

National Bank of the Republic of North Macedonia
MONETARY POLICY AND RESEARCH DEPARTMENT



Recent Macroeconomic Indicators
Review of the Current Situation

March 2025

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 (December 2024 - February 2025) and to make a comparison with the latest macroeconomic forecasts (October 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 expectations about the global economy in the period 2025-2026 still indicate its stable growth, while the growth risks are mainly downward. They largely refer to the escalation of geopolitical tensions and uncertainty over trade policies, with potential effects on inflation as well, which could slow down the ongoing process of monetary relaxation with an adverse impact on fiscal and financial sustainability, and are additionally related to the possible smaller growth of major economies as well as to climate change. In contrast, a faster disinflation process, continuing larger easing of monetary policy and financial conditions, and stronger than expected growth in major economies could contribute to higher global growth.

Analyzed by the individual quantitative external environment indicators significant for the Macedonian economy, the assessment of the increase in the **foreign effective demand** has been corrected downwards compared to October for the entire forecasting round, while as for the **foreign effective inflation**, the 2024 performance and the projections for the next two years are similar to those made in October. Regarding the exchange rate, the latest forecasts indicate a higher value of the US dollar against the euro in the period 2025-2026 in comparison with October. Revisions in different directions have been made in the **global primary commodities prices** have been made, with oil, copper and especially corn prices being adjusted upwards in 2025 and mostly downwards for 2026. On the other hand, the corrections in nickel and wheat prices for 2025 are downward, while for 2026 they are upward. However, the movements and the assessments of the prices of primary commodities are strongly influenced by the geopolitical developments, which creates great uncertainty about their future dynamics and effects on the global and domestic economy.

Regarding the one-month **EURIBOR**, the performance is in line with the expectations, and the latest forecasts for 2025 and 2026 have been revised slightly downwards, in line with the expectations for reduction of ECB interest rates in the forthcoming period, slightly faster than previously expected. These expectations are also confirmed by the ECB's decision in March to further reduce interest rates by 0.25 pp, in conditions where the disinflation process is in line with the expectations, but the economy continues to face challenges, which partly stem from the high uncertainty related to trade policy. Hence, the ECB's economic growth forecasts have been revised slightly downwards compared to the December 2024 forecasts, with growth of 0.9% being expected for 2025, followed by a gradual growth acceleration up to 1.2% and 1.3% in 2026 and 2027, respectively¹. Regarding the inflation forecasts, the estimate for 2025 has been revised slightly upwards compared to December 2024 and is expected to be 2.3%, and then to decrease to 1.9% in 2026 and 2% in 2027, respectively, similar to December².

The latest macroeconomic indicators of the domestic economy are mainly in line with the October forecasts, but with minor deviations in certain segments. In the last quarter of 2024, **real GDP growth accelerated slightly and reached 3.2 % annually** (growth

¹ The December forecasts envisaged economic growth rates of 1.1% in 2025, and 1.4%, 1.3% in 2026 and 2027, respectively.

² The December inflation forecast equaled 2.1%, 1.9% and 2.1% for 2025, 2026 and 2027, respectively.

of 3.0% in the previous quarter), amid further growth also on a quarterly basis (according to the seasonally and calendar adjusted data of the SSO). This rate is almost the same as the October forecast for the annual growth in the fourth quarter. Analyzed by components, the annual growth arose from the domestic demand, given increase in all three categories, while the net exports registered negative contribution, amid decrease in the export and increase in the import of goods and services. **During entire 2024, real annual GDP growth rate of 2.8% was registered, and is higher than forecasted in October forecasting round (2.3%³).** The currently available high frequency data for the first quarter of 2025 are limited. At the moment, January data show solid growth of industrial output, while the total trade turnover registered minor real decline. **The annual inflation rate in February was 5%** and remained at a level to the one in the previous month (4.9%), influenced by the lower comparison base from the same period last year, when measures to mitigate price growth were in force. Analyzed by structure, the price growth stems from food and basic components, while energy prices recorded a slight decline. **The consumer expectations** in February surveys indicate more pronounced decrease in the prices in the coming period. **The inflation spread in the euro area** stabilized in January. Revisions in relation to import prices are mainly upward, although the uncertainty arising from the future dynamics of primary commodities prices in markets due to the geopolitical tensions and climate changes, is still present.

At the end of February 2025, foreign reserves equaled Euro 4,861.3 million. The analysis of foreign reserves adequacy indicators shows that they remain in the safe zone.

In January 2025, foreign trade data indicate a trade deficit for the first quarter of the year, which is somewhat lower than expected according to October forecast, although the period is too short to give more precise assessment. Currency exchange operations data as of February 2025 indicate net inflows based on private transfers, which are slightly lower than expected for the first quarter according to the October forecast. The realized current account deficit of the balance of payments was slightly higher in the fourth quarter of 2024 than expected in the October forecast, simultaneously registering higher net financial inflows than anticipated.

Regarding the **developments in the monetary sector**, the total **deposits** in January 2025 increased by 10.0%, annually, amid annual growth for the first quarter of 8.0% as forecasted in October. **Total loans of the private sector** grew by 11.3% in January 2025, having in mind the annual growth of 7.5% for the first quarter according to the October forecast. The increase in the newly approved loans decelerated as of January 2025, resulting from the decelerated increase with companies. The amount of total new loans approved to the private sector in the last 12 months, as of January 2025, registered decelerated annual growth, on average.

In January 2025, the Budget of the Republic of North Macedonia registered a deficit of Denar 2,706 million or 6.5% of the forecasted deficit for 2025. The budget deficit is financed through net government borrowing on the domestic market and small deposits consumption, amid government net deleveraging on the foreign market.

The key macroeconomic indicators are generally in line with the latest forecasts.

In conditions of a lower comparison base, as well as with further price growth on a monthly basis, the annual inflation rate in February remained at a similar level as in the previous month. The expectations for the import prices in the coming period have been revised largely upwards compared to those in the October forecasts. On the other hand, the European Commission's surveys as of February indicate consumers' expectations for larger price reduction in the following 12 months. The available high frequency data on the first quarter of 2025 are limited for now, the January data show slight increase in the industrial output, while the total trade turnover registered small real decrease. Foreign exchange market remained stable, while the change in foreign reserves is generally close to

³ The higher growth realized for the entire 2024 is partly due to the upward data revisions for Q1 and Q2 2024 in the GDP release of the State Statistical Office of December 2024 i.e. after the end of the macroeconomic forecasting round of the National Bank.

expectations. Simultaneously, the performance in both deposits and credits in January 2025 are better than the expectations for the first quarter.

Selected economic indicators ^{1,4}									2024																2025		
	2016	2017	2018	2019	2020	2021	2022	2023	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
I. Real sector indicators																											
Gross domestic product (real growth rate, y-o-y) ^{1,4}	2.8	1.1	2.9	3.9	-4.7	4.5	2.8	2.1																			
Industrial production ^{2,4}																											
y-o-y	3.4	0.2	5.4	3.7	-9.6	1.5	-0.2	0.6	2.9	0.3	-10.5	-3.0	-1.2	-13.2	-6.5	-7.1	3.8	-1.6	-7.9	-2.1	-1.1	-3.4	-1.4	-2.0	-3.6	1.4	
cumulative average	3.4	0.2	5.4	3.7	-9.6	1.5	-0.2	0.6	2.9	1.5	-3.0	-3.0	-2.6	-4.9	-5.2	-5.2	-3.9	-3.6	-4.2	-4.2	-3.8	-3.8	-3.6	-3.6	-3.6	1.4	
Inflation ^{3,4}																											
CPI inflation (y-o-y) ^{3,4}	-0.2	2.4	0.9	0.4	2.3	4.9	18.7	3.6	3.2	3.0	4.0	3.4	4.0	4.5	3.2	3.9	3.0	2.2	2.6	2.6	3.5	4.3	4.4	4.1	4.4	4.9	
CPI inflation (cumulative average)	-0.2	1.4	1.5	0.8	1.2	3.2	14.2	9.4	3.2	3.1	3.4	3.4	3.6	3.8	3.7	3.7	3.6	3.4	3.3	3.3	3.3	3.4	3.5	3.5	3.5	4.9	
Core inflation (cumulative average)	1.3	2.3	1.5	0.5	0.9	2.4	7.1	8.0	5.1	4.9	4.9	4.9	4.7	4.9	4.9	4.9	5.0	5.0	5.1	5.1	5.2	5.2	5.2	5.2	5.2	6.1	
Core inflation (y-o-y) ^{3,4}	1.0	2.8	1.4	-0.3	1.9	2.9	18.8	5.4	5.1	4.7	5.1	4.9	4.1	5.5	4.7	4.8	5.6	5.3	5.6	5.5	5.9	5.4	5.5	5.6	5.5	6.1	
Labor force																											
Unemployment rate ^{3,4}	23.7	22.3	20.6	17.1	36.2	15.4	14.4	13.0				12.9				12.5				12.3				11.9	12.4		
II. Fiscal indicators ⁵																											
(Central Budget and Budgets of Funds)																											
Total budget revenues	169,356	179,673	188,505	203,822	289,554	238,021	243,085	277,127	21,447	23,193	24,778	69,428	28,889	23,746	22,245	74,880	26,746	24,342	25,182	78,270	28,011	25,987	29,056	113,054	305,622		
Total budget expenditures	185,407	196,561	200,071	217,445	243,421	256,906	278,586	318,574	26,948	28,896	28,242	84,086	28,633	31,381	24,054	84,068	26,642	26,237	26,579	79,498	26,888	31,536	41,631	100,059	347,667		
Overall balance (cash)	-16,051	-16,888	-11,566	-13,623	-53,867	-38,885	-35,511	-41,447	-5,501	-5,703	-3,464	-14,668	296	-7,635	-1,809	-9,188	2,104	-1,895	-1,397	-1,188	1,123	-5,549	-12,575	-17,001	-42,045		
Overall balance (in % of GDP) ⁴	-2.7	-2.7	-1.8	-2.0	-8.0	-5.3	-4.4	-4.6	-0.6	-0.6	-0.4	-1.6	0.0	-0.9	-0.2	-1.0	0.2	-0.2	-0.2	-0.1	0.1	-0.6	-1.4	-1.9	-4.7		
III. Financial indicators ^{6,7}																											
Broad money (M4), y-o-y growth rate	6.2	5.1	11.8	9.3	6.9	7.0	5.1	8.7	10.0	9.5	9.5	9.5	9.3	8.5	7.6	7.6	7.6	9.2	8.6	8.6	10.7	10.6	11.4	11.4	11.4	10.4	
Total credits, y-o-y growth rate	-0.1	5.4	7.3	6.0	4.7	8.3	9.4	5.1	5.7	6.5	6.1	6.1	6.8	6.8	6.4	6.4	7.3	7.5	7.5	7.5	9.2	9.7	11.2	11.2	11.2	11.3	
Total credits - households	7.0	9.2	10.3	10.5	8.0	7.8	7.3	6.7	6.9	7.2	6.8	6.8	7.0	7.0	7.1	7.1	7.5	7.2	7.7	7.7	8.2	8.2	8.8	8.8	8.8	8.8	
Total credits - enterprises	-5.3	2.3	4.5	1.9	1.1	8.7	11.5	3.3	4.3	5.9	5.4	5.4	6.6	6.4	5.8	5.8	7.3	8.1	7.5	7.5	10.4	11.5	13.9	13.9	13.9	14.2	
Total deposits (incl. demand deposits), y-o-y growth rate ⁸	6.1	5.0	12.1	9.0	5.7	7.5	4.9	9.1	10.3	9.6	9.6	9.6	9.6	8.6	7.6	7.6	7.5	9.0	8.4	8.4	10.7	10.4	11.4	11.4	11.4	10.0	
Total deposits - households	2.5	6.1	9.5	7.9	4.6	7.1	5.8	7.9	7.8	8.6	8.7	8.7	10.8	10.2	8.9	8.9	9.6	12.0	11.2	11.2	11.7	13.3	13.8	13.8	13.8	14.2	
Total deposits - enterprises	13.4	2.1	9.5	14.6	30.1	11.6	3.7	13.2	15.9	12.3	12.2	12.2	8.0	5.0	4.7	4.7	3.9	3.8	4.7	4.7	10.0	7.0	9.2	9.2	9.2	5.7	
Interest rates ⁹																											
Interest rates of CBs (end of month/quarter/year)	3.75	3.25	2.50	2.25	1.50	1.25	4.75	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.05	6.05	5.80	5.80	5.95	5.55	5.55	5.95	
Lending rates																											
denar rates	7.0	6.6	6.1	5.6	5.2	4.9	4.6	5.4	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.8	5.9	5.8	5.8	5.7	5.8	5.8	5.7	
fx rates (aggregated, incl. fx and denar with fx clause)	5.7	5.3	4.9	4.6	4.3	4.1	4.0	5.1	5.1	5.1	5.0	5.1	5.0	5.0	5.0	5.0	5.0	4.9	4.9	4.8	4.9	4.8	4.7	4.7	4.9	4.5	
Deposit rates																											
denar rates	2.5	2.2	2.0	1.9	1.5	1.2	1.1	1.8	2.2	2.3	2.3	2.3	2.3	2.3	2.4	2.3	2.4	2.4	2.5	2.4	2.6	2.6	2.7	2.6	2.4	2.7	
fx rates (aggregated, incl. fx and denar with fx clause)	1.0	0.9	0.8	0.8	0.6	0.5	0.4	1.0	1.3	1.3	1.4	1.4	1.4	1.5	1.5	1.4	1.5	1.5	1.6	1.5	1.6	1.7	1.7	1.7	1.5	1.6	
IV. External sector indicators																											
Current account balance (millions of EUR)	-252.5	-78.3	22.38	-334.7	-318.0	-329.0	-801.3	55.6	-44.7	-83.8	-68.4	-196.8	-94.5	-57.8	-6.4	-188.8	78.4	131.3	41.8	251.5	-15.8	-184.4	-91.3	-291.4	-355.5		
Current account balance (% of GDP)	-2.6	-0.8	0.21	-3.0	-2.9	-2.8	-6.1	0.4	-0.3	-0.5	-0.4	-1.3	-0.4	-0.4	0.0	-0.8	0.5	0.9	0.3	1.6	-0.1	-1.2	-0.6	-1.9	-2.3		
Trade balance (millions of EUR) ¹⁰	-1,786.2	-1,816.2	-1,811.4	-2,007.7	-1,816.6	-2,715.7	-3,829.7	-2,825.2	-2,49.9	-2,87.1	-2,71.3	-808.2	-306.7	-286.8	-213.1	-806.6	-300.5	-228.6	-193.1	-750.1	-280.9	-284.6	-370.7	-996.1	-3,281.1	-2,70.1	
Trade balance (% of GDP)	-18.0	-18.1	-16.9	-17.8	-16.7	-22.9	-38.9	-19.4	-1.6	-1.9	-1.8	-5.2	-2.0	-1.9	-1.4	-5.2	-2.0	-1.5	-1.3	-4.7	-1.8	-1.8	-2.4	-6.1	-21.3	-1.7	
Imports (millions of EUR)	-6,176.5	-6,804.9	-7,676.3	-8,441.0	-7,594.5	-9,638.3	-12,130.8	-11,148.5	-800.5	-944.4	-952.7	-2,737.6	-1,018.9	-890.5	-897.3	-2,896.8	-946.7	-851.1	-864.0	-2,661.7	-983.8	-937.1	-935.3	-2,886.2	-1,106.2	-949.1	
Exports (millions of EUR)	4,390.3	5,018.7	5,872.4	6,433.3	5,777.9	6,922.6	8,301.2	8,932.8	550.6	657.3	721.5	1,829.4	712.2	603.8	684.2	2,090.1	638.2	622.5	670.9	1,931.6	702.9	652.6	564.6	1,930.1	778.1	578.9	
rate of growth of imports (y-o-y)	6.5	10.7	12.3	10.0	-10.0	26.9	25.9	-8.1	-5.8	3.2	-0.2	-0.8	18.9	-9.6	-4.1	1.0	5.5	-1.6	-8.8	-1.8	0.1	-2.1	-2.6	-1.5	-0.8	6.1	
rate of growth of exports (y-o-y)	7.4	14.3	17.0	9.6	-10.0	19.8	19.9	0.3	-11.4	-8.6	-8.2	-9.3	7.6	-21.6	-1.4	-5.9	-8.3	12.1	-9.0	-2.9	-0.4	-9.2	-14.2	-7.8	-6.5	5.1	
Foreign Direct Investment (millions of EUR)	316.9	179.9	603.7	363.3	154.7	-387.5	-654.2	-488.1	-79.0	-76.6	-121.4	-277.0	-110.4	-77.2	-30.7	-283.3	-95.7	-63.7	-78.2	-237.6	-111.4	-97.1	-146.6	-355.2	-1,088.1		
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	11,356.1				11,820.2				11,879.2				11,856.7							
public sector	3,445.3	3,461.8	3,756.2	3,836.6	4,301.5	4,802.0	5,206.8	5,577.9				5,826.0				5,731.4				5,520.9							
public sector/GDP (in %)	35.7	34.5	35.1	34.2	40.4	40.9	39.3	38.2				37.8				37.2				35.8							
private sector	3,771.2	3,910.7	4,087.5	4,317.8	4,234.6	4,774.6	5,583.2	5,778.1				5,994.2				6,147.8				6,335.8							
Gross external debt/GDP (in %)	74.7	73.4	73.3	72.7	80.3	81.6	81.5	77.9				76.6				77.0				76.9							
Gross official reserves (millions of EUR) ¹¹	2,613.4	2,336.3	2,067.1	3,262.6	3,359.8	3,643.3	3,862.9	4,538.5	4,337.3	4,548.1	4,287.1	4,287.1	4,329.0	4,293.6	4,337.5	4,337.5	4,428.6	4,469.8	4,406.6	4,406.6	4,975.6	4,920.0	5,020.0	5,020.0	5,041.4		

(1) Excluding the value-added tax (VAT) 2023 the annual GDP from the official announcement of SDO is used. For 2024, the projected level from NBRM's last forecasting report is used.

(2) The quarterly data for 2022 are preliminary and for 2023 are not revised (from release for quarterly data on GDP as of 03.06.2024). The annual data for 2021 are final (NBRM's recommendation for annual data for GDP from 20.08.2022), and for 2022 is preliminary data (NBRM's recommendation for annual data for GDP from 03.11.2022).

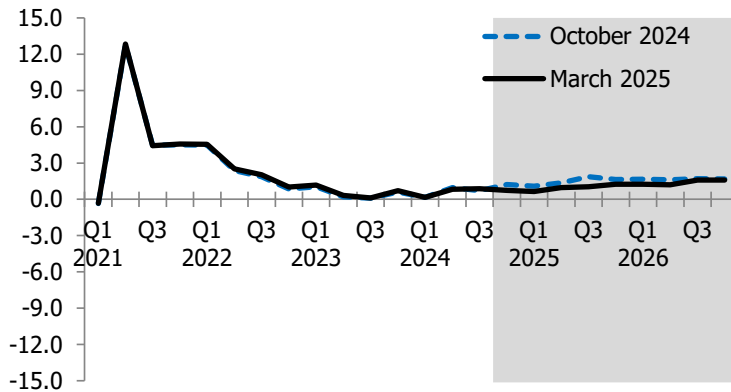
(3) The changes of index of inflation calculation are according to base year 2021=100.

(4) CPI included according to GDP (2021=100).

(5) The rate on annual basis corresponds to end-year inflation (December current year/December previous year).

(6) The calculations are based on the New Method

Foreign effective demand
(annual changes in %)

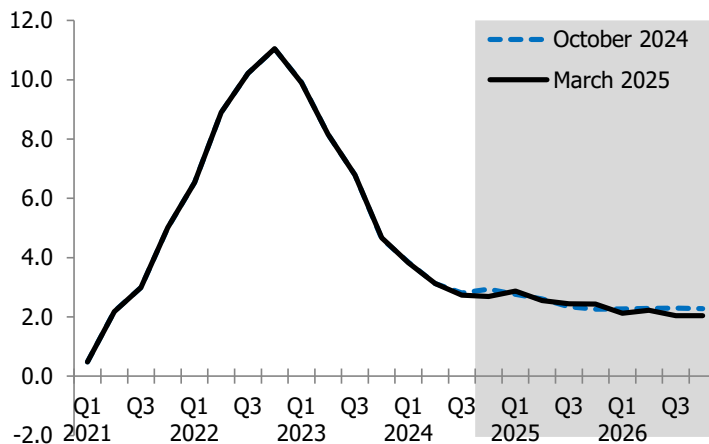


The **foreign demand** has been revised downwards for the entire forecasting round....

...mainly due to the estimates for a smaller growth of the German economy⁴.

Source: Consensus forecasts and NBRNM calculations.

Foreign effective inflation
(annual rates in %)

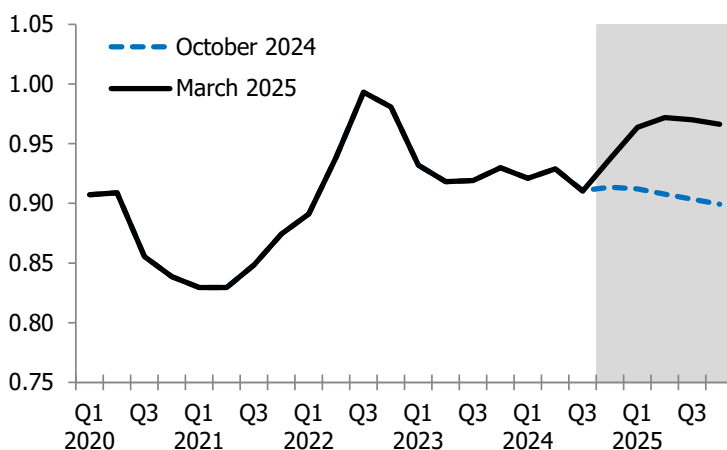


In 2024, **foreign effective inflation** registered an increase of 3.1%, similar to that anticipated in October...

... with the estimates for 2025 and 2026 also being similar to the October forecasts, with its gradual slowdown still being expected.

Source: Consensus forecasts and NBRNM calculations.

EUR/USD exchange rate

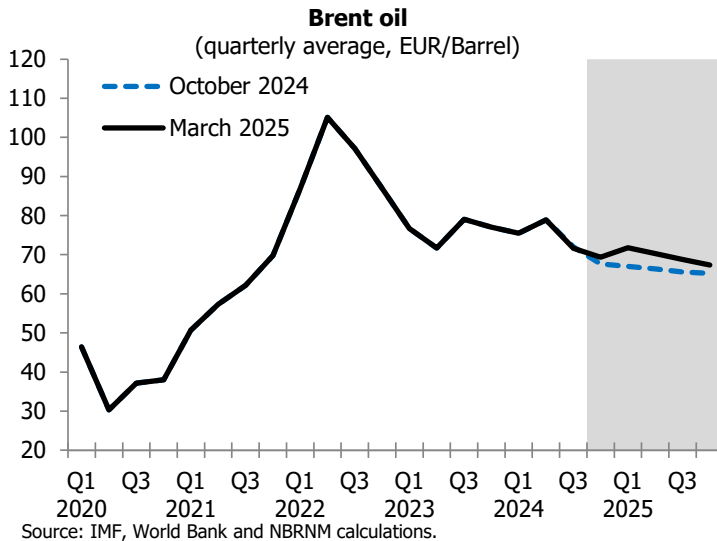


The latest estimates of the **euro/US dollar exchange rate** indicate stronger value of the US dollar against the euro in the following period...

...whereby an appreciation, instead of depreciation, of the US dollar being projected for 2025, and its smaller depreciation in the coming year than forecasted in October.

Source: Consensus forecasts and NBRNM calculations.

⁴Projected decrease in Germany of 0.3% in 2024 and growth of 0.3% and 0.9% in 2025 and 2026, respectively, compared to 0%, 1% and 1.3% in October.



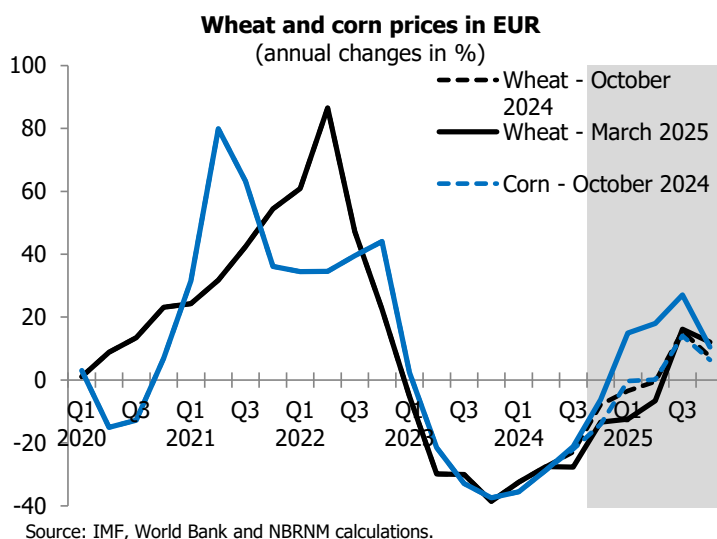
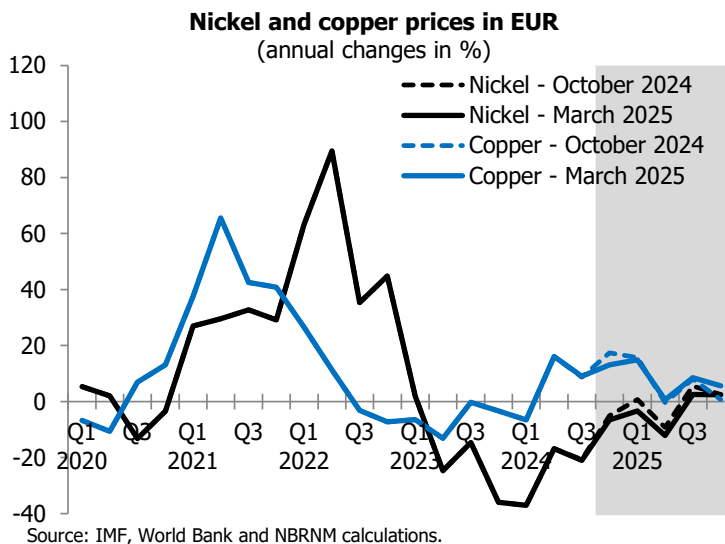
The latest estimates for the primary commodity prices denominated in euros for the period 2025-2026 point to divergent revisions.

Namely, in 2025, an upward revisions for the prices of oil, copper and especially corn were registered, while for the prices of nickel and wheat, the corrections were downward compared to October...

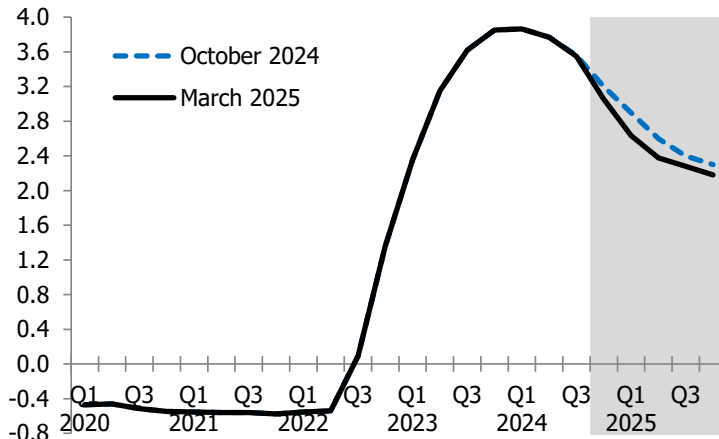
... as a result of exchange rate differentials (appreciation of the US dollar) with oil and copper and reduced stocks of corn...

... and at a higher level of production and supply for wheat and nickel.

In 2026, compared to the October estimates, a larger fall in oil prices is expected, a minimal decline instead of increase in corn prices, and a stronger growth in wheat and nickel prices.



1-month Euribor
(quarterly average, in %)

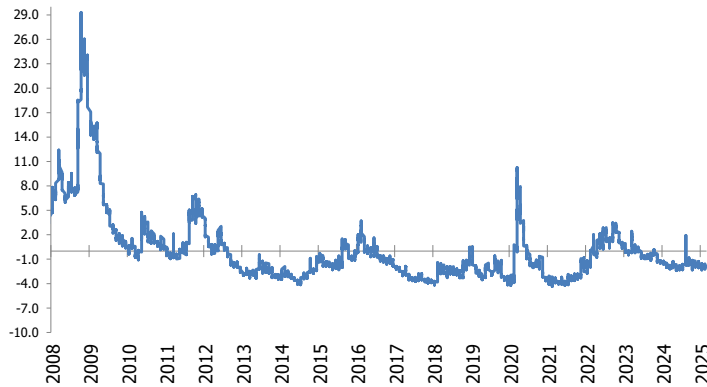


Source: Consensus forecasts and NBRNM calculations.

Slight downward corrections for 2025 and 2026 were made in **one-month EURIBOR**...

...in accordance with the expectations for a slightly faster interest rates reduction by the ECB than previously expected in October, in line with the worsened expectations for economic activity in the euro area.

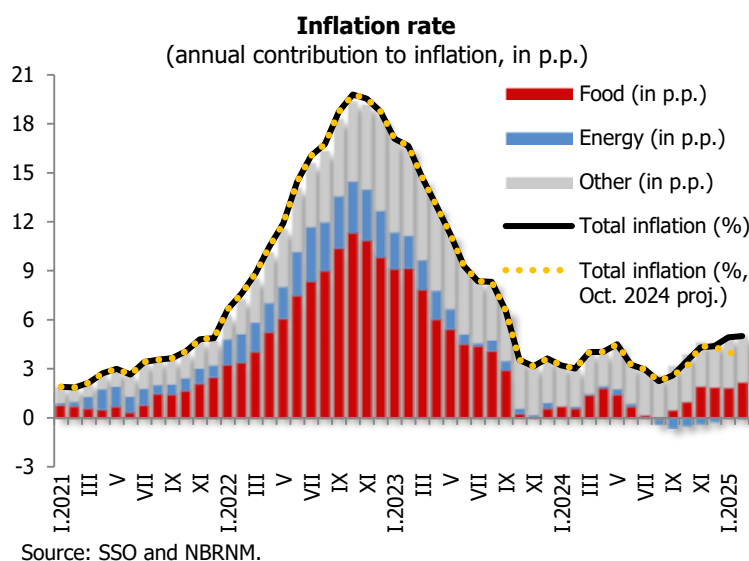
Financial Stress Index



Source: Office of Financial Research, US Financial Stability Oversight Council.

The global financial stress indicator⁵ continues to point to a slight financial market volatility.

⁵ 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.



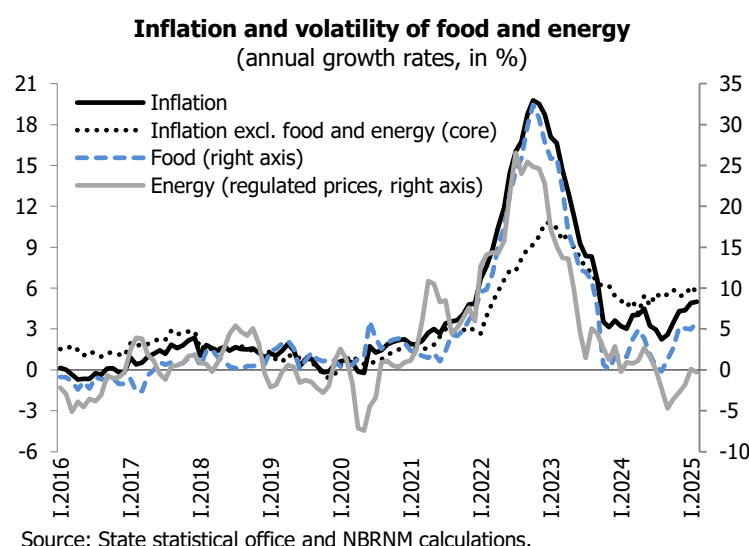
In February 2025, domestic consumer prices increased by 0.5% on a monthly basis (0.2% in January) mainly due to the increased food prices.

Food products registered a monthly rise in the prices of 1.4%⁶ (unchanged in January), with growth being recorded in all price categories, mostly driven by increased prices of meat and "bread and cereals" and "milk, cheese and eggs" categories.

Energy prices recorded an increase of 0.5%, mainly as a result of the increased prices of oil derivatives and the regulatory increase in heating energy⁷.

On the other hand, core inflation recorded a monthly decline of 0.2%, which is mostly due to the reduced prices of air traffic, mainly influenced by seasonal factors.

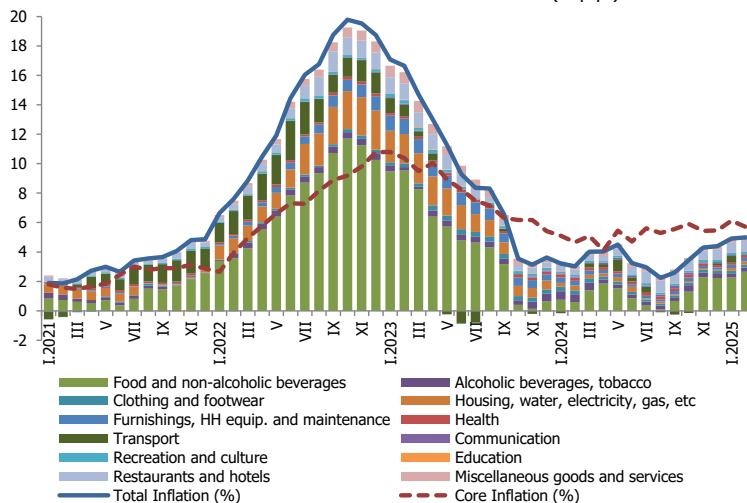
The annual inflation rate in February equaled 5.0% and remained similar to the level registered in January (4.9%). The increase in prices stems from the food and base component, while the energy prices registered a slight decline. The level of the inflation rate in this period was also affected by the lower base effect compared to the same period last year, due to the measures effective at that time in order to temporary limit the price growth.



⁶ In February, a decision on limiting the gross profit margin of 102 product groups, food and non-food was adopted, with effect from 20 February until the end of April 2025.. Margins are limited to 5%, 10% and 15%, depending on the product group, in accordance with the [decision \(link\)](#). It is expected that this measure will have a favorable effect on food prices next month due to the price recording method of the State Statistical Office.

⁷ In accordance with the decision of the Energy Regulatory Commission (ERC), in February the price for the heating energy consumers in the City of Skopje increased by 5.03%, as a result of the higher price of natural gas on world stock markets. ([link](#)).

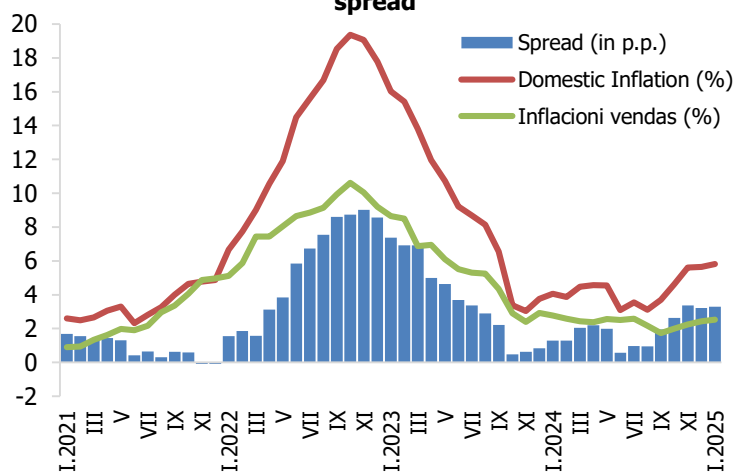
Contributions to the annual inflation rate (in p.p.)



Source: SSO and NBRNM.

The inflation spread in the euro area in January⁸ is stable, amid minimal acceleration in both euro area and domestic inflation.

Domestic and eurozone headline inflation spread



Source: Eurostat.

The consumer expectations⁹ in February surveys point to stronger price drop in the coming period.

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



Source: European Commission.

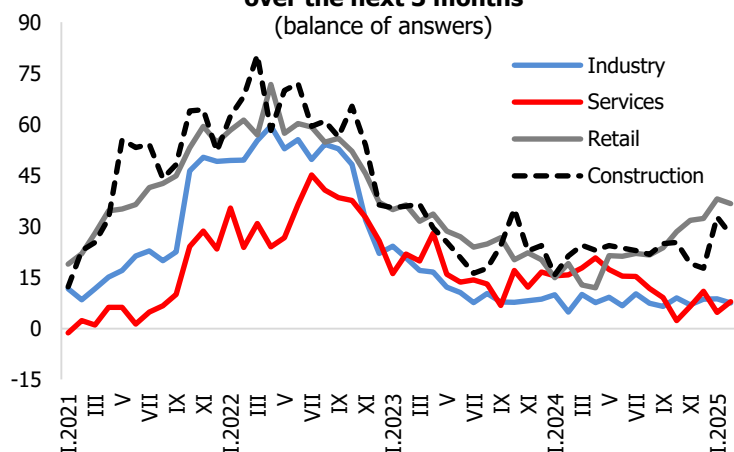
Observing the corporate sector¹⁰, the February inflation expectations for the following period are lower in construction, retail trade and manufacturing industry, while in the services sector they are higher compared to January.

⁸Based on the harmonized index of consumer prices, the latest published data of which for the country pertain to January.

⁹ Consumer Confidence Survey of the European Commission for February 2025 based on the question "consumers' expectations about price changes over the next 12 months".

¹⁰European Commission's business tendency surveys in industry, retail trade, construction and services sector.

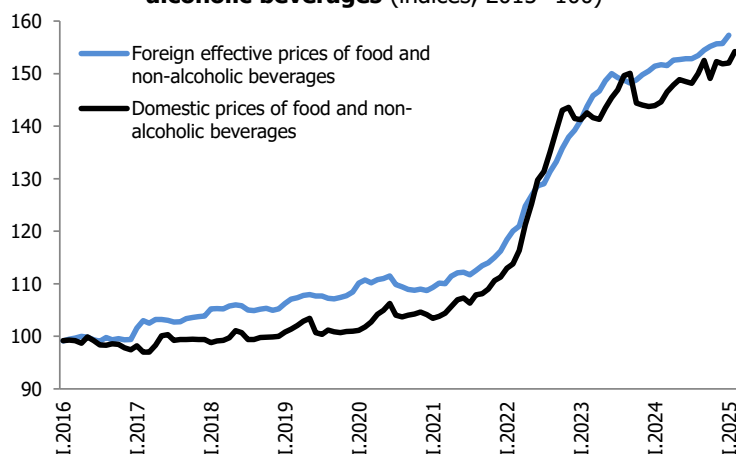
Inflation expectations of managers of enterprises over the next 3 months
(balance of answers)



Source: European Commission.

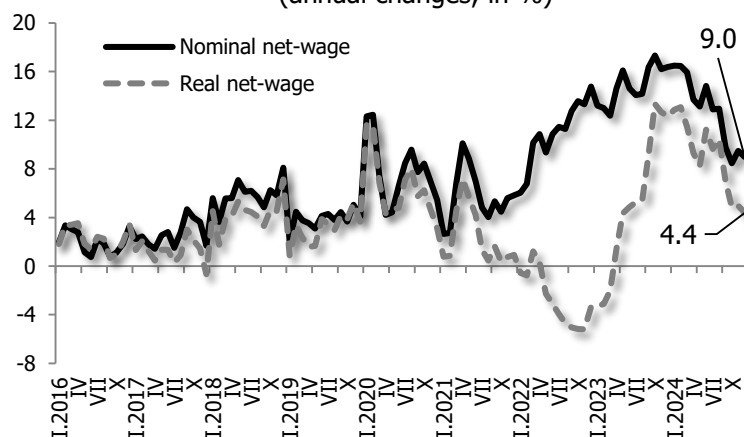
The revisions of the expected movements of the external input assumptions in the 2025 inflation forecasts are so far mainly upward, amid upward revision in oil and corn prices, and to a lesser extent, in foreign effective inflation. Thus, the uncertainty about the future dynamics of primary commodity prices remains high.

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.

Average net-wage
(annual changes, in %)

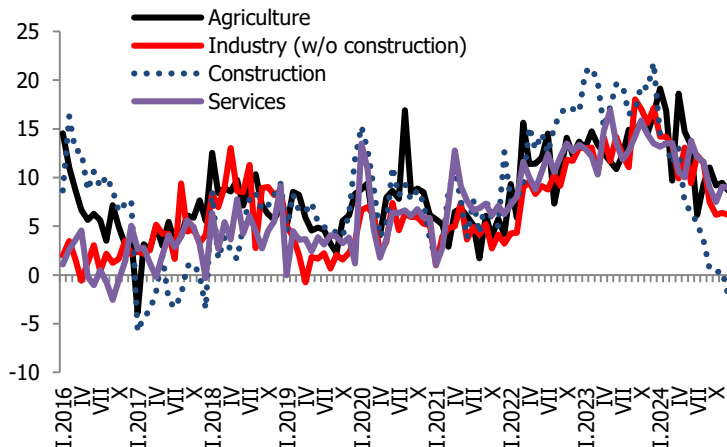


Source: SSO.

In December 2024, the **nominal average net wage** registered decelerated annual growth relative to the previous month...

... given a decrease in the wages in construction and slower growth in industry and agriculture, and relatively stable wage growth in services...

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

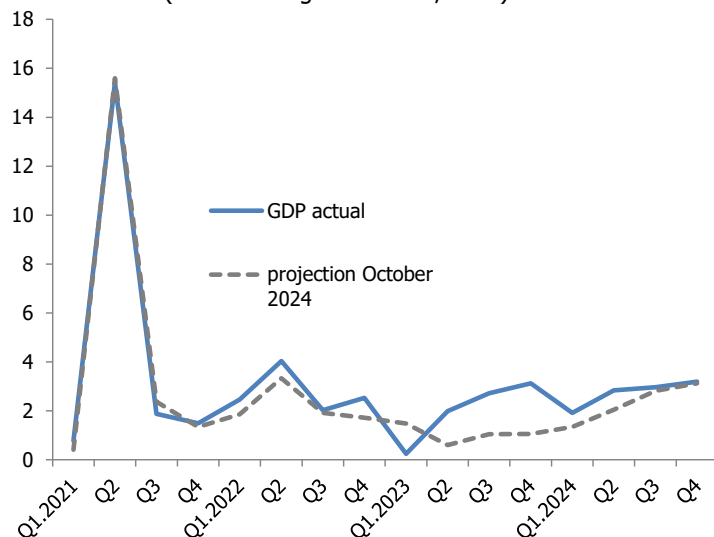


Source: SSO.

... with similar movements in the **real net wage**, the growth of which also decelerated in this period.

The nominal and real annual wage growth in the fourth quarter of 2024 is slightly higher compared to the expectations for the fourth quarter within the October forecast.

Gross domestic product
(real annual growth rates, in %)



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.

The real GDP growth in the fourth quarter of 2024 accelerated slightly to 3.2% annually (increase of 3% in the previous quarter)...

... and is almost identical to the projected growth for this quarter in the October forecasting round.

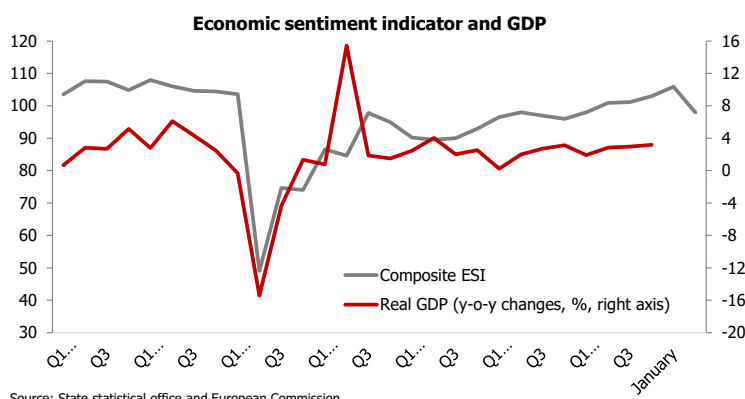
Analyzed by the expenditure side of the GDP, the growth registered in the fourth quarter is due to the positive contribution of all components of domestic demand. On the other hand, the contribution of the net export component is negative, registering a decline in exports and an increase in imports.

Analyzed by the production side of the GDP, the growth is generally dispersed, but it largely results from the positive contribution of construction, as well as from the "trade, transport catering" group of activities. On the other hand, there is a small negative contribution in industry.

The GDP registered real increase of 0.8% on a quarterly basis¹¹.

Having a limited scope of available data, it is difficult to provide precise assessment

¹¹According to the seasonally and calendar adjusted data of the SSO.



of the overall condition of the economy in the first quarter of 2025.

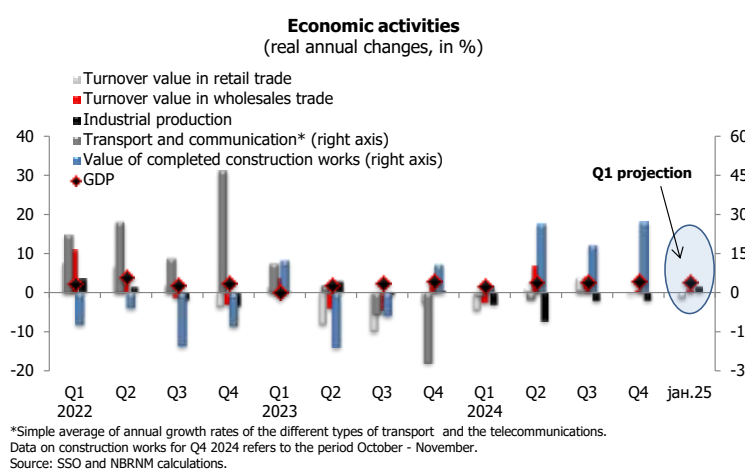
The results of the surveys for the period January-February 2025 point to more favorable perceptions for the first quarter of 2024, while they are less favorable regarding the previous quarter¹².

In January, **the industrial output** registered real annual growth, as opposed to the decline in the previous quarter...

... fully due to the increase in the manufacturing industry, while mining and energy registered minor negative contribution.

In January, **the total trade turnover** registered a real decline on an annual basis, as opposed to the small increase in the previous quarter...

... in conditions of decrease in retail trade and trade in motor vehicles, while the wholesale trade registered a slight increase.



INDUSTRIAL OUTPUT AND OTHER ECONOMIC ACTIVITIES													
	2022				2023				2024				2025
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Jan.
real annual changes in %													
Gross domestic product	2.5	4.0	2.0	2.5	0.2	2.0	2.7	3.1	1.9	2.8	3.0	3.2	-
Industrial output*	3.5	1.3	-1.8	-3.4	0.1	2.7	-0.7	0.4	-3.0	-7.1	-2.1	-2.0	1.4
Construction	-12.2	-5.9	-20.4	-12.8	12.4	-20.8	-8.8	10.7	2.8	26.4	18.2	27.2	-
Building	-26.6	12.4	-10.0	6.2	12.2	-20.0	-9.8	-18.3	-34.0	-5.3	13.2	23.4	-
Civil Engineerings	4.2	-13.4	-26.9	-27.2	10.5	-22.6	-7.2	37.1	31.6	48.6	22.7	33.3	-
Specialized construction works	-27.3	-55.3	-21.9	43.5	69.0	10.6	-21.2	11.3	-3.3	98.0	7.0	-27.0	-
Retail and wholesale trade	9.7	4.0	0.4	-2.7	3.7	-5.2	-6.3	0.2	-3.3	4.0	2.9	0.4	-1.1
Retail trade	7.6	6.7	1.9	-3.7	1.4	-8.1	-9.8	-2.8	-4.5	0.9	3.7	-0.4	-1.4
Wholesale trade	11.0	2.4	-1.3	-3.0	3.8	-3.9	-4.4	2.0	-2.6	6.9	4.0	0.8	0.9

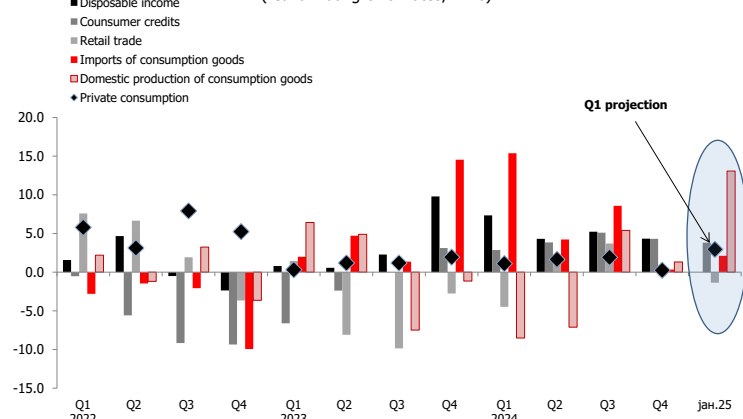
* Real growth rates are calculated by the NBRNM, by dividing nominal growth rates with annual inflation, measured by CPI. The data for trade in 2020, 2021, 2022, 2023, 2024 and 2025 is previous data, whereas data for GDP in 2023 is previous data, while for 2024 it is estimated data.
Source: SSO and NBRNM staff calculations.

The available **aggregate demand** indicators are also relatively limited, which hinders more accurate assessment of the movement of individual demand components in the first quarter of 2025.

The available **private consumption** data are mainly positive...

¹² 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).

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

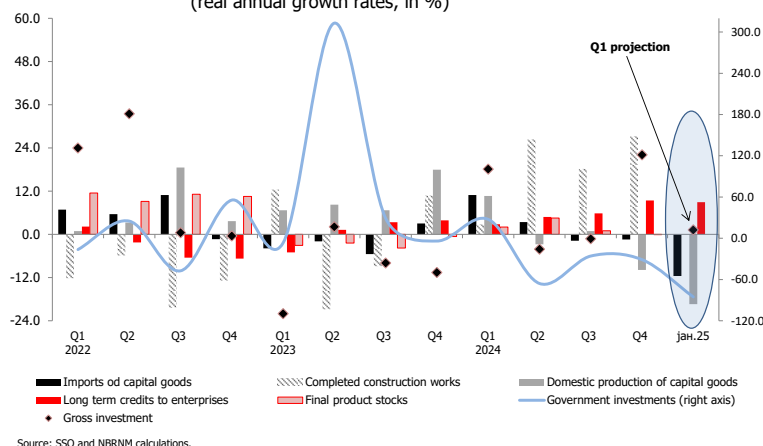


... registering annual growth in pensions¹³, household loans, import of consumer goods and domestic production of consumer goods, except retail trade and gross VAT revenues, which declined.

Regarding the January high frequency data on the **gross investments** the movements are in different directions...

... with growth in long-term corporate loans and a registered decline in government capital investments, profit tax, imports of working capital and domestic production of capital goods.

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



Foreign trade data in January 2025 indicate potential increase in deficit compared to the same period last year, amid faster nominal growth of the import relative to the export of goods.

According to the fiscal data as of January 2025, the budget performance suggests further, but slower real annual growth of **public consumption** in the first quarter of the year.

The main labor market indicators¹⁴ in the fourth quarter of 2024 kept registering positive developments on an annual basis.

The employment rate increased by 0.9 pp annually and equaled 46.2%, in conditions of an increase in the number of employees of 1.9%.

The unemployment rate reduced to 11.9% (decrease of 1.1 percentage points), amid a decrease in the number of unemployed persons of 7.9%.

¹³In October 2024, the pension linearly increased by Denar 2,500, instead of the current harmonization with the semiannual growth rate of the consumer prices and the average wage. With the Law amending the Law on Pension and Disability Insurance, around 340.000 pensioners with the right to pension insurance acquired as of 31 August, were included in the linear increase of pensions. These amendments include another linear increase in pensions of 2,500 denars in March 2025 (to be paid in April). For more information see the following [link](#).

¹⁴ 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 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, the analysis is based only on the comparable data from 2023 onwards.

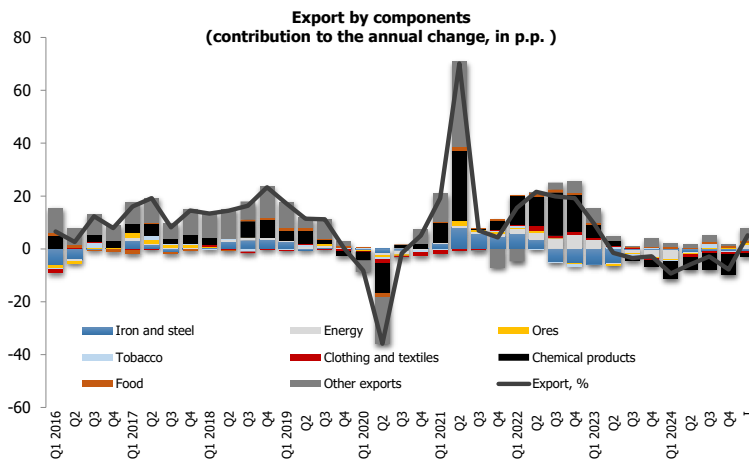
Observing labor supply, the number of active population increased by 0.6% in the last quarter, given simultaneous decrease in the inactive population of 0.8%.

In January 2025 foreign trade deficit widened by 8.1% on an annual basis, in conditions of more intensive growth of the import compared to the growth of the export of goods.

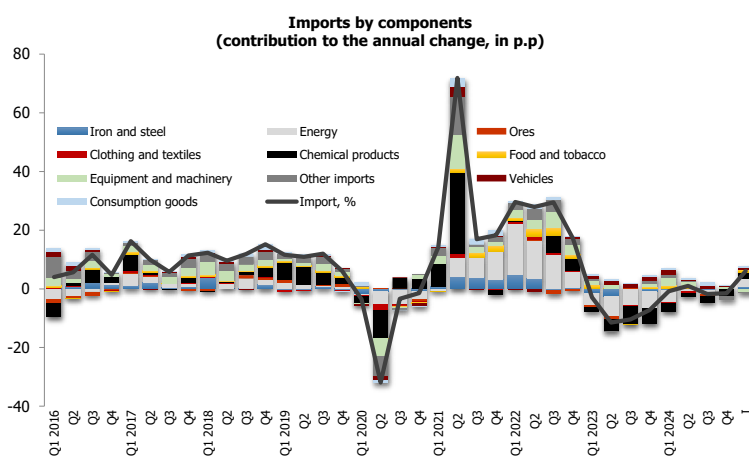
Export of goods in January 2025 registered an annual increase of 5.1%, largely as a result of higher exports from the automotive industry. However, this performance is currently below the projections for the first quarter.

In January 2025, the import of goods grew by 6.1%, annually, given higher energy raw materials imports for part of the automotive industry, but the import of equipment and machinery declined. The import performance is also slightly lower than expected, in conditions of downward deviations in the import of equipment and machinery and the import of raw materials for part of the automotive industry, and at the same time, higher energy imports.

In January 2025, the trade deficit is for now lower than the expected for the first quarter according to October forecasts, although the assessment period is very short to draw more precise conclusions.

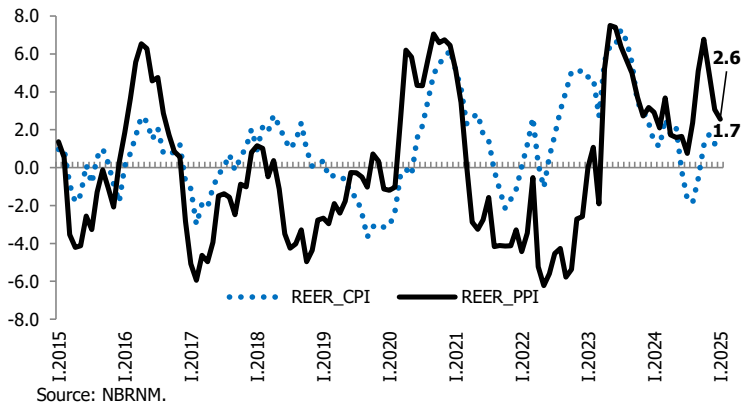


Source: NBRNM.



Source: NBRNM.

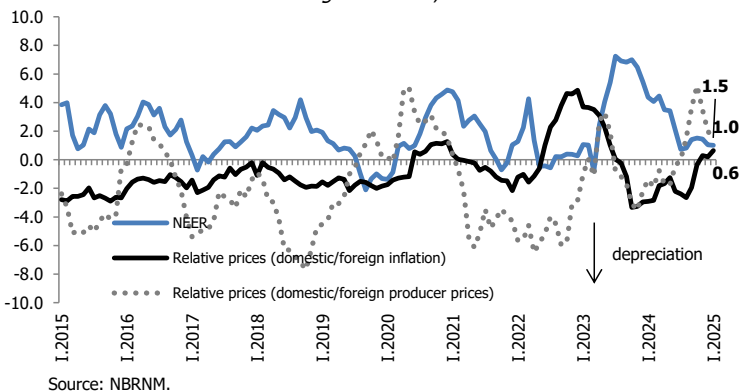
REER
annual changes, in %



In January 2025, the REER deflated by consumer prices appreciated by 1.7% annually, while the REER index deflated by producer prices appreciated by 2.6%...

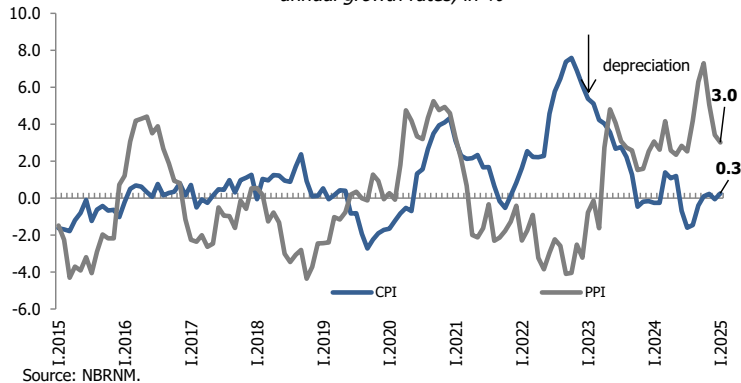
... amid NEER appreciation of 1% (mainly due to the depreciation of the Turkish lira and the Russian ruble against the denar), increase in both relative consumer prices and relative prices of industrial products.

NEER and relative prices
annual growth rates, in %



The changes in the REER indices, calculated without primary commodities, are in the same direction.

REER, excluding primary commodities
annual growth rates, in %

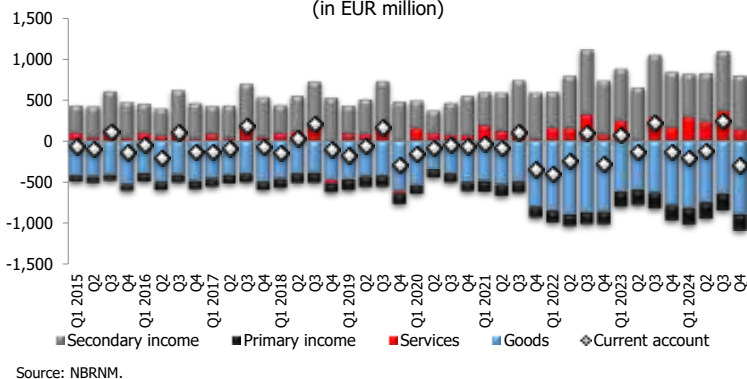


In the fourth quarter of 2024, the current account registered a deficit of Euro 291.4 million, or 1.9% of GDP, which is slightly higher than expected according to the October forecasts ...

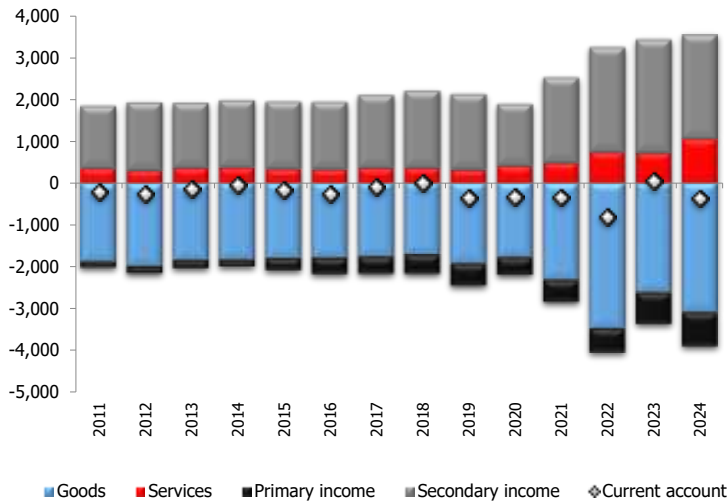
... in conditions of higher deficit in primary income, as well as lower surplus in services.

For the whole of 2024, the current account deficit is also somewhat higher than expected in the October projections...

Main components of the current account
(in EUR million)



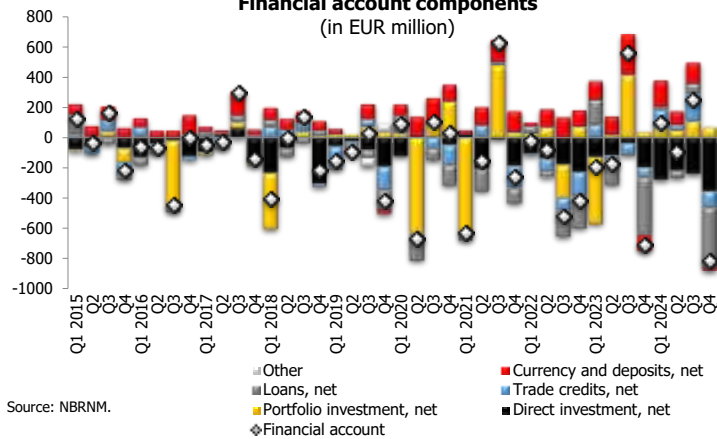
Main components of the current account
(in EUR million)



Source: NBRNM.

...registering a higher deficit in the primary income and a lower surplus in services, as well as lower trade balance deficit.

Financial account components
(in EUR million)

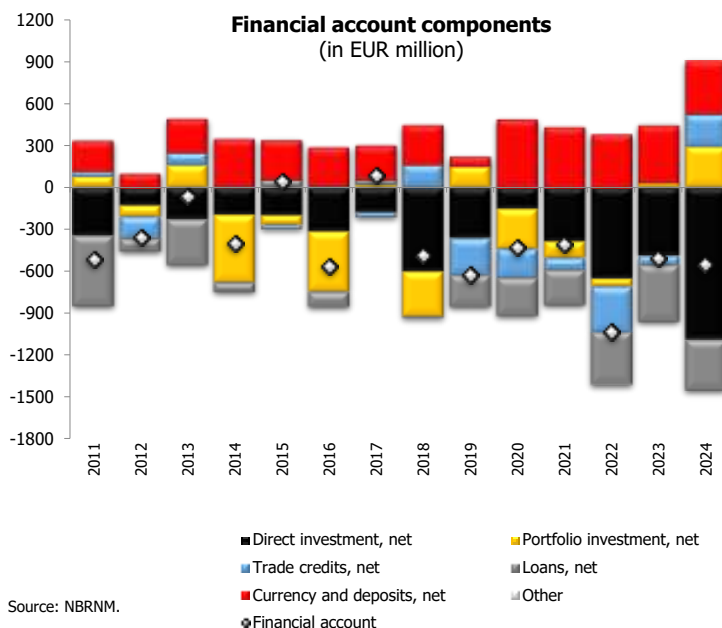


Source: NBRNM.

In the fourth quarter of 2024, the financial account registered net inflows¹⁵ of Euro 810.9 million (or 5.3% of GDP), which are higher than projected in October...

... with higher than expected net inflows in direct investment and trade credits and advances, as well as realized net inflows instead of planned net outflows in the currency and deposits category.

Financial account components
(in EUR million)



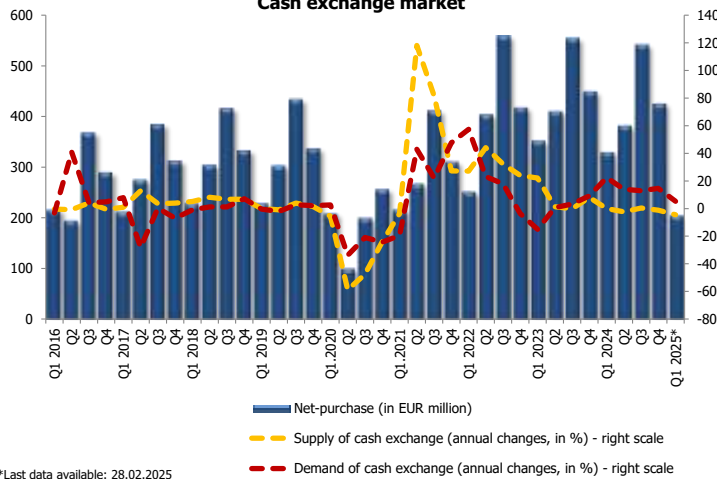
Source: NBRNM.

In 2024, the financial account realized net inflows that were higher than expected, with positive deviations in direct investment and in currency and deposits.

¹⁵ 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.

EXTERNAL SECTOR

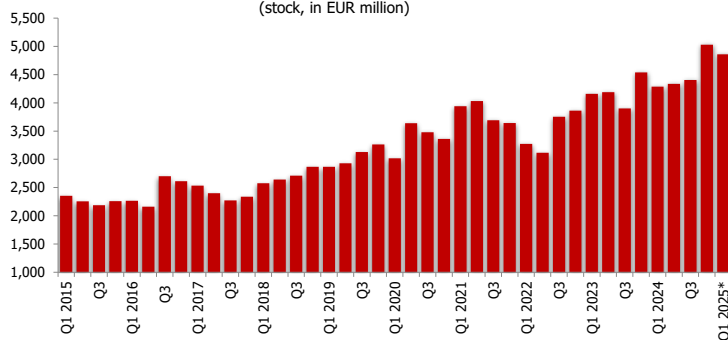
Cash exchange market



*Last data available: 28.02.2025
Source: NBRNM.

The net purchase on the currency exchange market registered in January - February 2025 equaled Euro 204.7 million, which for now, points to a performance in private transfers that is slightly below that forecasted in October.

Foreign exchange reserves
(stock, in EUR million)



*Last data available: 28.02.2025
Source: NBRNM.

At the end of February 2025, the gross foreign reserves amounted to Euro 4,861.3 million and registered a decrease compared to the end of 2024, due to the transactions for the account of the Government¹⁶, as well as a result of transactions for foreign reserves management.

Factors of change of the foreign reserves in January - February 2025
(in EUR million)

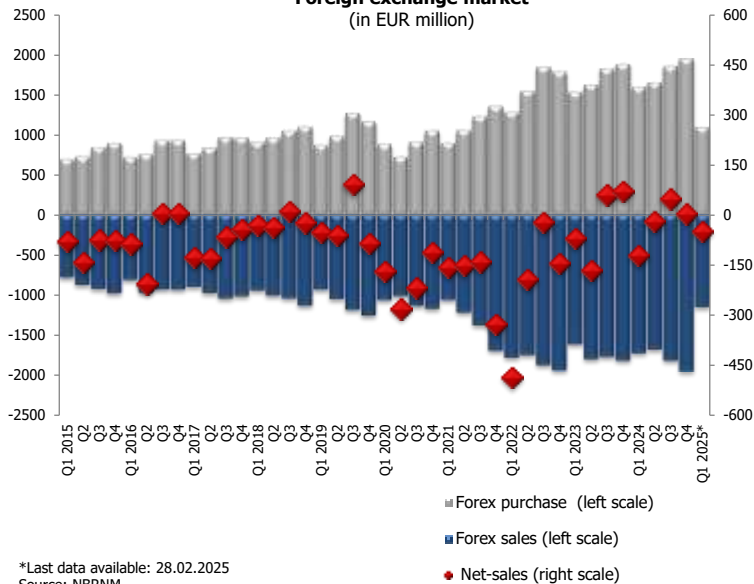


Source: NBRNM.

¹⁶ On 20.01.2025, the Ministry of Finance made a payment in the amount of Euro 500 million based on the Eurobond issued in 2018, following a previous borrowing in the same month and for the same amount from the Hungarian EXIM Bank. However, in the period January-February 2025, repayments of principal and interest were made to several international institutions on the basis of foreign borrowing.

EXTERNAL SECTOR

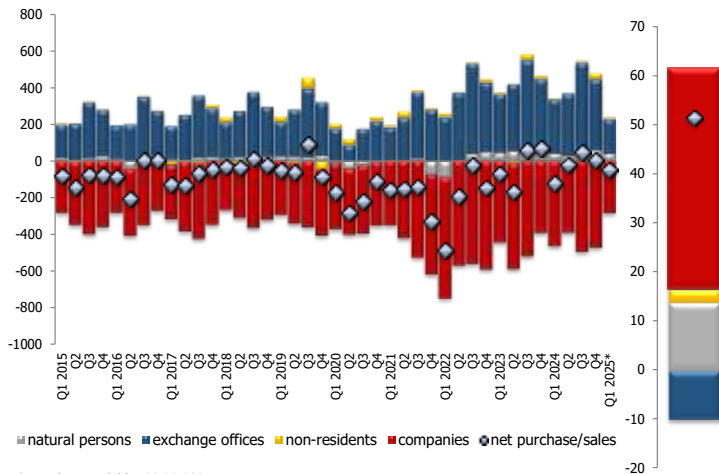
Foreign exchange market
(in EUR million)



In the January - February 2025 period, the banks' foreign exchange market reported a lower net sale of foreign currency compared to the same period last year, in conditions of stronger growth in the supply relative to the growth in the demand for foreign currency...

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

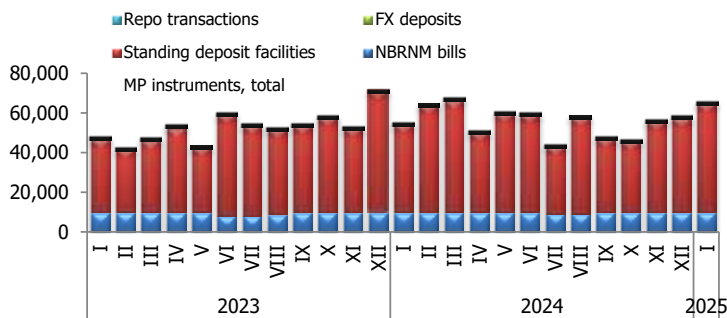
annual change,
I+II 2025 - I+II
2024 in mill. Euro



... such shifts on the foreign exchange market resulted from the lower net sales by companies compared to the same period last year, amid higher net purchase by natural persons.

Monetary policy instruments

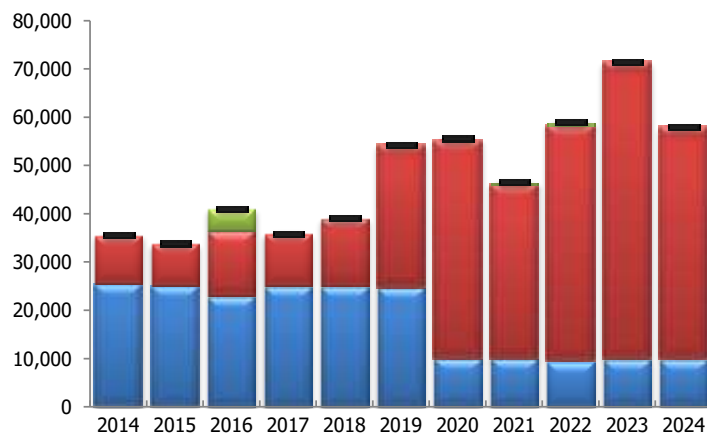
(stocks, end of month data, in million of denars)



In January 2023, the monetary instruments registered an increase compared to the end of last December, which is due to the increased amount of banks' assets placed in deposit facilities with the National Bank.

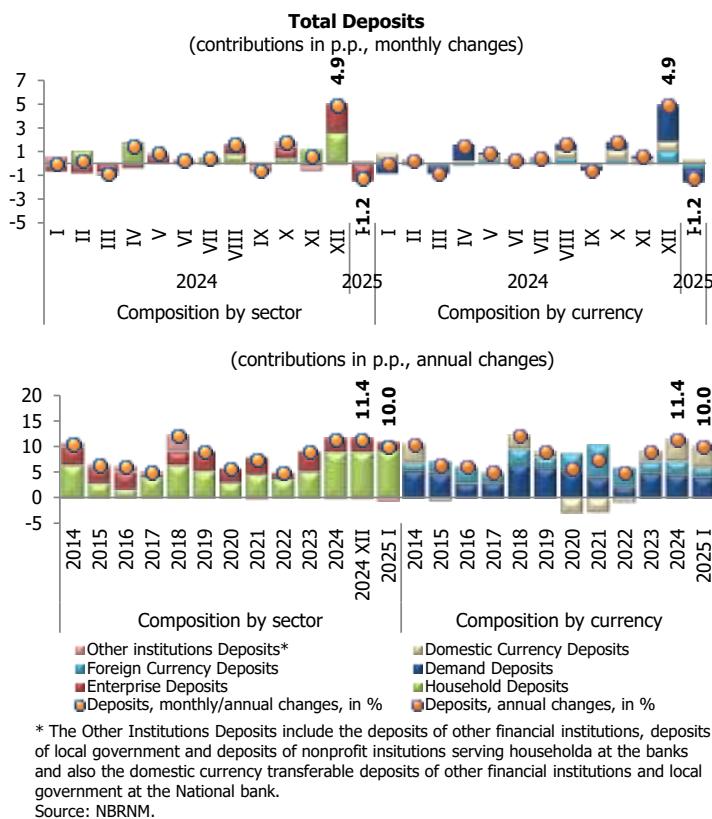
The stock of monetary instruments at the end of January was higher compared to the level projected for the end of the first quarter of 2025, amid higher net foreign assets of the National Bank and slightly higher government deposits, compared to the projected levels.

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



Source: NBRNM

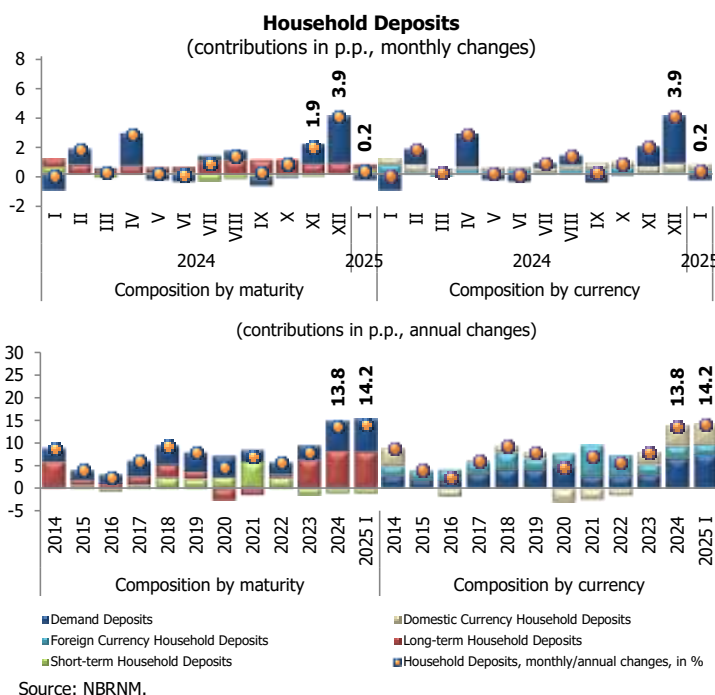
At the end of January 2025, the amount of reserve money was below the projected values in the October forecasts.



After the increase in the preceding quarter, **the total deposits¹⁷ in the financial system** registered downward change in January 2025 of 1.2%, which is common movement for this period. The fall arise from the decrease in the corporate deposits, amid slight rise in household and other sectors deposits. Analyzing **the currency**, both, foreign currency and domestic currency deposits (including demand deposits) registered a decrease.

Total deposits in January 2025 decreased compared to the end of December 2024, which for now is smaller than expected for the first quarter of 2025 according to the October forecast.

In January 2025, the annual growth rate of total deposits equaled 10% and for now, it exceeds the projected rate for the first quarter of 2025 of 8.0%, according to the October forecast.

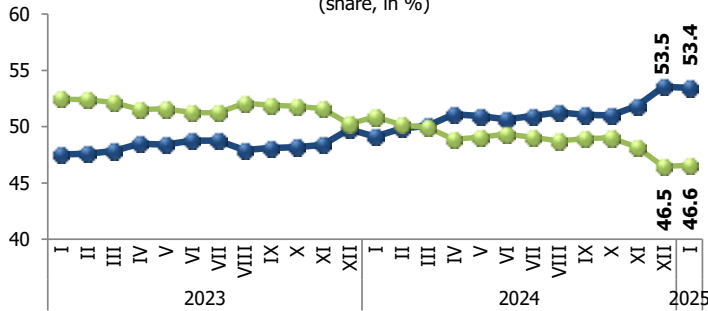


In January 2025, **household deposits** registered slight monthly growth, influenced by the moderate growth of foreign currency deposits, amid stagnation of deposits in domestic currency (including demand deposits). **In January 2025, the household deposits are higher by 14.2% on annual basis.**

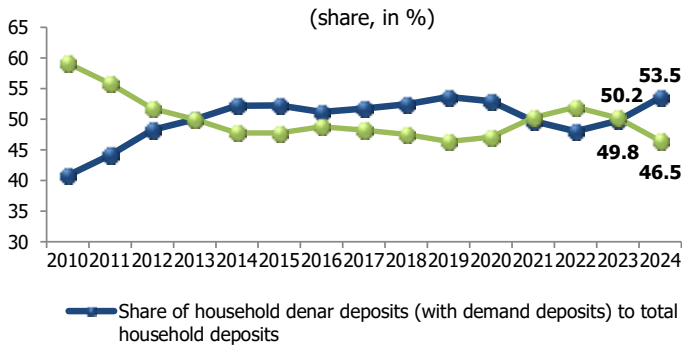
¹⁷ Data refer to non-government deposits in banks and savings houses, funds of other financial institutions on the accounts with the National Bank and funds of local government authorities on the accounts with the National Bank. The data are consistent with the methodological changes of the National Bank from June 2018. For more information on the methodological changes visit: http://www.nbrm.mk/monetarna_statistika_i_statistika_na_kamatni_stapki.nspix.

MONETARY SECTOR

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



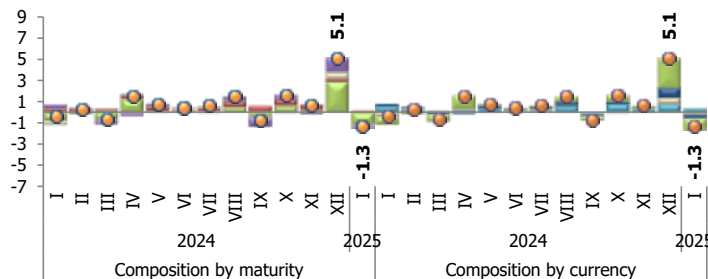
Accordingly, there are slight changes in the currency structure of the total household deposits.



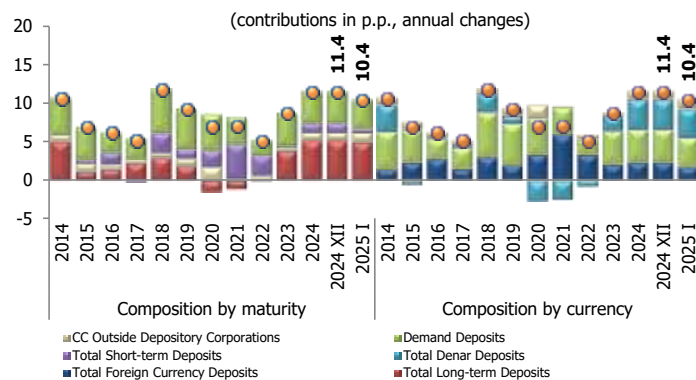
* Includes deposits at Banks and Saving Houses

Broad Money M4

(contributions in p.p., monthly changes)



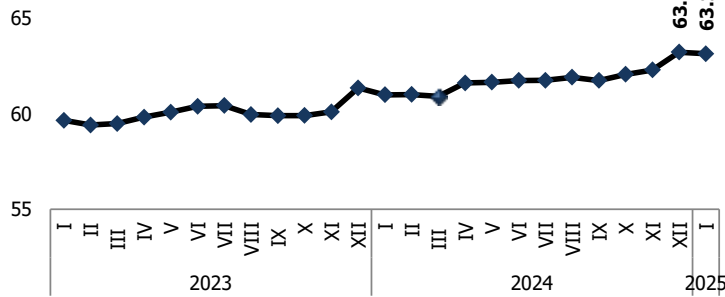
In January 2025, the broad money presented through the M4 monetary aggregate registered a decrease of 1.3%, which by **maturity**, stems from the negative contribution of almost all components, except the minor increase in long-term deposits, while by **currency**, both components registered negative contribution.



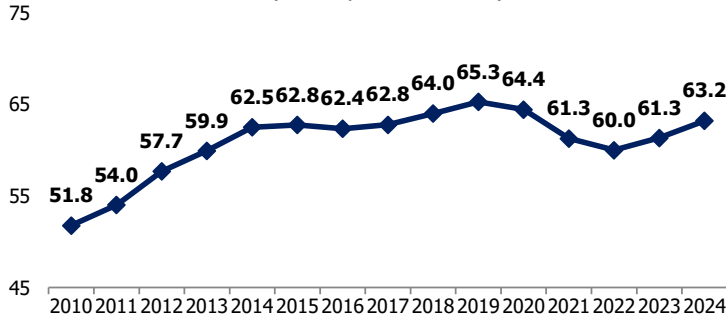
In January 2025, broad money increased by 10.4% annually, exceeding the expected annual growth of 8.0% for the first quarter of the year, according to the October forecast.

Source: NBRNM.

Share of Denar M4 in total M4
(end of month data, in %)



(end of year data, in %)

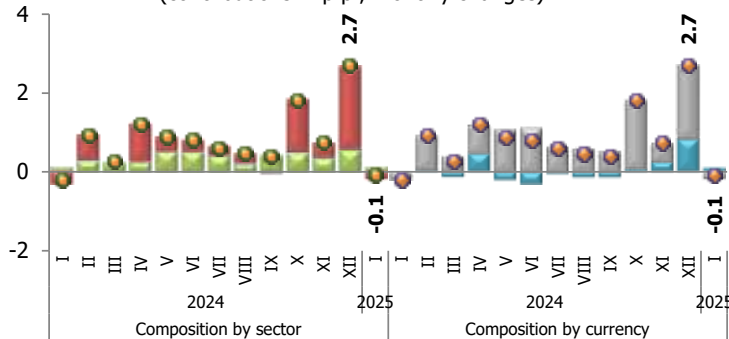


Source: NBRNM.

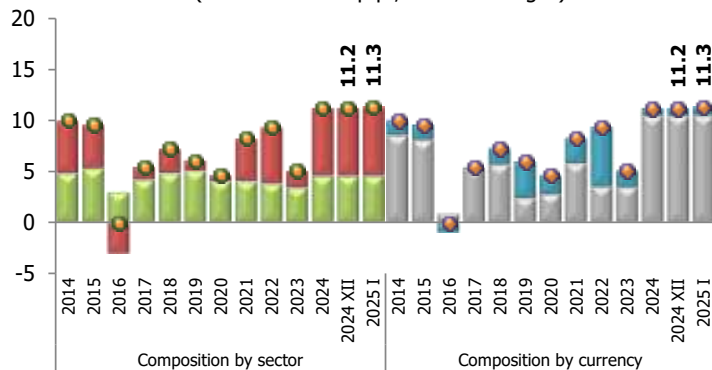
In January 2025, the denar share in the total broad money M4 remained almost the same relative to the preceding month and exceeded the forecasted value.

Total loans

(contributions in p.p., monthly changes)



(contributions in p.p., annual changes)



■ Foreign Currency Loans
 ■ Domestic Currency Loans
 ■ Enterprise Loans
 ■ Household Loans
 ● Loans, monthly/annual changes, in %
 ● Loans, annual changes, in %

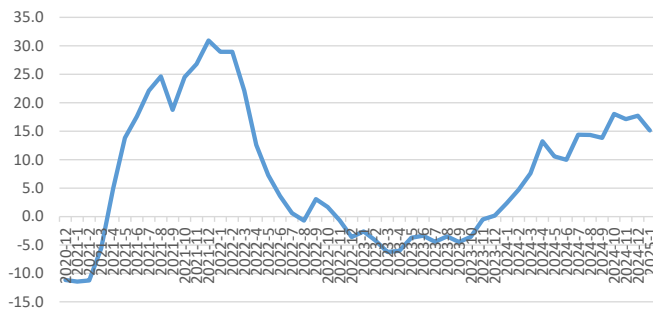
Source: NBRNM.

Total loans in January 2025 registered minimal monthly decline of 0.1%, which is common for this time of the year.

In January, total loans recorded minor fall compared to the end of December 2024, amid an expected increase for the first quarter of 2025, according to the October forecast.

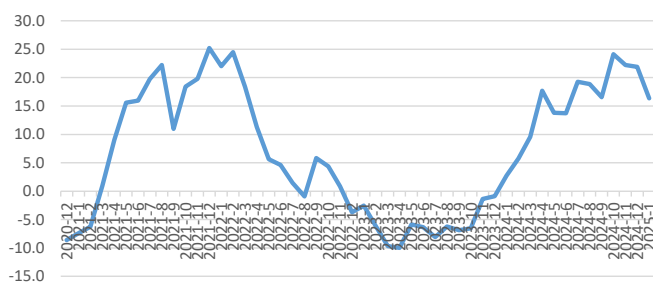
In January, the annual growth rate of total loans equaled 11.3%, which is above the annual growth of 7.5% forecasted for the first quarter of 2025, according to the October forecast.

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

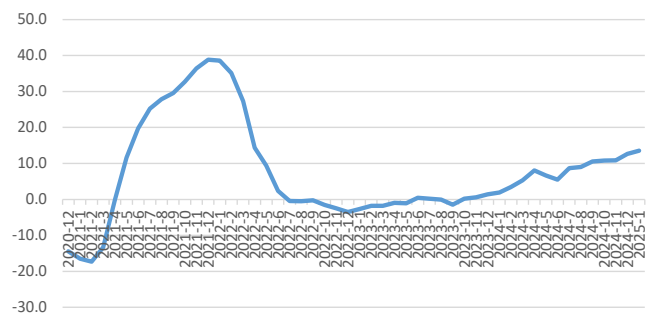


The amount of total new loans approved to the private sector in the last 12 months, as of January 2025, registered decelerated annual growth.

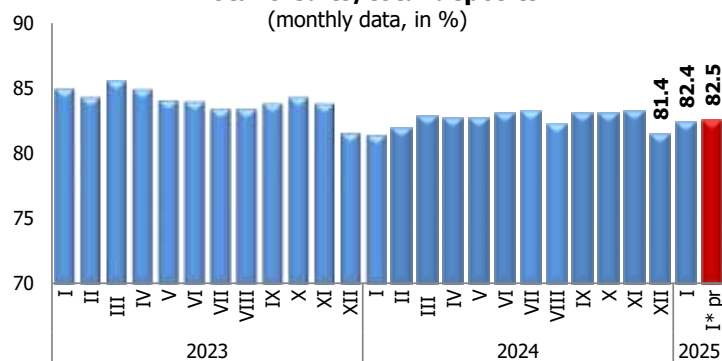
**Newly granted loans to non-financial
corporations, 12-month moving
average**



**Newly granted loans to households, 12-
month moving average**

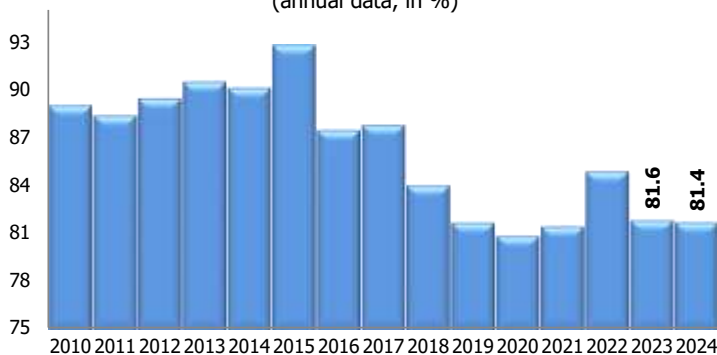


**Total credits/total deposits
(monthly data, in %)**



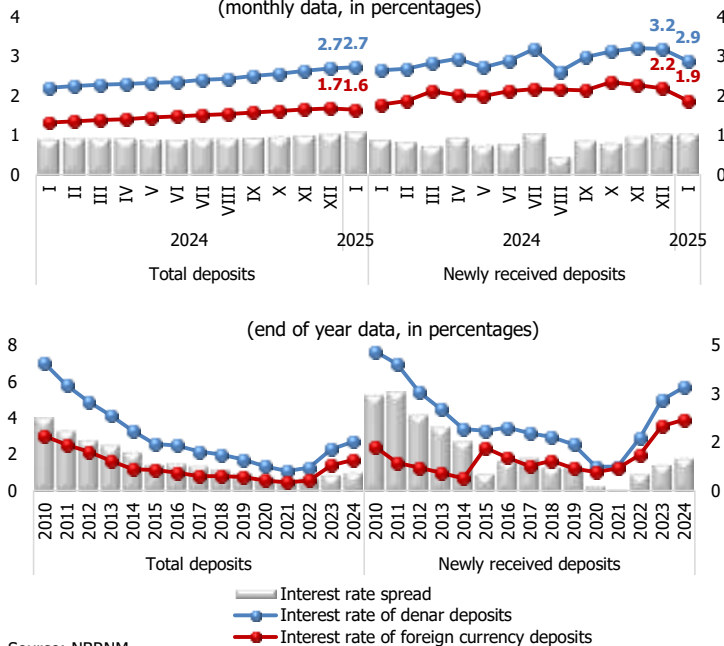
The indicator for the utilization of banks' deposit potential for lending to the private sector level equals 82.4% in January, which is almost at the level of the projected value of this indicator for the end of the first quarter of 2025 according to the October forecast.

(annual data, in %)



Source: NBRNM.

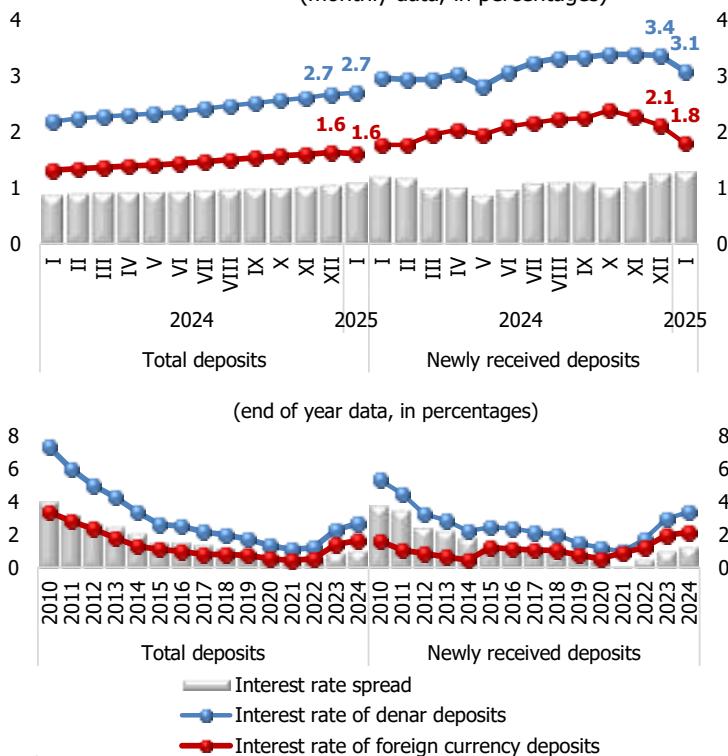
Total deposits interest rates
(monthly data, in percentages)



Source: NBRNM

In January 2025, the interest rates on the **total foreign currency deposits**¹⁸ slightly moved downwards compared to the previous month, while **the interest rate on total denar deposits** did not change, which contributed to a small upward change in the interest rate spread of 0.1 pp. The interest rates **of the newly received both denar and foreign currency deposits**¹⁹ registered larger downward movement, but without reflecting on the interest rate spread, which remained on the level of the previous month...

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

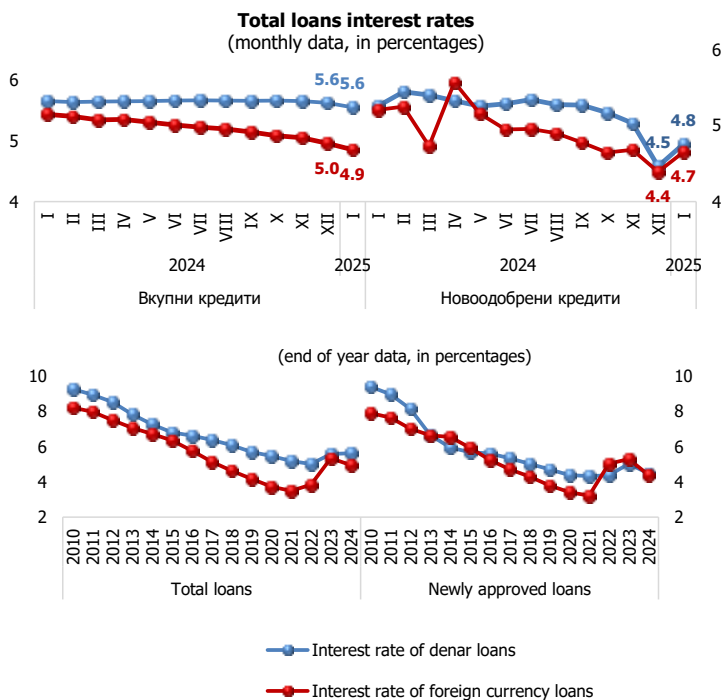


Source:
NBRNM.

...identical movements in January 2025 were also registered in the respective interest rates in the total **household deposits**.

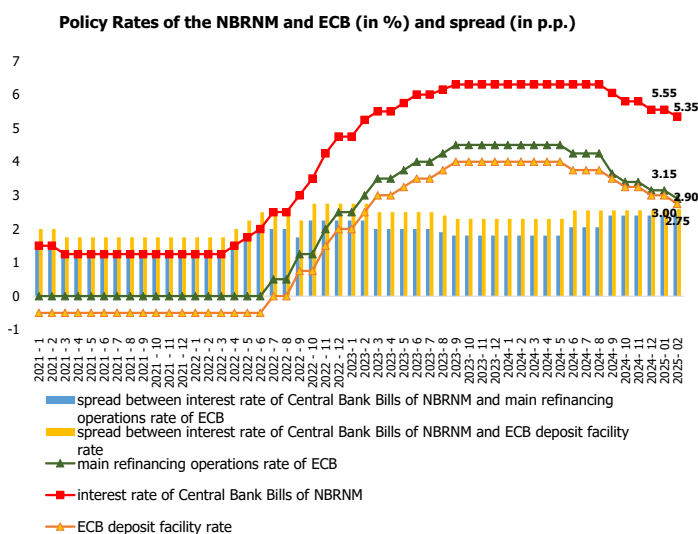
¹⁸ Data on interest rates are in accordance with the methodological changes of the NBRNM from June 2018. For more information on the methodological changes visit: http://www.nbrm.mk/monetarna_statistika_i_statistika_na_kamatni_stapki.nspj.

¹⁹ 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.



Source: NBRNM

In January 2025, slight downward movement was also observed in the interest rates on **total corporate loans**, while **interest rates on household loans** remained unchanged, while interest rates on **newly approved²⁰ corporate and household loans** increased compared to the previous month.

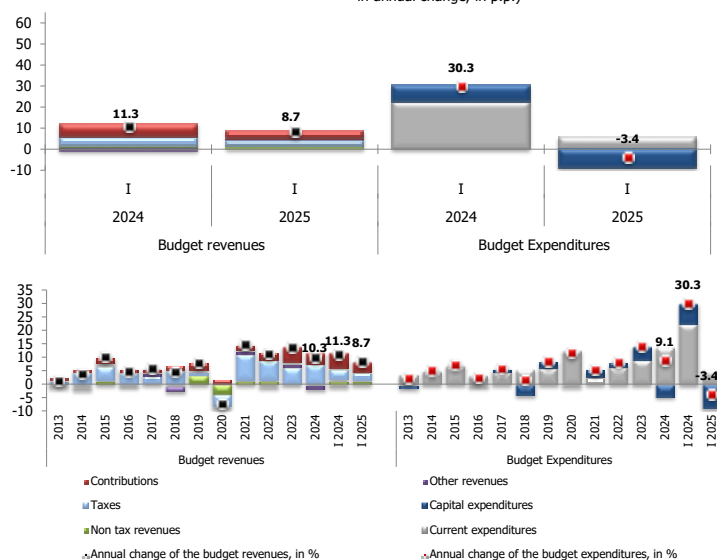


In February 2025, the spread between the policy rates of the National Bank and the European Central Bank widened slightly (by 0.05 pp) due to the smaller decrease of 0.20 pp in policy rates of the National Bank.

²⁰ Regarding the interest rates on newly approved loans, one should have in mind that they are characterized with variable movements. Volatility of interest rate on newly approved loans results from the fact that they are determined by the volume of newly approved loans (which can vary from month to month) and their interest rate.

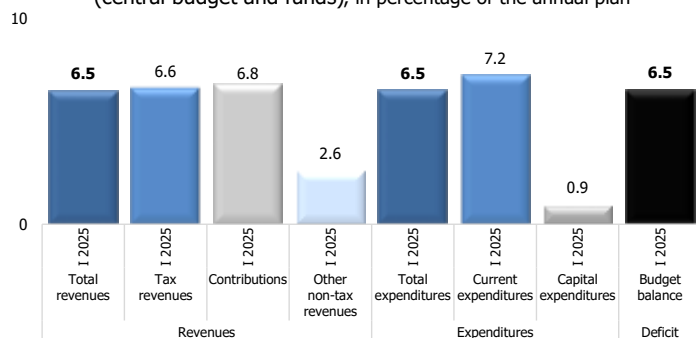
Budget revenues and expenditures in annual change, in p.p.)

(contributions



In January 2025, the budget revenues of the Republic of North Macedonia (central budget and budget of funds) registered an annual growth, amid moderate increase in all categories of budget revenues. Budget expenditures recorded a slight decline on an annual basis, as a result of the decline in capital expenditures and the slowdown in the growth of current expenditures.²¹

Budget implementation, per categories (central budget and funds), in percentage of the annual plan



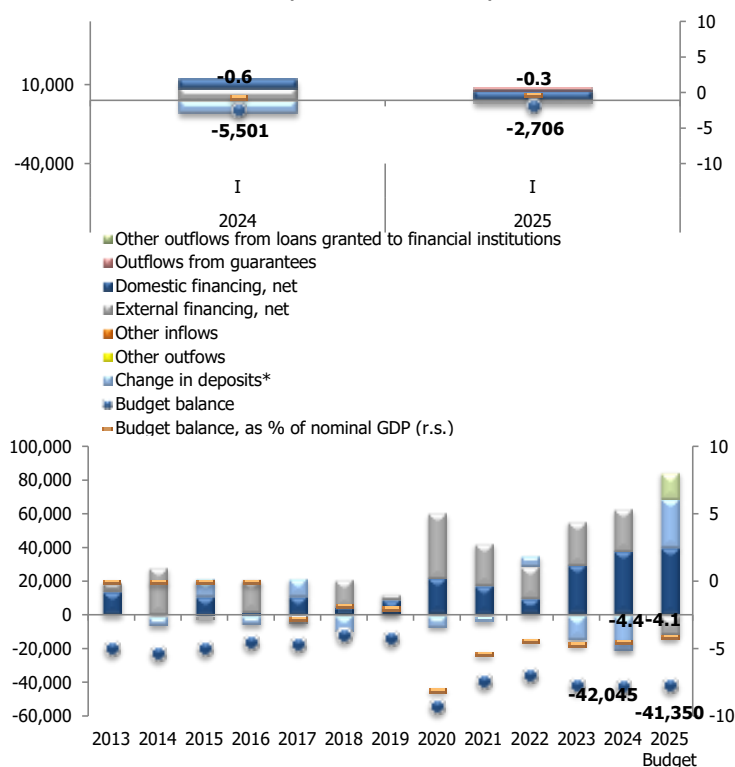
... the realized budget deficit in the amount of Denar 2,706 million accounts for 6.5% of the deficit planned for the year in line with the Budget²²...

²¹ Partly as a result of the higher comparison base, influenced by increased transfers to socially vulnerable categories of citizens as part of the anti-crisis measures packages.

²² Official Gazette of the Republic of North Macedonia No. 254 of 16.12.2024.

Financing of the budget balance

(in millions of denars)

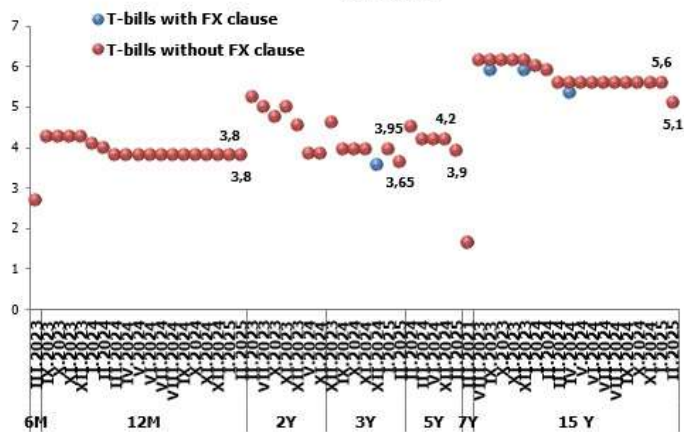


* Positive change: deposits withdrawal; negative change: deposits accumulation.
Source: MoF.

... which is financed by net government borrowing on the domestic market and slight deposits consumption, amid government net deleveraging on the foreign market²³.

Interest rates of T-Securities

in percent



Source: Ministry of Finance

In February 2025, at regular auctions, twelve-month treasury bills were issued with an unchanged interest rate of 3.8%, as well as three-year treasury bonds, five-year treasury bonds and fifteen-year treasury bonds without a currency clause, with lower interest rates of 3.65%, 3.9% and 5.1%, respectively.

²³ As of 20.1.2025, the Ministry of Finance made a payment on the Eurobond issued in 2018 in the amount of Euro 500 million (with a maturity of 7 years and an annual interest rate of 2.75%), following a previous borrowing in the same month for the same amount from the Hungarian EXIM Bank, with a repayment period of 15 years, including a grace period of 3 years and an interest rate of 3.25%.

Also, in January 2025, principal and interest repayments were made to several international institutions on the basis of foreign borrowing.

Box 1: Indicative private consumption and gross investment categories

INDICATIVE VARIABLES FOR PRIVATE CONSUMPTION

	2022				2023				2024				2025
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Jan
	<i>real annual growth rates in %</i>												
Retail trade*	7.6	6.7	1.9	-3.7	1.4	-8.1	-9.8	-2.8	-4.5	0.9	3.7	-0.4	-1.4
VAT revenues*	29.2	9.5	3.7	-7.7	-15.0	-9.5	-10.7	-1.5	1.6	5.5	4.5	0.2	-2.1
Imports of consumption goods*	-2.8	-1.5	-2.1	-9.9	2.0	4.7	1.4	14.5	15.4	4.2	8.6	0.3	2.1
Domestic production of consumption goods	2.2	-1.2	3.2	-3.6	6.4	4.9	-7.5	-1.2	-8.5	-7.1	5.4	1.3	13.1
Consumer credits*	-0.5	-5.6	-9.2	-9.3	-6.6	-2.4	0.0	3.1	2.9	3.9	5.1	4.3	3.8
Average net wage*	0.0	-1.7	-4.6	-4.6	-2.8	3.6	6.6	12.8	12.5	9.6	9.0	4.7	-
Private net transfers*	9.8	24.1	11.8	5.1	11.3	-8.4	-10.4	-1.4	-11.9	-11.3	-5.7	-6.1	-
Pensions*	-3.4	-1.0	-10.4	-4.9	-2.5	1.3	9.9	13.4	17.0	10.1	9.5	13.0	7.0

* 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				2025
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Jan
	<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	3.4	-1.8	-1.4	-11.6
Completed construction works**	-12.2	-5.9	-20.4	-12.8	12.4	-20.8	-8.8	10.7	2.8	26.4	18.2	27.2	-
Domestic production of capital goods	0.9	3.3	18.6	3.7	6.7	8.2	6.7	17.9	10.6	-2.8	0.9	-9.9	-19.4
Government investments*	-16.4	25.0	-47.3	55.6	-6.8	313.0	29.1	-4.0	27.5	-65.8	-25.8	-31.1	-85.3
Direct Investments***	9952.1	-6570.3	10995.8	271.5	256.3	-2275.1	-9575.7	-2500.5	8987.8	5770.4	11973.9	8992.4	-
Long term credits to enterprises*	2.2	-2.2	-6.5	-6.7	-5.0	1.2	3.4	3.9	2.8	4.8	5.8	9.4	8.9
Final product stocks	11.5	9.2	11.1	10.5	-3.1	-2.4	-3.8	-0.6	2.0	4.5	1.0	-0.1	-

* 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: 2024=100).

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