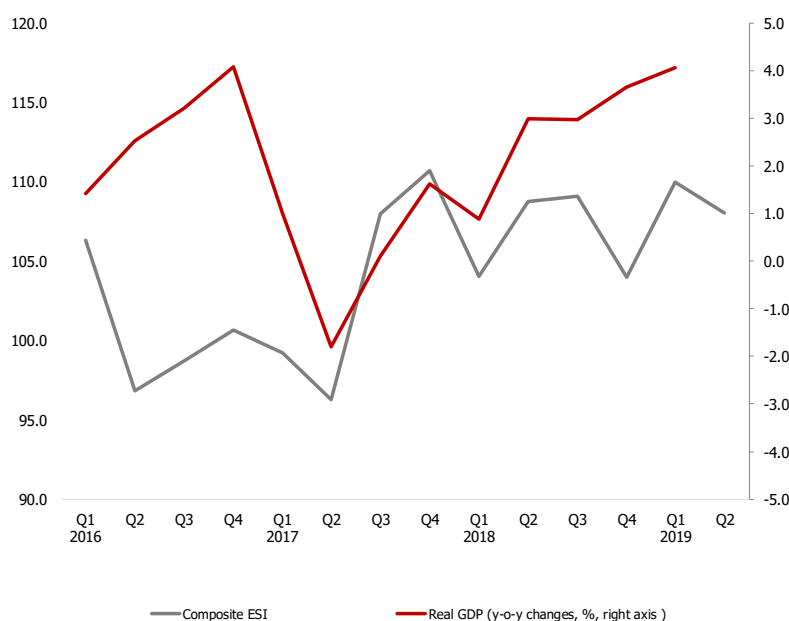
**High-frequency data on the supply and demand side in the second quarter of 2019 are generally favorable and for now suggest positive developments in the domestic economy.** Regarding the economic agents' perceptions for the economic situation<sup>8</sup>, the surveys for the second quarter of the year show that they are relatively stable and remain in the positive zone.

**The available high-frequency data on the supply side generally point to favorable developments in the economy in the second quarter of 2019.**

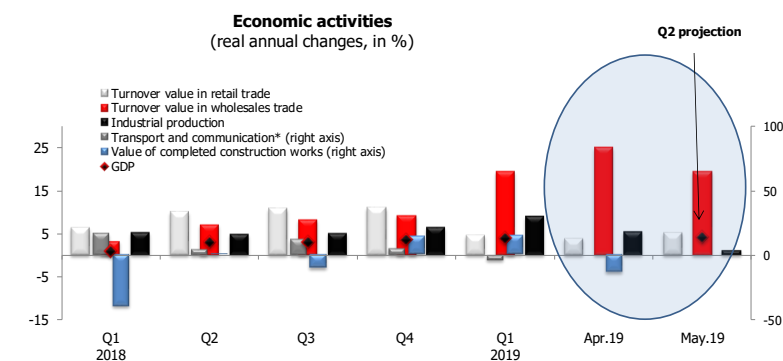
The period April-May 2018 registered faster growth of the **turnover in the total trade**, driven by the wholesale and retail trade, amid more moderate growth in the trade in motor vehicles.

In the period April-May, the growth in the **industrial output** continued, but there was a slowdown in the pace of growth compared to the first quarter. The growth of the total industrial output in this period is supported by the increased production in the energy sector, mining sector as well as in the manufacturing industry, whose growth and contribution is more moderate compared to the first quarter. Analyzing the manufacturing industry, in the first two months of the second quarter of 2019, a high positive contribution was made by the activities in which the foreign export facilities are active, such as the production of machines and devices and production of electrical equipment. An additional positive

**Economic sentiment indicator and GDP**



<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 obtained as a weighted average from the confidence indicators for consumers and confidence indicators for individual economic sectors (construction, industry, retail trade and services). Starting from January 2019, the European Commission revised the structure of consumer confidence indicator, and accordingly, the composite indicator of economic confidence. For more information on the new methodological changes visit: [https://ec.europa.eu/info/files/revised-consumer-confidence-indicator\\_en](https://ec.europa.eu/info/files/revised-consumer-confidence-indicator_en)



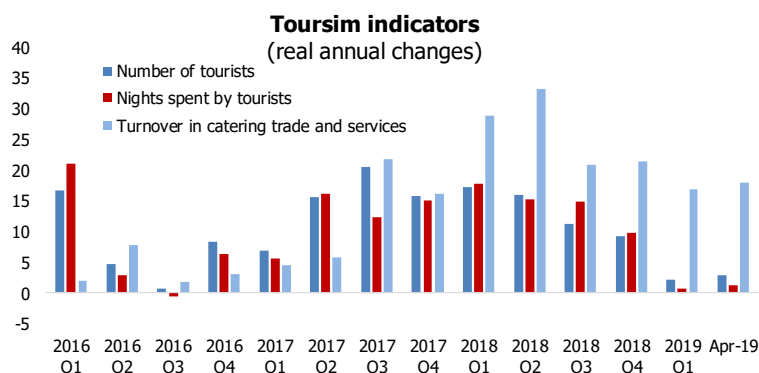
contribution was also made by the production of basic pharmaceutical products and the production of textile. On the other hand, a decline in activity and a negative contribution to the total growth rate of industrial output was registered in the manufacturing of fabricated metals, as well as in the manufacturing of tobacco products.

On the other hand, **construction** in April registered a downward change on an annual basis. Amid higher base effect, the shifts in the total completed construction works are mainly due to the fall in civil engineering, but a negative contribution to the performances was also made by building construction.

In April, **catering** registered a further increase in the number of tourists and overnight stays and in the turnover in catering.

ИНДУСТРИСКО ПРОИЗВОДСТВО И ОСТАНАТИ ЕКОНОМСКИ ДЕЈНОСТИ												
	2017				2018				2019			
	Кв.1	Кв.2	Кв.3	Кв.4	Кв.1	Кв.2	Кв.3	Кв.4	Кв.1	апр.	мај	Проек април
реални годишни промени во %												
Бруто домашен производ	1.0	-1.8	0.1	1.6	0.9	3.0	3.0	3.7	4.1	-	-	-
Индустриско производство	-1.5	3.7	-2.4	0.9	5.2	4.9	5.1	6.4	8.8	5.5	1.2	3.2
Извршени градежни работи	-24.5	-30.2	-19.5	-33.1	-39.6	0.9	-10.0	14.6	15.1	-13.4	-	-13.4
Високоградба	-21.7	-27.7	-26.5	-12.5	3.2	6.1	-11.4	28.1	-9.3	-7.9	-	-7.9
Нискоградба	-26.1	-31.5	-15.6	-43.1	-65.2	-1.7	-9.3	4.5	58.3	-16.4	-	-16.4
Промет во трговијата - Вкупно*	3.0	4.4	4.7	3.9	4.9	8.8	8.6	10.0	13.5	16.3	13.3	16.7
Промет во трговијата на мало*	-3.9	-1.9	-2.5	-1.6	6.4	9.9	10.8	10.9	4.7	3.9	5.2	6.3
Промет во трговијата на големо*	8.9	10.4	11.2	8.4	3.2	7.1	8.2	9.3	19.4	25.1	19.5	24.3

\*реалните стапки на раст се пресметани од НБРМ, со делење на номиналните стапки на раст со годишната инфлација, мерена според трошоците на живот.  
Извор: ДЗС и пресметки на НБРМ.

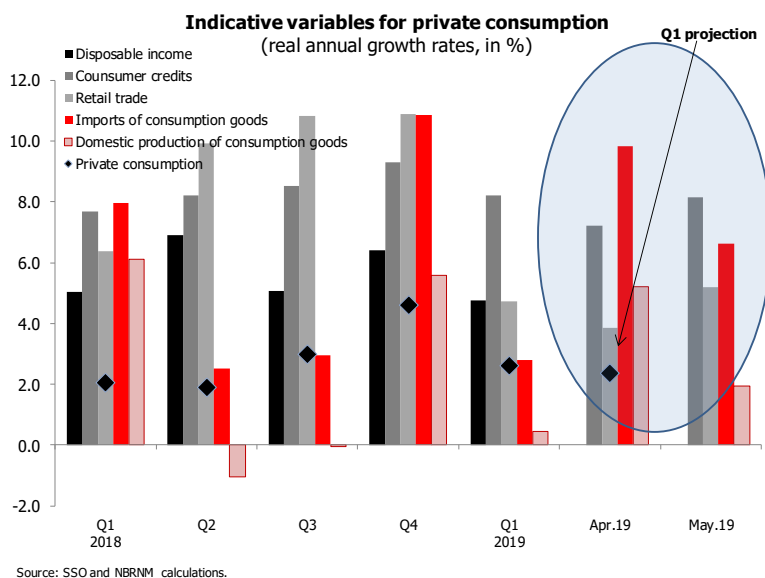


Source: SSO and NBRNM calculations.

Also, the available **aggregate demand** indicators generally suggest a further economic growth in the second quarter of the year.

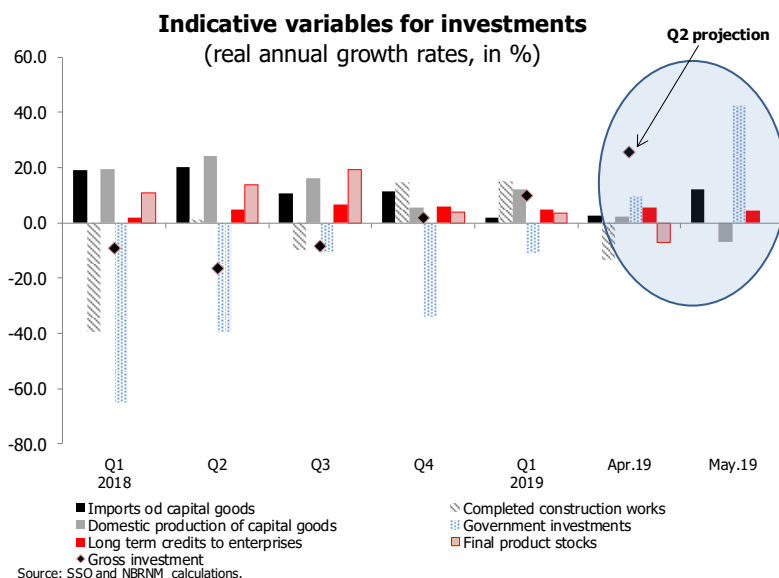
Indicators of the movements in **private consumption**<sup>9</sup> for now point to its further growth in the second quarter of the year. Growth was recorded in almost all sources of financing of private consumption. Thus, from the main categories of disposable income, wages and pensions increased, although at a slower pace. The stable increase of household loans also continued. The short-term

<sup>9</sup> Data on wages are as of April 2019, while data on household loans, pensions, retail trade, domestic production of consumer goods, import of consumer goods and VAT revenues refer to the period April-May 2019.



indicators of private consumption dynamics are also favorable, amid further growth of retail trade and VAT revenues as a reflection of consumption, acceleration in the growth of domestic production of consumer goods and import of consumer goods.

Available data on the **gross investments**<sup>10</sup> in the period April-May 2019 are also favorable. Thus, an annual growth was recorded in government capital investments, foreign direct investments, as well as in long-term corporate loans. Also, in this period, growth was recorded in imports of capital goods, as well as in industrial output. On the other hand, unfavorable developments were registered in the activity in the construction sector and the domestic production of capital goods.

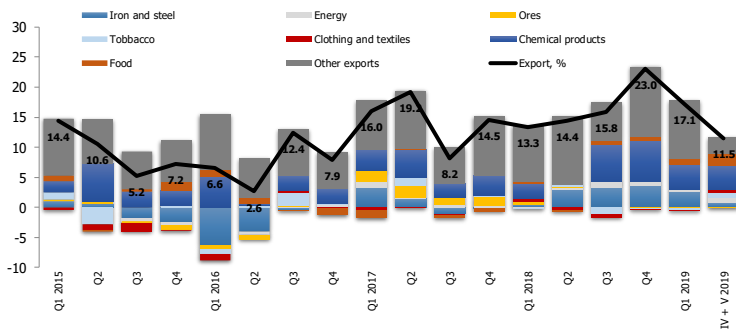


The budget execution in the period April-May 2019 indicates an acceleration in the annual growth of **public consumption** in the second quarter, given the growth in all categories of public spending.

**Foreign trade** data in the period April-May 2019 indicate deepening of the deficit, amid higher growth of imports than exports of goods.

<sup>10</sup> Data on completed construction works and foreign direct investments are as of April 2019, while data on long-term corporate loans, government capital investments, industrial production, imports of investment products and domestic production of capital goods refer to the April - May 2019 period.

Export by components  
(contribution to the annual change, in p.p.)

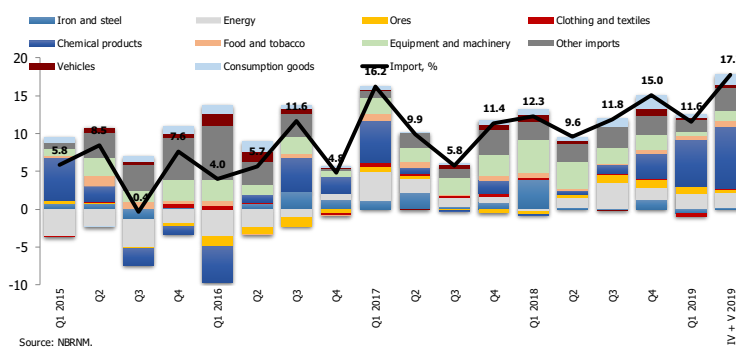


In the period April-May 2019, **foreign trade deficit widened by about 40% annually** due to the stronger growth of the import relative to the growth of the export component.

**Export of goods** in the period April-May increased by 11.5%, largely reflecting the good performances of the new export-oriented facilities, and to a lesser extent the higher exports of food and tobacco.

*Compared to the April forecast, the performance as of April and May 2019 points to possibly higher than expected exports for the second quarter.*

Import by components  
(contribution in the annual change, in p.p.)

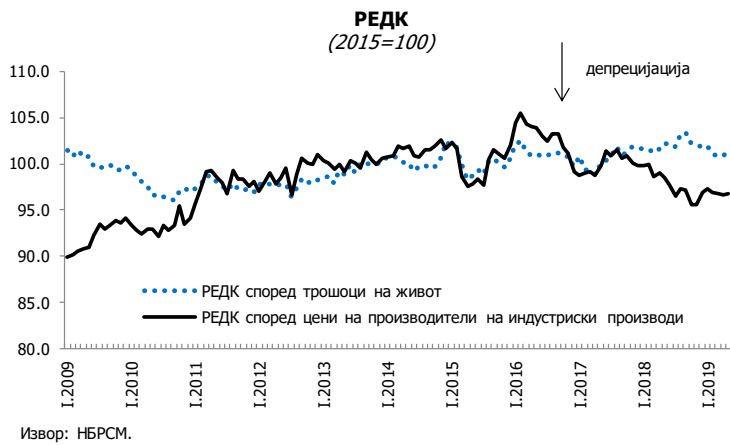


In the period April-May 2019, the **import of goods** increased by 17.7% annually, reflecting the growth in all import categories, primarily import of raw materials for the new industrial facilities, energy imports and import of equipment and machinery.

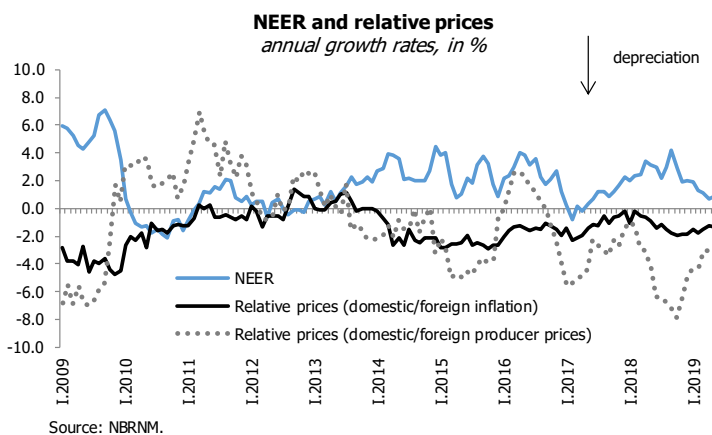
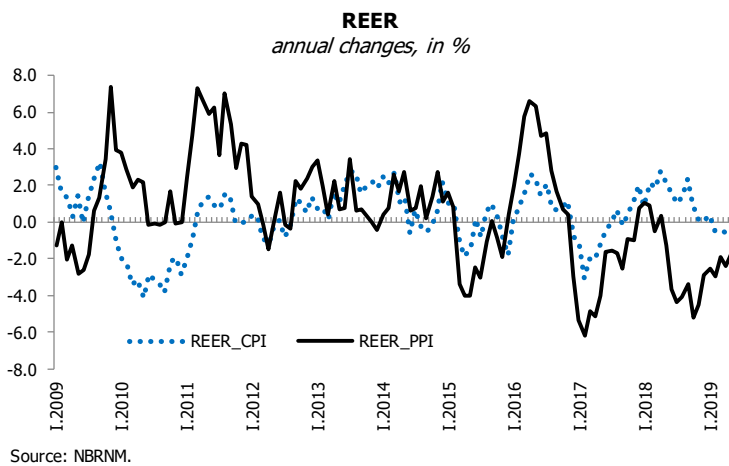
*Import of goods in April and May of 2019 points to a possibility for import higher than forecasted for the second quarter of 2019. Observed by individual categories, such expectations are mainly due to the upward deviation in the import of part of the new industrial facilities and the higher energy imports.*

**The performance of foreign trade components points to a possibility for a higher trade deficit than expected for the second quarter of 2019 with the April forecast.**

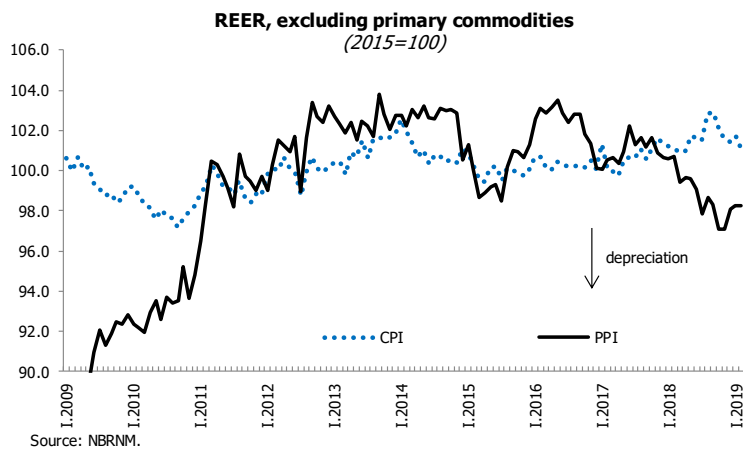
In May 2019, price competitiveness indicators of the domestic economy improved on an annual basis. The REER index deflated by consumer prices depreciated by 0.6%, while the REER index deflated by producer prices depreciated by 1.8%.



These developments are due to the favorable changes in relative prices, whereby the relative consumer prices are lower by 1.4%, while the relative producer prices are lower by 2.6%. The movement of NEER that slightly appreciated by 0.8% acted in the opposite direction, mostly due to the depreciation of the Turkish lira.

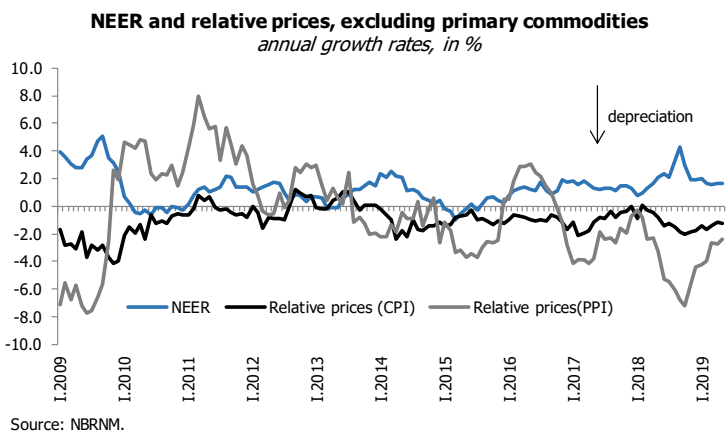
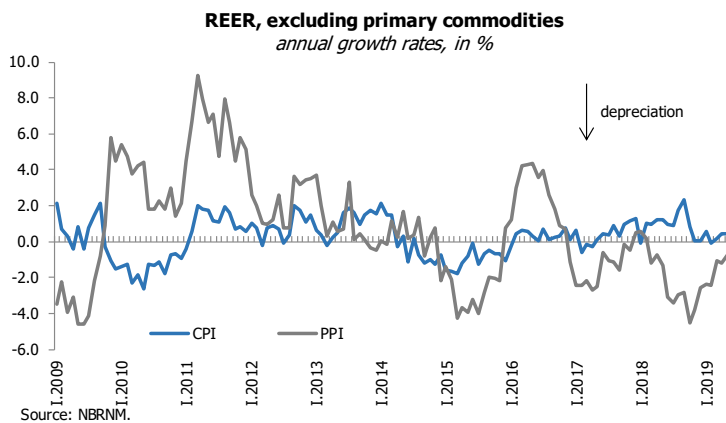






REER indices, as measured using weights based on the foreign trade without primary commodities<sup>11</sup>, in May 2019 registered divergent movements. Thus, the REER index deflated by consumer prices registered a slight appreciation of 0.4%, while the REER deflated by producer prices depreciated by 0.8%.

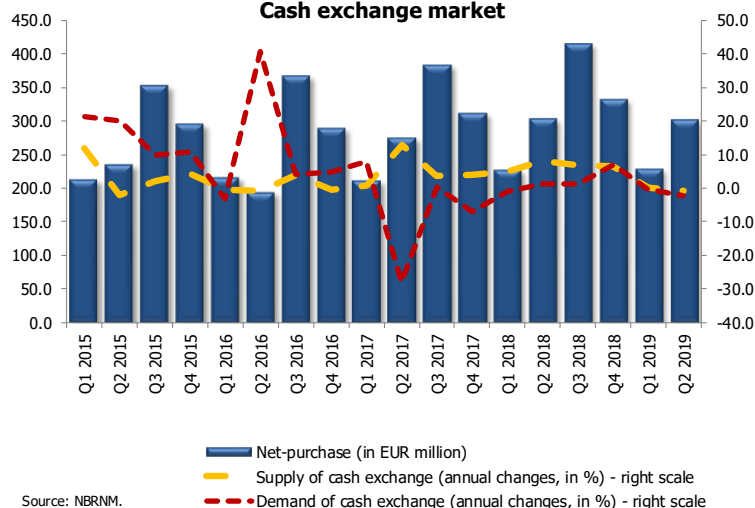
The relative consumer prices and the relative producer prices were lower by 1.2% and 2.4%, respectively, given the annual appreciation of the NEER of 1.7%.



<sup>11</sup> Primary commodities not included in the calculation are: oil and oil derivatives, iron and steel, ores and imported raw materials for the new industrial facilities in the free economic zones.

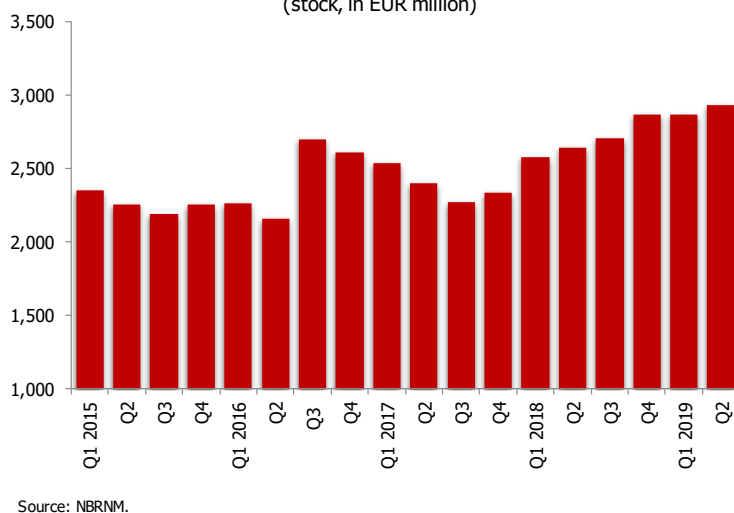


## Cash exchange market



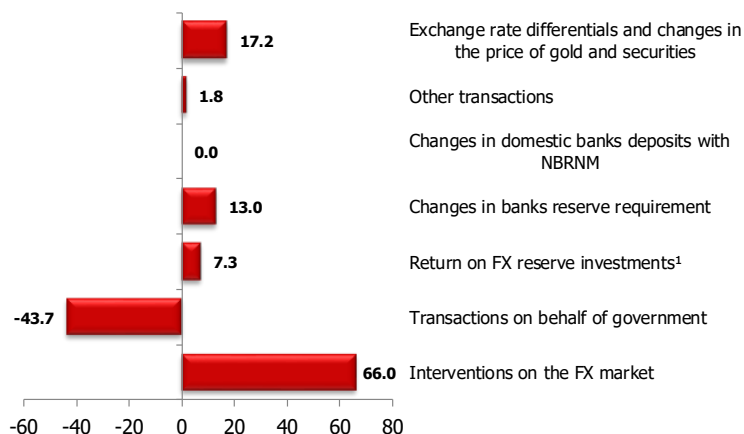
The net purchase on the currency exchange market in the second quarter of 2019 equaled Euro 303.3 million, which is a small decline of 0.4% on an annual basis. Such performances result from the lower supply of and demand for foreign currency (by 0.8% and 2.1%, respectively).

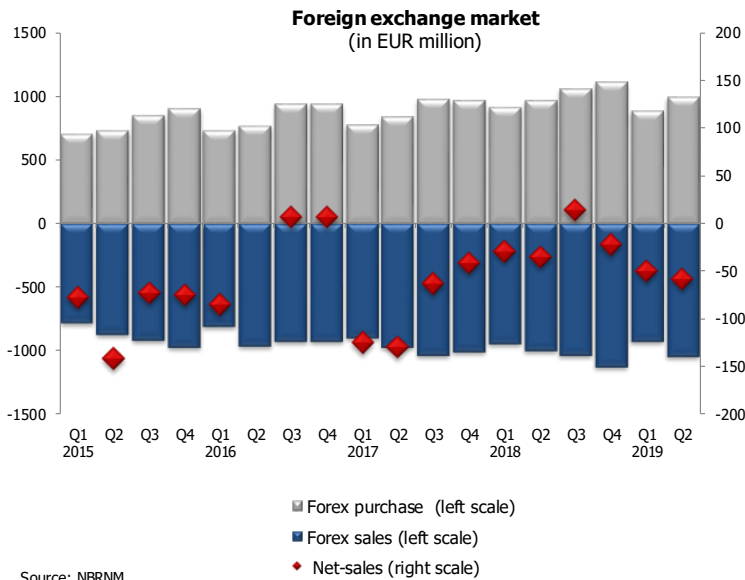
## Foreign exchange reserves (stock, in EUR million)



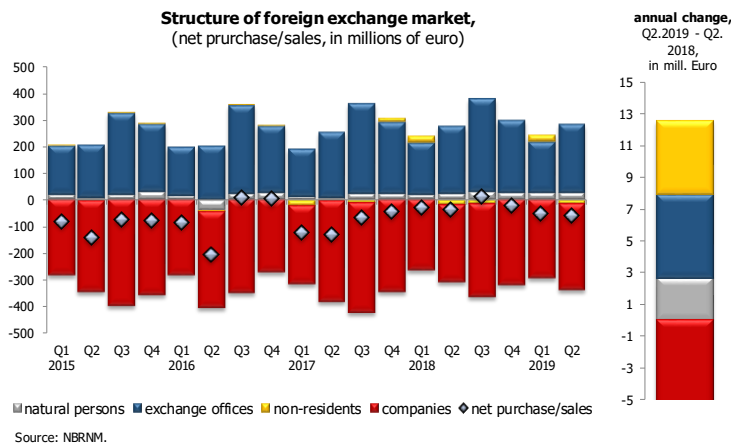
As of 30 June 2019, the gross foreign reserves stood at Euro 2,928.2 million, which is an increase of Euro 61.7 million compared to the end of the first quarter. The increase in the foreign reserves mostly arises from the National Bank interventions on the foreign exchange market with purchase of foreign currency, while the transactions on behalf of the government acted in the opposite direction. The remaining flows had a moderate impact on the shifts in foreign reserves in the analyzed period.

## Factors of change of the foreign reserves in the second quarter of 2019 (in EUR million)





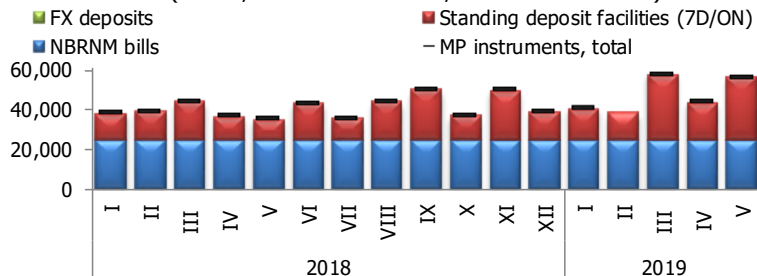
In the second quarter of 2019, the banks' foreign exchange market reported a net sale of foreign currency of Euro 58.2 million, which is by Euro 22.9 million more than the same period last year. This annual change is a result of the faster growth in the demand for relative to the growth in the supply of foreign currency.



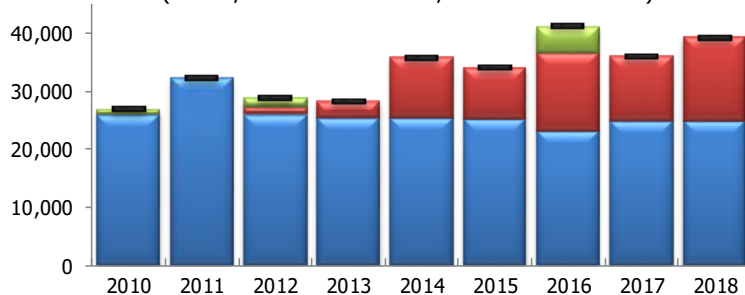
Sector-by-sector analysis shows that such shifts entirely result from the higher net sales of companies.

## Monetary policy instruments

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



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



Source: NBRNM

**In May, the monetary instruments increased, amid a larger amount of banks' assets placed in deposits with the National Bank, while the stock of CB bills<sup>12</sup> remained unchanged. Thus, the stock of monetary instruments at the end of May was slightly higher than forecasted for the end of the second quarter of 2019<sup>13</sup>.**

The net foreign assets of the National Bank at the end of May are slightly higher than forecasted for the end of the second quarter of 2019.

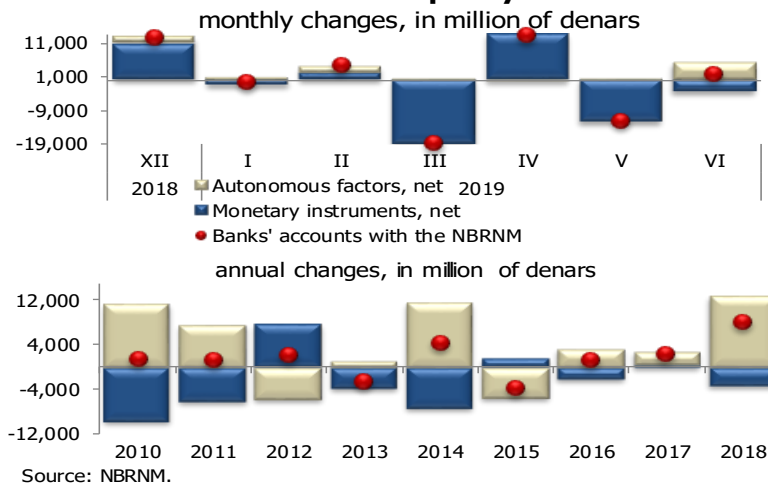
The total government deposits with the National Bank registered a monthly increase, whereby their stock at the end of May is slightly higher than forecasted for the end of the second quarter of 2019.

Amid reduction of banks' total reserves with the National Bank and insignificant growth of currency in circulation, the reserve money decreased and at the end of May was almost at a level with the forecast for the end of the second quarter of 2019.

<sup>12</sup> At the CB bills auction of the National Bank held on 15 May 2019, Denar 25,000 million of CB bills was offered and sold at an interest rate of 2.25% and maturity of 28 days.

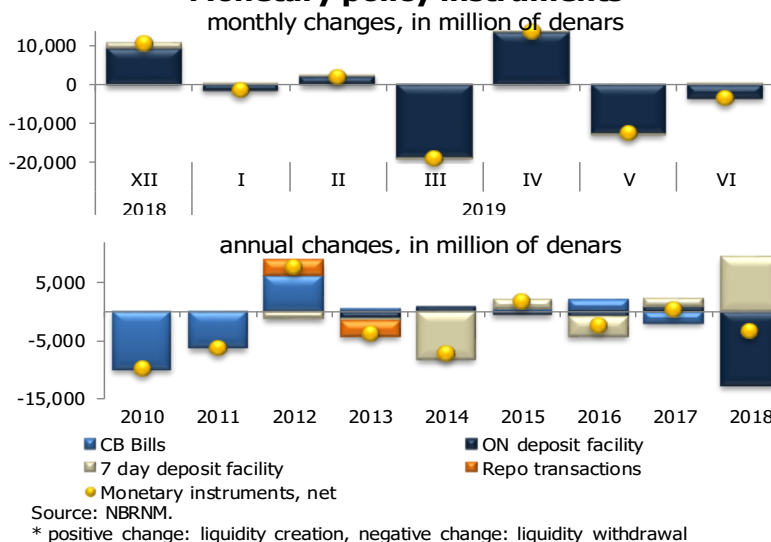
<sup>13</sup> The performance comparisons are against the April forecasts of the National Bank.

## Banks liquidity\*



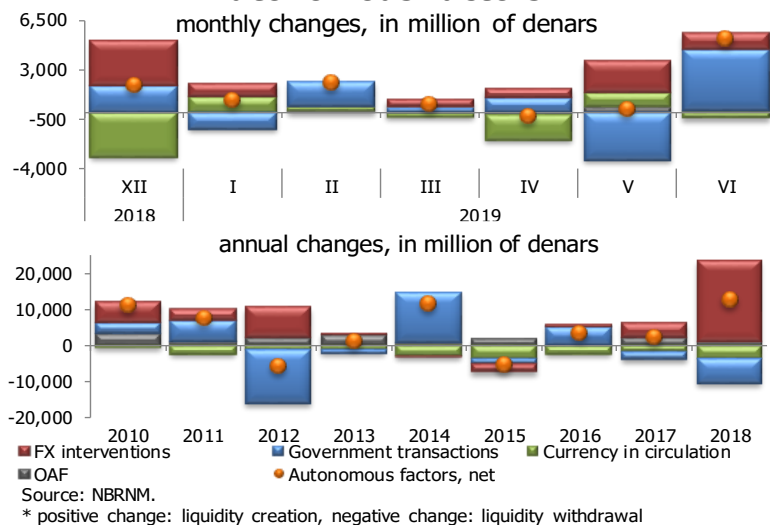
According to the operational data on liquidity flows, the **liquidity of the banking system registered a small increase in June**. The increase is a result of the autonomous factors that contributed towards creating liquid assets in the system. The monetary instruments registered a small increase in the banks' placements in short-term deposits with the National Bank (mainly in overnight deposits), amid unchanged stock of CB bills<sup>14</sup>.

## Monetary policy instruments\*



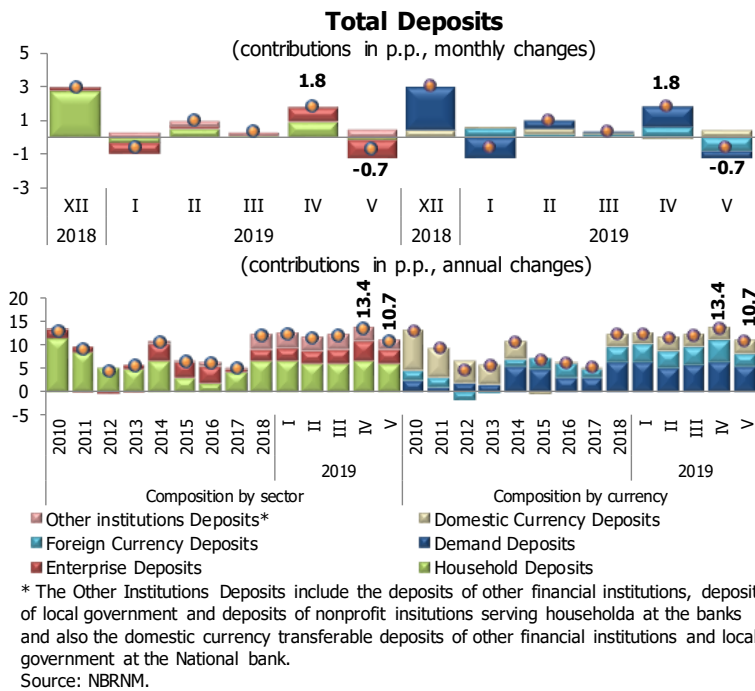
\* positive change: liquidity creation, negative change: liquidity withdrawal

## Autonomous factors\*



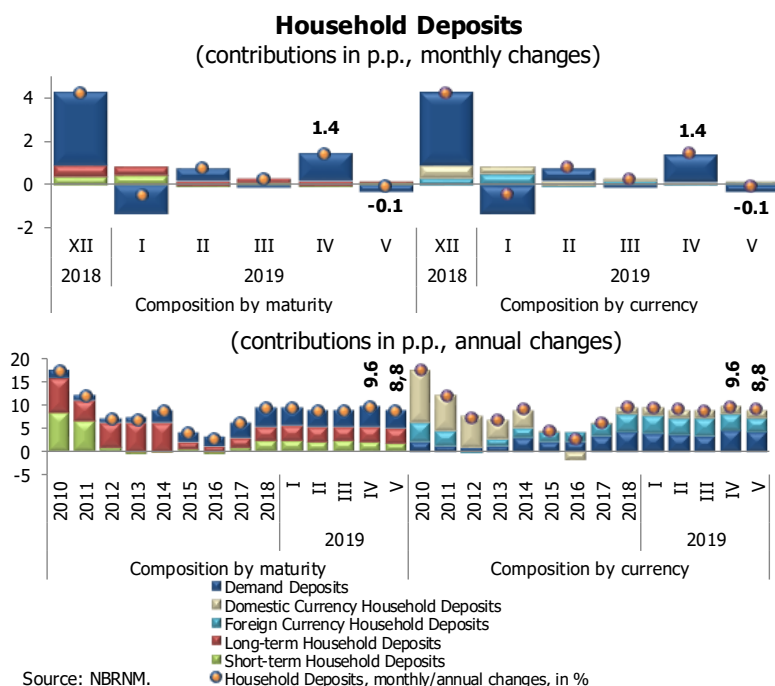
\* positive change: liquidity creation, negative change: liquidity withdrawal

<sup>14</sup> At the CB bills auction of the National Bank held on 12 June 2019, Denar 25,000 million of CB bills was offered and sold at an interest rate of 2.25% and maturity of 28 days.



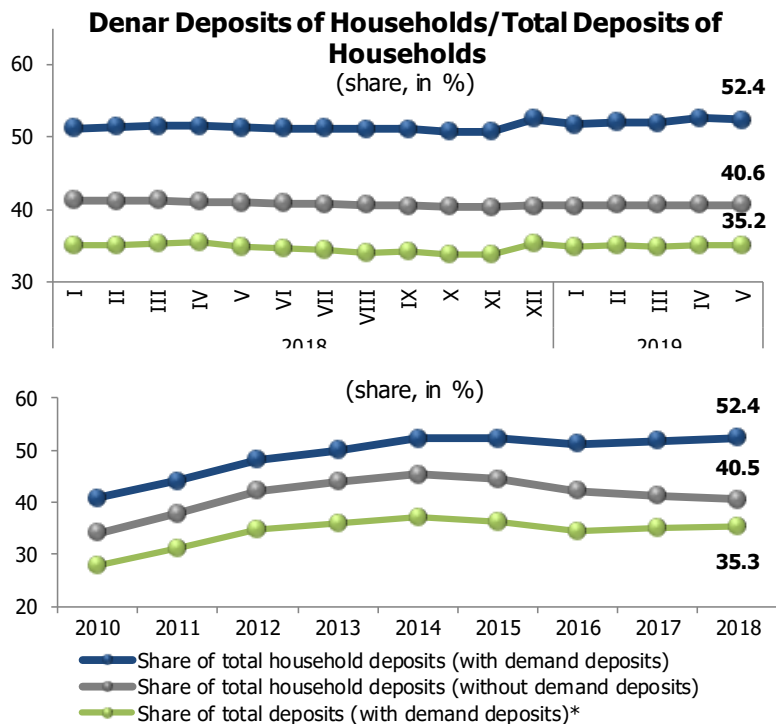
**Total deposits<sup>15</sup>, after the growth in the previous month, in May registered a monthly fall of 0.7%, mostly due to the reduction of corporate deposits, while the other categories of deposits did not register significant changes. Analyzing the currency, the greatest contribution to the monthly fall was made by foreign currency deposits. In the period April-May, total deposits registered an increase, which is currently within the growth forecasted for the second quarter of the year.**

**In May, the annual growth rate of total deposits was 10.7%, which is slightly above the annual growth forecasted for the second quarter of 2019 (of 10.2%) in April.** Observed by sector, the growth was mostly driven by household deposits, amid positive, but smaller contribution of corporate deposits and other sectors deposits. From currency point of view, most of the growth is due to deposits in domestic currency (including demand deposits), with a positive, but smaller contribution of foreign currency deposits.



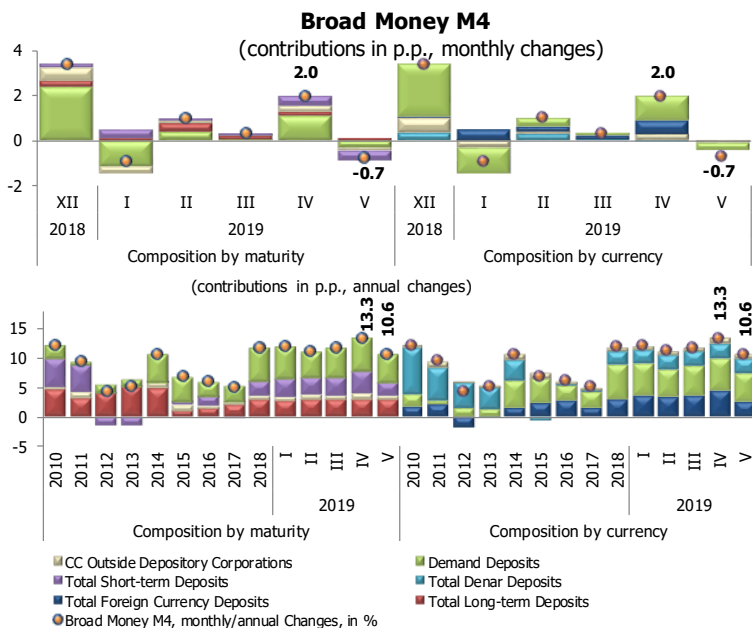
**Household deposits, after the growth in April, remained almost unchanged in May (minimal monthly fall of 0.1%, which almost entirely derives from denar deposits, i.e. from demand deposits). The share of denar deposits (including demand deposits) in total household deposits at the end of May was 52.4% (52.6% in April). The annual increase in household deposits in May was 8.8%.**

<sup>15</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).



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

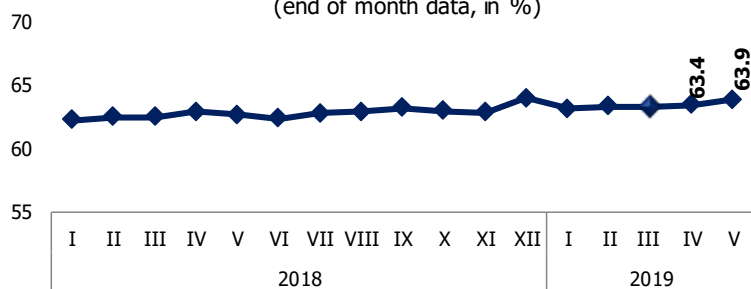
**In May, broad money measured through M4 registered a monthly decrease of 0.7%, which is mostly due to the reduction of short-term deposits and demand deposits, while long-term deposits registered a small increase compared with the previous month. Observed by currency, the reduction mainly results from the fall in foreign currency deposits and demand deposits, while the contribution of denar deposits was positive. At the end of May, the denar share of money supply in total broad money M4 was 63.9% (63.4% in the previous month). In May, broad money increased by 10.6% annually, slightly exceeding the annual growth of 10.1% forecasted for the second quarter of 2019.**



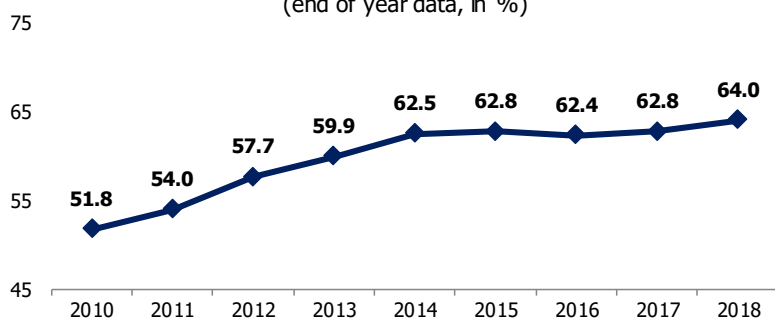
Source: NBRNM.

### Share of Denar M4 in total M4

(end of month data, in %)



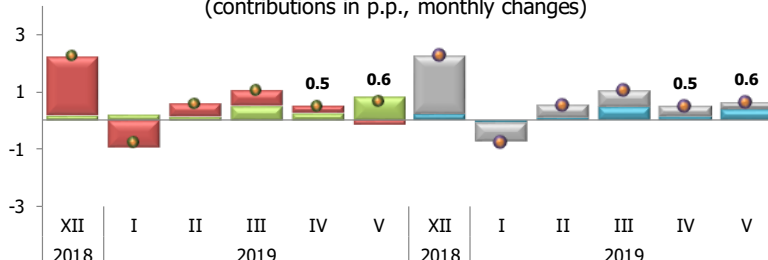
(end of year data, in %)



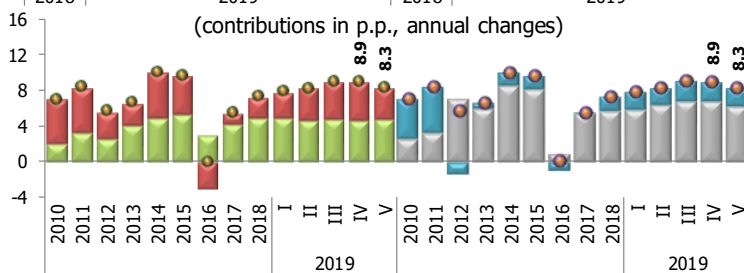
Source: NBRNM.

### Total loans

(contributions in p.p., monthly changes)



(contributions in p.p., annual changes)



Composition by sector  
 Foreign Currency Loans  
 Enterprise Loans  
 Loans, monthly/annual changes, in %

Composition by currency  
 Domestic Currency Loans  
 Household Loans  
 Loans, annual changes, in %

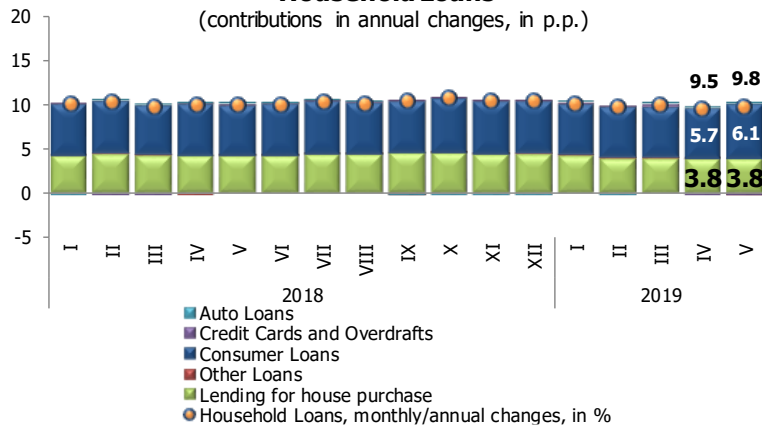
Source: NBRNM.

**In May, total loans granted by banks to the private sector registered a monthly growth of 0.6%,** entirely as a result of the growth of loans to households. Analyzing the currency structure, the growth in total loans largely results from foreign currency loans, amid a slower growth of loans in domestic currency. In the period April - May, total loans registered an increase, which is within the forecasted quarterly growth of total loans in the second quarter of the year.

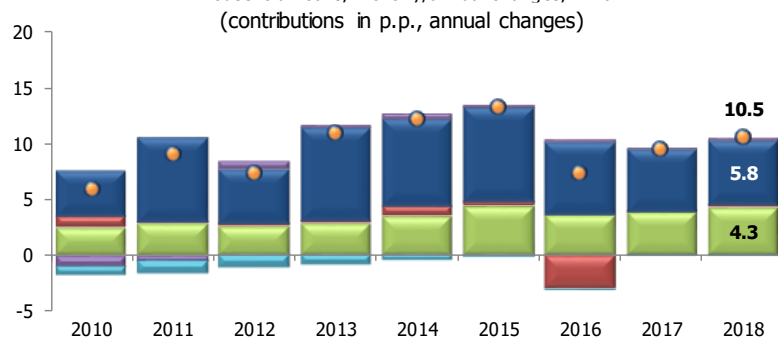
**In May, the annual growth rate of total loans was 8.3%, which is almost at a level of the annual growth forecasted for the second quarter of 2019 (of 8.4%) in April.** Observed by sector, the annual growth of total loans largely results from the household loans, with a positive contribution of corporate loans. Observing the currency, the annual growth of total loans was still mostly driven by the growth of loans in domestic currency, amid minor positive contribution of foreign currency loans.

## Household Loans\*

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



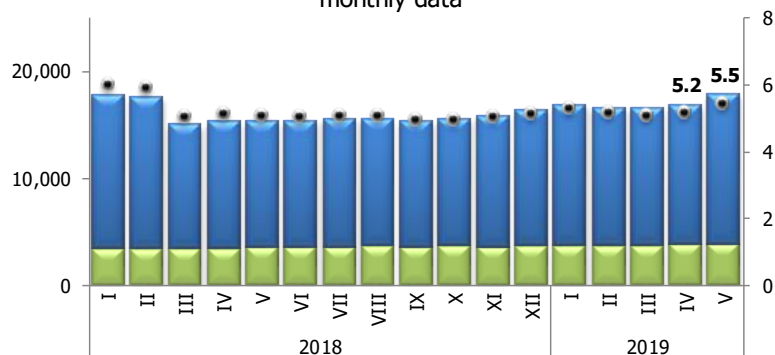
**The annual growth of household loans<sup>16</sup> in May amounted to 9.8%** (9.5% in the previous month), and was still largely driven by consumer loans that contributed with 6.1 percentage points, with a positive contribution of housing loans (of 3.8 percentage points).



\* Self-employed individuals are not included.  
Source: NBRNM.

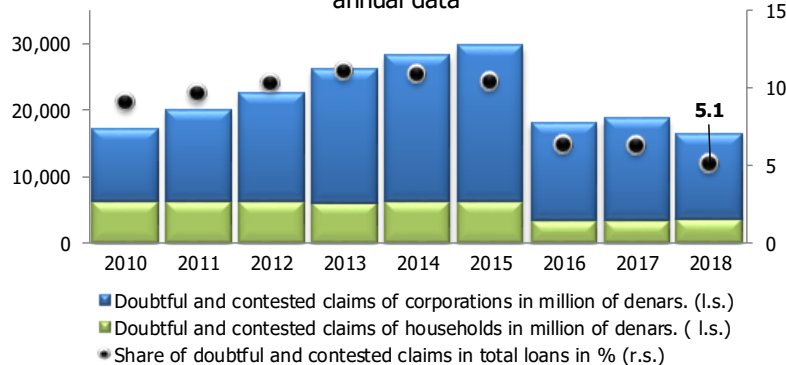
## Doubtful and contested claims

(composition by sector and share in total loans)  
monthly data



**In May, the share of doubtful and contested claims in total loans was 5.5%**, whereby the non-performing loans of the corporate sector still predominate, with significantly lower share of the non-performing loans of the household sector.

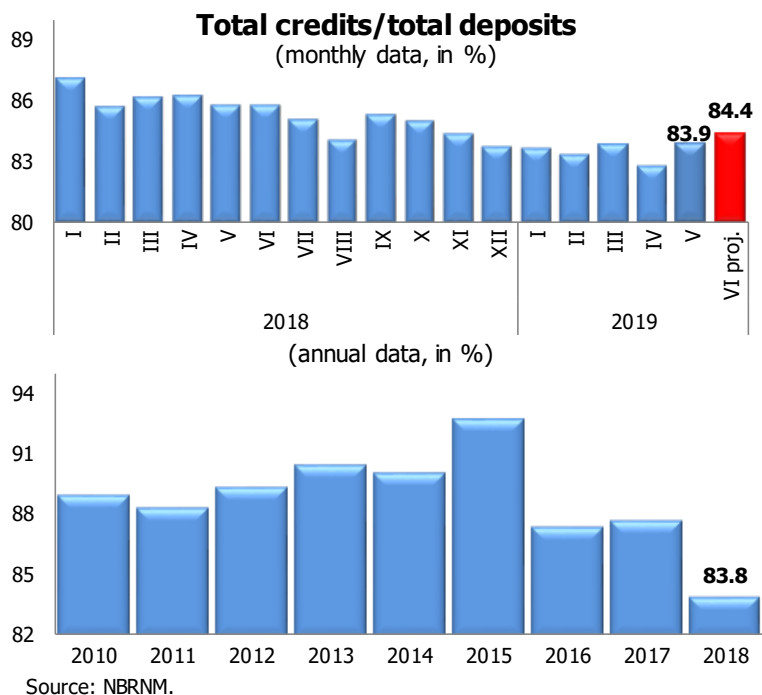
annual data



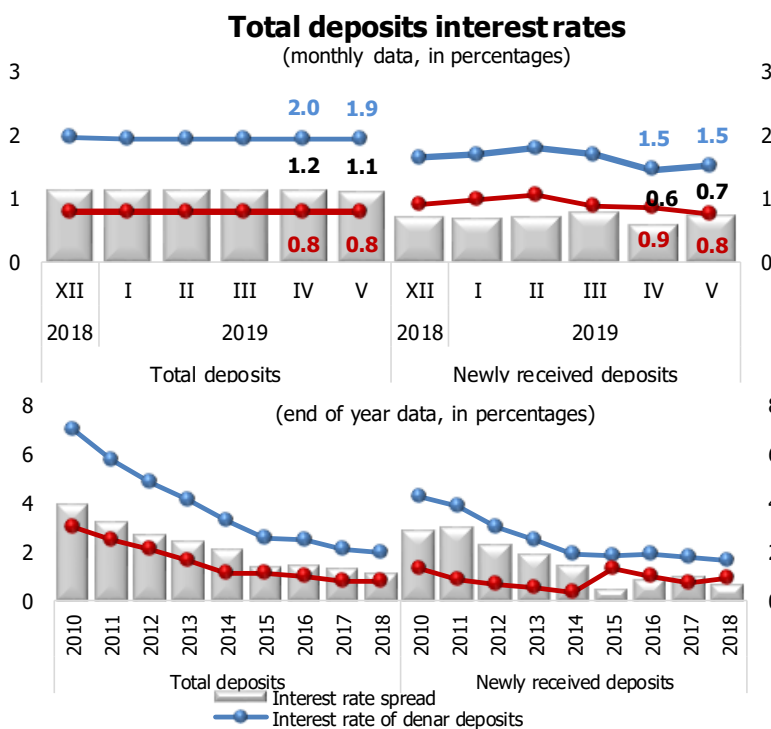
Source: NBRNM.

<sup>16</sup> Excluding loans of self-employed individuals.





The utilization of banks' deposit potential for lending to the private sector was **83.9% in May** and is within the forecast for the second quarter of 2019, with the April forecast (84.4%).



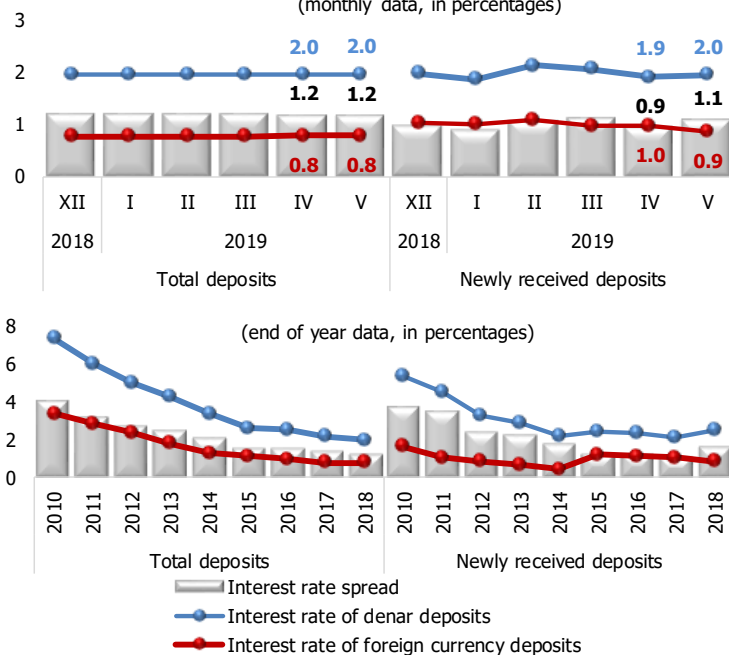
In May, interest rates on total deposits (denar and foreign currency)<sup>17</sup> registered minimal changes compared to the previous month, whereby the spread between these interest rates decreased from 1.2 to 1.1 percentage points. For **total newly accepted deposits**, the interest rate spread expanded marginally compared to the previous month (from 0.6 to 0.7 percentage points), amid reduction of the interest rate on newly accepted foreign currency deposits (of 0.1 percentage points) and unchanged interest rate on denar deposits<sup>18</sup>.

<sup>17</sup> Data on interest rates are in accordance 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).

<sup>18</sup> Regarding the interest rates on the newly accepted deposits, one should have in mind that they are characterized with variable movements. 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)

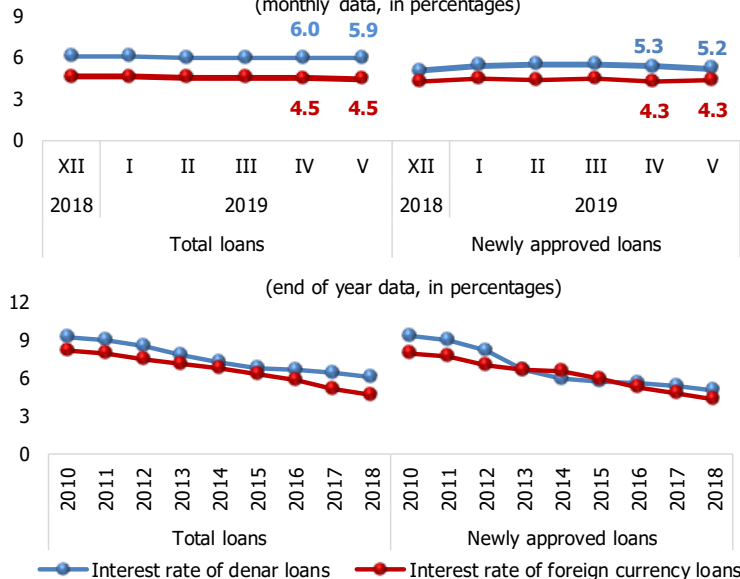


Source: NBRNM.

The interest rates on total household deposits remained stable compared to the previous month, so that the spread between denar and foreign currency interest rates is still 1.2 percentage points. In the **newly accepted household deposits**, the interest rate on denar deposits increased by 0.1 percentage points, while the interest rate on foreign currency deposits decreased by 0.1 percentage points, so that the interest rate spread increased (from 0.9 to 1.1 percentage points).

## Total loans interest rates

(monthly data, in percentages)



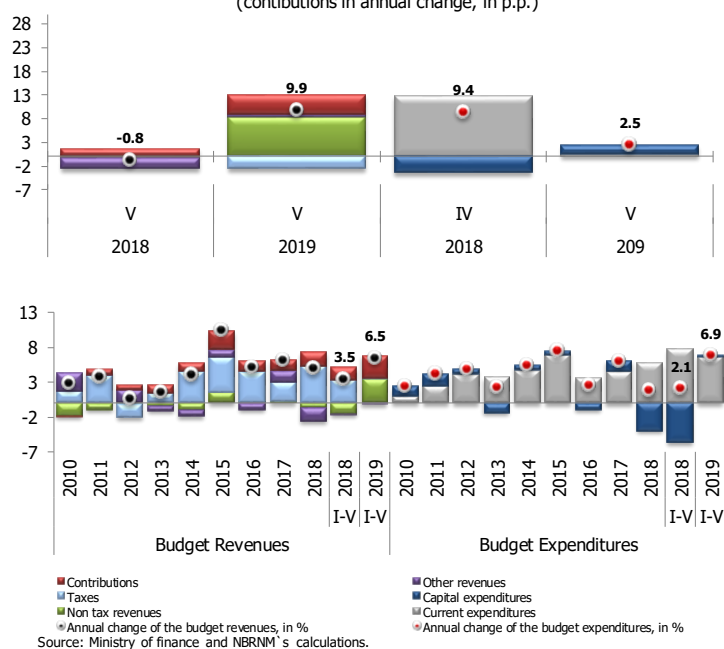
Source: NBRNM.

Interest rates on total household loans recorded a minimal downward movement, from 6.0% in April to 5.9% in May, while the interest rates on total corporate loans remained unchanged compared to the previous month and amounted to 4.3% in May. For the **newly approved loans**<sup>19</sup>, the interest rates on household loans in May amounted to 5.2% and were lower by 0.1 percentage points compared to the previous month, while the interest rates on corporate loans remained unchanged, at a level of 4.3%.

<sup>19</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

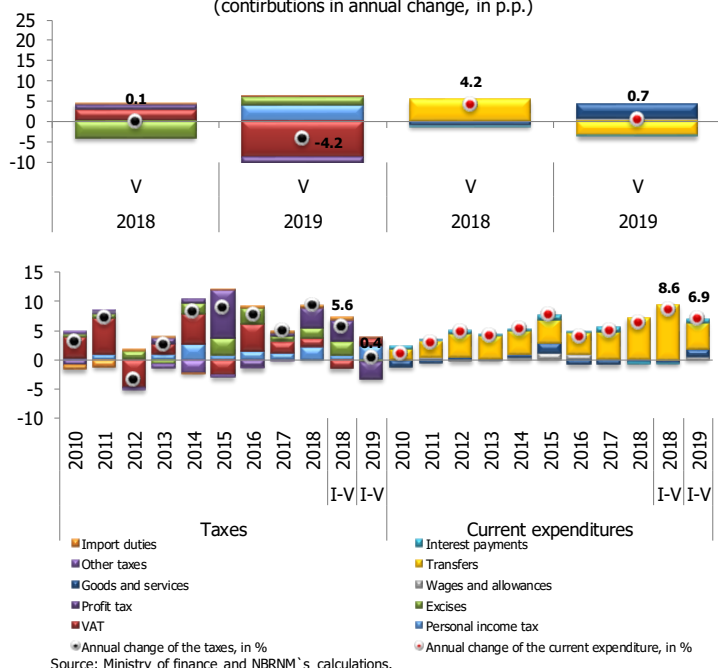
(contributions in annual change, in p.p.)



The Budget of the Republic of North Macedonia (central budget and budgets of funds), total budget revenues and expenditures increased in May, on an annual basis. The growth of budget revenues of 9.9% mostly results from the higher inflows on the basis of non-tax revenues<sup>20</sup> and contributions, with a contribution of 8.3 and 4.1 percentage points, respectively, amid a small negative contribution of tax revenues (of 2.6 percentage points). In May, tax revenues were lower by 4.2% on an annual basis, whereby lower inflows are recorded in VAT and corporate tax (with contribution of 8.7 and 1.7 percentage points), while the inflows of personal income tax, excises and import duties are higher (contribution of 4.0 percentage points, 2.1 percentage points, and 0.1 percentage points, respectively). The growth of **budget expenditures** (2.5% on an annual basis) in May mostly results from the higher capital expenditures (contribution of 1.8 percentage points), while the contribution of current expenditures is 0.6%.

### Taxes and current expenditures

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

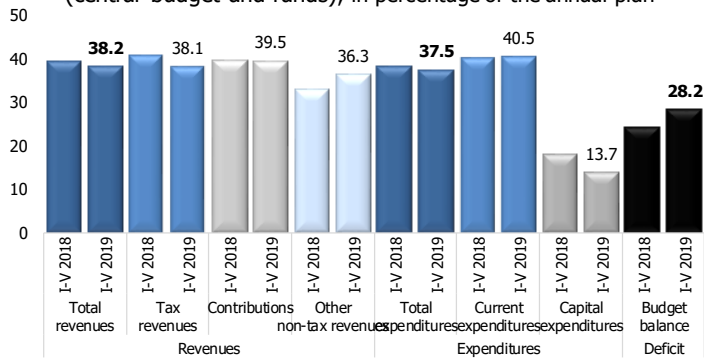


In the period January - May 2019, total budget revenues and expenditures increased cumulatively compared to the same period last year. The growth of **budget revenues** (of 6.5%) mostly results from the higher non-tax revenues and higher contributions, with a contribution of 3.4 and 3.1 percentage points, respectively. **Regarding the budget expenditures**, the growth in the period January-May (6.9%) stems from the higher current expenditures (contribution of 6.6 percentage points), amid a small positive contribution of capital expenditures (of 0.3 percentage points).

<sup>20</sup> Higher non-tax revenues in May 2019 were mostly due to inflows to the Pension and Disability Insurance Fund's account in the RNM Budget. These inflows are a result of the transfer of funds of the private pension funds in accordance with the Law Amending the Law on Mandatory Fully Funded Pension Insurance and the Law Amending the Law on Pension and Disability Insurance (Official Gazette of RM No. 245 of 28 December 2018). With these amendments, the membership of some insured categories in the second pillar of the pension system ceased on 1 January 2019.

## Budget implementation, per categories

(central budget and funds), in percentage of the annual plan\*

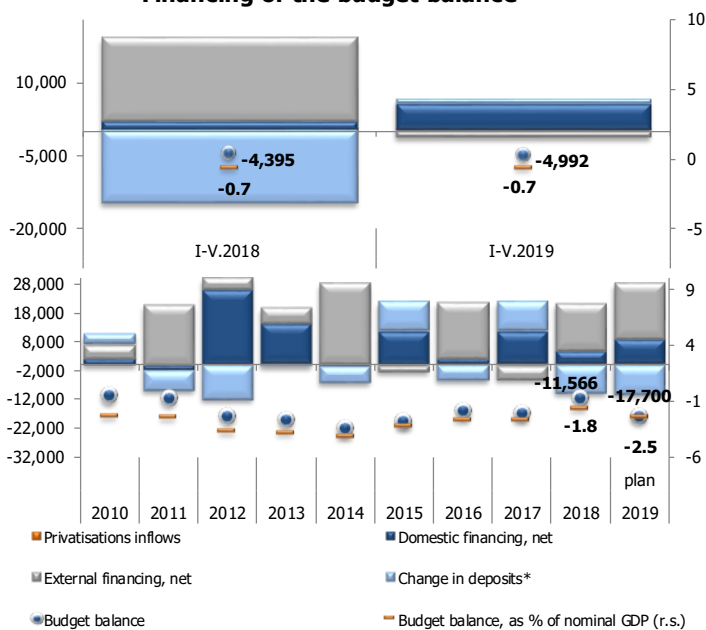


In comparison with the plan of the Budget for 2019, the budget revenues in the period January - May amounted to 38.2% (39.3% in 2018), while the budget expenditures amounted to 37.5% (38.0% in 2018). The budget deficit was 28.2% of the annual plan for 2019 (24.3% in 2018).

\*for 2018, figures are calculated compared to the Budget's rebalance in November 2018.

Source: Ministry of Finance and NBRNM's calculations.

## Financing of the budget balance



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

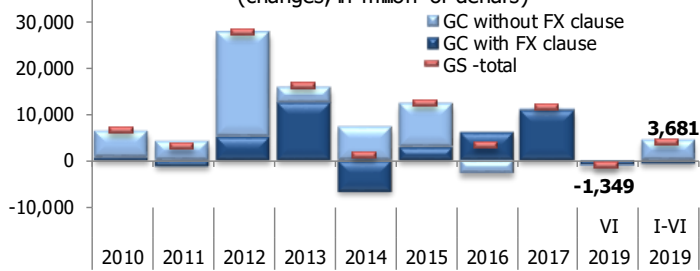
Source: MoF.

The budget deficit in the first five months of the year was Denar 4,992 million (0.7% of the nominal GDP<sup>21</sup>) and was mostly financed by government borrowing on the domestic financial market, and less by using government deposits with the National Bank.

<sup>21</sup> The analysis uses the National Bank's April forecasts for the nominal GDP for 2019.

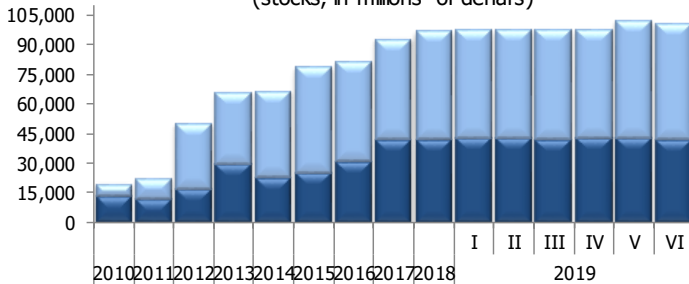
### Government securities

(changes, in million of denars)



Извор: НБПМ.

(stocks, in millions of denars)

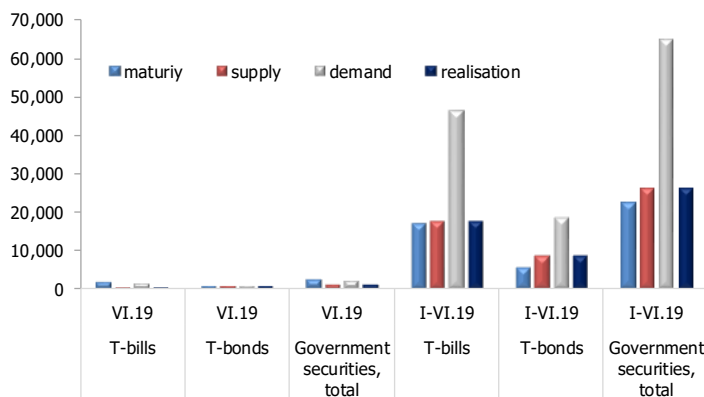


Source: MoF.

**In the primary government securities market in June 2019, the stock of issued securities decreased on a monthly basis and at the end of the month reached Denar 100,889 million.** The monthly fall (of Denar 1,349 million<sup>22</sup>) largely derives from the reduction of government securities with currency clause, although securities without currency clause also decreased. Compared to the end of 2018, the stock of government securities at the end of June increased by Denar 3,681 million.

### Government securities auctions

in million of denars



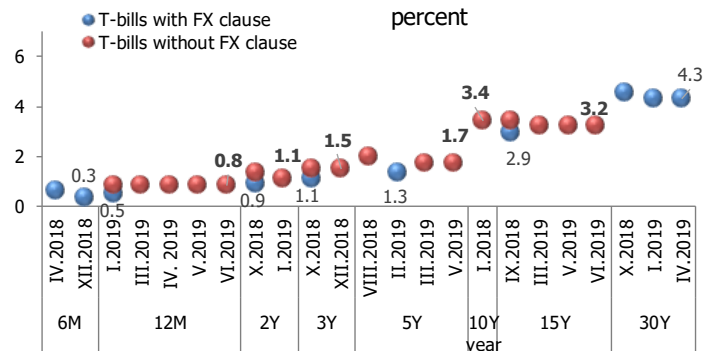
Source: Ministry of finance.

The new issues of government securities in June were with twelve-month and fifteen-year maturity<sup>23</sup>, whereby the market participants' interest this month was higher than the offered amount. Amid issue of government securities (treasury bills and government bonds) in a lower amount than the amount due, their stock in June decreased compared to May.

### Interest rates of T-Securities

in

percent



Source: Ministry of Finance

Interest rates on the newly issued twelve-month and fifteen-year government securities without currency clause in June amounted to 0.8% and 3.2%, respectively.

<sup>22</sup> The Budget plans a domestic government borrowing of Denar 9,225 million for 2019, i.e. increase in the stock of government securities to Denar 106,433 million.

<sup>23</sup> In June 2019, six-month treasury bills, twelve-month treasury bills and five-year government bonds fell due.

## Annex: Indicative private consumption and gross capital formation categories

### INDICATIVE VARIABLES FOR PRIVATE CONSUMPTION

	2017				2018				2019					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	January	February	March	April	May
	<i>real annual growth rates in %</i>													
Retail trade*	-3.9	-1.9	-2.5	-1.6	6.4	9.9	10.8	10.9	4.7	4.9	4.5	4.8	3.9	5.2
VAT revenues*	3.4	-6.1	4.8	9.7	-6.6	10.1	-9.8	12.5	3.9	0.5	5.2	6.2	16.7	-19.4
Imports of consumption goods*	6.0	3.8	5.9	9.2	8.0	2.5	3.0	10.9	2.8	-2.8	12.8	-0.7	9.8	6.6
Domestic production of consumption goods	-6.3	-1.6	-3.5	-5.9	6.1	-1.0	-0.1	5.6	0.5	-0.5	4.6	-2.2	5.2	2.0
Consumer credits*	7.1	8.0	8.1	6.7	7.7	8.2	8.5	9.3	8.2	8.7	8.5	8.2	7.2	8.1
Average net wage*	1.5	1.0	1.4	1.0	3.4	4.7	3.9	5.4	2.2	0.8	3.4	2.3	1.6	-
Private net transfers*	-3.4	22.9	0.2	5.0	5.5	9.0	4.2	1.8	-2.2	-14.8	1.9	6.3	-2.0	-
Pensions*	6.1	7.0	6.0	4.7	2.1	3.4	2.6	4.4	4.1	4.5	4.1	3.7	0.8	1.9

\* 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

	2017				2018				2019					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	January	February	March	April	May
	<i>real annual growth rates in %, except for FDI in million denars</i>													
Imports of capital goods*	9.8	7.2	7.7	10.8	19.1	20.2	10.5	11.2	1.9	-0.6	9.5	-2.6	2.7	12.1
Completed construction works**	-24.5	-30.2	-19.5	-33.1	-39.6	0.9	-10.0	14.6	15.1	24.9	-17.9	30.6	-13.4	-
Domestic production of capital goods	-0.9	15.6	-2.6	20.9	19.3	24.2	16.0	5.7	12.3	15.7	1.7	20.2	2.4	-7.1
Government investments*	59.9	19.6	-40.8	33.7	-65.0	-39.5	-10.7	-34.1	-11.1	-1.5	-16.3	-9.6	9.5	42.6
Direct Investments***	-2118.7	-3997.0	-5202.8	2481.3	8526.7	5940.0	3829.1	8756.7	-1096.4	-2463.1	-5955.5	-4831.6	4163.7	-
Long term credits to enterprises*	3.6	-0.4	-0.8	0.0	2.0	4.7	6.6	5.9	4.8	5.5	5.3	4.8	5.5	4.3

\* 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: 2018=100).

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