

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

September 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 (June- August 2024) and to make a comparison with the latest macroeconomic projections (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 estimates for global economic growth¹ for the period 2024 - 2025 are similar to April, indicating its stabilization. The risks around the global growth are assessed as balanced and mainly related to the geopolitical tensions and inertia of inflation, primarily in services prices, thus maintaining the restrictive monetary policy for a longer period and increasing the external, fiscal and financial risks. Other risks include the slower growth in China than previously expected, the increased geoeconomic fragmentation, various trade barriers with adverse effect on trade and climate change. On the other hand, the faster application of structural reforms, the intensive use of the previously accumulated savings, especially in developed countries, the steeper downward movement of global primary commodities prices than expected, the faster decline in both inflation and interest rates can positively affect the growth.

Observed by individual quantitative external environment indicators important for the Macedonian economy, the estimates for the growth of the foreign effective demand for 2024 remain, while for 2025 there is a slight downward correction compared to the April forecasts. The **foreign effective inflation** suffered a slight downward revision for 2024, while the forecast for 2025 remained the same as in April. The exchange rate euro/US dollar expects minor depreciation of the US dollar compared to April for the entire forecasting round. The revisions of the **global primary commodities prices** are mainly downward, with an expected price decline in 2024 and their 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 on-month maturity, it is estimated to slowly decrease during 2024 and 2025 compared to April, given the expected deceleration of the core inflation in the Euro area. At the meeting in September, the ECB reduced the interest rate on available deposits for the second time this year by 0.25 percentage points², amid estimates for weaker real economic activity in the Euro area than expected and deceleration in the total inflation in line with the expectations, with moderate pressures of unit labor costs and reduced profits. Thus, the September forecasts by the EBC show no changes in inflation compared to June, so it is still expected to amount to 2.5%, 2.2% and 1.9% in 2024, 2025 and 2026, respectively, while the economic growth estimates were revised slightly downward with a forecasted growth of 0.8% in 2024, which will increase to 1.3% in 2025 and 1.5% in 2026³.

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

² Interest rates on main refinancing operations and overnight loan facilities decreased by 0.60 percentage points, in accordance with the latest change in the operational framework for the ECB's monetary policy conduct as of 13.3.2024, which will come into effect as of 18.9.2024. According to the new framework, the interest rate on deposit facilities will be used as a policy rate for monetary policy conduct, while the level of the other two interest rates will be set through a determined spread, where the interest rate spread between the main refinancing operations and deposit facilities will decrease and amount to 0.15 percentage points, while the interest rate spread between overnight deposit facilities and the main refinancing operations will remain unchanged, i.e. 0.25 percentage points. ([link](#)).

³ According to the forecasts from June 2024, the economic growth was projected at 0.9% in 2024, 1.4% and 1.6% in 2025 and 2026, respectively.

The latest indicators of the domestic economy suggest macroeconomic landscape that does not deviate much from the April forecasts. In the second quarter of 2024, **real GDP growth accelerated and equaled 2.3% annually** (growth of 1.2% in the previous quarter), amid further quarterly growth (according to the seasonally and calendar adjusted data of the SSO). The performance is almost in line with the estimates for the annual growth in the second quarter of the April forecasting round. Analyzed by component, the growth mostly results from the positive contribution of net exports, amid steeper real decline in the imports than the exports of goods and services. The domestic demand made a slight positive contribution, due to the increase in both household and public consumption, while gross investments declined (due to reduced inventories, amid growth in investments in fixed assets). The currently available high frequency data for the third quarter of 2024 are limited. For now, July data show real annual growth of the total trade turnover and industrial output, as opposed to their decline in the previous quarter. **In August 2024, the annual inflation rate continued to decelerate, and reduced to 2.2%** (3.0% in July), which is identical to the rate in the April forecasting round. The annual rate mainly reflects the core inflation component, while the slowdown in the price growth is due to the favorable movements in all three main components, amid decline in food and energy prices and decelerated growth of core inflation. The August survey of **consumers' expectations** for price movements in the following period shows that they are aimed at price reduction. **The inflation spread in the euro area** remains relatively small. The import prices have been revised downward, while the uncertainty arising from the future dynamics of commodity prices in markets remains due to the geopolitical tensions and climate change.

At the end of August 2024, the foreign reserves stood at Euro 4,469.8 million. The analysis of foreign reserves adequacy indicators shows that they remain in the safe zone. In July 2024, foreign trade data currently indicate a trade deficit for the third quarter of the year which is in line with the expectations from the April forecast. Currency exchange operations data as of the end of August point to net inflows of private transfers which are slightly higher than expected for the third quarter according to the April forecast. The current account deficit of the balance of payments in the second quarter of 2024 was lower than expected in the April forecast, amid higher net financial inflows.

Regarding the **developments in the monetary sector**, the total **deposits** in July 2024 increased by 7.5% on an annual basis, amid forecasted annual growth for the third quarter of 9.0% according to the April forecast. **Total private sector loans** in July 2024 are higher by 7.3%, amid forecasted annual growth for the third quarter of 6.1% 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). The amount of total new loans approved to the private sector in the last 12 months, as of July, on average registered an annual growth.

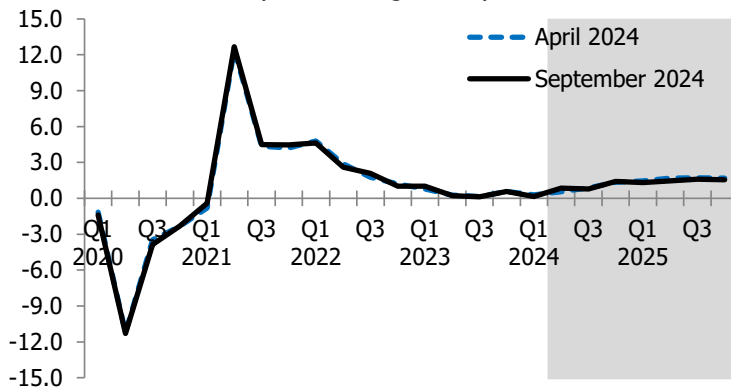
In the period January - July 2024, the Budget of the Republic of North Macedonia registered a deficit of Denar 21,755 million, or 48.7% of the forecast deficit for 2024 (in accordance with the budget revision from August 2024). The budget deficit was financed by net government borrowing on the domestic and foreign market, amid growth of government deposits with the National Bank.

The performance of the key macroeconomic indicators, as well as the latest perceptions in relation to their future course, are so far maintained within the expectations from the latest forecasts. In August, the annual inflation registered a significant slowdown and reduced to 2.2%, which is in line with the forecast. The latest surveys by the European Commission are still prevailed by consumers' expectations for price reduction in the following period. The expectations for the primary commodity prices on markets are slightly unfavorable, although they are variable and affected by the unstable geopolitical context. The growth of the domestic economy in the second quarter of 2024 accelerated and is almost identical to the forecasts, while the data available for the third quarter of 2024 are limited, and so far indicate favorable movements in industry and trade. Analyzing the foreign currency market, the movements are favorable, which contributed to a significant net purchase of foreign currency by the National Bank since the beginning of the year.

The banks' deposit potential is solid, with prospects for better performance than expected for the third quarter. There are similar performances in the credit growth, which slightly exceeds the forecasts.

Selected economic indicators ^{1/}							2023																	2024											
	2016	2017	2018	2019	2020	2021	2022	Jan.	Feb.	March	Q1	April	May	June	Q2	July	Aug.	Sept.	Q3	Oct.	Nov.	Dec.	Q4	2023	Jan.	Feb.	March	Q1	April	May	June	Q2	July	Aug.	
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				2.3				
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	-3.1	-1.1	-13.1	-6.5	-7.1	3.8		
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	0.4	0.6	2.9	1.5	-3.0	-3.0	-2.6	-4.9	-5.1	-5.1	-3.9		
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	3.2	3.9	3.0	2.2	
CPI Inflation (cumulative average)	-0.2	1.4	1.5	0.8	1.2	3.2	14.2	17.1	16.9	16.1	16.1	15.3	14.5	13.6	13.6	12.8	12.2	11.5	11.5	10.7	9.9	9.4	9.4	9.4	3.2	3.1	3.4	3.4	3.6	3.8	3.7	3.7	3.6	3.4	
Core inflation (cumulative average)	1.3	2.3	1.5	0.5	0.9	2.4	7.1	10.8	10.6	10.2	10.2	10.2	9.9	9.6	9.6	9.3	9.0	8.7	8.7	8.5	8.2	8.0	8.0	8.0	5.1	4.9	5.0	5.0	4.7	4.9	4.9	4.9	5.0	5.0	
Core inflation (y-o-y) ^{6/}	1.0	2.8	1.4	-0.3	1.9	2.9	10.8	10.8	10.4	9.5	10.2	10.1	8.9	8.2	9.1	7.4	7.1	6.3	7.0	6.2	6.2	5.4	5.9	5.5	5.1	4.7	5.1	5.0	4.1	5.5	4.7	4.8	5.6	5.3	
Labor force																																			
Unemployment rate ^{7/1}	23.7	22.3	20.6	17.1	16.2	15.4	14.4				13.3				13.1				12.8				13.0	13.1				12.9				12.5			
II. Fiscal Indicators ^{8/}																																			
(Central Budget and Budgets of Funds)																																			
Total budget revenues	169,356	179,673	188,505	203,822	189,554	218,021	243,085	19,268	18,749	27,991	66,009	21,207	22,294	21,639	65,140	22,594	22,005	21,728	66,326	26,865	24,128	28,677	79,669	277,144	21,447	23,193	24,777	69,417	28,891	23,739	22,246	74,876	28,836		
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	28,633	31,381	24,054	84,868	26,731		
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	-5,501	-5,704	-3,463	-14,668	259	-7,642	-1,808	-9,192	2,105		
Overall balance (in % of GDP) ^{9/}	-2.7	-2.7	-1.8	-2.0	-8.0	-5.3	-4.4	-0.2	-0.5	0.2	-0.4	-1.0	-0.3	-1.0	-2.3	-0.4	0.0	-0.1	-0.5	0.3	-0.4	-1.5	-1.6	-4.8	-0.6	-0.6	-0.4	-1.6	0.0	-0.9	-0.2	-1.0	0.2		
III. Financial indicators ^{10/}																																			
Broad money (M4), y-o-y growth rate	6.2	5.1	11.8	9.3	6.9	7.0	5.1	4.5	5.7	6.9	6.9	8.6	10.5	11.4	11.4	10.6	9.8	8.8	8.8	8.3	7.4	8.7	8.7	8.7	10.0	9.5	9.5	9.5	9.3	8.5	7.6	7.6	7.6		
Total credits, y-o-y growth rate	-0.1	5.4	7.3	6.0	4.7	8.3	9.4	8.5	7.7	6.6	6.6	6.3	6.5	6.5	6.5	5.8	6.4	5.8	5.8	5.3	5.2	5.1	5.1	5.1	5.7	6.5	6.1	6.1	6.8	6.8	6.4	6.4	7.3		
Total credits - households	7.0	9.2	10.3	10.5	8.0	7.8	7.3	7.4	7.2	6.8	6.8	6.7	6.5	6.4	6.4	6.4	6.7	6.4	6.4	6.3	6.5	6.7	6.7	6.7	6.9	7.2	6.8	6.8	7.0	7.0	7.1	7.1	7.5		
Total credits - enterprises	-5.3	2.3	4.5	1.9	1.1	8.7	11.5	9.7	8.2	6.2	6.2	5.9	6.5	6.5	6.5	5.0	5.8	5.1	5.1	4.1	3.8	3.3	3.3	3.3	4.3	5.9	5.4	5.4	6.6	6.4	5.8	5.8	7.3		
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	8.6	7.6	7.6	7.5		
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	10.2	8.9	8.9	9.6		
Total deposits - enterprises	13.4	2.1	9.5	14.6	10.1	11.6	3.7	2.6	5.7	5.9	5.9	12.0	17.8	19.7	19.7	18.9	19.0	15.7	15.7	14.1	9.8	13.2	13.2	13.2	15.9	12.3	12.2	12.2	8.0	5.0	4.7	4.7	3.9		
Interest rates ^{11/}																																			
Interest rates of CBills (end of month/quarter/year)	3.75	3.25	2.50	2.25	1.50	1.25	4.75	4.75	5.25	5.50	5.50	5.50	5.75	6.00	6.00	6.00	6.15	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30		
Lending rates																																			
denar rates	7.0	6.6	6.1	5.6	5.2	4.9	4.6	5.1	5.1	5.2	5.1	5.2	5.2	5.3	5.2	5.6	5.7	5.7	5.7	5.8	5.8	5.7	5.7	5.4	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9		
f/x rates (aggregated, incl. f/x and denar with f/x clause)	5.7	5.3	4.9	4.6	4.3	4.1	4.0	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	5.3	5.3	5.2	5.3	5.2	5.2	5.1	5.2	5.1	5.1	5.1	5.0	5.1	5.0	5.0	5.0	4.9			
Deposit rates																																			
denar rates	2.5	2.2	2.0	1.9	1.5	1.2	1.1	1.3	1.4	1.5	1.4	1.6	1.6	1.8	1.7	1.9	2.0	2.0	2.0	2.1	2.2	2.3	2.2	1.8	2.2	2.3	2.3	2.2	2.3	2.3	2.4	2.4	2.4		
f/x rates (aggregated, incl. f/x and denar with f/x clause)	1.0	0.9	0.8	0.8	0.6	0.5	0.4	0.6	0.7	0.8	0.7	0.9	0.9	1.0	0.9	1.1	1.2	1.2	1.2	1.3	1.3	1.4	1.3	1.0	1.3	1.3	1.4	1.4	1.4	1.5	1.5	1.4	1.5		
IV. External sector indicators																																			
Current account balance (millions of EUR)	-252.5	-78.3	22.4	-334.7	-318.0	-329.0	-797.4	-17.0	18.4	91.4	92.8	-94.6	22.6	-52.9	-124.9	129.2	28.3	81.7	239.2	3.5	1.7	-117.0	-111.7	95.3	-43.4	-83.5	-68.2	-195.1	-53.4	-54.6	-3.7	-111.7			
Current account balance (% of GDP)	-2.6	-0.8	0.2	-3.0	-2.9	-2.8	-6.1	-0.1	0.1	0.7	0.7	-0.7	0.2	-0.4	-0.9	0.9	0.2	0.6	1.8	0.0	0.0	-0.9	-0.8	0.7	-0.3	-0.6	-0.5	-1.3	-0.4	-0.4	0.0	-0.8			
Trade balance (millions of EUR) ^{12/}	-1,786.2	-1,816.2	-1,811.4	-2,007.7	-1,816.6	-2,715.7	-3,829.7	-228.1	-196.1	-209.3	-633.5	-195.6	-215.2	-241.9	-652.6	-201.4	-309.6	-210.3	-721.3	-277.6	-239.2	-301.5	-818.2	-2825.7	-249.8	-287.1	-271.3	-808.2	-306.7	-286.8	-213.1	-806.6	-307.5		
Trade balance (% of GDP)	-18.0	-18.1	-16.9	-17.8	-16.7	-22.9	-29.4	-1.7	-1.4	-1.5	-4.6	-1.4	-1.6	-1.8	-4.8	-1.5	-2.3	-1.5	-5.3	-2.0	-1.8	-2.2	-6.0	-20.7	-1.7	-2.0	-1.9	-5.6	-2.1	-2.0	-1.5	-5.5	-2.1		
import (millions of EUR)	-4,176.5	-6,834.9	-6,765.3	-6,441.0	-7,594.5	-9,638.3	-12,130.8	-649.4	-915.0	-995.2	-2,759.6	-857.3	-985.1	-936.0	-2,778.3	-897.4	-864.8	-947.8	-2,710.0	-983.2	-957.5	-959.8	-2,900.5	-11,148.5	-900.5	-944.4	-992.7	-2,737.6	-1,018.9	-890.5	-897.3	-2,806.7	-945.6		
export (millions of EUR)	4,390.3	5,018.7	5,872.4	6,433.3	5,777.9	6,922.6	8,301.2	621.3	718.9	785.9	2,126.1	661.7	769.9	694.1	2,125.7	696.0	555.2	737.4	1,988.7	705.6	718.4	658.4	2,082.3	8322.8	550.6	657.3	721.5	1,929.4	712.2	603.8	684.2	2,000.1	638.1		
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	-0.2	-0.8	18.9	-9.6	-4.1	1.0	5.4		
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	-8.2	-9.3	7.6	-21.6	-1.4	-5.9	-8.3		
Foreign Direct Investment (millions of EUR)	316.9	179.9	603.7	363.3	154.7	-387.5	-654.2	-181.1	-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	-69.6	-69.4	-112.6	-251.6	-100.9	-68.6	-35.0	-204.4			
External debt																																			
Gross external debt (in millions of EUR)	7,216.6	7,372.5	7,943.7	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				5,545.6				5,594.7				5,238.1				5,578.5	5,578.5				5,826.0							
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				40.0							
private sector	3,771.2	3,910.7	4,087.5	4,317.8	4,234.6	4,774.6	5,583.2				5,847.4				5,847.4				5,838.1				5,884.2	5,884.2				5,963.3							
Gross external debt/GDP (in %)	74.7	73.4</																																	

Foreign effective demand
(annual changes in %)

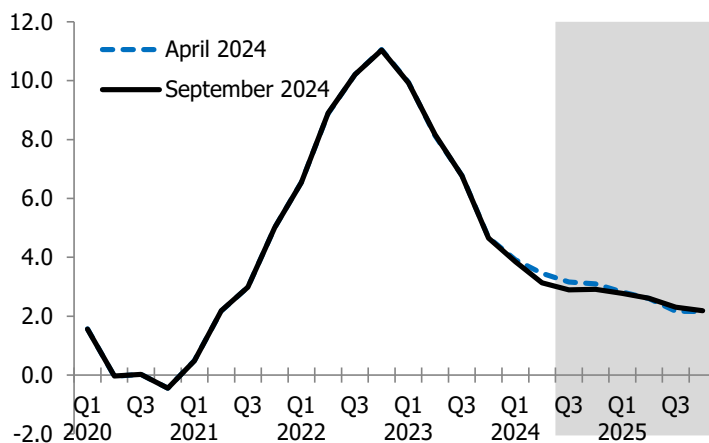


Source: Consensus forecasts and NBRNM calculations.

The estimates for the **foreign demand** for 2024 remained unchanged compared to April...

...while there is a slight downward correction for 2025, which mainly reflects the estimate for a slightly lower GDP growth in Germany⁴.

Foreign effective inflation
(annual rates in %)

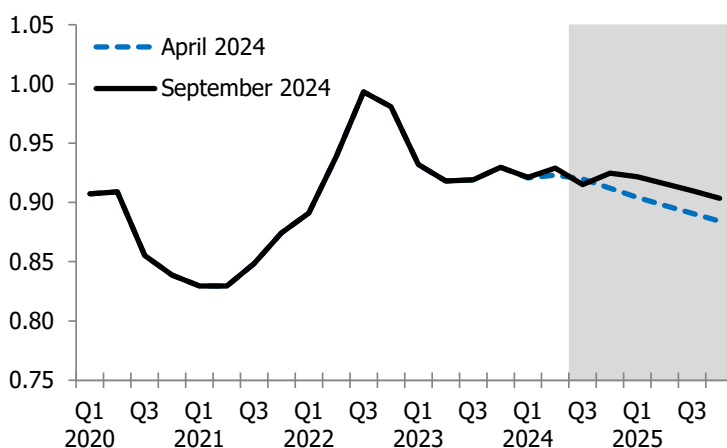


Source: Consensus forecasts and NBRNM calculations.

A slight downward revision of foreign effective inflation for the current year, compared to April, primarily due to the lower inflation estimates in Italy and Bulgaria...

...while for 2025 the prices are unchanged, still expecting a slowdown in the growth pace.

EUR/USD exchange rate

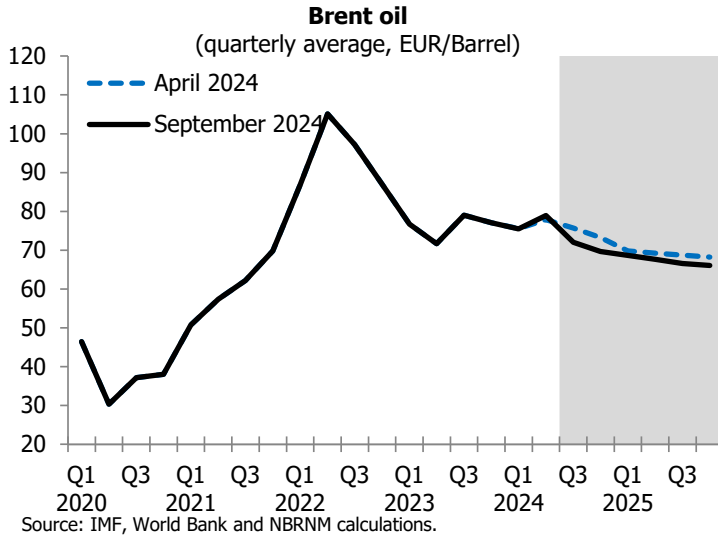


Source: Consensus forecasts and NBRNM calculations.

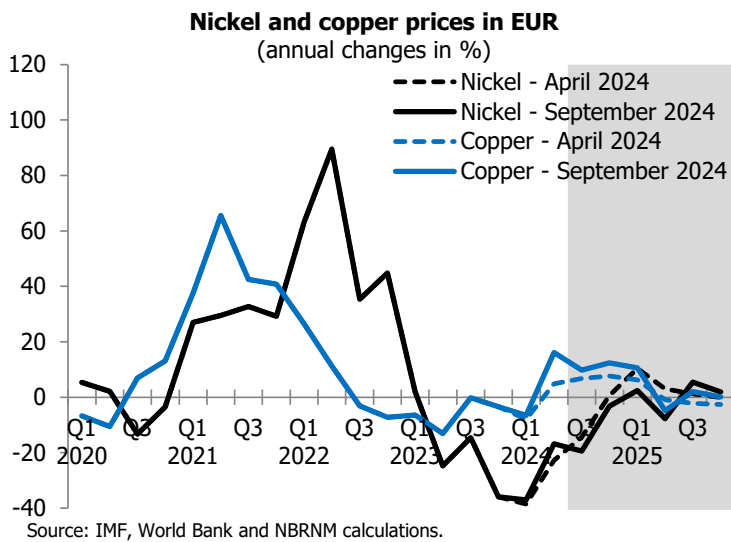
The expectations for a smaller depreciation of the **US dollar against the euro** throughout the entire period of forecasts, compared to April...

...mainly due to the expectations for reduced interest rates, amid weaker economic performances in the US.

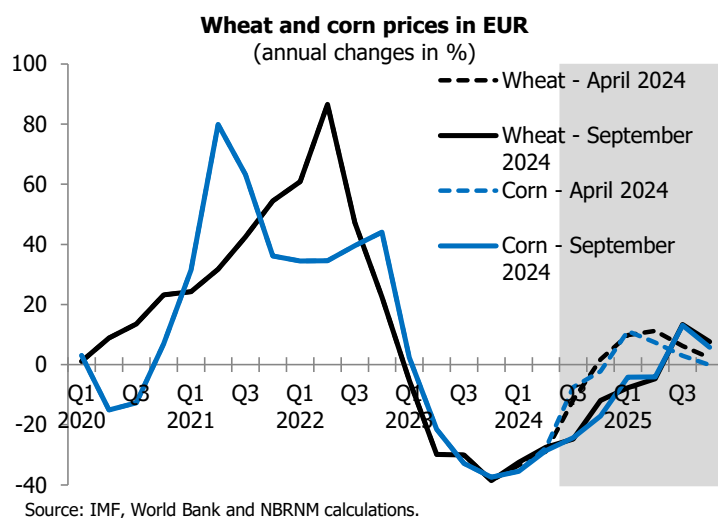
⁴ Forecast for growth in Germany of 0.1% and 1% in 2024 and 2025, respectively, compared to the growth of 0.1% and 1.2%, in April.



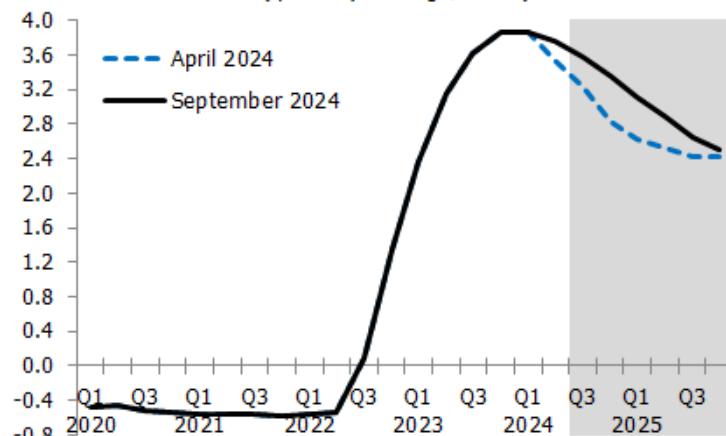
The expectation for the primary commodities prices are mostly revised downward, influenced by the expectations for increased supply and weaker demand...



...excluding the price of copper, which expects increased demand related to investments in renewable energy sources.



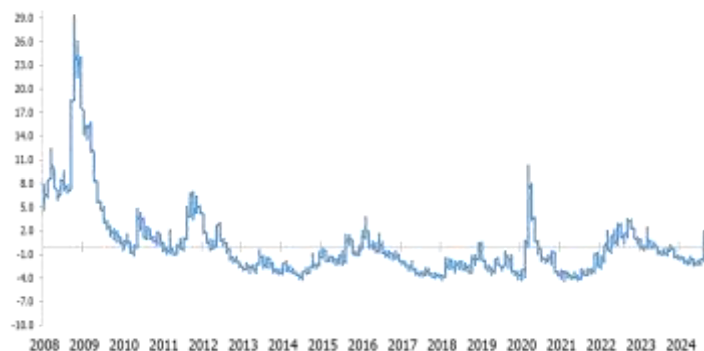
1-month Euribor
(quarterly average, in %)



Source: Consensus forecasts and NBRNM calculations.

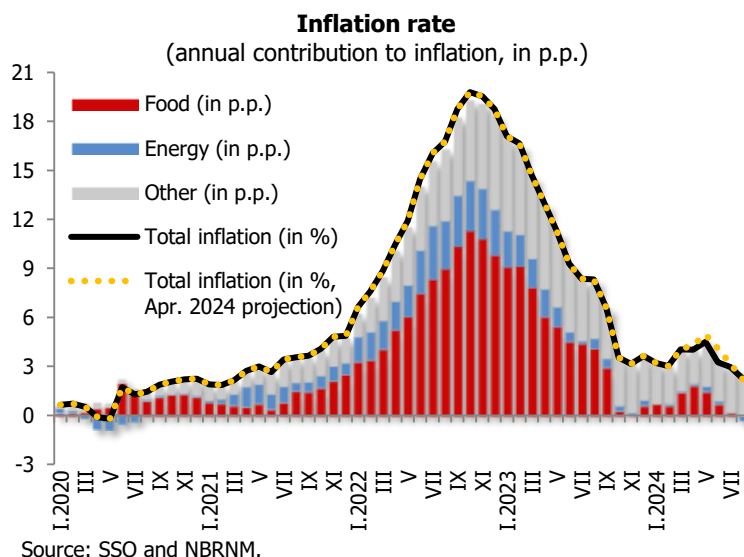
The expectations for a slightly slower reduction of the **one-month EURIBOR** in the entire period of forecasts, given the maintenance of the core inflation in the Euro area at a higher level.

FSI index



The **global financial stress indicator**⁵ 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, divided in 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 August 2024, domestic consumer prices registered a growth of 0.5% on a monthly basis (0.7% July), amid increase in food and core inflation.

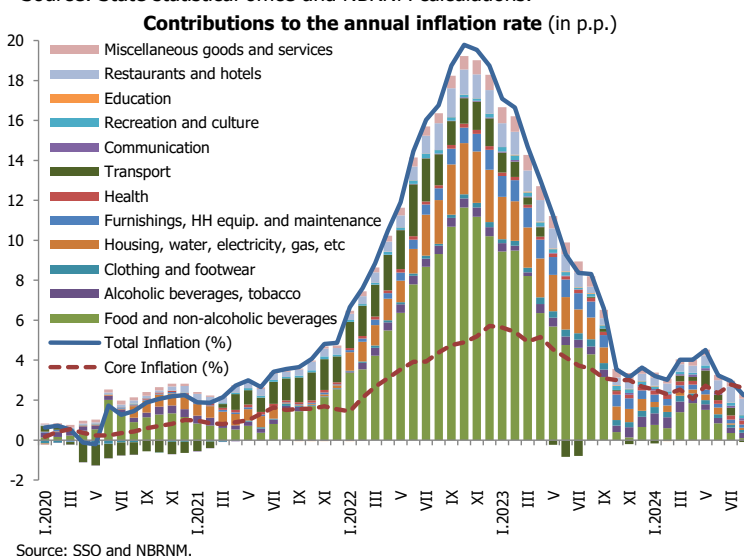
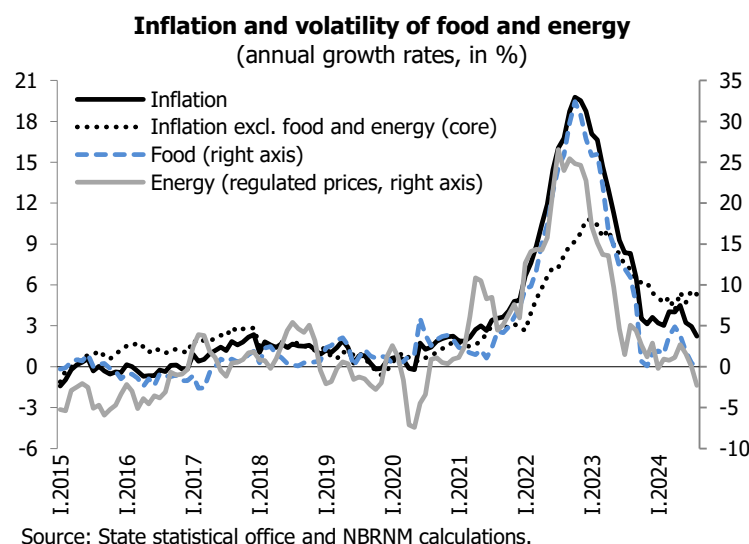
The prices of food products increased by 1.3%, almost entirely due to the growth in vegetable prices, partly due to seasonal factors, after the consecutive decline of prices in the previous three months.

Energy prices recorded a monthly decline of 0.8%, mostly due to the lower prices of oil derivatives, in line with the movements in world markets, while to a lesser extent to reduced prices of central heating⁶.

The core inflation increased slightly by 0.2%, on a monthly basis, which is mostly due to increased regulated prices of water supply. On the other hand, there is a significant decrease in air transport prices.

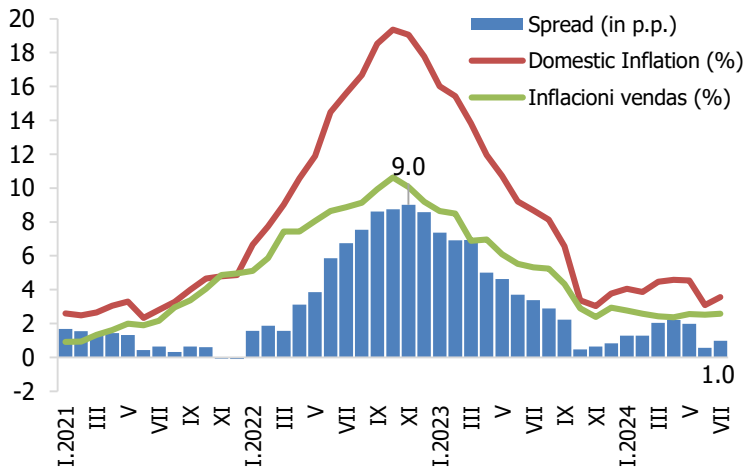
The annual inflation rate in August further slowed down to 2.2%, (3.0% in July), which is due to favorable movements in all three main components, i.e. fall in the prices of the food and energy component and slower growth of core inflation.

The inflation spread in the Euro area is further maintained at a relatively low level.



⁶The Energy Regulatory Commission (ERC), adopted a decision according to which the prices of heat for households will be reduced by 3.16% as of August ([link](#)).

Domestic and eurozone headline inflation spread



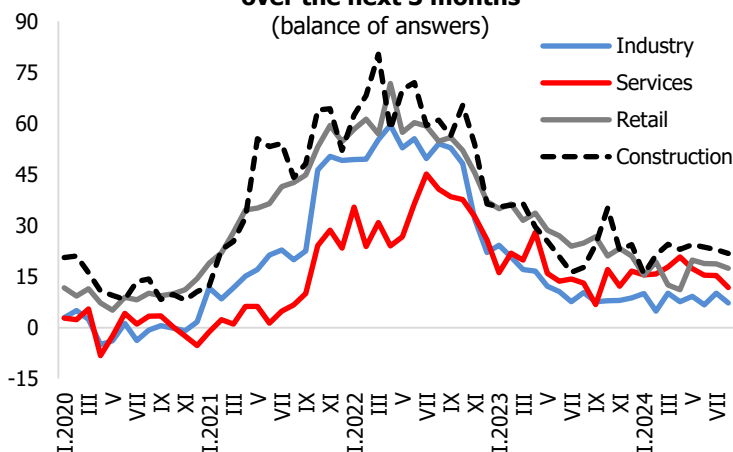
The consumers' expectations⁷ provided in the August surveys for the price movement in the next period still point to their reduction, yet weaker compared to the expectations in July.

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



Regarding the corporate sector⁸, in August the expectations for the price movement in the next period are lower in all sectors.

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

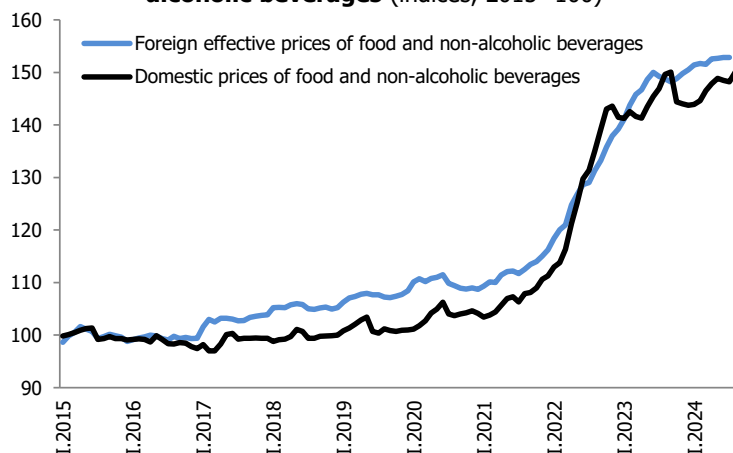


The annual inflation rate in August is identical to the rate in the April forecasting round. Structurally observed, the core inflation is similar to the forecasts, the decline in food prices is weaker than expected, while the energy component declined, as opposed to the expected growth.

⁷ Consumer Confidence Survey of the European Commission for August 2024 based on the question "consumers' expectations about price changes over the next 12 months".

⁸ European Commission's business tendency surveys in industry, retail trade, construction and services sector.

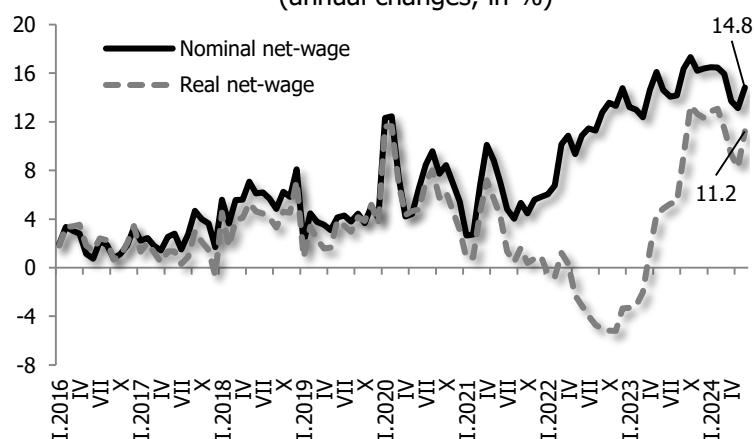
Foreign effective* and domestic prices of food and non-alcoholic beverages (indices, 2015=100)



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

The revisions of the **expected movements of the external input assumptions** in the inflation forecast for 2024 are downward. However, there is still great uncertainty and risks for the future dynamics of primary commodity prices.

Average net-wage (annual changes, in %)

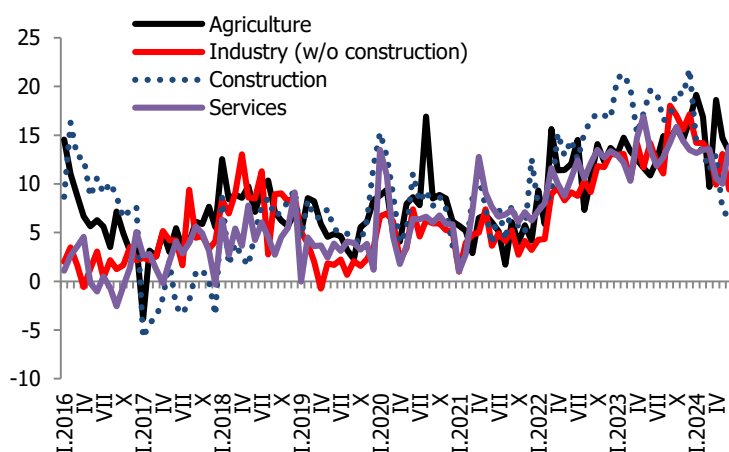


Source: SSO.

In June 2024, the annual growth of the **nominal average net wage** accelerated to 14.8% (13.1% in the previous month),...

...which is due to the accelerated increase in wages in the services sector, especially in financial and insurance activities, and administrative and auxiliary service activities, and to a lesser extent in professional, scientific and technical activities, and public administration, defense and compulsory social insurance...

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

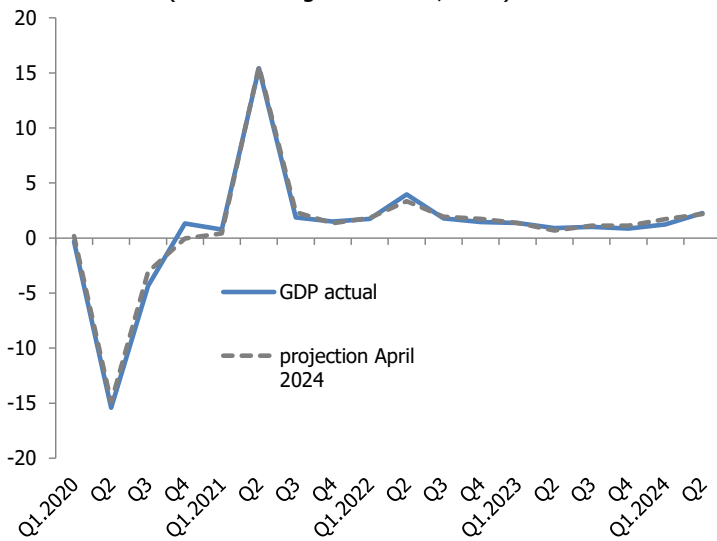


Source: SSO.

... and there are similar movements in the **real net wage**, whose growth also accelerated in June.

The realized nominal and real annual growth rates in wages in the second quarter of 2024 are lower compared to the April 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.

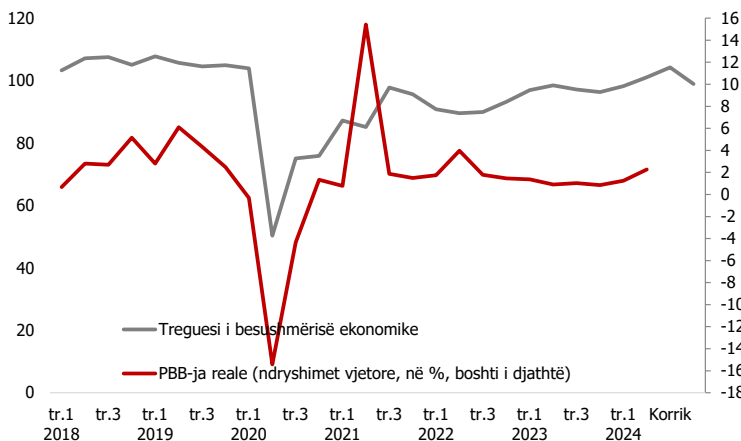
In the second quarter of 2024, the real GDP growth accelerated and equaled 2.3% on an annual basis (growth of 1.2% in the previous quarter), which is in line with the forecast...

...mostly due to the positive contribution of net exports, amid larger decline in imports than in exports. Slight positive contribution was made by the domestic demand, amid growth in private and public consumption, and decline in gross investments (due to reduced inventories).

Analyzing the production side of GDP, most of the activities registered an increase, with the largest positive contribution made by the group of activities trade, transport and catering. On the other hand, industry and agriculture again registered a negative contribution.

The GDP registered real increase of 0.8% on a quarterly basis⁹.

Treguesi i besushmërisë ekonomike dhe PBB-ja



Burimi: ESHS-ja dhe Komisioni Evropian.

Having a limited scope of available data on supply and demand, it is difficult to provide precise assessment of the overall condition of the economy in the third quarter of 2024.

The results of the surveys for the period July-August 2024 point to more favorable perceptions on annual basis, while in relation to the previous quarter they are almost unchanged¹⁰.

In July, **the total trade turnover** registered a solid real annual growth, driven by retail and wholesale trade...

...amid growth in **industrial output**, as opposed to the decline in the previous quarter...

...influenced by the manufacturing industry (mostly due to the production of food and electrical equipment) and mining, while the energy sector registered a slight decline.

Economic activities
(real annual changes, in %)



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

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

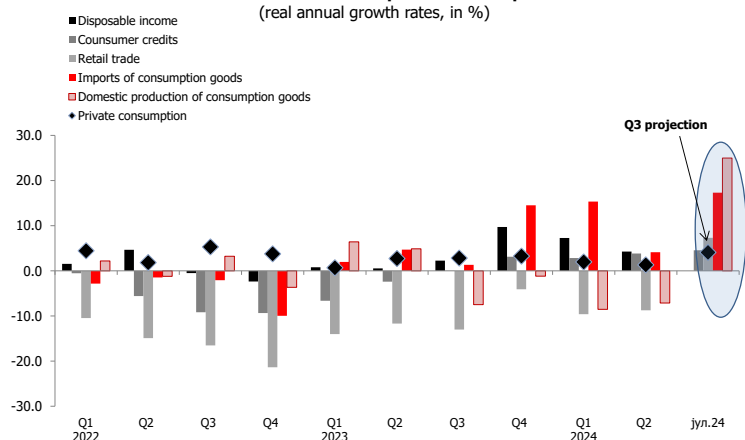
¹⁰ It refers to the surveys conducted by the European Commission to measure the economic confidence of agents in an economy. The composite indicator of economic confidence is a weighted average of the consumer confidence indicators and economic sectors confidence indicators (construction, industry, retail trade and services).

INDUSTRIAL OUTPUT AND OTHER ECONOMIC ACTIVITIES

	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Jul
	<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	2.3	
Industrial output*	3.5	1.3	-1.8	-3.4	0.1	2.7	-0.7	0.4	-3.0	-7.1	3.8
Construction	-12.2	-5.9	-20.4	-12.8	12.4	-20.8	-8.8	10.7	2.8	26.4	-
Building	-26.6	12.4	-10.0	6.2	12.2	-20.0	-9.8	-18.3	-34.0	-5.3	-
Civil Engineerings	4.2	-13.4	-26.9	-27.2	10.5	-22.6	-7.2	37.1	31.6	48.6	-
Specialized construction works	-27.3	-55.3	-21.9	43.5	69.0	10.6	-21.2	11.3	-3.3	98.0	-
Retail and wholesale trade	-11.7	-16.7	-17.4	-23.7	-11.1	-8.4	-7.3	-2.2	-8.6	-7.7	5.9
Retail trade	-10.5	-14.9	-16.5	-21.3	-14.0	-11.7	-13.0	-4.1	-9.6	-8.7	7.3
Wholesale trade	-14.7	-20.4	-19.3	-28.4	-4.8	-2.0	4.3	1.4	-6.5	-5.9	7.4

* 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 estimated data.
Source: SSO and NBRNM staff calculations.

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

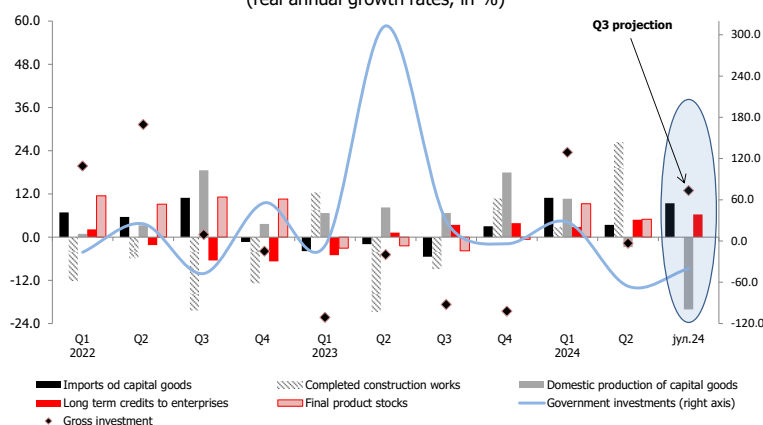


Source: SSO and NBRNM calculations.

The available data on the movement in **private consumption** for July 2024 are mainly upward (increase in pensions, household loans, import of consumer goods, retail trade and domestic production of consumer goods), except in gross revenues from VAT, which declined.

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

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



Source: SSO and NBRNM calculations.

...amid growth in long-term corporate loans and import of working capital, while government capital investments, domestic production of capital goods and profit tax declined.

Foreign trade data in July 2024 indicate potential deficit deepening compared to the same period last year, in conditions of nominal decline in the export and growth in the import.

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

The main labor market indicators¹¹ in the second quarter of 2024 registered moderate positive developments on an annual basis.

¹¹ 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.

The employment rate equals 45.6% and is slightly higher annually (by 0.1 percentage points), amid minor annual increase in the number of employees of 0.3%.

The unemployment rate continued with a downward movement and reduced to 12.5% (decrease of 0.6 percentage points annually), amid decrease in the number of unemployed on an annual basis of 5.3%.

Observing labor supply, the second quarter registered a reduction in the active population on an annual basis (of 0.4%), amid growth in the inactive population (of 0.5%).

In July 2024, the foreign trade deficit increased by 52.7% annually, amid growth in the imports and decline in the exports of goods.

The export of goods in July 2024 registered a decline of 8.3% annually, entirely due to the lower export of part of the foreign-owned production facilities in automotive industry. The performances in exports are lower than expected according to the April forecast, mostly due to the export of part of the foreign-owned production facilities, as well as other exports and the export of iron and steel.

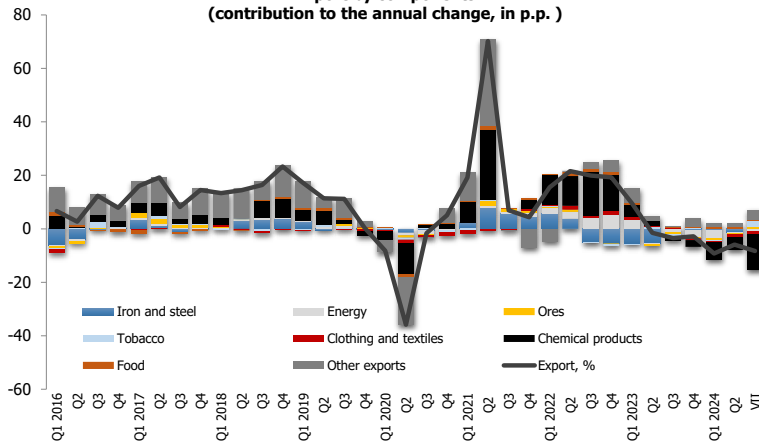
The import of goods in July 2024 increased by 5.4% annually, mostly due to the higher import of equipment and machinery, as well as the import of food, coupled with the higher import of consumer goods and vehicles. The performances in imports are so far lower than expected in April, amid downward deviations in import of raw materials of part of the foreign-owned production facilities in automotive industry.

The trade deficit in July 2024 is so far in line with the expected in the April forecast, but the assessment period is very short to draw more precise conclusions.

In July 2024, the REER deflated by consumer prices depreciated by 1.7% annually, while the REER index deflated by producer prices appreciated by 1.2%...

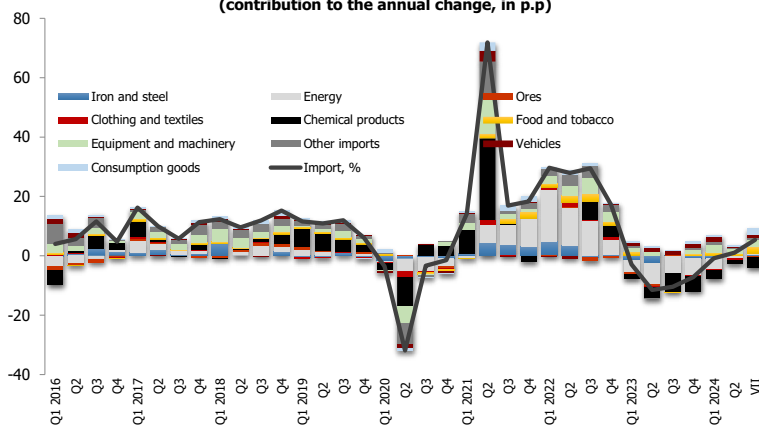
...amid appreciation of NEER by 0.7% (mainly due to the depreciation of the Turkish lira against the denar), decline in relative consumer

Export by components
(contribution to the annual change, in p.p.)



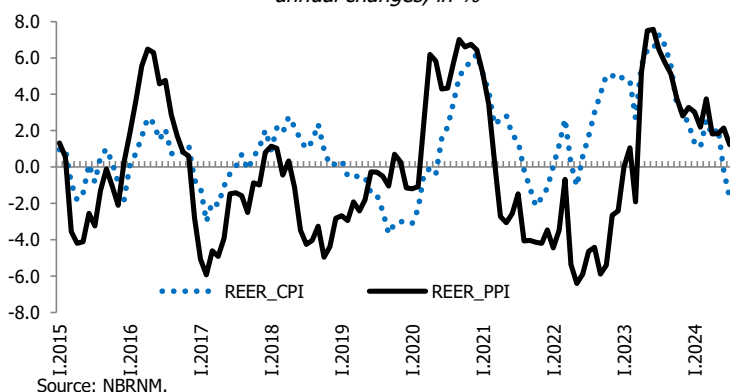
Source: NBRNM.

Imports by components
(contribution to the annual change, in p.p.)



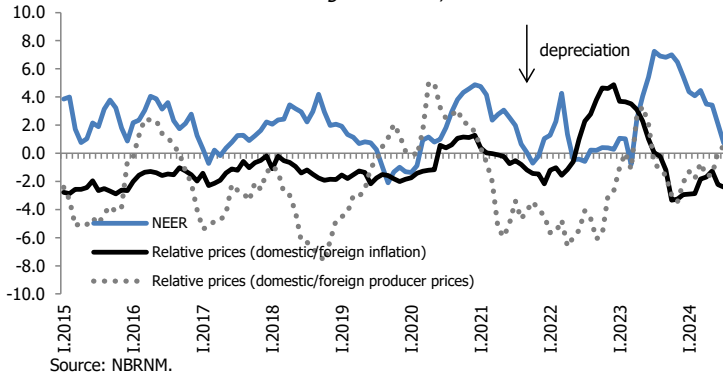
Source: NBRNM.

REER
annual changes, in %



Source: NBRNM.

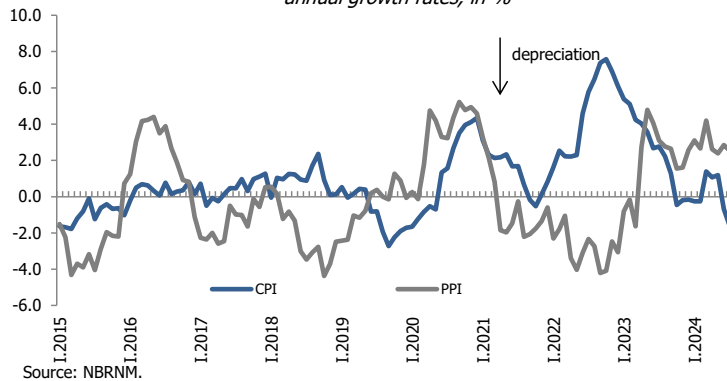
NEER and relative prices
annual growth rates, in %



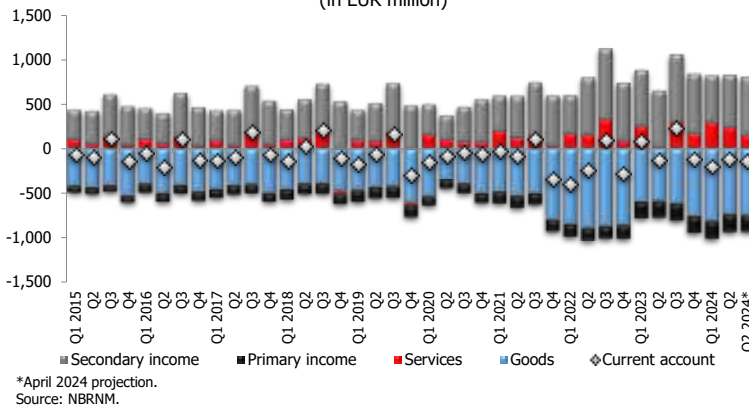
prices and slight increase in relative prices of industrial products.

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

REER, excluding primary commodities
annual growth rates, in %



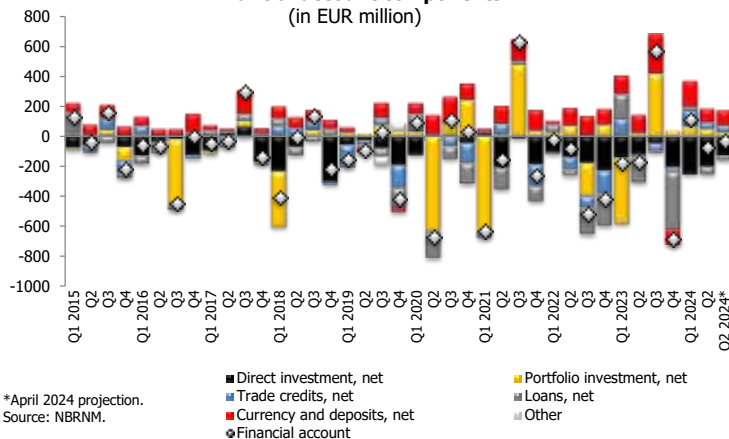
Main components of the current account
(in EUR million)



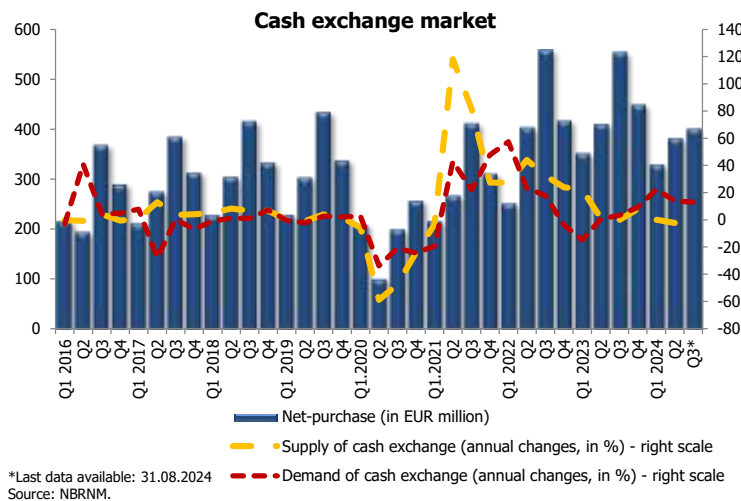
In the second quarter of 2024, the current account registered a deficit of Euro 111.7 million, or 0.8% of GDP, which is slightly lower than expected according to the April forecast...

...amid higher surplus in services and slightly lower net inflows in the secondary income, and performances in the trade deficit in line with the expectations.

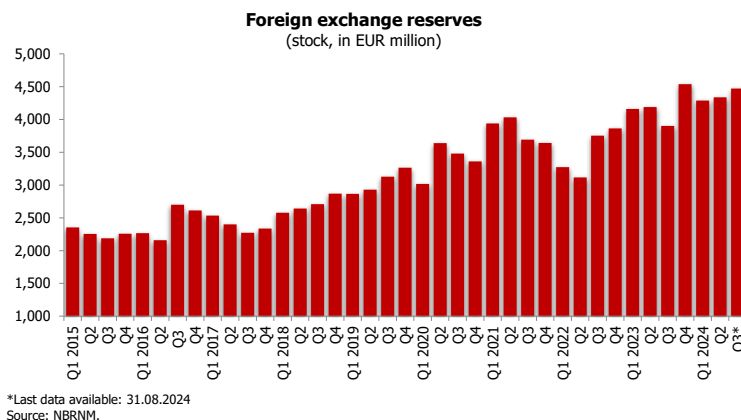
Financial account components
(in EUR million)



In the second quarter of 2024, the financial account registered net inflows¹² of Euro 71.2 million (or 0.5% of GDP), which are higher than expected according to the April forecast (higher net inflows than expected in direct investments and short-term loans, and lower net outflows in currencies and deposits).

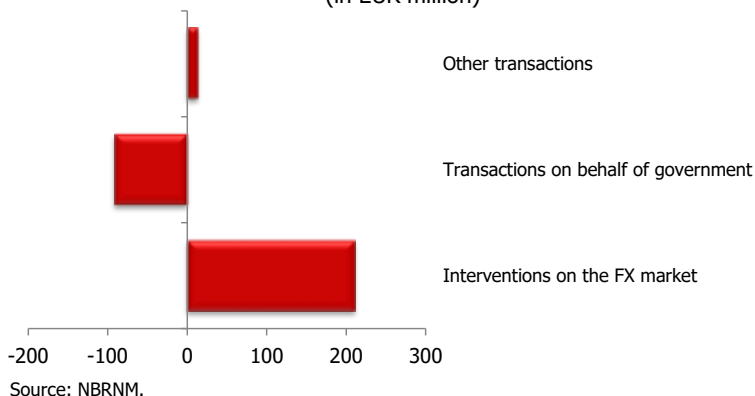


The net purchase on the currency exchange market registered in the period **1.7.2024 - 31.8.2024** currently points to performances in private transfers that are slightly higher than expected for the third quarter, according to the April forecast.



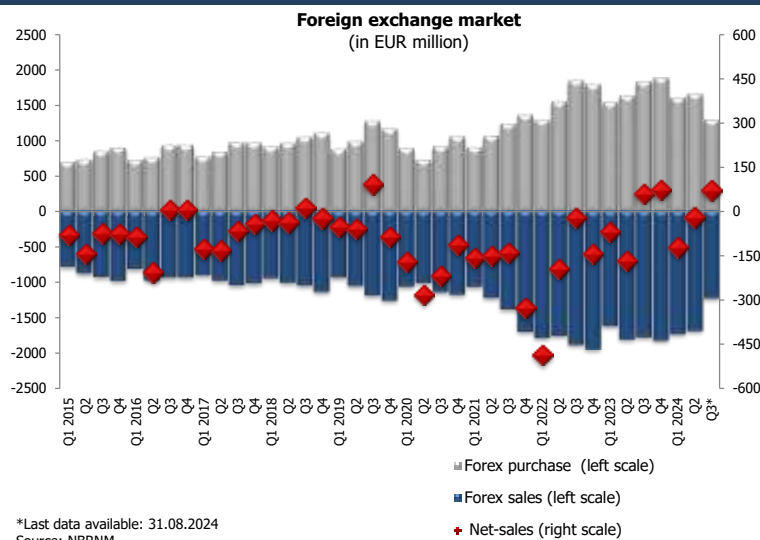
At the end of August 2024, the gross foreign reserves amounted to Euro **4,469.8 million** and registered an increase compared to the end of the second quarter, mostly due to the National Bank's interventions on the foreign exchange market.

Factors of change of the foreign reserves in July and August 2024 (in EUR million)

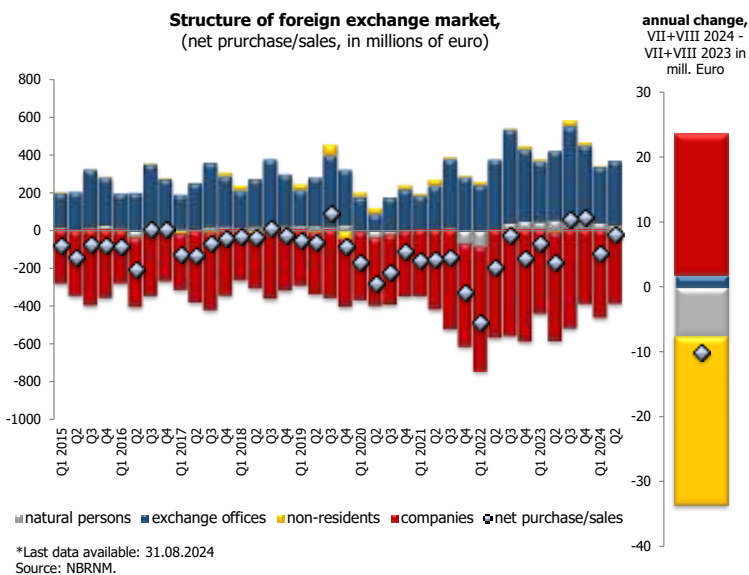


¹² According to the new methodology for compiling the balance of payments (BPM6), the terms net inflows and net outflows denote net incurrence of liabilities and net acquisition of financial assets, respectively.

EXTERNAL SECTOR



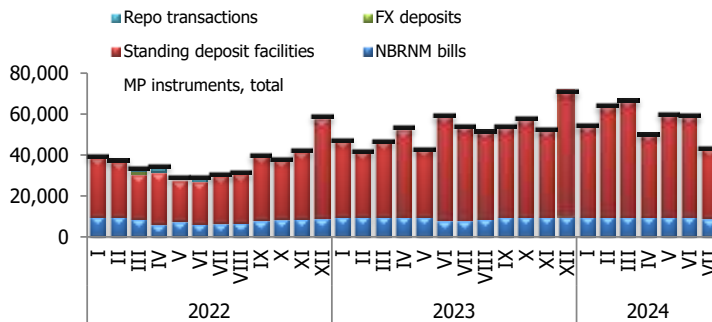
In the period 1.7.2024-31.8.2024, the banks' foreign exchange market reported a lower net purchase of foreign currency compared to the same period last year, amid slight growth in both the demand and the supply of foreign currency.



...such shifts on the foreign exchange market entirely result from the lower net purchase by non-residents and natural persons compared to the same period last year.

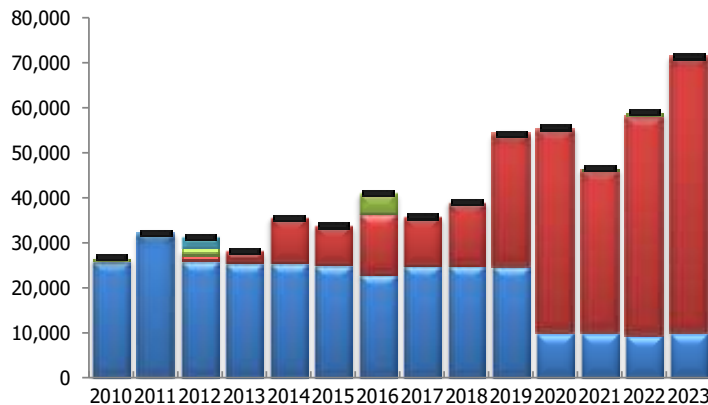
Monetary policy instruments

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



At the end of July 2024, the monetary instruments decreased compared to the previous month, due to the significantly lower amount of banks' assets placed in deposit facilities with the National Bank.

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



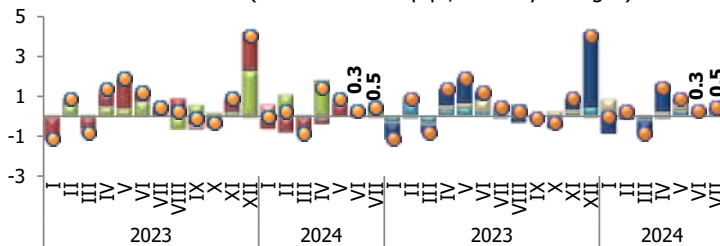
The level of monetary instruments at the end of July was lower compared to the level forecasted for the end of the third quarter of 2024, amid slightly higher net foreign assets of the National Bank, with a pronounced upward deviation in government deposits and higher level of reserve money than forecasted.

Source: NBRNM

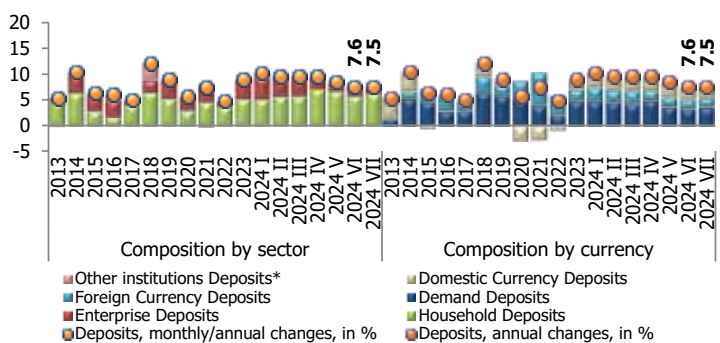
The reserve money at the end of July exceed the forecasted value according to the April forecast, amid upward deviation in both currency in circulation and banks' total reserves with the National Bank.

Total Deposits

(contributions in p.p., monthly changes)



(contributions in p.p., annual changes)

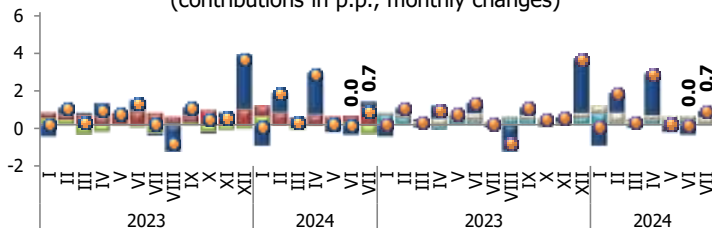


* The Other Institutions Deposits include the deposits of other financial institutions, deposits of local government and deposits of nonprofit institutions serving households at the banks and also the domestic currency transferable deposits of other financial institutions and local government at the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

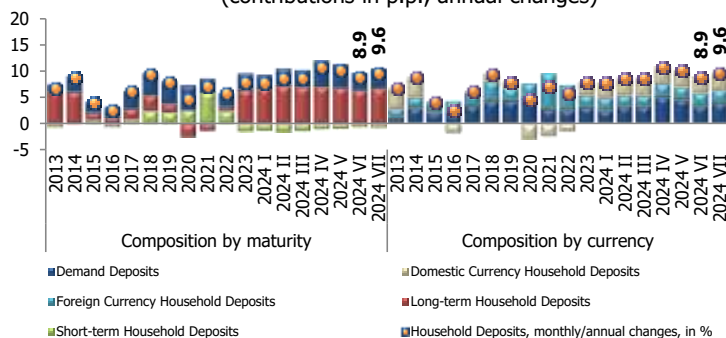
Source: NBRNM.

Household Deposits

(contributions in p.p., monthly changes)



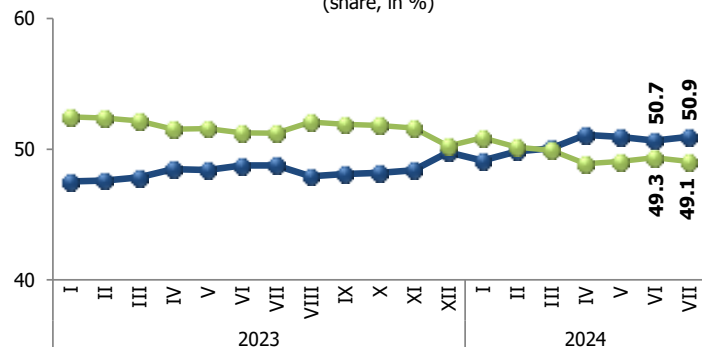
(contributions in p.p., annual changes)



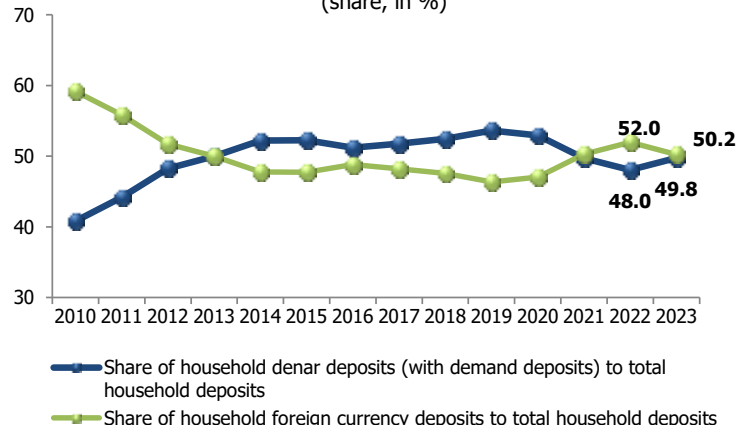
Source: NBRNM.

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

(share, in %)



(share, in %)



* Includes deposits at Banks and Saving Houses

Source: NBRNM.

Total financial system deposits¹³ in July 2024 registered a monthly growth of 0.5%. Observed by sector, the growth results from household deposits, while **from currency aspect** the contribution of foreign currency deposits is greater.

Total deposits in July 2024 registered an increase compared to the end of the second quarter, which is slightly lower compared to the expected growth for the third quarter, according to the April forecast.

In July 2024, the annual growth rate of total deposits equaled 7.5% and it is so far below the forecasted rate for the third quarter of 2024 of 9.0%, according to the April forecast.

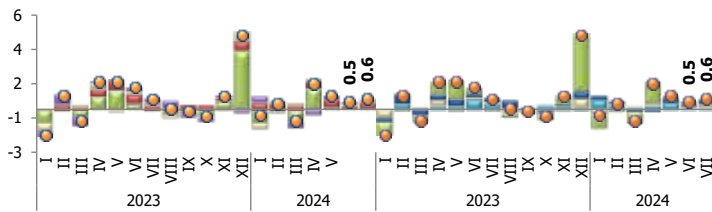
Observing maturity, in July 2024, **household deposits increased on a monthly basis**, which is mostly due to the growth in denar deposits (including demand deposits), as well as the growth in long-term deposits. On an annual basis, household deposits in July 2024 increased by 9.6%.

In July, there is a slight increase in the share of denar deposits in the currency structure of total household deposits, which indicates enhanced denarization.

¹³ 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.

Broad Money M4

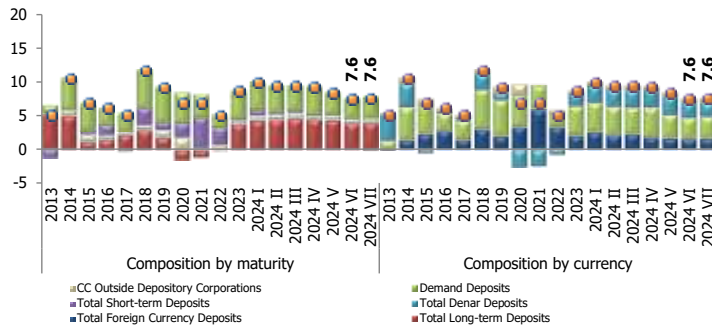
(contributions in p.p., monthly changes)



In July 2024, broad money measured through M4, registered a growth of 0.6%, which results from the positive contribution of all components from **currency and maturity aspect** (excluding the short-term deposits, which registered a slight negative contribution).

In July 2024, broad money increased by 7.6% annually, which is so far below the expected annual growth of 8.8% for the third quarter of 2024, according to the April forecast.

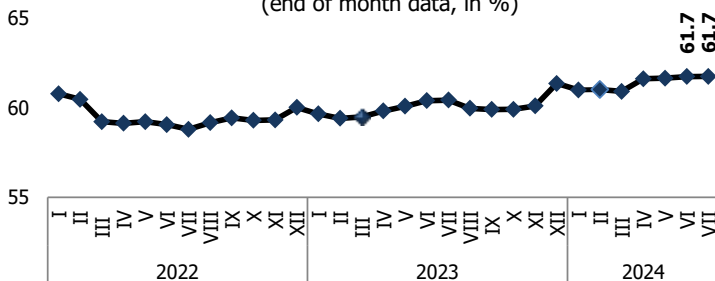
(contributions in p.p., annual changes)



Source: NBRNM.

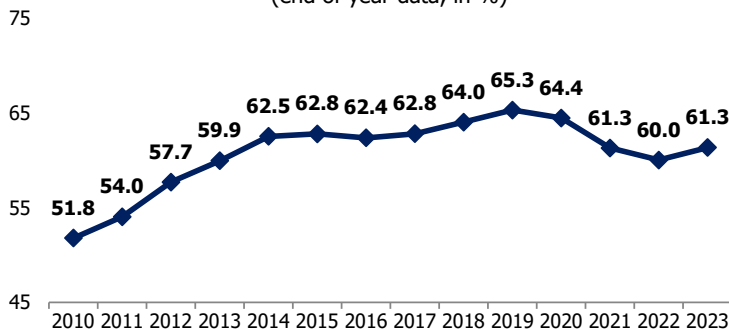
Share of Denar M4 in total M4

(end of month data, in %)



The share of the denar part in the total broad money M4 in July 2024 is at the level of the previous month and is slightly above the forecasted value for the end of the third quarter of the year.

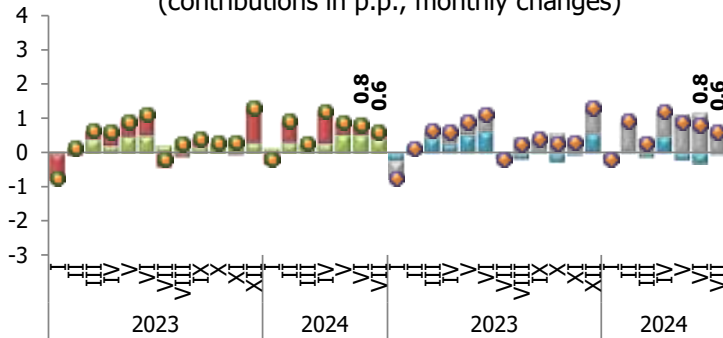
(end of year data, in %)



Source: NBRNM.

Total loans

(contributions in p.p., monthly changes)

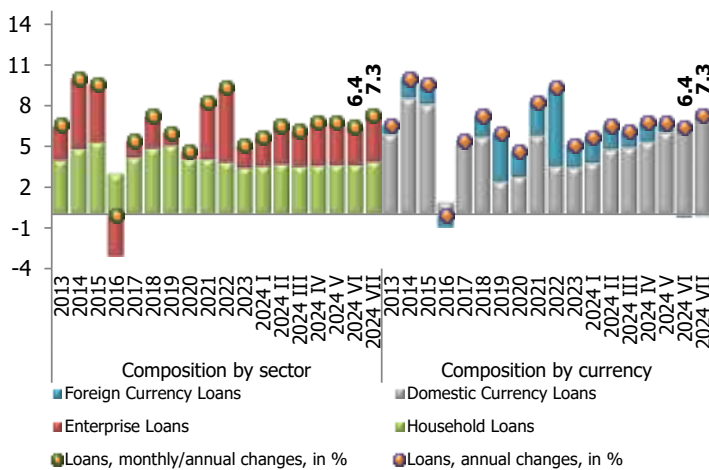


In July, total loans registered a monthly growth of 0.6%.

During July 2024, total loans registered an increase compared to the end of the second quarter, which is slightly higher than expected for the third quarter of the year according to the April forecast.

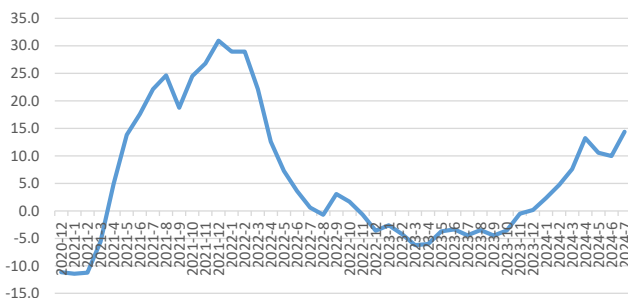
In July, the annual growth rate of total loans equaled 7.3%, amid forecasted annual growth for the third quarter of 2024 of 6.1%.

(contributions in p.p., annual changes)



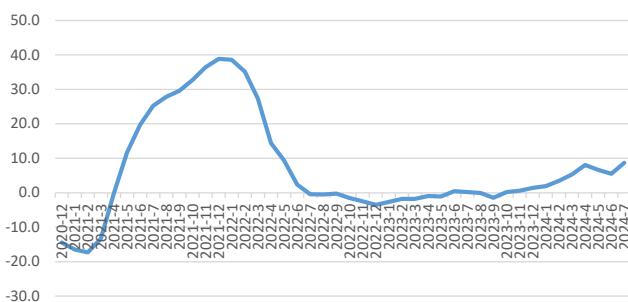
Source: NBRNM.

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

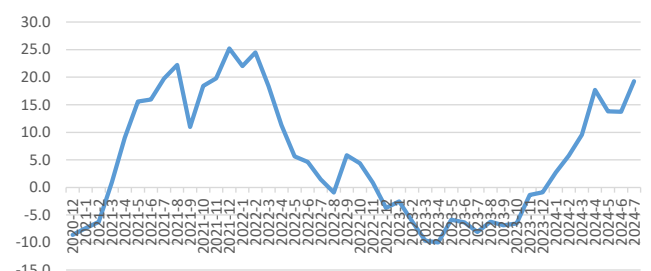


The amount of total new loans approved to the private sector in the last 12 months, as of July 2024, registered an accelerated growth on an annual basis, resulting from the increased lending to both sectors (corporate and household).

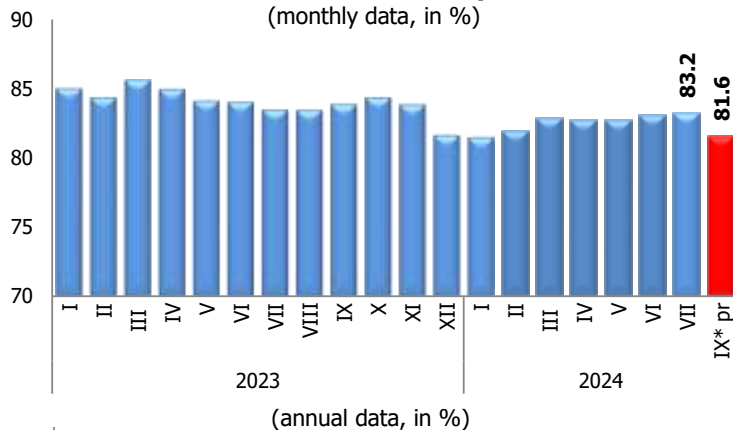
Newly granted loans to households, 12-month moving average



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

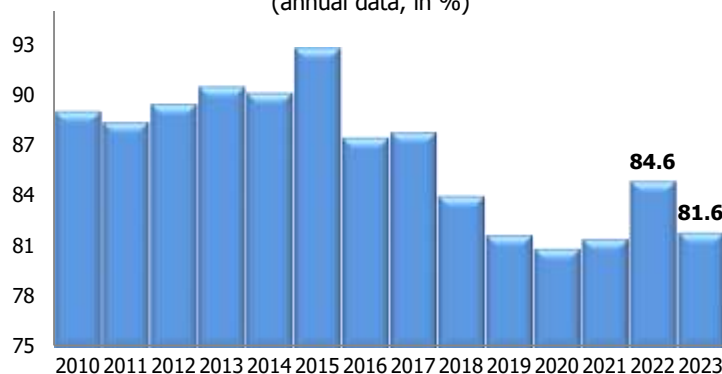


Total credits/total deposits
(monthly data, in %)



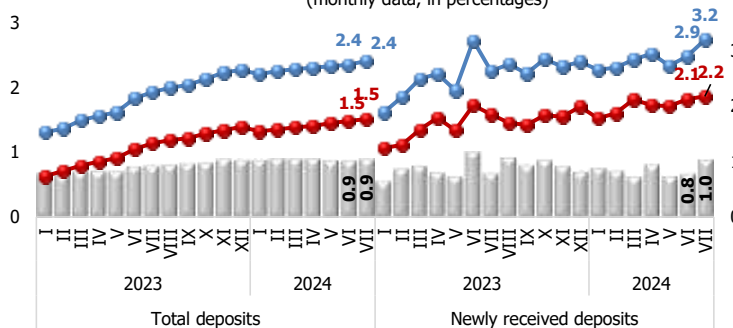
The indicator for the utilization of banks' deposit potential for lending to the private sector in June equals 83.2% and it exceeds the value of this indicator forecasted for the end of the third quarter of 2024 (81.6%), according to the April forecast.

(annual data, in %)



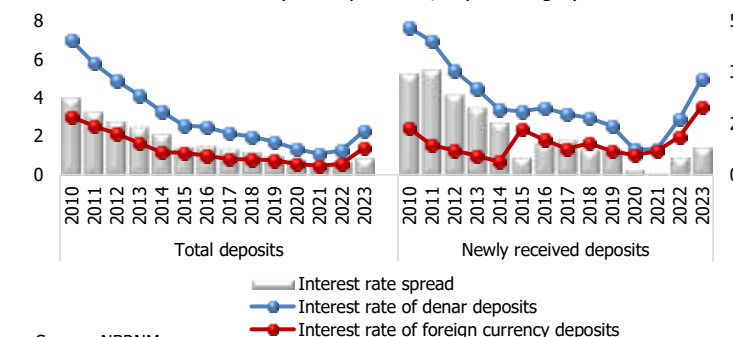
Source: NBRNM.

Total deposits interest rates
(monthly data, in percentages)



In July 2024, the interest rates on total denar and foreign currency deposits¹⁴ remained at the level of the previous month, thus the interest rate spread remained at 0.9 percentage points. This month, an upward movement in interest rates was registered in both **total newly accepted denar and foreign currency deposits**¹⁵, while the interest rate spread increased by 1.0 percentage points. (monthly increase of 0.2 percentage points)...

(end of year data, in percentages)



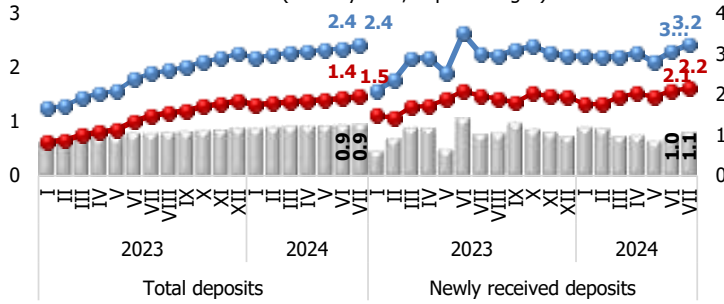
Source: NBRNM

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.

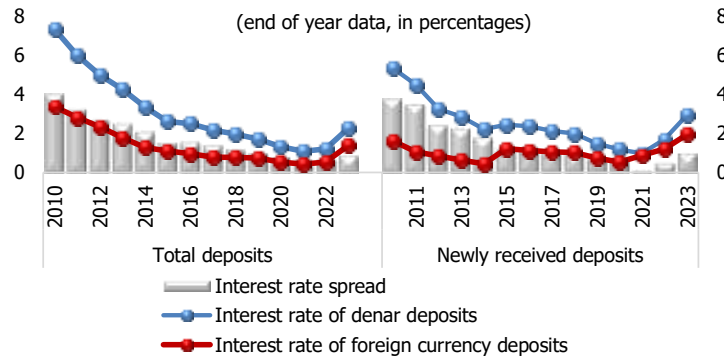
¹⁵ Note that the interest rates on newly accepted deposits typically vary. Volatility of interest rate on newly accepted deposits results from the fact that they are determined by the volume of newly accepted deposits (which varies from month to month) and their interest rate.

Households' deposits interest rates

(monthly data, in percentages)



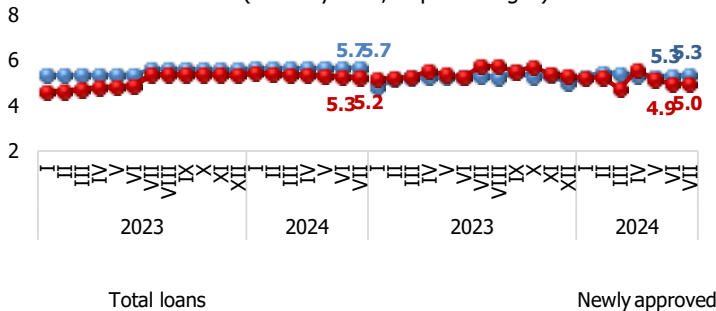
... almost identical movements in July were registered in the **household** interest rates.



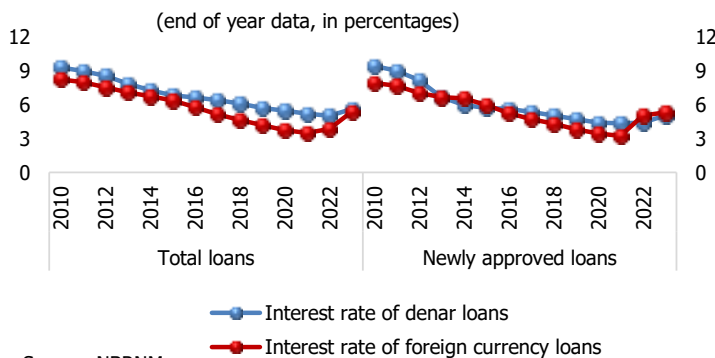
Source: NBRNM.

Total loans interest rates

(monthly data, in percentages)



In July 2024, the interest rates on **newly approved**¹⁶ **corporate loans** increased, while the interest rates on **total corporate loans** slightly declined compared to the previous month. **Interest rates on total and newly approved household loans** are unchanged compared to the previous month.

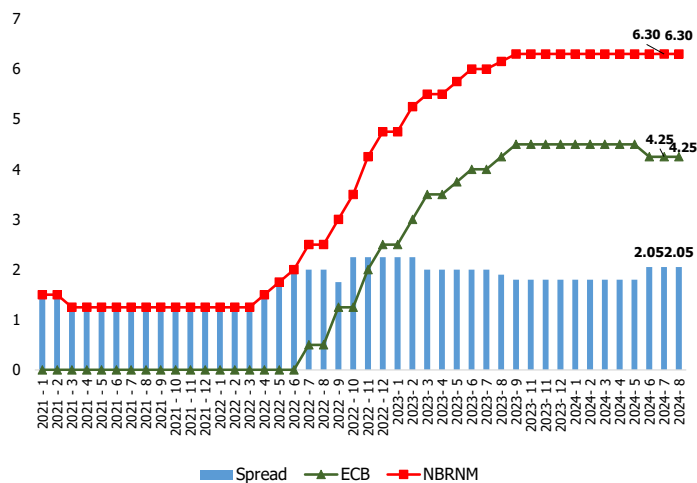


Source: NBRNM

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

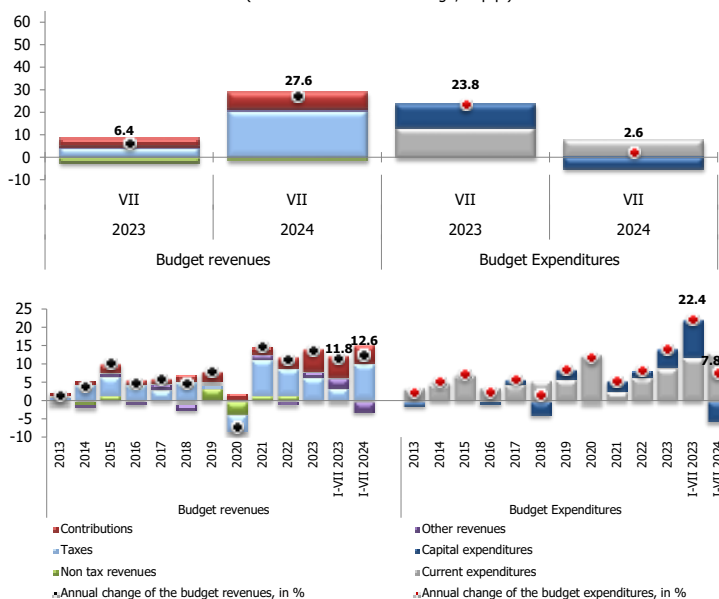
Policy Rates of the NBRNM and ECB (in %) and Spread (in p.p.)



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

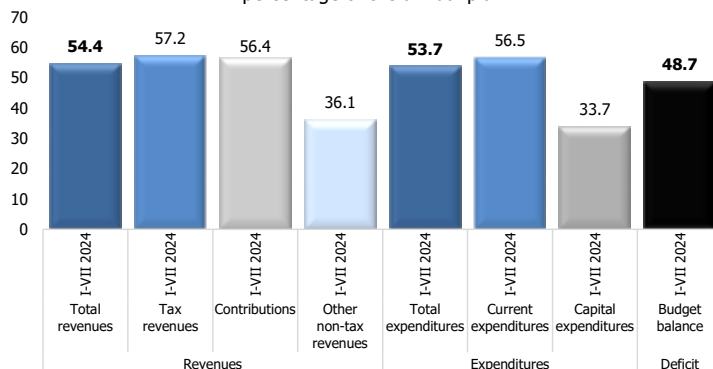
Budget revenues and expenditures

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



In July 2024, the budget revenues of the Republic of North Macedonia (central budget and budget of funds) recorded a significantly accelerated annual growth, which is primarily due to the growth of tax revenues, and to a lesser extent to the growth of income from contributions. The budget expenditures registered grew moderately, due to higher current costs (primarily due to higher transfers), amid decline in capital costs. In the period January - July 2024, total budget revenues went up by 12.6% compared to the same period last year, while the total budget expenditures were higher by 7.8%.

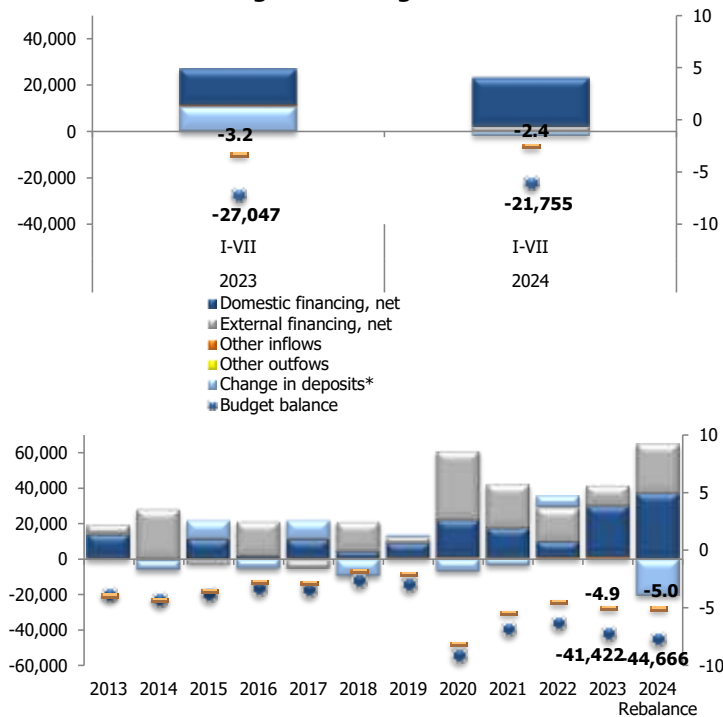
Budget implementation, per categories (central budget and funds), in percentage of the annual plan



...the realized budget deficit in the amount of Denar 21,755 million accounts for 48.7% of the deficit planned for 2024 in accordance with the of Budget¹⁷...

¹⁷ Official Gazette of the Republic of North Macedonia No. 169 of 15.8.2024.

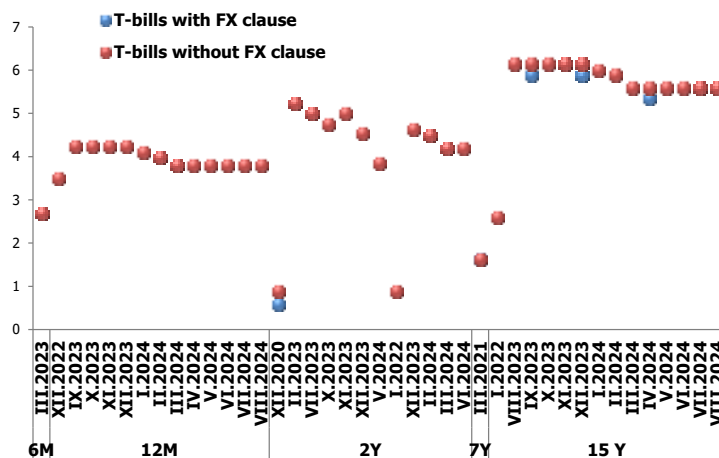
Financing of the budget balance



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

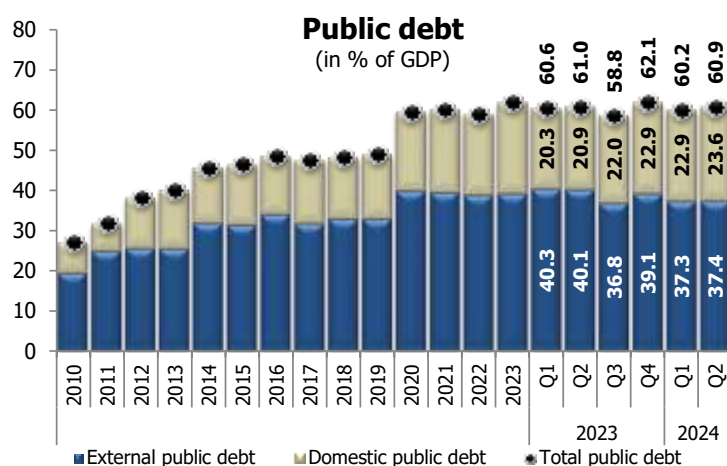
...it is mainly financed by net government borrowing on the domestic market and to a lesser extent on the foreign market, amid growth of government deposits with the National Bank.

Interest rates of T-Securities in percent



Source: Ministry of Finance

In August 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.



At the end of the second quarter of 2024, **the public debt¹⁸** registered slight increase, mostly influenced by higher domestic public debt.

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

¹⁸The 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		Jul
	<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	-8.7	7.3
VAT revenues*	29.2	9.5	3.7	-7.7	-15.0	-9.5	-10.7	-1.5	1.6	6.0	-13.4
Imports of consumption goods*	-2.8	-1.5	-2.1	-9.9	2.0	4.7	1.4	14.5	15.4	4.1	17.3
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	25.0
Consumer credits*	-0.5	-5.6	-9.2	-9.3	-6.6	-2.4	0.0	3.1	2.9	3.9	4.6
Average net wage*	0.0	-1.7	-4.6	-4.6	-2.8	3.6	6.6	12.8	12.5	9.6	-
Private net transfers*	9.8	24.1	11.8	5.1	11.3	-8.4	-10.4	-1.6	-12.1	-11.5	-
Pensions*	-3.4	-1.0	-10.4	-4.9	-2.5	1.3	9.9	13.4	17.1	10.2	9.8

* 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	Q2	Jul
	<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	9.4
Completed construction works**	-12.2	-5.9	-20.4	-12.8	12.4	-20.8	-8.8	10.7	2.8	26.4	-
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	-20.1
Government investments*	-16.4	25.0	-47.3	55.6	-6.8	313.0	29.1	-4.0	27.5	-65.8	-40.0
Direct Investments***	9616.2	-6348.6	10624.7	262.4	1114.3	-2027.1	-8584.4	-1964.3	6277.5	4575.6	-
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	6.3
Final product stocks	11.5	9.2	11.1	10.5	-3.1	-2.4	-3.8	-0.6	9.3	5.0	-

* 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.