



Q-4-2024

QUARTERLY ECONOMIC REPORT

- fourth quarter of 2024 -

Summary

- **Economic activity** in Q4 2024 accelerated significantly, whereby recording a real growth of 3.2% on annual basis, and attainment of 2.8% total growth rate during 2024. This growth was primarily due to increased domestic demands, driven by growth of gross investments and consumption, generating a positive impulse to the economic activity. On the other hand, net export had a negative contribution to growth, reflecting the challenges in the international trade.
- **Number of employed persons** in Q4 2024 was higher by 1.9%, compared to the same quarter in 2023. **Number of unemployed persons** dropped by 7.9% in Q4 2024, which resulted in reduction of **unemployment rate** to 11.9%.
- Average **net wage** amounted to Denar 42,569 in Q4 2024, increasing by 9.0% in nominal terms, i.e. 4.7% in real terms, compared to the net wage in Q4 2023.
- Total **budget revenues** were higher by 4.3% in Q4 2024, while total **budget expenditures** surged by 7.0% compared to the same quarter in 2023.
- **Inflation rate** in Q4 2024 accounted for 4.1% on annual basis.
- Total **deposit potential** of banks in Q4 2024 grew by 8.1% on quarterly basis.
- In Q4 2024, **export of goods** dropped by 7.8%, with **import of goods** decreasing by 1.5% on annual basis, whereby **total foreign trade**, expressed in euro, dropped by 4.1%.



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1. Economic Activity

In Q4 2024, **economic activity** grew by 3.2% in real terms on an annual basis, bringing the total growth for 2024 to 2.8%, thereby exceeding the projections. The positive deviation was driven by favourable economic activity trends, particularly the growth acceleration in the second half of the year. Compared to previous quarter, GDP growth accounted for 0.8% (after seasonal and calendar adjustments).

Analysed according to the GDP by production method, economic growth was a result of the positive performance in most sectors.

Increase in the activity in the **services sector** was broad based, accounting for 3.1%. Highest growth within services activities was recorded at Professional, scientific and technical activities by 10.6%, followed by: Arts, entertainment and recreation by 7.9%, Trade, transport and hospitality industry by 3.5%, Real estate

activities by 2.1%, Information and communication by 1.7%, Financial and insurance activities by 0.7%, and Public administration and defence, Education and Health by 0.5%.

In the fourth quarter, **the construction activity** recorded a double-digit growth of 13.2%, driven by substantial growth in civil engineering segment (32.3%) and building segment (22.3%), while specialized construction works recorded a drop of 27.6%. The substantial growth in civil engineering reflected increased investments and accelerated infrastructural projects implementation.

The agricultural sector grew by 0.6%, continuing the positive trend from Q3 2024, which saw a 1.1% growth. This marked the second consecutive quarter of growth.

Table 1.1.: GDP and components by production method – annual growth rates(%) and contributions to GDP growth (percentage points)

Sectors	real growth(%)					contribution to growth (p.p.)				
	Q1 2024	Q2 2024	Q3 2024	Q4 2024	2024	Q1 2024	Q2 2024	Q3 2024	Q4 2024	2024
Gross domestic product	1.9	2.8	3.0	3.2	2.8					
Agriculture	-12.3	-0.7	1.1	0.6	-2.0	-0.9	0.0	0.1	0.0	-0.1
Industry	0.6	-1.3	-4.6	-0.7	-1.6	0.1	-0.2	-0.8	-0.1	-0.3
Manufacturing	1.1	1.5	-2.9	0.2	-0.1	0.1	0.2	-0.4	0.0	0.0
Construction	-2.4	6.9	2.4	13.2	6.4	-0.1	0.3	0.1	1.1	0.4
Services	4.1	3.8	5.0	3.1	4.0	2.5	2.2	2.8	1.6	2.3
Trade, transport and catering	4.2	5.5	10.6	3.5	6.0	0.8	1.1	2.0	0.6	1.1
Information and communication	4.2	3.7	2.4	1.7	3.0	0.2	0.2	0.1	0.1	0.1
Financial and insurance activities	1.8	1.9	2.1	0.7	1.6	0.1	0.1	0.1	0.0	0.0
Real estate activities	2.5	1.7	0.5	2.1	1.7	0.3	0.2	0.1	0.2	0.2
Professional, scientific and technical activities	8.5	9.9	9.0	10.6	9.5	0.4	0.5	0.4	0.4	0.4
Public administration and defence, education and health	2.0	0.6	0.9	0.5	1.0	0.2	0.1	0.1	0.1	0.1
Arts, entertainment and recreation	12.5	4.1	6.6	7.9	7.7	0.4	0.1	0.2	0.2	0.2
Net taxes on products	1.5	4.5	5.7	3.7	3.7	0.2	0.6	0.7	0.5	0.5
Residual						0.1	-0.1	0.0	0.1	0.1

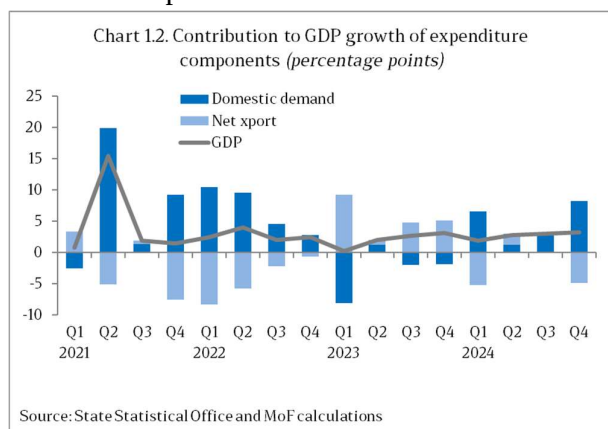
Source: State Statistical Office (notification of GDP in Q4 2024) and MoF calculations



Industrial sector dropped by 0.7%, amid negligible growth in Manufacturing by 0.2%. Based on high-frequency data, the following sectors negatively contributed to the drop in industrial production in Q4 2024: Electricity, gas, steam and air-conditioning supply, declining by 7.3% and Mining and quarrying, decreasing by 7.1%.



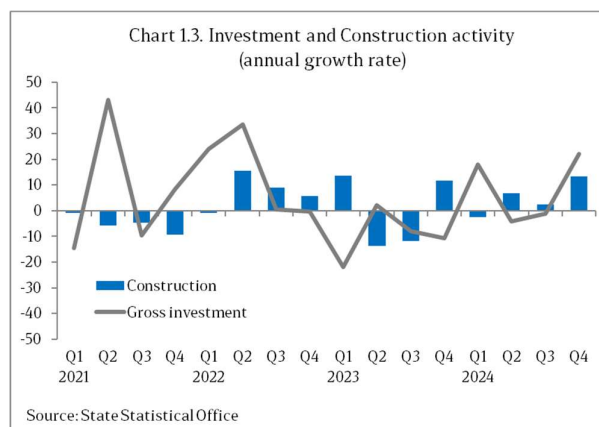
Analysed on the expenditure side of the GDP, economic activity growth was driven by increased domestic demand, boosted by significant rises in gross-investments and consumption.



Consumption grew by 1.5% in real terms. Despite the increase of household disposable income, resulting from higher

employment, wages, pensions, and increase of credits to households, private consumption grew only slightly by 0.2% **Public consumption**, in contrast to private consumption, recorded significant growth in real terms of 6.8%.

Gross investment recorded double-digit growth of 22.1%. This substantial increase was driven by expanded construction activity, strong foreign direct investment inflows, growth in imports of capital goods, and increased credit extended to the corporate sector. In addition, this growth in investment reflected increased investor confidence, as well as new opportunities for job creation, higher productivity and modernization of production capacities, thereby boosting the overall economic growth.



As a result of ever present unfavourable external surroundings and weakened economic growth at major trading partners, **export of goods and services** in Q4 2024 recorded a drop of 6.0%, reflecting the challenges of the global demand. At the same time, **import of goods and services** recorded growth of 1.5% in real terms, primarily driven by increased import of

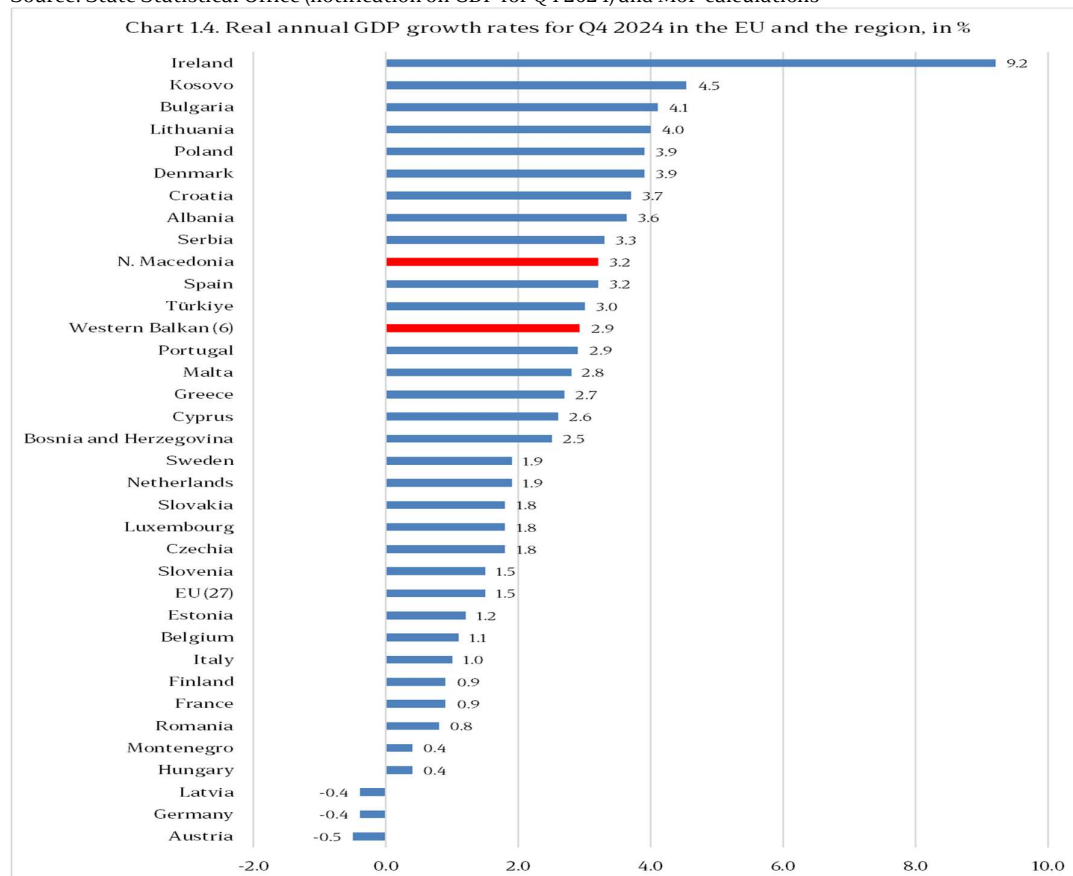


capital and consumer goods. Hence, net export recorded negative contribution to economic growth.

Table 1.2.: GDP and components by expenditure method – annual growth rates (%) and contributions to GDP growth (percentage points)

Components	real growth (%)					contribution to growth (p.p.)				
	Q1 2024	Q2 2024	Q3 2024	Q4 2024	2024	Q1 2024	Q2 2024	Q3 2024	Q4 2024	2024
Gross domestic product	1.9	2.8	3.0	3.2	2.8					
Final consumption	2.4	2.9	3.8	1.5	2.6	2.0	2.4	3.2	1.2	2.2
Private	1.1	1.6	1.9	0.2	1.2	0.8	1.1	1.3	0.1	0.8
Public	7.8	9.0	13.3	6.8	9.1	1.2	1.3	1.9	1.1	1.4
Gross capital formation	18.1	-4.1	-1.2	22.1	8.9	4.9	-1.3	-0.3	7.3	2.6
Export of goods and services	-6.7	-2.5	0.0	-6.0	-3.8	-5.0	-1.7	0.0	-3.7	-2.6
Import of goods and services	0.2	-4.1	0.0	1.5	-0.6	0.2	-3.5	0.0	1.2	-0.5
Net exports						-5.2	1.8	0.0	-4.9	-2.1
Residual						0.2	-0.1	0.2	-0.5	0.0

Source: State Statistical Office (notification on GDP for Q4 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 from 2023 onwards are not comparable with the data from previous years.

Employment

In Q4 2024, as per the Labour Force Survey, **employment** increased by 1.9%, number of employed persons being higher by 13.1 thousand persons compared to the same quarter in 2023. The highest employment growth rate was recorded in Information and communication, with an increase of 7.2 thousand people (36.8%), followed by substantial growth in Financial activities (5.2 thousand people or 43.2%) and Public administration (5 thousand people or 11.5%). On other hand, a significant drop in employment was recorded in the Construction sector (18.7% or 10 thousand persons.)

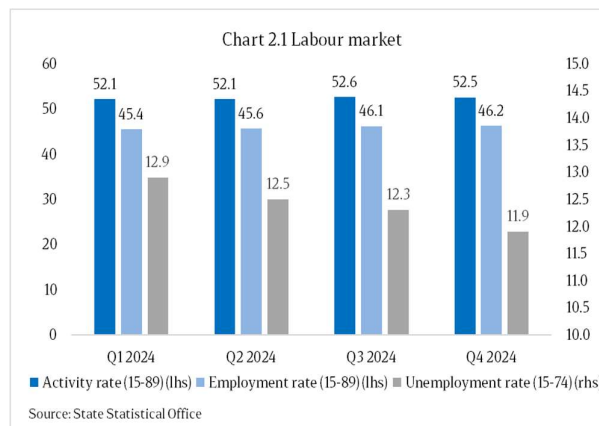
Out of the total number of employees, 537,774 were employed in entities in private ownership (76.8% of the total employees), whereas 162,752 people were employed in entities in mixed, collective or state ownership (23.2% of total employees).

Employment rate in Q4 2024 accounted for 46.2%, being higher by 0.9 p.p. compared to the same quarter in 2023.

Unemployment

Number of unemployed persons decreased by 8.2 thousand persons, being lower by 7.9% compared to the same quarter in 2023.

Unemployment rate reduced to 11.9% in Q4 2024, i.e. it dropped by 1.1 p.p. compared to the same quarter in 2023, being lower by 0.5 p.p. compared to the previous quarter (Chart 2.1).



Unemployment rate in the age category 15 - 64 accounted for 12.0%, while with the youth population (age category 15 to 29), it accounted for 23.9%. Compared to Q4 2023, these rates decreased by 1.1 and 1.6 percentage points, respectively. Observed by gender, unemployment rate among the female population increased by 0.7 p.p., accounting for 10.7%, being lower by 2.0 p.p. compared to unemployment rate for men, which increased by 2.3 p.p., accounting for 12.8%.



Active population

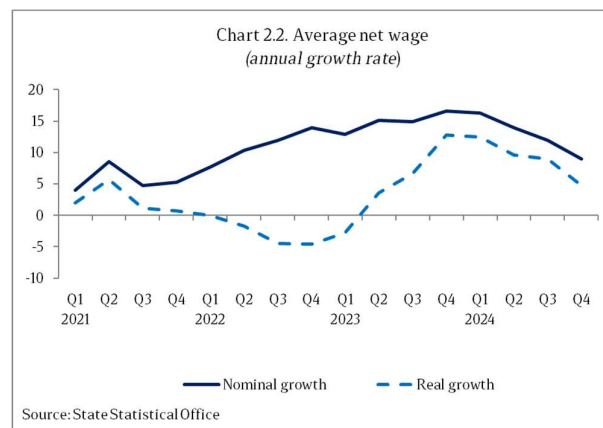
Number of active population increased by 4.9 thousand persons, being higher by 0.6% on annual basis. In Q4 2024, active population accounted for 52.5% of the total working-age population, representing an increase of 0.3 p.p., compared to the same quarter in 2023.

Wages

Average monthly **net wage** in Q4 2024 amounted to Denar 42,569, being higher by 9.0% in nominal terms compared to the same quarter in 2023, and 4.7% higher in real terms (Chart 2.2).

Highest net wage in Q4 2024 was paid in the sector Information and communication (Denar 78,863), followed by Financial and insurance activities with Denar 58,488, Electricity, gas, steam and

air-conditioning supply with average net wage paid in the amount of Denar 52,242 and Mining and quarrying in the amount of Denar 53,583.



Average monthly **gross wage** in Q4 2024 amounted to Denar 64,073, being higher by 9.1% in nominal terms and 4.9% in real terms.

3. Public Finances

Budget Revenues according to the Economic Classification

In Q4 2024, **total budget revenues** accounted for 31.4% of the quarterly GDP, being higher by 4.3% compared to fourth quarter of 2023, amid higher collection of taxes by 1.9% and contributions by 11.8%, while non-tax revenue collection decreased by 6.1%. Tax revenues observed a higher collection rate in the segments of personal income tax, corporate income tax, VAT, excise, import duties, while lower collection rate in other tax revenues.

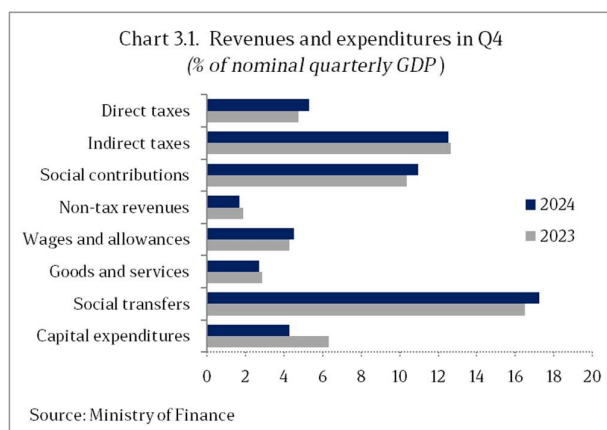
Collection of indirect taxes in Q4 2024 compared to Q4 2023 surged by 5.0%,

whereas the collection of the direct taxes picked up by 18.3%. Observed from the GDP share structure perspective, the share of direct tax revenues increased by 0.5 p.p. on annual level, whereby the rate of 4.8% in the fourth quarter last year increased to 5.3% of the quarterly GDP in the same quarter this year. In Q4 2024, share of indirect tax revenues share in GDP accounted for 12.5%, down by 0.2 percentage points from 12.7% in Q4 2023.

With respect to **indirect taxes**, VAT revenues predominated, accounting for



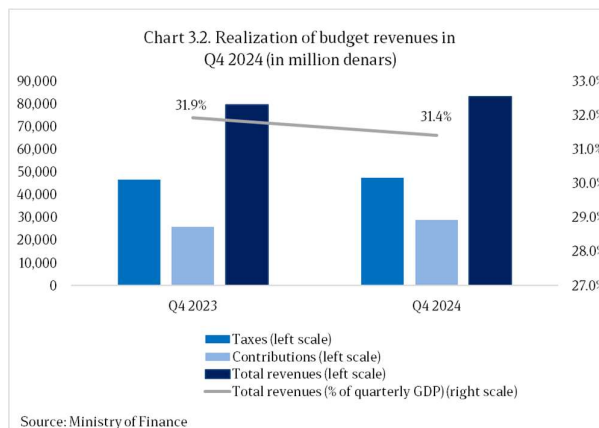
47.2% of the total tax revenues in Q4 2024, being higher by 4.7% compared to the same quarter of the previous year. Pertaining to the VAT structure, VAT on import accounted for the most, followed by VAT on domestic supply. Compared to the same quarter in the previous year, excise revenues were higher by 2.7%, while collection of customs duties grew by 11.5%.



With respect to **direct taxes**, a PIT revenue collection recorded an increase of 15.3%, while the corporate income tax revenue collection an increase of 25.3%, compared to the same quarter of the previous year.

Collection of **social contributions** was higher by 11.8%, whereby increased collection was recorded with all contributions, i.e. with pension and

disability insurance contributions by 11.9%, employment contributions by 12.0% and health insurance contributions by 11.5%.



In Q4 2024, **non-tax revenue collection**, accounting for 1.7% of the quarterly GDP, was 6.1% lower compared to the same quarter in 2023.

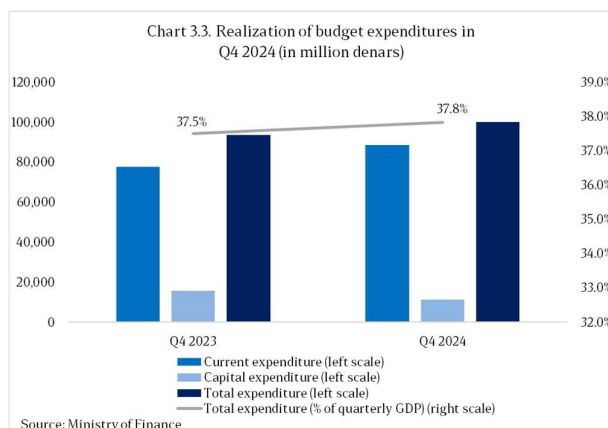
Capital revenues including revenues on the basis of construction land lease, sale of flats, as well as revenues on the basis of dividends, were lower by 47.2% on annual basis in Q4 2024. Revenues on the basis of **foreign donations** were higher by 10.0% compared to the same quarter in 2023.

3.2. Budget Expenditures according to the Economic Classification

Total budget expenditures in Q4 2024, with share of 37.8% in the quarterly GDP were higher by 7.0% compared to the same quarter of 2023.

Current expenditures, accounting for 33.5% of quarterly GDP, represented 88.7% of total expenditures and increased by

14.1% on an annual basis. As per the current expenditures, goods and services expenditures recorded increase by 0.7%, whereas wage and allowance expenditures by 12.0% compared to the same quarter previous year.



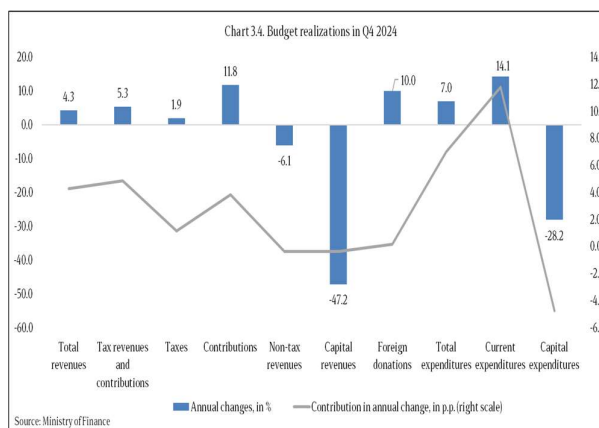
Transfer funds, accounting for 66.5% of total expenditures, increased by 15.1% on an annual basis. Social transfers recorded growth of 10.8%, participating with 45.6% in the total expenditures. Pension expenditures, which account for the majority of social transfers, increased by 15.3%, representing 27.5% of total expenditures. Category Other transfers, which includes transfers to local government units, accounted for 19.8% of the total expenditures, recording an increase of 24.9% compared to the fourth quarter in 2023. Block and earmarked

3.3. Expenditures by Budget Users

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

In Q4 2024, **Ministry of Social Policy, Demographics and Youth** executed funds in the amount of Denar 14,557 million or 21.4% of its total budget for the current year. Thereby, most of the expenditures (60.5%) were allocated for current transfers to extra-budgetary funds, for which Denar 8,803 million was spent, i.e. 19.0% of the funds allocated for 2024. The second highest expenditure category was the

grants to local government units increased by 8.9%, while subsidies and transfers were higher by 36.5%, compared to Q4 2023.



Interest-related expenditures increased by 41.7% on annual basis, where both domestic debt and foreign debt interest-related expenditures recorded an increase of 43.3% and 39.5%, respectively.

Capital expenditure execution, accounting for 4.3% of the quarterly GDP was lower by 28.2% compared to the same quarter of 2023, and their share in the total expenditure accounted for 11.3%.

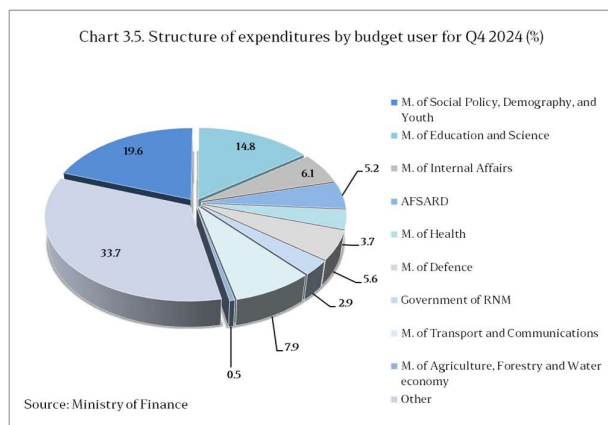
social benefits, participating with 24.7% in the total expenditures, whereby 24.7% (Denar 3,596 million) of the projected 2024 funds was executed for this purpose.

During the analysed period, **Ministry of Education and Science** executed budget funds in the amount of Denar 10,980 million, representing 26.9% of its total 2024 Budget. Current transfers to LGUs accounted for the most of the expenditures (56.7%), Denar 6,228 million being spent therefore or 27.7% of total projected funds.



Wages and allowances was the second most significant category, accounting for 19.1%, with Denar 2,101 million being spent therefore, i.e. 26.7% of the total projections.

In Q4 2024, **Government of the Republic of North Macedonia** spent Denar 2,133 million, i.e. 48.0% of the 2024 projections. Thereby, subsidies and transfers accounted for 71.4% of total expenditures of this budget user, Denar 1,524 million (53.6% of the projected funds) being spent therefore.



During the analysed period, **Ministry of Internal Affairs** executed expenditures in the total amount of Denar 4,501 million, accounting for 29.4% of own budget for 2024. Wages and allowances was the highest expenditure category, participating with 56.7%, Denar 2,554 million being spent therefore, accounting for 26.2% of the projected ones. The second highest expenditure category was Goods and services, participating with 23.4%, with funds in the amount of Denar 1,052 million being spent therefore, accounting for 33.5% of the annual projections.

In Q4 2024, **Agency for Financial Support in Agriculture and Rural Development**

executed expenditures in the amount of Denar 3,873 million, accounting for 37.5% of the funds projected for the current year. As for subsidies and transfers, with significant share of 91.1% of the total expenditures, 37.7% or Denar 3,530 million of the funds planned for the whole year, were spent therefore.

During Q4 2024, **Ministry of Health** executed budget funds in the amount of Denar 2,746 million, accounting for 33.3% of its total 2024 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 50.0%, for which Denar 1,373 million were spent or 33.6% of the funds projected for 2024. Second highest item was Goods and services, Denar 1,017 million (31.5% of the projections for the year) being spent therefore, accounting for 37.0% of total expenditures.

During this period, **Ministry of Defence** executed budget funds in the amount of Denar 4,199 million, accounting for 23.6% of the total budget this year. Expenditures related to wages and allowances accounted for the most with 44.5%, Denar 1,869 million being spent therefore, (accounting for 29.7% of the total funds projected for the current year). Goods and services accounted for 24.4% of total expenditures, Denar 1,026 million being spent therefore during the analysed period, which represented 29.2% of the total projected funds.

In Q4 2024, **Ministry of Transport** executed funds in the amount of Denar 5,895 million, i.e. 56.8% of the total budget



for the current year. Execution of capital expenditures, as main item, accounted for 91.7% of the total spent funds of this budget user (Denar 5,406 million or 59.3% of total projected funds).

During the analysed period, **Ministry of Agriculture, Forestry and Water Economy** executed funds in the amount of Denar 380 million, accounting for 22.2% of the funds projected for 2024. Wages and allowances (Denar 172 million) was convincingly the main category in the total expenditures of this budget user, accounting for 45.3% of its total expenditures, with 26.5% of the projected expenditures, being executed. As regards capital expenditures, they accounted for

28.3% of the total expenditures, Denar 108 million being spent therefore, accounting for 29.9% of the total budget for this purpose.

In this period, **Public Revenue Office** executed Denar 1,179 million, accounting for 26.0% of the total budget for the current year. As for subsidies and transfers, as major item, 74.4% or Denar 877 million of the funds planned for the whole year, were spent therefore.

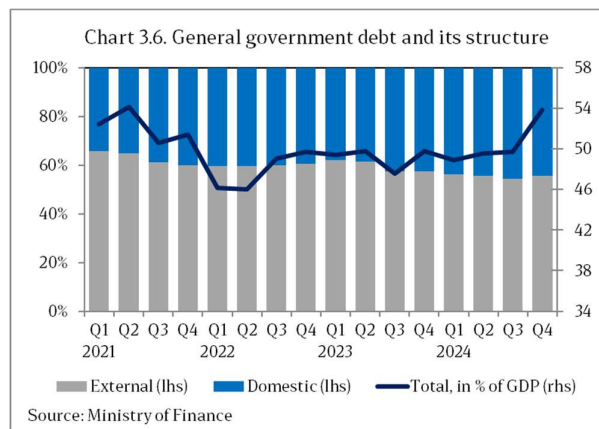
In-depth data on each budget user are presented in the statistical annex attached at the following link (<http://finance.gov.mk/квартален-економски-извештај>).

3.4. Budget Deficit and General Government Debt

In Q4 2024, **the consolidated budget deficit** amounted to Denar 17,001 million, accounting for 6.4% of GDP realized in this quarter, while central budget deficit amounted to Denar 14,539 million, accounting for 5.5% of quarterly GDP.

Total **general government debt** at the end of Q4 2024 accounted for 53.8% of GDP, increasing its share in GDP by 4.1 p.p. compared to Q3 2024. Share of external debt in the total general government debt compared to Q3 2024 increased by 1.4 p.p., accounting for 55.6%, whereby share of internal debt decreased respectively,

accounting for 44.4% of the total general government debt.



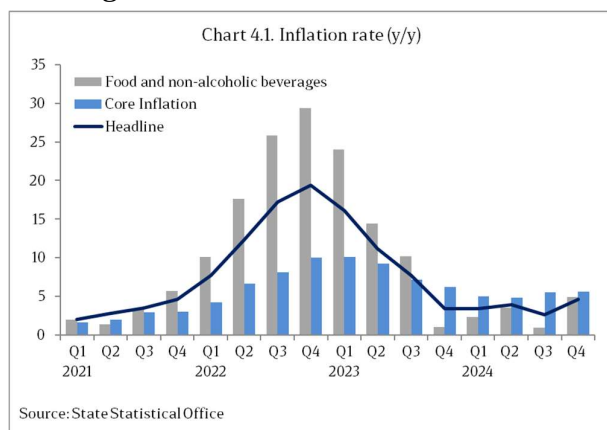
4. Inflation and Monetary Trends

Inflation rate in Q4 2024 was 4.1% on annual basis, measured according to CPI. Inflation recorded acceleration of 1.5

percentage points compared to the previous quarter (2.6% in Q3 2024).



In the fourth quarter of 2024, consumer prices accelerated, as a result of food component increase, influenced by the lower base effect. During this period two measures were introduced, which slowed down the acceleration of price growth to certain extent, with the “Autumn Consumer Basket”¹ measure being aimed at capping profit margins, while the “New Year’s Consumer Basket”² measure was focused on reducing prices through targeted discounts.



The core inflation was barely unchanged, i.e. it increased by 0.1% compared to Q3 2024, accounting for 5.6% (5.5% in Q3 2024). The core inflation demonstrated signs of easing, with growth in tobacco and hospitality services contributing to this trend. Energy and oil derivatives prices were following a downward trend.

Observed by components, prices in the Food and non-alcoholic beverages category in Q4 2024 went up, accounting for 4.9% (0.9% in the previous quarter). Observed by structure, accelerated growth of food prices was due to increase of prices of vegetable, meat and milk, cheese and eggs.

Consumer price growth in Q4 2024 was also recorded in the categories, as follows: Restaurants and hotels by 11.4%, Alcoholic beverages, tobacco and narcotics³ by 7.6%, Recreation and culture by 5.3%, Health protection by 4.8%, Miscellaneous goods and services by 4.3%, Furnishings, household equipment and routine maintenance of the house by 3.0%, Communication by 2.9%, Wearing apparel and footwear by 2.7%, Housing, water, electricity, gas and other fuels by 0.7% and Education by 0.3%. Prices in the Transport category decreased by 0.2%.

In Q4 2024, retail prices recorded an accelerated growth of 4.1%.

In the fourth quarter of this year, the National Bank continued to lower **the policy rate** by 0.5 p.p. to the level of 5.55%, amid slowdown of inflation and favourable foreign exchange market, however with ever more present risks. Easing of the monetary policy was performed in

¹ The government measure, valid from 24th September to 31st October 2024, aimed to control the prices of many basic food products, setting a maximum gross profit margin at up to 10% for both wholesale and retail trade.

² The “New Year’s Consumer Basket” measure covered the period between 15th December 2024 and 15th January 2025, representing price reduction on certain food products,

alcoholic and non-alcoholic beverages – high-demand products during the holiday season.

³ Tobacco product price was 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.



alignment with the ECB's policies, whereby interest rates have been gradually decreasing.

Interest rates of available overnight and seven-day deposits decreased by 0.25 percentage points in Q4 2024, accounting for 3.95% and 4.0%, respectively.

Primary money⁴ recorded growth of 4.9% on quarterly basis (growth of 15.9% was recorded in the previous quarter) as a result of increase of the total liquid assets by 2.4% and increase of currency in circulation by 7.6%.

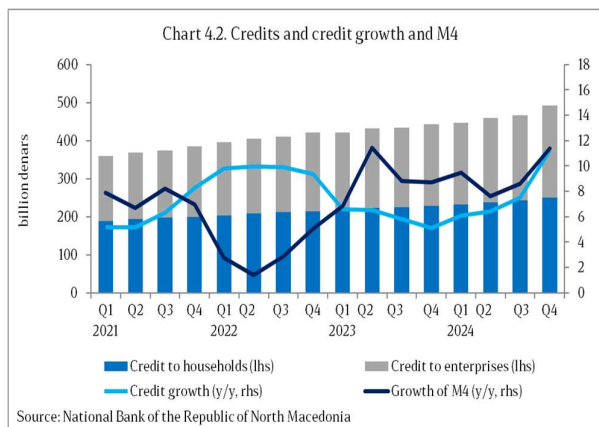
In the fourth quarter of this year compared to Q4 2023, the primary money increased by 24.2% (in Q3 2024 an increase of 21.7% was recorded), due to increase of total liquid assets and currency in circulation growth by 33.0% and 16%, respectively. In Q4 2024, the narrowest money supply M1⁵ experienced growth of 10.4% compared to the previous quarter. Monetary aggregate M2 increased by 7.9%, while the widest monetary aggregate M4 by 7.5% on quarterly basis.

Total **deposit potential**⁶ of banks in Q4 2024 increased by 8.1% on quarterly basis, following the growth of 2.0% in the previous quarter. Analysed by sectors, deposits of enterprises and households increased by 11.5% and 6.6%, respectively. From currency point of view, compared to

the previous quarter, Denar deposits grew by 11.5%, while foreign currency deposits surged by 3.4%.

Level of euroization dropped by 1.9 p.p. compared to the previous quarter, accounting for 40.6%, measured through the share of foreign currency deposits in the total deposit potential.

As regards maturity, in Q4 2024, share of long-term deposits in total deposit potential decreased by 0.4 p.p. compared to the previous quarter, accounting for 24.6% (accounting for 25.0% in Q3 2024). During the analysed period, short-term deposits increased by 4.8% on quarterly basis.



Credit activity of banks in Q4 2024 picked up by 5.4% on quarterly basis (credits increased by 1.5% in the previous quarter), amid growth of credits to enterprises by 8.2% and credits to households by 2.7%. From currency point of view, in Q4 2024,

⁴ 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).

⁵ Money supply M1 comprises currency in circulation and

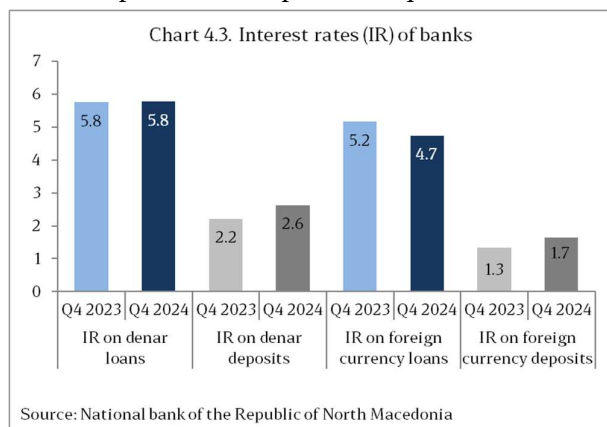
deposit money. Monetary supply M2 comprises the money supply M1 and short-term deposits, whereas money supply M4 is comprised of money supply M2 and long-term deposits.

⁶ Deposits also incorporate the calculated interest.



Denar credits picked up by 6.9%, and foreign currency credits by 3.0%.

From maturity point of view, long-term credits experienced 5.0% growth, while short-term credits were higher by 9.5%, compared to the previous quarter.



In Q4 2024, **interest rate**⁷ on Denar credits accounted for 5.77%, decreasing by 0.09 p.p. compared to the previous quarter. Interest

rate on foreign currency credits was 4.74% in Q4 2024, dropping by 0.12 p.p. compared to the previous quarter.

Interest rate of Denar deposits in Q4 2024 accounted for 2.63%, recording a growth of 0.18 p.p. compared to the previous quarter, whereas the interest rate of foreign currency deposits accounted for 1.65%, increasing by 0.11 p.p. compared to the previous quarter.

Interest rate on newly granted Denar credits in Q4 2024 accounted for 4.92%, while interest on newly granted foreign currency credits accounted for 3.98%. Interest rates of newly received Denar and foreign currency deposits accounted for 3.17% and 2.27%, respectively.

5. External Sector

5.1. Foreign Trade

According to State Statistical Office's data, total foreign trade amounted to EUR 4,776.3 million in Q4 2024 and recorded a drop of 4.1% compared to the same quarter of 2023.

In Q4 2024, **export of goods** amounted to EUR 1,920.1 million, whereby compared to Q4 2023, it dropped by 7.8%, while compared to the previous quarter, it recorded a drop of 0.6%.



⁷Denar credits and deposits with a Forex clause are included in foreign currency credits and deposits.



Analysed **by SITC sectors** (Standard International Trade Classification), negative trends in the export in Q4 2024, compared to the same quarter in 2023 were registered at the following sectors:

- Chemical products by 23.3% (wherein highest drop was seen at the category: Chemical materials and products by EUR 164.1 million or 28.9%);
- Miscellaneous manufactured articles by 8.9% (Wearing apparel by EUR 16.5 million or 15.4%; Furniture and parts thereof by EUR 7.1 million or 6.3%);
- Manufactured goods classified by material by 4.2% (iron and steel by EUR 13.7 million or 10.9%);
- Mineral fuels and lubricants by 8.0% (Petroleum and petroleum products by EUR 5.5 million or 25.8%);
- Beverages and tobacco by 1.7% (Tobacco and tobacco manufactures by EUR 2.1 million or 11.3%).

Upward export movement was observed in the following sectors:

- Machinery and transport equipment by 0.8% (wherein the highest growth was seen at the categories: Electrical machinery, apparatus and appliances by EUR 39.7 million or 11.5%);
- Crude materials, except fuel by 15.7% (Metalliferous ores and metal scrap by EUR 12.0 million or 21.0%);
- Food products by 8.3% (Fruit and vegetables by EUR 7.7 million or 12.1%) and
- Animal and vegetable oils by 92.1% (Fixed vegetable oils and fats, crude,

refined or fractioned by EUR 2.7 million or 115.0%).

Observed **by economic purpose** in Q4 2024, drop of export was recorded at the following groups of products:

- Industrial supplies by EUR 165.5 million or 15.9%;
- Transport equipment by EUR 21.2 million, i.e. 6.6%;
- Oils and lubricants by EUR 4.6 million, i.e. 6.2%.

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

- Food and beverages by EUR 16.1 million or 9.9%;
- Investment products without transport equipment by EUR 14.3 million, i.e. 5.9%;
- Consumer goods by EUR 0.4 million or 0.2%.

Import of goods in Q4 2024 amounted to EUR 2,856.2 million, decreasing by 1.5% compared to Q4 2023, while, in relation to the previous quarter, it increased by 7.3%.

Analysed **by SITC sectors**, a drop in import in Q4 2024, compared to Q4 2023, was recorded in the sectors as follows:

- Manufactured goods classified by material by 9.4% (wherein highest drop was seen at the following categories: Non-ferrous metals by EUR 48.9 million or 16.0% and Items from non-metal minerals by EUR 26.9 million or 18.0%);
- Chemical products by 7.1% (Inorganic chemicals by EUR 21.4 million or 28.2% and Chemical materials and products by EUR 10.8 million or 20.4%); and



- Crude materials, except fuel, by 0.7% (Metalliferous ores and metal scrap by EUR 1.5 million or 5.7%).

Upward import movement was observed in the following sectors:

- Mineral oils and lubricants by 1.4% (within which highest growth was seen at the category Electricity by EUR 31.3 million or 53.9%);
- Machinery and transport equipment by 2.6% (Power generating machinery and equipment by EUR 20.1 million or 119.9%);
- Miscellaneous manufactured articles by 1.9% (Wearing apparel by EUR 7.3 million or 18.6%);
- Food products by 8.1% (Meat and meat preparations by EUR 6.3 million, i.e. 11.1%; Coffee, tea, cocoa, herbs by EUR 4.6 million, i.e. 13.5%);
- Animal and vegetable oils by 37.6% (Fixed vegetable fats and oil, crude,

refined or fractioned by EUR 6.2 million or 42.1%); and

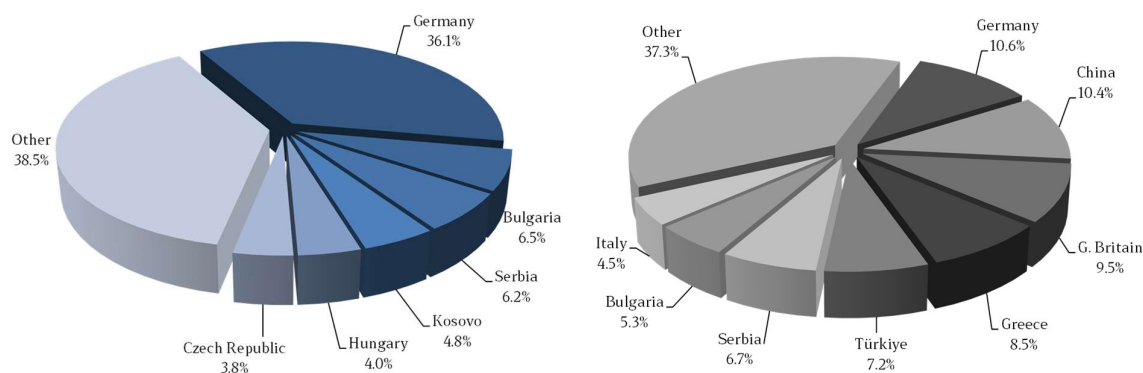
- Beverages and tobacco by 16.6% (Beverages by EUR 3.1 million or 14.2%).

Observed **by economic purpose**, in Q4 2024, drop of import was recorded only in the goods for industrial supplies by EUR 117.9 million or 9.2%.

Import increase was recorded in the following types of products:

- Food and beverages by EUR 27.9 million or 9.3%;
- Consumer goods by EUR 23.7 million, i.e. 8.0%;
- Investment products without transport equipment by EUR 15.3 million, or 3.1%;
- Fuels and lubricants by EUR 4.2 million or 1.3% and
- Transport equipment by EUR 1.9 million or 1.0%.

Chart 5.2. Countries with highest share in export (on the left) and in import (on the right) in Q4 2024



Source: Calculations of the Ministry of Finance based on SSO's data

European Union foreign trade (EU 27) in Q4 2024 dropped by 7.0% compared to Q4 2023, whereby share of trade with the EU

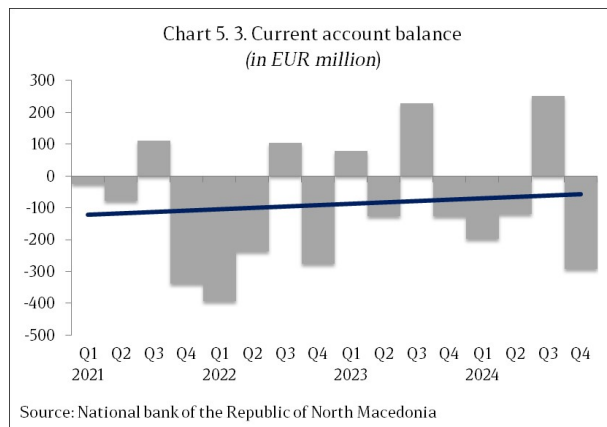
in the total foreign trade accounted for 59.8%, decreasing by 1.8 p.p. compared to the fourth quarter of 2023. Thereby, in



Q4 2024 export of goods accounted for 74.2%, while import of goods accounted for 50.2%.

5.2. Balance of Payments

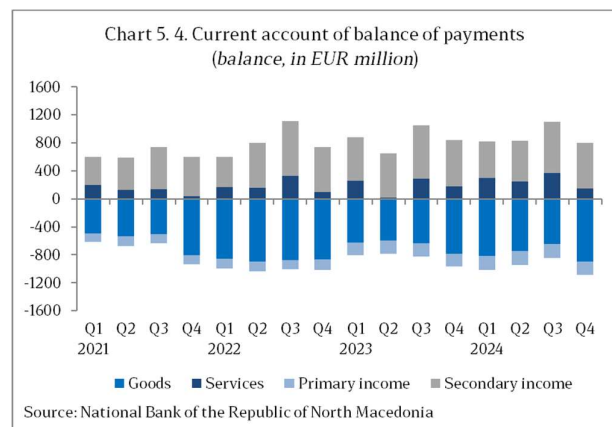
As per the data from the National Bank of the Republic of North Macedonia, deficit in the amount of EUR 291.4 million was recorded on **current account's** balance of payments in Q4 2024, accounting for 7.3% of quarterly GDP, as opposed to the deficit of 3.1% of GDP, recorded in the same quarter of 2023.



Analysed on annual basis, the current account deficit in Q4 2024 increased by EUR 166.1 million, i.e. by 132.5% being a result of the increased deficit on the goods account by 14.1%, and the primary income account by 6.6%, as well as the reduced surplus on the services account by 16.0% and on the secondary income account by 2.4%.

In Q4 2024, the **trade deficit** increased by EUR 110.1 million on annual basis, while as

percentage of quarterly GDP, it increased by 3.1% p.p. on annual basis, accounting for 22.5%.



Surplus on **services account** in Q4 2024 amounted to EUR 146.0 million, being lower by EUR 27.9 million compared to the same quarter in 2023. **Trade openness** of the Republic of North Macedonia in Q4 2024 accounted for 141.0% of quarterly GDP, being higher by 2.2 p.p. compared to Q4 2023.

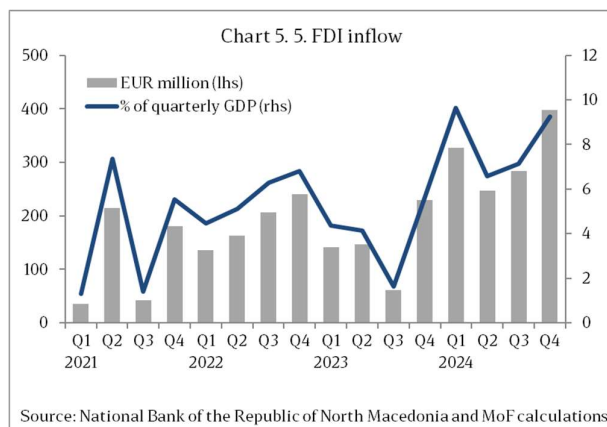
Primary income account experienced EUR 197.6 million deficit in Q4 2024, increasing by EUR 12.2 million on annual basis.

Surplus on **secondary income** account in Q4 2024 amounted to EUR 653.5 million, being lower by EUR 15.9 million on annual basis. The drop was due to the reduction of



current transfers by EUR 14.3 million, accounting for 95.5% of the total secondary income account, as well as due to the reduction of official transfers by EUR 1.6 million, accounting for 4.5% of the secondary income account.

Surplus on the **capital account** in Q4 2024 amounted to EUR 9.8 million, as opposed to deficit of EUR 0.1 million generated in Q4 2023. Improvement of the capital account balance was mostly result of the inflow of capital transfers.



In Q4 2024, **Foreign Direct Investments (FDIs)** in the country amounted to EUR 397.5 million, increasing by EUR 168.2 million compared to Q4 2023. Inflow of FDIs in this period resulted from the debt instruments (on which basis, 74.6% of the total inflow of FDIs was generated) and with the remaining part (26.3% of the total inflow of FDIs) pertaining to equity.

Portfolio investments in Q4 2024 amounted to EUR 69.4 million and, compared to the same quarter in the

previous year, they grew by EUR 31.8 million.

Other investments in Q4 2024 were negative, amounting to EUR 525.1 million. With respect to the category Other investments, currencies and deposits, loans and trade credits and advances recorded a negative balance of EUR 18.3 million, EUR 401.0 million and 104.8 million, respectively.

Reserve assets amounted to EUR 5.0 billion at the end of the fourth quarter in 2024, surging by 10.8% compared to Q4 2023. At the end of Q4 2024, reserve assets provided for 5.2-month coverage of import of goods and services in the previous 12-month period.