



Q-2-2024

QUARTERLY ECONOMIC REPORT

- second quarter of 2024

Summary

- In Q2 2024, **economic growth** accelerated, recording a real growth of 2.3% on annual basis, following the growth of 1.2% in the previous quarter, with the economic growth in the first half of the year being 1.8%.
- **Number of employed persons** in Q2 2024 was higher by 0.3% compared to the same quarter in 2023. **Number of unemployed persons** dropped by 5.3% in Q2 2024, which resulted in unemployment rate reduction to 12.5%.
- Average **net wage** amounted to Denar 41,424 in Q2 2024, increasing by 13.9% in nominal terms, i.e. 9.6% in real terms, compared to the net wage in Q2 2023.
- Total **budget revenues** were higher by 14.9% in Q2 2024, while total budget expenditures dropped by 1.3% compared to the same quarter in 2023.
- **Inflation rate** in Q2 2024 accounted for 3.9% on annual basis.
- Total **deposit potential** of banks in Q2 2024 grew by 2.5% on quarterly basis.
- In Q2 2024, **export of goods** dropped by 5.9%, with **import of goods** picking up by 1.0% on annual basis, by which total **foreign trade** expressed in euro dropped by 2.0%.



Contents:

1. Economic Activity.....	3
2. Labour Market.....	6
3. Public Finances.....	7
3.1. Budget Revenues according to the Economic Classification.....	7
3.2. Budget Expenditures according to the Economic Classification.....	8
3.3. Expenditures by Budget Users.....	9
3.4. Budget Deficit and General Government Debt.....	11
4. Inflation and Monetary Trends.....	12
5. External Sector.....	14
5.1. Foreign Trade.....	14
5.2. Balance of Payments.....	17



1. Economic Activity

Economic activity in Q2 2024 accelerated, recording real growth of 2.3% on annual basis, following the growth of 1.2% in the previous quarter which accounted for economic growth of 1.8% in the first half of the year. Seasonally adjusted real growth of GDP in Q2 2024 accounted for 2.0% compared to the same quarter of the previous year.

Analyzed according to the GDP by production method, economic growth was a result of the positive performance in the **service and in the construction sector**. Increase in the activity in the service sector is broad based, accounting for increase of 3.5%. The highest peak within the service activities was recorded at Art, entertainment and recreation by 9.5%, followed by: Professional, scientific and

technical activities by 8.7%, Trade, transport, and hospitality industry by 5.8%, Information and communication by 2.3%, Financial and insurance activities by 1.1% and Activities pertaining to real estate by 0.9%. Drop was seen at Public administration, defence, education and health by 0.1%.



Table 1.1: GDP and components by production method – annual growth rates (%) and contributions in GDP growth (p.p.)

Sectors	real growth (%)				contribution to growth (p.p.)			
	2023	Q1 2024	Q2 2024	H1 2024	2023	Q1 2024	Q2 2024	H1 2024
Gross domestic product	1.0	1.2	2.3	1.8				
Agriculture	-3.8	-19.7	-3.2	-10.7	-0.3	-1.4	-0.2	-0.8
Industry	-0.1	-1.2	-2.1	-1.7	0.0	-0.2	-0.3	-0.3
Manufacturing	-0.8	-0.3	0.7	0.3	-0.1	0.0	0.1	0.0
Construction	-2.3	-2.5	5.1	1.4	-0.1	-0.1	0.2	0.1
Services	2.5	4.1	3.5	3.8	1.4	2.5	2.1	2.3
Trade, transport and catering	3.0	6.9	5.8	6.3	0.6	1.4	1.2	1.3
Information and communication	4.4	2.5	2.3	2.4	0.2	0.1	0.1	0.1
Financial and insurance activities	4.4	-0.1	1.1	0.5	0.1	0.0	0.0	0.0
Real estate activities	3.7	0.1	0.9	0.5	0.4	0.0	0.1	0.1
Professional, scientific and technical activities	3.2	7.5	8.7	8.1	0.1	0.3	0.4	0.4
Public administration and defence, education and health	-1.4	0.7	-0.1	0.3	-0.2	0.1	0.0	0.0
Arts, entertainment and recreation	0.6	19.6	9.5	14.4	0.0	0.6	0.3	0.5
Net taxes on products	1.2	1.1	3.3	2.3	0.2	0.1	0.4	0.3
Residual					-0.1	0.3	0.1	0.1

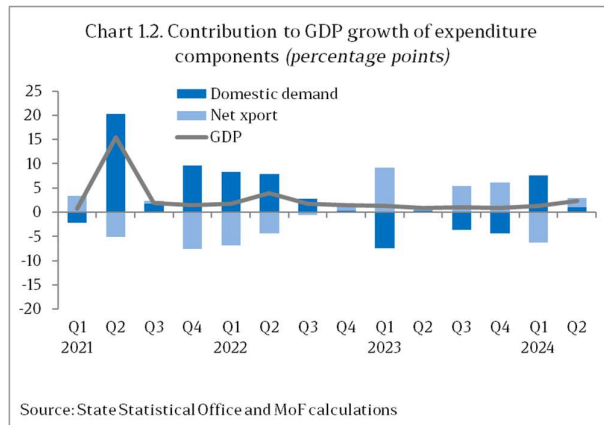
Source: State Statistical Office (notification on GDP in Q2 2024) and MoF calculations.

Industrial sector dropped by 2.1%, amidst the growth in Manufacturing by 0.7%. According to high-frequency data for industrial production, all sectors recorded



a drop in Q2 2024, with the Manufacturing decreasing by 3.4%. Within Manufacturing, branches mostly contributing to the drop are the following: Manufacture of wearing apparel, Manufacture of tobacco products and Manufacture of metals.

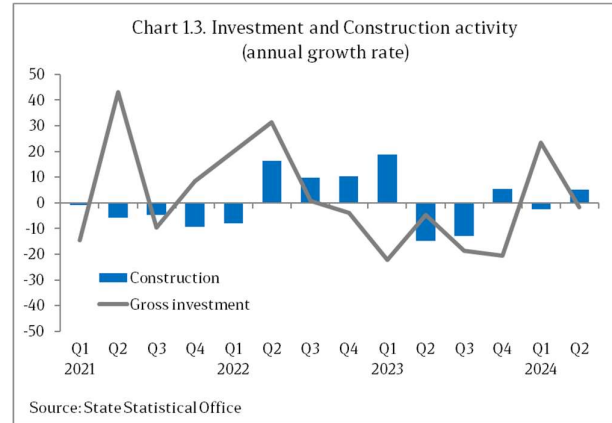
Agricultural sector recorded a drop of 3.2%, following the 19.7% drop in the previous quarter, by which adverse performance in this sector continued. **Construction activity** recorded growth of 5.1%, which according to the monthly data referring to the total executed construction works, was due to growth by 48.6% and 98% in the civil engineering and specialized construction works segments respectively, whereas a drop was recorded in the building segment.



Analyzed according to the expenditure side of GDP, economic activity growth was a result of the positive contribution of net export and consumption.

Consumption grew by 1.7% in real terms. Thereby, **private consumption** surged by 1.3%, mostly as a result of the growth of the

household disposable income amid increase of both employment, wages and pensions in the economy, also underpinned by the crediting to households. **Public consumption** grew by 3.5% in real terms.



Gross investments recorded a drop of 1.7%. However, indicators show positive trends of investments. Hence, FDIs recorded a nominal growth of 58.4%, whereas capital good import recorded a nominal growth of 15.7% in Q2 2024. Construction activities, as per the production side of GDP's data, contributed positively to investment growth. Gross-investments recorded increase in the investments in fixed assets, and decrease in inventories (drop of intermediary products import by 3.5%).

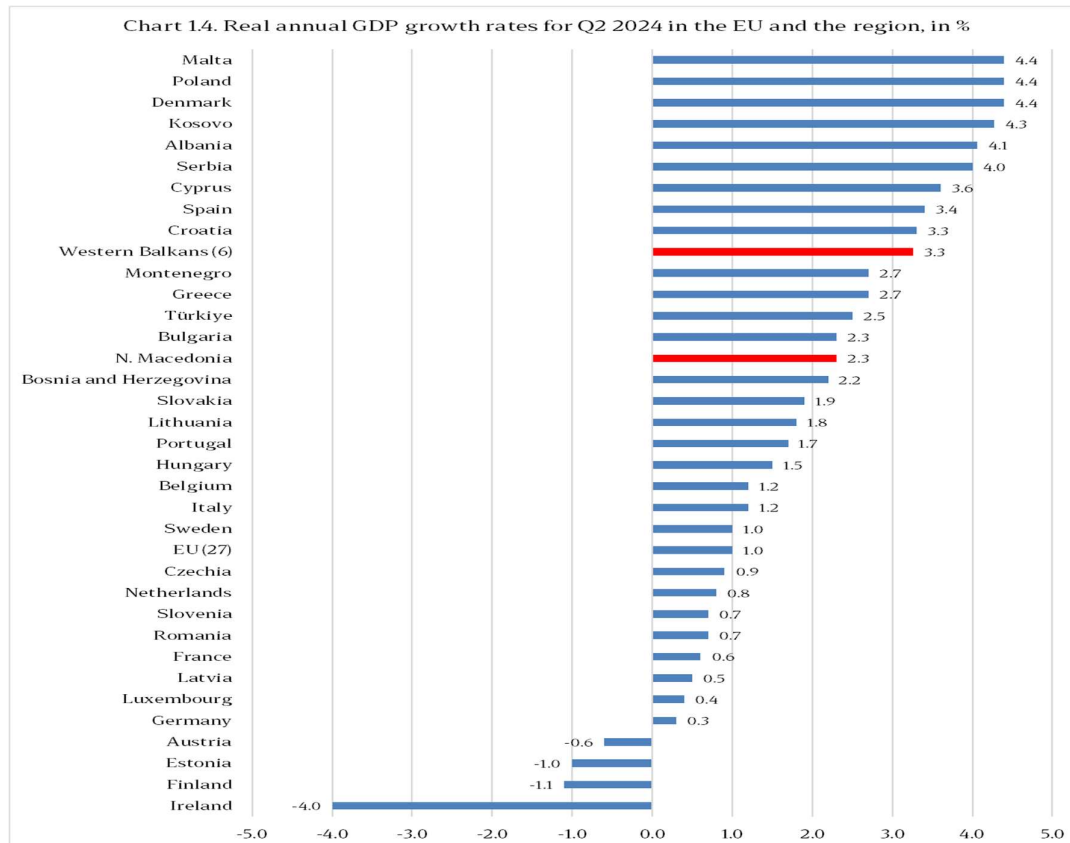
Decreased external demand also resulted in decline of foreign trade, whereby both **export and import of goods and services** recorded a decline in real terms of 2.9% and 4.5% respectively. As a result of the higher decline of import than export of goods and services, net export had a positive contribution to the economic growth.



Table 1.2: GDP and components by expenditure method – annual growth rates (%) and contributions in GDP growth (p.p.)

Components	real growth (%)				contribution to growth (p.p.)			
	2023	Q1 2024	Q2 2024	H1 2024	2023	Q1 2024	Q2 2024	H1 2024
Gross domestic product	1.0	1.2	2.3	1.8				
Final consumption	1.9	2.1	1.7	1.9	1.6	1.9	1.6	1.7
Private	2.4	2.0	1.3	1.7	1.7	1.4	1.0	1.2
Public	-0.6	2.4	3.5	2.9	-0.1	0.4	0.6	0.5
Gross capital formation	-16.7	23.6	-1.7	9.2	-6.0	5.5	-0.4	2.2
Export of goods and service	-0.1	-7.8	-2.9	-5.4	-0.1	-6.1	-2.2	-4.2
Import of goods and service	-5.8	0.2	-4.5	-2.2	-5.5	0.2	-4.2	-2.1
Net exports					5.4	-6.3	2.0	-2.1
<i>Residual</i>					0.0	0.2	-0.9	-0.1

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



Source: Eurostat and national statistical institutions:

*Available data on Western Balkan (6) refer to the following countries: Serbia, Montenegro, North Macedonia, Bosnia and Herzegovina, Albania and Kosovo



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 as of 2023 are not comparable with the data from previous years.

Employment

In Q2 2024, as per the Labour Force Survey, **employment** increased by 0.3%, number of employed persons being higher by two thousand persons compared to the same quarter in 2023. Highest employment growth rate was recorded in the agricultural sector (4.2 thousand persons, accounting for 7.0%), with health also recording growth of 9.0%, with the number of employed persons increasing by 4 thousand persons in the respective sector. On other hand, a significant drop in employment was recorded in the Construction sector (12.5% or 6.7 thousand persons.)

Out of the total number of employees, 515,297 are employed in entities in private ownership (74.5% of the total employees), whereas 176,439 people are employed in

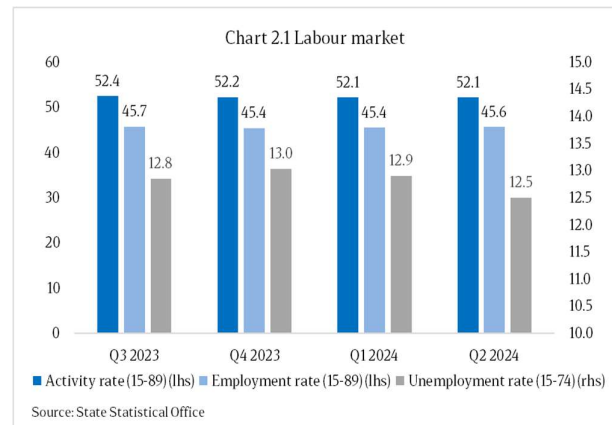
entities in mixed, collective or state ownership (25.5% of total employees).

Employment rate in Q2 2024 accounted for 45.6%, being higher by 0.1 p.p. compared to the same quarter in 2023.

Unemployment

Number of unemployed persons decreased by 5.5 thousand persons, being lower by 5.3% compared to the same quarter in 2023.

Unemployment rate reduced to 12.5% in Q2 2024, i.e. it dropped by 0.6 p.p. compared to the same quarter in 2023, being lower by 0.4 p.p. compared to the previous quarter. (Chart 2.1).



Unemployment rate in the age group 15 - 64 accounted for 12.6%, while with the youth population (age group 15 to 29) accounted for 22.8%, decreasing by 0.6 p.p. and 1.7 p.p. respectively compared to Q2 2023. With respect to gender structure, female unemployment rate dropped by 1.3 p.p., accounting for 11.5%, being 1.6 p.p. lower



than male unemployment rate, decreasing by 0.2 p.p. and accounting for 13.1%.

Active population

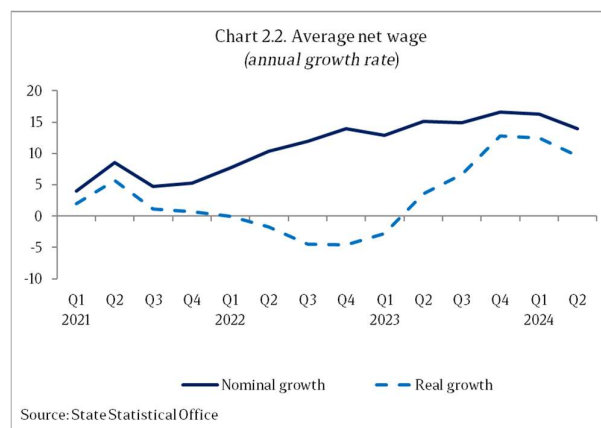
Number of active population decreased by 3.5 thousand persons i.e. by 0,4% on annual basis. In Q2 2024, active population accounted for 52.1% of the total working-age population, representing a decrease of 0.3 p.p. compared to the same quarter in 2023.

Wages

Average monthly **net wage** in Q2 2024 amounted to Denar 41,424, being higher by 13.9% in nominal terms compared to the same quarter in 2023, while net wage in real terms higher by 9.6% (Chart 2.2).

Highest net wage in Q2 2024 was paid in the sector Information and communication (Denar 77,913), following

by Financial and Insurance Activities with Denar 59,814, Electricity, gas, steam and air-conditioning supply with average net wage paid in the amount of Denar 53,864 and Mining and quarrying in the amount of Denar 50,992.



Average monthly **gross wage** in Q2 2024 amounted to Denar 62,231, being higher by 14.2% in nominal terms and 9.9% in real terms.

3. Public Finances

3.1. Budget Revenues according to the Economic Classification

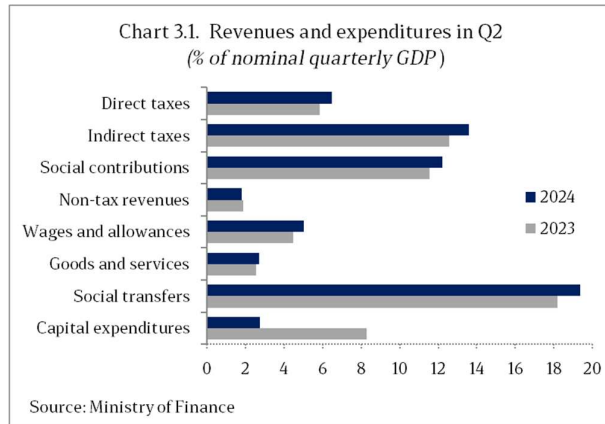
In Q2 2024, **total budget revenues** accounted for 34.8% of the quarterly GDP, being higher by 14.9% compared to second quarter of 2023, amid higher collection of taxes by 17.0%, contributions by 13.6% and non-tax revenue collection by 1.5%. Tax revenues observed a higher collection rate in all segments, that is the segment of personal income tax, corporate income tax, VAT, excise, import duties and other tax

revenues.

Collection of indirect taxes in Q2 2024 compared to Q2 2023 surged by 16.1%, whereas the collection of the direct taxes picked up by 18.7%. Seen from the GDP share structure perspective, the share of direct tax revenues is increased by 0.6 p.p. on annual level, i.e. from 5.9% in the second quarter last year to 6.5% of the quarterly GDP in the same quarter this year. In Q2



2024, share of indirect tax revenues in GDP accounted for 13.6%, being higher by 1.0 p.p. compared to the share of 12.6% in Q2 2023.



With respect to **indirect taxes**, VAT revenues predominated, accounting for 43.9% of the total tax revenues in Q2 2024, being higher by 23.9% 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 domestic supply. Compared to the same quarter in the previous year, excise revenues were higher by 0.4%, while collection of customs duties grew by 12.1%.

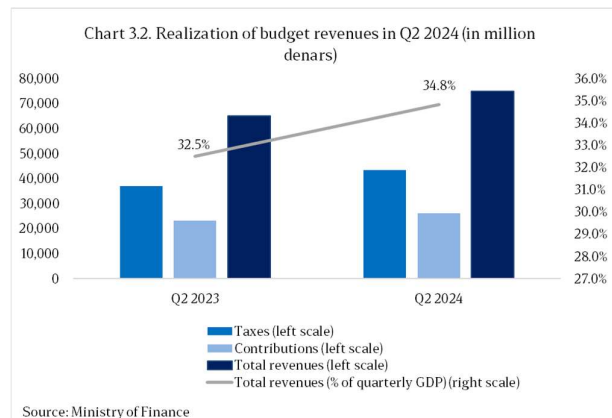
With respect to **direct taxes**, a PIT revenue collection recorded an increase of 15.1%, while the profit tax revenue collection an increase of 23.2% compared to the same quarter of the previous year.

Collection of **social contribution** was higher by 13.6%, whereby increased

3.2. Budget Expenditures according to the Economic Classification

Total budget expenditures in Q2 2024, with participation of 39.1% of quarterly GDP, were lower by 1.3% compared to the same quarter of 2023.

collection was recorded with all contributions, i.e. with pension and disability insurance contributions by 13.7%, and employment contributions by 13.6% and health insurance contributions by 13.5%.



In Q2 2024, collection of **non-tax revenues**, accounting for 1.8% of the quarterly GDP was higher by 1.5% compared to the same quarter of 2023.

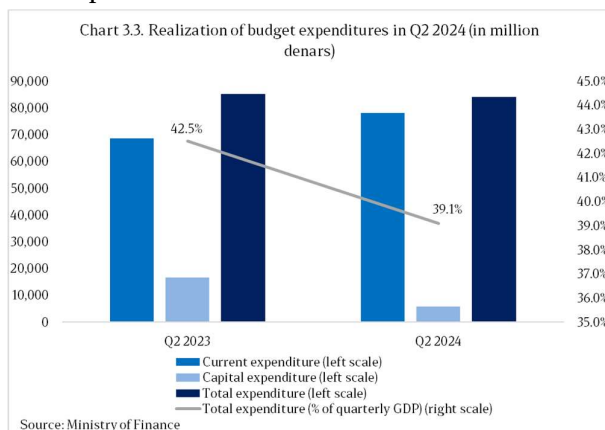
Capital revenues including revenues on the basis of construction land lease, sale of flats, as well as revenues on the basis of dividends, were lower by 17.8% on annual basis in Q2 2024. Revenues on the basis of **foreign donations** were lower by 12.2% compared to the same quarter of 2023.

Current expenditures, representing 36.4% of quarterly GDP, participated with 93.0% of total expenditures, being executed by 13.9% higher on annual basis. As per the



current expenditures, goods and services expenditures recorded increase by 13.6%, whereas wage and allowance expenditures by 20.7% compared to the same quarter previous year.

Transfer funds, participating with 68.2% in the total expenditures, executed by 11.8% higher on annual basis. Social transfers recorded growth of 14.3%, participating with 49.5% in the total expenditures. Pension expenditures, representing the most of social transfers, increased by 15.4%, recording participation of 31.0% in total expenditures.



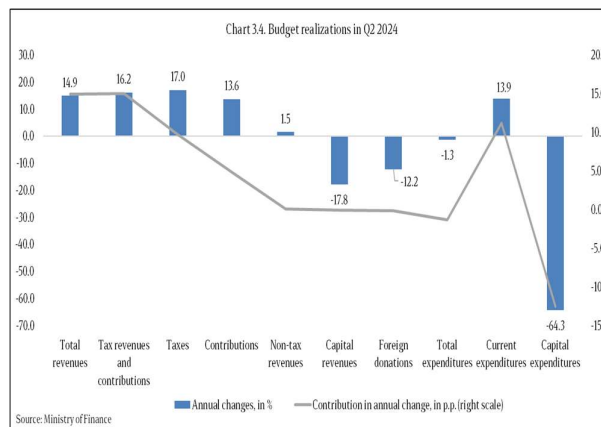
Category Other Transfers, which includes transfers to local government units, accounted for 18.3% of the total expenditures and recorded an increase of

3.3. Expenditures by Budget Users

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

In Q2 2024, **Ministry of Labour and Social Policy** executed funds in the amount of Denar 16,174 million or 25.1% of its total budget for the current year. Thereby, most of the expenditures (67.5%) were allocated

7.0% compared to the second quarter in 2023. Block and earmarked grants to local government units increased by 11.5%, while subsidies and transfers were higher by 1.9% compared to Q2 2023.



Interest-related expenditures increased by 29.5% on annual basis, where both domestic debt and foreign debt interest-related expenditures recorded an increase of 51.2% and 21.3%, respectively.

Capital expenditure execution, accounting for 2.8% of the quarterly GDP, was lower by 64.3% compared to the same quarter of 2023, and their share in the total expenditure amounted to 7.0%.

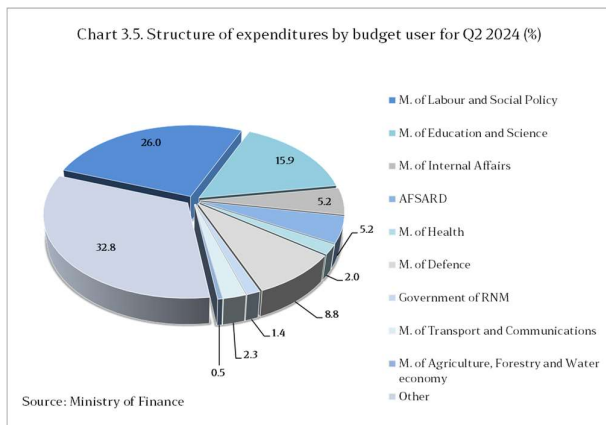
for current transfers to extra-budgetary funds, for which Denar 10,914 million was spent, i.e. 25.0% of the funds allocated for 2024. The second highest expenditure category were the social benefits, participating with 22.7% in the total expenditures, whereby 25.5% (Denar 3,672



million) of the projected funds was spent for this purpose in 2024.

During the analyzed period, **Ministry of Education and Science** executed budget funds in the amount of Denar 9,903 million, representing 24.7% of its total 2024 Budget. Current transfers to LSGUs accounted for most of the expenditures (54.4%), Denar 5,389 million being spent therefore or 24.2% of total projected funds. Wages and allowances category is the second highest item, accounting for 19.8%, for which an amount of Denar 1,962 million, accounting for 24.9%, being executed out of total projected funds.

In Q2 2024, **Government of Republic of North Macedonia** spent Denar 851 million, i.e. 22.2% of the funds projected for 2024. Thereby, subsidies and transfers accounted for 53.4% of total expenditures of this budget user, Denar 454 million (21.6% of the projected funds) being spent therefore.



In the analyzed period, **Ministry of Interior** executed expenditures in the total amount of Denar 3,247 million, accounting for 22.5% of its 2024 budget. Wages and allowances were the highest expenditure

category, participating with 73.0%, Denar 2,370 million being spent therefore, accounting for 24.0% of the projected ones. The second highest expenditure category was Goods and services, participating with 18.2%, with funds in the amount of Denar 591 million being spent therefore, accounting for 20.5% of the annual projections.

In Q2 2024, **Agency for Financial Support in Agriculture and Rural Development (AFSARD)** executed expenditures in the amount of Denar 3,200 million, accounting for 33.2% of the funds projected for the current year. As for subsidies and transfers, with significant share of 94.7% of the total expenditures, 37.1% or Denar 3,030 million of the funds planned for the whole year, were spent therefore.

In Q2 2024, **Ministry of Health** executed budget funds in the amount of Denar 1,217 million, accounting for 16.2% of the total 2024 Budget. Goods and services accounted for the most in the expenditures with 61.4%, Denar 747 million being executed therefore, i.e. 24.0% of the funds allocated for 2024. Second most significant item is Current transfers to extrabudgetary funds, Denar 331 million (9.5% of the projections for the year) being spent therefore, accounting for 27.2% of total expenditures.

During this period, **Ministry of Defence** executed budget funds in the amount of Denar 5,444 million, accounting for 30.1% of the total budget this year. Capital expenditures accounted for the most with 48.6%, Denar 2,644 million being spent



therefore (accounting for 43.4% of the total funds projected for the current year). Wages and allowances accounted for 27.1% of total expenditures, Denar 1,473 million being spent therefore during the analyzed period, accounting for 23.4% of the total projected funds.

In Q2 2024, **Ministry of Transport and Communications** executed funds in the amount of Denar 1,402 million, i.e. 10.7% of the total budget for the current year. Execution of capital expenditures, as main item, accounted for 84.5% of the total spent funds of this budget user (Denar 1,184 million or 9.9% of total projected funds).

During the analyzed period, Ministry of Agriculture, Forestry and Water Economy executed funds in the amount of Denar 311 million, accounting for 17.7% of the funds projected for 2024. Wages and allowances (Denar 163 million) were convincingly the main category in the total

3.4. Budget Deficit and General Government Debt

In the second quarter of 2024, **consolidated budget deficit** amounted to Denar 9,192 million or 4.3% of GDP realized in this quarter, while central budget deficit amounted to Denar 9,104 million, i.e. 4.2% of quarterly GDP.

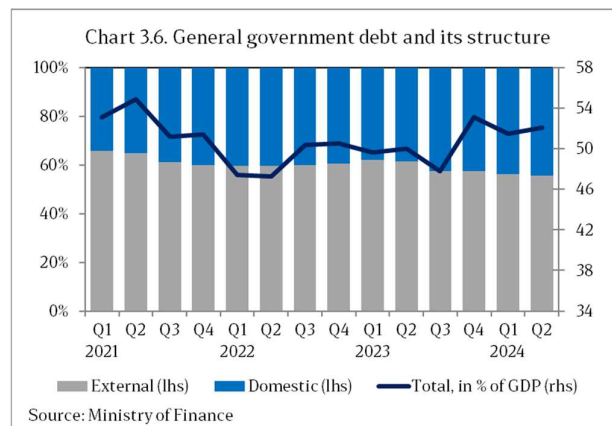
Total **general government debt** at the end of Q2 2024 accounted for 52.1% of GDP, increasing its share in GDP by 0.6 p.p. compared to Q1 2024. Share of external debt in the total government debt decreased by 0.6 p.p. compared to Q1 2024, accounting for 55.6%, while share of domestic debt increased respectively,

expenditures of this budget user, accounting for 52.5% of its total expenditures, with 25.2% of the projected expenditures, being executed. As regards expenditures related to goods and services, they accounted for 29.4% of the total expenditures, Denar 91 million being spent therefore, accounting for 29.9% of the total budget for this purpose.

In this period, **Public Revenue Office** executed Denar 1,028 million, accounting for 22.7% of the total budget for the current year. As for subsidies and transfers, as major item, 22.8% or Denar 765 million of the funds planned for the whole year, were spent, therefore.

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

accounting for 44.4% of the total general government debt.





4. Inflation and Monetary Trends

Inflation rate was 3.9% in Q2 2024 on annual basis, measured according to CPI. Inflation recorded mild acceleration of 0.5 p.p. compared to the previous quarter (3.4% in Q1 2024).

In the second quarter of 2024, consumer prices recorded a mild acceleration due to the food prices' growth, whereby their growth was also influenced by the cancellation of the measure for price reduction on basic food products in March 2024. In addition to the food component growth, the energy component recorded growth which was in line with the stock market prices movement.

Core inflation recorded a slowdown, accounting for 4.8% (5.0% in Q1 2024). Despite its slowing down, the core inflation is still resilient to the efforts put toward its reduction. The Restaurant and hotels category contributed the most to the core inflation growth.

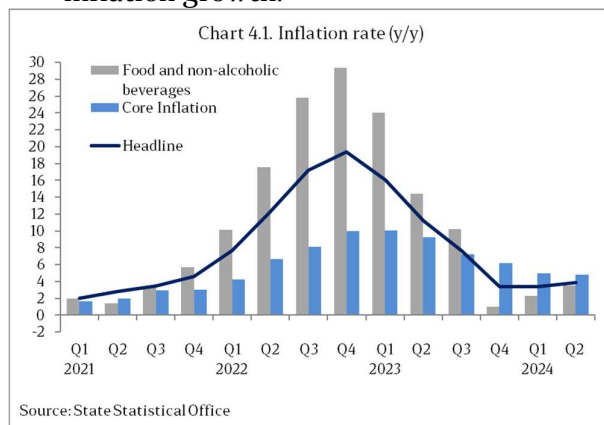
Observed by components, prices in the Food and non-alcoholic beverages category in Q2 2024 went up, accounting for 3.5% (2.3% in the previous quarter). Observed by structure, prices in the Subcategories: milk, cheese and eggs, and bread and cereals had the most positive growth contribution.

Consumer price growth in Q2 2024 was recorded in the categories, as follows: Restaurants and hotels by 7.9%, Alcoholic beverages, tobacco and narcotics¹ by 5.6%, Miscellaneous goods and services by 5.5%, Transport by 5.4%, Health protection by 4.9%, Recreation and culture by 4.2%, Furnishings, household equipment and routine maintenance of the house by 3.7%, Wearing apparel and footwear by 3.1%, Communication by 3.0% and Housing, water, electricity, gas and other fuels by 2.1%, whereas prices in the Education category decreased by 0.6%.

In Q2 2024, retail prices recorded an increase of 4.5%.

In second quarter of this year, 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



¹ Tobacco product prices is increased in accordance with the adopted amendments of the Law on Excise, cigarette

excise duty is to increase by Denar 0.23 per piece each year until 2030.



Q2 2024, accounting for 4.20% and 4.25%, respectively.

Primary money² recorded growth of 6.2% on quarterly basis (growth of 13.0% was recorded in the previous quarter) as a result of increase of the total liquid assets by 7.7% and increase of currency in circulation by 4.8%.

In the second quarter of this year compared to Q2 2023, the primary money increased by 14.0% (in Q1 2024 an increase of 22.3% was recorded), due to the total liquid assets and currency in circulation growth by 18.7% and 10.2%, respectively.

In Q2 2024, the narrowest money supply M1³ experienced growth of 4.4% compared to the previous quarter. Monetary aggregate M2 surged by 2.4%, while the widest monetary aggregate M4 increased by 2.8% on quarterly basis.

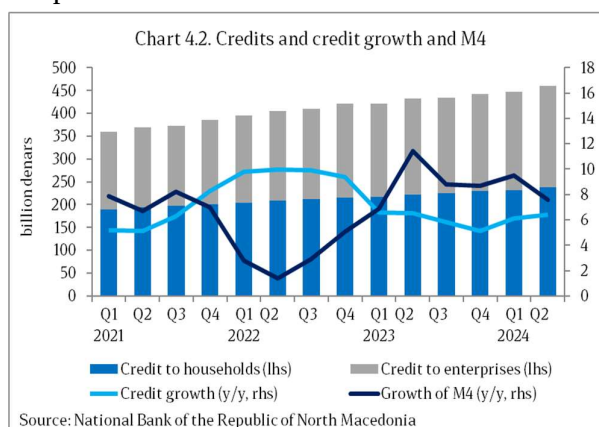
Total **deposit potential**⁴ of banks in Q2 2024 grew by 2.5% on quarterly basis, following the 0.6% drop in the previous quarter. Analyzed by sectors, deposits of enterprises and households increased by 2.1% and 2.7%, respectively. From currency point of view, compared to the previous quarter, Denar deposits grew by 4.0%, while foreign currency deposits surged by 0.6%.

Level of euroization dropped by 0.8 p.p. compared to the previous quarter, accounting for 42.7%, measured through

the share of foreign currency deposits in the total deposit potential.

With respect to maturity, share of long-term deposits in the total deposit potential in Q2 2024 picked up by 0.4 p.p. compared to the previous quarter, accounting for 23.8% (it accounted for 23.4% in Q1 2024). During the analyzed period, short-term deposits remained constant on quarterly basis.

Credit activity of banks in Q2 2024 picked up by 2.9% on quarterly basis (credits increased by 1.0% in the previous quarter), amid growth of credits to enterprises by 3.5% and credits to households by 2.5%. From currency point of view, in Q2 2024, Denar credits picked up by 5.1%, while foreign currency credits experienced 0.2% drop.



With respect to maturity, long-term credits recorded a growth of 3.5% compared

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.



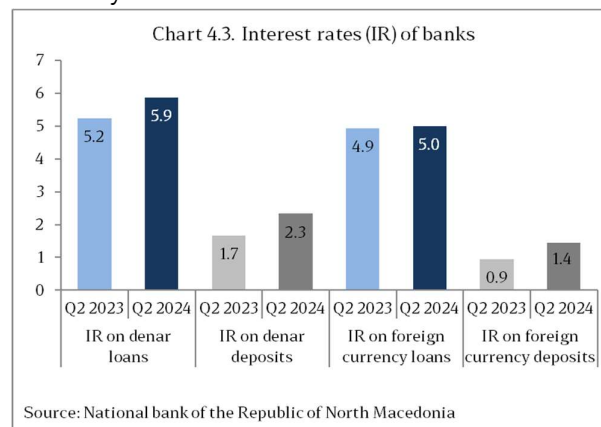
to the previous quarter, while the short-term ones a drop of 0.1%.

In Q2 2024, **interest rate**⁵ on Denar credits accounted for 5.87%, decreasing by 0.03 p.p. compared to the previous quarter. Interest rate on foreign currency credits was 5.07% in Q2 2024, dropping by 0.07 p.p. compared to the previous quarter.

Interest rate of Denar deposits in Q2 2024 accounted for 2.33%, recording a growth of 0.08 p.p. compared to the previous quarter, whereas the interest rate of foreign currency deposits accounted for 1.44%, increasing by 0.09 p.p. compared to the previous quarter.

Interest rate on newly granted Denar credits in Q2 2024 accounted for 5.42%,

while interest on newly granted foreign currency credits accounted for 4.75%.



Interest rates of newly received Denar and foreign currency deposits accounted for 2.86% and 2.04%, respectively.

5. External Sector

5.1. Foreign Trade

According to State Statistical Office's data, total foreign trade amounted to EUR 4,807.0 million in Q2 2024 and recorded drop of 2.0% compared to the same quarter of 2023.

In Q4 2024, **export of goods** amounted to EUR 2,000.6 million, whereby compared to Q2 2023, it dropped by 5.9%, while compared to the previous quarter, it increased by 3.7%.

Analyzed by SITC sectors (Standard International Trade Classification), negative trends in the export in Q2 2024,

compared to the same quarter in 2023 were registered at the following sectors:

- chemical products by 16.9% (wherein highest drop was registered at the category: chemical materials and products by EUR 123.9 million or 19.6%);
- products classified by material by 5.3% (iron and steel by EUR 27.1 million or 18.2%);
- miscellaneous manufactured goods by 6.2% (Wearing apparel by EUR 20.7 million or 18.7%; footwear by EUR 2.6 million or 39.3%);

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



- mineral fuels and lubricants by 12.3% (electricity by EUR 10.0 million or 27.7%);
- crude materials, except fuel by 4.1% (metalliferous ores and metal scrap by EUR 8.5 million or 11.7%); and
- beverages and tobacco by 2.1% (tobacco and tobacco products by EUR 2.4 million or 4.3%).

Upward export movement was observed in the following sectors:

- machinery and transport equipment by 3.8% (wherein the highest growth was recorded at the categories: electrical machinery, apparatus and appliances by EUR 64.6 million or 20.9%; industrial machines and spare parts by EUR 35.5 million or 60.5%);
- food products by 9.4% (cereals and cereal preparations by EUR 3.6 million or 13.5%; milk products and eggs by EUR 3.3 million or 37.7%; fruit and vegetables products by EUR 3.0 million or 4.9%);
- animal and vegetable oils by 53.8% (fixed vegetable oils and fats, crude, refined or fractioned by EUR 1.5 million or 59.4%).

Observed **by economic purpose**, in Q2 2024, drop of export was recorded at the following groups of products:

- industrial supplies by EUR 135.0 million or 11.6%.
- transport equipment by EUR 39.2 million, i.e. 12.6%;
- fuels and lubricants by EUR 7.7 million or 13.5%, and
- consumer goods by EUR 5.6 million or 2.6%.

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

- investment products without transport equipment by EUR 44.3 million, i.e. 20.7%; and
- food and beverages by EUR 15.0 million, i.e. 9.4%.



Import of goods in Q2 2024 amounted to EUR 2,806.4 million, growing by 1.0% compared to Q2 2023, while, in relation to the previous quarter, it increased by 2.5%.

Analyzed **by SITC sectors**, growth of import in Q2 2024, compared to Q2 2023 was registered at the following sectors:

- machinery and transport equipment increasing by 9.6% (wherein highest growth was seen at the categories: road vehicles by EUR 23.9 million or 18.9%; power-generating machines and equipment by EUR 21.6 million or 152.3%; industrial machinery and spare parts by EUR 17.1 million or 23.8%);
- food products by 7.3% (coffee, tea, cocoa, herbs by EUR 6.7 million or 25.8%; milk products and eggs by EUR 5.1 million or 22.3%);



- miscellaneous manufactured goods, by 7.1% (wearing apparel by EUR 5.4 million or 15.7%; prefabricated buildings and sanitary plumbing by EUR 2.1 million or 28.7%);
- beverages and tobacco by 16.3% (beverages by EUR 3.4 million or 15.2%) and
- animal and vegetable oils by 11.3% (fixed vegetable fats and oil, crude, refined or fractioned by EUR 2.0 million or 15.9%).

Decline of import was seen at the following sectors:

- mineral fuels and lubricants by 6.1% (within which highest drop was seen at the category gas, natural or manufactured by EUR 31.4 million or 59.2%),
- products classified by material by 2.8% (non-ferrous metals by EUR 23.8 million or 6.6%; yarn, fabrics and textile products by EUR 8.9 million or 7.0%);
- chemical products by 2.1% (inorganic chemicals by EUR 19.3 million or 20.2%);

- crude materials, except fuel, by 26.1% (metalliferous ores and metal scrap by EUR 13.8 million or 42.6%).

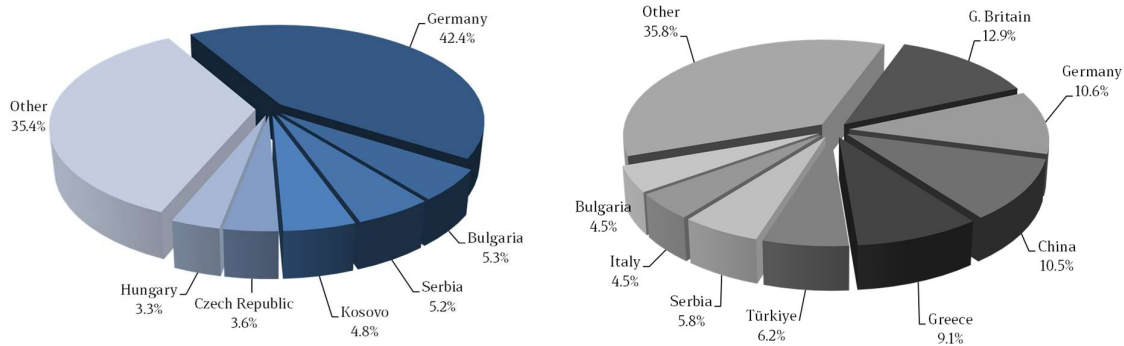
Observed by **economic purpose**, in Q2 2024 growth in import was recorded in the group of products, as follows:

- investment products without transport equipment by EUR 30.4 million or 6.9%;
- food and beverages by EUR 23.4 million, i.e. 8.8%.
- transport equipment by EUR 19.0 million or 11.5% and
- consumer goods by EUR 17.9 million or 6.4%.

Decline of import was seen at the following groups of products:

- goods for industrial supplies by EUR 35.2 million, i.e. 2.7% and
- fuels and lubricants by EUR 21.9 million, i.e. 7.4%.

Chart 5.2 Countries having the highest share in export (left) and import (right) in Q-2-2024



Source: MoF calculation based on SSO data



European Union foreign trade (EU 27) in Q2 2024 dropped by 3.2% compared to Q2 2023, whereby share of trade with the EU in the total foreign trade accounted for

61.2%, decreasing by 0.8 p.p. compared to the second quarter of 2023. Thereby, in Q2 2024 export of goods accounted for 77.5%, while import of goods accounted for 49.6%.

5.2. Balance of Payments

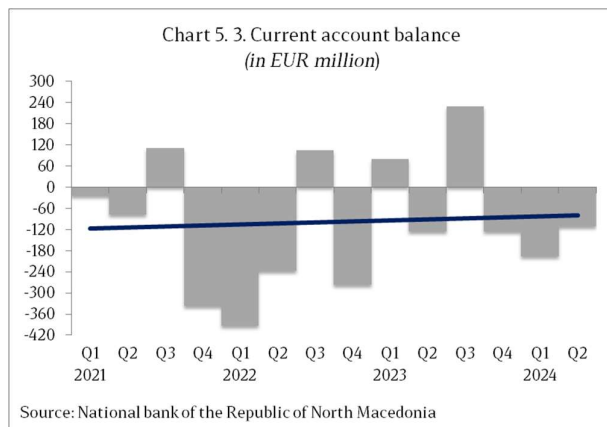
As per the data from the National Bank of the Republic of North Macedonia, deficit in the amount of EUR 111.7 million was recorded on **current account's** balance of payments in Q2 2024, accounting for 3.2% of quarterly GDP, as opposed to the deficit of 3.9% of GDP, recorded in the same quarter of 2023.

surplus on the secondary income account by 8.6% had an opposite effect.

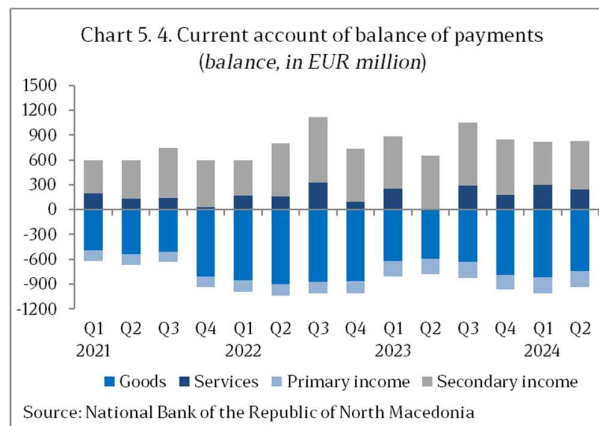
In Q2 2024, the **trade deficit** increased by EUR 147.3 million on annual basis, while as percentage of quarterly GDP, it increased by 3.0 p.p. on annual basis, accounting for 21.3%.

Surplus on **services account** amounted to EUR 241.8 million in Q2 2024 and compared to the same quarter of 2023, it surged by EUR 227.3 million.

Trade openness of the Republic of North Macedonia in Q2 2024 accounted for 152.0% of quarterly GDP, being lower by 18.5 p.p. compared to Q2 2023.



Analyzed on annual basis, the current account deficit in Q2 2024 decreased by EUR 15.0 million, i.e. by 11.8% being a result of the increasing of the surplus by EUR 227.3 million on the services account. Increase of the deficit on the goods account by 24.7% and by 5.4% on the primary income account, as well as the decrease of the

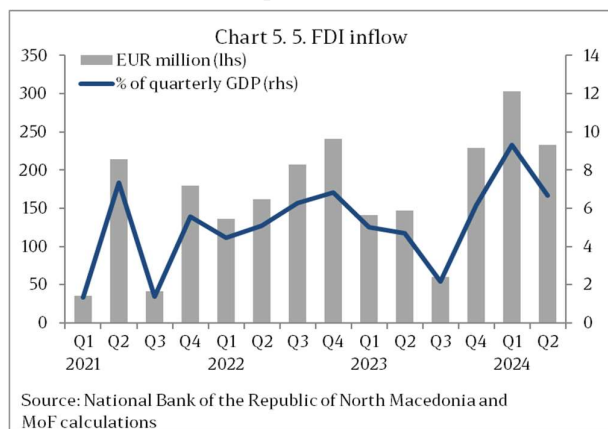




Primary income account experienced EUR 194.4 million deficit in Q2 2024, increasing by EUR 10 million on annual basis.

Surplus on **secondary income** account in Q2 2024 amounted to EUR 584.7 million, being lower by EUR 55.0 million on annual basis. The drop was due to the reduction of current transfers by EUR 49.8 million, accounting for 98.9% of the total secondary income account, as well as due to the reduction of official transfers by EUR 5.2 million, accounting for 1.1% of the secondary income account.

Surplus on the **capital account** in Q2 2024 amounted to EUR 0.5 million, as opposed to the deficit of EUR 0.5 million generated in Q2 2023. Improvement of the balance of the capital account was mostly result of the inflow of capital transfers.



In Q2 2024, **foreign direct investments (FDIs)** in the country amounted to EUR 232.8 million, increasing by EUR 85.8

million compared to Q2 2023. Inflow of FDIs in this period mostly resulted from the reinvestment of earnings of companies with foreign capital (on which basis, 35.3% of the total inflow of FDIs was generated) and on the basis of debt instruments (33.8% of total inflow of FDIs) with the remaining part (30.9%) pertaining to equity.

Portfolio investments in Q2 2024 amounted to EUR 47.3 million and, compared to the same quarter in the previous year, they grew by EUR 27.3 million. Such trends in most part were result of repurchase of domestic Eurobonds by residents and interest payment based on previously issued Eurobonds.

Other investments in Q2 2024 amounted EUR 85.9 million, being higher by EUR 158.3 million compared to the same quarter last year. Within the **Other investments** category, currencies and deposits amounted to EUR 89.7 million, trade credits and advances amounted to EUR 44.0 million, while loans account experienced a negative balance in the amount of EUR 47.7 million.

Reserve assets amounted to EUR 4.3 billion at the end of the second quarter in 2024, surging by 3.5% compared to Q2 2023. At the end of Q2 2024, reserve assets provided for 4.5-month coverage of import of goods and services in the previous 12-month period.