



Q-1-2024

QUARTERLY ECONOMIC REPORT

- first quarter of 2024 -

Summary

- In Q1 2024 economic activity growth of 1.2% in real terms was recorded on annual basis, boosted by gross investments and consumption growth.
- **Number of employed persons** in Q1 2024 surged by 0.6% compared to the same quarter in 2023. **Number of unemployed persons** dropped by 2.7% in Q1 2024, which resulted in **reduction of unemployment rate** to 12.9%.
- Average **net wage** amounted to Denar 39,771 in Q1 2024, increasing by 16.3% in nominal terms, i.e. 12.5% in real terms, compared to the net wage in Q1 2023.
- Total **budget revenues** were higher by 5.2% in Q1 2024, while total budget expenditures surged by 20.9% compared to the same quarter in 2023.
- **Inflation rate** in Q1 2024 accounted for 3.4% on annual basis.
- Total deposit potential of banks dropped by 0.6% in Q1 2024 on quarterly basis.
- In Q1 2024, drop of both export of goods by 9.2% and import of goods by 0.9% was registered on annual basis, whereby total foreign trade, expressed in euros, dropped by 4.5%.



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1. Economic Activity

In Q1 2024, **economic activity growth** of 1.2% was recorded on annual basis, whereas in the case of seasonal data adjustment it accounted for 1.3% in real terms. Analyzed according to the GDP by production method, economic growth was entirely a result of the positive performance in the **services sector**. Increase in the activity in the services sector was broad based, accounting for 4.1%. The highest growth within the service activities was recorded at Art, entertainment and recreation by 19.6%, followed by: Professional, scientific and technical activities by 7.5%, Trade, transport and hospitality industry by 6.9%, Information and communication by 2.5%, Public administration, defence, education and health by 0.7% and Real estate activities by 0.1%. Drop was recorded at Financial and insurance activities by 0.1%.

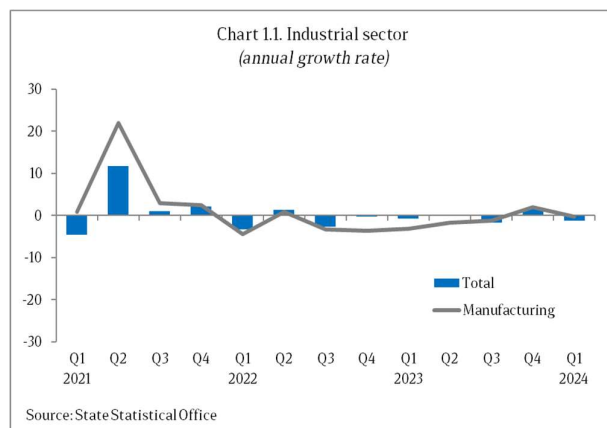
Table 1: GDP and components by production method – annual growth rates (%) and contributions in GDP growth (p.p.)

Sectors	real growth(%)						contribution to growth (p.p.)					
	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2023	Q1 2024	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2023	Q1 2024
Gross domestic product	1.4	0.9	1.0	0.9	1.0	1.2						
Agriculture	-0.2	0.1	2.0	-15.3	-3.8	-19.7	0.0	0.0	0.2	-1.2	-0.3	-1.4
Industry	-0.8	0.1	-1.7	1.6	-0.1	-1.2	-0.1	0.0	-0.3	0.3	0.0	-0.2
Manufacturing	-3.2	-1.8	-1.2	1.9	-0.8	-0.3	-0.4	-0.2	-0.1	0.3	-0.1	0.0
Construction	18.9	-14.8	-13.0	5.5	-2.3	-2.5	0.7	-0.8	-0.9	0.4	-0.1	-0.1
Services	2.0	3.0	3.3	1.6	2.5	4.1	1.2	1.7	1.9	0.9	1.4	2.5
Trade, transport and catering	3.4	4.4	1.9	2.3	3.0	6.9	0.7	0.8	0.4	0.4	0.6	1.4
Information and communication	7.0	3.3	5.4	2.2	4.4	2.5	0.3	0.2	0.2	0.1	0.2	0.1
Financial and insurance activities	3.7	3.9	6.6	3.5	4.4	-0.1	0.1	0.1	0.2	0.1	0.1	0.0
Real estate activities	3.6	4.1	5.6	1.6	3.7	0.1	0.4	0.5	0.6	0.2	0.4	0.0
Professional, scientific and technical activities	1.5	3.6	5.5	2.1	3.2	7.5	0.1	0.2	0.2	0.1	0.1	0.3
Public administration and defence, education and health	-4.5	-0.9	-0.2	0.2	-1.4	0.7	-0.6	-0.1	0.0	0.0	-0.2	0.1
Arts, entertainment and recreation	-0.4	1.9	2.7	-2.0	0.6	19.6	0.0	0.1	0.1	-0.1	0.0	0.6
Net taxes on products	-0.4	-0.2	2.1	3.9	1.2	1.1	-0.1	0.0	0.2	0.5	0.2	0.1
Residual							-0.3	-0.1	0.1	0.0	-0.1	0.3

Source: State Statistical Office (notification on GDP in Q1 2024) and MoF calculations.

Industrial sector dropped by 1.2%, wherein activity in Manufacturing decreased by 0.3%. According to high-frequency data, sectors Electricity, gas, steam and air-conditioning and Mining and quarrying recorded drop of 24.5% and 2.3% respectively in Q1 2024. Within Manufacturing, branches mostly contributing to the drop are the following:

Manufacture of wearing apparel (drop by 23.3%, contribution of 1.5 p.p.),

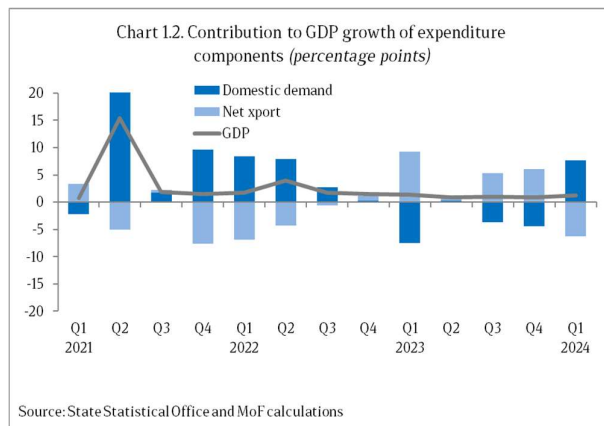




Manufacture of tobacco products (drop by 61.6%, contribution of 0.8 p.p.) and Manufacture of other non-metal mineral products (drop by 16.5%, contribution of 0.7 p.p.).

Agricultural sector recorded a two-digit drop of 19.7%, following the 15.3% drop in the previous quarter, reflecting the continued negative performance in this sector. **Construction activity** recorded decline of 2.5%, which, as per the monthly data for completed construction works, was due to the drop of construction activity as regards buildings and specialized construction works, while activity in civil engineering structures experienced growth.

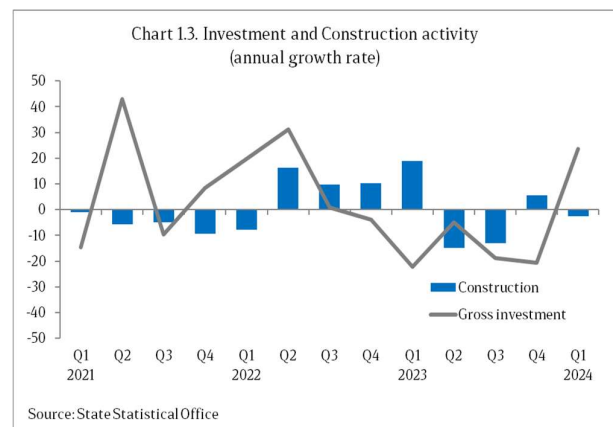
Analyzed according to the expenditure side of GDP, economic activity growth was due to positive contribution of stronger domestic demand, amid scaled up gross investments and consumption.



Consumption grew by 2.1% in real terms. Thereby, **private consumption** surged by 2.0% mainly as a result of growth of the household disposable income amid more intensive increase of wages in Q1 2024 (real

growth of 12.5%), growth of pensions and credits to households. **Public consumption** grew by 2.4% in real terms.

Gross-investments recorded two-digit growth of 23.6%, representing significant recovery, following the negative performance in 2023, amid higher import of capital goods (nominal growth of 34.6%) and higher execution of capital expenditures (nominal growth of 31.7%).



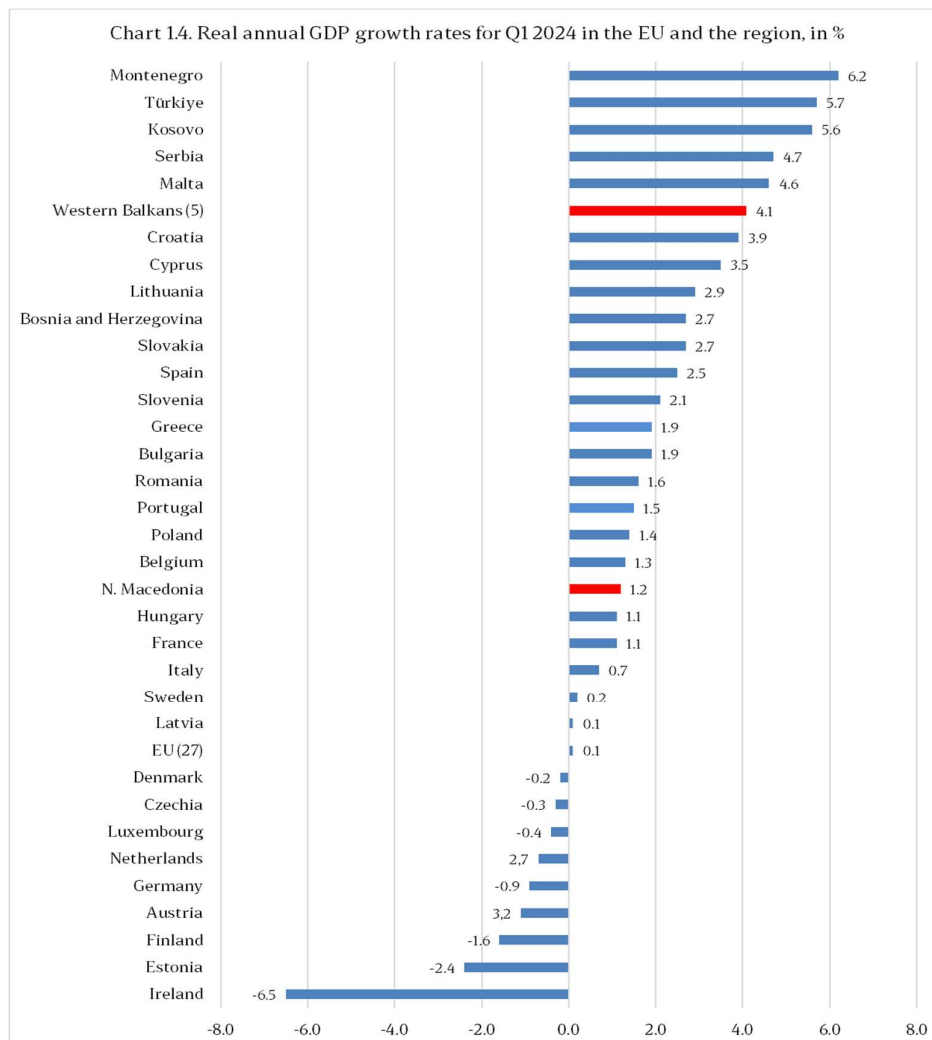
Weak economic activity in the EU countries and, respectively weak external demand, resulted in decline of **export of goods and services** by 7.8% in real terms. Drop of export was predominantly a reflection of decreased export of chemical materials and products, electricity, road vehicles, and iron and steel. On the other hand, **import of goods and services** recorded growth of 0.2% in real terms, driven by the import of capital goods, while the decline of intermediary product import slowed down amid reduced export activity in the respective quarter. Hence, net export had negative contribution to the economic growth.



Table 2: GDP and components by expenditure method – annual growth rates (%) and contributions in GDP growth (p.p.)

Components	real growth (%)						contribution to growth (p.p.)					
	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2023	Q1 2024	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2023	Q1 2024
Gross domestic product	1.4	0.9	1.0	0.9	1.0	1.2						
Final consumption	-0.2	2.1	1.8	3.7	1.9	2.1	-0.2	1.8	1.6	3.2	1.6	1.8
Private	0.7	2.8	2.8	3.3	2.4	2.0	0.4	2.0	2.0	2.4	1.7	1.4
Public	-4.3	-1.1	-3.0	5.6	-0.6	2.4	-0.7	-0.2	-0.5	0.9	-0.1	0.4
Gross capital formation	-22.3	-4.8	-18.7	-20.5	-16.7	23.6	-9.6	-1.8	-5.7	-7.0	-6.0	5.5
Export of goods and services	6.6	-1.4	-5.0	0.1	-0.1	-7.8	4.6	-1.1	-3.9	0.1	-0.1	-6.1
Import of goods and services	-5.0	-2.0	-9.8	-6.5	-5.8	0.2	-4.6	-2.0	-9.2	-6.1	-5.5	0.2
Net exports							9.3	0.9	5.4	6.1	5.4	-6.3
Residual							1.9	0.0	-0.3	-1.4	0.0	0.2

Source: State Statistical Office (notification on GDP in Q1 2024) and MoF calculations.



Source: Eurostat and national statistical institutions:

*Available data on Western Balkan (5) refer to the following countries: Bosnia and Herzegovina, Kosovo, N. Macedonia, Serbia and Montenegro.



2. Labour Market

Starting 2021, Labour Force Survey was conducted in all EU Member States in accordance with Regulation (EU) no. 2019/1700 of the European Parliament and the Council of Social Statistics and the corresponding executive regulation of the Commission (EU) no. 2019/2240 in the field of labour force. Republic of North Macedonia implemented these regulations in 2023, whereas the previous Regulation (EC) no. 577/98 has been repealed. These changes caused interruption of time series of data, thus, data on 2023 are not comparable with the data from previous years.

Employment

In Q1 2024, as per the Labour Force Survey, employment increased by 0.6%, **number of employed persons** being higher by 4.1 thousand persons compared to the same quarter in 2023. Highest employment growth rate was recorded in the agricultural sector (15.3 thousand persons, accounting for 34.5%), with construction also recording growth of 6.5%, with the number of employed persons increasing by 2.9 thousand persons in the respective sector.

On the other hand, drop of employment was recorded in the service sector (3.1% or 13.2 thousand persons), primarily as a result of the drop of 9.3% (a decline of 10.6 thousand persons) in wholesale and retail, with a drop in employment also being recorded in sectors Information and communications and Health and social protection activities. Industry also

recorded a drop in the number of employees by 1.4%, i.e. 2.2 thousand people.

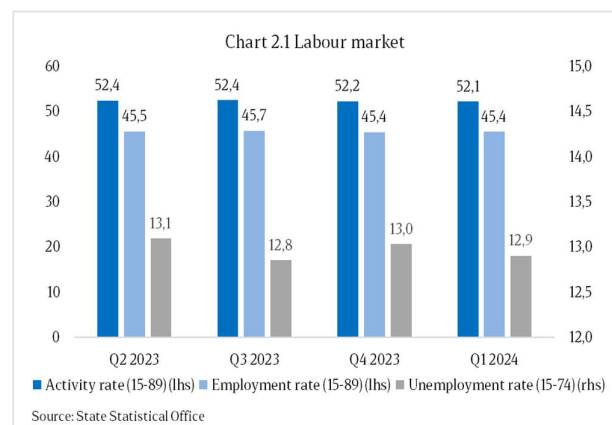
Out of the total number of employees, 517,101 were employed in entities in private ownership (75.2% of the total employees), whereas 170,250 people were employed in entities in mixed, collective or state ownership (24.8% of total employees).

Employment rate in Q1 2024 accounted for 45.4%, being higher by 0.3 p.p. compared to the same quarter in 2023.

Unemployment

Number of unemployed persons decreased by 2.8 thousand persons, being lower by 2.7% compared to the same quarter in 2023.

Unemployment rate reduced to 12.9% in Q1 2024, i.e. it dropped by 0.4 p.p. compared to the same quarter in 2023, being lower by 0.1 p.p. compared to the previous quarter. (Chart 2.1).





Unemployment rate in the age category 15 – 64 accounted for 12.9%, while with the youth population (age category 15 to 29) it accounted for 23.4%, decreasing by 0.5 p.p. and 2.3 p.p. respectively compared to Q1 2023. With respect to gender structure, female unemployment rate dropped by 0.1 p.p., accounting for 11.5%, being 2.4 p.p. lower than male unemployment rate, decreasing by 0.5 p.p. and accounting for 13.9%.

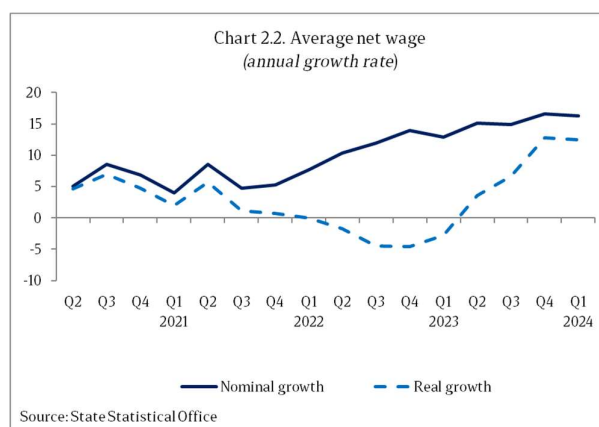
Active population

Number of active population increased by 1.3 thousand persons, being higher by 0.2% on annual basis. In Q1 2024, active population accounted for 52.1% of the total working-able population, representing an increase of 0.1 p.p. compared to the same quarter in 2023.

Wages

Average monthly **net-wage** in Q1 2024 amounted to Denar 39,771, being higher by 16.3% in nominal terms compared to the same quarter in 2023, while net-wage in real terms was higher by 12.5% (Chart 2.2).

Highest net-wage in Q1 2024 was paid in the sector Information and communication (Denar 75,135), followed by Financial and Insurance Activities with Denar 54,545, Electricity, gas, steam and air-conditioning supply with average net-wage paid in the amount of Denar 53,277 and Mining and quarrying in the amount of Denar 49,377.



Average monthly **gross wage** in Q1 2024 amounted to Denar 59,720, being higher by 16.6% in nominal terms and 12.7% in real terms.

3. Public Finances

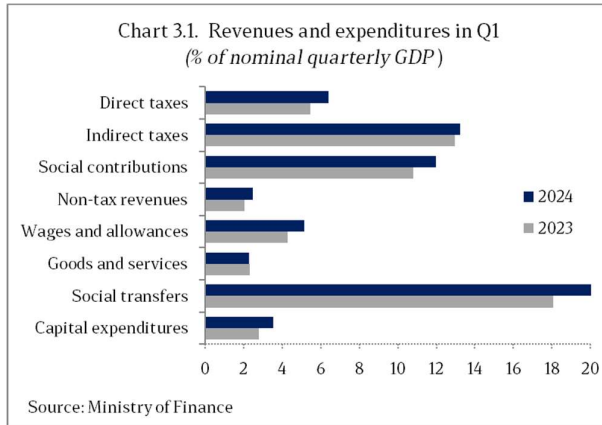
3.1. Budget Revenues according to the Economic Classification

In Q1 2024, **total budget revenues** accounted for 34.8% of the quarterly GDP, being higher by 5.2% compared to first quarter of 2023, amid higher collection of taxes by 11.0%, contributions by 15.2% and

non-tax revenue collection by 26.9%. Tax revenues observed a higher collection rate in all segments, that is the segment of personal income tax, corporate income tax, VAT, excise, import duties and other tax



revenues.



Collection of indirect taxes in Q1 2024 compared to Q1 2023 surged by 6.1%, whereas the collection of the direct taxes picked up by 21.8%. Seen from the GDP share structure perspective, the share of direct tax revenues is increased by 0.9 p.p. on annual level, i.e. from 5.5% in the first quarter last year to 6.4% of the quarterly GDP in the same quarter this year. In Q1 2024, share of indirect tax revenues in GDP accounted for 13.2%, being higher by 0.2 p.p. compared to the share of 13.0% in Q1 2023.

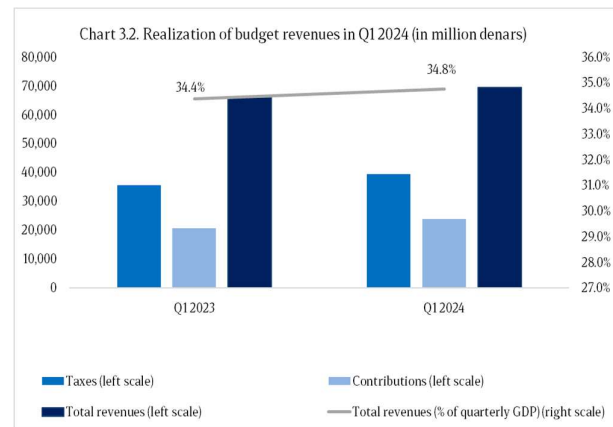
With respect to **indirect taxes**, VAT revenues predominated, accounting for 43.3% of the total tax revenues in Q1 2024, being higher by 3.8% compared to the same quarter of the previous year. Pertaining to the VAT structure, VAT on import accounted for the most, followed by VAT on turnover in the country. Compared to the same quarter in the previous year, excise revenues were higher by 7.8%, while collection of customs duties grew by 17.6%.

With respect to **direct taxes**, a PIT revenue collection recorded an increase of 20.9%, while the profit tax revenue collection an

increase of 23.0% compared to the same quarter of the previous year.

Collection of **social contribution** was higher by 15.2%, whereby increased collection was recorded with all contributions, i.e. with pension and disability insurance contributions by 15.1%, and employment contributions by 15.0% and health insurance contributions by 15.5%.

In Q1 2024, collection of **non-tax revenues**, accounting for 2.5% of the quarterly GDP was higher by 26.9% compared to the same quarter of 2023.



Capital revenues incorporating the construction land lease, apartment sale and dividend revenues were higher by 3.1% on annual basis in Q1 2024. Revenues on the basis of **foreign donations** were lower by 88.8% compared to the same quarter of 2023.



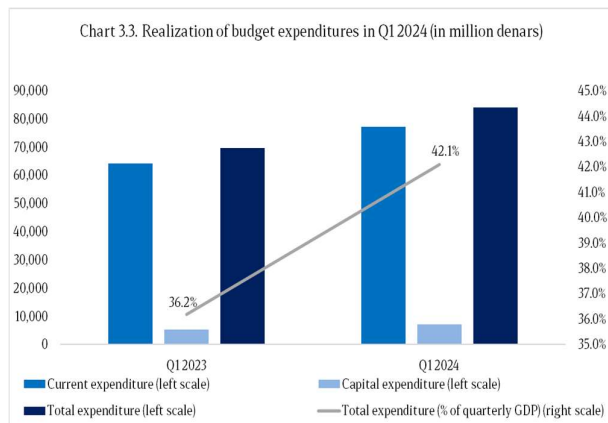
3.2. Budget Expenditures according to the Economic Classification

Total budget expenditures in Q1 2024, with share of 42.1% in the quarterly GDP were higher by 20.9% compared to the same quarter of 2023.

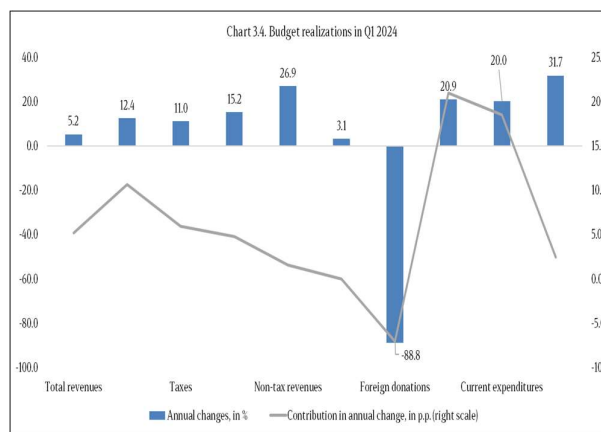
Current expenditures accounting for 38.6% of the quarterly GDP participated with 91.7% in the total expenditures, registering 20.0% higher execution on annual basis. Pertaining to the current expenditures, goods and services expenditures dropped by 1.3%, whereas wage and contribution expenditures increased by 24.9% compared to the same quarter of the previous year.

which includes transfers to local government units, accounted for 16.5% of the total expenditures, recording an increase of 8.1% compared to the first quarter in 2023. Block and earmarked grants to local government units increased by 11.9%, while subsidies and transfers were higher by 6.1% compared to Q1 2023.

Interest-related expenditures increased by 104.3% on annual basis, where both domestic debt and foreign debt interest-related expenditures recorded an increase of 100.0% and 105.9%, respectively.



Funds for transfers, which participated with 65.7% in the total expenditures, were higher by 14.9% on annual basis. Social transfers picked up by 17.8%, accounting for 48.7% in the total expenditures. Pension related expenditures, representing the biggest share of social transfers, increased by 21.5%, accounting for 30.9% in the total expenditures. Category Other transfers,



Capital expenditure execution, accounting for 3.5% of the quarterly GDP was higher by 31.7% compared to the same quarter of 2023, and their share in the total expenditure amounted to 8.3%.



3.3. Expenditures by Budget Users

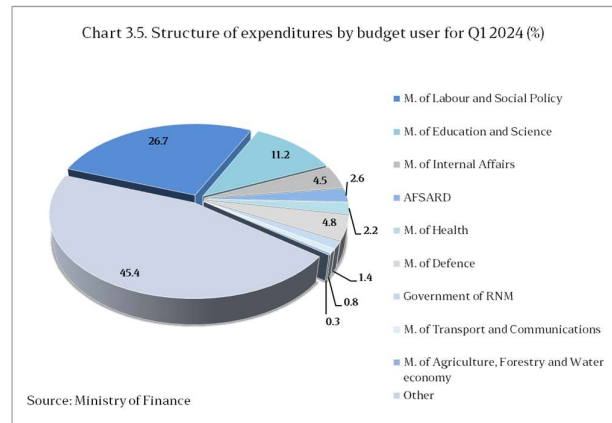
Review of budget expenditures for the largest budget users is given below.

In Q1 2024, **Ministry of Labour and Social Policy** executed funds in the amount of Denar 22,165 million, being 37.7% of the total budget for the current year. Thereby, most of the expenditures (75.9%) were allocated for current transfers to extra-budgetary funds, for which Denar 16,833 million was spent, i.e. 43.0% of the funds allocated for 2024. The second highest expenditure category was the social benefits, participating with 16.6% in the total expenditures, whereby 27.1% (Denar 3,685 million) of the projected 2024 funds was executed for this purpose.

During the analyzed period, **Ministry of Education and Science** executed budget funds in the amount of Denar 9,312 million, representing 24.7% of its total 2024 Budget. Current transfers to LGUs accounted for the most of the expenditures (57.6%), Denar 5,363 million being spent therefore or 25.1% of total projected funds. Wages and allowances category was the second highest expenditure item, accounting for 18.3%, for which an amount of Denar 1,699 million, accounting for 25.8%, being executed out of total projected funds.

Government of Republic of North Macedonia in Q1 2024 executed a total of Denar 1,184 million, i.e. 22.8% of the 2024 projections. Thereby, subsidies and transfers accounted for 62.2% of total expenditures of this budget user, Denar 737 million (22.8% of the projected funds) being spent therefore.

During the analyzed period, **Ministry of Interior** executed funds in the total amount of Denar 3,750 million, accounting for 28.7% of own budget for 2024. Wages and allowances was the highest expenditure category, participating with 64.8%, Denar 2,428 million being spent therefore, accounting for 26.5% of the projected ones. The second highest expenditure category was goods and services accounting for 17.4%, with funds in the amount of Denar 652 million being spent therefore, or accounting for 29.7% of the annual projections.



In Q1 2024, **Agency for Financial Support in Agriculture and Rural Development** executed expenditures in the amount of Denar 2,182 million, accounting for 26.0% of the projected funds for the current year. As for subsidies and transfers, accounting as high as 90.4% of the total expenditures, 28.5%, with Denar 1,972 million of the funds planned for the whole year, being spent therefore.

During Q1 2024, **Ministry of Health** executed budget funds in the amount of



Denar 1,842 million, accounting for 24.0% of its total 2024 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 66.0%, for which Denar 1,215 million were spent or 34.7% of the funds projected for 2024. Second highest item was Goods and services, Denar 386 million (12.2% of the projections for the year) being spent therefore, accounting for 20.9% of total expenditures.

In Q1 2024, **Ministry of Defence** executed budget funds in the amount of Denar 3,982 million, accounting for 19.8% of this year's total budget. Capital expenditures accounted for the most with 35.6%, Denar 1,419 million being spent therefore (accounting for 21.5% of the total funds projected for the current year). Wages and allowances accounted for 35.5% of total expenditures, Denar 1,414 million being spent therefore, i.e. 24.2% of the total projected expenditures, during the analyzed period.

During this period, **Ministry of Transport and Communications** executed funds in the amount of Denar 691 million, i.e. 3.4% of the total budget for the current year. Execution of capital expenditures, as highest item, accounted for 62.9% of the

total spent funds of this budget user (Denar 435 million or 2.3% of total projected funds).

In Q1 2024, **Ministry of Agriculture, Forestry and Water Economy** executed funds in the amount of Denar 272 million, accounting for 15.8% of the funds projected for 2024. Wages and allowances (Denar 150 million) was the highest item in the total expenditures of this budget user, accounting for 55.1% of its total expenditures, with 25.2% of the projected expenditures, being executed. As regards capital expenditures, they accounted for 20.9% of the total expenditures, Denar 57 million being spent therefore, accounting for 9.2% of the total budget for this purpose.

During this period, **Public Revenue Office** executed Denar 1,051 million, accounting for 30.3% of the total budget for the current year. Execution of subsidies and transfers, as highest item, accounted for 38.9%, amounting to Denar 801 million out of the projections for the entire year.

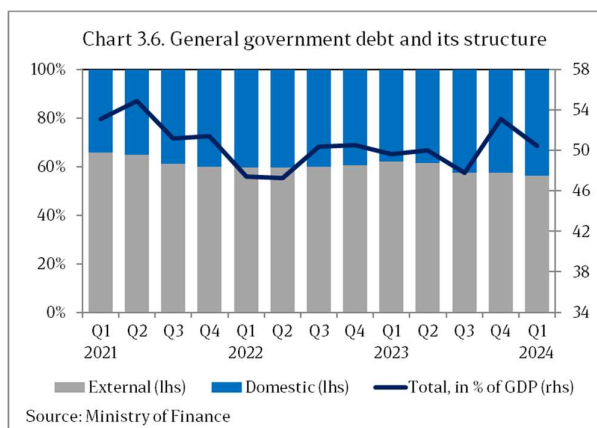
In-depth data for each budget user are presented in the statistical annex available on the following link (<https://finance.gov.mk/quarterly-economic-report/en>).



3.4. Budget Deficit and General Government Debt

In the Q1 2024, **the consolidated budget deficit** amounted to Denar -14,667 million or 7.3% of GDP realized in this quarter, while central budget deficit amounted to Denar 19,654 million, i.e. 9.8% of quarterly GDP.

At the end of Q1 2024, general **government debt** accounted for 50.4% of GDP, reducing its share in GDP by 2.7 p.p. compared to Q4 2023. Share of external debt in the total general government debt was reduced by 1.2 p.p. compared to Q4 2023, accounting for 56.2%, while share of domestic debt increased respectively, accounting for 43.8% of the total government debt.



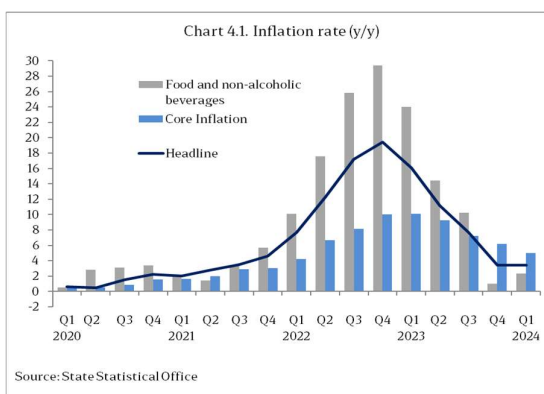
4. Inflation and Monetary Trends

Inflation rate, measured according to CPI, in Q1 2024 was 3.4% in Q1 2024, remaining constant compared to previous quarter.

In Q1 2024, consumer prices stabilized, with a recorded slowdown trend of the core inflation and the energy prices, and recorded upward trend of food prices which was affected by the cancellation in March of the measure pertaining to lowering of basic food product prices.

Core inflation recorded slowdown, accounting for 5.0% (6.2% in Q4 2023). Hereby, this quarter core inflation slowed down as a result of drop of air traffic prices and slowed down growth of prices for household maintenance, while tobacco prices were increased as a result of higher

excises and prices in the category Restaurants and hotels.



Observed by components, prices in the Food and non-alcoholic beverages category in Q1 2024 went up, accounting for 2.3% (1.0% in the previous quarter).



Observed by structure, prices of vegetables and fruits contributed in most positive terms to growth.

Consumer price growth in Q1 2024 was recorded in the categories, as follows: Alcoholic beverages, tobacco and narcotics¹ by 11.9%, Restaurants and hotels by 6.8%, Health protection by 5.7%, Furnishings, household equipment and household routine maintenance by 5.5%, Miscellaneous goods and services by 4.9%, Recreation and culture by 4.7%, Wearing apparel and footwear by 4.6%, Housing, water, electricity, gas and other fuels by 2.1%, Communications by 1.9%, Education by 0.5% and Transport by 0.4%. In the first quarter, retail prices recorded an increase of 3.5%.

In Q1, the National Bank maintained **the policy rate** at level of 6.30% as was in the previous quarter amid significant slowdown of inflation and favourable foreign exchange market, however with ever more present risks.

Interest rates of available overnight and seven-day deposits remained unchanged in Q1, accounting for 4.20% and 4.25%, respectively.

Primary money² in Q1 2024 recorded a growth of 13.0% on quarterly basis (growth of 2.8% was recorded in the previous

quarter) as a result of increase of the total liquid assets by 27.2%, whereas currency in circulation remained unchanged.

In the first quarter of this year compared to first quarter in 2023, the primary money increased by 22.3% (in Q4 2023 an increase of 11.2% was recorded), due to the total liquid assets and currency in circulation growth by 35.2% and 10.0%, respectively.

In Q1 2024, the narrowest money supply³ experienced decrease of 3.8% compared to the previous quarter. Money supply M2 dropped by 2.2%, whereas money supply M4 experienced growth of 0.6% on quarterly basis.

Total **deposit potential**⁴ of banks in Q1 2024 declined by 0.6% on quarterly basis, following the growth of 4.7% in the previous quarter. From the point of view of sectors, deposits of enterprises decreased by 6.7%, while deposits of households grew by 1.7%. From currency point of view, Denar deposits decreased by 1.4%, while foreign currency deposits increased by 0.5% compared to the previous quarter.

Level of euroization picked up by 0.4 p.p. compared to the previous quarter, amounting to 43.5%, measured via the share of foreign currency deposits in the total deposit potential. With respect to

¹ Tobacco product prices increased in accordance with the adopted amendments to the Excise Law, whereby excise on cigarettes is to increase by Denar 0.23 per piece each year until 2030.

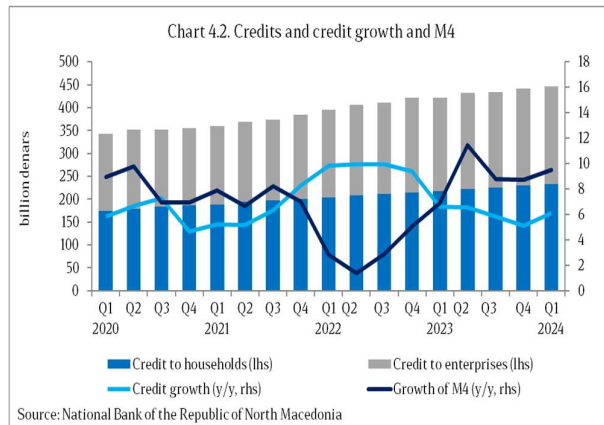
² It incorporates currency in circulation (including cash in hand of banks), Denar and foreign currency reserve requirements and surplus of liquid assets over the reserve requirement (in Denars).

³ Money supply M1 comprises currency in circulation and deposit money. Monetary supply M2 comprises the money supply M1 and short-term deposits, whereas money supply M4 is comprised of money supply M2 and long-term deposits.

⁴ Deposits also incorporate the calculated interest.



maturity, share of long-term deposits in the total deposit potential in Q1 2024 picked up by 1.3 p.p. compared to the previous quarter, amounting to 23.4% (accounting for 22.1% in Q4 2023). During the analyzed period, short-term deposits recorded a drop of 0.1%.

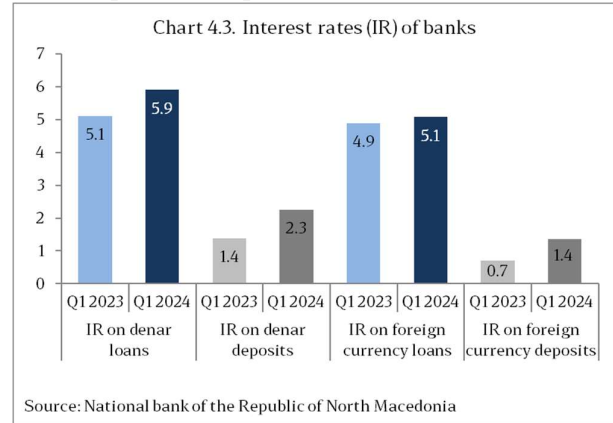


Credit activity of banks in Q1 2024 picked up by 1.0% on quarterly basis (credits increased by 1.9% in the previous quarter), amid growth of credits to enterprises by 0.7% and credits to households by 1.3%. From currency point of view, in Q1 2024, Denar credits picked up by 1.9%, while foreign currency credits experienced 0.2% drop.

From maturity point of view, long-term credits in Q1 2024 experienced 0.3% growth compared to the previous quarter, while short-term credits were higher by 3.3%.

Interest rate⁵ on Denar credits in Q1 2024 accounted for 5.90%, increasing by 0.15 p.p. compared to the previous quarter. Interest

rate on foreign currency credits was 5.07% in Q1 2024, dropping by 0.09 p.p. compared to the previous quarter. Interest rate of



Denar deposits in Q4 2023 accounted for 2.25%, recording a growth of 0.04 p.p. compared to the previous quarter, whereas the interest rate of foreign currency deposits accounted for 1.35%, increasing by 0.01 p.p. compared to the previous quarter. Interest rate on newly granted Denar credits in Q1 2024 accounted for 5.51%, while interest on newly granted foreign currency credits accounted for 4.47%. Interest rates of newly received Denar and foreign currency deposits accounted for 2.72% and 1.93%, respectively.

⁵ Denar credits and deposits with a forex clause are included in foreign currency credits and deposits.



5. External Sector

5.1. Foreign Trade

As per the data of the State Statistical Office, total foreign trade amounted to EUR 4,666.0 million in Q1 2024, dropping by 4.5% compared to the same quarter in 2023.



In Q1 2024, **export of goods** amounted to EUR 1,929.9 million, whereby compared to Q1 2023, it dropped by 9.2%, while compared to the previous quarter, it recorded a drop by 7.3%.

Analyzed by **SITC sectors** (Standard International Trade Classification), negative trends in the export in Q1 2024, compared to the same quarter in 2023 were registered at the following sectors:

- chemical products by 19.1% (wherein highest drop was registered at the category: chemical materials and products by EUR 140.7 million or 22.5%);
- mineral oils and lubricants by 53.0% (electricity by EUR 60.4 million or 65.6%);
- products classified by material by 5.9% (iron and steel by EUR 11.9 million or 7.6%; yarn, fabrics and textile products by EUR 9.6 million or 31.3%);

- crude materials, except fuel by 14.6% (metal ore and metal scrap by EUR 15.0 million, accounting for 21.3%);
- miscellaneous manufactured goods by 1.8% (Wearing apparel by EUR 6.9 million or 6.1%; footwear by EUR 2.6 million or 39.4%);
- beverages and tobacco by 3.4% (tobacco and tobacco manufactures by EUR 5.1 million or 27.3%);
- animal and vegetable oils by 2.5% (animal fats and oils, by EUR 0.1 million or 81.2%).

Growth of export was registered at the following sectors:

- machinery and transport equipment by 4.2% (wherein the highest growth was seen at the categories: electrical machinery, devices and spare parts by EUR 32.1 million or 9.8%; industrial machines and spare parts by EUR 12.4 million or 19.7%);
- food products by 15.0% (fruit and vegetables by EUR 4.2 million or 10.5%; cereals and cereal preparations by EUR 3.6 million or 13.8%);

Observed by **economic purpose**, in Q1 2024, drop of export was recorded at the following groups of products:

- industrial supplies by EUR 160.3 million, accounting for 14.3%.
- oils and lubricants by EUR 65.7 million, i.e. 54.0%;



- transport equipment by EUR 3.8 million or 1.2% and
- consumer goods picking up by EUR 0.1 million, accounting for 0.05%.

Growth of export was recorded at the following groups of products:

- food and beverages by EUR 18.9 million or 15.4%, and
- investment products without transport equipment by EUR 14.4 million or 6.7%.

Import of goods in Q1 2024 accounted for EUR 2,736.1 million, decreased by 0.9% compared to Q1 2023, while recording a drop of 5.7% compared to the previous quarter.

Analyzed **by SITC sectors**, decrease of import in Q1 2024, compared to Q1 2023, was registered at the following sectors:

- mineral oils and lubricants decreasing by 22.8% (wherein highest drop was recorded at the categories: natural and industrial gas by EUR 64.2 million or 50.6% and oil and oil products by EUR 30.2 million or 13.1%);
- chemical products, by 10.7% (non-organic chemical products by EUR 54.8 million or 45.0%);
- products classified by material by 6.3% (non-ferrous metals by EUR 31.6 million or 9.8%; iron and steel by EUR 26.0 million or 18.7%); and
- animal and vegetable oils surging by 18.4% (fixed vegetable fats and oils, increasing by EUR 2.8 million or 20.2%).

Growth of import was registered at the following sectors:

- machinery and transport equipment by 19.0% (wherein the highest growth was recorded in the following categories: road vehicles by EUR 42.8 million, i.e. 40.9%; machinery specialized for particular industries by EUR 39.0 million, i.e. 92.3%);
- food products by 15.2% (meat and meat products by EUR 11.6 million or 26.8%; fruit and vegetables by EUR 7.8 million or 20.7%);
- various finished goods by 12.3% (wearing apparel by EUR 3.5 million or 9.9%; professional, scientific and controlling instruments and apparatus by EUR 2.8 million or 11.3%);
- crude materials, except fuel by 6.6% (metal ore and metal scrap by EUR 6.7 million, accounting for 31.8%); and
- beverages and tobacco by 15.6% (beverages by EUR 3.4 million, i.e. 22.0%).

Observed **by economic purpose**, in Q1 2024, drop of import was recorded at the following groups of products:

- fuels and lubricants by EUR 106.9 million, accounting for 23.6%, and
- industrial supplies by EUR 89.9 million, accounting for 7.1%.

Growth of import was recorded at the following groups of products:

- investment products without transport equipment by EUR 57.9 million, accounting for 14.6%;
- transport equipment by EUR 44.8 million, accounting for 31.7%;
- consumer goods by EUR 34.8 million or 13.7% and

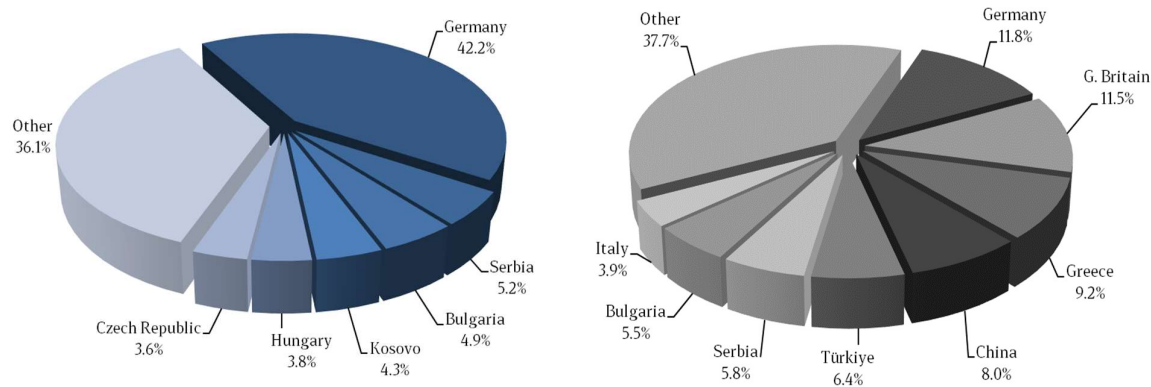


- o food and beverages by EUR 33.9 million, i.e. 14.0%.

In Q1 2024, foreign trade with the European Union (EU 27⁶), in relation to Q1 2023, decreased by 2.5%, whereby share of trade with the EU in the total foreign trade accounted for 63.4%,

increasing by 1.3 p.p. compared to the first quarter in 2023. Thereby, in Q1 2024 export of goods accounted for 79.8%, while import of goods accounted for 51.9%.

Chart 5.2 Countries having the highest share in export (left) and import (right) in Q-1-2024



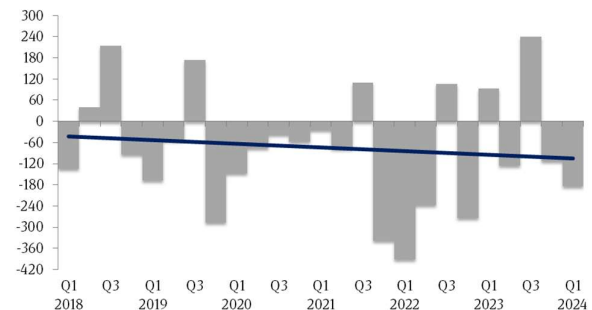
Source: MoF calculation on the based on SSO data

5.2. Balance of Payments

As per the data from the National Bank of the Republic of North Macedonia, deficit in the amount of EUR 185.0 million was recorded on the **current account's** balance of payments in Q1 2024, accounting for 5.7% of quarterly GDP, as opposed to the surplus of 3.0% of GDP registered in the same quarter of 2023.

Analyzed on annual basis, current account deficit amounted to EUR 185.0 million in Q1 2024, as opposed to the surplus of EUR 92.8 million during the same period last year,

Chart 5.3. Current account balance (in EUR million)



Source: National bank of the Republic of North Macedonia

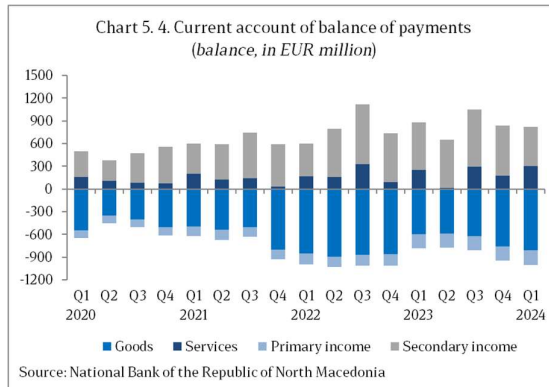
⁶As of February 2020, Great Britain is included in the economic group - Miscellaneous countries.



being a result of the widening of deficit by 35.1% and by 4.4% on the goods account and the primary income account respectively, as well as the reduced surplus on the secondary income account by 17.2%. On the other hand, surplus on the services account increased by 19.2%.

In Q1 2024, **trade deficit** increased by EUR 210.8 million on annual basis, while as percentage of quarterly GDP, it increased by 5.8 p.p. on annual basis, accounting for 25.0%.

Surplus on **services account** amounted to EUR 301.9 million in Q1 2024 and compared to the same quarter of 2023, it surged by EUR 48.6 million. **Trade openness** of the Republic of North Macedonia in Q1 2024 accounted for 157.0% of quarterly GDP, being lower by 10.2 p.p. compared to Q1 2023.



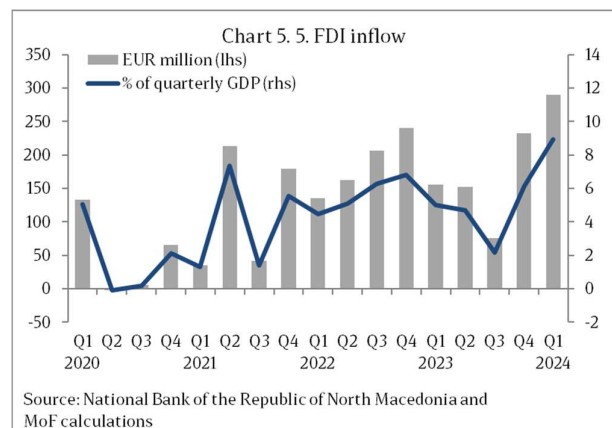
Primary income account recorded EUR 193.3 million deficit in Q1 2024, increasing by EUR 8.2 million on annual basis.

Surplus on the **secondary income** account in Q1 2024 amounted to EUR 518.2 million,

decreasing by EUR 107.5 million on annual basis. The drop was due to the reduction of official transfers by EUR 58.0 million, accounting for 3.5% of the total secondary income account as well as due to the reduction of current transfers by EUR 49.5 million, accounting for 96.5% of the secondary income account.

Deficit on the **capital account** in Q1 2024 amounted to EUR 0.01 million, as opposed to the surplus of EUR 0.2 million generated in Q1 2023. Deterioration of the balance on the capital account was mostly a result of the outflow of capital transfers.

In Q1 2024, **Foreign Direct Investments (FDIs)** in the country amounted to EUR 290.2 million, increasing by EUR 134.1 million compared to Q1 2023. Inflow of FDIs in this period mostly resulted from the reinvested profit of companies with foreign capital (on which basis, 46.5% of the total inflow of FDIs was generated) and on the basis of equity (34.1% of total inflow of FDIs) with the remaining part (19.4%) pertaining to debt instruments.





Portfolio investments in Q1 2024 amounted to EUR 76.2 million, whereas in Q1 2023 they were negative. Such trends in most part were result of reduced liabilities based on previously issued government securities.

In Q1 2024, **other investments** amounted to EUR 296.3 million, being lower by EUR 111.0 million compared to the same quarter last year. As regards the category other investments, currencies and deposits amounted to EUR 174.6 million, while the balance on trade credit and advances account amounted to EUR 98.3 million and loans account amounted to EUR 23.6 million.

Reserve assets amounted to EUR 4.3 billion at the end of the first quarter of 2024, increasing by 3.1% compared to Q1 2023. At the end of Q1 2024, reserve assets provided for 4.4-month coverage of import of goods and services in the previous 12-month period.