

National Bank of the Republic of North Macedonia

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**Quarterly Report
February 2025**



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Introduction

In the last quarter of 2024, the National Bank continued with gradual normalization of the monetary policy setup, as required by the economic conditions. The interest rate on CB bills was reduced, by 0.25 percentage points in two occasions, and it was positioned at the level of 5.55%. Additionally, the interest rates on overnight and 7-day deposits were reduced in one occasion to the levels of 3.95% and 4%, respectively. These changes in interest rates enable maintenance of the cautious approach in conducting monetary policy, which is conditioned by the persistence of external risks, as well as domestic factors that affect aggregate demand. Such a monetary policy setup, i.e. current level of interest rates, together with the changes made so far in the reserve requirement and macro-prudential measures taken, contribute towards further maintenance of the price stability in the medium run and the stability of the exchange rate of the denar against the euro. Changes in domestic monetary policy were also influenced by the standpoint of the European Central Bank, which continued with gradual normalization of monetary policy in the fourth quarter of this year and reduced interest rates twice, by a total of 0.50 percentage points.

The global economy continued to recover, in conditions of lower inflation and more favorable financial conditions. After a series of crises, global growth has stabilized and is expected to follow the current dynamics¹ in the next two years, as in the October forecast. The risks pertaining to the global growth in the medium term are mainly downward, while in the short run, the risks are balanced. The downside is dominated by increased geopolitical uncertainty, due to wars and conflicts, as well as possible trade sanctions. A possible intensification of geopolitical tensions could disrupt energy markets and supply chains, potentially increasing inflation and reducing economic activity. Such tensions have already created an unfavorable environment for global trade, and a possible further escalation of trade fragmentation and the scope of protectionist policies could lead to additional disruptions. In addition, a possible reassessment of risk in financial markets, i.e. a potential increase in financing costs, could create additional pressure. On the positive side, risks to higher growth include the rapid advancement of artificial intelligence, as well as other technologies such as automation, clean energy and biotechnology, which could transform key sectors, making them more efficient and generating new opportunities for economic expansion. The possibility of renewing the current and concluding new trade agreements by some of the most influential economies is indicated as an upward risk, which would in turn increase consumption and business confidence.

The latest indicators of the domestic economy suggest macroeconomic landscape that does not deviate much from the October estimates. Namely, the real GDP in the third quarter registers annual increase of 3%, close to the expectations in the October forecast round. Analyzed by structure, the growth results from the positive contribution of domestic demand, with growth in all three its components, primarily public consumption, followed by household consumption, in conditions of growth in disposable income and a solid credit growth. External growth drivers remain less favorable given the weak economic activity of our main trading partners. In the third quarter, net exports made a small negative contribution, amid stagnation in the dynamics of export and import of goods and services. Signals from the available high-frequency data on economic activity in the last quarter of the year so far point to positive annual performances, primarily in the services segment and in construction activity. For the whole of 2024, the baseline scenario from October assumes economic growth of 2.3%, but taking into account the official estimates of registered growth in

¹ According to the OECD's Economic Outlook report, December 2024, as well as the International Monetary Fund's World Economic Outlook report, published in January 2025.



the first three quarters of the year of 2.6%², there are prospects for somewhat better performance than projected for the whole year. Growth is expected to accelerate to 3.3% in 2025 and reach 4% in the medium term, amid expectations of a more favorable external environment, a favorable environment for foreign and domestic investments, and a positive contribution from initiated infrastructure projects. In the short term, the growth risks remain predominantly downward. The heightened geopolitical uncertainty due to the wars and conflicts are key risks in the short run, with the potential to cause significant disruptions in both energy and primary food products markets. In the medium term, a greater focus on capital investments, as well as on the new European Union growth plan for the Western Balkans, is expected to improve the economic integration, which could improve the economic prospects of the country. At the same time, the expected accession to the Single Euro Payments Area (SEPA) would strengthen the country's market integration with EU member states, which will result in reduced transaction costs and improved efficiency in cross-border trade with the EU.

In the fourth quarter of 2024, the annual inflation rate accelerated as expected, and equaled 4.1%. The acceleration is almost entirely associated with the food component of the inflation, mainly due to base effects which result from the various temporary measures taken to reduce and freeze the prices of some food products in domestic retail trade in the same period of 2023. The annual dynamics of the base component in the last quarter is generally stable, while the annual decline rate deepened in the energy component. The inflation for the entire 2024, on average, equals 3.5%, which is fully consistent with the October perceptions. According to the October assessments, inflation is expected to decrease to 2.5% in 2025, and gradually normalize to 2% in the medium term. Inflation risks still exist and are related mainly to the prices of primary commodities on world stock markets. Namely, extreme climate and weather events, increased geopolitical uncertainty and trade fragmentation could potentially disrupt the balance between global supply and demand and thus affect prices.

The latest available balance of payments data indicate that actual flows in the current and financial accounts are in line with October forecasts. In the third quarter, current transactions recorded a surplus of 1.8% of GDP, which is an improvement on an annual basis, which is entirely due to the higher surplus in the foreign trade in services. The improved performance in services is largely the result of the lower deficit in construction services compared to the same period of the previous year, when larger outflows based on construction of corridors 8 and 10-e were realized, with an additional contribution being made by the higher surplus in travelings. In terms of the other current account components, a lower surplus is recorded in secondary income, while the deficit in primary income registered a slight increase on an annual basis. In the financial account, net outflows of 1.9% of GDP were recorded in the third quarter, as a result of net outflows in most categories, which were largely offset by further solid net inflows from direct investments. **The data on the gross foreign reserves for the fourth quarter point to better performance compared to the October forecasts, and thus higher growth for the whole year. The level of foreign reserves at the end of 2024 reached Euro 5,019 million and, according to all indicators, provides adequate support for maintaining the stability of the domestic currency.**

In the fourth quarter of 2024, the credit activity of the banking sector intensified compared to the previous quarter, a movement that is characteristic for the credit market at the end of the year. The annual growth dynamics of total loans also accelerated,

² This is newly published data that has been revised and has not been taken into account in the October forecasts.



reaching 11.2% at the end of this quarter, more intensive than expected in October forecasts (7.5%). Lending activity was also supported by the growth in funding sources. Namely, **a more pronounced quarterly growth also in the deposit base was registered, which conditioned a further acceleration in the annual deposit growth**, which reached 11.4%, thus exceeding the expectations for the end of the year according to the October forecasts (7.9%). Favorable movements continue in terms of maturity and currency structure of savings (growth in denar and long-term deposits), reflecting the effects of the measures taken by the National Bank and stabilized expectations of economic agents.

Overall, macroeconomic indicators show that the performance in key segments of the economy is generally in line with the expectations. Domestic inflation accelerated as expected in the last quarter, mainly influenced by base effects in the food component, and the performance for the entire year matches the projections. Domestic economic activity is moderately accelerating, in line with expectations from the latest forecasts for stronger economic growth in 2024. Credit support to the domestic economy by the banks continues, at a growth dynamics that is stronger than expected, amid intensified growth in the deposit base. The external position of the economy remains favorable and allows increase in the foreign reserves, which are maintained in the safe zone. *However, the economic environment remains vague, with the risks to the world and domestic economy persisting. Further monitoring and increased vigilance in terms of the policies that affect the demand in the domestic economy is necessary, not only from the aspect of the labour market, but generally from the aspect of the medium-term trend of fiscal consolidation. The National Bank, as before, continues to closely monitor macroeconomic data and risks, and will deploy all necessary measures and available instruments to maintain both exchange rate and price stability.*



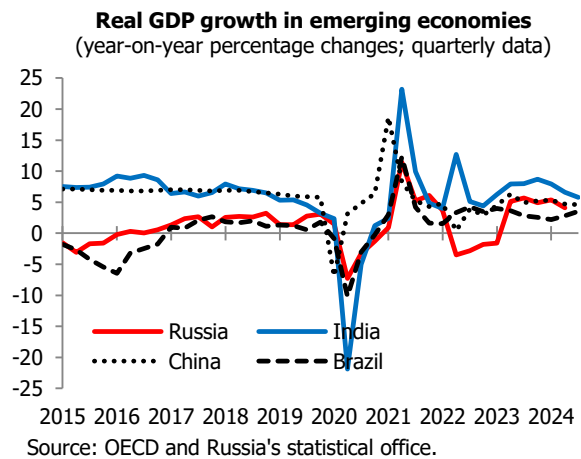
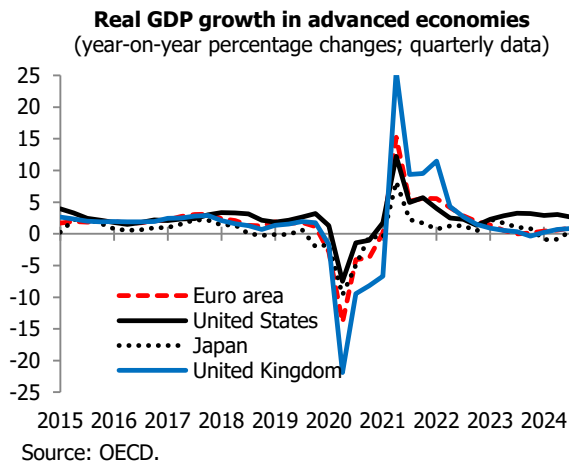
I. Macroeconomic developments

1.1. International economic surrounding

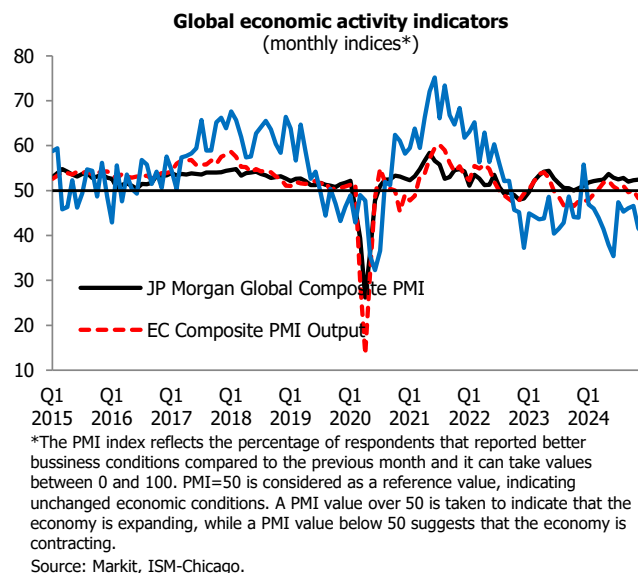
The global economy kept growing in the third quarter of 2024, amid a further slowdown in inflation and more relaxed financial conditions. However, global activity resumed in conditions of high economic uncertainty and pronounced geopolitical tensions. In the euro area, which is our most important trading partner, economic activity recorded a slight, but accelerated annual growth in the third quarter of 2024. However, the economic performance of the eurozone is weaker compared to other developed economies, largely influenced by the manufacturing and export sectors of the German economy. The process of disinflation at the global level continues, although at a slower pace in certain countries. In any case, these achievements have enabled some developed countries to continue with the gradual normalization of monetary policy, by cautious reduction of the interest rates. In the fourth quarter of 2024, the world markets registered a decline in the oil price, while the price of non-energy products index increased compared to the previous quarter. According to the forecasts of the International Monetary Fund dated January 2025, the global economic growth will accelerate slightly from 3.2% in 2024 to 3.3% in 2025 and 2026 (but still below the historical average), amid slowing inflation and more favorable financial conditions. However, compared to the October forecasts, the assessment remains generally unchanged, primarily due to the upward revision in the United States, which offsets downward revisions in other major economies. Global inflation would continue its downward trend, with more developed countries reaching the target level slightly faster than previously expected.

Global economic activity registers stable growth also in the third quarter of 2024³, in conditions of inflation deceleration and gradual easing of monetary conditions, but with geopolitical tensions still present. Within the developed countries, the United States kept registering the highest growth, of 2.7%, although it is slowing down slightly (3.0% in the previous quarter), as a result of less favorable developments in gross investment and net exports. In the United Kingdom, growth accelerated and amounted to 0.9% (compared to 0.7% in the second quarter), mainly as a result of stronger growth in private consumption, with similar developments being registered in the euro area (growth of 0.9%, as opposed to 0.6% in the second quarter), largely due to better performance, i.e., a significantly smaller decrease in gross investment. Japan, after the decline since the beginning of the year, for the first time recorded a growth in the third quarter of 0.5% (a decline of 0.9% in the previous quarter), which is due to better performance in domestic demand. Increased economic activity growth was registered in the countries belonging to **emerging economies** group. Growth in China stabilized at 4.6% (4.7% in the second quarter), amid stable but weak consumption and enduring problems in the real estate sector. The growth of the Indian economy continued to slow moderately and fell to 5.8% (6.6% in the previous quarter), affected by weaker performance in private consumption and gross investments. Unlike the aforementioned economies, economic activity growth in Brazil kept accelerating and in the third quarter of 2024 it reached 3.5% (2.8% in the previous quarter), affected by the better performance of domestic demand.

³ This section analyses the GDP seasonally and calendar adjusted data.



Regarding the global growth assessments in the last quarter of 2024, the average value of the global PMI index is stable at 52.4, the same as in the third quarter, influenced by solid but slightly smaller movements in the services sector, with some improvement in the manufacturing sector. Annually, the global PMI index increased by 3.8%.



The global economic growth⁴ would increase slightly, from 3.2% in 2024, to 3.3% in 2025 and 2026, in conditions of decrease in inflationary pressures and more favorable global financial conditions. Moreover, compared to the October forecasts, the growth expectations in 2025 have been slightly revised upwards by 0.1 percentage point, while for 2024 and 2026 they remained unchanged. Inflation⁵ would further decline, slightly faster than previously expected, to 4.2% and 3.5% in 2025 and 2026, respectively, amid easing labor market pressures and decrease in energy prices. The risks pertaining to the forecasted global economic growth in the medium term are mainly downward, while the short-term prospects indicate balanced risks. Downward risks are related to the intensification of protectionist policies, which could exacerbate trade tensions, reduce investment, reduce market efficiency and disrupt supply chains again. In addition, geopolitical tensions could intensify, leading to further disruption of trade flows and rising commodity prices. On the other hand, there are also upward risks related to the renewal of existing and the conclusion of new trade agreements by

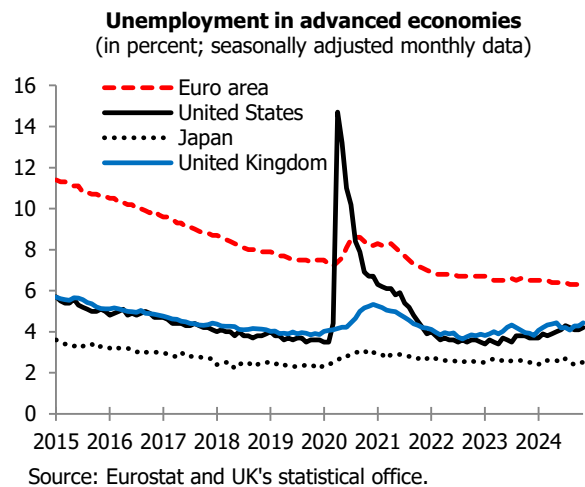
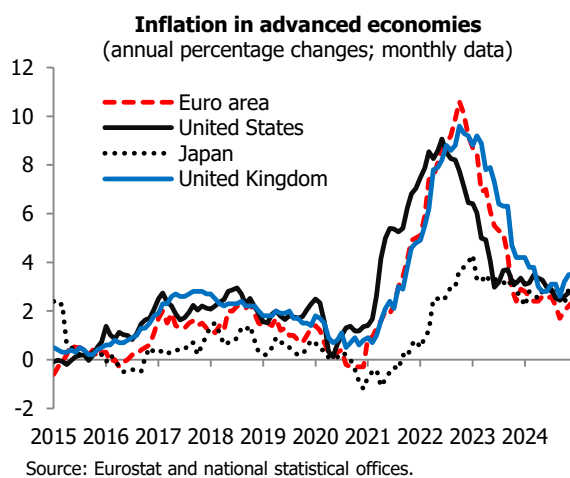
⁴ The analysis in this section is based on the IMF report "World Economic Outlook" published January 2025.

⁵ The inflation forecast is lower by 0.1 percentage point for both 2025 and 2026 compared to the October forecasts.



some of the world's influential economies, which could contribute to increased consumer confidence, easing uncertainty and increasing investment.

Global inflation continued to slow in the fourth quarter, although in few developed countries, as expected, it accelerated due to the low comparison base of energy prices and slightly increased pressures of food prices. In contrast, inflation in the United Kingdom and in the USA increased in the fourth quarter and equaled 3.4% and 2.7%, respectively (2.9% and 2.6%, respectively, in the previous quarter). In the fourth quarter, the average inflation in the euro area stagnated and stood at 2.2% (the same as in the third quarter), influenced by reduced price pressures from core inflation. Inflation in Japan decelerated in the first two months of the fourth quarter and stood at 2.6% (2.8% in the third quarter).



In the euro area, which is our most important trading partner, the economic activity registered a slight annual growth in the third quarter of 2024 of 0.9% (growth of 0.6% in the previous quarter). Moreover, the growth intensification is mainly a result of the significantly smaller decline in gross investments, and to a small extent, of the more positive contribution of public consumption. Increasing consumer uncertainty⁶ is contributing to a smaller growth than expected, which has led to a downward correction for 2024, 2025, and 2026 in the ECB's December forecasts. Thus, an economic growth of the euro area of 0.7% is expected for 2024, followed by its gradual acceleration to 1.1% and 1.4% in 2025 and 2026, respectively⁷. In 2027, the growth is expected to stabilize at 1.3%. Movements in the labor market in the euro area are generally stable, considering that the unemployment rate in the first two months of the fourth quarter is the same as in the preceding quarter, reaching a historically bottom of 6.3%. The annual inflation rate in the euro area in the fourth quarter of 2024 averaged 2.2%, equal to that achieved in the third quarter.

With the latest ECB forecasts in December, influenced by the expected continuous decrease in energy price pressures, a slight downward revision has been made to the expected inflation rate for 2024 and 2025, which would amount to 2.4% and 2.1%, respectively, while for 2026 the assessment is unchanged (1.9%)⁸. Price growth of 2.1% is forecasted for 2027.

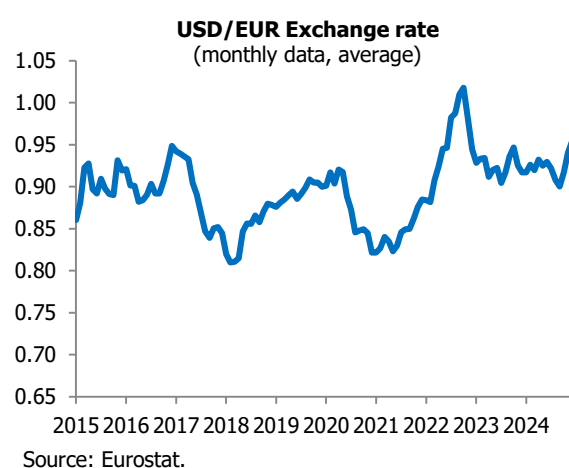
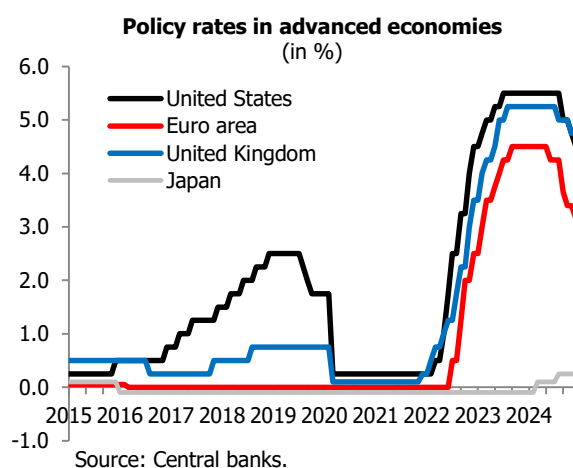
⁶According to business confidence and consumer confidence indicators measured by the European Commission.

⁷According to September 2024 forecasts, the economic growth was projected at 0.8% in 2024 and 1.3% in 2025 and 1.5% in 2026.

⁸According to September 2024 forecasts, the inflation rate equaled 2.5% in 2024 and 2.2% in 2025 and 1.9% in 2026.



In the fourth quarter of 2024, the central banks in the developed countries continued with gradual normalization of the monetary policy, in conditions of deceleration in the inflation rate and the prospects for reducing the medium-term inflation to the expected level. In October and December 2024, the ECB additionally reduced the interest rates on the deposit facilities, the marginal lending facilities and the main refinancing operations by 0.25 percentage points (totally by 0.5 percentage points). Consequently, the interest rate on the deposit facilities, on the main refinancing operations and on the marginal lending facility were set at 3.0%, 3.15% and 3.40%, respectively. As before, the portfolio within the Asset Purchase Program (APP) keep reducing gradually and at predictable pace, because the securities falling due are no longer invested, while the portfolio of the Pandemic Emergency Purchase Program (PEEP) will reduce by Euro 7.5 billion, on average, until the full termination of the reinvestments within this program until 2024. After the initial cut in September, the FED cut the policy rate twice in November and December, by a total of 0.5 percentage points and brought it to a range of 4.25% to 4.50%, amid solid economic growth, reduced pressures from wage and employment growth, and lower inflation that is slowly moving towards target. Moreover, the FED will continue reducing the portfolio of treasury and mortgage-backed securities as it has done so far. The Bank of England as well, additionally reduced the policy rate by 0.25 percentage points in November, to 4.75%. The Bank of Japan kept its policy rate unchanged at 0.25% in the fourth quarter of 2024, amid expectations of a recovery in the economy, favorable financial conditions, and improving unemployment.



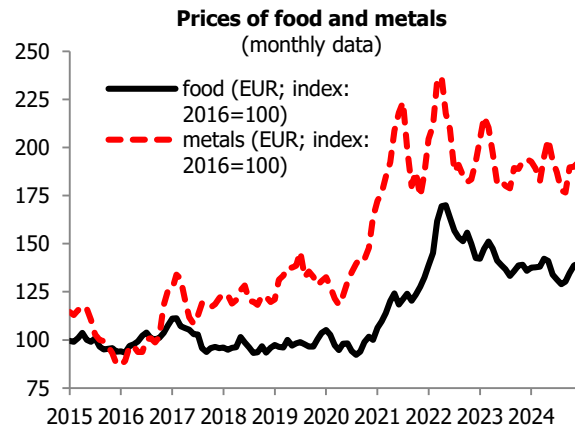
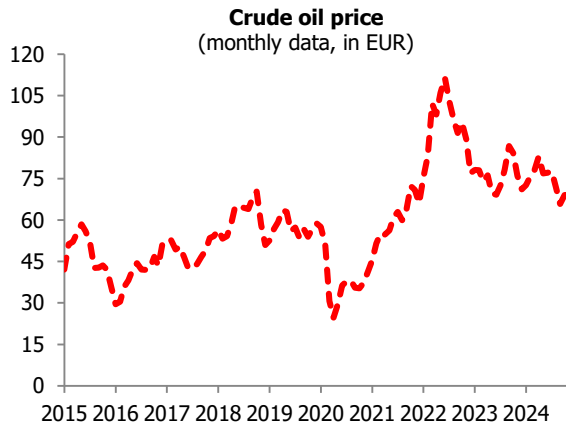
In the fourth quarter of 2024, the value of the US dollar against the euro appreciated by 3.0% compared to the previous quarter, as a result of market expectations for a slower and more cautious reduction in interest rates by the FED, in line with announcements of changes in foreign trade policy after the presidential elections. Analyzed on annual basis, the U.S. Dollar appreciated by 0.8%, and equaled Euro 0.94, on average, in this period.

In the fourth quarter of 2024, the primary commodities prices on world markets, denominated in euro, registered an increase, except for the oil. Thus, the average oil price in this period equaled Euro 69.4 per barrel, which is a decrease of 3.2% compared to the previous quarter i.e. of 10.1%, annually. The downward movement in the oil price results from the reduced global demand and increased production out of OPEC+, despite the OPEC+ decision to start increasing the production later⁹. On the other hand, the prices of

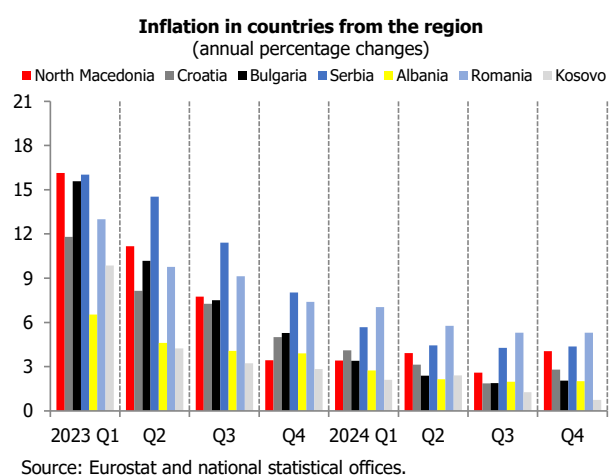
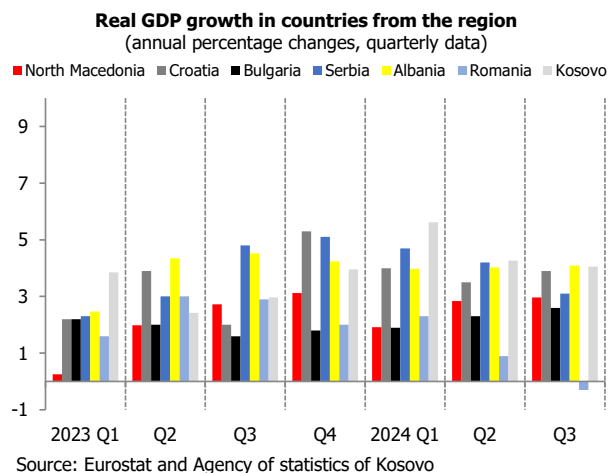
⁹ At the meeting on 5 December, OPEC+ decided to postpone the start of the increase in oil production by three months until April 2025.



non-energy primary products index¹⁰, increased by 6.8% compared to the third quarter of 2024. Observed by group of products, the food index stalled, while the primary metals index¹¹ increased by 5.7% and 5.6%, respectively¹².



In terms of the countries in the region, slightly stronger growth was registered in Bulgaria and Albania, driven by public consumption, and in Croatia, influenced by net exports. On the other hand, slower growth dynamics was observed in Serbia, mainly due to the deterioration in net exports, while growth in Kosovo was similar to that in the previous quarter. Romania experienced a decline for the first time in four years, influenced by deteriorating domestic demand. In terms of inflation in the countries of the region, in the fourth quarter of 2024, either stagnation or a slight increase was generally observed, mainly influenced by increased pressures from food prices (the exception is Kosovo, where inflation is decelerating).



1.2. Domestic supply

Activity in the domestic economy recorded solid growth in the third quarter of 2024 with a real annual rate of 3%, which represents a slight acceleration

¹⁰This aggregate index includes the precious metals index, the food and beverages index, the agricultural raw materials index and the index of basic metals.

¹¹This index includes the following metals: Aluminum, cobalt, copper, iron, steel, molybdenum, nickel, tin, uranium, and zinc.

¹²This index includes the following food products: cereals, vegetable oil, meat, seafood, sugar and other food.



compared to the growth in the previous quarter (2.8%). The growth is largely due to the positive contribution of "trade, transport and catering" group of activities, with other service activities, as well as construction activity, also having a positive impact. Agriculture, as well, recorded real growth, despite the decline in previous quarters. However, the performance in one of the key activities - industry, remained in the negative zone this quarter, as well, which is mainly due to the unfavorable developments in traditional activities. The GDP registered real increase of 0.6% on a quarterly basis. High-frequency data on the supply and demand side available for October - November period mainly indicate a further slowdown in the annual growth of economic activity. The managers' estimations on the business situation in the corporate sector for the fourth quarter of 2024 are more favorable in trade and services sector, while slightly unfavorable in construction, compared to the same period in the previous year. For the following period, the company managers have more favorable expectations.

In the third quarter of 2024, the real annual GDP growth equaled 3% (growth of 2.8% in the previous quarter)¹³, amid further quarterly growth of 0.6% (seasonally and calendar adjusted). Analyzed from the production side of the GDP, most of the activities registered a growth, but the economic growth largely results from the positive contribution of the group of activities "trade, transport and catering". On the other hand, there is a negative contribution in industry again.

GDP and components- annual growth rates (in %)

	annual growth rates, in %							
	2020	2021	2022	2023	Q1 2024	Q2 2024	Q3 2024	Q1-Q3 2024
Agriculture	2.5	-8.7	-6.4	-3.0	-12.3	-0.7	1.1	-4.0
Industry	-6.7	2.2	-4.6	1.4	0.6	-1.3	-4.6	-1.8
Manufacturing	-4.8	6.1	-3.7	1.5	1.1	1.5	-2.9	-0.1
Construction	-4.0	-6.0	7.5	-0.4	-2.4	6.9	2.4	2.3
Trade and transport	-10.6	7.6	2.3	3.2	4.2	5.5	10.6	6.8
Information and communication	4.5	12.2	17.7	5.8	4.2	3.7	2.4	3.4
Financial and insurance activities	-0.1	-0.1	-0.9	6.1	1.8	1.9	2.1	1.9
Real estate activities	1.1	7.0	19.7	8.0	2.5	1.7	0.5	1.6
Professional, scientific and technical activities	-8.7	14.5	13.1	1.7	8.5	9.9	9.0	9.1
Public administration	3.2	4.0	-4.9	-0.8	2.0	0.6	0.9	1.2
Art, enertainment and recreation; Other service activities	-22.6	17.2	7.1	3.4	12.5	4.1	6.6	7.8
Gross Domestic Product	-4.7	4.5	2.8	2.1	1.9	2.8	3.0	2.6

*From the release for GDP of 06.12.2024

Source: State Statistical Office and NBRNM calculations.

¹³ Upwardly revised growth for the second quarter, from 2.3% to 2.8%, from the release of 6.12.2024.

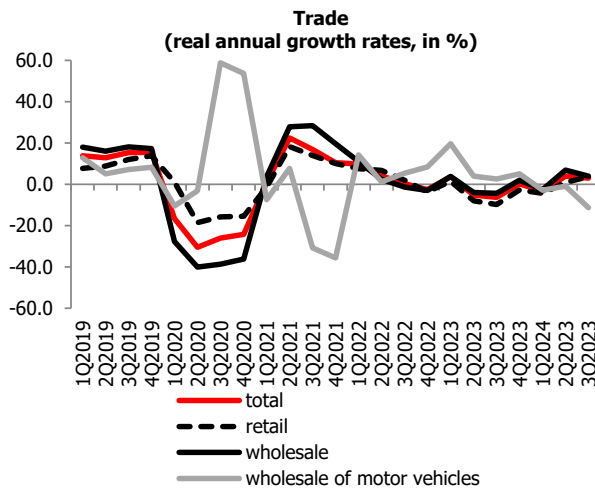
**GDP and components-Contributions to the GDP growth (in percentage points)**

	contribution in GDP growth, in p.p.							
	2020	2021	2022	2023	Q1 2024	Q2 2024	Q3 2024	Q1-Q3 2024
Agriculture	0.2	-0.7	-0.5	-0.2	-0.6	0.0	0.0	-0.2
Industry	-1.2	0.4	-0.8	0.2	0.1	-0.2	-0.8	-0.3
Manufacturing	-0.6	0.8	-0.5	0.2	0.1	0.2	-0.4	0.0
Construction	-0.2	-0.3	0.4	0.0	-0.2	0.3	0.2	0.1
Trade and transport	-2.1	1.5	0.5	0.6	0.8	1.1	2.0	1.3
Information and communication	0.2	0.5	0.7	0.3	0.2	0.2	0.1	0.2
Financial and insurance activities	0.0	0.0	0.0	0.2	0.0	0.1	0.1	0.0
Real estate activities	0.1	0.7	2.0	0.9	0.3	0.2	0.0	0.2
Professional, scientific and technical activities	-0.3	0.5	0.5	0.1	0.5	0.5	0.4	0.5
Public administration	0.4	0.5	-0.6	-0.1	0.3	0.1	0.1	0.2
Art, entertainment and recreation; Other service activities	-0.7	0.5	0.2	0.1	0.4	0.1	0.2	0.2
Gross Domestic Product	-4.7	4.5	2.8	2.1	1.9	2.8	3.0	2.6

*From the release for GDP of 06.12.2024

Source: State Statistical Office and NBRNM calculations.

Analyzed through high-frequency data, **in the third quarter of the year the total trade turnover recorded a real increase on an annual basis**, in conditions of a rise in retail and wholesale trade, while the trade in motor vehicles recorded a real annual fall. In the period October-November, the trade grew slightly, but more moderate compared to the previous quarter, registering growth in wholesale trade and trade in motor vehicles, while retail trade recorded a decline. The perceptions of the corporate managers in the "retail trade" sector on the business situation during the fourth quarter of 2024, as well as expectations for the coming period, are more favorable compared to the same quarter of the previous year.

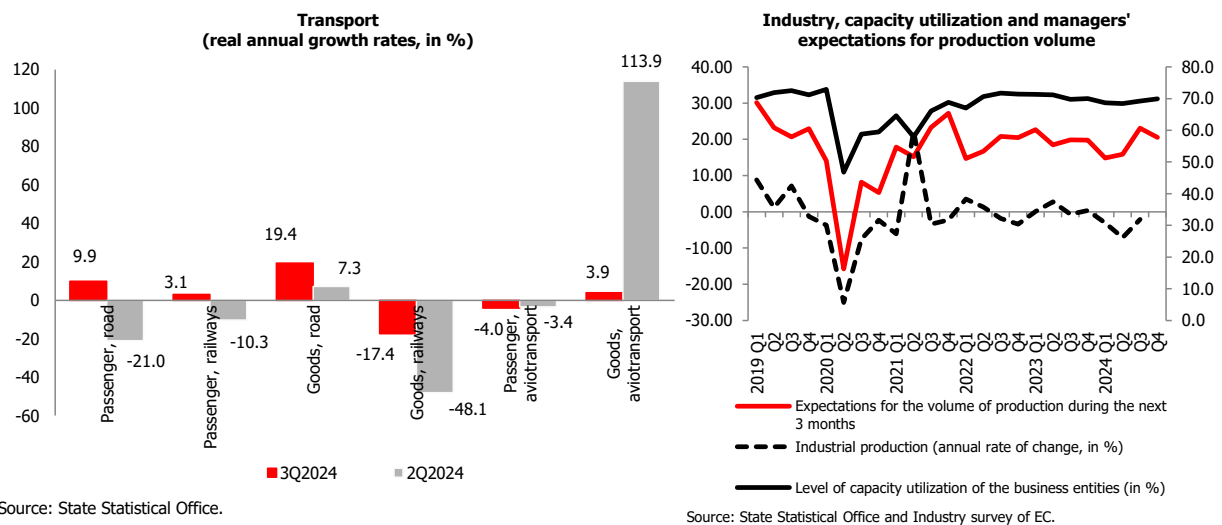


Source: State Statistical Office.

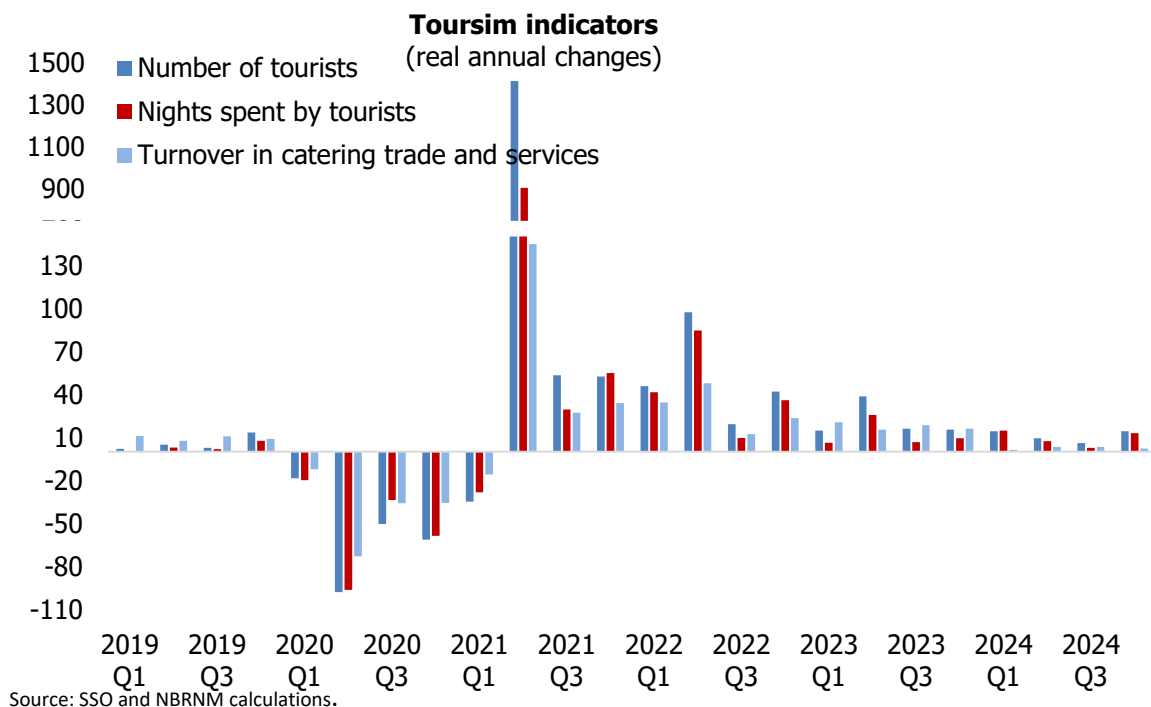


Source: Retail survey of EC, State Statistical Office and

In terms of **transport**, in the third quarter of 2024, the movements are in different directions, so that passenger road and rail transport, as well as freight road and air transport, recorded real annual growth, while freight rail and passenger air transport recorded real annual decline.



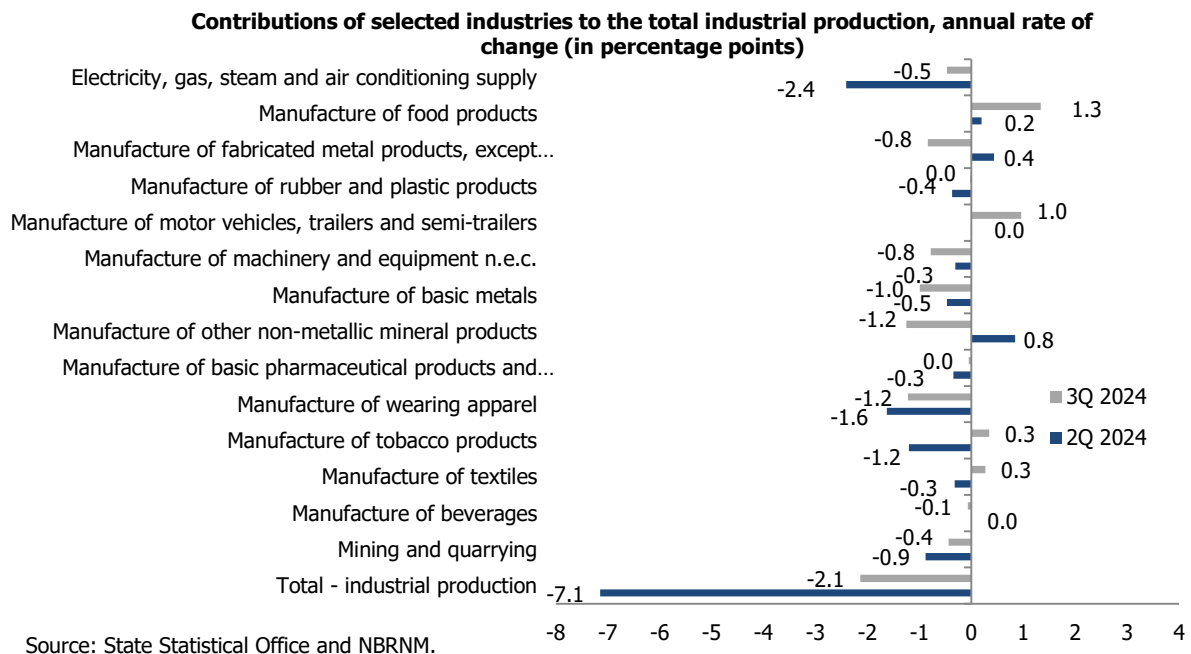
Within **catering sector**, in the third quarter of 2024, the number of tourists and the number of overnight stays continued to record real growth on an annual basis, but at a slower pace, with the total turnover in this sector also recording a growth. The October 2024 data indicate accelerated growth in the number of tourists and overnight stays, with a growth also in total turnover in catering. The perceptions of the corporate managers in the services sector on their business situations during the fourth quarter of 2024 are more favorable compared to the same quarter in the previous year, while the expectations for the upcoming period in terms of demand are less favorable.



In the third quarter of 2024, industrial output¹⁴ registered a decrease of 2.1%, annually, which is more moderate decline compared to the previous quarter (of 7.1%). The decline was due to negative contributions of the manufacturing industry, the energy sector and mining. Viewed by activity, within the manufacturing industry, the largest negative

¹⁴ The analysis of trends in industry uses data on the SSO's monthly data for the industrial output indices.

contribution was made by the production of clothing, the production of other non-metallic mineral products and the production of metals. On the other hand, the most significant positive contributions were made by the production of food products, the production of electrical equipment and the production of motor vehicles. In the period October-November, a decline in industrial output was observed, amid negative contributions from the energy sector and mining, while the manufacturing industry registered a small positive contribution. The industrial sector managers have more favorable perceptions of the business conditions in the fourth quarter of 2024, compared to the same quarter last year, with more favorable expectations in terms of the production developments in the upcoming period.

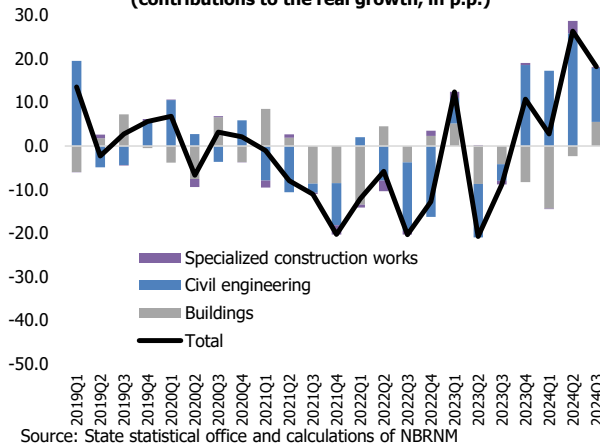


According to the available high frequency data, **in the third quarter of 2024, the activities in the construction sector decelerated, but yet relatively high real growth on annual basis.** The growth in total construction work performed was largely due to the growth in civil engineering, as well as building construction, with specialized construction work also making a minimal positive contribution¹⁵. In October, construction registered continuous real annual growth, at a growth in civil engineering and building construction, while the specialized construction works reduced. Perceptions of the corporate managers in the construction sector for the movement of their activity in the fourth quarter of 2024 were less favorable compared on annual basis, while the expectations for the following period are slightly more favorable.

¹⁵ Specialized construction works are the new category that the SSO started to publish from May 2024 within the data on completed construction works, and which includes the categories "demolition and preparation of a building site", "electric installations, plumbing and sewerage installations and other construction installation works", "completed construction works" and "other specialized construction works".

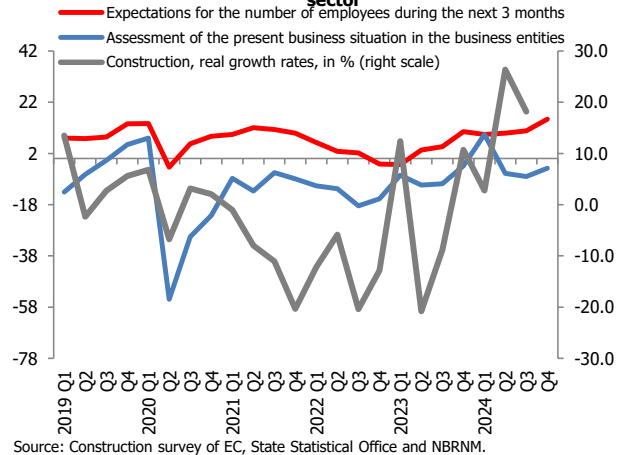


Completed construction works
(contributions to the real growth, in p.p.)



Source: State statistical office and calculations of NBRNM

Construction and expectations of the construction
sector



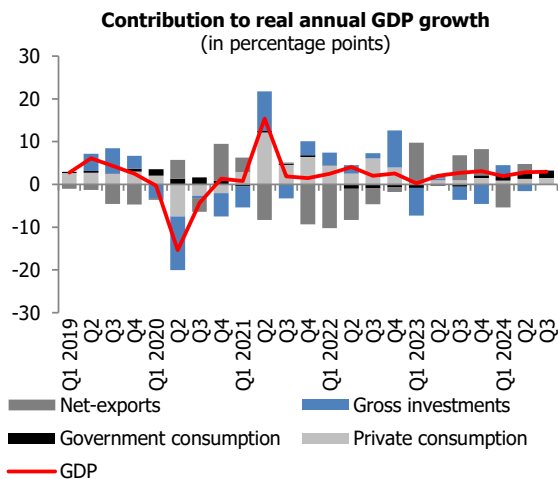
Source: Construction survey of EC, State Statistical Office and NBRNM.

1.3. Aggregate demand

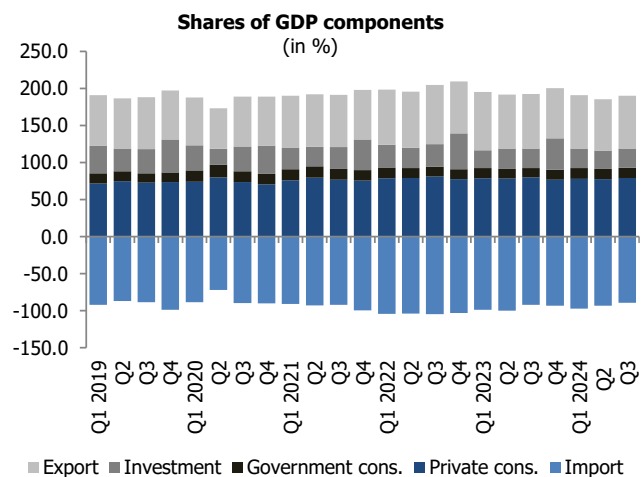
From the demand side, the real annual GDP growth of 3% in the third quarter of 2024 stems entirely from the positive contribution of domestic demand, within which the largest contribution is made by government and household consumption, and a small growth was also recorded by gross investments. Thus, the growth of public consumption stems from the growth of its main categories, expenditures on goods and services, transfers to the Health Fund and wage costs, and the growth of private consumption from disposable income and household borrowings from banks. The increase in gross investments stems from the growth of investments in fixed assets, which is also confirmed by the favorable movements of the indicative categories, while a decrease was recorded in the change in inventories. On the other hand, in this quarter, net exports have a small negative contribution to GDP growth.

Structural analysis of the GDP¹⁶ in terms of demand shows that also in the third quarter of 2024 the growth entirely results from positive contribution of the domestic demand, in conditions of an increase in all of its components, while the contribution of the net export was negative. Analyzed by individual components, the growth of domestic demand was mainly driven by the growth of public and private consumption, which accelerated, with gross investments also recording slight growth after the decline in the previous quarter. On the other hand, net exports had a small negative contribution, amid stagnation in the growth of exports and imports.

¹⁶The quarterly changes of the GDP and its components are calculated using seasonally and calendar adjusted SSO data.



Source: State Statistical Office and NBRNM calculations.



Source: SSO and NBRNM calculations.

Real annual growth rates (%)								Contributions to real annual growth (in p.p.)**						
	2021	2022	2023	Q1-Q3 2024	2024-Q1	2024-Q2	2024-Q3	2021	2022	2023	Q1-Q3 2024	2024-Q1	2024-Q2	2024-Q3
Private consumption	8.6	5.5	1.2	1.6	1.1	1.6	1.9	5.7	3.7	0.8	1.1	0.8	1.1	1.3
Government consumption	0.9	-4.3	-1.8	10.0	7.8	9.0	13.3	0.1	-0.7	-0.3	1.5	1.2	1.3	1.9
Exports of goods and services	14.3	10.6	-0.6	-3.0	-6.7	-2.5	0.0	8.2	6.9	-0.5	-2.3	-5.1	-1.7	0.0
Imports of goods and services	14.8	13.6	-5.8	-1.4	0.2	-4.1	0.0	-10.4	-11.1	5.4	1.2	0.0	3.7	-0.2
Gross capital formation	2.9	12.0	-9.9	1.2	10.6	-5.7	0.6	0.9	3.9	-3.5	0.7	2.9	-1.3	0.4
Domestic demand	6.1	6.0	-2.1	2.4	3.9	0.8	2.8	6.7	6.9	-2.9	3.2	4.9	1.2	3.6
Net exports*	16.3	22.1	-19.1	4.2	26.7	-8.6	0.1	-2.2	-4.1	5.0	-1.1	-5.1	2.0	-0.3
Statistical discrepancy								0.0	-0.1	0.0	0.5	2.1	-0.3	-0.4
GDP	4.5	2.8	2.1	2.6	1.9	2.8	3.0	4.5	2.8	2.0	2.6	1.9	2.8	3.0

*Decrease represents lower deficit.

** Contribution components do not sum to total GDP due to statistical discrepancies in real amounts.

In order to comply with the official real growth rates, the statistical discrepancy is included in the aggregate GDP.

Source: SSO and NBRNM calculations.

1.3.1. Private consumption

In the third quarter of 2024, the private consumption is one of the main carrier of the growth of the domestic demand, with an annual increase of 1.9% (quarterly growth of 0.7%). Consumption growth is supported by the increase in real disposable income, which accelerated, amid a significantly smaller real decline in private transfers compared to the previous quarter, as well as further growth in the wage bill¹⁷, with growth, although slightly slower, also being registered in the pension bill. Some of the household consumption is further financed through bank loans, which this quarter registered intensified annual growth.

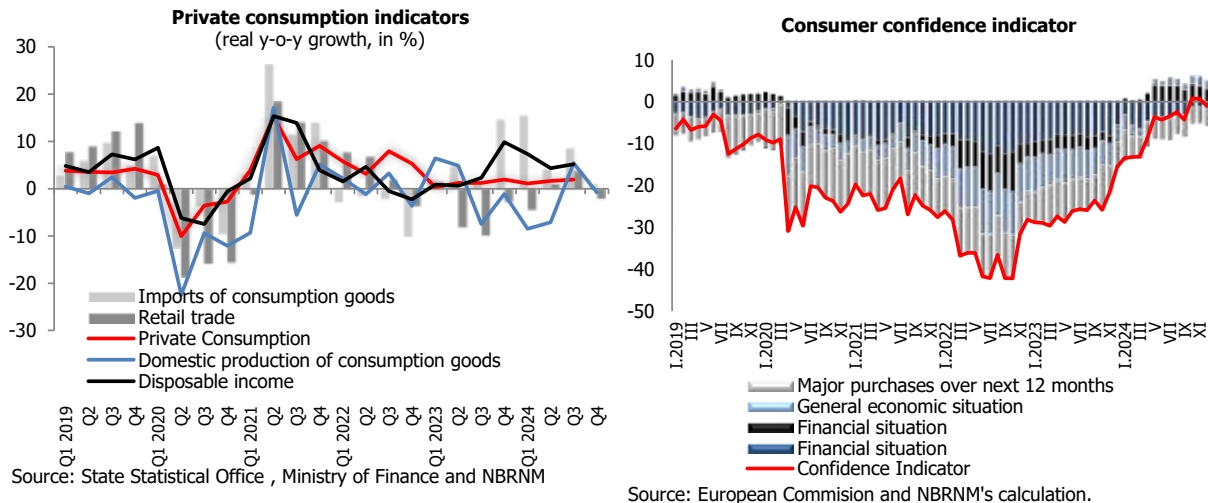
Analyzed by the available private consumption data¹⁸ for the fourth quarter of 2024, they indicate its further, although slower growth. Thus, in some of the disposable income components, i.e. wages, the growth decelerated, as opposed to the pensions,¹⁹ where it intensified. In addition, the real growth of household loans decelerates, as well, although the

¹⁷ For more details, see section 1.4. Employment and wages.

¹⁸ Data on wages are as of October 2024, while data on household loans retail trade, domestic production of consumer goods, import of consumer goods and gross revenues from VAT refer to the period October- November 2024.

¹⁹ In October 2024 the pension were linearly increased by 2,500 denars, instead of the current harmonization with the semiannual growth rate of the consumer prices and the average wage. With the Law amending the Law on Pension and Disability Insurance, around 340.000 pensioners with the right to pension insurance acquired as of 31 August, were included in the linear increase of pensions. These amendments include another linear increase in pensions of 2,500 denars in March 2025 (to be paid in April). For more information see the following [link](#).

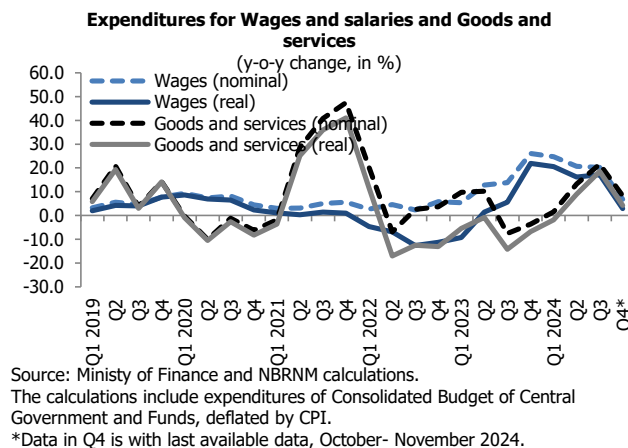
results of the Lending Survey from December show net easing of the credit conditions and net increase in the demand for total household loans in the last quarter. Slower growth was also recorded in import of consumer goods and gross VAT revenues, while domestic production of consumer goods and retail trade declined. The consumer confidence indicator²⁰ points to more favorable perceptions for the fourth quarter of 2024 relative to the previous quarter, especially compared to the same period in 2023.



1.3.2. Public consumption

Also in the third quarter of 2024, the growth of public consumption kept accelerating and reached 13.3% (9% in the previous quarter), amid quarterly rise of 2.5%. According to the budget data, this period witnessed a real increase in almost all public consumption categories²¹ particularly in expenditures for goods and services, transfers to the Health Insurance Fund and wage expenses.

Budget performance for the period October-November 2024 points to further, but slower, real annual growth in public consumption.



²⁰ European Commission's Consumer Survey as of December 2024. The chart shows consumer confidence index as a net percentage of responses. This index is an integral component of the total index of economic confidence.

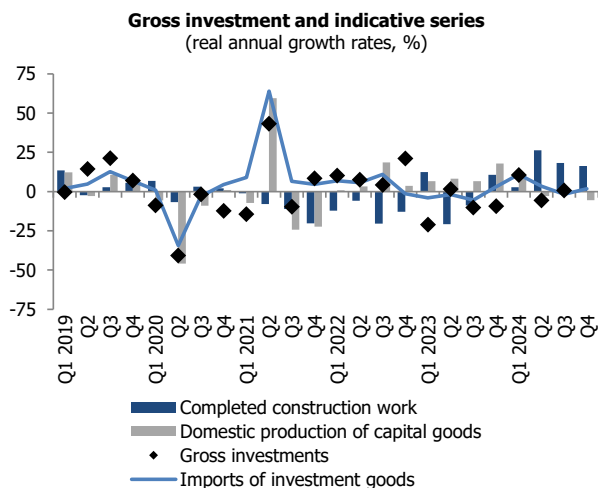
²¹ A decrease was registered only in transfers to the PDIFRNM.

1.3.3. Investment consumption

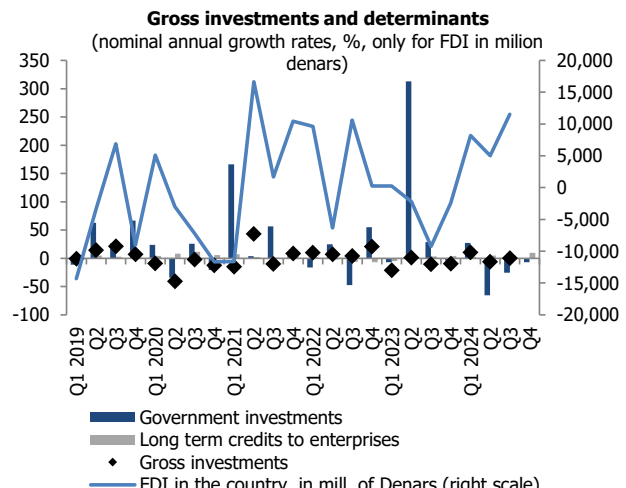
After a decline in the second quarter, gross investments in the third quarter of 2024 registered a small real annual growth of 0.6%, while on a quarterly basis they fell by 1.6%.

In this period, a nominal increase was registered in the part of gross investments in fixed assets, while decrease in the change in inventories²². Analyzed by indicative categories pertaining to investments in fixed asset, in the third quarter both foreign direct investments and long-term corporate loans recorded accelerated growth, the domestic production of capital goods recorded a small growth, after the decline in the previous quarter, while the construction work performed and income tax revenues continued to grow, but at a slower pace compared to the previous quarter. On the other hand, the government capital investments recorded a slower decline, with the import of working capital also recording a real decline, in contrast to the growth in the previous quarter.

Regarding the high frequency data on the gross investments²³ for the period October-November 2024, accelerated growth is observed in the credit support to enterprises, which is in accordance with the results of the Lending Survey for the fourth quarter of 2024, which points to a net easing of the overall credit conditions, with a simultaneous net increase in the demand for corporate loans. Income tax registered an accelerated growth, with an increase, after the decline in the previous quarter, also been registered in the import of means of operations. In addition, high increase was further registered in the completed construction works. On the other hand, a further, but significantly smaller decline compared to the previous quarter, has been recorded in government capital investments, the fall in total industrial output has deepened slightly, and domestic production of capital goods and inventories of finished goods have decreased, in contrast to the growth registered in the third quarter.



Source: State Statistical Office, Ministry of Finance and NBRNM



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

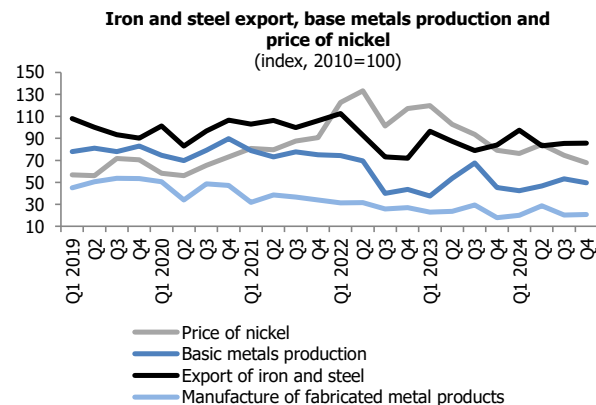
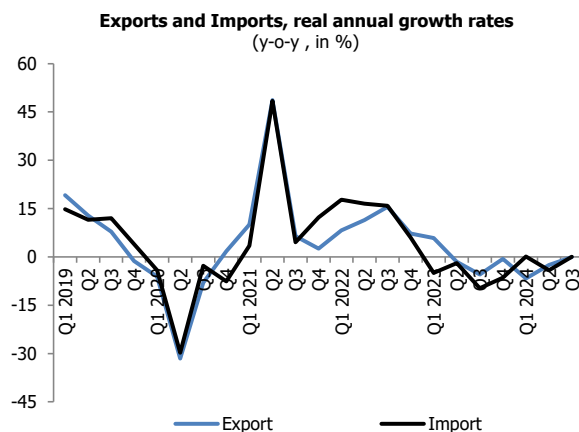
²² According to the release of the SSO on [Gross Domestic Product, third quarter of 2024](#).

²³ Data on completed construction works and inventories of finished goods are as October 2024, while data on long-term corporate loans, government capital investments imports of investment products and domestic production of capital goods refer to the period October- November 2024.

1.3.4. Net external demand

In the third quarter of 2024, net exports had a negative contribution to GDP growth. Namely, the export of goods and services, after a real annual decline in the previous five quarters, stagnated in the third quarter of 2024 (real annual rate of 0%), while on a quarterly basis, it increased by 0.2%. Similar movements on an annual basis were registered in imports (real annual rate of 0%), while on a quarterly basis, it fell by 0.9%.

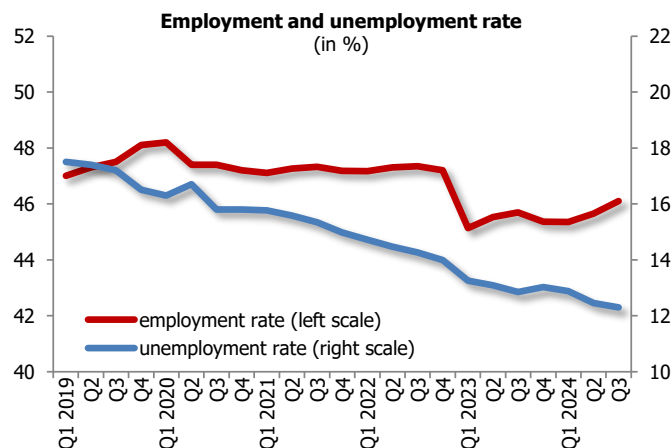
Foreign trade data referring October - November 2024 period indicate further potential deficit enlargement compared to the same period last year, amid larger nominal decrease in the export than the import of goods.



1.4. Employment and wages

In the third quarter of 2024, the labor market registered moderate positive developments on an annual basis. Thus the employment rate reached 46.1%, which is an increase of 0.4 percentage points compared to the same quarter of the previous year, in conditions of an increase in the number of employees of 0.8%. There was a similar change in the unemployment rate (a decrease of 0.5 percentage points), which decreased to the historically lowest level of 12.3%, with an annual decrease in the number of unemployed persons of 3.7%. Such developments in key labor market parameters contributed to an increase in the active population on an annual basis (of 0.2%) and a decrease in the inactive population (of 0.4%). According to survey research in October and November 2024, the optimism among company managers regarding new employment has increased compared to their perceptions in the third quarter. Regarding the labor cost, in the third quarter of 2024 the wages kept registering two-digit growth on an annual basis, but slowly compared to the previous quarter.

In the third quarter of 2024, moderate positive developments on annual basis on the labour market²⁴ were recorded. Thus the employment rate equals 46.1%, which is higher by 0.4 percentage points compared to the same quarter of the previous year, in conditions of an increase in the number of employees of 0.8%. Analyzed by individual activities, the most significant contribution to the annual growth in the number of employees is made by the activities "agriculture, forestry and fishing", "processing industry", "accommodation and food service activities" and "mining and quarrying". In contrast, a greater decrease in the number of employees is observed in "education". In terms of the economic status²⁵, annual increase in the number of employed persons has been registered in the categories "own account workers" and "unpaid family workers", while there is a decrease in "employees" and "employers".



Source: State Statistical Office, Labour Force Survey.

Note: Data since the first quarter of 2023 contain a methodological change, which has created a statistical break in the series.

In the fourth quarter of 2024, according to business tendency surveys²⁶, the employment expectations indicator shows increased optimism among business managers. At the same time, expectations in construction and retail trade regarding the future increase in the number of employees are more favorable, while expectations in industry and the service sector have worsened compared to the perceptions expressed in the previous quarter and in the same quarter of the previous year.

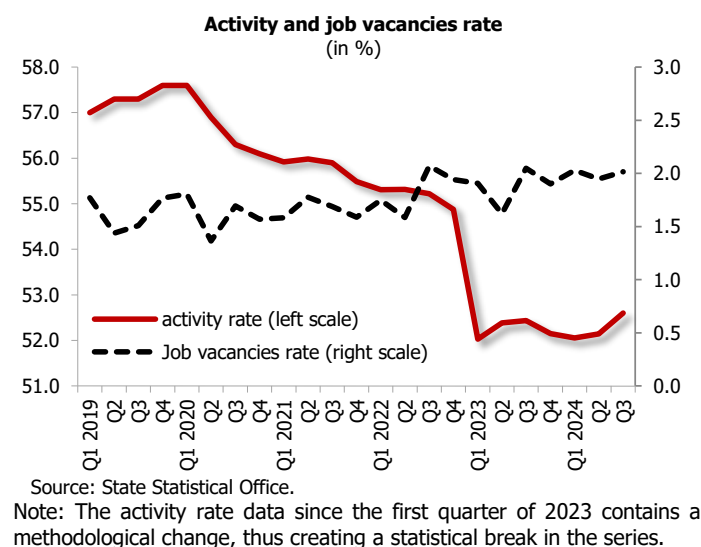
²⁴ In this quarterly information, we continue to make analysis on an annual basis based on comparable data since 2023. Comparability with previous years is limited due to the implementation of the new Regulation (EU) no. 2019/1700 of the European Parliament and the Council for Social Statistics and the corresponding executive regulation of the Commission (EU) no. 2019/2240 for the area of the workforce was implemented, while the previous Regulation (EC) no. 577/98 was repealed. The implementation of the new regulation caused changes in the research, starting from the changes in questionnaire, changes in the order of the questions, modifying and removing current and adding new questions, changes in the scope and definition of employment and unemployment.

²⁵ The classification by economic status applies to the following groups: **employers** - persons who operate their own business entity or engages independently in their own shop, or farm owners who hire other employees; **employees** - persons who work in government institutions, business entities in public, mixed, cooperative and undefined ownership or for private employer; **own-account workers** - persons who operate their own business entity, company, engage independently in their own business and work on a farm in order to generate income, while not hiring other employees; **unpaid family workers** - persons who work without pay in a business entity, shop or farm (owned by a family member).

²⁶ Source: European Commission, business tendency surveys, employment expectations in the next 3 months in industry, services, retail trade and construction.



The vacancy rate²⁷ was relatively stable, so in the third quarter of 2024 it equaled 2.0% (1.9% in the previous quarter). By activity, the highest vacancy rates were registered in "accommodation facilities and food service activities" (3.4%), "administrative and auxiliary service activities" (3.3%), "art, entertainment and recreation" (3.1%), "trade" (2.8%) and "education" (2.6%).



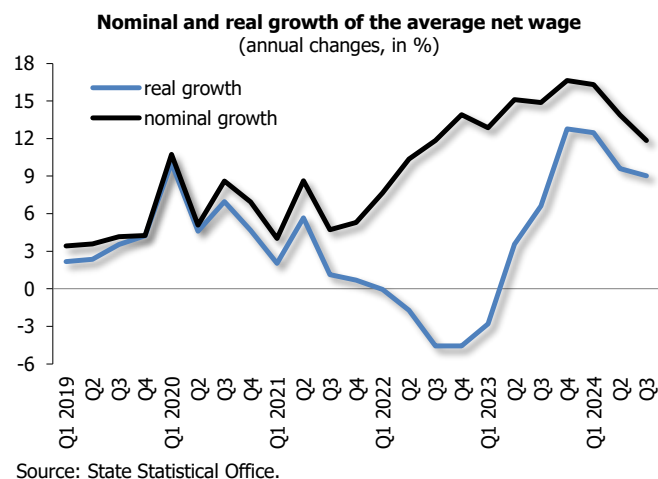
In terms of labor supply, in the third quarter of 2024 the active population recorded an annual increase of 0.2%, accompanied by a reduction in the inactive population of 0.4%, so the activity rate increased by 0.2 percentage points on an annual basis and equaled 52.6%.

The larger increase in the demand for labor than the increase in the supply of labor, led to further reduction in the unemployment in the third quarter of 2024. Thus, the number of unemployed persons decreased by 3.7% on an annual basis, which caused

²⁷ The job vacancy rate is defined as the ratio between the number of job vacancies and the total number of jobs. Usually, the job vacancy rate is considered along with the unemployment rate (a relationship known as the Beveridge Curve). The value of these two indicators provides labor market information about any skill mismatch. More precisely, if both indicators are moving simultaneously, the fluctuations are temporary, cyclical, and when the unemployment rate is decreasing, amid stable vacancy rate, these are structural changes, i.e. improved labor market efficiency.

a decrease in the unemployment rate, which was reduced to 12.3% (12.8% in the third quarter of 2023).

The average wage paid in the country continued to record two-digit annual growth on a net and gross basis in the third quarter of 2024, but slower compared to the previous quarter. As a result, the annual increase in the average net and gross wage equals 11.8% and 12.1%, respectively (13.9% and 14.1%, respectively in the previous quarter). The annual growth of wages also in this quarter in most part mirrors the transmission effect of the increase in the wages of the public sector employees²⁸ in September 2023, and in one part, it is a result of the increase in the minimum gross wage of 12.15% in March 2024²⁹ and consequently the linear growth of wages in the government administration. The growth in the minimum wage was driven by certain structural factors, such as lack of labor force in some labor market segments, which can be partially seen in the vacancy rates in individual activities. Analyzing by activity, an annual wage growth was recorded in all economic activities, especially in: "arts, entertainment and recreation", "education", "public administration and defense", "water supply", "manufacturing industry", "financial and insurance activities" and "transport and storage". In conditions of growth in consumer prices of 2.6%, **real net and gross wages in the third quarter increased by 9.0% and 9.2%, respectively on an annual basis, which is slight deceleration compared to the increase in the preceding quarter.** In October 2024, the annual growth of the average net wage slowed further, to 8.5% nominally and 4.8% in real terms.



1.5. Inflation

In the fourth quarter of 2024, the annual inflation rate accelerated to 4.1% (2.6% in the previous quarter) as a result of the food prices. The accelerated growth of the food component is expected and is mainly a result of the lower comparison base from last year, due to the measures taken at that time to temporarily limit

²⁸ In accordance with the new collective agreement for the public sector from July 2023, public sector wages increased by 10% in September 2023.

²⁹ In accordance with the latest amendments to the growth of the minimum wage (Official Gazette of the Republic of North Macedonia No. 68/24) from March 2024, the minimum net wage increased by Denar 2,392. The minimum gross wage, from March 2024 to February 2025, is Denar 33,352 (previously Denar 29,739), while net wage is Denar 22,567 (previously Denar 20,175). This increase is calculated in accordance with the methodology from March 2022, which harmonizes the minimum wage with the increase of the average wage paid in the country and the consumer price index for the previous year i.e. - 50% of the increase of each indicator, respectively. Moreover, it is defined that the minimum wage cannot be lower than 57% of the average net wage paid in the RNM for the previous year.

price growth that were in force in the last months of the year. This was partly mitigated by this year's measure to limit the profit margin in the trade of some basic food products. Movements in the other inflation components are favorable, i.e. core inflation is almost stagnate on an annual basis, with a minimal shift reflecting the rise in tobacco prices due to the increased excise duty. Energy prices continued to decline amid reduced prices of all energy sources. For the entire 2024, the average annual inflation rate was in line with the expectations and equaled 3.5%. In terms of the factors that would influence the future short-term dynamics of consumer prices, and in the fourth quarter the prices of domestic producers of industrial products registered accelerated growth, in conditions of stable rate of imported inflation. In terms of the inflation expectations in the next period, the National Bank Survey showed that the economic analysts further expect its further deceleration, which is similar to the projected inflation dynamics of the National Bank and international institutions.

1.5.1. Current inflation

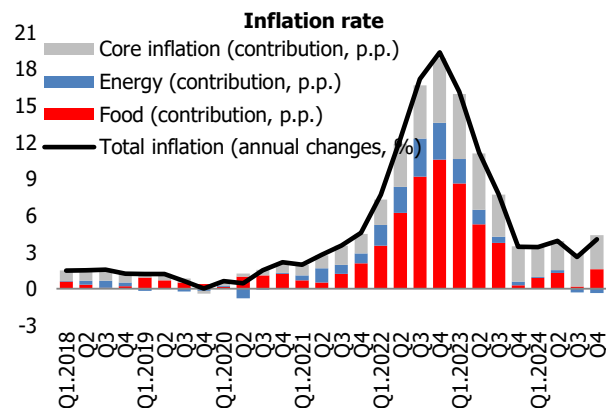
In the fourth quarter of 2024, the annual inflation rate reached 4.1% (2.6% in the previous quarter)³⁰. The acceleration of price growth in this period is due to the food component prices given a lower comparison basis³¹, as well as the minimally higher growth in core inflation. On the other hand, the prices of energy sources declined further. During this quarter, price reduction measures were introduced. Thus, from the end of September to the end of October, a measure to limit the profit margin in the trade of some basic food products³² was introduced, which contributed to mitigate the effects of the comparison basis on food prices. Also, since mid-December, the application of the so-called "New Year's consumption basket" began, which is a promotional reduction in the prices of certain food products, alcoholic and non-alcoholic beverages that are best-selling during the New Year holidays and which should be sold at prices lower by at least 10% in the period from 15 December 2024 to 15 January 15 2025³³.

³⁰ On a quarterly basis, domestic consumer prices increased by 0.4%, and by 1.0% seasonally adjusted.

³¹ The lower comparison base is related to last year's measures to temporarily limit price growth, while this year's measure to limit the profit margin lasted approximately one month (from 24 September to 31 October 2024).

³² The measure was effective from 24 September to 31 October 2024, according to which the gross profit margin cap of the products covered by the measure was in the total of up to 10% in wholesale trade and up to 10% in retail trade for all trade companies and sole proprietors in the trade chain ([link](#)).

³³ What is different from previous measures is that this is not an intervention measure, it is not a price restriction, but an agreement with all stakeholders, and it will only be checked whether the agreement is respected, which should reduce the prices of the agreed products by at least 10%, which have been selected by mutual consensus (for more information, see the following [link](#)). The list and number of products and companies included in the so-called "New Year's consumption basket" can be found at the following [link](#). Such a measure is expected to have a favorable effect only on the inflation rate in January 2025 due to the manner of recording the prices by the State Statistical Office.



Source: State statistical office and NBRNM calculations.

The annual growth of food prices in the fourth quarter of 2024 accelerated and averaged 4.3% (0.5% in the previous quarter). This upward movement in food prices is largely due to the increase in prices in the "vegetables" category, which recorded a decline in the previous quarter, and to the stronger price growth in the "milk, cheese and eggs" and "meat" categories. This movement is mainly a result of the lower comparison base from last year when the above-mentioned measures to temporarily limit price growth were in force, and at the end of October, the measure to limit the profit margin in the trade of some basic food products also ceased to be valid. From the aspect of factors for the future movement of the inflation³⁴, in this period, world prices of basic food products are increasing, after a longer period of decline, with higher growth also being recorded in the selling prices of domestic food producers, as well as in foreign effective food prices denominated in euros³⁵.

	annual changes, in %										contributions to annual changes, in p.p.										
	2023				2023	2024				2024	2023				2023	2024				2024	
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		
Consumer price index - all items	16.1	11.2	7.7	3.4	9.4	3.4	3.9	2.6	4.1	3.5	16.1	11.2	7.7	3.4	9.4	3.4	3.9	2.6	4.1	3.5	
Food	24.6	14.5	10.2	0.8	11.8	2.4	3.5	0.5	4.3	2.7	8.6	5.3	3.8	0.3	4.3	0.9	1.3	0.2	1.6	1.0	
Energy	15.3	9.2	3.7	2.2	7.3	0.5	1.8	-2.4	-2.7	-0.7	2.0	1.2	0.5	0.3	1.0	0.1	0.2	-0.3	-0.3	-0.1	
Electricity	14.0	14.0	8.1	8.1	10.9	2.7	2.7	-0.9	-0.9	0.8	1.0	1.0	0.6	0.6	0.8	0.2	0.2	-0.1	-0.1	0.1	
Heat energy	14.2	14.2	4.3	2.3	8.4	3.5	3.5	1.5	-1.8	1.6	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Fuels and lubricants	4.2	-14.3	-13.3	-8.6	-8.5	-2.4	3.9	-5.6	-6.4	-2.7	0.1	-0.5	-0.5	-0.3	-0.3	-0.1	0.1	-0.2	-0.2	-0.1	
Food and energy (volatile prices)	22.2	13.2	8.5	1.1	10.7	1.9	3.1	-0.2	2.5	1.8	10.7	6.5	4.3	0.6	5.3	1.0	1.5	-0.1	1.3	0.9	
Core inflation calculated by the NBRNM (total index - food and energy (categories 01.1, 04.5, 07.2.2))	10.2	9.1	7.0	5.9	8.0	5.0	4.8	5.5	5.6	5.2	5.3	4.6	3.5	2.9	4.0	2.4	2.4	2.7	2.8	2.6	
Overall index excluding energy, liquid fuels and lubricants and unprocessed food (SSO)	15.8	11.2	7.2	3.7	9.3	3.3	4.6	4.3	4.9	4.3											
Overall index excluding energy, liquid fuels and lubricants, unprocessed food, tobacco and alcoholic beverages (SSO)	16.6	11.4	7.2	3.4	9.4	2.7	4.5	4.2	4.6	4.0											

Source: State Statistical Office and NBRNM calculations.

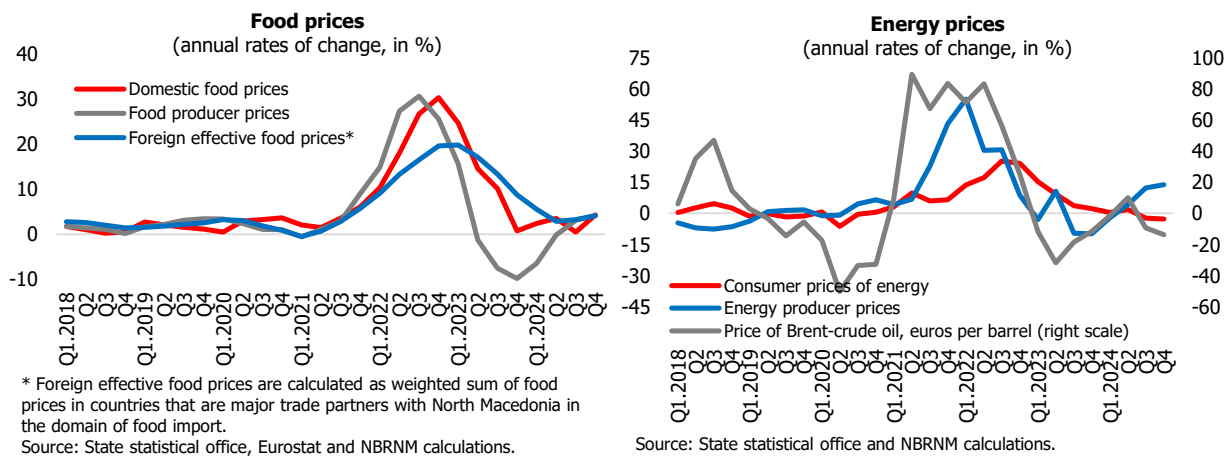
In the fourth quarter of 2024 as well, the energy prices declined further, registering an annual decrease of 2.7% (2.4% in the previous quarter), which again is mainly due to the decline in the prices of oil derivatives, in line with the developments on the world markets. In conditions of minimal correction in July 2024, electricity prices³⁶ also have a negative contribution because of the price reduction at the beginning of 2024 and the base

³⁴ Additionally, in accordance with the period of application of the so-called "New Year's Consumption Basket" and the period of price recording, favorable effects on the inflation rate in the next quarter are expected.

³⁵ Data on sales prices of domestic food producers and foreign effective food prices refer to the first two months of fourth quarter of 2024.

³⁶ According to the prepared draft decision on the establishing selling prices by the Universal supplier, and confirmed by RCE for the appropriate application of the tariff system, from 1 July 2024, implementation of the new electricity prices for small consumers/households began ([link](#)). Accordingly, for 88% of the households that are in the first and second block, the price of electricity has been corrected by 0.4%. For those consumers who are in the third block, which is about eight percent of the households, the price has been increased by 0.48% and for the fourth block the price went up 0.57% ([link](#)).

effect associated with the price increase in July 2023. In addition, with the reduction in central heating prices in August³⁷, they also decreased in this quarter.



In the fourth quarter of 2024, the core inflation accelerated slightly and it equaled 5.6% on annual basis (5.5% in the preceding quarter), which is mainly a reflection of the stronger growth in tobacco prices³⁸, resulting from the increased excise and increase in the prices of catering services. Hence, these prices contributed the most to the core inflation in this quarter, with the prices of non-alcoholic beverages, accommodation services, as well as the categories "housing", "furniture, household goods and household maintenance" and "clothing and footwear" also have a more significant contribution. Regarding other inflation sub-indices, which exclude the most volatile prices, they registered slight growth acceleration in this quarter. Thus, the total index, excluding energy³⁹, liquid fuels and lubricant oils (for transport) and unprocessed food registered an annual growth of 4.9% (4.3% in the previous quarter), while the annual increase in the total index, excluding energy, liquid fuels and lubricant oils (for transport), unprocessed food, tobacco and alcoholic beverages, equaled 4.6% (4.2% in the previous quarter).

In the fourth quarter of 2024, **the industrial producer prices registered an annual growth of 6.0%⁴⁰, which is an acceleration compared to the previous quarter (4.2%)**. Moreover, the increase in prices of consumer goods this quarter also has the largest contribution to the overall growth in production prices, with the energy prices also having positive contribution. By activity, also during this quarter the growth largely stems from the increase in energy prices, food prices and beverages. **Hence, producer prices of energy and consumer goods**, as an aggregate category and as a factor that influences the dynamics of consumer prices, registered an increase of 10.0%, which is slight acceleration compared to the growth in the previous quarter (7.7%). **On the other hand, the foreign effective**

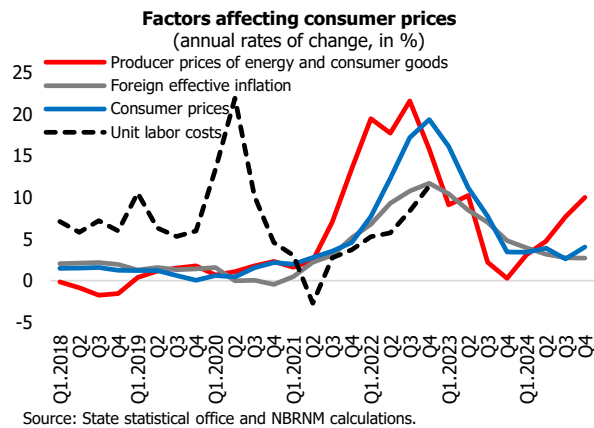
³⁷The Energy Regulatory Commission (ERC), adopted a decision according to which the prices of heat for households will be reduced by 3.16% as of August ([link](#)).

³⁸ In accordance with the amendments to the Law on Excise, the cigarette excise duty increased by 0.23 denars per piece, effective from January 2024. In the last quarter of the year, the price of cigarettes increased by an additional 10 denars. ([link](#)). As for the other tobacco products, see the amendments on the following [link](#). Furthermore, the excises are expected to increase every year until 2030.

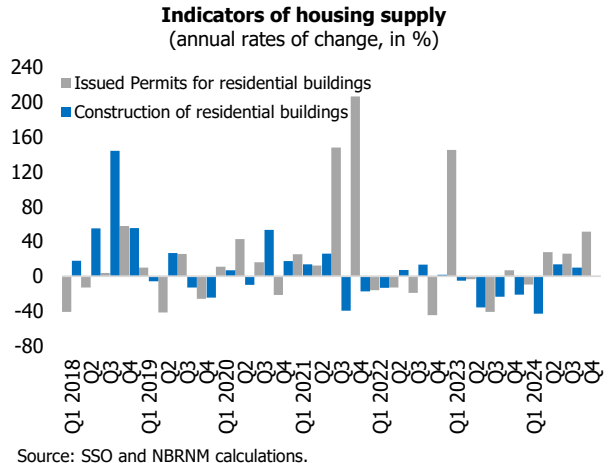
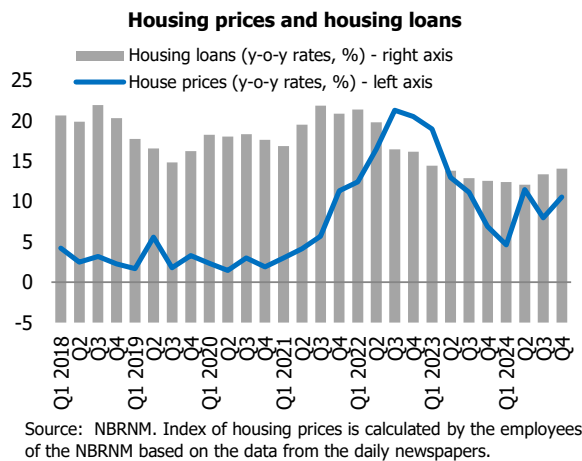
³⁹ The energy category includes electricity, gas, liquid and solid fuels for heating and central heating.

⁴⁰ The analysis of producer prices of industrial products uses data for the first two months of the fourth quarter of 2024.

inflation⁴¹, as an indicator of imported inflation, in the fourth quarter, registered an annual growth rate of 2.7%, the same as in the previous quarter.



In the fourth quarter of 2024, **the growth of the housing prices** accelerated, measured by the Hedonic index⁴², which equaled 10.6% on an annual basis (8.0% in the previous quarter). In terms of supply, in the third quarter of 2024, the value of constructed residential buildings registered further, but slower growth of 9.9% on an annual basis (13.7% in the preceding quarter). The available data on the value of the approvals issued for the construction of residential buildings in the fourth quarter of 2024⁴³ currently indicate further high annual growth, in conditions of low comparison basis. Analyzing housing demand, slight acceleration of the annual growth in the housing loans in this period has been registered⁴⁴.



⁴¹ The calculation of foreign effective inflation derives from the weighted sum of consumer price indices of the countries that are major partners of the Republic of North Macedonia in the field of import of consumer goods. The weight structure is based on the normalized shares of nominal imports from each country in the total nominal imports in the period 2016-2018. The calculation of this indicator includes Bulgaria, Germany, Greece, France, Italy, Austria, Slovenia, Croatia, Serbia, Poland and Spain. The data refers to the first two months of the fourth quarter of 2024.

⁴² Hedonic index of housing prices, prepared by the National Bank on the basis of notices of sale in the capital city, and published by real estate agencies. The apartment price is a function of the apartment size, location, floor, use of central heating and construction date.

⁴³ The analysis refers to the first month of the fourth quarter of 2024.

⁴⁴ Available data for the first two months of the fourth quarter of 2024.

1.5.2. Inflation expectations

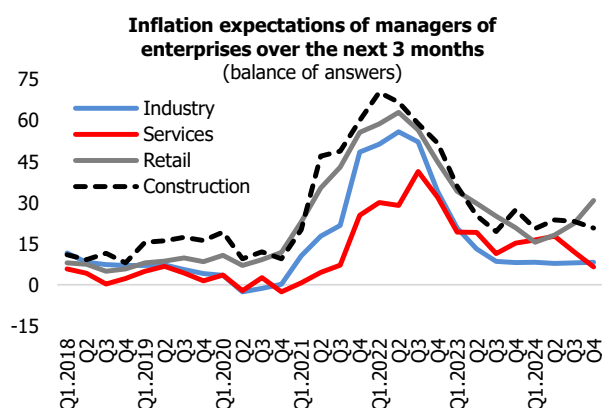
Regarding the expected trend of the inflation rate, domestic and international institutions predict a downward trend in the growth of consumer prices in the coming period. The surveyed economic analysts had similar expectations presented in the **Survey on Inflation Expectations and Expectations for the Movement of the Real GDP**⁴⁵, conducted in December 2024, according to which the inflation rate is predicted to decrease to the level of 3.5% in 2024, 3.0% in 2025 and 2.5% in 2026, in line with expectations for more moderate price pressures due to the gradual stabilization of food and energy prices, the measures taken by policymakers, as well as the slowdown in foreign inflation.

Forecasts and expectations for the inflation rate

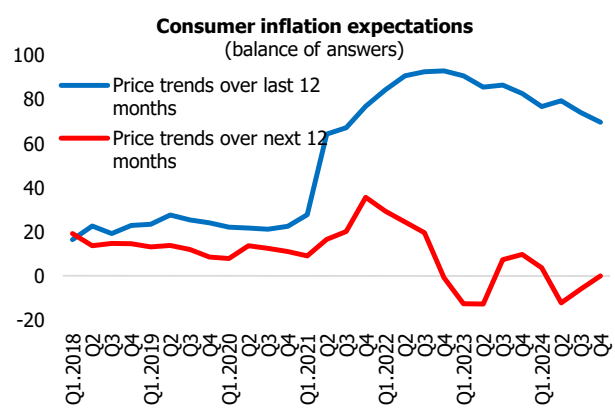
	2024	2025	2026
Economic analysts	3.5	3.0	2.5
IMF	3.3	2.3	2.0
Consensus Forecast	3.6	3.1	
Ministry of Finance	3.5	2.2	2.0
NBRNM	3.5	2.5	2.0

Source: Inflation and real GDP growth expectations survey, december 2024; IMF, World Economic Outlook, October 2024; Consensus Forecast, December 2024; Ministry of Finance, Fiscal Strategy of the Republic of North Macedonia 2025-2029, September 2024; and NBRNM, October 2024.

Weaker pressures from energy prices have a positive impact on expectations for future short-term price movements in the construction segment and the services sector. Thus, within **the corporate sector**⁴⁶, in the fourth quarter of 2024, on average, expectations for price movements in the next three months are slightly more favorable in the manufacturing, construction and services sectors, where a decrease in the number of company managers expecting an increase in the prices of their products is observed, in comparison with the previous quarter. On the other hand, expectations for price growth prevail in the manufacturing industry and retail trade. Regarding **consumer expectations for price changes in the next 12 months**⁴⁷, the number of people who expect prices to decrease in the next 12 months is almost equal to those who expect price growth, however the expectations for price drop still prevail.



Source: European Commission.
Data for the corresponding quarter are mean values from monthly data.



Source: European Commission.
Data for the corresponding quarter are mean values from monthly data.

⁴⁵ In October 2017, the National Bank modified its Inflation Expectations Survey. The new Inflation and Real GDP Expectations Survey is conducted on a sample of economic analysts, extending the Survey subject in line with the practice of the European Central Bank (ECB). The Survey results can be found at the following [link](#).

⁴⁶ European Commission's business tendency surveys in industry, retail trade, construction and services sector as of December 2024.

⁴⁷ European Commission's Consumer Survey as of December 2024.



1.6. Balance of payments

In the third quarter of 2024, the current account recorded a surplus of 1.8% of GDP, which is slight improvement compared to the same period last year. The main factor for the improved performance is the higher surplus in services, which is due to the significantly lower deficit in construction services compared to the same period of the previous year, when larger advance payments based on construction of corridors 8 and 10-e were realized, as well as higher surplus in travelings. On the other hand, the lower surplus in secondary income, largely influenced by lower inflows in private transfers, as well as the slightly higher deficit in primary income, had an opposite effect. In the financial account, net outflows GDP were recorded in the third quarter, as a result of realized net outflows in most categories, which were largely offset by further solid net inflows fbased on FDI. Foreign reserves remain within the safe zone also during this period.

	2023					2024				2023					2024			
	Q1	Q2	Q3	Q4	I-XII	Q1	Q2	Q3	I-IX	Q1	Q2	Q3	Q4	I-XII	Q1	Q2	Q3	I-IX
	In millions of euros									% of GDP								
I. Current account	78.6	-126.7	229.1	-125.4	55.6	-190.4	-104.9	263.3	-32.0	0.5	-0.9	1.6	-0.9	0.4	-1.3	-0.7	1.8	-0.2
Goods and services	-366.2	-581.9	-341.1	-609.3	-1898.6	-512.9	-497.3	-265.9	-1276.2	-2.5	-4.0	-2.3	-4.2	-13.0	-3.5	-3.4	-1.8	-8.8
Credit	2414.4	2483.2	2478.9	2510.4	9886.8	2290.8	2412.3	2528.9	7232.1	16.6	17.0	17.0	17.2	67.8	15.8	16.7	17.5	49.9
Debit	2780.6	3065.1	2820.0	3119.7	11785.4	2803.8	2909.7	2794.9	8508.3	19.1	21.0	19.3	21.4	80.8	19.4	20.1	19.3	58.7
Goods	-620.5	-596.4	-634.0	-783.2	-2634.1	-816.1	-740.3	-632.3	-2188.7	-4.3	-4.1	-4.3	-5.4	-18.1	-5.6	-5.1	-4.4	-15.1
Services	254.3	14.5	292.9	173.9	735.5	303.1	243.0	366.4	912.5	1.7	0.1	2.0	1.2	5.0	2.1	1.7	2.5	6.3
Primary income	-183.0	-184.4	-189.6	-185.4	-742.4	-196.9	-193.2	-197.8	-588.0	-1.3	-1.3	-1.3	-1.3	-5.1	-1.4	-1.3	-1.4	-4.1
Secondary income	627.8	639.7	759.8	669.4	2696.6	519.4	585.7	727.0	1832.2	4.3	4.4	5.2	4.6	18.5	3.6	4.0	5.0	12.6
II. Capital account	0.2	-0.5	-0.5	-0.1	-0.9	0.0	0.5	-0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net lending (+) / net borrowing (-) (balance from current and capital account)	78.8	-127.2	228.5	-125.5	54.7	-190.4	-104.3	263.0	-31.7	0.5	-0.9	1.6	-0.9	0.4	-1.3	-0.7	1.8	-0.2
III. Financial account	-191.1	-172.1	565.2	-709.2	-507.2	109.3	-78.5	276.3	307.1	-1.3	-1.2	3.9	-4.9	-3.5	0.8	-0.5	1.9	2.1
Direct investment	-129.5	-119.7	-40.1	-198.8	-488.1	-268.8	-209.3	-237.0	-715.1	-0.9	-0.8	-0.3	-1.4	-3.3	-1.9	-1.4	-1.6	-4.9
Portfolio investment	-438.5	20.0	414.9	37.6	34.0	67.0	47.3	106.8	221.1	-3.0	0.1	2.8	0.3	0.2	0.5	0.3	0.7	1.5
Currency and deposits	124.0	120.1	268.1	-99.5	412.7	174.3	89.2	140.3	403.8	0.9	0.8	1.8	-0.7	2.8	1.2	0.6	1.0	2.8
Loans	163.7	-174.2	-8.1	-384.9	-403.5	23.0	-48.2	69.7	44.5	1.1	-1.2	-0.1	-2.6	-2.8	0.2	-0.3	0.5	0.3
Trade credit and advances	84.9	-17.7	-69.8	-63.6	-66.2	115.2	43.1	199.8	358.2	0.6	-0.1	-0.5	-0.4	-0.5	0.8	0.3	1.4	2.5
Other accounts receivable/payable	5.0	0.1	0.1	0.1	5.2	-0.3	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IV. Special drawing rights (Net incurrence of liabilities)	0.2	0.2	0.1	0.1	0.7	-0.1	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
V. Net errors and omissions	-3.2	7.3	27.9	9.0	41.1	7.8	41.3	9.9	59.0	0.0	0.1	0.2	0.1	0.3	0.1	0.3	0.1	0.4
VI. Reserve assets	266.7	52.3	-308.7	592.8	603.1	-291.9	15.4	-3.4	-279.9	1.8	0.4	-2.1	4.1	4.1	-2.0	0.1	0.0	-1.9

Source: NBRNM.

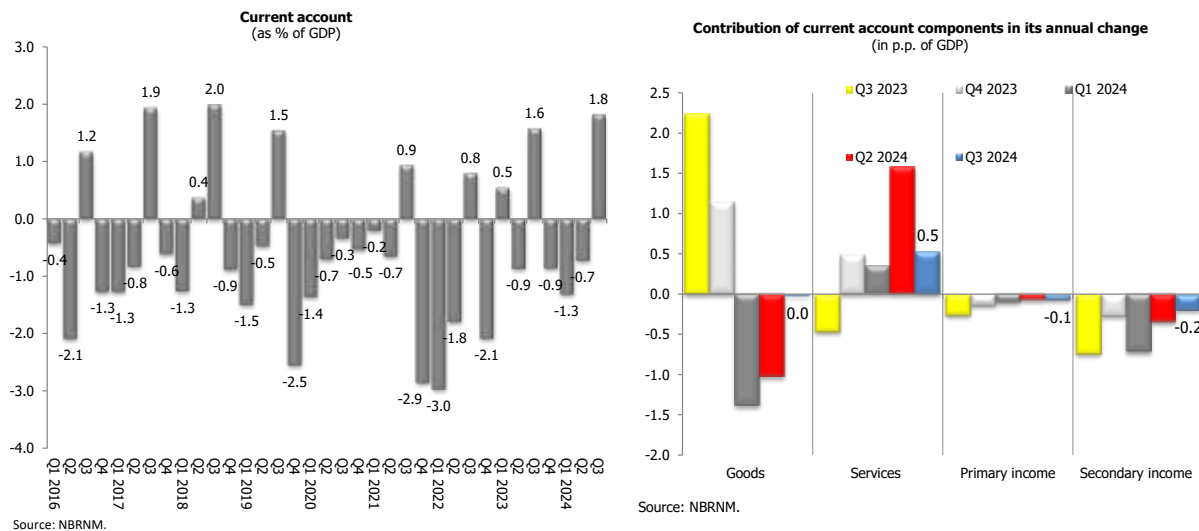
1.6.1. Current account

In the third quarter of 2024, the balance of payments current account registered a surplus in the amount of Euro 263.3 million, or 1.8% of GDP⁴⁸. Compared to the same period last year, slight improvement of 0.1 percentage point of GDP was registered, which was fully due to the higher surplus in services. Namely, the improved performance in services also in this period is largely the result of the lower deficit in construction services compared to the same period of the previous year, when larger outflows based on construction of corridors 8 and 10-e were realized, with an additional contribution being made by the higher surplus in travelings. On the other hand, the lower surplus in secondary income compared to the same period of the previous year, a result of lower realized inflows in private transfers, as

⁴⁸ The calculations use the nominal GDP forecast (from October 2021), which do not reflect the upward GDP revisions made by the SSO for 2022 and 2023.

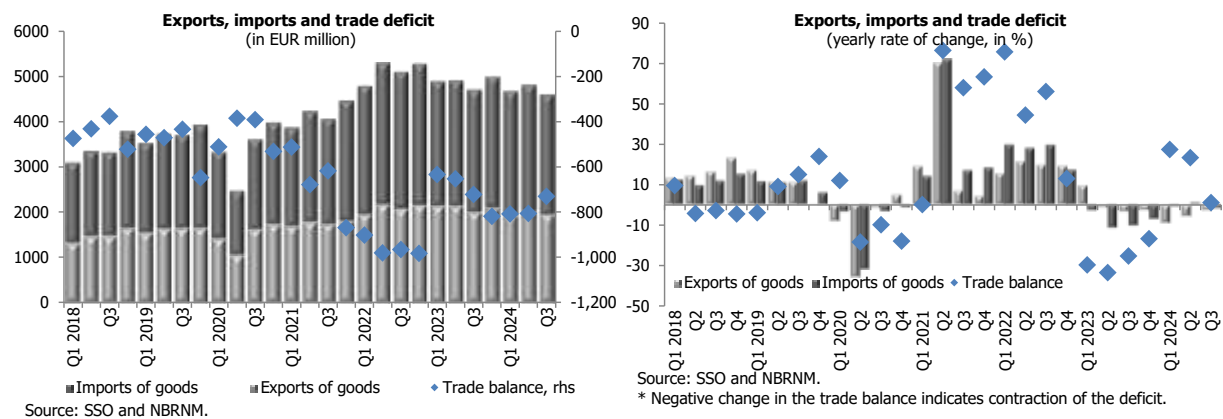


well as the slightly higher deficit in primary income, had a negative impact on current transactions compared to the performance in the third quarter of last year.



Annex 1: Foreign trade in goods and movement of the Nominal and the Real Effective Exchange Rate (NEER and REER)⁴⁹

Foreign trade amounted to Euro 4,593.3 million in the third quarter of 2024, i.e. 31.7% of GDP, which compared to the same quarter of the previous year is a decrease of 2.2% (or 0.5 percentage points of GDP). The lower foreign trade results from the further downward adjustment of the export component, amid an annual decline in the import of goods in this quarter.

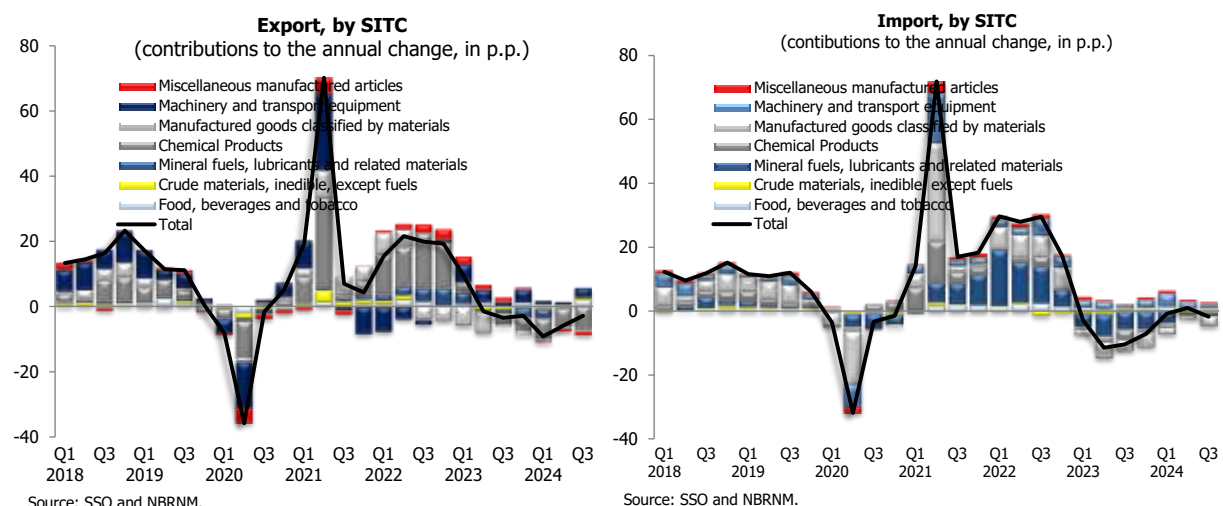


In the third quarter of 2024, the export of goods registered a decrease of 2.9% on an annual basis, but more moderate compared to the preceding quarters. The lower exports is further mainly connected with the negative contribution of export of chemical products related to the automotive industry. A negative contribution was also recorded by the export of vehicles, with a decrease in exports, although more moderate, also being recorded in some of the traditional export sectors, primarily clothing and textiles, and then iron and steel. In this quarter, a negative contribution was also made by the lower export of oil derivatives. The key contribution to the more moderate annual decline in exports was the better

⁴⁹ According to the Foreign Trade Methodology, data on export of goods are published on an f.o.b. basis, and on import of goods, on a c.i.f. - basis

performance of some of the other export sectors of the domestic economy. Thus, exports of equipment and machinery increased on an annual basis, which points to the good performance of the rest of the capacities of the automotive industry recorded in this quarter, as well. In addition, growth was recorded in the export of tobacco, electricity and ores. **Imports of goods in the third quarter of 2024 decreased by 1.8% on an annual basis.** The change reflects the reduced raw material imports of the industry, primarily due to the reduced import of non-ferrous metals, and then the energy component, i.e. the lower import of oil derivatives and natural gas, with higher import of electricity (which is entirely due to price growth). The remaining imports of the industry have a smaller negative contribution, which is evident from the lower import of iron, steel and ore. On the other hand, this quarter as well the import of vehicles increased, with a somewhat higher import of equipment and machinery also being registered. **The performance in both foreign trade components in the third quarter of 2024 resulted in trade deficit widening by 1.2% on an annual basis,** in conditions of a deficit in the non-energy balance, given simultaneous decrease in the deficit in the energy balance.

The latest available data for the period October-November 2024 indicate a further growth of both the export and the import component of foreign trade compared to the same period last year. The export of goods in October -November 2024 period was lower by 4.8% compared to the same period of the previous year. The annual change in exports largely reflects the performance of some of the automotive industry's facilities, i.e. lower export of chemical products, although exports of vehicles also recorded a further decline. On the other hand, the export of equipment and machinery registered annual increase. During these two months, the import of goods registered an annual drop of 1%. In line with export performance, lower import of the raw material component of some of the export capacities from the automotive sector have the greatest impact on the annual decrease in imports. Lower import of oil derivatives also have a smaller contribution, compared to import of equipment and machinery, which registered slight increase.



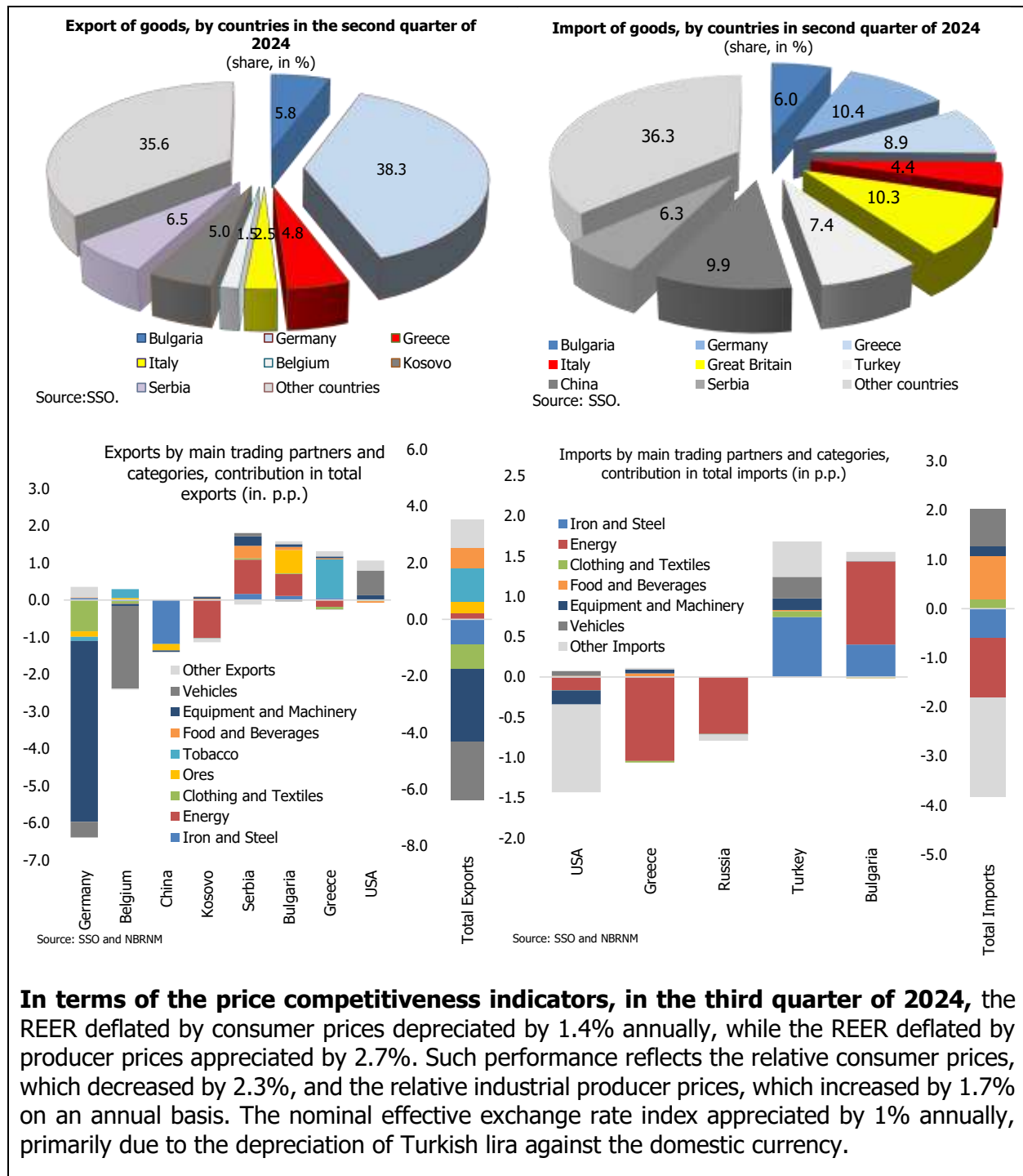
According to the analysis of import of goods from the aspect of the division by the System of National Accounts (SNA), there is an increase in the import of consumer goods, a slightly higher import of capital goods, while the import of intermediate goods continue to decline, as observed in several consecutive quarters. During this quarter, the import of private consumption goods⁵⁰ continues to increase in line with the growth dynamics of household consumption, with the

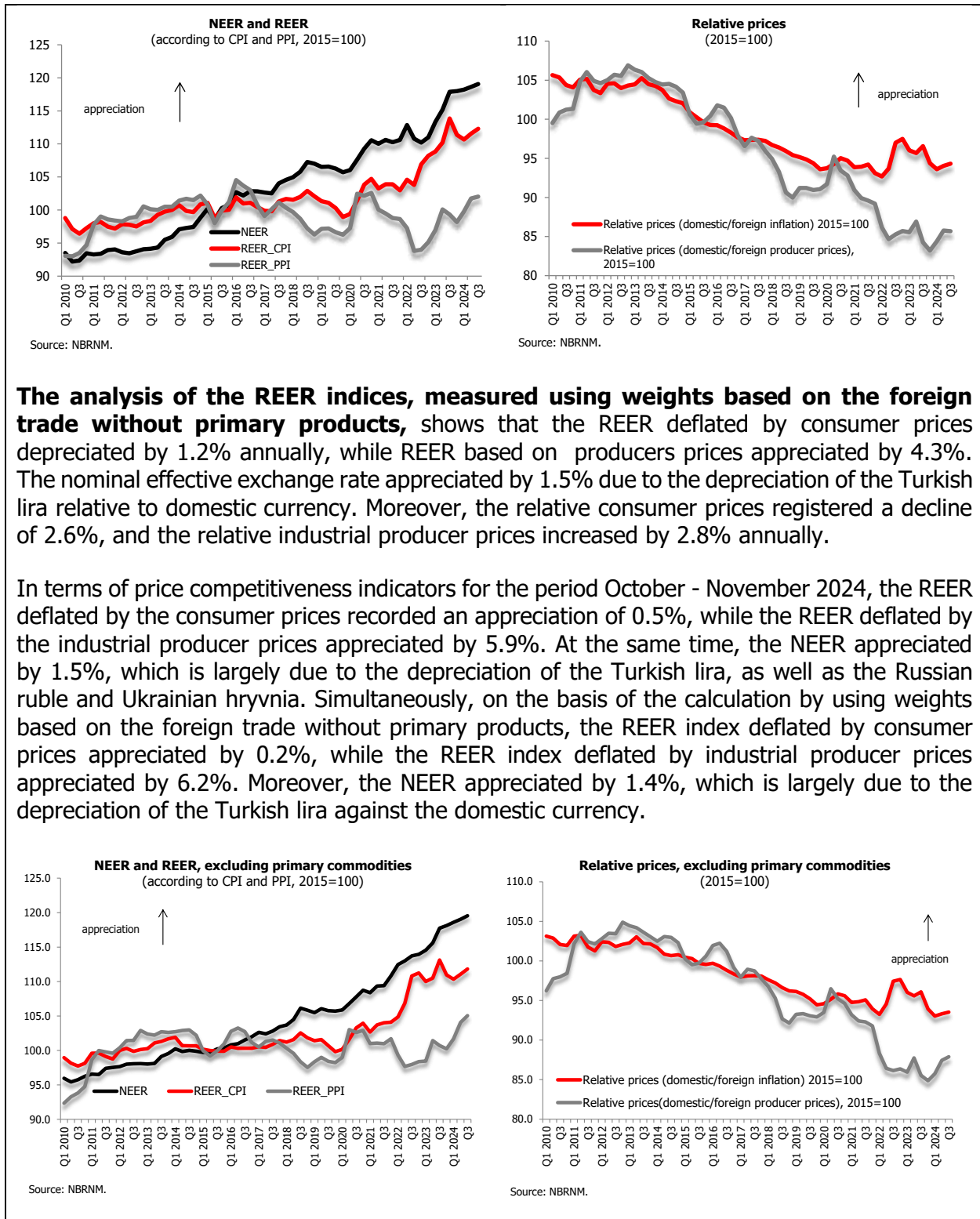
⁵⁰ The import of private consumption goods is analyzed as import intended for private consumption, approximated through the import of consumer goods and the estimated import of passenger vehicles for personal use.

import of consumer goods not elsewhere specified, as well as imports of food and beverages (processed) mainly for household use, still making the highest contribution to growth.



The foreign trade analysis, by trading partner, shows that in the third quarter of 2024, the European Union was the major trading partner of the domestic economy, making up 61.1% of total foreign trade. The analysis of the export side shows that the annual decline mainly reflects the reduced export of various chemical industry products to Germany. Lower exports of vehicles to Belgium also contributed to the decline, and there were also reduced exports of iron and steel to China, as well as energy products to Kosovo. At the same time, this performance was mitigated by increased export of energy products to Serbia and Bulgaria, and increased export of ore to Bulgaria. The positive contribution of the performances of the remaining part of the industry is mostly explained by increased exports of electrical equipment to the Czech Republic, increased export of tobacco to Greece, as well as increased export of vehicles to the USA. The analysis of the import side indicates that the largest contribution to the decline in imports is the lower import of several product categories from the United States, but mostly precious metals and ceramic products, as well as lower energy imports from Greece. Lower imports of precious metals are the reason for the reduced imports from Belgium, and the import of energy from Russia has also decreased. On the other hand, the import demand for iron and steel from Turkey, as well as the increased import of energy from Bulgaria, contributed to the growth of the import component. In terms of foreign trade balances by individual partners, a high individual contribution to the worsened trade deficit on an annual basis is the lower surplus in trade with Germany.

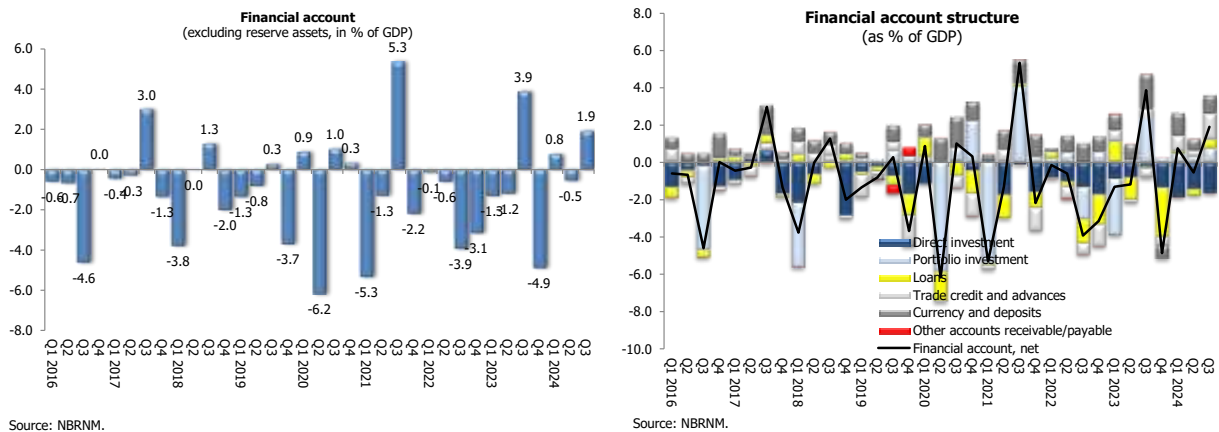




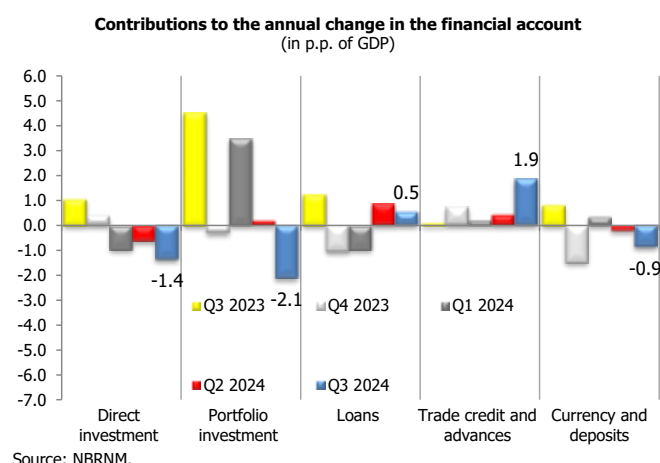
1.6.2. Financial account

In the third quarter of 2024, the financial account in the balance of payments registered net outflow of Euro 276.3 million or 1.9% of GDP. Moreover, the developments in the financial account are the result of net outflows in trade credits and advances, due to a decrease in liabilities created based on foreign trade operations in the private

sector, as well as net outflows in the category "currency and deposits". In addition, net outflows were also registered in portfolio investments in this quarter, resulting from the repayment of liabilities based on previously issued debt securities,⁵¹ as well as in loans. On the other hand, significant net inflows were realized in direct investments, mostly as a result of inflows in the debt component.



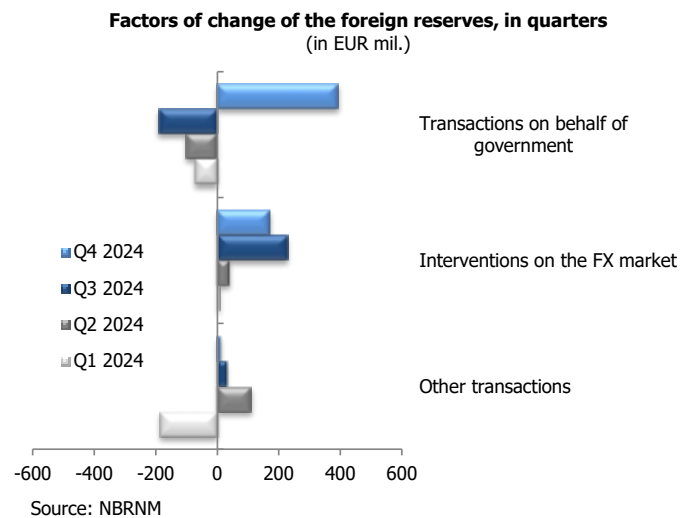
The annual analysis points to better performance in financial flows in the third quarter of 2024, where lower net outflows were realized compared to the same period of the previous year. The largest contribution to this performance was made by lower net outflows in portfolio investments, due to lower repayments on previously issued debt securities in the current quarter compared to the third quarter of the previous year. At the same time, higher net inflows were registered in direct investments, which is entirely due to the high net inflows in the debt component compared to the net outflows in the same period of the previous year. Lower net outflows in the category "currency and deposits" also acted in the same direction, primarily due to the performance in the banking sector. On the other hand, trade credits and advances registered net outflows, as opposed to the realized net inflows last year. Net outflows in loans also acted in the same direction, mainly due to the performance of short-term loans, compared to the small net inflows in the same period of the previous year.



At the end of the third quarter of 2024, the gross foreign reserves equaled Euro 4406.6 million, which is a quarterly increase of Euro 69.1 million. Analyzing the growth

⁵¹ On 30.9.2024, the second installment of the loan for registered securities NSV (Namensschuldverschreibungen) was repaid, in the amount of Euro 69.9 million.

factors, the increase in foreign reserves arises from the National Bank interventions on the foreign exchange market.



At the end of the fourth quarter of 2024, the gross foreign reserves equaled Euro 5,019 million, which is an increase of Euro 612.4 million, compared to the previous quarter. Analyzing growth factors, the increase in foreign reserves in this quarter mostly arises from transactions for the account of the Government, as well as from the interventions on foreign exchange market⁵².

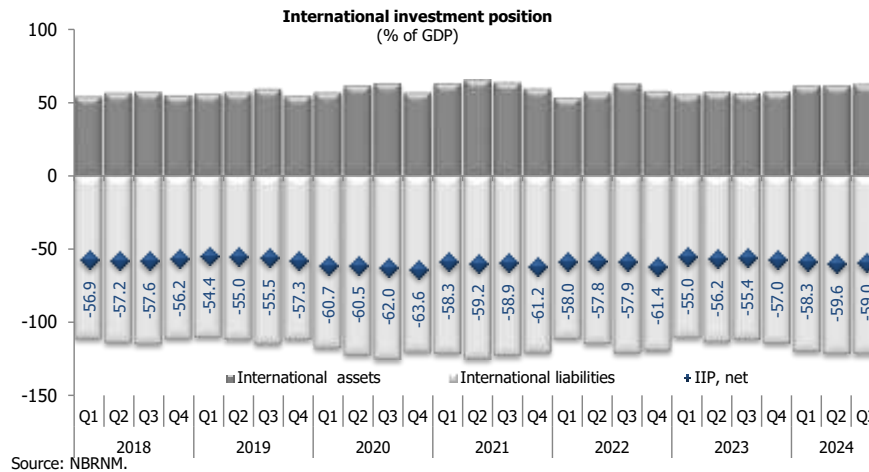
1.6.3. International investment position and gross external debt

At the end of the third quarter of 2024, the net international investment position of the Macedonian economy was negative and amounted to Euro 8,544.4 million, or 59% of GDP⁵³. Compared to the end of the previous quarter, the net debt position narrowed by 0.6 percentage points of GDP⁵⁴, which is due to the higher increase in international assets (of 0.9 percentage points of GDP), relative to the increase in the international liabilities (of 0.2 percentage points of GDP). Analyzed by sector, the quarterly change stems from the increase in the net assets of the central bank (growth in assets based on debt securities), as well as the decrease in the net liabilities of depository institutions and the Government.

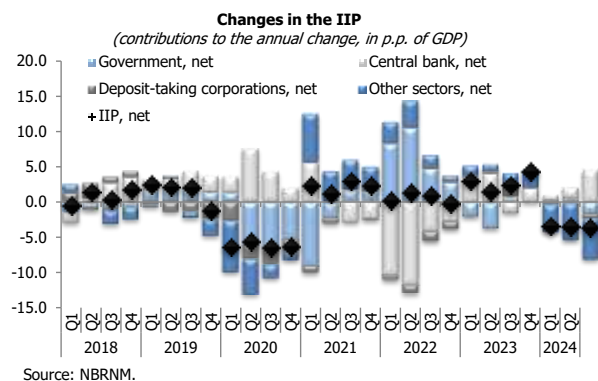
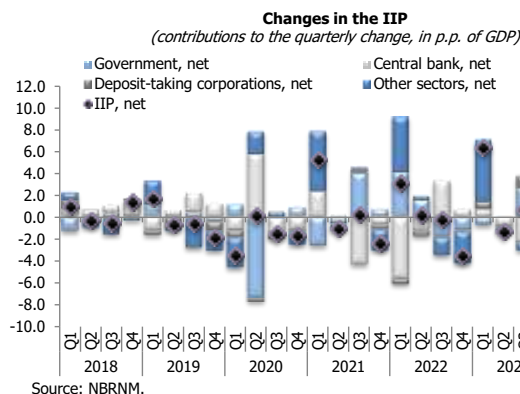
⁵² On 17 October 2024, the loan from Hungarian Export Import Bank PLC in the amount of Euro 500 million was received.

⁵³ The calculations use the nominal GDP forecast (from October 2024), which do not reflect the upward GDP revisions made by the SSO for 2022 and 2023.

⁵⁴ In absolute amounts, the net debt position of the Macedonian economy in the third quarter of 2024 registered a quarterly decrease of Euro 91.9 million.



Annually, the negative international investment position widened by 3.6 percentage points of GDP⁵⁵, in conditions of higher growth of international liabilities, than the growth of international assets (of 9.7 percentage points and 6.2 percentage points of GDP⁵⁶, respectively). The sectoral analysis shows that this change is mainly due to the higher net liabilities of the other sectors (resulting from higher liabilities based on direct investments), as well as the net position of the Government (higher liabilities based on long-term loans). On the other hand, the growth of the central bank's net assets contributed to a narrowing of the net debt position.



At the end of the third quarter of 2024, the balance of the gross external debt was Euro 11,856.7 million or 81.9% of GDP, which is a decline of 0.2 percentage points of GDP, compared to the previous quarter. *Excluding the effect of the specific foreign reserves management activities of the National Bank⁵⁷, the gross external debt equaled 79.2% of GDP and registered a quarterly increase of 0.5 percentage points of GDP⁵⁸*, amid increase in private debt (of 1.3 percentage points of GDP) and decrease in the public debt) of 0.8 percentage points of GDP). The growth in private debt stems from higher intercompany lending, while the quarterly decrease in public debt is largely due to a decrease in the external government

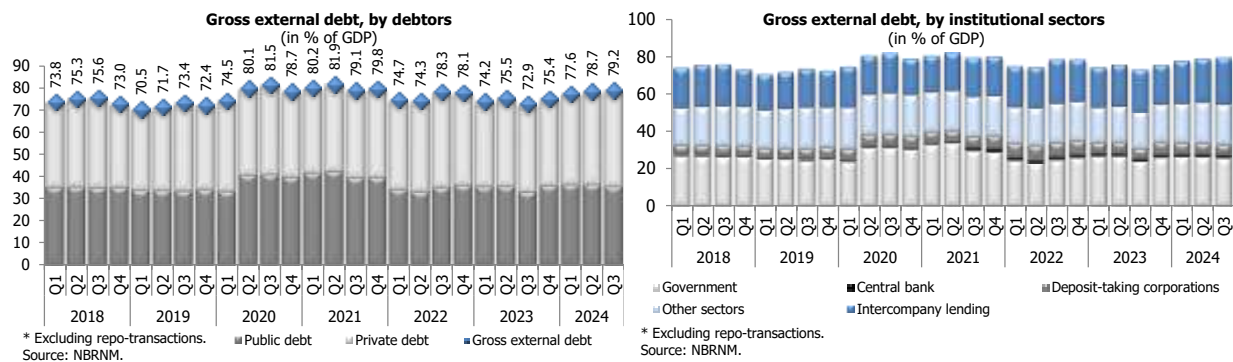
⁵⁵ In absolute amounts, the net debt position of the Macedonian economy in the third quarter of 2024 registered an annual growth of Euro 461.4 million.

⁵⁶ In absolute terms, in the third quarter of 2024, international assets recorded an annual growth of Euro 839.1 million, while international liabilities recorded an annual growth of Euro 1,300.4 million.

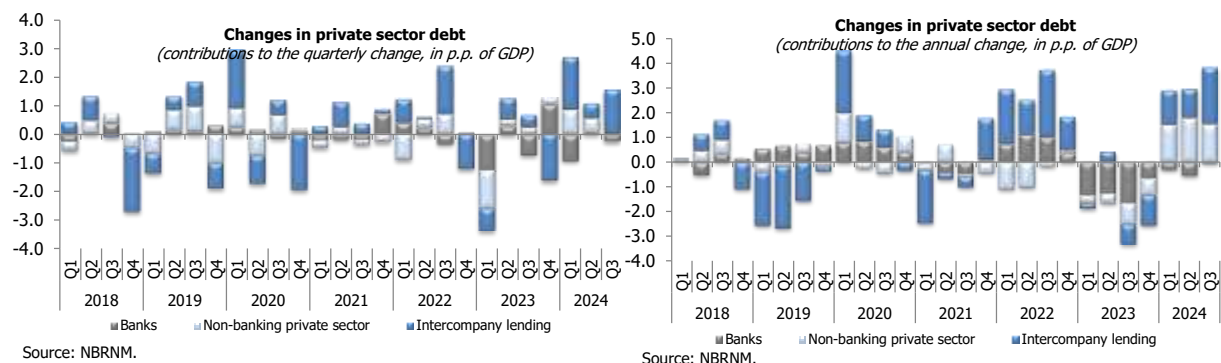
⁵⁷ The specific foreign reserves management activities of the central bank include repo agreements and other foreign reserves management operations.

⁵⁸ In absolute amounts, the gross external debt of the Macedonian economy in the third quarter of 2024 registered a quarterly growth of Euro 70.3 million.

borrowing (based on debt securities and long-term loans⁵⁹), as well as lower debt in public enterprises.



At the end of the third quarter, the gross external debt registered annual increase of 6.3 percentage points of GDP⁶⁰, in conditions of higher increase in public and private debt, (of 3.8 and 2.5 percentage points of GDP, respectively⁶¹). The annual increase in private debt reflects higher intercompany lending among capital-related entities and larger liabilities of the non-banking sector based on short-term trade credits. The change in public debt is due to increased liabilities of the central government based on long-term loans⁶², and to a lesser extent, higher debt among public enterprises and public banks.



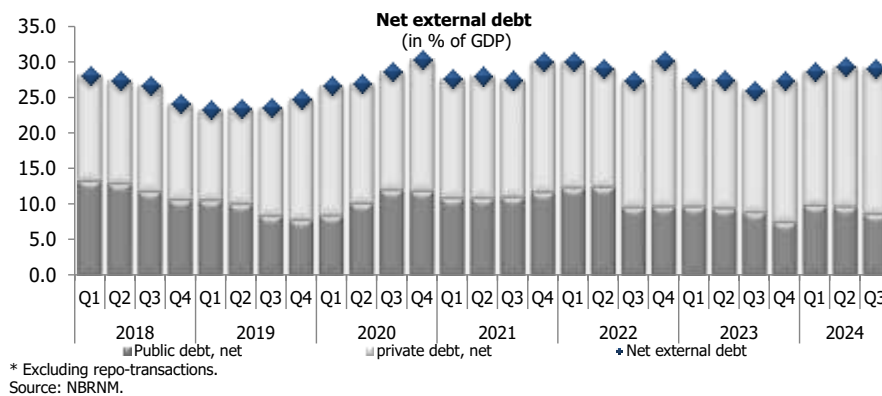
As of 30.9.2024, net external debt equaled Euro 4,228.4 million, or 29.2% of GDP, which is a quarterly fall of 0.2 percentage points of GDP, driven by the decline in the public net debt (of 1.0 percentage points of GDP), at simultaneous growth of the private net debt (of 0.8 percentage points of GDP).

⁵⁹ On 30.9.2024, the second installment of the loan for registered securities NSV (Namensschuldverschreibungen) was repaid, in the amount of Euro 69.9 million.

⁶⁰ In absolute amounts, the bottom of the Macedonian economy in the third quarter of 2024 registered an annual growth of Euro 834.6 million.

⁶¹ In absolute amounts, the public and private external debt in the third quarter of 2024 registered an annual growth of Euro 329.6 and Euro 505 million, respectively.

⁶² Since the beginning of the fourth quarter of 2023, there were significant inflows based on the following loans: Euro 93.8 million from the World Bank, Euro 90 million from the Credit Bank for Reconstruction (KfW), Germany, Euro 50 million from OPEC, Euro 150 million based on the Second Tranche of the Precautionary and Liquidity Credit Line (PLL) and Euro 50 million from the European Commission.



External debt indicators of the national economy remain in the safe zone. Except the gross external debt to GDP ratio which remains in the zone of highly indebted countries, all other solvency and liquidity ratios point to low indebtedness of the domestic economy. However, the high structural share of liabilities on direct investments in gross external debt, as a form of financing foreign capital companies, as well as liabilities on trade credits as an instrument for international trade financing, mitigates the risk profile in terms of the debt position of the economy. The level of gross external debt excluding trade credits and intercompany debt is lower and equals 46.2% of GDP⁶³, which is an indicator of moderate indebtedness.

Indicators for external indebtedness	Solvency				Liquidity		
	Interest payments/ Export of goods and services and other inflows	Gross debt/ Export of goods and services and other inflows	Gross debt/ GDP	Debt servicing/ Export of goods and services and other inflows	Foreign reserves/ Short-term debt	Foreign reserves/ Short-term debt, with residual maturity**	Short-term debt/ Overall debt
	in %				ratio	ratio	in %
31.12.2010	3.22	140.4	59.7	13.9	1.49	0.99	27.9
31.12.2011	3.12	148.4	64.6	16.8	1.78	1.18	25.2
31.12.2012	2.92	142.1	67.6	13.1	1.64	1.03	26.7
31.12.2013	2.51	137.3	67.3	15.8	1.64	1.08	23.3
31.12.2014	3.01	149.1	74.0	17.2	1.82	1.13	22.3
31.12.2015	2.69	143.9	73.2	20.0	1.69	1.13	21.3
31.12.2016	2.37	149.39	79.33	14.89	1.65	1.16	21.93
31.03.2017	2.69	138.68	76.61	12.72	1.47	1.00	23.53
30.06.2017	2.69	140.69	77.72	12.72	1.33	0.88	24.19
30.09.2017	2.69	138.24	76.37	12.72	1.26	0.86	24.57
31.12.2017	2.69	139.17	76.88	12.72	1.32	0.89	23.94
31.03.2018	2.22	132.80	78.27	15.77	1.30	0.93	25.06
30.06.2018	2.22	135.55	79.89	15.77	1.27	0.96	25.61
30.09.2018	2.22	135.98	80.14	15.77	1.30	0.98	25.59
31.12.2018	2.22	131.37	77.42	15.77	1.42	1.04	25.75
31.03.2019	2.05	119.55	74.37	8.89	1.40	0.98	25.81
30.06.2019	2.05	121.51	75.59	8.89	1.37	0.97	26.39
30.09.2019	2.05	124.39	77.38	8.89	1.37	0.97	27.62
31.12.2019	2.05	123.15	76.61	8.89	1.56	1.02	25.52
31.03.2020	2.45	121.76	73.94	16.79	1.39	0.95	26.63
30.06.2020	2.45	121.76	73.94	16.79	1.39	0.95	26.63
30.09.2020	1.91	129.93	80.75	13.61	1.72	0.98	22.93
31.12.2020	1.91	122.30	77.94	13.61	1.93	1.11	20.38
31.03.2021	2.19	127.34	83.90	16.27	1.93	1.18	21.49
30.06.2021	2.19	129.98	85.63	16.27	1.89	1.18	22.03
30.09.2021	2.19	125.62	82.76	16.27	1.77	1.30	22.21
31.12.2021	2.19	126.62	83.42	16.27	1.79	1.29	21.50
31.03.2022	1.77	118.01	82.61	9.38	1.27	0.95	25.97
30.06.2022	1.77	117.30	82.11	9.38	1.20	0.89	26.32
30.09.2022	1.77	123.64	86.55	9.38	1.35	0.90	26.89
31.12.2022	1.77	123.39	86.37	9.38	1.51	0.97	24.73
31.03.2023	2.39	112.58	81.83	14.79	1.63	1.01	23.57
30.06.2023	2.39	114.55	83.27	14.79	1.60	0.98	23.78
30.09.2023	2.39	110.61	80.40	14.79	1.51	1.02	24.37
31.12.2023	2.39	114.36	83.13	14.79	1.82	1.19	22.67
31.03.2024	2.89	109.03	79.74	13.09	1.64	0.97	23.31
30.06.2024	2.89	110.47	80.79	13.09	1.59	0.97	24.00
30.09.2024	2.89	111.15	81.29	13.09	1.59	0.99	24.23
Moderate indebtedness criterion*	12 - 20%	165 - 275%	30 - 50%	18 - 30%	1.00		

*The moderate indebtedness criterion is according to the World bank's methodology of calculating indebtedness indicators, which implies using 3-year moving averages of GDP and exports of goods and services as denominators in the calculation of indicators.

In compliance with "External debt statistics: Guide for compilers and users," published by the IMF.

*According to the "Greenspan-Guidotti rule", a country should maintain full coverage of short-term debt at remaining maturity with gross foreign reserves.

Source: NBRNM.

⁶³Refers to debt without repo agreements.

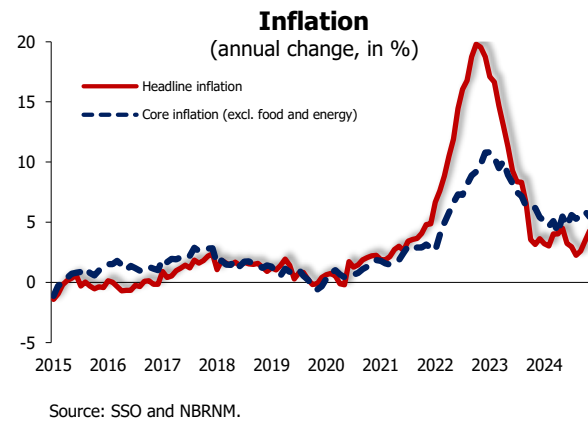
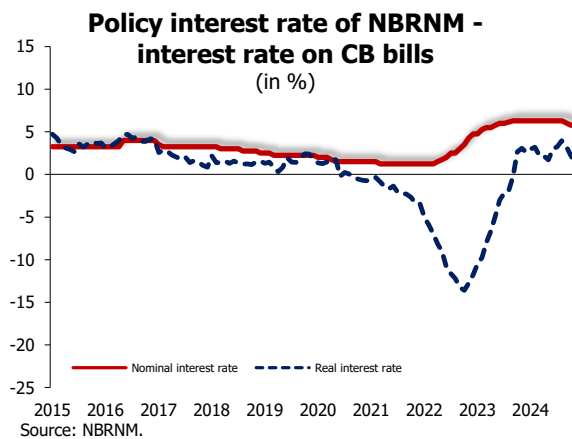


II. Monetary policy⁶⁴

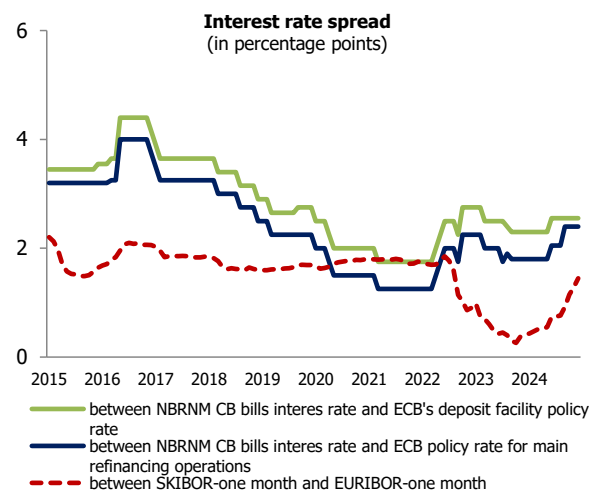
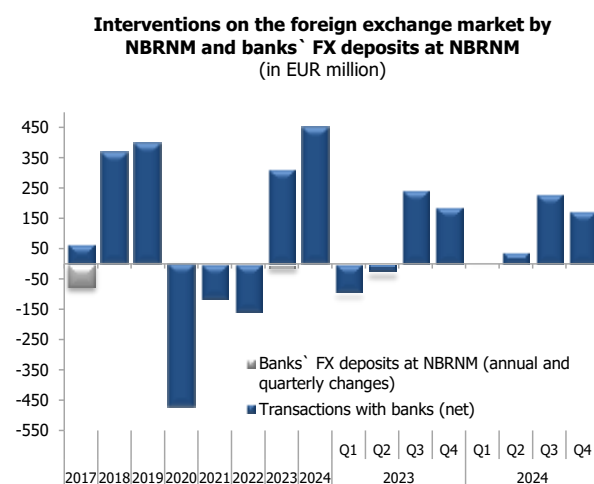
During the fourth quarter of 2024, the National Bank continued to gradually normalize the monetary policy setup in line with the economic conditions, reducing the policy rate by 0.25 percentage points each in October and December, to 5.55%, or a cumulative decrease of 0.75 percentage points that commenced in September this year. Interest rates on other monetary instruments decreased in December by 0.25 percentage points each, bringing the interest rates on overnight and 7-day deposits to 3.95% and 4%. Regarding the macro prudential instruments, the National Bank made a decision to retain the rate of the countercyclical capital buffer for the exposure of the banks in the Republic of North Macedonia in the amount of 1.75% also in the first quarter of 2026. These changes enable to retain prudent approach towards monetary policy conduct, expecting that the level of interest rates, together with the changes made so far in the reserve requirement and the macro prudential measures taken, will contribute towards price stability maintenance in the medium run and to the stability of the denar exchange rate against the euro... In the fourth quarter of 2024, the European Central Bank lowered the policy rate on the deposit facility by 0.25 percentage points, respectively in October and December and reduced it to 3%. The foreign reserves level remained adequate and in the safe zone, while banks' deposit base and lending registered a solid annual growth rate. However, there are still external risks, with the potential risks from domestic factors that could affect demand and prices in the coming period also being monitored with caution. The National Bank will continue to closely monitor risks in the domestic and global economy and, if necessary, will act through all available instruments, in order to maintain both exchange rate and price stability.

During the fourth quarter of 2024, the National Bank reduced the policy rate in two occasions by 0.25 percentage points, i.e. In October and December, and reduced it to the level of 5.55%. The interest rates on overnight and seven-day deposit facilities decreased by 0.25 percentage points, in December and equaled 3.95% and 4%, respectively. The offered amount of CB bills remained unchanged at Denar 10,000 million, and the implementation of the previous changes to the reserve requirement instrument continued. Such changes maintain the vigilance in the monetary policy, taking into account the risks associated with the external environment that are still present, but also with the domestic factors affecting the aggregate demand. The level of interest, together with the changes in reserve requirement and macro-prudential measures taken, are still expected to contribute towards price stability in the medium run and maintenance of the stability of the exchange rate of the denar against the euro. Regarding the macro prudential instruments, in this quarter the National Bank made a decision to extend the implementation the countercyclical capital buffer rate for the exposure of the banks in the Republic of North Macedonia by 1.75% also in the first quarter of 2026.

⁶⁴ For more information on the new monetary measures, see the National Bank website: https://www.nbrm.mk/content/MPI%20publikacii/03%202024%20Hronologija_na_promenite_vo_postavenosta_na_monetarnite_instrumenti_na_Narodnata%20banka.pdf



During this period, the decisions were based on the performance ⁶⁵ with the basic macroeconomic indicators in the domestic economy, and primarily in the inflation forecasts, which remained within expectations, as well as the favorable developments on the foreign exchange market. Namely, the annual inflation rate accelerated as expected in October and November, as a result of the lower comparison base from the end of last year in food prices. The movements in core inflation were also in line with expectations, as was the further decline in prices in the energy component, estimating that on average for the entire year 2024, inflation will be within the projected rate. The acceleration of economic growth in the third quarter of 2024 was also close to forecasts, amid upward revisions in data for the first half of the year. No changes were observed in terms of risks to growth in the coming period, related primarily to developments in the external environment, as well as the implementation of domestic infrastructure projects. The situation on the foreign exchange market was assessed as stable, with favorable movements on the foreign exchange market and interventions with net purchase of foreign exchange by the National Bank since the beginning of the year, which allows maintenance of an appropriate level of foreign reserves. Moreover, the deposit and credit flows were better than expected for the last quarter of the year.

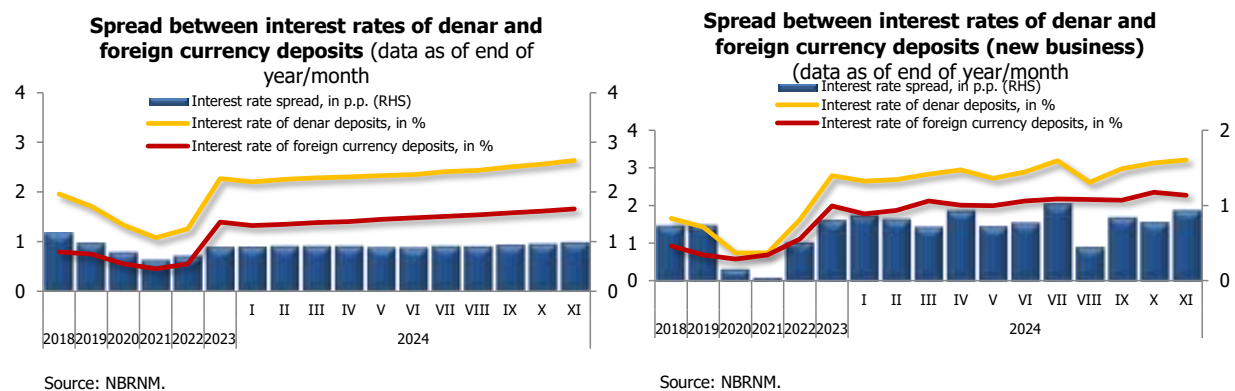


Given the applied monetary strategy, when making monetary decisions one takes into account the setup of the European Central Bank (ECB) policy as well, which during the fourth quarter, in two occasions reduced the policy rate on the deposit facilities by 0.25 percentage

⁶⁵It refers to the available information during the fourth quarter of 2024 that was taken into account when making the decisions on the monetary stance in that period.

points, respectively, reducing it to the level of 3%. At the same time, the ECB also reduced the interest rate on the main refinancing operations by the same amount, bringing it to 3.15%. Thus, the spread between the policy rates of the National Bank and the policy rate on the deposit facility of the ECB in December 2024 equaled 2.55 percentage points and remained unchanged compared to the previous quarter. Regarding the indicative market interest rates on 1m SKIBOR and 1m EURIBOR, the spread between them increased by 0.5 percentage points at the end of December 2024, compared to the previous quarter.

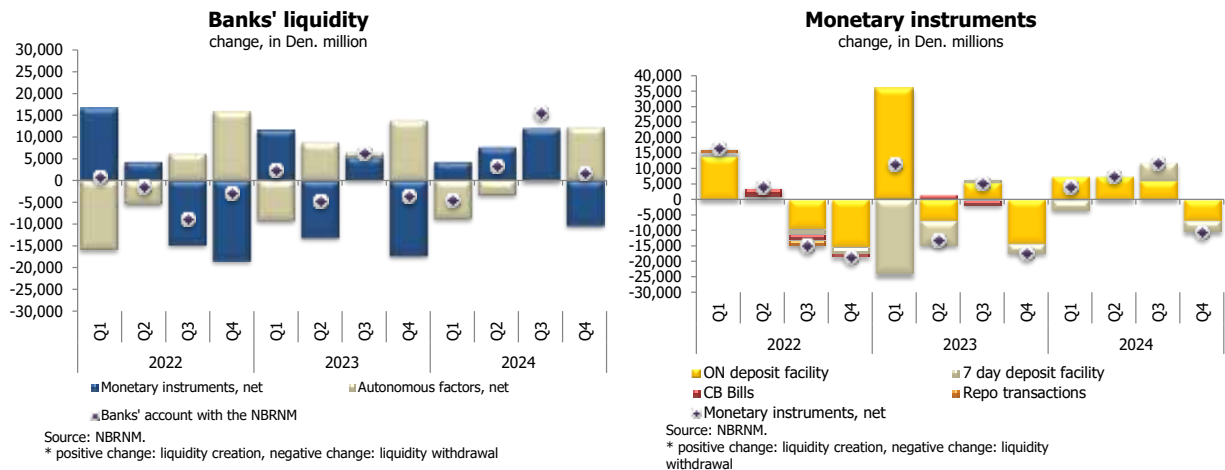
Regarding the deposit interest rates in domestic economy, in November 2024 the interest rates on denar and foreign currency deposits increased slightly by 0.1 percentage point, compared to the previous quarter, with the interest rate spread also increasing in the same proportion, reaching a level of 1 percentage point. As for the newly received⁶⁶ total deposits, the interest rate spread in November increased slightly compared to the end of the previous quarter and equaled 0.9 percentage points, amid an increase in denar interest rates (from 3.0% in September to 3.2% in November) and increase in foreign currency interest rates (from 2.1% in September to 2.3% in November).



2.1. Bank liquidity

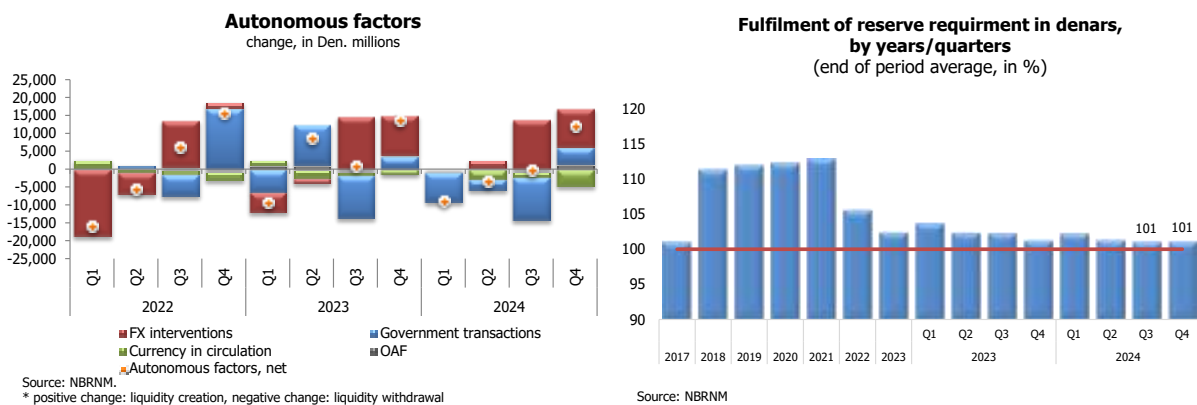
In the fourth quarter of 2024, the banks' denar liquidity increased, which fully resulted from the change in autonomous factors, while the monetary instruments contributed towards liquidity withdrawal.

⁶⁶ 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.



In terms of change in monetary instruments, banks' investments in deposit facilities (overnight and seven-day) incremented by Denar 10,328 million in the fourth quarter of 2024, which contributed towards liquidity withdrawal in the banking system. In addition, the overnight and 7-day deposits increased by Denar 6,640 and Denar 3,688 million, respectively. The balance of the basic instrument - CB bills, remained unchanged and at the end of the fourth quarter of 2024, it amounted to Denar 10,000 million.

The autonomous factors, net, in the fourth quarter of 2024 created liquidity in the banking system of Denar 12,247 million. This change in autonomous factors stems mostly from foreign exchange interventions and government transactions, while the currency in circulation contributed to the decrease in liquidity.



During the fourth quarter of 2024, the banks continued to have more allocated funds on the accounts with the National Bank than the determined amount of the reserve requirement in denars, on average by about 1.0%.

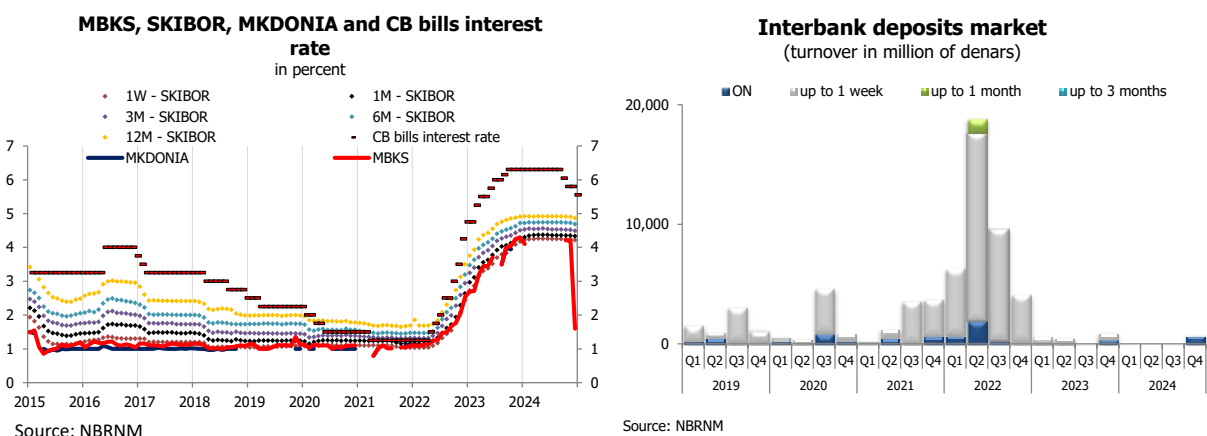
III. Financial market developments

The interest rate on the interbank deposit market equaled 3.3% in the fourth quarter of 2024, on average, amid intensified activity on this market. The average SKIBOR quotations recorded a slight downward movement. In the primary government securities market, the new issues were mainly in longer maturities, while on the secondary securities market, repo transactions and government bonds

were traded. The stock exchange turnover on the Macedonian Stock Exchange increased by 2.5 times compared to the previous quarter, while the MBI-10 registered a quarterly increase of 16.2%. The indices on the regional stock markets registered accelerated increase, on average by 4.4% quarterly. From the aspect of international financial markets, the volatility indices of bond and stock markets, i.e. the MOVE and VIX indices, recorded an upward change in the fourth quarter of 2024, indicating an increased uncertainty and volatility in the markets mainly related to the US elections, heightened geopolitical tensions, as well as government collapse in Germany. Most of the spreads between Macedonian and German Eurobond yields recorded minimal downward changes compared to the previous quarter.

3.1. Unsecured interbank deposit market

In the fourth quarter of 2024, the average interest rate on the interbank deposit market (IBDM) was 3.3% and increased by 0.9 percentage points compared to the previous while in the second quarter there was no activity on this market. In the third quarter of 2024, the trading on the interbank deposit market reached Denar 790 million (Denar 80 million in the previous quarter), as a result of concluded overnight and seven-day transactions. Almost all average SKIBOR quotations recorded a very small downward shift, ranging up to 0.02 percentage points compared to the previous quarter.

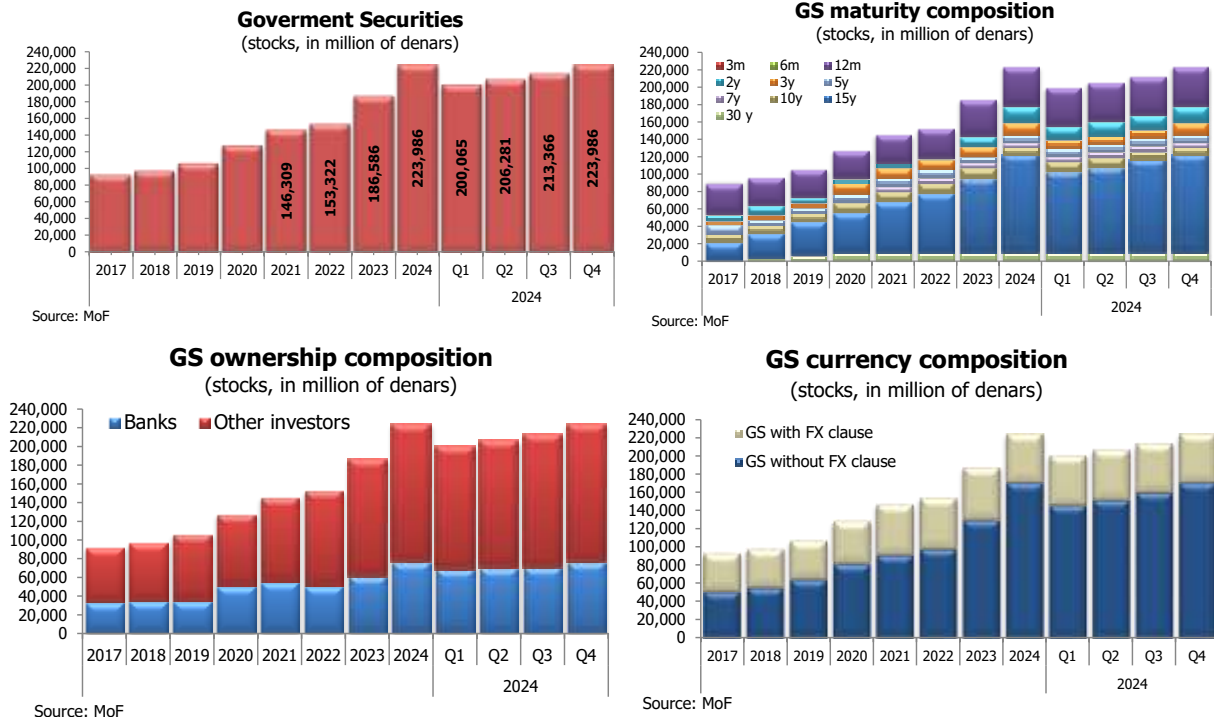


3.2. Government securities market

The stock of government securities issued on the primary market in the fourth quarter of 2024 increased by Denar 10,620 million or 5.0% on a quarterly basis and reached Denar 223,986 million. At the same time, the quarterly growth mainly resulted from the securities with longer maturities, i.e. fifteen-year, three-year and two-year government bonds (with an increase of Denar 5,470, 4,139 and Denar 1,993 million, respectively), while the balance of the ten-year government bonds registered a decrease (of Denar 409 and 1,217 million, respectively). Analyzing the structure of government securities, government bonds remain dominant category, with a share of 79.7%. Thus, the fifteen-year government bonds still make up most of the maturity structure of government securities of 50.1% (almost identical as in the previous quarter), which is in line with the guidelines from the Fiscal Strategy of the Ministry of Finance for issuing government bonds with longer maturities, in order to optimize debt payment and

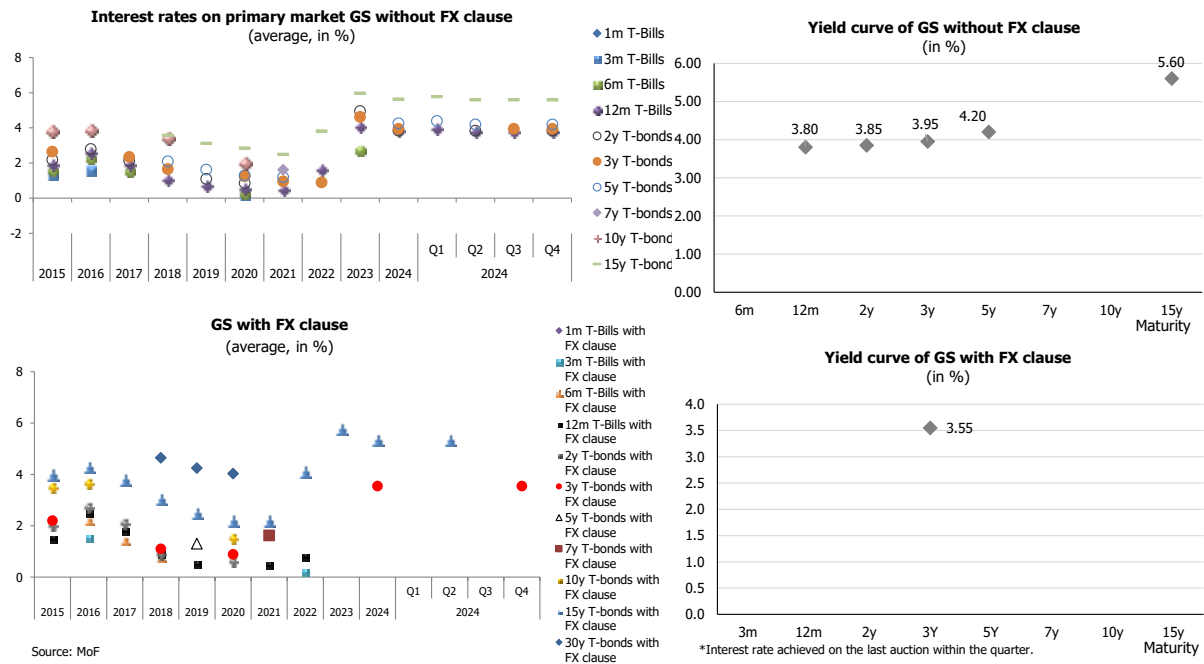


reduce refinancing risk.⁶⁷ Analyzing the currency structure, denar government securities without currency clause maintained their dominant share, making up 75.7% of total government securities (74.5% in the previous quarter). Observing the ownership structure, banks slightly increased their share in this quarter from 33.1% to 34.2%, at the expense of the decreased share of other investors (65.8%). Within other investors, the pension funds remain dominant (with a share of 47.4%).

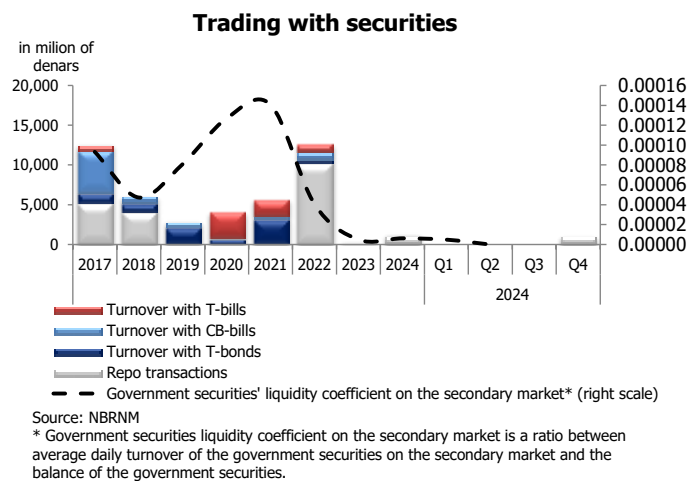


In the fourth quarter of 2024, interest rates on issued government securities without currency clause, set by the Ministry of Finance, remained unchanged, compared to the previous quarter. Change was observed only in the three-year government securities with currency clause, which were reissued after a longer period, with an average interest rate of 3.55% (last issuance in the fourth quarter of 2020 with an average interest rate of 0.9%). Within the segment of government securities without a currency clause, twelve-month treasury bills, two-year, three-year, five-year and fifteen-year government bonds were issued on the primary market with interest rates of 3.80%, 3.85%, 3.95%, 4.2% and 5.60%, respectively.

⁶⁷ Revised Fiscal Strategy for 2024-2029, Ministry of Finance, September 2024.

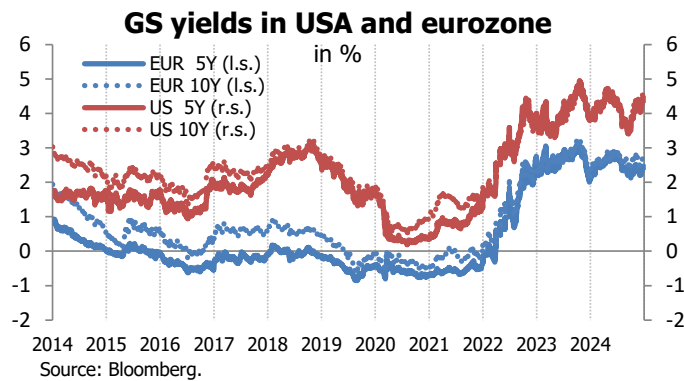


The turnover of securities on the secondary market in the fourth quarter of 2024 amounted to Denar1,170 million, as a result of trading in repo transactions with a maturity of up to seven days (with an average yield of 4.4%), trading in government bonds with a residual maturity of ten to fifteen years (with an average yield of 5.9%) and trading in treasury bills with a residual maturity of up to one month (with an average yield of 4.2%). Such changes indicate increase in the liquidity ratio⁶⁸, compared to the preceding quarter.

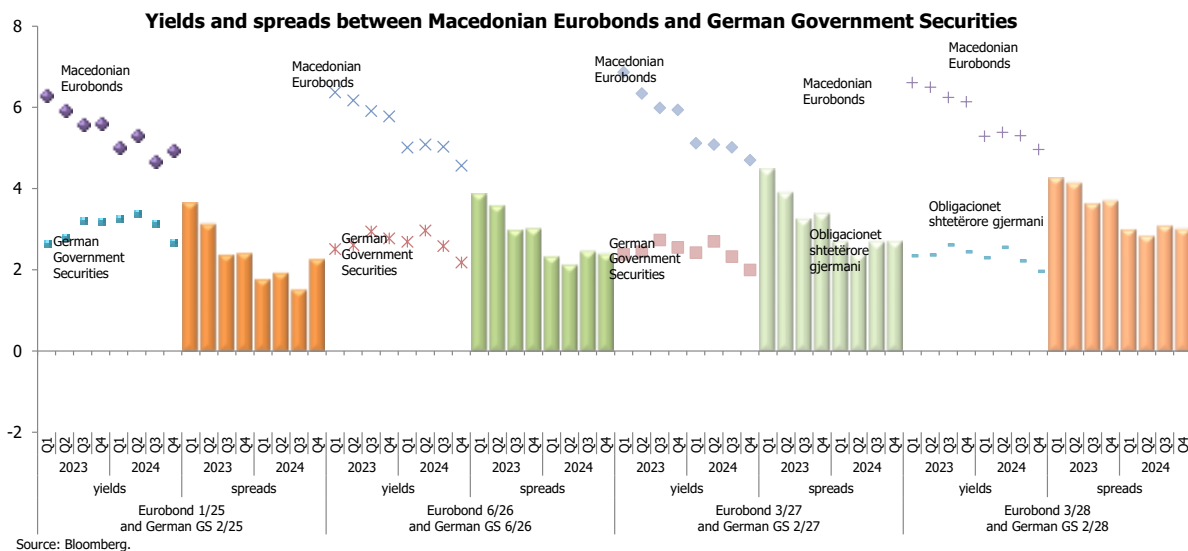


In the US financial markets in the fourth quarter of 2024, yields on 10-year government securities increased and averaged around 4.3% (4.0% in the previous quarter), while in the euro area, yields on 10-year government securities decreased slightly and averaged 2.6% (2.7% in the previous quarter).

⁶⁸The liquidity ratio on the secondary market is the correlation between the average daily turnover and the stock of government securities.



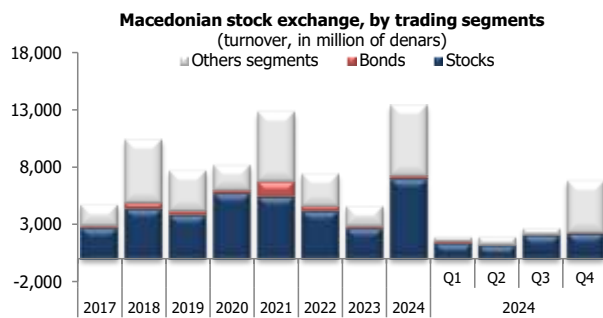
Most of the yields of Macedonian Eurobonds⁶⁹ in the fourth quarter of 2024 registered a downward shift, amid almost identical decrease also of the yields of German government bonds. The exception is the Eurobond issued in 2018 and falling due in January 2025, the spread of which relative to German bonds increased, which is a common market movement for bonds just before maturity. As for other Macedonian bonds, their spreads relative to German bonds remained at the level of the previous quarter, which averaged 2.4 percentage points, 2.7 percentage points and 3.0 percentage points, respectively.



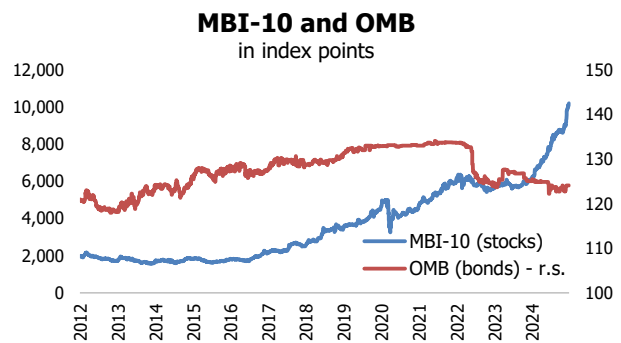
3.3. Stock markets

At the end of the fourth quarter of 2024, the value of Macedonian stock exchange index MBI-10 increased by 16.2% (increase of 13.9% of previous quarter) and equaled 10,201 index points. The total stock exchange turnover registered a strong quarterly increase, by 2.5 times (an increase of 39.7% in the previous quarter), primarily due to the increased shares turnover. The value of the bond index (OMB) during the quarter registered minimal upward change compared to the previous quarter and equaled 124 index points (123 index points and the end of previous quarter).

⁶⁹ It refers to the Macedonian Eurobonds issued in January 2018, in June 2020, March 2021 and March 2023. Eurobonds are issued in the nominal amount of Euro 500 million, Euro 700 million, Euro 700 million, and Euro 500 million, respectively, with a maturity of 7, 6, 7 and 4 years, respectively, and annual interest rates of 2.75%, 3.675%, 1.625% and 6.96%, respectively.

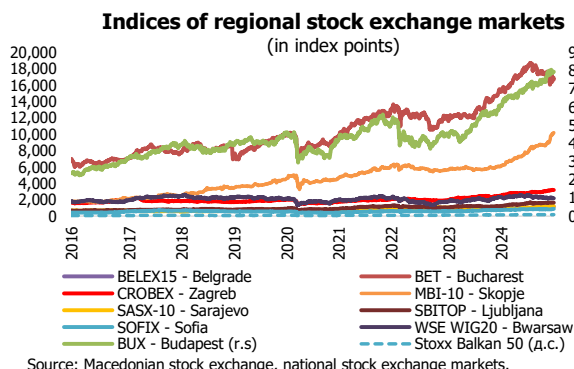


Source: Macedonian Stock Exchange

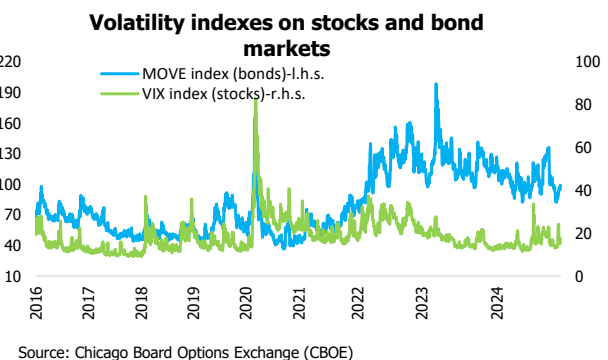


Source: Macedonian Stock Exchange

In the fourth quarter of 2024, the stock market indices from the region analyzed on average also recorded accelerated quarterly growth, which equaled 4.4% (growth of 2.9% in the previous quarter). Moreover, all regional indices increased, except Romania and Poland indices, which registered minor decrease. Furthermore, during the fourth quarter of 2024, volatility indices on the bond and stock markets, i.e. MOVE and VIX⁷⁰ indices recorded a more moderate increase i.e. the MOVE index increased by 3% on average (after the increase of 4% in the previous quarter), while VIX increased by 2% on average (after the increase of 20% in the previous quarter). The movements of the two indices, viewed together, indicate increased uncertainty and volatility in global capital markets, although more moderately, analyzed by dynamics, mainly due to the events related to the US elections, heightened geopolitical tensions, as well as political developments in Germany.



Source: Macedonian stock exchange, national stock exchange markets.



Source: Chicago Board Options Exchange (CBOE)

IV. Monetary and credit aggregates

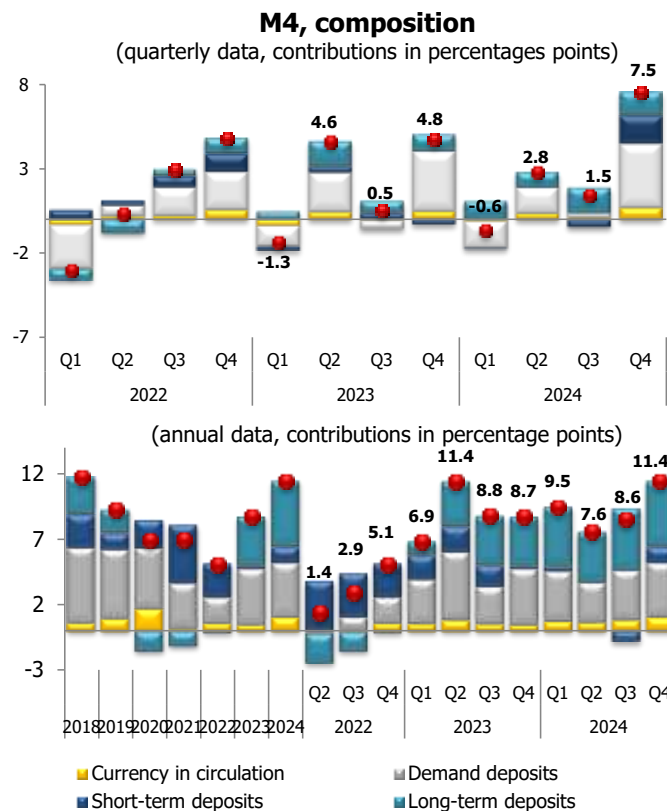
In the last quarter of the year, a significant acceleration in the growth dynamics of the broad monetary aggregate M4 was registered. The acceleration is common for this time of year, and the higher money supply during this period corresponds to the economic and financial conditions in the economy. The creation of new money supply is primarily due to the growth in the most liquid monetary assets with additional positive contribution from the short- and long-term deposits. This growth structure is partly explained by seasonal factors, i.e. the higher demand for money for transaction purposes before the New Year and Christmas holidays, complemented by higher consumption. Moreover, the favorable trends in savings in

⁷⁰ The MOVE Index (Merrill Lynch Option Volatility Estimate) shows the implicit volatility in the US government securities markets. The VIX Index (Volatility Index) is constructed based on the implied volatility of S&P500 index options. Investors use both indexes as indicators of the conditions and expectations for the financial markets volatility. Downward path in indexes indicates a decrease in volatility.

terms of maturity and currency structure continue in this quarter, also driven by the National Bank's measures to support denarization and long-term savings. In line with the growth of the banks' deposit base, the fourth quarter also registered a strong quarterly growth in lending, directed towards both sectors, with greater acceleration with enterprises. The results obtained from the Lending Survey (LS) in the fourth quarter of 2024 indicate further net easing of credit standards in both sectors, larger with households and lower with corporate sector, given a net increase in credit demand, larger with enterprises and lower with households, compared to the survey from the previous quarter.

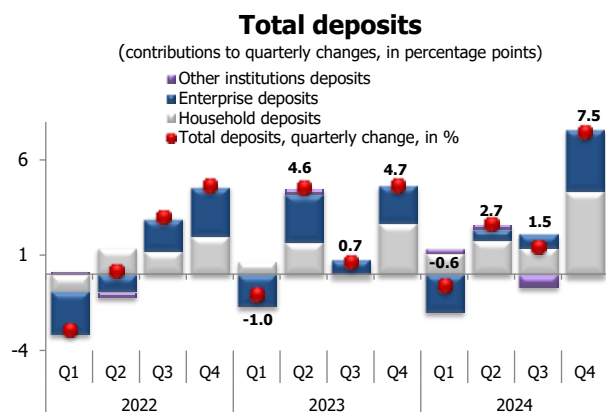
4.1. Monetary aggregates

During the fourth quarter of 2024, the broad money M4 recorded a more significant quarterly growth of 7.5% (growth of 1.5% in the third quarter), which is typical for this period of the year and to some extent reflects the higher demand for money for transaction purposes before the New Year and Christmas holidays. Namely, structurally, the quarterly growth stems from the positive contribution of all components of the money supply, but with the greatest impact of demand deposits (3.8 percentage points), followed by the contribution of short-term deposits (1.7 percentage points), long-term deposits (1.4 percentage points) and currency in circulation (0.7 percentage points). The changes in the currency structure still point to stronger growth in denar deposits (with demand deposits) compared to the growth in foreign currency deposits (with a contribution of 5.6 percentage points and 1.3 percentage points, respectively), with the share of foreign currency deposits in M4 at the end of the fourth quarter amounting to 36.8%, which is by 1.5 percentage points lower compared to the end of the previous quarter. Annually, the monetary aggregate M4 registered an increase of 11.4% (8.6% at the end of the third quarter).



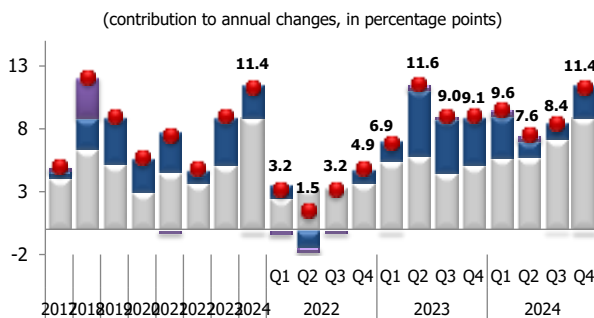


Total financial system deposits⁷¹ in the fourth quarter of 2024 registered significant increase of 7.5% on a quarterly basis (after the moderate rise of 1.5% in the third quarter). By **sector**, the household deposits had positive contribution of 4.4 percentage points, followed by the corporate deposits with a contribution of 3.2 percentage points, given small negative contribution of the total deposits of other sectors (of 0.1 percentage point). Analyzed by currency, the largest part, or about 80% of the growth in total deposits, stems from denar deposits (including demand deposits), which was influenced by seasonal factors, such as early payments of wages, pensions, social transfers, etc., before the New Year holidays, but also by the strengthened credit support of banks. From the aspect of maturity, both short-term and long-term deposits are growing (with an almost equal contribution of 1.8 percentage points and 1.6 percentage points, respectively). On an **annual basis**, the growth of total deposits equaled 11.4% at the end of the fourth quarter (increase of 8.4% at the end of the third quarter).



Total deposits	2022				2023				2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
quarterly change, in %												
Total deposits	-2.9	0.2	3.0	4.7	-1.0	4.6	0.7	4.7	-0.6	2.7	1.5	7.5
contributions to quarterly growth, p.p.												
Deposit money	-2.8	0.7	1.9	2.5	-1.3	2.5	-0.5	3.9	-1.7	1.7	0.3	4.1
Denar deposits	-1.0	-0.9	0.3	0.7	0.3	1.0	0.4	0.4	0.9	0.7	0.6	2.0
FX deposits	0.9	0.3	0.9	1.5	0.0	1.0	0.8	0.4	0.2	0.3	0.6	1.4
Short-term deposits	0.6	0.3	0.7	1.2	-0.2	0.4	0.4	-0.3	-0.1	0.0	-0.5	1.8
Long-term deposits	-0.7	-0.9	0.4	1.0	0.5	1.7	0.8	1.1	1.2	1.0	1.7	1.6
Households	-0.9	1.4	1.2	2.0	0.7	1.7	0.0	2.7	1.1	1.8	1.4	4.4
Enterprises	-2.2	-0.9	1.7	2.5	-1.7	2.5	0.8	2.0	-2.0	0.6	0.8	3.2
Other institutions deposits	0.2	-0.3	0.1	0.1	-0.1	0.4	-0.1	0.0	0.3	0.3	-0.7	-0.1

Source: NBRNM.



Source: NBRNM.

The growth in **household deposits** accelerated in the fourth quarter of the year (quarterly growth rate of 6.6% compared to the moderate growth of 2.1% in the third quarter of the year). Analyzing **by currency**, most of the quarterly growth stems from the positive contribution of the denar deposits (in largest part in demand deposits, as well as term denar deposits), amid smaller contribution of foreign currency deposits (contributing by 6.0 percentage points and 0.6 percentage points, respectively). By **maturity structure**, the increase was fully driven by the long-term deposits (contributing by 2.4 percentage points), given the decline of the short-term deposits (with a negative contribution of 0.3 percentage points), which indicates continuation of favorable trends in savings in the last quarter of the year. **Annually**, the increase in total household deposits equaled 13.8% in the fourth quarter of 2024 (11.2% at the end of the third quarter).

⁷¹ Data refer to non-government deposits in banks and savings houses, funds of other financial institutions on the accounts with the National Bank and funds of local government authorities on the accounts with the National Bank. The data are consistent with the methodological changes of the National Bank from June 2018. For more information on the methodological changes visit: http://www.nbrm.mk/monetarna_statistika_i_statistika_na_kamatni_stapki.nspix.



In the fourth quarter of 2024, **corporate deposits**⁷² registered a significant increase of 11.5% on a quarterly basis (an increase of 2.7% in the third quarter). Analyzing **by currency**, significant growth was registered in denar deposits (including demand deposits), amid moderate increase in foreign currency deposits (with a positive contribution of 7.4 percentage points and 4.1 percentage points, respectively). **By maturity**, short-term deposits have a significant contribution of 6.5 percentage points, while long-term deposits record a small positive contribution of 0.5 percentage points. **Annually**, corporate deposits increased by 9.2% at the third quarter of 2024 (increase of 4.7% at the end of the third quarter).

Household deposits

	2022				2023				2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
quarterly change, in %												
Total household deposits	-1.4	2.1	1.9	3.1	1.0	2.6	0.0	4.2	1.7	2.7	2.1	6.6
contribution to quarterly change of total deposits, in p.p.												
Deposit money	-1.8	1.1	0.7	2.5	-0.2	1.2	-1.1	3.1	0.0	1.3	0.4	4.6
Denar deposits	-1.4	-0.8	0.0	0.7	0.5	0.9	0.5	0.7	1.2	0.7	1.1	1.5
FX deposits	1.8	1.8	1.2	-0.1	0.8	0.4	0.6	0.4	0.5	0.8	0.7	0.6
Short-term deposits	0.9	1.3	0.7	-0.6	0.1	-0.5	-0.2	-0.9	0.2	0.2	-1.0	-0.3
Long-term deposits	-0.4	-0.3	0.5	1.2	1.1	1.8	1.3	2.0	1.5	1.3	2.8	2.4

Source: NBRNM.

Enterprise deposits

	2022				2023				2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
quarterly change, in %												
Total enterprises deposits	-7.8	-3.2	6.3	9.3	-5.8	9.4	2.8	6.9	-6.7	2.1	2.7	11.5
contribution to quarterly change of total deposits, in p.p.												
Deposit money	-6.0	-0.4	4.7	3.2	-4.5	5.5	0.2	6.0	-6.0	2.1	2.3	4.6
Denar deposits	-0.4	-0.2	1.1	0.5	0.6	1.4	0.8	0.4	0.3	0.3	0.2	2.9
FX deposits	-1.4	-2.6	0.4	5.7	-1.9	2.5	1.8	0.5	-0.9	-0.3	0.3	4.1
Short-term deposits	-0.6	-0.8	0.9	5.4	-1.1	2.2	2.2	1.2	-1.8	-1.1	0.6	6.5
Long-term deposits	-1.1	-2.0	0.7	0.7	-0.2	1.7	0.4	-0.3	1.1	1.1	-0.2	0.5

Source: NBRNM.

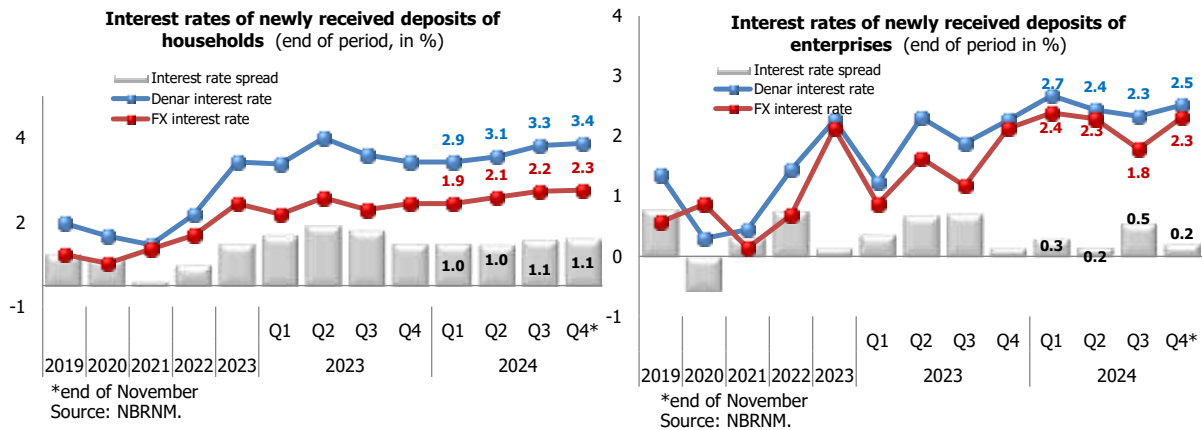
The analysis of the returns⁷³ on new savings shows that in November, interest rates on the newly accepted⁷⁴ denar and foreign currency deposits **of households** equaled 3.4% and 2.3%, respectively (3.3% and 2.2%, respectively in September). In such conditions, the interest rate spread between the new denar and foreign currency savings of households remained unchanged compared to the preceding quarter and equaled 1.1 percentage points. **Within corporate sector**, the interest rates on newly accepted denar and foreign currency deposits in November equaled 2.5% and 2.3%, respectively (2.3% and 1.8%, respectively in September). With such shifts, the interest rate spread between the newly accepted denar and foreign currency corporate deposits at the end of November narrowed and equaled 0.2 percentage points. Regarding the total accepted deposits (denar and foreign currency), the interest rates on corporate and household deposits in November equaled 2.7% and 2.1%, respectively, which is an increase compared to September 2024 (2.3% and 2.0%, respectively).

⁷²The growth of corporate deposits is partly related to the larger loan granted to a company in energy sector, which also reflected the deposit level.

⁷³ 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.nspix.

⁷⁴ 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 result from the volume of newly accepted deposits (which varies from month to month) and their interest rate.



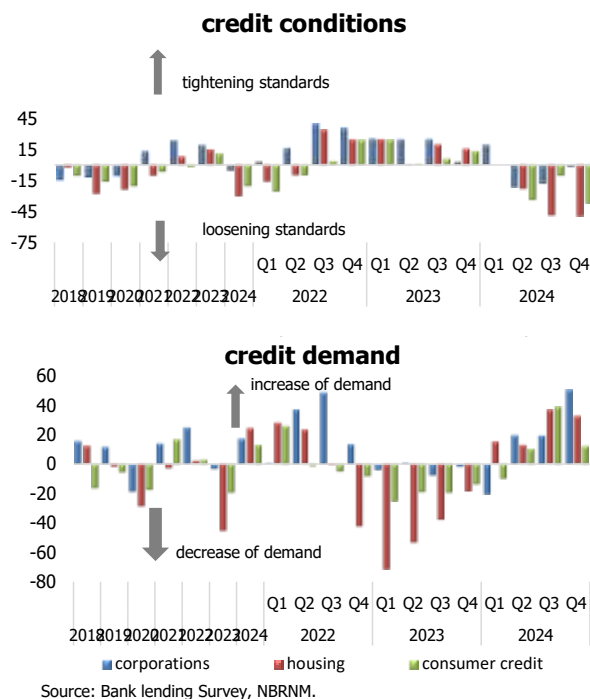
4.2. Lending activity

Bank lending activity in the fourth quarter of the year also recorded a strong quarterly growth of 5.4% (1.5% in the third quarter). On the other hand, a stronger net increase in demand was observed among enterprises, while it is weaker among households, compared to the previous survey. These developments are also in line with the information in the Lending Survey conducted in the fourth quarter of 2024, which shows a net easing of credit standards and a net increase in credit demand. Analyzed by sector, in the last quarter, the net easing of credit conditions is stronger among households, and more moderate among enterprises, compared to the survey from the previous quarter. For the first quarter of 2025, banks expect further net easing of credit conditions, more pronounced among households, as well as a moderate net increase in demand in both sectors.

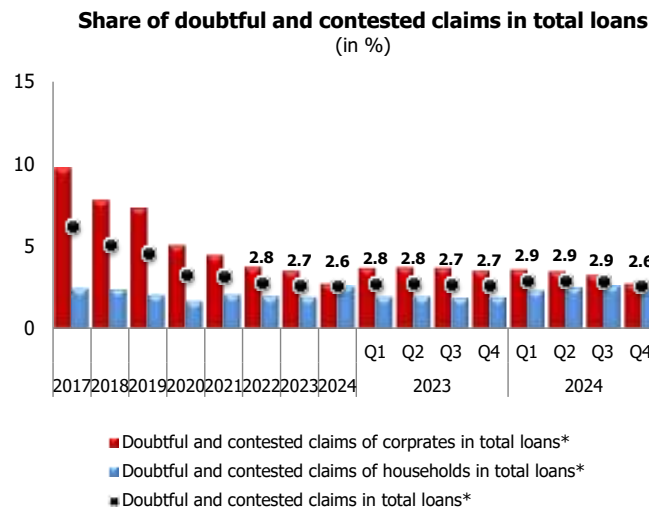
Total credits of private sector

	2022				2023				2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
quarterly change, in %												
Total credits of private sector	2.6	2.7	1.1	2.6	0.0	2.6	0.5	1.9	1.0	2.9	1.5	5.4
Contribution in quarterly change of total credits (in p.p.)												
Denar credits	1.3	1.1	-0.2	1.2	-0.3	1.3	0.7	1.7	1.1	3.0	1.8	4.2
Foreign currency credits	1.3	1.6	1.4	1.4	0.4	1.3	-0.3	0.2	-0.1	-0.1	-0.3	1.2
Short-term credits	1.4	0.5	-0.1	0.5	-0.5	0.1	-0.5	0.1	0.5	0.0	0.0	1.4
Long-term credits	1.3	2.0	1.2	2.5	0.6	2.5	1.0	1.8	0.2	2.8	1.4	4.1
Households	0.8	1.3	0.8	0.7	0.6	1.1	0.7	0.9	0.7	1.3	1.1	1.4
Corporations	1.8	1.3	0.3	1.9	-0.6	1.5	-0.3	1.0	0.3	1.7	0.5	3.9

Source: NBRNM.



The analysis of the sectoral structure of total private sector loans indicates a strong quarterly growth in loans to both enterprises and households, more pronounced in the corporate sector⁷⁵, which accounts for 3.9 percentage points of the growth in total loans in this quarter. From a currency and maturity aspect, the contribution of both denar loans (4.2 percentage points) and long-term loans (4.1 percentage points) dominates. The share of **doubtful and contested claims**⁷⁶ in total loans reduced to the level of 2.6% (2.9% in the previous quarter).



* It refers to the share of the doubtful and contested claims within the each respective sector's total loans
Source: NBRNM.

Annually, in the fourth quarter of 2024, total loans grew by 11.2% (7.5% at the end of the third quarter). In conditions of strong deposit growth, the share of the total loans-to deposit ratio quarter decreased and equaled 81.4% (83.1% in the previous quarter).

In the fourth quarter of 2024, **the lending to the households sector** registered moderate quarterly growth of 2.7% (an increase of 2.0% in the previous quarter). However, the increase primarily stems from housing and consumption loans, while the contribution of other loan types remained negative. The performance corresponds to the results of the banks' **Lending Survey** for the fourth quarter of 2024, which point to an enhanced net easing of credit standards and a further, although lower net increase in demand for loans in the household sector. **By currency**, larger contribution to the growth was made by foreign currency loans, at moderate positive contribution of denar loans. Analyzing the **maturity structure**, the growth arises fully from the increase in the long-term loans, amid decrease in the short-term loans. **Annually**, total household loans increased by 8.8% at the end of the fourth quarter of 2024 (increase of 7.7% at the end of the third quarter).

⁷⁵The growth of corporate loans is partly related to the larger loan granted to a public enterprise from the energy sector.

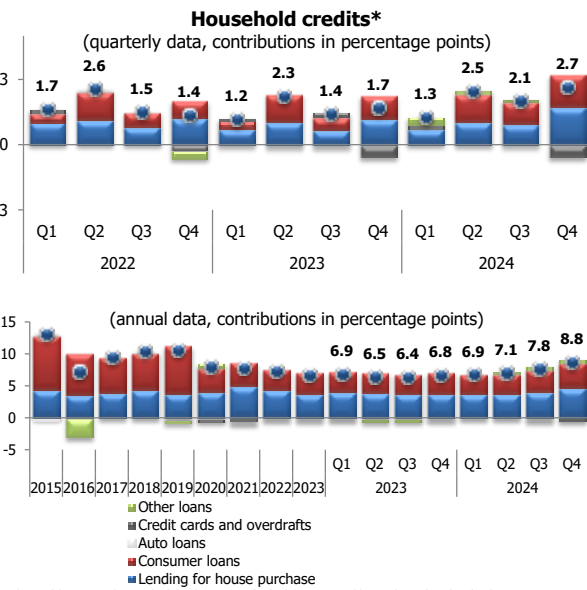
⁷⁶ Since the beginning of 2024, new Decision on the methodology for credit risk management has been enforced, published in the Official Gazette of the Republic of North Macedonia No. 57/23, which enables further harmonization with the regulatory requirements effective in the European Union and improves the stability of the banking system. The Decision prescribes a new method of determining the non-performing credit exposures, strengthens the criteria for monitoring and control of the quality of the banks' credit portfolio and improved the rules for credit exposure restructuring. The new methodological changes in determining of the non-performing loans may lead to their growth, at least in the initial period after the implementation of the Decision, which is more an effect of the different approach in determining the non-performing status (counting the days of delay), than of the changed creditworthiness of the clients.



Total credits of households

	2022				2023				2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Quarterly change, in %												
Total credits of households	1.6	2.6	1.5	1.4	1.2	2.2	1.5	1.7	1.3	2.5	2.0	2.7
Contribution in quarterly change of household credits (in p.p.)												
Denar credits	1.0	1.3	0.5	0.1	0.3	0.8	0.9	0.6	0.7	1.6	1.2	1.2
Foreign currency credits	0.6	1.3	1.0	1.3	0.8	1.4	0.5	1.1	0.6	0.9	0.9	1.5
Short-term credits	0.2	0.1	0.0	-0.2	0.2	0.0	0.3	-0.3	0.2	0.0	0.0	-0.3
Long-term credits	1.3	2.4	1.5	1.9	1.0	2.2	1.2	2.0	0.7	2.2	1.9	3.0

Source: NBRNM.



In the fourth quarter of 2024, the amount of **total loans extended to the corporate sector** registered strong quarterly growth of 8.2% (increase of 1.0% in the previous quarter). According to the results of the **Lending Survey** for the fourth quarter of 2024, the banks indicate larger net increase in the total corporate loan demand, amid smaller net relaxation of overall credit standards, compared to the previous survey. By **currency**, dominant share of the increase accounts for the loans in domestic currency. The analysis of **maturity structure** shows that the increase is driven by the long-term loans, at moderate positive contribution also of the short-term loans. **On annual basis**, the total corporate loans at the end of the fourth quarter are higher by 13.9% (7.5% at the end of the previous quarter).

Total credits of corporations

	2022				2023				2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Quarterly change, in %												
Total credits of corporations	3.7	2.8	0.7	3.9	-1.3	3.1	-0.6	2.1	0.7	3.5	1.0	8.2
Contribution in quarterly change of corporation credits (in p.p.)												
Denar credits	1.7	0.9	-1.0	2.4	-1.1	2.0	0.5	2.9	1.5	4.6	2.6	7.5
Foreign currency credits	2.0	1.8	1.8	1.5	-0.2	1.1	-1.1	-0.7	-0.8	-1.1	-1.6	0.7
Short-term credits	2.7	0.9	-0.3	1.3	-1.4	0.3	-1.3	0.6	0.8	-0.1	0.2	3.3
Long-term credits	1.3	1.5	1.0	3.1	0.2	2.6	0.7	1.6	-0.3	3.5	1.0	5.3

Source: NBRNM.

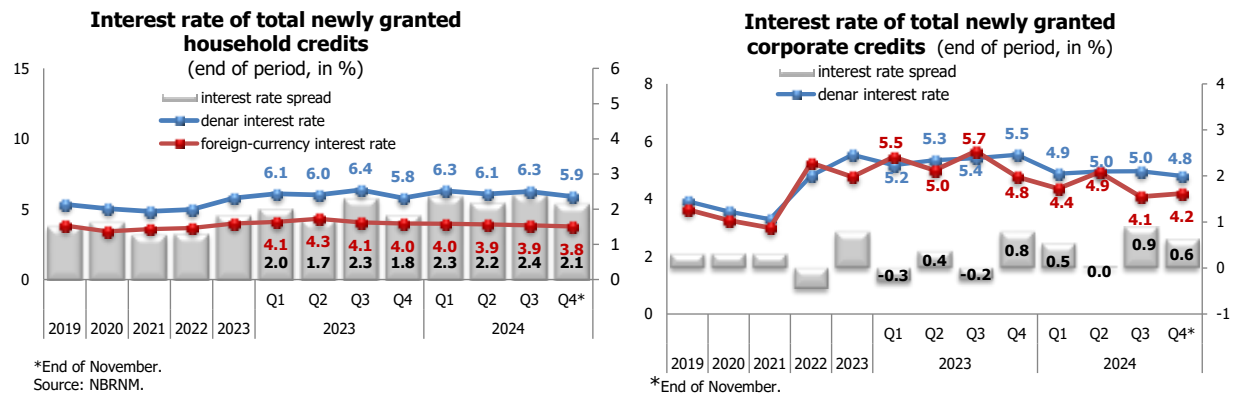
According to the data on the interest rates⁷⁷ on newly approved loans⁷⁸ in November, interest rates on denar and foreign currency loans to households equaled 5.9% and 3.8%, respectively (6.3% and 3.9%, respectively in September). In such conditions, the interest rate spread between the new denar and foreign currency lending to households decreased to 2.1 percentage points. (2.4 percentage points in the third quarter). **Regarding corporations**, the interest rates on newly approved denar and foreign currency loans equaled 4.8% and 4.2%, respectively (5.0% and 4.1%, respectively in September), thus the interest rate spread between the new denar and foreign currency corporate lending reduced and equaled 0.6 percentage points. (0.9 percentage points in the third quarter). In terms of **total loans** granted to the

⁷⁷ 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.nspix.

⁷⁸Note that the interest rates on newly approved loans are volatile. Volatility of interest rate on newly approved loans depends on the volume of newly approved loans (which can change from month to month) and their interest rate.



private sector, at the end of November, the interest rates on household and corporate loans equaled 5.7% and 5.1%, respectively, and remained unchanged in both sectors compared to September 2024.

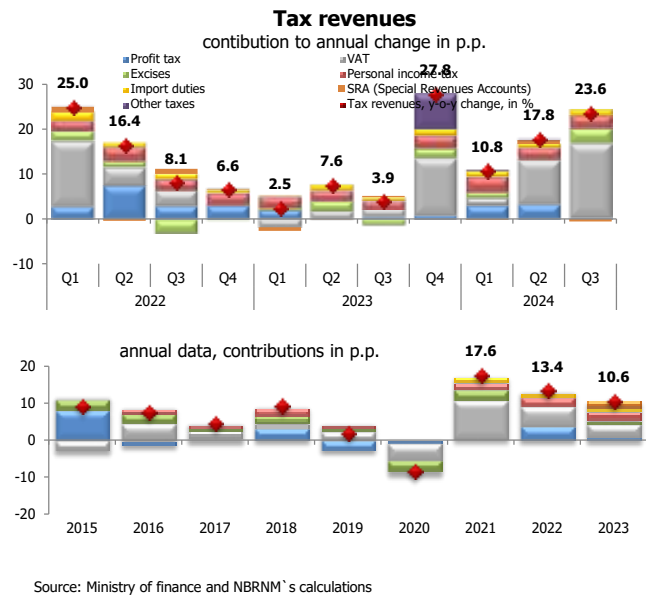
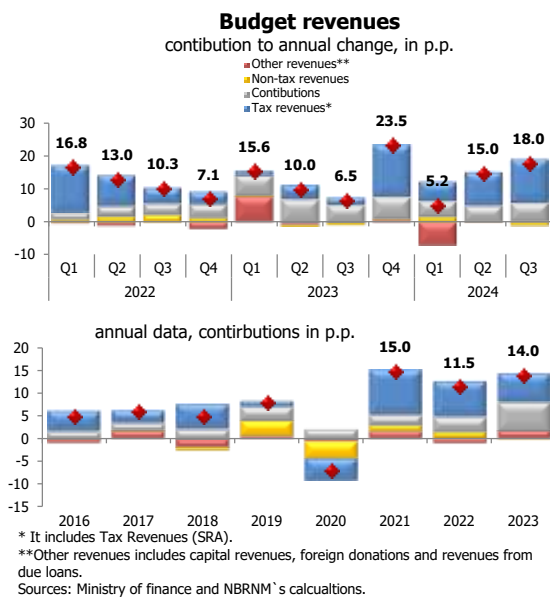


V. Public finance

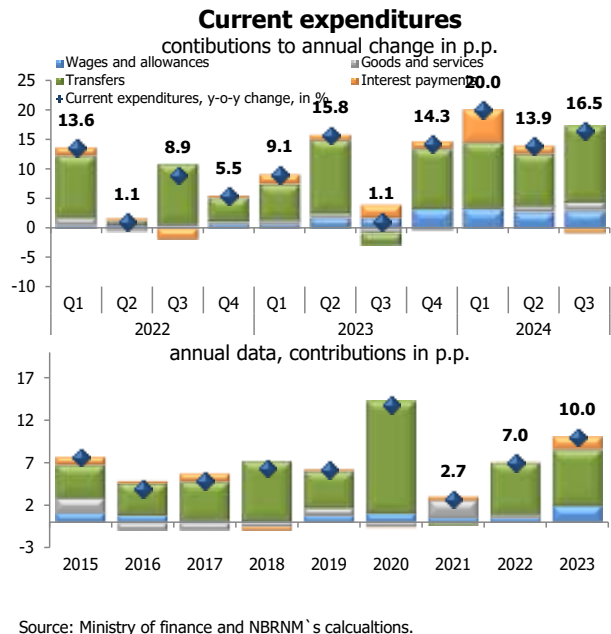
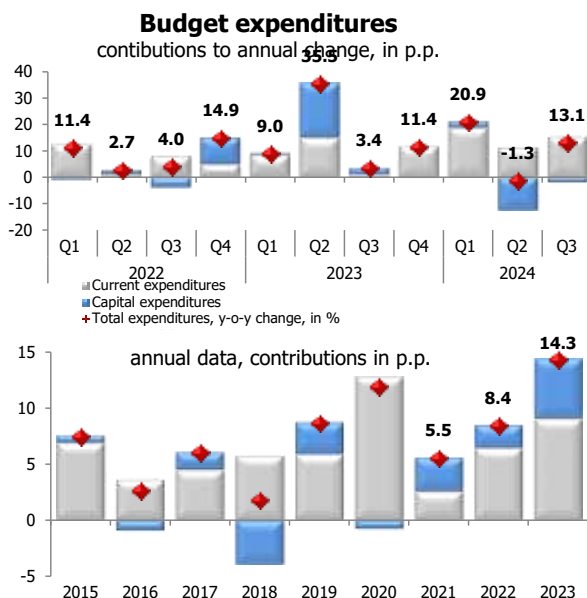
In the third quarter of 2024, a high annual growth in budget revenues (of 18%) was recorded, as well as an annual growth in budget expenditures (of 13.1%). However, the higher growth of revenues than budget expenditures contributed to a reduction in the budget deficit on an annual basis, which reduced to 0.1% of GDP (0.4% of GDP in the same quarter of the previous year). In the period January–November 2024, the budget deficit amounted to 3.3% of GDP, i.e. 66.4% of the planned deficit for 2024 according to the Budget Relocation. The budget deficit realized in the period January– November 2024 was financed through net borrowing of the Government primarily on the domestic market, as well as on the foreign market, given simultaneous accumulation of government deposits with the National Bank. At the end of the third quarter of 2024, total public debt was 61.1% of GDP, and it is relatively stable on annual basis.

In the third quarter of 2024, **total revenues** in the Budget of the Republic of North Macedonia⁷⁹ registered a high annual growth of 18%, which is an acceleration compared to the growth of 15% registered in the previous quarter. Almost all categories of budget revenues contributed to this annual growth, with the exception of no-tax revenues that recorded slight annual decline. Within the individual categories, the most significant share in the total revenues growth accounts for the taxes, with a contribution of 13.3 percentage points (10.2 percentage points in the previous quarter), as well as revenues from contributions with a positive contribution of 5.5 percentage points (4.8 percentage points in the previous quarter).

⁷⁹ Central budget and budgets of funds.



The annual growth of total **tax revenues** in the third quarter of 2024 accelerated and reached 23.6%. Such achievements result from the higher contribution of indirect tax revenues, mostly from VAT revenues (with a contribution of 16.4 percentage points), but to a lesser extent from excise duties and import duties (contributions of 3.2 percentage points and 1.4 percentage points, respectively). In addition, direct taxes also have a positive contribution to the tax revenues growth, namely personal income tax and profit tax (with contributions of 2.9 percentage points and 0.3 percentage points, respectively).



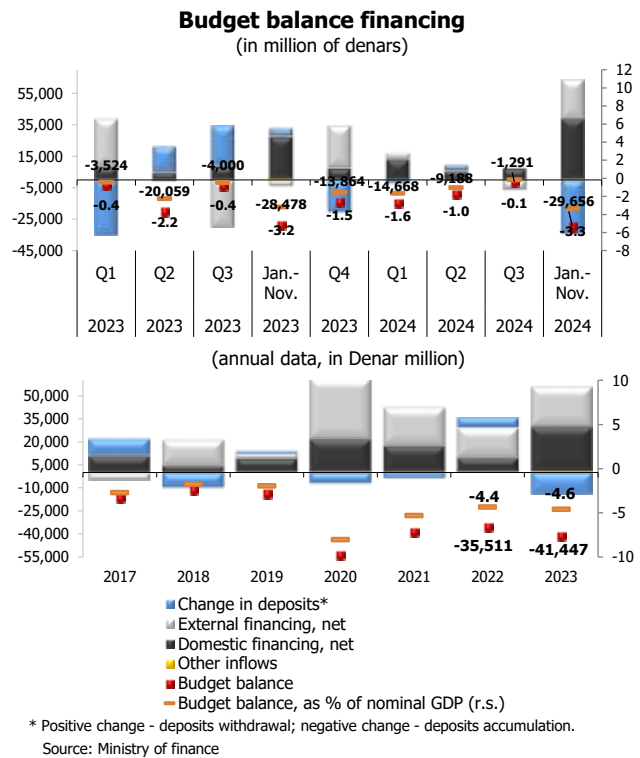
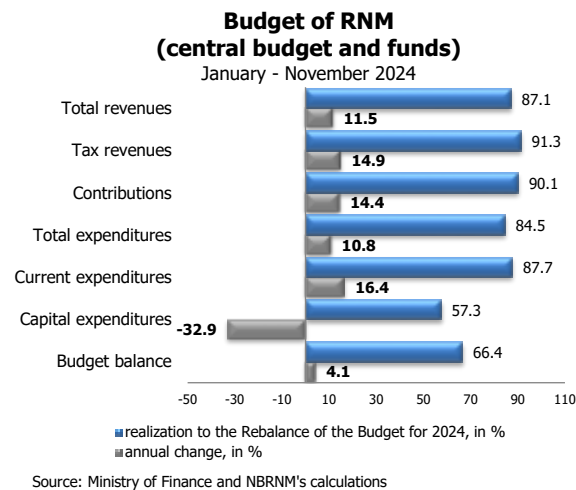
In the second quarter of 2024, **total budget expenditures** recorded an annual growth of 13.1%, after a decline in the previous quarter due to lower capital expenditures⁸⁰. By structure, the increase in the total expenditures fully arise from higher currents expenses⁸¹,

⁸⁰The decrease in the capital expenses in the second quarter is due to the higher comparison base in the second quarter of 2023, when larger amount for financing the road infrastructure project was paid (Corridors 8 and 10d).

⁸¹ Current expenses, i.e. transfers, were higher as a result of the linear increase in pensions in September by Denar 2,500 in accordance with the Law on Amendments to the Law on Pension and Disability Insurance.



amid a decrease in the capital expenses. The annual increase in the current expenditures primarily arise from the "transfers" category⁸² (a contribution of 12.9 percentage points), with more moderate contribution being made by the growth in categories "wage and compensations" and "goods and services" (of 2.8 percentage points, 1.5 percentage points, respectively), while "interest payments" had negative contribution (0.8 percentage points).



In the third quarter of 2024, the budget deficit was Denar 1,291 million or 0.1% of GDP⁸³, which is lower compared to the same period last year (deficit of 0.4% of GDP). The deficit in the third quarter was financed primarily through net borrowing of the Government on the domestic market and minimal withdrawal of government funds with the National Bank, given net deleveraging on the foreign market.

⁸² Category of transfers include pension expenses, social security costs, health care costs and other transfers (mainly subsidies).

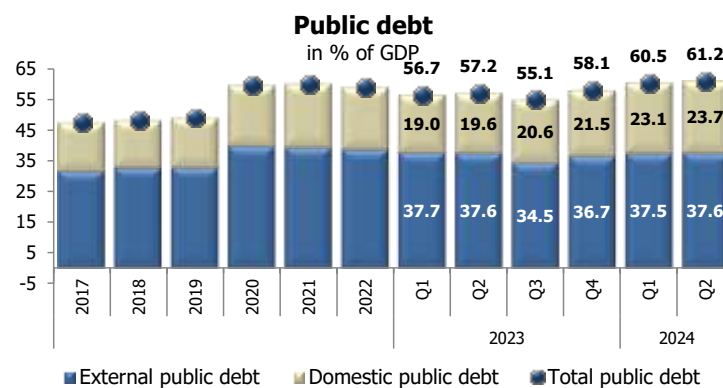
⁸³ The calculations use the nominal GDP forecast (from October 2021), which do not reflect the upward GDP revisions made by the SSO for 2022 and 2023.

**BUDGET OF REPUBLIC OF NORTH MACEDONIA (Central budget and budgets of funds)**

	2024							2023						2024	
	Budget 2024	Rebalance of budget 2024	Reallocation of budget 2024	Q1	Q2	Q3	Jan.-Nov. 2024	Q1		Q2		Q3		Jan.-Nov. 2024	
								Annual changes, in %	Contributions in annual changes, in p.p.	Annual changes, in %	Contributions in annual changes, in p.p.	Annual changes, in %	Contributions in annual changes, in p.p.	Annual changes, in %	Contributions in annual changes, in p.p.
TOTAL REVENUES	310,128	318,150	318,151	69,418	74,880	78,272	277,082	5.2	5.2	15.0	15.0	18.0	18.0	11.5	11.5
Tax revenues and contributions	279,044	284,469	284,469	63,672	70,282	72,739	256,743	12.4	10.6	16.2	15.0	20.8	18.9	14.6	13.2
Taxes*	178,067	179,257	179,257	39,761	43,997	46,231	161,955	10.8	5.9	17.8	10.2	23.6	13.3	14.7	8.4
Contributions	100,977	105,212	105,212	23,911	26,285	26,508	94,788	15.2	4.8	13.6	4.8	16.1	5.5	14.4	4.8
Non-tax revenues	20,394	22,541	22,541	4,957	3,843	3,757	15,959	26.9	1.6	1.5	0.1	-15.7	-1.1	6.4	0.4
Capital revenues	3,210	3,240	3,240	199	149	1,148	1,671	3.1	0.0	-17.2	0.0	11.9	0.2	-16.5	-0.1
Foreign donations	7,479	7,900	7,900	590	606	628	2,709	-88.8	-7.1	-12.2	-0.1	2.6	0.0	-63.4	-1.9
TOTAL EXPENDITURES	343,638	362,816	362,816	84,086	84,068	79,563	306,738	20.9	20.9	-1.3	-1.3	13.1	13.1	10.8	10.8
Current expenditures	298,459	318,118	325,443	77,077	78,153	75,141	285,319	20.0	18.5	13.9	11.2	16.5	15.1	16.4	14.6
Capital expenditures	45,179	44,698	37,374	7,009	5,915	4,422	21,419	31.6	2.4	-64.4	-12.5	-23.8	-2.0	-32.9	-3.8
BUDGET DEFICIT/SURPLUS	-33,510	-44,666	-44,666	-14,668	-9,188	-1,291	-29,656								
Financing	33,510	44,666	44,666	14,668	9,188	1,291	29,656								
Inflow	78,564	83,727	83,727	33,129	14,212	10,280	67,532								
Other inflows	0	500	500	253	43	457	930								
Foreign loans	43,164	48,487	48,486	9,939	3,530	287	44,937								
Deposits	-4,863	-20,388	-20,387	-2,134	3,225	5	-33,846								
Treasury bills	40,263	55,128	55,128	25,071	7,414	9,531	55,511								
Sale of shares	0	0	0	0	0	0	0								
Outflow	45,054	39,061	39,061	18,461	5,024	8,989	37,876								
Repayment of principal	45,054	39,061	39,061	18,461	5,024	8,989	37,876								
External debt	26,429	20,334	20,334	6,610	3,402	6,586	19,990								
Domestic debt	18,625	18,727	18,727	11,851	1,622	2,403	17,886								
Other outflows	0	0	0	0	0	0	0								

* Includes Special Revenues Accounts (SRA)
Source: Ministry of Finance and NBRNM calculations.

In the period January - November 2024, total budget revenues grew by 11.5% on an annual basis. This is largely due to better performance in tax revenues and contributions, as well as non-tax revenues, while revenues from foreign donations⁸⁴ recorded a greater decline due to the higher comparison base from last year. At the same time, budget expenditures are higher by 10.8% on an annual basis, entirely contributed by current expenditures, at lower capital expenditures⁸⁵. In the period January - November 2024, the budget deficit equaled Denar 29,656 million or 3.3% of GDP, representing 66.4% of the planned deficit for the year with the Budget Relocation⁸⁶ for 2024. The deficit was largely financed through net borrowing on both domestic and foreign market⁸⁷, amid simultaneous accumulation of government deposits with the National Bank.



⁸⁴ In March 2023, foreign donations increased due to an EU grant amounting to Euro 72 million aimed at dealing with the energy crisis.

⁸⁵ Capital costs decreased due to higher comparison base in 2023 due to the payment to the Public Enterprise for State Roads for the highway construction of corridors 8 and 10d.

⁸⁶ Official Gazette of RNM No. 250 of 11.12.2024.

⁸⁷ Inflow of the second tranche in the amount of Euro 155 million from the PLL (Precautionary and Liquidity Facility) program of the International Monetary Fund in January 2024 and an inflow of Euro 50 million from a loan from the European Commission in May 2024. In March 2024, the Government paid the due installment of about Euro 70 million for the bond known as "Namensschuldverschreibungen", or NSV. In October 2024, an inflow of Euro 500 million was realized from the loan agreement with the Hungarian Export-Import Bank PLC Budapest.



At the end of the third quarter of 2024, total public debt⁸⁸ equaled 61.1% of GDP⁸⁹, which is a slight reduction of 0.1 percentage point of GDP compared to the end of the previous quarter. This is largely due to the decrease in the external debt, at slight increase in the internal debt. Analyzed by the debt structure, the decrease was entirely due to the decline in public enterprise debt (guaranteed and unguaranteed)⁹⁰ by 0.3 percentage points and equaled 8.2% of GDP (8.5% of GDP in the previous quarter), with a slight increase in total government debt⁹¹ by 0.1 percentage point and it equaled 52.9% of GDP. Total public debt registered an increase of 6.0 percentage points of GDP at the end of the third quarter of 2024, in comparison with the same period of 2023.

⁸⁸ The public debt is defined under the Law on Public Debt (Official Gazette of the RM No. 62/05, 88/08, 35/11, 139/14 and 98/19) as the sum of government debt and debt of public enterprises established by the state or municipalities, municipalities within the City of Skopje and the City of Skopje, and companies that are entirely or predominantly owned by the state or by the municipalities, the municipalities within the City of Skopje and the City of Skopje.

⁸⁹ The calculations use the nominal GDP forecast (from October 2021), which do not reflect the upward GDP revisions made by the SSO for 2022 and 2023.

⁹⁰ According to the amendments to the Law on Public Debt from May 2019, the non-guaranteed debt of public companies and joint stock companies established by the government or municipalities, municipalities within the City of Skopje and the City of Skopje is included in public debt (Official Gazette of the RM No. 62/05, 88/08, 35/11, 139/14 and 98/19).

⁹¹ Government debt is defined as a sum of debts of the central government, the public funds and the municipalities.