

National Bank of the Republic of North Macedonia

MONETARY POLICY AND RESEARCH DEPARTMENT



Recent Macroeconomic Indicators Review of the Current Situation

July 2024

Recent Macroeconomic Indicators

Review of the Current Situation – Implications for the Monetary Policy

The review of the current situation aims to give an overview of the recent macroeconomic data (April – June 2024) and to make a comparison with the latest macroeconomic forecasts (April 2024). This will determine the extent to which the current situation in the economy corresponds to the expected movements of the variables in the latest round of forecasts. The review focuses on the changes in external assumptions and performances of domestic variables and the effect of these changes on the environment for monetary policy conduct.

The latest forecasts of the international organizations¹ for the global economic growth for the period 2024-2025 are similar to April. Risks around the global growth in the medium run are still assessed as balanced. However, in the short term there are certain downward risks associated with the inertia of inflation, due to the slower deceleration in the prices of services and the geopolitical tensions. Namely, the higher inflation increases the possibility of maintaining the high interest rates for a longer time, which increases external, fiscal and financial risks. Other risks include the various trade tariffs and changes in policies with an adverse effect on trade. In contrast, the faster change in macro-structural reforms will affect positively the supply, productivity and growth.

Analyzing the quantitative external environment indicators important for the Macedonian economy, the estimates for the growth of the **foreign effective demand** for the period 2024 – 2025 remained unchanged compared to the April forecasts, while the **foreign effective inflation** was subject to minor adjustments (downward for 2024, and upward for 2025). The euro-US dollar exchange rate was subject to upward adjustments in both years of forecast. The revisions in the **world prices of primary products** are in a different direction, amid upward revisions of oil and metal prices in the period 2024 – 2025, and downward in the prices of cereals. Moreover, prices are still expected to fall in 2024 and to increase in 2025. However, the movements and the assessments of the prices of primary commodities remain extremely volatile and strongly influenced by the developments related to the war in Ukraine and the military conflict in the Middle East, which creates great uncertainty about their future dynamics and effects on the global and domestic economy.

Regarding the **foreign interest rate EURIBOR** with one-month maturity, the estimates for 2024 and 2025 have been revised slightly upwards, in line with the expectations for a more moderate decrease in interest rates by the ECB in the next period. Thus, after the reduction in June, at the meeting in July, the ECB maintained the interest rates unchanged, amid assessment that the inflation in the euro area is still high, with pressures from the prices of services, while coming closer to the target level is expected in the second half of 2025.

The latest indicators of the domestic economy suggest macroeconomic landscape in line with the April forecasts. In the first quarter of 2024, the **real annual GDP growth amounts to 1.2%** and is in line with the expectations for growth acceleration in the first quarter, but is slightly more moderate than that estimated in the April forecasting round (1.7%). The high-frequency data for the period April-May 2024 suggest further acceleration in the growth due to the performances in the services sector, which is also in line with the forecasts for the second quarter. Thus, construction registered a significantly faster real annual growth, and a small increase in the real growth rate was registered in catering and tourism. In addition, trade turnover also registered a significantly slower real annual decline, however the fall in industrial output deepened. Furthermore, the solid growth of wages and pensions is expected to increase the households' disposable income also in the second quarter, in line with the April expectations. **In June 2024, the annual inflation**

¹ According to the International Monetary Fund's World Economic Outlook, July 2024.

rate slowed down to 3.2% (4.5% in the previous month). **The consumers' expectations** provided in the June surveys for the price movement in the next period are still aimed towards price reduction in the following period. **The spread in relation to the inflation in the euro area** according to the June data significantly narrowed. Revisions in relation to import prices are predominantly downward, but the uncertainty and the upward risks associated with the future dynamics of the prices of primary products in markets due to the geopolitical tensions and climate changes, are still present.

At the end of the second quarter of 2024, the foreign reserves stood at Euro 4,337.5 million. The analysis of foreign reserves adequacy indicators shows that they remain in the safe zone. In April and May 2024, foreign trade data currently indicate a trade deficit for the second quarter of the year which is at a level of that expected according to the April forecast. Currency exchange operations data for the second quarter of 2024 point to solid net inflows from private transfers, but slightly lower than expected for the second quarter according to the April forecast.

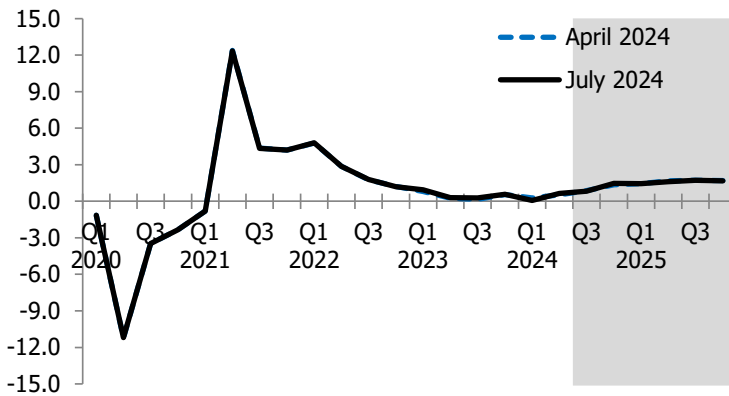
Regarding the **developments in the monetary sector**, the total **deposits** in June 2024 increased by 7.6% on an annual basis, amid forecasted annual growth for the second quarter of 9.2% according to the April forecast. **Total private sector loans** in June 2024 are higher by 6.4%, amid forecasted annual growth for the second quarter of 6.0% according to the April forecast. Newly approved loans registered a faster increase from the beginning of the year, arising from both sectors (corporate sector and households). Namely, the amount of total new loans extended to the private sector in the last 12 months, as of May, on average registered an annual growth.

In the period January - May 2024, the Budget of the Republic of North Macedonia registered a deficit of Denar 20,545 million, or 61.3% of the forecast deficit for 2024. The budget deficit was financed by net government borrowing on the domestic and foreign market, amid accumulation of government deposits in the National Bank.

The developments and assessments of the key macroeconomic indicators are generally within the latest forecasts. The annual inflation rate in June significantly decelerated, primarily in the area of food and core component, but it remains above the historical average. Inflation expectations remain favorable, as seen through the results of the June surveys of the European Commission, which are predominated by expectations for price reduction in the period ahead. Regarding the prices of primary products in markets, they remain quite volatile, as well as the forecasts for their movement in the period ahead, and the unstable geopolitical context continues to create uncertainty and risks. The growth of the domestic economy in the first quarter of 2024 slightly accelerated, but it is below the forecasted one, and the available data for the second quarter of 2024 are currently in line with the expectations for slightly stronger growth dynamics of the economic activity. The foreign exchange market developments remain favorable, with further solid inflow of foreign currency on the currency exchange market. Banks' deposit potential is solid, although the growth rate as of the end of June is below that expected, amid slightly stronger credit growth than forecasted.

Selected economic indicators ^{1/}								2023														2024											
	2016	2017	2018	2019	2020	2021	2022	Jan.	Feb.	March	Q1	April	May	June	Q2	July	Aug.	Sept.	Q3	Oct.	Nov.	Dec.	Q4	2023	Jan.	Feb.	March	Q1	April	May	June	Q2	
I. Real sector indicators																																	
Gross domestic product (real growth rate, y-o-y) ^{1/2}	2.8	1.1	2.9	3.9	-4.7	4.5	2.2				1.4				0.9				1.0			0.9	1.0				1.2						
Industrial production ^{1/3}																																	
y-o-y	3.4	0.2	5.4	3.7	-9.5	1.4	-0.2	-2.3	1.0	1.2	0.1	-1.6	6.1	3.7	2.7	-1.7	-5.1	4.5	-0.6	9.9	-2.4	-5.8	0.4	0.6	2.9	0.3	-10.5	-3.0	-1.2	-13.2	3.9		
cumulative average	3.4	0.2	5.4	3.7	-9.5	1.4	-0.2	-2.3	-0.5	0.1	0.1	-0.3	1.0	1.5	1.5	1.0	0.3	0.8	0.8	1.7	1.3	0.6	0.6	0.6	2.9	1.5	-3.0	-3.0	-2.6	-4.9			
Inflation ^{1/4}																																	
CPI Inflation (y-o-y) ^{1/5}	-0.2	2.4	0.9	0.4	2.3	4.9	18.7	17.1	16.7	14.7	16.1	13.0	11.3	9.3	11.2	8.4	8.3	6.6	7.7	3.5	3.1	3.6	3.4	3.6	3.2	3.0	4.0	3.4	4.0	4.5	3.2		
CPI Inflation (cumulative average)	-0.2	1.4	1.5	0.8	1.2	3.2	14.2	17.1	16.9	16.1	16.1	15.3	14.5	13.6	13.6	12.8	12.2	11.5	11.5	10.7	9.9	9.4	9.4	9.4	3.2	3.1	3.4	3.4	3.6	3.8	3.7		
Core inflation (cumulative average)	1.3	2.3	1.5	0.5	0.9	2.4	7.1	10.8	10.6	10.2	10.2	10.2	9.9	9.6	9.6	9.3	9.0	8.7	8.7	8.5	8.2	8.0	8.0	8.0	5.1	4.9	5.0	5.0	4.7	4.9	4.9		
Core inflation (y-o-y) ^{1/5}	1.0	2.8	1.4	-0.3	1.9	2.9	10.8	10.8	10.4	9.5	10.2	10.1	8.9	8.2	9.1	7.4	7.1	6.3	7.0	6.2	6.2	5.4	5.9	5.5	5.1	4.7	5.1	5.0	4.1	5.5	4.7		
Labor force																																	
Unemployment rate ^{1/1}	23.7	22.4	20.7	17.3	16.4	15.7	14.4				13.3				13.1				12.8			13.0	13.1				12.9						
II. Fiscal Indicators □																																	
(Central Budget and Budgets of Funds)																																	
Total budget revenues	169,356	179,673	188,505	203,822	189,554	218,021	243,085	19,268	18,749	27,991	66,009	21,207	22,294	21,639	65,140	22,594	22,005	21,728	66,326	26,865	24,128	28,677	79,669	277,144	21,447	23,193	24,777	69,417	28,891	23,739	22,257	74,887	
Total budget expenditures	185,407	196,561	200,071	217,445	243,421	256,906	278,596	20,681	23,003	25,849	69,533	30,183	24,814	30,202	85,199	26,057	22,007	22,249	70,313	24,370	27,518	41,633	93,521	318,566	26,947	28,897	28,240	84,084	28,633	31,380	24,065	84,078	
Overall balance (cash)	-16,051	-16,888	-11,566	-13,623	-53,867	-38,885	-35,511	-1,413	-4,254	2,142	-3,524	-8,976	-2,520	-8,563	-20,059	-3,464	-3	-521	-3,987	2,495	-3,390	-12,956	-13,852	-41,422	-5,500	-5,704	-3,463	-14,667	259	-7,641	-1,808	-9,191	
Overall balance (in % of GDP) ¹	-2.7	-2.7	-1.8	-2.0	-8.0	-5.3	-4.4	-0.2	-0.5	0.2	-0.4	-1.0	-0.3	-1.0	-2.3	-0.4	0.0	-0.1	-0.5	0.3	-0.4	-1.5	-1.6	-4.8	-0.6	-0.6	-0.4	-1.6	0.0	-0.9	-0.2	-1.0	
III. Financial indicators ^{1/6}																																	
Broad money (M4), y-o-y growth rate	6.2	5.1	11.8	9.3	6.9	7.0	5.1	4.5	5.7	6.9	6.9	8.6	10.5	11.4	11.4	10.6	9.8	8.8	8.8	8.3	7.4	8.7	8.7	8.7	10.0	9.5	9.5	9.5	9.3	8.5	7.6	7.6	
Total credits, y-o-y growth rate	-0.1	5.4	7.3	6.0	4.7	8.3	9.4	8.5	7.7	6.6	6.6	6.3	6.5	6.5	6.5	5.8	6.4	5.8	5.8	5.3	5.2	5.1	5.1	5.1	5.7	6.5	6.1	6.1	6.8	6.8	6.4	6.4	
Total credits - households	7.0	9.2	10.3	10.5	8.0	7.8	7.3	7.4	7.2	6.8	6.8	6.7	6.5	6.4	6.4	6.4	6.7	6.4	6.4	6.3	6.5	6.7	6.7	6.7	6.9	7.2	6.8	6.8	7.0	7.0	7.1	7.1	
Total credits - enterprises	-5.3	2.3	4.5	1.9	1.1	8.7	11.5	9.7	8.2	6.2	6.2	5.9	6.5	6.5	6.5	5.0	5.8	5.1	5.1	4.1	3.8	3.3	3.3	3.3	4.3	5.9	5.4	5.4	6.6	6.4	5.8	5.8	
Total deposits (incl. demand deposits), y-o-y growth rate⁷	6.1	5.0	12.1	9.0	5.7	7.5	4.9	4.5	5.9	6.9	6.9	8.7	10.7	11.6	11.6	11.2	10.2	9.0	9.0	8.3	7.4	9.1	9.1	9.1	10.3	9.6	9.6	9.6	9.6	8.6	7.6	7.6	
Total deposits - households	2.5	6.1	9.5	7.9	4.6	7.1	5.8	5.9	6.3	8.4	8.4	8.3	8.7	8.8	8.8	8.4	7.0	6.8	6.8	6.8	7.1	7.9	7.9	7.9	7.9	7.8	8.6	8.7	8.7	10.8	10.2	8.9	8.9
Total deposits - enterprises	13.4	2.1	9.5	14.6	10.1	11.6	3.7	2.6	5.7	5.9	5.9	12.0	17.8	19.7	19.7	18.9	19.0	15.7	15.7	14.1	9.8	13.2	13.2	13.2	15.9	12.3	12.2	12.2	8.0	5.0	4.7	4.7	
Interest rates ^{1/8}																																	
Interest rates of CBs (end of month/quarter/year)	3.75	3.25	2.50	2.25	1.50	1.25	4.75	4.75	5.25	5.50	5.50	5.50	5.75	6.00	6.00	6.00	6.15	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	
Lending rates																																	
denar rates	7.0	6.6	6.1	5.6	5.2	4.9	4.6	5.1	5.1	5.2	5.1	5.2	5.2	5.3	5.2	5.6	5.7	5.7	5.7	5.8	5.8	5.7	5.7	5.4	5.9	5.9	5.9	5.9	5.9	5.9	5.9		
f/x rates (aggregated, incl. f/x and denar with f/x clause)	5.7	5.3	4.9	4.6	4.3	4.1	4.0	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	5.3	5.3	5.2	5.3	5.2	5.2	5.1	5.2	5.1	5.1	5.1	5.0	5.1	5.0	5.0	5.0		
Deposit rates																																	
denar rates	2.5	2.2	2.0	1.9	1.5	1.2	1.1	1.3	1.4	1.5	1.4	1.6	1.6	1.8	1.7	1.9	2.0	2.0	2.0	2.1	2.2	2.3	2.2	1.8	2.2	2.3	2.3	2.2	2.3	2.3	2.3		
f/x rates (aggregated, incl. f/x and denar with f/x clause)	1.0	0.9	0.8	0.8	0.6	0.5	0.4	0.6	0.7	0.8	0.7	0.9	0.9	1.0	0.9	1.1	1.2	1.2	1.2	1.3	1.3	1.4	1.3	1.0	1.3	1.3	1.4	1.4	1.4	1.5	1.5		
IV. External sector indicators																																	
Current account balance (millions of EUR)	-252.5	-78.3	22.4	-334.7	-318.0	-329.0	-797.4	-17.0	18.4	91.4	92.8	-94.6	22.6	-52.9	-124.9	129.2	28.3	81.7	239.2	3.5	1.7	-117.0	-111.7	95.3	-38.6	-82.2	-64.1	-185.0					
Current account balance (% of GDP)	-2.6	-0.8	0.2	-3.0	-2.9	-2.8	-6.1	-0.1	0.1	0.7	0.7	-0.7	0.2	-0.4	-0.9	0.9	0.2	0.6	1.8	0.0	0.0	-0.9	-0.8	0.7	-0.3	-0.6	-0.4	-1.3					
Trade balance (millions of EUR)^{1/9}	-1,786.2	-1,816.2	-1,811.4	-2,007.7	-1,816.6	-2,715.7	-3,829.7	-228.1	-196.1	-209.3	-633.5	-195.6	-215.2	-241.9	-652.6	-201.4	-309.6	-210.3	-721.3	-277.6	-239.2	-301.5	-818.2	-2825.7	-249.8	-287.1	-270.7	-807.6	-305.8	-286.5			
Trade balance (% of GDP)	-18.0	-18.1	-16.9	-17.8	-16.7	-22.9	-29.4	-1.7	-1.4	-1.5	-4.6	-1.4	-1.6	-1.8	-4.8	-1.5	-2.3	-1.5	-5.3	-2.0	-1.8	-2.2	-6.0	-20.7	-1.7	-2.0	-1.9	-5.5	-2.1	-2.0			
import (millions of EUR)	-6,176.5	-6,834.9	-7,676.3	-8,441.0	-7,594.5	-9,638.3	-12,130.8	-849.4	-915.0	-995.2	-2,759.6	-857.3	-985.1	-936.0	-2,778.3	-897.4	-864.8	-947.8	-2,710.0	-983.2	-957.5	-959.8	-2,900.5	-11148.5	-800.5	-944.3	-992.7	-2,737.6	-1,018.5	-889.9			
export (millions of EUR)	4,390.3	5,018.7	5,872.4	6,433.3	5,777.9	6,922.6	8,301.2	621.3	718.9	785.9	2,126.1	661.7	769.9	694.1	2,125.7	696.0	555.2	737.4	1,988.7	705.6	718.4	658.4	2,082.3	8322.8	550.6	657.3	722.1	1,930.0	712.7	603.4			
rate of growth of import (y-o-y)	6.5	10.7	12.3	10.0	10.0	26.9	25.9	5.0	-6.9	-5.1	-2.9	-21.2	-6.2	-6.5	-11.5	-4.5	-11.8	-14.2	-10.4	-11.3	-4.4	-5.4	-7.2	-5.8	3.2	-0.2	-0.8	18.8	-9.7				
rate of growth of export (y-o-y)	7.4	14.3	17.0	9.6	-10.0	19.8	19.9	13.8	7.2	8.7	9.6	-3.1	4.8	-6.4	-1.5	3.9	-11.8	-3.0	-3.5	-8.9	0.1	1.3	-2.8	0.3	-11.4	-8.6	-8.1	-9.2	7.7	-21.6			
Foreign Direct Investment (millions of EUR)	316.9	179.9	603.7	363.3	154.7	-387.5	-654.2	-18.1	-62.9	-62.2	-143.3	-71.7	-43.7	-7.0	-122.4	-12.4	-45.3	6.6	-51.2	-40.4	-61.9	-103.9	-206.2	-523.1	-64.3	-64.2	-107.4	-235.9					
External debt																																	
Gross external debt (in millions of EUR)	7,216.6																																

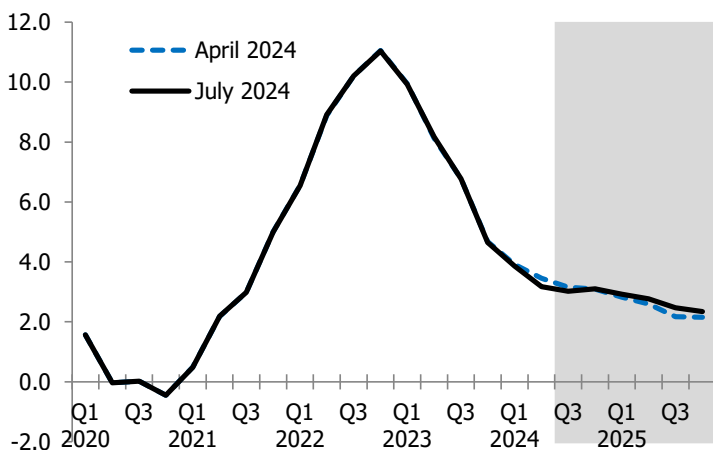
Foreign effective demand
(annual changes in %)



The estimates for the **foreign demand** are unchanged compared to April for the entire period of forecasts.

Source: Consensus forecasts and NBRNM calculations.

Foreign effective inflation
(annual rates in %)

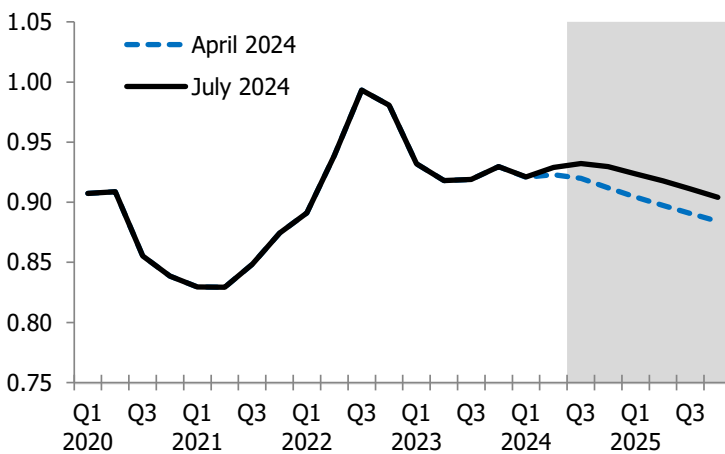


Regarding the **foreign effective inflation**, the estimate for the current year is slightly lower than forecasted in April...

...while for 2025, the adjustments are slightly upward, but it is still expected to slow down.

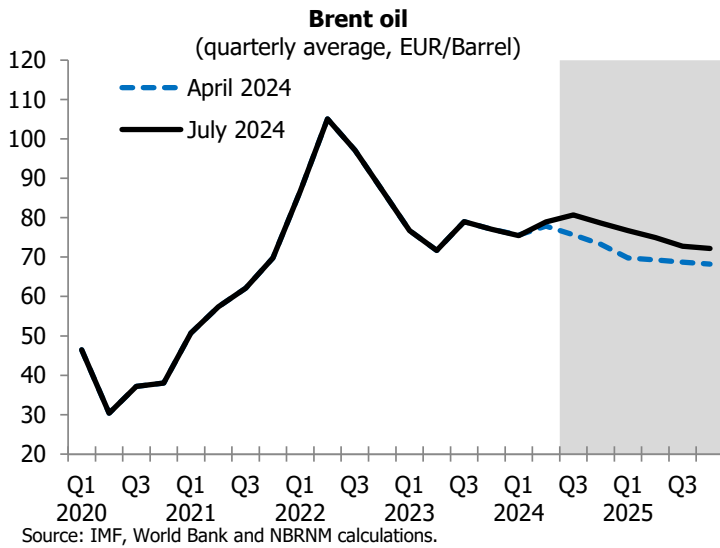
Source: Consensus forecasts and NBRNM calculations.

EUR/USD exchange rate



Regarding the **euro-US dollar exchange rate**, the revisions are upward, in line with the expectations for slower monetary relaxation by the Fed and estimates for improved economic performances in the USA relative to the euro area.

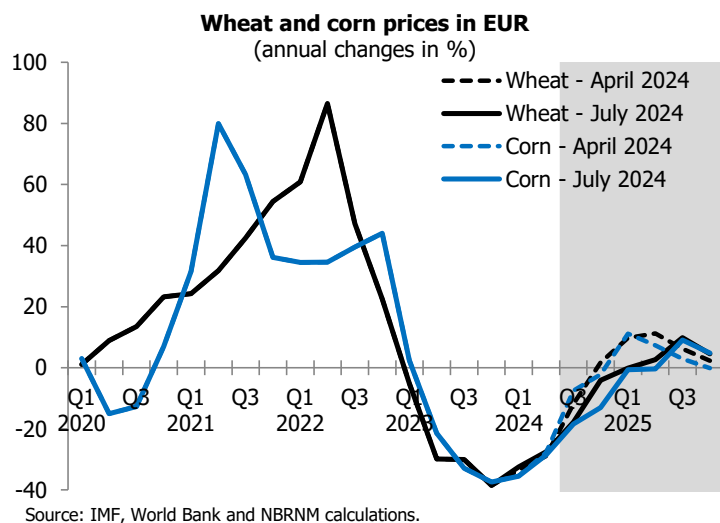
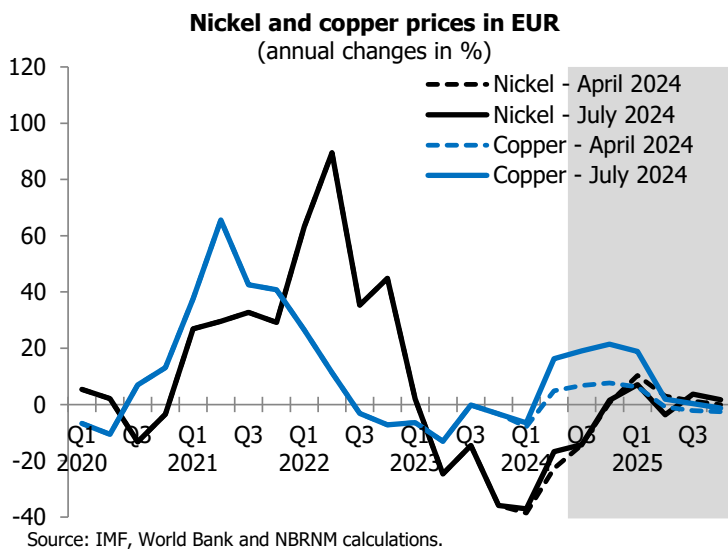
Source: Consensus forecasts and NBRNM calculations.



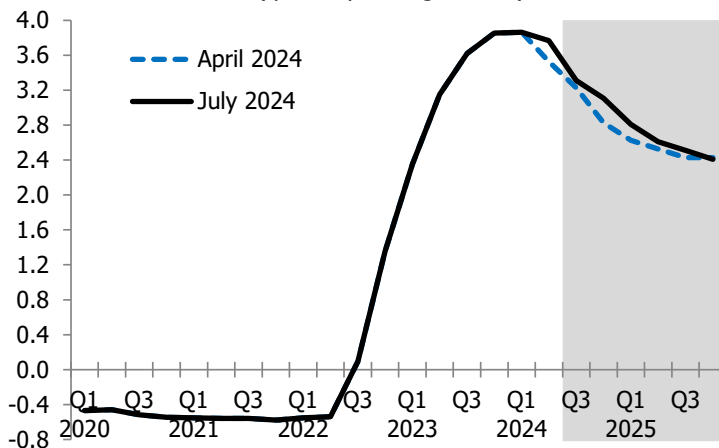
The adjustments in metal and oil prices for 2024 and 2025 are upward, while in the prices of food products they are downward...

...whereby the revision in the price of oil is a reflection of the increased geopolitical tensions in the Middle East and expectations for increased demand, while in the prices of copper and nickel it is the result of investors' expectations for increased demand, amid reduced production....

...and the downward adjustment in the corn and wheat prices is the result of the expectations for larger production.



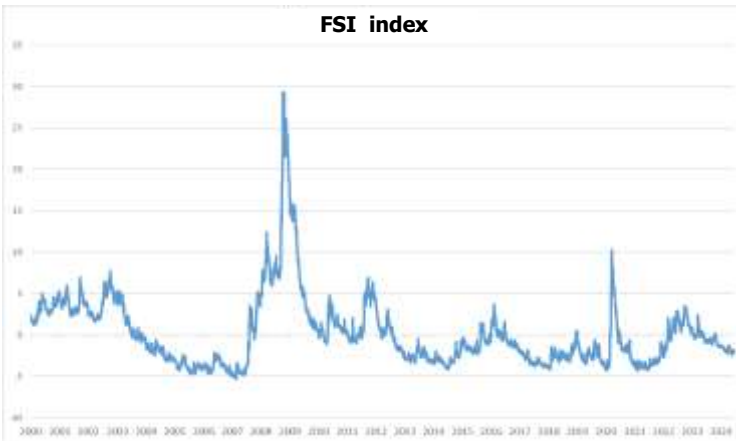
1-month Euribor
(quarterly average, in %)



Source: Consensus forecasts and NBRNM calculations.

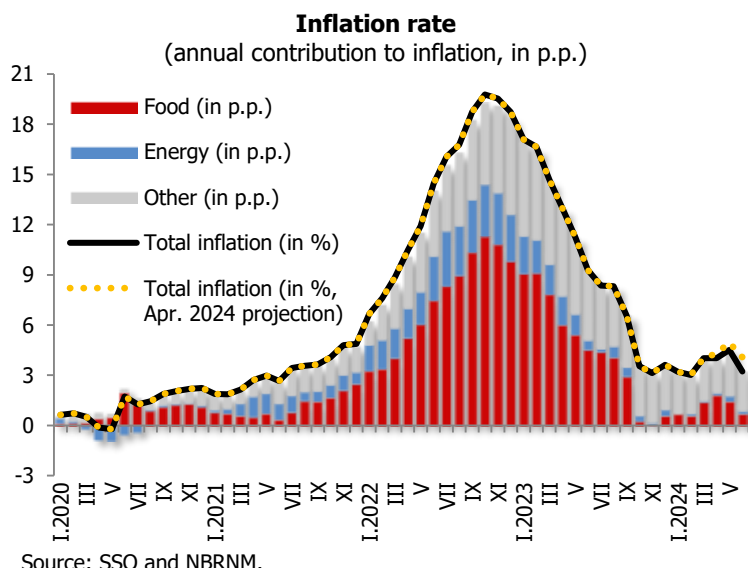
The **one-month Euribor** was subject to minor upward adjustments for the entire period of forecasts, in line with the expectations for a more moderate decrease in the interest rates by the ECB in the forthcoming period.

FSI index



The **global financial stress indicator²** continues to point to a slight financial market volatility.

² The OFR FSI index measures systemic financial stress—disturbances in the normal functioning of the financial markets. It is composed of 33 financial market variables, aggregated into five categories of indicators: credit, capital appreciation, financing, safe/risk-free assets and volatility. The value of the index on a given day represents a weighted average level of each variable observed in the market on that day, relative to its historical value, with the index being positive when the stress level is above the average and negative when the stress level is below the average.



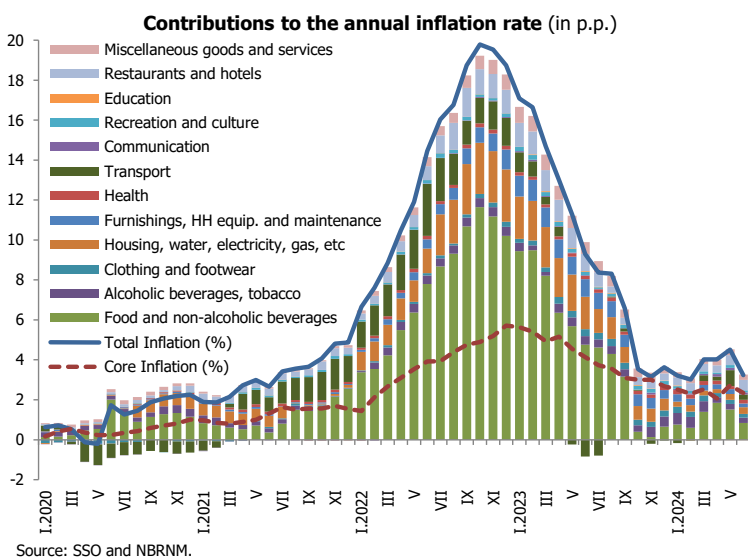
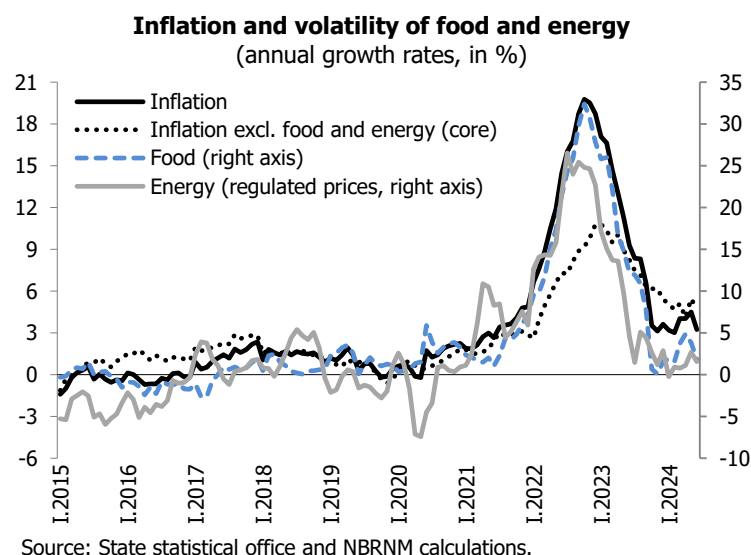
In June 2024, domestic consumer prices registered a slight decline of 0.3% on a monthly basis (growth of 0.9% in May), amid decline in food and energy prices.

The prices of food products decreased by 0.5%, almost entirely due to the fall in the prices of vegetables (primarily fresh vegetables, influenced by the season). On the other hand, most of the other categories registered an increase, partially offsetting the effect of the reduced prices of vegetables.

Energy prices recorded a monthly decline of 0.9%, mainly as a result of the lower prices of oil derivatives, in line with the movements in world markets.

Core inflation registered no changes on a monthly basis, i.e. the effect of the lower prices of air transport has been offset by the increased prices of non-alcoholic beverages and personal hygiene products.

In June, the annual inflation rate slowed down to 3.2% (4.5% in May), due to the slower growth of the prices of the three categories, mostly food.

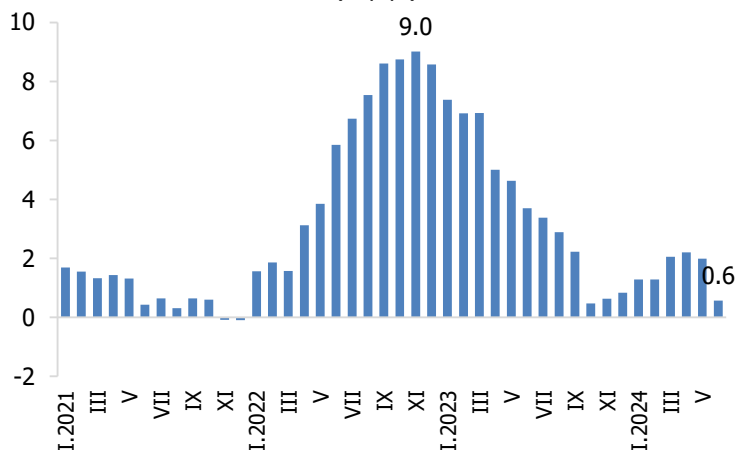


The spread in relation to the inflation in the euro area registered a significant reduction in June³, in conditions of greater

³ Based on the harmonized consumer price index.

slowdown of the domestic inflation than the inflation in the euro area.

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



Source: Eurostat.

The consumers' expectations⁴ provided in the June surveys for the price movement in the next period continue to point to their reduction.

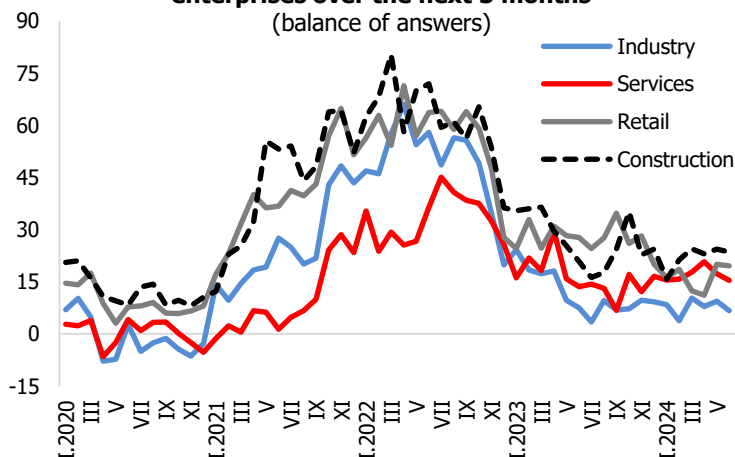
Consumer inflation expectations over next 12 months
(balance of answers)



Source: European Commission.

Regarding the **corporate sector⁵**, in June the expectations for the price movement in the next period are lower in all sectors.

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



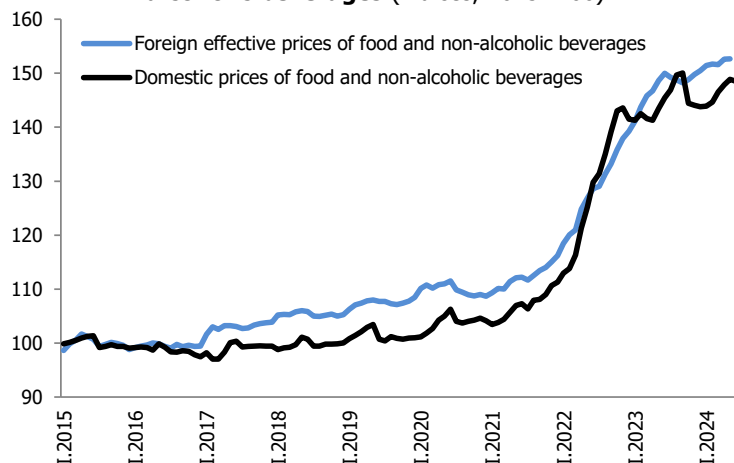
Source: European Commission.

The annual inflation rate in June is within the forecasted rate of the April forecasting round.

⁴ Consumer Confidence Survey of the European Commission for June 2024 based on the question "consumers' expectations about price changes over the next 12 months".

⁵ European Commission's business tendency surveys in industry, retail trade, construction and services sector.

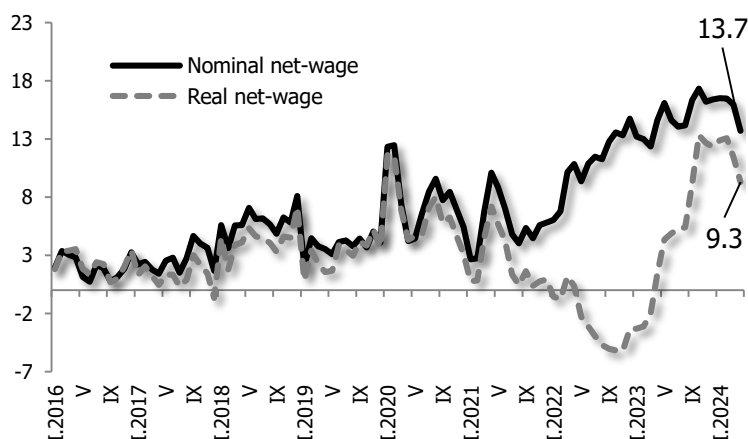
Foreign effective* and domestic prices of food and non-alcoholic beverages (indices, 2015=100)



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

The revisions of the **expected movements of the external input assumptions** in the inflation forecast (import prices) for 2024 are mainly in a downward direction, with the exception of the oil prices, which experienced an upward revision. Moreover, there is still great uncertainty and risks for the future dynamics of primary products.

Average net-wage (annual changes, in %)



Source: SSO.

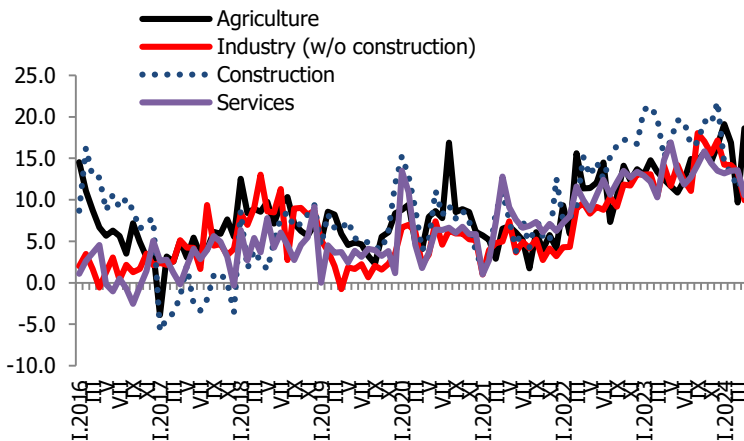
In April 2024, the annual growth of the **nominal average net wage** slowed down to 13.7% (16% in the previous month),...

...amid annual fall in the wages in the activity "financial activities and insurance" and greater slowdown of the growth in the activities "electricity, gas, steam and air-conditioning", "administrative and auxiliary services", "accommodation facilities and catering services", "arts, entertainment and recreation" and "health and social work".

... and there are similar movements in the **real net wage**, whose growth also slowed down in April.

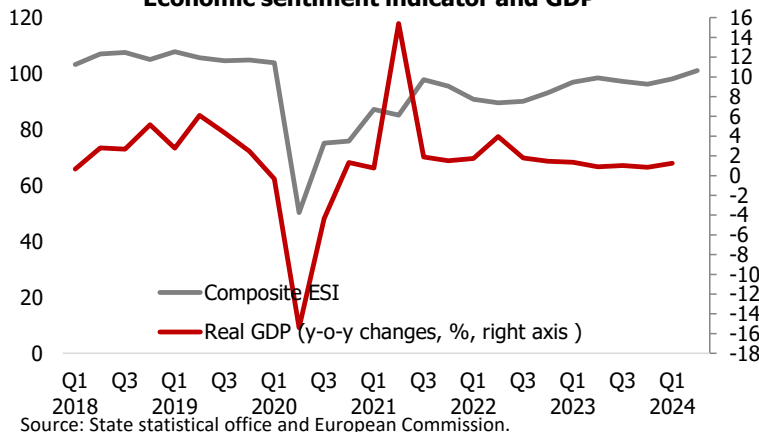
The nominal and real annual wage growth in April 2024 is currently below the rates expected for the second quarter within the April forecast.

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



Source: SSO.

Economic sentiment indicator and GDP



The high frequency data on the supply side available for the period April-May 2024 currently indicate more favorable movements.

The results of the surveys for the second quarter in 2024, on average, point to more favorable perceptions in relation to the second quarter of 2023, as well as in relation to the previous quarter⁶.

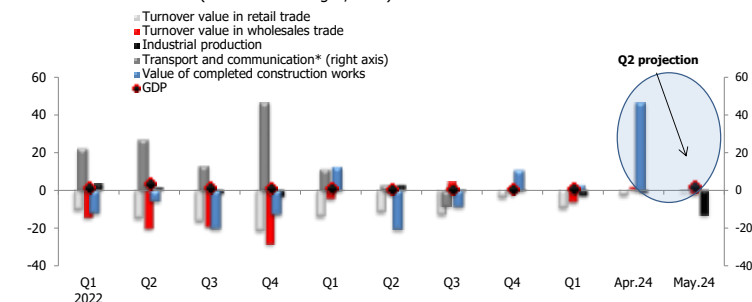
In April, **construction** registered a high real growth on an annual basis, significantly faster compared to the growth in the previous quarter...

...as a result of the growth in the three categories (civil engineering, building construction and specialized construction works⁷).

In April, **catering** also registered stronger real annual growth, amid further solid growth of the number of tourists and overnight stays.

More favorable developments were also registered in **total trade turnover**, so that in

Economic activities
(real annual changes, in %)



*Simple average of annual growth rates of the different types of transport and the telecommunications.
Source: SSO and NBRM calculations.

⁶ It refers to the surveys conducted by the European Commission to measure the economic confidence of agents in an economy. The composite indicator of economic confidence is a weighted average of the consumer confidence indicators and economic sectors confidence indicators (construction, industry, retail trade and services).

⁷ Specialized construction works are the new category that the SSO started to publish from May 2024 within the data on completed construction works for April, and which includes the categories "demolition and preparation of a building site", "electric installations, plumbing and sewerage installations and other construction installation works", "completed construction works" and "other specialized construction works".

INDUSTRIAL OUTPUT AND OTHER ECONOMIC ACTIVITIES

	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Apr	May
	<i>real annual changes in %</i>										
Gross domestic product	1.7	4.0	1.8	1.5	1.4	0.9	1.0	0.9	1.2	-	-
Industrial output*	3.5	1.3	-1.8	-3.4	0.1	2.7	-0.7	0.4	-3.0	-1.2	-13.2
Construction	-12.2	-5.9	-20.4	-12.8	12.4	-20.8	-8.8	10.7	2.8	46.6	-
Building	-26.6	12.4	-10.0	6.2	12.2	-20.0	-9.8	-18.3	-34.0	41.4	-
Civil Engineerings	4.2	-13.4	-26.9	-27.2	10.5	-22.6	-7.2	37.1	31.6	43.6	-
Specialized construction works	-27.3	-55.3	-21.9	43.5	69.0	10.6	-21.2	11.3	-3.3	170.6	-
Retail and wholesale trade	-11.7	-16.7	-17.4	-23.7	-11.1	-8.4	-7.3	-2.2	-8.6	-1.2	-2.1
Retail trade	-10.5	-14.9	-16.5	-21.3	-14.0	-11.7	-13.0	-4.1	-9.6	-2.9	-0.9
Wholesale trade	-14.7	-20.4	-19.3	-28.4	-4.8	-2.0	4.3	1.4	-6.5	1.4	-2.2

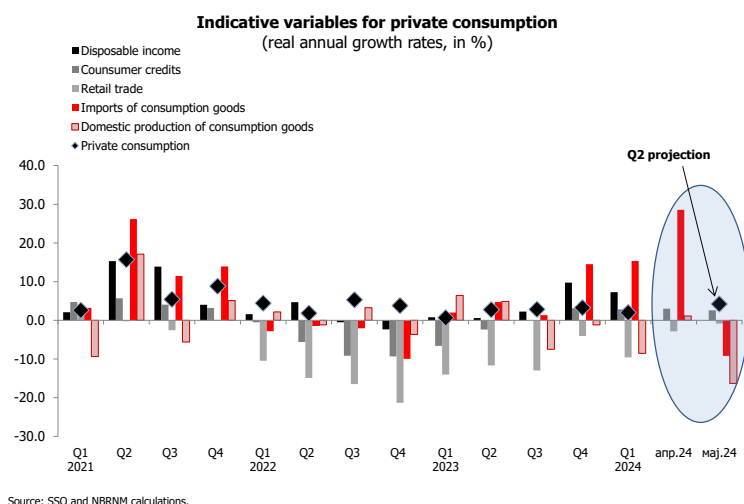
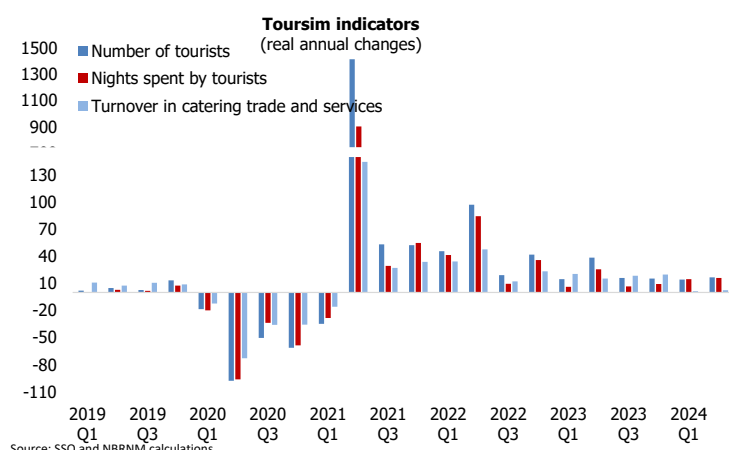
* Real growth rates are calculated by the NBRNM, by dividing nominal growth rates with annual inflation, measured by CPL. The data for trade in 2020, 2021, 2022, 2023 and 2024 is previous data, whereas data for GDP in 2022 is previous data, while for 2023 and 2024 it is estimated data.
Source: SSO and NBRNM staff calculations.

the period April-May the real annual fall significantly slowed down...

...amid slower decline in all three types of trade (retail trade, wholesale trade and trade in motor vehicles).

In the period April-May, the real annual fall in the **industrial output** deepened ...

...mostly due to the weaker performances in the manufacturing industry (more significant worsening was registered in the production of rubber and plastic products, the production of machines and devices, the production of textile and the production of furniture).



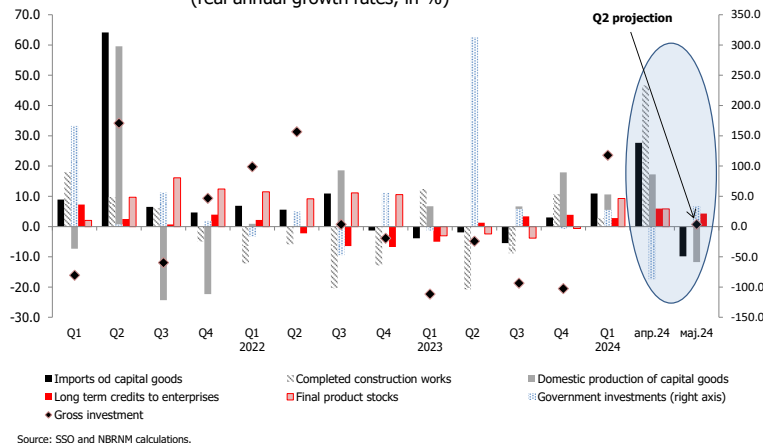
The available indicators of the **aggregate demand** also suggest more favorable developments in the economy in the second quarter.

The available data on the movements in **private consumption** mainly point to its further growth for the period April-May 2024...

...amid growth in wages, pensions, household loans, import of consumer goods and gross revenues from VAT. In contrast, further, but smaller real decline was registered in retail trade, and a slight slowdown in the fall was also registered in domestic production of consumer goods.

Regarding the high frequency data on the **gross investments** for the period April-May 2024, the movements are also in an upward direction...

Indicative variables for investments
(real annual growth rates, in %)



...amid growth in completed construction works, imports of means of operation, domestic production of capital goods, inventories of finished products, corporate tax, with continuing credit support to companies...

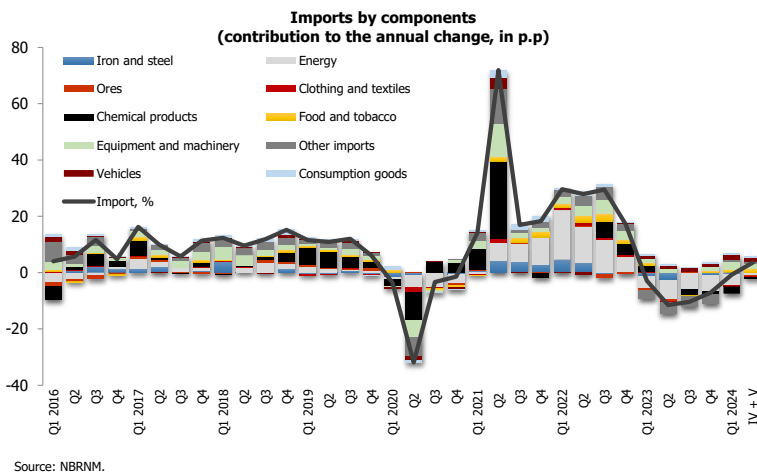
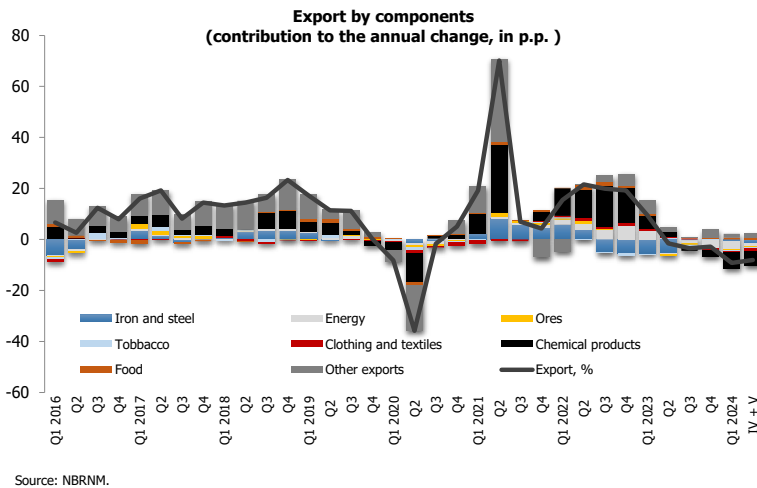
...while a decrease was registered in government capital investments due to the high base effect, related to the advance payments for infrastructure projects last year, with a larger decline in total industrial production.

Foreign trade data for the period April-May 2024 indicate potential deficit increase compared to the same period last year, in conditions of nominal fall in the export and growth in the import of goods.

According to the fiscal data for the period April-May 2024, the budget performance suggests real annual growth of **public consumption**.

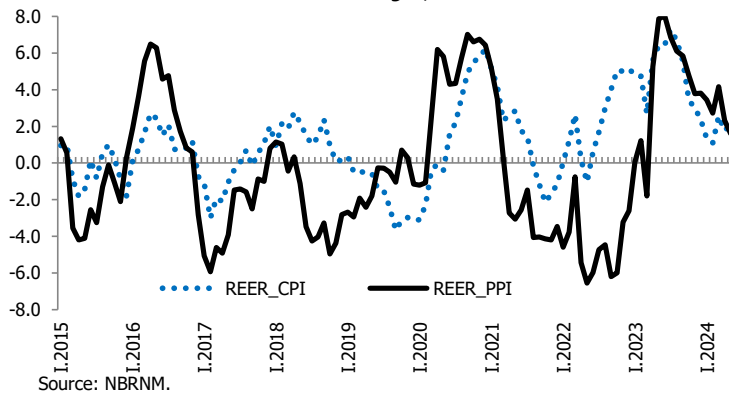
In April - May 2024, the foreign trade deficit increased by 44.2% on an annual basis, influenced by the drop in the exports and simultaneous growth of the imports of goods.

Export of goods in April - May 2024 registered an annual decline of 8.1%, mostly due to the lower exports from the automotive industry, and also due to iron and steel, textile and energy. Export performances are currently lower than expected according to the April forecast.

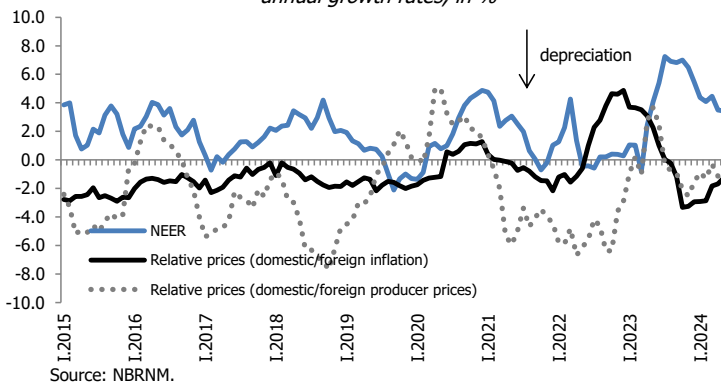


Import of goods in April - May 2024 increased by 3.6% annually, mostly due to the higher import of equipment and machinery, as well as the higher import of food and vehicles. Compared to the April forecast, import performances are also lower.

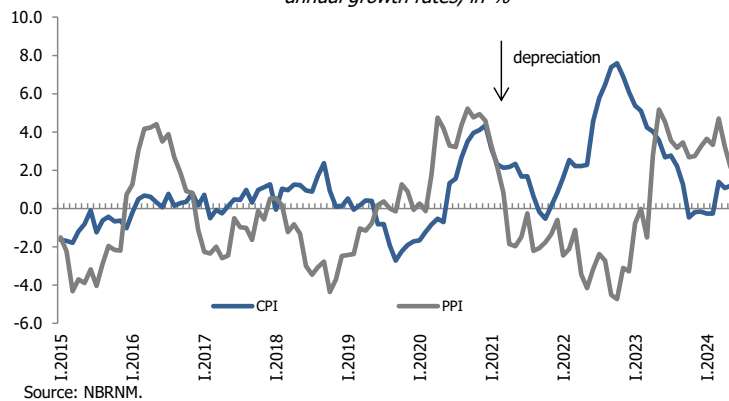
The trade deficit in April - May 2024 is currently in line with the expectations for the second quarter of the year, according to the April forecast.

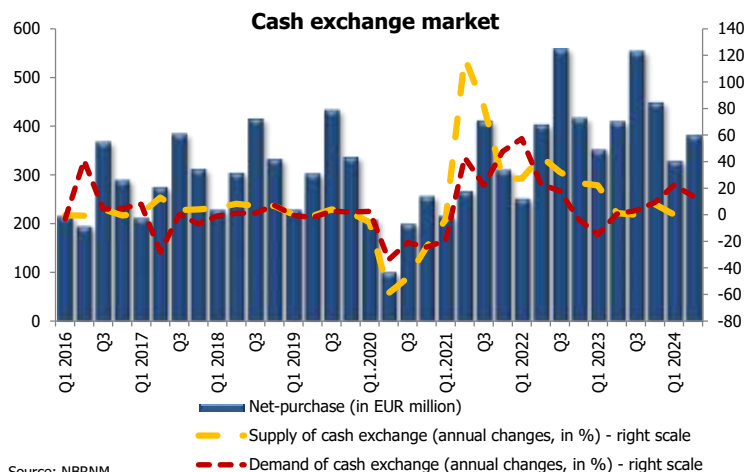
REER*annual changes, in %*

In May 2024, the REER indices appreciated on an annual basis, influenced by the appreciation of the NEER (mainly due to depreciation of the Turkish lira and the Russian ruble against the denar), amid decline in the relative consumer prices and in the relative prices of industrial products...

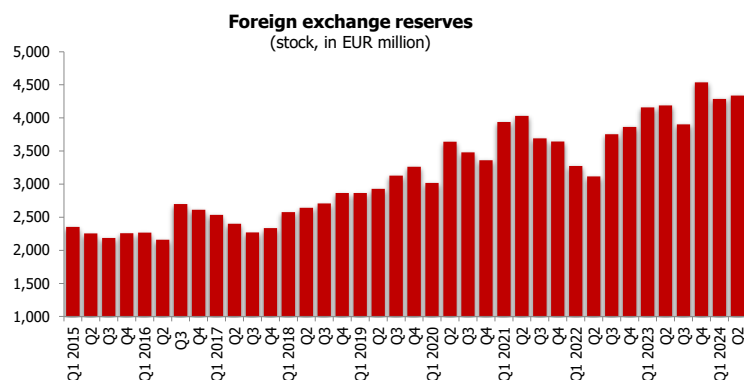
NEER and relative prices*annual growth rates, in %*

... and similar movements were registered in the REER indices calculated without primary products.

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

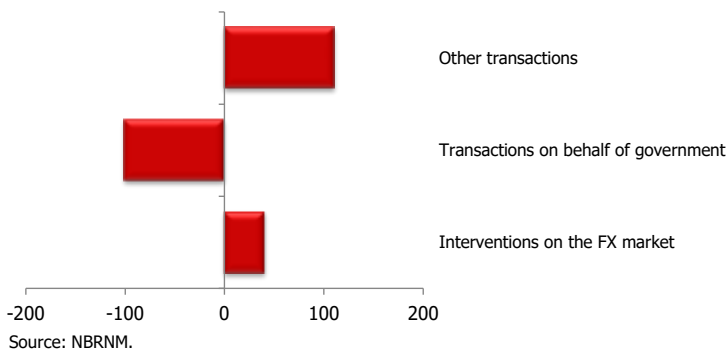


Source: NBRNM.

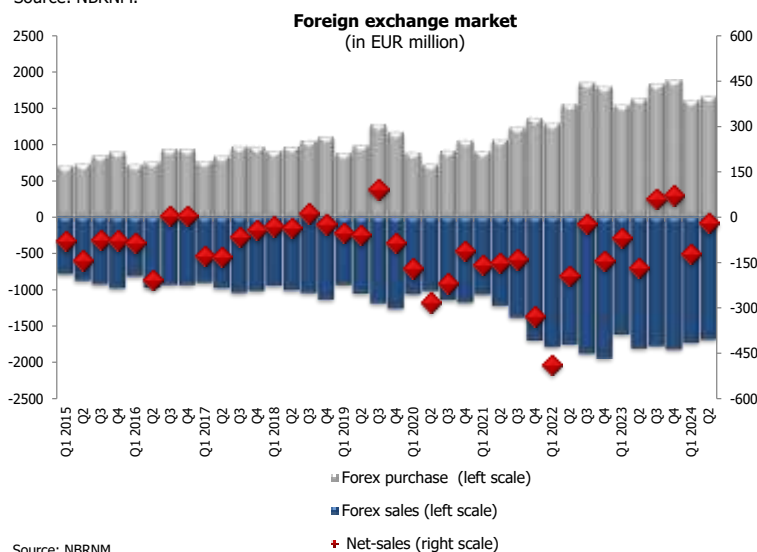


Source: NBRNM.

Factors of change of the foreign reserves in Q2 2024
(in EUR million)



Source: NBRNM.

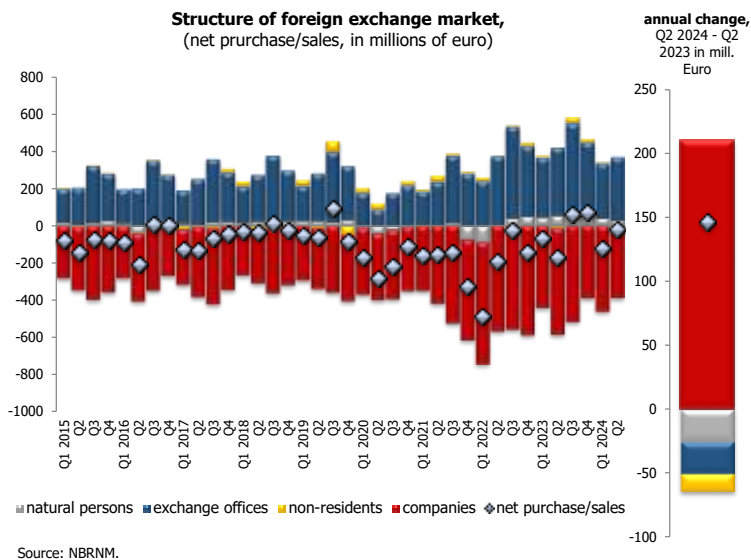


Source: NBRNM.

The net purchase on the currency exchange market registered in the second quarter of 2024 points to slightly lower performances of private transfers than expected for the second quarter, according to the April forecast.

At the end of June 2024, the gross foreign reserves amounted to Euro 4,337.5 million and registered an increase compared to the end of the first quarter, mostly due to other transactions in the area of foreign reserves management, as well as the purchase made in the interventions of the National Bank on the foreign exchange market.

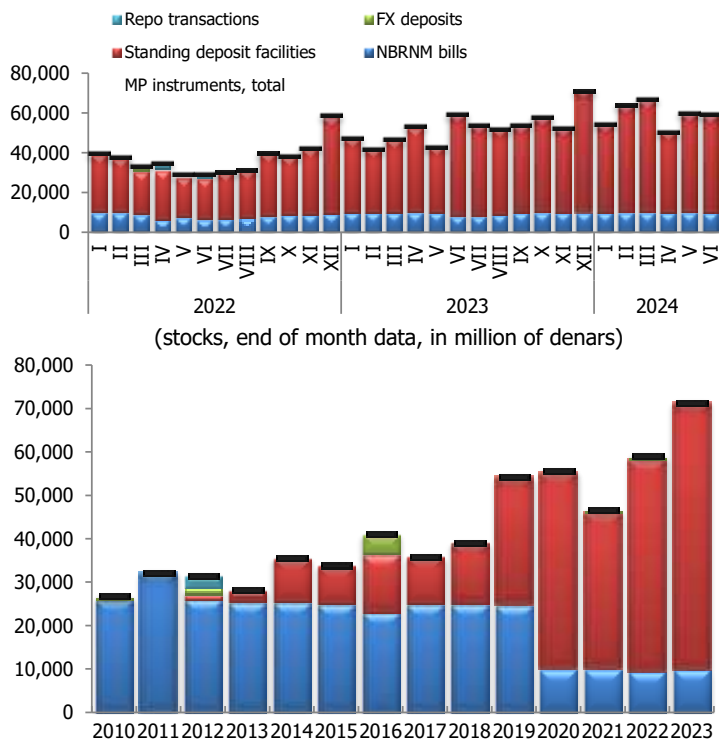
In the second quarter of 2024, the banks' foreign exchange market reported a net sale of foreign currency, which is lower compared to the same period last year, amid growth in the supply of foreign currency and simultaneous decline in the demand.



Sector-by-sector analysis shows that such shifts on the foreign exchange market entirely result from the lower net sales of companies compared to the same period last year.

Monetary policy instruments

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



Source: NBRNM

At the end of June 2024, the monetary instruments registered a slight decrease compared to the previous month, due to the smaller amount of banks' assets placed in deposit facilities with the National Bank.

The stock of monetary instruments at the end of June slightly exceeded the level forecasted for the end of the second quarter of 2024, amid higher net foreign assets of the National Bank and higher level of government deposits.

At the end of June, the reserve money was slightly below the forecasted values according to the April forecast, due to the lower banks' total reserves with the National Bank.

Total financial system deposits⁸ in June 2024 registered a monthly growth of 0.3%. Observed by sector, the growth results from corporate deposits, while from currency aspect the contribution of denar deposits (including demand deposits) is greater.

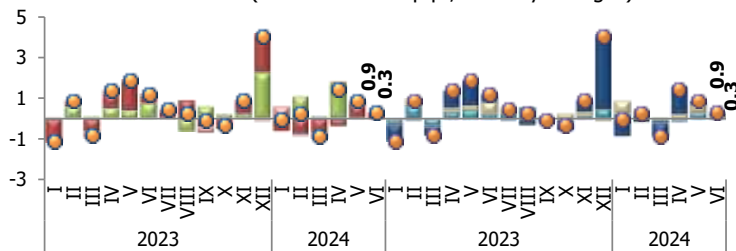
During the second quarter of 2024, **total deposits** registered an increase compared to the first quarter, which is smaller than the increase expected for the second quarter of the year according to the April forecast.

In June 2024, the annual growth rate of total deposits equaled 7.6% and it is below the forecasted rate for the second quarter of 2024 of 9.2%, according to the April forecast.

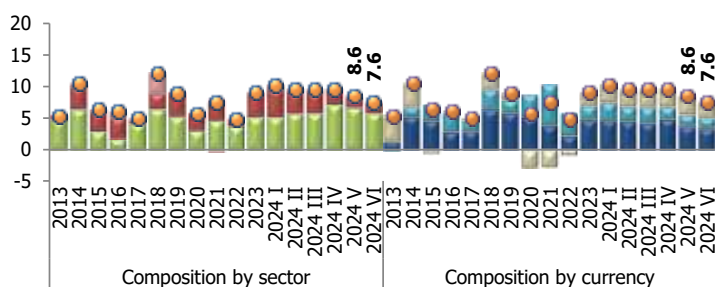
⁸ Data refer to non-government deposits in banks and savings houses, funds of other financial institutions on the accounts with the National Bank and funds of local government authorities on the accounts with the National Bank. The data are consistent with the methodological changes of the National Bank from June 2018. For more information on the methodological changes visit: http://www.nbrm.mk/monetarna_statistika_i_statistika_na_kamatni_stapki.nspix.

Total Deposits

(contributions in p.p., monthly changes)

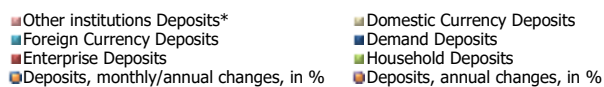


(contributions in p.p., annual changes)



Composition by sector

Composition by currency

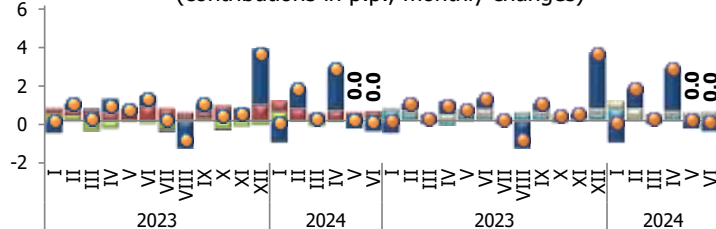


* The Other Institutions Deposits include the deposits of other financial institutions, deposits of local government and deposits of nonprofit institutions serving households at the banks and also the domestic currency transferable

In June 2024, **household deposits almost stagnated**, amid growth of foreign currency deposits and reduction of denar deposits (including demand deposits). On an annual basis, household deposits in June 2024 increased by 8.9%.

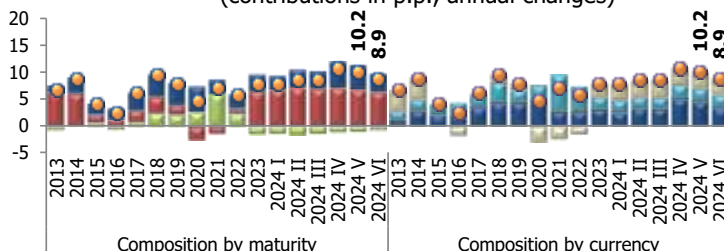
Household Deposits

(contributions in p.p., monthly changes)



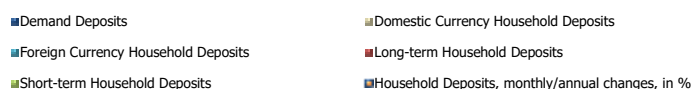
Accordingly, June recorded a minor increase in the share of foreign currency deposits in the currency structure of total household deposits.

(contributions in p.p., annual changes)



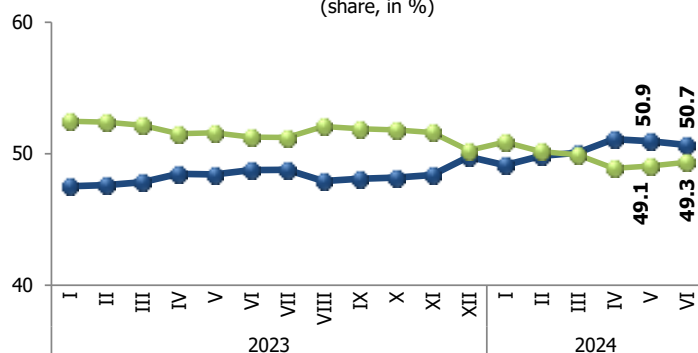
Composition by maturity

Composition by currency

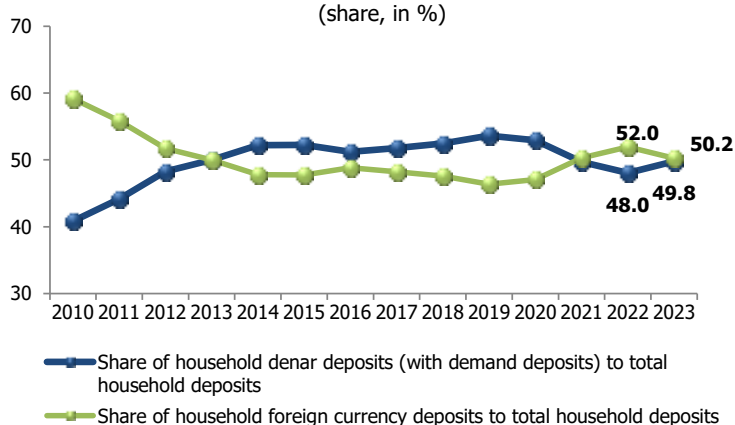


Source: NBRNM.

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



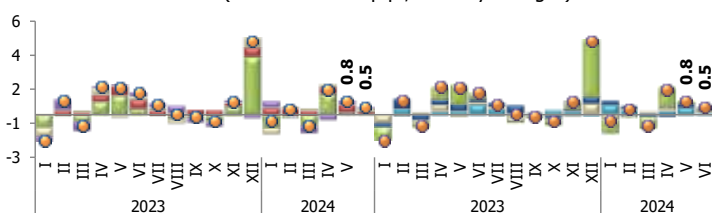
(share, in %)



* Includes deposits at Banks and Saving Houses

Source: NBRNM.

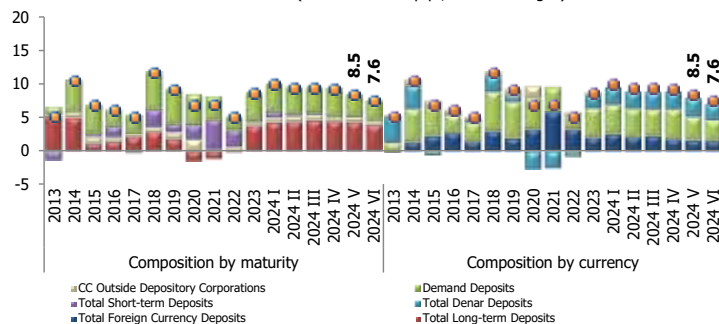
Broad Money M4
(contributions in p.p., monthly changes)



In June 2024, broad money measured through M4, registered a growth of 0.5%, which results from the positive contribution of all components from **currency and maturity aspect.**

In June 2024, broad money increased by 7.6% annually, which is below the expected annual growth of 9.0% for the second quarter of 2024, according to the April forecast.

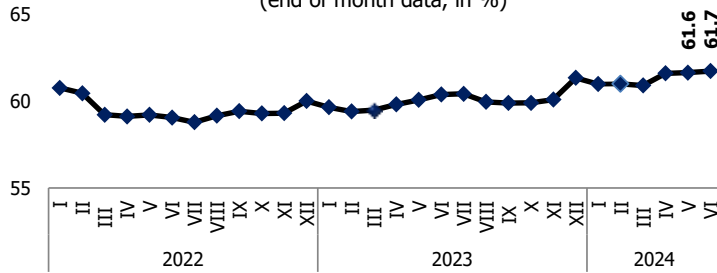
(contributions in p.p., annual changes)



Source: NBRNM.

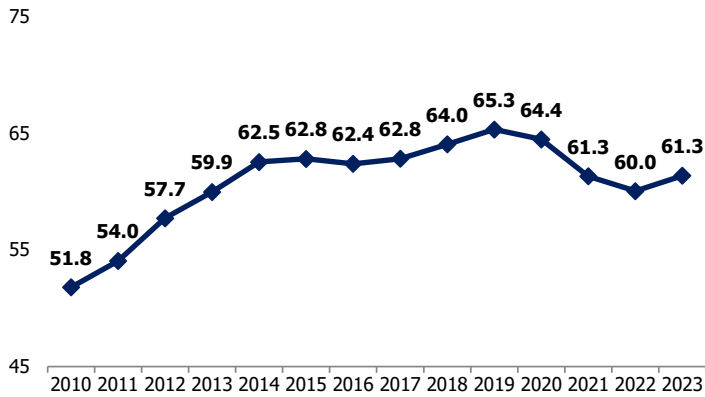
Share of Denar M4 in total M4

(end of month data, in %)



The share of the denar part in the total broad money M4 in June 2024 is similar to the previous month and is at the level of the forecasted value for the end of the second quarter of the year.

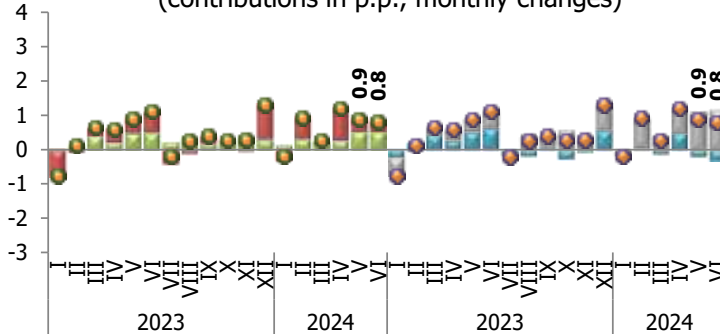
(end of year data, in %)



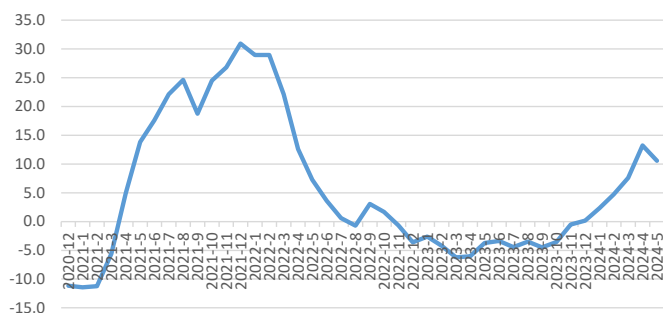
Source: NBRNM.

Total loans

(contributions in p.p., monthly changes)

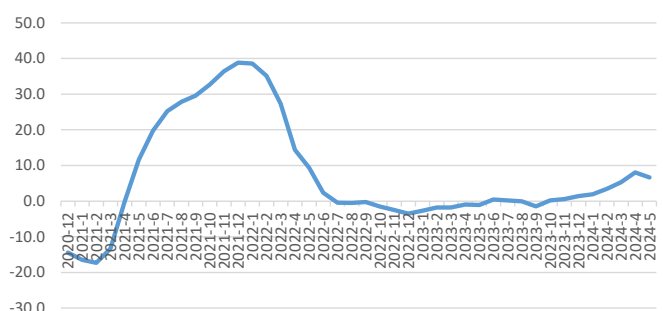


Newly granted loans to private sector, 12-month moving average

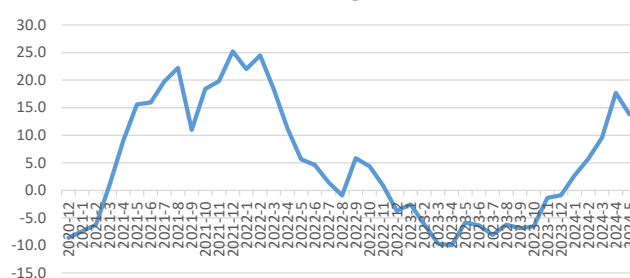


The amount of total new loans approved to the private sector in the last 12 months, as of May, continues to grow on an annual basis, but at a slower pace, resulting from both types of sector loans (corporate and household loans).

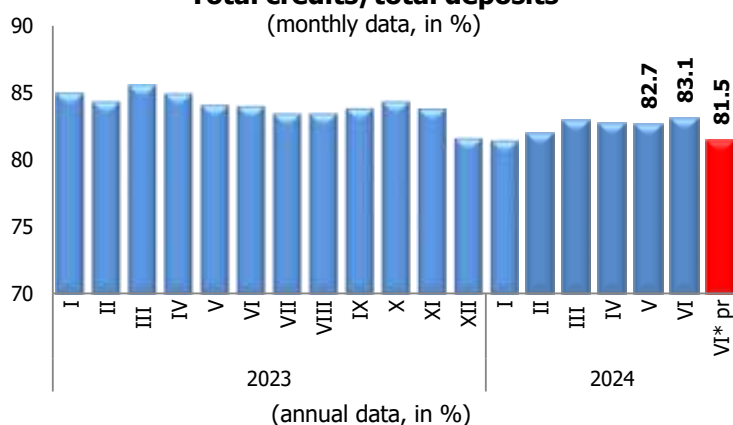
Newly granted loans to households, 12-month moving average



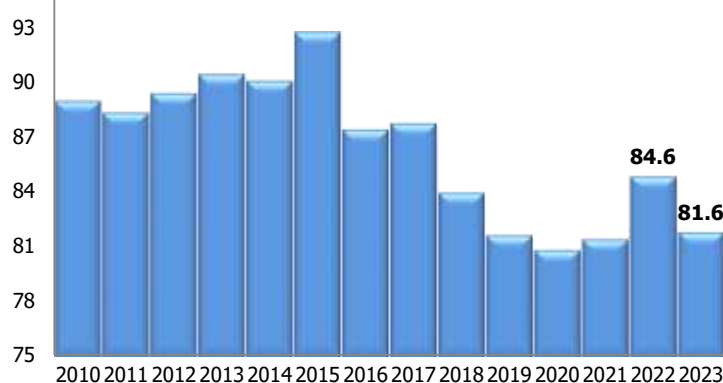
Newly granted loans to non-financial corporations, 12-month moving average



Total credits/total deposits (monthly data, in %)

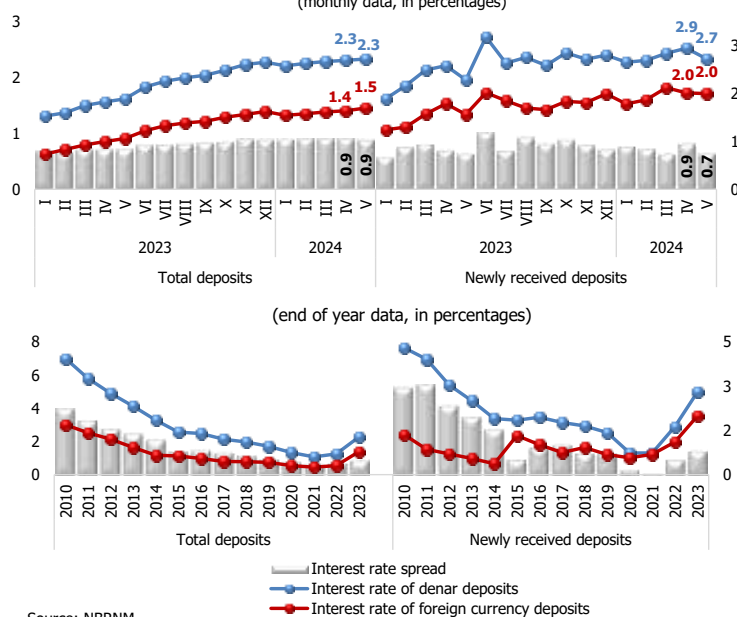


The indicator for the utilization of banks' deposit potential for lending to the private sector in June equals 83.1% and it exceeds the value of this indicator forecasted for the end of the second quarter of 2024, according to the April forecast.



Source: NBRNM.

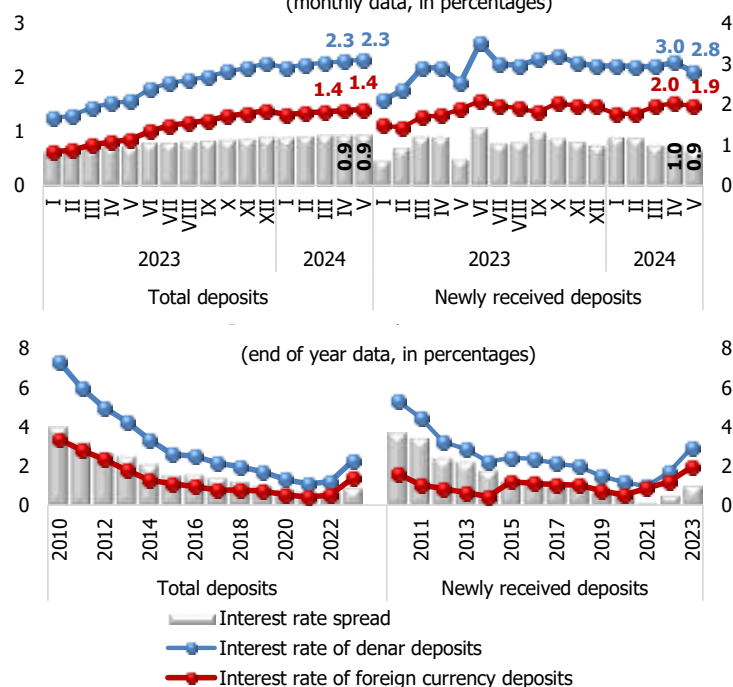
Total deposits interest rates
(monthly data, in percentages)



Source: NBRNM

In May 2024, the **interest rates on total foreign currency deposits⁹** increased marginally, amid unchanged level of the **interest rates on total denar deposits**, with an insignificant impact on the interest rate spread. A decrease in interest rates in this month was registered in **total newly accepted denar deposits**, amid unchanged interest rates on **foreign currency deposits¹⁰**, which is why the interest rate spread reduced to 0.7 percentage points (monthly decrease of 0.2 percentage points)...

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



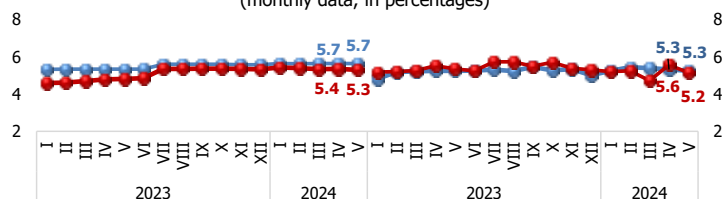
Source: NBRNM.

... and similar movements in May were registered in the **household** interest rates.

⁹ Data on interest rates are in accordance with the methodological changes of the NBRNM from June 2018. For more information on the methodological changes visit: http://www.nbrm.mk/monetarna_statistika_i_statistika_na_kamatni_stapki.nspj.

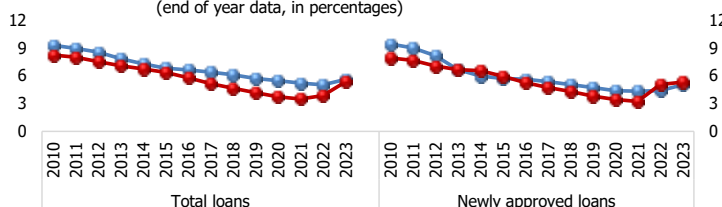
¹⁰ Note that the interest rates on newly accepted deposits typically vary. Volatility of interest rate on newly accepted deposits results from the fact that they are determined by the volume of newly accepted deposits (which varies from month to month) and their interest rate.

Total loans interest rates
(monthly data, in percentages)



In May 2024, the interest rates on **total and newly approved¹¹ corporate loans** registered a slight decline compared to the previous month, while the **interest rates on total and newly approved household loans** remained unchanged.

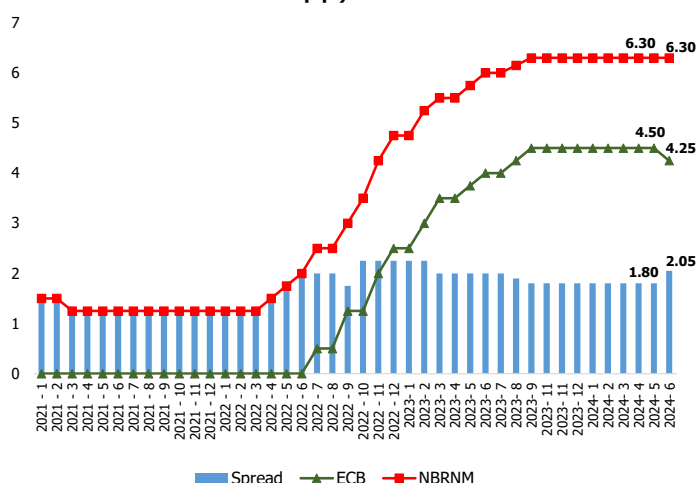
(end of year data, in percentages)



— Interest rate of denar loans — Interest rate of foreign currency loans

Source: NBRNM

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



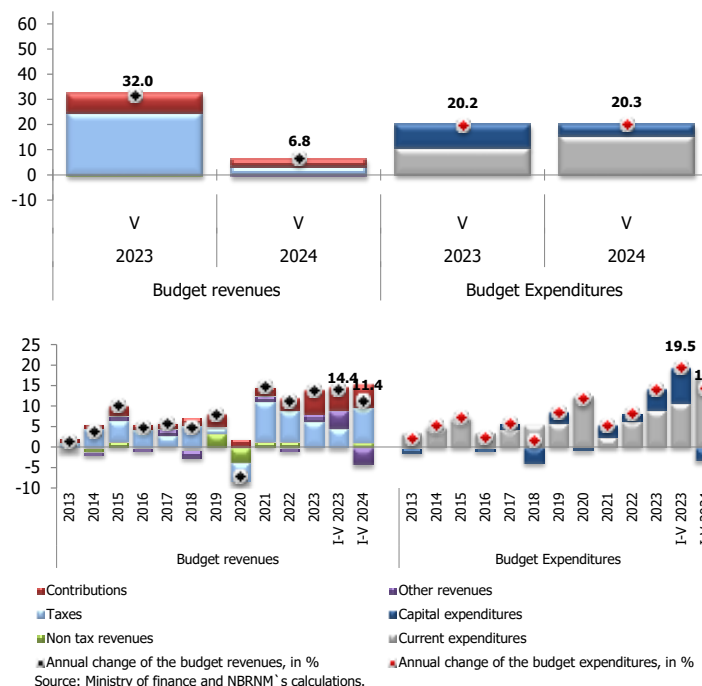
The spread in the policy rates of the National Bank and the European Central Bank slightly expanded, given that the European Central Bank reduced its policy rate, i.e. the interest rate on the main refinancing operations¹².

¹¹ 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.

¹² The ECB pointed out that despite the decrease of 0.25 percentage points, with the new level of interest rates, the monetary policy remains tightened and prudent.

Budget revenues and expenditures

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

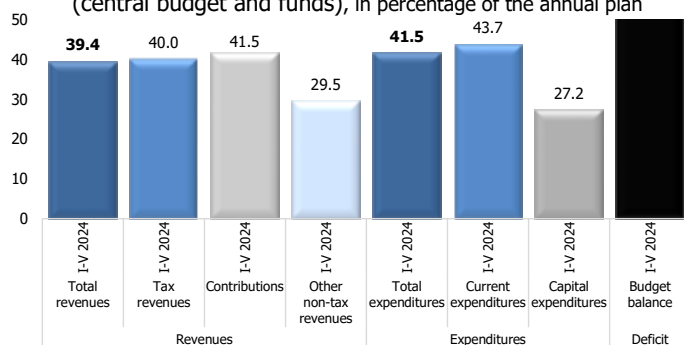


In May 2024, the revenues in the Budget of the Republic of North Macedonia (central budget and budgets of funds) registered significantly slower annual growth, which is primarily due to the more moderate growth of revenues from taxes and contributions, while budget expenditures registered fast growth, which mostly results from the higher current expenditures, primarily from the higher transfers¹³.

In the period January - May 2024, total budget revenues went up by 11.4% compared to the same period last year, while the total budget expenditures were higher by 14.5%.

Budget implementation, per categories

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



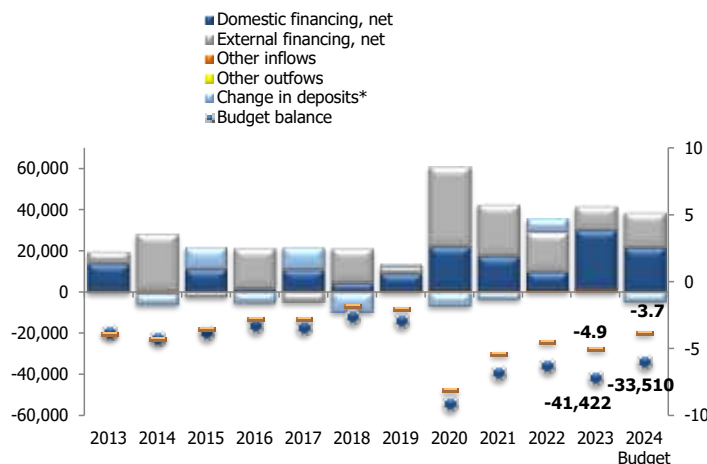
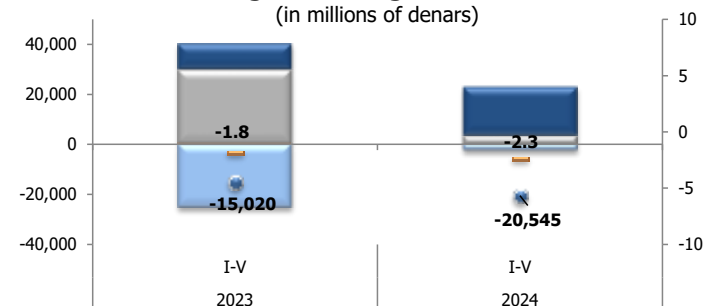
The realized budget deficit in the first five months in the amount of Denar 20,545 million accounts for 61.3% of the deficit planned for 2024 in accordance with the Budget¹⁴...

¹³ The increased transfers are partially a result of the payment from the Ministry of Labor and Social Policy of the rights from social, child and civil protection and the payment of the educational allowance for the third measurement period for the school year 2023/2024.

¹⁴ Official Gazette of the Republic of North Macedonia No. 283 of 28.12.2023.

Financing of the budget balance

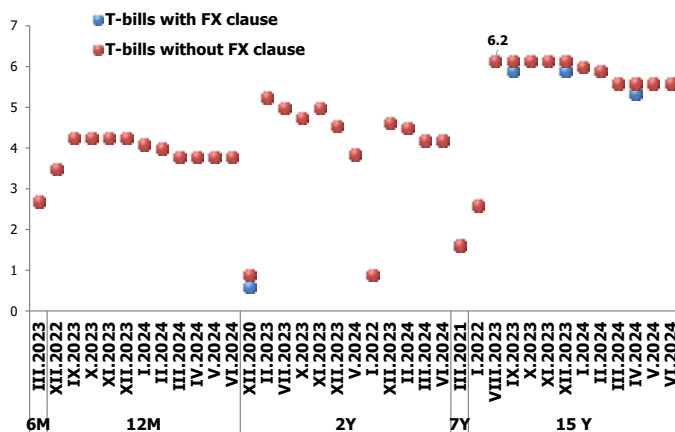
(in millions of denars)



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

...it is mainly financed by net government borrowing on the domestic and foreign market, amid growth of government deposits with the National Bank.

Interest rates of T-Securities in percent



Source: Ministry of Finance

In June 2024, at the regular auctions, the Ministry of Finance for the newly issued twelve-month treasury bills and fifteen-year government bonds without currency clause, kept the interest rates of 3.8% and 5.6%, respectively, at the level of the previous month. After several months, five-year government bonds without currency clause were again issued, at an average weighted interest rate of 4.2%, (without changes compared to March, when they were previously issued).

Box 1: Indicative private consumption and gross investment categories

INDICATIVE VARIABLES FOR PRIVATE CONSUMPTION

	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Apr	May
	<i>real annual growth rates in %</i>										
Retail trade*	-10.5	-14.9	-16.5	-21.3	-14.0	-11.7	-13.0	-4.1	-9.6	-2.9	-0.9
VAT revenues*	29.2	9.5	3.7	-7.7	-15.0	-9.5	-10.7	-1.5	1.6	16.9	-0.7
Imports of consumption goods*	-2.8	-1.5	-2.1	-9.9	2.0	4.7	1.4	14.5	15.4	28.6	-9.2
Domestic production of consumption goods	2.2	-1.2	3.2	-3.6	6.4	4.9	-7.5	-1.2	-8.5	1.1	-16.3
Consumer credits*	-0.5	-5.6	-9.2	-9.3	-6.6	-2.4	0.0	3.1	2.9	3.0	2.6
Average net wage*	0.0	-1.7	-4.6	-4.6	-2.8	3.6	6.6	12.8	12.5	9.3	-
Private net transfers*	9.8	24.1	11.8	5.1	11.3	-8.4	-10.4	-1.6	-12.1	-	-
Pensions*	-3.4	-1.0	-10.4	-4.9	-2.5	1.3	9.9	13.4	17.1	14.4	8.2

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

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

INDICATIVE VARIABLES FOR INVESTMENTS

	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Apr	May
	<i>real annual growth rates in %, except for FDI in million denars</i>										
Imports of capital goods*	6.9	5.6	10.9	-1.3	-3.9	-1.9	-5.5	3.0	10.9	27.7	-9.8
Completed construction works**	-12.2	-5.9	-20.4	-12.8	12.4	-20.8	-8.8	10.7	2.8	46.6	-
Domestic production of capital goods	0.9	3.3	18.6	3.7	6.7	8.2	6.7	17.9	10.6	17.2	-11.8
Government investments*	-16.4	25.0	-47.3	55.6	-6.8	313.0	29.1	-4.0	27.6	-87.2	33.7
Direct Investments***	9615.9	-6349.8	10625.0	262.3	1114.3	-2026.8	-8584.5	-1964.6	5320.2	-	-
Long term credits to enterprises*	2.2	-2.2	-6.5	-6.7	-5.0	1.2	3.4	3.9	2.8	6.0	4.3
Final product stocks	11.5	9.2	11.1	10.5	-3.1	-2.4	-3.8	-0.6	9.3	5.8	-

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

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

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

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