

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

FOR INTERNAL USE ONLY



**Quarterly Report  
November 2024**



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## Introduction

In the third quarter of 2024, **amid significant slowdown in the domestic inflation dynamics, favorable foreign exchange market, but still present risks, the National Bank commenced a vigilant monetary policy normalization.** In September, there was policy rate cut by 0.25%, to the level of 6.05%, while the continuous favorable movements made a room for additional decrease of 0.25 percentage points in October. In this period, interest rates on overnight and 7-day deposit facilities remained unchanged, at 4.20% and 4.25%, respectively. Regarding the macroprudential policy, a decision to extend the countercyclical capital buffer rate of 1.75% in the fourth quarter of 2025 was adopted in late September. Such policy setup is in support of the overall macrofinancial stability in the economy. The changes in the domestic monetary policy were influenced by the setup of the European Central Bank, which continued to reduce the interest rates in the third quarter, amid estimates for weaker real economic activity in the Euro area than expected and slowdown in the headline inflation in line with the expectations, as well as moderate pressures of labor costs and profit margins. The ECB's monetary policy setup remains in the restrictive area.

**Key risks to the baseline macroeconomic scenario are similar to those of the April forecasting round. However, the downward risks to growth from the external environment are further pronounced** and associated with the escalation of the regional conflicts, thus, with the risk for prolonged monetary tightening, the possibility to restore the volatility of the financial markets, which would adversely affect the government debt markets, and finally, with the risk for larger slowdown in the growth of the Chinese economy, and continuously enhanced protectionist policies, which could intensify trade tensions, reduce the market efficiency and additionally disrupt the global supply changes. **Observing domestic risks**, in this forecasting round, they are related to the dynamics of major infrastructure project realization, in the short term. **In the medium run**, there could be positive effects of the NATO membership and the progress in the EU accession negotiations, as well as the new EU Growth Plan for Western Balkans, which could enhance the economic integration and the social and economic convergence of the country, and the possible use of the geographic positioning of our economy within the initiated process of global chains adjustment. **At the same time, the expected joining the Single European Payment Area (SEPA) would encourage the market integration of the country by removing the financial flow barriers with the EU member countries**, as part of the efforts to transform the payment infrastructure, and to set up the fundamentals in the financial area on the way to the EU. Joining SEPA would mean cheaper, faster and more efficient payment system which could ultimately contribute to greater competitiveness of the domestic corporate sector.

**Observed by individual quantitative external environment indicators important for the Macedonian economy, the estimates for the growth of the foreign effective demand for 2024 remain**, while a minor downward correction in relation to the April forecasts was registered for 2025. The **foreign effective inflation** suffered a slight downward revision for 2024, while the forecast for 2025 remained the same as in April. The revisions of the **global primary commodities prices** are mainly downward, with an expected price decline in 2024 and their increase in 2025. However, primary commodity prices remain significantly volatile, which besides the fundamentals also reflects the high geopolitical and economic uncertainty. Any escalation of the geopolitical shocks would complicate the commenced disinflation process, adversely affecting the global economic activity as well.

**The latest macroeconomic forecasts for the period 2024 - 2027 point to slightly slower growth of the Macedonian economy for this and the next year, compared to the April forecasts, while in the medium run the growth estimates remained unchanged.** Thus, **2024 expects a growth of 2.3%**, which is a downward revision in relation to the April forecast for a growth of 2.6%, amid slightly weaker first half of the year. The weaker expected growth for 2024, together with the estimates for slightly slower foreign demand recovery, caused **a minor downward revision of the growth forecast for 2025**, from 3.6% to 3.3%. **This forecasting round kept the growth estimates of around 4% in 2026.** Structurally observed, the economic growth in the period 2024-2026 will arise from the domestic demand, amid negative contribution of net exports. Within domestic demand, **gross-investments and private consumption were the main drivers of the growth**, supported by public and private investments, the increase in disposable income of households and banks' lending activities. Given the higher performance and the new fiscal strategy which includes slower fiscal



consolidation, in this forecasting round **the contribution of public consumption was estimated as positive during the forecast horizon. Following the estimates for a decline in 2024, exports recovery is expected in the following period**, amid more favorable external environment, which together with the growth in domestic demand will also affect the increase in **imports**. Hence, **net export is expected to make a negative contribution to the total economic growth. The growth of the domestic economy is expected to continue in 2027 at the similar pace of around 4%**, amid more certain environment and greater propensity for consumption and investments. **Risks** to the growth remain pronounced and predominantly downward.

**The inflation will further slowdown until the end of the forecast round. The latest estimates confirm the April forecast for an average inflation rate of 3.5% in 2024. Inflation rate of 2.5% is expected for 2025**, which is a minor upward revision compared to April, amid estimates for greater inertness in part of the price categories. **In the medium run, the inflation is expected to reduce to the historical average of 2% in the period 2026-2027.** The risks to the inflation forecast are still related to the uncertainty in terms of the future movements of the global energy and food prices, due to the current geopolitical tensions and the disruptions related to climate changes, as well as to the effects of policies that affect the aggregate demand in the domestic economy.

**The latest estimates in the monetary segment indicate a slightly stronger growth of the banking sector lending activity throughout the forecast horizon, compared to April.** Given the slightly higher performance since the beginning of the year, the entire 2024 expects a credit growth rate of 7.5% (6.1% according to the April forecast). The growth is expected to continue in the medium term, at a slightly moderate pace and at an average growth rate of 7.2% for the period 2025 - 2027, given the solid capital and liquidity position of banks, and in line with the expectations for gradual easing of financial conditions, acceleration of economic growth and stabilization of the expectations of economic agents. *As until now, the credit growth will further be supported by the deposit growth as the main source of financing.* Deposits in the banking sector are expected to register solid growth rates throughout the forecast horizon, given the relatively stimulating savings conditions in banks, the trust in the banking sector, as well as the expected growth of the disposable income of households. At the end of 2024, an annual growth of total deposits of 7.9% is expected (7.4% according to the April forecasts). The forecasts for the next period show further solid growth which would average to 7.7% in the period 2025-2027.

**The current forecast kept the expectations for a favorable and generally stable external position of the economy in the medium run, with no significant changes in relation to the April cycle. There are still forecasts for a certain deterioration in current account for 2024, i.e. after the surplus registered in the previous year, this year expects moderate deficit of 2.1% of GDP.** Such projected dynamics is due to the lower expected secondary income surplus, in accordance with the expectations for stabilization of the net inflows in private transfers after the record high performance in 2023. In addition, the trade deficit expects annual widening, driven by the non-energy component, which will be almost entirely neutralized by the improved surplus in services. For the remaining forecast horizon, 2025-2027, the current account deficit is forecast to average 2.2% of GDP. The enhanced exports, amid favorable expectations for energy prices, is expected to gradually tighten the trade balance. On the other hand, the outflows related to corridors 8 and 10d are expected to increase the import of services, with a gradual decrease in the secondary income net inflows. **During the entire forecast round, solid net inflows are expected in the financial account**, which will fully cover the current account deficit, thus the foreign reserves will further grow and stay on adequate level. Most of the financial inflows on a net basis are expected in the form of foreign direct investments and long-term government borrowing.

**In general, the macroeconomic landscape registered no essential changes regarding the economic growth, the inflation slowdown and the external position of the domestic economy for the entire forecast round, compared to the April forecast round.** The economic growth is expected to further increase in the forecast horizon, slightly more moderate in the medium run, while the inflation will continue to decelerate and to reduce to the historical average in the medium run. The external position of the economy is still estimated as favorable, with a moderate current account deficit in the medium run and solid financial inflows, which will consequently enable increase in the foreign reserves in the forecasting horizon and their maintenance on adequate level. **Risks to the**



**baseline macroeconomic scenario, both from the external and domestic environment, remain and are mainly similar to the April forecasts.** *Further monitoring and increased vigilance in terms of the policies that affect the demand in the domestic economy is necessary.* The National Bank vigilantly monitors macroeconomic data and risks and, as before, will undertake all necessary measures, and use all available instruments, in order to maintain exchange rate stability and the price stability.



## I. Macroeconomic developments<sup>1</sup>

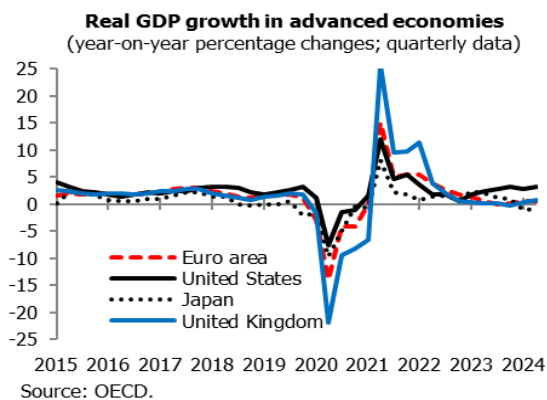
### 1.1. International economic surrounding

*The growth of the global economic activity in the second quarter of 2024 is relatively stable, in conditions of further inflation slowdown and a corresponding gradual easing of monetary conditions. The geopolitical tensions still lasts, posing one of the key risks to the economic prospects. In the euro area, which is our most important trading partner, economic activity recorded a slight annual growth also in the second quarter of 2024. In the third quarter, global inflation has been registering a downward trend, driven by reduced pressures from food and energy prices. In these circumstances, in line with the monetary policy in some developed countries, the interest rates began to reduce gradually in the third quarter. On the world stock markets, in the third quarter of 2024, the prices of primary commodities (oil, food and metals) recorded quarterly decrease. In line with OECD forecasts from September 2024, global economic growth is expected to stabilize at 3.2% in 2024 and 2025, amid further decline in inflation, improving real income, and less restrictive monetary policy. Moreover, compared to May forecasts, the expectations for the global growth in 2024 have been revised upwards by 0.1 percentage point, while for 2025 they remained unchanged. Inflation would further decline, but slightly faster than previous estimates.*

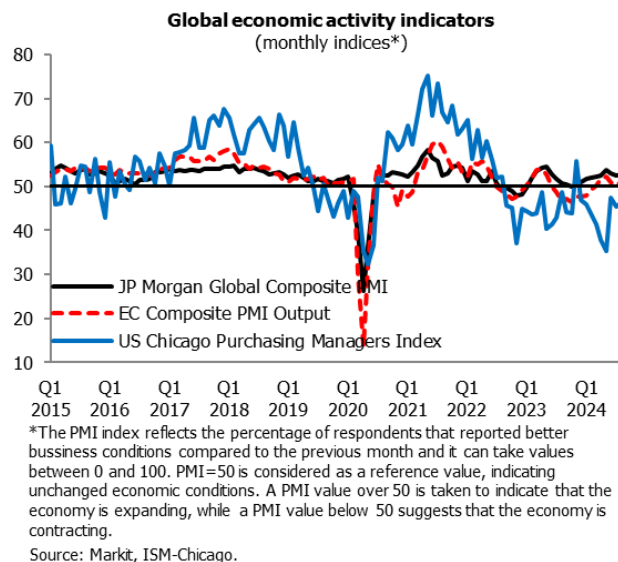
**Global economic activity is recording mainly favorable and stable trends in the second quarter of 2024**, in conditions of inflation deceleration and gradual easing of monetary conditions, but with geopolitical tensions still present. Within **developed countries**, the United States keep registering the highest growth, of 3.1%, which has accelerated in this quarter (2.9% in the previous quarter), due to stronger growth in domestic demand, i.e. more favorable trends in private consumption, while the better performance in gross investment explains the accelerated growth in the United Kingdom, which equals 0.9% (compared to 0.3% in the first quarter). In the euro area, growth has the same dynamics (0.6% compared to 0.5% in the first quarter), but the main factor for the acceleration is the positive movements in net exports. The decline in the Japanese economy continued in the second quarter, reducing to 0.9% (down from 1.0% in the previous quarter), and the slowdown was due to better performance in domestic demand. Economic activity growth has also been registered in the countries belonging to **emerging economies** group, although it generally slowed down. Thus, the growth in China equaled 4.7% (5.3%, in the first quarter), amid low consumption and further problems in the real estate sector, while the growth in the Indian economy fell to 6.8% (8.1% in the previous quarter), affected by the decline in public consumption and the slowdown in gross investment growth. Unlike the aforementioned economies, in Brazil, economic activity growth accelerated slightly in the second quarter of 2024 and reached 2.8% (2.1% in the previous quarter), affected by the better performance of domestic demand.

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<sup>1</sup> This report uses the GDP data for 2022 and 2023 (quarterly and annual) stated in the SSO's quarterly GDP news release published on 4 September 2024.



**As for the estimates for the global growth in the third quarter of 2024,** the average value of the global PMI equaled 52.4 (53.0 in the second quarter), indicating less favorable movements in the global economic activity in the following period. Annually, the global PMI index decreased by 2.5%.



**Global economic growth<sup>2</sup> would stabilize to 3.2% in 2024, and it would remain on the same level also in 2025,** in conditions of decrease in the inflationary pressures and improvement of the real income, gradual loosening of the monetary policy restrictiveness, but yet present tensions as a result of the war in Ukraine and Middle East conflict. Moreover, compared to January forecasts, the expectations for in 2024 are revised upwards by 0.1 percentage points, while there are no changes for 2025. Inflation<sup>3</sup> would decline further, slightly faster than previously expected, to 5.4% and 3.3% in 2024 and 2025, respectively, amid easing labor market pressures and falling food and energy prices. Risks related to the forecasted global economic growth are balanced, while the downward risks are related to the ongoing geopolitical conflicts and trade tensions, a stronger-than-projected downward adjustment in labor markets, and a slower pace of inflation deceleration, which could re-invigorate inflation expectations. Upward risks refer to the increased consumer confidence, as well as to possibly stronger-than-projected fall in oil prices, which could lead to a faster decrease in both inflation and interest rates.

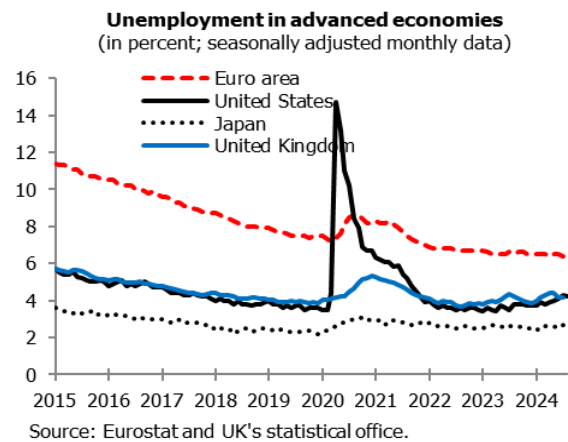
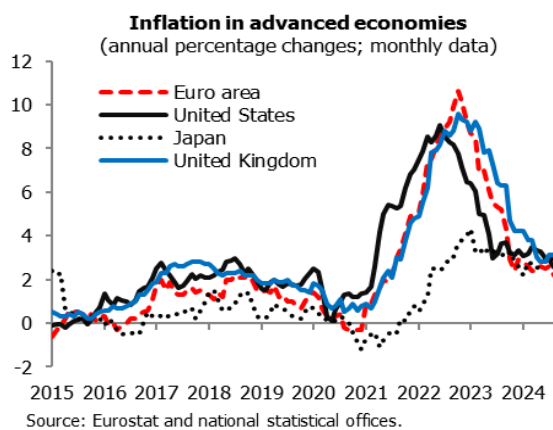
<sup>2</sup> The analysis in this section is based on the OECD report "Global Economic Prospect" published in September 2024.

<sup>3</sup> The inflation forecasts refer to G20 countries, and relative to May forecasts, is lower by 0.5 percentage points and 0.3 percentage points in 2024 and 2025, respectively





**Global inflation has generally been downward**, amid decreasing price pressures from food and energy. Among developed countries, average inflation in the United States and the euro area decelerated in the first two months of the third quarter to 2.7% and 2.4%, respectively (3.2% and 2.5%, respectively, in the second quarter), under the influence of reduced price pressures from food and energy. In contrast, inflation in the first two months of the third quarter in the United Kingdom and in July in Japan increased slightly to 3.1% and 2.8%, respectively (2.9% and 2.7%, respectively, in the previous quarter).



**In the euro area, which is our most important trading partner, the economic activity registered a slight annual growth of 0.6% also in the second quarter of 2024, which however, accelerates** (increase of 0.5% in the previous quarter). The minimal growth acceleration is the result of the positive contribution of net exports, amid stronger export growth, partially offset by weaker domestic demand, primarily due to the sharper decrease in gross investment. Growth in the euro area is lower than expected, which has led to a downward correction for 2024, 2025 and 2026 in the ECB's September forecasts. Thus, euro area is expected to register economic growth of 0.8% in 2024, followed by its gradual acceleration to 1.3% and 1.5% in 2025 and 2026, respectively<sup>4</sup>. Movements in the labor market in the euro area are generally stable, considering that the unemployment rate in the third quarter decreased minimally, reducing to the historically bottom of 6.4% (6.5% in the second quarter). The annual inflation rate in the euro area in the first two months of the third quarter of 2024 averages 2.4% and it is minimally lower than that in the second quarter (2.5%). According to the latest September forecasts of the ECB, the expectations did not change, so the inflation rate in 2024 would equal 2.5%, followed by its further deceleration and reducing to 2.2% in 2025 and 1.9% in 2026.

**In the third quarter of 2024, the central banks in the developed countries began to ease gradually the monetary policy restrictiveness**, in conditions of deceleration in the inflation rate and the prospects for reducing the medium-term inflation to the expected level, as well as the support to the economic activity. The ECB, besides the reduction in June 2024, in September reduced the interest rate on deposit facilities by 0.25 percentage points, while the rates on marginal lending facilities and the main refinancing operations decreased by 0.6 percentage points, in conformity with the changes in the operational framework.<sup>5</sup> Consequently, the interest rate on the deposit facilities, on the main

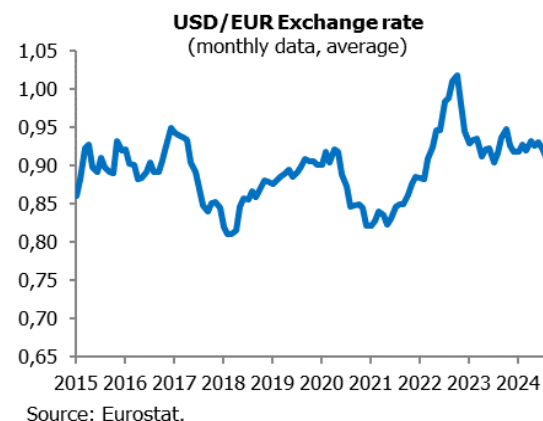
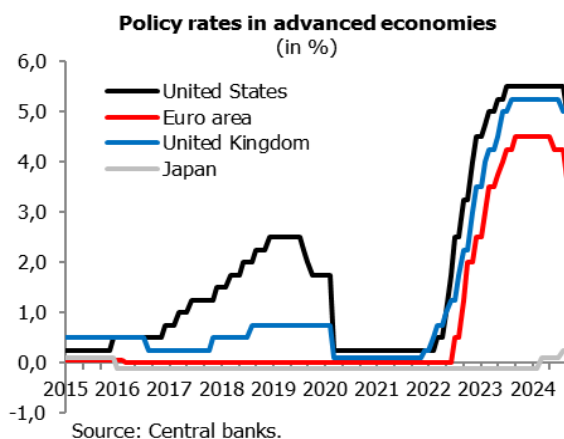
<sup>4</sup> According to the forecast in June 2024 forecasts, the economic growth was projected at 0.9% in 2024 and 1.4% in 2025 and 1.6% in 2026.

<sup>5</sup> According to the latest change in the ECB's operating framework for monetary policy conduct from 13.3.2024, which entered into force on 18.9.2024, the interest rate on deposit facilities will be used as a policy rate for monetary policy conduct, while the level of the other two interest rates will be set through a determined spread, where the interest rate spread between the main refinancing operations and deposit facilities will decrease and amount to 0.15 percentage points, while the interest rate spread between overnight deposit facilities and the main refinancing operations will remain unchanged, i.e. 0.25 percentage points. ([link](#)).





refinancing operations and on the marginal lending facility were set at 3.50%, 3.65% and 3.90%, respectively. The portfolio within the Asset Purchase Program (APP) keep reducing gradually and at predictable pace, because the principal of 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. In September, for the first time in the last four years, the FED reduced the policy rate by 0.5 percentage points and reduced it to a range from 4.75% to 5.0%, in conditions of lower inflationary pressures, mitigated upward inflation risks, as well as downward risks for economic activity. Moreover, the FED will continue reducing the portfolio of treasury and mortgage-backed securities as it has done so far. The Bank of England also reduced the policy rate by 0.25 percentage points and it equaled 5.0%. As a contrast, in the third quarter of 2024 the Bank of Japan increased the policy rate from 0.1% to 0.25% in conditions of higher price pressures and inflation expectations, simultaneously voting for a plan for reducing the amount of monthly purchase of securities by about Japanese yen 400 billion, so in the first quarter of 2026 the purchase will equal Yen 3 trillion.



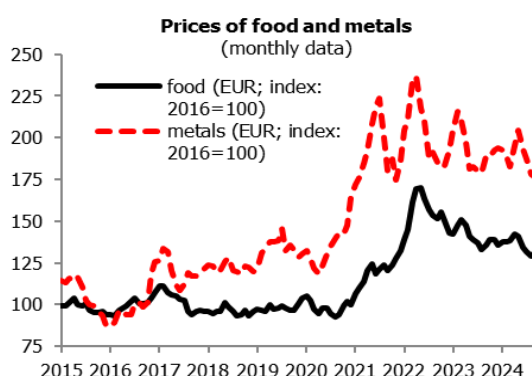
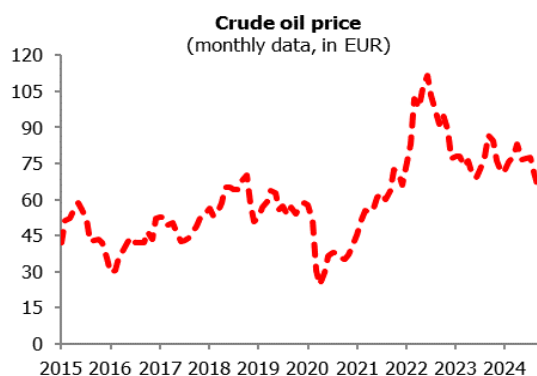
**In the third quarter of 2024, the US dollar depreciated against the euro by 2.0% compared to the second quarter of 2024**, as a result of the market expectations for reduction of the FED's interest rates. Analyzed on annual basis, the US dollar depreciated by 1.0%, and equaled Euro 0.91, on average, in this period.

**In the third quarter of 2024, the primary commodities prices on world markets, denominated in euro, registered a decrease.** Thus, the average oil price in this period equaled Euro71.7 per barrel, which is a decrease of 9.2% compared to the previous quarter i.e. of 9.4%, annually. The downward movement in the oil price results from the reduced global demand, especially from the USA and China, despite the OPEC+ decision to start increasing the production later, that is from December instead of October this year. In addition, the prices of non-energy primary products index<sup>6</sup> (denominated in euros), decreased by 4.1% compared to the second quarter of 2024. Analyzed by groups of products, the primary metals<sup>7</sup> and food<sup>8</sup> price indices decreased by 8.6% and 6.2%, respectively.

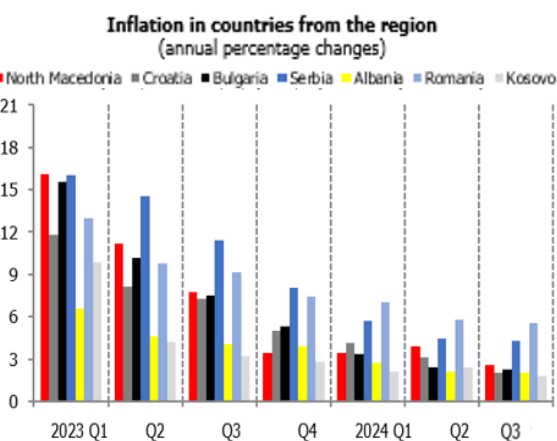
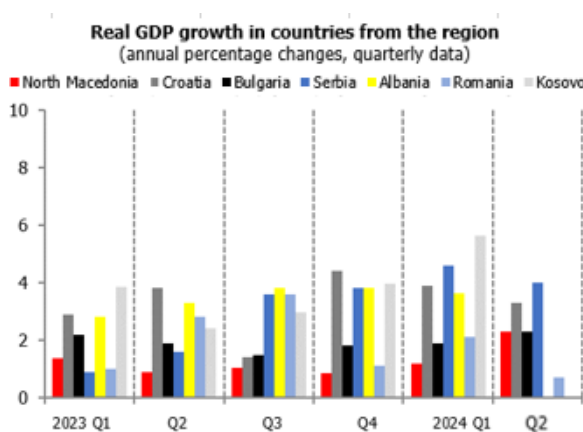
<sup>6</sup>This aggregate index includes the precious metals index, the food and beverages index, the agricultural raw materials index and the index of basic metals.

<sup>7</sup>This index includes the following metals: Aluminum, cobalt, copper, iron, steel, molybdenum, nickel, tin, uranium, and zinc.

<sup>8</sup>This index includes the following food products: Cereals, vegetable oil, meat, seafood, sugar and other food.



**Regarding the countries of the region, economic growth in the second quarter of 2024 continues,** slightly stronger in Bulgaria driven by gross investments, while more moderate in Croatia, Serbia and Romania, mainly due to the deterioration in net exports. **Inflation continues to slow down in the third quarter of 2024 in all analyzed countries of the region,** mainly under the influence of the slow growth of energy prices.



## 1.2. Domestic supply

***With further favorable performance in the "trade, transport and hospitality" group of activities, increased construction activity, as well as significantly more moderate negative trends in agriculture, the activity growth in the domestic economy in the second quarter of 2024 accelerated on an annual basis and reached 2.3% (1.2% in the previous quarter). However, the performance in one of the key activities - industry, remained in the negative zone this quarter, as well. On the quarterly basis, the economic activity registered a real increase of 0.8%. High-frequency data on the supply side available for the period July-August 2023 mainly indicate a further growth of the economic activity. Managers' assessments of the business condition of enterprises for the third quarter of 2024 are also similar, which are more favorable in trade, construction and the service sector, while in industry they are less favorable. For the next period, the expectations of company managers in all sectors are more favorable.***



**In the second quarter of 2024, real GDP growth slightly equaled 2.3% annually** (growth of 1.2% in the previous quarter), amid further quarterly growth of 0.8% (seasonally and calendar adjusted). The increase intensified on an annual basis, at further favorable performance in “trade, transport and catering” utilities, intensified construction activity, as well as significantly more moderate negative developments in agriculture. On the other hand, the performance in industry remained in the negative zone also in this quarter.

#### GDP and components- annual growth rates (in %)

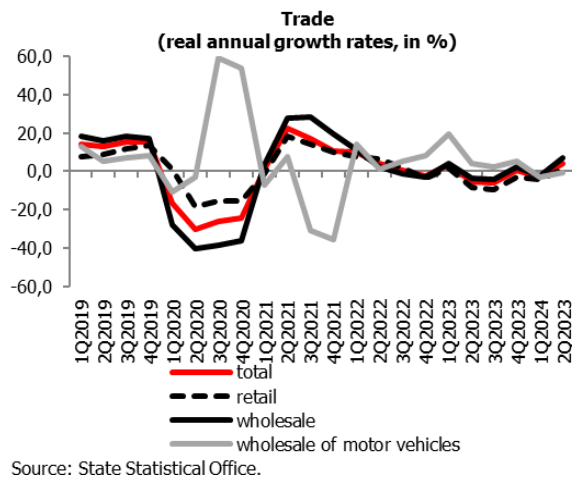
	annual growth rates, in %							
	2019	2020	2021	2022	2023	Q1 2024	Q2 2024	H1 2024
Agriculture	0,0	0,2	-0,7	-0,4	-0,3	-1,2	-0,2	-0,5
Industry	0,3	-1,2	0,4	-0,2	0,0	-0,2	-0,3	-0,2
Manufacturing	0,3	-0,6	0,8	-0,4	-0,1	0,0	0,1	0,0
Construction	0,3	-0,2	-0,3	0,5	-0,1	-0,1	0,2	0,1
Trade and transport	1,3	-2,1	1,5	0,0	0,6	1,3	1,1	1,2
Information and communication	0,2	0,2	0,5	0,6	0,2	0,1	0,1	0,2
Financial and insurance activities	0,0	0,0	0,0	0,0	0,1	0,0	0,0	0,0
Real estate activities	0,0	0,1	0,7	2,0	0,4	0,0	0,1	0,1
Professional, scientific and technical activities	0,3	-0,3	0,5	0,4	0,1	0,3	0,4	0,5
Public administration	0,6	0,4	0,5	-0,9	-0,2	0,2	0,0	0,0
Art, enertainment and recreation; Other service activities	0,3	-0,7	0,5	0,2	0,0	0,6	0,3	0,5
<b>Gross Domestic Product</b>	<b>3,9</b>	<b>-4,7</b>	<b>4,5</b>	<b>2,2</b>	<b>1,0</b>	<b>1,2</b>	<b>2,3</b>	<b>1,8</b>

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

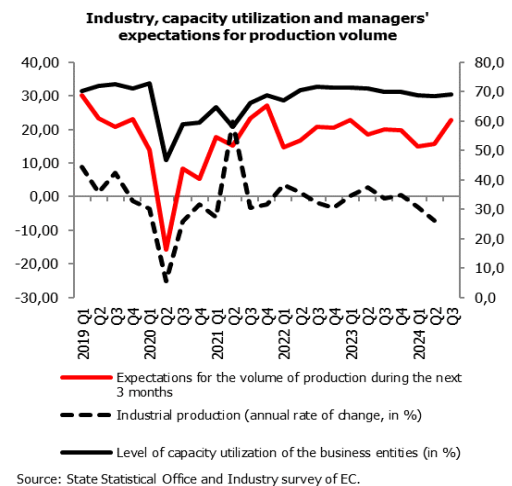
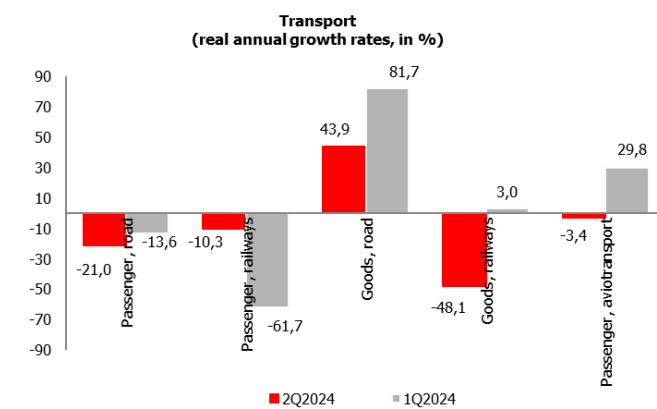
	contribution in GDP growth, in p.p.							
	2019	2020	2021	2022	2023	Q1 2024	Q2 2024	H1 2024
Agriculture	0,0	0,2	-0,7	-0,4	-0,3	-1,2	-0,2	-0,5
Industry	0,3	-1,2	0,4	-0,2	0,0	-0,2	-0,3	-0,2
Manufacturing	0,3	-0,6	0,8	-0,4	-0,1	0,0	0,1	0,0
Construction	0,3	-0,2	-0,3	0,5	-0,1	-0,1	0,2	0,1
Trade and transport	1,3	-2,1	1,5	0,0	0,6	1,3	1,1	1,2
Information and communication	0,2	0,2	0,5	0,6	0,2	0,1	0,1	0,2
Financial and insurance activities	0,0	0,0	0,0	0,0	0,1	0,0	0,0	0,0
Real estate activities	0,0	0,1	0,7	2,0	0,4	0,0	0,1	0,1
Professional, scientific and technical activities	0,3	-0,3	0,5	0,4	0,1	0,3	0,4	0,5
Public administration	0,6	0,4	0,5	-0,9	-0,2	0,2	0,0	0,0
Art, enertainment and recreation; Other service activities	0,3	-0,7	0,5	0,2	0,0	0,6	0,3	0,5
<b>Gross Domestic Product</b>	<b>3,9</b>	<b>-4,7</b>	<b>4,5</b>	<b>2,2</b>	<b>1,0</b>	<b>1,2</b>	<b>2,3</b>	<b>1,8</b>

Source: NBRNM calculations.

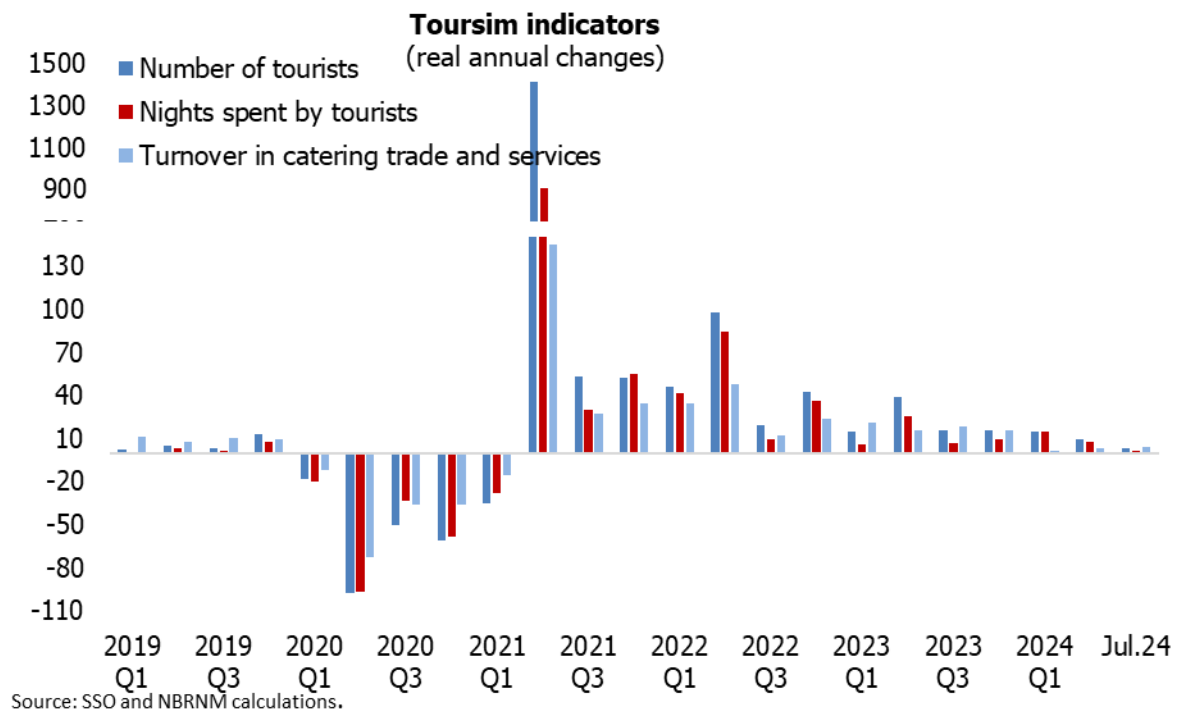
**Analyzed through high-frequency data, in the second quarter of the year the total trade turnover recorded a small real growth on an annual basis**, in conditions of growth in retail trade and trade in motor vehicles, while wholesale trade recorded slight decline. In the July-August period, the total trade turnover recorded accelerated growth, driven by growth in retail trade and trade in motor vehicles, while the decrease in the wholesale trade is getting deeper. The perceptions of the corporate managers in the sector retail trade on the business situations during third quarter of 2024 are more favorable compared to the same quarter in the previous year, with more favorable expectations for the forthcoming period as well.



In terms of **transport**, in the second quarter of 2024, a real decline was registered in passenger road, rail and air traffic, as well as in freight rail traffic, while a high real growth was observed in freight road traffic.

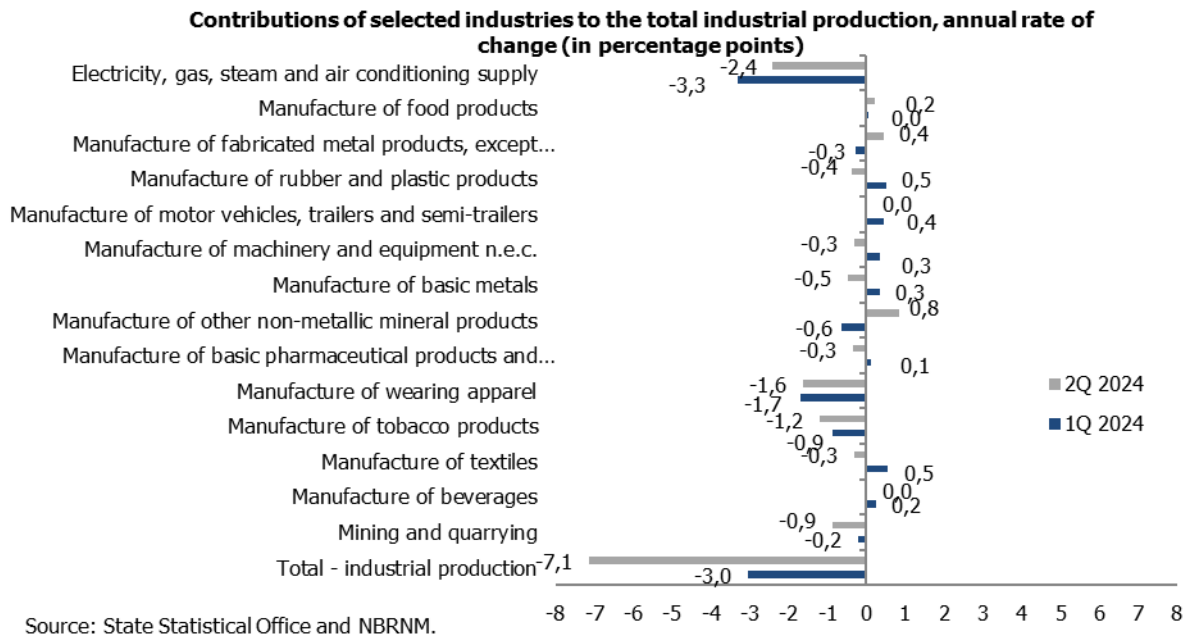


Within the **catering sector**, in the second quarter of 2024, the number of tourists and overnight stays continues to record solid real growth on an annual basis, as well as the total turnover in catering. The data for July 2024 point to further growth in the number of tourists and overnight stays, as well as the total turnover in catering. The perceptions of the corporate managers in the services sector on their business condition during the third quarter of 2024 are more favorable compared to the same quarter in the previous year, with more favorable expectations for the upcoming period in terms of demand also being registered.

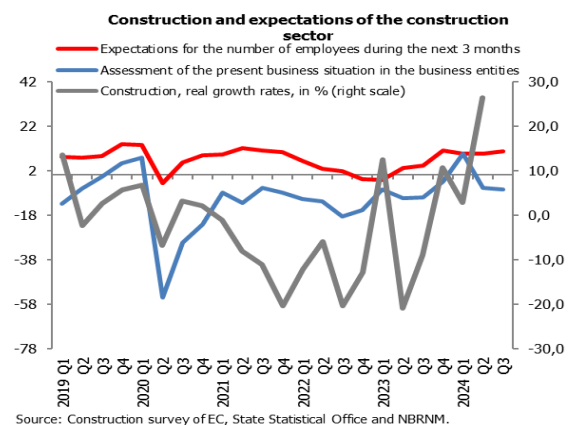
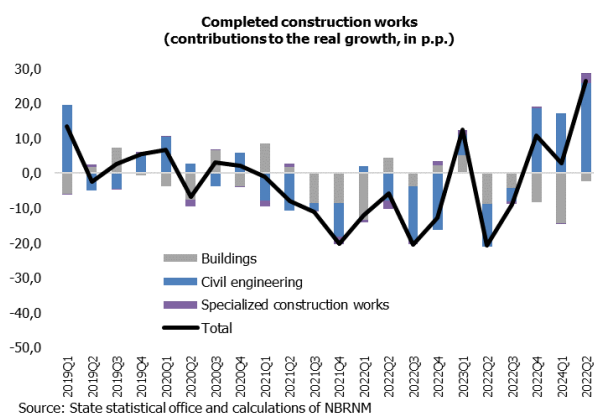


**In the second quarter of 2024, the industrial output<sup>9</sup> decreased by 7.1% annually,** which means that it got bigger relative to the preceding quarter, when it equaled 3%. The performance is largely the result of the negative contribution of the manufacturing industry and the energy sector, and to a lesser extent mining. By activity, within the manufacturing industry, the most significant negative contribution is made by the production of clothing and the production of tobacco products. On the other hand, the production of other non-metallic mineral products has the most significant positive contribution. In the July-August period, industrial output recorded a small growth, as a result of increased production in the manufacturing industry, while mining and the energy sector had negative contribution. The industrial sector managers have less favorable perceptions of the business situations in the third quarter of 2024, compared to the same quarter last year, with more favorable expectations in terms of the movement of manufacturing in the upcoming period.

<sup>9</sup> The analysis of trends in industry uses data on the SSO's monthly data for the industrial output indices.



According to the available high frequency data, **in the second quarter of 2024 the activity in the construction sector registered a high real growth on an annual basis, which is acceleration relative to the growth in the last quarter.** At the same time, the growth in total construction works is due primarily to the growth in civil engineering, according to the intensified construction activities related to the road infrastructure, and to a lesser extent to the growth in specialized construction works<sup>10</sup>, while building construction recorded a decline. In July, the construction registered further growth, entirely resulting from the increase in civil engineering, although its dynamics is more moderate. Perceptions of the corporate managers in the construction sector for the movement of their activity in the third quarter of 2024, as well as the expectations for the following period, were more favorable compared to the same quarter last year.



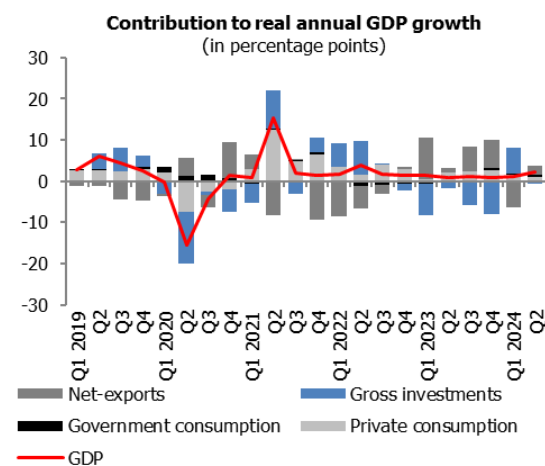
<sup>10</sup> Specialized construction work is a category within the data on construction work performed and it includes "demolition and site preparation", "electrical, plumbing and sewage installations and other construction plumbing works", "finishing works in construction" and "other specialized construction works."



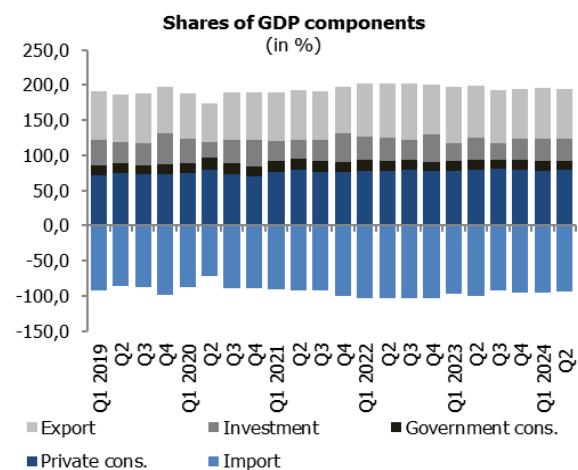
### 1.3. Aggregate demand

**From the demand side, the real annual GDP growth of 2.3% in the second quarter of 2024 mostly results from the positive contribution of net exports, in conditions of a stronger real decrease in import than the decline in export of goods and services. Domestic demand also had a small positive contribution, mostly because of the increased household consumption, which is still supported by the growth of disposable income and bank lending, with the public consumption also recording a growth. On the other hand, lower investments in inventories led to a decline in gross investments this quarter, after high growth in the previous quarter.**

The structural analysis of GDP<sup>11</sup> in terms of demand indicates that in the second quarter of 2024 most of the growth is due to the positive contribution of net exports, with small positive contribution accounting also to the domestic demand. Analyzed by individual components, in this quarter there was a small decline in exports, which in conditions of a more pronounced drop in imports contributed to a positive contribution to net exports. The main driver of the growth of domestic demand is private consumption, but its growth continues to slow down, and an additional positive contribution is recorded by public consumption. On the other hand, after the high growth in the previous quarter, gross investments in this quarter recorded a decline due to reduced inventories, with increased investments in fixed assets.



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	2023-Q1	2023-Q2	2023-Q3	2023-Q4	2024-Q1	2024-Q2	2021	2022	2023	2023-Q1	2023-Q2	2023-Q3	2023-Q4	2024-Q1	2024-Q2
Private consumption	8,8	3,8	2,4	0,7	2,8	2,8	3,3	2,0	1,3	5,7	2,6	1,7	0,5	1,9	2,0	2,2	1,4	1,0
Government consumption	0,9	-5,0	-0,6	-4,3	-1,1	-3,0	5,6	2,4	3,5	0,1	-0,8	-0,1	-0,7	-0,2	-0,5	0,8	0,5	0,5
Exports of goods and services	14,3	11,4	-0,1	6,6	-1,4	-5,0	0,1	-7,8	-2,9	8,2	7,5	-0,1	4,8	-1,0	-3,8	-0,1	-6,1	-2,1
Imports of goods and services	14,8	12,4	-5,8	-5,0	-2,0	-9,8	-6,5	0,2	-4,5	-10,4	-10,1	5,5	4,7	1,9	9,3	6,1	-0,1	4,1
Gross capital formation	3,7	9,4	-16,7	-22,3	-4,8	-18,7	-20,5	23,6	-1,7	0,9	3,0	-6,0	-8,0	-1,7	-6,0	-8,2	5,6	-1,2
Domestic demand	6,5	4,2	-3,1	-6,0	0,3	-3,0	-3,6	6,8	0,8	6,7	4,8	-4,4	-8,2	0,0	-4,5	-5,2	7,5	0,3
Net exports*	16,3	15,2	-21,6	-35,8	-3,8	-26,3	-21,3	35,8	-8,9	-2,2	-2,6	5,4	9,5	0,9	5,5	6,0	-6,2	2,0
Statistical discrepancy										0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
GDP	4.5	2.2	1.0	1.4	0.9	1.0	0.9	1.2	2.3	4.5	2.2	1.0	1.4	0.9	1.0	0.9	1.2	2.3

\*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.

<sup>11</sup>The quarterly changes of the GDP and its components are calculated using seasonally and calendar adjusted SSO data.



### *1.3.1. Private consumption*

**In the second quarter of 2024, the private consumption is the main carrier of the growth of the domestic demand, but the annual increase further decelerates and equals 1.3% (quarterly growth of 0.5%).** Private consumption is supported by the real disposable income, which further increases, but more moderately, in conditions of slower increase in the wage bill<sup>12</sup> and pension bill<sup>13</sup>. On the other hand, private transfers still register real drop, but slightly smaller than in the preceding quarter. Some of the household consumption is further financed through bank loans, which registered real annual growth this quarter. In addition, during the second quarter of 2024 during, some of the economic measures adopted at the end of 2023 to protect living standards<sup>14</sup> aimed at household consumption maintenance were still effective.

**Analyzed by available private consumption data<sup>15</sup> for the third quarter of 2024,** they indicate its further intensified increase. This is indicated by the further growth in some of the disposable income components, that is, in wages and pensions, as well as in the household loans. The results of the Lending Survey from September show net easing of the lending conditions and net increase in the demand for household loans. Accelerated growth was observed in the import of consumer goods, retail trade and domestic production of consumer goods, while gross VAT revenues continued to grow, although more slowly. The consumer confidence indicator<sup>16</sup> points to more favorable perceptions for the third quarter of 2024 relative to the previous quarter, especially compared to the same period in 2023.

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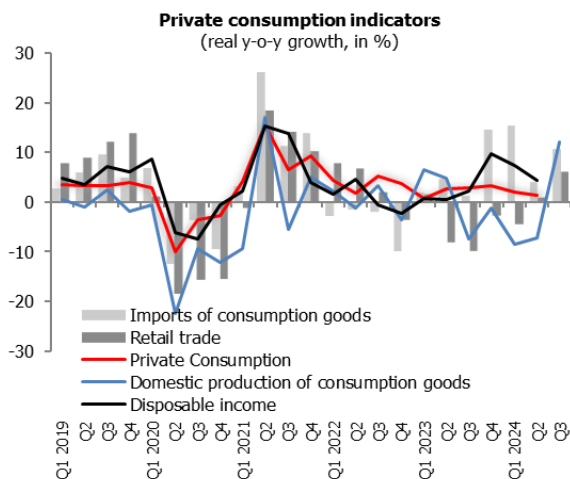
<sup>12</sup> For more details, see section 1.3. Employment and wages.

<sup>13</sup> In March 2024, pensions increased by 5.3% in line with the regular adjustment envisaged in the methodology, which follows two indicators, i.e. 50% of the increase in the average wage and 50% of the increase in the consumer prices, according to the official data of the State Statistical Office. This adjustment is performed twice a year, in March and September (for more information see the following [link](#)).

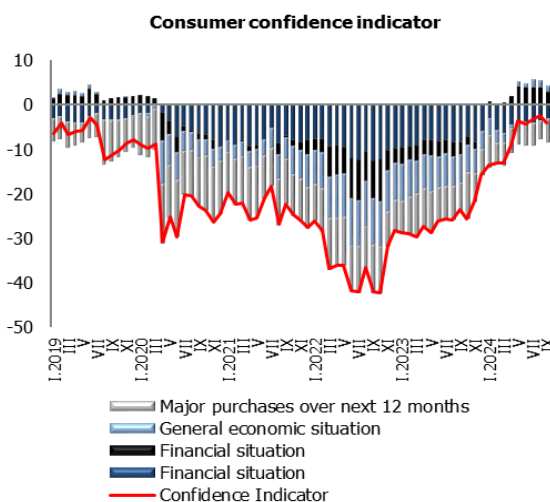
<sup>14</sup> On 9 December 2023, the Government adopted another set of anti crisis measures, divided in four categories: 1) Measures to support citizens and households (support for pupils and students from low-income families, support for vulnerable categories of citizens, pensioners and households with lower incomes, support for farmers); 2) Measures to support the economy (more favorable loans for liquidity and investments, subsidizing contributions for higher wages); 3) Measures to support the public sector (municipalities and public enterprises); and 4) Systemic measures that contribute to mitigate the effects of the price and energy crisis. (<https://finance.gov.mk>)

<sup>15</sup> Data on wages are as of July 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 July-August 2024.

<sup>16</sup> European Commission's Consumer Survey as of September 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.



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

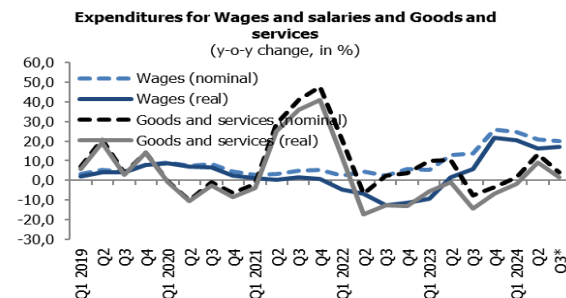


Source: European Commission and NBRNM's calculation.

### 1.3.2. Public consumption

**In the second quarter of 2024, the growth of public consumption accelerated and equaled 3.5% (2.4% in the previous quarter), amid quarterly rise of 1%.** According to the budget data, in this period real growth was registered in all the main categories of public consumption.

The Budget performance for the period July - August 2024 point to further, but slower real annual growth of public consumption, mainly due to the slower growth of expenditures for goods and services and transfers to the Health Insurance Fund.

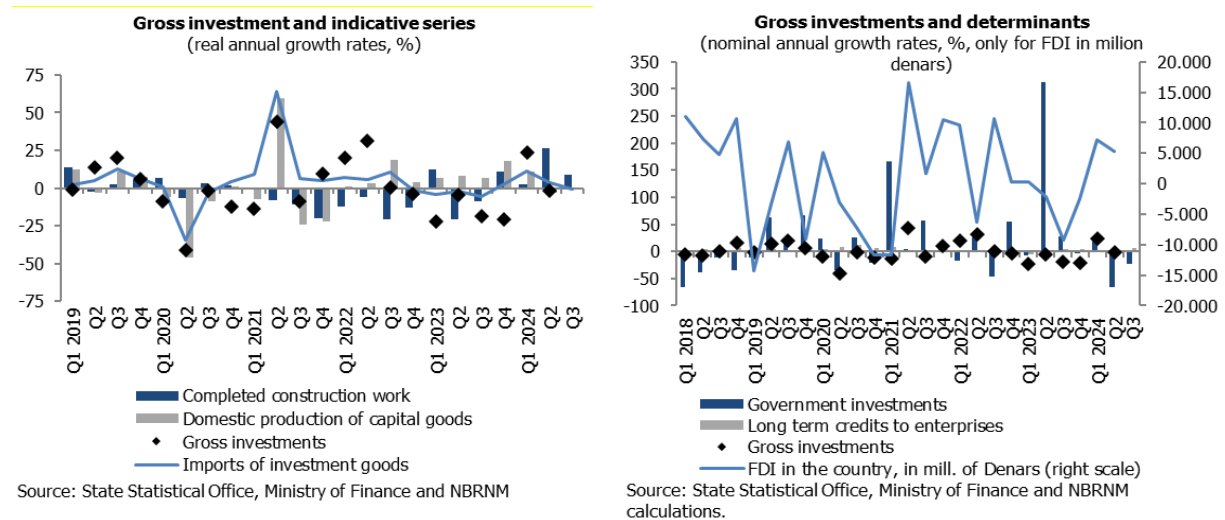


Source: Ministry of Finance and NBRNM calculations.  
The calculations include expenditures of Consolidated Budget of Central Government and Funds, deflated by CPI.  
\*Data in Q3 is with last available data, July- August 2024.

### 1.3.3. Investment consumption

**After strong annual growth of 23.6% in gross investments in the first quarter of 2024, in the second quarter they registered a real annual and quarterly decline of 1.7% and 0.8%, respectively.** Movements on an annual basis result from the reduced inventories, while investments in fixed assets grow. Seen through the indicative categories for investments in fixed assets, completed construction works and long-term loans to enterprises in the second quarter recorded accelerated growth. There is still growth in the import of working capital, income from profit tax and foreign direct investments, but slower than in the previous quarter. On the other hand, state capital investments, after the growth in the previous quarter, experienced a real decline in this quarter, and the domestic production of capital goods also recorded a decline.

**Regarding the high frequency data on the gross investments<sup>17</sup> for the period July - August 2024**, accelerated growth is observed in the credit support to enterprises, which is in accordance with the results of the Lending Survey for the third quarter of 2024, which point to a net easing of the overall credit conditions, with a net increase in the demand for corporate loans. In this period, there are more favorable developments in the industry, as a result of which after the decline in the previous quarter, there is growth in the total industrial production, while the domestic production of capital goods is stable. Growth, although slower, was recorded in construction works and profit tax. On the other hand, a further, but significantly smaller decline was recorded in government capital investments, with a decrease, in contrast to the growth in the second quarter, also being registered in the import of working capital and stocks of finished products.

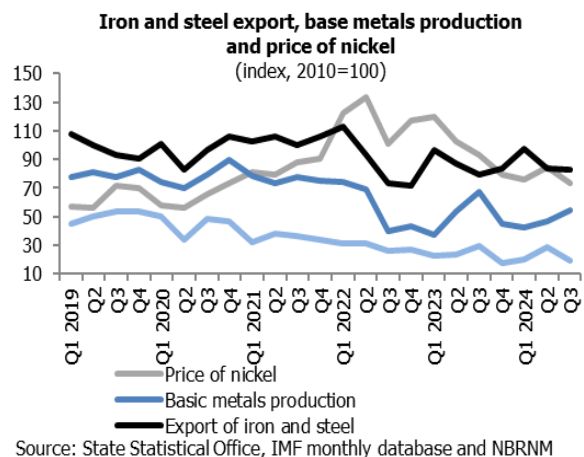
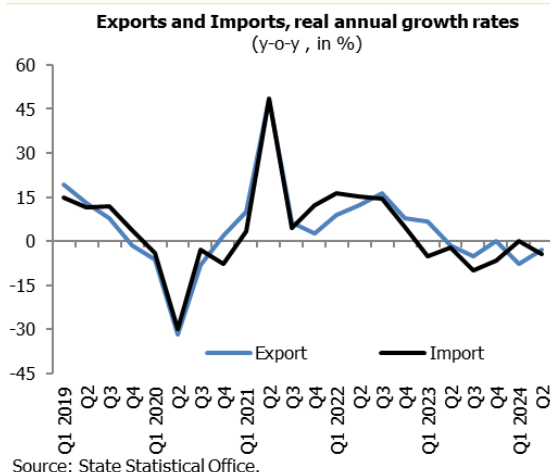


#### 1.3.4. Net external demand

After the negative contribution in the first quarter of 2024, net exports in the second quarter had a positive contribution to GDP growth, in conditions of stronger real decline in import than export of goods and services. Thus, the export of goods and services recorded a real annual fall of 2.9% in the second quarter of 2024 (quarterly growth of 0.6%). In the conditions of a drop in exports and a very small growth in domestic demand, imports recorded a drop in the second quarter of 4.5% on an annual basis (with a quarterly drop of 1.7%).

**Foreign trade data referring to July - August 2024** period indicate that there is possibility for further deficit enlargement compared to the same period last year, amid higher nominal increase in the import than the export of goods.

<sup>17</sup> Data on completed construction works and inventories of finished products are as of July 2024, while data on long-term corporate loans, government capital investments imports of investment products and domestic production of capital goods refer to July-August 2024.



#### 1.4. Employment and wages

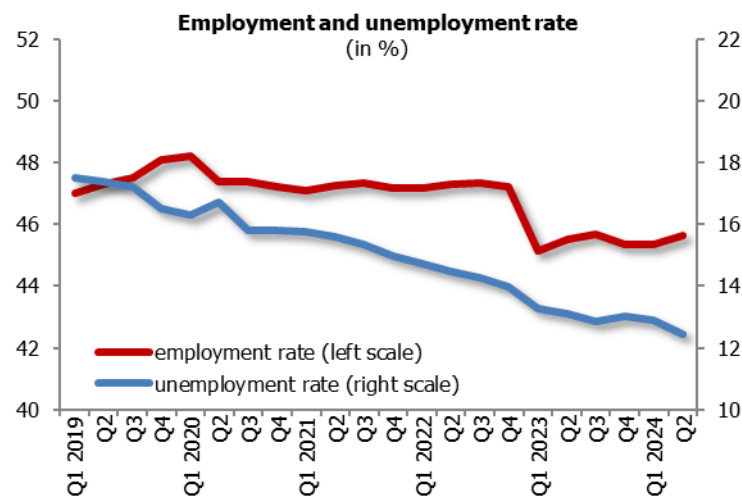
***In the second quarter of 2024, the labor market registered moderate positive developments on an annual basis. Thus, the employment rate reached 45.6%, which is an increase of 0.1 percentage point compared to the same quarter of the previous year, in conditions of an increase in the number of employees of 0.3%. The decrease in the unemployment rate is bigger (of 0.6 percentage points) reducing to the level of 12.5% at annual decline in the number of unemployed persons of 5.3%. The reduced unemployment contributed to a decrease in the active population on an annual basis (of 0.4%) and increase in the non-active population (of 0.5%). In accordance with the surveys, the optimism of corporate managers in terms of the new employments in July and August 2024, on average, increased compared to the perceptions in the second quarter. Regarding the labor cost, in the second quarter of 2024 the wages continued to grow on an annual basis, but more slowly compared to the previous quarter.***

**In the second quarter of 2024, moderate positive developments on annual basis on the labour market<sup>18</sup> were recorded. Thus, the employment rate increased up to 45.6%, which is higher by 0.1 percentage point compared to the same quarter of the previous year, in conditions of an increase in the number of employees of 0.3%. Analyzed by activity, the activities "agriculture, forestry and fishing" and "health care and social welfare" contributed the most on annual basis concerning the number of employees, with higher increase being registered in the activities "professional, scientific and technical activities", "art, entertainment and recreation" and "manufacturing industry". Regarding the economic status<sup>19</sup>, annual increase in the number of employees was registered in all categories, except in**

<sup>18</sup> 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.

<sup>19</sup> 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).

“employer” category, with the highest increase being registered in “own account workers” category”.



Source: State Statistical Office, Labour Force Survey.

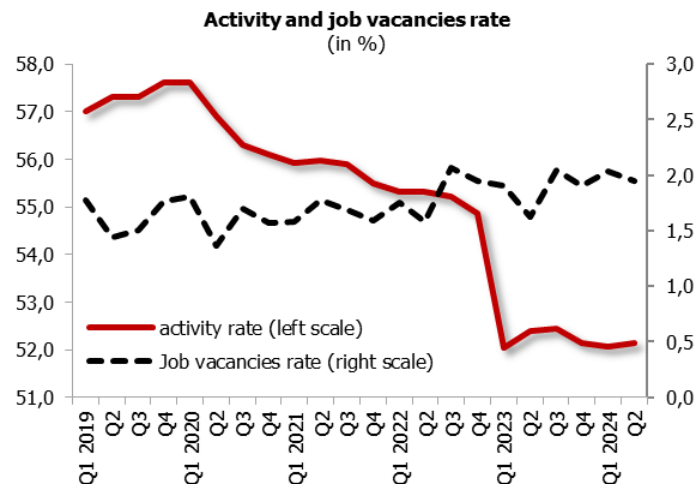
Note: The data pertaining to the first quarter of 2023 onwards contains methodological change, which made a statistical break in the series.

**In July and August 2024, the Business Tendency Survey <sup>20</sup>, on average, mainly indicate more favorable expectations** of the managers of the enterprises in terms of increasing the number of employees, compared to the perceptions expressed in the previous quarter and in the same quarter of the previous year. However, more favorable expectations were registered in all sectors, except industry.



<sup>20</sup> Source: European Commission, business tendency surveys, employment expectations in the next 3 months in industry, services, retail trade and construction (surveys conducted in July and August 2024).

**The vacancy rate<sup>21</sup> is relatively stable, so in the second quarter of 2024 it equaled 1.9%** (2.0% in the previous quarter). By activity, the highest vacancy rates were registered in “facilities for lodging and food service activities” (3.7%), “construction” (3.4%), “trade” (3.3%) and “administrative and support service activities”.



Source: State Statistical Office.

Note: The activity rate data since the first quarter of 2023 contains a methodological change, thus creating a statistical break in the series.

In terms of labor supply, in the second quarter of 2024 the active population recorded an annual decline of 0.4%, accompanied by an increase in the inactive population of 0.5%, so the activity rate decreased by 0.2 percentage points on an annual basis and amounted to 52.1%.

**The increased demand for labor, given a reduced supply of labor, led to a more significant reduction in unemployment in the second quarter of 2024.** Thus, the number of unemployed persons decreased by 5.3% on an annual basis, which caused a decrease in the unemployment rate, which was reduced to 12.5% (13.1% in the second quarter of 2023).

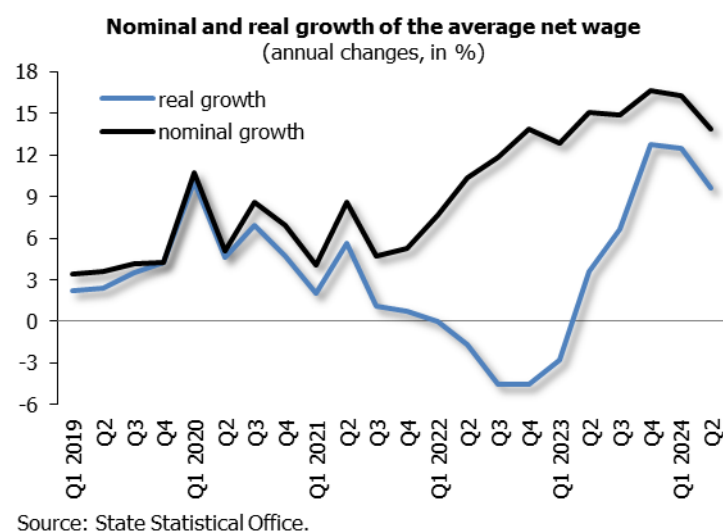
**The average wage paid in the country kept recording high annual growth on both net and gross basis in the second quarter of 2024, but slower compared to the previous quarter.** As a result, the annual increase in the average net and gross wage equals 13.9% and 14.1%, respectively (16.3% and 16.6%, respectively in the previous quarter). The annual growth of wages in this quarter also largely reflects the transfer effect of the increase in the wages of the public sector employees<sup>22</sup> in September 2023 in line with the new collective agreement, and in part it is the result of the increase in the minimum gross wage of 12.15% in

<sup>21</sup> 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.

<sup>22</sup> In July 2023, the Government signed a new Labor Agreement for the public sector, which includes increase in the wages by 10% from September 2023, an additional increase in September 2024 if the annual inflation rate in the first six months of 2024 exceeds 3% (the gross wage from the amount of up to 3%) and a review of the wage determining methodology from March 2025 which links the basic gross wage to the average gross wage in the country by increasing the complexity ratio by at least 5%. Also, the complexity ratio at the workplace will be harmonized with the nominal growth of GDP, if it is lower than the increase in the average gross wage.



March 2024 and consequently the linear growth of wages in the government administration<sup>23</sup>. 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: "education", "public administration and defense", "arts, entertainment and recreation", "agriculture, forestry and fishery", "water supply", "manufacturing industry" and "health care and social welfare". In conditions of growth in consumer prices of 3.9%, **real net and gross wages in the second quarter increased by 9.6% and 9.8%, respectively on an annual basis, which is deceleration compared to the increase in the preceding quarter.** In July 2024, the annual growth in the nominal average net wage decelerated and equaled 12.9%, while the increase in the real net wage remained the same as in the second quarter.



## 1.5. Inflation

*In the third quarter of 2024, the slowdown of the annual inflation rate continued and reduced to 2.6% (3.9% in the previous quarter). Such performance reflects the slower growth of food prices and the decline in energy prices, with a moderate acceleration of the core inflation. By category, the slow growth of the food component is mostly due to the drop in prices in the categories "vegetables", "fruits" and "bread and grains", while the drop in energy prices is mainly due to lower prices of oil derivatives. Also, in September, several measures were adopted again to limit the profit margins of some basic food products, and the Law on Prohibition of Unfair Trade Practices came into force. In terms of the factors that would influence the future short-term dynamics of consumer prices, in the third quarter the prices of domestic producers of industrial products registered accelerated growth, while imported inflation continued to slow down. In terms of the inflation expectations in the next period, the National Bank Survey showed that the economic analysts*

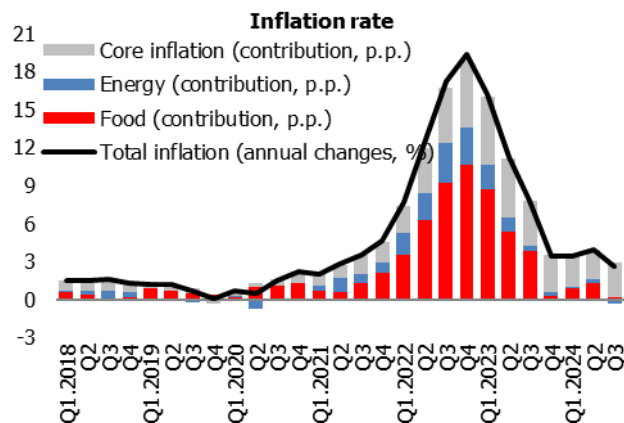
<sup>23</sup> In accordance with the latest amendments to the growth of the minimum wage (Official Gazette of the Republic of North Macedonia No. 68/24) from March 2024, the minimum net wage increased by Denar 2,392. The minimum gross wage, from March 2024 to February 2025, is Denar 33,352 (previously 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.



***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 third quarter 2024, the annual inflation rate additionally decelerated and reduced to 2.6%**<sup>24</sup>, which is primarily due to the decelerated growth of food prices, as well as the decrease in energy prices. Moreover, relative to the government price measures, in September Decision on restricting the margin for school supplies<sup>25</sup> and Decision on restricting gross profit margin for some of the food products<sup>26</sup>, and the Law on Prohibition of Unfair Trading Practices<sup>27</sup> entered into force.



Source: State statistical office and NBRNM calculations.

**The annual growth of food prices in the third quarter of 2024 recorded a greater slowdown and averaged 0.5%** (3.5% in the previous quarter). This downward movement of food prices is mostly due to the price in the categories "vegetables", "fruits" and "bread and cereals", which in the previous quarter recorded annual growth, and is partly the result of seasonal factors (shifting of the season). Also in September, a measure was adopted to limit the gross profit margin of some basic food products to 10% in both wholesale and retail trade<sup>28</sup>, and at the end of September, implementation of the Law on Prohibition of Unfair Trade Practices began, which is expected to have an additional impact on reducing prices in the future. Analyzing by factors for the future movement of inflation, during this period, the world prices of the basic food products recorded a further decline. On the other hand, after five quarters of constant decline, the sales prices of domestic food producers recorded an increase during this period, and foreign effective food prices denominated in euros also recorded an increase.<sup>29</sup>

<sup>24</sup> On a quarterly basis, domestic consumer prices increased by 1.3%, and by 0.6% seasonally adjusted.

<sup>25</sup> According to the Government Decision of 3.9.2024, the profit margin on school supplies wholesale will be limited to 5%, while retail to 10%. This decision shall be valid until 20.10.2024 ([link](#)).

<sup>26</sup> According to the Government's Decision, the gross profit margin of some of the basic food products is limited to 10% in both wholesale and retail trade. The list of basic food products in the so-called autumn basket includes 73 products that are the most common in the households' consumption basket. This Decision will be effective as of 31 October 2024 ([link](#)).

<sup>27</sup> The compliance with the provisions of the Law on the Prohibition of Unfair Trading Practices in the Supply Chain of Agricultural and Food Products should last until 27.09.2024, which, among other things, provides that the amount of all fees charged by the supplier to the buyer in the supply chain in total must not be higher than 10% of the realized turnover in the current year.

<sup>28</sup> For more details on the list of products see following [link](#).

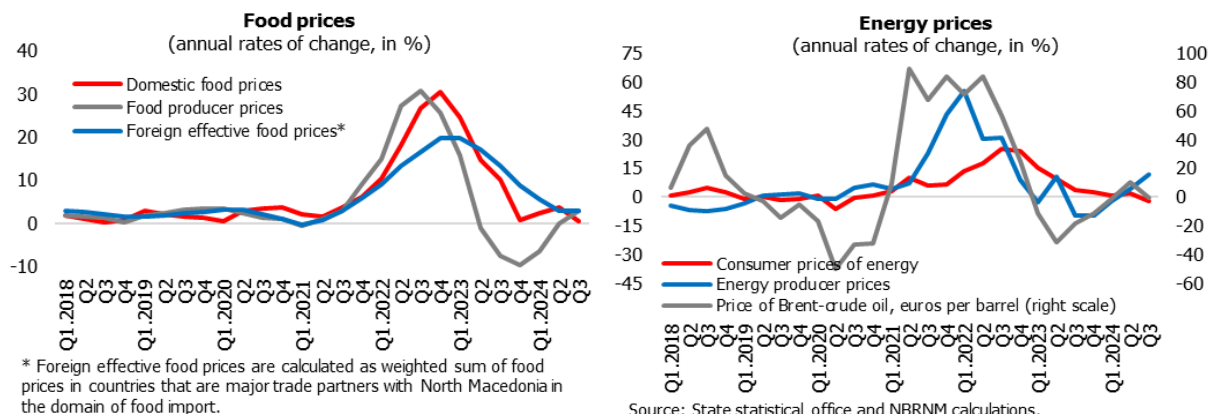
<sup>29</sup> Data on sales prices of domestic food producers and foreign effective food prices refer to the first two months of third quarter of 2024.



	annual changes, in %								contributions to annual changes, in p.p.									
	2023				2023	2024				2023				2023	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	16,1	11,2	7,7	3,4	9,4	3,4	3,9	2,6		
Food	24,6	14,5	10,2	0,8	11,8	2,4	3,5	0,5	8,6	5,3	3,8	0,3	4,3	0,9	1,3	0,2		
Energy	15,3	9,2	3,7	2,2	7,3	0,5	1,8	-2,4	2,0	1,2	0,5	0,3	1,0	0,1	0,2	-0,3		
Electricity	14,0	14,0	8,1	8,1	10,9	2,7	2,7	-0,9	1,0	1,0	0,6	0,6	0,8	0,2	0,2	-0,1		
Heat energy	14,2	14,2	4,3	2,3	8,4	3,5	3,5	1,5	0,1	0,1	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	0,1	-0,5	-0,5	-0,3	-0,3	-0,1	0,1	-0,2		
Food and energy (volatile prices)	22,2	13,2	8,5	1,1	10,7	1,9	3,1	-0,2	10,7	6,5	4,3	0,6	5,3	1,0	1,5	-0,1		
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	5,3	4,6	3,5	2,9	4,0	2,4	2,4	2,7		
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										
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										

Source: State Statistical Office and NBRNM calculations.

**In the third quarter of 2024, the energy prices plunged by 2.4%, annually, as opposed to the growth in the previous quarter,** which is mainly due to the decline in the prices of oil derivatives, in line with the developments on the world markets. Electricity prices also had negative contribution<sup>30</sup> because of the base effect related to the price growth in the third quarter last year, at lower price level in the current quarter (having in mind the decrease in prices in January this year. In addition, in August the central heating prices dropped<sup>31</sup>, thus contributing to their smaller average growth in this quarter.



**In the third quarter of 2024, the core inflation registered moderate acceleration, after the constant slowdown in the last five quarters and it equaled 5.5% on annual basis** (4.8% in the preceding quarter), which is mainly a reflection of the stronger price growth in restaurant and hotel services, primarily accommodation services. Hence, these prices remain as the main contributors to the growth of core inflation, with the prices of personal hygiene products, tobacco<sup>32</sup>, and the category "furniture, household goods and household maintenance" also having more significant contribution. Regarding other inflation sub-indices, which exclude the most volatile prices, they registered slight growth

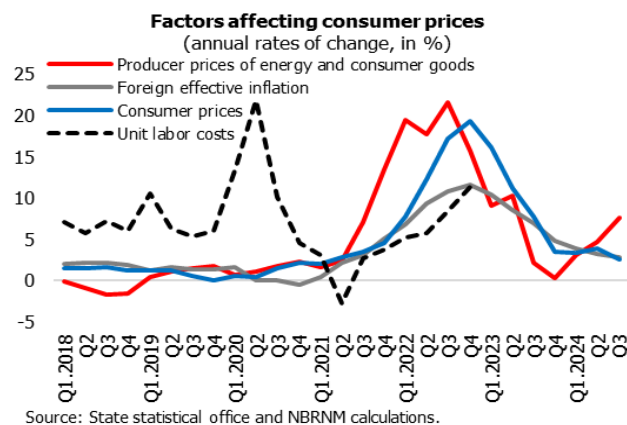
<sup>30</sup> According to the prepared draft decision on the establishing selling prices by the Universal supplier, and confirmed by RCE for the appropriate application of the tariff system, from 1 July 2024, implementation of the new electricity prices for small consumers/households began ([link](#)). 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](#)).

<sup>31</sup> The 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](#)).

<sup>32</sup> In line with the adopted amendments to the Law on Excise, the excise tax on cigarettes has been increased by 0.23 denars per piece, effective from January 2024. As for the other tobacco products, see the amendments on the following [link](#). Furthermore, the excises are expected to increase every year until 2030.

deceleration in this quarter. Thus, the total index, excluding energy<sup>33</sup>, liquid fuels and lubricant oils (for transport) and unprocessed food registered an annual growth equaled 4.3% (4.6 in the previous quarter), while the increase in the total index, excluding energy, liquid fuels and lubricant oils (for transport), unprocessed food, tobacco and alcoholic beverages, reduced to 4.2% (4.5% in the previous quarter).

In the third quarter of 2024, **the industrial producer prices** registered annual growth of 3.8%<sup>34</sup>, which is an acceleration compared to the preceding quarter (1.2%). 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, 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 a factor that influences the dynamics of consumer prices, registered an increase of 7.6%, which is acceleration compared to the growth in the previous quarter (4.7%). **On the other hand, the foreign effective inflation**<sup>35</sup>, as an indicator of imported inflation, registered slower growth also in the third quarter, which equaled 2.8% (3.2% in the previous quarter).



In the third quarter of 2024, there was **growth slowdown of the housing prices** measured by using the Hedonic index<sup>36</sup> was registered, which are higher by 8.0% on an annual basis (11.5% in the previous quarter). Regarding supply, after five quarters of continuous decline, in the second quarter of 2024 the value of constructed residential buildings recorded an increase of 10.4% on an annual basis. The available data on the value of the approvals issued for the construction of residential buildings for the third quarter of 2024<sup>37</sup> currently indicate 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 registered.<sup>38</sup>

<sup>33</sup> The energy category includes electricity, gas, liquid and solid fuels for heating and central heating.

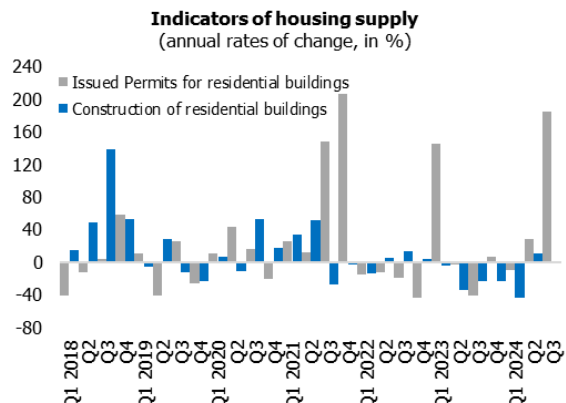
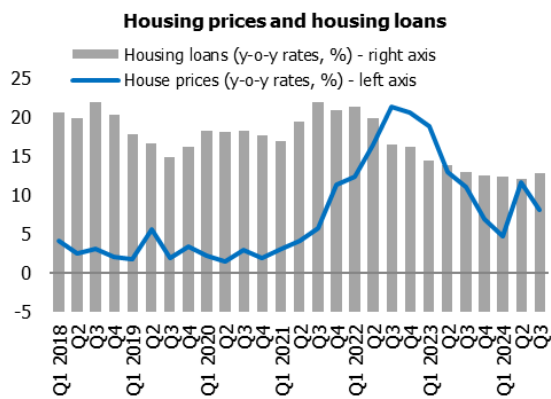
<sup>34</sup> The analysis of producer prices of industrial products uses data for the first two months of the third quarter of 2024.

<sup>35</sup> 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 third quarter of 2024.

<sup>36</sup> 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.

<sup>37</sup> The analysis refers to the first month of the third quarter of 2024.

<sup>38</sup> Available data for the first two months of the third 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**<sup>39</sup>, conducted in September 2024, according to which the inflation rate is predicted to decrease to the level of 3.6% in 2024, 2.9% in 2025 and 2.4% 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	3,6	2,9	2,4
IMF	3,3	2,3	2,0
Consensus Forecast	3,6	2,7	
Ministry of Finance	3,5	2,2	2,0
NBRNM	3,5	2,5	2,0

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

Weaker food and energy price pressures have a positive impact on expectations for future short-term price movements in the manufacturing, construction and services sectors. Thus, within **the corporate sector**<sup>40</sup>, in the third 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. On the other hand, in retail trade, there is a slight deterioration in this ratio compared to the previous quarter. As for the **consumer expectations about the price changes in the following 12 months**<sup>41</sup>, the situation deteriorated slightly compared to the previous expectations, i.e. the number of persons

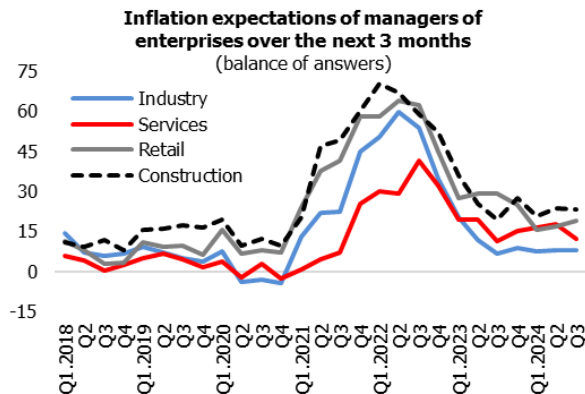
<sup>39</sup> In October 2017, the National Bank modified its Inflation Expectations Survey. The new Inflation and Real GDP Expectations Survey is conducted on a sample of economic analysts, extending the Survey subject in line with the practice of the European Central Bank (ECB). The Survey results can be found at the following [link](#).

<sup>40</sup> European Commission's business tendency surveys in industry, retail trade, construction and services sector as of September 2024.

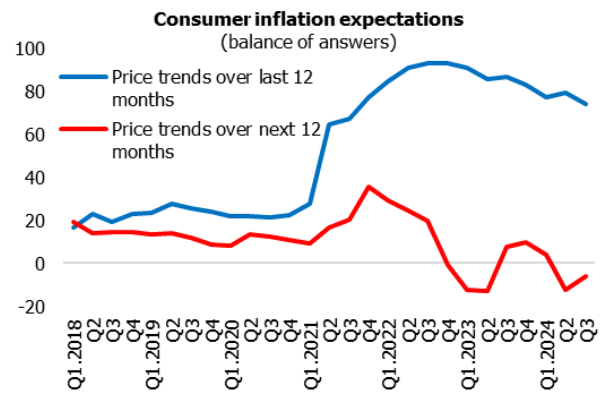
<sup>41</sup> European Commission's Consumer Survey as of September 2024.



that expect that the prices will fall in the following 12 months is declining, as opposed to those who expect price growth.



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.

## 1.6. Balance of payments

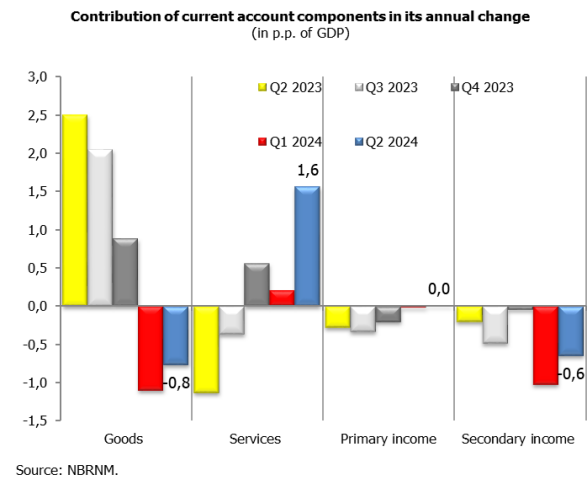
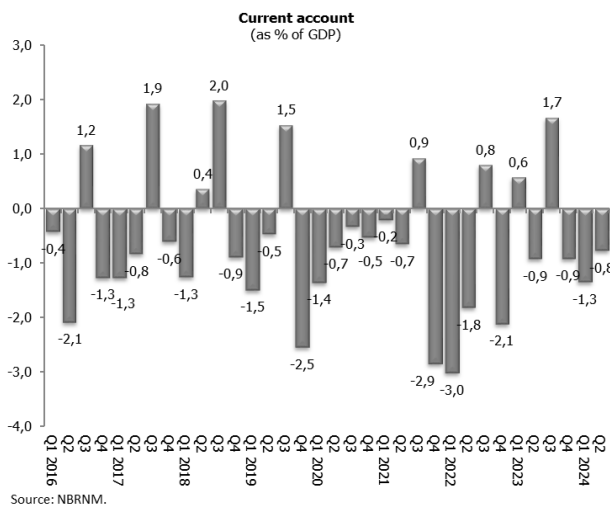
***In the second quarter of 2024, the current account recorded a deficit of 0.8% of GDP, which is slight improvement compared to the same period last year. The main factor behind the improved performance is the higher surplus in services, considering the comparative basis from last year, when higher net outflows were registered in construction services due to payments for the construction of corridors 8 and 10-d. On the other hand, the higher trade deficit, due to the decline in the export component, as well as the lower surplus in secondary income, acted in the opposite direction. In the second quarter, net inflows on the financial account were registered, as a result of the net inflows based on direct investments and loans. Foreign reserves remain in the safe zone.***

	2023					2024		2023					2024	
	Q1	Q2	Q3	Q4	I-XII	Q1	Q2	Q1	Q2	Q3	Q4	I-XII	Q1	Q2
	In millions of euros							% of GDP						
<b>I. Current account</b>	<b>78,6</b>	<b>-126,7</b>	<b>229,1</b>	<b>-125,4</b>	<b>55,6</b>	<b>-195,1</b>	<b>-111,7</b>	<b>0,6</b>	<b>-0,9</b>	<b>1,7</b>	<b>-0,9</b>	<b>0,4</b>	<b>-1,3</b>	<b>-0,8</b>
<b>Goods and services</b>	<b>-366,2</b>	<b>-581,9</b>	<b>-341,1</b>	<b>-609,3</b>	<b>-1898,6</b>	<b>-516,8</b>	<b>-501,9</b>	<b>-2,7</b>	<b>-4,3</b>	<b>-2,5</b>	<b>-4,5</b>	<b>-13,9</b>	<b>-3,6</b>	<b>-3,5</b>
Credit	2414,4	2483,2	2478,9	2510,4	9886,8	2286,2	2404,6	17,7	18,2	18,2	18,4	72,4	15,8	16,6
Debit	2780,6	3065,1	2820,0	3119,7	11785,4	2802,9	2906,5	20,4	22,4	20,7	22,8	86,3	19,4	20,1
Goods	-620,5	-596,4	-634,0	-783,2	-2634,1	-816,9	-743,7	-4,5	-4,4	-4,6	-5,7	-19,3	-5,6	-5,1
Services	254,3	14,5	292,9	173,9	735,5	300,1	241,8	1,9	0,1	2,1	1,3	5,4	2,1	1,7
<b>Primary income</b>	<b>-183,0</b>	<b>-184,4</b>	<b>-189,6</b>	<b>-185,4</b>	<b>-742,4</b>	<b>-196,7</b>	<b>-194,4</b>	<b>-1,3</b>	<b>-1,4</b>	<b>-1,4</b>	<b>-1,4</b>	<b>-5,4</b>	<b>-1,4</b>	<b>-1,3</b>
<b>Secondary income</b>	<b>627,8</b>	<b>639,7</b>	<b>759,8</b>	<b>669,4</b>	<b>2696,6</b>	<b>518,3</b>	<b>584,7</b>	<b>4,6</b>	<b>4,7</b>	<b>5,6</b>	<b>4,9</b>	<b>19,7</b>	<b>3,6</b>	<b>4,0</b>
<b>II. Capital account</b>	<b>0,2</b>	<b>-0,5</b>	<b>-0,5</b>	<b>-0,1</b>	<b>-0,9</b>	<b>0,0</b>	<b>0,5</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
Net lending (+) / net borrowing (-) (balance from current and capital account)	78,8	-127,2	228,5	-125,5	54,7	-195,1	-111,1	0,6	-0,9	1,7	-0,9	0,4	-1,3	-0,8
<b>III. Financial account</b>	<b>-191,1</b>	<b>-172,1</b>	<b>565,2</b>	<b>-709,2</b>	<b>-507,2</b>	<b>115,7</b>	<b>-71,2</b>	<b>-1,4</b>	<b>-1,3</b>	<b>4,1</b>	<b>-5,2</b>	<b>-3,7</b>	<b>0,8</b>	<b>-0,5</b>
Direct investment	-129,5	-119,7	-40,1	-198,8	-488,1	-251,6	-204,4	-0,9	-0,9	-0,3	-1,5	-3,6	-1,7	-1,4
Portfolio investment	-438,5	20,0	414,9	37,6	34,0	67,0	47,3	-3,2	0,1	3,0	0,3	0,2	0,5	0,3
Currency and deposits	124,0	120,1	268,1	-99,5	412,7	174,5	89,7	0,9	0,9	2,0	-0,7	3,0	1,2	0,6
Loans	163,7	-174,2	-8,1	-384,9	-403,5	23,1	-47,7	1,2	-1,3	-0,1	-2,8	-3,0	0,2	-0,3
Trade credit and advances	84,9	-17,7	-69,8	-63,6	-66,2	102,9	44,0	0,6	-0,1	-0,5	-0,5	-0,5	0,7	0,3
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
<b>IV. Special drawing rights (Net incurrence of liabilities)</b>	<b>0,2</b>	<b>0,2</b>	<b>0,1</b>	<b>0,1</b>	<b>0,7</b>	<b>-0,1</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>V. Net errors and omissions</b>	<b>-3,2</b>	<b>7,3</b>	<b>27,9</b>	<b>9,0</b>	<b>41,1</b>	<b>18,9</b>	<b>55,3</b>	<b>0,0</b>	<b>0,1</b>	<b>0,2</b>	<b>0,1</b>	<b>0,3</b>	<b>0,1</b>	<b>0,4</b>
<b>VI. Reserve assets</b>	<b>266,7</b>	<b>52,3</b>	<b>-308,7</b>	<b>592,8</b>	<b>603,1</b>	<b>-291,9</b>	<b>15,4</b>	<b>2,0</b>	<b>0,4</b>	<b>-2,3</b>	<b>4,3</b>	<b>4,4</b>	<b>-2,0</b>	<b>0,1</b>

Source: NBRNM.

### 1.6.1. Current account

In the second quarter of 2024, the balance of payments' current account registered a deficit in the amount of Euro 111.7 million, or 0.8% of GDP<sup>42</sup>. Compared to the same period last year, there is a slight improvement of 0.2 percentage points of GDP, which is mainly due to the higher surplus with the services. Namely, the better performance in services in this period is largely a result of the surplus in construction services, as opposed to the high deficit last year when payments related to the construction of corridors 8 and 10-d were made. An additional contribution to the better performance is the reduced deficit in services for the use of intellectual property, as well as the higher surplus in telecommunications, computer and information services, which represent a category of services with the most significant and growing structural share. On the other hand, the trade deficit is widening, mainly as a result of the decline in the export component, amid a small increase in imports. The decline in exports largely stems from the reduced exports of some of the foreign-owned production capacities belonging to the automotive industry, as well as the reduced export of vehicles and iron and steel. These developments led to a widening of the non-energy deficit, which is larger than the favorable developments in the energy deficit, where the deficit narrowed due to lower import prices and quantities of gas, as well as somewhat lower import prices of electricity. The reduced surplus in secondary income, largely as a result of lower private transfers, also acts towards an increase in the current account deficit.

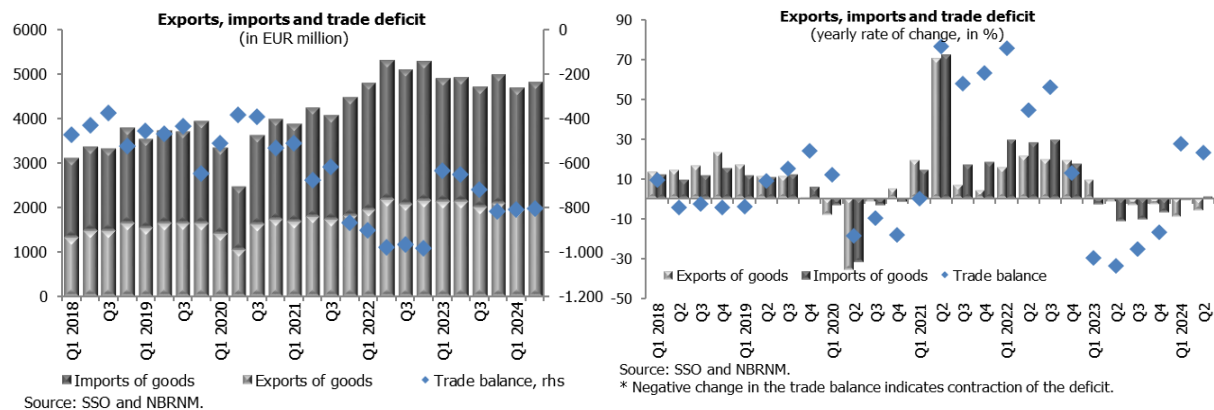


<sup>42</sup> The calculations use the nominal GDP forecast (from October 2024).



## Annex 1: Foreign trade in goods and movement of the Nominal and the Real Effective Exchange Rate (NEER and REER)<sup>43</sup>

**Foreign trade amounted to Euro 4,805.7 million in the second quarter of 2024, i.e. 33.2% of GDP,** which compared to the same quarter of the previous year is a decrease of 2% (or 2.7 percentage points of GDP). The annual decrease arises fully from the export of goods, as opposed to the increased import of goods in this period.

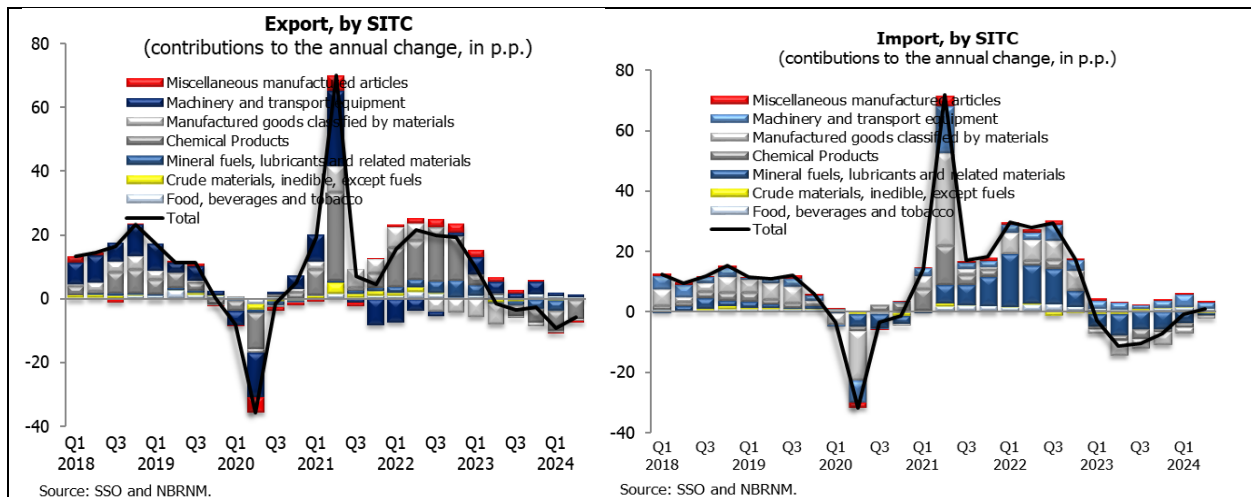


**In the second quarter of 2024, the export of goods registered a decrease of 5.9% on an annual basis.** The main contribution to the decline is the export of part of the production facilities of the foreign-owned automotive industry, related to the export of chemical products. A negative contribution in this period was also recorded in the export of vehicles, with negative performance also being registered in the metal processing and mining sectors, which can reflect in lower export of iron and steel and metal ore in this quarter. Moreover, the export of textiles and clothing continues to decline. On the other hand, the remaining segment of the automotive industry keeps up registering solid export performance, contributing to increased export of equipment and machinery. **The import of goods in the second quarter of 2024 registered slight increase of 1% annually,** as opposed to the downward trend in the last five quarters. The categories that contributed to this performance are the increased import of vehicles, the higher import of equipment and machinery, and to a lesser extent the import of iron and steel. On the other hand, the import of non-ferrous metals, as a raw material component of some of the export capacities in foreign ownership, as well as the import of inorganic chemical products, recorded a decline on an annual basis. The import of energy sources also decreased, primarily due to the lower import of natural gas, with higher import of oil derivatives and unchanged import of electricity. **The performance in both foreign trade components in the second quarter of 2024 resulted in trade deficit widening by 23.4% on an annual basis,** in conditions of a deficit in the non-energy balance, given simultaneous decrease in the deficit in the energy balance.

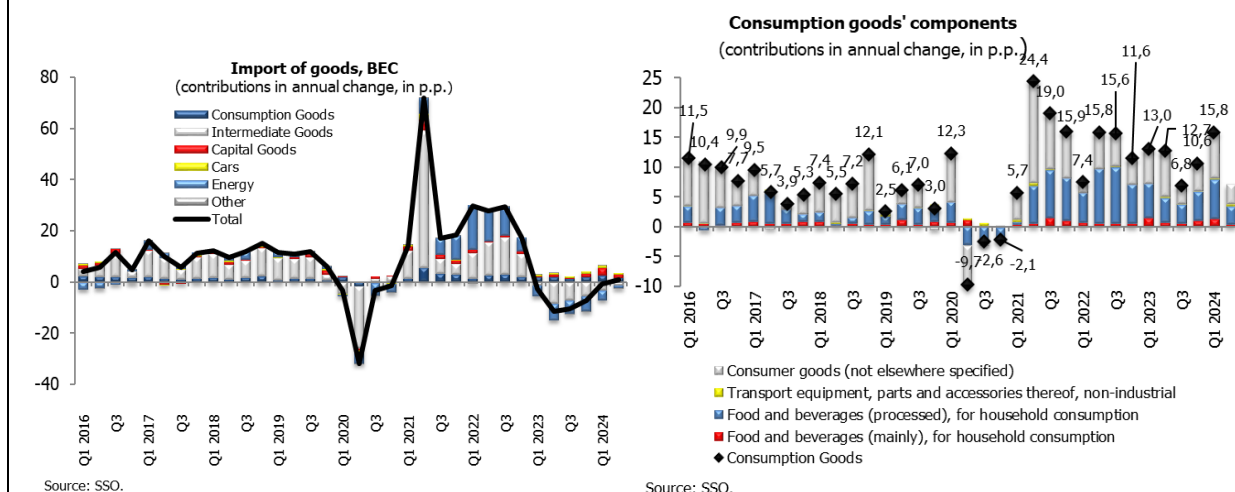
The latest available data for the period July – August 2024 indicate smaller increase in the export and further increase in the import component of foreign trade compared to the same period of the previous year. The annual increase in the exports mainly stems from the higher export of equipment and machinery, as well as higher export of energy and tobacco. On the other hand, the export of chemical materials registered annual fall. The growth on the import side in this period is largely driven by higher import of vehicles, as well as import of equipment and machinery and food, as opposed to a decline in the import of energy

<sup>43</sup> 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





Analyzing imports of goods in the System of National Accounts (SNA), higher import of capital goods, as well as consumer goods, were registered, largely offset by lower import of intermediate goods. The increase in the private consumption imports<sup>44</sup> decelerate in this quarter in line with the slower growth of household consumption, with imports of consumer goods not elsewhere mentioned further making the highest contribution to growth, as well as the import of food and beverages (processed) mainly for household use.



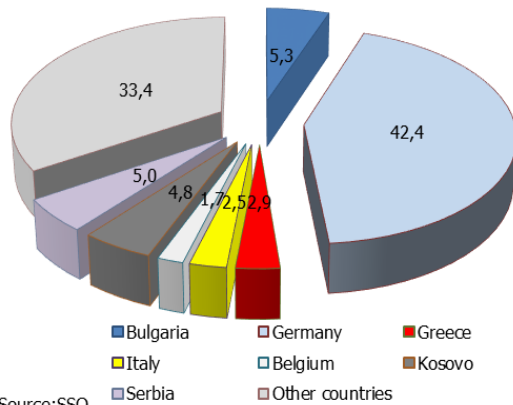
The foreign trade analysis, by trading partner, shows that in the second quarter of 2024, the European Union was the major trading partner of the domestic economy, making up 61.2% of total foreign trade. The analysis of the **export** side shows that the decrease on an annual basis mainly stems from exports to Germany, amid a decline in exports of various chemical industry products. The decreased export of vehicles to Belgium and iron and steel to China also contributed to the decrease. At the same time, this performance was mitigated by the increased export of electrical equipment to the Czech Republic, as part of the exports of the automotive sector. By individual country on the **import** side, the analysis shows that the largest contribution to the annual growth of imports is made by the higher import of equipment and machinery and iron and steel from China. Higher import of energy from Bulgaria, as well as higher import of equipment and machinery from Germany, also have an impact on the higher imports in this period of the year. On the other hand, import of energy from Russia have decreased, as have import of precious metals and inorganic chemical products

<sup>44</sup> 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.

from the United Kingdom. Regarding the foreign trade **balances** by partner, the higher annual trade deficit was mostly due to the lower surplus in the trade with Germany, and less with Belgium, as well as the higher negative balance in the trade with China.

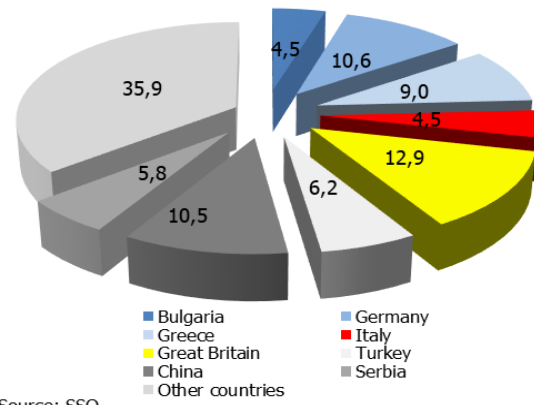
Export of goods, by countries in the second quarter of 2024

(share, in %)

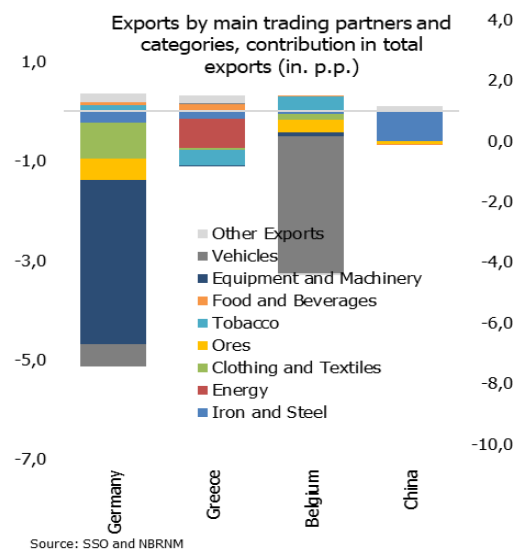


Import of goods, by countries in second quarter of 2024

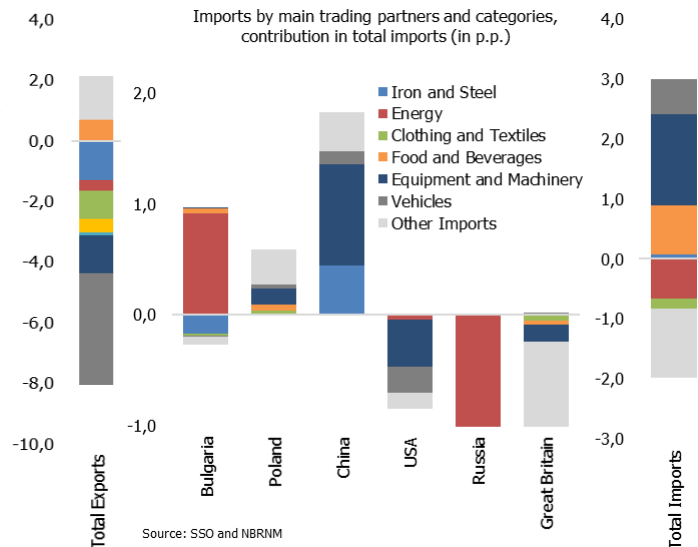
(share, in %)



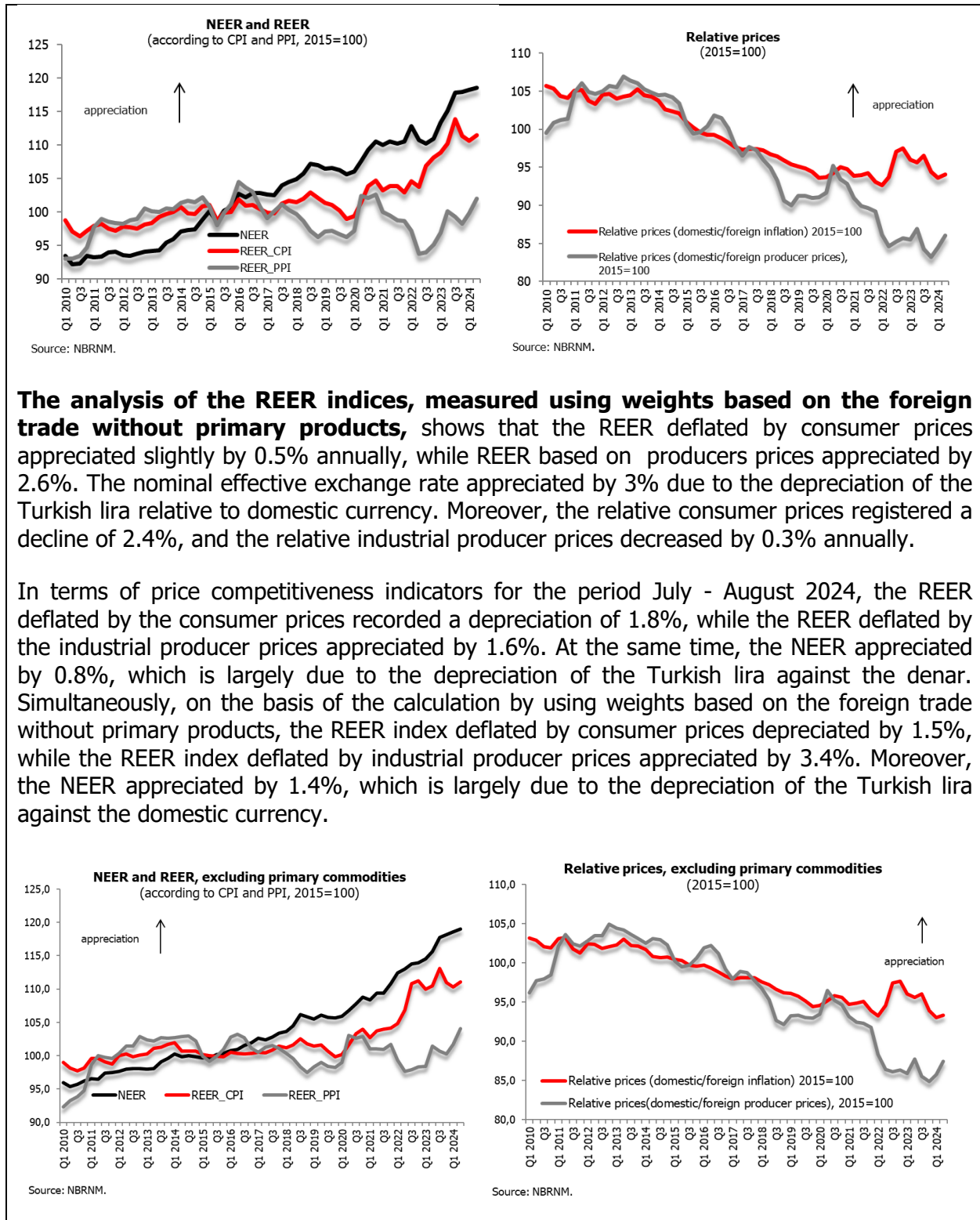
Exports by main trading partners and categories, contribution in total exports (in. p.p.)



Imports by main trading partners and categories, contribution in total imports (in p.p.)



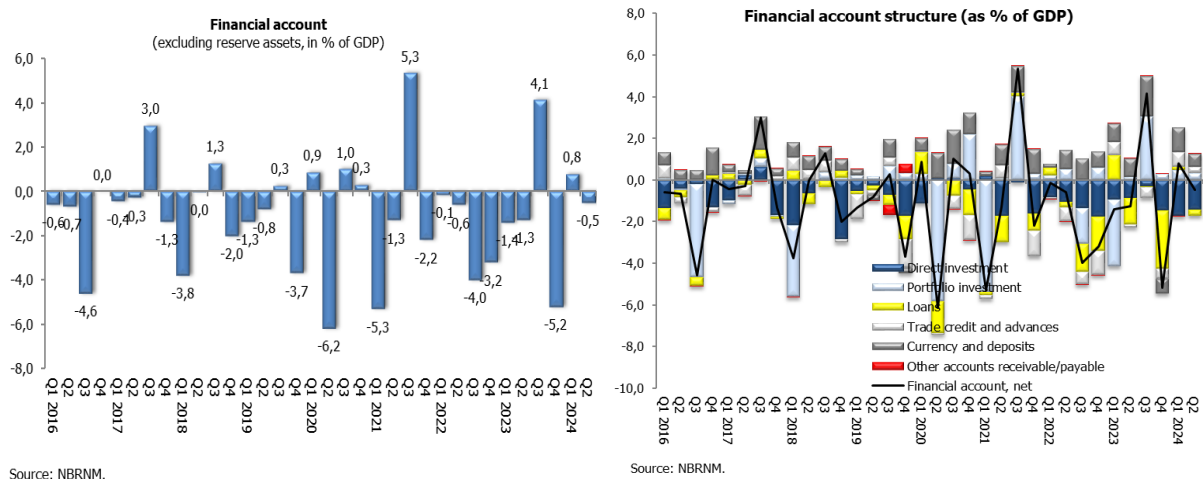
**In terms of the price competitiveness indicators, in the second quarter of 2024,** the REER deflated by consumer prices appreciated by 1.2% annually, while the REER deflated by producer prices appreciated by 1.9%. Such performance reflects the appreciation of the nominal effective exchange rate of the denar of 3% annually, due to the depreciation of the Russian ruble and Turkish lira against the domestic currency. On the other hand, the relative consumer prices registered a decline of 1.7%, at simultaneous decrease also in the relative industrial producer prices of 1% annually.



### 1.6.2. Financial account

**In the second quarter of 2023, the financial account in the balance of payments registered net inflows of Euro 71.2 million, or 0.5% of GDP.** Moreover, this performance on the financial account is largely due to net inflows in direct investment, mainly as a result of the net inflows in the non-debt component, i.e. reinvested earnings and equity,

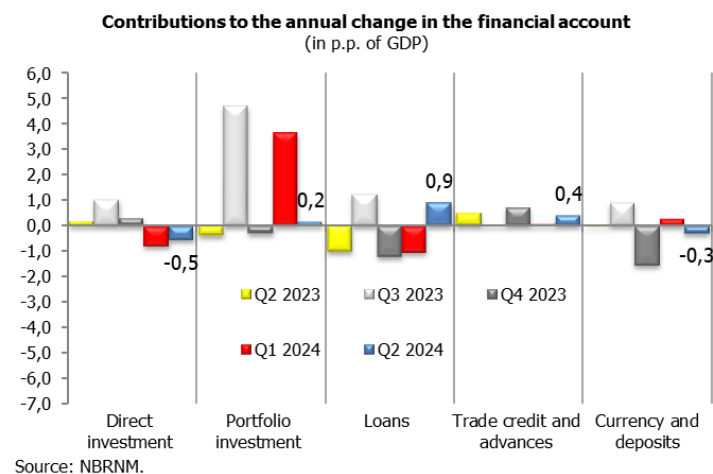
with simultaneous net inflows in intercompany lending. In addition, net inflows were also recorded in loans in this quarter. On the other hand, net outflows were recorded in currencies and deposits, as a result of net outflows in other sectors. At the same time, net outflows were also recorded in portfolio investment, due to the repayment of interest on previously issued Eurobonds, as well as in trade credits and advances.



Source: NBRNM.

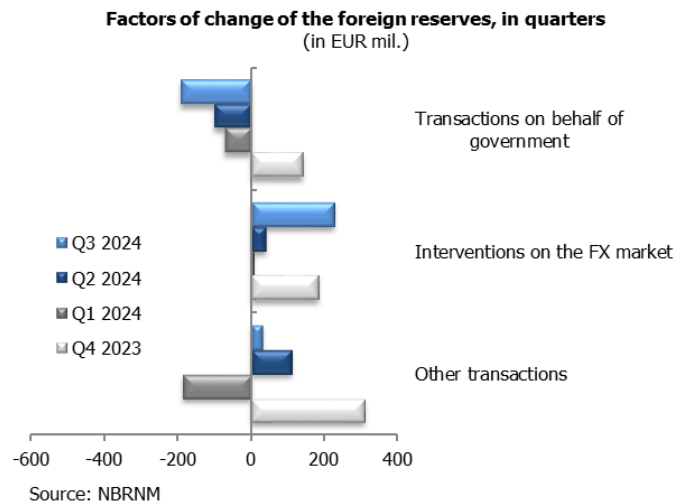
Source: NBRNM.

The annual analysis indicates lower performance regarding the financial flows in the second quarter of 2024, which is primarily due to the lower net inflows based on short-term loans. At the same time, trade credits and advances registered net outflows compared to net inflows in the same period of the previous year. On the other hand, direct investments recorded higher net inflows, mainly as a result of net inflows in intercompany lending, compared to small net outflows in the previous year. Lower net outflows in the category “currency and deposits” also acted in the same direction, mainly due to the net inflows in the banking sector, compared to net outflows in the same period of the previous year.



Source: NBRNM.

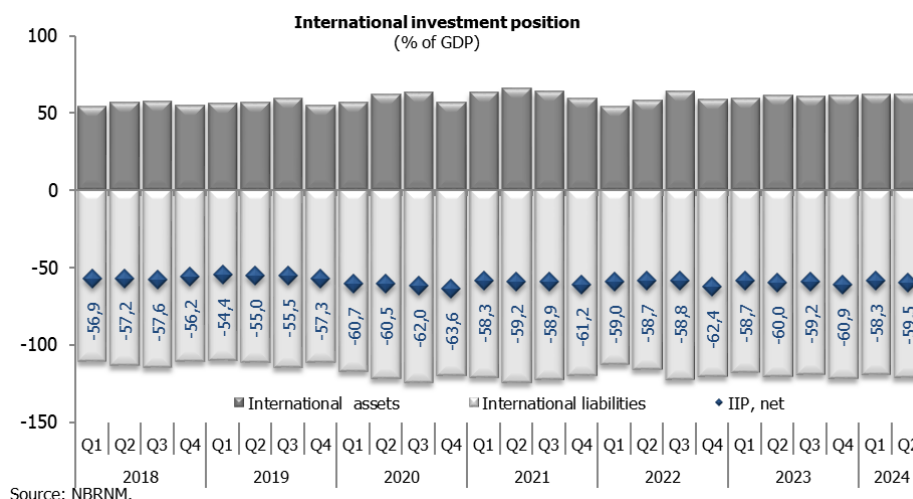
**At the end of the second quarter of 2024, the gross foreign reserves equaled Euro 4337.5 million**, which is an increase of Euro 50.5 million, compared to the previous quarter. Analyzing the growth factors, the increase in foreign reserves largely arises from other transactions related to the foreign reserves management operations.



**At the end of the third quarter of 2024, the gross foreign reserves equaled Euro 4406.6 million, which is a decrease of Euro 69.1 million compared to the previous quarter.** Analyzing the growth factors, the increase in foreign reserves arises from the National Bank interventions on the foreign exchange market.

### 1.6.3. International investment position and gross external debt

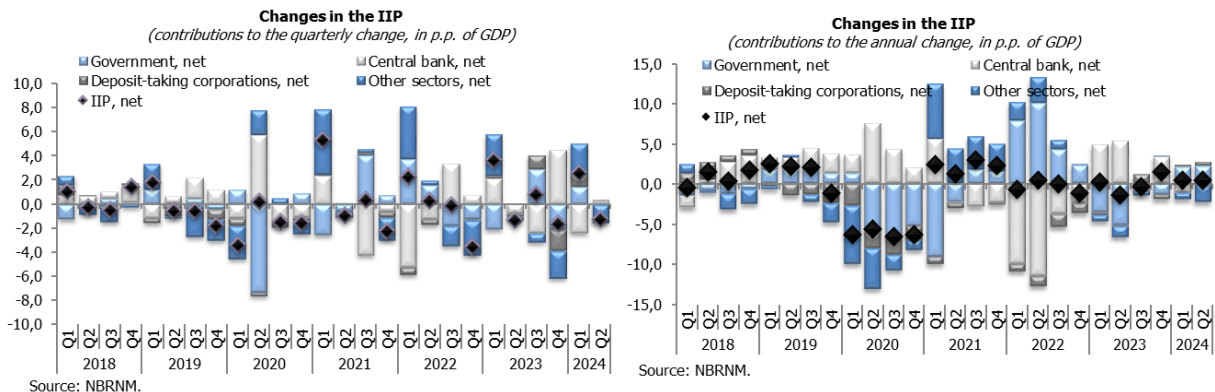
**At the end of the second quarter of 2024, the net international investment position of the Macedonian economy was negative and amounted to Euro 8,622.5 million, or 59.5% of GDP.** Compared to the end of the previous quarter, the net debt position widened by 1.3 percentage points of GDP, which is due to the increase in international liabilities (of 1.5 percentage points of GDP), at simultaneous slight increase in international assets (of 0.2 percentage points of GDP). Analyzed by sector, the quarterly change stems from the increase in net liabilities of other sectors (mainly due to the higher liabilities in direct investments).



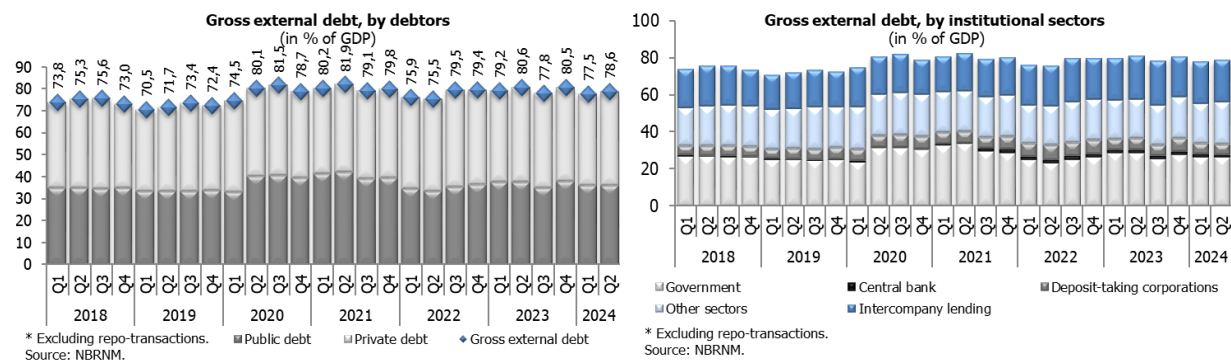
Annually, the negative international investment position narrowed by 0.5 percentage points of GDP<sup>45</sup>, in conditions of higher international assets, amid simultaneously slightly higher

<sup>45</sup> In absolute terms, the net debt position of the Macedonian economy in the second quarter of 2024 registered an annual growth of Euro 426.8 million.

international liabilities (by 0.7 and 0.2 percentage points of GDP, respectively)<sup>46</sup>. The analysis shows that such change is mainly due to the shifts in the net position of the Government (as a result of the lower liabilities based on debt securities). Higher net liabilities of other sectors had the opposite effect.



**At the end of the second quarter of 2024, the gross external debt was Euro 11,875 million, or 82% of GDP,** which is an increase of 0.5 percentage points of GDP, compared to the previous quarter. *Excluding the effect of the specific foreign reserves management activities of the National Bank<sup>47</sup>, the gross external debt equaled 78.6% of GDP and registered a quarterly increase of 1.1 percentage points of GDP,* amid increase in private debt (of 1.2 percentage points) and almost unchanged level of public debt. The increased private debt is associated with the higher intercompany lending, as well as increased short-term liabilities based on trade credits of the non-banking sector.



At the end of the second quarter, the gross external debt registered annual decrease of 2 percentage points of GDP<sup>48</sup>, in conditions of larger fall in public and private debt, (of 1.6 and 0.3 percentage points of GDP, respectively<sup>49</sup>). The change in public debt is due to the reduced liabilities of the central government based on debt securities. The annual decrease in private debt reflects the lower short-term debt of banks based on currencies and deposits, as well as the lower intercompany lending of capital-connected entities, while the higher liabilities of the non-banking sector based on commercial operations, more specifically trade credits, acted in the opposite direction.

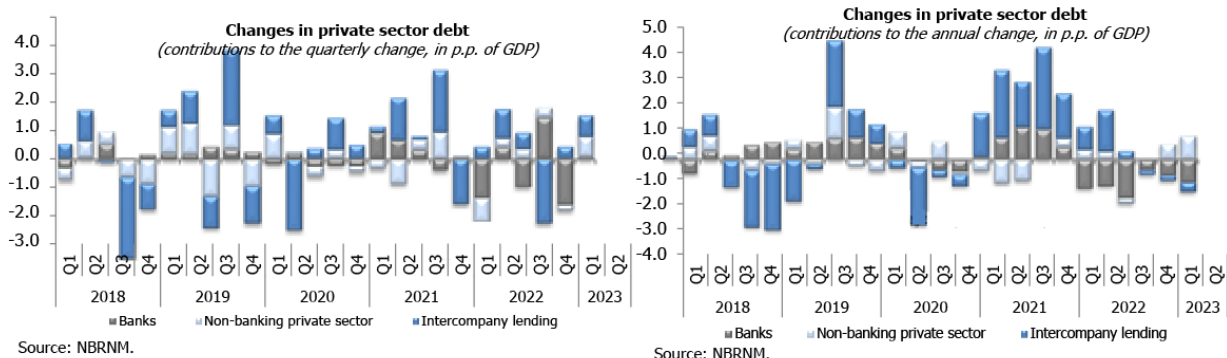
<sup>46</sup> In absolute terms, in the second quarter of 2024, international assets recorded an annual growth of Euro 604.7 million, while international liabilities recorded an annual growth of Euro 1,031.5 million.

<sup>47</sup> The specific foreign reserves management activities of the central bank include repo agreements and other foreign reserves management operations.

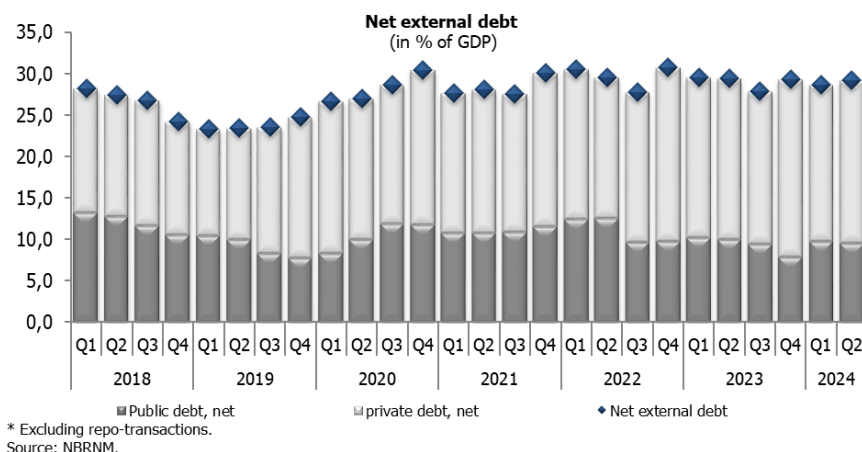
<sup>48</sup> In absolute amounts, the bottom of the Macedonian economy in the second quarter of 2024 registered an annual growth of Euro 381.8 million.

<sup>49</sup> In absolute amounts, the public and private external debt in the second quarter of 2024 registered an annual growth of Euro 76.7 and 90.1 million, respectively.





As of 30.6.2024, net external debt equaled Euro 4,239.1 million, or 29.3% of GDP, which is a quarterly rise of 0.6 percentage points of GDP, driven by the decline in the private net debt (of 0.8 percentage points of GDP), at simultaneous decrease in the public net debt (of 0.2 percentage points of GDP).



*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 47% of GDP<sup>50</sup>, which is an indicator of moderate indebtedness.

<sup>50</sup>Refers to debt without repo agreements.





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	83,09	9,38	1,27	0,95	25,97
30.06.2022	1,77	117,30	82,59	9,38	1,20	0,89	26,32
30.09.2022	1,77	123,64	87,06	9,38	1,35	0,90	26,89
31.12.2022	1,77	123,39	86,88	9,38	1,51	0,97	24,73
31.03.2023	2,39	112,58	84,25	14,79	1,63	1,01	23,57
30.06.2023	2,39	114,55	85,72	14,79	1,60	0,98	23,78
30.09.2023	2,39	110,61	82,78	14,79	1,51	1,02	24,37
31.12.2023	2,39	114,36	85,58	14,79	1,82	1,19	22,67
31.03.2024	2,89	106,69	81,79	12,80	1,65	0,97	23,18
30.06.2024	2,89	108,26	82,99	12,80	1,59	0,98	23,91
<i>moderate indebtedness</i>	<i>12 - 20%</i>	<i>165 - 275%</i>	<i>30 - 50%</i>	<i>18 - 30%</i>	<i>1,00</i>		

\*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

Source: NBRNM.

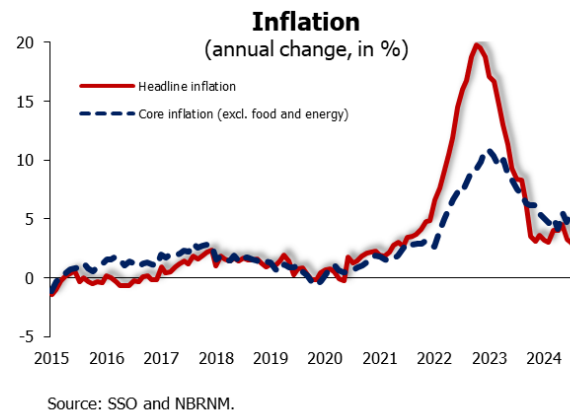
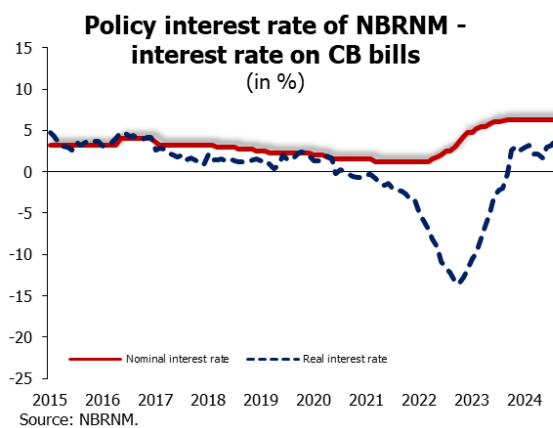
## II. Monetary policy<sup>51</sup>

***During the third quarter of 2024, the National Bank began to gradually and cautiously relax the monetary policy setup in line with the economic conditions, reducing the policy rate by 0.25 percentage points in September, to 6.05%. Interest rates on other monetary instruments remained unchanged. 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 fourth quarter of 2025. These changes enable to retain prudent monetary policy, 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 in the medium run and exchange rate stability maintenance. In the third quarter of 2024, the European Central Bank lowered the policy rate on the deposit facility by additional 0.25 percentage points. The foreign reserves level remained adequate and in the safe zone, while banks' deposit base and lending registered a solid annual growth rate. However, the conditions for the monetary policy conduct remains vague. 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 third quarter of 2024, the National Bank reduced the policy rate by 0.25 percentage points to the level of 6.05%. Interest rates on overnight and seven-**

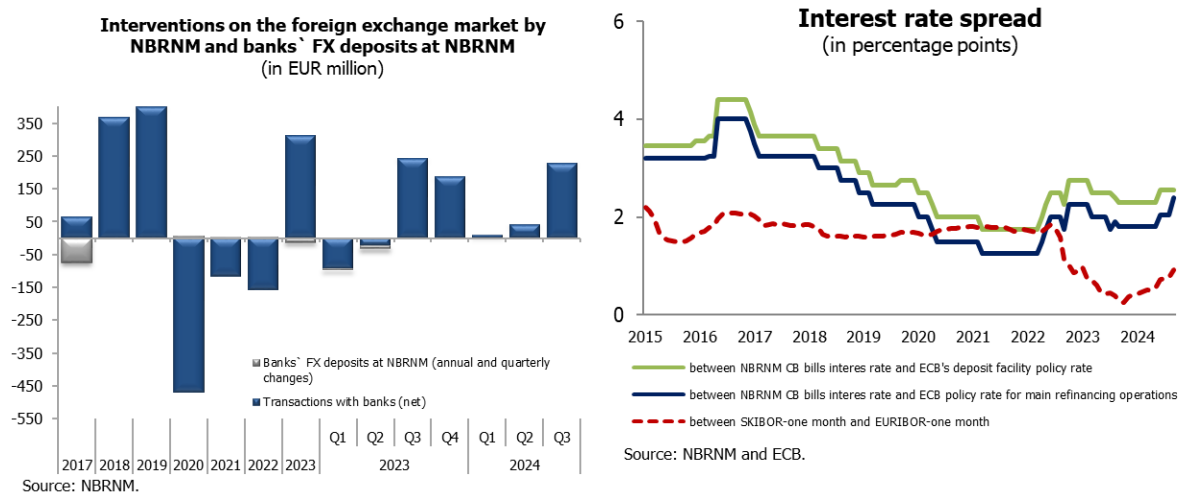
<sup>51</sup> For more information on the new monetary measures, see the National Bank website: [https://www.nbrm.mk/content/MPI%20publikacii/03%202024%20Hronologija\\_na\\_promenite\\_vo\\_postavenosta\\_na\\_monetarnite\\_instrumenti\\_na\\_Narodnata%20banka.pdf](https://www.nbrm.mk/content/MPI%20publikacii/03%202024%20Hronologija_na_promenite_vo_postavenosta_na_monetarnite_instrumenti_na_Narodnata%20banka.pdf)

day deposit facilities remained unchanged, i.e they stood at 4.2% and 4.25%, 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 rates, together with the changes in reserve requirement and macro prudential measures taken, is expected to contribute towards price stability in the medium run and exchange rate stability maintenance. Regarding the macro prudential instruments, in this quarter 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%, which will apply also in the fourth quarter of 2025.



The performance<sup>52</sup> of the main macroeconomic indicators in the domestic economy are within the National Bank forecasts. In the second quarter of 2024, the economic growth accelerated to 2.3% annually and is almost identical to the National Bank forecasts. Thus growth of 1.8% has been registered in the first half of the year, which is close to the National Bank forecast. The high frequency data for the third quarter of 2024 are limited. Namely, July data show real annual growth of the total trade turnover and industrial output, as opposed to their decline in the previous quarter. Regarding the risks to the growth in the next period, they are still present and are primarily related to the developments in the external environment, but also to the intensity of implementation of domestic infrastructure projects. The annual inflation rate in August significantly slowed down to 2.2%, amid favorable movements in all three main components, i.e. fall in the prices of the food and energy component and slower growth of core inflation. The situation on the foreign exchange market remains stable, contributing toward net purchase of foreign currency by the National Bank since the beginning of the year. The level of foreign reserves at the end of August is appropriate for maintaining the stability of the exchange rate of the domestic currency. In the monetary sector, the data as of August 2024 indicate further increase in the banks' deposit potential, with the performance being within the expectations for third quarter. As of August, the credit growth performance is also favorable with the increase being maintained slightly over the projection.

<sup>52</sup>It refers to the available information during the third quarter of 2024 that was taken into account when making the decisions on the monetary setup in that period.



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 third quarter, for the second time this year, reduced the policy rate on the deposit facilities by 0.25 percentage points, to the level of 3.5% in conditions of inflation deceleration, as expected. Simultaneously, it reduced the interest rate on the basic refinancing operations by 0.60 percentage points<sup>53</sup> to the level of 3.65%, in line with the latest change in the operational framework for monetary policy conduct from March 2024. Thus, the spread between the policy rates of the National Bank and the policy rate on the ECB's deposit facility in September 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 0.2 percentage points at the end of September 2024, compared to the previous quarter.

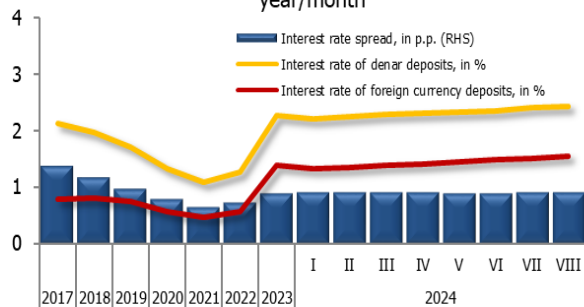
Regarding the deposit interest rates in domestic economy, in August 2024 the interest rates on denar and foreign currency deposits remained unchanged compared to the previous quarter, whereby the interest rate spread remained unchanged and equaled 0.9 percentage points. As for the newly received<sup>54</sup> total deposits, the interest rate spread in August decreased compared to the end of the previous quarter and equaled 0.5 percentage points, amid a decrease in denar interest rates (from 2.9% in June to 2.6% in August) and a very slight increase in foreign currency interest rates (from 2.1% in June to 2.2% in August).

<sup>53</sup>Interest rates on main refinancing operations and overnight loan facilities decreased by 0.60 percentage points, in accordance with the latest change in the operational framework for the ECB's monetary policy conduct as of 13.3.2024, which entered into force on 18.9.2024. According to the new framework, the interest rate on deposit facilities will be used as a policy rate for monetary policy conduct, while the level of the other two interest rates will be set through a determined spread, where the interest rate spread between the main refinancing operations and deposit facilities will decrease and amount to 0.15 percentage points, while the interest rate spread between overnight deposit facilities and the main refinancing operations will remain unchanged, i.e. 0.25 percentage points. ([- link](#)).

<sup>54</sup> Regarding the interest rates on newly approved loans, one should have in mind that they are characterized with variable movements. Volatility of interest rate on newly approved loans results from the fact that they are determined by the volume of newly approved loans (which can vary from month to month) and their interest rate.

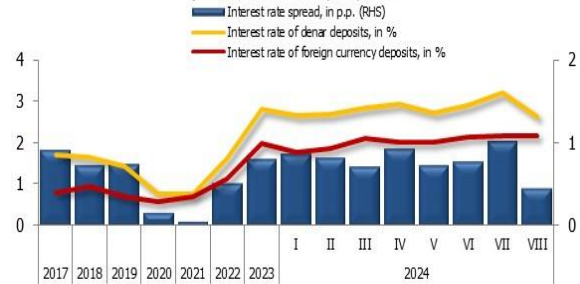


**Spread between interest rates of denar and foreign currency deposits (data as of end of year/month)**



Source: NBRNM.

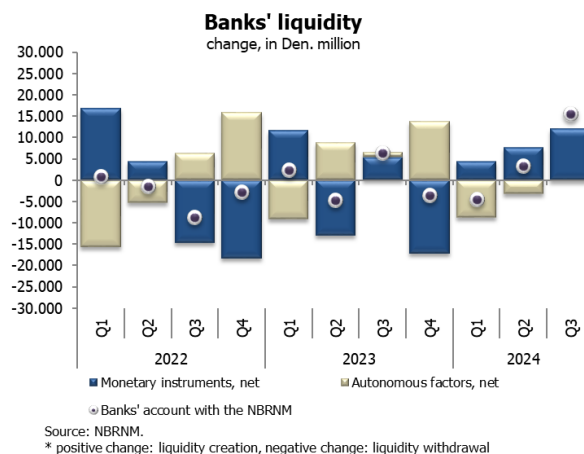
**Spread between interest rates of denar and foreign currency deposits (new business) (data as of end of year/month)**



Source: NBRNM.

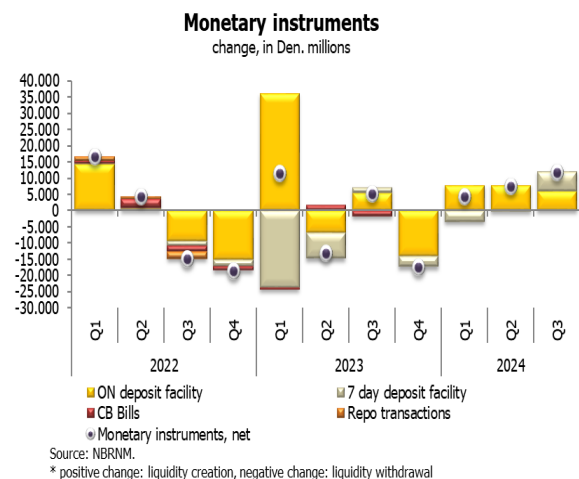
## 2.1. Bank liquidity

In the third quarter of 2024, the banks' denar liquidity increased, which fully resulted from the change in the monetary instruments, while the autonomous factors had very small contribution towards liquidity withdrawal.



Source: NBRNM.

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



Source: NBRNM.

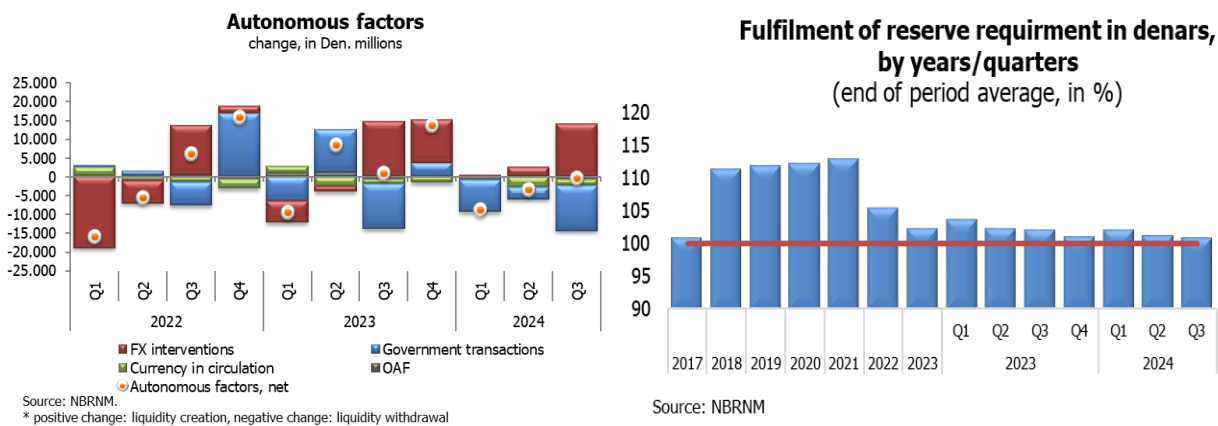
\* positive change: liquidity creation, negative change: liquidity withdrawal

In terms of change in monetary instruments, banks' investments in deposit facilities (overnight and seven-day) went down by Denar 11,910 million in the third quarter of 2024, which contributed towards liquidity creation in the banking system. In addition, the overnight and 7-day deposits reduced by Denar 6,130 and Denar 5,780 million, respectively. The balance of the basic instrument – CB bills, remained unchanged and at the end of the third quarter of 2024, it amounted to Denar 10,000 million.

The autonomous factors, net, in the third quarter of 2024 contributed towards minor liquidity withdrawal from the banking system by Denar 275 million. Such a change in the



autonomous factors arising from the government transactions and currency in circulation, while the foreign currency interventions contributed towards higher liquidity.



During the third 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

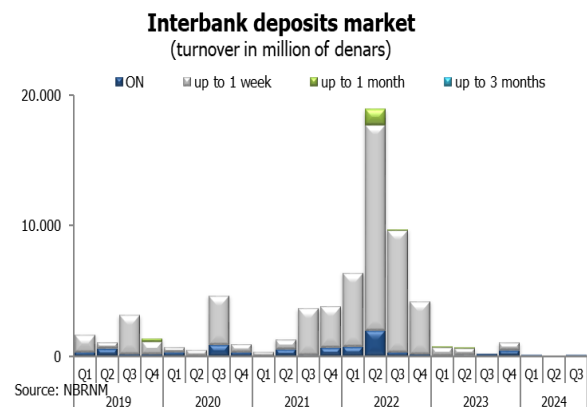
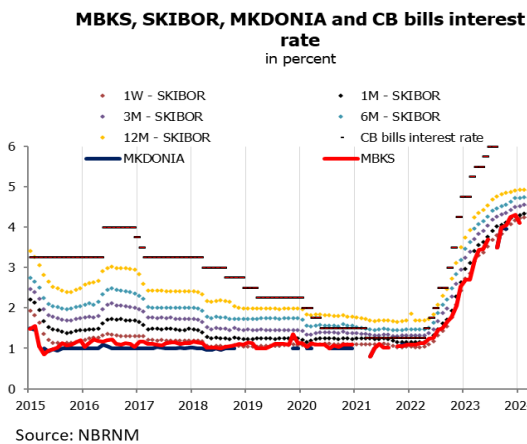
***The interest rate on the interbank deposit market equaled 4.2% in the third quarter of 2024, amid slightly intensified activity on this market. The average SKIBOR quotations recorded a slight downward movement. In the primary government securities market, the new issues were mainly in longer maturities, while on the secondary securities market, government bonds were traded. The stock exchange turnover on the Macedonian Stock Exchange increased by 39.7% compared to the previous quarter, while the MBI-10 registered a quarterly increase of 13.9%. The indices on the regional stock exchanges registered decelerated increase, on average, by 2.9% 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 third quarter of 2024, indicating an increased uncertainty and volatility in the markets mainly related to fears of a recession in the United States, heightened geopolitical tensions, the parliamentary elections in France and the election campaign in the United States. Most of the spreads between the yields of Macedonian and German Eurobonds widened slightly compared to the previous quarter, amid more evident decrease in the yields of German government bonds, compared to the moderate decline in the yields of Macedonian Eurobonds.***

#### 3.1. Unsecured interbank deposit market

In the third quarter of 2024, the average interest rate on the interbank deposit market (IBDM) was 4.2% and increased by 0.1 percentage point compared to the previous quarter, 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 80 million (no activity in the previous quarter), entirely as a result of concluded overnight transactions. Almost all average SKIBOR

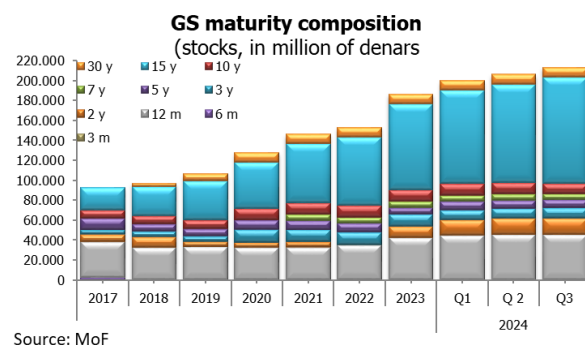
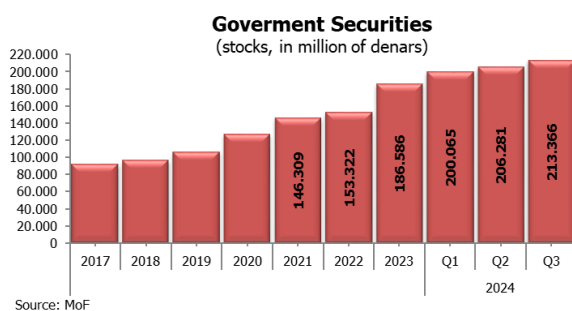


quotations recorded a very small downward shift, ranging up to 0.02 percentage points compared to the previous quarter.



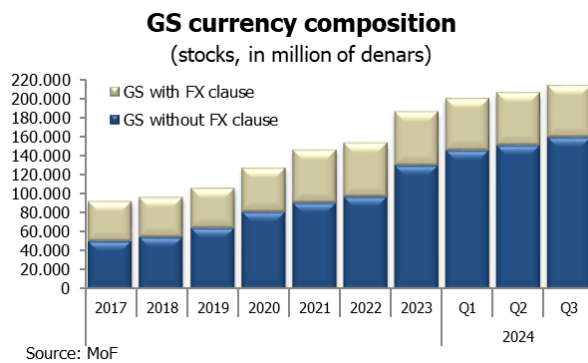
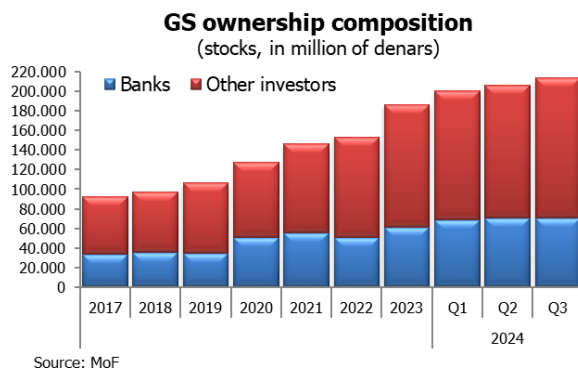
### 3.2. Government securities market

The stock of government securities issued on the primary market in the third quarter of 2024 increased by Denar 7,085 million or 3.4% on a quarterly basis and reached Denar 213,366 million. The quarterly growth is mainly registered with the securities with longer maturities, i.e. fifteen-year and three-year government bonds (with an increase of Denar 8,068 and Denar 174 million, respectively), at a decrease in the the balance of the ten-year government bonds and twelve-month treasury bills (decrease of Denar 1,138 and 19 million, respectively). Analyzing the structure of government securities, government bonds remain dominant category, with a share of 78.8%. Thus, the fifteen-year government bonds still make up most of the maturity structure of government securities of 50.0% (47.8% 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.<sup>55</sup> Analyzing the currency structure, denar government securities without currency clause maintained their dominant share, making up 74.5% of total government securities (73.0% in the previous quarter). Analyzed by ownership structure, in this quarter other investors slightly increased their share from 65.8% to 66.9%, at the expense of the reduced share of the banks (33.1%). Within other investors, the pension funds remain dominant (with a share of 47.5%).

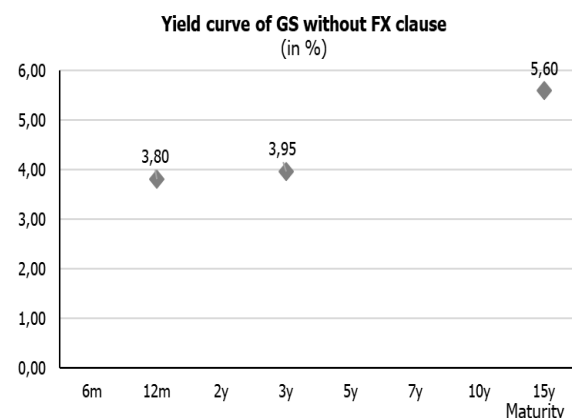
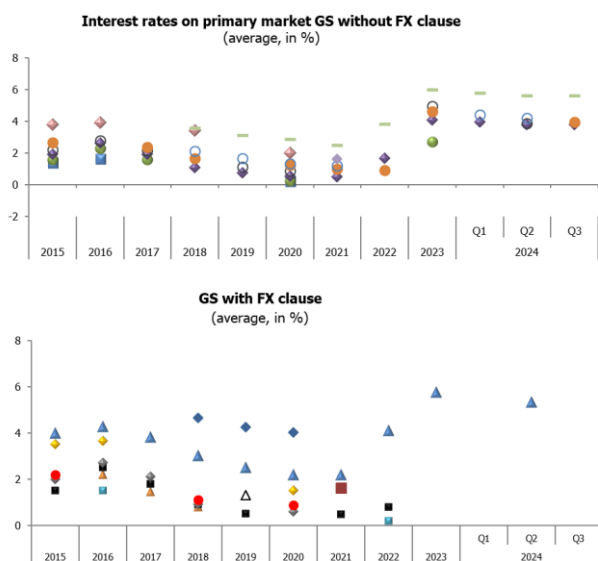


<sup>55</sup> Revised Fiscal Strategy for 2024-2029, Ministry of Finance, September 2024.





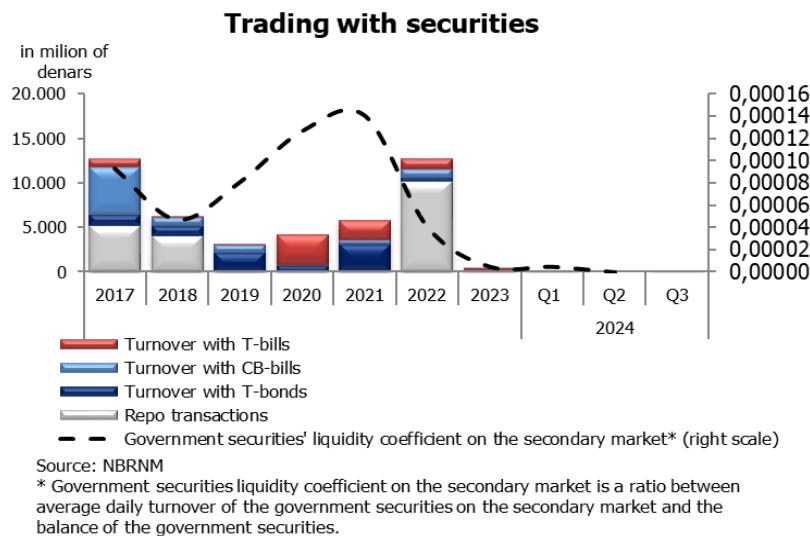
In the third quarter of 2024<sup>56</sup>, interest rates on issued government securities, set by the Ministry of Finance, remained unchanged. Change was observed only in the three-year government securities, which were reissued after a longer period, with an average interest rate of 3.95% (last issuance in the fourth quarter of 2023 with an average interest rate of 4.6%). Within the segment of government securities without a currency clause, twelve-month treasury bills, three-year and fifteen-year government bonds were issued on the primary market with interest rates of 3.80%, 3.95 and 5.60%, respectively.



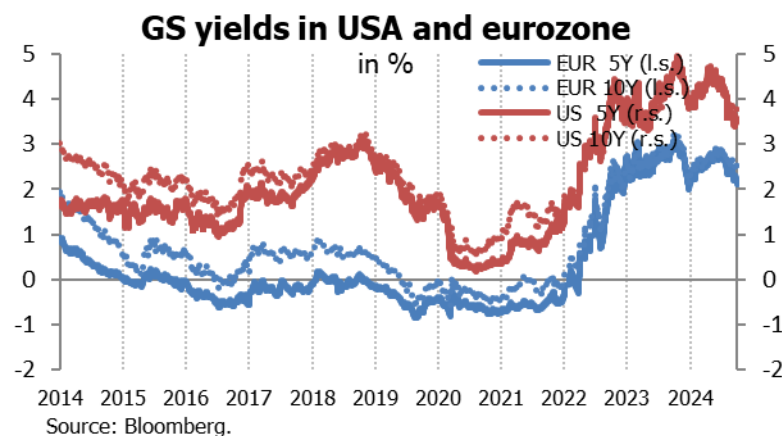
In the third quarter of 2024, the securities turnover on the secondary market amounted to Denar 107 million, as a result of the trading with government bonds with residual maturity from ten to fifteen years (with an average yield of 6.0%). Such changes point to slight increase in the liquidity ratio<sup>57</sup>, in the absence of trading on the secondary securities market during the preceding quarter.

<sup>56</sup> In the third quarter of 2024, no government securities with currency clause were issued.

<sup>57</sup> The liquidity ratio on the secondary market is the correlation between the average daily turnover and the stock of government securities.

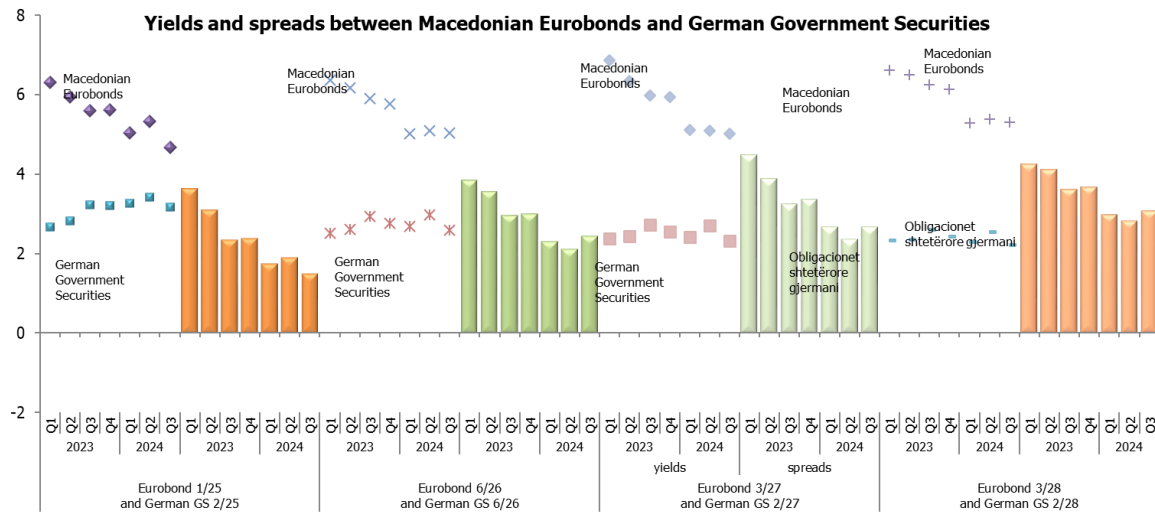


In the US financial markets in the third quarter of 2024, yields on 10-year government securities decreased and averaged around 4.0% (4.4% in the previous quarter). Similar developments were registered in the euro area markets, where yields on 10-year government securities also decreased and averaged 2.7% (2.8% in the previous quarter).



The yields of the Macedonian Eurobonds<sup>58</sup> in the third quarter of 2024 registered moderate downward movement, amid more evident drop in the yields with some of the German government bonds. This led to a slight widening of most of the spreads between Macedonian and German bonds, which averaged 1.5 percentage points, 2.4 percentage points, 2.7 percentage points and 3.1 percentage points, respectively (1.9 percentage points, 2.1 percentage points, 2.4 percentage points and 2.8 percentage points in the previous quarter, respectively).

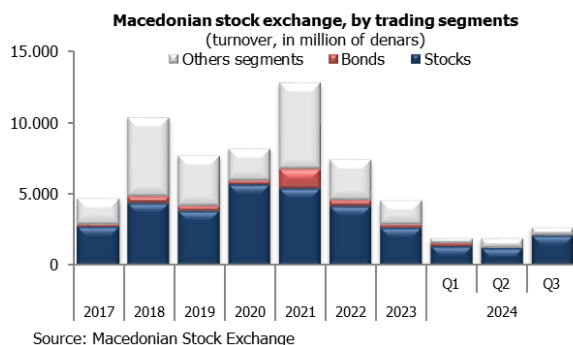
<sup>58</sup> These include the Macedonian Eurobonds issued in January 2018, in June 2020, March 2021 and March 2023. Eurobonds are issued in the nominal amount of Euro 500 million, Euro 700 million, Euro 700 million, and Euro 500 million, respectively, with a maturity of 7, 6, 7 and 4 years, respectively, and annual interest rates of 2.75%, 3.675%, 1.625% and 6.96%, respectively.



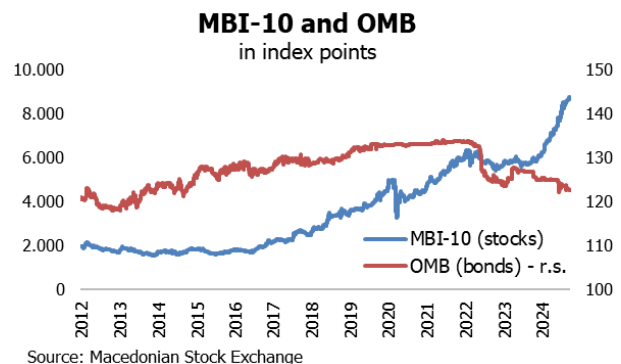
Source: Bloomberg.

### 3.3. Stock markets

At the end of the third quarter of 2024, the value of Macedonian stock exchange index MBI-10 increased by 13.9% (increase of 9% of previous quarter) and equaled 8,779 index points. The total stock exchange turnover registered a quarterly increase of 39.7% (after the decrease of 0.2% in the previous quarter), primarily due to the increased shares turnover. The value of the bond index (OMB) during the quarter registered no change compared to the previous quarter, and equaled 123 index points.



Source: Macedonian Stock Exchange

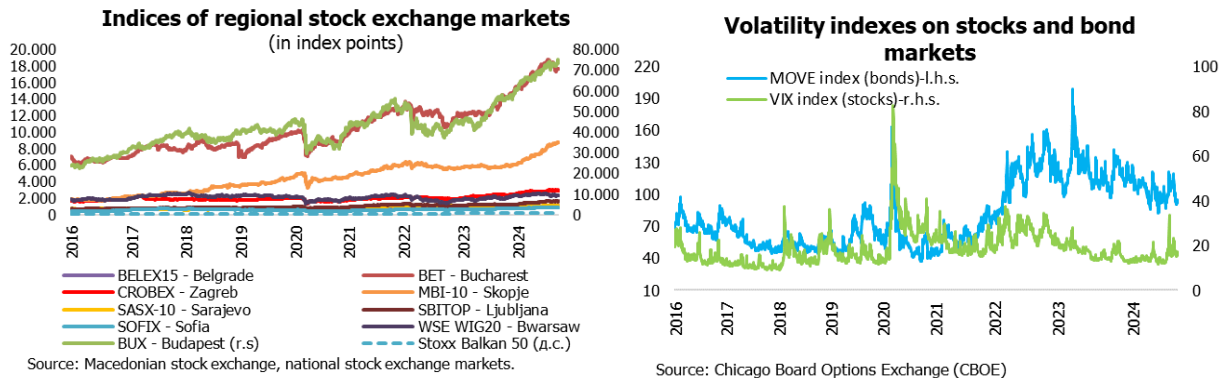


Source: Macedonian Stock Exchange

In the third quarter of 2024, stock exchange indices of the region registered a decelerated quarterly growth which averaged 2.9% (increase of 6.6% in the previous quarter). Moreover, all regional indices increased, except Romania and Poland indices, which registered minor decrease. Furthermore, during the third quarter of 2024, volatility indices on the bond and stock markets, i.e. MOVE and VIX<sup>59</sup> indices recorded an increase i.e. the MOVE index increased

<sup>59</sup> 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 indices

by 4% on average (after the decrease of 7% in the previous quarter), while VIX increased by 20% on average (after the increase of 3% in the previous quarter). The movement of both indices<sup>60</sup> observed together, indicates higher uncertainty and volatility in global capital markets, mainly related to fears of a recession in the US, heightened geopolitical tensions, the parliamentary elections in France, as well as the election campaign in the US.



## IV. Monetary and credit aggregates

***In the third quarter of 2024 the broad monetary aggregate M4 registered more moderate quarterly increase. Structurally, the growth is largely due to the positive contribution of long-term savings, and to a lesser extent, also to the most liquid components of M4 (currency in circulation and demand deposits), amid a decline in short-term deposits. The favorable trends in savings in terms of maturity and currency structure continue in this quarter. Long-term savings continue to dominate, as does the growth of denar deposits, driven by the National Bank's measures to support denarization and longer-term savings. In the third quarter, quarterly growth in loans to both sectors was also registered, slightly stronger with households than with enterprises. The Lending Survey results in the third quarter of 2024 indicate a further net easing of overall credit conditions and a net increase in credit demand, in both sectors, similar to the survey from the previous quarter.***

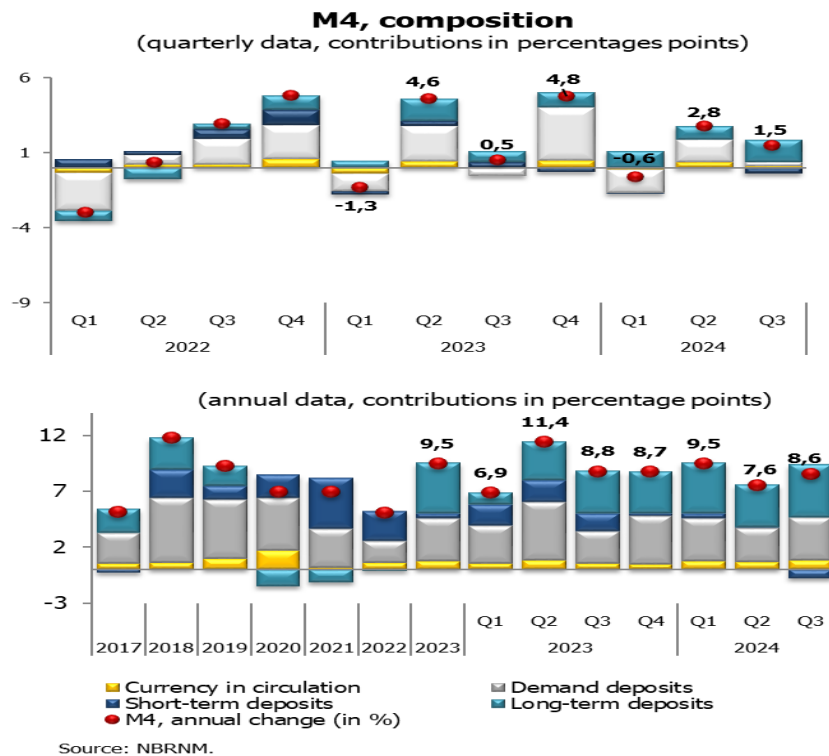
### 4.1. Monetary aggregates

In the third quarter of 2025, **broad money M4 registered more moderate quarterly growth of 1.5%** (increase of 2.8% in the second quarter). By structure, the quarterly growth stems from the positive contribution of almost all broad money components, except the short-term deposits. The largest positive contribution was made by long-term deposits (1.5 percentage points), followed by demand deposits as the most liquid broad money component (with a positive contribution of 0.3 percentage points) and currency in circulation

as indicators of the conditions and expectations for the financial markets volatility. Downward path in indices indicates a decrease in volatility.

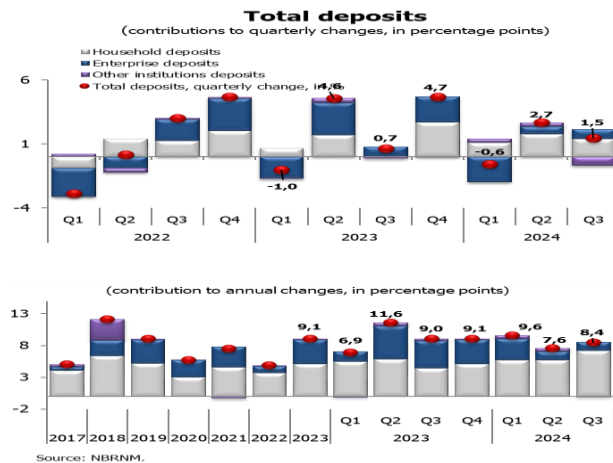
<sup>60</sup> The value of the indices increased during the third quarter, primarily as a result of fears of a recession in the United States and aversion to investing in risky instruments, driven by weaker data on the labor market in the US economy published in early August. The growth was additionally affected by the increased geopolitical tensions. The movement of the index was also influenced by the uncertainty surrounding the parliamentary elections in France in early July, as well as the presidential elections in the United States, after expectations of Donald Trump's victory increased in mid-July after surviving an assassination attempt.

(with a positive contribution of 0.1 percentage point). During this quarter, the short-term deposits recorded a decrease (with a negative contribution of 0.4 percentage points). In terms of the currency structure, a larger part of the quarterly growth stems from denar deposits (with demand deposits) with a contribution of 0.8 percentage points, while the remaining part stems from foreign currency deposits (positive contribution of 0.6 percentage points). Moreover, the share of foreign currency deposits in M4 preserved the level registered in the previous quarter and it equaled 38.3%. Annually, the monetary aggregate M4 registered an increase of 8.6% (7.6% at the end of the second quarter).



**Total financial system deposits**<sup>61</sup> in the third quarter of 2024 registered moderate increase of 1.5% on a quarterly basis (after the rise of 2.7% in the second quarter). By **sector**, the household deposits had positive contribution of 1.4 percentage points, followed by the contribution of the corporate deposits of 0.8 percentage points, given negative contribution of the total deposits of other sectors of 0.7 percentage points. By **currency**, the denar deposits (including demand deposits) had slightly bigger contribution relative to the one of the foreign currency deposits (contribution of 0.9 and 0.6 percentage points, respectively). By **maturity**, there was a more significant growth in long-term deposits in this quarter (positive contribution of 1.7 percentage points), while the short-term deposits decreased (negative contribution of 0.5 percentage points), which indicates the maintenance of favorable trends in the savings' maturity structure. **Annually**, the total deposits registered quarterly increase of 8.4% at the end of the third quarter (7.6% at the end of the second quarter).

<sup>61</sup> Data refer to non-government deposits in banks and savings houses, funds of other financial institutions on the accounts with the National Bank and funds of local government authorities on the accounts with the National Bank. The data are consistent with the methodological changes of the National Bank from June 2018. For more information on the methodological changes visit: [http://www.nbrm.mk/monetarna\\_statistika\\_i\\_statistika\\_na\\_kamatni\\_stapki.nspk](http://www.nbrm.mk/monetarna_statistika_i_statistika_na_kamatni_stapki.nspk).



	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>quarterly change, in %</b>											
Total deposits	-2,9	0,2	3,0	4,7	-1,0	4,6	0,7	4,7	-0,6	2,7	1,5
<b>contributions to quarterly growth, p.p.</b>											
Deposit money	-2,8	0,7	1,9	2,5	-1,3	2,5	-0,5	3,9	-1,7	1,7	0,3
Denar deposits	-1,0	-0,9	0,3	0,7	0,3	1,0	0,4	0,4	0,9	0,7	0,6
FX deposits	0,9	0,3	0,9	1,5	0,0	1,0	0,8	0,4	0,2	0,3	0,6
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
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
Households	-0,9	1,4	1,2	2,0	0,7	1,7	0,0	2,7	1,1	1,8	1,4
Enterprises	-2,2	-0,9	1,7	2,5	-1,7	2,5	0,8	2,0	-2,0	0,6	0,8
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

Source: NBRNM.

**Household deposits** also registered more moderate quarterly increase of 2.1% in the third quarter, compared to the increase in the second quarter of the year (2.7%). Analyzing **by currency**, the quarterly growth mostly results from the positive contribution of the denar deposits (including demand deposits), amid smaller contribution also of foreign currency deposits (contributing by 1.5 percentage points and 0.7 percentage points, respectively). By **maturity structure**, the increase was fully driven by the long-term deposits (contributing by 2.8 percentage points), given the decline of the short-term deposits (with a negative contribution of 1.0 percentage point). **Annually**, the increase in total household deposits equaled 11.2% in the third quarter of 2024 (8.9% at the end of the second quarter).

In the third quarter, **corporate deposits** went higher by 2.7% on a quarterly basis (increase of 2.1% in the second quarter). Analyzing **by currency**, the increase is primarily due to the denar deposits (including demand deposits), amid increase also in foreign currency deposits (with a positive contribution of 2.5 percentage points and 0.3 percentage points, respectively). By **maturity**, short-term deposits registered an increase, as opposed to the long-term deposits, which declined. **Annually**, corporate deposits increased by 4.7% at the end of the second quarter).

	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>quarterly change, in %</b>											
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
<b>contribution to quarterly change of total deposits, in p.p.</b>											
Deposit money	-1,8	1,1	0,7	2,5	-0,2	1,2	-1,1	3,1	0,0	1,3	0,4
Denar deposits	-1,4	-0,8	0,0	0,7	0,5	0,9	0,5	0,7	1,2	0,7	1,1
FX deposits	1,8	1,8	1,2	-0,1	0,8	0,4	0,6	0,4	0,5	0,8	0,7
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
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

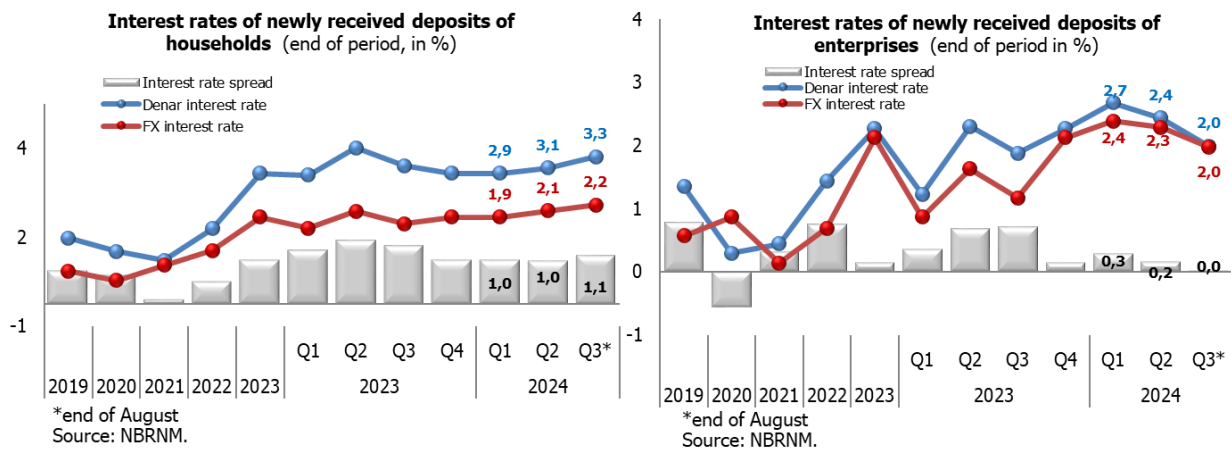
Source: NBRNM.

	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>quarterly change, in %</b>											
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
<b>contribution to quarterly change of total deposits, in p.p.</b>											
Deposit money	-6,0	-0,4	4,7	3,2	-4,5	5,5	0,2	6,0	-6,0	2,1	2,3
Denar deposits	-0,4	-0,2	1,1	0,5	0,6	1,4	0,8	0,4	0,3	0,3	0,2
FX deposits	-1,4	-2,6	0,4	5,7	-1,9	2,5	1,8	0,5	-0,9	-0,3	0,3
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
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

Source: NBRNM.



The analysis of the returns<sup>62</sup> on new savings shows that in August, interest rates on the newly accepted<sup>63</sup> denar and foreign currency deposits of **households** equaled 3.3% and 2.2%, respectively (3.1% and 2.1%, respectively in June). In such circumstances, the interest rate spread between the new denar and foreign currency savings of households in August remained almost unchanged and equaled 1.1 percentage points (1.0 percentage points in the second quarter). Interest rates on newly accepted denar and foreign currency **corporate** deposits were identical in August and equaled 2.0% (2.4% and 2.3%, respectively in June). From the aspect of the total received deposits (denar and foreign currency), the interest rates on the corporate deposits at the end of August remained unchanged relative to June and equaled 1.9%, i.e. while with households, they grew compared to June and equaled 1.9%.



## 4.2. Lending activity

The lending activity of the banks registered a medium quarterly rise of 1.5% in the third quarter of the year (quarterly increase of 2.9% in the second quarter). The **Lending Survey** conducted in the third quarter of 2024 shows a net easing of lending conditions. For households, the net easing of credit conditions is similar to that in the previous survey, while there is a slightly weaker net easing of lending conditions for enterprises. Regarding **credit demand**, in the third quarter of the year, households recorded a stronger net increase, while for enterprises the net increase in demand is similar to the previous survey. For the fourth quarter of 2024, the banks expect net easing of the lending conditions and continuation of the net increase in both sectors, but more pronounced in enterprises.

<sup>62</sup> Data on interest rates are in accordance with the methodological changes of the National Bank from June 2018. For more information on the methodological changes visit:

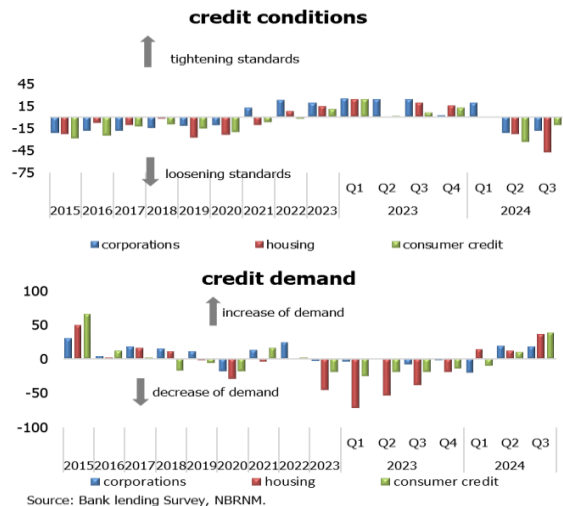
[http://www.nbrm.mk/monetarna\\_statistika\\_i\\_statistika\\_na\\_kamatni\\_stapki.nspix](http://www.nbrm.mk/monetarna_statistika_i_statistika_na_kamatni_stapki.nspix).

<sup>63</sup> Note that the interest rates on newly accepted deposits typically vary. Volatility of interest rate on newly accepted deposits results from the fact that they result from the volume of newly accepted deposits (which varies from month to month) and their interest rate.

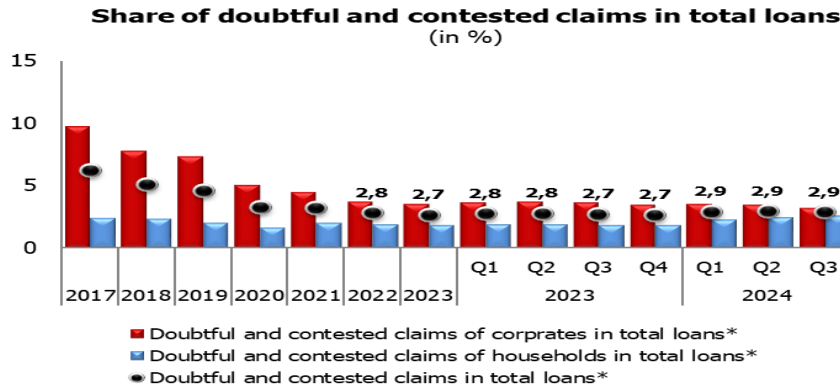


	Total credits of private sector											
	2022				2023				2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
	quarterly change, in %											
Total credits of private sector	2,6	2,7	1,1	2,6	0,0	2,6	0,5	1,9	1,0	2,9	1,5	
Contribution in quarterly change of total credits (in p.p.)												
Denar credits	1,3	1,1	-0,2	1,2	-0,3	1,3	0,7	1,7	1,1	3,0	1,8	
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	
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	
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	
Households	0,8	1,3	0,8	0,7	0,6	1,1	0,7	0,9	0,7	1,3	1,1	
Corporations	1,8	1,3	0,3	1,9	-0,6	1,5	-0,3	1,0	0,3	1,7	0,5	

Source: NBRNM.



The analysis of the sector structure of total private sector loans indicates a more moderate quarterly growth in loans for both households and enterprises (with a contribution of 1.1 percentage points and 0.5 percentage points, respectively). By **currency**, more moderate growth is registered in denar loans (with a share of 1.8 percentage points), given negative contribution of foreign currency loans<sup>64</sup>. In the third quarter, the analysis from the aspect of the **maturity structure** shows a more moderate growth of long-term loans (with a contribution of 1.4 percentage points), with stagnation of short-term loans, just like in the previous quarter. The share of **doubtful and contested claims** in total loans remained low and at the level of 2.9%.<sup>65</sup>



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

**Annually**, total loans at the end of the third quarter of 2024 grew by 7.5% (6.4% at the end of the second quarter). In such conditions, the share of the total loans in the total deposits remained unchanged compared to the preceding quarter (83.1%).

<sup>64</sup> Foreign currency loan data also include denar loans with currency clause.

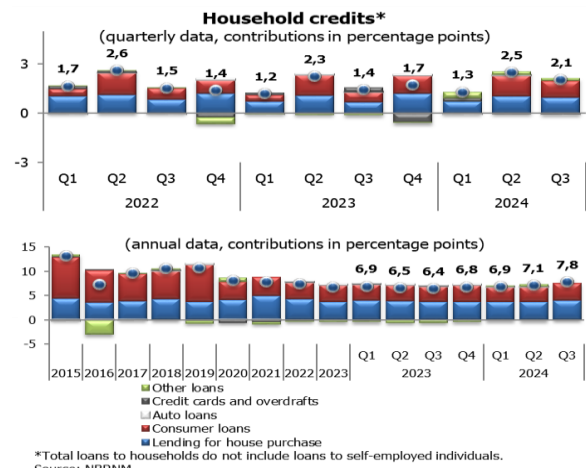
<sup>65</sup> Since the beginning of 2024, new Decision on the methodology for credit risk management has been enforced, published in the Official Gazette of the Republic of North Macedonia No. 57/23, which enables further harmonization with the regulatory requirements effective in the European Union 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.



In the third quarter of 2024, **the lending to the households sector** registered smaller quarterly growth of 2.0% (an increase of 2.5% in the previous quarter). However, the increase primarily stems from consumption and housing loans, while the contribution of the other loans remained minimal. The results of the **Bank Lending Survey** for the third quarter of this year, regarding the household sector, indicate higher net increase in the demand for total loans, compared to the preceding survey, amid net relaxation of the overall credit conditions, similar to the preceding quarter. **By currency**, larger contribution was made by denar loans, at moderate positive contribution of the foreign currency loans. Analyzing the **maturity structure**, the growth arises fully from the increase in the long-term loans, amid stagnation regarding short-term loans. **Annually**, at the end of the third quarter of 2024, total household loans increased by 7.7% (increase of 7.1% in the second quarter).

Total credits of households											
	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
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
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
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
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
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

Source: NBRNM.

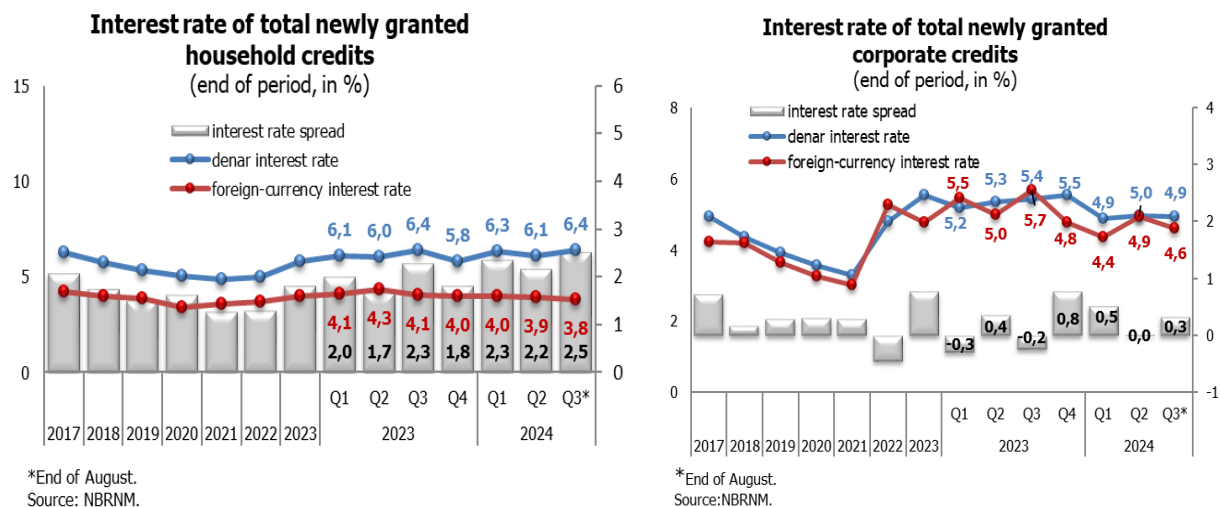


In the third quarter of 2024, the amount of **total loans extended to the corporate sector** increased by of 1.0%, quarterly (after the growth of 3.5% in the previous quarter). According to the results of the **Lending Survey** for the third quarter of 2024, the banks indicate net increase in the total corporate loan demand, similar as in the previous Survey, amid slightly smaller net relaxation of the overall credit conditions. **By currency**, lending in domestic currency is increasing, as opposed to the negative contribution of the foreign currency loans. The analysis of **maturity structure** shows that the increase is driven by the long-term loans, at minor positive contribution of the short-term loans. **On annual basis**, the total corporate loans registered an increase of 7.5% at the end of the third quarter (5.8% at the end and of the previous quarter).

Total credits of corporations											
	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
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
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
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
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
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

Source: NBRNM.

According to the data on the interest rates<sup>66</sup> on newly approved loans<sup>67</sup> in August, interest rates on denar and foreign currency loans to **households** equaled 6.4% and 3.6%, respectively (6.1% and 3.6%, respectively in June). In such conditions, the interest rate spread between the new denar and foreign currency lending to households increased to 2.5 percentage points. (2.2 percentage points in the second quarter). **Regarding corporations**, the interest rates on newly approved denar and foreign currency loans equaled 4.9% and 4.6%, respectively (5.0% and 4.9%, respectively in June), thus the interest rate spread between the new denar and foreign currency corporate lending increased and equaled 0.3 percentage points. Regarding **total loans** granted to the private sector, at the end of August the interest rates on household and corporate loans amounted to 5.7% and 5.2%, respectively, which is a minimal decline in enterprises of 0.1 percentage point and unchanged level in households, compared to June 2024.



## V. Public finance

***In the second quarter of 2024, a high annual growth in budget revenues (of 15%) and an annual decline in budget expenditures (of 1.3%) were recorded, which contributed to a decrease in the budget deficit on an annual basis, which was reduced to 1.0% of GDP (2.4% of GDP in the same quarter of the previous year). In the period January-August 2024, the budget deficit amounted to 2.6% of GDP, i.e. 52.9% of the planned deficit for 2024 according to the Budget Revision. The budget deficit realized in the period January - August 2024 was mostly financed through net borrowing of the Government on the domestic market, and less on the foreign market, amid slight accumulation of government deposits with the National Bank. At the end of the second quarter of 2024, total public debt was 61.2% of GDP, and it is relatively stable on annual basis.***

In the second quarter of 2024, **total revenues** in the Budget of the Republic of North Macedonia<sup>68</sup> registered accelerated growth, which equaled 15%, on an annual basis (5.2% in the previous quarter). Almost all categories of budget revenues contributed to this annual growth, with the exception of other revenues<sup>69</sup> that recorded an annual decline. Within the

<sup>66</sup>Data on interest rates are in accordance with the methodological changes of the National Bank from June 2018. For more information on the methodological changes visit: [http://www.nbrm.mk/monetarna\\_statistika\\_i\\_statistika\\_na\\_kamatni\\_stapki.nspj](http://www.nbrm.mk/monetarna_statistika_i_statistika_na_kamatni_stapki.nspj).

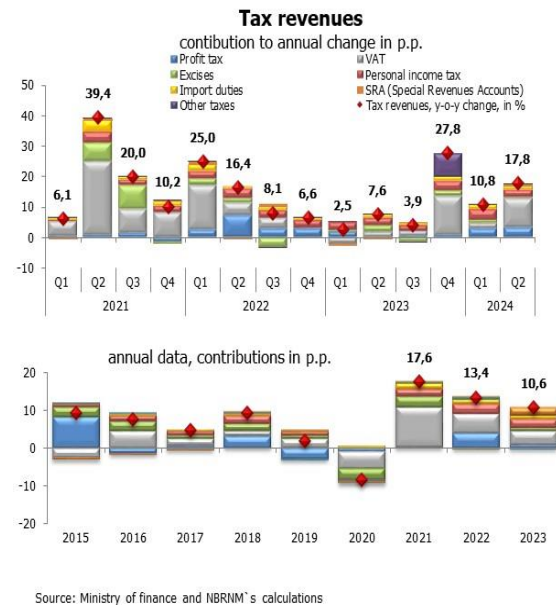
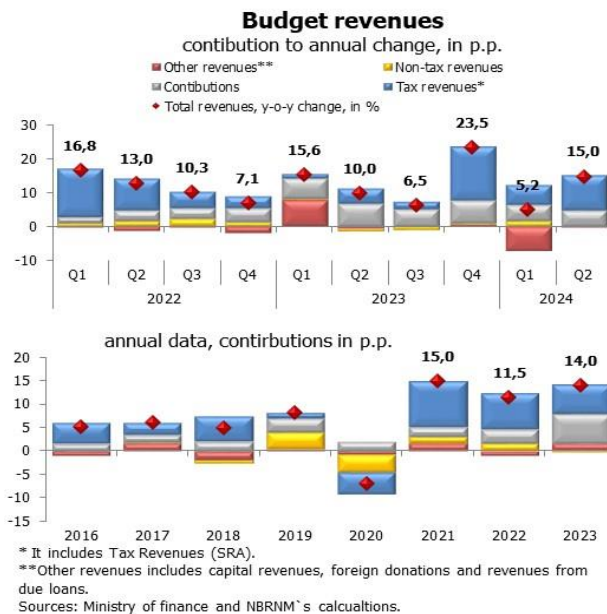
<sup>67</sup>Note that the interest rates on newly approved loans are volatile. Volatility of interest rate on newly approved loans depends on the volume of newly approved loans (which can change from month to month) and their interest rate.

<sup>68</sup> Central budget and budgets of funds.

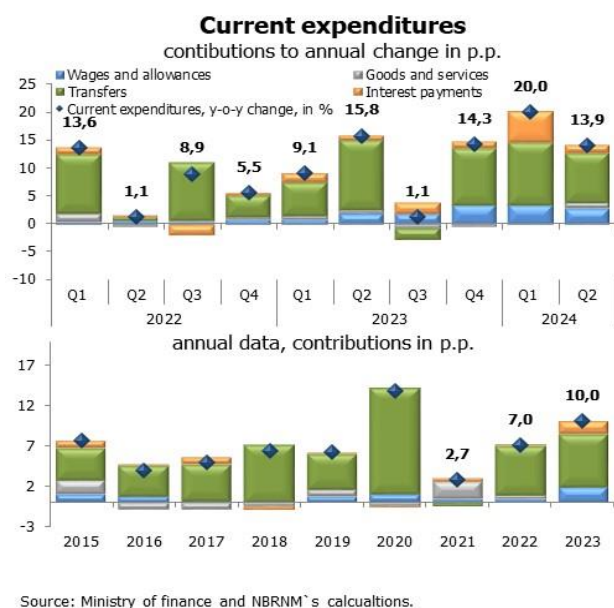
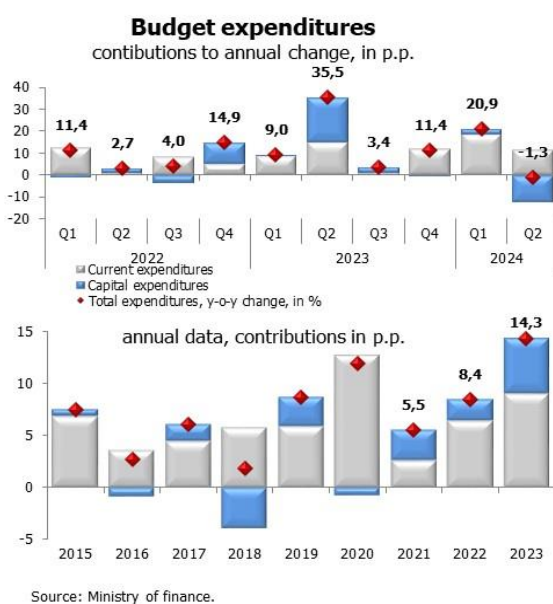
<sup>69</sup> Other revenues include capital revenues, donations from abroad and revenues from recovered loans.



individual categories, the most significant share in the growth rate of total revenues is held by taxes, with a contribution of 10.2 percentage points (5.9 percentage points in the previous quarter), as well as revenues from contributions with a contribution of 4.8 percentage points, the same as in the previous quarter.

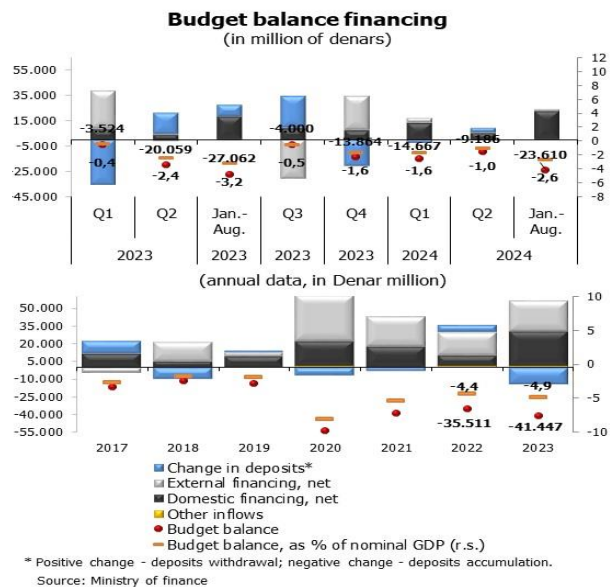
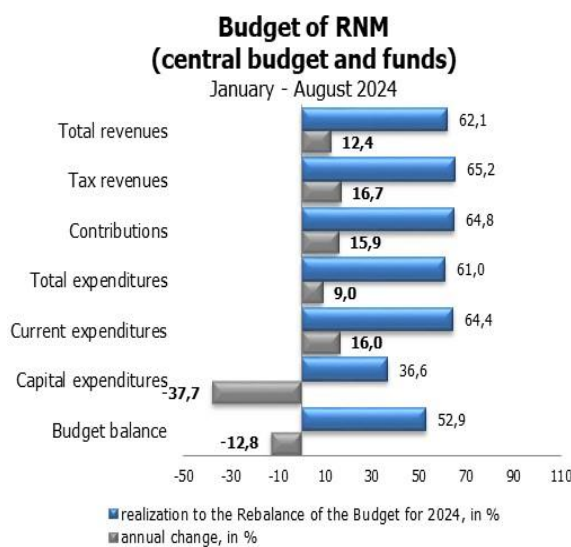


The annual growth of total **tax revenues** in the second quarter of 2024 accelerated and reached 17.8%. Such achievements result from the higher contribution of indirect tax revenues, mostly from VAT revenues (with a contribution of 9.8 percentage points), but to a lesser extent from excise duties and import duties (contributions of 0.1 percentage point and 0.9 percentage points, respectively). Direct taxes also have a positive contribution to the growth rate of tax revenues, namely personal income tax and corporate income tax (with contributions of 2.7 percentage points and 3.2 percentage points, respectively).





In the second quarter of 2024, total budget expenditures registered slight decline of 1.3% on annual basis. By structure, the decrease in the total expenditures arise from lower capital expenses<sup>70</sup>, amid an increase in the current expenses. The annual increase in the current expenditures primarily arise from the 'transfers' category<sup>71</sup> (a contribution of 8.8 percentage points), with smaller contribution being made by the growth in categories "wage and compensations", "interest payments" and "goods and services" (of 2.7 percentage points, 1.4 percentage points and 1.0 percentage point, respectively).



In the second quarter of 2024, the budget deficit was Denar 9,186 million or 1.0% of GDP<sup>72</sup>, which is lower compared to the same period last year (deficit of 2.4% of GDP). The deficit realized in the second quarter was financed primarily through net borrowing of the Government on the domestic market, and less on foreign market<sup>73</sup>, amid withdrawal of government deposits with the National Bank.

<sup>70</sup> Capital expenditures are lower 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).

<sup>71</sup> Category of transfers include pension expenses, social security costs, health care costs and other transfers (mainly subsidies).

<sup>72</sup> The analysis uses the National Bank's October forecasts for the nominal GDP for 2024

<sup>73</sup> In May, the Government received an inflow of Euro 50 million as a result of a loan from the European Commission.



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

	2023					2024					2023				2024	
	Q1	Q2	Q3	Q4	Total 2023	Budget 2024	Rebalance of budget 2024	Q1	Q2	Jan.-Aug 2024	Q1		Q2		Jan.-Aug 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.
<b>TOTAL REVENUES</b>	<b>66.009</b>	<b>65.140</b>	<b>66.326</b>	<b>79.652</b>	<b>277.127</b>	<b>310.128</b>	<b>318.150</b>	<b>69.332</b>	<b>74.882</b>	<b>197.543</b>	<b>5,0</b>	<b>5,0</b>	<b>15,0</b>	<b>15,0</b>	<b>12,4</b>	<b>12,4</b>
Tax revenues and contributions	56.651	60.485	60.232	72.987	250.355	279.044	284.469	63.587	70.280	184.016	12,2	10,5	16,2	15,0	16,3	14,7
Taxes*	35.896	37.352	37.403	47.082	157.733	178.067	179.257	39.761	43.996	115.790	10,8	5,9	17,8	10,2	16,5	9,3
Contributions	20.755	23.133	22.829	25.905	92.622	100.977	105.212	23.911	26.284	68.226	15,2	4,8	13,6	4,8	15,9	5,3
Non-tax revenues	3.905	3.785	4.456	4.719	16.865	20.394	22.541	4.957	3.848	11.237	26,9	1,6	1,7	0,1	6,7	0,4
Capital revenues	193	180	1.026	672	2.071	3.210	3.240	199	148	597	3,1	0,0	-17,8	0,0	-6,6	0,0
Foreign donations	5.260	690	612	1.274	7.836	7.479	7.900	590	606	1.693	-88,8	-7,1	-12,2	-0,1	-73,2	-2,6
<b>TOTAL EXPENDITURES</b>	<b>69.533</b>	<b>85.199</b>	<b>70.326</b>	<b>93.516</b>	<b>318.574</b>	<b>343.638</b>	<b>362.816</b>	<b>84.085</b>	<b>84.068</b>	<b>221.153</b>	<b>20,9</b>	<b>20,9</b>	<b>-1,3</b>	<b>-1,3</b>	<b>9,0</b>	<b>9,0</b>
Current expenditures	64.209	68.606	64.526	77.709	275.050	298.459	318.118	77.077	78.152	204.776	20,0	18,5	13,9	11,2	16,0	13,9
Capital expenditures	5.324	16.593	5.800	15.807	43.524	45.179	44.698	7.008	5.916	16.377	31,6	2,4	-64,3	-12,5	-37,7	-4,9
<b>BUDGET DEFICIT/SURPLUS</b>	<b>-3.524</b>	<b>-20.059</b>	<b>-4.000</b>	<b>-13.864</b>	<b>-41.447</b>	<b>-33.510</b>	<b>-44.666</b>	<b>-14.667</b>	<b>-9.186</b>	<b>-23.610</b>						
Financing	3.524	20.059	4.000	13.864	41.447	33.510	44.666	14.667	9.186	23.610						
<b>Inflow</b>	<b>9.569</b>	<b>21.876</b>	<b>35.309</b>	<b>18.281</b>	<b>85.035</b>	<b>78.564</b>	<b>83.727</b>	<b>33.128</b>	<b>14.210</b>	<b>51.256</b>						
Other inflows	287	344	230	414	1.275	0	500	253	43	642						
Foreign loans	31.142	529	176	30.008	61.855	43.164	48.487	9.939	3.530	13.591						
Deposits	-35.047	16.141	25.056	-20.401	-14.251	-4.863	-20.388	-2.135	3.223	-388						
Treasury bills	13.187	4.862	9.847	8.260	36.156	40.263	55.128	25.071	7.414	37.410						
Sale of shares	0	0	0	0	0	0	0	0	0	0						
<b>Outflow</b>	<b>6.045</b>	<b>1.817</b>	<b>31.309</b>	<b>4.417</b>	<b>43.588</b>	<b>45.054</b>	<b>39.061</b>	<b>18.461</b>	<b>5.024</b>	<b>27.646</b>						
Repayment of principal	6.045	1.817	31.309	4.417	43.588	45.054	39.061	18.461	5.024	27.646						
External debt	1.065	1.381	30.304	3.364	36.114	26.429	20.334	6.610	3.402	11.834						
Domestic debt	4.980	436	1.005	1.053	7.474	18.625	18.727	11.851	1.622	15.812						
Other outflows	0	0	0	0	0	0	0	0	0	0						

\* Includes Special Revenues Accounts (SRA)

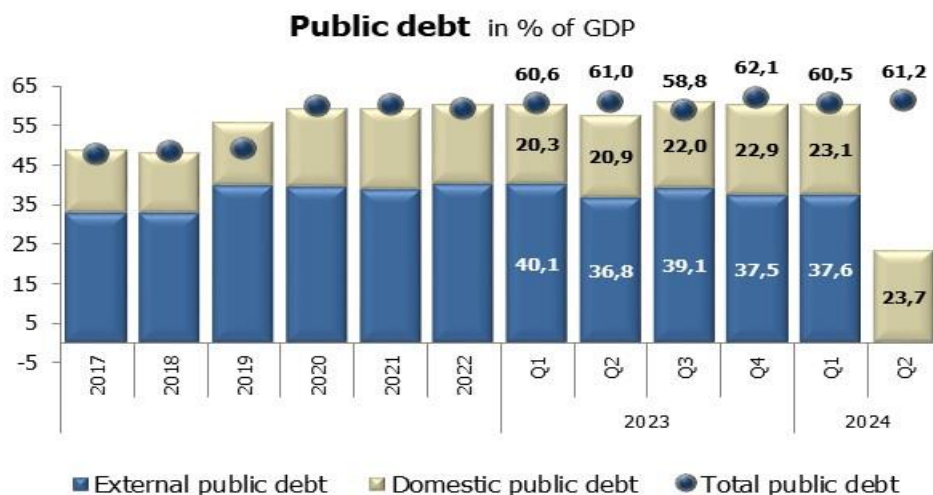
Source: Ministry of Finance and NBRNM calculations.

In the period January - August 2024, total budget revenues grew by 12.4% on an annual basis. This largely stems from improved performance in tax revenues and contributions, and to a lesser extent from non-tax revenues, while due to the higher comparison base from last year, revenues from foreign donations<sup>74</sup> have recorded a severe drop. At the same time, budget expenditures are higher by 9% on an annual basis, entirely contributed by current expenditures, at lower capital expenditures. In the period January - August 2024, the budget deficit equaled Denar 23,610 million, or 2.6% of GDP, representing 52.9% of the planned deficit for the year with the Budget Revision <sup>75</sup>for 2024. The deficit was largely financed through net borrowing on the domestic market and less on foreign market<sup>76</sup>, amid minor accumulation of government deposits with the National Bank.

<sup>74</sup> In March 2023, foreign donations increased due to a EU grant amounting to Euro 72 million aimed at dealing with the energy crisis.

<sup>75</sup> Official Gazette of the Republic of North Macedonia No. 169 of 15.8.2024.

<sup>76</sup> 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 and an inflow of Euro 50 million from a loan from the European Commission in May. In March, the Government paid the due installment of about Euro 70 million for the bond known as "Namensschuldverschreibungen", or NSV.



Source: MoF and NBRNM calculations.

At the end of the second quarter of 2024, total public debt<sup>77</sup> equaled 61.2% of GDP, which is an increase of 0.7 percentage points of GDP compared to the end of the previous quarter. This is largely due to the increase in the internal debt, at slight increase also on the external debt<sup>78</sup>. Analysed by debt structure, the increase is entirely due to the total government debt<sup>79</sup> which incremented by 0.7 percentage points and it equaled 52.8% of the GDP, while the debt of the public enterprises (guaranteed and non-guaranteed)<sup>80</sup> remained at the same level as in the preceding quarter (8.5% of GDP). At the end of the first quarter of 2024, compared to the same period of 2023, total public debt increased by 0.2 percentage points of GDP.

## VI. Macroeconomic forecasts and risks

The macroeconomic landscape for the period 2024 – 2026 has not significantly changed compared to the April forecasts. In terms of the economic growth, there are still expectations for gradual acceleration in the economic activity, with a growth arising from the domestic demand, amid negative contribution of net exports. However, in the medium run, the growth dynamics is slightly decelerated compared to the previous forecast, mainly due to the weaker performance in the first half of 2024, which together with slightly weaker foreign demand recovery is expected to affect the growth in the following year.<sup>81</sup> Thus, the projected economic growth in 2024 will equal 2.3% (2.6% in April) and then accelerate to 3.3% in 2025 (3.6% in April) and 4% in the medium run, in the period

<sup>77</sup> 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.

<sup>78</sup> In March, the first installment of the bond ("Namensschuldverschreibungen" – NSV) was paid in the amount of around Euro 73 million, which was issued in 2022, on the German market, in the amount of Euro 250 million with a maturity of 3 years and 18 months grace period with an interest rate of the 6-month EURIBOR plus a margin of 3.75%. In January, an inflow of the second tranche of Euro 155 million from the PLL program (Precautionary and Liquidity Line) was received, while in May the first tranche in the amount of about Euro 50 million was received from a loan in the total amount of Euro 100 million approved by the European Commission.

<sup>79</sup> Government debt is defined as a sum of debts of the central government, the public funds and the municipalities.

<sup>80</sup> 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).

<sup>81</sup> As of 30.9.2024 the SSO published the final GDP data for 2022, and as of 18.10.2024 the previous data for 2023, which show upward revision of the real growth rates in this two years in relation to the latest quarterly data published on 4.9.2024. However, these revised data are not used in the GDP forecast, since they include GDP data only for the year, but not quarterly distribution, which is a risk to the forecasts, due to the higher base.

**2026-2027 (unchanged in relation to the April forecasts).** Such dynamics rests on the expectations for improved external environment, coupled with certain domestic specific factors, especially related to the public infrastructure cycle. The disposable income, as a key component of the household income, is expected to further grow and together with the lending to support the household consumption. **In terms of inflation, it would maintain the path of downward adjustment until the end of the forecast round. The 2024 estimates show an average inflation rate of 3.5%, same as in the April forecasts and 2.5% in 2025, which is a minor upward revision in relation to April, given the current inertia in certain price categories. In the medium run, the inflation is expected to reduce to the historical average of 2% in the period 2026-2027, same as in the April forecasts. The expectations for the external position of the economy are close to the previous forecasts, and indicate further stable and favorable positions of the current account in the medium run. Following the significant inflows in 2023, the stabilization of the balance in foreign trade of goods and services, as well as the normalization of private transfers, is expected to cause a deficit in the balance of current transactions of 2.1% of GDP in 2024, a slightly more moderate level compared to April. In the medium run, the current account deficit would average 2.2% of GDP.** The entire forecasting horizon expects solid net inflows in the financial account, supported by direct investments and government borrowing, whereby foreign reserves will further grow and stay on adequate level.

## 6.1. Underlying assumptions in the external environment forecast<sup>82</sup>

The latest estimates of the **foreign effective demand**<sup>83</sup> still point to gradual recovery, thus expecting a growth of 0.8% in 2024 (same as in April), while for 2025, acceleration and a growth rate of 1.5% is expected (1.6% in April). The minor downward revision in 2025 is due to the outlook for a slower growth of the German economy<sup>84</sup>. The growth of the foreign demand for 2026 is expected to further accelerate and amount to 1.7%.

On the other hand, **the foreign effective inflation**<sup>85</sup> registered a slightly downward revision to this year's forecast, amid unchanged estimates for the next year. The inflation in 2024 is expected to equal 3.2% (3.5% in April) with a decrease in price pressures in 2025 and 2026, thus the price growth in these years would reduce to 2.5% and 2.3%, respectively. The downward correction for 2024 mainly results from the downward inflation adjustments in Italy, Slovenia and Bulgaria.

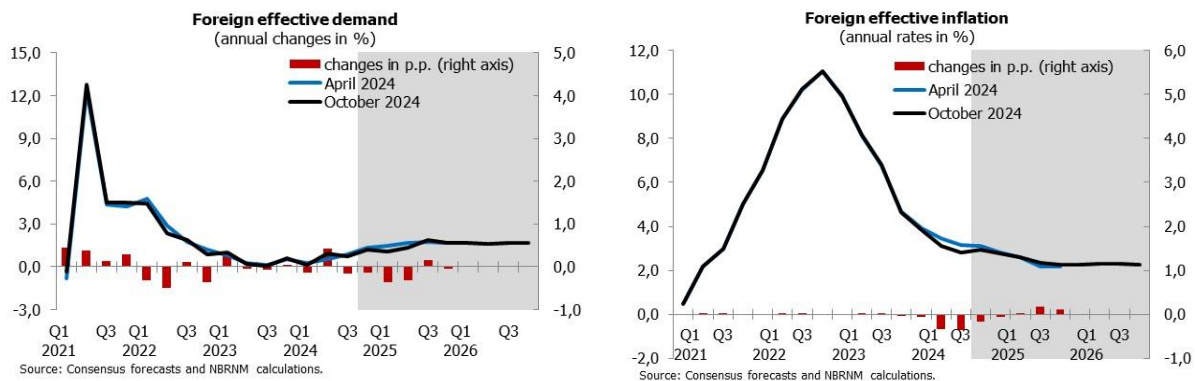
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<sup>82</sup> Historical data on foreign demand, foreign inflation, exchange rate of the US dollar/euro and EURIBOR are sourced from Eurostat, while the World Bank statistics is a source of the data on prices of oil, food and metals. The forecasts of foreign demand, foreign inflation, foreign exchange rate of the US dollar and EURIBOR are based on the Consensus Forecast, while the forecasts of the prices of oil, food and metals are based on the forecasts of market analysts. The analysis uses various reports of the IMF, the World Bank, ECB, FAO, OPEC and specialized economic portals.

<sup>83</sup> Foreign effective demand is calculated as the weighted sum of the real GDP indices of the major trading partners of the Republic of North Macedonia. The calculation of this index includes Germany, Greece, Italy, the Netherlands, Belgium, Spain, Serbia, Croatia, Slovenia and Bulgaria.

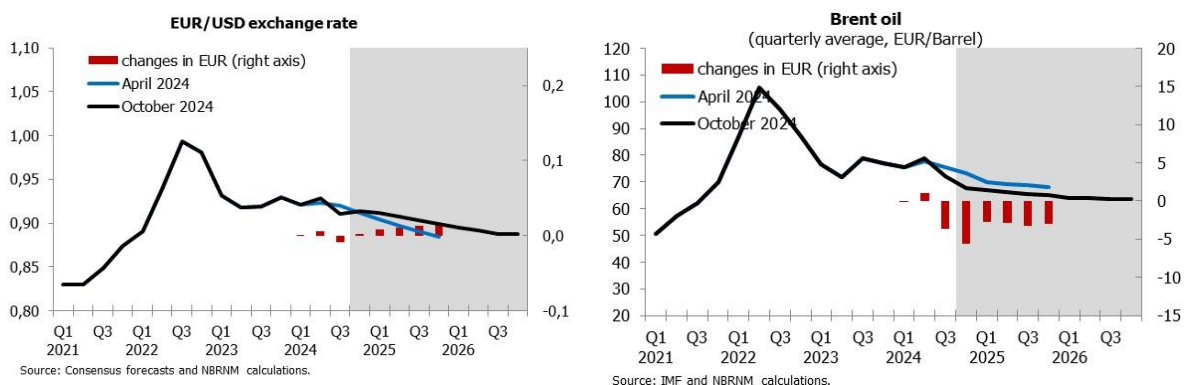
<sup>84</sup> The real economic growth rate forecast in Germany shows 0% in 2024 and increase of 1.0% and 1.3% in 2025 and 2026, against the increase of 0.1% in 2024 and 1.2% in 2025, respectively in April.

<sup>85</sup> The foreign effective inflation is calculated as 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 calculation of this indicator includes Bulgaria, Germany, Greece, Spain, France, Italy, Austria, Slovenia, Poland, Croatia and Serbia. Inflation in Poland and Serbia has been adjusted for the changes in the exchange rate.



In terms of the **euro/US dollar exchange rate**, a slightly larger depreciation of the US dollar (0.7%, instead of the April forecast of 0.6%) is expected in 2024, which is related to the significant interest rate cut by the FED compared to the ECB in September<sup>86</sup>. On the other hand, a slight decline in the value of the US dollar against the euro is expected in 2025 compared to the previous forecasts, i.e. depreciation of 1.4% (depreciation of 2.7% in April), with a depreciation of 1.7% expected in 2026.

**The oil price denominated in euro**<sup>87</sup> has been corrected downward for 2024 and 2025, thus expecting a decline in prices of 3.4% and 10.2% in 2024 and 2025, respectively (decline of 0.7% and 8.7% in 2024 and 2025, respectively in April). The decline in oil prices is due to the reduced forecasts for the future demand, mainly as a result of the weaker economic activity in China, as well as increased risk aversion by market entities<sup>88</sup> and reduced risks to supply<sup>89</sup>. Further, yet slower decline (of 3.4%) is expected in 2026.



**The revisions of metals prices have been in different directions for 2024-2025.** According to the latest estimates, a slightly sharper decline in the price of nickel is expected in 2024 and its stabilization in 2025 (against the growth in April), amid larger global supply. On the other hand, the price of copper is expected to sharply rise in 2024 compared to April, with further, yet slight increase (as opposed to the unchanged level in the April forecasts), due to the expectations for larger demand for

<sup>86</sup>As of 18.9.2024 the FED cut the policy rate by 0.5 percentage points, thus the interest rate spread currently equals 4.75% -5% (5.25% -5.5% previously), while the ECB cut the interest rate on deposit facilities in September by 0.25 percentage points. (from 3.5% to 3.25%).

<sup>87</sup> The analysis of prices of oil, metals and food commodities, uses various reports of the IMF, World Bank, FAO, OPEC, the ECB and the specialized international economic portals.

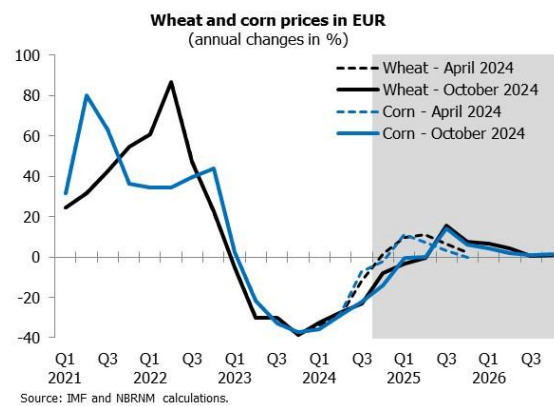
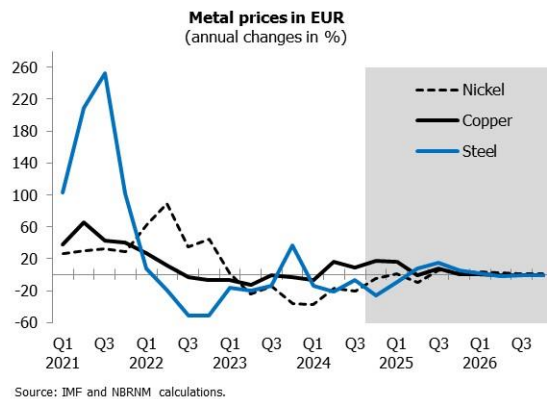
<sup>88</sup> Source: ECB bulletin, No.6 2024 (link: <https://www.ecb.europa.eu/press/economic-bulletin/html/eb202406.en.html>).

<sup>89</sup>Fears about possible supply disruption due to an escalation of the Middle East conflict were eased in mid-October, amid announcements that Israel would not attack oil refineries in Iran (links: <https://www.ft.com/content/30a8a233-1c72-4d95-8e5e-55f7ae92e7bc> и <https://www.ft.com/content/720bb920-a546-4f5a-b77e-5328419037bf>).

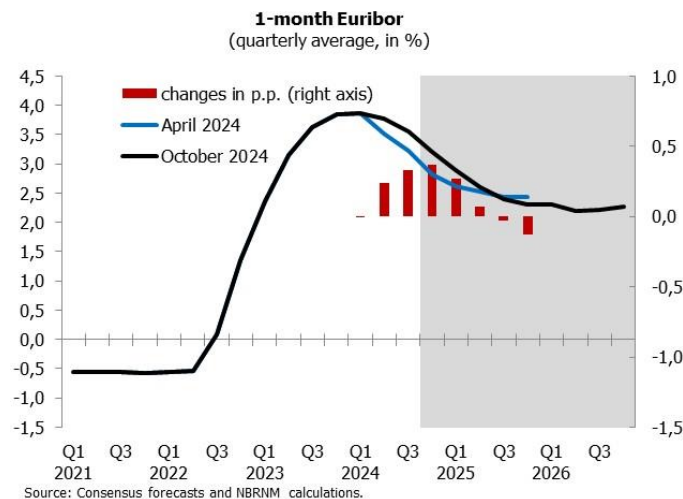


copper in China. The prices of steel are expected to significantly decline in 2024 compared to the April forecasts, but an increase is now expected for 2025, against the slight decline in April. An increase in the prices of nickel is expected in 2026, while the prices of copper and steel are expected to slightly drop.

Regarding **the prices of food products**, the period 2024-2025 suffered a downward revision compared to April. Thus, a sharper price decline in corn and wheat is expected for 2024, while a slight increase in 2025 compared to the April forecasts. The downward revision in the prices of wheat and corn is due to the estimates for increased global supply. Further slight increase in the prices of wheat and corn is expected in 2026.



Regarding **the interest rate on the one-month EURIBOR**, the prices were revised slightly upwards for the 2024 and 2025 forecasts. Thus, it is now expected that the average one-month EURIBOR would equal 3.60% in 2024 (3.36% in April, 2.55% in 2025 (2.50% in April)), while in 2026 it is expected to reduce to 2.25%. Such movements are in line with the expectations for a gradual reduction of the ECB interest rates, yet at a slower pace due to the maintenance of the core inflation at a higher level than expected.



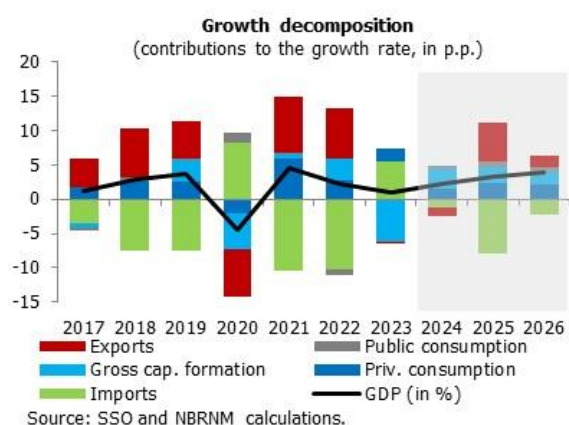
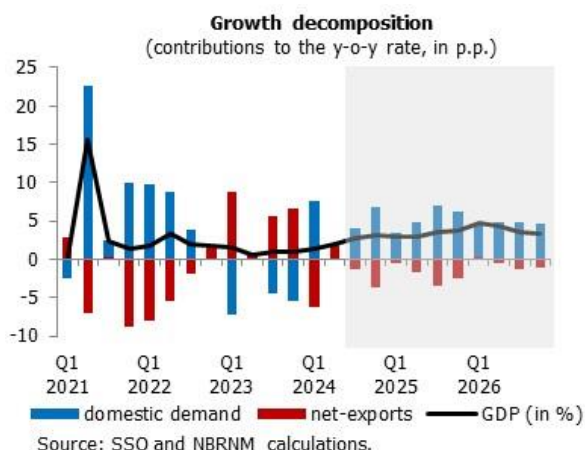


## 6.2. Forecast and effects on monetary policy

**The environment for conducting monetary policy is still uncertain and influenced by the future inflation dynamics.** The latest inflation forecasts still point to its deceleration and reduction to the historical average in the medium run, yet at a slower pace than in April, due to the greater inertia of the core inflation. Moreover, the risks remain significant and related to geopolitical tensions and their effect on the primary commodity prices, as well as to the conduct of domestic policies that affect the demand in economy. In terms of the **foreign interest rate**, as an important determinant of the domestic monetary policy, the ECB interest rates are still expected to gradually decrease, yet at a slower pace compared to April due to the more moderate relaxation than the expected in the April forecasts. **This forecasting round once again assessed the external position of the domestic economy as favorable**, with almost the same expectations for the current account, on the average for 2024-2026 as in the April forecast. Such movements in current transactions, amid projected solid flows on the financial account, result in **growth of foreign reserves on an aggregate basis and their retention at a level adequate to the international standards for maintaining exchange rate stability.**

**Main risks to the baseline macroeconomic scenario are similar to the April forecasts. In terms of the external environment, risks remain unfavorable and especially pronounced in both the short and the medium term.** Geopolitical turmoil, mainly related to possible further escalation of the regional conflicts (the Middle East and Ukraine), prolonged monetary tightening or the slow progress of normalization, the possible resurgence of the financial market instability with negative effects on the government debt markets, greater slowdown in the growth of the Chinese economy than expected and continuously enhanced protectionist policies are the key factors limiting the global growth. Regarding the risks of domestic environment, in the medium run they are related to the dynamics of the infrastructure projects realization, while the effects of the NATO membership, the progress in the EU accession negotiations, as well as the new EU Growth Plan for the Western Balkans, are once again assessed as positive risks which can accelerate the structural reforms.

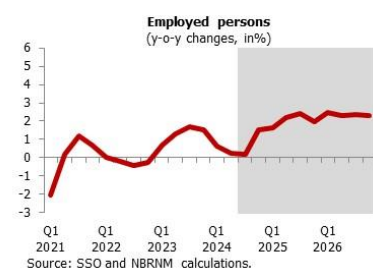
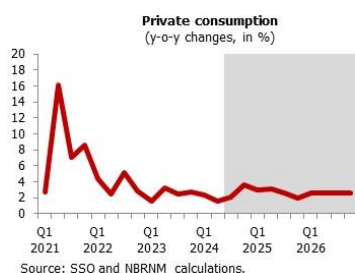
**In the first half of 2024, the domestic economy moderately grew by 1.8%** due to the positive contribution of the domestic factors, mostly gross investments. The growth is expected to accelerate in the second half of the year, in line with the expectations for protracted favorable trends of the domestic demand components, coupled with more favorable expectations in exports in line with the gradual recovery of foreign demand. Higher export activity in combination with the accelerated domestic demand are expected to increase the import component in the second part of the year. Consequently, **the growth in 2024 would equal 2.3%** and would be mainly driven by the factors of domestic demand, primarily gross investments, while net exports will still make negative contribution. **Further accelerated growth is expected in the next period, which would reach 3.3% in 2025 and 4% in 2026-2027, in the medium run.** Analyzing the growth structure in the next two years, no change is expected, i.e. it will arise from the domestic demand, amid negative contribution of net exports.





**Within domestic demand, positive contribution is expected from all three components, yet gross investments and private consumption are estimated to be the main growth drivers in the period 2024-2026.** After the sharp decline in 2023 a significant growth of **gross investments** is expected in 2024 given the favorable performance in the first half of the year, and expectations for greater investment activity by the end of the year. The forecasts for the next two years show further solid growth rates of gross investments, given the expectations for realization of the public investments in road and railway infrastructure, especially the construction of the corridors 8 and 10d. In addition, the private investments, primarily driven by the need for energy sustainability and investments in renewable energy sources, the increased foreign direct investments, the recovery of exports and foreign effective demand, as well as the solid credit support of the banking sector are also expected to have a positive impact in the medium run.

**Growth in household consumption is expected in 2024, similar to the one in the previous year.** After the moderate performance in the first half of the year, despite the solid growth of the real disposable income, acceleration is expected in the second half of the year, supported by the real wage bill and measures for pensions increase<sup>90</sup>. Moreover, the estimate for the wage growth in 2024 includes the performance<sup>91</sup>, as well as the effect of the wage growth in the public sector<sup>92</sup>, while the growth of pensions is adjusted in accordance with the regulations for linear pension increase and moderate increase in the number of pensioners. Moderately faster growth of private consumption is expected for the next two years, mainly arising from the dynamics in disposable income, with the wages and pensions being the main drivers of the growth, given the growth of the economy, the legal compliances<sup>93</sup> and the moderate increase in the number of employees and pensioners. Also, in the next two years, additional financial support to the household consumption is also expected through the traditional financing channel, i.e. banks' lending.



<sup>90</sup>Amendments to the Law on Pension and Disability Insurance were adopted on 12.9.2024, and include pension increase as of 1 September 2024 and 1 March 2025 of 2,500 denars.

<sup>91</sup>The implementation includes the effect of the **increase in the minimum wage** in accordance with the legislative changes with the payment of the March salary, and the second-round effect of the increase in the public sector salaries in September 2023.

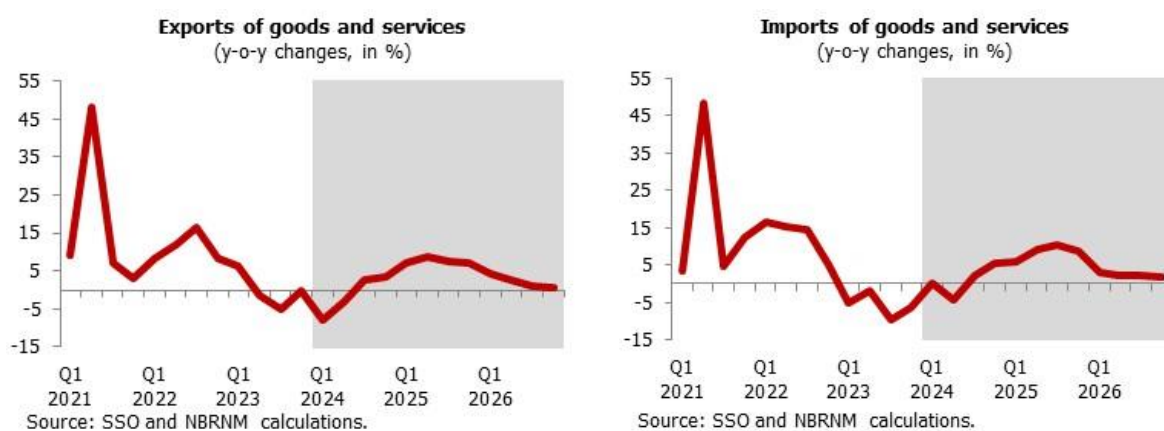
<sup>92</sup> This includes the increase in the public sector wages as of September 2024, in accordance with the GCA, according to which if the difference between the consumer prices index in the first six months in 2024, compared to the consumer prices index for the first six months of 2023 exceeds 3%, the gross public sector wage increases in the amount of 3%. Moreover, in October 2024 additional increase in the wages in **education of 5%** was planned, according to the agreement between the government and SONK.

<sup>93</sup>For the period **2025-2026**, the increase in the wages of the public sector and officers have been adjusted with the annual growth of the **average wage** in the previous year. For the period September 2025, the pensions have been adjusted according to the previous methodology according to which the adjustment of the age pension will be calculated by the change to the consumer price index in the amount of 50% and the change to the average wages paid to all employees in the Republic of North Macedonia by 50%. In cases when there is no linear increase in pensions, the pension shall be adjusted every year on 1 of March and 1 of September according to the percentage which is calculated as the sum of the growth in the consumer price index in the previous half of the year and the percentage of the increase in the average wages paid to all employees in the Republic of North Macedonia in the previous half of the year, compared to the half of the year that precedes.



**In accordance with fiscal plans<sup>94</sup>, public consumption is expected to increase throughout the entire forecasting round**, whereby it would make positive contribution to the expected GDP growth.

After the poor performance in the **export of goods and services** in the first half of 2024, primarily due to the temporary specific factors<sup>95</sup>, amid still weak foreign demand, gradual recovery of the export activity is expected in the second half of the year, which will not cover the previous decline. Consequently, the export is expected to slightly drop throughout the entire 2024. In the next two years, the overcoming of the temporary limiting factors, the gradual recovery of foreign effective demand and the favorable metal price environment will positively affect the traditional export sector. At the same time, positive contribution is also expected from existing automotive companies, as well as from the new foreign investments in manufacturing sector. Consequently, the projected path indicates solid growth in the exports of goods and services in 2025 and its moderate slowdown in 2026.



**The real import of goods and services** expects a minor increase in 2024, mainly driven by the domestic demand components. In the next two years, the growth of domestic demand and export activity is expected to contribute to the growth of import component. Given the projected stronger growth of imports than the exports, the net export is expected to make a negative contribution to the GDP growth throughout the entire forecasting round.

In conditions of moderate monetary easing, the pace of the **lending activity** is expected to continue in the second half of the year, thus by the end of 2024 the growth will amount to 7.5% annually (increase of 5.1% at the end of 2023). In the medium run, stabilization of the credit growth rates is expected, which would average 7.2% in the period 2025 – 2027. Such forecasts are in line with the expectations for further gradual decrease in the interest rates, the acceleration in the economic growth, the stabilization of expectations and the growing confidence of economic agents. Regarding the **deposits**, as the main source of financing of lending activity, solid growth rates are also expected in the entire period of the forecast, amid increased confidence in the domestic currency, as well as due to the expected growth of the households' funds. Thus, in 2024 the growth of total deposits is expected to equal 7.9% (9.1% at the end of 2023), while in the period 2025 - 2027 an average growth of 7.7% is forecasted.

**After the improved performances in the balance of current transactions in 2023 and a surplus on net basis, the current forecast includes certain deterioration in the current account, i.e. moderate deficit of 2.1% of GDP is expected for 2024.** Such dynamics is due to the lower secondary income surplus, in particular due to the net inflows in private transfers, which are

<sup>94</sup> The forecasts for public consumption are based on data from the Budget revision for 2024 from August 2024 and the Revised Fiscal Strategy 2025 - 2029 from September 2024.

<sup>95</sup> It refers to non-functioning of important facilities in the metal and automotive industry, which are expected to be partly overcome by the end of this year, and fully in the next.



expected to stabilize, after their record high level in 2023. In addition, the trade deficit expects annual widening, driven by the non-energy component, amid forecasts for further decrease in the energy balance deficit. On the contrary, positive performance in services is expected to continue in the current year, thus the surplus in this category would increase, almost entirely mitigating the higher trade deficit. **In 2025, a slight worsening of 0.2 percentage points is expected in the current account, whereby the current account deficit would amount to 2.3% of GDP.** The gradual decrease in the share of private transfers in GDP, despite their nominal stabilization, is expected to be the generator of such current account dynamics. In addition, the expected intensification of construction activities related to corridors 8 and 10d would adversely affect the balance of services, which is expected to influence the decrease in the surplus in this category on annual basis. On the other hand, the favorable dynamics of energy prices is expected to further tighten the energy deficit, while the recovery of the exports in metal processing sector and the enhanced positive net effect of foreign facilities in the automotive industry, would significantly tighten the non-energy component and thus the total trade deficit. **In the medium run, stabilization in the current account trade deficit at an average of 2.2% of GDP is expected in 2026-2027,** amid continuous decrease in the deficit of the balance of goods and services. **Regarding the financial net inflows, in the period 2024-2027 it is expected that they will fully cover the current account deficit and to ensure additional foreign reserves accumulation.** Structurally, most of the financial inflows on a net basis are expected in the form of foreign direct investments and long-term government borrowing. **It is especially significant to note that throughout the forecast horizon, foreign reserves are expected to remain appropriate.**

#### Balance of Payment forecast (% of GDP)

	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Current account</b>	<b>0,2</b>	<b>-3,0</b>	<b>-2,9</b>	<b>-2,8</b>	<b>-6,1</b>	<b>0,4</b>	<b>-2,1</b>	<b>-2,3</b>	<b>-2,2</b>
Balance of goods & services	-12,7	-14,3	-12,7	-15,5	-21,0	-13,9	-14,1	-13,7	-12,7
Goods, net	-16,2	-17,3	-16,6	-19,7	-26,7	-19,3	-21,6	-20,3	-19,5
Services, net	3,5	3,0	3,9	4,2	5,7	5,4	7,5	6,5	6,8
Primary income, net	-4,2	-4,6	-3,8	-4,4	-4,4	-5,4	-5,2	-5,1	-5,4
Secondary income, net	17,1	16,0	13,6	17,1	19,2	19,7	17,2	16,5	16,0
Private sector, net	16,1	15,6	12,6	16,0	18,7	18,8	16,8	16,0	15,5
<b>Capital account</b>	<b>0,1</b>	<b>0,1</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>1,0</b>	<b>2,0</b>	<b>3,0</b>
<b>Financial account</b>	<b>-4,5</b>	<b>-5,6</b>	<b>-3,9</b>	<b>-4,8</b>	<b>-7,9</b>	<b>-3,7</b>	<b>-2,8</b>	<b>-1,6</b>	<b>-3,4</b>
FDI, net	-5,6	-3,2	-1,4	-3,3	-5,0	-3,6	-4,2	-3,7	-4,0
Portfolio Investment, net	-3,0	1,3	-2,6	-1,0	-0,4	0,2	1,6	4,0	0,3
Other Investment, net	4,1	-3,7	0,1	-0,5	-2,5	-0,4	-0,1	-1,8	0,4

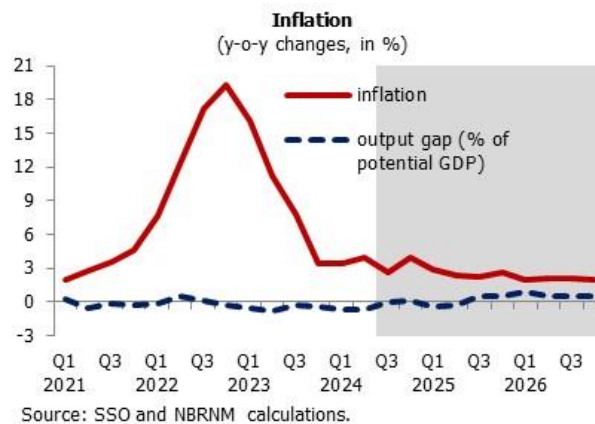
Source: NBRNM.

**In 2024, the inflation rate would decelerate and equal 3.5%, on average (9.4% in 2023).** The sharp decline in oil and primary commodity prices on international market, the decelerated growth of foreign effective inflation, as well as the effect of the monetary tightening contributed to downward movement of domestic prices. The food and energy component registered a significant slowdown, while the adjustment in core inflation was slower due to greater inertia. **The inflation slowdown is expected to continue in the following years and the average annual price growth is estimated to reduce to 2.5% and 2% in 2026 - 2027.** Downward trajectory of the prices is expected in all three components in 2025<sup>96</sup>, while in terms of structure, the core inflation is estimated to have the largest contribution to the headline inflation. The gradual stabilization of inflation in the medium term is expected to result from the exhaustion of the effects of external price shocks, further anchored inflation expectations and the absence of significant pressures through the channel of domestic demand and the output gap. However, risks to the inflation forecast are upward and with regard to the external environment associated with primary commodities prices, which are influenced by the unstable geopolitical context and climate factors. As for the domestic factors, risks arise from the possible price pressures due to the increased electricity price for small consumers on the regulated market as of

<sup>96</sup>In terms of the food component, the enforcement of the [Law for Prohibition of Unfair Trading Practices](#) is estimated to have a favorable effect on food prices. .



July 2024, as well as for households in the following period, the growth of wages and pensions and slower fiscal consolidation in line with the latest Fiscal Strategy.



### 6.3. Comparison with the previous forecast

*In the latest forecasts, the macroeconomic landscape registered no significant changes regarding the economic growth trajectory and inflation slowdown for the entire forecast round, compared to the April cycle. Regarding the intensity of changes, minor downward corrections have been made to the economic growth forecasts in 2024 and 2025 and a slight upward correction in inflation rate for 2025. The change in the growth of the economic activity in 2024 is due to the lower performances in the first half, which together with the estimates for slightly slower foreign demand recovery, caused a minor downward revision of the growth forecast for 2025. Regarding inflation, the projected rate is expected to be achieved for 2024 in line with the April cycle, with greater pressures in food prices and lower pressures in energy prices, amid unchanged core inflation outlook. In 2025 the inflation will slowdown, yet at a slower pace compared to the April forecasts, due to larger core inflation inertia and the second round effect from the previous year. The projected external position in 2024-2026 is cumulatively close to the April forecast, amid slightly improved current account in 2024 and slightly worsened expectations for the next two years. Observing individual components, on average, the improved expectations for the balance of goods and services have been neutralized by slightly less favorable forecasts in secondary income surplus, as a result of the changed expectations for private transfers. In terms of the projected financial account net inflows, the current forecasts indicate slightly lower net inflows compared to April, partly reflecting the expected growth in foreign reserves which are still appropriate for maintaining the stability of the domestic currency.*

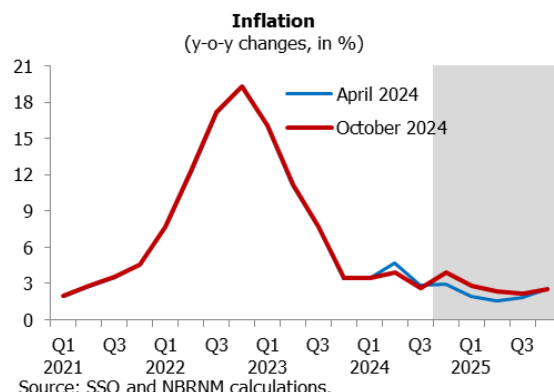
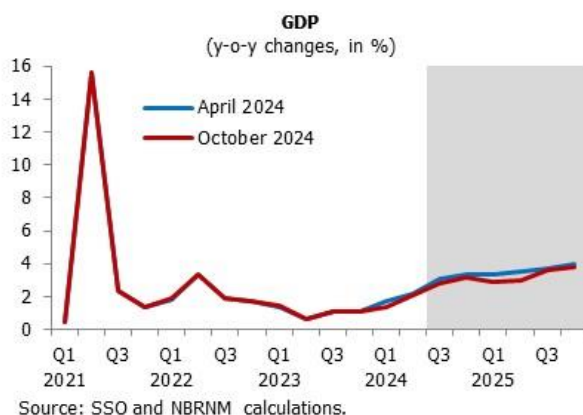
**Forecast of selected macroeconomic variables**

	2024 forecast		2025 forecast		2026 forecast
	Apr.	Oct.	Apr.	Oct.	Oct.
<b>GDP, %</b>	<b>2,6</b>	<b>2,3</b>	<b>3,6</b>	<b>3,3</b>	<b>4,0</b>
Private consumption	4,0	2,4	2,6	2,7	2,6
Gross capital formation	10,5	11,2	7,0	7,0	6,5
Public consumption	-6,5	2,7	-1,0	5,2	3,9
Exports of goods and services	3,6	-1,3	5,6	7,7	2,1
Imports of goods and services	5,6	0,8	4,6	8,6	2,3
<b>Inflation</b>	<b>3,5</b>	<b>3,5</b>	<b>2,0</b>	<b>2,5</b>	<b>2,0</b>
<b>Current account deficit, % of GDP</b>	<b>-2,4</b>	<b>-2,1</b>	<b>-2,1</b>	<b>-2,3</b>	<b>-2,2</b>

Source: NBRNM.

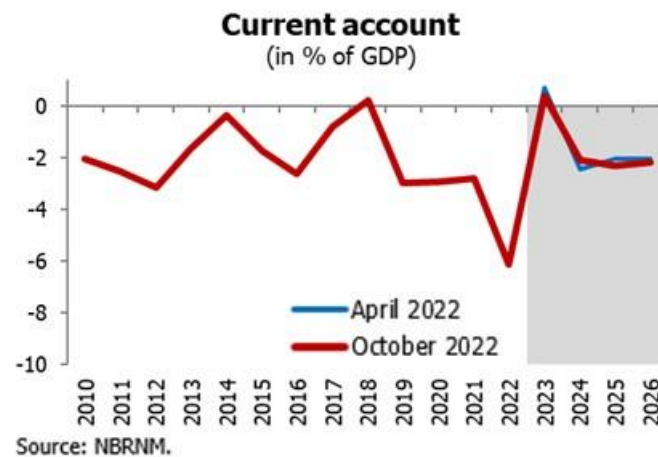
Amid slightly slower growth of the domestic economy in the first half of 2024 compared to the April expectations, **the growth for 2024 was slightly corrected downward, accompanied by certain changes in relation to the contribution of individual components.** The high growth of

wages and consequently the disposable income of households in the first half of 2024 has not reflected the growth in private consumption as expected, while the exports, and consequently the imports registered weaker performances. On the other hand, the public consumption had positive impulse on the economic activity, as opposed to the expectations for a real decline, while gross investments registered higher growth than expected, especially in the first quarter. Such movements affected the economic growth forecast for 2024, i.e. caused downward revision of the contribution of domestic demand on the growth, due to adjustment in private consumption. The weaker expected growth for 2024, together with the estimates for slightly slower foreign demand recovery, caused **a minor downward revision of the growth forecast for 2025, keeping the same growth structure.** Thus, positive contribution of domestic demand is expected again, but higher compared to April. Higher growth and stronger contribution of private consumption to the growth is projected for 2025, in accordance with the expectations for further high real wage growth, stronger growth in pensions compared to the April expectations due to the planned linear increase next year in March and the transmission effect of the increase in September this year, as well as the perceptions for a slightly stronger increase in household lending. The public consumption is expected to slightly increase, as opposed to the expectations for a decline according to the April forecasts, amid slower fiscal consolidation than forecasted in April. The growth in gross investments suffered no changes, thus a strong contribution of the public sector is expected again, in line with the expectations for realization of the planned public infrastructure projects, both on central and local level, as well as the positive effect of the private investments related to energy sustainability and the growth in FDI. Net exports is expected to make greater negative contribution on the economic growth, amid stronger growth in both exports and imports compared to the April forecasts. The stronger growth in exports, amid slightly lower foreign demand compared to April expectations, arises from the lower base effect in 2024, while in imports it arises from the stronger impulse of domestic demand and low base effect.



**With regard to inflation rate forecast, it is again expected to move downward until the end of the forecast horizon. Thus, the inflation for 2024 is expected to equal 3.5%,** as was expected within the April forecasting round. Observed by component, an upward correction was made in the prices of food, in line with the higher performances compared to the forecast. On the other hand, the revisions in energy component were downward, mostly reflecting the lower performances, mainly due to the lower growth in the price of electricity than the projected in April, and partly due to the downward correction of global oil price, while the assessments of core inflation remained unchanged. Inflation of 2.5% is expected in 2025, which is a slight upward correction compared to the April forecasts for a price growth of around 2%, which is partly due to the higher transmission effect from the previous year, amid estimates for greater inertia in certain price components. **There were no changes for 2026, i.e. reduction of the inflation rate to the historical level of 2.0% is expected.**





The current forecasts include no significant changes for the future current account movements, although there are certain shifts in terms of dynamics. The forecast for 2024 includes slightly lower current account deficit compared to the April cycle by 0.3 percentage points of GDP (from 2.4% to 2.1% of GDP), primarily due to higher expected surplus in services, as well as slightly improved expectations for trade balance, fully driven by the energy component. On the other hand, the current forecast predicts slightly lower net inflows in secondary income compared to April. For the period 2025-2026, the October forecast predicts slightly higher average current account deficit compared to the previous April forecasting round, which was revised from 2.1% of GDP to 2.2% of GDP, mainly due to the slightly lower share of the secondary income in GDP, amid more favorable expectations in trade balance in these two years. **Analyzing financial flows, slightly lower net inflows are expected for 2024-2026 cumulatively, compared to the April forecast.** Regarding foreign direct investments, the current forecast predicts slightly higher net inflows during the forecasting round, so that this category remains a significant source for financing the deficit of current transactions.

**Comparison of GDP and inflation forecasts for North Macedonia from various organisations**

Organisation	Month of publication	Real GDP growth, %			Inflation (average rate, %)		
		2024	2025	2026	2024	2025	2026
IMF	October 2024	2,2	3,6	3,8	3,3	2,3	2,0
World Bank	October 2024	1,8	2,5	3,0	3,5	2,8	2,0
European Commission	May 2024	2,9	3,0	-	3,0	1,9	-
EBRD	September 2024	2,2	3,5	-	-	-	-
Consensus Forecast	October 2024	2,1	3,0	-	3,5	2,7	-
Ministry of Finance	September 2024	2,1	3,7	4,0	3,5	2,2	2,0
National Bank of the Republic of North Macedonia	October 2024	2,3	3,3	4,0	3,5	2,5	2,0

Source: IMF, World Economic Outlook, October 2024; World Bank, Western Balkans Regular Economic Report, Fall 2024; European Commission European Economic Forecast, Spring 2024; EBRD Regional Economic Prospects, September 2024; Consensus Forecast, October 2024; Ministry of Finance, Fiscal Strategy for 2025-2029, September 2024; and the National Bank of the Republic of North Macedonia, October 2024.