

National Bank of the Republic of North Macedonia

MONETARY POLICY AND RESEARCH DEPARTMENT

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Recent Macroeconomic Indicators Review of the Current Situation

June 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 (March - May 2023) 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 suggest slightly more favorable prospects for the global economic growth for the period 2024-2025. Risks around global growth are assessed as balanced. Moreover, the increased geopolitical tensions are the main unfavorable risk factor in the short term, with a possible adverse effect on energy prices and financial markets. The other risks arise from the slower reduction in inflation and thus maintaining the restrictive monetary policy for a longer period of time, which increases the vulnerability of highly indebted countries and creates a risk for the financial stability, as well as the slower than expected growth in China. On the other hand, the favorable risks for the global growth are associated with the possible more favorable movements in the prices of primary products, especially energy, the continuation of the favorable trends in the labor markets, the calming of geopolitical tensions, the faster economic recovery of China and the stronger use of previously accumulated savings, especially in developed countries.

Analyzing the quantitative external environment indicators relevant for the Macedonian economy, the estimates for the growth of the foreign effective demand and for the foreign effective inflation for the period 2024 – 2025 are almost unchanged compared to the April forecasts. Regarding the exchange rate, a slightly stronger value of the US dollar is expected in relation to the euro in both years compared to the April forecasts. The world prices of primary products were subject to upward revisions in the period 2024 – 2025, but 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 estimate for 2024 and 2025 has been revised slightly upwards, but the path of its gradual downward movement has been maintained. Moreover, at the meeting in June 2024, the ECB made a decision to reduce the three reference interest rates by 0.25 percentage points, noting that despite the reduction, it still retains the restrictive character of the monetary policy. The decision was made in conditions of a significant slowdown in the inflation rate in relation to the peak which was reached at the end of 2022 and reduced inflation expectations. Moreover, the inflation estimates in the June round of forecasts have been slightly revised upwards, and it is still expected to slow down. Thus, it is estimated that inflation will equal 2.5% and 2.2% in 2024 and 2025, respectively and then it will reduce to 1.9% in 2026². Regarding the forecasts for the economic growth, an upward revision has been made for 2024 and it will amount to 0.9%, after which a stronger recovery of the economy and growth rates of 1.4% and 1.6% are expected in 2025 and 2026, respectively, similar to the March forecasts³.

The latest indicators of the domestic economy suggest macroeconomic landscape that does not deviate much from the April forecasts. In the first quarter of 2024, real GDP

¹ According to the OECD report, *Economic Outlook*, May 2024.

² The March inflation forecast equalled 2.3%, 2.0% and 1.9% for 2024, 2025 and 2026, respectively.

³ In the March forecasts, the forecasted GDP growth was 0.6% in 2024, 1.5% in 2025 and 1.6% in 2026.

growth slightly accelerated and equaled 1.2% annually (growth of 0.9% in the previous quarter), amid further quarterly growth (according to the seasonally and calendar adjusted data of the SSO). The performance is in line with the expectations for growth acceleration in the first quarter, but it is slightly more moderate than forecasted in the April forecasting round (1.7%). Analyzed by components, the growth results from the positive contribution of domestic demand, with growth in all three of its components, especially gross investments, in circumstances of growth in the investments in fixed assets and inventories. On the other hand, net exports made a negative contribution, given the decline in the exports and small growth of the imports of goods and services. The currently available high frequency data for the second quarter of 2024 are limited. For now, April data show high real annual growth of the total trade turnover, while industrial output slightly declined. **In May 2024, the annual inflation rate slightly accelerated and amounted to 4.5%** (4% in the previous month), but it is slightly below the forecasted rate in the April forecasting round, which is due to the deviation in food prices. Thus, the annual inflation rate is mainly driven by the core component, which is also accelerating. Slightly faster growth was registered in energy prices, while the growth of the food component slowed down, partly due to the high base effect. **The consumers' expectations** provided in the May surveys for the price movement in the next period are significantly more favorable compared to April, i.e. the expectations for price drop are more pronounced. **The spread in relation to the inflation in the euro area** according to the April data remains small. Revisions in relation to import prices are upward, and 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 May 2024, the foreign reserves stood at Euro 4,293.6 million. The analysis of foreign reserves adequacy indicators shows that they remain in the safe zone. In April 2024, foreign trade data currently indicate a trade deficit for the second quarter of the year which is in line with that expected from the April forecast. Currency exchange operations data, as of the second ten-day period of May, point to net inflows of private transfers which are currently slightly lower than expected for the second quarter according to the April forecast. The current account deficit of the balance of payments in the first quarter of 2024 was higher than expected in the April forecast, amid lower net outflows in the financial account.

Regarding the **developments in the monetary sector**, the total **deposits** in April 2024 increased by 9.6% 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 April 2024 are higher by 6.8%, 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 April, on average registered an annual growth.

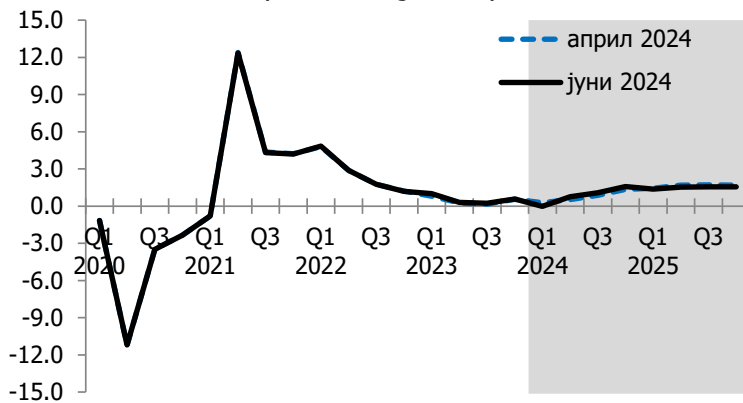
In the period from January to April 2024, the Budget of the Republic of North Macedonia registered a deficit of Denar 14,409 million, or 43.0% of the forecast deficit for 2024. The budget deficit was financed by net government borrowing on the domestic and foreign market, while government deposits with the National Bank increased.

The latest developments in the macroeconomic indicators are currently close to the latest forecasts. In May, the annual inflation rate slightly accelerated, but with more moderate intensity than expected, whereby it is slightly below the forecasted rate, but still above the historical average. The acceleration in headline inflation mostly results from the core component. The signals from the European Commission's May surveys on inflation expectations are evidently more favorable, i.e. the expectations for price decline in the next period prevail. Regarding the prices of primary products in markets, the latest forecasts for the coming period have been revised upwards, while the unstable geopolitical context still creates uncertainty and upward risks for the coming period. 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 insufficient to see

the 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 continues to grow, at a pace close to the expectations, 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
I. Real sector indicators																														
Gross domestic product (real growth rate, y-o-y) ^{/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 ^{/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	-1.1	
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	
Inflation ^{/4}																														
CPI Inflation (y-o-y) ^{/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
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
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
Core inflation (y-o-y) ^{/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
Labor force																														
Unemployment rate ^{/11}	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	21,448	23,193	24,777	69,418	28,901	
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	26,948	28,897	28,240	84,085	28,643	
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	
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	
III. Financial indicators ^{/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	
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	
Total credits - households	7.0	9.2	10.3	10.5	8.0	7.8	7.3	7.4	7.2	6.8	6.6	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	6.8	7.0
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	
Total deposits (incl. demand deposits), y-o-y growth rate^{/7}	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	
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	7.8	8.6	8.7	8.7	10.8	
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	
Interest rates ^{/8}																														
Interest rates of CBBills (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
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	
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	
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	
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	
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		
<i>Current account balance (% of GDP)</i>	-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)^{/9}	-1,786.2	-1,816.2	-1,811.4	-2,007.7	-1,816.6	-2,715.7	-3,829.7	-2,281.1	-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	-270.5	-807.5	-308.3	
<i>Trade balance (% of GDP)</i>	-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	
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	-2,778.3	-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	-11,148.5	-800.5	-944.3	-992.6	-2,737.4	-1,017.5	
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	657.2	722.1	1,929.9	709.2	
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	-8.1	-5.8	3.2	-0.3	-0.8	18.7	
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	7.2	
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	7,372.5	7,843.7	8,154.4	8,536.1	9,576.6	10,790.0				11,057.2				11,393.0				11,076.2				11,462.7	11,462.7						
public sector	3,445.3	3,461.8	3,756.2	3,836.6	4,301.5	4,802.0	5,206.8				5,394.7				5,545.6				5,238.1				5,578.5	5,578.5						
public sector/GDP (in %)	35.7	34.5	35.1	34.2	40.4	40.9	39.9				39.5				40.6				38.4				40.9	40.9						
private sector	3,771.2	3,910.7	4,087.5	4,317.8	4,234.6	4,774.6	5,583.2				5,662.6				5,847.4</															

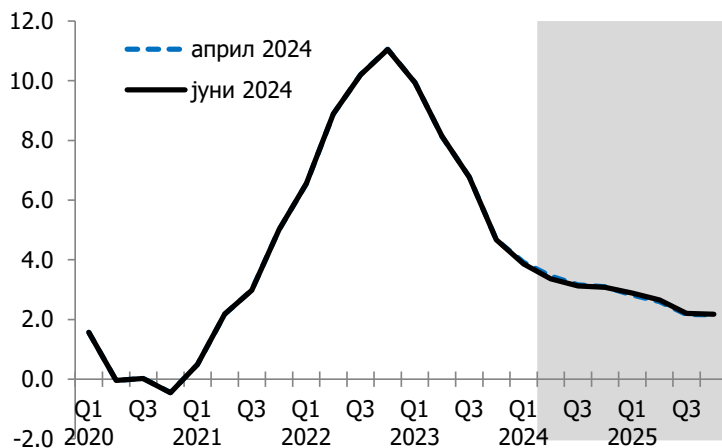
Foreign effective demand
(annual changes in %)



The estimates for the growth of **foreign demand** for the period 2024-2025 are almost unchanged compared to the April forecasts.

Source: Consensus forecasts and NBRNM calculations.

Foreign effective inflation
(annual rates in %)

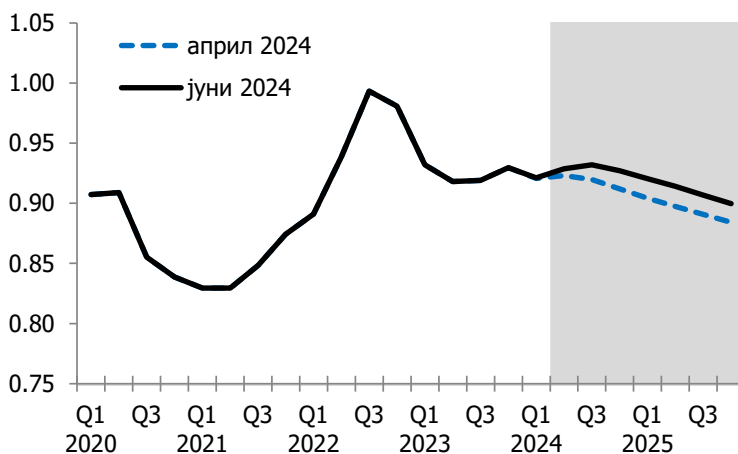


Regarding the **foreign effective inflation**, there are also no significant changes in the assessments...

...still expecting a slowdown in inflation.

Source: Consensus forecasts and NBRNM calculations.

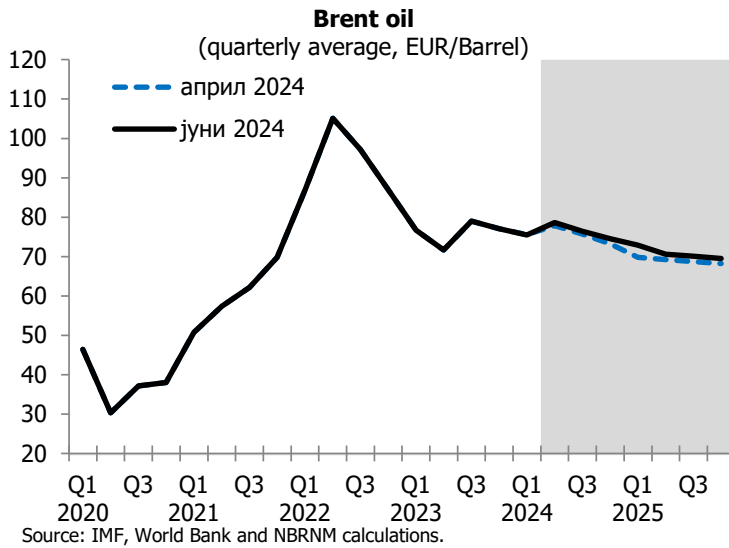
EUR/USD exchange rate



Regarding the **euro-US dollar exchange rate**, a slightly stronger value of the US dollar against the euro is expected than previously forecasted in April, in both years of forecast...

....which is largely due to the investors' expectations that the Fed will start to reduce the interest rates later in the year than previously expected.

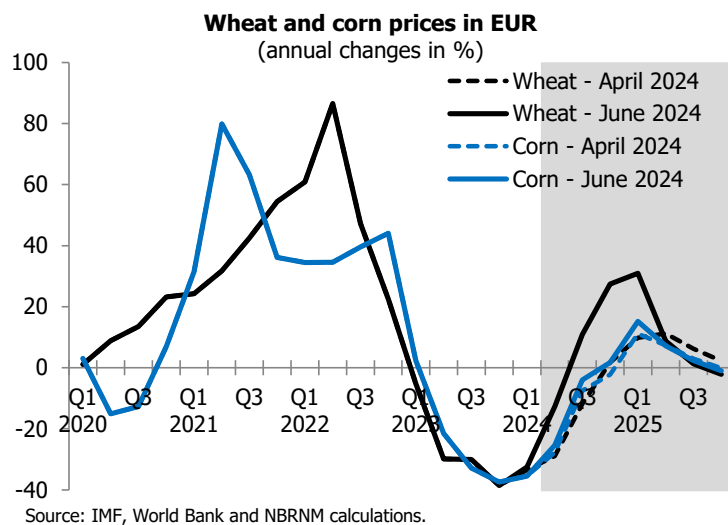
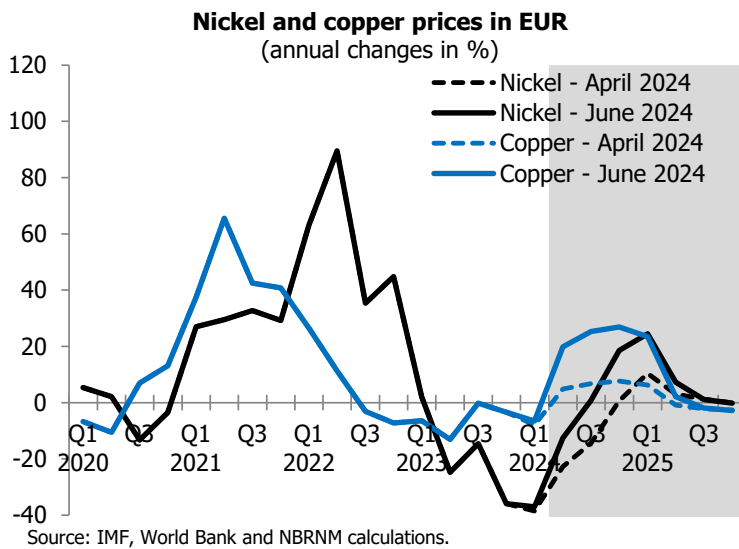
Source: Consensus forecasts and NBRNM calculations.



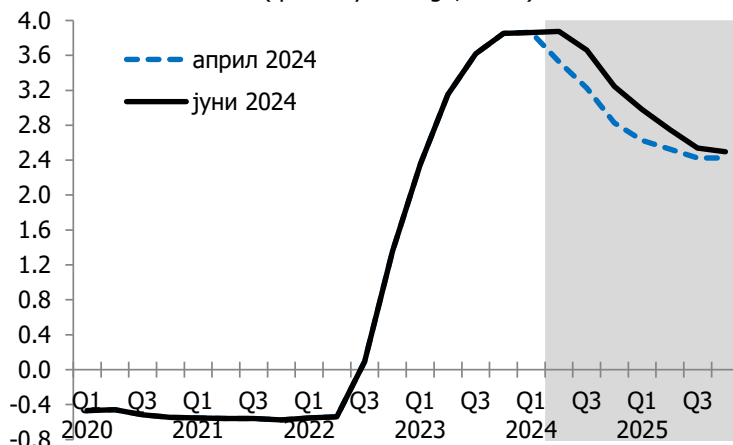
The prices of primary products for 2024 and 2025 have been revised upwards...

...mainly due to expectations for a smaller supply...

... but also to the growing demand for metals from the renewable energy industry.



1-month Euribor
(quarterly average, in %)

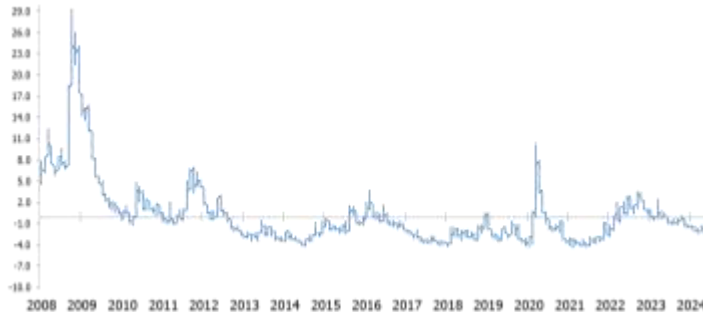


Source: Consensus forecasts and NBRNM calculations.

The one-month Euribor was subject to small upward adjustments for the entire period of forecasts, maintaining the dynamics of its gradual downward movement...

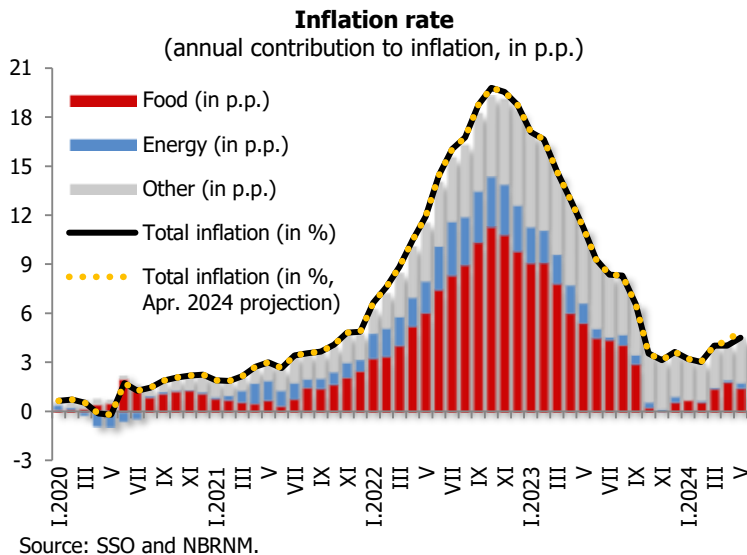
... in line with the expectations for a reduction in interest rates by the ECB starting from June, but to a lesser extent by the end of the year than previously expected.

FSI index



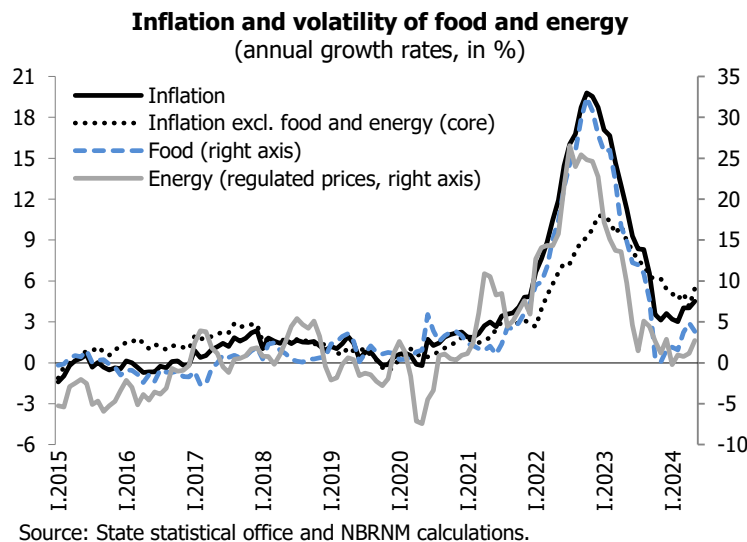
The global financial stress indicator⁴ continues to point to a slight financial market volatility.

⁴ 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.



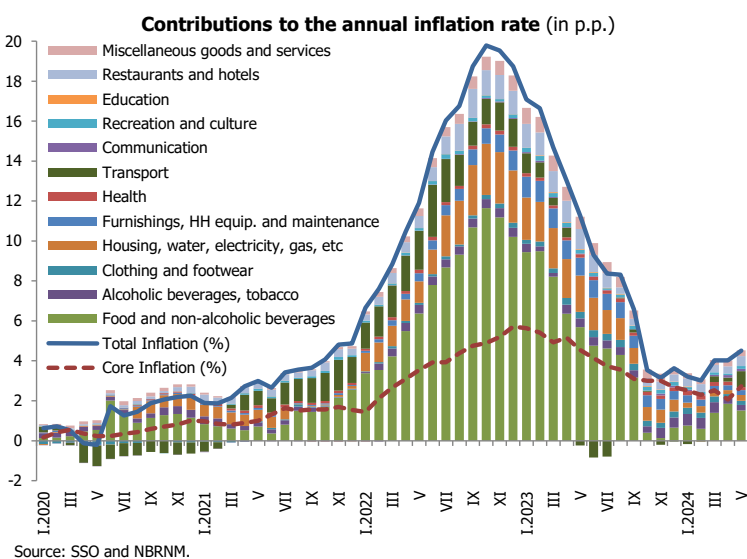
In May 2024, domestic consumer prices increased by 0.9% on a monthly basis (0.7% in April) mainly due to the core component of inflation, influenced by certain seasonal factors.

The prices of food products increased by 0.6%, amid higher prices in most of the categories of products, and primarily due to the growth of the prices of meat and fruit. The reduction of the prices of vegetables mostly acted in the opposite direction.



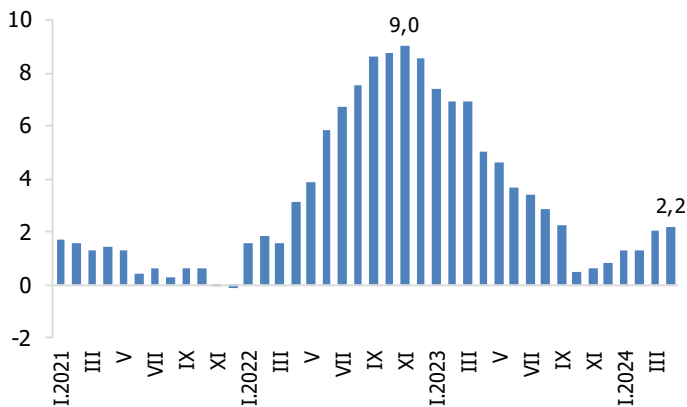
Energy prices recorded a monthly decline of 0.2%, mainly as a result of the lower prices of oil derivatives, in line with the movements in world markets.

Core inflation equaled 1.3% on a monthly basis, which is mostly due to certain seasonal factors amid higher prices of air traffic, with a more significant contribution of the prices of accommodation services and footwear.



The annual inflation rate in May registered a slight acceleration and amounted to 4.5% (4.0% in April), which is mainly due to the acceleration in core inflation. Slightly faster growth was registered in energy prices, while the growth of the food component slowed down, partly due to the high base effect.

Распон помеѓу домашната инфлација и инфлацијата во еврозоната (во п.п.)



Извор: Еуростат.

The spread in relation to the inflation in the euro area registered an insignificant increase in April⁵, amid a slight acceleration in the annual inflation in the country and stabilization in the euro area.

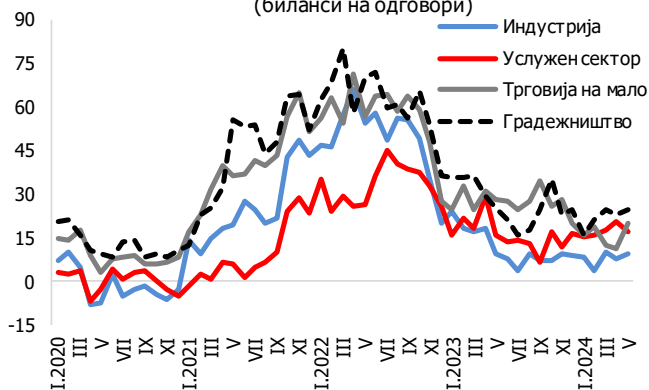
Очекувања на потрошувачите за промените во цените во наредните 12 месеци (биланси на одговори)



Извор: Европска комисија.

The consumers' expectations⁶ provided in the May surveys for the price movement in the next period indicate their stronger decrease.

Инфлациски очекувања на раководителите на претпријатијата за наредните 3 месеци (биланси на одговори)



Извор: Европска комисија.

Analyzing the corporate sector⁷, in May the price movement expectations in the following period are more favorable in the services sector, while less favorable in manufacturing industry, retail trade and construction.

The annual inflation rate registered in May is lower than the forecasted rate in the April forecasting round, due to the lower growth in food prices than expected.

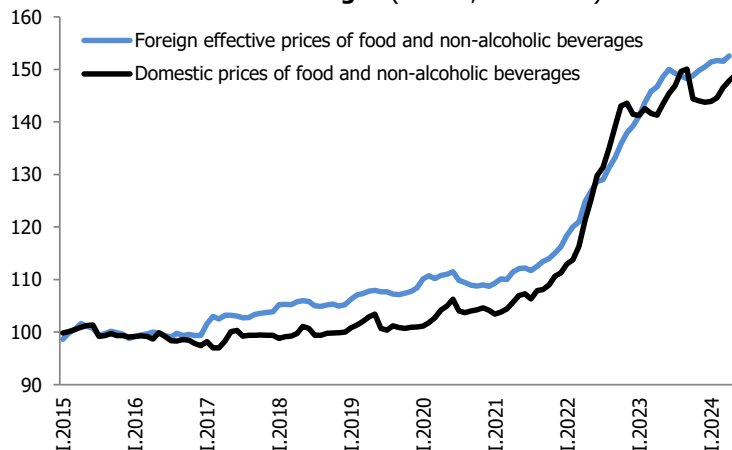
At the same time, the revisions of the expected movements of the external input assumptions in the inflation forecast (import prices) for 2024 are mainly in an upward

⁵ Based on the harmonized index of consumer prices, the latest published data of which for the country pertain to April.

⁶ Consumer Confidence Survey of the European Commission for May 2024 based on the question "consumers' expectations about price changes over the next 12 months".

⁷ European Commission's business tendency surveys in industry, retail trade, construction and services sector.

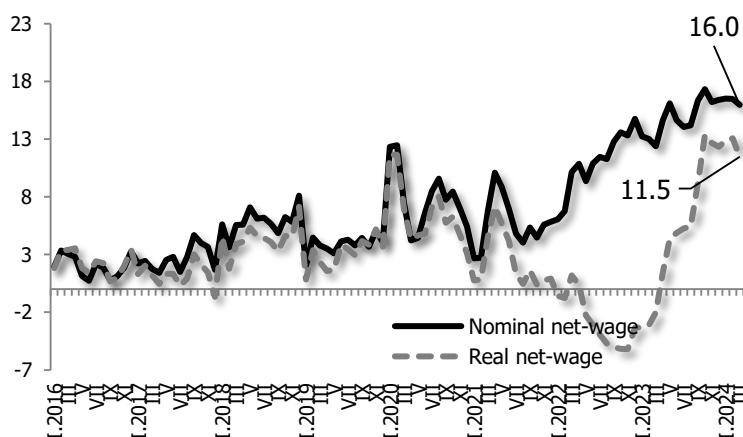
Foreign effective* and domestic prices of food and non-alcoholic beverages (indices, 2015=100)



* 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.

direction, especially in the prices of primary products in world markets, where there is still great uncertainty and upward risks for their future dynamics.

Average net-wage (annual changes, in %)



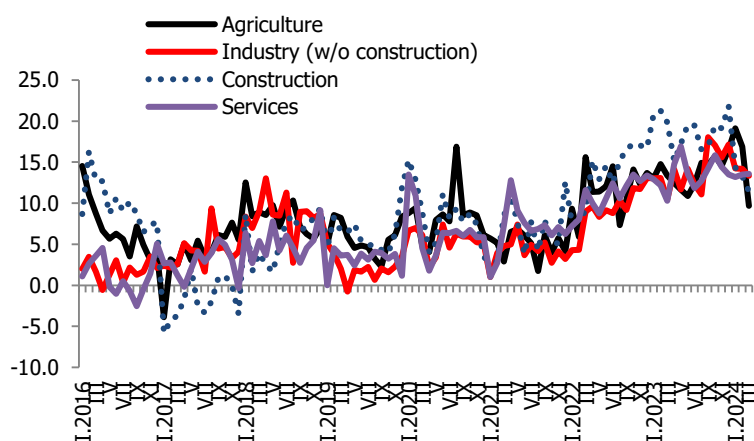
Source: SSO.

Also in March 2024, the **nominal average net wage** continues to register fast annual growth, although slightly slower compared to the growth registered in the previous month...

...amid sudden slowdown in the growth in the activities "agriculture, forestry and fishing", "mining and quarrying", "administrative and auxiliary services", "public administration and defense; compulsory social security" and "arts, entertainment and recreation"...

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

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



Source: SSO.

The nominal and real annual growth of wages in the first quarter of 2024 are in line with the rates expected for the first quarter within the April forecast.

In the first quarter of 2024, the labor market⁸ registered moderate positive developments on an annual basis, without major changes on a quarterly basis.

The employment rate amounts to 45.4% and is unchanged compared to the previous quarter, amid stabilization of the number of employees. On an annual basis, the number of employees increased by 0.6%.

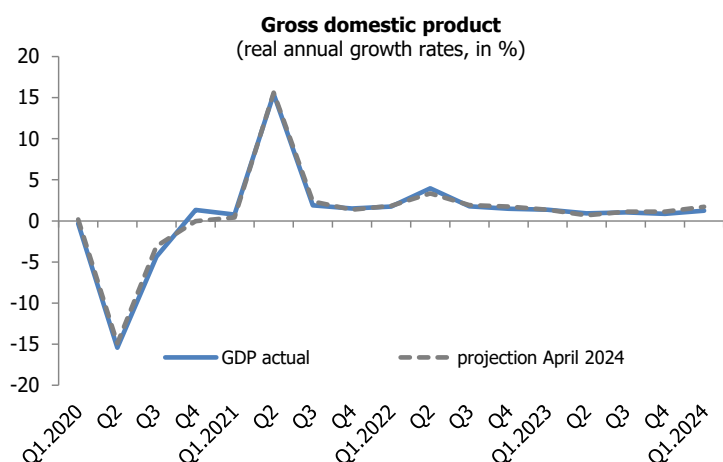
The unemployment rate registered a minimal decline compared to the previous quarter and amounted to 12.9%, amid reduction of the number of unemployed persons on a quarterly and annual basis of 1.4% and 2.7%, respectively.

From the aspect of labor supply, the first quarter registered a slight increase in the active population on an annual basis (of 0.2%), and a small annual growth was also registered in the inactive population (of 0.1%).

In the first quarter of 2024, the real GDP growth amounted to 1.2% on an annual basis (growth of 0.9% in the previous quarter)...

...which is in line with the expectations for growth acceleration in the first quarter, but it is slightly more moderate than forecasted in the April forecasting round.

Observing the expenditure side of GDP, the growth in the first quarter is due to the positive contribution of domestic demand, amid growth of all three components, especially gross investments (growth of the investments in fixed assets, i.e. in machinery and equipment and in transport equipment, as well as growth of inventories). On the other hand, net exports made a negative contribution, given the decline in the exports and small growth of the imports of goods and services.



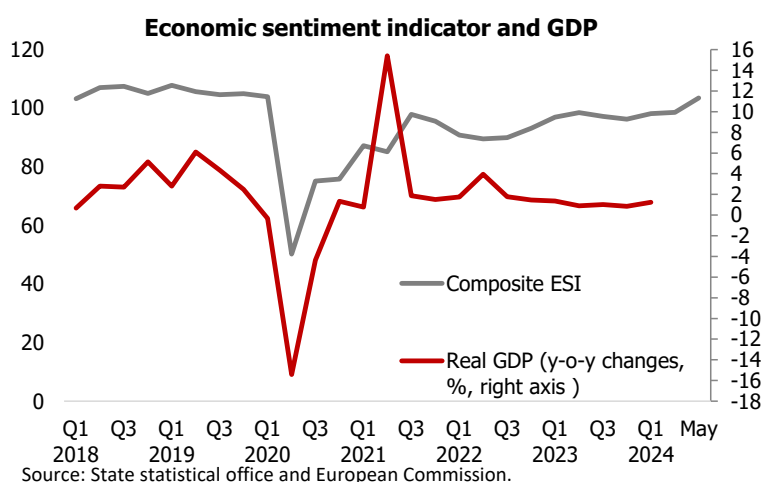
Source: SSO and NBRNM projections.

The data from the projections are seasonally adjusted, but the differences in the series in the realized period can also happen as a result of the regular revisions of the SSO.

⁸ The results of the Labor Force Survey (LFS) by quarters of 2023 are not comparable with the data from the quarters of other years, because in 2023 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 has been repealed. The implementation of the new regulation caused changes in the research, starting from the changes in the design of the 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. Therefore, in this monthly information, we do an analysis based only on the comparable data from 2023 onwards.

Analyzing the production side of GDP, the growth in the first quarter largely stems from the positive contribution of the group of activities “trade, transport and catering”, with an additional positive contribution of the activities “arts, entertainment and recreation; other services;”, “professional, scholar and technical activities; administrative and auxiliary services”, “public administration and defense; education; health and social work” and “information and communication”. On the other hand, also in this quarter, agriculture registered a significant negative contribution.

The GDP registered real increase of 0.5% on a quarterly basis⁹.



Having a limited scope of available data, it is difficult to provide precise assessment of the overall condition of the economy in the second quarter of 2024.

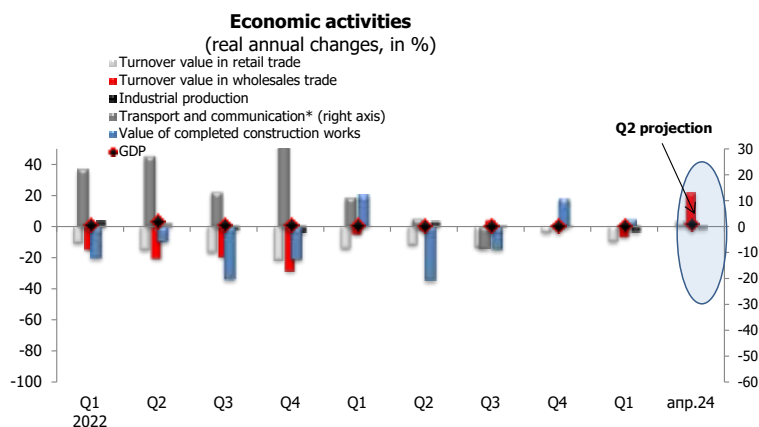
The results of the surveys for the period April-May 2024 point to more favorable perceptions in relation to the second quarter of 2023, as well as in relation to the previous quarter¹⁰.

In April, **total trade turnover** registered high real annual growth, after the almost steady fall registered in the previous four years...

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

⁹ According to the seasonally and calendar adjusted data of the SSO.

¹⁰ 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).



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

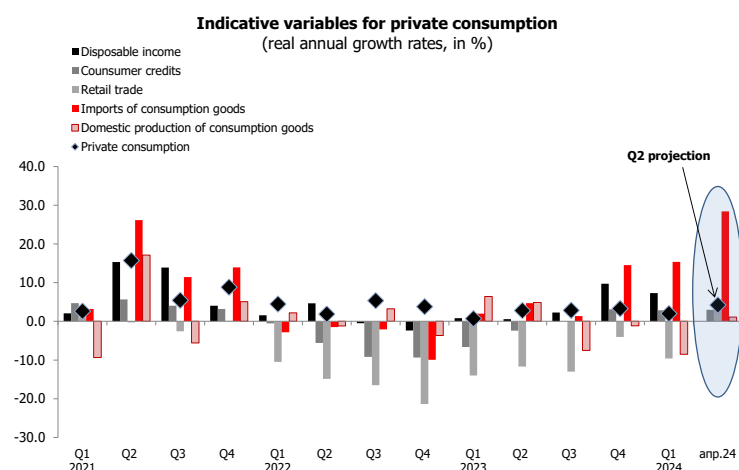
On the other hand, in April, **industrial output** registered a small real decline on an annual basis, but smaller than the decline in the previous quarter...

...entirely as a result of the negative contribution of the energy sector, while the manufacturing industry makes a positive contribution, in conditions of a significant positive contribution of the production of motor vehicles and electrical equipment.

INDUSTRIAL OUTPUT AND OTHER ECONOMIC ACTIVITIES										
	2022				2023				2024	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Apr
<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	-1.1
Construction	-12.2	-5.9	-20.4	-12.8	12.4	-20.8	-8.8	10.7	2.8	-
Building	-26.6	12.4	-10.0	6.2	12.2	-20.0	-9.8	-18.3	-34.0	-
Civil Engineerings	4.2	-13.4	-26.9	-27.2	10.5	-22.6	-7.2	37.1	31.6	-
Specialized construction works	-27.3	-55.3	-21.9	43.5	69.0	10.6	-21.2	11.3	-3.3	-
Retail and wholesale trade	-11.7	-16.7	-17.4	-23.7	-11.1	-8.4	-7.3	-2.2	-8.6	11.0
Retail trade	-10.5	-14.9	-16.5	-21.3	-14.0	-11.7	-13.0	-4.1	-9.6	3.7
Wholesale trade	-14.7	-20.4	-19.3	-28.4	-4.8	-2.0	4.3	1.4	-6.5	22.0

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

The available **aggregate demand** indicators are also relatively limited, which hinders the establishment of a more accurate assessment of the movement of the individual components of demand in the second quarter of 2024.



Source: SSO and NBRNM calculations.

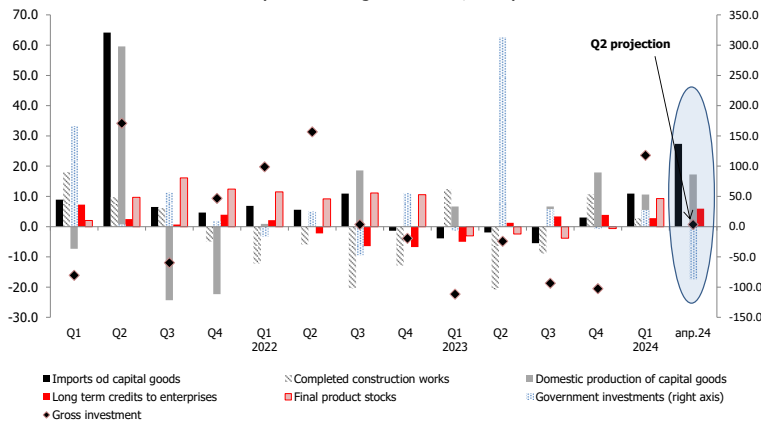
The available data for the movements in **private consumption** for April 2024 move in an upward direction, i.e. there is growth in pensions, import of consumer goods, household loans, gross revenues from VAT, retail trade and domestic production of consumer goods.

Regarding the April high frequency data on the **gross investments**, the movements are generally in an upward direction...

...amid growth in domestic production of capital goods, corporate tax, imports of means of operation and long-term corporate loans...

...while the fall in government capital investments is due to the high base effect

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



Source: SSO and NBRNM calculations.

related to the advance payments for infrastructure projects last year.

Foreign trade data in April 2024 indicate potential deficit increase compared to the same period last year, amid faster nominal growth of the imports relative to the exports of goods.

According to the fiscal data on April 2024, the budget performance suggests real annual growth of **public consumption**.

In April 2024, the foreign trade deficit increased by 57.7% annually, with more pronounced growth of the imports compared to the growth of the exports of goods.

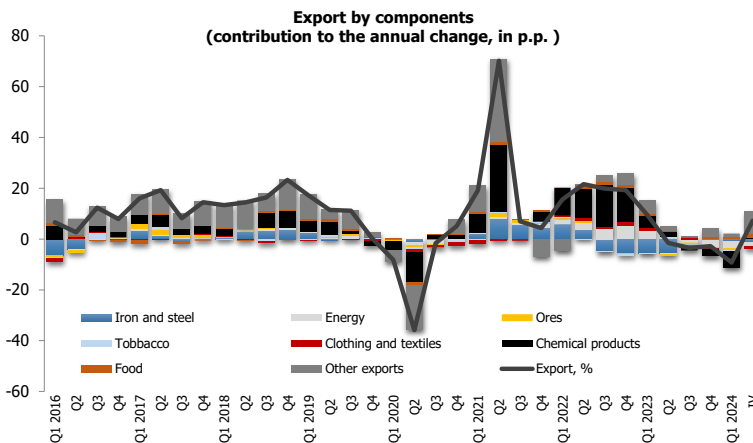
Export of goods in April 2024 increased by 7.2% on an annual basis, almost entirely due to the higher exports of some of the production facilities in foreign ownership from the automotive industry, and to a lesser extent due to the increased food exports. Export performance currently matches the expectations of the April forecast.

Import of goods in April 2024 increased by 18.7% annually, mostly due to the higher import of equipment and machinery and other imports. The growth of import of consumer goods, as well as the higher import of food and vehicles also contributed to the total annual growth of imports. Compared to the April forecast, the import performance is currently in line with the expectations.

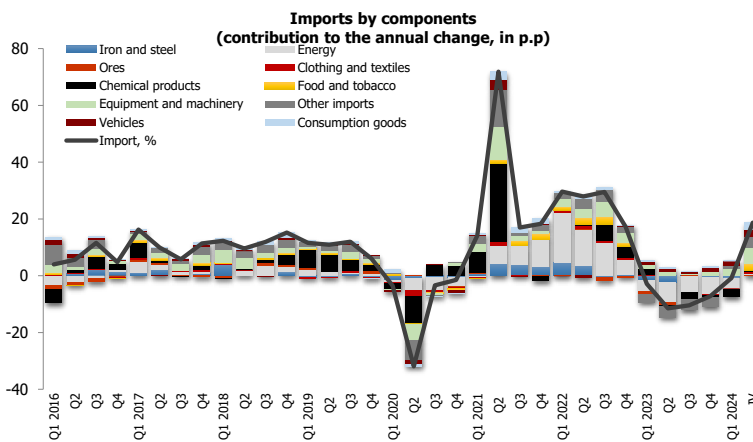
Consequently, the performances of the trade deficit in April 2024 are also in line with the expectations according to the April forecast.

In April 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...

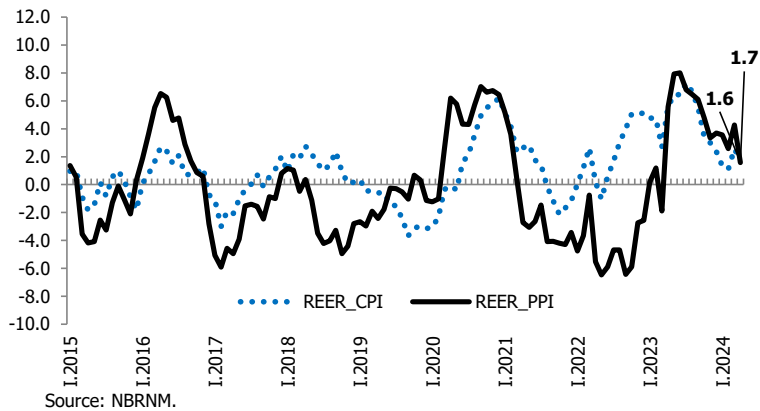
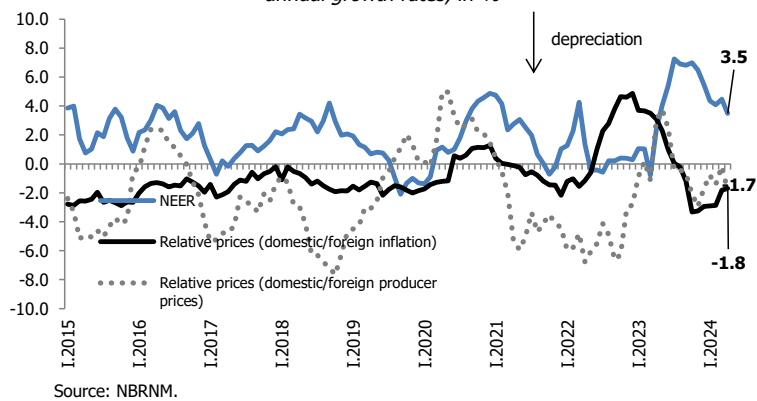
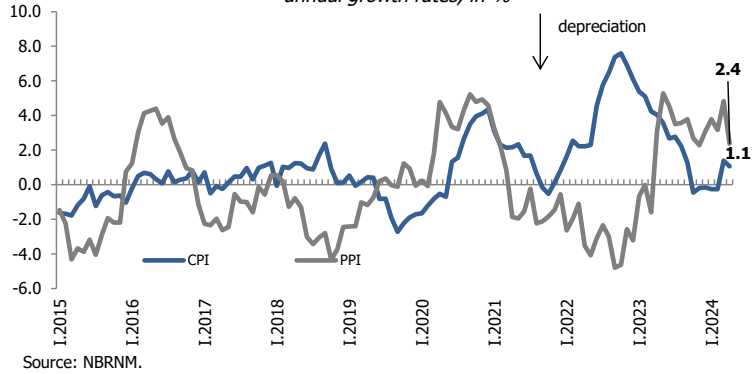
... and similar trends were registered in the REER indices according to the calculation using weights based on the foreign trade without primary products.



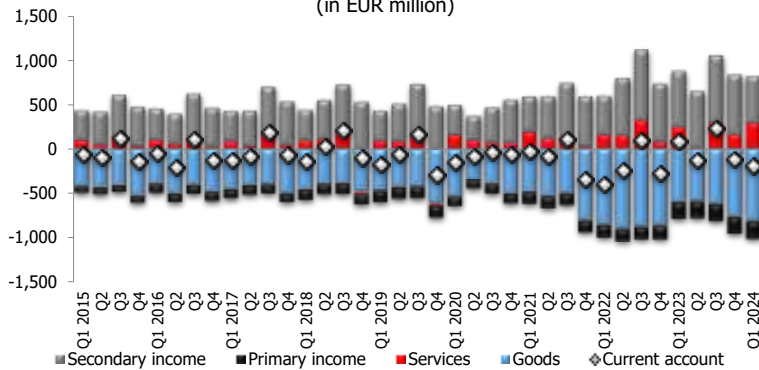
Source: NBRNM.



Source: NBRNM.

REER*annual changes, in %***NEER and relative prices***annual growth rates, in %***REER, excluding primary commodities***annual growth rates, in %*

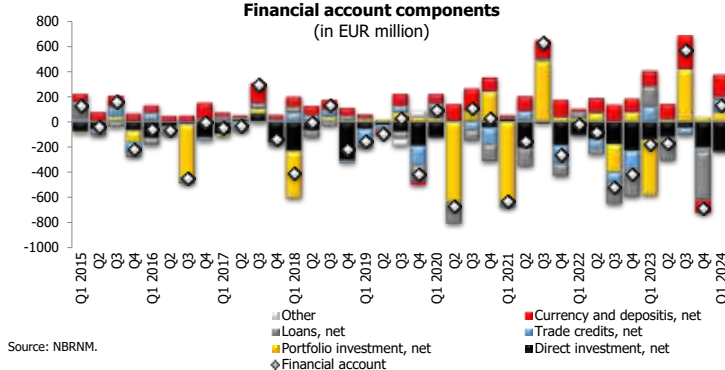
Main components of the current account
(in EUR million)



In the first quarter of 2024, the current account registered a deficit of Euro 185 million, or 1.3% of GDP, which is slightly higher than expected according to the April forecast...

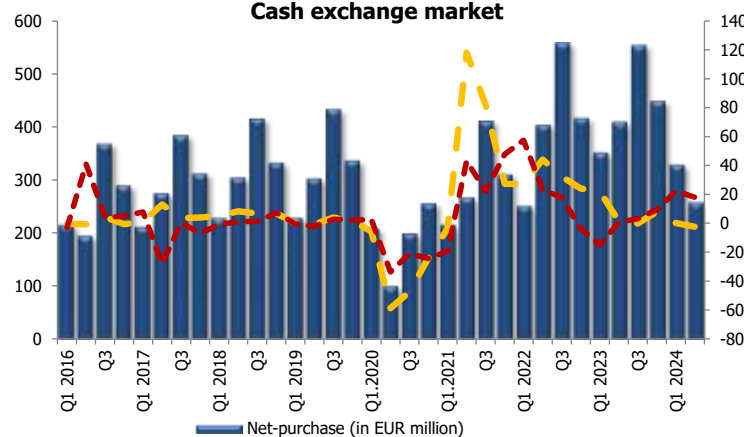
...amid higher trade deficit than expected (amid lower exports and simultaneously higher imports) and slightly lower surplus in secondary income than expected.

Financial account components
(in EUR million)



In the first quarter of 2024, the financial account registered net outflows¹¹ of Euro 136.5 million (or 0.9% of GDP), which are lower than expected according to the April forecast (in conditions of higher net inflows than expected in direct investments and slightly lower net outflows in portfolio investments, amid higher net outflows in trade credits than expected).

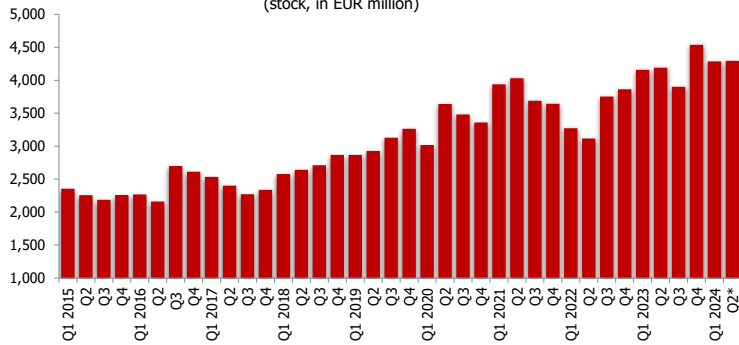
Cash exchange market



The net purchase on the currency exchange market registered in the period 01.04.2024 - 31.05.2024 registered a decline compared to the same period last year and currently points to performances in private transfers that are slightly lower than expected for the second quarter, according to the April forecast.

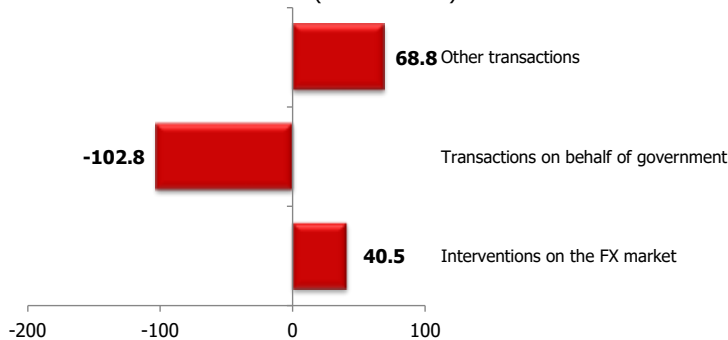
¹¹ According to the new methodology for compiling the balance of payments (BPM6), the terms net inflows and net outflows denote net incurrence of liabilities and net acquisition of financial assets, respectively.

Foreign exchange reserves
(stock, in EUR million)



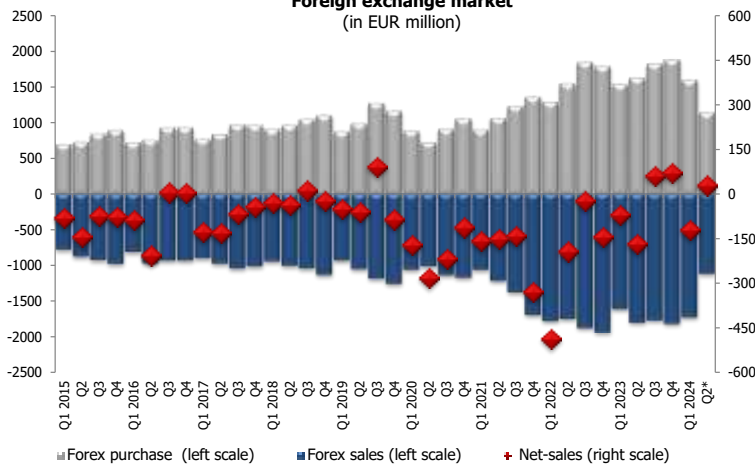
*Last data available 31.05.2024
Source: NBRNM.

Factors of change of the foreign reserves in April and May 2024
(in EUR million)



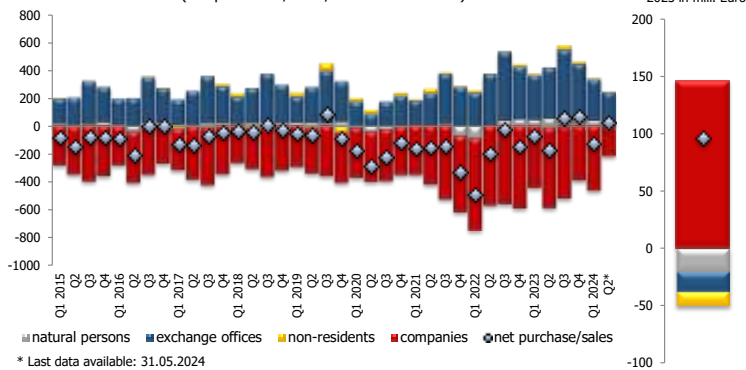
Source: NBRNM.

Foreign exchange market
(in EUR million)



*Last data available 31.05.2024
Source: NBRNM.

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



* Last data available: 31.05.2024
Source: NBRNM.

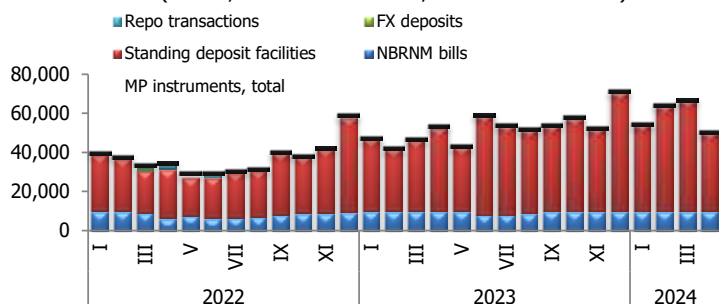
At the end of May 2024, the gross foreign reserves amounted to Euro 4,293.6 million and registered an increase compared to the end of the first quarter, mostly due to other transactions in the area of foreign reserves management, as well as to the net purchase made in the interventions of the National Bank on the foreign exchange market.

In the period 01.04 - 31.05 2024, the banks' foreign exchange market reported a net purchase of foreign currency, as opposed to the net sale of foreign currency registered the same period last year, amid a decline in the demand for and simultaneous growth of the supply of foreign currency.

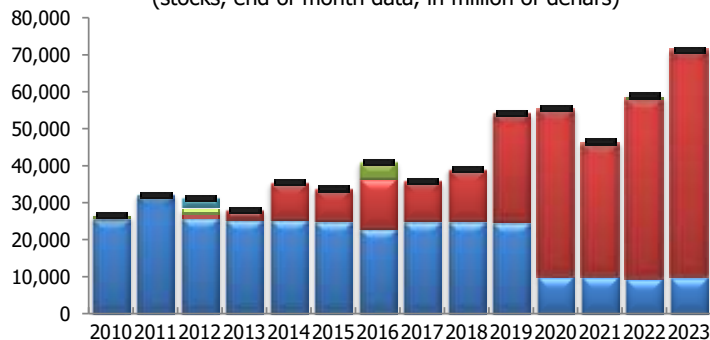
Sector-by-sector analysis shows that such shifts on the foreign exchange market entirely result from the lower net sales of companies compared to the same period last year.

Monetary policy instruments

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



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



Source: NBRNM

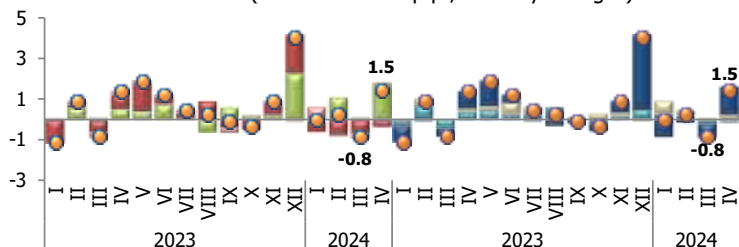
At the end of April 2024, the monetary instruments registered a decrease compared to the previous month, due to the decreased amount of banks' assets placed in deposit facilities with the National Bank.

The stock of monetary instruments at the end of April was lower compared to the level forecasted for the end of the second quarter of 2024, amid slightly higher net foreign assets of the National Bank and higher level of government deposits.

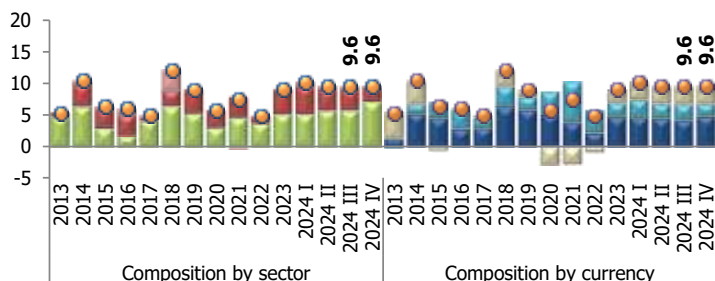
At the end of April, the reserve money exceeded the forecasted values according to the April forecast, as a result of the increase in the banks' total reserves with the National Bank and small growth in currency in circulation.

Total Deposits

(contributions in p.p., monthly changes)



(contributions in p.p., annual changes)



Total financial system deposits¹² in April 2024 registered a monthly growth of 1.5%, after the decline of 0.8% registered in the previous month. Observed by sector, there was a monthly growth in household deposits, and from currency aspect, growth was registered in denar deposits (including demand deposits).

In April 2024, **total deposits** registered an increase compared to the previous quarter, which is currently within the expected increase for the second quarter, according to the April forecast.

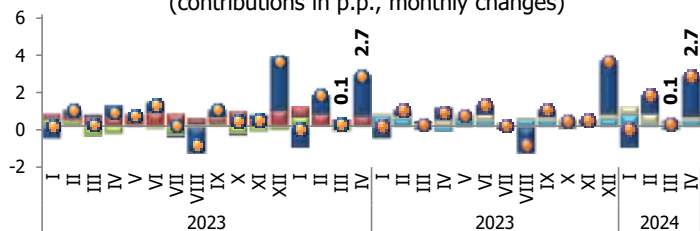
In April 2024, the annual growth rate of total deposits was 9.6% and for now, it slightly exceeds the forecasted rate for the second quarter of 2024 of 9.2%, according to the April forecast.

* 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

¹² 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.

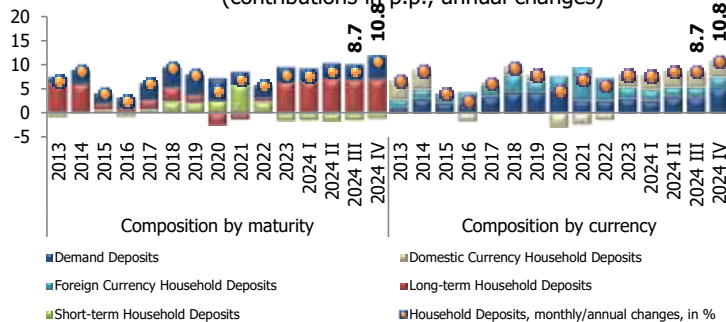
Household Deposits

(contributions in p.p., monthly changes)



In April 2024, **household deposits**¹³ registered a monthly growth of 2.7%, after the minimal growth of 0.1% in the previous month, amid growth of the savings in domestic (including demand deposits) and foreign currency. On an annual basis, household deposits in April 2024 increased by 10.8%.

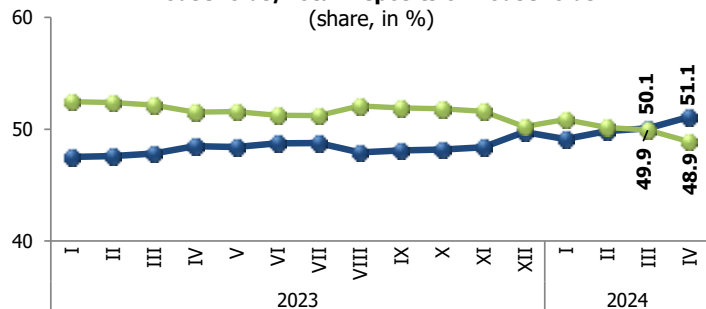
(contributions in p.p., annual changes)



Source: NBRNM.

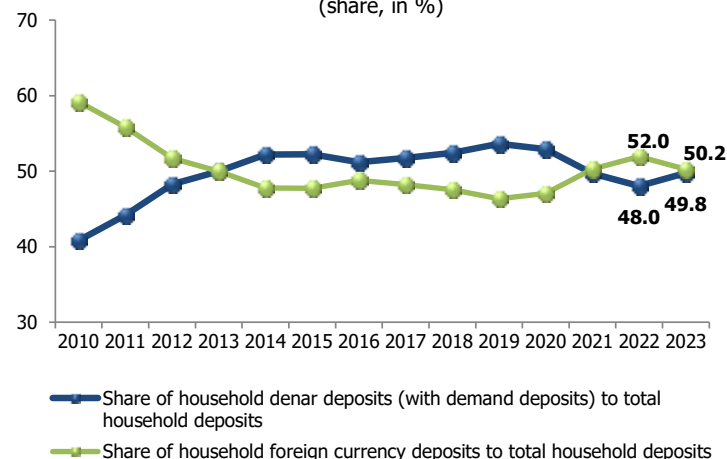
Share of Denar and Foreign Currency Deposits of Households/Total Deposits of Households

(share, in %)



Accordingly, there was an increase in the share of denar household deposits in the currency structure of total household deposits in April 2024.

(share, in %)

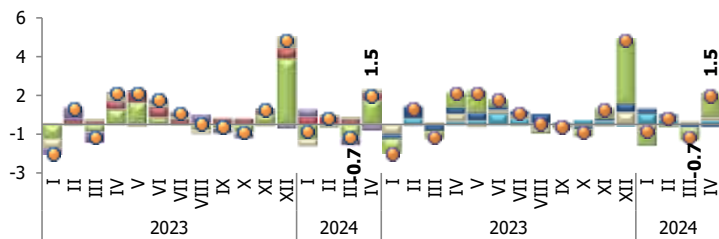


* Includes deposits at Banks and Saving Houses
Source: NBRNM.

¹³ The growth of household deposits results from the early payment of the regular monthly income in the last days of April (instead of the beginning of May), before the May-Day and Easter holidays.

Broad Money M4

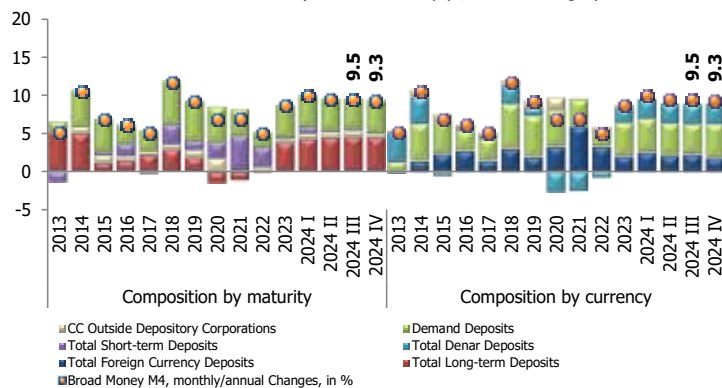
(contributions in p.p., monthly changes)



In April 2024, broad money, measured through M4, registered a growth of 1.5% (after the decrease of 0.7% in the previous month), which mostly results from the growth in demand deposits, and to a lesser extent from currency in circulation. **Analyzing the maturity,** the growth was due to long-term deposits, and from **currency aspect,** growth was registered in denar deposits.

In April 2024, broad money increased by 9.3% annually, slightly exceeding the expected annual growth of 9.0% for the second quarter of 2024, according to the April forecast.

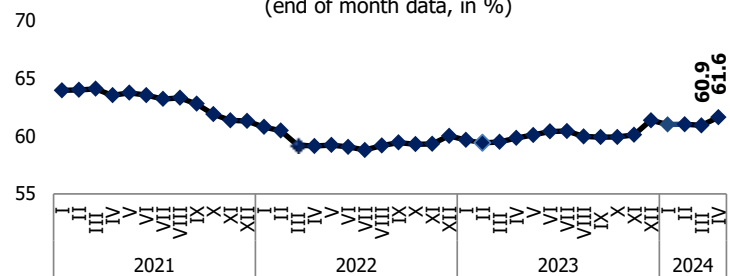
(contributions in p.p., annual changes)



Source: NBRNM.

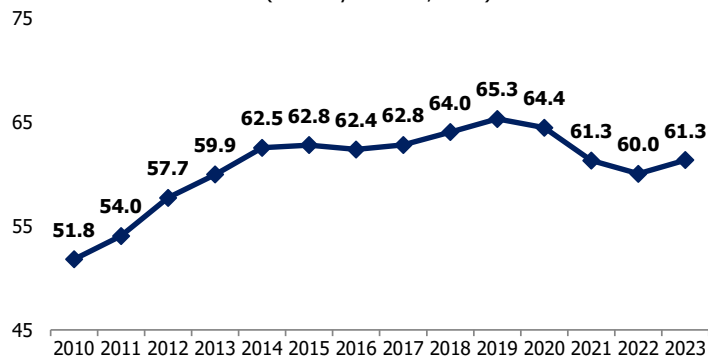
Share of Denar M4 in total M4

(end of month data, in %)



The share of the denar part in the total broad money M4 in April 2024 is higher compared to the previous month, close to the forecasted value for the end of the second quarter of the year.

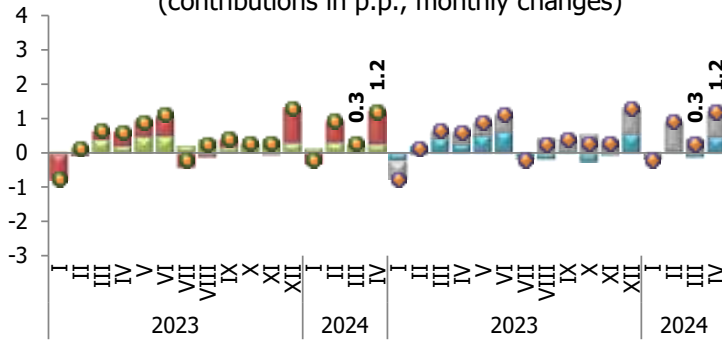
(end of year data, in %)



Source: NBRNM.

Total loans

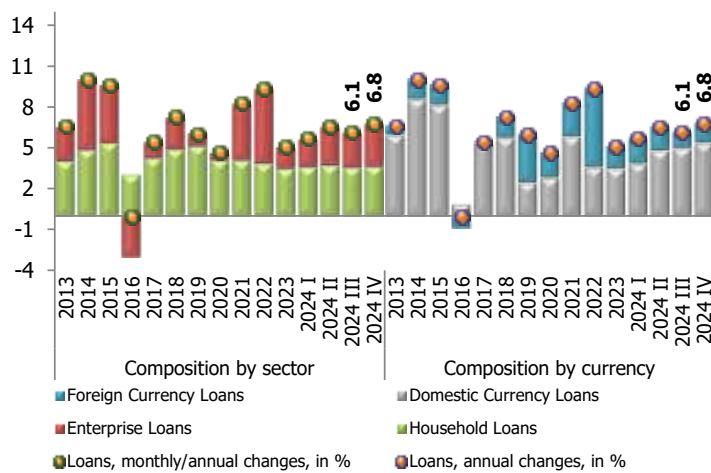
(contributions in p.p., monthly changes)



In April, total loans registered a monthly growth of 1.2% (increase of 0.3% in the previous month).

In April 2024, total loans registered an increase compared to the previous quarter, which is within the expected increase for the second quarter of the year, according to the April forecast.

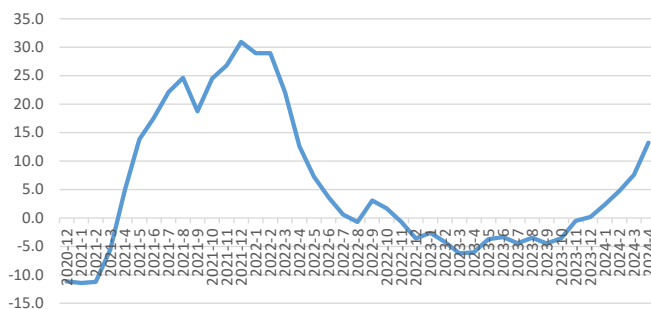
(contributions in p.p., annual changes)



In April, the annual growth rate of total loans equaled 6.8% amid forecasted annual growth for the second quarter of 2024 of 6.0%, according to the April forecast.

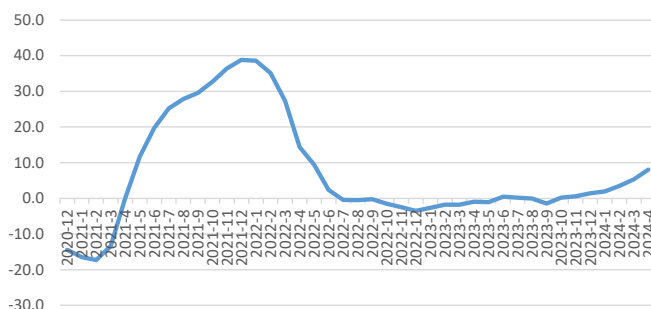
Source: NBRNM.

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

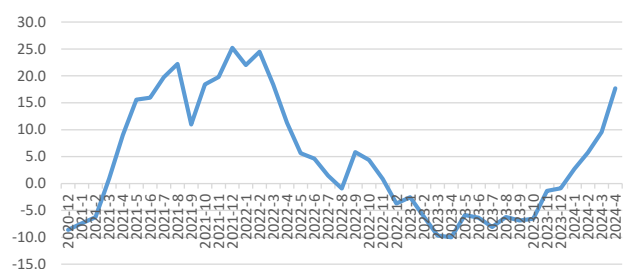


The amount of total new loans approved to the private sector in the last 12 months, as of April, experienced strong annual growth, driven primarily by the lending to the corporate sector, and to a lesser extent to households.

Newly granted loans to households, 12-month moving average

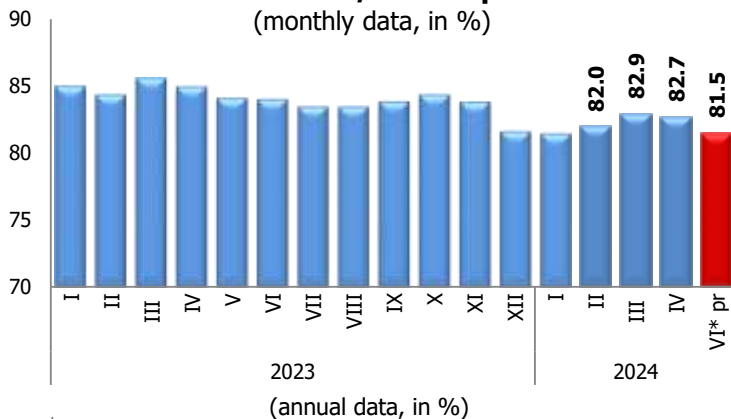


Newly granted loans to non-financial corporations, 12-month moving average



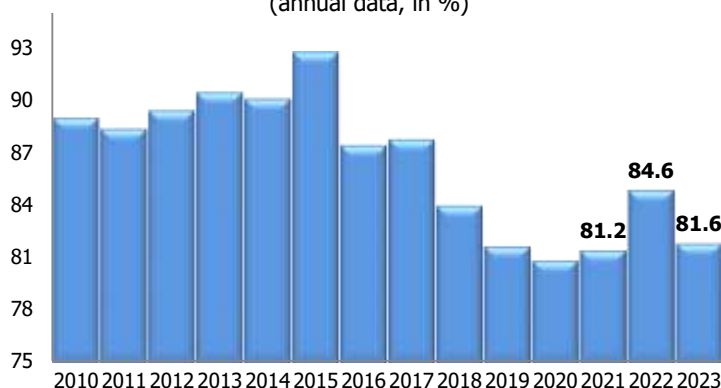
Total credits/total deposits

(monthly data, in %)



The indicator for the utilization of banks' deposit potential for lending to the private sector in April equals 82.7%, slightly exceeding the value of this indicator forecasted for the end of the second quarter of 2024, according to the April forecast.

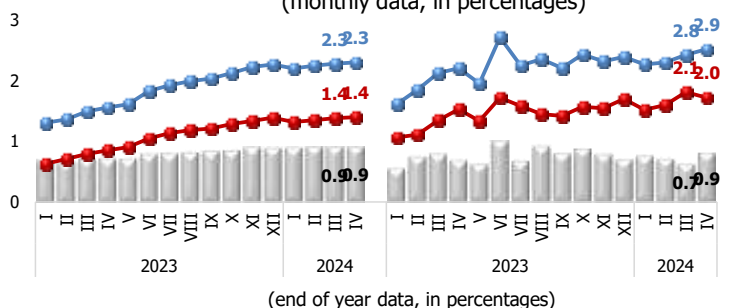
(annual data, in %)



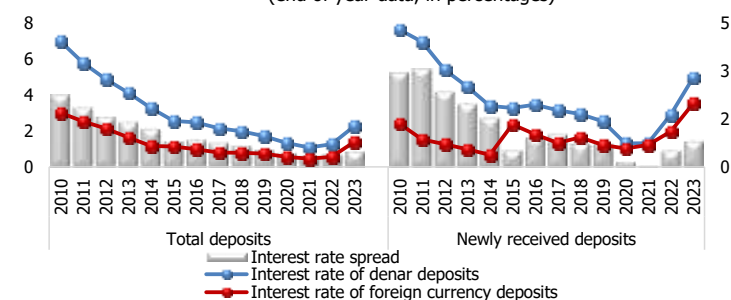
Source: NBRNM.

Total deposits interest rates

(monthly data, in percentages)



(end of year data, in percentages)



Source: NBRNM

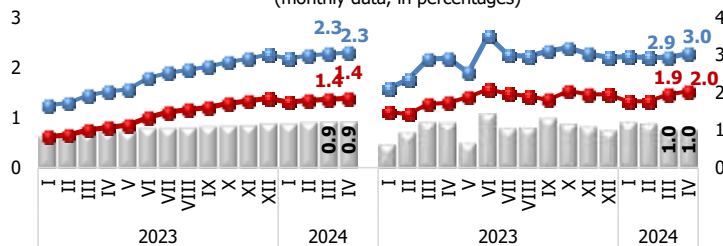
In April 2024, **interest rates on total denar and foreign currency deposits**¹⁴ registered no changes compared to the previous month, which contributed to an unchanged interest rate spread. Small movement in interest rates in this month was registered in **total newly accepted denar and foreign currency deposits**¹⁵, which increased the interest rate spread by 0.2 percentage points....

¹⁴ 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.

¹⁵ 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.

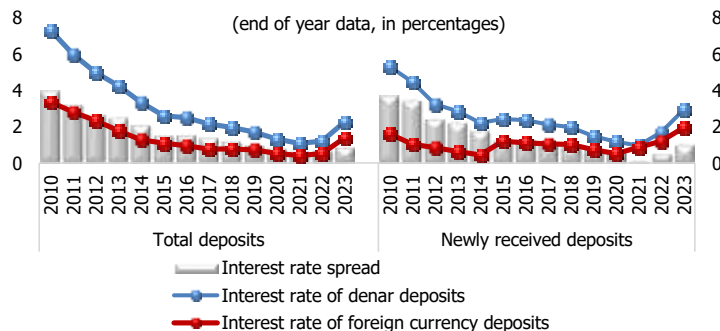
Households' deposits interest rates

(monthly data, in percentages)



...identical movements in April were also registered in the respective household interest rates, except for newly accepted denar and foreign currency deposits which registered a slight increase.

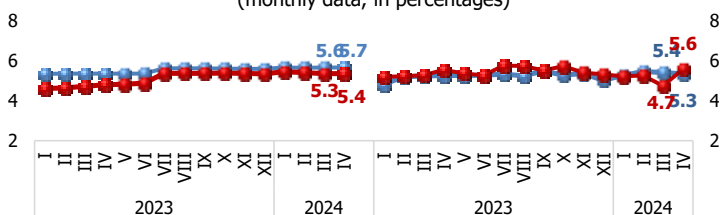
(end of year data, in percentages)



Source: NBRNM.

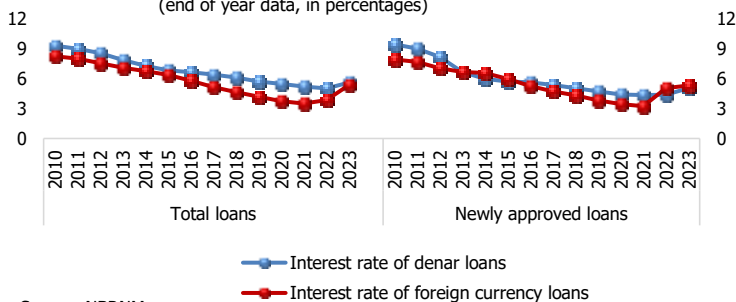
Total loans interest rates

(monthly data, in percentages)



In April 2024, the interest rates on **total household and corporate loans registered minor increase compared to the previous month**. Interest rates on **newly approved household loans**¹⁶ slightly decreased, while the change in companies was upward.

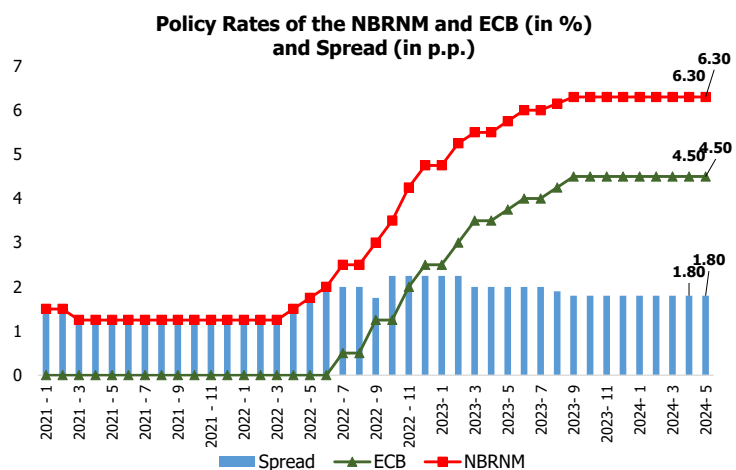
(end of year data, in percentages)



Source: NBRNM

¹⁶ 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.

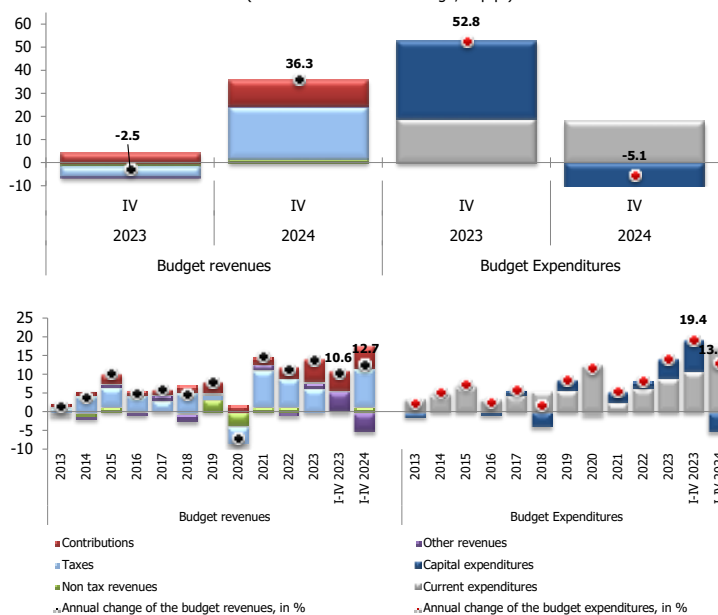
MONETARY SECTOR



The spread between the policy rates of the National Bank and the European Central Bank remains stable and unchanged.

Budget revenues and expenditures

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

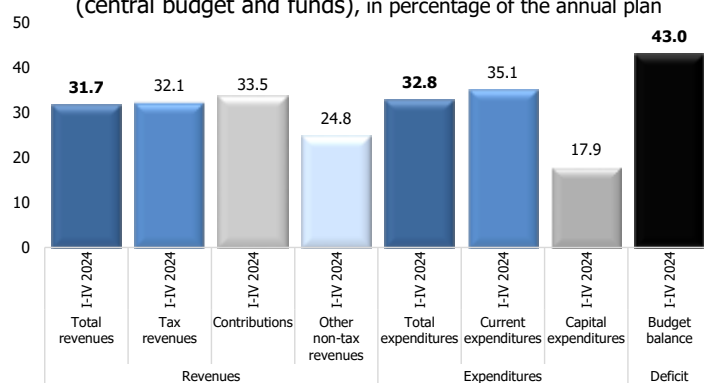


In April 2024, the revenues in the Budget of the Republic of North Macedonia (central budget and budgets of funds) registered a significant annual growth, which is primarily due to the increased collection of revenues from VAT and contributions, amid reduction of budget expenditures, which mostly results from the lower capital expenditures¹⁷.

In the period January - April 2024, total budget revenues went up by 12.7% compared to the same period last year, while the total budget expenditures were higher by 13.0%.

Budget implementation, per categories

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

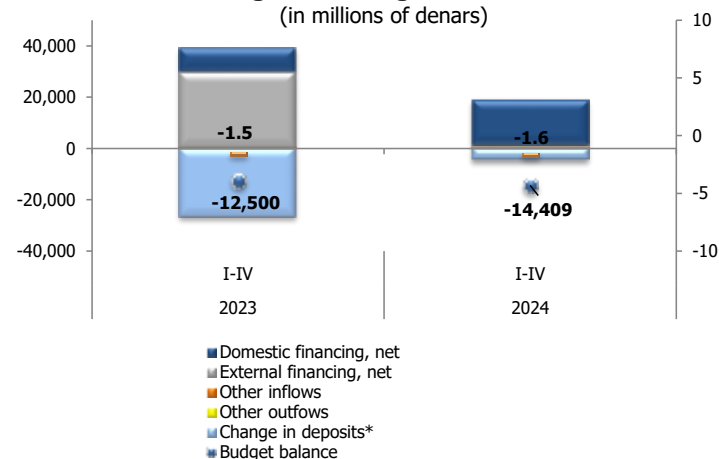


The realized budget deficit in the first four months in the amount of Denar 14,409 million accounts for 43.0% of the deficit planned for 2024 in accordance with the Budget¹⁸...

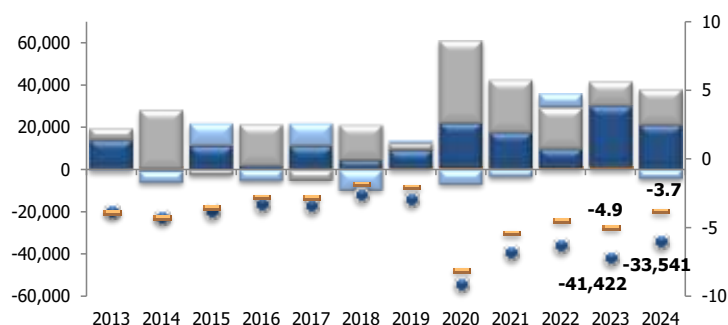
¹⁷ Capital expenditures are lower due to the base effect of April 2023 when a higher amount was paid for road structure financing for the Corridors 8 and 10d project.

¹⁸ Official Gazette of the Republic of North Macedonia No. 283 of 28.12.2023.

Financing of the budget balance (in millions of denars)

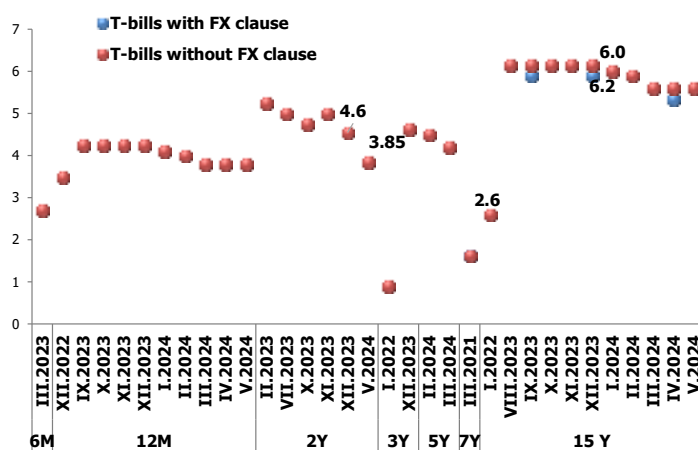


... it is mainly financed by net government borrowing on the domestic market, and to a small extent on the foreign market, while government deposits with the National Bank increased.



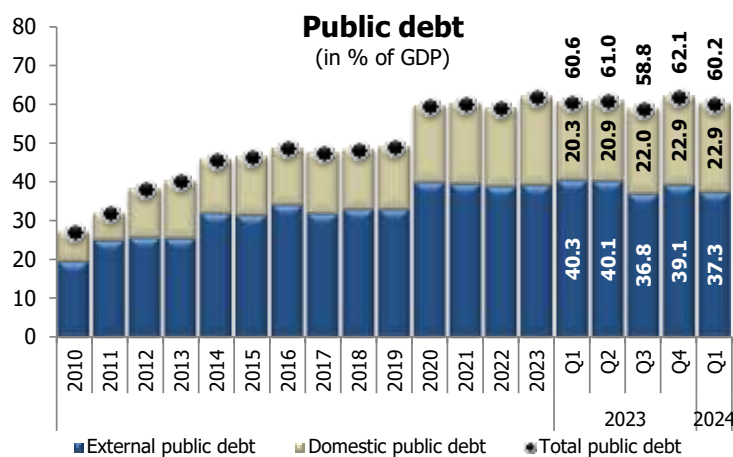
* Positive change: deposits withdrawal; negative change: deposits accumulation.
Source: MoF.

Interest rates of T-Securities in percent



In May 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 a longer period, two-year government bonds without currency clause were again issued, at an average weighted interest rate of 3.58%.

Source: Ministry of Finance



Source: NBRNM's calculations based on data from the Ministry of Finance.

At the end of the first quarter of 2024, **public debt**¹⁹ equaled 60.2% of GDP (62.1% of GDP at the end of the previous quarter), influenced by the reduction of external public debt.

¹⁹ The public debt is defined under the Law on Public Debt (Official Gazette of the RM No. 62/2005, 88/2008, 35/2011, 139/2014 and 98/2019) as the sum of government debt and public debt 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.

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
	<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	3.7
VAT revenues*	29.2	9.5	3.7	-7.7	-15.0	-9.5	-10.7	-1.5	1.6	16.9
Imports of consumption goods*	-2.8	-1.5	-2.1	-9.9	2.0	4.7	1.4	14.5	15.3	28.4
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
Counsumer credits*	-0.5	-5.6	-9.2	-9.3	-6.6	-2.4	0.0	3.1	2.9	3.0
Average net wage*	0.0	-1.7	-4.6	-4.6	-2.8	3.6	6.6	12.8	12.5	-
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

* 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
	<i>real annual growth rates in %, except for FDI in million denars</i>									
Imports od capital goods*	6.9	5.6	10.9	-1.3	-3.9	-1.9	-5.5	3.0	10.9	27.4
Completed construction works**	-12.2	-5.9	-20.4	-12.8	12.4	-20.8	-8.8	10.7	2.8	-
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
Government investments*	-16.4	25.0	-47.3	55.6	-6.8	313.0	29.1	-4.0	27.6	-87.2
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
Final product stocks	11.5	9.2	11.1	10.5	-3.1	-2.4	-3.8	-0.6	9.3	-

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

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

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

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