

## IMPORTANT NOTICE

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Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, you must (i) be outside of the United States; or (ii) be a qualified institutional buyer (“**QIB**”) (within the meaning of Rule 144A under the Securities Act). This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to us that (1) you understand and agree to the terms set out herein; (2) in respect of securities being offered in an offshore transaction pursuant to Regulations S of the Securities Act, you are outside the United States, and that the e-mail address to which, pursuant to your request, the Offering Circular has been delivered by electronic transmission is not located in the United States for the purposes of Regulation S of the Securities Act; (3) in respect of securities offered and sold in reliance on Rule 144A, you are a QIB; (4) you consent to delivery by electronic transmission; (5) you will not transmit the Offering Circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of us; and (6) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the securities.

This Offering Circular is being distributed to, and is directed only at, persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply (such persons being referred to as “relevant persons”). Any person who is not a relevant person should not act or rely on this Offering Circular or any of its contents. Any investment activity (including, but not limited to, any invitation, offer or agreement to subscribe, purchase or otherwise acquire securities) to which this Offering Circular relates will only be available to,

and will only be engaged with, persons who fall within the manufacturer target market described in this Offering Circular.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person. The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction. This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Erste Group Bank AG, J.P. Morgan SE, Merrill Lynch International or Standard Chartered Bank (together, the “**Joint Lead Managers**”) nor any person who controls any of them or any director, officer, employee nor agent of any of them, the Republic of North Macedonia or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.



## THE REPUBLIC OF NORTH MACEDONIA

*(acting through the Ministry of Finance)*

**€500,000,000 3.875% Series 1 Notes due 2030**

**€500,000,000 4.750% Series 2 Notes due 2034**

**ISSUE PRICE: 99.095% in respect of the Series 1 Notes**

**98.065% in respect of the Series 2 Notes**

The €500,000,000 3.875% Notes due 2030 (the “**Series 1 Notes**”) and the €500,000,000 4.750% Notes due 2034 (the “**Series 2 Notes**” and, together with the Series 1 Notes, the “**Notes**” and each, a “**Series**”) will be issued by the Republic of North Macedonia (the “**Republic of North Macedonia**”, the “**Republic**”, “**North Macedonia**” or the “**Issuer**”).

The issue price of the Series 1 Notes is 99.095% of their principal amount. The issue price of the Series 2 Notes is 98.065% of their principal amount.

Unless previously redeemed or cancelled, the Series 1 Notes will be redeemed at their principal amount on 21 January 2030 and the Series 2 Notes will be redeemed at their principal amount on 21 January 2034 (each, a “**Maturity Date**”). The Notes will bear interest from, and including, 21 January 2026 at the rate of 3.875% per annum in respect of the Series 1 Notes and 4.750% in respect of the Series 2 Notes, payable annually in arrear on 21 January in each year, commencing on 21 January 2027.

Payments on the Notes will be made in Euro without deduction for, or on account of, taxes imposed or levied by North Macedonia to the extent described under “*Terms and Conditions of the Series 1 Notes – Taxation*” in respect of the Series 1 Notes and “*Terms and Conditions of the Series 2 Notes – Taxation*” in respect of the Series 2 Notes in the relevant Conditions (as defined herein).

This Offering Circular does not comprise a prospectus for the purposes of the Public Offers and Admissions to Trading Regulations 2024 (the “**POATRs**”) or the Prospectus Rules: Admission to Trading on a Regulated Market sourcebook (the “**PRM**”). Application has been made for the Notes to be admitted to the official list of the United Kingdom (the “**UK**”) Financial Conduct Authority (the “**FCA**”) (the “**Official List**”) and to trading on the main market (the “**Market**”) of the London Stock Exchange plc (the “**London Stock Exchange**”).

Notes are being offered (i) in offshore transactions in reliance on, and as defined in, Regulation S (the “**Regulation S Notes**”) under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and (ii) in the United States only to qualified institutional buyers (“**QIBs**”) as defined in Rule 144A of the Securities Act (“**Rule 144A**”) in reliance on, and in compliance with, Rule 144A (the “**Rule 144A Notes**”).

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Prospective purchasers that are QIBs are hereby notified that the seller of the Notes may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

The Notes are expected to be assigned a rating of BB+ by Fitch Ratings Ltd (“**Fitch**”) and BB- by S&P Global Ratings UK Limited (“**S&P**”). Each of Fitch and S&P is established in the UK and registered under Regulation (EC) No 1060/2009 on credit rating agencies (as amended, the “**CRA Regulation**”) as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”) (the “**UK CRA Regulation**”). Any change in the rating of the Notes may adversely affect the price that a purchaser may be willing to pay for the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency.

**An investment in the Notes involves certain risks. See the section headed “*Risk Factors*” in this Offering Circular.**

The Notes of each Series will be offered and sold in registered form and in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes of each Series will be represented by beneficial interests in one or more global notes (the “**Global Notes**”) which shall be registered in the name of a nominee for, and deposited on or around 21 January 2026 (the “**Issue Date**”) with, a common depository for, and in respect of interests held through, Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”). Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their participants. Except as described herein, certificates will not be issued for beneficial interests in the Global Notes. See “*Form of Notes and Transfer Restrictions*”.

### Joint Lead Managers

**BofA Securities**

**Erste Group**

**J.P. Morgan**

**Standard Chartered Bank**

**This Offering Circular is dated 16 January 2026**

## IMPORTANT NOTICES

The Republic accepts responsibility for the information contained in this Offering Circular. To the best knowledge of the Republic the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

None of the Joint Lead Managers nor any of their respective affiliates have authorised the whole or any part of this Offering Circular and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular or any responsibility for the acts or omissions of the Republic or any other person (other than the relevant Joint Lead Manager) in connection with the issue and offering of the Notes. None of the Joint Lead Managers or any of their directors, affiliates, advisers and agents has made any independent verification of the information contained in this Offering Circular in connection with the issue or offering of the Notes (the “**Offering**”) and no representation or warranty, express or implied, is made by any of the Joint Lead Managers or their directors, affiliates, advisers or agents with respect to the accuracy or completeness of such information. Nothing contained in this Offering Circular is, is to be construed as, or shall be relied upon as, a representation or warranty, whether to the past or the future, by any of the Joint Lead Managers or their respective directors, affiliates, advisers or agents in any respect.

The Republic has not authorised the making or provision of any representation or information regarding the Republic or the Notes other than as contained in this Offering Circular. Any other representation or information should not be relied upon as having been authorised by the Republic or the Joint Lead Managers. The contents of this Offering Circular are not, are not to be construed as, and should not be relied on as, legal, business or tax advice and each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Republic and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment.

Information included herein that is identified as being derived from information published by the Republic or one of its agencies or instrumentalities is included herein on the authority of such publication as a public official document of the Republic. All other information herein with respect to the Republic is included herein as a public official statement made on the authority of the Ministry of Finance.

Neither the delivery of this Offering Circular nor the Offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Republic since the date of this Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Offering Circular and the Offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Republic and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of this Offering Circular and other offering material relating to the Notes, see “*Subscription and Sale*” and “*Form of Notes and Transfer Restrictions*”.

This Offering Circular has been prepared by the Republic for use in connection with the offer and sale of the Notes and the admission of the Notes to the Official List and to trading on the Market of the London Stock Exchange. The Republic and the Joint Lead Managers reserve the right to reject any offer to purchase Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States other than any QIB to whom an offer has been made directly by one of the Joint Lead Managers or its U.S. broker-dealer affiliate. Distribution of this Offering Circular to any person within the United States, other than any QIB and those persons, if any, retained to advise such QIB with respect thereto, is unauthorised and any disclosure without the prior written

consent of the Issuer of any of its contents to any person within the United States, other than any QIB and those persons, if any, retained to advise such QIB, is prohibited.

Prospective purchasers of the Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of North Macedonia of acquiring, holding and disposing of the Notes and receiving payments of principal, interest and/or other amounts under the Notes.

### **STABILISATION**

In connection with the issue of each Series of the Notes, J.P. Morgan SE (the “**Stabilising Manager**”) (or any person acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

### **MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET**

Solely for the purposes of each relevant manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU on markets in financial instruments (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

### **UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET**

Solely for the purposes of each UK manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA (“**UK MiFIR**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the UK manufacturers’ target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the UK manufacturers’ target market assessment) and determining appropriate distribution channels.

### **NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES**

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES REVIEWED OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

## PRESENTATION OF ECONOMIC AND OTHER INFORMATION

In this Offering Circular, unless otherwise specified, references to “Euro”, “EUR” or “€” are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, references to “\$”, “US\$”, “USD” and “U.S. dollars” are to United States Dollars and references to “Denars” and “MKD” are to Macedonian Denars.

The official rate published by the National Bank of the Republic of North Macedonia (the “NBRNM”) for U.S. dollars on 1 January 2026 was MKD 52.3362 = USD 1.00 and the official rate published by the NBRNM for Euro on 1 January 2026 was MKD 61.4950 = €1.00.

In this Offering Circular, unless otherwise stated, all annual information, including budgetary information relating to the Republic, is based upon calendar years. The GDP and expenditure numbers relating to the Republic in this Offering Circular are based on constant prices unless otherwise stated. In certain cases, the Ministry of Finance has performed arithmetic calculations or otherwise determined the form in which information is classified or presented herein. GDP data in this Offering Circular have been prepared in accordance with the ESA 2010 methodology adopted by the State Statistical Office of North Macedonia (“SSO”) in April 2014. The Republic produces data in accordance with the IMF’s Special Data Dissemination Standard which has been designed to guide International Monetary Fund (“IMF”) member countries in the provision of their economic and financial data to the public. Commencing in June 2014, North Macedonia has prepared balance of payment data in accordance with the IMF’s Statistics Department’s sixth edition of the Balance of Payments Manual (“BPM6”), and data for earlier periods have been restated to reflect the methodology. References to the European Union (the “EU”) and EU members at a particular point in time or date are references to the EU comprising those countries that were members of the EU at that particular point in time or on such date. References to the “U.S.” are to the United States.

Certain figures included in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Data generated by the NBRNM for the external sector remains subject to regular revision for a period of up to 270 days following the end of the relevant period. Further revision may occur after this period in certain situations. Accordingly, in this Offering Circular, some 2024 data and all 2025 data attributed to the NBRNM are classified as “preliminary”.

Data generated by the Ministry of Finance and the SSO is generally published before certain information is available in final form, and is therefore classified as “estimated” and subject to revision for a period of up to nine months following the end of the relevant period. After these initial revisions, the data is classified as “preliminary” and subject to further revision until all relevant information is available in final form. In this Offering Circular, data attributed to the SSO and Ministry of Finance for 2024 is “final”, data for 2025 is “preliminary” and data for 2026 is “estimated”, except that in relation to the data published by the SSO, GDP data are final for 2023, preliminary for 2024 and estimated for 2025; data on monthly inflation and monthly industrial production are not subject to revision; data from the Labor Force Survey are not revised unless there is a change in the methodology or change in data from the population census; and monthly data on foreign trade including import and export of goods are final for 2023, and preliminary for 2024 and 2025; while the data provided by the Ministry of Finance concerning the execution of the 2024 Budget and the figures on the public debt in absolute terms in 2023 and 2024 are final.

In addition, certain financial and economic data presented herein may differ from previously published data due to regular revisions conducted by the State Statistical Office, the Ministry of Finance, the NBRNM and other relevant authorities of North Macedonia.

See also “Risk Factors – Risks related to the Republic – Official economic data may not be accurate and could be revised, and actual results could differ materially from those contained in any forward-looking statements”.

The language of this Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

### **FORWARD-LOOKING STATEMENTS**

Some of the statements contained in this Offering Circular constitute forward looking statements. Statements that are not historical facts, including statements about the Republic's beliefs and expectations, are forward looking statements. These statements are based on current plans, objectives, assumptions, estimates and projections. Therefore, undue reliance should not be placed on them. Forward looking statements speak only as of the date that they are made and the Republic undertakes no obligation to update publicly any of them in light of new information or future events. Forward looking statements involve inherent risks and uncertainties. The Republic cautions that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Forward looking statements include, but are not limited to: (i) plans with respect to implementation of economic policy and the pace of economic and legal reforms; (ii) expectations about EU accession; (iii) expectations about the behaviour of the economy if certain economic policies are implemented; (iv) expectations about the impact of United States trade tariffs on global trade; (v) the outlook for inflation, budget deficit, exchange rates, interest rates, foreign investment, trade and fiscal accounts; (vi) expectations about the impact of the Russian invasion of Ukraine on the global supply chain, energy markets and the economy, and similarly with respect to geopolitical tensions in the Middle East; and (vii) estimates of external debt repayment and debt service.

Statistical data appearing in this Offering Circular has been extracted or compiled from the records, statistics and other official public sources of information in North Macedonia, and has not been independently checked or verified. The Republic has accurately reproduced such information, and as far as the Republic is aware and able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading. In recent years there have been significant steps taken in North Macedonia to improve the accuracy and reliability of official statistics and to conform statistical methodology to international standards. However, in a transition economy in which there is a substantial amount of unofficial or unreported grey market economic activity, such statistical data may not accurately reflect current or historic levels of, and trends in, economic activity. See also the section headed "*Risk Factors – Risks related to the Republic – Official economic data may not be accurate and could be revised, and actual results could differ materially from those contained in any forward-looking statements*" in this Offering Circular.

### **ENFORCEABILITY OF JUDGMENTS**

Under the law of North Macedonia, a final and enforceable judgment in a civil proceeding rendered by a court outside the Republic will be enforced on territory of the Republic without re-examination on the merits if such judgment meets the prerequisites for recognition prescribed by the law of North Macedonia.

A final judgment will meet the presumptions for recognition if (i) the defendant had an opportunity to appear and be heard in connection with the original proceeding; (ii) the invitation, the lawsuit or the decision initiating the procedure was properly delivered to the defendant in a manner prescribed by the law of the country where the decision has been passed, provided that the absence of such delivery shall not affect the recognition and the enforcement of the foreign court judgment in certain circumstances where the defendant has presented its defence and entered into the discussion on the merits during the procedure in the first instance, notwithstanding the absence of proper delivery; (iii) the party was given enough time to prepare a defence from the moment of the filing of the lawsuit until the hearing of the case; (iv) courts of North Macedonia did not have exclusive jurisdiction over the subject matter of the original proceeding, unless under applicable law of North Macedonia the parties are allowed to initiate a procedure before a foreign court for a dispute for which the exclusive jurisdiction of a court of North Macedonia is provided; (v) the foreign court based its jurisdiction on circumstances which are provided by applicable law of North Macedonia for establishing jurisdiction of a court or other body of North Macedonia for resolving a case with an international element of the same type; (vi) there are no pending legal proceedings before or a final judgment of a court of North Macedonia

involving the same factual circumstances and between the same parties; and (vii) enforcement of the judgment does not violate public order of North Macedonia. The presumptions from (i) to (iii) shall be taken into consideration by the courts of North Macedonia upon a complaint from any of the parties, while the presumptions from (iv) to (vii) shall be taken into consideration by the courts of North Macedonia *ex officio*.



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## OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES

The following is an overview of certain information contained in this Offering Circular. It does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Circular. Prospective investors should also carefully consider the information set out in the section entitled “*Risk Factors*” in this Offering Circular prior to making an investment decision. See “*Overview of the Republic of North Macedonia*”, “*Economy of North Macedonia*”, “*Balance of Payments and Foreign Trade*”, “*Monetary and Financial System*”, “*Public Finance*” and “*Indebtedness*” for a more detailed description of the Issuer.

*Capitalised terms not otherwise defined in this overview have the same meaning as in the terms and conditions of the Series 1 Notes (the “Series 1 Conditions”) and the terms and conditions of the Series 2 Notes (the “Series 2 Conditions”), and together with the Series 1 Conditions, the “Conditions”). See the Conditions for a more detailed description of the Notes.*

<b>Issuer</b>	The Republic of North Macedonia (acting through its Ministry of Finance).
<b>Joint Lead Managers</b>	Erste Group Bank AG J.P. Morgan SE Merrill Lynch International Standard Chartered Bank
<b>Issue Price</b>	<i>Series 1 Notes:</i> 99.095% of the principal amount of the Series 1 Notes.  <i>Series 2 Notes:</i> 98.065% of the principal amount of the Series 2 Notes.
<b>Notes Offered</b>	<i>Series 1 Notes:</i> €500,000,000 3.875% Series 1 Notes due 2030  <i>Series 2 Notes:</i> €500,000,000 4.750% Series 2 Notes due 2034
<b>Issue Date</b>	21 January 2026
<b>Maturity Date</b>	<i>Series 1 Notes:</i> 21 January 2030  <i>Series 2 Notes:</i> 21 January 2034
<b>Interest on the Notes</b>	<i>Series 1 Notes:</i> 3.875% per annum  <i>Series 2 Notes:</i> 4.750% per annum
<b>Interest Payment Dates</b>	Interest in respect of each Series of Notes will be payable annually in arrear on 21 January of each year. The first payment of interest in respect of the Notes will be made on 21 January 2027 (the “ <b>First Interest Payment Date</b> ”) for the period from and including the Issue Date to but excluding the First Interest Payment Date.  <i>See “Terms and Conditions of the Series 1 Notes – 5. Interest” in respect of the Series 1 Notes and “Terms and Conditions of the Series 2 Notes – 5. Interest” in respect of the Series 2 Notes.</i>
<b>Yield</b>	As at the Issue Date and on the basis of the Issue Price of the relevant Series, the interest rate of the relevant Series, the

redemption amount of the relevant Series and the tenor of the relevant Series, as calculated on the pricing date, the yield to maturity of the Series 1 Notes is 4.125% per annum and the yield to maturity of the Series 2 Notes is 5.050% per annum. This is not an indication of future yield.

**Status**

The Notes will constitute direct, unconditional and unsecured obligations of the Issuer and rank and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness of the Issuer, from time to time outstanding, provided, however, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and *vice versa*.

See “*Terms and Conditions of the Series 1 Notes – 2. Status*” in respect of the Series 1 Notes and “*Terms and Conditions of the Series 2 Notes – 2. Status*” in respect of the Series 2 Notes.

**Denominations**

Each Series of Notes will be offered and sold, and may only be transferred, in minimum principal amounts of €100,000 and integral multiples of €1,000 in excess thereof.

**Redemption**

The Issuer will redeem the Notes at their principal amount on the relevant Maturity Date.

See “*Terms and Conditions of the Series 1 Notes – 6. Redemption, Purchase and Cancellation*” in respect of the Series 1 Notes and “*Terms and Conditions of the Series 2 Notes – 6. Redemption, Purchase and Cancellation*” in respect of the Series 2 Notes.

**Residual Maturity Call at the Option of the Issuer**

The Issuer may, at its option, from and including, (i) in respect of the Series 1 Notes, the date falling 1 month prior to the relevant Maturity Date and (ii) in respect of the Series 2 Notes, the date falling 3 months prior to the relevant Maturity Date to but excluding the relevant Maturity Date, subject to having given not less than 15 nor more 30 calendar days’ prior notice to the Noteholders in accordance with Condition 14 (*Notices*), redeem all, but not some only, of the outstanding Notes at their principal amount plus accrued interest up to but excluding the date set for redemption.

See “*Terms and Conditions of the Series 1 Notes – 6. Redemption, Purchase and Cancellation*” in respect of the Series 1 Notes and “*Terms and Conditions of the Series 2 Notes – 6. Redemption, Purchase and Cancellation*” in respect of the Series 2 Notes.

**Negative Pledge**

So long as any Note remains outstanding (as defined in the relevant Fiscal and Paying Agency Agreement), the Issuer

shall not create, incur, assume or permit to arise or subsist any Lien, other than a Permitted Lien, upon the whole or any part of its existing or future assets or revenues to secure any Public External Indebtedness of the Issuer or any other person, or any Guarantee in respect thereof, unless, at the same time or prior thereto, the Issuer's obligations under the Notes are secured equally and rateably therewith or have the benefit of such other arrangement for the Notes as may be approved by an Extraordinary Resolution (as defined in the relevant Fiscal and Paying Agency Agreement) of the Noteholders.

See "*Terms and Conditions of the Series 1 Notes – 4(a). Negative Pledge*" in respect of the Series 1 Notes and "*Terms and Conditions of the Series 2 Notes – 4(a). Negative Pledge*" in respect of the Series 2 Notes.

## **Events of Default**

The Conditions will permit the acceleration of each Series of Notes following the occurrence of certain events of default.

Holders of not less than 25 per cent. in aggregate principal amount of the relevant outstanding Series of Notes may, by written notice to the Issuer (with a copy to the Fiscal Agent), declare all the relevant Series of Notes immediately due and repayable and all principal, interest and all additional amounts payable on the relevant Series of Notes will become immediately due and payable on the date the Issuer receives such written notice of the declaration.

If the Issuer receives notice in writing from holders of at least 50 per cent. in aggregate principal amount of the relevant outstanding Series of Notes to the effect that the Event of Default or Events of Default giving rise to such declaration of acceleration is or are cured, the Issuer shall give notice thereof to the relevant Noteholders (with a copy to the Fiscal Agent at its Specified Office), whereupon the declaration shall be annulled and rescinded. No such withdrawal shall affect any other or any subsequent Event of Default or any right of any relevant Noteholder in relation thereto.

See "*Terms and Conditions of the Series 1 Notes – 9. Events of Default*" in respect of the Series 1 Notes and "*Terms and Conditions of the Series 2 Notes – 9. Events of Default*" in respect of the Series 2 Notes.

## **Form of Notes**

Each Series of Notes will be in registered form, without interest coupons.

Notes offered and sold in reliance upon Regulation S will initially be represented by beneficial interests in the relevant Unrestricted Global Note and Notes offered and sold in reliance upon Rule 144A will initially be represented by beneficial interests in the relevant Restricted Global Note, each in registered form, without interest coupons attached,

deposited with the Common Depositary and registered in the name of the Common Depositary (or a nominee thereof). Except in limited circumstances, certificates for the Notes will not be issued to investors in exchange for beneficial interests in the Global Notes.

#### **Taxation and Additional Amounts**

All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by North Macedonia or any regional or local subdivision or any authority thereof or therein having power to tax (together, “**Taxes**”), unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the relevant Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions set out in “*Terms and Conditions of the Series 1 Notes – 8. Taxation*” in respect of the Series 1 Notes and “*Terms and Conditions of the Series 2 Notes – 8. Taxation*” in respect of the Series 2 Notes.

#### **Modification and Amendment**

A summary of the provisions for convening meetings of Noteholders and amendments is set forth under “*Terms and Conditions of the Series 1 Notes – 12. Meetings of Noteholders and Modification*” in respect of the Series 1 Notes and “*Terms and Conditions of the Series 2 Notes – 12. Meetings of Noteholders and Modification*” in respect of the Series 2 Notes.

#### **Use of Proceeds**

An amount equal to the net proceeds of the issue of the Notes will be used by the Issuer for budget support in 2026, for a cash tender offer of the Issuer’s outstanding €700,000,000 3.675% notes due 2026 (Regulation S ISIN: XS2181690665, Rule 144A ISIN: XS2181690822), and for refinancing its maturing government debt liabilities.

See “*Use of Proceeds*”.

#### **Ratings**

The Notes are expected to be assigned a rating of BB+ by Fitch and BB- by S&P. Each of Fitch and S&P is established in the UK and registered under the UK CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating organisation.

#### **Listing and Admission to Trading**

Application has been made for the Notes to be admitted to the Official List and to trading on the Market of the London Stock Exchange.

#### **Governing Law**

The Notes, the Fiscal and Paying Agency Agreements and any non-contractual obligations arising out of or in connection with the Notes or the Fiscal and Paying Agency

Agreements (as defined in the Conditions), as the case may be, will be governed by English law.

**Transfer Restrictions**

The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. Consequently, the Notes may not be offered, sold or resold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

See “*Form of Notes and Transfer Restrictions*”.

**Fiscal Agent and Principal Paying Agent**

Citibank, N.A., London Branch

**Registrar and Transfer Agent**

Citibank Europe PLC

**ISINs**

*Series 1 Notes:*

XS3273795859 Regulation S Global Note

XS3273796071 Rule 144A Global Note

*Series 2 Notes:*

XS3273796238 Regulation S Global Note

XS3273796741 Rule 144A Global Note

**Common Codes**

*Series 1 Notes:*

327379585 Regulation S Global Note

327379607 144A Global Note

*Series 2 Notes:*

327379623 Regulation S Global Note

327379674 144A Global Note

## RISK FACTORS

*Investment in the Notes involves a high degree of risk. Prospective investors should carefully consider the following risk factors, together with the other information set out in this Offering Circular, before making a decision to invest in the Notes and should understand that the risks set forth below could, individually or in the aggregate, have a material adverse effect on the ability of the Republic to repay principal and make payments of interest on the Notes or otherwise fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur. Additional risks and uncertainties not currently known to the Republic or that the Republic currently deems to be immaterial may also materially affect the economy of North Macedonia and its ability to fulfil its obligations under the Notes. In any such case, investors may lose all or part of their investment in the Notes. Words and expressions defined in “Terms and Conditions of the Series 1 Notes”, “Terms and Conditions of the Series 2 Notes” or elsewhere in this Offering Circular have the same meanings in this section.*

### **Risks related to the Republic**

***The economy of North Macedonia is vulnerable to external shocks and fluctuations in global and regional economic conditions, which could have an adverse effect on economic growth and the ability of the Republic to service its public debt***

The economy of North Macedonia is small and thus largely dependent on external trade, both for supplies of energy as well as of inputs for the export-oriented industrial sector. In addition, the Republic has historically had a current account deficit, reflecting a large trade deficit resulting from its dependence on energy imports and imported goods for its export-oriented processing industries, largely financed by private transfers (principally remittances from expatriate workers). The Republic is also heavily reliant on foreign direct investment (“**FDI**”) flows in order to finance investment, and to drive changes in its economic structure. In particular, ‘greenfield’ FDI has played a key role in contributing to the diversification of industrial production in North Macedonia and broader sector diversification. The rate of future economic growth is, in turn, dependent on effecting such changes in the structure of the economy of North Macedonia and maintaining the appeal of the Republic to foreign investors and institutions as an appropriate investment opportunity. In 2024, FDI inflow amounted to €1.197 billion, or 7.6% of GDP, as compared to 3.9% of GDP for the same period in 2023. FDI inflow from January to September 2025 amounted to €209 million, or 1.3% of the projected GDP for 2025, as compared to 5.4% of annual GDP for the same period in 2024. The economy of North Macedonia is vulnerable to external shocks, particularly those affecting economic trends in the EU and its other major trading partners, such as the Russian-Ukrainian conflict, the United States’ global tariffs, the geopolitical tensions in the Middle East and the accompanying impact of such events on economic conditions in its major trading partners and sources of inbound FDI.

The economy remains vulnerable to deterioration in global economic conditions. Net borrowing by the government of North Macedonia (the “**Government**”) has increased in recent years and is expected to increase further, increasing the country’s exposure to, and dependence on, global financial markets. Vulnerabilities are also present in the form of increasing government guarantees to State-owned enterprises, estimated at 7.0% of GDP as at 30 September 2025, while government guarantees to State-owned enterprises amounted to 8.1% of GDP in 2024. The ability of the Republic to attract FDI is, in large part, based on international perceptions of the overall status of structural reforms and economic conditions in the Republic, perceptions of regional stability and economic prospects, and global macroeconomic conditions generally.

The economic impact of Russia’s invasion of Ukraine on the Republic has been negative, especially in the energy sector, due to the increase in the prices of natural gas and electricity. Additionally, the war has caused a drop in the economic growth of EU member states, who are the dominant trade partners of the Republic. This has had a negative effect on the trade volume of the Republic. In the near future, the war may cause a further decrease in the demand for the Republic’s products and services in EU countries as well as other countries. This would further negatively affect the Republic’s economic growth. In addition to the effects stemming from the conflict in Ukraine, North Macedonia may also be affected by broader geopolitical and economic developments, including tensions in the Middle East. Within the Middle East as a geopolitical region, North Macedonia only applies a free trade

agreement to Turkey. North Macedonia's trade policy with other countries and territories within the Middle East is based on the general trade principles within the World Trade Organisation ("WTO"). Any further escalation of the war in Ukraine or the conflict in the Middle East could exacerbate these negative effects on the economy of North Macedonia, or present additional knock-on impacts due to increased oil, gas, and other commodity prices.

Currently, the direct impact from the United States' global tariffs on North Macedonia is relatively weak due to its low exposure to the United States' economy. In April 2025, the United States announced a 33% tariff on products from North Macedonia. During the first half of 2025, both sides reviewed the tariff policy and agreed on a reduced and EU-aligned tariff rate of 15%, which took effect in August 2025. The direct impact of the United States' tariffs on North Macedonia is minimal due to its small share of exports to the United States, while indirect effects through impacts on EU supply chains remain moderate. As the EU is North Macedonia's dominant trading partner, which is far more exposed to the United States' global tariffs, any indirect impact on the EU could potentially have a more significant impact on North Macedonia.

North Macedonia may also be affected by fluctuations in global commodity prices, changes in global trade policies and tariffs, and further disruptions in international supply chains, all of which could place additional pressure on production costs, external demand and overall economic performance.

Additionally, any deterioration in financing conditions as a result of market, economic or political factors outside its control could make it difficult for the Republic to refinance its indebtedness on favourable terms. This includes ongoing effects as a result of rising inflation rates and interest rates, which have impacted the global economy and the economy of North Macedonia due to supply chain issues, rising energy pricing, and the Russia/Ukraine invasion.

Furthermore, a significant decline in the economic growth of its trading partners, including EU member states, could also have an adverse effect on demand for exports from the Republic and its balance of trade and, as a result, adversely affect its economic growth. These economic factors could have a material adverse effect on the ability of the Republic to repay principal and make payments of interest on the Notes and on its credit rating.

Finally, The Republic may also be affected by broader structural and macroeconomic factors. Developments in the Eurozone, including changes in monetary policy or any slowdown in economic activity, could influence the Republic's economy due to its high trade integration and pegged exchange rate regime. Climate-related risks, such as extreme weather events and the rising costs associated with the energy transition and environmental compliance, may place pressure on the Republic's production capacity, public finances, and long-term growth. Demographic trends and labour market challenges, including the emigration of skilled workers, could affect productivity and competitiveness of the Republic. While the banking sector remains stable and well-capitalised, adverse global or regional financial developments could impact the Republic's liquidity and credit conditions. Overall, these factors may amplify the effects of external shocks and impact the Republic's economic outlook and fiscal position.

***An investment in a developing country such as North Macedonia is subject to substantially greater risks than an investment in a more developed country***

An investment in a country such as North Macedonia is subject to substantially greater risks than an investment in a country with a relatively more developed economy and relatively more developed political and legal systems. These greater risks include economic instability caused by factors such as a narrow export base, reliance on imports of energy and key inputs, fiscal and current account deficits, reliance on FDI, the declining but still relatively high unemployment, changes in the political, economic, social, legal and regulatory environment and the possibility that actions of current governments may be challenged by future governments. Although significant progress has been made in reforming the economy of North Macedonia and political and legal systems since the dissolution of the former Yugoslavia and its independence in 1991, the economy of North Macedonia remains characterised by attributes such as concentration in a number of key industries (including the automotive industry), reliance on imports and FDI, trade and current account deficits, and high unemployment, any or all of which may adversely impact the economic stability of North Macedonia. In addition, the legal infrastructure and regulatory



framework of the Republic are still developing. As a result, an investment in North Macedonia, including the Notes, carries risks that are not typically associated with investing in more mature markets. Investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, such investment is appropriate. Generally, investments in developing countries, such as North Macedonia, are only suitable for sophisticated investors who can fully appreciate the significance of the risks involved.

Investment in the Notes could also be adversely affected by negative economic or financial developments in other countries, particularly neighbouring countries. Adverse economic developments in one or more of the countries that comprise the major trading partners (many of which are in the EU) of North Macedonia could adversely affect the economy of North Macedonia and the ability of the Republic to repay principal and make payments of interest on the Notes. For example, concerns about credit risk (including that of sovereigns) and the large sovereign debts and/or fiscal deficits of several European countries have, from time to time, caused significant disruptions in international capital markets.

The foregoing risks have led to, and may in the future lead to, increased market volatility, reduced liquidity and increased credit risk premiums for certain market participants as well as a decrease in available financing. The default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions, or the possible departure of one or more countries from the EU and/or the replacement of the euro by one or more successor currencies, could cause significant market dislocations, which could adversely affect the global financial markets and, in turn adversely affect the value of investments in North Macedonia, including the Notes.

***The Republic may not succeed in implementing its proposed economic, financial and other reforms and strategic policies, which could adversely affect the economy of North Macedonia and the ability of the Republic to repay principal and make payments of interest on the Notes***

Since declaring independence in 1991, North Macedonia has undergone substantial political transformation from a constituent republic in a federal socialist state to an independent sovereign democracy. In conjunction with this transformation, North Macedonia has been pursuing a programme of economic structural reform with the objective of establishing a market-based economy through privatisation of state enterprises and deregulation and diversification of the economy. While North Macedonia has made substantial progress in developing a functioning market-based economy, establishing economic and institutional infrastructure to a Western European standard requires further investment and may take years to complete.

The implementation of these reforms, including programmes to support further economic growth, development, and diversification, depends on significant and sustained political commitment and social consensus in favour of reforms. Notwithstanding significant progress in recent years and stated policies of implementing further reforms and supporting diversification of the economy, there can be no assurance that these and other economic and financial initiatives, and the reforms described in this Offering Circular, will continue, will not be reversed or will achieve their intended aims in a timely manner or at all, which could result in the inability of the Republic to secure EU development funds. In addition, although the Government has set out medium-term fiscal objectives and measures intended to improve fiscal sustainability and strengthen the fiscal framework, public debt and budget deficits have remained elevated in recent years and have exceeded statutory fiscal rules. This continues to highlight the Republic's need for consistent corrective policies and sustained commitment to fiscal consolidation. The ability of the Republic to achieve its stated fiscal and economic targets will depend on continued political stability, the effectiveness of public administration in implementing reforms, and favourable external economic conditions.

Failure to implement the planned fiscal measures and structural reforms in a timely or effective manner may limit the Republic's fiscal space, hinder its ability to access EU funds, and increase the vulnerability of its public finances to external and domestic shocks. These factors could, in turn, adversely affect the Republic's economic performance and its ability to meet its obligations to repay principal and make interest payments on the Notes.

In addition, from time to time, the Republic has experienced political and ethnic tensions, sometimes resulting in early Assembly elections as well as other challenges to the political process and difficulties in reaching consensus. For example, on 20 October 2019, the prime minister of the Republic, Zoran Zaev called for a snap election

following the decision by EU leaders to postpone opening EU membership talks with the Republic. Since then, the Republic has continued to face political and ethnic challenges, including debates over legislative reforms, coalition dynamics, and social tensions, which could periodically affect the legislative process, public confidence, and the stability of the Republic's economic and financial policies.

Following the 2024 parliamentary and presidential elections, a new government was formed under VMRO-DPMNE, with Hristijan Mickoski appointed as Prime Minister. In the lead-up to the 2025 local elections, political debates and coalition negotiations continued, reflecting the usual dynamics of a parliamentary democracy with multiple parties. These developments highlight that legislative reforms and other government initiatives may be influenced by shifting political priorities and coalition considerations, which could, at times, affect the pace of decision-making and the continuity of policy implementation.

According to recent European Commission reports, limited progress has been made in implementing key constitutional and legislative reforms. This, combined with ongoing political polarisation and delayed reforms, represents a risk that could slow progress in EU accession negotiations, affect coalition stability, and influence public confidence in institutions and the European integration process. Continued interparty cooperation and constructive dialogue remain essential to address these challenges and ensure a stable and predictable political environment.

Political instability has previously arisen around elections and has resulted in deposit outflows from the banking sector of North Macedonia (which is predominantly foreign owned), lower economic performance and, consequently, a supplemental budget for public expenditure. A failure of the Government to implement its proposed economic, financial and other reforms and policies, changes in the political or social consensus relating to these policies, or a failure to fulfil conditions associated with the EU or other funding for such reform programmes, could adversely affect the Republic's agenda for financial initiatives and economic reform and could result in a deterioration of investor confidence, deposit outflows and increased financial instability, increased pressure on foreign exchange reserves, higher sovereign borrowing costs and a slowdown in structural reforms and, as a result, have a material adverse effect on its capacity to repay principal and make payments of interest on the Notes.

***The currency peg between the Macedonian Denar and the Euro limits the ability of the NBRNM to accommodate monetary policy***

The Republic has sought to maintain a fixed exchange rate between the Macedonian Denar and the Euro or, prior to the adoption of the Euro, the Deutsche Mark, since 1995. Maintaining this fixed exchange rate imposes certain constraints on the ability of the Republic to accommodate monetary policy (including in response to external shocks) that are not present in countries that have fully floating exchange rates, including the ability to set interest rates and regulate the money supply. In addition, the economy of North Macedonia is and will continue to be directly affected by the monetary policy of the European Central Bank ("ECB"), including its interest rate policy. For example, the NBRNM may be limited in its ability to halt significant outflows of capital, which could in turn result in depletion of national foreign exchange reserves and potentially an inability to maintain the fixed exchange rate. Given recent inflationary pressures globally and domestically (including a peak in domestic inflation of 5.0% in February 2025), the NBRNM is closely monitoring price developments and their driving factors and intends to adjust the monetary policy stance as needed. Recent ECB actions have had minimal impact, given the Republic's low share of short-term interest rate sensitive capital inflows. The foregoing limitations on the ability of the Republic to manage its monetary policy (as implemented by the NBRNM) and fiscal policies, or a failure to maintain this fixed exchange rate, thereby resulting in a depreciation of the Macedonian Denar against the Euro, could materially and adversely affect economic conditions in the Republic and its ability to repay principal and make payments of interest on the Notes.

***The economy of North Macedonia is highly dependent on its major trading partners***

The economy of North Macedonia is reliant on a small number of industrial sectors and exports to a limited number of trading partners, and adverse market conditions affecting one or more of these sectors or economic

developments in these trading partners could have a material and adverse effect on overall economic conditions in North Macedonia. While in recent years the Republic has sought to diversify its economy, with sectors such as the automotive industry becoming increasingly important, industry in North Macedonia remains heavily reliant on manufacturing. As at 31 October 2025, the principal components of industrial production were manufacturing (84.6%), mining and quarrying (7.5%) and electricity, gas, steam, and air conditioning supply (8.0%). The largest components of manufacturing were motor vehicles and semi-trailers (16.9%), food and beverage (14.6%), textiles and clothing (10.1%), electrical equipment (7.5%) and machinery and other equipment (5.5%). The remainder consisted of miscellaneous manufactured goods such as fabricated metal products except machinery and equipment (4.4%), basic pharmaceutical products and pharmaceutical preparations (3.4%), other non metallic mineral products (3.4%), basic metals (3.4%), rubber and plastic products (3.0%), chemicals and chemical products (2.5%) and furniture (2.1%). In addition, the principal export markets of the Republic are concentrated, with the share of EU directed exports amounting to 76.4% of total exports for the first ten months of 2025. Within the EU, Germany accounted for 36.5% of total exports during the first ten months of 2025, reflecting the increase of recent years in light of the greater importance of the automotive industry in total exports, followed by Serbia, Bulgaria, and Hungary, which accounted for 5.7%, 5.7% and 4.6% of total exports, respectively. As a result, economic conditions in the Republic are significantly affected by changes in EU and global demand for such products, the costs of extracting, processing or producing of such material and the prices for such products on regional and global markets. Adverse economic developments in EU countries, or other countries that are significant consumers of products produced in the Republic, could adversely affect the markets for exports of the Republic. See also “— *The economy of North Macedonia is vulnerable to external shocks and fluctuations in global and regional economic conditions, which could have an adverse effect on economic growth and the ability of the Republic to service its public debt*” above. Any or all of these developments may materially and adversely affect economic conditions in North Macedonia and, accordingly, the ability of the Republic to repay principal and make payments of interest on the Notes.

***Deterioration in relations with major energy suppliers of North Macedonia may adversely affect the supply of energy resources and therefore have an adverse effect on the economy of North Macedonia***

The Republic imports a large proportion of its energy requirements. While the Republic has in recent years sought to increase its energy self-sufficiency, in particular through a number of hydropower projects, the Republic imports oil and natural gas primarily from Greece, Bulgaria, the Russian Federation, the Southern Corridor, and Serbia, and imports electricity primarily from Bulgaria, Greece and Serbia. Deterioration in bilateral trade relations with the major energy suppliers of the Republic or restrictions on supplies of oil or natural gas to the Republic, or significant increases in prices of oil, natural gas or electricity, could adversely affect the economy of North Macedonia.

In response to the Russian-Ukrainian conflict, the Republic has introduced sanctions against the Russian Federation, in line with the actions of other EU countries, and the Republic expects to continue to align with the policies enacted by the EU, the United States and other countries. The dramatic rise in energy prices has already negatively impacted the Republic’s economy, causing the Government to intervene in order to prevent further increases. Continued and future sanctions on the Russian Federation or its related institutions, or any restriction on the ability to access certain pipelines or imports originating within the Russian Federation, may restrict the supply of oil or natural gas, which could lead to oil and natural gas price increases. Additionally, given the Republic’s dependence on Russia for oil and gas, a failure to provide the necessary quantities of natural gas to the city of Skopje during the winter season could lead to increased electricity production needs and further instability in the domestic energy system.

Recent sanctions introduced by the United States and the UK on companies such as Petroleum Industry of Serbia (NIS) and Russian companies including Rosneft and Lukoil have severely disrupted the supply chain across the Western Balkans. The privately-owned subsidiary, Lukoil Macedonia, faces substantial difficulties in obtaining oil derivatives from the Lukoil refinery in Bulgaria, where direct state control has been imposed. In addition, Bulgaria has introduced a temporary export ban on diesel and jet fuel in response to the new United States

sanctions targeting Russian energy companies. This measure, passed by the Bulgarian Parliament, also applies to exports delivered to EU member states and aims to avert potential domestic shortages of these fuels. While other Macedonian oil traders are importing oil derivatives from Hellenic Petroleum and Jet Oil in Greece, these supply channels remain exposed to broader regional market pressures and the consequences of EU sanctions. For instance, Jet Oil's parent company, Cetracore, was recently compelled to suspend the operations of the Greek fuel enterprise due to the burden of new European sanctions against Russia. Altogether, these developments have resulted in an estimated 30% decline in oil derivative imports to North Macedonia.

Certain measures have been implemented to mitigate the impact of the energy crisis on GDP (which increased by 2.6% in 2023, increased by 3.0% in 2024 and registered growth of 3.4% in the first nine months of 2025). One measure, which is aimed at preventing increases in household electricity prices, includes a value-added tax ("VAT") reduction on electricity and reduced prices offered by the Power Plants of North Macedonia, which are lower than production costs.

In response to the electricity and energy crisis, the Government has implemented a series of measures since 2021 to mitigate the impact on vulnerable households and the broader economy. In 2021, the Government adopted the "Decision confirming crisis situation in electricity supply on the entire territory of the country" ("Official Gazette of the Republic of North Macedonia" No. 252/21), which initiated financial support for socially vulnerable categories, including households and beneficiaries of social pensions.

From mid-2021 through January 2023, the Government reduced the VAT on electricity for households from 18% to 5%, which was later adjusted to 10% before the standard rate was restored. In 2022, the dedicated "Program for the Protection of Vulnerable Energy Consumers" was introduced, targeting households at risk and those with limited income.

In 2023, in response to ongoing energy and cost-of-living pressures, the Government approved a comprehensive anti-crisis package valued at €662 million, comprising 26 measures to support vulnerable citizens and businesses through subsidies, targeted assistance, and structural support. This package benefited a wide range of groups, including young people, pensioners, low-income households, students, farmers, and small and medium-sized enterprises. It included measures such as direct cash transfers, energy subsidies, tax relief, and support for renewable energy investments. The measures were financed from budgetary revenues allocated for 2023 and 2024, ensuring sustainability and minimising reliance on external borrowing.

Building on these efforts, the Ministry of Energy, Mining and Mineral Resources adopted the 2025 iteration of the "Program for the Protection of Vulnerable Energy Consumers" ("Official Gazette of the Republic of North Macedonia" No. 154/25 and No. 161/25), allocating MKD 42.3 million for direct financial support to households with persons with severe disabilities, beneficiaries of guaranteed minimum assistance, and other socially disadvantaged groups. Eligible households may receive monthly subsidies applied directly to electricity bills, priority reconnection, protection from disconnection during cold months, and exemption from certain surcharges. The programme also introduced non-cash support, such as the distribution of energy-efficient inverter air conditioners to vulnerable families, with the objective of reducing long-term energy consumption and associated heating and cooling costs.

Based on the Energy Law ("Official Gazette of the Republic of North Macedonia" No. 101/25) and a proposal from the Ministry of Energy, Mining and Mineral Resources, the Government is adopting a Program for the Protection of Vulnerable Energy Consumers and a Program for Financial Support for Electricity Production by Preferred Producers Using a Premium. In the Budget for 2026 for the Program for Protection of Vulnerable Energy Consumers and the Program for Financial Support for Electricity Production by Preferred Producers, funds in the total amount of MKD 295 million are projected.

In 2025, JSC ESM submitted a Request for the Declaration of a Crisis in the Electricity Supply No. 08-6002/1 dated 17 December 2025 to the Ministry of Energy, Mining and Mineral Resources and the Commission for Monitoring the Situation with Electricity Supply. According to this request, JSC ESM was continuously facing poor quality coal from mines, with an energy value below 1,457 kcal/kg, which represented deteriorated fuel and

directly affected the efficiency and reliability of the operation of thermal power plants. This situation caused an increased in consumption of fuel oil, which is an alternative fuel, but the procurement of which is significantly difficult due to limited sources of supply and logistical problems. In addition, the supply of fuel oil was significantly disrupted due to daily blockades on the Macedonian Greek border on the Greek side, with the lifting of fuel oil being carried out exclusively from one loading point in the region by Hellenic Petroleum in the Republic of Greece. These circumstances significantly increased the uncertainty in the supply of fuel oil and increased the risk of fuel shortages for thermal power plants. For these reasons, and based on the Report on the Stability of the Macedonian Power System for the period from 20 December 2025 to 31 December 2025 prepared by the Electricity Transmission Operator, a crisis situation was declared in the supply of electricity on the territory of North Macedonia for a period of seven days and JSC ESM was granted 5,394,854 kg of fuel oil M-1 NS from the mandatory oil reserves by the Agency for Compulsory Oil Reserves without compensation in order to meet the needs of JSC ESM for this type of energy and for ESM to continue producing electricity from thermal power plants. The crisis was declared on 23 December 2025 and ended on 30 December 2025.

As of 31 December 2025, there have not been any major shutdowns of important production or energy companies due to the energy crisis. However, any major changes in relations with major energy suppliers to the Republic, and in particular any such changes adversely affecting supplies of energy resources to the Republic, may adversely affect the economy of North Macedonia and/or other EU economies and, accordingly, the Republic's ability to repay principal and make payments of interest on the Notes.

***The high level of foreign ownership of the banking system in North Macedonia may adversely affect the stability of the financial system of North Macedonia***

The high level of foreign ownership in the banking system of North Macedonia makes it vulnerable to disruption as a result of internal or external factors. As at 30 September 2025, foreign-controlled banks accounted for 72.9% of total assets, 83.0% of total loans to non-financial sectors and 72.1% of total deposits from non-financial sectors in the banking system of North Macedonia. Two of the three largest banks in North Macedonia, collectively accounting for 33.3% of total assets of the banking system of North Macedonia as at 30 September 2025, were subsidiaries of a Greek and a Slovenian bank. Within the five largest banks in North Macedonia, three banks were subsidiaries of Greek, Austrian and Slovenian banks, while one was a subsidiary of a Turkish bank. As at 30 September 2025, the three aforementioned EU bank subsidiaries accounted for 46.1% of total assets of the banking system of North Macedonia, while all four aforementioned subsidiaries accounted for 60.0% of total assets of the banking system of North Macedonia. While these local subsidiaries are at present largely self-financing, in the event of increased levels of non-performing loans or deteriorating economic conditions in North Macedonia, foreign parent banks may decline to provide financing to their subsidiaries in North Macedonia and/or be rendered unable to provide such financing as a result of adverse economic developments or regulatory requirements in their home jurisdictions. Foreign-owned banks may also reduce their loan portfolios or other business activities in a manner adversely affecting North Macedonia as a result of events unrelated to North Macedonia, including as a result of economic conditions in the Eurozone and sovereign debt markets or the jurisdictions of their parent banks and the resulting impact of these and other factors on the financial condition of the banking group more generally.

Nevertheless, the aforementioned vulnerabilities may result in a reduction in the level or scope of the activities of these banks' activities in North Macedonia or a failure to meet capital ratios or other regulatory requirements, amongst other developments. Any or all of these occurrences may negatively affect the economy of North Macedonia and have an adverse effect on the ability of the Republic to repay principal and make payments of interest on the Notes.

***North Macedonia may not become a member of the EU in the near to medium term***

North Macedonia applied to become a member of the EU in 2004 and is in the process of accession to gain full membership in the EU. Since becoming a candidate for EU accession in 2005, North Macedonia has implemented a wide range of electoral, judicial, administrative and economic reforms to align its laws and government practices with those of the EU and to meet the preconditions for commencement of accession negotiations. In light of the

progress achieved, the European Commission recommended opening accession negotiations with North Macedonia in October 2009 and has repeated this recommendation annually for ten years. On 25 March 2020, the Council of the EU unanimously decided to open accession negotiations with the Republic for full membership into the EU.

The European Commission presented the draft negotiation framework (the “NF”) for North Macedonia on 3 June 2020, opening the process of consultations with member states, which remains ongoing. The NF received support from all other 26 member states, apart from Bulgaria, which prevented the adoption of the NF. Thus, the European Commission was not able to adopt the NF. Bulgaria lodged its veto due to alleged open issues between the two countries regarding historic, linguistic matters and the protection of minority rights matters. Due to the change in government in Bulgaria during 2021, new dynamics in the dialogue between Bulgaria and the Republic ensued and five joint working groups were created to cover all major areas of potential cooperation. On 17 July 2022 North Macedonia and Bulgaria signed the protocol of the second meeting of the joint inter-governmental meeting which paved the way for adoption of the Council of the EU Conclusions and NF on 18 July 2022. In order to complete the opening phase of the negotiations process, North Macedonia has committed to implementing several constitutional changes, consisting of, among other changes, the inclusion of citizens from other ethnic backgrounds (such as Bulgarians) in the Constitution, which is in line with existing internal procedures. However, it is unclear when or if the amendment will be ratified.

Subsequently, the first political inter-governmental conference between the North Macedonia and EU was held on 19 July 2022, thus formally opening the accession negotiations and the screening process as a part thereof. It included explanatory meetings for the update of the EU acquis and bilateral meetings where the country presented the level of alignment of the national legislation and plans for further harmonisation. The screening for all six clusters was successfully completed in December 2023 and the European Commission prepared and published the screening reports for all clusters. North Macedonia has set 2030 as a target date to be prepared to join the EU. Following the completion of the screening process, benchmarks were set for opening of the Clusters Fundamentals, including the Roadmap for Rule of Law and the Roadmap for Public Administration. The additional Roadmap on Functioning of Democratic Institutions would also be prepared, though it is not an opening benchmark. The roadmaps would contain key reform priorities and guide the accession negotiations in those areas and chapters.

Despite continuing efforts of North Macedonia to fulfil the political and economic criteria for membership in the EU, most notably through the implementation of its Reform Agenda 2024-2027, and the completion of the screening, there is no assurance that North Macedonia will become a full member of the EU within any given timeframe. See “*Overview of the Republic of North Macedonia— International Relations— EU Accession*”. Continuing delays in the EU accession process due to blockades, any slow pace in the reform implementation or a change in EU entry criteria, could adversely impact the economic development of North Macedonia and, accordingly, its ability to repay principal and make payments of interest on the Notes.

***Corruption, money laundering and organised crime may hinder the growth of the economy of North Macedonia, delay or foreclose EU accession or otherwise adversely affect North Macedonia***

Independent analysts have identified corruption, money laundering and organised crime as concerns in North Macedonia. In the 2025 progress report, the European Commission noted that the fight against corruption track record for high-level cases and for non-high-level cases remained stable, as various investigations were launched, including against a former Deputy Prime Minister, for whom an international arrest warrant was issued. In the 2024 Transparency International Corruption Perceptions Index, North Macedonia ranked 88<sup>th</sup> out of 180 countries and territories under review, compared to a ranking of 76<sup>th</sup> out of 180 in 2023. In the same Corruption Perceptions Index, North Macedonia had a score of 40 in 2024, as compared to a score of 42 in 2023, 40 in 2022, 39 in 2021 and 35 in 2020. The deterioration in position is likely due to corruption allegations, investigations and cases. The former Special Public Prosecutor, Katica Janeva, was accused for abuse of her official position with involvement in an extortion case, and was dismissed from her duties and arrested in August 2019. In June 2020, Katica Janeva was sentenced to seven years imprisonment and an appeal was submitted on 1 September 2020. On 21 July 2021,

the Appellate Court Skopje rejected the appeal and confirmed the first instance judgment. In connection with the same case, two other defendants have been sentenced to imprisonment. In addition, the former Prime Minister, Nikola Gruevski, has been indicted in six criminal and corruption cases. He fled North Macedonia and was granted asylum in Hungary. A warrant for his arrest was issued on 13 November 2018. In April 2022, the former Secretary General Muhamed Zekiri was arrested on charges of abuse of his official position with violation of the legal provisions for conducting public procurement. Mr. Zekiri has since resigned from his position as Government Secretary General. In December 2023, Mr. Zekiri was sentenced to two and a half years in prison. Following an appeal in September 2024, the verdict was overturned. Following retrial, in January 2025 he was convicted with a final judgment and sentenced to two years in prison. In August 2024, a judge of the Supreme Court was dismissed by the Judicial Council due to a final judgment rendered by the Criminal Court of First Instance on 15 August 2024 for the criminal offence of receiving a reward for unlawful influence, by which the judge was sentenced to three years of imprisonment. In the same case, on 14 August 2024, the accused member of the Council of Public Prosecutors pleaded guilty to accepting bribes for unlawful influence and submitted an irrevocable resignation from the Council of Public Prosecutors. A suspended sentence was imposed. In July 2025, the Public Prosecution Office submitted an indictment against the President of the State Commission for the Prevention of Corruption, which led to her resignation. The criminal procedure on her indictment for disclosure of an official secret and computer forgery is ongoing. In September 2025, the Ad hoc Appeal Council of the Supreme Court upheld a resolution of the Judicial Council to dismiss a judge who had unjustifiably delayed proceedings in one of the cases opened by the former Special Public Prosecution Office, which was the Public Prosecutor's Office for the prosecution of criminal offences related to and arising from the content of the illegal interception of communications, and was designated by the United States Department of State for involvement in significant corruption. In addition to the fine imposed to the aforementioned judge for causing process delay, the Public Prosecution Office opened a case on allegations of bribery and undue influence. There is also an ongoing investigative procedure against the director of the Agency for Financial Support in Agriculture and Rural Development for allegedly signing an agreement for the use of EU IPARD Program funds with a legal entity that did not meet the criteria, after receiving a promise for a gift of significant value from that legal entity.

In the ordinary course of government operations, there may be investigations into former Government officials, which may occur in the future. Allegations or evidence of corruption, money laundering or organised crime involving the Government and/or members thereof, regardless of whether such allegations prove to be true, may create tensions between political parties, including parties within the governing coalition, otherwise destabilise the governing coalition and/or lead to early elections. In addition, corruption, money laundering and organised crime in North Macedonia could have a negative impact on the economy of North Macedonia and its reputation abroad, especially on its ability to attract foreign investment, and adversely impact progress towards EU membership. A combination of all or some of these factors could lead to negative effects on economic and social conditions in North Macedonia which could, in turn, lead to a further deterioration in public finances and a material adverse effect on the ability of the Republic to repay principal and make payments of interest on the Notes.

### ***The legal system of the Republic continues to be developing***

The Republic has taken, and continues to take, steps aimed at developing its legal system, comparable to the legal systems of EU countries. New laws have been introduced and revisions have been made with respect to, amongst others, company, property, securities, labour, environmental and taxation laws in order to harmonise them with EU laws. In addition, the independence of the judicial system and its immunity from economic and political interference in the Republic remains in development.

While the Supreme Court of the Republic of North Macedonia plays a key role in ensuring the uniform application of the laws, as the Republic is a civil law jurisdiction, judicial decisions under the law of the Republic generally have no precedential effect and courts are generally not bound by earlier judgments taken under the same or similar circumstances.

***Official economic data may not be accurate and could be revised, and actual results could differ materially from those contained in any forward-looking statements***

A range of Government ministries including the Ministry of Finance, along with the NBRNM and the SSO, have prepared statistical data which appears in this Offering Circular. Certain of these statistics may be more limited in scope, less accurate, reliable and/or consistent in terms of basis of compilation between various ministries and institutions, and published less frequently than is the case for comparable statistics for other countries (particularly existing members of the EU). Consequently, prospective investors in the Notes should be aware that figures relating to the GDP of North Macedonia and many other figures cited in this Offering Circular may be subject to some degree of uncertainty. Furthermore, these limitations of statistical information make adequate monitoring of key fiscal and economic indicators more difficult than for other countries.

Certain data provided in this Offering Circular comprise forward-looking preliminary or estimated data and projections which remain subject to finalisation and/or to numerous internal and external factors. Preliminary or estimated data can change materially, and it is uncertain whether key policies will be retained in the future. Therefore, undue reliance should not be placed on them. Forward looking statements and preliminary or estimated data and projections speak only as of the date that they are made and the Republic undertakes no obligation to update publicly any of them in light of new information or future events. Forward looking statements involve inherent risks and uncertainties. The Republic cautions that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. See also the section headed “*Forward Looking Statements*” in this Offering Circular.

In addition, standards of accuracy of statistical data may vary from ministry to ministry or from period to period due to the application of different methodologies. In this Offering Circular, data is presented as provided by the relevant ministry to which the data is attributed, and no attempt has been made to reconcile such data to the data compiled by other ministries or by other organisations, such as the IMF or World Bank. The statistical information presented in this Offering Circular is based on the latest official information currently available from the stated source, including balance of payments data in accordance with the IMF’s BPM6 and GDP data in accordance with ESA 2010. The development of statistical information relating to North Macedonia is, however, an on-going process, as revised figures are produced on a continuous basis. Figures presented may be subject to rounding. Prospective investors should also be aware that none of the statistical information in this Offering Circular has been independently verified.

**Risks related to an investment in the Notes**

***Notes where denominations involve integral multiples definitive Notes***

The Notes have denominations consisting of a minimum denomination of €100,000 plus one or more higher integral multiples of €1,000, and it is possible that Notes may be traded in amounts that are not integral multiples of €100,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than €100,000 in his account with the relevant clearing system at the relevant time may not receive a definitive certificate in respect of such holding (should certificates be printed) and would need to purchase a principal amount of Notes such that its holding amounts to at least €100,000.

***Credit ratings may not reflect all risks***

Each Series of Notes is expected to be assigned a rating of BB+ by Fitch and BB- by S&P. These ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. On 19 September 2025, Fitch affirmed ‘BB+/B’ long- and short-term foreign and local currency sovereign credit ratings of North Macedonia. On 24 January 2025, S&P affirmed the ‘BB-/B’ long- and short-term foreign and local currency sovereign credit ratings of North Macedonia, which was last reviewed by S&P on 25 July 2025. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A credit rating is generally dependent on a number of factors, including public debt levels, past and projected future budget



deficits and other considerations. Rating agencies continue to assess rating levels. Any adverse change in the credit ratings or outlooks of the Notes, or of the Issuer, could adversely affect the trading price of the Notes. In addition, negative rating action could adversely affect the ability of the Issuer to refinance existing indebtedness or finance its deficit and could adversely affect payment of principal and interest under the Notes.

### ***Change of law***

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurances can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

### ***Modification***

The conditions of the Notes contain provisions for calling meetings of Noteholders of each Series to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders of a particular Series including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

### ***The Notes are subject to optional redemption by the Issuer***

Pursuant to Condition 6(b) the Issuer has the option to redeem all, but not some, of the Notes in the period from, and including, (i) in respect of the Series 1 Notes, the date falling one month prior to the relevant Maturity Date and (ii) in respect of the Series 2 Notes, the date falling three months prior to the relevant Maturity Date to, but excluding, the relevant Maturity Date. Such optional redemption feature is likely to limit the market value of Notes during that final one-month or three-month period, as applicable. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed.

### ***The secondary market generally***

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Republic. Although application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for trading on the Market, there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes. Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a material adverse effect on the market value of the Notes.

### ***Noteholders must rely on the procedures of Euroclear and Clearstream, Luxembourg***

The Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg and investors will have to rely on their procedures for transfer, payment and communication with the Republic.

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Global Notes. The Global Notes will be registered in the name of a nominee for, and deposited with a common depositary for, and in respect of interests held through, Euroclear and Clearstream, Luxembourg. Individual Note Certificates evidencing holdings of Notes will only be available in certain limited circumstances. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Republic will discharge its payment obligations under the Notes by making payments to or to the order of the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder

of a beneficial interest in the Global Notes must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Republic has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes in Euros. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Euros. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to Euros would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

## TERMS AND CONDITIONS OF THE SERIES 1 NOTES

*The Conditions set forth below are the terms and conditions of the Series 1 Notes which (subject to amendment, and except for the paragraphs in italics) will be endorsed on the Definitive Note Certificates issued in respect of the Series 1 Notes.*

The €500,000,000 3.875 per cent. Notes due 2030 (the “**Maturity Date**”) (the “**Notes**”) of the Republic of North Macedonia (“**North Macedonia**” or the “**Issuer**”) were authorised by North Macedonia, acting through the Ministry of Finance of the Republic of North Macedonia. A fiscal and paying agency agreement dated 21 January 2026 (the “**Fiscal and Paying Agency Agreement**”) will be entered into in relation to the Notes between the Issuer, Citibank, N.A., London Branch in its capacity as fiscal agent (the “**Fiscal Agent**”), the transfer agent (the “**Transfer Agent**”) and principal paying agent (the “**Principal Paying Agent**”) and Citibank Europe PLC in its capacity as registrar (the “**Registrar**”).

In these Conditions, “**Registrar**”, “**Transfer Agent**”, “**Fiscal Agent**” and “**Principal Paying Agent**” shall include any successors appointed from time to time in accordance with the provisions of the Fiscal and Paying Agency Agreement, and any reference to an “**Agent**” or “**Agents**” shall mean any or all (as applicable) of such persons.

Certain provisions of these conditions are summaries of the Fiscal and Paying Agency Agreement and are subject to its detailed provisions. The Fiscal and Paying Agency Agreement includes the form of the Notes. A copy of the Fiscal and Paying Agency Agreement is available for inspection during usual business hours at the principal office of the Fiscal Agent (presently at 6th Floor Citigroup Centre, Canada Square, London E14 5LB, United Kingdom) and at the specified offices of each of the other Agents. The holders of Notes are bound by and are deemed to have full notice of the provisions of the Fiscal and Paying Agency Agreement.

References to “**Conditions**” are, unless the context otherwise requires, to the numbered paragraphs of these terms and conditions.

### 1 Form and Denomination

The Notes are in registered form in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will initially be represented by beneficial interests in global note certificates (the “**Global Notes**”) in registered form without interest coupons.

The Global Notes will be exchangeable for Certificates in definitive, fully registered, form (“**Definitive Note Certificates**”) and each a “**Definitive Note Certificate**”) without coupons, in the circumstances specified in the Global Notes.

*The Notes will not be issuable in bearer form.*

### 2 Status

The Notes constitute direct, unconditional and unsecured obligations of the Issuer and rank and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness (as defined below) of the Issuer, from time to time outstanding; **provided, however, that** the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and *vice versa*.

### 3 Register, Title and Transfer

#### (a) Register

The Registrar will maintain a register (the “**Register**”) in respect of the Notes in accordance with the provisions of the Fiscal and Paying Agency Agreement. In these Conditions, the “**Holder**” of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly. A Definitive Note

Certificate will be issued to each Noteholder in respect of its registered holding or holdings of Notes only in certain limited circumstances. Each such Definitive Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) Title

Title to the Notes will pass by and upon registration in the Register. Each Noteholder shall (except as otherwise required by law) be treated as the absolute owner of such Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Definitive Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Definitive Note Certificate) and no person shall be liable for so treating such Holder.

*The Rule 144A Notes will be represented by interests in a Restricted Global Note. The Regulation S Notes will be represented by interests in an Unrestricted Global Note. The Global Notes will each be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”).*

*Ownership of beneficial interests in the Global Notes will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg or Persons that may hold interests through such participants. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected through, records maintained in book entry form by Euroclear, Clearstream, Luxembourg and their participants, as applicable.*

(c) Transfers

Subject to paragraphs (f) and (g) below, a Note may be transferred in whole or in part in an authorised denomination upon surrender of the relevant Definitive Note Certificate, with the endorsed form of transfer duly completed, at the specified office of the Registrar or the Transfer Agent, together with such evidence as the Registrar or, as the case may be, such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the persons who have executed the transfer form (the “**Transfer Form**”); **provided, however, that** a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are authorised denominations. Where not all the Notes represented by the surrendered Definitive Note Certificate are the subject of the transfer, a new Definitive Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) Registration and delivery of Definitive Notes

Subject to paragraphs (e) and (f) below, within five Business Days (as defined below) of the surrender of a Definitive Note Certificate in accordance with paragraph (c) above, the Registrar will register the transfer in question and deliver a new Definitive Note Certificate of the same aggregate principal amount as the Notes transferred to each relevant Holder at its specified office or (as the case may be) the specified office of the Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**Business Day**” means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the Transfer Agent has its specified office.

Where some but not all the Notes in respect of which a Definitive Note Certificate is issued are to be transferred, a new Definitive Note Certificate in respect of the Notes not so transferred will, within five Business Days of the surrender of the original Definitive Note Certificate in accordance with paragraph (c) above, be mailed by uninsured first class mail (airmail if overseas) at the request of the Holder of the Notes not so transferred to the address of such Holder appearing on the Register.

(e) No charge

Registration or transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agent but against payment by the Holder of such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty or governmental charge of whatsoever nature which may be levied or imposed in connection with such registration or transfer.

(f) Closed periods

Noteholders may not require transfers to be registered during the period beginning on the 15th calendar day before the due date for any payment of principal or interest in respect of such Notes.

(g) Regulations concerning transfers and registration

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Fiscal and Paying Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

#### 4 Negative Pledge and Other Covenants

(a) Negative Pledge

So long as any Note remains outstanding (as defined in the Fiscal and Paying Agency Agreement) the Issuer shall not create, incur, assume or permit to arise or subsist any Lien (as defined below), (other than a Permitted Lien (as defined below)), upon the whole or any part of its existing or future assets or revenues to secure any Public External Indebtedness (as defined below) of the Issuer or any other Person (as defined below), or any Guarantee (as defined below) in respect thereof unless, at the same time or prior thereto, the obligations of the Issuer under the Notes are secured equally and rateably therewith or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution (as defined in the Fiscal and Paying Agency Agreement) of the Noteholders.

(b) Other Covenants

So long as any Note remains outstanding:

- (i) either the Issuer or an Agency (as defined below) or any Monetary Authorities of the Issuer (as defined below) shall continue to exercise full ownership, power and control over the International Monetary Assets (as defined below) as they exist from time to time; and
- (ii) The Issuer shall duly obtain and maintain in full force and effect all governmental approvals (including any exchange control and transfer approvals) which may be necessary under the laws of the Issuer for the execution and delivery by it of, and performance of its obligations under, the Notes and the Fiscal and Paying Agency Agreement and duly take all necessary governmental and administrative action in the Issuer in order to perform or comply with all or any of its obligations under the Notes and the Fiscal and Paying Agency Agreement (including, without limitation, to make all payments to be made under the Notes as required by these Conditions and the Fiscal and Paying Agency Agreement).

(c) Certain Definitions

For the purposes of these Conditions:

“**Agency**” means any political sub division, regional government, ministry, department, authority or statutory corporation of North Macedonia or the government thereof (whether or not such statutory corporation is autonomous) and any corporation or other entity (but not any commercial corporation or other commercial entity except, in each case, to the extent that any International Monetary Assets are

owned, controlled, held or administered thereby) which is directly or indirectly controlled (whether by reason of whole or partial ownership, control over voting or other relevant decision making power to direct management, the composition of management or otherwise) by North Macedonia or the government thereof or one or more Agencies (including, without limitation, the Ministry of Finance, the Government or the National Bank (as defined below)).

**“External Indebtedness”** means all obligations, and Guarantees (as defined below) in respect of obligations, for money borrowed or raised (whether or not evidenced by bonds, debentures, notes or other similar instruments) denominated or payable, or which at the option of the relevant creditor or holder thereof may be payable, in a currency other than the lawful currency of North Macedonia, **provided that** if at any time the lawful currency of North Macedonia is the Euro, then any such obligations and Guarantees for money borrowed or raised as described herein denominated or payable, or which at the option of the relevant creditor or holder thereof may be payable, in Euro more than 50 per cent. of the aggregate principal amount of which is initially placed outside North Macedonia and issued after the date on which the Euro becomes the lawful currency of North Macedonia, shall be included in this definition.

**“Guarantee”** means any guarantee of or indemnity in respect of indebtedness or other like obligation.

**“International Monetary Assets”** means all the official holdings of gold of North Macedonia and all the Monetary Authorities of North Macedonia holdings of (i) Special Drawing Rights, (ii) Reserve Positions in the Fund and (iii) Foreign Exchange, and the terms **“Special Drawing Rights”**, **“Reserve Positions in the Fund”** and **“Foreign Exchange”** have, as to the types of assets included, the meanings given to them in the publication of the International Monetary Fund (**“IMF”**) entitled **“International Financial Statistics”** or such other meanings as shall be formally adopted by the IMF from time to time.

**“Lien”** means lien, pledge, hypothecation, mortgage, security interest, charge or any other encumbrance or arrangement having a similar legal and economic effect including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

**“Monetary Authorities of North Macedonia”** means the National Bank and, to the extent that they perform monetary authorities’ functions, currency boards, exchange stabilisation funds and treasuries.

**“National Bank”** means the National Bank of the Republic of North Macedonia.

**“Permitted Lien”** means:

- (i) any Lien upon property to secure Public External Indebtedness incurred for the purpose of financing the acquisition of such property and any renewal and extension of such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the original secured financing, provided that the principal amount of the Public External Indebtedness secured thereby is not increased;
- (ii) any Lien existing on property at the time of its acquisition (and not created in contemplation of such acquisition) to secure Public External Indebtedness and any renewal and extension of such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the original secured financing, provided that the principal amount of the Public External Indebtedness secured thereby is not increased;
- (iii) any Lien securing Public External Indebtedness in existence on 16 January 2026 or any Lien arising out of an exchange of collateral permitted by the terms of such Public External Indebtedness and the renewal or extension of such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the original secured financing, provided that the principal amount of the Public External Indebtedness secured thereby is not increased;
- (iv) any Lien securing Public External Indebtedness or any Guarantee of Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or

development of a project (including any renewal or extension thereof provided that the principal amount secured by any such additional encumbrance does not exceed the principal amount outstanding and secured by the original encumbrance), provided that (a) the holders of such Public External Indebtedness or Guarantee expressly agree to limit their recourse to the assets and revenues (including insurance proceeds) of such project as the principal source of repayment of such Public External Indebtedness and (b) the property over which such Lien is granted consists solely of such assets and revenues or revenues or claims which arise from the operation, failure to meet specifications, exploitation, sale or loss of, or failure to complete, or damage to, such properties;

- (v) any Lien on any assets securing Public External Indebtedness which arises pursuant to any order or attachment, distraint or similar legal process arising in connection with court proceedings so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings; and
- (vi) any Lien arising by operation of law, provided that such Lien is not created or permitted to be created by the Issuer to secure any Public External Indebtedness.

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or any other juridical entity, including, without limitation, a state or agency of a state (including the Ministry of Finance and the Council of Ministers) or other entity (including the National Bank), whether or not having separate legal personality.

“**Public External Indebtedness**” means External Indebtedness which (i) is in the form of, or represented by, bonds, notes, or other securities or any Guarantees thereof and (ii) is, or is capable of being, quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system or over the counter or on any other securities market.

## 5 Interest

Each Note bears interest on its principal amount from and including 21 January 2026 (the “**Issue Date**”) at the rate of 3.875 per cent. per annum. Interest is payable annually in arrear in the amount of €38.75 per Calculation Amount (as defined below) on 21 January in each year commencing on 21 January 2027 (each an “**Interest Payment Date**”) until maturity. Interest due on an Interest Payment Date will accrue during the immediately preceding Interest Period (as defined below) and will be paid subject to and in accordance with the provisions of Condition 7 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, after surrender of such Note, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at the rate specified above (after as well as before judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder of Notes and (b) the day which is seven days after notice has been given to the holders of Notes that the Fiscal Agent has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any failure in the subsequent payment to the relevant holders under these Conditions).

Interest in respect of any Note shall be calculated per €1,000 in principal amount of the Notes (the “**Calculation Amount**”). Where interest is to be calculated in respect of a period which is equal to or shorter than an Interest Period, the day count fraction applied to calculate the amount of interest payable in respect of each Note shall be the number of days in the relevant period, from and including the date from which interest begins to accrue, to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last) and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an “**Interest Period**”.

## 6 Redemption, Purchase and Cancellation

### (a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 21 January 2030, subject as provided in Condition 7 (*Payments*).

### (b) Residual Maturity Call at the Option of the Issuer

The Issuer may, at its option, at any time from and including 21 December 2029 to but excluding the Maturity Date, subject to having given not less than 15 nor more 30 calendar days' prior notice to the Noteholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable and shall specify the date set for redemption), redeem all, but not some only, of the outstanding Notes at their principal amount plus accrued interest up to but excluding the date set for redemption.

### (c) No other Redemption

The Issuer shall not be entitled to redeem the Notes other than as provided in paragraphs (a) and (b) above.

### (d) Purchase and Cancellation

North Macedonia and its Agencies may at any time purchase Notes in the open market or otherwise at any price. Any Notes so purchased may be cancelled or held and resold. Any Notes so purchased, while held by or on behalf of the Issuer or any Agency, shall not entitle the holder to vote at any meeting of holders of Notes and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of holders of Notes. Any Notes so cancelled will not be reissued.

## 7 Payments

### (a) Method of Payment

Payments of principal and interest in respect of the Notes will be made to the persons shown in the Register at the opening of business on the relevant Record Date (as defined below) and subject to the surrender of the Notes at the specified office of the Principal Paying Agent. Each such payment will be made by transfer to a Euro account maintained by the payee with a bank in London.

### (b) Payments Subject to Fiscal Laws

All payments in respect of the Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

### (c) No Commissions

No commission or expenses shall be charged to the Noteholders in respect of any payments of principal or interest in respect of the Notes.

### (d) Payments on business days

Where payment is to be made by transfer to a Euro account, payment instructions (for value the due date, or, if the due date is not a Business Day, for value the next succeeding Business Day) will be initiated on the due date for payment. A Noteholder shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Business Day.



(e) Partial payments

If a Paying Agent makes a partial payment in respect of any Note, the Registrar shall procure that the amount and date of such payment are noted on the Register.

(f) Record date

Payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's specified office on the 15th day before the due date for such payment (the "**Record Date**").

"**Business Day**" in respect of the Notes means a day on which banks are open for business in the place in which the specified office of the Fiscal Agent is located and on which the real time gross settlement system operated by the Eurosystem, or any successor system ("**T2**") is operating.

(g) Agents

The Issuer has initially appointed the Fiscal Agent, the Principal Paying Agent, the Registrar and the Transfer Agent named above. The Issuer may at any time vary or terminate the appointment of any such Agent and appoint another Agent or additional or other Agents outside the United States, **provided that**, it will at all times, and while any Note is outstanding, maintain one or more Paying Agents having a specified office in Europe for payments on Notes.

Notice of any such termination or appointment and of any change in the specified office of any Agent will be given in accordance with Condition 14 (*Notices*).

## 8 Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by North Macedonia or any regional or local subdivision or any authority thereof or therein having power to tax (together "**Taxes**"), unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the holders of Notes of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

- (a) to a holder, or to a third party on behalf of a holder, if such holder is liable to such Taxes in respect of such Note by reason of having some connection with North Macedonia other than the mere holding of such Note; or
- (b) if the Note is surrendered for payment more than 30 days after the Relevant Date (as defined below), except to the extent that the holder would have been entitled to such additional amounts on surrender of such Note for payment on the last day of such period of 30 days.

For the purpose of these Conditions, "**Relevant Date**" means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount plus any accrued interest having been so received) notice to that effect has been given to the holders of Notes.

Any reference in these Conditions to payments of principal or interest in respect of the Notes shall be deemed to include any additional amounts which may be payable under this Condition 8 (*Taxation*).

## 9 Events of Default

If any of the following events occurs and is continuing:

(a) Non payment

The Issuer fails to pay any principal on any of the Notes within seven days of the due date for payment or any interest or additional amounts on any of the Notes within 15 days of the due date for payment; or

(b) Breach of other obligations

The Issuer does not perform or comply with any one or more of its other obligations under the Notes, which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after notice of such default has been given to the Issuer at the specified office of the Fiscal Agent by any holder of Notes; or

(c) Acceleration and cross-default

- (i) the holders of any Public External Indebtedness of North Macedonia accelerate such Public External Indebtedness or declare such Public External Indebtedness to be due and payable, or required to be prepaid (other than by a regularly scheduled required payment), prior to the originally stated maturity thereof; or
- (ii) North Macedonia fails to pay in full any principal of, or interest on, any Public External Indebtedness when due (after expiration of any originally applicable grace period) or any Guarantee of any Public External Indebtedness given by North Macedonia shall not be honoured when due and called upon (after the expiration of any originally applicable grace period),

**provided that** the aggregate amount of the relevant Public External Indebtedness or Guarantee in respect of which one or more of the events mentioned above in this paragraph (c) shall have occurred equals or exceeds €20,000,000 or its equivalent in other currencies; or

(d) Moratorium

North Macedonia shall suspend payment of, or admit its inability to pay, its Public External Indebtedness or any part thereof or declare a general moratorium on or in respect of its Public External Indebtedness or any part thereof, or anything analogous to the foregoing shall occur; or

(e) Unlawfulness or Invalidity

The validity of the Notes is contested by North Macedonia or North Macedonia shall deny any of its obligations under the Notes or it is or becomes unlawful for North Macedonia to perform or comply with all or any of its obligations set out in the Notes or any of such obligations shall be or become unenforceable or invalid; or

(f) IMF

North Macedonia ceases to be a member of the IMF, then the holders of at least 25 per cent. in aggregate outstanding principal amount of the Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and repayable, whereupon they shall become immediately due and payable at their principal amount, together with interest accrued to the date of repayment, without further formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Issuer. After any such declaration, if the Issuer receives notice in writing from holders of not less than 50 per cent. in aggregate outstanding principal amount of the Notes that all amounts then due with respect to the Notes are paid (other than amounts due solely because of such declaration) and all other defaults with respect to the Notes are cured, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon such declaration shall be annulled and rescinded.

## 10 Prescription

Claims in respect of principal and interest will become void unless made within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

## 11 Replacement of Notes

If any Definitive Note Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar or the Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as North Macedonia may reasonably require. Mutilated or defaced Definitive Notes Certificate must be surrendered before replacements will be issued.

## 12 Meetings of Noteholders and Modification

### (a) General

The Fiscal and Paying Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any of these Conditions (having been approved by the Issuer) or any provisions of the Fiscal and Paying Agency Agreement. The following is a summary of selected provisions contained in the Fiscal and Paying Agency Agreement.

For the purposes of this Condition 12 (*Meetings of Noteholders and Modification*):

- (i) **“Debt Security”** means the Notes and any other bills, bonds, debentures, notes or other debt securities issued by the Issuer in one or more series with an original stated maturity of more than one year, and includes any such obligation, irrespective of its original stated maturity, that formerly constituted a component part of a Debt Security;
- (ii) **“Cross-Series Modification”** means a modification involving (i) the Notes or any agreement governing the issuance or administration of the Notes (including the Fiscal and Paying Agency Agreement), and (ii) the Debt Securities of one or more other series or any agreement governing the issuance or administration of such other Debt Securities;
- (iii) for the purposes of this Condition 12 (*Meetings of Noteholders and Modification*) only, **“holder”** in relation to a Note means the person in whose name the Note is registered on the books and records of the Issuer and, in relation to any other Debt Security, means the person the Issuer is entitled to treat as the legal holder of the Debt Security under the law governing that Debt Security, and the term **“Noteholder”**, for the purposes of this Condition 12 (*Meetings of Noteholders and Modification*) only, shall be construed accordingly;
- (iv) **“modification”** in relation to the Notes means any modification, amendment, supplement or waiver of the terms and conditions of the Notes or any agreement governing the issuance or administration of the Notes, and has the same meaning in relation to the Debt Securities of any other series save that any of the foregoing references to the Notes or any agreement governing the issuance or administration of the Notes shall be read as references to such other Debt Securities or any agreement governing the issuance or administration of such other Debt Securities;
- (v) **“outstanding”** in relation to any Note means a Note that is outstanding for the purposes of Condition 12(k) (*Outstanding Notes; Notes Controlled by the Issuer*), and in relation to the Debt Securities of any other series will be determined in accordance with the applicable terms and conditions of that Debt Security;
- (vi) **“Record Date”** in relation to any proposed modification means the date fixed by the Issuer for determining the holders of Notes and, in the case of a cross-series modification, the holders of debt securities of each other series that are entitled to vote on or sign a written resolution in relation to the proposed modification;
- (vii) **“Reserved Matter”** in relation to the Notes means any proposal to:
  - (A) change any date, or the method of determining the date, fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any

date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment;

- (B) effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (C) reduce or cancel the principal amount of outstanding Notes or, in the case of a Cross-Series Modification, the principal amount of Debt Securities of any other series required to approve a proposed modification in relation to the Notes, the principal amount of outstanding Notes required for a quorum to be present, or the rules for determining whether a Note is outstanding for these purposes;
- (D) vary the currency or place of payment in which any payment in respect of the Notes is to be made;
- (E) amend the status of Notes under Condition 2 (*Status*);
- (F) amend the obligation of the Issuer to pay additional amounts under Condition 8 (*Taxation*);
- (G) amend the Events of Default set out in Condition 9 (*Events of Default*);
- (H) amend the law governing the Notes, the courts to the jurisdiction to which the Issuer has submitted in the Notes, the Issuer's obligation to maintain an agent for service of process in England or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Noteholder set out in Condition 16 (*Governing Law and Jurisdiction*);
- (I) modify the provisions contained in the Fiscal and Paying Agency Agreement concerning the quorum required at any meeting of the Noteholders or any adjournment thereof or concerning the majority required to pass an Extraordinary Resolution or the percentage of votes required for the taking of any action;
- (J) change the definition of "**Reserved Matter**" or "**outstanding**" in the Conditions and/or Fiscal and Paying Agency Agreement; or
- (K) amend this definition,

and has the same meaning in relation to the Debt Securities of any other series save that any of the foregoing references to the Notes or any agreement governing the issuance or administration of the Notes (including the Fiscal and Paying Agency Agreement) shall be read as references to such other Debt Securities or any agreement governing the issuance or administration of such other Debt Securities; and

- (viii) "**series**" means a tranche of Debt Securities, together with any further tranche or tranches of Debt Securities that in relation to each other and to the original tranche of Debt Securities are (i) identical in all respects except for their date of issuance or first payment date, and (ii) expressed to be consolidated and form a single series, and includes the Notes and any further issuances of Notes;

(b) Convening Meetings of Noteholders

A meeting of Noteholders:

- (i) may be convened by the Issuer at any time; and
- (ii) will be convened by the Issuer if an Event of Default in relation to the Notes has occurred and is continuing and a meeting is requested in writing by the holders of not less than 10 per cent. of the aggregate principal amount of the Notes then outstanding.

(c) Quorum

- (i) The quorum at any meeting at which Noteholders will vote on a proposed modification to, or a proposed modification of:
  - (A) a Reserved Matter will be one or more persons present or represented at the meeting and holding not less than  $66 \frac{2}{3}$  per cent. of the aggregate principal amount of the Notes then outstanding; and
  - (B) a matter other than a Reserved Matter will be one or more persons present or represented at the meeting and holding not less than 50 per cent. of the aggregate principal amount of the Notes then outstanding.
- (ii) The quorum for any adjourned meeting will be one or more persons present or represented at the meeting and holding;
  - (A) not less than  $66 \frac{2}{3}$  per cent. of the aggregate principal amount of the Notes then outstanding in the case of a proposed Reserved Matter modification or a proposal relating to a Reserved Matter; and
  - (B) not less than 25 per cent. of the aggregate principal amount of the Notes then outstanding in the case of a non-Reserved Matter modification or any proposal relating to a matter other than a Reserved Matter.

(d) Non-Reserved Matters

These Conditions and any agreement governing the issuance or administration of the Notes (including the Fiscal and Paying Agency Agreement) may be modified in relation to any matter other than a Reserved Matter with the consent of the Issuer and:

- (i) the affirmative vote of a holder or holders of more than 50 per cent. of the aggregate principal amount of the outstanding Notes represented at a duly called and quorate meeting of Noteholders; or
- (ii) a written resolution signed by or on behalf of a holder or holders of more than 50 per cent. of the aggregate principal amount of the outstanding Notes.

(e) Reserved Matters

Except as provided by Condition 12(f) (Cross-Series Modifications) below, these Conditions and any agreement governing the issuance or administration of the Notes (including the Fiscal and Paying Agency Agreement) may be modified in relation to a Reserved Matter with the consent of the Issuer and:

- (i) the affirmative vote of a holder or holders of not less than 75 per cent. of the aggregate principal amount of the outstanding Notes represented at a duly called and quorate meeting of Noteholders; or
- (ii) a written resolution signed by or on behalf of a holder or holders of not less than  $66 \frac{2}{3}$  per cent. of the aggregate principal amount of the Notes then outstanding.

(f) Cross-Series Modifications

In the case of a Cross-Series Modification (and/or a proposal in respect of a Cross-Series Modification), these Conditions and Debt Securities of any other series, and any agreement (including the Fiscal and Paying Agency Agreement) governing the issuance or administration of the Notes or Debt Securities of such other series, may be modified in relation to a Reserved Matter with the consent of the Issuer and:

- (i) the affirmative vote of not less than 75 per cent. of the aggregate principal amount of the outstanding Debt Securities represented at separate duly called and quorate meetings of the holders of the Debt Securities of all the series (taken in the aggregate) that would be affected by the proposal and/or proposed modification; or
- (ii) a written resolution signed by or on behalf of the holders of not less than 66 2/3 per cent. of the aggregate principal amount of the outstanding Debt Securities of all the series (taken in the aggregate) that would be affected by the proposal and/or proposed modification;

and

- (i) the affirmative vote of more than 66 2/3 per cent. of the aggregate principal amount of the outstanding Debt Securities represented at separate duly called and quorate meetings of the holders of each series of Debt Securities (taken individually) that would be affected by the proposal and/or proposed modification; or
- (ii) a written resolution signed by or on behalf of the holders of more than 50 per cent. of the aggregate principal amount of the then outstanding Debt Securities of each series (taken individually) that would be affected by the proposal and/or proposed modification.

(g) Partial Cross-Series Modification

If a proposed Cross-Series Modification is not approved in relation to a Reserved Matter in accordance with Condition 12(f) (Cross-Series Modifications), but would have been so approved if the proposed modification had involved only the Notes and one or more, but less than all, of the other series of Debt Securities affected by the proposed modification, that Cross-Series Modification will be deemed to have been approved, notwithstanding Condition 12(f) (Cross-Series Modifications), in relation to the Notes and Debt Securities of each other Series whose modification would have been approved in accordance with Condition 12(f) (Cross-Series Modifications) if the proposed modification had involved only the Notes and Debt Securities of such other series, provided that:

- (i) prior to the Record Date for the proposed Cross-Series Modification, the Issuer has publicly notified holders of the Notes and other affected Debt Securities of the conditions under which the proposed Cross-Series Modification will be deemed to have been approved if it is approved in the manner described above in relation to the Notes and some but not all of the other affected Series of Debt Securities; and
- (ii) those conditions are satisfied in connection with the proposed Cross-Series Modification.

(h) Written Resolutions

A “written resolution” is a resolution in writing signed by or on behalf of Noteholders of the requisite majority of the Notes and will be valid for all purposes as if it was a resolution passed at a quorate meeting of Noteholders duly convened and held in accordance with these provisions. A written resolution may be set out in one or more documents in like form each signed by or on behalf of one or more Noteholders.

(i) Binding Effect

A resolution duly passed at a quorate meeting of Noteholders duly convened and held in accordance with these provisions, and a written resolution duly signed by the requisite majority of Noteholders, will be binding on all Noteholders, whether or not the Noteholder was present at the meeting, voted for or against the resolution or signed the written resolution.

(j) Manifest Error, Technical Amendments, etc.

Notwithstanding anything to the contrary herein, these Conditions and any agreement governing the issuance or administration of the Notes (including the Fiscal and Paying Agency Agreement) may be modified by the Issuer without the consent of Noteholders:

- (i) to correct a manifest error or cure an ambiguity; or
- (ii) if the modification is of a formal or technical nature or for the benefit of Noteholders.

The Issuer will publish the details of any modification of the Notes made pursuant to this Condition 12(j) (*Manifest Error, Technical Amendments, etc.*) within ten days of the modification becoming legally effective.

(k) Outstanding Notes; Notes Controlled by the Issuer

In determining whether Noteholders of the requisite principal amount of outstanding Notes have voted in favour of a proposed modification or whether a quorum is present at any meeting of Noteholders called to vote on a proposed modification, a Note will be deemed to be not outstanding, and may not be voted for or against a proposed modification or counted in determining whether a quorum is present, if on the record date for the proposed modification:

- (i) the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued;
- (ii) the Note has previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligation to make all payments due in respect of the Note in accordance with its terms; or
- (iii) the Note is held by the Issuer, by a department, ministry or agency of the Issuer, or by a corporation, trust or other legal entity that is controlled by the Issuer or a department, ministry or agency of the Issuer and, in the case of a Note held by any such above-mentioned corporation, trust or other legal entity, the holder of the Note does not have autonomy of decision, where:
  - (A) the holder of a Note for these purposes is the entity legally entitled to vote the Note for or against a proposed modification or, if different, the entity whose consent or instruction is by contract required, directly or indirectly, for the legally entitled holder to vote the Note for or against a proposed modification;
  - (B) a corporation, trust or other legal entity is controlled by the Issuer or by a department, ministry or agency of the Issuer if the Issuer or any department, ministry or agency of the Issuer has the power, directly or indirectly, through the ownership of voting securities or other ownership interests, by contract or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of that legal entity; and
  - (C) the holder of a Note has autonomy of decision if, under applicable law, rules or regulations and independent of any direct or indirect obligation the holder may have in relation to the Issuer: (x) the holder may not, directly or indirectly, take instruction from the Issuer on how to vote on a proposed modification; or (y) the holder, in determining how to vote on a proposed modification, is required to act in accordance with an objective prudential standard, in the interest of all of its stakeholders or in the holder's own interest; or (z) the holder owes a fiduciary or similar duty to vote on a proposed modification in the interest of one or more persons other than a person whose holdings of Notes (if that person then held any Notes) would be deemed to be not outstanding under this Condition 12(k) (*Outstanding Notes; Notes Controlled by the Issuer*).

(l) **Modification**

The Fiscal Agent may agree, without the consent of the Noteholders, to any modification of any of the provisions of the Fiscal and Paying Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error. Any such modification shall be binding on the Noteholders and, if the Fiscal Agent so requires, such modification shall be notified to the Noteholders as soon as practicable.

**13 Further Issues**

The Issuer may from time to time, without notice to or the consent of the holders of Notes, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects save for the date for and amount of the first payment of interest thereon) so as to form a single series with the Notes.

*Prospective investors should note that further notes that are treated as a single series with the Notes for non-tax purposes may be treated as a separate series for U.S. federal income tax purposes. In such case, among other things, the further notes may, for U.S. federal income tax purposes, be considered to have been issued with “original issue discount” (“OID”) required to be included in income by U.S. investors prior to receipt of cash attributable to such income even if the Notes had no OID, or the further notes may have a greater amount of OID than the Notes. These differences may adversely affect the market value of the Notes since such additional securities may not be distinguishable from the Notes.*

**14 Notices**

Notices required to be given to Noteholders may be delivered in person or sent by mail or facsimile transmission or telex to them at their respective addresses, facsimile or telex numbers reflected in the Register. Any such notice shall be deemed to have been given, in the case of a letter delivered by hand, at the time of delivery, in the case of a letter sent by mail, at the time of dispatch or, in the case of a telex, on receipt of an answerback confirmation by the sender.

*So long as any of the Notes are represented by the Global Notes, notices required to be published in accordance with Condition 14 (Notices) may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the relevant accountholders. Any such notice shall be deemed to have been given to such Noteholders on the day on which such notice is delivered to such clearing system.*

**15 Currency Indemnity**

The Euro is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than the Euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any holders of Notes in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the Euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Euro amount is less than the Euro amount expressed to be due to the recipient under any Note, the Issuer shall indemnify such recipient against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. These indemnities constitute separate and independent obligations from other obligations of the Issuer, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holders of Notes and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any judgment or order.



## 16 Governing Law and Jurisdiction

### (a) Governing Law

The Fiscal and Paying Agency Agreement and the Notes and any matter, claim or dispute arising out of or in connection therewith, whether contractual or non-contractual are governed by and shall be construed in accordance with English law.

### (b) Jurisdiction

- (i) Subject only to Condition 16(b)(ii), the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with the Notes (including a dispute relating to any non-contractual obligation arising out of or in connection with the Notes) (“**Proceedings**”) may be brought only in such courts. The Issuer irrevocably submits to the exclusive jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
- (ii) However, the provisions of Condition 16(b)(i) are made for the benefit of each of the Noteholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

### (c) Agent for Service of Process

The Issuer has in the Fiscal and Paying Agency Agreement irrevocably appointed the Embassy of the Republic of North Macedonia in London from time to time of 4<sup>th</sup> Floor, 64-65 Vincent Square, London, SW1P 2NU as its authorised agent in England to receive service of process in any Proceedings in England based on any of the Notes. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

### (d) Consent to Proceedings

Subject to Condition 16(e) (*Waiver of State Immunity*) below, the Issuer has irrevocably and generally consented in respect of any Proceedings anywhere to the giving of any relief or the issue of any process in connection with those Proceedings including, without limitation, the making, enforcement or execution against any assets whatsoever (irrespective of their use or intended use) of any order or judgment which may be made or given in those Proceedings.

### (e) Waiver of State Immunity

To the extent that North Macedonia may in any jurisdiction claim for itself or its assets or revenues immunity from suit, arbitral proceeding, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal or arbitral process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to North Macedonia or its respective assets or revenues, North Macedonia agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws and regulations of such jurisdiction, save that such waiver of immunity constitutes only a limited and specific waiver by the Issuer for the purposes of the Notes and under no circumstances shall it be construed as a general waiver by the Issuer or a waiver with respect to proceedings unrelated to the Notes. The Issuer does not waive any immunity with respect to (i) present or future “premises of the mission” as defined in the Vienna Convention on Diplomatic Relations signed in 1961, (ii) “consular premises” as defined in the Vienna Convention on Consular Relations signed in 1963, (iii) any other property or assets, including the rights used solely or mainly for official state purposes in the Republic of North Macedonia or elsewhere, (iv) military property or military assets of the Republic of North Macedonia related thereto, (v) claims of the Republic of North Macedonia on the basis of taxes, contributions and

other public duties, or (vi) the natural resources and objects of historical and artistic heritage as referred to in Article 56 of the Constitution of the Republic of North Macedonia.

## **17 Rights of Third Parties**

Any person who is not a Noteholder has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of these Conditions.

## TERMS AND CONDITIONS OF THE SERIES 2 NOTES

*The Conditions set forth below are the terms and conditions of the Series 2 Notes which (subject to amendment, and except for the paragraphs in italics) will be endorsed on the Definitive Note Certificates issued in respect of the Series 2 Notes.*

The €500,000,000 4.750 per cent. Notes due 2034 (the “**Maturity Date**”) (the “**Notes**”) of the Republic of North Macedonia (“**North Macedonia**” or the “**Issuer**”) were authorised by North Macedonia, acting through the Ministry of Finance of the Republic of North Macedonia. A fiscal and paying agency agreement dated 21 January 2026 (the “**Fiscal and Paying Agency Agreement**”) will be entered into in relation to the Notes between the Issuer, Citibank, N.A., London Branch in its capacity as fiscal agent (the “**Fiscal Agent**”), the transfer agent (the “**Transfer Agent**”) and principal paying agent (the “**Principal Paying Agent**”) and Citibank Europe PLC in its capacity as registrar (the “**Registrar**”).

In these Conditions, “**Registrar**”, “**Transfer Agent**”, “**Fiscal Agent**” and “**Principal Paying Agent**” shall include any successors appointed from time to time in accordance with the provisions of the Fiscal and Paying Agency Agreement, and any reference to an “**Agent**” or “**Agents**” shall mean any or all (as applicable) of such persons.

Certain provisions of these conditions are summaries of the Fiscal and Paying Agency Agreement and are subject to its detailed provisions. The Fiscal and Paying Agency Agreement includes the form of the Notes. A copy of the Fiscal and Paying Agency Agreement is available for inspection during usual business hours at the principal office of the Fiscal Agent (presently at 6th Floor Citigroup Centre, Canada Square, London E14 5LB, United Kingdom) and at the specified offices of each of the other Agents. The holders of Notes are bound by and are deemed to have full notice of the provisions of the Fiscal and Paying Agency Agreement.

References to “**Conditions**” are, unless the context otherwise requires, to the numbered paragraphs of these terms and conditions.

### 1 Form and Denomination

The Notes are in registered form in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will initially be represented by beneficial interests in global note certificates (the “**Global Notes**”) in registered form without interest coupons.

The Global Notes will be exchangeable for Certificates in definitive, fully registered, form (“**Definitive Note Certificates**”) and each a “**Definitive Note Certificate**”) without coupons, in the circumstances specified in the Global Notes.

*The Notes will not be issuable in bearer form.*

### 2 Status

The Notes constitute direct, unconditional and unsecured obligations of the Issuer and rank and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness (as defined below) of the Issuer, from time to time outstanding; **provided, however, that** the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and *vice versa*.

### 3 Register, Title and Transfer

#### (a) Register

The Registrar will maintain a register (the “**Register**”) in respect of the Notes in accordance with the provisions of the Fiscal and Paying Agency Agreement. In these Conditions, the “**Holder**” of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly. A Definitive Note

Certificate will be issued to each Noteholder in respect of its registered holding or holdings of Notes only in certain limited circumstances. Each such Definitive Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) Title

Title to the Notes will pass by and upon registration in the Register. Each Noteholder shall (except as otherwise required by law) be treated as the absolute owner of such Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Definitive Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Definitive Note Certificate) and no person shall be liable for so treating such Holder.

*The Rule 144A Notes will be represented by interests in a Restricted Global Note. The Regulation S Notes will be represented by interests in an Unrestricted Global Note. The Global Notes will each be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”).*

*Ownership of beneficial interests in the Global Notes will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg or Persons that may hold interests through such participants. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected through, records maintained in book entry form by Euroclear, Clearstream, Luxembourg and their participants, as applicable.*

(c) Transfers

Subject to paragraphs (f) and (g) below, a Note may be transferred in whole or in part in an authorised denomination upon surrender of the relevant Definitive Note Certificate, with the endorsed form of transfer duly completed, at the specified office of the Registrar or the Transfer Agent, together with such evidence as the Registrar or, as the case may be, such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the persons who have executed the transfer form (the “**Transfer Form**”); **provided, however, that** a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are authorised denominations. Where not all the Notes represented by the surrendered Definitive Note Certificate are the subject of the transfer, a new Definitive Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) Registration and delivery of Definitive Notes

Subject to paragraphs (e) and (f) below, within five Business Days (as defined below) of the surrender of a Definitive Note Certificate in accordance with paragraph (c) above, the Registrar will register the transfer in question and deliver a new Definitive Note Certificate of the same aggregate principal amount as the Notes transferred to each relevant Holder at its specified office or (as the case may be) the specified office of the Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**Business Day**” means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the Transfer Agent has its specified office.

Where some but not all the Notes in respect of which a Definitive Note Certificate is issued are to be transferred, a new Definitive Note Certificate in respect of the Notes not so transferred will, within five Business Days of the surrender of the original Definitive Note Certificate in accordance with paragraph (c) above, be mailed by uninsured first class mail (airmail if overseas) at the request of the Holder of the Notes not so transferred to the address of such Holder appearing on the Register.

(e) No charge

Registration or transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agent but against payment by the Holder of such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty or governmental charge of whatsoever nature which may be levied or imposed in connection with such registration or transfer.

(f) Closed periods

Noteholders may not require transfers to be registered during the period beginning on the 15th calendar day before the due date for any payment of principal or interest in respect of such Notes.

(g) Regulations concerning transfers and registration

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Fiscal and Paying Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

#### 4 Negative Pledge and Other Covenants

(a) Negative Pledge

So long as any Note remains outstanding (as defined in the Fiscal and Paying Agency Agreement) the Issuer shall not create, incur, assume or permit to arise or subsist any Lien (as defined below), (other than a Permitted Lien (as defined below)), upon the whole or any part of its existing or future assets or revenues to secure any Public External Indebtedness (as defined below) of the Issuer or any other Person (as defined below), or any Guarantee (as defined below) in respect thereof unless, at the same time or prior thereto, the obligations of the Issuer under the Notes are secured equally and rateably therewith or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution (as defined in the Fiscal and Paying Agency Agreement) of the Noteholders.

(b) Other Covenants

So long as any Note remains outstanding:

- (i) either the Issuer or an Agency (as defined below) or any Monetary Authorities of the Issuer (as defined below) shall continue to exercise full ownership, power and control over the International Monetary Assets (as defined below) as they exist from time to time; and
- (ii) The Issuer shall duly obtain and maintain in full force and effect all governmental approvals (including any exchange control and transfer approvals) which may be necessary under the laws of the Issuer for the execution and delivery by it of, and performance of its obligations under, the Notes and the Fiscal and Paying Agency Agreement and duly take all necessary governmental and administrative action in the Issuer in order to perform or comply with all or any of its obligations under the Notes and the Fiscal and Paying Agency Agreement (including, without limitation, to make all payments to be made under the Notes as required by these Conditions and the Fiscal and Paying Agency Agreement).

(c) Certain Definitions

For the purposes of these Conditions:

“**Agency**” means any political sub division, regional government, ministry, department, authority or statutory corporation of North Macedonia or the government thereof (whether or not such statutory corporation is autonomous) and any corporation or other entity (but not any commercial corporation or other commercial entity except, in each case, to the extent that any International Monetary Assets are

owned, controlled, held or administered thereby) which is directly or indirectly controlled (whether by reason of whole or partial ownership, control over voting or other relevant decision making power to direct management, the composition of management or otherwise) by North Macedonia or the government thereof or one or more Agencies (including, without limitation, the Ministry of Finance, the Government or the National Bank (as defined below)).

**“External Indebtedness”** means all obligations, and Guarantees (as defined below) in respect of obligations, for money borrowed or raised (whether or not evidenced by bonds, debentures, notes or other similar instruments) denominated or payable, or which at the option of the relevant creditor or holder thereof may be payable, in a currency other than the lawful currency of North Macedonia, **provided that** if at any time the lawful currency of North Macedonia is the Euro, then any such obligations and Guarantees for money borrowed or raised as described herein denominated or payable, or which at the option of the relevant creditor or holder thereof may be payable, in Euro more than 50 per cent. of the aggregate principal amount of which is initially placed outside North Macedonia and issued after the date on which the Euro becomes the lawful currency of North Macedonia, shall be included in this definition.

**“Guarantee”** means any guarantee of or indemnity in respect of indebtedness or other like obligation.

**“International Monetary Assets”** means all the official holdings of gold of North Macedonia and all the Monetary Authorities of North Macedonia holdings of (i) Special Drawing Rights, (ii) Reserve Positions in the Fund and (iii) Foreign Exchange, and the terms **“Special Drawing Rights”**, **“Reserve Positions in the Fund”** and **“Foreign Exchange”** have, as to the types of assets included, the meanings given to them in the publication of the International Monetary Fund (**“IMF”**) entitled **“International Financial Statistics”** or such other meanings as shall be formally adopted by the IMF from time to time.

**“Lien”** means lien, pledge, hypothecation, mortgage, security interest, charge or any other encumbrance or arrangement having a similar legal and economic effect including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

**“Monetary Authorities of North Macedonia”** means the National Bank and, to the extent that they perform monetary authorities’ functions, currency boards, exchange stabilisation funds and treasuries.

**“National Bank”** means the National Bank of the Republic of North Macedonia.

**“Permitted Lien”** means:

- (i) any Lien upon property to secure Public External Indebtedness incurred for the purpose of financing the acquisition of such property and any renewal and extension of such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the original secured financing, provided that the principal amount of the Public External Indebtedness secured thereby is not increased;
- (ii) any Lien existing on property at the time of its acquisition (and not created in contemplation of such acquisition) to secure Public External Indebtedness and any renewal and extension of such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the original secured financing, provided that the principal amount of the Public External Indebtedness secured thereby is not increased;
- (iii) any Lien securing Public External Indebtedness in existence on 16 January 2026 or any Lien arising out of an exchange of collateral permitted by the terms of such Public External Indebtedness and the renewal or extension of such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the original secured financing, provided that the principal amount of the Public External Indebtedness secured thereby is not increased;
- (iv) any Lien securing Public External Indebtedness or any Guarantee of Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or

development of a project (including any renewal or extension thereof provided that the principal amount secured by any such additional encumbrance does not exceed the principal amount outstanding and secured by the original encumbrance), provided that (a) the holders of such Public External Indebtedness or Guarantee expressly agree to limit their recourse to the assets and revenues (including insurance proceeds) of such project as the principal source of repayment of such Public External Indebtedness and (b) the property over which such Lien is granted consists solely of such assets and revenues or revenues or claims which arise from the operation, failure to meet specifications, exploitation, sale or loss of, or failure to complete, or damage to, such properties;

- (v) any Lien on any assets securing Public External Indebtedness which arises pursuant to any order or attachment, distraint or similar legal process arising in connection with court proceedings so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings; and
- (vi) any Lien arising by operation of law, provided that such Lien is not created or permitted to be created by the Issuer to secure any Public External Indebtedness.

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or any other juridical entity, including, without limitation, a state or agency of a state (including the Ministry of Finance and the Council of Ministers) or other entity (including the National Bank), whether or not having separate legal personality.

“**Public External Indebtedness**” means External Indebtedness which (i) is in the form of, or represented by, bonds, notes, or other securities or any Guarantees thereof and (ii) is, or is capable of being, quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system or over the counter or on any other securities market.

## 5 Interest

Each Note bears interest on its principal amount from and including 21 January 2026 (the “**Issue Date**”) at the rate of 4.750 per cent. per annum. Interest is payable annually in arrear in the amount of €47.50 per Calculation Amount (as defined below) on 21 January in each year commencing on 21 January 2027 (each an “**Interest Payment Date**”) until maturity. Interest due on an Interest Payment Date will accrue during the immediately preceding Interest Period (as defined below) and will be paid subject to and in accordance with the provisions of Condition 7 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, after surrender of such Note, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at the rate specified above (after as well as before judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder of Notes and (b) the day which is seven days after notice has been given to the holders of Notes that the Fiscal Agent has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any failure in the subsequent payment to the relevant holders under these Conditions).

Interest in respect of any Note shall be calculated per €1,000 in principal amount of the Notes (the “**Calculation Amount**”). Where interest is to be calculated in respect of a period which is equal to or shorter than an Interest Period, the day count fraction applied to calculate the amount of interest payable in respect of each Note shall be the number of days in the relevant period, from and including the date from which interest begins to accrue, to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last) and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an “**Interest Period**”.

## 6 Redemption, Purchase and Cancellation

### (a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 21 January 2034, subject as provided in Condition 7 (*Payments*).

### (b) Residual Maturity Call at the Option of the Issuer

The Issuer may, at its option, at any time from and including 21 October 2033 to but excluding the Maturity Date, subject to having given not less than 15 nor more 30 calendar days' prior notice to the Noteholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable and shall specify the date set for redemption), redeem all, but not some only, of the outstanding Notes at their principal amount plus accrued interest up to but excluding the date set for redemption.

### (c) No other Redemption

The Issuer shall not be entitled to redeem the Notes other than as provided in paragraphs (a) and (b) above.

### (d) Purchase and Cancellation

North Macedonia and its Agencies may at any time purchase Notes in the open market or otherwise at any price. Any Notes so purchased may be cancelled or held and resold. Any Notes so purchased, while held by or on behalf of the Issuer or any Agency, shall not entitle the holder to vote at any meeting of holders of Notes and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of holders of Notes. Any Notes so cancelled will not be reissued.

## 7 Payments

### (a) Method of Payment

Payments of principal and interest in respect of the Notes will be made to the persons shown in the Register at the opening of business on the relevant Record Date (as defined below) and subject to the surrender of the Notes at the specified office of the Principal Paying Agent. Each such payment will be made by transfer to a Euro account maintained by the payee with a bank in London.

### (b) Payments Subject to Fiscal Laws

All payments in respect of the Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

### (c) No Commissions

No commission or expenses shall be charged to the Noteholders in respect of any payments of principal or interest in respect of the Notes.

### (d) Payments on business days

Where payment is to be made by transfer to a Euro account, payment instructions (for value the due date, or, if the due date is not a Business Day, for value the next succeeding Business Day) will be initiated on the due date for payment. A Noteholder shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Business Day.



(e) Partial payments

If a Paying Agent makes a partial payment in respect of any Note, the Registrar shall procure that the amount and date of such payment are noted on the Register.

(f) Record date

Payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's specified office on the 15th day before the due date for such payment (the "**Record Date**").

"**Business Day**" in respect of the Notes means a day on which banks are open for business in the place in which the specified office of the Fiscal Agent is located and on which the real time gross settlement system operated by the Eurosystem, or any successor system ("**T2**") is operating.

(g) Agents

The Issuer has initially appointed the Fiscal Agent, the Principal Paying Agent, the Registrar and the Transfer Agent named above. The Issuer may at any time vary or terminate the appointment of any such Agent and appoint another Agent or additional or other Agents outside the United States, **provided that**, it will at all times, and while any Note is outstanding, maintain one or more Paying Agents having a specified office in Europe for payments on Notes.

Notice of any such termination or appointment and of any change in the specified office of any Agent will be given in accordance with Condition 14 (*Notices*).

## 8 Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by North Macedonia or any regional or local subdivision or any authority thereof or therein having power to tax (together "**Taxes**"), unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the holders of Notes of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

- (a) to a holder, or to a third party on behalf of a holder, if such holder is liable to such Taxes in respect of such Note by reason of having some connection with North Macedonia other than the mere holding of such Note; or
- (b) if the Note is surrendered for payment more than 30 days after the Relevant Date (as defined below), except to the extent that the holder would have been entitled to such additional amounts on surrender of such Note for payment on the last day of such period of 30 days.

For the purpose of these Conditions, "**Relevant Date**" means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount plus any accrued interest having been so received) notice to that effect has been given to the holders of Notes.

Any reference in these Conditions to payments of principal or interest in respect of the Notes shall be deemed to include any additional amounts which may be payable under this Condition 8 (*Taxation*).

## 9 Events of Default

If any of the following events occurs and is continuing:

(a) Non payment

The Issuer fails to pay any principal on any of the Notes within seven days of the due date for payment or any interest or additional amounts on any of the Notes within 15 days of the due date for payment; or

(b) Breach of other obligations

The Issuer does not perform or comply with any one or more of its other obligations under the Notes, which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after notice of such default has been given to the Issuer at the specified office of the Fiscal Agent by any holder of Notes; or

(c) Acceleration and cross-default

- (i) the holders of any Public External Indebtedness of North Macedonia accelerate such Public External Indebtedness or declare such Public External Indebtedness to be due and payable, or required to be prepaid (other than by a regularly scheduled required payment), prior to the originally stated maturity thereof; or
- (ii) North Macedonia fails to pay in full any principal of, or interest on, any Public External Indebtedness when due (after expiration of any originally applicable grace period) or any Guarantee of any Public External Indebtedness given by North Macedonia shall not be honoured when due and called upon (after the expiration of any originally applicable grace period),

**provided that** the aggregate amount of the relevant Public External Indebtedness or Guarantee in respect of which one or more of the events mentioned above in this paragraph (c) shall have occurred equals or exceeds €20,000,000 or its equivalent in other currencies; or

(d) Moratorium

North Macedonia shall suspend payment of, or admit its inability to pay, its Public External Indebtedness or any part thereof or declare a general moratorium on or in respect of its Public External Indebtedness or any part thereof, or anything analogous to the foregoing shall occur; or

(e) Unlawfulness or Invalidity

The validity of the Notes is contested by North Macedonia or North Macedonia shall deny any of its obligations under the Notes or it is or becomes unlawful for North Macedonia to perform or comply with all or any of its obligations set out in the Notes or any of such obligations shall be or become unenforceable or invalid; or

(f) IMF

North Macedonia ceases to be a member of the IMF, then the holders of at least 25 per cent. in aggregate outstanding principal amount of the Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and repayable, whereupon they shall become immediately due and payable at their principal amount, together with interest accrued to the date of repayment, without further formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Issuer. After any such declaration, if the Issuer receives notice in writing from holders of not less than 50 per cent. in aggregate outstanding principal amount of the Notes that all amounts then due with respect to the Notes are paid (other than amounts due solely because of such declaration) and all other defaults with respect to the Notes are cured, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon such declaration shall be annulled and rescinded.

## 10 Prescription

Claims in respect of principal and interest will become void unless made within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

## 11 Replacement of Notes

If any Definitive Note Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar or the Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as North Macedonia may reasonably require. Mutilated or defaced Definitive Notes Certificate must be surrendered before replacements will be issued.

## 12 Meetings of Noteholders and Modification

### (a) General

The Fiscal and Paying Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any of these Conditions (having been approved by the Issuer) or any provisions of the Fiscal and Paying Agency Agreement. The following is a summary of selected provisions contained in the Fiscal and Paying Agency Agreement.

For the purposes of this Condition 12 (*Meetings of Noteholders and Modification*):

- (i) **“Debt Security”** means the Notes and any other bills, bonds, debentures, notes or other debt securities issued by the Issuer in one or more series with an original stated maturity of more than one year, and includes any such obligation, irrespective of its original stated maturity, that formerly constituted a component part of a Debt Security;
- (ii) **“Cross-Series Modification”** means a modification involving (i) the Notes or any agreement governing the issuance or administration of the Notes (including the Fiscal and Paying Agency Agreement), and (ii) the Debt Securities of one or more other series or any agreement governing the issuance or administration of such other Debt Securities;
- (iii) for the purposes of this Condition 12 (*Meetings of Noteholders and Modification*) only, **“holder”** in relation to a Note means the person in whose name the Note is registered on the books and records of the Issuer and, in relation to any other Debt Security, means the person the Issuer is entitled to treat as the legal holder of the Debt Security under the law governing that Debt Security, and the term **“Noteholder”**, for the purposes of this Condition 12 (*Meetings of Noteholders and Modification*) only, shall be construed accordingly;
- (iv) **“modification”** in relation to the Notes means any modification, amendment, supplement or waiver of the terms and conditions of the Notes or any agreement governing the issuance or administration of the Notes, and has the same meaning in relation to the Debt Securities of any other series save that any of the foregoing references to the Notes or any agreement governing the issuance or administration of the Notes shall be read as references to such other Debt Securities or any agreement governing the issuance or administration of such other Debt Securities;
- (v) **“outstanding”** in relation to any Note means a Note that is outstanding for the purposes of Condition 12(k) (*Outstanding Notes; Notes Controlled by the Issuer*), and in relation to the Debt Securities of any other series will be determined in accordance with the applicable terms and conditions of that Debt Security;
- (vi) **“Record Date”** in relation to any proposed modification means the date fixed by the Issuer for determining the holders of Notes and, in the case of a cross-series modification, the holders of debt securities of each other series that are entitled to vote on or sign a written resolution in relation to the proposed modification;
- (vii) **“Reserved Matter”** in relation to the Notes means any proposal to:
  - (A) change any date, or the method of determining the date, fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any

date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment;

- (B) effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (C) reduce or cancel the principal amount of outstanding Notes or, in the case of a Cross-Series Modification, the principal amount of Debt Securities of any other series required to approve a proposed modification in relation to the Notes, the principal amount of outstanding Notes required for a quorum to be present, or the rules for determining whether a Note is outstanding for these purposes;
- (D) vary the currency or place of payment in which any payment in respect of the Notes is to be made;
- (E) amend the status of Notes under Condition 2 (*Status*);
- (F) amend the obligation of the Issuer to pay additional amounts under Condition 8 (*Taxation*);
- (G) amend the Events of Default set out in Condition 9 (*Events of Default*);
- (H) amend the law governing the Notes, the courts to the jurisdiction to which the Issuer has submitted in the Notes, the Issuer's obligation to maintain an agent for service of process in England or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Noteholder set out in Condition 16 (*Governing Law and Jurisdiction*);
- (I) modify the provisions contained in the Fiscal and Paying Agency Agreement concerning the quorum required at any meeting of the Noteholders or any adjournment thereof or concerning the majority required to pass an Extraordinary Resolution or the percentage of votes required for the taking of any action;
- (J) change the definition of "**Reserved Matter**" or "**outstanding**" in the Conditions and/or Fiscal and Paying Agency Agreement; or
- (K) amend this definition,

and has the same meaning in relation to the Debt Securities of any other series save that any of the foregoing references to the Notes or any agreement governing the issuance or administration of the Notes (including the Fiscal and Paying Agency Agreement) shall be read as references to such other Debt Securities or any agreement governing the issuance or administration of such other Debt Securities; and

- (viii) "**series**" means a tranche of Debt Securities, together with any further tranche or tranches of Debt Securities that in relation to each other and to the original tranche of Debt Securities are (i) identical in all respects except for their date of issuance or first payment date, and (ii) expressed to be consolidated and form a single series, and includes the Notes and any further issuances of Notes;

(b) Convening Meetings of Noteholders

A meeting of Noteholders:

- (i) may be convened by the Issuer at any time; and
- (ii) will be convened by the Issuer if an Event of Default in relation to the Notes has occurred and is continuing and a meeting is requested in writing by the holders of not less than 10 per cent. of the aggregate principal amount of the Notes then outstanding.

(c) Quorum

- (i) The quorum at any meeting at which Noteholders will vote on a proposed modification to, or a proposed modification of:
  - (A) a Reserved Matter will be one or more persons present or represented at the meeting and holding not less than  $66 \frac{2}{3}$  per cent. of the aggregate principal amount of the Notes then outstanding; and
  - (B) a matter other than a Reserved Matter will be one or more persons present or represented at the meeting and holding not less than 50 per cent. of the aggregate principal amount of the Notes then outstanding.
- (ii) The quorum for any adjourned meeting will be one or more persons present or represented at the meeting and holding;
  - (A) not less than  $66 \frac{2}{3}$  per cent. of the aggregate principal amount of the Notes then outstanding in the case of a proposed Reserved Matter modification or a proposal relating to a Reserved Matter; and
  - (B) not less than 25 per cent. of the aggregate principal amount of the Notes then outstanding in the case of a non-Reserved Matter modification or any proposal relating to a matter other than a Reserved Matter.

(d) Non-Reserved Matters

These Conditions and any agreement governing the issuance or administration of the Notes (including the Fiscal and Paying Agency Agreement) may be modified in relation to any matter other than a Reserved Matter with the consent of the Issuer and:

- (i) the affirmative vote of a holder or holders of more than 50 per cent. of the aggregate principal amount of the outstanding Notes represented at a duly called and quorate meeting of Noteholders; or
- (ii) a written resolution signed by or on behalf of a holder or holders of more than 50 per cent. of the aggregate principal amount of the outstanding Notes.

(e) Reserved Matters

Except as provided by Condition 12(f) (Cross-Series Modifications) below, these Conditions and any agreement governing the issuance or administration of the Notes (including the Fiscal and Paying Agency Agreement) may be modified in relation to a Reserved Matter with the consent of the Issuer and:

- (i) the affirmative vote of a holder or holders of not less than 75 per cent. of the aggregate principal amount of the outstanding Notes represented at a duly called and quorate meeting of Noteholders; or
- (ii) a written resolution signed by or on behalf of a holder or holders of not less than  $66 \frac{2}{3}$  per cent. of the aggregate principal amount of the Notes then outstanding.

(f) Cross-Series Modifications

In the case of a Cross-Series Modification (and/or a proposal in respect of a Cross-Series Modification), these Conditions and Debt Securities of any other series, and any agreement (including the Fiscal and Paying Agency Agreement) governing the issuance or administration of the Notes or Debt Securities of such other series, may be modified in relation to a Reserved Matter with the consent of the Issuer and:

- (i) the affirmative vote of not less than 75 per cent. of the aggregate principal amount of the outstanding Debt Securities represented at separate duly called and quorate meetings of the holders of the Debt Securities of all the series (taken in the aggregate) that would be affected by the proposal and/or proposed modification; or
- (ii) a written resolution signed by or on behalf of the holders of not less than 66 2/3 per cent. of the aggregate principal amount of the outstanding Debt Securities of all the series (taken in the aggregate) that would be affected by the proposal and/or proposed modification;

and

- (i) the affirmative vote of more than 66 2/3 per cent. of the aggregate principal amount of the outstanding Debt Securities represented at separate duly called and quorate meetings of the holders of each series of Debt Securities (taken individually) that would be affected by the proposal and/or proposed modification; or
- (ii) a written resolution signed by or on behalf of the holders of more than 50 per cent. of the aggregate principal amount of the then outstanding Debt Securities of each series (taken individually) that would be affected by the proposal and/or proposed modification.

(g) Partial Cross-Series Modification

If a proposed Cross-Series Modification is not approved in relation to a Reserved Matter in accordance with Condition 12(f) (Cross-Series Modifications), but would have been so approved if the proposed modification had involved only the Notes and one or more, but less than all, of the other series of Debt Securities affected by the proposed modification, that Cross-Series Modification will be deemed to have been approved, notwithstanding Condition 12(f) (Cross-Series Modifications), in relation to the Notes and Debt Securities of each other Series whose modification would have been approved in accordance with Condition 12(f) (Cross-Series Modifications) if the proposed modification had involved only the Notes and Debt Securities of such other series, provided that:

- (i) prior to the Record Date for the proposed Cross-Series Modification, the Issuer has publicly notified holders of the Notes and other affected Debt Securities of the conditions under which the proposed Cross-Series Modification will be deemed to have been approved if it is approved in the manner described above in relation to the Notes and some but not all of the other affected Series of Debt Securities; and
- (ii) those conditions are satisfied in connection with the proposed Cross-Series Modification.

(h) Written Resolutions

A “written resolution” is a resolution in writing signed by or on behalf of Noteholders of the requisite majority of the Notes and will be valid for all purposes as if it was a resolution passed at a quorate meeting of Noteholders duly convened and held in accordance with these provisions. A written resolution may be set out in one or more documents in like form each signed by or on behalf of one or more Noteholders.

(i) Binding Effect

A resolution duly passed at a quorate meeting of Noteholders duly convened and held in accordance with these provisions, and a written resolution duly signed by the requisite majority of Noteholders, will be binding on all Noteholders, whether or not the Noteholder was present at the meeting, voted for or against the resolution or signed the written resolution.

(j) Manifest Error, Technical Amendments, etc.

Notwithstanding anything to the contrary herein, these Conditions and any agreement governing the issuance or administration of the Notes (including the Fiscal and Paying Agency Agreement) may be modified by the Issuer without the consent of Noteholders:

- (i) to correct a manifest error or cure an ambiguity; or
- (ii) if the modification is of a formal or technical nature or for the benefit of Noteholders.

The Issuer will publish the details of any modification of the Notes made pursuant to this Condition 12(j) (*Manifest Error, Technical Amendments, etc.*) within ten days of the modification becoming legally effective.

(k) Outstanding Notes; Notes Controlled by the Issuer

In determining whether Noteholders of the requisite principal amount of outstanding Notes have voted in favour of a proposed modification or whether a quorum is present at any meeting of Noteholders called to vote on a proposed modification, a Note will be deemed to be not outstanding, and may not be voted for or against a proposed modification or counted in determining whether a quorum is present, if on the record date for the proposed modification:

- (i) the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued;
- (ii) the Note has previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligation to make all payments due in respect of the Note in accordance with its terms; or
- (iii) the Note is held by the Issuer, by a department, ministry or agency of the Issuer, or by a corporation, trust or other legal entity that is controlled by the Issuer or a department, ministry or agency of the Issuer and, in the case of a Note held by any such above-mentioned corporation, trust or other legal entity, the holder of the Note does not have autonomy of decision, where:
  - (A) the holder of a Note for these purposes is the entity legally entitled to vote the Note for or against a proposed modification or, if different, the entity whose consent or instruction is by contract required, directly or indirectly, for the legally entitled holder to vote the Note for or against a proposed modification;
  - (B) a corporation, trust or other legal entity is controlled by the Issuer or by a department, ministry or agency of the Issuer if the Issuer or any department, ministry or agency of the Issuer has the power, directly or indirectly, through the ownership of voting securities or other ownership interests, by contract or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of that legal entity; and
  - (C) the holder of a Note has autonomy of decision if, under applicable law, rules or regulations and independent of any direct or indirect obligation the holder may have in relation to the Issuer: (x) the holder may not, directly or indirectly, take instruction from the Issuer on how to vote on a proposed modification; or (y) the holder, in determining how to vote on a proposed modification, is required to act in accordance with an objective prudential standard, in the interest of all of its stakeholders or in the holder's own interest; or (z) the holder owes a fiduciary or similar duty to vote on a proposed modification in the interest of one or more persons other than a person whose holdings of Notes (if that person then held any Notes) would be deemed to be not outstanding under this Condition 12(k) (*Outstanding Notes; Notes Controlled by the Issuer*).

(l) **Modification**

The Fiscal Agent may agree, without the consent of the Noteholders, to any modification of any of the provisions of the Fiscal and Paying Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error. Any such modification shall be binding on the Noteholders and, if the Fiscal Agent so requires, such modification shall be notified to the Noteholders as soon as practicable.

**13 Further Issues**

The Issuer may from time to time, without notice to or the consent of the holders of Notes, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects save for the date for and amount of the first payment of interest thereon) so as to form a single series with the Notes.

*Prospective investors should note that further notes that are treated as a single series with the Notes for non-tax purposes may be treated as a separate series for U.S. federal income tax purposes. In such case, among other things, the further notes may, for U.S. federal income tax purposes, be considered to have been issued with “original issue discount” (“OID”) required to be included in income by U.S. investors prior to receipt of cash attributable to such income even if the Notes had no OID, or the further notes may have a greater amount of OID than the Notes. These differences may adversely affect the market value of the Notes since such additional securities may not be distinguishable from the Notes.*

**14 Notices**

Notices required to be given to Noteholders may be delivered in person or sent by mail or facsimile transmission or telex to them at their respective addresses, facsimile or telex numbers reflected in the Register. Any such notice shall be deemed to have been given, in the case of a letter delivered by hand, at the time of delivery, in the case of a letter sent by mail, at the time of dispatch or, in the case of a telex, on receipt of an answerback confirmation by the sender.

*So long as any of the Notes are represented by the Global Notes, notices required to be published in accordance with Condition 14 (Notices) may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the relevant accountholders. Any such notice shall be deemed to have been given to such Noteholders on the day on which such notice is delivered to such clearing system.*

**15 Currency Indemnity**

The Euro is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than the Euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any holders of Notes in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the Euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Euro amount is less than the Euro amount expressed to be due to the recipient under any Note, the Issuer shall indemnify such recipient against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. These indemnities constitute separate and independent obligations from other obligations of the Issuer, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holders of Notes and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any judgment or order.



## 16 Governing Law and Jurisdiction

### (a) Governing Law

The Fiscal and Paying Agency Agreement and the Notes and any matter, claim or dispute arising out of or in connection therewith, whether contractual or non-contractual are governed by and shall be construed in accordance with English law.

### (b) Jurisdiction

- (i) Subject only to Condition 16(b)(ii), the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with the Notes (including a dispute relating to any non-contractual obligation arising out of or in connection with the Notes) (“**Proceedings**”) may be brought only in such courts. The Issuer irrevocably submits to the exclusive jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
- (ii) However, the provisions of Condition 16(b)(i) are made for the benefit of each of the Noteholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

### (c) Agent for Service of Process

The Issuer has in the Fiscal and Paying Agency Agreement irrevocably appointed the Embassy of the Republic of North Macedonia in London from time to time of 4<sup>th</sup> Floor, 64-65 Vincent Square, London, SW1P 2NU as its authorised agent in England to receive service of process in any Proceedings in England based on any of the Notes. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

### (d) Consent to Proceedings

Subject to Condition 16(e) (*Waiver of State Immunity*) below, the Issuer has irrevocably and generally consented in respect of any Proceedings anywhere to the giving of any relief or the issue of any process in connection with those Proceedings including, without limitation, the making, enforcement or execution against any assets whatsoever (irrespective of their use or intended use) of any order or judgment which may be made or given in those Proceedings.

### (e) Waiver of State Immunity

To the extent that North Macedonia may in any jurisdiction claim for itself or its assets or revenues immunity from suit, arbitral proceeding, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal or arbitral process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to North Macedonia or its respective assets or revenues, North Macedonia agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws and regulations of such jurisdiction, save that such waiver of immunity constitutes only a limited and specific waiver by the Issuer for the purposes of the Notes and under no circumstances shall it be construed as a general waiver by the Issuer or a waiver with respect to proceedings unrelated to the Notes. The Issuer does not waive any immunity with respect to (i) present or future “premises of the mission” as defined in the Vienna Convention on Diplomatic Relations signed in 1961, (ii) “consular premises” as defined in the Vienna Convention on Consular Relations signed in 1963, (iii) any other property or assets, including the rights used solely or mainly for official state purposes in the Republic of North Macedonia or elsewhere, (iv) military property or military assets of the Republic of North Macedonia related thereto, (v) claims of the Republic of North Macedonia on the basis of taxes, contributions and

other public duties, or (vi) the natural resources and objects of historical and artistic heritage as referred to in Article 56 of the Constitution of the Republic of North Macedonia.

## **17 Rights of Third Parties**

Any person who is not a Noteholder has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of these Conditions.

## FORM OF NOTES AND TRANSFER RESTRICTIONS

The following information relates to the form, transfer and delivery of each series of the Notes. Capitalised terms used but not defined herein have the meanings provided in the section entitled “*Terms and Conditions of the Series 1 Notes*” and “*Terms and Conditions of the Series 2 Notes*”.

### 1 Form of Notes

The Regulation S Notes will be represented by interests in a global note, in fully registered form, without interest coupons attached (the “**Unrestricted Global Note**”) which will be deposited on or about the Issue Date with a common depositary for, and registered in the name of a nominee for, the common depositary for the accounts of Euroclear and Clearstream, Luxembourg.

The Rule 144A Notes will be represented by interests in a global note in fully registered form without interest coupons attached (the “**Restricted Global Note**” and together with the Unrestricted Global Note, the “**Global Notes**”) which will be deposited on or about the Issue Date with a common depositary for, and registered in the name of a nominee for, the common depositary for the accounts of Euroclear and Clearstream, Luxembourg. The Restricted Global Note (and any Definitive Note Certificates (as defined below) issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of each such Note as set forth below.

The Global Notes will each have an ISIN number and a Common Code.

For the purposes of the Restricted Global Note and the Unrestricted Global Note, any reference in the Conditions to “**Definitive Note Certificate**” or “**Definitive Note Certificates**” shall, except where the context otherwise requires, be construed so as to include the Restricted Global Note or, as the case may be, the Unrestricted Global Note and interests therein.

Except in the limited circumstances described below, owners of interests in a Global Note will not be entitled to receive physical delivery of individual note certificates.

### 2 Euroclear and Clearstream Arrangements

Interests in the Unrestricted Global Note and the Restricted Global Note will be in uncertificated book-entry form (“**book-entry interests**”). The holdings of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the Register to reflect the amounts of Notes held through Euroclear and Clearstream, Luxembourg, respectively. Beneficial ownership of Notes will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream, Luxembourg.

So long as Euroclear or Clearstream, Luxembourg or the nominee of their common depositary is the registered holder of the Global Notes, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Global Notes for all purposes under the Fiscal and Paying Agency Agreement. Consequently, none of the Republic, the Fiscal Paying Agent, any other Agent or the Joint Lead Managers or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Participants must rely on the procedures of Euroclear and Clearstream, Luxembourg, and indirect participants must rely on the procedures of the participants through which they own book-entry interests, to transfer the interests or in order to exercise any rights of holders of the Notes.

Euroclear and Clearstream, Luxembourg have advised us that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Notes are credited and only in respect of the portion of the aggregate principal amount of Notes for

which the participant or participants has or have given direction. Euroclear and Clearstream, Luxembourg will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, Euroclear and Clearstream, Luxembourg reserve the right to exchange the Global Notes for definitive registered Notes in certificated form, and to distribute those definitive registered Notes to its participants.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Note to such persons will be limited. Because Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The book-entry interests will trade through participants of Euroclear or Clearstream, Luxembourg and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any book-entry funds where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

We understand the following with respect to Euroclear and Clearstream, Luxembourg:

- Euroclear and Clearstream, Luxembourg hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of those participants. Euroclear and Clearstream, Luxembourg provide to their participants, among other things, services for safekeeping administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg interface with domestic securities markets.
- Euroclear and Clearstream, Luxembourg participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations. Indirect access to Euroclear and Clearstream, Luxembourg is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear and Clearstream, Luxembourg participant, either directly or indirectly.

### 3 Exchange of Interests in the Global Note

The Restricted Global Note will become exchangeable, free of charge to the holder, in whole but not in part, for individual note certificates ("**Restricted Note Certificates**") if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so or (b) following a failure to pay principal when due and payable in respect of any Rule 144A Note, in each case where the Fiscal Agent has received a request from the registered holder of the Restricted Global Note requesting exchange of the Restricted Global Note for Restricted Note Certificates. In such circumstances, such Restricted Note Certificates will be registered in such names as Euroclear and Clearstream, Luxembourg shall direct in writing and the Republic will procure that the Registrar notify the holders as soon as practicable after the occurrence of the events specified in (a) and (b).

The Unrestricted Global Note will become exchangeable, free of charge to the holder, in whole but not in part, for individual note certificates ("**Unrestricted Note Certificates**") if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so, or (b) following a failure to pay principal when due and payable in respect of any Regulation S Note, in each case where the Fiscal Agent has received a request from the registered holder of the Unrestricted Global Note requesting exchange of the Unrestricted Global Note for Unrestricted Note Certificates. In such circumstances, such Unrestricted Note Certificates will be registered in such names as Euroclear and Clearstream, Luxembourg shall direct in writing and the Republic will procure that the Registrar notify the holders as soon as practicable after the occurrence of the events specified in (a) and (b).

In the event that the Restricted Global Note is to be exchanged for Restricted Note Certificates or the Unrestricted Global Note is to be exchanged for Unrestricted Note Certificates (together, “**Definitive Note Certificates**”) the relevant Global Note shall be exchanged in full for the relevant Definitive Note Certificates and the Republic will, without charge to the holder or holders thereof, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange, cause sufficient Definitive Note Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Note holders.

On exchange, a person having an interest in a Global Note must provide the Registrar with (i) a written order containing instructions and such other information as the Republic and such Registrar may require to complete, execute and deliver such Definitive Note Certificates and (ii) in the case of the Restricted Global Note only, a fully completed, signed certification (in the form provided in the Fiscal and Paying Agency Agreement) substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Definitive Note Certificates issued in exchange for a beneficial interest in the Restricted Global Note shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under “*Transfer Restrictions*”.

Book-entry interests in the Restricted Global Note (“**restricted book-entry interests**”) may be transferred to a person who takes delivery in the form of book-entry interests in the Unrestricted Global Note (“**unrestricted book-entry interests**”) only upon delivery by the transferor of a written certification (in the form provided in the Fiscal and Paying Agency Agreement) to the effect that the transfer is made in accordance with Regulation S and in accordance with any applicable securities laws of any state of the U.S. or any other jurisdiction.

Unrestricted book-entry interests may be transferred to a person who takes delivery in the form of restricted book-entry interests only upon delivery by the transferor of a written certification to the effect that the transfer is being made to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the U.S. or any other jurisdiction.

Any book-entry interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a book-entry interest in the other Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note, and accordingly, will thereafter be subject to all transfers, if any, and other procedures applicable to book-entry interest in that other Global Note for as long as that person retains the book-entry interests.

Upon the transfer, exchange or replacement of a Restricted Note Certificate bearing the legend referred to under “*Transfer Restrictions*” below, or upon specific request for removal of the legend on a Restricted Note Certificate, the Republic will deliver only Restricted Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Republic and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Republic that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

The Registrar will not register the transfer of any Notes or exchange of interests in a Global Note for Definitive Note Certificates for a period of 15 calendar days ending on the due date of any payment of principal or interest in respect of such Notes.

#### **4 Secondary Market Trading in Relation to the Global Notes**

Upon their original issue, the Notes will be in global form represented by Global Notes. Interests in the Notes will be in uncertificated book-entry form. Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating

procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

## **5 Notices**

So long as the Global Notes are held on behalf of Euroclear and Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”), notices to holders of a Series of Notes represented by a beneficial interest in the Global Notes may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System; except that, so long as the Notes are admitted to trading on the London Stock Exchange, the rules of the London Stock Exchange have been complied with. Any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

## **6 Record Date**

Notwithstanding Condition 7(f), each payment in respect of a Global Note will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Note is being held is open for business.

## **7 Pre-issue Trades Settlement**

It is expected that delivery of Notes will be made against payment therefor on the Issue Date, which could be more than one business day following the date of pricing. Under Rule 15c6-1 under the U.S. Securities Exchange Act of 1934, as amended, trades in the United States secondary market generally are required to settle within one business day (T+1), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States prior to the relevant Issue Date will be required, by virtue of the fact the Notes initially will settle beyond T+1, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the relevant Issue Date should consult their own advisers.

## **8 Transfer Restrictions**

Each purchaser of Notes will be deemed to have represented and agreed as follows:

- the purchaser (a) (i) is a QIB within the meaning of Rule 144A, (ii) is acquiring the Notes for its own account or for the account of such a qualified institutional buyer and (iii) is aware that the sale of the Notes to it is being made in reliance on Rule 144A or (b) is purchasing the Notes in an offshore transaction pursuant to and in accordance with Regulation S;
- the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged, or otherwise transferred except pursuant to an exemption from or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws;
- the Restricted Global Note and any Restricted Note Certificate will bear a legend to the following effect, unless the Republic determines otherwise in accordance with applicable law:

“THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE REPUBLIC OF NORTH MACEDONIA THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE

WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (“**QIB**”) WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR (4) TO THE REPUBLIC OF NORTH MACEDONIA OR ITS AFFILIATES”.

- it understands that the Republic, the Joint Lead Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the Notes is no longer accurate, it shall promptly notify the Republic and the Joint Lead Managers;
- if it is acquiring any Notes for the account of one or more QIBs, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- it acknowledges that neither the Republic, the Joint Lead Managers nor any person representing the Republic or the Joint Lead Managers, has made any representation to it with respect to the Republic or the offer or sale of any of the Notes, other than the information contained in this Offering Circular, which Offering Circular has been delivered to it and upon which it is relying in making an investment decision with respect to the Notes. It acknowledges that the Joint Lead Managers made no representation or warranty as to the accuracy or completeness of this Offering Circular.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provision of Section 5 of the Securities Act provided by Rule 144A.

## USE OF PROCEEDS

An amount equal to the net proceeds of the issue of the Notes will be used by the Issuer for budget support in 2026, for a cash tender offer of the Issuer's outstanding €700,000,000 3.675% notes due 2026 (the "**2026 Notes**") (Regulation S ISIN: XS2181690665, Rule 144A ISIN: XS2181690822) (the "**Tender Offer**"), and for refinancing its maturing government debt liabilities.



## OVERVIEW OF THE REPUBLIC OF NORTH MACEDONIA

### Area and Population

The Republic of North Macedonia (the “**Republic**” or “**North Macedonia**”) is located in Southeast Europe with a total area of 25,713 square kilometres. North Macedonia is bordered by five countries: Serbia and Kosovo to the North, Bulgaria to the East, Greece to the South and Albania to the West. Approximately 80% of the terrain of North Macedonia is mountainous, rising to its highest point at Mount Korab along its western border, with an elevation of 2,764 metres. The Vardar River runs north to south through the centre of North Macedonia and connects the country, through Greece, with the ports of the Aegean Sea. North Macedonia has a moderate continental climate with four distinct seasons.

The total resident population of North Macedonia as at 1 January 2025 was approximately 1,822,612 people of whom approximately 608,133 lived in the Skopje region, which is made up of 17 municipalities and is the political, administrative and commercial centre of North Macedonia. After Skopje, the largest municipalities are Kumanovo, Bitola, Tetovo and Prilep with populations ranging from 67,000 to over 98,000 people. Ethnic Macedonians comprise approximately 58.4% of the population, with ethnic Albanians comprising 24.3%, and the balance consisting of Turks (3.9%), Romas (2.5%), Serbs (1.3%), Bosnians (0.9%), Vlachs (0.5%), other ethnic groups (1.0%) and other persons for whom data are taken from administrative sources (7.2%).



### History

North Macedonia, as a sovereign and democratic state, is committed to the principles of parliamentary democracy, the rule of law, and respect for human rights, in pursuit of alignment with European and international standards.

In 2025, North Macedonia commemorated 34 years of independence, a period marked by significant progress towards stability, economic integration, and regional cooperation. As a democratic country and a North Atlantic Treaty Organisation (“**NATO**”) member since 2020, North Macedonia has continued to advance in its EU membership negotiations, demonstrating steadfast commitment to democratic development, Euro-Atlantic integration and the promotion of an inclusive society. Under the leadership of the current President Gordana Siljanovska-Davkova and Prime Minister Hristijan Mickoski, the country’s development aligns with European values, fostering an equal society for all citizens.

Through a gradual transformation from a constituent republic within the former Yugoslavia to a sovereign democracy, the Republic has navigated complex internal reforms and geopolitical challenges, establishing itself

as a reliable partner within the international community, in collaboration with NATO, the EU, neighbouring countries and the broader Balkan region. These sustained efforts, underpinned by strategic reforms, have bolstered institutional and macroeconomic stability, laying a robust foundation for sustainable growth and investor confidence.

Modern Macedonian statehood was formalised in 1944 through the Anti-Fascist Assembly for the National Liberation of Macedonia (ASNOM), which established the cornerstones of national identity, language, and culture. Within the Socialist Federal Republic of Yugoslavia, the Socialist Republic of Macedonia contributed to industrialisation and development, despite socio-economic challenges in the late 1980s.

The democratic transition began in late 1990 with multi-party elections, ending the one-party system. In 1991, the Government, under the President Nikola Kljusev, pursued sovereignty. A referendum on 8 September 1991 confirmed the country's independence, followed by the adoption of a new Constitution on 17 November 1991 (the “**Constitution**”). Under President Kiro Gligorov, the country achieved a peaceful transition, avoiding regional conflicts.

In April 1993, the Republic was admitted to the United Nations (the “UN”) under the provisional reference of “the former Yugoslav Republic of Macedonia,” marking a pivotal step towards international recognition. Despite regional instability, the Republic maintained neutrality and focused on strengthening democratic institutions and economic stabilisation through privatisation and partnerships with the IMF and World Bank.

The Ohrid Framework Agreement (the “**Framework Agreement**”) of August 2001 resolved ethnic tensions, introduced constitutional amendments to enhance decentralisation and minority rights, and served as a regional model for interethnic coexistence. In April 2001, North Macedonia signed the Stabilisation and Association Agreement (the “**SAA**”) with the EU, effective from 2004, initiating its EU integration process. Membership in the WTO in 2003 further integrated the Republic's economy into global markets. The Republic applied for EU membership in March 2004, achieving candidate status in December 2005. Despite political challenges between 2009 and 2017, democratic institutions were consolidated through dialogue and international support. The Prespa Agreement, signed in June 2018 and effective from February 2019, resolved the longstanding name dispute with Greece, establishing the constitutional name of the Republic of North Macedonia.

On 27 March 2020, North Macedonia became NATO's 30<sup>th</sup> member, completing key reforms for Euro-Atlantic alignment. In that same year, the EU decided to open accession negotiations, which commenced in 2022 following the resolution of bilateral issues. According to the European Commission's 2024 Report on North Macedonia, the Republic continues to demonstrate firm commitment to EU integration, with tangible progress in key areas, though further efforts are required to achieve full alignment with the *acquis Communautaire*. See “—*International Relations— EU Accession*”.

The current Government, led by Prime Minister Hristijan Mickoski, remains dedicated to advancing institutional and economic reforms and fostering a stable and predictable environment conducive to sustainable growth and investment security. These developments underscore the long-term stability and strategic orientation of the Republic towards the EU, reinforcing its role as a transparent and reform-driven partner in the regional and international community.

## **Political System and Government Structure**

### ***The Constitution***

North Macedonia is a sovereign and independent state, established following the first free multi-party parliamentary elections held on 11 November 1990. The newly elected Assembly adopted the Declaration of Sovereignty of the Socialistic Republic of Macedonia (the “**Declaration**”), outlining the fundamental principles of the state, including the protection of human rights and the establishment of constructive relations with neighbouring countries. Following the referendum on independence held on 8 September 1991, which was supported by 95% of the voters, and the adoption of the Constitution on 17 November 1991, the country established a stable framework for parliamentary democracy, the rule of law, and the protection of civil liberties.

The constitutional amendments of 2001 (the “**Constitutional Amendments**”), stemming from the Framework Agreement, strengthened ethnic inclusion by recognising the official use of the languages of communities constituting at least 20% of the population in certain municipalities and ensuring greater access to public administration and decision-making processes. In 2019, constitutional amendments implementing the Prespa Agreement signed on 17 June 2018 formally established the constitutional name as “Republic of North Macedonia”, the short form as “North Macedonia”, and the nationality as “Macedonian” or “citizen of the Republic of North Macedonia” and reaffirmed the absence of territorial claims toward neighbouring countries. These reforms resolved the long-standing name dispute, paving the way for the Republic’s membership in NATO on 27 March 2020 and the opening of EU accession negotiations on 19 July 2022.

The Constitution guarantees equality before the law, freedom of expression, and non-discrimination based on gender, race, religion or any other affiliation. This institutional framework ensures political stability, adherence to democratic principles, and alignment with international obligations, reaffirming North Macedonia’s commitment to international cooperation and democratic development.

### ***The President***

The President of the Republic is the head of state, elected by direct popular vote for a five-year term, with a maximum of two consecutive mandates. The current President, Gordana Siljanovska-Davkova, took office on 12 May 2024.

The President represents North Macedonia domestically and internationally, serves as Commander-in-Chief of the Armed Forces, and chairs the Security Council of the Republic. The office of the President negotiates and signs international agreements, appoints and recalls ambassadors, and promulgates laws jointly with the Speaker of the Assembly. It grants the mandate to form a Government and appoints members to the Republic’s Security Council, Constitutional Court, Judicial Council, and Council for Inter-Ethnic Relations. In exceptional circumstances, when the Assembly cannot convene, the President may declare a state of war or emergency.

These functions ensure institutional balance, democratic oversight, and alignment with Euro-Atlantic commitments. The President also receives letters of credence from foreign diplomats and proposes candidates for key judicial and security bodies. Through active international engagement, the office of the President reinforces North Macedonia’s strategic partnerships within NATO and the EU.

### ***The Assembly***

The Assembly of the Republic of North Macedonia is a unicameral legislative body and the central institution of parliamentary democracy. It exercises broad legislative and oversight powers, including the authority to amend the Constitution, enact laws and resolutions, introduce public taxes and fees, adopt the state budget, and ratify international treaties. Members of Parliament (“**MPs**”) are elected for a four-year term, with the Assembly functioning on the principles of transparency, accountability, and democratic legitimacy. The most recent parliamentary elections were held on 8 May 2024, with the next elections scheduled for 2028.

The Assembly consists of 123 MPs, of whom 120 are elected from six electoral districts within the country through a closed-list proportional representation system, applying the D’Hondt method for the allocation of mandates. The remaining three seats are reserved for the diaspora of citizens residing abroad. These seats are validated only if the voter turnout threshold is met. As the turnout in the 2024 elections did not meet the required minimum for citizens residing abroad, these seats currently remain vacant. Within the Assembly, the Council for Inter-Ethnic Relations functions as a consultative body, contributing to the promotion of inter-ethnic dialogue and the strengthening of trust among communities. The Council comprises the Speaker and two representatives from each major community (being Macedonians, Albanians, Turks, Vlachs, Roma, and others). The Assembly elects the members of the Council and is obliged to review its opinions and recommendations when deciding on matters of inter-ethnic importance.

A quorum for decision-making is achieved by a majority of all MPs. Laws are adopted by a majority vote of those present, but not fewer than one-third of the total number of MPs, unless the Constitution requires a qualified

majority. Systemic laws, constitutional amendments, impeachment proceedings, dismissals, and other decisions of essential state importance require a two-thirds majority. Additionally, for issues of special significance to the culture, language, education, personal documentation, and symbols of communities, approval is required by a majority of MPs belonging to non-majority communities, in line with constitutional guarantees of equality and inclusiveness.

### ***Government***

Executive power is exercised by the Government, which comprises 24 members, including the Prime Minister, five Deputy Presidents (of whom three concurrently serve as ministers of sectoral ministries, while two are ministers without portfolio), and 18 other ministers, including one minister without portfolio. The Government is elected by an absolute majority of votes in the Assembly, following the approval of the Prime Minister and his proposed programme. The current Prime Minister Hristijan Mickoski was elected on 23 June 2024. Ministers, nominated by the Prime Minister, are appointed and dismissed by the Assembly.

The Government formulates and implements national policies, proposes laws, the State Budget, and the spatial plan of the Republic, and oversees ministries and public administration. It directs the work of state bodies, adopts bylaws, manages state reserves, and establishes diplomatic and consular relations, including decisions on opening diplomatic and consular offices abroad. The Prime Minister nominates ministers and proposes the Public Prosecutor, both appointed by the Assembly with an absolute majority.

Through its constitutional competences, the Government ensures legal compliance, political stability, and international cooperation. It provides appraisals of draft laws submitted by other bodies, proposes ambassadors and appoints chiefs of consular offices, and performs other duties defined by the Constitution and law, thereby strengthening public trust and North Macedonia's position as a reliable Euro-Atlantic partner.

### **Recent Developments**

#### ***Parliamentary Majority Changes***

The latest parliamentary elections in North Macedonia were held on 8 May 2024. The right-wing opposition coalition led by the national VMRO-DPMNE party won the election, receiving 45% of the vote and 58 seats in the Assembly, which were three seats short of an outright majority being 61 seats. The then incumbent center-left coalition led by the Social Democratic Union of Macedonia received 16% of the vote and 18 seats in the Assembly, followed by For a European Future coalition which won 18 seats. For Our Macedonia (ZNAM) won 6 seats and the new party VLEN Coalition won 14 seats. The Assembly consists of 120 seats, which are deployed to members of the relevant parties.

On the same day of the parliamentary election, the second round of the Presidential election in 2024 was held. The candidate of the national VMRO-DPMNE party, Gordana Siljanovska-Davkova, won the Presidency.

On 6 June 2024, the leader of the national VMRO-DPMNE party, Hristijan Mickoski, was formally asked by President Gordana Siljanovska-Davkova to form the Government, after he had unveiled a coalition agreement with the VLEN Coalition and For Our Macedonia (ZNAM).

The investiture vote took place on 24 June 2024 in the Assembly. Since then, the Government has been led by Prime Minister Hristijan Mickovski and 24 members, of which 16 are from the VMRO-DPMNE-led coalition of Your Macedonia, six are from the VLEN coalition block of Albanian opposition parties, and two are from ZNAM. The Government has a four-year mandate until 2028 when the regular parliamentary elections are scheduled to take place.

#### ***The Russia/Ukraine Conflict***

North Macedonia's political support for Ukraine has been robust since the beginning of the aggression by a number of high-level visits, public messages of support, the joining of various initiatives, declarations of support and participation in meetings of various international formats regarding Ukraine. The Government has fully aligned

itself, including its foreign policy, with the policies of NATO and the EU regarding the Russian aggression in Ukraine, as well as regarding the sanctions against the Russian Federation, including adopting all 18 packages of sanctions of EU restrictive measures against the Russian Federation.

As a NATO Member and EU candidate country, North Macedonia has provided unequivocal political support and demonstrated consistent solidarity with Ukraine, having delivered 15 bilateral assistance packages since 2022, including arms, military equipment, and training for Ukrainian personnel. North Macedonia has fulfilled and exceeded its commitments under the NATO pledge made at the 2024 Washington Summit and remains prepared to scale further support, commensurate with national capacities. North Macedonia has also provided political and humanitarian assistance.

In this context, full alignment with the EU Common Foreign and Security Policy remains a strategic priority of North Macedonia. This includes implementation of all EU restrictive measures, notably the sanctions regime against the Russian Federation, as well as alignment with EU positions within the United Nations, the Council of Europe, the Organisation for Security and Co-operation in Europe (“OSCE”) and other multilateral fora.

North Macedonia will continue to support Ukraine in line with its capacities, contributing to a unified European approach, including international efforts to ensure accountability.

For the third year in a row, the Government has extended the temporary protection for the Ukrainians in the country until 9 August 2026.

North Macedonia has accepted refugees from Ukraine and prepared accommodation facilities for them. An agreement between the EU and North Macedonia regarding operational activities carried out by the European Border and Coast Guard Agency (“EBCGA”) in North Macedonia was signed on 26 October 2022. Once the agreement enters into force, members of the European Border and Coast Guard Standing Corps can be deployed to North Macedonia and joint operations organised by Frontex EBCGA can be carried out on the territory of North Macedonia, subject to an operational plan being agreed between Frontex EBCGA and the national authorities. Frontex and national border authorities will be jointly developing the operational plan.

At a ministerial meeting in Lviv on 9 May 2025, North Macedonia became a part of the international coalition of states gathered to formally endorse the establishment of a Special Tribunal for Crime of Aggression against Ukraine, which would be established with an agreement between Ukraine and Council of Europe.

North Macedonia joined the New York Declaration and has continued supporting the efforts to promote a comprehensive, just and lasting peace in Ukraine.

The Republic’s Minister of Foreign Affairs and Foreign Trade attended the Leader’s Summit of the International Coalition for the Return of Ukrainian Children, as held on the side-line of the 80<sup>th</sup> session of the UN General Assembly in New York in 2025. North Macedonia again re-affirmed the support for Ukraine in returning children who were illegally deported or forcibly displaced by Russia.

The Government recommended that the Agency for Audio and Audio-visual Media Services instruct cable operators in the Republic to exclude television channels founded by the Russian Federation or private individuals, legal or natural persons of origin from the Russian Federation. The recommendation was made after the decision of the EU member states to ban the broadcasting of “Russia Today” and “Sputnik” in the territory of the EU.

Regarding energy challenges, the Government has been considering and approaching alternative sources for gas provision, given that all gas in North Macedonia is imported from Russia. However, North Macedonia is planning to reduce its dependence on Russian gas. One example of this is the construction of a gas interconnector with Greece. The project consists of a 124 km gas pipeline, with 68 km in North Macedonia and 56 km in Greece. Commissioning of this project is expected to be in 2027.

Additionally, in October 2022 the gas transmission system operators of Bulgaria and North Macedonia signed an agreement to increase the capacity of the existing natural gas link between the two countries by 182 million cubic metres per year in the direction of North Macedonia. The agreement between Bulgaria and North Macedonia will

grant North Macedonia access to auctions on the Balkan Gas Hub, natural gas deliveries from Azerbaijan (which Bulgaria receives through its interconnection with Greece), and liquefied natural gas volumes from other potential suppliers through the existing Greek terminal at Revithoussa and the planned terminal at Alexandroupolis. Bulgaria will also make capacity at its Chiren gas storage facility available to North Macedonia under the agreement. In January 2026, meetings are expected between the Ministry of Energy, Mining and Mineral Resources and the Bulgarian Ministry of Energy to discuss energy issues, including capacity at the Chiren gas storage facility.

Necessary steps are also being taken to address food security challenges. There have been no bans or terminations of contracts, but the Government has engaged in finding alternative markets for domestic agricultural products. The focus of agrarian policies has been to maximise the amount of agricultural land that is arable, to increase yields in the medium-term and to reduce imports in the long run, in order for the state to be as import-independent as possible. In addition, the Government adopted a programme for implementation of an intervention fund in agriculture. The budget funds for this programme are MKD 250 million and are provided in the budget of the Agency for Financial Support in Agriculture. These funds are intended for use in intervention measures for financial support in agriculture to mitigate the consequences caused by rising production costs for agricultural production, crops in agricultural production and livestock support.

### ***The Energy Crisis***

Pursuant to Article 14 of the Energy Law (“Official Gazette of the Republic of Macedonia” No. 96/18 and “Official Gazette of the Republic of North Macedonia” No. 96/19), the Government adopted a decree on the criteria and conditions for declaring a state of crisis in cases of weather and natural disasters, accidents and disturbances in electricity markets, the manner of electricity supply in crisis situation, the measures taken in case of crisis, and the rights and obligations of the licence holders for performing electricity activities.

The Ministry of Economy established a Commission for monitoring the situation in the electricity supply in the country, which was responsible for monitoring and providing proposals to the Minister of Economy regarding the risks that may necessitate the declaration of a state of crisis.

In June 2024, pursuant to the Law on the Organisation and Operation of the Bodies of State Administration, the Ministry of Energy, Mining and Mineral Resources was established, thereby transferring the competences in the field of energy policy to the Ministry of Energy, Mining, and Mineral Resources. Among other structures, a new commission was formed within the Ministry of Energy, Mining, and Mineral Resources, which was entrusted with the monitoring of crisis situations.

Following the adoption of the Energy Law in May 2025, and in accordance with the obligations undertaken through the transposition of European legislation, arising from Directive 2019/944 and Regulation 2019/941 on the internal electricity market, as well as a series of regulations governing issues related to the functioning of the internal electricity market, congestion management and the allocation of transmission capacities, electricity system balancing, preparedness for managing risks in electricity and gas supply, and other matters concerning the internal electricity market, a nine-month deadline was established for the adoption of secondary legislation, including the Regulation on Crisis Management.

In 2024, the Government adopted a Decision on the Existence of a Crisis Situation in the Supply of Thermal Energy, No. 41-11996/3 of 21 November 2024 (“Official Gazette of the Republic of North Macedonia” No. 238/2024). The crisis situation lasted for 30 days, concluding on 21 December 2024. In order to address the declared crisis situation in the supply of thermal energy and to ensure the uninterrupted operation of the three activities of production, distribution, and supply of thermal energy, which was due to a shortage of liquidity for the 2024-2025 heating season, the Joint Stock Company for Electricity Production – Power Plants of North Macedonia, which is wholly state-owned and based in Skopje, submitted a request to the Government to provide funds in the total amount of MKD 1,802,494,164. During the declaration of the crisis situation, the provisions of the previous Energy Law were applicable.

### ***Local Elections and Election of New Prime Minister***

On 23 June 2024, the Assembly of North Macedonia elected Hristijan Mickoski as Prime Minister, with the support of 77 MPs, while 22 MPs voted against. The new Government was formed based on the parliamentary majority constituted after the elections held on 8 May 2024, and assumed office with a clear commitment to implementing structural reforms, accelerating European integration, and strengthening good governance and institutional accountability.

On 19 October 2025, the eighth consecutive local elections since the country's independence were held, where citizens directly elected mayors and municipal councillors in 80 municipalities and the City of Skopje. According to official data from the State Election Commission, mayors were elected in 44 municipalities in the first round, while 33 municipalities held a second round on 2 November 2025, and elections in four municipalities would be repeated due to turnout below the legal threshold of 30%. In the first round, the "Tvoja Makedonija" coalition, led by VMRO–DPMNE, won 33 mayoral seats, the "Vlen" coalition won five municipalities, the Social Democratic Union of Macedonia ("SDSM") won three, and the Nacionalna Alijansa za integracija also secured three mayoral victories. In the second round, the "Tvoja Makedonija" coalition, led by VMRO–DPMNE, won 21 mayoral seats, the "Vlen" coalition won four municipalities, SDSM won three, and each of the Nacionalna Alijansa za integracija, Union of Roma, ZNAM, and an independent candidate secured one victory.

The electoral process was conducted in a generally peaceful and democratic atmosphere, with active participation from domestic and international observers, reflecting the commitment to democratic standards of North Macedonia.

### ***Deputy Prime Minister in charge of good governance policies***

Within the Government formed in June 2024, Deputy Prime Minister Arben Fetai serves as the coordinator for good governance policies. He oversees the development of a strategic roadmap for digital transformation and anti-corruption initiatives. His responsibilities include ensuring inter-institutional coordination with the State Audit Office, the State Commission for Prevention of Corruption, the Inspection Council, civil society, and international partners.

### ***Berlin Process***

North Macedonia actively participates in the Berlin Process, which is a diplomatic initiative promoting regional cooperation and EU integration in the Western Balkans. At the 10<sup>th</sup> Summit which took place on 14 October 2024 in Berlin, leaders adopted the Common Regional Market Action Plan (CRM 2.0, 2025–2028), which built on the 2021–2024 framework endorsed in 2020. Key measures include extending Green Lanes to EU Member States to facilitate trade and ensuring supply chain resilience during crises, aligning national legislation and investment policies with EU standards, and advancing digital integration of regional industries into the EU Single Market.

### ***Open Balkan***

In December 2021, Albania, Serbia and the Republic agreed to further their Open Balkan initiative to promote ties focusing on the labour market, electronic identification and the lifting of non-tariff barriers for businesses. Further the three countries signed an agreement on Interconnection of Electronic Identification Schemes for the citizens of the Western Balkans and an agreement on Conditions for Free Access to the Labour Market in the Western Balkans.

### ***Strategy for Energy Development***

The EDS defines the energy policy of the Republic. The EDS is renewed every five years and is valid for a period of at least 20 years. In January 2020, the Government adopted the new Energy Development Strategy 2020-2040 which includes the national strategy for phasing out coal as an energy source by 2025. The EDS outlines six strategic goals for North Macedonia: maximise energy savings, maintain current levels of energy dependence, limit the increase of greenhouse gas emissions, increase the share of renewable energy sources, minimise system

costs and ensure continuous harmonisation with the EU Acquis. These strategic goals were in line with the new Energy Law and the EU's energy directives.

Under the new Energy Law (Article 12), it is established that:

- (1) The energy policy is defined in the Strategy for Energy Development, which is adopted by the Government upon the proposal of the Ministry of Energy, Mining, and Mineral Resources.
- (2) The Strategy for Energy Development sets out:
  - a. Long-term objectives for the development of individual energy activities to ensure security of supply of various types of energy;
  - b. Priorities for the development of the energy sector;
  - c. Priorities for connecting the energy systems of the Republic of North Macedonia with the energy systems of other countries;
  - d. Integration of energy markets in the Republic of North Macedonia with regional and international energy markets;
  - e. Identification and utilisation of energy resources and capacities of strategic importance for the state;
  - f. Sources and methods for securing the necessary quantities of energy;
  - g. Long-term forecasting of investment needs in generation, transmission, and distribution capacities, as well as storage facilities, to meet energy demand;
  - h. Implementation methods for planned investments and securing the necessary financial resources;
  - i. Potential of renewable energy sources, including energy storage possibilities, as well as measures to support the utilisation of renewable energy sources, to increase the share of energy produced from renewables in the gross final energy consumption;
  - j. Energy efficiency measures and measures to stimulate their implementation;
  - k. Measures to reduce the use of fossil fuels for energy production;
  - l. Conditions and methods for environmental protection and climate change mitigation, as well as measures for their implementation;
  - m. Promotion of competition in energy markets;
  - n. Consumer protection; and
  - o. Other elements of importance for the development of the energy sector in the Republic of North Macedonia.
- (3) The Strategy for Energy Development shall be adopted for a period of at least 20 years, with a special focus on the first 10 years.
- (4) The Ministry of Energy, Mining and Mineral Resources monitors the implementation of the Strategy for Energy Development and, every three years, no later than 31 December of the third year, prepares a report with proposed amendments, which it submits to the Government.
- (5) If the Ministry of Energy, Mining and Mineral Resources determines, based on the reports, that the development direction of the energy sector is inappropriate and does not follow the guidelines of the Strategy for Energy Development and the Integrated National Energy and Climate Plan, it proposes the adoption of a new strategy to the Government. The possibility of providing technical assistance for updating the Strategy for Energy Development is also considered.



The law stipulates obligations related to energy efficiency in the transmission, distribution and supply of energy, thus supplementing the relevant provisions of the new Energy Law. Suppliers and distributors will be required to implement measures that generate savings in energy usage. The law reinforces the requirement to display the energy efficiency class and eco-design of energy-efficient products offered in markets of North Macedonia.

### ***Intervention Plan on Investments***

As part of the Government's Intervention Plan on Investment for the period of 2021-2027, the Government intends to invest €8.2 billion in key sectors, including energy, to support the implementation of projects of high interest. The projects intend to accelerate the development of the local economy.

The EU support package for the Western Balkan countries aimed to assist North Macedonia in mitigating the socio-economic impact of rising energy prices, particularly on public service providers, small and medium-sized enterprises, and households. It also sought to strengthen the overall capacity of the Government to deliver services targeting vulnerable households and to support the long-term socio-economic recovery, energy security, and energy transition of North Macedonia. As part of the planned programmatic activities, the package envisaged the implementation of structural reforms facilitating the energy transition, including the revision and enhancement of strategic and regulatory frameworks to increase renewable energy production and energy efficiency, strengthen the energy grid, and develop storage capacities.

The total value of the package for North Macedonia amounted to €80 million, and the disbursement structure included:

- A first fixed tranche of €72,000,000 (90% of the total value), payable upon the signing of the financing agreement; and
- A second fixed tranche of €8,000,000 (10% of the total value), payable upon the progress of the agreement and the reform of sectoral policy in 2024.

The first tranche of the package was received in March 2024 and utilised to support the implementation of government measures to address the energy crisis, including support for vulnerable citizens and energy-vulnerable consumers, who received direct financial assistance and/or energy subsidies. Schools and public utility companies were provided with electricity at a subsidised price of €95/MWh. According to reports, 374 out of 474 schools and 55 out of 67 public utility companies benefited from this measure. Furthermore, 244 out of 820 eligible small and medium-sized enterprises involved in the production of basic food products received electricity at €80/MWh. 32 out of 109 eligible healthcare institutions signed supply contracts for electricity at special subsidised prices of €95/MWh. Additionally, 79,000 small consumers received subsidies on electricity prices.

At the same time, specific programmes supporting vulnerable groups, promoting renewable energy sources, and encouraging energy efficiency were extended and enhanced. Since October 2022, 172,000 vulnerable citizens have received direct financial support to cope with the energy crisis. This includes recipients of social assistance for the elderly, parents of children with disabilities receiving a special allowance, individuals aged 26–65 receiving disability benefits, persons with disabilities and chronic illnesses seeking compensation for assistance and care from another person, single parents receiving guaranteed minimum assistance, unemployed individuals claiming unemployment benefits, pensioners, and recipients of disability compensation for bodily injuries, among others.

The second tranche of the package has not yet been requested, as it is linked to the implementation of strategic, regulatory, and institutional reforms. Some of these processes were delayed due to the parliamentary elections in 2024 and the institutional restructuring of the energy sector through the establishment and operationalisation of the new Ministry of Energy, Mining, and Mineral Resources. Following the completion of institutional changes, the implemented reforms were intensified in 2025 with the adoption of the new Energy Law, the approved amendments to the Energy Efficiency Law, the new draft Law on Renewable Energy Sources, and the preparation of the relevant secondary legislation.

The updated National Energy Action Plan of North Macedonia for 2022-2023 (NEAP) report was set to the EU delegation on 27 November 2025, which contained the status of the measures on the adoption of the National Green Agenda Action Plan by the end of 2025, the adoption of the revised Energy Strategy by the end of 2026, the adoption of a revised National Energy and Climate Action Plan, the adoption of a Strategy for Reconstruction of Buildings, the adoption of new secondary legislation related to renewable energy sources, the Law on Construction and other relevant laws that should be aligned with the Law on Renewable Energy Sources, the full alignment with the Clean Energy Package including legislation on renewable energy, adoption of the secondary legislation necessary for the implementation of the Law on Energy, the adoption of secondary legislation in accordance with the Law on Energy Efficiency, the adoption of the Law on biofuels, and the establishment and operation of the Fund for Energy Efficiency by the first quarter in 2026.

The National Green Agenda Action Plan (2025-2027) is undergoing Governmental procedure for its adoption and the revised Energy Strategy is expected to be finalised by the end of 2026. The draft National Energy and Climate Action Plan has been completed and published on the website of the Ministry of Energy, Mining and Mineral Resources with the strategic environmental impact assessment, which has also been published on the website of the Ministry of Environment and Physical Planning, with public consultations scheduled for December 2026.

The adoption of the Strategy for the Reconstruction of Buildings is being conducted in four phases. In the first phase, amendments and supplements to the Law on Energy Efficiency were adopted in September 2025, extending the duration of the strategy from a maximum of ten years to a minimum of 20 years. In the second phase, the plan for the reconstruction of three per cent. of central government public buildings was adopted in October 2025. The third phase involves the preparation of an inventory of public buildings, which commenced in August 2025 and is scheduled for completion by June 2026. In the fourth phase, the remaining steps, including the preparation of typology and the completion of the strategy, are planned to be completed under the IPA III project.

In terms of the adoption of new secondary legislation related to renewable energy sources, a new Energy Law has recently been adopted. This legislative act, however, does not encompass the provisions pertaining to renewable energy sources. In recognition of the strategic importance of renewables, the Ministry of Energy, Mining and Mineral Resources has been preparing a separate Law on Renewable Energy Sources. Upon its adoption, the Ministry of Energy, Mining and Mineral Resources will proceed with the drafting and enactment of the necessary secondary legislation, including bylaws regulating the rights and obligations of prosumers. In this context, the Ministry of Energy, Mining and Mineral Resources remains committed to ensuring that the deadlines for the adoption of the relevant bylaws will be strictly observed, in full compliance with the Law on Renewable Energy Sources. Where necessary, the law on construction and other relevant laws would be aligned with this Law.

The Law on Amendments to the Law on Energy Efficiency was adopted and published in the “Official Gazette of the Republic of North Macedonia” No.193/2025 on 18 September 2025. This Law is in line with Directive (EU) 2018/2002 of the European Parliament and of the Council of 11 December 2018 and Directive 2009/33/EU of the European Parliament and of the Council of 23 April 2009. Bylaws will be adopted within two years from the date of entry into force of this Law.

The Ministry of Energy, Mining and Mineral Resources has initiated the procedure for adopting a new Law on the Use of Energy from Renewable Sources, aligned with Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources, as well as parts of the revised Directive (EU) 2023/2413 on the promotion of the use of energy from renewable sources. The draft version of the proposed Law was published in the Electronic National Register of Regulations, with a designated public consultation period of 30 days. Within this consultative procedure, all relevant stakeholders, including representatives of the energy sector, the academic community, the Energy Regulatory Commission, energy system operators, as well as other interested individuals and legal entities, are able to submit comments, proposals, and recommendations. This procedure is in line with the principles of transparency and inclusiveness in the development of legislative and subordinate acts. Within the Ministry of Energy, Mining and Mineral Resources, a working group has been established to actively review the comments and proposals received, based on which a consolidated text of the proposed Law will be prepared. The final version

is expected to be submitted to the Government in the first quarter of 2026, after which it will be submitted for adoption by the Assembly.

The new Law on Energy adopted in May 2025 transposes the EU Electricity Integration Package, including Regulations (EU) 2017/1938 and (EU) 2022/1032, and strengthens energy security, the market and investments in renewable sources. The competent authority for gas supply security began preparing a risk assessment in June 2025, with support from the Joint Research Centre of the European Commission and the Secretariat. The draft risk assessment was finalised in November 2025, with adoption expected in January 2026, followed by the preparation of preventive and emergency plans. The Law on Energy also includes the definition of protected customers.

Other secondary legislation in gas and oil is also under preparation by the Ministry of Energy, Mining and Mineral Resources in order to be aligned with the transitional provisions of the Law on Energy to be adopted within 18 months from 29 May 2025. For the adoption of secondary legislation, in accordance with the Law on Energy Efficiency, the Rulebook on the content and form of energy efficiency programs (Official Gazette of the Republic of North Macedonia No.213/2025) was published on 16 October 2025, the plan for the reconstruction of three per cent. of central public buildings was adopted by the Government in October 2025, and the Government adopted the Decree on the Regulation of Energy Service Contracts at its 138<sup>th</sup> Session on 23 December 2025. The draft decree on establishing energy efficiency goals is undergoing Governmental procedure for adoption in the first quarter of 2026.

The provisions for biofuels arising from Directive (EU) 2018/2001 will be included in the new Law on renewable energy. There will be no separate Law on biofuels. The Energy Efficiency Fund is expected to be fully operational in the first quarter of 2026.

### ***The Judicial System***

In the Republic, the judicial system is composed of the Supreme Court of the Republic of North Macedonia, four Appellate Courts, the High Administrative Court, the Administrative Court, and 27 courts of first instance (the “**Basic Courts**”).

The Constitution provides for the independence of courts and states that cases are to be adjudicated only based on the Constitution, laws and ratified international agreements and treaties. In addition, after exhausting legal remedies in the Republic, the dissatisfied party can initiate proceedings before the European Court of Human Rights.

The Constitutional Court follows a continental European model, and rules on the constitutionality of laws as well as the constitutionality and legality of secondary legislation. It is vested with authority to protect certain rights and freedoms such as freedom of expression, the right to assembly and the right to equality. Further, the Constitutional Court adjudicates conflicts between the central and local governments and amongst holders of legislative, judicial and executive office. In addition, it decides on the accountability of the President of the Republic. The Constitutional Court’s rulings are final and not subject to review. The Constitutional Court does not belong to a regular judiciary and differs from ordinary courts in its organisational structure and way of functioning.

Pursuant to the Law on Courts (the “**Law on Courts**”), each of the 27 Basic Courts are established for one or more municipalities with areas determined by this law. Basic Courts, in accordance with their actual jurisdiction, shall judge in the first instance and they are established as courts with basic jurisdiction and courts with extended jurisdiction. Within the basic courts with extended jurisdiction, mandatory specialised court departments are established that will act only on certain types of disputes, according to the law. Article 32 of the Law on Courts provides for the establishment of a specialised department within the Basic Criminal Court to handle organised crime and corruption cases covering the whole territory of the Republic.

There are four appellate courts, located in Skopje, Bitola, Gostivar and Shtip, which exercise appellate jurisdiction over the Basic Courts. The Supreme Court is the highest court, serving a variety of roles, including providing uniformity in the implementation of the laws of North Macedonia by the courts and thus acts as a court of final resort (extraordinary legal remedies).

The Administrative Court has original jurisdiction over administrative disputes for the entire territory of the Republic. The High Administrative Court decides on the appeals for decisions made by the Administrative Court and is the arbiter for cases involving conflicts between various administrative and municipal bodies.

Judges for the Basic Courts, Appellate Courts, Administrative Court, High Administrative Court and Supreme Court are elected by the Judicial Council. According to the Constitution, the Judicial Council is independent of the judiciary. The Judicial Council is composed of 15 members, eight of whom are judges elected by their peers. Three of the elected judges are from minority communities in the Republic. Three council members are elected by the Assembly by simple majority vote and in addition, a majority vote by members of the Assembly who are minority communities. Two members are elected by the Assembly based on a proposal from the President of the Republic of North Macedonia, one of whom shall be a member of a minority community. The President of the Supreme Court and the Minister of Justice (who do not have a right to vote) are members of Judicial Council *ex officio*.

All members of the Judicial Council are elected to six-year terms with the right to one re-election upon expiration of a six-year term. The Judicial Council has primary responsibility for the election and dismissal of judges. It also conducts an annual assessment of the judges' work and is responsible for implementation of measures intended to protect judicial independence and impartiality.

In 2019, the Assembly adopted the Law on the Judicial Council, incorporating the function of managing disciplinary proceedings for judges based on the recommendations of the Venice Commission of the Council of Europe.

The Constitution, the Law on Courts and other substantive and procedural legislation pertaining to the judiciary are intended to provide essential institutional and functional guarantees for the independence and impartiality of the judiciary of North Macedonia. To this end, they have established doctrine including lifetime appointment of judges, judicial immunity, and protections from transfer to another court, together with other features in alignment with generally accepted principles and norms of European and international law.

### ***Judicial System Reform***

#### ***1. Development Sectoral Strategy for the Judiciary (2024 – 2028)***

The Development Sectoral Strategy for the Judiciary (2024-2028) is a strategic document adopted by the Government in December 2023 to plan policies for the further development of the judicial system. The Development Sectoral Strategy for the Judiciary (2024-2028) contributes to the realisation of the European Commission's recommendations for the further development of the rule of law, the judicial system, fundamental values, and basic rights. The Development Sectoral Strategy for the Judiciary (2024-2028) aims, in particular, to address the issues raised by the European Commission in the Screening Report for Cluster 1 regarding the judiciary, as well as the recommendations on the several peer review missions carried out regarding the Judicial Council of the Republic, the training for judges and public prosecutors, administrative justice and enforcement.

The Development Sectoral Strategy for the Judiciary (2024-2028) was prepared by a working group established by the Minister of Justice. During the preparation of this Development Sectoral Strategy for the Judiciary (2024-2028), evaluations from international and domestic reports on the implementation and the achieved results from the implementation of the Strategy for Reforms in the Justice Sector (2017-2022) with the Action Plan (2017-2022) were taken into account. The Development Sectoral Strategy for the Judiciary (2024-2028) builds upon the reform process initiated by the Justice Sector Reform Strategy (2017-2022), which has enabled a certain degree of approximation to European standards in the justice sector.

All previous steps and implemented processes significantly impact the framework of this new Development Sectoral Strategy for the Judiciary (2024-2028), which determines a set of development goals and measures necessary for the judicial system to reach the required standards for North Macedonia's EU accession. The strategic framework includes a vision, priority areas, general objectives, particular objectives and measures, which are formulated by internationally recognised principles, in particular the standards established by the EU and the Council of Europe in this area (including independence, impartiality, responsibility, expertise and efficiency), in order to further develop modern justice.

The vision of the Development Sectoral Strategy for the Judiciary (2024-2028) is an independent, accountable, transparent and accessible judiciary, resistant to internal and external influences, which protects human rights and efficiently ensures the rule of law.

This Development Sectoral Strategy for the Judiciary (2024-2028) identifies five specific priority areas. Although each of the priority areas is interconnected and contributes to the vision's realisation, each requires a special approach and different measures. For each priority area, the Development Sectoral Strategy for the Judiciary (2024-2028) foresees a series of particular goals, which contribute to realising the general goal.

#### *Priority area 1: Judiciary and public prosecution in line with EU standards*

The goal of this priority area is to strengthen the rule of law by promoting the independence of the judiciary and the public prosecution, ensuring the efficiency and effectiveness of the justice system in accordance with EU standards. Within the framework of this measure, measures necessary to ensure full compliance of the judiciary and the public prosecutor's office with EU law are foreseen.

#### *Priority area 2: Institutions of the justice system*

In this priority area, the Development Sectoral Strategy for the Judiciary (2024-2028) foresees a set of measures and activities to strengthen the capacities and responsibility of the particular institutions of the justice system. They face different types of problems that can only be addressed with measures adapted to the institution's needs. Strengthening these institutions' human, technical and organisational capacities, including their responsibility, is necessary to achieve the goals within priority area 1.

#### *Priority area 3: Independent professions and public services*

Lawyers, notaries, bailiffs and mediators are essential links in the justice system. This priority area aims to enhance the environment in which these professions and public services operate, providing high-quality services to citizens.

#### *Priority area 4: Reform of the Constitutional Court of the Republic of North Macedonia*

The Constitutional Court protects constitutionality and legality and is an essential element of the system of separation of powers. Although it is not an organ of judicial power and is within the framework of the constitutional system, it is outside the system of justice. The Constitutional Court can and should play a vital role in protecting human rights and the rule of law.

#### *Priority Area 5: Reforms in Special Legal Areas (Criminal and Civil)*

This priority area encompasses the necessary reforms in substantive and procedural laws related to criminal and civil matters, which are essential for the daily functioning of the justice system's institutions.

#### *Implementation and Monitoring*

The implementation of specific measures and activities will be carried out by the institutions or bodies designated in the action plan. This will be completed within the timeframe established in the action plan. If several institutions or bodies are responsible, the most affected institution or bodies will coordinate the others. They will report monthly to the Ministry of Justice on the state of implementation of the measures and activities, as well as the value of the specific indicators. The Department of Justice will collect information on the status of implementing

the Strategy for the Organisation of Judicial Authorities and Monitoring of Reforms in the Justice Sector within the Ministry of Justice. They will prepare monthly reports based on the information collected by other institutions.

The coordination of the implementation is carried out by the Ministry of Justice, supported by the Working Body for the Coordination of the Implementation of the Development Sectoral Strategy for the Judiciary (2024-2028). The working body will represent the composition of the working group that prepared the Development Sectoral Strategy for the Judiciary (2024-2028) at the operational level. The goal will be to ensure that the activities are carried out as planned and to identify all external factors that could hinder the realisation of certain activities. The Department of Justice within the Ministry of Justice will provide administrative support to the working group.

The Council will carry out the monitoring of the implementation of the development strategy for the judiciary. It will focus on the implementation status of planned activities and assess the current value of impact, outcome and output indicators where applicable. The Council will review the Ministry of Justice's monthly reports and produce quarterly reports on the implementation status, outlining any delays or challenges. The Council can conclude the implementation of measures and resolve problems.

#### *Implementation of the Action Plan to the Development Sectoral Strategy for Judiciary (2024 – 2028)*

The Action Plan for the Development Sectoral Strategy for the Judiciary (2024-2028) envisions the implementation of 234 activities to achieve 102 measures. In 2024, plans were made to start implementing a total of 152 activities, of which 56 were to be completed in full over the years. Of the total 152 planned activities, 24 have been fully implemented, 69 are in progress, and 59 have not yet been implemented. The implementation rate of the Development Sectoral Strategy for the Judiciary (2024-2028), as a ratio of the activities to be completed in 2024 to the implemented activities, is 42.9%. There are differences in the implementation rate of different priority areas. The greatest progress is noted in the first and second priority areas, where the implementation rate exceeds 60%

Within the first priority area (*Judiciary and public prosecution in line with EU standards*), the aim is to strengthen the rule of law by promoting the independence of the judiciary and the autonomy of the public prosecution service, and ensuring the efficiency and effectiveness of the justice system in accordance with EU standards. Within this priority area, out of a total of 118 planned activities, plans were made to start implementation of 73 in 2024, and 25 were planned to be completed. A total of 15 have been implemented, 32 are in progress, and 21 activities have not yet been implemented. A central process in this priority area, which encompasses several different measures, is the reform of the Law on the Judicial Council to address the recommendations of the Assessment Mission.

Within the second priority area (*Institutions of the justice system*), the strategy envisioned a set of measures and activities aimed at strengthening the capacities and accountability of specific institutions within the justice system. Strengthening the human, technical and organisational capacities of these institutions, including their accountability, is necessary for achieving the objectives within the priority area. The indicators for achieving this general objective indicate difficulties in providing sufficient financial and human resources necessary for the functioning of justice institutions. The start of the digitalisation process for part of the justice institutions, which began in 2024 with EU support, is significant. Out of a total of 32 planned activities, 25 were scheduled for implementation in 2024, and three were to be completed. Two activities have been fully implemented, 13 are ongoing, while ten have not been implemented.

In the third priority area (*Independent professions and public services*), measures are planned to enhance the environment in which lawyers, bailiffs, notaries, and mediators work, and to provide high-quality services to citizens. In 2024, except for establishing working groups for specific laws, no other significant steps were taken to improve the legal framework governing independent professions and public services. Within the framework of internal organisational systems, specific actions have been taken to increase digitalisation in the provision of services and the performance of official actions. Out of the total of 24 activities planned in this priority area for 2024, one activity has been fully implemented, 11 are ongoing, and 12 have not yet been started.

The fourth priority area (*Reform of the Constitutional Court of the Republic of North Macedonia*) encompasses several measures relevant to strengthening the role of the Constitutional Court in protecting the rule of law. Key activities in this priority area, aimed at initiating a process for expanding the jurisdiction of the Constitutional Court, are planned for the coming years. In 2024, out of a total of two activities, one is ongoing, and the other has not been implemented.

The fifth priority area (*Reforms in Special Legal Areas (Criminal and Civil)*) encompasses the necessary reforms in substantive and procedural laws related to criminal and civil matters, which are essential for the daily functioning of the justice system's institutions. In 2024, work was carried out on normative harmonisation, in particular in criminal legislation; however, proposals for new substantive and procedural criminal legislation were not adopted. The situation is similar for civil legislation. There has been progress in establishing an institutional structure for implementing the Law on Financial Compensation to Victims of Crimes, as well as the Law on Expertise. Within this priority area, 30 activities are planned, of which 13 are scheduled to start in 2024 and ten are expected to be completed. Of the 13 planned for 2024, four have been fully implemented, six are ongoing, and three have not been implemented.

The Ministry of Justice led the process of coordinating the implementation of the Development Sectoral Strategy for the Judiciary (2024-2028), establishing an internal working group to enhance coordination across various sectors. Guidelines for implementation and information were developed. It is necessary to establish a working body that includes all judicial institutions to improve coordination.

In 2025, two coordinative working sessions were held with representatives of judicial institutions to provide better coordination of the data collection process on implementation of activities from action plans and strategies. A new digital tool was introduced in April 2025 to simplify data input from judicial institution representatives.

The Council for Monitoring the Implementation of the Strategy was established, which held a constituent session in May 2024. After the adoption of a growth plan and reform agenda, it was reformed and established in June 2025 as the Council for Monitoring of the Judiciary Reforms with competence of Monitoring the Strategy and Reform Agenda. It held two sessions on 10 September 2025 and 22 October 2025 respectively.

#### *Anti-Corruption measures*

The reduction of crime and corruption is a strategic priority for North Macedonia. The main strategic document in the area of anti-corruption is the National Strategy for Prevention of Corruption and Conflicts of Interest (2021-2025). The National Strategy for Prevention of Corruption and Conflicts of Interest (2021-2025) was prepared by the State Commission for Prevention of Corruption ("SCPC") and adopted by the Assembly. The National Strategy for Prevention of Corruption and Conflicts of Interest (2021-2025) is cross-sectoral and indicates corruption risks across various areas of the entire system. The majority of actions pertain to enforcement bodies, health care and education sectors. The SCPC is the monitoring body responsible for reporting to the Assembly on the progress of the National Strategy for Prevention of Corruption and Conflicts of Interest (2021-2025), based on data and information provided by the authorities competent for the implementation of the foreseen measures and collected through a dedicated web-based solution.

As the National Strategy for Prevention of Corruption and Conflicts of Interest (2021-2025) expired by the end of 2025, a new five-year strategy (2026-2030) is envisaged to be prepared and adopted, following a transparent and inclusive process, in accordance with the provisions of the Law on Prevention of Corruption and Conflict of Interest, and based on the lessons learned and noted in the SCPC annual reports and the June 2024 analysis of the factors that influence the level of implementation of the National Strategy for Prevention of Corruption and Conflicts of Interest (2021-2025). The preparation process of the first draft of the new strategy is ongoing with public consultations commencing by the end of 2025. To maintain the inclusive process, the SCPC formed dedicated working groups for the preparation of the sector-specific chapters of the new strategy, which are led by experts and composed of members who are representatives of stakeholders, competent institutions, civil society organisations, business associations and the academia.

In October 2025, the Government modified the composition of the inter-agency body for the coordination of anti-corruption activities, and elevated its membership to the level of political decision makers, while retaining the full membership of civil society organisations' representatives, in order to improve efficiency of the implementation monitoring and cooperation with stakeholders for the purposes of effective anti-corruption policies. The inter-agency body is chaired by the Deputy Prime Minister in charge of good governance policies. Thus, the fight against corruption and the Government's efforts to fight corruption have been raised to a higher level.

The anti-corruption legal and institutional framework is comprehensive and largely in line with EU and international instruments and standards. It is harmonised with the UN Convention against Corruption and the Council of Europe Civil and Criminal Law Conventions on Corruption.

The main law in the area of corruption prevention is the 2019 Law on Prevention of Corruption and Conflict of Interest ("LPCCI"), which is largely in line with the international and EU standards in the area of prevention of corruption. Amendments to LPCCI have been prepared to incorporate GRECO recommendations aimed at improving the sanctioning regime for violation of LPCCI provisions, in terms of ensuring efficient, proportionate and dissuasive sanctions. In addition, the amendments incorporate provisions by which:

- The procedures for determining conflict of interest and incompatibility of functions are being further regulated;
- The provisions that determine duties for officials are being rationalised and specified;
- The areas are being expanded for which, after a risk assessment of corruption, special laws can prescribe grounds for submitting of assets and interest declarations in institutions;
- Misdemeanour sanctions are being tightened within the framework of the Law on Misdemeanours;
- The application of the provisions on the nullity of acts is being specified, as an important instrument under the jurisdiction of the SCPC; and
- The provisions relating to the activities preceding the preparation of the national strategy for the prevention of corruption are being specified, to include an analysis of the forms of corruption that disproportionately affect women.

A system of protected internal and external reporting and whistleblowing channels is in place, in accordance with the Law on Whistleblower Protection, which has been applicable since March 2016. A register of authorised persons for receiving whistle-blower report is regularly updated by the SCPC. To fully align the legislation with Directive 2019/1937, in an inclusive process in which business associations and civil society organisations participated, a draft new law on protected reporting and whistleblower protection has been prepared and submitted to the Government. The inter-agency consultations for the draft are ongoing.

The Law on Lobbying regulates the conditions for acquiring the status of lobbyist and lobby organisation, registration and obligations, as well obligations of the lobbied entities and persons to ensure transparency in the processes of preparing, adopting and amending public policies, programmes and general legal acts. It also extends the competences of the SCPC, adding the responsibility to keep a register of lobbyists and lobbying organisations, minutes and reports on conducted lobbying activities. The register for lobbyists, lobby organisations and lobbying has been operational since June 2022.

North Macedonia signed the International Treaty on Exchange of Data for the Verification of Asset Declarations in March 2021. The "Law on International Cooperation in Criminal Matters" defines the wide scope of international legal assistance and informal exchange of data and information.

The asset and interest declarations are publicly available on the Register of Elected and Appointed Officials, maintained by the SCPC. The Register is published on the SCPC official website and enables public access to data from the submitted declarations, with the exception of information that is protected by law. With the introduction of the new electronic system for submitting asset and interest declarations, the process of collecting,



verifying and analysing data has been significantly improved, enhancing the possibilities for proactive use of the submitted declarations as a tool for detecting disproportionate assets and potential criminal proceeds.

The SCPC has developed a system aimed to guide the public institutions on how to strengthen institutional and personal integrity. Targeted guidelines for local government bodies have also been released.

Risk registers and risk mitigation plans at central and local level public sector entities will be prepared and adopted, in accordance with the Law on Public Sector Internal Financial Control, including by implementation of the methodology and guidelines adopted by the Ministry of Finance and the SCPC, which incorporate guidelines for corruption risk assessment.

On 17 June 2025, the Government adopted the National Strategy for Strengthening of the Capacity for Conducting Financial Investigations and Property Confiscation (2025-2028) along with its Action Plan. The strategy aims to contribute to further strengthening the capacities of national institutions, as well as their coordination in monitoring the flow of money and detecting possible concealment and transfer of illegally acquired property.

In accordance with the Law on Prevention of Money Laundering and Terrorism Financing, a national risk assessment (“NRA”) was conducted. The NRA report was published as of September 2025. The conclusions presented in the NRA report will be used for the preparation of the new National Strategy for Combating Money Laundering and Financing of Terrorism. The latest NRA report is also useful for individual entities, as it represents a framework for conducting internal risk assessment at the client or entity level. In addition, within the NRA process, an enhanced analysis has been conducted and special attention has been given to the vulnerability of the informal economy, gambling and the construction sector.

Regarding repression, the Criminal Code foresees the criminal offences of passive bribery (Article 357) and active bribery (Article 358). Other corruption offences are also criminalised, including misuse of official position and authorisation (Article 353), awarding an illegal influence and receiving a reward for illegal influence (Article 358-a and Article 359), illegal acquisition and concealing of property (Article 359-a).

The preparation of a new Criminal Code and new Criminal Procedure Code is ongoing, which aims at alignment with numerous international standards and documents in the field of criminal material and procedural law.

The application of the Law on Confiscation of Property in Civil Procedure (“LCPCP”) commenced in September 2024. Activities are being carried out to support institutions for its implementation, namely practical training and counselling. The objective of the LCPCP is to protect the public interest by preventing the disposal of property and property benefits that cannot be proven to have been acquired from legal sources. The restriction of the peaceful enjoyment of property and international cooperation for the achievement of the objective of the LCPCP is carried out under conditions and in a procedure regulated by law, in accordance with the Constitution and ratified international agreements. The LCPCP introduces the fourth model of confiscation, namely, non-conviction based confiscation, which constitutes civil confiscation, when the conditions provided for by law are met. Currently, a working group is operating within the Ministry of Justice to amend the law with the aim of improving its provisions.

In accordance with the Development Sectoral Strategy for the Judiciary (2024-2028) and the Reform Agenda 2024–2027, and taking into account the recommendations of GRECO, the European Commission and the Venice Commission, in order to strengthen integrity in the judiciary and public prosecution, the Ministry of Justice has prepared proposals for new laws or amendments to the Law on Public Prosecution, the Law on Courts, the Law on the Judicial Council and the Law on the Council of Public Prosecutors, with improved provisions that will overcome existing shortcomings in the procedures for selection, election or appointment, evaluation, promotion, disciplinary liability and dismissal of judges and public prosecutors.

In support of these measures, the budget of the SCPC for 2024 increased by 47% compared to the 2022 budget. The budget of the SCPC for 2025 was set in the same amount as the previous year. The number of employees in the SCPC Secretariat has doubled, compared to its number in 2020.

The Public Prosecution Office has established cooperation with the European Union Agency for Criminal Justice Cooperation (EUROJUST), the Southeast European Prosecutors Advisory Group (SEEPAG), the European Anti-Fraud Office (OLAF), Europol, the Camden Asset Recovery Inter-Agency Network (CARIN) and other international organisation for data exchange. The Public Prosecutor's Office, the Ministry of Interior and the Financial Police Office are members of the UN Office on Drugs and Crime GlobE network since October 2021, while the Financial Intelligence Office of the Ministry of Finance is auxiliary member to this network since April 2024.

In November 2024, the State Commission for the Prevention of Corruption became a member of the European Partners against Corruption (EPAC) and European contact-point network against corruption (EACN) Anti-Corruption Network.

The adoption of the GRECO reports on 1 December 2023 and 19 March 2025, being the fourth and fifth evaluation rounds, respectively, were successfully completed. The latest GRECO reports noted the progress made by implementing the following measures:

- Streamlining of the Code of Ethics for MPs;
- Training conducted for MPs on the implementation of the Code of Ethics for MPs, including training of trainers to ensure ongoing awareness of ethics and integrity standards;
- The application of the legal provisions on discipline applicable to judges, substantiating their proportionality in practice;
- The adoption of the new Rules of Procedure of the Government, which set out the obligation to publish the list of all persons invited to and present at the sessions of the working bodies, including sub-committees and working groups, and the list of all persons present at the sessions of Government;
- The new electronic system for submission of Asset and Interest Declarations, put into operation in January 2024;
- The analysis carried out of the sanctioning regime under the Law on the Prevention of Corruption and Conflict of Interest; and
- The adoption of the Law on Amendments and Supplements to the Law on Internal Affairs, which has been in force since 19 April 2023, and non-regulatory measures put in place that provide important safeguards for the integrity and independence of the police and of the Department for Internal Control, Criminal Investigations and Professional Standards of the Ministry of the Interior.

With the establishment of the working group coordinated by the head of the national delegation to GRECO on 6 August 2025, the preparatory activities for the GRECO sixth evaluation round officially started.

### ***Local Government***

North Macedonia is divided into 80 municipalities (*opštini*) and the City of Skopje municipality. Each municipality is autonomous, manages local affairs democratically, establishes its own budget and sets the rates of certain limited local taxes. The Constitution grants all municipalities the same fundamental rights.

In accordance with the Law on Local Self-Government, enacted in 2002, all municipalities have equal authority and responsibilities. Municipalities can make decisions within their competences and laws. Municipalities are governed by representative bodies, whose members are elected for four-year terms. Decisions of municipalities may only be overruled if they conflict with the Constitution or national legislation.

Historically, political parties of North Macedonia were ethnically based. However, the results of the municipal elections held on 19 October 2025 suggested a continued trend toward cross-ethnic political cooperation and pragmatic alliances at the local level. Parties such as VMRO-DPMNE, SDSM, Vlen, and the Nacionalna Alijansa za integracija demonstrated readiness to engage in coalition-building and constructive dialogue in support of stable

local governance. This outcome reflects the country's growing political maturity, interethnic trust, and commitment to democratic consolidation within the framework of European values.

According to official data from the State Election Commission, mayors were elected in 44 municipalities in the first round, while 33 municipalities held a second round on 2 November 2025, and elections in four municipalities were repeated due to turnout below the legal threshold of 30%. In the first round, the “Tvoja Makedonija” coalition, led by VMRO–DPMNE, won 33 mayoral seats, the “Vlen” coalition won five municipalities, SDSM won three, and the Nacionalna Alijansa za integracija also secured three mayoral victories. In the second round, the “Tvoja Makedonija” coalition, led by VMRO–DPMNE, won 21 mayoral seats, the “Vlen” coalition won four municipalities, SDSM won three, and each of the Nacionalna Alijansa za integracija, Union of Roma, ZNAM, and an independent candidate secured one victory.

## Overview of the Current Political Situation

### *Presidential Elections*

The President is Gordana Siljanovska-Davkova, who was elected on 24 April 2024 and took office on 12 May 2024. President Siljanovska-Davkova was the candidate proposed by the political party VMRO-DPMNE.

### *Parliamentary Elections 2024*

The most recent parliamentary elections for the Assembly were held on 8 May 2024. The results and the distribution of seats in the Assembly are as follows:

Party	Seats awarded	Share of the vote (%)
VMRO-DPMNE Coalition “Tvoja Makedonija” .....	58	44.58
SDSM Coalition “Za evropska idnina” .....	18	15.78
DUI Coalition “Evropski front” .....	18	14.06
Vlen Coalition .....	14	10.92
Levica .....	6	7.01
Za našata Makedonija (ZNAM) .....	6	5.74
Other <sup>(1)</sup> .....	0	1.91
<b>Total</b> ..... <sup>(1)</sup>	<b>120<sup>(2)</sup></b>	<b>100.0</b>

Notes:

- (1) “Other” represents all parties that did not receive a sufficient share of the vote to be awarded a seat in the Assembly.
- (2) No candidates surpassed the required threshold to win the 3 seats reserved for citizens of North Macedonia abroad.

*Source: The Assembly of the Republic of North Macedonia.*

On 23 June 2024, Hristijan Mickoski was elected as Prime Minister by the Assembly. He was subsequently entrusted with the mandate to form a new coalition Government, which remains in office as at the date of this Offering Circular.

The next elections are scheduled to be held in 2028.

## International Relations

### *General*

The Republic is a sovereign state at the crossroads of Central and Southeast Europe. The Republic declared its independence from the Socialistic Federal Republic of Yugoslavia on 8 September 1991. The main foreign policy objectives of North Macedonia in the early 1990s were to gain international recognition and to join the United Nations. Since then, the national foreign policy priorities have been NATO and EU accession and strengthening multilateral, regional and bilateral cooperation.

North Macedonia has established diplomatic relations with 170 countries. It became a member of the United Nations in April 1993, the Organisation for Security and Cooperation in Europe in 1995, the Council of Europe

in 1995 (including the Council of Europe Development Bank (the “CEB”) in December 1997), the WTO in April 2003 and NATO in March 2020. North Macedonia is currently a member of all major international organisations, multilateral and regional organisations and institutions, including the IMF, the World Bank Group, the International Bank for Reconstruction and Development (the “IBRD”), the International Development Agency (the “IDA”), the International Finance Cooperation (in each case, since February 1993), the Multilateral Investment Guarantee Agency (March 1993), the International Centre for Settlement of Investment Disputes (October 1998); the European Bank for Reconstruction and Development (the “EBRD”) and the International Organisation of La Francophonie (2006). North Macedonia actively participates in all major regional cooperation organisations and initiatives in Southeast Europe, including the Southeast Europe Cooperation Process (the “SEECF”), the Regional Cooperation Council (the “RCC”) and the Central European Initiative (the “CEI”). North Macedonia also joined the Strategy for the Adriatic and Ionian Region (“EUSAIR”) and the Organisation of the Black Sea Economic Cooperation (“BSEC”). In addition, it is a party to several regional agreements such as the Central European Free Trade Agreement (“CEFTA 2006”), the Energy Community Treaty, the Regional Pan-Euro-Mediterranean Convention (2012) and the European Common Aviation Area Agreement. The offices of several regional initiatives are located in North Macedonia, including the Migration, Asylum and Refugee Return Initiative (the “MARRI”), the SEE Health Network, the National Associations of Local Authorities in Southeast Europe and the Network and the Regional Rural Development Standing Working Group of the SEE. North Macedonia was the initiator and one of the founders of both the Charter of Partnership between the Republic, Albania, Croatia and the United States (the “US-Adriatic Charter”) and was also among the founding NATO partners active in the South-East Europe Security Cooperation Steering Group, holding the Chairmanships of both organisations in 2017. In 2023, the Republic chaired the OSCE, which was unanimously endorsed by the 56 member states. See “— *International Relations— Regional Relations*”.

### ***NATO Accession***

On 27 March 2020, North Macedonia became the 30<sup>th</sup> NATO member state. With this, one of the Republic’s most important strategic foreign policy goals was realised, which was supported by citizens and outlined by a unanimous decision of the Assembly back in 1993.

NATO membership has consistently enjoyed strong public support and a broad non-partisan, interethnic and social consensus in the Republic. Becoming a NATO ally is a significant step towards strengthening the Republic’s national security and stability. It serves as a strong guarantee for the protection of the territorial integrity and sovereignty of North Macedonia.

As at the date of this Offering Circular, as the Republic has celebrated over five years of NATO membership, the Republic proudly stands together with its allies in defence of nearly one billion citizens. Together, the Republic upholds democratic values and cooperates on defence and security issues to solve problems, build confidence, and prevent conflicts in the long term. From a military perspective, the Republic is committed to the peaceful resolution of disputes, while building credible defence capabilities and capacities that serve as a strong deterrent. At the same time, the Republic stands ready to uphold collective defence in line with the Article 5 and principles enshrined in the Washington Treaty.

The Republic’s membership in NATO is a significant contribution to the regional security. By contributing to NATO’s activities, the Republic simultaneously realises its national political and security interests and priorities, such as preserving peace, stability and prosperity of the Western Balkans. NATO’s commitment to this strategically important region for the alliance is of the utmost importance for the Republic and countries from the region. NATO’s approach and long-standing engagement have yielded significant results for the region.

As a committed and equal member of the alliance of 32 advanced democracies, North Macedonia continues to actively contribute, together with the allies, to the preservation of peace, security, and stability across the Euro-Atlantic area and beyond. The Republic is politically and operationally engaged together with its allies, contributing strongly on NATO’s Eastern Flank, but also in the Republic’s region in the NATO and EU missions.

North Macedonia fully supports the further advancement of the strategic partnership between NATO and the EU and increasing cooperation in areas of common interest. Both organisations are working together in many areas, such as maintaining military mobility, building resilience, developing new and emerging technologies, ensuring comprehensive security management, as well as combating cyber and hybrid threats. Particular emphasis is placed on joint efforts to address cyber and hybrid threats, and in that regard, North Macedonia has adopted dedicated national strategies to address both hybrid threats and cyber threats, reflecting its commitment to strengthening national resilience and enhancing coordination with international partners in the face of evolving security challenges. Furthermore, special emphasis on cooperation and coordination between the two organisations is also placed on further improvement in climate change, human security and the women, peace and security agenda.

NATO and the EU also play an important and complementary role in supporting and promoting international peace and security. Both organisations responded decisively to Russia's war of aggression against Ukraine by imposing unprecedented sanctions on Russia, and supporting Ukraine at the same time with comprehensive packages of support. As a responsible actor on the international scene, North Macedonia provides support to Ukraine; and as an aspirant for EU membership, North Macedonia is fully aligned with the EU's sanctions and restrictive measures against Russia, which demonstrates its consistent support and full alignment with the EU's Common Foreign and Security Policy.

North Macedonia remains a committed NATO member state ready to contribute to regional and global security, together with its allies and partners.

### ***Relations with the United States***

North Macedonia and the United States have maintained positive bilateral relations, democratic development and steadfast bilateral relations since the independence of North Macedonia in 1991. After North Macedonia was formally recognised by the United States on 8 February 1994, the two countries established full diplomatic relations on 13 September 1995. In 2004, the United States recognised North Macedonia under its constitutional name at that time. Over the past three decades, both countries have enjoyed excellent bilateral relations, maintaining a continuous political dialogue that culminated in a Declaration for Strategic Partnership and Cooperation from May 2008. The Government has established a direct high-level channel of communication with the Trump administration, and is determined to further strengthen mutual relations. The Minister of Foreign Affairs and Foreign Trade Timcho Mucunski was among the first European foreign ministers and the first from the Balkan region to hold a bilateral meeting with State Secretary Marco Rubio at the United States State Department in May 2025.

The partnership with the United States on both a bilateral and a multilateral level has best been demonstrated through the cooperation of North Macedonia's and the United States' military troops under the Iraq and Afghanistan missions aimed at achieving the common goals of promoting international security and countering terrorism. North Macedonia remains a stable strategic partner of the United States demonstrating its commitments to security, stability, connectivity and democratic prosperity in Southeast Europe. Both countries nurture important bilateral cooperation in the field of defence, including coordination of activities within the North Atlantic Alliance partnership, as well as on joint activities in the fight against terrorism and other threats to peace globally. NATO is the cornerstone of transatlantic security and both countries remain committed to mutual defence and sharing the responsibility among allies in order to address common threats and challenges. North Macedonia is complying with the NATO defence spending threshold to the Hague Summit pledge.

Based on the Declaration of Strategic Partnership and Cooperation, North Macedonia and the United States have pledged to expand and deepen their close partnership given their shared goals, interests and values. Both governments sought to enhance their relations and broaden cooperation across a range of bilateral issues, including security, people-to-people ties and commerce.

The launch of the strategic dialogue between North Macedonia and the United States on 2 June 2022 was an important milestone in bilateral relations between the two nations and a step forward in the implementation of the

Declaration of Strategic Partnership and Cooperation. North Macedonia was the first country in the Western Balkans to start a strategic dialogue with the United States.

In August 2025, North Macedonia and the United States adopted a joint statement on the framework for negotiation on agreement on reciprocal, fair and balanced trade in order to strengthen bilateral economic relations which will provide both countries' exporters access to each other's markets. Within this, both countries will reach stronger trade relationship, support of shared strategic interests, promotion of the economic growth and deepening the transatlantic partnership. In this respect, on 1 July 2025, North Macedonia has applied "free" custom duties on imports of products originating from United States according to the domestic custom tariff law and the United States has applied 15% of custom duty on imports of North Macedonian products.

The United States continues to provide aid and development assistance for building North Macedonia's institutional capacities in the field of the rule of law and democratic reform, sound economic policy and regional stability. Recently, the United States government made available additional funds for International Narcotics Control and Law Enforcement. In view of the recent United States government reorganisation efforts, the United States State Department assumed responsibilities for the management of certain functions formerly performed by the United States Agency for International Development ("USAID"), which is committed to the agreements and arrangements that have been managed or implemented by USAID up to date, in a closeout fashion until they are fully ended.

### ***Relations with Germany***

North Macedonia has maintained a high political level of bilateral cooperation developed in many areas. Germany is one of North Macedonia's closest allies and the most dependable partner through three decades of diplomatic relations. The intensification of relations with German federal states was also ranked among its priorities. The relationship between Germany and North Macedonia can also be characterised by Germany's leading role in supporting North Macedonia's EU accession process.

Germany is the biggest trading partner to North Macedonia, accounting for total trade exchange of €3.2 billion in 2023, €2.9 billion in 2024 and €2.7 billion in the first eight months of 2025, representing between 21% to 24.8% per year of the total trade exchange.

Furthermore, Germany is the Republic's fifth largest foreign direct investor, which is dominant in automotive industry.

### ***Relations with the UK***

The Republic has maintained positive diplomatic and trade relations with the UK, reflected by numerous high-level diplomatic visits in the last three years. Through a new strategic partnership signed in July 2025, North Macedonia aims to strengthen cooperation with the UK to boost investment opportunities, tackle irregular migration and reinforce shared security.

North Macedonia signed a Partnership, Trade and Cooperation Agreement with the UK in December 2020, which took effect as of 1 January 2021 and which mirrors the trade conditions North Macedonia had with the UK prior to the UK's withdrawal from the EU ("**Brexit**") and aims to preserve the links between the parties established by the association in SAA. The preferential terms secured by this agreement enable businesses and consumers of both countries to continue to benefit from existing trading terms, same as those prior to Brexit, including the tariff-free trade of industrial products and high level of liberalisation in agricultural and food-processing products.

The UK is one of the most important trading partners of North Macedonia, with the total trade exchange of US\$2.2 billion in 2022, US\$1.6 billion in 2023, US\$1.4 billion in 2024 and US\$1.9 billion in the first eight months of 2025, representing between 7% to 10% per year of the total trade exchange.

The UK is the second largest trade partner to North Macedonia and one of the largest foreign direct investors in North Macedonia, and North Macedonia is the UK's largest trade partner in the Western Balkans.

In May 2025, a landmark Government-to-Government Partnership was signed between the Republic and the UK, which will boost trade and drive economic growth. This Government-to-Government Partnership underscores the commitment of both nations to collaborate on critical infrastructure projects that deliver social, economic and environmental benefits and supports the delivery of critical infrastructure projects across various sectors, including transport, health, energy and technology.

### ***Regional Relations***

North Macedonia seeks to further develop good relations with all of its neighbouring countries as well as to foster regional cooperation through political, economic, trade and cross-border measures.

North Macedonia has participated in regional initiatives aimed at improving cooperation, interconnectivity, stability and sustainable development of the region, including but not limited to, SEECP, RCC, CEI, Western Balkan 6, (as well as B6 initiated by the Republic), the Berlin Process, the Western Balkans Fund, the MARRI, the EU Strategy and Initiative for the Adriatic-Ionian Region, the South East European Law Enforcement Centre, the South-eastern Europe Health Network, the Regional School of Public Administration, the RACVIAC – Centre for Security Cooperation and the Black Sea Economic Cooperation Organisation. In 2022, North Macedonia expressed interest in joining the Three Seas Initiative.

While emphasising the importance of cooperation, dialogue, and respect for values and standards, North Macedonia has been actively engaged in all regional processes and initiatives, consistently participating at the highest level in key events and activities.

Throughout its few recent presidencies with the SEECP and the ongoing presidency with the EUSAIR and the Adriatic-Ionian Initiative, North Macedonia has the core intention to direct the political will into concrete actions and use macro-regional strategies and initiatives as tools to translate political commitment into action on the ground. The Republic's focus is on making cooperation more concrete, more visible, and more impactful in order to turn strategic dialogue into action, including delivering projects that connect transport systems, protect shared seas and ecosystems, promote sustainable tourism, and create opportunities for the youth and entrepreneurs.

Through these efforts, the Republic aims to convey its commitment as a peaceful nation, and to create and maintain all possible avenues for the strengthening of economic, educational, and cultural ties, which are crucial to foster mutual understanding, drive sustainable development, and create a more cohesive and resilient regional community.

The prospect of European (and Euro-Atlantic) accession represents a key staple in cultivating a shared strategic vision in the Western Balkan region. This shared strategic vision has brought the Republic closer and contributed towards building a secure environment, and guided the Western Balkan region in overcoming the security deficit and in crafting the necessary compromises. Therefore, all formal steps forward in the EU integration paths of the Western Balkan countries are a welcomed continuation of these long ongoing processes.

In December 2006, North Macedonia, together with Albania, Bosnia and Herzegovina, Croatia, Moldova, Montenegro, Serbia and the United Nations Interim Administration Mission in Kosovo (on behalf of Kosovo in accordance with United Nations Security Council Resolution 1244) signed the CEFTA 2006, which came into force in November 2007. The main purpose of the CEFTA 2006 was to achieve significant trade liberalisation amongst its signatories. It provides for the creation of a single free trade zone and includes a single common approach towards the protection of intellectual property rights, investment policies, public procurement protection measures and other comprehensive measures. Since 13 April 2020, essential goods have travelled smoothly through the Green Lanes in the Western Balkans due to the initiative of the CEFTA 2006.

In June 2000, North Macedonia concluded a trade agreement with the European Free Trade Association (the “EFTA”) with EFTA states, which came into force in May 2002. This multilateral agreement provided a free trade area for preferential customs duties on industrial and agricultural products.

North Macedonia is party to a number of other agreements for trade and economic cooperation which are in conformity with the level of relations of these countries with the EU.

The EU's Western Balkans Growth Plan was adopted by the EU Council on 7 May 2024 which aims to strengthen socio-economic convergence and bring Western Balkan partners closer to the EU's Single Market. A total of €6 billion has been allocated to the Western Balkans and around €750 million of the total amount is foreseen for North Macedonia. North Macedonia was the first country in the Western Balkans to benefit from the Western Balkans Growth Plan, having received pre-financing following the successful adoption of its reform agenda. As at the date of this Offering Circular, North Macedonia has received approximately €75 million, with an additional first disbursement of €8 million and a second disbursement of €15.9 million. Over the 2024–2027 period, North Macedonia is set to receive up to €750.4 million in total from the EU's Reform and Growth Facility aimed at supporting reforms.

North Macedonia continues to actively participate in the Berlin Process as a platform for high-level cooperation between the leaders of the Western Balkans countries and the EU member states participating in the process, including representatives of civil society, youth and the business sector from the region. The Prime Minister and representatives of the Government participated in the ministerial meetings of the Berlin Process and the Berlin Process Summit held in Berlin in 2024, where the Action Plan for the Common Regional Market 2025 – 2028 was adopted and the Agreement on Access to Higher Education in the Western Balkans was signed. In 2025, within the framework of the Berlin Process, the UK hosted a variety of high-level events, during which the Joint Declaration on Good Neighborly Relations and the Joint Declaration on the Role of Women in Diplomacy and Establishing the Western Balkans Six Women Diplomats Network were adopted in the Foreign Affairs Meeting. North Macedonia also joined the Global Partnership for Action on Gender-Based Online Harassment and Abuse. In the Economy Meeting, several documents such as the Recommendation on Sustainable Foreign Direct Investment in the Western Balkans Six, Sustainable Foreign Direct Investment Policy Toolkit for the Western Balkans Six, Regional Model Clauses on Sustainability, Joint Principles for Investment Facilitation in the Western Balkans Six, Declaration on the Coordination of Social Security Systems and Portability of Rights in the Western Balkans Six, and others were approved and endorsed. In the Green Agenda meeting, the Revised Green Agenda for the Western Balkans Action Plan, The Western Balkans 6 (“WB6”) Climate Adaptation Roadmap, Regional Action Plan for the implementation of Joint Statement on Plastic Pollution Prevention, including Marine Litter, and Dubrovnik Declaration on the Green Agenda for the Western Balkans, were adopted.

North Macedonia has already achieved good progress in aligning its legislation with the roaming acquis within the Western Balkans region, especially with the recently adopted Law on Electronic Communications transposing the European Electronic Communications Code. Since July 2019, the Western Balkans have progressively eliminated roaming charges within the region through the “Roam Like at Home” (“RLAH”) regime and by 2021, this regime fully entered into force, creating a roaming-free zone in the Western Balkans. In addition, the 2023 EU-Western Balkans Roaming Declaration enabled the reductions of data roaming charges while roaming in the EU and the Western Balkans, significantly increasing data traffic and connectivity within the region. More recently, at the Western Balkans Digital Summit in October 2025, ministers and officials reaffirmed their commitment to align with the EU roaming acquis and work toward introducing RLAH between WB6 and EU. There is also an EU-supported roadmap aiming to progressively reduce roaming charges between the EU and the Western Balkans, with a target to bring these charges close to domestic prices by 2027. After the announcement at the Growth Plan Leaders Meeting in Skopje and following the distribution of the List of Roaming Acquis line, institutions would implement the action plan for the alignment of the legal framework and institutional set up in line with the requirements of the roaming acquis. The first assessment of this initiative's impact was published in 2024, indicating positive outcomes and ongoing monitoring by the Commission, while the implementation of the relevant acquis by the competent institution is underway.

“WB Green Lanes” were established during the COVID pandemic for the preservation of trade and transport flows, with the aim of having functioning supply chains, boosting trade and attracting investors in the WB6. A Comprehensive Roadmap for Enhancing Green Lanes, Improved Customs Cooperation and Modernisation of



Border/Common Crossing Points was adopted in October 2024. 11 project fiches were prepared for better customs cooperation and modernisation of the Border Crossing Points, from which three of them are for the North Macedonia's Border Crossing Points in Bogorodica, Deve Bair and Blace. Additionally, five project fiches were in the pipeline for adoption by the end of 2025, from which two were for the North Macedonia's Border Crossing Points in Kafasan and Tabanovce. Realisation of all of these projects will contribute to positive impetus to the economic development by strengthening the connection within the Trans-European Networks. In addition, a "one stop shop" system was introduced at the Border Crossing Points with Serbia, Kosovo and Albania, and new Border Crossing Points will be opened with Greece in Markova Noga and Bulgaria in Klepalo.

North Macedonia has been a member of the Union for the Mediterranean since 2022 and actively participates in the sectorial meetings at different levels.

In 2024 and 2025, North Macedonia participated in the Summits of the European Political Community which were held in London, Budapest and Tirana, represented by the Prime Minister, as well as at the Summit in Copenhagen, represented by the President.

On 19 October 2021, the Republic, Albania and Bulgaria, signed a memorandum of cooperation to build sustainable infrastructure along the pan-European Corridor VIII and committed to completing the new section by 2030. North Macedonia and Bulgaria agreed on the next steps to finalise the construction of the railway connection of Corridor 8, which is an important pan-European and NATO corridor, at a technical meeting in Brussels in July 2025. An agreement for construction of the cross-border tunnel was signed in November 2025 at Gjuesevo in Bulgaria, which was a positive development.

Illegal migration continues to be present along the borders of the Western Balkan route, with illegal crossings by individuals originating from the Middle East, Asia, and Africa. The link between the Eastern Mediterranean route and the Western Balkans remains a high-risk corridor, as Turkey and Greece still host a large number of migrants. Analytical insights indicate that the pressure along this route has decreased in intensity compared to 2024. Additionally, efforts to harmonise visa policies with those of the EU have significantly reduced the misuse of visa-free travel for illegal migration.

North Macedonia has consistently demonstrated a commitment to a systematic European and global approach to migration management and actively implements measures aligned with European and international standards, including humanitarian aspects. The Republic has strengthened its border controls and, efforts against migrant smuggling and human trafficking, and improved its asylum system.

Frontex operates on the Greece-North Macedonia border and serves as a prime example of successful joint EU and Macedonian efforts in border protection and security management.

On many occasions, such as the 2015 migration crises, North Macedonia emerged as a reliable partner, shouldering part of the burden by acting as a deterrent to migrant flows toward Western Europe, protecting the borders, and safeguarding the integrity of the Schengen area.

Since October 2024, North Macedonia has been an observer country in the European Migration Network ("EMN"). The agreement with the European Commission was signed in Budva, on the sidelines of the EU-Western Balkans Forum for Justice and Home Affairs. This was one of the measures that are expected to contribute to the country's accelerated EU integration and enhance cooperation and experience-sharing with the EU in the field of migration. As an observer country in the EMN, North Macedonia benefits from credible data on migration and asylum collected by this important European network.

On 25 November 2025, at the Frontex Headquarters in Warsaw, the Republic and the EBCGA signed a memorandum of understanding on complaints mechanisms related to the EBCGA's actions in the Republic, pursuant to the existing EU-Republic agreement on the EBCGA's operational activities in the Republic.

In the visa policy area, the national visa regime of the Republic is largely aligned with that of the EU. From the list of countries with which North Macedonia is required to establish a visa regime, only Turkey remains a country

whose citizens can enter North Macedonia without a visa. This makes the Republic the most advanced in the region in terms of harmonisation with the EU's visa policy.

The Republic supports the unified character of the country, its independence, sovereignty and territorial integrity, as well as the inviolability of its borders. The Republic has joined all EU restrictive measures and sanctions in response to the crises in Ukraine and is aligned with all common foreign and security policy decisions regarding territorial integrity of Ukraine. Furthermore, North Macedonia joined all the EU statements, declarations and positions on Ukraine and offered extended military and humanitarian assistance to Ukraine in line with the requests. North Macedonia is active at the multilateral level as well, having co-sponsored the Security Council draft resolution condemning the Russian aggression against Ukraine, and consequently its tabling at the UN General Assembly, supported the decision to suspend Russia's rights of representation at the Council of Europe and supported the Statement of the Governing Council of the Community of Democracies on Ukraine. North Macedonia has continued to reaffirm its support for Ukraine through social media and other public events. North Macedonia is a member of the Crimean Platform initiated as an international coordination mechanism for re-examining the issue of Crimea, with an emphasis on the sovereignty and territorial integrity of Ukraine and relying on the norms of international law, resolutions of the UN General Assembly and other international organisations.

### ***Relations with Greece***

Bilateral relations with Greece are constructive with oscillating trends. North Macedonia has an important position in the foreign policy priorities of Greece, primarily due to economic interests, infrastructure and energy connectivity through Corridor 10. The Minister of Foreign Affairs and Foreign Trade Timcho Mucunski's participation at the Delphi Economic Forum in April 2025, his last working visit to Greece in July 2025 where he met with Greece's Ministry of Foreign Affairs Giorgos Gerapetritis, and the meeting between both Ministers on the sidelines of the 79<sup>th</sup> UN General Assembly in New York in September 2024 each demonstrated constructiveness and mutual readiness to continue and further develop cooperation. Additionally, Greece is a strategic partner that strongly supports North Macedonia's accession to the EU.

On 17 June 2018, North Macedonia and Greece signed the 'Final Agreement for the settlement of the differences as described in the United Nations Security Council Resolutions 817 (1993) and 845 (1993), the termination of the Interim Accord of 1995, and the establishment of a Strategic Partnership between the Parties' (more commonly known as the "**Prespa Agreement**"), ending a long-standing dispute over the name of North Macedonia. The Prespa Agreement entered into force on 12 February 2019. "*Pacta sunt servanda*" is an important principle that needs to be honoured by both sides. As a result of the Prespa Agreement, a joint multidisciplinary committee on historical educational and archaeological issues has been formed to further strengthen ties between both countries.

In that direction, in July 2021, a bilateral agreement was signed relating to the interconnection for transmission of natural gas between Greece and North Macedonia. The construction of the gas pipeline interconnector on the section in North Macedonia began on 9 July 2025. The Government, the European Investment Bank and the European Bank for Reconstruction and Development are financing this section of the pipeline, which is scheduled to be put into operation in 2027. Construction activities have begun in March 2025 on the Macedonian side and in June 2025 on the Greek side regarding the reopening of the "Markova Noga – Lemos" border crossing. This border crossing was closed for 58 years. The financial structure for the project amounts to €14 million, and is provided by the EU. The construction works is expected to be completed by the end of 2027.

Greece is also one of the largest foreign investors in North Macedonia with investments in the banking, petrochemical and textile industries. The total trade exchange between North Macedonia and Greece in 2024 was €1,248 million. This was composed of €262 million of goods exported from North Macedonia to Greece and €986 million of imports from the Greece to North Macedonia. North Macedonia remains fully dedicated to the implementation of the Prespa Agreement. In 2024, Greece was the third largest trade partner for North Macedonia, with a share of 6.6% of total trade. The share in total export was 3.4% and the share in total import was 8.9%. The total trade exchange with Greece declined by 7.6%, with a 14.6% decline of exports and a 5.5% decline in imports from Greece. The import of mineral fuels from Greece was €720 million, which was 73% of imports from Greece.

Total trade with Greece for the period from January 2025 to August 2025 was €806 million, of which exports made up €188 million and imports made up €618 million.

### ***Relations with Albania***

Relations with Albania continue to be friendly, based on traditional friendship and long-standing constructive cooperation and mutual support. North Macedonia and Albania are NATO allies, friends and immediate neighbours working and engaging together for a prosperous and interconnected region, integrated within the EU and NATO. North Macedonia welcomes the recent positive steps by Albania on its EU path as encouraging signals for broader enlargement process and for the region's European future. Relations are experiencing the deepening of sectoral cooperation, with continuous political dialogue at all levels through working visits and meetings on the sidelines of regional or other multilateral events. For instance, Albanian president Bajram Begaj attended the opening of the Ohrid Summer Festival in Ohrid on 12 July 2025, President Gordana Siljanovska-Davkova participated at the SEECP Summit in Tirana on 16 June 2025, Albanian Prime Minister Edi Rama participated at Summit on the Western Balkans Growth Plan in Skopje between 30 June 2025 and 1 July 2025, Prime Minister Hristijan Mickoski participated at the sixth Summit of the European Political Community in Tirana on 16 May 2025, Minister of Foreign Affairs and Foreign Trade Timcho Mucunski hosted the then Albanian Minister for Europe and Foreign Affairs Igli Hasani in Ohrid on 8 July 2025 and they attended the ceremony of the grand opening of the General Consulate of the Republic of Albania in Struga. In 2024, the Speaker of the Assembly of the Republic of Albania, Elisa Spiropali, was on an official visit to the speaker of the Assembly, Afrim Gashi, on 23 September 2024, who then made a return official visit to Albania on 13 November 2024.

Cooperation within regional initiatives is expected such as through SEECP, the RACVIAC – Centre for Security Cooperation, MARRI, CEI, South-Eastern Europe Defence Ministerial (SEDM), “B-9” exercise, South-Eastern Europe Brigade (SEEBRIG), and BMNS - Balkan Medical Task Force. These initiatives represent an excellent framework for promoting and improving regional stability and security.

There have also been considerable activities within the bilateral Agreement on Joint Border Crossings with Albania at the border crossing point Kjafasan since 2024.

North Macedonia and Albania are signatories to the CEFTA Agreement, that aims, *inter alia*, at progressive establishment of a free trade area covering trade in goods and services, and fostering investment and regional integration. Both countries have applied full trade liberalisation for more than a decade, with regular imports on both sides free of custom duties. The Republic's total trade exchange with Albania was €213.6 million in 2023, of which exports made up €118.6 million and imports made up €95 million; €198 million in 2024, of which exports made up €114.1 million and imports made up €84 million; and €119.8 million from January 2025 to August 2025, of which exports made up €72.6 million and imports made up €47.2 million.

On 27 July 2025, the Government of North Macedonia decided to open a Consulate General (“CG”) in Korça, Albania. The GC will have jurisdiction in Korça, Mala Prespa, Pogradec, Golo Brdo and Gora.

### ***Relations with Bulgaria***

North Macedonia strives to be an active and constructive partner of Bulgaria at a bilateral and regional level, thus making a substantial contribution to further strengthening and deepening good neighborly relations, regional cooperation and regional security.

In November 2022, Bulgaria's gas transmission operator Bulgartransgaz signed an interconnection agreement with the gas transmission operator of North Macedonia GA-MA for the Kyustendil/Zhidilovo point. While the interconnection point Kyustendil/Zhidilovo is not new and is the only entry point for the supply of natural gas into North Macedonia, the interconnection agreement provides for an increase of the technical transmission capacity to North Macedonia with 500,000 cubic metres per day, equivalent to an increase of 182 million cubic metres per year.

North Macedonia continues to make efforts to improve cooperation with Bulgaria, even though up until January 2025 there was no politically elected government in Sofia for most of the past couple of years.

One of the key interests of the Macedonian government is to dynamise the bilateral cooperation in all segments of mutual interest, with the aim of overall positive improvement of social life in both countries. In this regard, the meetings of the Joint Multidisciplinary Expert Commission on Historical and Educational Issues continue with the regularly established dynamics, specifically in the period between September 2024 and September 2025, when six meetings were held, namely: in Skopje on 24 and 25 October 2024; in Sofia on 12 and 13 December 2024; in Skopje on 20 and 21 February 2025; in Sofia on 10 and 11 April 2025, in Skopje on 12 and 13 June 2025, and the last 37<sup>th</sup> meeting in Sofia on 25 and 26 September 2025.

Until the formation of the new Bulgarian government on 13 September 2024, as a gesture of support for the cultural diplomacy, the President visited Sofia for the guest performance of the Macedonian Opera and Ballet with the opera "Nabucco", accompanied by the Minister of Foreign Affairs and Foreign Trade and the Minister of Culture and Tourism, during which a tête-à-tête meeting was held with the Bulgarian President.

In October 2024, in Brussels, a meeting was held between the Bulgarian Official Deputy Minister of Transport and Communications with the State Secretary at the Ministry of Transport, the Director of Railway Infrastructure, representatives of the European Commission, the European Investment Bank, the EBRD and the Transport Community Secretariat, during which it was agreed to maintain a regular high-level dialogue and to establish a Joint Working Group for Corridor 8. In Sofia, a meeting was held between the State Secretary at the Ministry of Transport and the Director of Public Enterprise North Macedonia Infrastructure with the Bulgarian Deputy Minister of Transport and Communications, at which it was concluded that railway connectivity remains a priority for both countries, for the entire region, EU and NATO.

In November 2024, on the sidelines of the 29<sup>th</sup> UN Climate Change Conference in Baku, Azerbaijan, the Republic's President met with the President of Bulgaria, during which an agreement was expressed to organise official visits to concretise efforts for better overall cooperation between the two countries.

In January 2025, the National Assembly of the Republic of Bulgaria elected the new government, and the Republic's Minister of Foreign Affairs and Foreign Trade had a telephone conversation with the new Bulgarian Minister of Foreign Affairs.

In February 2025, on the sidelines of the Munich Security Conference, the Republic's Minister of Foreign Affairs and Foreign Trade met with his Bulgarian counterpart and discussed bilateral differences, the blockade of the Republic's European path by Bulgaria, as well as the position of the Macedonian minority in Bulgaria.

In March 2025, following the tragic fire incident in Kochani, some of the injured were transferred to Bulgaria, and the Bulgarian Government declared 18 March 2025 as a day of mourning throughout the country.

On 4 April 2025, on the sidelines of the "Aqaba Process Balkan III" forum, President Gordana Siljanovska-Davkova met the President of the Republic of Bulgaria, Rumen Radev. Despite the differences in the identification of possible solutions for the Republic's European integration blockade, the presidents concluded that they will continue to discuss with good intentions and are determined to overcome the problem.

On 11 June 2025, the Republic's Minister of Foreign Affairs and Foreign Trade of North Macedonia held a telephone conversation with his Bulgarian counterpart, in which the principled positions of the Republic related to the European integration process were reiterated. For background, on 30 May 2025, in order to confirm the national position regarding the integration process of North Macedonia into the EU, the National Assembly of the Republic of Bulgaria adopted a decision on the progress of the country in the process of accession to the Union, which was one of the topics of the telephone conversation.

On 16 July 2025, in Brussels, a meeting was held between the State Secretary at the Ministry of Transport and the Director of Public Enterprise Railways Infrastructure with the Deputy Minister of Transport and Communications of Bulgaria, at which the commitment and need for the finalisation of the section of the railway corridor VIII was

confirmed. Following the meeting, on 7 October 2025, Grozdan Karadžov, who was the Deputy Prime Minister and Minister of Transport of the Republic of Bulgaria, conveyed to the Deputy Prime Minister and Minister of Transport of North Macedonia, Aleksandar Nikoloski, that a text was approved on 3 October 2025 from the Bulgarian government for an agreement between the Government and the government of the Republic of Bulgaria for the preparation, development, construction and operations of the cross-border railway tunnel.

On a multilateral level, North Macedonia's military participation in the NATO battle group in Bulgaria continues.

The total trade between North Macedonia and Bulgaria was €849 million in 2023, of which exports were € 365 million and imports were €484 million; €1.025 billion in 2024, of which exports were €438 million and imports were €587 million; and €690 million from January 2025 to August 2025, with exports making up €298 million and imports making up €392 million.

The general conclusion is that bilateral relations are not suitable for countries that are allies in NATO, where one of which is a member of the EU, and the other is a candidate for membership in the EU. Therefore, a change in approach through de-escalation of relations and making a positive difference is necessary. Although the issue with Bulgaria remains the most difficult challenge, North Macedonia is committed towards finding a compromise solution through dialogue in good faith, through a path that would provide certainty rather than a *déjà vu* situation in which the Republic becomes stalled after only a few months. Maintaining the status quo is not working or bringing any benefits to either party. In this respect, North Macedonia is trying to ease the climate in its bilateral relations by focusing on the tangibles, therefore North Macedonia and Bulgaria's agreement on the next steps to finalise the construction of the Corridor 8 railway connection at the technical meeting in Brussels is seen as a positive development. Besides the importance of the corridor itself, the Republic sees this project as an important bridge between the two nations.

### ***Trade flow***

According to State Statistical Office data, the total value of exported goods from North Macedonia in 2022 amounted to €8.3 billion, representing a 19.9% increase compared to the previous year, while the value of imported goods in the same period amounted to €12.1 billion, representing an increase of 25.8% compared to the previous year. The trade deficit in 2022 was €3.8 billion. Import coverage by export in 2022 was 68.4%. According to total external trade volumes in 2022, the most important trading partners of the Republic were Germany, the UK, Greece, Serbia and Bulgaria.

The total value of exported goods from North Macedonia in 2023 amounted to €8.3 billion, representing a 0.3% increase compared to the previous year, while the value of imported goods in the same period amounted to €11.1 billion, representing a decrease of 8.1% compared to the previous year. The trade deficit in 2023 was €953 million. Import coverage by export in 2023 was 74.6%. According to total external trade volumes in 2023, the most important trading partners of the Republic were Germany, the UK, Greece, China and Serbia. In 2023, the increase in the deficit was due to the increase in the exchange of consumer goods by 3.2% and capital goods by 10.1% compared to 2022.

The total value of exported goods from North Macedonia in 2024 amounted to €7.8 billion, representing a 6.5% decrease compared to the previous year, while the value of imported goods in the same period amounted to €11.0 billion, representing a decrease of 0.8% compared to the previous year. The trade deficit in 2024 was €628 million. Import coverage by export in 2024 was 70.3%. According to total external trade volumes in 2024, the most important trading partners of the Republic were Germany, the UK, Greece, China and Serbia. In 2024, the increase in deficit was due to the increase in exchange of food and beverages by 7%, machinery and transport equipment by 3.6%, capital goods by 18.4% and consumer goods by 7.3% compared to 2023.

The total value of exported goods from North Macedonia in the first ten months of 2025 amounted to €6.7 billion, representing a 1.02% increase compared to the same period in the prior year, while the value of imported goods in the same period amounted to €9.5 billion, or 1.04% more than the same period in the prior year. The trade deficit in the first ten months of 2025 was €2.8 billion. Import coverage by export in the first ten months of 2025

was 70.1%. According to total external trade volumes in the first ten months of 2025, the most important trading partners of the Republic of North Macedonia were Germany, the UK, Greece, China and Serbia. For the first ten months of 2025, the increase in deficit was due to increase in exchange of intermediate goods by 1.03%, consumer goods by 1.06% and others.

Recent export performance of North Macedonia indicates that FDI in the automotive sector, as well as other non-traditional manufacturing, have had a significant impact on the country's export profile and labour market.

### ***EU Accession***

Since the Republic's independence, Euro-Atlantic orientation and EU accession have been, and remain, a strategic priority of the Government. The country established diplomatic relations with the EU in late 1995, signed a cooperation agreement with the EU and became a beneficiary of the Poland and Hungary Assistance for the Restructuring of the Economy (the "**PHARE Programme**") in 1996.

In April 2001, North Macedonia signed the SAA with the EU, becoming the first country in the region to do so, thereby taking an important step towards EU membership, which entered into force on 1 April 2004. The Interim Agreement on Trade and Trade-Related Matters, a section of the SAA that entered into force in June 2001, allows for preferential access of products of North Macedonia to the EU common market. Since then, the focus has been on the implementation of the legal, administrative, institutional, and economic reforms required under the SAA. North Macedonia formally submitted its application for EU membership on 22 March 2004 and, on 17 December 2005 it was granted candidate country status by the European Council. In October 2009, based on the country's progress in implementing the SAA guidelines, as well as its general political and economic reformation, the European Commission for the first time recommended that the European Council open accession negotiations with North Macedonia and move to the second stage of the SAA (pursuant to Article 5 therein). In recognition of the significant progress made in the areas of justice, freedom and security and based on a decision by the European Council on 19 December 2009, citizens of North Macedonia may freely travel to and within the EU.

The Republic has continued to make progress towards full compliance with the SAA. April 2025 marked the 24<sup>th</sup> anniversary of the entry of North Macedonia into the SAA, the implementation of which has helped North Macedonia to achieve an advanced level of harmonisation with the regulations of the EU and to introduce European standards in the areas envisaged in the SAA. All SAA-based institutional structures in North Macedonia are fully functional, ensuring daily, unimpeded communications and cooperation with the EU.

In March 2020, the European Council reached the unanimous decision for North Macedonia to start the accession talks and tasked the European Commission to prepare the Negotiating Framework and conduct the screening process. The first (political) Intergovernmental Conference on North Macedonia and the EU was held on 19 July 2022, while the screening process was successfully conducted in the period from September 2022 until December 2023. North Macedonia has set 2030 as a target date to be fully prepared to assume the obligations of EU membership. In line with the Letter from the Spanish EU Presidency from November 2023, the Republic, in close cooperation with the European Commission, is working on the Rule of Law Roadmap with accompanying Action Plan for protection of the rights of persons belonging to communities or minorities and Roadmap for Public Administration as opening benchmarks for the Fundamentals Cluster as well as Roadmap for Functioning of Democratic Institutions (which is not an opening benchmark but requirement).

In November 2023, within the EU enlargement framework, the European Commission launched the Growth Plan for the Western Balkans to foster socio-economic development and accelerate economic convergence with the EU. The plan is built around four strategic pillars. Its financial component, the Reform and Growth Facility, which was established through a regulation adopted in May 2024, covers the period from 2024 to 2027 and foresees up to €2 billion in grants and €4 billion in loans for the six Western Balkan partners. The Reform and Growth Facility aims to support their alignment with EU values, laws, standards, policies and practices in view of future membership, while also enabling gradual integration into the single market and strengthening socio-economic convergence. To access funding, each partner was required to submit a reform agenda outlining the reforms necessary to achieve these objectives. Access to EU assistance is conditional upon continued respect for

democratic institutions and processes, including a multi-party parliamentary system, free and fair elections, pluralistic media, an independent judiciary, the rule of law, and the protection of human rights, including the rights of persons belonging to minorities.

On 23 October 2024, the European Commission approved North Macedonia's Reform Agenda 2024–2027. The country's indicative allocation amounts to around €750 million for the four-year period, including approximately €349 million in loans for direct budget support and €185 million in loans plus €215 million in grants for WBIF investment projects. Funds are disbursed semi-annually, subject to the successful implementation of agreed qualitative and quantitative milestones. The Reform Agenda 2024–2027 identifies five priority areas, including Good Governance (Public Administration Reform and Public Financial Management), Energy/Green and Digital Transition, Human Capital, Business Environment, and Fundamentals/Rule of Law.

In line with procedural requirements, the Reform and Growth Instrument Agreement and the related loan agreement between the EU and North Macedonia have entered into force, allowing the release of €52.5 million in pre-financing. To date, North Macedonia has submitted two requests for payment. Following the European Commission's assessment, a net amount of around €24 million has been disbursed, including over €11 million in loans for budget support and around €13 million for WBIF-financed grant and loan components.

Under the Growth Plan for the Western Balkans's accelerated single market integration measures, North Macedonia has joined the SEPA payment schemes. As of October 2025, nine of the 12 domestic banks have successfully adhered to the SEPA Credit Transfer Rulebook, while the remaining banks are expected to complete adherence and begin processing SEPA transactions by the end of the first quarter of 2026.

The Republic has also joined the new RLAH initiative for the Western Balkans, supported by strong progress in aligning national legislation with the EU roaming acquis, including the adoption of the Law on Electronic Communications transposing the European Electronic Communications Code. Within the "WiFi4WB" initiative, 63 municipalities have been selected, and 68 public Wi-Fi hotspots will be installed.

Regarding green lanes, the Government has prioritised the modernisation of three border crossing points, including Deve Bair, Blace and Bogorodica. This modernisation will be implemented through a blending approach, using funds from the Safe and Sustainable Transport Programme and a World Bank loan, supported by technical assistance under CONNECTA 2.

#### *Instrument for Pre-Accession Assistance*

In accordance with the EU financial framework for the period between 2014 and 2020, pre-accession assistance has been funded through the Instrument for Pre-Accession Assistance (the "IPA II"). IPA II is expected to be fully implemented by the end of 2026. Under IPA II, North Macedonia implements approximately €664.0 million in assistance for use in fulfilling its pre-accession commitments, including commitments in the following sectors: (i) democracy and good governance, (ii) rule of law and fundamental rights, (iii) competitiveness and innovation, (iv) transport, (v) environment and climate change, (vi) employment, education and social policy, (vii) agriculture and rural development and (viii) regional and territorial cooperation. North Macedonia also participates in a number of Union Programmes and Union Agencies, funded through the IPA, as well as in programmes geared towards cross-border cooperation with its neighbours. Union Programmes and Union Agencies are financial instruments structured to promote cooperation, primarily among EU Member States in fields related to different EU policies. Western Balkan countries have and will continue to gradually gain access to these Union Programmes and Union Agencies, and thus have the opportunity to become familiar with EU policies as well as with the system of values and mechanisms on which the EU is based. Under IPA II, North Macedonia also implements IPA II programmes subsidising households and companies involved in agriculture and rural development. Furthermore, the Republic has benefited from the Western Balkans Investment Framework and the blending principle for funding infrastructure investments in the sectors of transport, environment, energy, digital and human capital under the Economic and Investment Plan for the Western Balkans.

The European Commission prepared the third cycle of the IPA (“**IPA III**”) within the new Multi-Annual Financial Framework (2021-2027). The full implementation date for IPA III is expected in spring of 2034.

The Government adopted, and the Assembly ratified, the Financial Framework Partnership Agreement, which lays down the rules for implementation of IPA III. This ratification ensures that the appropriate legal ground is in place for the implementation of IPA III.

The implementation of IPA III was launched in the spring of 2020 when the IPA structures began the drafting process of IPA III Strategic response and the first two annual programmes for 2021 and 2022. In addition, amid the energy crisis at the end of 2022, the EU assisted the Republic with a package of direct budget support in the field of energy in the amount of €80 million. These funds are allocated from the budget of IPA 2023. At the end of 2024, the Republic finalised the annual programme for 2024 for which a financing agreement was signed and the implementation was launched.

This IPA focuses on determining whether projects contribute towards the goal of accession and whether the projects are sufficiently well planned to be funded, including leverage for International Financial Institutions (“**IFIs**”), through enhanced and more structured dialogue based on high level multilateral meetings and using existing coordination mechanisms. The framework IPA III focuses on five IPA III programming rubrics: rule of law, good governance, a green agenda, competitiveness and territorial cooperation, as well as cross-cutting themes such as climate change, civil society, gender, a rights-based approach, and public administration reforms.

The first financing agreement for the IPA 2021-2024 have been signed, and the National IPA Coordinator (NIPAC) office prepared the packages for signing of Financing Agreements for Annual Action Programme for 2025 and for three Operation Programmes, which were adopted by the Government on 2 December 2025, marking the start of their implementation.

The first Single Project Pipeline (“**SPP**”) for funding projects under IPA II and the Western Balkans Investment Framework (“**WBIF**”) was prepared in 2015 and the latest update was in March 2024. It includes funds allocated under the IPA II and III programmes. In the past two years, based on the revised SPP, an indicative list of investments has been drafted, following the rules for implementation of the Reforms and Growth Facility. The list contains projects with total investment value of €1 billion and expected Reform and Growth Facility funding via WBIF of approximately €400 million.

#### *NPAA*

The vision and implementation of the accession agenda by the Government is reflected in the National Programme for the Adoption of the EU Acquis (the “**NPAA**”). The NPAA is a key strategic document encompassing the priorities and dynamics of harmonisation of the national legislation with the EU legislation, as well as adjustments to national institutions towards EU administrative structures.

The NPAA methodology includes plans for harmonisation of the national legislation with EU legislation, the necessary dynamics of strengthening institutions for the implementation of legislation, the necessary resources for the adoption of the EU Acquis per the obligations of the Stabilisation and Association Agreement as well as the specific EU-driven peer review missions. The NPAA and the methodology are revised annually in line with the European Commission’s Annual Report.

The revised NPAA 2021-2025 was adopted by the Government in June 2021, following public consultations. The NPAA has been restructured to reflect the accession negotiation process and bilateral screening. North Macedonia has been implementing the SAA for over 20 years and, as a result, has achieved a significant level of alignment with the EU Acquis. The next NPAA revision will cover the period 2026 to 2030 and will plan for alignment with EU acquis to ensure the continuity of the accession process by taking into account the findings in the screening reports for all clusters, European Commission annual country reports, Rule of Law reports and peer review mission and maintain the capacity of the coordination structures necessary for accession negotiations. The revision is envisaged to be completed in the first quarter of 2026.



## ***Relationship with International Organisations and Private Foreign Investors***

### ***International Financial Institutions***

As at 31 December 2024, the total external general government debt of North Macedonia owed to IFIs amounted to €1,456.5 million, and as at 30 September 2025, the total external general government debt of North Macedonia owed to IFIs amounted to €1,367.7 million.

North Macedonia will continue its relationship both with IFIs and with private foreign investors to finance major infrastructure, health, education and other social and economic projects that the Government deems critical to continued national development and EU Acquis harmonisation efforts. For further details relating to historic and planned expenditure associated with the organisations discussed below, see “*Indebtedness — External General Government Debt — International Financial Institutions*” and “*Economy of North Macedonia— Public Investments*”.

The following table provides the breakdown of current financial support from the following international organisation aimed to bolster North Macedonia’s economy:

<b>Financial Institution</b>	<b>Total Amount Committed</b>	<b>Disbursed as at 30 September 2025</b>
World Bank	€276,700,000	€98,372,127
EBRD	€1,227,270,000	€385,090,546
EIB	€421,900,000	€104,248,512
CEB	€96,000,000	€21,000,000
KfW	€237,000,000	€35,601,217
AFD	€50,000,000	€17,087,529
China EXIM Bank	US\$179,694,573	US\$73,151,207

*Source: Ministry of Finance*

### ***International Monetary Fund***

Since 1994, the Republic has received assistance from the IMF in the form of stand-by arrangements and other types of financing facilities, including the Systematic Transformation Facility, Enhanced Structural Adjustment Facility, Compensatory and Contingency Financing Facility, Poverty Reduction and Growth Facility, Extended Fund Facility and Precautionary Credit or Liquidity Line. On 4 November 2022, the Ministry of Finance and NBRNM sent a formal request for support to the IMF in the form of a 24-month Precautionary and Liquidity Line (“**PLL**”) arrangement in the amount of special drawing rights (“**SDRs**”) of 406.87 million (being 290% of the quota), which is equivalent to approximately €530 million. On 21 November 2022, the IMF Executive Board approved the precautionary and liquidity line. As planned, SDR 84.18 million (being 60% of the quota) were available after the approval of the arrangement and therefore these funds were requested and withdrawn on 23 November 2022. The second tranche in the amount of SDR 119.26 million (being 85% of the quota) was withdrawn on 23 January 2024, while the remaining funds were treated as precautionary. The PLL programme ended in November 2024.

### ***World Bank***

The Republic joined the World Bank in 1993 and has received financing assistance targeted at specific projects and public sector, financial and infrastructural reforms. The World Bank has historically worked to maintain macroeconomic stability and develop a sound financial sector in North Macedonia. Committed loans, guarantees and grants from the World Bank to North Macedonia totalled approximately US\$2.9 billion as at 30 September 2025. The World Bank is supporting North Macedonia in advancing its efforts to enhance competitiveness, develop human capital, and promote a more resilient economy. The World Bank’s strategic objective for North Macedonia is to support its ability to achieve faster, inclusive, and sustainable growth and provide its citizens with greater opportunities for a better life.

North Macedonia is focused on the implementation of the Country Partnership Framework (“CPF”), covering the period 2024-2028, as well as projects from the previous CPF. The CPF aims to focus on improving the quality of public service delivery, creating more productive private sector jobs, and increasing climate resilience.

The current portfolio includes the following on-going projects financed by the World Bank:

	<b>Total Amount Committed (€)</b>	<b>Disbursed as at 30 September 2025 (€)</b>
Public Sector Energy Efficiency Project	25,000,000	7,881,353
Primary Education Improvement Project + additional financing	36,500,000	20,267,854
Social Services Improvement Project	28,700,000	25,206,192
Second Social Services Improvement Project	27,500,000	1,111,854
Social Insurance Administration Project	13,800,000	3,842,877
Agriculture Modernisation Project	46,000,000	5,899,538
Road Upgrading and Development Project (Rankovce - Kriva Palanka) additional financing	31,000,000	14,473,743
Western Balkan Trade and Transport Facilitation Project	26,200,000	5,902,236
Local Roads Connectivity Project - additional financing	37,000,000	12,478,343
Building Effective, Transparent and Accountable Public Finance Management Institutions Project - IFMIS	20,000,000	1,308,136
<b>TOTAL</b>	<b>276,700,000</b>	<b>98,372,127</b>

*Source: Ministry of Finance*

As at 30 September 2025, the Republic’s total outstanding general government debt to the IBRD amounted to €479.5 million, of which €249.46 million was allocated for project investments, and €230.05 million was allocated for budget support.

#### *European Investment Bank*

Since 1998, the European Investment Bank (“EIB”) has contributed to the realisation of the Government’s priorities for investment in road infrastructure, energy, small- and medium-sized enterprise development, water supply and other public works. From 1998 to 30 September 2025, the total value of all finance contracts signed with EIB is approximately €1.6 billion (including concluded loans and guarantees issued by the Government) of which €290.40 million represented the outstanding indebtedness of North Macedonia as at 30 September 2025.

The current portfolio includes the following on-going projects financed by the EIB:

	<b>Total Amount Committed (€)</b>	<b>Disbursed as at 30 September 2025 (€)</b>
Municipal Water Infrastructure Project	50,000,000	3,500,000
Waste Water Treatment Plant - WWTP Skopje*	68,000,000	10,000,000
Gas Interconnector Greece – North Macedonia, North Macedonia Part Project*	28,900,000	0
SMEs, MID-CAP projects and projects for green transition VII	100,000,000	90,748,512
Corridor VIII Railways (eastern part) section III*	175,000,000	0
<b>TOTAL</b>	<b>421,900,000</b>	<b>104,248,512</b>

*\* Projects co-financed by EBRD*

*Source: Ministry of Finance*

### *European Bank for Reconstruction and Development*

The EBRD has been active in the Republic since 1993; its latest Strategy 2025-2030 for North Macedonia was approved by the Board of Directors on 30 April 2025, with initiatives aimed to strengthen regional integration through connectivity and enhanced value chain linkages, accelerate the transition to a green and sustainable future, and support a more competitive, inclusive, and well-governed economy.

The EBRD works closely with the Government and other key partners such as the EIB and the EU in connection with the financing of road and other transportation projects.

Key projects that have been implemented with EBRD support include:

	<b>Total Amount Committed (€)</b>	<b>Disbursed as at 30 September 2025 (€)</b>
Highway Tolling Project	13,000,000	9,330,000
Railways Corridor VIII Project - Phase I - Section Kumanovo - Beljakovce	46,400,000	46,361,227
Railways Corridor VIII Project - Phase II - Section Beljakovce - Kriva Palanka	145,000,000	73,257,526
Rail Joint Border Crossing - Tabanovce Project	5,000,000	50,000
Railways Corridor VIII Project - Phase III - Section Kriva Palanka - Deve Bair, Border Crossing with the Republic of Bulgaria*	175,000,000	0
ESM Solar PV Transition Project	25,000,000	224,630
TEN – T Skopje - Kosovo Border Motorway Project	167,600,000	1,676,000
Waste Water Treatment Plant - WWTP Skopje*	58,000,000	15,580,000
Regional Solid Waste Project	55,000,000	5,475,000
Skopje Bus Rapid Transit Project	70,000,000	0
National Gas Pipelines Project + Gas interconnector Greece*	98,600,000	0
Road Corridor VIII – Phase I Project (Bukojcani -Kicevo)	110,000,000	4,417,000
National Roads Programme	181,000,000	181,000,000
Energy transmission network-MEPSO (without sovereign guarantee)	25,000,000	25,000,000
Construction of 400 kv long - distance power line interconnection between TC Bitola 2 and TC Elbasan (without sovereign guarantee)	37,000,000	14,901,821
Photo-voltaic solar power plant „Oslomej“(without sovereign guarantee)	5,900,000	3,942,961
MNAV Modernisation Project (without sovereign guarantee)	9,770,000	3,874,381
<b>TOTAL</b>	<b>1,227,270,000</b>	<b>385,090,546</b>

\* Projects co-financed by EIB

Source: Ministry of Finance

In the forthcoming period, the cooperation with EBRD will be focused on the following projects:

	<b>Total Loan Amount (€)</b>
Railway Fleet Renewal Project of Railways of the Republic of North Macedonia JSC Skopje	20,900,000
Photovoltaic Power Plant Bitola 3	37,000,000

Source: Ministry of Finance

### *Council of Europe Development Bank*

The Council of Europe Development Bank (the “CEB”) has supported the realisation of numerous social investment projects in Republic, including in the fields of social infrastructure and social integration (including health, education, justice, construction of social housing), as well as support for small and medium enterprises.

Key current projects financed by the CEB include:

	Committed Loan Amount (€)	Disbursed as at 30 September 2025 (€)
Prisons Reconstruction Project	46,000,000	21,000,000
Job Creation in Micro, Small and Medium-Sized Enterprises in North Macedonia	50,000,000	0
<b>TOTAL</b>	<b>96,000,000</b>	<b>21,000,000</b>

Source: Ministry of Finance

In the forthcoming period, the cooperation with CEB will be focused on the commencement of the implementation of the Additional Financing for the Construction of Physical Education Facilities, thus securing loan funds in the amount of €20,000,000.

As at 30 September 2025, North Macedonia had a total of €68.26 million in outstanding debt for development project funding from the CEB.

*Kreditanstalt für Wiederaufbau.*

Cooperation with the Kreditanstalt für Wiederaufbau (the “KfW”) is focused on projects related to water supply, irrigation, energy and renewable sources of energy. Recent projects include initiatives to provide affordable and sustainable drinking water supplies, construction of irrigation systems, energy efficiency measures and electricity production.

In cooperation with the KfW, North Macedonia is implementing the following projects:

	Total Amount Committed (€)	Disbursed as at 30 September 2025 (€)
Irrigation Programme North Macedonia	80,000,000	827,438
Energy efficient rehabilitation of student dormitories in North Macedonia	20,000,000	3,993,157
Wind Farm Bogdanci Project Phase 2	18,000,000	837,414
Rehabilitation of 6 HPP phase 3 project	25,000,000	0
Renewable Energy Programme ESM - Component II: PV Powerplant Bitola 2 (47.000.000 for Component II and 8.000.000 for Component III)	55,000,000	0
Project for District Heating of Bitola	39,000,000	29,943,208
<b>TOTAL</b>	<b>237,000,000</b>	<b>35,601,217</b>

Source: Ministry of Finance

In the forthcoming period, the cooperation with the KfW will be focused on the following projects:

Planned projects	Total Loan Amount (€)
Photovoltaic Power Plant Bitola 3 and rehabilitation of Hydropower Plants Project	60,000,000
Energy Efficient Rehabilitation of Student Dormitories in North Macedonia Phase 2	40,000,000

Source: Ministry of Finance

*Export-Import Bank of China*

The construction of the highway section Kicevo – Ohrid, with a total length of 57 kilometres (US\$684.7 million), which is financed by loans from the Export-Import Bank of China, is expected to be finished by the end of 2026. By developing road infrastructure in this part of the Republic, the Government hopes to ensure more efficient, secure, and safe road traffic. The construction of the highway section Miladinovci – Shtip was completed in 2019.

### *Agence Française de Développement (AFD)*

Cooperation with the Agence Française de Développement (“AFD”), in line with its overall strategies is expected to contribute to foremost regional integration process, connectivity agenda through WBIF, as well as economic development and social cohesion, ecological and energy transition, innovation and the digital economy.

In cooperation with AFD, North Macedonia is implementing the “Project for green and social investments”, implemented by the Development Bank of North Macedonia. The contracts with AFD were signed on 21 December 2023.

### **Legal Proceedings**

Except as described below, the Republic is not and has not been involved in any government, legal or arbitration proceedings during the previous 12 months which may have, or have had in the recent past, a significant effect on the Republic’s financial position.

There are four active arbitration procedures:

- On 20 December 2022, arbitration proceedings were initiated against the Ministry of Health before the International Chamber of Commerce (“ICC”) in Paris. The claimant, Inso Sistemi Per Le Infrastrutture Sociali S.P.A. (in Extraordinary Administration), is disputing the termination of the construction works agreement for the University Clinical Center “Mother Teresa” in Skopje. The disputed value in this arbitration is US\$18.9 million.
- On 21 July 2023, FCL Ambiente S.r.l. filed a claim as claimant against the Republic as respondent under the International Centre for Settlement of Investment Disputes Rules and Convention. The dispute concerns the alleged unlawful treatment of FCL Ambiente’s investments in the Drisla waste disposal project, including claims of unlawful expropriation. The estimated value of the dispute is US\$95 million. The arbitration proceedings were registered on 31 July 2023, and procedural actions are ongoing.
- On 17 July 2023, Amadeus Group and Amadeus Development LLC initiated a claim as claimants against the Republic as respondent before the International Centre for Settlement of Investment Disputes, which was registered by the International Centre for Settlement of Investment Disputes on 18 August 2023. The dispute arose from a public call for the construction of a commercial building in Skopje, being the Spanish Steps project, in which Amadeus Group was ranked as the first-placed bidder. The claimants allege that their investment is protected under the bilateral investment treaty between North Macedonia and Albania. According to the claimants, the current value of the claim is approximately US\$230 million. During 2023, the Government reviewed the initiation of the arbitration proceedings and undertook actions to organise its defense, including initiating the process for engaging international legal counsel. The next expected steps include the conduct of regular procedural activities in accordance with the established procedural calendar, including the exchange of written submissions between the parties and the holding of hearings. The precise timing will depend on the progress of the proceedings and the decisions of the arbitral tribunal.
- On 25 January 2024, INTRAKAT Technical and Energy Projects S.A. (represented by its Skopje office) initiated arbitration proceedings against the Ministry of Health before the ICC. The dispute arises from the termination of the contract for the execution of construction work at the Clinical Hospital in Štip. The disputed value in this arbitration is US\$23.7 million.

## ECONOMY OF NORTH MACEDONIA

### Recent Developments

The direct effect of the Russian/Ukrainian conflict on the economy of North Macedonia is limited due to the low levels of foreign trade with these countries and low level of investments from these countries. In 2024 only 0.6% of total exports from North Macedonia were sent to Russia and only 0.3% of total exports were sent to Ukraine. The share of imports from Russia and Ukraine of the total imports of North Macedonia in 2024 was 1.1% and 0.6%, respectively. Foreign direct investment from Russia and Ukraine was only 0.2% in 2024. In addition, Russia and Ukraine are not present in the financial sector of the Republic.

However, the indirect effects could be significant given that the Republic's economy is a small and open economy, and the developments in Ukraine have had a significant adverse effect on the European and global economies through additional supply chain disruptions that limited post-pandemic recovery efforts and through inflation pressures.

The growth of food and energy prices on world stock exchanges have kept inflation rates relatively high for a longer period. The average inflation rate in the period from January to November 2025 amounted to 4.1% on an annual basis. The inflation rate in November 2025 stood at 4.0% on an annual basis, slowing down from 4.5% in October 2025. The moderation in the headline rate came despite a firmer performance of core inflation, which picked up modestly compared to October 2025 and remained one of the main sources of price pressures. Food prices also continued to shape overall inflation dynamics, which although still high, their annual growth moderated in November 2025 compared to the previous month. During the first ten months of 2025, the trade deficit was 8.8% higher compared to the same period in 2024, amid the increase in the export and the import of goods. The export of goods increased by 2.2% compared to the same period in 2024, mainly reflecting the higher exports of machinery and transport equipment, and the import of goods registered an increase of 4.1% compared to the same period in 2024, mainly due to the increased imports of intermediate products.

Based on the Passenger Entry/Exit Control System ("SKPV"), between 1 January 2025 and 3 December 2025, 63,921 Ukrainian citizens entered the Republic and 53,401 Ukrainian citizens exited the Republic. These figures refer to the total number of registered Ukrainian citizens, including individuals who have entered or exited the Republic on foot, by car, by bus, by truck, and by plane.

### Budget of the Republic of North Macedonia for 2025

The Budget for 2025 was adopted on 10 December 2024, which was development-oriented while incorporating a social component, and was built upon the following assumptions:

- (1) Sustainable and disciplined budget spending, with budget projections aligned with the established strategic priorities and macroeconomic parameters;
- (2) Reduction of non-essential expenditures and significant improvement of the efficiency and expediency in spending budget funds;
- (3) Support by subsidising citizens and the economy through clearly defined criteria for budget support;
- (4) Budgeting based on performance and results to improve the efficiency and effectiveness of public expenditures through the development and continuous monitoring of indicators for measuring the success in the implementation of budget policies;
- (5) Budgeting based on the principle of reality, i.e. budget revenues are planned in amounts that can be realistically maintained, and expenditures at a level that can be executed;
- (6) Redesign of the budget structure and higher capital investments aimed at the implementation of infrastructure projects, primarily for the construction of transport and utility infrastructure, investments in energy capacities, investments in educational, health and other public infrastructure; and

(7) Strategic planning of large infrastructure projects.

A key feature of the 2025 Budget is that, despite an increase of 13% in revenues, expenditures are projected to grow by 10% compared to 2024, resulting in a reduction of the budget deficit by approximately MKD 3.3 billion.

The total revenues of the Budget for 2025 are projected at a level of MKD 358.8 billion, while expenditures are projected at a level of MKD 400.2 billion.

Thus, the projected revenues and expenditures result in a budget deficit projected in an absolute amount of MKD 41,350 million or at a level of 4% of the projected GDP. This level of budget spending enables the normal and uninterrupted functioning of institutions, fulfillment of obligations to international creditors, as well as improvement of the living standards of citizens and the business community.

*Projections and estimates remain subject to numerous internal and external factors, may not materialise, and may be significantly revised. See also the section headed “Forward Looking Statements” in this Offering Circular.*

### **Revisions to the Budget of the Republic of North Macedonia for 2025**

On 22 July 2025, the revised Budget for 2025 was adopted. The revised Budget for 2025 is focused on a minor revision of the initial fiscal projections in accordance with macroeconomic developments during the first half of the year, restructuring of budget expenditures among budget users to service the highest priority obligations, as well as optimising financing sources through the utilisation of funds generated by self-financing activities.

The goal of the rebalance of the Budget for 2025 is to ensure the efficient execution of the Budget and to maintain the same level of budget deficit as projected in the initial Budget for 2025. The revised fiscal projections align expenditures with actual realisations and expectations, ensuring sufficient funds for payment of salaries, pensions project activities and adjustment on self-revenue accounts.

Total revenues are projected at the level of MKD 362.4 billion, which is approximately 1% higher, or about MKD 3.5 billion more than the initial projections in the Budget for 2025. This slight increase results from unchanged projections of tax revenues, increased non-tax revenues mainly from payments by NBRNM, and extensions in self-financing accounts. The revised Budget for 2025 projects approximately MKD 30.6 billion of non-tax revenues (including administrative fees, concessions, payments from NBRNM, and other non-tax revenues), around MKD 2.8 billion of capital revenues (from the sale of agricultural land and social housing, as well as projected dividends from Macedonian Telecom AD), and MKD 9.7 billion of donations to budget users for specific projects and withdrawals from the EU pre-accession funds. The increase in non-tax revenues results from determination, ongoing operations, and program priorities of budget users to finance activities partially through their own revenues rather than full financing from budget funds.

Social contributions, as revenues of pension and health insurance funds and the Employment Agency, are projected at MKD 117.1 billion, which remain unchanged compared to the contributions projected in the Budget for 2025.

Total expenditures are projected at approximately MKD 403.7 billion, which is about 1% higher, or roughly MKD 3.5 billion more than the initial projections in the Budget for 2025. The budget deficit remains unchanged at MKD 41.3 billion, equivalent to 4% of GDP. The deviation from the fiscal rule results from securing necessary funds allocated for the payment of obligations arising from legal decisions and contracts, as well as for financing infrastructure projects.

Expenditures by the end of 2025 are estimated to increase by around MKD 3.5 billion, with the changes primarily involving:

- (1) Reallocation of funds among budget users to cover essential expenditure items;
- (2) Utilisation of own-source revenues to ensure uninterrupted current operations, including additional funding provided for projects in the fields of environmental protection, support in energy, culture, and education, as well as procurement of insulin and medical equipment;

- (3) Increased transfers from the Central Budget to the Pension and Disability Insurance Fund to ensure uninterrupted financing and fulfilment of its obligations regarding the payment of increased pensions and transitional costs; and
- (4) Additional funds allocated for capital expenditures in institutions implementing projects with intensified realisation, primarily in the Ministry of Defence.

Capital expenditure is projected at approximately MKD 47.4 billion. Financing of capital investments is expected to ensure the execution of planned reconstructions and modernisations in road, railway, and utility infrastructure, capital investments in the fields of education, child and social protection public health institutions, the fulfilment of contracts in the areas of defence and security, as well as rural development. Additionally, the Government's financial support and cooperation with municipalities will continue, focusing on the ongoing investment of funds from the Central Budget into capital infrastructure projects within the municipalities. This aims to enhance the financial stability of municipalities by ensuring a fair distribution of funds, in accordance with the principles of balanced regional development. Additionally, benefits and incentives will be provided to municipalities that have planned budgets, demonstrate a high level of budget execution, maintain strong local tax collection rates, and apply an improved methodology for calculating current maintenance costs.

	Budget 2025 ("B2025")	Revised Budget 2025 ("R2025")	R2025-B2025	R2025/B2025
	<i>(in MKD million)</i>			<i>(in %)</i>
<b>Total revenues</b>	358,838	362,377	3,539	1.0
<b>Tax revenues and contributions</b>	319,234	319,196	-38	0.0
Tax revenues	202,139	202,100	-39	0.0
Contributions	117,095	117,096	1	0.0
<b>Non-tax revenue</b>	26,302	30,608	4,306	16.4
<b>Capital revenues</b>	3,510	2,830	-680	-19.4
<b>Donations</b>	9,792	9,743	-49	-0.5
<b>Total expenditures</b>	400,188	403,727	3,539	0.9
<b>Current expenditures</b>	353,032	356,377	3,345	0.9
Salaries and allowances	48,141	49,189	1,048	2.2
Goods and services	26,325	28,025	1,700	6.5
Transfers to Local government	33,239	33,516	277	0.8
Subsidies and transfers	33,436	31,734	-1,702	-5.1
Social transfers	191,045	193,296	2,251	1.2
Interest payments	20,845	20,617	-228	-1.1
<b>Capital expenditures</b>	47,156	47,351	195	0.4
<b>Budget balance</b>	41,350	41,350	0	0.0
<b>Primary budget balance</b>	20,505	20,733	228	1.1
<b>Budget balance, % of GDP</b>	4	4		
<b>Total revenues, % of GDP</b>	35.1	35.4		
<b>Total expenditures, % of GDP</b>	39.1	39.5		
<b>Capital expenditures, % of GDP</b>	4.6	4.6		
<b>Primary budget balance, % of GDP</b>	2	2		

*Projections and estimates remain subject to numerous internal and external factors, may not materialise, and may be significantly revised. See also the section headed "Forward Looking Statements" in this Offering Circular.*



### *Measures to protect citizens against increased energy and oil prices*

Based on the Energy Law and a proposal from the Ministry of Energy, Mining and Mineral Resources, the Government is adopting a Program for the Protection of Vulnerable Energy Consumers and a Program for Financial Support for Electricity Production by Preferred Producers Using a Premium.

Through the Program for the Protection of Vulnerable Energy Consumers, vulnerable energy consumers receive financial support through:

- a reduction in the monthly electricity bill in the amount of MKD 1,000 per month, calculated from the date of submission of the application; and
- acquiring the right to a purchased and installed inverter air conditioner with a power of 3.5 kW, which has at least energy class A+ through selection of the received applications.

In the Budget for 2025 for the implementation of this program, funds in a total amount of MKD 218 million were projected.

According to the Law on Social Protection, beneficiaries of guaranteed minimum assistance and beneficiaries of social pension are entitled to an energy supplement. The energy supplement is paid for the period from October to March. The monthly fiscal effect ranges from MKD 65,000,000 to MKD 70,000,000 depending on the number of beneficiaries.

Through the Program for Financial Support for Electricity Production by Preferential Producers Using a Premium, a premium is paid to preferential producers who produce electricity from photovoltaic power plants, with a total installed capacity not exceeding 90 MW, as an additional amount to the price they achieve by selling the produced energy on the electricity market.

In the Budget for 2025, funds in the amount of MKD 57 million are projected for the implementation of this program.

In the Budget for 2026 for the Program for Protection of Vulnerable Energy Consumers and the Program for Financial Support for Electricity Production by Preferred Producers, funds in the total amount of MKD 295 million are projected.

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### **Budget of the Republic of North Macedonia for 2026**

The Budget for 2026 was adopted on 10 December 2025. The Budget for 2026 is designed to be consolidated and realistic, ensuring responsible management of public finances and maintaining a sustainable level of budget deficit and public debt.

During 2026, the Budget for 2026 plans to implement the following measures:

- Strict control over the assumption of new obligations and adherence to the budgetary principles of economy and efficiency;
- New employment in accordance with the available budgetary capacities;
- Improved collection of own-source revenues by budget users;
- Rational utilisation of public funds;
- Realistic planning and timely execution of capital expenditures;
- Redesign of the system of subsidies and social transfers by introducing stricter eligibility criteria;
- Strengthened fiscal discipline and transparency; and

- Digitalisation of processes to enable more efficient and higher-quality public services.

Taking these assumptions into account, the total revenues of the Budget for 2026 are projected at the level of MKD 374.9 billion, while expenditures are projected at MKD 414.2 billion. The budget deficit is projected at MKD 39.2 billion, which corresponds to 3.5% of the projected GDP.

The deviation of 0.5% of the GDP from the established fiscal rule for the budget deficit is attributed to the need to secure financial resources for fulfilling the obligations arising from the Republic's NATO membership, particularly for capital investments in defence, as well as for the modernisation of transport infrastructure and the implementation of local infrastructure projects.

The Government will achieve a gradual alignment with the fiscal rules within the framework of the Fiscal Strategy 2026–2030, through the implementation of measures on both the revenue and expenditure sides, including:

- Improved collection of budget revenues through the formalisation of the informal economy, digitalisation of processes via the introduction of e-invoice and other reform initiatives;
- Consolidation and rationalisation of budget expenditures, based on clearly defined criteria and enhanced monitoring of public spending;
- Improved efficiency and effectiveness of public expenditures, through the introduction of performance indicators for measuring the success of budgetary policies; and
- Strategic investment planning to ensure realistic capital expenditure projections and timely project implementation.

*Projections and estimates remain subject to numerous internal and external factors, may not materialise, and may be significantly revised. See also the section headed “Forward Looking Statements” in this Offering Circular.*

## **Revenues**

The budget revenues for 2026 are projected based on the realisations from the 2025 fiscal year, the expected macroeconomic indicators, historical revenue data, and the adopted measures for enhancing efficiency in public revenue collection.

The goal of the tax policy is to reduce tax evasion, formalise the informal economy, and digitise tax processes, thereby enabling the creation of a fair and transparent tax system. In doing so, institutions will strengthen their capacities and introduce new technologies for more efficient and automated tax collection.

Total tax revenues in the Budget for 2026 are projected at MKD 214.1 billion, which is a 6% increase compared to the projected tax revenues for 2025, with a share of 19.3% in the projected GDP for 2026.

Personal income tax revenues for 2026 are projected at MKD 38.8 billion, representing an increase of 8.7% compared to the projected revenues for 2025. Personal income tax revenues are expected to account for 18.1% of total tax revenues and 3.5% of GDP.

Corporate income tax revenues for 2026 are projected at MKD 26.6 billion, reflecting an increase of 14.1% compared to the projected revenues for 2025. These revenues are expected to account for 12.4% of total tax revenues and 2.4% of GDP.

For 2026, VAT revenues are projected at MKD 92.5 billion, based on the anticipated increase in consumption due to the realistically available income. These revenues are expected to account for 43.2% of total tax revenues and 8.3% of GDP.

Excise tax revenues for 2026 are projected to reach MKD 35.8 billion, representing an increase of 1.3% compared to 2025. These revenues are expected to account for 16.7% of total tax revenues and 3.2% of GDP. The Budget for 2026 anticipates revenues from customs duties, including the motor vehicle tax, amounting to

MKD 16.6 billion, reflecting an increase of 2.1% compared to the previous year. These revenues are projected to account for 7.8% of total tax revenues and 1.5% of GDP.

Other tax revenues, including the own-source revenues of budget users, are expected to have a marginal share of 1.8% of total tax revenues and 0.3% of GDP.

Social contributions as source of funding of the pension and health insurance funds and the Employment Agency are projected to be 4% higher than the contributions projected for 2025 and are projected in the amount of MKD 121.8 billion.

For 2026, the budgeted non-tax and capital revenues are projected as follows:

- *Non-tax revenues:* Approximately MKD 29 billion, generated from administrative fees, concessions, and other own-source revenues;
- *Capital revenues:* Approximately MKD 2.5 billion, stemming from the sale of agricultural land and social housing, as well as the planned dividend from AD Macedonian Telecom; and
- *Donations:* Intended for specific projects and withdrawals from the EU pre-accession funds, projected at MKD 7.4 billion.

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## **Expenditures**

The budget expenditures for 2026 amount to MKD 414.2 billion, representing an increase of 2.6%, or approximately MKD 10.4 billion more as compared to 2025.

The current expenditures for 2026 are projected at MKD 374 billion. Within the current expenditures, the following categories are projected:

- Expenditures for wages and salaries are projected at approximately MKD 52.6 billion, representing an increase of around MKD 3.5 billion compared to 2025. The forecast is based on the existing legal framework, the obligations arising from already concluded collective agreements, and the new employment, which will primarily be realised through mobility and transfer of employees from other institutions within the public sector; and
- Expenditures on goods and services are projected at MKD 28.2 billion. Within this framework, funds are provided to ensure the smooth functioning of institutions and to fulfil obligations arising from NATO standards and other international agreements.

Current transfers and subsidies are planned at the level of MKD 272 billion, which include the following:

- Social transfers, projected at MKD 206.3 billion, covering:
  - Pension payments, projected at MKD 116.8 billion, which include the effect of the pension increase realised in 2025 and an additional pension increase for 2026, in accordance with the current legal provisions;
  - Social protection benefits for the most vulnerable categories of the population, amounting to approximately MKD 12 billion;
  - Unemployment benefits, projected at MKD 1.5 billion; and
  - Active labour market policies and employment measures, projected at MKD 2.6 billion, aimed at designing programs, measures, and employment services to improve the functioning of the labour market, create new jobs, promote youth employment, support the employment of persons with

disabilities, and enable beneficiaries of the guaranteed minimum assistance to participate in active employment programs and measures;

- Health care is projected at the level of approximately MKD 53.8 billion, which will be executed through the Health Insurance Fund. Most of these funds are intended for financing health services and settling the liabilities of public health institutions; and
- Transfers to the Local Self-Government Units (“LSGUs”), which are projected in the amount of MKD 36 billion, intended for financing the delegated competences of the municipalities and for allocations from the revenues of VAT.

Block and earmarked grants to municipalities are designated for financing material expenditures and the payment of salaries of employees in institutions under the transferred competences of the LSGUs, namely, the employees in schools, kindergartens, homes for the elderly, cultural institutions, and fire protection services.

There is an additional increase of MKD 2.2 billion intended to finance the increased salaries in institutions at the local level that are funded through block and earmarked grants, as well as to cover the material expenditures of the institutions financed through block grants.

Capital expenditures are set at the level of MKD 40.1 billion and are based on realistic planning of and according to the objective of ensuring the timely implementation of projects. In this regard, through the Budget for 2026, the Government will implement infrastructure and energy projects, as well as capital projects in the areas of transport, utility, and local infrastructure, aimed at improving the overall living conditions of citizens.

Financial support and cooperation between the Government and municipalities are also envisaged, focusing on continuous investment of funds from the central budget into capital infrastructure projects at the municipal level.

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### **Tax Reforms**

With respect to the tax policy, as per the 2024 – 2028 Work Programme of the Government, several reforms in the tax area and the increasing of both efficiency and effectiveness of the tax administration are envisaged, in order to successfully carry out tax procedures.

Modifications and amendments to the Law on Tax Procedure, pertaining to simplifying and accelerating the process of future tax assessment and collection and introducing the integrated tax information system, would provide for more efficient tax collection and reduction of the bureaucratic burden on taxpayers, which would enable both the taxpayers and the tax authority to assess and collect tax liabilities efficiently.

Digitalisation of tax procedures is one of the main objectives of the tax reform process, with the goal of fully utilising resources and facilitating the process of tax payment. Introduction of e-invoicing is one of the first activities planned to be undertaken in the coming period, aimed at carrying out tax audit in a more efficient manner and saving tax administration resources, as well as saving the time and effort of taxpayers. E-invoicing and e-fiscalisation projects would be crucial for easier detection and the combat of the informal economy by closely monitoring the supply and payment of taxes by taxpayers.

Combating the informal economy will be also focused on strengthening public administration capacities for detecting, monitoring and addressing the informal economy via special tools, enhancing the legal regulation and the efficiency in its implementation, improving the business environment and creating a stimulative framework for formalising the informal economy and increasing the efficiency of the inspection services and the sanctions and fines system, which would be monitored through the greater digitalisation of all administrative processes and procedures.

On the other hand, efforts will also be dedicated to strengthening the awareness of the informal economy and enhancing tax morale and trust in the institutions, increasing predictability when preparing legal solutions, policies and measures and strengthening transparency, accountability and integrity at all government levels.

With respect to tax revenues, adhering to the Government's initiative to base economic growth on investments, the objective is to increase the share of direct taxes in the total tax revenues, which is a distinctive feature of advanced economies.

Moreover, the tax policy envisages more efficient controls regarding transfer prices, as well as enhanced and regular monitoring of the "arm's length" principle applicable to taxpayers in cases of transactions with associated parties. Furthermore, consolidation of revenues by taxpayers is also envisaged to be regulated more closely.

Regarding international taxation, the draft Law on Administrative Cooperation for Tax Purposes is anticipated to be adopted, which will establish a specific legal framework that will contribute to strengthening cooperation between tax authorities through efficient exchange of information between them, all with the aim of more efficient tax controls from the aspect of international taxation in order to avoid double taxation or double exemption and to increase tax collection. The adoption of the aforementioned law will, among other things, enable the automatic exchange of information on financial accounts, as well as information related to the global minimum corporate income tax prescribed in the Law on Global Minimum Corporate Income Tax. This law will also enable the tax authority to use the exchanged information for the purposes of assessing high transfer pricing risks and other risks related to base erosion and profit shifting.

Harmonisation of the legal framework pertaining to VAT with the Council Directive on the common system of value added tax and its Implementing Regulations will continue in the coming period. The objective is to achieve greater compliance and create a broader tax base for tax revenue collection. Moreover, as per the Government's programme, a more efficient, yet safe, manner of tax credit refund is envisaged through enhanced control mechanisms and risk analysis.

With respect to direct taxes, the tax policy envisages certain tax incentives aimed at boosting both employees' and businesses' productivity, as well as improving the demographic image of the country. It is envisaged that the treatment of recognised expenditures for tax purposes regarding the expenditures for voluntary life insurance premium paid would be reinstalled. It is also planned for personal income tax to be refunded to mothers of newborns, with the duration of this measure dependent on the number of newborns (such as the first, second, third child, etc.). Moreover, it is envisaged that companies employing mothers of three or more children would be exempted from paying health insurance contributions, unemployment insurance contributions and personal income tax for a period of three years as at the date of employment, with an obligation for the employer to retain the mothers at the workplace for as many years as the measure is applied.

## **Overview**

Following its independence in 1991, North Macedonia faced significant economic challenges as it transitioned from a centrally planned economy to a market economy. In particular, the collapse of the former Yugoslavia and the subsequent closing of its markets in the early 1990s, the unallocated external debt of the former Yugoslavia that was assumed by North Macedonia and the deficit of funds in the health and social sectors all contributed to macroeconomic instability in North Macedonia. This instability manifested through a sharp contraction of GDP in North Macedonia as well as high unemployment and hyper-inflation. The economy was also adversely impacted by the trade embargo imposed by Greece from February 1994 through October 1995, the war in Bosnia, international sanctions imposed on Serbia (largest trading partner of North Macedonia at the time) and the crisis in Kosovo. By 1998, the situation had stabilised and annual real GDP growth rate of North Macedonia from 1998 through 2021 was 2.7% per annum, reflecting progress on economic reform, free trade and regional cooperation.

In 1992, the Government began introducing broad reforms to the economic system, including liberalisation of markets, privatisation of ownership and restructuring of industries and companies. A series of changes to fundamental aspects of the economy were introduced in the mid-1990s, including the introduction of the MKD in

1992 and initiatives to reduce previously high levels of inflation, combined with an intensification of the privatisation process. More significant reforms were introduced after 2000, including the introduction of VAT to the tax regime in April 2000 and the adoption of the law on foreign exchange operations in 2001 allowing free flow of capital. Fiscal decentralisation started in 2004, facilitating greater autonomy for the municipalities in the country.

North Macedonia developed its trade relationship with the EU through free trade agreements for textiles and transportation towards the end of the twentieth century, culminating in the signing of the SAA in April 2001. North Macedonia joined the WTO in April 2003, and has since entered into numerous bilateral and multilateral trade agreements. As a result, trade plays an important role in the economy of North Macedonia.

EU accession remains a key strategic priority for North Macedonia. In recognition of the progress that North Macedonia had made in meeting the Copenhagen criteria, the European Commission (the “EC”) granted North Macedonia official EU membership candidate status in 2005, and formally agreed to open accession negotiations with North Macedonia in March 2020. See “*Overview of the Republic of North Macedonia— International Relations— EU Accession*”.

## 2021

In 2021, despite the impact of the COVID-19 pandemic, the economy recovered in line with expectations. Following the 0.8% growth in economic activity in the first quarter, economic activity increased by 15.4% in the second quarter, followed by a 1.9% increase in the third quarter and a 1.5% increase in the fourth quarter. This upward trend led to an average economic growth of 4.5% in 2021, which was a result of more favourable epidemiologic picture, improved mobility, government measures aimed at supporting the economy, a more favourable international environment and less consumption restraint. Economic growth in 2021 was mostly a result of the favourable trends in the services sector, where activity surged by 7.7%. Growth in the services sector was broad based, driven by the trade sector (7.6% growth), followed by real estate activities (7.0% growth) and information and communication activities (12.2% growth). The industrial production increased by 2.2%, whereas activity in the construction and agriculture sectors decreased by 6.0% and 8.7%, respectively.

According to analysis of GDP expenditure, economic activity growth in 2021 was a result of favourable domestic demand, amid recovered private consumption and investments, while net export had decreased the overall growth. Consumption increased by 7.0%, which was primarily driven by a 8.6% increase in private consumption. Consumption growth reflected the recovery of remittances, the solid wage growth, the state aid and the credit support. Public consumption increased by 0.9%. Gross investments increased by 2.9%, as a result of the significant increase in the second and fourth quarter. Export of goods and services swiftly recovered during the first half of the year, continuing with a moderate pace in the second half, whereby export activity increased by 14.3% in real terms, amid recovery of foreign demand. Import of goods and services increased by 14.8% in real terms, driven mostly by the stronger import of intermediary goods.

Following the decline in the first quarter of 2021, the number of employed registered a mild increase in the second quarter, prior to reaching 1.4% and 0.7% growth in the third and fourth quarter, respectively, on an annual basis, according to Labour Force Survey data. In 2021, employment increased the most in the services sector, particularly in trade, information and communication and public sector. Employment dropped in the construction and agriculture sectors, while remaining nearly stagnant in the industrial sector. The average employment rate remained at 47.2% in 2021, which is the same as compared to 2020. During this period, the unemployment rate registered a downward trend, falling to 15.2% in the fourth quarter, a decrease of 90 basis points compared to the same quarter in the previous year.

Average net wage grew by 5.7% in nominal terms and by 2.3% in real terms. Wage growth was broad based, with wages in the services sector increasing by 6.7% and increasing by 4.6% in the industrial sector.

The inflation rate was 3.2%, reflecting price pressures caused by factors specific to the COVID-19 pandemic crisis, which resulted in an upward trend in the commodity prices on the international market, and were transmitted to the domestic economy, mainly through rising prices of food and fuel.

During 2021, monetary policy remained accommodative. In March, the Central Bank policy rate was reduced to 1.25% and remained at the same level throughout the year. Credit activity increased by 8.3% in December 2021, amidst intensification of credits to enterprises, registering an increase of 8.3% and growth of credit to households of 7.8%. Total deposits increased by 7.8%, driven by foreign currency deposits.

The Government continued with targeted support in 2021, in order for economic activity to be restored amid the prolonged pandemic. These measures provided financial support for salaries of the most vulnerable categories, interest-free loans, financial support for liquidity, support for export activity, as well as support for the most affected sectors. The collection of budget revenues in 2021 increased by 15.0%, amid growth in all types of tax revenues and social contributions, while budget expenditures increased by 5.5%, implying narrowing of the budget deficit by 27.8%, (i.e. at the level of 5.3% of GDP). Within the expenditures, capital expenditures registered high growth of 45.3%, while current expenditures increased by 2.7%.

## 2022

Economic activity in the Republic in 2022 was influenced by challenges and uncertainties caused by global factors. In the first half of 2022, GDP recorded annual growth of 3.3%, with the growth rate moderately slowing to 2.3% on a real basis in the second half of 2022 as a result of further deterioration in the international environment. Thus, the average GDP growth in 2022 reached 2.8%.

Economic growth in 2022 was primarily the result of favourable trends in the services and the construction sectors, with a positive contribution to economic growth. Activity in the services sector grew by 6.5% as a result of the developments in real estate-related activities growing by 19.7%. Strong growth was also registered at information and communication activities (17.7% growth) as well as professional, scientific and technical activities (13.1% growth). The construction sector registered 7.5% growth in real terms during this period due to the favourable trends in buildings. The agriculture sector registered a 6.4% decline in real terms while the industrial sector declined by 4.6% amid a 3.7% drop in manufacturing. Manufacturing of food and beverages experienced significant decline amid increase of prices of commodities and raw materials and uncertainty in terms of their availability.

In 2022, the growth of economic activity was due to increased domestic demand, in terms of increased gross investments and consumption, while the contribution of net exports was negative. Gross investments recorded an increase of 11.9%. The high level of gross investments was largely due to the growth of inventories, resulting from increased imports of intermediate products, raw materials and energy, as well as imports of machinery and equipment, to mitigate the adverse effects of the war in Ukraine on availability and prices of these products. Consumption recorded an increase on a real basis of 3.6%, within which private consumption (supported by the growth of wages, remittances and solid credit activity) grew by 5.5% and public consumption decreased by 4.3% on a real basis.

Export of goods and services grew by 10.6% in real terms, which was largely the result of the increased export of chemical products, iron and steel, as well as mineral oils and lubricants. Import of goods and services recorded grew by 13.6% in real terms, while net export had negative contribution to the economic growth. Stronger import was primarily the result of the import of intermediary goods.

In 2022, positive movements in the labour market continued, with the unemployment rate decreasing to 14.4% (from 15.4% in the previous year), amid a decline in the number of unemployed of 8.2%. The employment rate was 47.3%, and the number of employees slightly decreased by 0.2%. In 2022, the average net salary recorded a nominal growth of 10.9%. During this period, the growth of the average salary was observed in all sectors, with the most pronounced in the hospitality industry, art and trade.

The inflation rate during 2022 had an upward trend and reached 14.2%, which reflected the price pressures on the supply side caused by global factors. After the accommodative monetary policy in the previous two years, NBRNM started a process of gradual normalisation, in conditions of accelerated price growth. In response to the rising inflation and the inflation expectations, NBRNM increased its policy rate seven times between April 2022 and December 2022, from 1.25% in the first quarter to 4.75% in December 2022, accompanied by changes in the mandatory reserve instrument.

In December 2022, credit activity accelerated by 9.4% on an annual basis, led by higher lending to enterprises (11.5% growth), whereby household lending grew by 7.3%. Total deposits were higher by 4.9% compared to the same period in 2021, reflecting growth in household deposits by 5.8%, while corporate deposits increased by 3.7%.

In 2022, budget revenues grew by 11.5% compared to 2021, whereby tax revenues picked up by 13.1%, and social contributions increased by 9.9%. Higher tax revenues were driven by PIT, VAT, profit tax, other tax revenues and import duties. Budget expenditures grew by 8.4% as compared to the same period in 2021. Current expenditures increased by 7.0%, while capital expenditures recorded higher execution by 22.3%.

## 2023

In 2023, GDP grew by 2.6% in real terms, despite the uncertainty caused by adverse external factors, primarily being the prolonged war in Ukraine, the expansion of the conflict from the Middle East to the Red Sea, reduced demand from EU countries and disruptions in global supply chains, as well as tightening financial conditions.

The growth of economic activity in 2023 was the result of positive performances in the service sector, industry, and construction. The service sector had the highest contribution, primarily as a result of favourable developments in trade, transport and hospitality, with a growth of 5.9%. Activities related to financial and insurance activities, real estate, information and communication, and professional, scientific and technical activities also had a significant growth. The industry sector recorded a solid increase in activity of 4.0%, amid an increase in manufacturing of 4.4%. Construction also recorded growth, increasing by 3.9%. In this period, only agriculture recorded a decline, decreasing by 14.1%.

Based on the expenditure approach, the growth in economic activity was due to the positive contribution of net exports to economic growth and to the growth in consumption. Private consumption supported by the growth in wages, remittances and household credit activity grew by 1.7%. Public consumption decreased by 1.1%, as a result of the policy of cutting non-priority costs and their rationalisation. Gross investment fell by 16.0%, mainly as a result of the reduction in inventories, which increased significantly in the previous year due to overcoming the conditions caused by the war in Ukraine and the uncertainty regarding the availability and prices of raw materials and energy, as well as the slowdown in external demand and economic activity in the economies of the Republic's main trading partners. As a result of the deteriorating external environment and the slowdown in foreign demand, exports of goods and services in 2023 recorded a decline of 3.0%. According to the monthly data on foreign trade, the largest positive contribution was made by exports of machinery and transport equipment, while the largest negative contribution was made by exports of iron and steel and chemical products. At the same time, imports of goods and services declined at a faster pace, and in 2023 recorded a decline of 10.2% in real terms, with the decrease largely due to the decline in imports of intermediate goods of 15.1%. Therefore, net exports of goods and services made a significant positive contribution to growth in 2023. The trade deficit in 2023 decreased by 26.1% compared to 2022.

The current account in 2023 recorded a surplus of €49.9 million, representing 0.3% of GDP. Such developments are mainly the result of the reduction in the trade deficit by 24.3% on an annual basis, as well as the increase in the surplus in secondary income. Positive trends in FDI continued in 2023 and it amounted to 3.9% of GDP. Foreign exchange reserves at the end of December 2023 reached €4.54 billion, representing an annual growth of 17.5%, which provided 4.6 months of coverage of imports of goods and services.



The inflation rate in 2023 was lower than the previous year and reached 9.4%. After the growth in the previous year, the prices of primary products in the world stock market decreased in 2023, but the fall in food prices in the domestic economy registered a delayed effect. In September 2023, the Government adopted a “guaranteed price” measure, which reduced the prices of basic food products by 10%, which significantly contributed to the reduction of food prices in the last quarter of 2023. Oil derivatives decreased in line with the movements of world stock markets, and energy registered a slowdown in growth. Core inflation in 2023 was 8.2%, which proved more resistant to efforts to reduce it, which led to more pronounced pressure than expected.

The unemployment rate, according to the Labor Force Survey, decreased in the first three quarters of 2023 and reached 12.8% in the third quarter, while in the fourth quarter it increased by 0.2 percentage points on a quarterly basis and amounted to 13.0%. The average unemployment rate in 2023 was 13.1%, while the employment rate was 45.4%.

In 2023, the average net salary recorded a nominal annual growth of 14.9%, while on a real basis it was higher by 5.1%. Growth in the average net salary was recorded in all sectors, which was the most pronounced in construction (18.8%), then in public administration and defence (17.7%), administrative and support service activities (17.1%) and education (17.1%).

In the first three quarters of 2023, NBRNM continued the trend of increasing the base interest rate, after previously increasing it on several occasions during 2022 due to the increased price pressures that had an impact on inflation expectations, while the increase was also accompanied by changes in the reserve requirement instrument. During 2023, from January to September 2023, the interest rate increased by 1.55 percentage points and amounted to 6.30%. In the fourth quarter of 2023, in conditions of slowing inflation and a favourable foreign exchange market, but still with present risks, NBRNM maintained the base interest rate at the level of 6.30%.

In 2023, total loans increased by 5.1% on an annual basis, amid growth in loans to enterprises of 3.3% and loans to households of 6.7%. Total deposit potential in the same period grew by 8.7% on an annual basis, with household deposits increasing by 7.9% and those of enterprises by 13.2%.

In 2023, budget revenues grew by 14.0% compared to 2022, whereby tax revenues picked up by 10.6%, and social contributions increased by 19.3%. Higher tax revenues were driven by all taxes. Budget expenditures grew by 14.4% as compared to 2022. Current expenditures increased by 10.1%, while capital expenditures recorded higher execution by 52.0%.

## 2024

In 2024, GDP grew by 3.0%, reflecting the favourable development of economic dynamics.

The growth of economic activity in 2024 was the result of positive performances across all sectors. Services were driven by a strong growth in information and communication and financial and insurance activities. Construction activity recorded a significant growth of 14.2%, amid an increase in the value of completed construction works in all three segments, and was largely due to the growth in the civil engineering segment, which reflected the increased investments and indicated an intensification of infrastructure projects. Industry and agriculture also increased, recording growth rates of 2.4% and 0.4%, respectively.

Based on the expenditure side, the growth of economic activity was due to increased domestic demand, amid increased gross investments and consumption, while net exports had a negative contribution to growth. Gross investments recorded a significant increase of 10.3%, mainly driven by increased investments in fixed assets, of which the import of capital goods with a growth of 13.9% and the increased purchase of machinery and equipment, with a growth of 8.4%, stood out. On the other hand, the decrease in inventories was notable. In addition, FDI also made a significant positive contribution to investment growth, reaching a record €1.197 billion in 2024, representing 7.6% of GDP. Final consumption recorded an increase of 1.8%, with private consumption growing by 2.1%, which was driven by higher wages, pensions and increased credit activity among households. Public consumption in the same period increased by 0.4%.

As a result of the continuing unfavourable external environment and weaker-than-expected growth among major trading partners, exports of goods and services in 2024 recorded a decline of 4.0%. According to the monthly data on foreign trade, the largest negative contribution was made by exports of chemical products and road vehicles, and the largest positive contribution was made by exports of electrical and industrial machinery and parts. At the same time, imports of goods and services decreased at a slower pace, and thus in 2024 recorded a decline of 1.4% in real terms, with the decrease largely due to the decline in imports of intermediate products by 6.7%. Therefore, net exports of goods and services had a negative contribution to growth in 2024. The trade deficit in 2024 increased by 15.9% compared to 2023.

The current account in 2024 recorded a deficit of €338.4 million, which was equivalent to 2.2% of GDP, and was mainly the result of the increase in the trade deficit by 17.2% on an annual basis, as well as the decrease in the surplus in secondary income by 7.4%. Positive developments in FDI continued in 2024 and amounted to 7.6% of GDP. Foreign exchange reserves at the end of December 2024 reached €5.03 billion, representing an annual growth of 10.8%, which provided 5.2 months of coverage of imports of goods and services.

In 2024, the inflation rate reached 3.5%. After the growth in the previous two years, the price dynamics in 2024 slowed down as expected compared to 2023, following the decline in prices of primary products on the world stock market. Core inflation for 2024 was 5.2%, food prices increased by 2.7%, while oil derivatives reported a decrease of 2.7%.

According to the Labor Force Survey of the State Statistical Office, the average unemployment rate continuously decreased during the entire 2024, reaching an average unemployment rate of 12.4% for the year of 2024. At the same time, the employment rate continuously increased, recording an average employment rate of 45.8%. On the other hand, activity rate was relatively stable, recording a minimal growth.

In 2024, the average net salary recorded a nominal annual growth of 12.6%, which was higher by 8.8% on a real basis. Growth in the average net salary was observed in all sectors, and it was the most pronounced in public administration and defence (15.9%), education (15.9%), and arts, entertainment and recreation (15.2%).

After maintaining the key interest rate at 6.3% for most of the year, NBRNM began reducing the key interest rate from September 2024, which reached 5.55% in December 2024. The decision to gradually ease monetary policy was based on inflation assessment, the latest developments in key macroeconomic indicators, and favourable movements in the foreign exchange market. This reduction was in line with the ECB's monetary policy, which also started reducing interest rates starting from September 2024.

In 2024, total loans increased by 11.2% on an annual basis, amid growth in loans to enterprises of 13.9% and growth in loans to households of 8.8%. Total deposit potential in December 2024 grew by 12.4% on an annual basis, with household deposits increasing by 13.8% and corporate deposits by 9.2%.

In 2024, total realised budget revenues grew by 10.3% compared to 2023. Total budget expenditure in 2024 increased by 9.1% as compared to 2023. This led to the budget deficit widening to 4.4% of GDP for 2024. Tax revenues picked up by 12.8%, and social contributions increased by 14.1%. Higher tax revenues were driven by PIT, VAT, profit tax, excises and import duties. Current expenditures increased by 15.9%, while capital expenditures recorded lower execution by 34.1%.

### **Economic Policy**

Government economic policy is focused on fulfilling the requirements for EU membership, accelerating economic growth, job creation and the development and improvement of the standard of living of its citizens. In pursuit of these objectives, the Government has instituted the following key initiatives:

- Increasing the competitiveness of enterprises of North Macedonia through structural reforms; increased investments in IT, technology and education; and strengthening the quality of the labour force;

- Attracting greater levels of foreign and domestic investment by simplifying and improving regulations, increasing the transparency and efficiency of Government institutions and operations, improving public infrastructure and creating easier access to financial resources; and
- Improving the quality of public institutions to better implement reforms, reducing the informal economy, providing greater protection for creditors, facilitating accelerated execution of financial obligations, decreasing public consumption and combating corruption.

### **Global comparison**

North Macedonia has shown a sustained commitment to implementing reforms in order to improve international competitiveness and promote economic growth.

Furthermore, the Republic's score on the OECD's FDI Regulatory Restrictiveness Index (the "**FDI Index**") in 2024 compares favourably to its peers. The FDI Index measures statutory restrictions on foreign direct investment across 22 economic sectors. It gauges the restrictiveness of a country's FDI rules by looking at the four main types of restrictions on FDI: (i) foreign equity limitations; (ii) screening and approval mechanisms; (iii) restrictions on key foreign personnel and (iv) other restrictions faced by foreign investors, such as restrictions on the acquisition of land and real estate for business purposes. Restrictions are evaluated on a 0 (open) to 1 (closed) scale. The overall restrictiveness index is the average of sectoral scores.

<b>Country</b>	<b>Score</b>
North Macedonia .....	0.04274
Serbia.....	0.05738
Croatia .....	0.03927
Bulgaria .....	0.03909
Albania .....	0.02872
Romania .....	0.02106
Greece .....	0.01978
Montenegro .....	0.01616

*Source: OECD*

The Republic's score on the World Bank's Regulatory Quality Index rank in 2023 also compares favourably to its peers. The Regulatory Quality Index measures perceptions of the ability of the respective country's government to formulate and implement policies and law that permit and promote private sector development. The index is scored on a scale from -2.5 (weak regulatory quality) to 2.5 (strong regulatory quality). The percentile rank indicates the rank of a country among all countries in the world, with 0 corresponding to the lowest rank and 100 corresponding to the highest rank.

<b>Country</b>	<b>Percentile</b>
North Macedonia .....	66
Greece .....	71
Bulgaria .....	66
Montenegro .....	64
Romania .....	63
Albania .....	58
Serbia .....	57

*Source: World Bank*

### **Economic developments and trends**

The table below sets out key indicators of the economy of North Macedonia for the years presented. Major trends behind these movements are outlined in the discussion that follows.

	Year ended 31 December					Nine months ended 30 September
	2020	2021	2022	2023	2024	2025 <sup>(1)</sup>
Real GDP growth (%).....	(4.7)	4.5	2.8	2.6	3.0	3.4
Inflation (CPI) .....	1.2	3.2	14.2	9.4	3.5	4.0
Budget deficit (% of GDP) .....	8.0	5.3	4.4	4.6	4.4	2.8
Change in budget deficit (%) <sup>(2)</sup> .....	295.4	(27.8)	(8.7)	16.7	1.4	7.9
Central Bank bills interest rate (%) <sup>(3)</sup>	1.65	1.29	2.46	5.84	6.13	5.37
Unemployment (%) <sup>(4)</sup>	16.2	15.4	14.4	13.1	12.4	11.6
Change in the number of unemployed persons (%) <sup>(5)</sup> .....	(7.9)	(6.8)	(8.2)	(10.9)	(4.9)	(7.6)

Notes:

- (1) Estimated.
- (2) Calculated as the percentage change in the budget deficit as compared to the previous year.
- (3) Calculated as the average interest rate over the respective period.
- (4) Calculated as the average unemployment rate over the period.
- (5) Calculated as the percentage change in the number of unemployed persons for the period as compared to the previous year.

Source: State Statistical Office, Ministry of Finance and National Bank of the Republic of North Macedonia

### Energy Poverty Programme

The programme of the Ministry of Energy, Mining and Mineral Resources to protect vulnerable categories of consumers made available a total of MKD 168 million for 2024. The financial support was made available in the form of monthly payments in the amount of MKD 600 for households of one to three members, and MKD 800 for households of four or more. In 2024, MKD 60 million were provided to vulnerable consumers administered through the energy distribution system operator. MKD 80 million was provided for in the 2024 budget of the Ministry of Energy, Mining and Mineral Resources for these measures. MKD 105 million and MKD 95 million were respectively provided for in the 2025 budget and 2026 budget of the Ministry of Energy, Mining and Mineral Resources for vulnerable categories of consumers.

### Gross Domestic Product

The following table sets out certain annual information about the real GDP of North Macedonia for the periods indicated:

	Year ended 31 December					Nine months ended 30 September
	2020	2021	2022	2023	2024 <sup>(1)</sup>	2025 <sup>(2)</sup>
GDP at current prices (MKD millions) .....	669,280	729,445	816,084	902,905	964,087	746,422
GDP at current prices (€ millions) .	10,852	11,836	13,243	14,668	15,668	12,119
Real GDP growth (%).....	(4.7)	4.5	2.8	2.6	3.0	3.4
GDP per capita (€).....	5,236	6,443	7,230	8,025	8,588	— <sup>(3)</sup>

Notes:

- (1) Preliminary.
- (2) Estimated.
- (3) Not available.

Source: State Statistical Office.

*Preliminary data and estimates remain subject to numerous internal and external factors, may not materialise, and may be significantly revised. See also the section headed “Forward Looking Statements” in this Offering Circular.*

The following table sets forth the contribution to real GDP growth by type of consumption:

	Year ended 31 December					Nine months ended 30 September
	2020	2021	2022	2023	2024	2025
	(%)					
Household consumption	(2.3)	5.7	3.7	1.1	1.5	1.5
Government consumption	1.4	0.2	(0.7)	(0.2)	0.1	0.8
Gross capital formation	(5.2)	0.9	3.9	(5.8)	3.1	3.9
Net-export	1.5	(2.2)	(4.1)	7.3	(1.6)	(2.9)

Source: State Statistical Office and Ministry of Finance

### **GDP by sector**

The following table sets forth the composition of the GDP by sector of North Macedonia for the periods indicated.

	Year ended 31 December					Nine months ended 30 September
	2020	2021	2022	2023	2024 <sup>(2)</sup>	2025 <sup>(3)</sup>
	(MKD millions)					
Agriculture.....	57,351	52,137	59,409	56,259	58,645	44,689
Industry.....	116,703	124,273	139,045	161,879	171,849	127,301
Construction .....	35,514	40,440	48,854	54,931	60,184	40,865
Trade, transportation and storage, accommodation and food service activities .....	130,471	143,017	153,620	168,166	172,650	138,806
Information and communication .....	26,732	30,849	38,183	43,890	50,766	39,404
Financial and insurance activities .....	20,636	22,187	23,095	26,115	28,935	21,590
Real estate activities .....	69,940	75,147	91,474	100,708	96,939	82,009
Professional, scientific, technical and administrative activities ...	24,251	28,439	34,151	40,224	43,052	34,038
Public sector <sup>(1)</sup> .....	88,928	93,229	95,831	108,361	120,177	101,228
Arts, entertainment, recreation and other service activities.....	17,555	20,456	23,646	26,514	29,770	22,184
Value added.....	588,081	630,173	707,309	787,046	832,965	652,115
Net taxes on products .....	81,199	99,272	108,774	115,859	131,122	94,307
<b>GDP .....</b>	<b>669,280</b>	<b>729,445</b>	<b>816,084</b>	<b>902,905</b>	<b>964,087</b>	<b>746,422</b>

Notes:

- (1) Public administration and defence; compulsory social security; education; human health and social work activities.
- (2) Preliminary.
- (3) Estimated.

Source: State Statistical Office. Data is according to the National Classification of Activities, NKD Rev.2, based on ESA 2010 Methodology.

*Preliminary data and estimates remain subject to numerous internal and external factors, may not materialise, and may be significantly revised. See also the section headed “Forward Looking Statements” in this Offering Circular.*

The following table sets forth the projected GDP growth for the following countries:

<b>Country</b>	<b>2025</b>	<b>2026</b>
Albania .....	3.4%	3.6%
<b>North Macedonia .....</b>	<b>3.4%</b>	<b>3.2%</b>
Montenegro .....	3.2%	3.2%
Bulgaria .....	3.1%	3.1%
Serbia.....	2.4%	3.6%
Bosnia and Herzegovina .....	2.4%	2.7%
Greece .....	2.0%	2.0%
Romania .....	1.0%	1.4%

*Source: IMF*

The following table sets forth the contribution to real GDP growth by sectors:

	<b>Year ended 31 December</b>					<b>Nine months ended 30 September</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
			(%)			
Services .....	-2.3	4.3	3.7	2.7	0.9	1.6
Industry.....	-1.2	0.4	-0.8	0.7	0.4	0.4
Agriculture.....	0.2	-0.7	-0.5	-1.0	0.0	0.2
Construction .....	-0.2	-0.3	0.4	0.2	0.9	0.7
Net taxes on products .....	-1.1	1.0	0.3	0.1	1.0	0.5
<b>Real GDP growth.....</b>	<b>-4.7</b>	<b>4.5</b>	<b>2.8</b>	<b>2.6</b>	<b>3.0</b>	<b>3.4</b>

*Source: State Statistical Office and Ministry of Finance*

The share of services as a percentage of GDP, consisting of all categories presented above excluding agriculture, industry and construction, has been the largest, amounting on average to 56.9% during the period from 2020 to 30 September 2025. The share of services as a percentage of GDP was 58.8% for the first nine months of 2025. The share of agriculture as a percentage of GDP during the period from 2020 to 30 September 2025 was 6.8% on average. The share of agriculture as a percentage of GDP was 6.0% for the first nine months of 2025. The share of industry as a percentage of GDP during the period from 2020 to 30 September 2025 was 17.4% on average. This share of industry as a percentage of GDP was 17.1% for the first nine months of 2025. The share of the construction sector as a percentage of GDP during the period from 2020 to 30 September 2025 was 5.8% on average. This share of the construction sector as a percentage of GDP was 5.5% for the first nine months of 2025.

#### ***GDP by expenditure component***

The following table sets forth the share of each GDP component in current prices according to the expenditure method for the periods indicated.

	Year ended 31 December					Nine months ended 30 September
	2020	2021	2022	2023	2024 <sup>(1)</sup>	2025 <sup>(2)</sup>
			(%)			
Final consumption, of which .....	82.8	83.6	84.6	83.4	82.4	83.7
Household final consumption .....	66.0	67.8	69.5	68.4	66.8	66.9
General government final consumption	16.7	15.8	15.0	14.9	15.5	16.8
Gross capital formation .....	29.9	32.2	36.0	29.6	30.6	30.0
Export of goods and services .....	57.8	65.4	72.8	67.4	61.7	61.7
Import of goods and services .....	70.5	81.3	93.4	80.4	74.6	75.4
Net export .....	(12.7)	(15.8)	(20.6)	(13.0)	(13.0)	(13.7)
<b>GDP .....</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Notes:

(1) Preliminary.

(2) Estimated.

Source: State Statistical Office.

*Preliminary data and estimates remain subject to numerous internal and external factors, may not materialise, and may be significantly revised. See also the section headed “Forward Looking Statements” in this Offering Circular.*

Final consumption holds the largest share of GDP and decreased from 84.6% as at 31 December 2022 to 83.7% as at 30 September 2025. Household consumption, as the largest component of final consumption, has followed a similar trend, decreasing from 69.5% as at 31 December 2022 to 66.9% as at 30 September 2025.

Gross capital formation constituted 36.0% of GDP in 2022, 29.6% in 2023 and 30.6% of GDP in 2024. In the post-COVID-19 period, gross investment recovered. Although fixed asset investment grew steadily in the period from 2020 to 2024, volatility in gross investment was driven by changes in inventories. The high level of gross investments in 2022 (real growth of 11.9%) was largely due to the growth of inventories, resulting from increased imports of intermediate products, raw materials and energy, as well as imports of machinery and equipment, to mitigate the adverse effects of the war in Ukraine on availability and prices of these products. In 2023, there was a real decline in gross investment of 16.0%, which was largely due to the decline in inventories despite the growth in fixed asset investment. In 2024, there was a further recovery and growth of 10.3%, which was largely due to the growth in fixed asset investment. The exports of goods and services and imports of goods and services had seen steady increases from 57.8% in 2020 to 61.7% in 2024 for the export component and from 70.5% in 2020 to 74.6% in 2024 for the import component. After a 10.9% decline in 2020, exports recovered strongly in 2021 and 2022 with double-digit (real) growth of 14.3% and 10.6% respectively. The growth in exports was largely due to the Republic's increased export capacity as a result of attracting FDI in technological-industrial zones. However, the unfavourable external environment caused by global factors and geopolitical tensions and reduced economic activity among major trading partners caused a decrease in exports in 2023 and 2024, with a gradual recovery in 2025. In the first ten months of 2025, the shares of the external sector further increased to 61.7% for export component and 75.4% for import component.

## Inflation

The following table sets forth the consumer price inflation of North Macedonia for the periods indicated:

Year ended 31 December					Eleven months ended 30 November
2020	2021	2022	2023	2024	2025

	Year ended 31 December					Eleven months ended 30 November
	(%)					
Inflation rate .....	1.2	3.2	14.2	9.4	3.5	4.1
Core inflation rate.....	0.9	2.4	7.6	8.2	5.2	5.0

Source: State Statistical Office

In 2020, the average annual inflation rate equalled 1.2%. This slight increase in inflation was mainly driven by an increase in the price of food and a rise in the prices of tobacco products (in line with the gradual increase in excise) and electricity. Fuel prices dropped by 11.3% during this period, in line with global market developments. Inflation rate in 2021 was 3.2%, reflecting price pressures caused by factors specific to the COVID-19 pandemic, which resulted in an upward trend in the commodity prices on the international market, and were transmitted to the domestic economy, mainly through rising prices of food and fuel. Between 2022 and 2024, inflation showed a sharp rise followed by gradual stabilisation. In 2022, the inflation rate reached a record high of 14.2%, mainly due to global supply shocks related to the COVID-19 crisis and the war in Ukraine. These developments caused significant increases in the prices of food (21.5%), electricity (14.8%), and oil derivatives (32.3%), while core inflation rose to 7.3%. In 2023, inflation moderated to 9.4% as global commodity prices began to decline. However, domestic food prices adjusted with some delay, resulting in a further increase of 11.8%. Electricity prices rose by 10.9%, while oil derivatives recorded a decline of 8.5%. Core inflation remained relatively high at 8.2%, reflecting its persistence despite disinflationary trends. By 2024, inflation had slowed further to 3.5%, reflecting the continued decline in global commodity prices and the stabilisation of domestic price pressures. Food prices increased modestly by 2.7%, oil derivatives decreased by 2.7%, and core inflation eased to 5.2%.

The average inflation rate for the period from January to November 2025 stood at 4.1%. Over this period, food prices increased by 4.4%, energy prices rose by 0.9%, while oil derivatives declined by 5.0%. Core inflation remained elevated at 5.0%, reflecting persistent underlying price pressures, though recent months have pointed to a gradual stabilisation. Inflation developments in early 2025 were shaped by the upward momentum carried over from late 2024, driven by higher food inflation exceeding the headline rate, and the persistence of core inflation. In response to rising price pressures, the Government introduced measures at the end of February 2025 to reduce prices of basic food products. These measures contributed to a temporary deceleration of inflation in March and April 2025. However, inflationary pressures re-emerged in May 2025, reflecting the underlying strength of core and food price dynamics. A more sustained slowdown in inflation began in August 2025, which was interrupted with a spike in October 2025, but the inflation in November 2025 continued on the downward trend (4.0%).

## Key components of the economy

### Industry

Historically, the traditional industrial sectors in the economy of North Macedonia have been steel and iron, electro mechanical industry, textiles and clothing, food processing and tobacco. Continuous diversification has taken place to move towards more value-added industrial sectors such as services, ICT, automotive components and the chemical industry.

The table below indicates the traditional industrial sector trade gap for the years ended 31 December 2022, 2023 and 2024:

	Year ended 31 December								
	2022	2023	2024	2022	2023	2024	2022	2023	2024
	Export			Import			Trade gap		
	(€ million, unless indicated otherwise)								
Steel and iron.....	643.8	572.6	501.4	515.9	495.5	472.0	127.9	77.1	29.4



	Year ended 31 December								
	2022	2023	2024	2022	2023	2024	2022	2023	2024
	Export			Import			Trade gap		
	(€ million, unless indicated otherwise)								
Textiles and Clothing, total.....	410.5	536.9	460.5	460.8	614.6	617.1	(50.3)	(77.7)	(156.6)
Textiles .....	109.2	94.5	84.2	352.2	467.2	446.0	(243.0)	(372.7)	(361.8)
Clothing.....	301.3	442.3	376.3	108.6	147.3	171.1	192.7	295.0	205.2
Food and Tobacco, total .....	433.7	619.9	685.9	671.4	1,014.4	1,110.5	(237.7)	(394.5)	(424.6)
Food products .....	329.5	493.5	545.4	642.4	976.3	1,067.3	(312.9)	(482.8)	(521.9)
Tobacco and tobacco manufactures .....	104.2	126.4	140.5	29.0	38.1	43.2	75.2	88.3	97.3

Source: State Statistical Office

The table below indicates the traditional industrial sector trade gap for the first nine months of 2024 and 2025:

	Nine months ended 30 September						
	2024	2025	2024	2025	2024	2025	
	Export		Import		Trade gap		Change in trade gap
	(€ million, unless indicated otherwise)						
Steel and iron.....	389.5	386.2	356.2	386.3	(33.3)	0.1	(33.2)
Textiles and Clothing, total.....	348.4	321.4	450.7	444.8	102.3	123.4	21.1
Textiles.....	62.7	64.4	326.2	314.9	263.5	250.4	(13.1)
Clothing.....	285.6	256.9	124.5	129.9	(161.2)	(127.0)	(34.2)
Food and Tobacco, total .....	521.9	598.7	802.2	860.8	280.2	262.1	(18.1)
Food products .....	397.8	422.9	770.9	822.2	373.1	399.3	26.2
Tobacco and tobacco manufactures .....	124.2	175.8	31.3	38.5	(92.8)	(137.2)	44.4

Source: State Statistical Office

In September 2025, the principal components of industrial production were manufacturing (86.2%), mining and quarrying (7.3%) and electricity, gas, steam, and air conditioning supply (6.5%). The largest components of manufacturing were motor vehicles and semi-trailers (19.0%), food and beverage (15.7%), textiles and clothing (8.3%), electrical equipment (8.3%) and machinery and other equipment (4.9%). The remainder consisted of miscellaneous manufactured goods such as rubber and plastic products (5.4%), basic pharmaceutical products and pharmaceutical preparations (3.7%), other non-metallic mineral products (3.6%), fabricated metal products except machinery and equipment (2.8%), basic metals (2.7%), furniture (2.3%) and chemicals and chemical products (2.2%).

In December 2024, the principal components of industrial production were manufacturing (78.8%), mining and quarrying (9.1%) and electricity, gas, steam, and air conditioning supply (12.1%). The largest components of manufacturing were food and beverage (13.6%), motor vehicles and semi-trailers (13.1%), textiles and clothing (11.2%) and machinery and equipment not elsewhere classified (6.4%). The remainder consisted of miscellaneous manufactured goods.

In December 2023, the principal components of industrial production were the same, manufacturing (82.6%), mining and quarrying (10.4%) and electricity, gas, steam, and air conditioning supply (7.0%). The largest components of manufacturing were food and beverage (14.2%), motor vehicles and semi-trailers (10.5%), textiles and clothing (11.9%) and machinery and equipment not elsewhere classified (7.4%). The remainder consisted of miscellaneous manufactured goods.

Industrial output in North Macedonia has increased in recent years. The main performance drivers of industrial output have been the reopening of production and mine capacities, increased FDI in greenfield operations (particularly in relation to the automotive sector), links with new commercial partners in the region and the EU, technological improvements and continuous private sector development.

The following table shows industrial output as a proportion of industrial production for the periods indicated.

	Year ended 31 December					Nine months ended 30 September	
	2020	2021	2022	2023	2024	2024	2025
Industrial output (index)	90.5	101.4	99.7	100.7	96.4	95.8	102.3

Source: State Statistical Office

In 2023, industrial production increased by 0.7% in comparison with 2022, as the sector of electricity, gas, steam and air conditioning supply recorded an increase of 13.0%, while industrial production in the sector of mining and quarrying decreased by 1.6%, and the sector of manufacturing decreased by 0.1%. This was mostly due to decreased production in the manufacture of fabricated metal products except machinery and equipment, wearing apparel, electrical equipment, basic metals, rubber and plastic products, wood and products of wood and cork except furniture, and paper and paper products.

On the other hand, manufacture of basic pharmaceutical product and pharmaceutical preparations, manufacture of other non metallic mineral products, manufacture of beverages and manufacture of textiles increased by 19.6%, 8.1%, 8.0% and 5.6% respectively.

In 2023, as compared to 2022, based on main industrial groupings, industrial production was higher in energy by 6.0%, capital goods by 9.9% and non-durable consumer goods by 1.6%, while production was lower in intermediate goods (except energy) by 5.9%, and durable consumer goods by 8%.

In 2024, as compared to 2023, industrial production decreased by 3.6%, due to decreases in manufacturing by 1.4%, mining and quarrying by 5.8% and electricity, gas, steam and air conditioning supply by 16.6%. The decrease in manufacturing was mostly due to decreased production in manufacture of wearing apparel, manufacture of machinery and equipment, manufacture of other non metallic mineral products, and manufacture of basic metals.

On the other hand, there were increases in manufacture of electrical equipment by 14.8%, manufacture of food products by 2.7%, manufacture of motor vehicles, trailers and semi trailers by 1.8% and manufacture of beverages by 4.5%.

In 2024, as compared to 2023, based on main industrial groupings, production in durable consumer goods was higher by 10.5%, while production was lower in non-durable consumer goods by 3.3%, energy by 16.7%, capital goods by 1.6% and intermediate goods (except energy) by 1.4%.

In the first nine months of 2025, industrial production increased by 3.1% compared to the first nine months of 2024. The production of intermediate goods except energy represented the largest share (31.5%) of total industrial output while durable consumer goods accounted for the smallest share (3.9%). Based on main industrial groupings, production increased in intermediate goods by 6%, capital goods by 3.0%, and energy by 1.6% while production decreased in durable consumer goods and non-durable consumer goods by 5.6% and 0.6% respectively. Industrial production increased by 3.1% in manufacturing while electricity, gas, steam and air conditioning supply and mining and quarrying decreased by 2.5% and 1.7% respectively.

In the first nine months of 2025, compared to the same period in 2024, industrial production of tobacco, rubber and plastic products, leather and related products, other non-metallic mineral products, wood and products of wood and cork (except furniture, paper, and paper products), food production, electrical equipment, furniture, motor vehicles and pharmaceutical products increased by 184.1%, 83.3%, 21.3%, 18.9%, 18.3%, 8.3%, 8.2%, 7.7%, 7.7% and 6%, respectively.

In the first nine months of 2025, compared to the same period in 2024, industrial production of other manufacturing, fabricated metal products, basic metal, other transport equipment, textiles, apparel, chemical and chemical products, electronics and optical products, beverages, printing and production of recorded media, manufacture of machinery and equipment decreased by 34.3%, 20.0%, 13.3%, 9.5%, 9.5%, 8.5%, 8.0%, 7.9%, 7.7% and 6.7%, respectively.

From the beginning of the technological industrial development zones (“**TIDZ**”) project, there has been a gradual transformation in the structure of industrial production in North Macedonia, following the establishment of new facilities aimed at creating products with higher technological value, particularly within the TIDZs.

Currently, a total of 15 TIDZs have been established, of which eight are operational, meaning that they have fully developed, ready-to-use infrastructure and existing investors. These operational zones include TIDZ Skopje 1 and 2, TIDZ Tetovo, TIDZ Kicevo, TIDZ Struga, TIDZ Prilep, TIDZ Stip, and TIDZ Strumica. At the same time, work is ongoing on the development of two additional zones, including TIDZ Gevgelija, located near the border with Greece, and the expansion of the Skopje zones through TIDZ Skopje 3. In addition, the Directorate for Technological Industrial Development Zones (DTIDZ) also manages three industrial zones (IZ) across the country.

At present, the TIDZs host 36 operational investors, while two additional companies are currently in the construction phase, employing a total of 17,765 workers as of the third quarter of 2025.

In 2024, the TIDZs generated €3.1 billion in exports, while exports by the end of the third quarter of 2025 reached €2.5 billion. As of August 2025, the export share of the zones accounts for 42% of the Republic’s total exports, underscoring their growing importance for the national economy.

Due to the continuous inflow of investment, the TIDZs have become a key driver of export diversification and industrial modernisation in North Macedonia.

As a result of their development, the Republic has significantly raised its level of industrialisation. While the majority of companies in earlier years came from the automotive sector, the investment portfolio has since expanded to include companies from industries such as electronics, household appliances, battery systems, medical technologies, construction materials, and various other industrial branches.

### ***Electricity and Gas***

The Government is committed to becoming energy independent.

According to data in the annual report of the Energy Regulatory Commission, in 2024 approximately 49.84% of the total consumer electricity was provided in the open electricity market in North Macedonia. Over the medium-term to long-term, North Macedonia expects to satisfy its energy requirements with domestic lignite reserves, imported gas and renewable resources such as hydroelectricity and electricity imports.

### ***Electricity Production***

In order to increase the energy storage and system flexibility, among top priorities is the construction of the pumped-storage hydro power plant, Chebren.

The following activities have been implemented for the realisation of this project:

- The Government adopted the Decision on initiating a procedure for granting a concession for the use of water for electricity production from hydropower plants on Crna Reka. 18 December 2020 was the deadline for submission of documents for participation in Phase 1;
- The opening of the received applications for participation in the pre-qualification procedure took place on 23 December 2020. According to the evaluation of the valid applications, the Commission prepared a list of companies that meet the pre-qualification requirements, for which they were informed in January 2021; and

- To implement the second phase of the procedure, the Government concluded an agreement for preparation of tender documentation and legal support. On 30 December 2021, the Government accepted the tender documentation for Phase II. In January 2022, all qualified companies were informed of the conditions for collecting the tender documentation. The deadline for submission of bids was 7 September 2022. The evaluation process of the submitted bids is ongoing.

**Wind Park Bogdanci:** Wind Park Bogdanci is run by the state-owned electricity generation company AD ESM – Skopje. The second phase of this project aims to extend the capacity of the existing Wind Park Bogdanci for an additional installed capacity of wind power of 13.2 up to 15 MW. With the completion of the second phase, the project will be complete. The total planned investment of the Wind Park Bogdanci – Phase II was assessed at €21 million, based on the market conditions at the time of the loan agreement, of which €18 million loan financing by the KfW and €3 million contribution by AD ESM – Skopje were provided. However, the increase in material prices in the global markets, in particular for steel, copper and transportation costs has significantly affected the planned project budget. In total, the originally estimated budget of €21 million has increased to €30 million. The project is currently in construction phase.

**Wind Park Miravci:** AD ESM – Skopje is in its development plans for the next period and includes the construction of Wind Park Miravci, which would consist of wind turbines with minimal nominal capacity of 5 MW. The project is currently in an ongoing procedure for wind measurement campaign and feasibility study including Environmental and Social Impact Assessment Study under EBRD and Italy's development bank Cassa Depositi e Prestiti grant funding.

On 26 February 2021, AD ESM – Skopje submitted WBIF Grant Application Forms for investment grants for the Supply and Installation of 10 MW Solar PV Plant in Oslomej – Oslomej I Project and the Development and Construction of 10 MW solar PV plant in Oslomej (PVPP Oslomej II) and 20 MW solar PV plant in Bitola (PVPP Bitola I) Project. The official Notification of Grant Selection by the European Commission was provided on 17 July 2022 and stated that the two aforementioned applications were approved under Investment Round 6 on 1 April 2022. The first approved grant application is for the Oslomej 2 and Bitola Solar Photovoltaic Power Plants Project, with a total WBIF grant amount of €5,161,408.16 and the second approved grant application is for the Oslomej 1 Solar Photovoltaic Power Plant Project, with a total WBIF grant amount of €1,595,109.31. Once operational, PVPP Oslomej 1 is expected to produce nearly 15 GWh a year of electricity and displace 13,000 tons of CO<sub>2</sub> annually. PVPP Oslomej 2 is expected to provide for annual electricity generation of approximately 16 GWh and the PVPP Bitola 1, an annual electricity generation of approximately 34 GWh.

Within the Energy Transition Programme, AD ESM – Skopje, the Government sent an official letter to the KfW with a request for financial support for preparation and development of the following projects:

- Photovoltaic power plants in Bitola 2 & 3 with installed capacity of 60 MW and 100 MW;
- Wind Park Miravci;
- Solar District Heating Bitola;
- Program for revitalisation of six hydropower plants; and
- Modernisation on Complex Energetika.

The KfW supported AD ESM – Skopje by providing a €2,400,000 grant to develop these projects. The financing agreement between the KfW, Frankfurt am Main and AD ESM – Skopje was signed on 15 February 2021. The expert services are financed by a special fund, provided by the Federal German Government. The grant will be used for preparation of the Renewable Energy Programme.

The following table shows electricity production, imports, exports and consumption of North Macedonia for the periods indicated:

Year	Production	Import	Export	Consumption
			(GWh)	
2020.....	5,128	3,352	1,043	6,476
2021.....	5,285	2,940	461	6,865
2022.....	5,634	2,209	622	6,133
2023.....	6,553	2,925	1,529	5,781
2024.....	6,129	2,200	1,499	5,897

Source: Electricity Balances and Annual Reports of the ERC

€661,775 were used for Preparation of Feasibility study including Environmental and Social Impact Assessment Study for projects Photovoltaic power plants in Bitola 2 & 3 with installed capacity of 60 MW and 100 MW.

As at 30 September 2025, North Macedonia had a total installed power generation capacity of 3,085.2 MW, of which 1,034.0 MW came from thermal power generation, 719.7 MW were from hydro power plants, 287.4 MW were combined heat and power from natural gas, 116.0 MW were from wind plants, 915.5 MW were from photovoltaics, 12.0 MW were from biogas and 0.6 MW were from biomass. Coal-fired thermal power plant generation capacity accounted for approximately 800.0 MW. Coal used in thermal power plant operation is primarily obtained domestically and is a low-calorie lignite grade. Besides the domestic coal, additionally imported coal with higher calorific value was used in the previous years. A fuel oil thermal power plant provides a further 210 MW of installed capacity. In 2024, the total installed capacity increased by 442.9 MW compared to 2023.

As part of the Government's intention to liberalise the electricity market, the vertically integrated Electricity Power Company of North Macedonia ("ESM") was divided into four legally separate enterprises between 2004 and 2005. The Electricity (Transmission) System Operator ("MEPSO") of North Macedonia is state-owned and is responsible for the transmission of electricity and managing the high voltage transmission network, operating the electricity central dispatching system and implementing the market operations. ESM is owned and controlled by the Government and is responsible for electricity generation.

JSC EVN Makedonija, which distributes and provides the retail supply for tariff customers, was privatised in 2006 through the sale of 90% of its shares by public tender to the Austrian company, EVN AG. In 2016, in accordance with the changes to the Energy Law, EVN AG Macedonia established an operating company, EVN Elektrodistribucija DOOEL Skopje, for its electricity distribution activities and, following approval of the Energy Regulatory Commission, transferred its existing licence to the new operating company.

In order to ensure transparency, objectivity, and non-discrimination with regard to all users of the systems and participants in the electricity market, the Energy Law ("Official Gazette of the Republic of Macedonia" No. 96/18) stipulated that the electricity transmission system operator and the electricity distribution system operator must be independent in the performance of the energy activities of electricity transmission and electricity distribution, respectively. Pursuant to this Law, the electricity distribution activity is carried out by two separate legal entities, including Elektrodistribucija DOOEL Skopje and AD ESM Skopje, based on licenses issued by the Energy Regulatory Commission. According to the new Energy Law, both companies continue to perform electricity distribution activities within their respective electricity distribution systems.

### Energy Regulation

In 2018, the Assembly adopted the Energy Law ("Official Gazette of the Republic of Macedonia" No. 96/18), which entered into force. This Energy Law implemented the provisions laid out in the EU Third Energy Package and the EU Renewable Energy Directive. The Energy Law stipulates the unbundling of ownership of the electricity transmission system operator, as well as certification and appointment of an electricity transmission system operator in accordance with Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC. Accordingly, in March 2019, the Energy and Water Services Regulatory Commission (the "ERC") submitted a draft decision

to the Energy Community Secretariat to certify AD MEPSO Skopje as the electricity transmission system operator. Based on the Energy Community Secretariat's approval, the ERC appointed JSC MEPSO Skopje as the electricity transmission system operator.

Pursuant to Article 237, paragraphs (1), (2), and (3) of the Energy Law ("Official Gazette of the Republic of Macedonia" No. 96/18 and "Official Gazette of the Republic of North Macedonia" Nos. 96/19, 236/22, 134/24, and 147/24), the Government shall, within 60 days from the entry into force of this Law, adopt a decision on the transfer of shares of the company owner referred to in Article 72, paragraph (1) of this Law. The transfer of ownership of the shares referred to in paragraph (1) of this Article shall be recorded in the Central Securities Depository. The electricity transmission system operator company shall initiate the certification procedure pursuant to Article 75 of this Law within 30 days from the transfer of ownership of the shares in accordance with paragraph (2) of this Article.

By Government Decision No. 44-6841/1 of 24 July 2018, 3,059,393 ordinary shares owned by the Government, with a nominal value of MKD 1,000 per share, issued by the Electricity Transmission System Operator of Macedonia, Joint Stock Company for Electricity Transmission and Management of the Electricity System, state-owned – Skopje, and registered in the share register maintained at the Central Securities Depository under ISIN MKME101011, were transferred to the ownership of the former Ministry of Transport and Communications as the shareholder of the Electricity Transmission System Operator of Macedonia, Joint Stock Company for Electricity Transmission and Management of the Electricity System, state-owned – Skopje, pursuant to Article 72 of the previous Energy Law.

With the adoption of the new Energy Law ("Official Gazette of the Republic of North Macedonia" No. 101/25), regarding the ownership of the electricity transmission system operator, pursuant to Article 134, paragraph (1), the Ministry competent for energy, mining, and mineral resources is the owner of the company operating the electricity transmission system. According to Article 308 of the same Law, the Government shall, within 60 days from the entry into force of the Energy Law, adopt a decision on the transfer of the ownership structure of the electricity transmission system operator company. The Government adopted the decision on the transfer of the ownership structure through the transfer of shares of the Electricity Transmission System Operator of the Republic of North Macedonia, Joint Stock Company for Electricity Transmission and Management of the Electricity System, state-owned – Skopje, from the Ministry of Transport to the Ministry of Energy, Mining, and Mineral Resources, following which the Ministry of Energy became the formal owner of the shares of the electricity transmission system operator of North Macedonia. The certification procedure of the electricity transmission system operator, pursuant to the Energy Law, was initiated in August 2025.

The Energy Law also establishes MEMO DOOEL Skopje as the national electricity market operator. In September 2019, the ERC issued a licence to MEMO DOOEL Skopje to organise and manage the electricity market, beginning in October 2019. In November 2022, this licence was amended by ERC stating that MEMO DOOEL was assigned as operator of the organised electricity market due to its fulfilment of all obligations.

As of the entry into force of the new Energy Law ("Official Gazette of the Republic of North Macedonia" No. 101/25), regarding the procedure for appointing the nominated electricity market operator ("**NEMO**") in North Macedonia, transitional provisions were established in Article 307 as an obligation arising from the transposition of the Fourth "Clean Energy" Package. According to these provisions, within eight days from the entry into force of the Law, the Energy Regulatory Commission is obliged to verify compliance with the conditions set out in the Regulation on the Operation of the Organised Electricity Market and the necessary technical, human resources, and financial requirements ("Official Gazette of the Republic of North Macedonia" No. 227/19). The Commission shall then submit its opinion and proposal to the Government for the adoption of a decision on the appointment of the entity responsible for managing the organised electricity market, designated as the operator of the organised electricity market pursuant to the Decision on the Appointment of the Market Operator for the Organised Electricity Market ("Official Gazette of the Republic of North Macedonia" No. 218/20), as the NEMO in North Macedonia.

Pursuant to the Decision on the Appointment of the Market Operator for the Organised Electricity Market (“Official Gazette of the Republic of North Macedonia” No. 218/20) adopted by the Government, No. 44-8155/1 of 9 September 2020, the National Electricity Market Operator, MEMO DOOEL Skopje, was appointed as the operator of the organised electricity market.

On 3 June 2025, the Energy, Water Services, and Waste Management Regulatory Commission submitted an Opinion and Proposal for the Appointment of the Market Operator for the Organised Electricity Market, designating the NEMO in North Macedonia, together with the complete documentation required for the decision-making procedure. According to the Law, the Government, by a decision on the appointment of the organised electricity market operator, officially designates the NEMO in North Macedonia.

EVN HOME DOO Skopje was formed as a joint venture between EVN Macedonia JSC Skopje and EVN Elektrodistribucija DOOEL Skopje. In May 2019, the ERC issued a licence to EVN HOME DOO Skopje to provide electricity as the universal supplier beginning in July 2019. EVN HOME DOO Skopje supplies small consumers and households that have defaulted to the universal supplier rather than choosing their own supplier, or consumers whose suppliers have defaulted in their supply.

During 2024, approximately 30.56% of legal entities were supplied with electricity on the liberalised market, while the remaining entities, as well as households, were supplied through the universal electricity supplier, EVN HOME DOO Skopje. In 2024, EVN HOME DOO Skopje was reselected as the Universal Supplier through a transparent procedure and continues to supply consumers at prices and tariffs approved by the Energy Regulatory Commission.

The Energy Law established a new premium for preferential producers of electricity from renewable energy sources, which can be allocated to producers pursuant to a competitive procedure. Feed-in tariffs and feed-in premiums are support mechanisms in order to increase the share of renewable energy sources. Feed-in tariffs are fixed purchase prices, determined on the basis of (i) an assumed equivalent number of hours of operation per year using maximum power, (ii) the installed capacity of the plant, and (iii) the initial cost of investment in the construction of the power plant. As further financial support to encourage the generation of renewable energy, feed-in tariffs will continue to be awarded on a “first-come, first-served” basis, with the exception of hydropower. Preferential producers using feed-in tariffs then sell electricity to the electricity market operator, MEMO DOOEL Skopje. The feed-in premium represents an additional amount of the price that the producer realises upon the sale of the electricity on the wholesale market. The feed-in premium can be fixed or variable. In North Macedonia, a fixed feed-in premium was applied in an amount determined through a competitive procedure. The maximum amount of the fixed feed-in premium is calculated according to a methodology that is part of the Decree on support measures for electricity produced from renewable energy sources. Feed-in premiums are paid from the State Budget.

A preferential producer using a premium may not use feed-in tariffs and is required to sell its electricity on the wholesale market. The procedures for selecting producers that are entitled to use the premiums were implemented by the Ministry of the Energy, Mining and Mineral Resources. Since the establishment of the Ministry of Energy, Mining and Mineral Resources, no new tender procedures have been conducted for granting the right to use the premium. In August 2021, the Ministry of the Economy issued a Public Announcement to award a contract for the right to use an electricity premium produced by photovoltaic power plants built on private owned land for total installed capacity of 80 MW. The electronic auction took place in February 2022 and during March 2022 and contracts in relation to these photovoltaic power plants were signed in April 2022. As of 30 September 2025, 16 PV plants have been put into operation, with a total installed capacity of 31 MW, both on private and state owned land.

The Assembly adopted a Law amending the Energy Law (“Official Gazette of the Republic of North Macedonia” No. 236/22) on 7 November 2022. With these amendments, the Energy Law has been partially harmonised with the corresponding regulations of the EU.

The Assembly adopted the new Energy Law in May 2025 (“Official Gazette of the Republic of North Macedonia” No. 101/25), which is fully aligned with the EU Clean Energy Package. This action forms part of the obligations undertaken by North Macedonia upon signing and ratifying the Treaty establishing the Energy Community, whereby the country commits to the continuous harmonisation of its national legislation with European energy regulations and directives. The Energy Law transposes the Directives and Regulations of the Electricity Integration Package, which form the basis for the development of a liberalised, competitive, and integrated electricity market. The new Law incorporates the obligations and standards arising from several key European acts, including the Market Coupling Regulation, which enables the efficient allocation of cross-border transmission capacities and the integration of national markets into a single European market; the Regulation on Wholesale Energy Market Integrity and Transparency, which ensures fair trading, prevents market manipulation, and protects consumers through enhanced market monitoring and the disclosure of relevant information; as well as Regulation (EU) 2019/943 and Directive (EU) 2019/944, which establish the fundamental rules for electricity market operation, the role of regulatory authorities, the rights of consumers, and the obligations of suppliers.

The Republic, as a Contracting party of the Energy Community, is required to develop an integrated National Energy and Climate Plan (“NECP”). The NECP covers the period from 2021 to 2030, laying the pathway to achieve the agreed 2030 targets, built upon what each contracting party should deliver in relation to their policies for 2020 (as a baseline), and includes a perspective until 2040 in order to ensure consistency with long-term relevant policy objectives at EU, United Nations Framework Convention on Climate Change and Energy Community level. The NECP takes a holistic approach and addresses the five main dimensions of the Energy Union in an integrated way. The NECP was adopted by the Government in May 2022.

During 2024, the Ministry of Energy, Mining and Mineral Resources and the Ministry of Environment and Spatial Planning, with support from the EU Delegation to the Republic of North Macedonia and consultants selected by the EU Delegation, began working on the revision of the adopted NECP. The revision will include an analysis of the level of implementation of the measures adopted so far, as well as the preparation of a new National Energy and Climate Plan for the period from 2025 to 2030, which will take into account the impact of COVID-19 and the effects of the energy crisis triggered by the military invasion of Ukraine. The revision of the NECP is being carried out in accordance with the EU Governance Regulation on Energy and Climate Action (EU) 2008/1999, pursuant to the provisions transposed from this Regulation into the Energy Law. The revised NECP will also include forecasts and projections for energy sector development up to 2050.

The energy policy of the Republic is defined in the Energy Development Strategy (the “EDS”). The EDS is renewed every five years and is valid for a period of at least 20 years. In January 2020, the Government adopted the new Energy Development Strategy 2020-2040 which includes the national strategy for phasing out coal as an energy source by 2025. The EDS outlines six strategic goals for North Macedonia: maximise energy savings, maintain current levels of energy dependence, limit the increase of greenhouse gas emissions, increase the share of renewable energy sources, minimise system costs and ensure continuous harmonisation with the EU Acquis. These strategic goals are in line with the new Energy Law and the EU’s energy directives. See “*Overview of the Republic of North Macedonia – Recent Developments – Strategy for Energy Development*” for more detail. In February 2020, the Government adopted the Law on Energy Efficiency, which implements EU energy efficiency regulations. The Law stipulates obligations related to energy efficiency in the transmission, distribution and supply of energy, thus supplementing the relevant provisions of the new Energy Law. Suppliers and distributors will be required to implement measures that generate savings in energy usage. The law reinforces the requirement to display the energy efficiency class and eco-design of energy-efficient products offered in markets of North Macedonia.

Since 2019, the electricity market in North Macedonia has been fully liberalised, with all electricity consumers having the option to choose their supplier. According to the new Energy Law:

- (1) Every consumer has the right to change his or her supplier;
- (2) The change of supplier shall be carried out at the request of the consumer;



- (3) Electricity suppliers and operators of the relevant systems shall enable the procedure for changing the supplier to be carried out within 48 hours from the receipt of the request for change, in a non-discriminatory manner with regard to costs and actions and in a procedure prescribed by the rules for electricity supply; and
- (4) Households and small consumers shall have the right to change the supplier at no cost.

In the Republic in 2024, approximately 49.84% of the total consumed electricity was provided in the open electricity market. As of September 2025, there are 44 licenced electricity suppliers and 58 licenced electricity traders, of which 16 are active electricity suppliers in the liberalised electricity market in 2025 and one is an active electricity supplier in the regulated electricity market, while there are 30 active electricity traders in the wholesale electricity market.

The Government's electricity development programme includes the planned construction of 400 small hydro power plants, each with capacity of less than 5 MW and with total capacity of approximately 250 MW. Development of these plants is expected to be assigned to private operators via Government concessions, with a number of such contracts already executed. The annual electricity generation from these small hydro power plants is expected to amount to approximately 1,200 GWh, with a total investment by the concession grantees of approximately €300 million. The Government's program does not include a program for the development and construction of small hydropower plants.

All three scenarios in the Energy Development Strategy are expected to result in steep growth of electricity generated from RES (approximately 7 times more in 2040 compared to 2017). Hydro will maintain its largest share in electricity generation, but PV and wind will be the fastest growing technology. The strategy does not consider hydro projects in protected areas. According to the Adopted Energy Development Strategy, additional capacities of 92.5 MW of small hydroelectric power plants will be built by 2040.

In 2024 and 2025, interest in construction of photovoltaic power plants continued. In 2024, the ERC issued licences for production of electricity for PVs with a total installed capacity of 341.5 MW, while during the nine months ended 30 September 2025 the ERC issued licences for production of electricity for PVs with a total installed capacity of 130.8 MW. There are feed-in tariffs for PVs, and some of the PVs that were on the preferential regimes decided to go on the free market. As at 30 September 2025, there were 79 PVs with preferential regime with total installed capacity of 12.3 MW. So far, 65 contracts have been signed for the use of premiums for photovoltaic power plants that have been built and connected to the grid.

### ***Oil and natural gas***

The following table shows natural gas and oil consumption of North Macedonia for the periods indicated:

	2020	2021	2022	2023
	<i>(kilo-tonnes)</i>			
Oil.....	1,000	1,088	1,177.5	1,172
Gas .....	279	354	239	302

*Source: State Statistical Office*

North Macedonia does not have any domestic oil or gas deposits. As a result, its gas is supplied pursuant to agreements with Gazprom and traders from the Balkan gas trading hub. North Macedonia has an approximately 120-kilometre gas pipeline system extending from the Bulgarian border to Skopje, Kumanovo and Kriva Palanka with a total capacity of 800 million cubic metres. Currently, this pipeline has a utilisation of approximately 41%. North Macedonia intends to increase use of the pipeline to meet rising domestic demand for gas by extending its local distribution networks to urban areas, particularly along the gas transportation corridor in the Southern and Western parts of North Macedonia. As part of the Just Transition process, coal-fired thermal power plants ("TPPs") will be converted to gas-fired combined heat and power plants (CHPs). Additionally, gas transit to neighbouring countries such as Serbia is part of the Republic's strategic plans. As the price of natural gas depends

on the quantity of gas transported through the pipeline, increased domestic gas usage may result in a lower domestic price of natural gas per cubic meter. The extension of its local networks combined with renewed efforts to extend connectivity to international gas pipeline corridors form the basis of the National Gasification System. Currently, the Republic is importing a large part of its natural gas from Russia.

In order to meet the forecasted demand for natural gas, Nomagas JSC Skopje (a wholly State-owned company) is undertaking on-going activities for further expansion of the existing gas pipeline system in North Macedonia and its connection to regional gas pipeline systems. Negotiations are also on-going to secure additional quantities of natural gas via the interconnection with Greece from the Trans Adriatic Pipeline (“TAP”) concerning liquified natural gas (“LNG”) terminals. In 2023, the Macedonian generation company, JSC ESM, concluded a long term terminal use agreement with Gastrade for booking 1.8 TWh yearly capacity in the Alexandroupolis floating storage and regasification unit for 15 years.

In November 2015, North Macedonia received a loan of €90 million from Deutsche Bank and Erste Group Bank AG to finance the “Gasification of the Republic of Macedonia - Phase 1 - section Shtip - Negotino - Bitola (127 kilometres in length) and section Skopje - Tetovo - Gostivar (75 kilometres in length)” project, for the first phase of construction of the national gas transmission system of the Republic. This construction began in 2016 and was completed in 2024. The second phase of construction of the national gas transmission system includes construction of the Gostivar-TPP Oslomej-Kicevo section (34 kilometres in length) at a cost of €14.5 million, and the Sveti Nikole Veles section (28 kilometres in length), which is in the project documentation preparation stage, the Kicevo Ohrid section (50 kilometres in length) and the Ohrid Bitola section (65 kilometres in length) which are both in the tender documentation preparation stage. These remaining sections are expected to cost approximately €30.5 million. Funding is expected to be provided by international financial institutions, the European Investment Bank, the EBRD and others.

In accordance with the development of international gas pipelines, there are several possibilities for interconnection of the gasification system in the Republic with the Southern Gas Corridor, neighbouring LNG terminals and others. The following sets out certain key recent projects.

For the Project of Mutual Interest (Regulation (EU) No 2022/869), an agreement for the construction of the gas interconnector between North Macedonia and Greece was signed in May 2025. The Macedonian section of the gas pipeline is 67 kilometres-long and will connect to the Greek side, with construction work being carried out by the company Rapid Build. The 123 kilometres-long gas interconnection pipeline will extend from Nea Mesimvria to Negotino via Gevgelija, aiming to link both national transmission systems and diversify the country’s gas sources. The project is expected to be completed in 2027. Implementation of this project will bring great benefit to the Republic, as it will diversify the Macedonian energy mix by providing additional quantities of natural gas of other sources. It will also enable further transmission through Serbia to Central Europe, facilitate the use of natural gas from the Southern Gas Corridor, and provide a connection to the existing Revithoussa and Alexandroupolis LNG terminals in Greece, which will lead to diversification and security of supply. For the economy, the project is important as it will foster greater competition and create the potential to lower the import price of natural gas by ensuring access to supplies from a diverse range of producers and suppliers.

In June 2019, a technical assistance grant from the WBIF for the preparation of a feasibility study for the PECI Project interconnection between the North Macedonia gas system and Kosovo was approved. The project was completed in August 2023.

A grant application form for investment grants was submitted through WBIF (Flagship 5 - Transition from coal) for the project interconnection between North Macedonia and Serbia. The WBIF approval date for this project was 22 June 2021. The total WBIF grant amount for technical assistance of this project is €950,000. The main purpose of the construction of this main gas pipeline section is to achieve higher level of overall functionality of the energy system and provide conditions for greater infrastructure and economic integration with the neighbouring and remaining European countries. The project is in line with the EU directives for gasification of the country and it enables natural gas transit to and from the neighbouring countries. In October 2024, the Ministry

of Energy, Mining and Minerals and the Serbian Ministry of Mining and Energy agreed a Memorandum of Cooperation in the gas sector which foresees an assessment of the opportunity to develop a new direct connection between the two gas systems, the drafting of a feasibility study, and a study of the project's environmental and social impacts for the new gas interconnection between the two countries.

Based on the above-mentioned Memorandum, State-owned natural gas transmission operator NOMAGAS and Srbijagas also signed a Memorandum of cooperation in June 2025 with the goal of accelerating the realisation of a project for the construction of a natural gas interconnector between North Macedonia and Serbia.

With the technical grant secured under the IPA Instrument Investment framework of the Western Balkans (Flagship 5 - Transition from coal), the feasibility study and environmental and social impact assessment for the gas interconnection with Serbia were completed in June 2025. An additional hydrogen (H<sub>2</sub>) study for the gas interconnection with Serbia is in the final phase of preparation. A public call for the preparation of basic project design will be published in 2025 by Nomagas JSC Skopje. Several commercial banks and the World Bank have expressed interest to finance the project on gas interconnection with Serbia.

In addition to using natural gas in industrial and municipal buildings, there are initial activities in the municipalities of Kumanovo and Strumica to connect interested households to the local gas distribution grids.

North Macedonia remains committed to accelerating the integration of the Central and Southeast European gas markets and diversifying gas supplies by utilising natural gas from the Caspian Sea region, which would provide great economic assistance to Central and Southeast European countries. The Government intends to finance further work on the main pipeline of the National Gasification System with a loan from international financial institutions. In October 2019, the Ministry of Finance, in cooperation with Nomagas JSC Skopje, received a letter of interest from the EBRD to provide funding for the construction of gas main pipelines Section Gostivar-Kichevo and Section Sveti Nikole-Veles. There will be public call for the main project design preparation for the gas main pipelines Section Gostivar-Kichevo, while the process of the project design preparation for Section Sveti Nikole-Veles is ongoing. The Government hopes to engage in a similar partnership for the entire country of North Macedonia in the future. See *“Overview of the Republic of North Macedonia—International Relations—Projects jointly financed by International Financial Institutions”*.

The gas transmission system operators of Bulgaria and North Macedonia in October 2022 signed an interconnection agreement between Bulgartransgaz and GA-MA (now Nomagas), which will enable North Macedonia to diversify its sources of gas supply via the link between the two countries' gas grids at the existing Kyustendil - Zidilovo point. As result of this agreement, Macedonian industry and CHPs are now purchasing natural gas from Balkan gas hub traders.

North Macedonia's highest consumption of natural gas is during the winter period, predominantly used for the generation of heating. Due to the geo-political events in Ukraine, the largest impact on the consumption of natural gas is the co-generation plant owned by TE-TO AD Skopje and the TPP that delivers heating energy to consumers in the city of Skopje. Nonetheless, the heating plants in the city of Skopje have the ability to use alternative fuel (fuel oil mazut), but there are still pollution problems from their usage. This also applies to industrial consumers that are connected to the network in Skopje. In the event of disruption to the supply of natural gas, there is no serious risk posed to North Macedonia, however there may be an increase in the price of fuel and fuel derivatives.

North Macedonia also supports a number of programmes to develop the capacity of its hydropower, wind and other renewable energy facilities. See *“Overview of the Republic of North Macedonia—International Relations—Relationship with International Organisations and Private Foreign Investors—European Bank for Reconstruction and Development”*.

### ***Textiles and Clothing***

Manufacturing of textiles and clothing accounted for 8.3% of total industrial production in the first nine months of 2025 and 5.4% of total export in the first nine months of 2025 (which comprised of 1.1% textiles and 4.3% apparel).

During the first nine months of 2025, the industrial production of textile manufacturing and apparel decreased by 9.5% as compared to the same period of 2024 and accounted for 3.8% and 4.5% of total industrial production, respectively.

Manufacturing of textiles and clothing accounted for 11.2% of total industrial production in 2024 and 6.7% of total export in 2024 (which comprised of 1.9% textiles and 4.8% apparel).

Manufacturing of textiles and clothing accounted for 11.9% of total industrial production in 2023 and 7.0% of total exports in 2023 (which comprised of 1.8% textiles and 5.2% wearing apparel).

Textiles and clothing accounted for 12.4% of total industrial production and 7.1% of total exports in 2022.

During 2024, industrial production volume indices for textile manufacturing (which accounted for 4.84% of total industrial production) increased by 0.8% and manufacturing of wearing apparel (which accounted for 6.33% of total industrial products) decreased by 20.2% compared to 2023.

### ***Metals and Mining***

Basic metals manufacturing accounted for 3.35% and mining and quarrying accounted for 7.46% of total industrial production in nine months of 2025. During the first nine months of 2025, the basic metals manufacturing decreased by 6.0% compared to the same period of 2024. During the first nine months of 2025, the manufacturing of basic metals increased by 0.6% as compared to the same period of 2024.

In the first nine months of 2025, the manufacturing of basic metals comprised 21.40% of total export and 13.05% of total import, while metal ores comprised 12.77% of total export and 17.35% of total import.

Basic metals manufacturing accounted for 5.16%, 5.98% and 4.49% of total industrial production in 2022, 2023 and 2024 respectively, and mining and quarrying accounted for 10.02%, 10.35% and 9.07% of total industrial production in 2022, 2023 and 2024, respectively.

In 2024, the manufacturing of basic metals comprised 19.46% of total exports and 11.24% of total imports, while metal ores comprised 18.16% of total exports and 16.67% of total imports.

In 2023, the manufacturing of basic metals comprised 19.39% of total exports and 10.37% of total imports, while metal ores comprised 19.32% of total exports and 21.75% of total imports.

In 2022, the manufacturing of basic metals comprised 18.63% of total exports and 11.68% of total imports, while metal ores comprised 21.28% of total exports and 20.02% of total imports.

Based on geological research of its mineral resources, the Government believes that there is significant potential for an increase in mining activity in North Macedonia and is actively looking to mining as a potential source of development with the assistance of foreign investors. Projects include the development of (i) the Plavica mine near Kratovo and Probistip (copper, gold and silver – Concessioner Silgen Kratovo) and (ii) the Ilovica- Shtuka mine near Strumica (copper, gold and silver – Concessioner Euromax Recourses Skopje). The development of the mining sector is also expected to contribute to additional investment in ore-processing facilities.

The Zletovo and Toranica mines, which are lead and zinc mines, opened in 2016 after having been awarded to Concessioner-Bulmak 2016 DOOEL Probistip, to whom the Ministry of Economy issued exploitation licences. The Sasa mine, which is also a lead and zinc mine, expanded its concession in 2019, with further investment in 2021. The Borov Dol mine near Radovish is a copper mine which has been operational since 2021, with further investment in this project predicted. The Lojane site, for the mineral raw material antimony, and the Taimiste site, for the mineral raw material iron, are areas that had concessions and were being exploited for mineral raw materials, which are also in the process of being granted a concession for exploitation. These two locations are part of the program of the Government.

## Agriculture

In 2024, as compared to 2023, the agricultural exports and imports accounting for the total trade exchange of industrial and agri-food products decreased by 3.22%. Total exports of industrial and agri-food products in 2024 decreased by 6.5% as compared to 2023, while total imports of industrial and agri-food products recorded a slight increase of 0.9%. Exports of agri-food products increased from €771.6 million in 2023 to €857.2 million in 2024, amounting to a 11% decrease, while imports of agri-food products increased from €1,208.2 million to €1,326.9 million, amounting to an increase by 9.8%. In the two-year period between 2023 and 2024, the agricultural and food exports of North Macedonia, primarily comprising unmanufactured tobacco, fresh and processed fruits, vegetables, bread, pastry, cakes, biscuits and other bread wares, cabbage fresh or chilled, preparations of vegetables, water including mineral water and aerated water, and wine, recorded a decrease. The share of agri-food product in the total export was 12.7% (amounting to €492.1 million in the total export of €4,043.2 million). Imports, as stated above, in the same period increased, with the share of agri-food trade in the total trade being 12% (amounting to €683.5 million in the total import of €5,675.8 million). The Republic's most important trade partner is the EU. In 2024, the total value of agricultural trade with the EU amounted to €1,047.9 million, of which €422.3 million related to exports, or 49.3% of total agricultural exports, and €626.6 million related to imports, or 47.1% of total agricultural imports. CEFTA countries (Albania, Bosnia and Herzegovina, Kosovo, Moldova, Montenegro, North Macedonia and Serbia) are the second most important trade partners and accounted for 37.6% of total agriculture exports and 28.8% of total agriculture imports in 2024, with a total trade value of €673.3 million. Of the CEFTA countries, Serbia accounted for the largest portion of trade with 13.8% and 14.2% of total exports and imports, respectively.

If the export of agricultural products of North Macedonia to Russia and Ukraine stopped, agricultural producers would suffer losses, particularly the producers of fresh fruits and vegetables. In 2024, North Macedonia exported €5.8 million in agricultural products to Russia and €12.6 million to Ukraine.

Overview of agricultural trade by country in 2023 and 2024:

Country	Export				Import				Trade Balance	
	2023		2024		2023		2024		2023	2024
	(Value € millions)	(Share %)	(Value € millions)	(Share %)	(Value € millions)	(Share %)	(Value € millions)	(Share %)	(Value € millions)	
Albania	24.8	3.2	28.4	3.3	15.8	1.3	17.7	1.1	9.1	10.7
Bosnia and Herzegovina	39.9	5.2	455.6	5.3	40.4	3.3	45.4	3.3	(5.5)	0.1
Serbia	106.6	14.2	121.7	14.2	268.0	22.2	287.0	24.5	(161.4)	(165.3)
Kosovo	96.3	12.5	102.7	12.0	19.6	1.6	25.7	1.3	76.7	77.0
Montenegro	19.8	2.6	21.2	2.5	2.3	0.2	2.0	0.2	17.4	19.2
Moldova	2.4	0.3	2.4	0.3	3.2	0.3	3.7	0.1	(7.5)	(1.3)
<b>CEFTA-Total</b>	289.7	38.0	732	37.6	349.3	28.9	381.5	30.5	(71.2)	(59.5)
<b>EU-28-Total</b>	386.2	50.1	422.2	33.3	563.5	65.6	625.6	66.2	(177.3)	(203.4)
Turkey	4.3	0.6	4.2	0.3	40.8	4.8	42.5	4.5	(36.5)	(38.3)
Brazil	1.6	0.2	2.1	0.2	55.2	6.4	41.2	4.4	(53.6)	(39.1)
USA	21.3	2.8	23.4	1.8	12.8	1.5	11.9	1.3	8.5	11.5
Other countries	68.4	8.9	83.2	6.6	186.6	21.6	224.2	23.7	(118.2)	(141.0)
<b>TOTAL of whole world</b>	771.5	62.6	1,267.1	42.2	858.9	99.9	945.4	100	(377.1)	(410.3)

Source: Ministry of Agriculture and State Statistical Office

Overview of total trade and trade with agricultural and fishery products between 2020 and 2024:

	Export					Import					Trade Balance				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
€ millions (unless otherwise stated)															
Total trade.....	5,777.9	6,922.57	8,299.6	8,322.8	7,781.2	7,594.5	9,638.3	12,125.2	11,148.5	11,062.4	(1,816.6)	(2,715.7)	(3,825.6)	(2,825.7)	(3,281.2)
Total trade with agricultural,	591.7	628.0	713.1	771.6	857.2	822.6	944.1	1,142.3	1,208.2	1,326.9	(230.9)	(316.1)	(429.2)	(436.6)	(469.7)

	Export					Import					Trade Balance				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
<i>€ millions (unless otherwise stated)</i>															
processed and fisheries products															
Share of agricultural, processed and fisheries products in total trade.....	10.24%	9.07%	9.27%	9.92%	11.01%	10.8%	9.8%	9.42%	10.84%	12%	12.7%	11.6%	11.22%	15.45%	14.31%

Source: Ministry of Agriculture and State Statistical Office

	Six months ended 30 June 2025		
	Export	Import	Trade Balance
<i>€ millions (unless otherwise stated)</i>			
Total trade	4,043.4	5,675.8	-1,632.4
Total trade with agricultural, processed and fisheries products	492.1	683.5	-191.4
Share of agricultural, processed and fisheries products in total trade	12.2	12.0	11.7

Source: Ministry of Agriculture and State Statistical Office

In 2024, the export of agro-food products of North Macedonia into the 27 countries which make up the EU totaled €422.2 million, the breakdown of relevant products includes: unmanufactured tobacco (14.7%); biscuits and wafers (11.1%); other prepared or preserved vegetables (7.4%); bottled wine (4.8%); water including aerated and mineral water (4.6%); cabbage (3.5%); chocolate and other food preparations containing cocoa (3.2%); fresh or frozen vegetables (2.9%); apples and pears (2.8%); live plants and cuttings (1.9%); lamb meat (1.8%); bulk (1.5%); tomato fresh or chilled (1.4%); and other (0.6%).

The export share of agro-food and fishery products compared to the total exports (industrial and agro-food products) from the Republic in 2024 increased slightly to 11.01% from 9.92% in 2023. The import share of agro-food and fishery products into the Republic in 2024 also increased (12%) compared to 2023 (10.84%).

Agriculture is an important sector for the national economic reform agenda. The National Strategy for Agriculture and Rural Development 2021 to 2027 was adopted by the Government on 16 January 2021 and entered into force on 21 January 2021. It aligns with the EU's Common Agriculture Policy objectives which are: (i) to ensure a fair income to farmers; (ii) to increase competitiveness, in order to rebalance power in the food chain; (iii) climate change action; (iv) environmental protection, in order to preserve landscapes and biodiversity; and (v) to support generational renewal, vibrant rural areas and to protect food and health quality. The implementation of a broad range of development measures, which are expected to strengthen industrialised production, will be built on its production levels. Such measures include utilisation of the Instrument for Pre-Accession Assistance for Rural Development ("IPARD"), which for the financial period 2021-2027 is projected to be in the amount of €97 million, by farmers for modernisation of farms.

In 2017, the Government adopted the National Programme for Agricultural and Rural Development for the period 2023-2027. The 5-year national programme for rural development emphasises the acceleration of such development, with measures to be taken on the basis of problems identified by the World Bank, including the modernisation of production, the introduction of new technologies, increasing processing capacities, the modernisation and capacity increase of irrigation systems as well as climate change. The national programme for rural development also includes €40 million earmarked for investors to invest in the modernisation of farms.

In the period from 2023 to November 2025, €46 million were allocated in the national program for rural development for all measures including rural development, technical support in agriculture and rural development, interest rate subsidies, national rural network activities, innovation fund and production price of grapes. According to the National Programme for Agricultural and Rural Development, for the period from 2026 to 2027, €67 million of funding is planned. Total funds earmarked for national financing of rural development for the period from 2023 to 2027 are €113 million.

In order to ensure increased return on Government agriculture expenditure, the projected increase in state support funds for agriculture and rural development in the period after 2020 (from €140 to 200 million per year) will be allocated for co-financing private and public investments (in rural infrastructure, especially in irrigation), organisation of agricultural markets, interventions for structural improvement of the land properties (consolidation) and for enhancing the knowledge, innovation and digitalisation (advisory services, research, education and trainings). By the end of 2027, it is anticipated the relative share of funds shall double compared to 2020 to at least 35% of the total allocated funds (or in an absolute amount of at least €70 million annually).

In the period from 2020 to November 2025, €99 million were allocated in the national program for rural development for all measures including rural development, technical support in agriculture and rural development, interest rate subsidies, national rural network activities, innovation fund and production price of grapes.

A new National Land Consolidation Strategy 2025–2035 was adopted by the Government, on the proposal of the Minister of Agriculture, Forestry and Water Management, on 10 June 2025. The strategy builds on lessons from the first National Land Consolidation Strategy 2012–2020, which introduced the land consolidation instrument and established the National Land Consolidation Programme. The strategy was developed within the framework of the project of “Enhancing Land Consolidation in North Macedonia”, funded by the EU and co-funded by the Food and Agriculture Organisation of the United Nations (“FAO”), and prepared by the Ministry of Agriculture, Forestry and Water Economy (“MAFWE”) in close cooperation with the Permanent Advisory Group on Land Consolidation, the MAFWE Working Group on Land Policy and other stakeholders. It aligns with the National Agriculture and Rural Development Strategy 2021–2027, the Government priorities 2024–2028 (Official Gazette No. 256/2023 and 177/2024), and the National Development Strategy 2024–2044 (Official Gazette No. 222/2024). The strategy also demonstrates the country’s commitment to improving agricultural land use and strengthening competitiveness in line with EU standards.

Review of funds by support programmes in agriculture and rural development for the period 2020-2025:

	2020		2021		2022		2023		2024		2025	
	Allocated	Disbursed	Allocated	Disbursed	Allocated	Disbursed	Allocated	Disbursed	Allocated	Disbursed	Allocated	Disbursed
(MKD million)												
<b>Financial programmes</b>												
For agriculture – direct payments	4,911	4,898	7,532	7,498	6,650	6,583	8,073	7,950	8,438	8,394	6,519	6,353
For rural development – contract based payments	1,864	1,763	1,682	1,587	790	546	1,303	707	759	629	739	457
For fisheries and aquaculture	70	46	55	35	50	14	133	79	90	35	78	22
For tobacco production	1,890	1,887	—	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>8,735</b>	<b>8,594</b>	<b>9,269</b>	<b>9,120</b>	<b>7,490</b>	<b>7,143</b>	<b>9,509</b>	<b>8,736</b>	<b>9,287</b>	<b>9,058</b>	<b>7,336</b>	<b>6,832</b>

Source: Ministry of Agriculture

The implementation of the national warranty scheme is underway, which comprises the issuance to farmers of state warranties in order to facilitate the application process for bank loans. This scheme aims to enable increased investments in the sector and better use of pre-accession funds under the IPARD Programme 2021-2027.

The key areas of focus for capital investments in agricultural and rural development are: (i) grant schemes for private investments in agriculture and food processing, (ii) diversification of rural economic activities, (iii) municipal investments in local rural infrastructure to improvements in quality of life, and (iv) public investments in irrigation and drainage systems. For example, an investment of €50.8 million is planned for the construction of the Recani and Slupchanska dams through the national programmes of MAFWE of North Macedonia. The KfW has also granted a loan of €80 million and €30 national budget to invest in irrigation projects such as the Lisice system (a project to increase water supply in the Caska municipality, the second phase of the Konsko dam project, the third phase of the South Vardar Valley irrigation project and Pepelishte project (improvement and updating of an existing irrigation system).

On-going structural reforms in agricultural land policy include promoting increased transparency in the distribution of State-owned land (leases and sales) and implementing land consolidation projects. In parallel, further structural reforms relate to strengthening agricultural associations with a specific focus on cooperatives, strengthening the provision of quality, professional farm advisory services, as well as training and transfer of knowledge. To illustrate, on 30 January 2020, the Agriculture Modernisation Project was approved and financed through a €46 million loan from the World Bank and a €4.3 million grant from the EU. This project included the (i) construction of two collection centres equipped for the safe storage, sorting and packaging of agricultural products, including with refrigerated facilities, (ii) establishment of the Agrofood Platform to facilitate the purchase, storage, sorting and marketing of agricultural products, (iii) implementation of a software solution for recording the total agricultural land in the Republic and (iv) creation of an animal by-product processing centre.

The FAO of the UN is supporting on-going initiatives in North Macedonia on structural land reforms such as land consolidation and other land market instruments, animal health management, animal health, food safety and quality, climate change adaptation in agriculture, and the sustainable management of natural resources, including land, water, forests, and biodiversity.

#### *Projects Under the FAO's Technical Cooperation Programme*

#### **Technical Assistance for aligning the National Animal Health and Food Safety System with EU Standards from 1 June 2022 to 31 December 2025**

The objective of this project is to upgrade the National Animal Information System at the Food and Veterinary Agency in accordance with the plan and specification prepared within the framework of the previous FAO project TCP/MCD/3804/C3 (Technical Assistance for Upgrading the National Livestock Information System) which was successfully completed on 31 December 2022. Building on the FAO-developed National Animal Health and Food Safety system (NAITS) software in Georgia, the FAO is supporting the Food and Veterinary Agency in creating a modern, sustainable, and long-term animal identification and traceability system. The upgraded system will enable efficient recording, analysis, and use of vital animal data across their lifecycle, improving management and traceability throughout the sector.

#### **Technical Assistance for digital transformation in the agriculture sector from 1 January 2024 to 31 December 2025**

In 2024 and 2025, the FAO supported the Ministry of Agriculture, Forestry, and Water Economy in conducting a situational analysis on the digital transformation needs in agriculture in North Macedonia. This foundational assessment maps the digital ecosystem in agriculture, examining institutional and sectoral capacities. It serves as a critical basis for developing a National Strategy on Digitalisation of Agriculture and guiding the FAO's technical assistance in enhancing the Ministry of Agriculture, Forestry, and Water Economy's key digital solutions. These improvements aim to strengthen data quality, quantity, and functionality, aligning with EU approximation requirements. In addition, the FAO has assisted the Ministry in designing a specialised digital software solution for calculating the Cost of Production ("CoP") for key agricultural products in North Macedonia. The CoP is a crucial factor influencing the competitiveness of the agricultural sector, farmers' incomes, the sustainability of farming systems, and overall food production potential. It provides a key analytical tool for evaluating and comparing competitiveness across different farming systems and agricultural enterprises.

#### **Support to resolving private-public co-ownership to improve agricultural land management and land tenure in the Pelagonija region from 15 June 2024 to 14 June 2026**

Through this project, the FAO has supported the Government in tackling land fragmentation and co-ownership issues between the state and private landowners in the Pelagonija region, limiting arable land use, especially for small family farmers. Many parcels, leased long-term by the former agro-combinat, face management challenges, ownership conflicts, and barriers to full utilisation, preventing private landowners and tenants from actively farming. The issue affects around 2,000 landowners and 18,000 hectares, with 10,000 hectares co-owned with the state. To address the issue, the FAO supported MAFWE with an analysis of all co-ownership cases between the



state and private landowners in the Pelagonija Region and started activities for piloting the resolution of private-public co-ownership in the Pelagonija Region through an integrated voluntary land consolidation approach.

In addition, in collaboration with the Faculty of Agricultural Sciences and Food – Skopje, the FAO conducted a socio-economic impact assessment of the first successfully completed majority-based land consolidation project in the village of Egri. The assessment demonstrated the positive economic, environmental, and social impacts of land consolidation for the participating landowners and farmers.

Among other things, this project, based on the pre-feasibility studies and technical analyses for the consolidation of agricultural land and improvement of irrigation infrastructure in the Strumica and Pelagonia regions (which will be developed within the framework of the ongoing preparatory project for the GCF - GCP/MCD/010/GCR), will support the development of a Full Funding Proposal for the Green Climate Fund “Building Climate Resilient Agriculture and Water Systems in Semi-arid Pelagonia and Southeastern Regions of North Macedonia”.

### **Enhancing land consolidation in North Macedonia from 1 August 2022 to 31 January 2026**

This project represents a continuation of support for agricultural land consolidation within the EU-funded and FAO-co-financed MAINLAND project, which ended on 14 November 2022.

The main objective of this project is to improve the national policy, institutional and regulatory framework for land consolidation (including the preparation of a new National Land Consolidation Strategy for the period 2025-2035 with an Action Plan) and fully implement land consolidation projects in two consolidation areas, including Dabjani (Municipality of Dolneni) and Chiflik (Municipality of Cheshinovo-Obleshevo), along with the construction of agricultural infrastructure. On 10 June 2025, the Government officially adopted the National Land Consolidation Strategy 2025–2035, a key policy document that sets a clear path for transforming the country’s agricultural landscape, supporting rural development, and advancing environmental sustainability over the next decade. Its adoption marks a key milestone of the project and sets a long-term vision for more efficient, productive, and climate-resilient use of agricultural land. The strategy is designed not only to address inefficiencies in land ownership and use but also to contribute to long-term environmental, economic, and social sustainability in rural areas. The multi-purpose land consolidation approach outlined in the strategy focuses on reducing land fragmentation, supporting farm enlargement, modernising agricultural infrastructure, and increasing the sector’s resilience to climate change. In addition, it also places strong emphasis on promoting environmental protection and nature restoration through the implementation of land consolidation projects.

In Dabjani village, covering 742 hectares of agricultural land, the land consolidation plan was approved by the participating landowners in January 2022 under the previous EU-FAO MAINLAND project, reducing the number of parcels from 602 small and irregular ones to 127 larger, regularly shaped parcels, with the average size increasing from 1.23 to 5.84 hectares. Under the ongoing GCP/MCD/008/EC project, agricultural infrastructure works were completed, including rehabilitation of existing access roads and construction of new ones to enhance transportation and field accessibility. In Chiflik village, on 18 October 2024, local landowners approved the Re-allotment Plan by a qualified majority. Covering 156 hectares, the land consolidation process will directly benefit 395 farmers, reducing the number of parcels from 1,246 to 454 and increasing the average size from 0.13 to 0.34 hectares, creating larger, more efficient plots that will facilitate agricultural practices and improve productivity. With the re-allotment plan now approved, the next phase will focus on registering the newly formed parcels in the real estate cadastre and improving agricultural infrastructure.

### **Enhancing land consolidation through support to the process of national strategic planning from 1 January 2023 to 31 December 2025**

This Technical Cooperation Programme (“TCP”) project supports the strengthening of the national policy, institutional and regulatory framework on land consolidation which will ultimately enhance the field implementation of the National Land Consolidation Programme in line with the international good practices through development of the new National Land Consolidation Strategy and Action Plan 2025- 2035. This TCP project is very closely linked with, and complements, the activities of the IPA project GCP/MCD/008/EC on

“Enhancing Land Consolidation in North Macedonia”. Part of the project funds are from FAO’s TCP contribution to the project.

#### **Technical Assistance for strengthening the national capacity of the forest service from 15 July 2023 to 31 December 2025**

In 2024, the FAO supported MAFWE in strengthening forest management and restoration efforts in North Macedonia. A major step forward was the development of a Methodology/Rulebook and programme for monitoring forest condition according to International Co-operative Programme on Assessment and Monitoring of Air Pollution Effects on Forests (ICP) forests methodology (level I) for data collection on forest damages, providing a comprehensive framework for monitoring forest health in North Macedonia, responding to both immediate challenges and long-term sustainability requirements. This initiative enhances national capacities for evidence-based policy-making in forest restoration and management. In parallel, in cooperation with the Faculty of Forest Sciences, Landscape Architecture, and Environmental Engineering Hans Em - Skopje, a screening of the current state of forests was conducted, providing a nationwide assessment of forest health. In addition, an Assessment of Forest Restoration Investments has been developed, covering potential afforestation areas and coppice forest conversion. The assessment identifies priority investment areas, capitalizes on best practices for forest restoration, and provides recommendations for afforestation and degraded forest conversion.

A comprehensive report on potential investment needs for forest restoration and coppice forest conversion was also developed, highlighting priority areas and building on previous experiences to inform future actions. Additionally, the FAO in collaboration with MAFWE, has initiated the identification of forestry sector investment needs for forest fire monitoring, which will serve as a critical tool for guiding future investments and policy actions aimed at improving forest resilience and disaster preparedness. To further support the Government’s resource mobilisation efforts, the FAO supports MAFWE in the development of a Project Idea Note (PIN) for mobilising international climate finance to support integrated Forest Management and Enhanced Monitoring System for Climate Resilience in North Macedonia with a focus to development of national forestry inventory system, restoration of degraded forest ecosystems and enhancement of forest fire monitoring and management.

#### **Strengthening capacities and developing strategic frameworks for low carbon and climate resilience in the Republic of North Macedonia from 3 October 2023 to 2 March 2026**

This is the third Green Climate Fund (“GCF”) Readiness and Preparatory Support project implemented by the FAO in North Macedonia. Under the leadership of the Cabinet of the Prime Minister, as the National Designated Authority (“NDA”) for the GCF, the project aims to:

- Support the Government in accrediting a national institution with direct access to GCF funding, enabling faster and more efficient access to climate finance for implementing national climate priorities without intermediaries;
- Strengthen the capacities and knowledge of staff in key public institutions on GCF procedures and the development of high-quality funding proposals for submission to the GCF;
- Update the GCF Country Programme, expanding the portfolio of projects through which North Macedonia will implement its development and climate priorities across sectors such as energy, agriculture, forestry, water, waste management, transport, biodiversity, and cultural heritage;
- Develop pre-feasibility technical studies to support the preparation and submission of a new large-scale GCF project proposal exceeding US\$50 million, focused on improving irrigation systems and enhancing agricultural adaptation to climate change in the country’s semi-arid regions; and
- Enhance the coordinating role of the Cabinet of the Prime Minister as the NDA for the GCF by upgrading the national e-Government system with dedicated modules for real-time monitoring of climate actions and tracking progress toward the Sustainable Development Goals, the 2030 Agenda, and the EU Green Agenda.

### **Supporting the country's decarbonisation process through integrated forest fire management and strengthening climate change information sharing from 20 March 2025 to 20 March 2027**

This is the fourth FAO-implemented GCF Readiness and Preparatory Support Project in North Macedonia. The project is designed to strengthen the Republic's overall capacity for forest fire management through training, monitoring, and strategic planning measures. It will provide state-of-the-art equipment, including fire simulators, IT and video tools, smoke machines, and training materials to establish a fully functional training centre, supported by a specialised curriculum. To improve fire monitoring and early detection, the project will analyse high-risk areas, develop a national methodology for combustible materials mapping, and prepare interactive digital maps for pilot regions. The Macedonian Forest Fire Information System will be upgraded with new modules for near real-time data and modelling, while advanced technologies including drones, solar-powered LTE cameras, fire sensors, and satellite data will be deployed in three pilot areas. The project will also assess the legal framework for landscape fire management and support the development of a National Plan for the Protection of Forests from Fires.

### **Support to developing effective Nationally Determined Contributions (NDC) 3.0. Climate Finance Strategy and Action Plan from 15 April 2025 to 14 April 2026**

The Government is preparing to submit its new Nationally Determined Contributions ("NDC") for 2025–2035. This requires:

- A review of the implementation of the 2021 revised NDC and preparation of the new NDC 2025, and
- An update of the Climate Finance Strategy with an accompanying Action Plan aligned with NDC 3.0.

Through this TCP project, the FAO will provide technical support by conducting key background analyses and assessments to inform the development of NDC 3.0 and the updated Climate Finance Strategy. Specifically, the support will include:

- Analysis of the national climate finance landscape, including domestic and international public and private funding sources;
- Assessment of past and ongoing climate finance flows to identify trends and gaps;
- Evaluation of national capacities for effective management and utilisation of climate finance;
- Identification of collaboration opportunities and potential for climate co-financing; and
- The FAO's technical assistance under this TCP, which will reinforce its role as a key partner in supporting North Macedonia to prepare a robust and ambitious NDC 3.0 for submission to the UNFCCC in 2025.

### ***Construction***

Construction accounted for 6.08% and 6.24% GDP in 2023 and 2024, respectively and 6.68% of total employment in 2024. During the period from 2020 through 2025, North Macedonia sought to achieve greater transparency and reduce costs and bureaucratic barriers in the construction sector. Partly as a result of this focus, the value of housing units built by private owners increased throughout this period. This increase was also due, in part, to reforms in State-owned undeveloped construction land management.

### **Roads Sector**

Supported by investment in public infrastructure, the construction sector has realised high growth in recent years, with investments in building highways and regional roads, as well as upgrading existing roads.

Among the most significant road construction projects currently underway are: (i) the construction of the new motorway from Kichevo to Ohrid on Corridor VIII (total length of 56.7 kilometres); (ii) the Local Roads Connectivity Project (including the rehabilitation, reconstruction and upgrading of local roads and streets in 80 municipalities and the City of Skopje with a total length of up to 450 kilometres); (iii) Construction of Corridor

8: Tetovo – Gostivar – Bukojcani and Trebenista – Struga – Kjafasan Motorway section and Corridor 10-d: Prilep – Bitola Motorway section; and (v) the implementation of the Western Balkans Trade and Transport Facilitation Project to facilitate deeper economic integration within the region. The Western Balkans Trade and Transport Facilitation Project is supported by the World Bank and aimed at fostering regional integration and facilitating trade and transportation.

The construction of two new motorways from Demir Kapija to Smokvica on Corridor X (total length of 28.2 kilometres) and from Miladinovci (Skopje) to Shtip on National road A4 (total length of 47 kilometres), as well as the rehabilitation of selected national and regional roads totaling over 100 kilometres have been completed.

In 2016, construction of a 10.2-kilometre express road on national road A1, section Farish – Drenovo commenced, funded by an EBRD loan. This construction was temporarily suspended due to termination of the contract. The new contractor started construction activities in July 2021, which were completed in July 2025.

In early 2018, construction began on the approximately new 15-kilometre express road on the A1 national road, section Gradsko – Drenovo, financed by EU IPA funds. This project was assigned to another contractor, with two addendums to the Works Contract signed in June 2021, which was fully completed in January 2025.

The express road Shtip – Krupishte in length of 14.3 kilometres, which was financed under the National Road Programme with an EBRD loan, was completed by July 2020. Construction of the other 13.7 kilometre express road Krupiste – Kocani, which was financed under the same programme, was completed in December 2022.

The construction of Shtip to Radovish road section, with new construction of approximately 23.5 km in Phase I and reconstruction of 16 km in Phase II, was funded by an EBRD loan and completed in December 2021.

The reconstruction of the Kriva Palanka – Bulgarian Border Road Section, with a total length of 13.2 kilometres, was funded by an EBRD loan and completed in December 2023.

The construction of an approximately 23-kilometres long express road Kriva Palanka – Rankovce was completed in January 2025.

In 2019, the Export-Import Bank of China provided additional financing for the ongoing construction of the new motorway from Kicevo to Ohrid on Corridor VIII. The construction of the highway section Kicevo – Ohrid is expected to be finished by the end of 2026. See “*Overview of the Republic of North Macedonia—International Relations—Bilateral Initiatives—Export-Import Bank of China*”.

PESR is in the process of selecting the contractor and supervising engineer for the following motorways: E65. section Bukojchani - Kicevo with a total length of 11.5 km and TEN-T Route 6 Skopje – Kosovo Border with a total length of 10.5 km. Both of these projects will be financed with a loan from EBRD. Tender documentation is prepared in accordance with the rules and procedures of the EBRD.

The realisation of the construction of the Miladinovci – Shtip motorway and the Kicevo – Ohrid motorway is regulated through special Law voted in the Assembly, while the Government signed a contract with the Bechtel-Enka consortium for the construction of four motorway sections.

Some significant road construction projects that have recently been completed include: an express road from Shtip to Krupiste (14.013 kilometres); two motorways from Demir Kapija to Smokvica on Corridor X (total length of 28.2 kilometres) and from Miladinovci (Skopje) to Shtip on National road A4 (total length of 47 kilometres); and an express lane on national road A4 from Shtip to Radovis (Phase I and Phase II) (approximately 40 kilometres in length), funded by an EBRD loan. The rehabilitation of selected national and regional roads totaling over 100 kilometres have also been recently completed.

## **Rails Sector**

The Government has expressed a strategic commitment to complete the East-West rail axis, also known as Corridor VIII, which would link transport flows from the Adriatic and Ionian Sea to those from the Black Sea.

Significant process has been achieved for the renewal of the Rail Corridor 10 with three sections, while the rehabilitation of the Rail Corridor 8 section Kumanovo-Beljakovce was successfully completed at the end of 2024. For both projects, financial sources were secured through EBRD loans and WBIF technical assistance.

Several critical infrastructure projects are currently underway in the rail sector.

For the Rail Corridor 8 section of Beljakovce-KrivaPalanka with 34 kilometres, a contract with the selected contractor was signed in July 2022. Work progress has been steadily improving, with completion expected by the end of 2026. The project is financed through an EBRD loan, along with WBIF investment and technical assistance grants.

For the Rail Corridor 8 section of KrivaPalanka to Deve Bair (excluding the joint border tunnel) with 23.4 kilometres, financing has been secured through loans from the EBRD and the EIB. Following the cancellation of the tender procedures for selecting the contractor and supervision engineer in 2024, a re-tendering process is envisaged to start at the beginning of 2026. During high-level meetings between the EU, Macedonian, and Bulgarian authorities, it was decided that the joint border tunnel will be constructed as a separate, stand-alone project.

For the Rail Corridor 8 section of Skopje Kicevo, following the competition of the pre-feasibility study, a new WBIF application for technical assistance was submitted during the 33rd Round of Application in September 2025. The intention is to advance the project by preparing a feasibility study, cost-benefit analysis, preliminary design and environment social impact assessment.

Additionally, the State Budget for the next three years includes plans to improve the railway infrastructure forming a “ring” around the City of Skopje, commonly referred to as the “City Train” project.

### ***Communications***

Communications accounted for approximately 4.7%, 4.9% and 3% of the GDP of North Macedonia in 2022, 2023 and 2024, respectively, with a growth of 3.9% recorded in the third quarter of 2025 as compared to the same period in 2024.

According to data from the Agency for Electronic Communications (the “AEC”) of North Macedonia, five out of nine entities registered in the AEC’s official records in the third quarter of 2025 provided publicly available telephone services on a public mobile communications network. These included: Makedonski Telekom AD Skopje, A1 Macedonia Skopje, MTEL – Skopje, Telekabel-Skopje and Green-Prilep. The share of mobile operators on the mobile telephony market by number of active subscribers as at 30 September 2025 indicates that A1 Macedonia Skopje had a market share of 47.40%, followed by Makedonski Telekom AD Skopje with 46.68%, MTEL – Skopje with 4.55%, Telecabel-Skopje with 1.27% and Green-Prilep with 0.10%.

The AEC’s official records further indicate that six out of 13 entities registered with the AEC provided fixed network services in the third quarter of 2025. In 2024, Makedonski Telekom AD Skopje had a market share of 51.14%, followed by A1 Macedonia Skopje with 43.32%, Telekabel-Skopje with 3.36%, Neotel with 1.62%, Akton with 0.56% and Softnet with 0.00%. For the third quarter of 2025, Makedonski Telekom AD Skopje had a market share of 51.68%, followed by A1 Macedonia Skopje with 43.34%, Telekabel-Skopje with 3.17%, Neotel with 1.26%, Akton with 0.55% and Softnet with 0.00%.

According to the data provided by the State Statistical Office, in the third quarter of 2025, 92.1% of the total population aged 15-74 used the Internet, and 79.1% used the Internet several times during the day, 60.3% of people have ordered or bought goods or services over the Internet in the last 12 months. In the third quarter of 2025, 99.2% of the enterprises used a computer in their work. Fixed broadband connection to the Internet was used by 92.9% of the enterprises with ten or more employees. Of the total number of enterprises with ten or more employees, 54.1% had a website or homepage. Regarding e-commerce, 16.4% of the enterprises received e-sales orders via computer networks and 15.0% of the enterprises received web sales orders for products or services via a website.

## Regulation of the Communications Sector

On 24 April 2021, the Assembly of the Republic adopted the amendments to the Law on Electronic Communications. These amendments were adopted as part of the Republic's Memorandum of Understanding with the United States on 5G safety in October 2020. Amendments to the law on Electronic Communications stipulates that the risk profiles of all relevant providers and manufacturers of critical network equipment at the national level should be periodically assessed. These periodic assessments impose an obligation on network operators to limit or exclude such providers and manufacturers from equipment procurements for critical components and sensitive parts of network elements. In July 2019, the Assembly of the Republic adopted the Amendments to the Law on Electronic Communications with the aim of establishing the National Broadband Competence Office (the “BCO”). The National BCO was established by the Minister of Information Society and Administration in October 2019.

According to the AEC Report, below is a comparison of the broadband development in the EU and in the Republic.

	EU	MKD
	(2019)	(AEC Report June 2025)
<b>Connectivity indicators in DESI</b>		
1a1 Fixed broadband coverage .....	97%	90%
1a2 Fixed broadband take-up.....	78%	91.73%
1a1 4G coverage .....	96%	99.73%
1b2 Mobile broadband take-up .....	100%	87.93%
1b3 5G readiness .....	21%	41.83%
1c1 Fast broadband (NGA) coverage.....	86%	75%
1c2 Fast broadband take-up .....	41%	58.86%
1d1 Ultrafast broadband coverage .....	60%	55.51%
1d2 Ultrafast broadband take-up.....	26%	0.1%
1e1 Broadband price index	64%	—%

Source: AEC

The Government has supported the development and liberalisation of electronic communications services to ensure that such services are available at affordable prices in an effort to achieve mass broadband internet usage. Increased competition in the telecommunications sector is expected to establish the necessary infrastructure to provide for efficient, safe and timely delivery of high-quality digital content and services.

The National Broadband Plan (the “NOBP”) was adopted by the Government on 1 April 2019 and aims to align the national policies on electronic communications with the strategic objectives of the EU 2010 Digital Agenda for Europe and the EU 2016 Strategy Towards a European Gigabit Society for 2025.

The NOBP sets infrastructure coverage goals including the construction of 5G infrastructure to cover all cities in North Macedonia with a continuous 5G signal by 2027, and for all public institutions to have symmetrical internet access with a speed of at least 1Gbps by 2029. The NOBP has also identified the construction of the National Transport Optical Network (the “NTON”) and Next Generation Access (“NGA”) infrastructure in white zones as a key measure. Construction, development, maintenance and management of NTON and NGA infrastructure in white zones falls within the purview of Public Enterprise Macedonian Broadcasting (“PE MRD”) (in accordance with the Law on Establishment of PE MRD). The Minister of Information Society and Administration (“MISA”) in cooperation with the Broadband Competence Office (“BCO”) held meetings with the Community of Local Self-Government Units, the AEC and PE MRD regarding the implementation of activities for the preparation process of the Feasibility Study for construction of the NTON as an obligation from Conclusion of the 54th Government session. During June and July 2022, BCO worked on the preparation of the documents for submitting

the application to the EU for the public procurement of consulting services for the preparation of a Feasibility Study for NTON.

During July 2022, AEC issued approvals to A1 Macedonia and Makedonski Telekom for the use of radio frequencies of 5G range. The term of validity of approvals for the use of radio frequencies is 15 years with the possibility of extension for another 5 years. The approvals are for national coverage for the entire territory of the Republic. The two existing mobile operators have already started broadcasting the 5G signal in several cities. The Directive on cost reduction for next generation network development has been implemented in the Law on Electronic Communications.

### ***Tourism***

Tourism represents one of the key potential growth sectors of the Macedonian economy. With its geographical position, natural diversity, rich cultural and historical heritage, and gastronomic tradition, North Macedonia has the conditions to develop into a competitive destination in the Balkans and beyond. Tourism represents a significant part of the Macedonian economy and has the potential to be one of the key sectors for sustainable development, employment, and regional balance. With a direct contribution to GDP that exceeded 4% in some years, and indirect impacts through small and medium-sized businesses, hospitality, transport, and crafts, tourism serves as an important engine of economic growth, particularly for rural and less developed areas.

In the first nine months of 2025, compared to the same period in 2024, the number of tourists was 1,089,971, which increased by 5.8%. The number of domestic tourists was 354,988, which decreased by 1.4%, while the number of foreign tourists was 734,983, which increased by 9.6%. In the first nine months of 2025, compared to the same period in 2024, the number of nights spent was 2,859,886, which increased by 0.9%. The number of nights spent by domestic tourists was 1,535,372, which decreased by 3.8%, while the number of nights spent by foreign tourists was 1,324,514, which increased by 7%.

The primary markets, which account for approximately 45% of the total number of overnight stays and approximately 65% of the total number of tourists, are Turkey, Serbia, Germany, Netherlands and Greece. Secondary markets account for approximately 20% of the total number of tourists and approximately 17% of the total number of overnight stays, including France, Bulgaria, Great Britain, Romania, Poland and Kosovo.

The system is being optimised through the establishment of a cohesive and operational institutional entity designed to address the actual demands of the tourism industry, which involves staffing the new tourism sector within the Ministry of Culture and Tourism. The initiative forms part of a broader effort to strengthen institutional efficiency and improve the quality of services provided to tourism stakeholders. One of the top priorities in positioning North Macedonia as a competitive, sustainable, and alluring travel destination is to invest in the calibre and professionalism of the tourism sector.

Activities have been conducted and working groups with representatives from the private tourist industry are being formed in order to support the creation of an efficient development program for 2026, with a focus on sustainable forms of tourism and active promotion of cultural and transit tourism.

Looking ahead, a key objective will be the creation and implementation of a new National Strategy for Tourism Development, accompanied by increased infrastructure investment, particularly in rural areas. These efforts will foster balanced regional and economic development, strengthen local communities, and enhance the overall economic profile of the country.

### **Public Investments**

The main goal of the public investment policy is to improve planning, realisation and implementation, which in turn will increase the growth potential of the domestic economy and will generate multiplier effects of economic growth in the medium-term. Key elements of the medium-term fiscal policy were redesigned and improved public finance structure, through an increased share of capital expenditures, as well as the gradual fiscal consolidation, by reducing the budget deficit as percentage share of GDP.

The commitment to redesigning fiscal policy has been translated into a plan adopted by the Government, aimed at providing public finance sustainability, coupled by boosting economic growth.

With the revised Budget for 2025, capital expenditures are projected at approximately MKD 47.4 billion.

As the Assembly decides on the redistribution between budget users, the projection of capital expenditures has been reduced due to redistribution on expenditures to approximately MKD 44 billion as compared to the initial Budget and the revised Budget for 2025.

The financing of capital investments is intended to ensure the implementation of planned reconstruction and modernisation projects in road, railway, and utility infrastructure, capital investments in the fields of education, child and social protection public health institutions, the fulfilment of contracts in the areas of defence and security, as well as rural development.

Through the revised Budget for 2025, the Government's financial support and cooperation with the municipalities continues. This support is directed towards the continuous investment of central budget funds in capital infrastructure projects at the municipal level, enhancing the financial stability of municipalities.

Capital expenditures and investments in infrastructure represent a significant portion of the fiscal policy and are planned to contribute in the medium-term. Beginning in 2021, a new mechanism ("KAPEF") was introduced to increase the level of realisation of capital expenditures from the planned amounts on an annual level. As a legal obligation the budget users are obliged to realise 15% with the first quarter, 40% with the second quarter and 65% with the third quarter of capital expenditures.

If this obligation is not fulfilled, the Ministry of Finance will redistribute unused funds up to the prescribed limit to "Item 414 - Reserves for capital expenditures", without the right to spend. The Assembly will then decide on the use of redistributed funds based on the proposal of the Government. In this way, budget users are encouraged to realise the capital expenditures in the planned amount.

In addition, for better realisation of capital expenditures, the following has been achieved:

- More realistic (rather than optimistic) capital expenditure planning;
- Continuation of the application of the KAPEF mechanism;
- Establishment of the Public Investment Management Department in the Ministry of Finance in 2023, whose role is to perform independent review of the pre-investment studies for the new public investment projects and to conduct central oversight of the public investment portfolio of the Government;
- Development of the functional requirements for a module for managing public investments in the new IFMIS system; and
- Adoption of the Decree on Public Investment Management by the Government on 8 April 2025 and published in the Official Gazette on 11 April 2025, regulating the manner, contents, procedure and criteria for defining, preparing, reviewing, assessing, evaluating and prioritising public investment project proposals, as well as the processes of implementing, monitoring and reporting on their implementation and the ex-post review of public investment projects. Thus, the foundation for prioritisation of capital investments was established, along with the strengthened role of the Government in the process of the selection and oversight of capital projects implementation. The Ministry of Finance published the Feasibility Study Guidelines and the Public Investment Management Process Manual on its website in July 2025. The Feasibility Study Guidelines provide advice to line ministries and other authorised entities on expectations concerning the contents of feasibility studies prepared for the purpose of appraising public infrastructure projects under the public investment management process in North Macedonia. The Public Investment Management Process Manual serves as a comprehensive resource to guide, inform and assist project proposers and initiators, government and municipal officials, and decision-makers in understanding the principles and roles in the process of preparation, evaluation and monitoring of public investment



projects in North Macedonia. In September 2025, the Government established the Public Investment Committee as a permanent and interministerial working body of the Government, whose main role is to ensure efficient management of public investment projects. The Public Investment Committee is composed of all line ministers and is chaired by the Minister of Finance, which ensures interdepartmental coordination and consensus in decision-making. Its tasks include prioritising new initiatives for central government public investment projects in the form of project idea proposals, including project proposals and the oversight over project progress.

In the medium-term period, fiscal policy remains to focus on ensuring substantial public investments, being a precondition for improvement of economic perspectives, as well as better living conditions for the citizens.

To this end, a significant amount of capital investments is projected by using budget funds, including funds under loans extended from international financial institutions and bilateral creditors.

The projected amounts speak of speeding up the infrastructure projects, i.e. investments in road and railway infrastructure, energy and utilities infrastructure, as well as capital investments aimed at improving the conditions in the health, education and social systems, agriculture, culture, sports, environment protection and judiciary.

The projected capital expenditures are calculated based on data from budgetary institutions that are ready to implement projects in the respective areas in the medium-term. In terms of the amount of funds forecasted and anticipated time until realisation, a particularly significant part of the forecast capital expenditures relates to the construction of Corridor 8, a road infrastructure project.

The following table sets out North Macedonia's capital expenditures for the following years:

Year	Capital expenditure (€ million)	% of GDP
2022.....	465	3.5
2023.....	707	4.8
2024.....	466	3.0
2025 <sup>(1)</sup> .....	720	4.3
2026 <sup>(1)</sup> .....	652	3.6
2027 <sup>(1)</sup> .....	794	4.1
2028 <sup>(1)</sup> .....	1,037	5.1
2029 <sup>(1)</sup> .....	1,232	5.6

Note:

(1) Projected.

Source: Ministry of Finance

### CAPEF Mechanism

In 2021, the Law on Execution of the Budget of the Republic of North Macedonia ("CAPEF Mechanism") was introduced in an attempt to improve the realisation of capital expenditures, the law requires budget users to realise 15% of capital expenditures by the first quarter, 40% of capital expenditures by the second quarter and 65% of capital expenditures by the third quarter. The CAPEF Mechanism remains in use, which encourages budget institutions to plan their funds for capital projects well and realistically.

If these guidelines are not followed, the Ministry of Finance MPs redistribute the unused funds up to the prescribed limit to item "414 - Reserves for capital expenditures" with the same budget user, without the right to spend. The main purpose of the CAPRF mechanism is to stimulate budget users to realise capital expenditures, otherwise those budget users who have capital expenditures below the level prescribed for the given quarter will have their funds taken or reallocated to the Capital Reserve.

In order to improve the realisation of capital expenditures, a series of activities are planned, as follows:

- Budget users to plan capital expenditures more realistically;
- Continued application of the CAPEF Mechanism established in the Law on Budget Execution;
- Improvement of the budget structure by increasing the share of capital expenditures in total budget expenditures; and
- Improvement of the structure of capital expenditures by reducing less productive capital expenditures (establishing rules and standards when buying / investing in vehicles, furniture, equipment).

### **Informal Economy**

As part of the Strategy for the Formalisation of the Informal Economy 2023–2027, which was adopted in September 2023 and accompanied by an action plan, the Ministry of Finance applied a baseline estimate of the informal economy at 28.9% of GDP. This estimate is derived from academic research employing the multiple indicators multiple causes (“MIMIC”) model, as well as the electricity consumption and cash demand methods.

Overall, estimates of the informal economy’s share in North Macedonia vary significantly, ranging between 20% and 40% of GDP, depending on the applied methodology. According to the latest available data from the World Bank Informal Economy Database, the informal sector accounted for 34.1% of GDP in 2020 (based on MIMIC model calculations). More recent estimates using the cash demand approaches suggest that the size of the shadow economy declined to approximately 23 to 24% of GDP in 2024.

According to data from the State Statistical Office, the share of informally employed persons out of the total number of employed persons in 2024 amounted to 12.3%, representing a decrease of 1.7 percentage points compared to 2020 (14.0%). In 2024, amongst the informally employed, men represented 70.1% and women represented 29.9% of this workforce, amounting to an increase of 3.8 percentage points for men (66.3% in 2020) and a decrease of 3.8 percentage points for women (33.7% in 2020), as compared to 2020.

Government policies have sought to limit the size of the informal economy by providing incentives for individuals to undertake work in the recorded, or official, sector, such as reductions in income tax rates and social contributions rates and a reduction in unnecessary business regulation, which previously served as a barrier to the registration of new or family-run businesses.

Building upon the achievements and lessons learned from the Strategy for the Formalisation of the Informal Economy 2018–2022, on 12 September 2023, the Government adopted a new Strategy for the Formalisation of the Informal Economy 2023–2027, accompanied by an action plan for the period from 2023 to 2025.

The new strategy sets out a comprehensive framework of measures and activities structured around two priority areas. The first focuses on improving institutional efficiency and strengthening the business environment, while the second aims to enhance transparency, accountability, and public trust, as well as to reinforce tax morale, which are all considered essential preconditions for reducing informal economic activity and consolidating the formal sector.

Implementation of the strategy is supported by a permanent institutional framework, comprising an inter-sectoral body for coordination and a National Council for the Formalisation of the Informal Economy, responsible for monitoring and overseeing implementation progress.

In line with the strategy and action plan, the share of the informal economy in total economic activity is projected to gradually decline over the medium term, driven by measures addressing structural factors that incentivise informality. Effective implementation of the planned activities is expected to lead to a reduction in the number of unregistered business entities and informally employed persons. Based on current projections, the size of the informal economy is anticipated to decline from the starting value of 28.9% in the Strategy for Formalising the Informal Economy 2023–2027 to around 26% of GDP by the end of 2027.

## Employment and wages

While general unemployment in North Macedonia has historically been high, in recent years there has been a gradual increase in the number of employees in the workforce and a decrease in the unemployment rate. The official employment rates (the ratio of employed workers to the total working age population) in 2022, 2023 and 2024 were 47.3%, 45.4% and 45.8%, respectively.

In the third quarter of 2025, positive movements in the labour market continued, with the unemployment rate decreasing to 11.5%, (from 12.3% in the third quarter of 2024), amid a year-on-year decline in the number of unemployed of 6.7%. The employment rate in the third quarter of 2025 was 46.5%, and the number of employees increased by 1.0% compared to the same quarter of 2024.

The average monthly net wages in 2024 was 12.6% higher in nominal terms, and 8.8% in real terms, compared to 2023. The growth primarily reflected the indexation of the minimum wage in line with the previous year's inflation rate and the increase in the average wage, as stipulated by the statutory formula. Additional contributions came from wage adjustments in the public sector, while persistent labour shortages in specific industries continued to exert upward pressure on wages. In 2023, average net wages grew by 14.9% in nominal terms and by 5.1% in real terms, compared to 2022. Wage growth was broad based, with a double-digit growth rate in all sectors. Wage growth remained strong in the first three quarters of 2025, with nominal wages rising by 9.3% and real wages rising by 5.1%.

Although youth unemployment in North Macedonia has historically been high, it has also been decreasing in recent years. The average youth unemployment rate in the period of 2024-2025 was 28.9%. The youth unemployment rate decreased from 32.5% in 2022 to 29.4% in 2023, then decreased to 29.0% in 2024. In the first nine months of 2025, youth unemployment decreased to 28.8%. This overall decrease was a result of the successful implementation of several measures aimed at reducing youth unemployment, including the new Operational Plan for Employment for 2025 as described below. The Government attributes this trend partially to its initiatives focused on improving education, including obligatory education through the age of 18 (including proficiency in foreign languages), entrepreneurship training and technical skills development.

In order to promote youth employment, the Government offers grants and subsidies of wages for newly employed youth for a period of up to 12 months. Further, the Government is offering loans under favourable conditions for unemployed youth to start their own business.

The following table sets forth labour market data for the periods indicated:

	Year ended 31 December					Nine months ended 30 September
	2020	2021	2022	2023 <sup>(1)</sup>	2024	2025
<b>Labour market</b>						
Working age population <sup>(2)</sup> .	1,480,320	1,468,734	1,464,493	1,515,107	1,515,306	1,517,313
Employed.....	703,733	693,494	692,034	688,296	694,506	702,981
Unemployed.....	135,600	126,398	116,045	103,351	98,273	91,913
Employment rate (%).....	47.5	47.2	47.3	45.5	45.8	46.3
Unemployment rate (%) ....	16.2	15.4	14.4	13.1	12.4	11.6
Youth unemployment rate (%)	36.4	36.1	32.5	29.3	29.0	28.8
	Year ended 31 December					Nine months ended 30 September
	2020	2021	2022	2023	2024	2025
<b>Employment by ownership:</b>						

	Year ended 31 December					Nine months ended 30 September
	2020	2021	2022	2023	2024	2025
Private.....	528,905	514,995	515,425	513,292	525,232	539,707
Other <sup>(3)</sup> .....	174,827	178,499	176,609	175,004	169,274	163,275

Note:

- (1) Data from 2023 are not comparable with the data from the previous years, as the new Regulation (EU) no. 2019/1700 of the European Parliament and the Council for Social Statistics and the corresponding executive regulation of the Commission (EU) no. 2019/2240 for the area of the labour force was implemented in 2023, while the previous Regulation (EC) no. 577/98 was repealed. The mentioned changes caused interruption to the time series of data. A revised series of core employment and unemployment indicators are planned to be calculated for the period from the first quarter of 2009 to the fourth quarter of 2022 to allow comparability of data.
- (2) Starting from 2023, the data on activity and employment refer to the age group of 15-89 (which was previously 15-79), while the data on unemployment refer to the age group of 15-74.
- (3) Includes social, collective and state employment.

Source: State Statistical Office, Labour Force Survey, ILO Methodology

The labour force (including both employed and unemployed people) was 52.3% of the working age population in 2024, which is slightly higher compared to 2023 where the equivalent figure was 52.2%. In the first nine months of 2025, the labour force was 52.4% of the working age population.

## Employment by Sector

The following table sets forth the percentage breakdown of average registered employment by sector for the periods indicated:

	Year ended 31 December					Nine months ended 30 September
	2020	2021	2022	2023	2024	2025
	(%)					
<b>Sectors of Activity</b>						
Agriculture, forestry and fishing .....	13.0	11.8	10.0	7.8	9.0	10.4
Mining and quarrying.....	0.8	0.9	1.0	0.6	0.9	0.8
Manufacturing.....	19.1	19.2	19.6	19.5	19.8	18.4
Electricity, gas, steam and air conditioning supply .....	1.1	0.9	1.2	1.3	1.1	1.2
Water supply, sewerage, waste management and remediation activities .....	2.2	2.0	2.1	2.3	2.1	1.7
Construction.....	6.5	6.5	6.5	7.3	6.7	6.9
Wholesale and retail trade, repair of motor vehicles, motorcycles.....	14.0	15.5	15.5	15.4	14.7	15.7
Transportation and storage ..	5.3	5.2	5.1	5.3	5.2	5.1
Accommodation and food service activities .....	4.0	3.4	3.5	3.9	4.0	4.5
Information and communication.....	2.6	2.7	3.1	3.5	3.4	3.3
Financial and insurance activities	1.6	1.5	1.5	1.8	1.9	1.5
Real estate activities.....	0.3	0.3	(0.2)	(0.3)	(0.3)	:

	Year ended 31 December				Nine months ended 30 September	
	2020	2021	2022	2023	2024	2025
			(%)			
Professional, scientific and technical activities .....	2.6	2.6	2.7	2.7	2.8	2.8
Administrative and support service activities.....	2.6	2.5	2.6	2.4	2.5	2.9
Public administration and defence, compulsory social security.....	7.1	7.3	7.3	7.5	7.6	7.4
Education .....	6.2	6.5	6.9	7.1	6.5	7.0
Human health and social work activities.....	6.5	6.8	6.7	7.1	7.0	6.5
Arts, entertainment and recreation .....	2.3	2.3	2.2	2.1	2.3	2.5
Other service activities .....	1.9	1.8	2.1	2.0	2.1	2.0
Activities of households as employers; undifferentiated goods and services producing activities of households for own use.....	:	:	:	(0.1)	(0.1)	:
Activities of extraterritorial organisations and bodies ...	0.2	0.2	:	(0.1)	(0.1)	0.3
<b>Total .....</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Note:

( ) Less precise estimate which are to be used with caution

:

Source: Percentages calculated by the Ministry of Finance, based on State Statistical Office data, LFS

The number of employed persons in the private sector increased from 513,292 in 2023 to 525,232 in 2024, reflecting an increase of 2.3%. During the first nine months of 2025 the number of people employed in the private sector increased to 539,707, amounting to an increase of 3.6% compared to the same period in the previous year. The number of employed persons in other sectors (including joint private and state ownership, collective or state ownership) decreased by 3.3% from 2023 to 2024, from 175,004 persons in 2023 to 169,274 in 2024. During the first nine months of 2025, the number of employed persons in other sectors (including joint private and state ownership) decreased to 163,275, a decrease of 3.5% as compared to the first nine months of 2024.

Amendments to the Law on Employment and insurance in case of unemployment in 2012 (the “Act”) effected changes in the recording of administrative unemployment. This Act was the basis for establishing and maintaining two records with the Employment Service Agency, one recording active unemployed persons (who are actively seeking for jobs) and the other recording passive unemployed persons (who register as being unemployed, but are not actively seeking employment). Active and passive employment figures, while used for administrative purposes, are not related to the unemployment figures calculated by the State Statistical Office with the Labour Force Survey.

The new Operational Plan for Employment for 2025 was adopted by the Government on 28 May 2025, with a total budget of MKD 2.5 billion (equivalent to approximately €40 million) and covers more than 16,000 citizens. Compared to the plan for 2024, the budget for the new Operational Plan increased by €7.5 million. The new Operational Plan focuses on measures and activities for three categories of people, including young people up to

29 years old, long-term unemployed persons, and recipients of guaranteed minimum assistance, which aim to reduce unemployment through the creation of new jobs for citizens.

The novelty in this Operational Plan is that it introduces targeted measures to support the youth (under 29 years old), and expands the self-employment support measure with two new sub-measures:

- Measure-Self-Employment Support, which is intended for unemployed persons with at least primary education who wish to start their own business. The amount of financial support under this measure is €7,000 in non-refundable funds for starting a business.
- Self-Employment Support for Young Unemployed Persons (under 29), which provides €10,000 in non-refundable funds for establishing their own business.

Self-Employment Support through Partnership is a new sub-measure that allows up to two beneficiaries to jointly establish a business. The financial support ranges from €14,000 to €20,000, with the maximum amount of €20,000 intended for partners under 29 years of age.

The Operational Plan also includes internship support for young people, a youth allowance of €50 per month for persons up to 23 years old employed in the manufacturing sector, and continued support for employers hiring young unemployed persons under 29 years old, who can receive up to MKD 250,000 per employed person. The only requirement for participation in these measures is that unemployed individuals must be registered as active job seekers at the local employment centres throughout the country.

### Average Monthly Wages

Wages in the private sector in North Macedonia are determined at an enterprise level, subject to any limits set in collective bargaining agreements. Collective bargaining agreements are applicable to certain sectors of the economy but only to enterprises which are members of the collective organisations. Labour unions, employers and the Government agreed to set a national minimum wage, which was instituted in 2012. The minimum wage was increased in 2022, 2023 and 2024, to MKD 18,000, MKD 20,175 and MKD 22,567 (in net amount), respectively, and is subject to annual revision based on average wage growth and inflation. In accordance with the Law on Minimum Wages, in March 2025, the net minimum wage was increased by 8.0% to MKD 24,379 (MKD 36,037 in gross amount). With the amendments to the Law on Minimum Wage, the annual revision of the minimum wage will be based on 50% of the increase in the average net wage and 50% of the increase in Consumer Price Index, for the previous year, according to the data of the State Statistics Office. According to these amendments, the minimum wage cannot be lower than 57% of the amount of the average net salary paid in the previous year. The average monthly wage in 2024 was MKD 41,239 (in net amount), an increase of 12.6% from 2023. In the first nine months of 2025, the average net salary recorded a nominal growth of 9.9%. During this period, growth of the average salary was observed in all sectors, with the most pronounced in education, healthcare, administrative services, manufacturing and real estate.

The Government sets the wages in the public sector as prescribed by the Law on Administrative Servants. Wage adjustments in this sector are decided by the Government after consultation with the unions and employers' organisations and in accordance with the Law on Salary Payments and the annual budget.

Wages	Year ended 31 December					Nine months ended 30 September
	2020	2021	2022	2023	2024	2025
			(%)			
Average monthly gross wages in MKD .....	40,566	42,887	47,637	54,916	61,984	67,411
Gross wages, nominal annual growth (%).....	8.3	5.7	11.1	15.3	12.9	10.0

Wages	Year ended 31 December					Nine months ended 30 September
	2020	2021	2022	2023	2024	2025
Gross wages, real annual growth (%).....	7.0	2.4	-2.7	5.4	9.1	5.7
Average net wages in MKD.	27,182	28,718	31,859	36,614	41,239	44,846
Net wages, nominal annual growth (%).....	7.8	5.7	10.9	14.9	12.6	9.9
Net wages, real annual/period growth (%).....	6.5	2.3	-2.9	5.1	8.8	5.7

Source: State Statistical Office

## Pensions

Pension and disability insurance in the Republic is regulated by the Law on Pension and Disability Insurance, the Law on Mandatory Fully Funded Pension Insurance, the Law on Voluntary Fully Funded Pension Insurance and the Law on Pension Payment and Pension Benefits from the Fully Funded Pension Insurance.

Pension system reform commenced in January 2006, introducing a three-pillar pension system (mandatory first and second pillars and a voluntary third pillar). The basic objectives of the reforms were to ensure both short-and long-term solvency of the Pension and Disability Insurance Fund of North Macedonia (the “**PDIF**”), maximise benefits and minimise risk for pensioners, guarantee pension security for all generations and strengthen public confidence in the pension system.

Under this system, a portion of each worker’s salary (which was previously deposited in the State pension fund) is paid into the first State-supported pay-as-you-go (“**PAYG**”) pillar and a privately managed pension fund chosen by the worker (“**second pillar**”). This system is available for both public and private sector employees.

The second pillar of the pension system comprises a defined contribution system where specialised pension companies manage mandatory pension funds (“**open-ended investment funds**”). The Law on Pension Payment and Pension Benefits from the Fully Funded Pension Insurance was adopted in January 2012 and took effect on 1 March 2014. The Law on Mandatory Fully Funded Pension Insurance sets upper limits on the fees that can be charged by private pension companies. There are two such fees, a “**Contribution Fee**” which is set as a percentage of the worker’s monthly contribution, and a “**Fee from Assets**”, which is charged based on the size of the assets that the pension company manages. The Agency for Supervision of Fully Funded Pension Insurance (the “**Pension Agency**”), established in 2002 as a regulator and supervisor of pension companies and pension funds, charges a monthly fee from the pension companies in the amount of 0.8% of the total amount of paid contributions in the previous month.

The statutory maximum that the Pension Agency may charge from pension companies is 0.8% from the contributions paid in the previous month. Starting in January 2023, the Pension Agency charges a monthly fee from pension companies in the amount of 0.7% of the total contributions paid in the previous month. The Pension Agency proposes the maximum levels within the upper limit set by law of the fee charged from the pension companies to the Assembly for approval each year. Starting from 2020, the statutory maximum fees that private pension companies (in second pillar) may charge on a monthly basis are 2% from contributions and 0.03% from assets.

The chart below outlines the fee rate that private pension companies (in second pillar) actually charge for the year indicated:

Year	Contribution Fee	Fee from Assets
2020	2.00%	0.030%
2021	2.00%	0.030%

Year	Contribution Fee	Fee from Assets
2022	2.00%	0.030%
2023	1.90%	0.030%
2024	1.80%	0.030%
2025	1.70%	0.030%

Source: Agency for Supervision of Fully Funded Pension Insurance [https://mapas.mk/wp-content/uploads/2025/01/second-pillar-fees\\_01.01.2025-eng.pdf](https://mapas.mk/wp-content/uploads/2025/01/second-pillar-fees_01.01.2025-eng.pdf)

Fees can be set based on an analysis of estimated revenues, costs and profits of a hypothetical company that manages a mandatory pension fund, taking into account regulatory and legal changes, as well as other factors. The analysis estimates the reasonable maximum amount of fees that will be sufficient during the 10-year period of operation to cover operating costs of the company, to pay the fees of the participating institutions and to allow company founders to make a reasonable rate of return on their investment and are assessed on this long-term basis given that approvals for mandatory pension funds have unlimited duration. Contributions Fees have gradually reduced to 1.7%, while the Fee from Assets has gradually decreased to 0.03%, as illustrated in the chart above for 2025.

Three financial institutions (pension companies) have been licenced to establish and manage private pension funds relating to the second and third pillar of the pension system (mandatory and voluntary pension funds) and one pension company for establishing and managing only voluntary pension funds.

Starting from 1 January 2020, the total pension contribution rate is 18.8%. Members of the mandatory private pension fund are required to contribute 6% of their mandatory pension contributions to a private fund (second pillar) and 12.8% to the state pension fund (first pillar). Members of mandatory pension funds include insured persons who first acquired mandatory pension and disability insurance after 1 January 2019 and were younger than 40 years of age at the time; insured, employed persons who first acquired compulsory pension and disability insurance after 1 January 2003 and were born after 1 January 1967; and insured, employed persons who first acquired compulsory pension and disability insurance before 1 January 2003, who voluntarily acquired compulsory fully funded pension insurance and who were born after 1 January 1967; and insured, employed persons who first acquired compulsory pension and disability insurance before 1 January 2003, who voluntarily acquired compulsory fully funded pension insurance and who were born before 1 January 1967 and signed a statement for extension of membership in the mandatory fully funded pension insurance. In December 2024, there were 610,885 members in the mandatory private pension funds with net assets totalling €2.6 billion or MKD 162.85 billion. As at 30 September 2025, the number of members in the mandatory private pension funds was 624,957 and the mandatory private pension funds had net assets totalling €2.9 billion or MKD 181.42 billion.

In 2009, a third pillar was introduced, voluntary fully funded pension insurance, with the same structure as the second pillar, where pension companies manage voluntary pension funds (open-ended investment funds) and where the investment limits are stipulated by law.

The objectives of the voluntary pension insurance introduced by the third pillar are to provide higher income upon retirement to the persons covered by the first and second pillar, to provide retirement benefits to persons not covered by the mandatory pension insurance, and to provide pre-conditions for organising and financing occupational pension plans. In December 2024, there were 33,572 members in the voluntary private pension funds with net assets totalling €70.77 million or MKD 4.36 billion. As at 30 September 2025, the number of members in the voluntary private pension funds was 35,087 and the voluntary private pension funds had net assets totalling €77,90 million or MKD 4.8 billion.

The Law on Pension Payment and Pension Benefits from the Fully Funded Pension Insurance regulates the pension payments from the second pillar, pension benefits from the third pillar and the institutions that are to be included in the payment of the pensions. The law stipulates that the pension companies provide the payment of programmed withdrawals and that the insurance companies provide annuity payments in addition to products within the insurance market.



After the implementation of reforms to the pension system in North Macedonia and the introduction of fully funded pension insurance, it was determined that further reforms and revisions were necessary. In order to address these matters, in June 2017 the Government established a Council for Monitoring the Situation in the Pension System, a body comprised of the Minister of Labour and Social Policy, the Minister of Finance, the Deputy Prime Minister in charge of economic affairs, the Minister of Economy, the Minister in charge of foreign investments, the President of the Council of Experts of the Agency for Supervision of Fully Funded Pension Insurance (MAPAS), the Director of the PDIF of North Macedonia, the first general managers of the two pension companies and, if necessary, experts (university professors and foreign experts engaged by the World Bank, the European Commission and the ILO). The Council has the authority to consider issues related to the sustainability of the pension system, to monitor the implementation of the pension system reform, initiate measures for improving the conditions of fully funded pension insurance and ensuring the sustainability of the pension system in the long term.

At the beginning of 2018, the Council proposed stabilisation measures to increase the contribution rate and change the pension index. An initial solution proposed in 2017 aimed to prevent increases in the State pension fund deficit by preventing further adjustment of pensions in nominal amount or as an additional percentage. The State pension fund deficit amounted to 3.1% of GDP in 2017, 2.9% of GDP in 2018 and 2.2% of GDP in 2019. As a result, pensions in 2017 were adjusted according to the provisions contained in the Law on Pensions and Disability Insurance, according to the following formula: 50% of the increase in wages and 50% of the increase in the cost of living, calculated twice per year.

Based on the Council's proposals, the amendments to the Law on Pension and Disability Insurance ("Official Gazette of the Republic of North Macedonia" No. 245/2018 and "Official Gazette of the Republic of North Macedonia" No. 275/2019), the Law on Mandatory Fully Funded Pension insurance ("Official Gazette of the Republic of Macedonia" No. 245/2018) and the Law on Mandatory Social Insurance Contribution ("Official Gazette of the Republic of Macedonia" No. 247/18) were adopted, which address the fiscal sustainability of the pension system and the adequacy of multi pillar pensions.

These changes aimed at consolidating the pension system refer to:

- Increase in the contribution rate from 18% to 18.4% in 2019 and 18.8% in 2020;
- Indexation of pensions with 100% CPI from January 2019 and additional indexation when GDP growth is more than 4%;
- Harmonisation of replacement rates from the first and second pillar (increased for members of a two-pillar system, reduced for members of a single-pillar system):
- The replacement rate for old-age pension for insured members in the second pension increased from 0.75% to 1% (male) and from 0.86% to 1.14% (female) of the pension base; and
- For pensionable service completed after 1 January 2020, the pension is calculated at the amount of 1.47% of the pension base.

In December 2024, there were 345,794 pensioners and 556,294 insured persons, of which 110,169 were employed by the public sector.

The Central Budget allocation for pension expenditures was 15.35% in 2023 and 16.08% in 2024. In 2025, it is expected that Central Budget allocation for pension expenditures will amount to 16.6% of GDP.

The minimum wage was increased in 2022, 2023 and 2024, to MKD 18,000, MKD 20,175 and MKD 22,567 (in net amount), respectively, and is subject to annual revision based on average wage growth, inflation and real GDP growth. In accordance with the Law on Minimum Wages, in March 2025, the net minimum wage was increased by 8.03% to MKD 24,379 (MKD 36,037 in gross amount).

Under current legislation, retirement ages for men and women are 64 and 62, respectively. The amendments on the Law of Labour Relations, which came into effect in 2014, permit voluntary extension of the employment relationship from age 62 for women and 64 for men up to 67 for both women and men. If an employee elects this option, the employer is obliged to extend the employment contract up to the age for which the employee requests the extension. Employees continue to pay mandatory social insurance contributions during this time.

The amendments to the Law on Labour Relations from July 2021 (“Official Gazette of the Republic of North Macedonia” No. 151/2021) prohibits extending employment after 67 years of age, (i.e., the employment terminates with the fulfilment of 64 years of age and 15 years of service, unless otherwise provided by another law). For those who have extended their employment after 67 years before the law comes into effect, the employment contract is valid until the expiration of the term for which it is extended.

The adjustment mechanism for pensions is outlined in Article 37 of the Law on Pension and Disability Insurance in North Macedonia. It specifies that pensions are adjusted twice a year, on 1 March and 1 September, based on the combined percentage increase of the cost-of-living index and the average paid salary of all employees in the previous half-year compared to the half-year preceding it.

In order to improve the living standards of pensioners, the Law amending the Law on Pension and Disability Insurance (“Official Gazette of Republic of North Macedonia”, No. 193/2024) provided for an increase in all types of pensions by MKD 2,500 on 1 September 2024 and by an additional MKD 2,500 on 1 March 2025. With this fixed increase of pensions by MKD 2,500 on 1 September 2024, the lowest pension increased from MKD 13,192 to MKD 15,692 and on 1 March 2025 the lowest pension increased from MKD 15,692 to MKD 18,192.

To improve the living standards of pensioners, the Law on Amendments to the Law on Pension and Disability Insurance (“Official Gazette of Republic of North Macedonia” No. 154/2025) introduced a transitional solution for pension adjustment, effective on 1 September 2025 and 1 March 2026. The monthly increase will be calculated as the sum of 50% of the increase in the cost-of-living index and 50% of the increase in the average salary paid to all employees in the country during the previous half-year compared to the preceding half-year, as published by the State Statistical Office. This total amount will be divided by the number of pension beneficiaries who acquired the right to a pension by 31 August 2025 and 28 February 2026, respectively. More specifically, all types of pensions will be increased by MKD 1,000 on 1 September 2025, and by an additional MKD 1,000 on 1 March 2026.

In 2024, the PDIF generated total revenues in the amount of MKD 114,695.97 million and total expenditures in the amount of MKD 115,250.66 million. Based on the data from the PDIF’s registry as of December 2024, 556,294 insured persons with mandatory pension and disability insurance were recorded. The average pension in December 2024 amounted to MKD 23,795 and was higher by 17.83% compared to 2023, when it amounted to MKD 20,195. Together with the minimum agricultural and military pensions, the average pension in 2023 amounted to MKD 20,195 which increased by 13.92% compared to 2022, when it amounted to MKD 17,727.

## **Labour**

In June 2018, amendments to the Law on Labour Relations (“**LLR**”) (“Official Gazette of the Republic of Macedonia” No. 120/18) were adopted. The amendments envisaged additional criteria in the case of termination of employment for business reasons. The amendments include protection for persons with disabilities, single parents and parents of special needs children who have their employment terminated for business reasons. Furthermore, if an employee is terminated for business reasons, the employer cannot employ another similarly qualified person for the same position for a period of two years. If the need arises for that position to be filled prior to the expiry of the two-year period, the previously terminated person is given priority for filling the position. Additionally, the ban on discrimination relating to fixed-term employment was extended to ensure that it applied, not only to the period of employment, but also to all the rights and obligations arising therefrom.

In accordance with the recommendations of the European Committee of Social Rights of the Council of Europe, additional protection was provided for children under the age of 15 or children who have not completed

compulsory education. Working hours are limited to two hours per day during which a child can perform activities that are regulated by law, with a maximum of 12 hours per week. During school holidays, children may not work for more than six hours per day and 30 hours per week. Under these conditions, an uninterrupted two-week vacation is also mandatory.

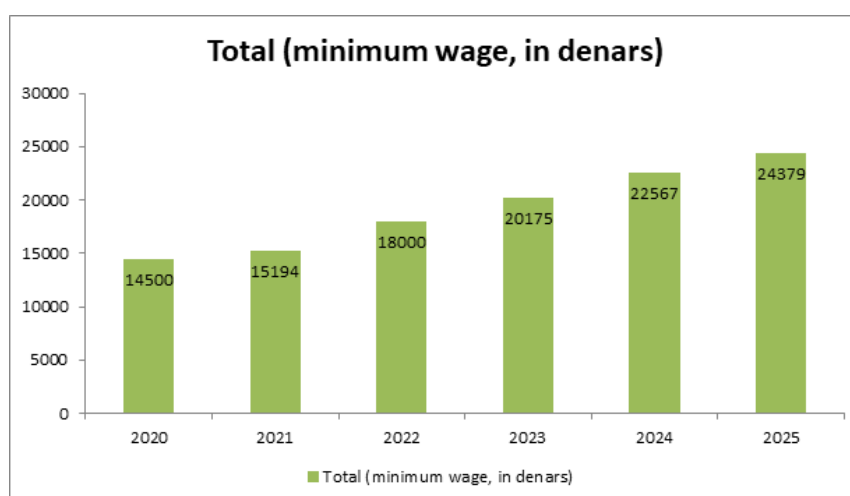
In line with the recommendations of the World Bank's *Doing Business 2018* Report, the severance pay in case of termination of an employment contract for business reasons is regulated, with the amount of severance pay being increased from 12.5% to 25% depending on the number of years of employment. Additionally, the minimum basic salary for a trainee increased from 40% to 70% of the basic salary for the position for which the trainee is being trained and the right to use annual leave for employees who work six days per week has been levelled with the annual leave for employees who work five days per week.

In order to comply with the new Law on Misdemeanours and Law on Inspection, the Law on Labour Relations was amended in November 2020.

As a result of consultations and agreements between the Government, trade unions and employer organisations, the Law on Minimum Wage in Macedonia was adopted in early 2012. This Law introduced regulation of the minimum wage and specified which authorities were in charge of its determination and publication.

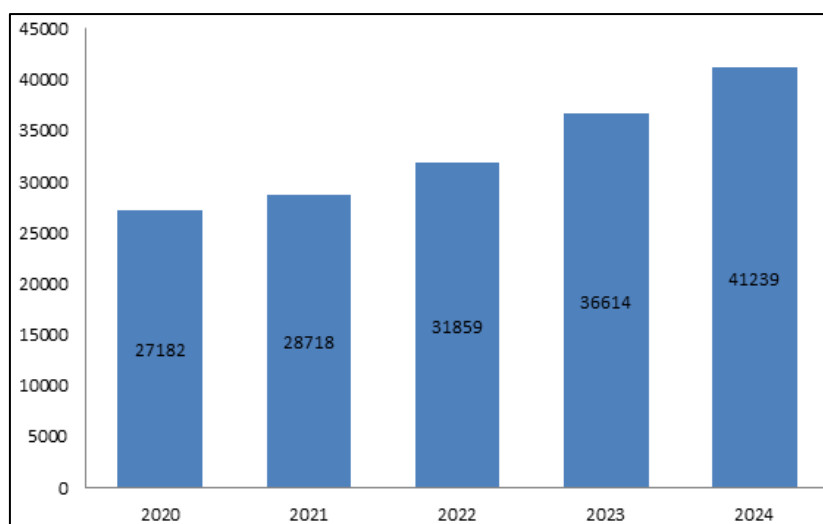
Since its adoption, the Law on Minimum Wage in Macedonia has been amended several times. The minimum wage was increased in 2022, 2023, 2024 and in 2025 to MKD 18,000, MKD 20,175, MKD 22,567 and 24,379 (in net amount), respectively, and is subject to annual revision based on average wage growth, inflation and real GDP growth.

The following chart illustrates the growth of the net minimum wage over the past years:



Source: State Statistical Office

The following chart illustrates the growth of the average monthly net wage in Denars paid per employee in the past years:



*Source: State Statistical Office*

The Law on Labour Relations was amended twice during 2021. The first amendment, adopted in July 2021, restricts the ability to extend an employment contract after 67 years of age. Namely, it was stipulated that the employment contract shall be terminated by the employer when the employee reaches age of 64 years and 15 years of pension and disability insurance, unless otherwise is regulated by other law. The second amendment of the Law on Labour Relations, adopted in December 2021, deems Sunday as a weekly day rest, with exceptions for any essential work activities of such a nature that they cannot be interrupted (i.e. due to the technical or technological process and the need for continuity in work). In those instances, another day of the week may replace Sunday as the weekly day of rest. This law enumerates such activities and accordingly stipulates an obligation for the employer to pay a salary supplement of at least 50% to all workers who work on Sundays.

In 2025, there were three amendments of the LLR.

The first amendment was in February 2025 on the continuation of the employment of elected and appointed persons. Namely, by way of exception to Article 104 of the Law, a person who exercises rights from an employment relationship on the basis of a decision for election or appointment by a competent authority, in accordance with the law that determines his rights and obligations arising from the performance of the function, has the right to request to continue performing the function even after fulfilling the conditions for old-age pension (being 64 years of age), and up to the age of 67, by means of a written statement to the authority that elected or appointed him.

The second amendment took place in April 2025 with aim to technically harmonise the LLR with the Law on Organisation and Work of Administrative Bodies, from the aspect of transferred competencies in the area of labour relations and employment, from the Ministry of Labour and Social Policy to the new Ministry of Economy and Labour.

The third amendment was adopted in June 2025, which was an intervention in the conditions that must be met in order a trade union to obtain representativeness at the national level pursuant to Article 212. The requirement that the trade union must have members that are at least 10% of the total number of employees in North Macedonia was reduced to 5%.

The new Law on Labour Relations was finalised at the end of 2022 and has been put in the procedure of public debate. After the debates further consultations took place, and it will be submitted for adoption by the Government and, subsequently, to the Assembly in 2026.

## Social Protection

The Law on Social Protection (“Official Gazette of the Republic of North Macedonia” No. 104/19; 146/2019; 275/2019; 302/2020; 311/2020; 163/2021; 294/2021; 99/2022, 236/2022 and 65/2023) was enacted in May 2019, and reformed the support system for the most vulnerable citizens of North Macedonia. Since the adoption of Law on Social Protection, several measures have been implemented for the vulnerable groups, including guaranteed minimum assistance; stronger occupational training and employment programmes; availability of a child allowance and education allowance for children regularly attending classes in primary and secondary schools to assist with the cost of education; and an extension of the disability allowance.

According to the latest published data from the 2022 Income and Living Conditions Survey which was released in March 2025, the poverty rate stood at 22.9%. 41.6% of the population is at risk of poverty prior to receiving social transfers. Children and young people aged 0–17 experienced a notably higher poverty rate of 31.5%, compared to 21.6% among individuals aged 18–64 and 16.7% among the elderly aged 65 and older. When analysed by household type, households with two adults and two dependent children recorded a poverty rate of 27.2% in 2022. Based on their most frequent economic activity status, the poverty rate of employed persons was 8.9% and the poverty rate of pensioners was 9.9%. The unemployed and other inactive population faced a higher poverty rate of 48.3% and 33.9% respectively. The Gini coefficient, which measures income inequality, was 29.8%.

The number of households receiving guaranteed minimum assistance in February 2025 was 33,266 compared to 25,095 in 2019, when the reformed social and child protection system was introduced. To address energy poverty, households receiving guaranteed minimum assistance and beneficiaries of social security also receive an energy allowance, the number of which has increased over the years and reached 46,424.

To facilitate the activation of guaranteed minimum assistance beneficiaries, a new mentoring program is being piloted by the Second Social Services Improvement Project, funded by a World Bank development loan. An initiative is intended to provide a support for beneficiaries in job searches, establishes connections with the business sector, and offers assistance during the initial phase of employment. Mentors closely collaborate with both social work centers and employment centers throughout the activation process. The pilot phase targets 120 guaranteed minimum assistance beneficiaries, with the goal of achieving employment for at least 30% of participants and ensuring that they remain employed for a minimum of one year.

In January 2025, social and child protection rights were adjusted to align with the cost of living. A 3.5% increase was applied to rights such as the rights to guaranteed minimum assistance, cash compensation for assistance and care from another person, the right to disability, the right to child allowance, special allowance, civil disability, permanent caregiver allowance, cash compensation for part-time work, housing, and social security compensation for the elderly.

The Law on Social Protection also provides for the promotion and development of various, flexible social services that would be home and community based, as well as the possibility for development of innovative and intervention-based social services. The law also enables the engagement of local self-government, citizens’ associations, natural persons and the private sector in the provision of social services.

Social Welfare Information System-SWIS, a new information system, was developed for integrated management of cash benefits, social services, and public authorisations in order to improve the administration of cash benefits entitlements and social services. The system is expected to enhance operational efficiency and contribute to greater data accuracy in decision-making processes related to cash benefits entitlements and services. By mid-2025, the software was implemented in 20 social work centres and will gradually be introduced in the remaining centres.

The Law on Social Security of the Elderly (“Official Gazette of the Republic of North Macedonia” No. 104/19) was adopted in May 2019, providing for financial assistance for persons aged 65 and over and who are materially deprived, in order to reduce the poverty among this category of citizens. The programmes for implementation of social protection in the period from 2020 to 2024 also included an allowance, which was cash assistance for social

security for elderly persons who are over 65 years of age, who do not own any property, and are not beneficiaries of a pension or other types of social support and payments.

The Social Services Improvement Project, which was implemented by the Ministry of Social Policy, Demographics and Youth with a development loan from the World Bank, awarded 26 grants to municipalities and potential service providers for improvement of access to social services for vulnerable groups of citizens. The grants are intended for the development of in-home social services such as home care and assistance and community-based services such as day care for persons with disabilities, day care for persons with disabilities with individualised support, day care for elderly persons, and active aging day care services. In August 2025, a renewed public call was issued through the same project, inviting municipalities to express interest in grants for the development of social services.

Significant progress has been observed in the licensing of new social service providers. Efforts were made to further expand the network of licensed social service providers and improve the accessibility and availability of social services at the local level. As of December 2025, there were 163 licensed social service providers as defined by the Law on Social Protection with the capacity to serve over 5,500 beneficiaries, primarily targeting the elderly and individuals with disabilities.

The Ministry of Social Policy, Demographics and Youth provides funds for the development and delivery of social services and therefore announces a public call at least once a year for the provisioning of social services by municipalities, the City of Skopje and municipalities in the City of Skopje, an association and a private provider of social services from the network of authorised providers of social services. The Ministry of Social Policy, Demography, and Youth adopted a Decision on Determining Prices for Social Services for 2025, following which public competitions were announced for awarding funds to support social service provision. Eligible applicants include associations, private providers of social services, and municipalities. The network of authorised state-financed social service providers has grown compared to previous years, with 83 administrative contracts concluded as of September 2025. Of these, 54 contracts were with licensed providers of social services, based on the announced public competition and 29 contracts were with municipalities that deliver services through licensed providers. The number of beneficiaries of social services paid by the state was approximately 5,300. The share of female beneficiaries continuously remained above 60% of the total number.

Additionally, the Ministry of Social Policy, Demography, and Youth announced a call for contracting licensed social service providers for the provision of services to vulnerable groups of citizens with state funding in August 2025. The services are intended to include personal assistance, day care centres for persons with disabilities, and day care centres for persons with disabilities with individualised support.

An expansion of both the network of licensed providers and the network of authorised providers delivering supported living services. The capacity of the service providers was increased through opening of more housing units. To ensure dignified support that empowers beneficiaries, affirms their self-worth, and enables active participation in community life, a total of 57 supported living units are currently in operation, serving 258 children and persons with disabilities. By 2027, the remaining institutions for persons with disabilities are expected to undergo transformation, enabling approximately 90 individuals to transition to living in supported community settings.

With regard to measures promoting community living, the Ministry of Social Policy, Demography, and Youth keeps an open licensing process throughout the year, allowing any provider that meets the established norms and standards to apply for delivery of supported living services.

In North Macedonia, the employment of persons with disabilities is regulated through the Law on Employment of Persons with Disabilities (“Official Gazette of Republic of Macedonia”, No. 44/2000, 16/2004, 62/2005, 113/2005, 29/2007, 88/2008, 161/202008, 99/2009, 136/2011, 129/2015, 147/2015, 27/2016, 99/2018 and 103/2021). The provisions of the aforementioned Law provide for measures to improve the employment and working conditions of a person with disability, including granting non-refundable funds for the permanent employment of an unemployed person with disability, adaptation of the workplace where the person with

disability will work, if necessary, and procurement of equipment, tax exemption and subsidies for social contributions, and financial support. In order to introduce a modern approach to the employment of persons with disabilities, a draft Law on Employment and Professional Rehabilitation of Persons with Disabilities has been prepared. The purpose of this Law is employment of persons with disabilities in the open labour market without discrimination and in a working environment that is open, inclusive and accessible. The Law regulates the employment of persons with disabilities, work and support in the labour market of persons with disabilities, the employment quota system and the professional rehabilitation system, job training and supported employment of persons with disabilities. Professional rehabilitation is achieved through measures, services and activities to strengthen the capacities, training or retraining of a person with disabilities for the purpose of their employment, retention of the existing job or change to a job or occupation that meets their needs. In the course of 2025, the finalisation of the draft Law continued in accordance with the guidelines of the Government.

In regard to child protection, social protection and independent living of persons with disabilities, a new disability assessment system and a Central Disability Certification Coordination Body were established. A new Law on the System for Assessment of Persons with Disabilities was adopted in 2023 ("Official Gazette of Republic of North Macedonia", No. 209/2023), the adoption of which is a key condition for the exercise of the rights and services of persons with disabilities, as the assessment for the purpose of determining the type and degree of disability was previously regulated by several regulations that regulate the manner, organisation and implementation of expert assessment and the issuance of findings, assessments and opinions. The Law on the System for Assessment of Persons with Disabilities systematically regulates these issues, thus ensuring the achievement of the goals of centralised management and optimised engagement of resources and experts who will perform assessments and determine disability, minimising the number of disability assessments and eliminating the unnecessary costs without affecting the quality, and eliminating or reducing misuse.

Efforts to expand the availability of childcare services have also continued, which is expected to have a positive effect on the participation of women in the labour market. The capacity amounted to 39,393 children under the age of six at the beginning of 2025. Data from the Ministry of Social Policy, Demography and Youth showed that out of 60,468 children aged three to six years at state level, 26,840 children from this age group were included in some form of preschool care and education, which was 44.3% of the total number.

Pursuant to the Article 8 paragraph (7) of the Law on Budgets ("Official Gazette of the Republic of North Macedonia" No. 203/2022, 76/2024 and 272/2024), the Ministry of Social Policy, Demography and Youth, in agreement with the Ministry of Finance, adopted the rulebook on the form and content of the gender-responsive budget statement. Thus, the gender-responsive budgeting has become a part of regular planning process for budgets of national institutions and local self-government units.

The system for assistance, support and protection of women from violence and victims of domestic violence is composed of 20 specialised services throughout the country. The primary providers of support services are the centres for social work and women's rights organisations. Overall, the system encompasses counselling centres for psycho-social treatment for victims and for perpetrators of domestic violence, shelter centres and a centre for support of perpetrators of violence against women and domestic violence.

## **Health**

The health care system in the Republic comprises a wide network of institutions, from primary health care and specialist clinics to consulting and hospital institutions as well as university clinics and institutes.

The Ministry of Health of the Republic sets and implements health policy, while the Health Insurance Fund (the "HIF") provides financing for the health system. Since 2007, the HIF has acted as a strategic purchaser, contracting with health providers and distributing financial resources according to previously negotiated global budgets.

Since 2009, citizens who were previously not covered by compulsory health insurance have been covered under the supplement to the Law on Health Insurance. Health insurance for citizens with incomes below a specific

threshold, determined by the amount of minimum wage from the previous year, is financed by the Central Budget. As at 30 November 2025, 256,260 persons and their families were entitled to Government medical insurance free of charge.

Investment in the modernisation and improvement of the healthcare system has been underway for several years. Through the introduction of the Health Treasury Accounts in 2011, the HIF seeks to control the cost of public health facilities and better manage the liquidity of the system. A significant priority for the system is integrating health data with the electronic scheduling system “*Moj Termin*” as well as IT centralisation in the HIF. The majority of health-related administrative procedures have become electronic, including requests for sick leave and maternity leave, requests for orthopedic devices, the registration of insured persons, referrals, invoicing of services, the validation of insurance status and the registration of patients with general practitioners. This electronic integration has facilitated access to the healthcare system, automated the administrative processes, eliminated inefficient administration, and provided better control for supervisory authorities.

Starting on 1 May 2020, the Health Insurance Fund introduced prescribing and dispensing of paperless medicines, through electronic prescription eRecipe for chronic therapy for chronically ill people. Also, The Health Insurance is working fast and dedicated, to make electronic prescription eRecipe available for all diagnoses and for all insured citizens.

Other reforms have included the new Law on Voluntary Health Insurance, which seeks additional revenue streams in the health system. The Law on Medicines and Medical Devices has increased competition and decreased drug prices by regulating the price of medical products, facilitating parallel importation of medicines and medical devices and introducing reference pricing for prescription drugs. In addition, previously existing pharmacy quotas were eliminated, improving access to prescription medications covered by the HIF. Recently, significant health sector funding was re-allocated to increase salaries and recruitment of healthcare staff, with a view to retaining well-trained and qualified healthcare professionals.

The Positive List of Medicines has been expanded, providing greater access to new and innovative drugs covered by the Health Insurance Fund. The increase in capitation payments for general practitioners, gynaecologists, and dentists has contributed to improving the quality of services and increasing patient satisfaction. Additionally, the number of permitted attempts for in-vitro fertilisation has been increased from three to six, financed by the Health Insurance Fund, a measure that has had a significant impact on the support of couples with fertility problems.

Protocols for services, drugs and equipment have also contributed to improving services in the health care sector and have reduced costs by defining treatment protocols and thus reducing instances of unnecessary services and drugs. Investments are being made in the infrastructure of health care institutions, modern medical equipment and expert training of health care professionals in order to achieve better quality and lower priced methods of diagnosis and treatment. The implementation of a centralised procedure for the procurement of medications, devices and equipment has produced savings that are invested elsewhere in the health care system. Finally, the implementation of a process of accreditation and standardisation of health institutions is expected to strengthen quality and efficiency within the public health sector.

## **Environment**

### ***Environmental Agenda***

Environmental policies in the Republic are based on the goal of transitioning to a green circular economy, which is expected to generate growth and create new jobs by investing in and preserving natural capital. According to the European Green Deal and the green agenda for the Western Balkans, the Government will create policies to improve the quality of life of citizens through climate neutral measures while also protecting natural habitats. The European Green Deal is a set of policy initiatives put forward by the European Commission in 2019 with the broad target of achieving carbon neutrality in the EU by 2050. The European Green Deal will work through a regulatory and legislative framework and will include measures aimed at reducing carbon emissions, implementing a circular economy action plan and increasing sustainability. Both the national and local



governments are actively seeking to implement the measures defined in annual environmental programmes which are based on the fiscal national and local budgets.

### ***Regulation***

The Law on Environment contains the fundamental environmental protection principles and regulates environmental protection across all areas, including procedures for environmental impact assessments, access to environmental information and public participation in the decision-making process. The Law on Environment also regulates integrated pollution prevention and control through the issuance of integrated environmental permits. This forms the basis for the management of the environment and impacts all laws regulating the environment. In addition, the implementation and planning for alignment with EU laws (i.e., the process of harmonising laws, rules and procedures) is a demanding task that requires careful planning and management on an on-going basis. The new Law on Environment with amendments is under Government procedure.

North Macedonia has made significant progress in its efforts to harmonise its environmental laws with the EU Acquis. Having commenced the process in 2002, reforms have touched on nearly all aspects of environmental regulation (including horizontal legislation, waste, air, soil, nature, noise, water, genetically modified organisms, chemicals, forestry and integrated pollution prevention and control).

North Macedonia continues to measure its achievements through Progress Monitoring Reports, which are generated with respect to relevant EU Environmental Directives, Regulations or Decisions. The reports contain a Summary Review of Transposition and Implementation for each environmental sector. They also contain a Detailed Analysis of Transposition regarding the implementation of each directive and regulation within each sector. The most recent Progress Monitoring Report was released in 2024.

In addition, as part of the IPA project, consultants will prepare Directive Specific Implementation Plans (“**DSIPs**”) and such consultants to be selected pursuant to a tender procedure in cooperation with the Ministry of Environment and Physical Planning of North Macedonia. These plans will set out the actions required during the transitional period and will set a timetable for the completion of certain tasks, to assign responsibilities and to allocate resources. Certain completion timetables will require transition periods that will differ from those set in connection with the EU Acquis; these post-accession deadlines will need to be considered in detail. These DSIPs include for the air quality CAFÉ directive, the amended Protocol to Abate Acidification, Eutrophication and Ground-level Ozone (Gothenburg Protocol) and for directive (EU) 2015/2193 on the limitation of emissions of certain pollutants into the air from medium combustion plants. DSIPs will be also developed for the Waste Framework Directive; the Directive on Landfills and Directive 2000/53/EC of the European Parliament and of the Council of 18 September 2000 on end-of life vehicles.

The procedure for re-proclamation of Matka and Ohrid lake as a monument of nature was completed in 2024, as has the procedure to make Belcisko blato a new protected site as a nature park.

### ***Reform of water and waste management***

The Government is investing in and developing its water and waste management systems, with funding assistance from the EU IPA, IFIs, bilateral assistance and domestic co-financing.

The Government applied for a loan from EBRD in June 2022 requesting €55 million for establishing an integrated regional waste management system in five planning regions. Two applications to WBIF were submitted for technical assistance and investment grant for infrastructure projects related to the loan from EBRD.

The contract for the Project for the Construction of WWTP for the City of Skopje was signed in 2023, and the project is under implementation.

The Government has prepared and continuously updates technical documentation with regard to the water supply of North Macedonia. Further investments has been made towards rehabilitating the national water supply and extending the sewerage network, supported by fiscal national and central budget programmes and projects. These investments have also been supported by an EIB loan for water supply and wastewater systems for North

Macedonia (€50 million, 2010-2020), as well as a KfW credit line supported by grants from the Swiss Secretariat for Economic Affairs (“SECO”) for municipality water supply and sewage systems in Gostivar, Kavadarci, Radovish and Gevgelija (€15.5 million, 2018-2020). Reforms in water management in recent years have also enabled the Regulatory Commission of North Macedonia to adopt tariffs for water services in almost all municipalities in accordance with the act regulating the manner and procedure for determining the tariff, which will ensure full implementation.

In February 2021, the Government adopted a conclusion for the implementation of the second phase of the project “Water Supply and Wastewater collection”, which will be implemented by the Ministry of Environment and Physical Planning. The project will be implemented on priority investments for water supply and sewerage systems on the territory of North Macedonia, and financial resources in the amount of €50 million are provided by the EIB (EIB with a new additional loan). In that regard, the Ministry of Environment and Physical Planning as the institution responsible for the implementation of the project prepared a ranking list of projects in the field of water, which were proposed by the units of local self-government (i.e. municipalities).

Furthermore, the Government has invested in river basin management, flood risk assessment and measures to improve the ecology of several of the bodies of water in North Macedonia.

In September 2022, the first Waste Prevention Plan of Republic of North Macedonia was adopted. The document assesses existing national waste prevention measures and defines national waste prevention objectives and moves from a linear approach to a more circular economy.

In September 2021, the National Waste Management Plan (2021-2031) was adopted, which includes the Packaging Waste Management Programme, the Electrical and Electronic Equipment Waste Management Programme and the Waste Battery and Battery Management Programme.

#### ***Other environmental measures***

These development measures are focused on, among other areas, promoting and encouraging for the sustainable use of natural resources, energy efficiency of public buildings, and utilising technical assistance for capacity building in the environmental sector. For example, the IPA Sector Operational Programme 2021 – 2027 includes capacity building objectives under Action 1 regarding the approximation of environmental and climate action legislation in priority areas, such as:

- Strengthening administrative capacity for the organisation and management of the approximation process and implementation of legislation in priority sectors;
- Improving project management capacities and capabilities;
- Establishing institutional systems and capabilities for accession negotiations;
- Establishment of structures for monitoring network and national environmental information system; and
- Strengthening administrative capacity for enforcement of environment and climate action legislation at national and local level.

These activities related to technical assistance for capacity building will be delivered through service, twinning and supply contracts.

Additional air quality monitoring networks were established through the cross-border cooperation programme “Greece-the former Yugoslav Republic of Macedonia 2014-2020”.

The Central Environmental Laboratory has a function in monitoring the quality of the environment, which is a tool for the development of future policies, as well as supporting the State Environmental Inspectorate in its role of law enforcement and control of self-monitoring of installations. The Central Environmental Laboratory was certified with seven test methods, six of which test water quality and one tests noise.

The national air quality monitoring network has been upgraded with three monitoring stations located in Berovo, Prilep and Ohrid in order continuously to assess the air quality and to follow the implementation of the air quality improvement measures.

Improving capacities for Natura 2000 and Convention on International Trade in Endangered Species of Wild Fauna and Flora programmes, both aimed at protecting endangered and rare species in the EU, continued through the IPA funded project for which the contract was signed in April 2022.

### ***Climate Change***

The Government has adopted the following documents in relation to climate change:

- Enhanced Nationally Determined Contribution to the Paris Agreement (eNDC) – April 2021;
- Third Biennial Update Report (3rd BUR) on climate change – April 2021;
- Integrated energy and climate plan – May 2022; and
- Long Term Strategy on Climate Action – 2021.

The adoption of these documents is part of the Republic's strategies towards achieving its medium-term and long-term goals, which includes achieving a 51% reduction in greenhouse gas emissions by 2030 as compared to 1990 levels. Expressed in net emissions, the aim is to achieve 82% reduction in 2030 as compared to 1990 levels. A long-term objective with regard to the Republic's contribution to the global effort to reduce net GHG emissions (including Forestry and Other Land Use and excluding MEMO items\*) is to address national net GHG emissions, aiming to reach 72% by 2050 which would amount to a 42% reduction in GHG emission reduction as compared to 1990 (excluding Food and Land Use Coalition and MEMO items). Another long-term goal is to increase the Republic's resilience to the impacts of climate change across its society, economy and ecosystems to the impacts of climate change.

The draft Law on Climate Action is being prepared and intends to set the legal framework on monitoring and reporting. The Republic will be the first contracting party under the Energy Community of South East Europe (an organisation of the EU and a number of non-EU countries in south east Europe aimed at linking the EU energy market to non-EU countries in the region) to transpose and adapt the energy governance regulation and its implementing regulation.

North Macedonia is a Non-Annex I party to the United Nations Framework Convention on Climate Change and, as such, may access financing from the Green Climate Fund (the "GCF"). Additionally, North Macedonia has completed the process for inclusion in the GCF. The Government of North Macedonia and the GCF signed a bilateral privilege and immunities agreement for the GCF in line with those of other international organisations. In 2024, North Macedonia hosted the GCF Regional Dialogue. A new GCF project has been launched to strengthen forest fire management and climate resilience.

The below are notable developments and initiatives relating to the environment:

- The National Energy Development Strategy was adopted in January 2020 and aims to facilitate the reduction of carbon emissions by 60% by 2040 (using the carbon emission levels of 1990 as a baseline) through the increased use of renewable energy sources and reduced dependence on coal;
- The integrated Energy and Climate Plan was adopted in May 2022;
- The Air Pollution Reduction Programmes for 2019, 2020 and 2021 were implemented in order to fund measures to reduce air pollution. The activities of the programme refer mainly to the replacement of the existing non-ecological heating systems and the increase in energy efficiency in kindergartens, primary and secondary schools, public health facilities and municipal administrative facilities;

- As part of the IPA II project “Support to the Implementation of the Air Quality Directives” from the IPA II, the following strategic documents will be prepared: National Plan for the Protection of Ambient Air for the period 2024-2028 and National Air Pollution Control Programme for the period 2024-2034 as well as the activities will be conducted for strengthening administrative capacities for emission inventories, modelling, monitoring and air quality assessment;
- The National Waste Management Plan for the period 2021-2031 was adopted and provides for (i) remediation measures for the non-compliant landfills, dumpsites and contaminated areas, (ii) management of different waste types (municipal waste, commercial and industrial waste, construction waste, hazardous waste, medical waste and sludge from wastewater treatment plants) and (iii) construction of landfills and special waste management programmes (including disposal of packaging, electrical and electronic equipment, and batteries and accumulators). The Environmental Administration is responsible for monitoring the implementation of the plan and the Ministry of Environment and Physical Planning will be responsible for implementation of the plan;
- The National Waste Management Strategy 2024-2036 is under Government procedure;
- Eight regional plans for waste management have been adopted;
- The first National Waste Prevention Plan 2022- 2028 was adopted in 2022. The National Waste Prevention Plan describes measures taken to prevent the generation waste and to assess and forecast the applicability of existing and planned measures. The plan identifies appropriate quantitative and qualitative national targets for waste prevention, as well as indicators to assess progress in the implementation of measures to prevent the generation of waste. The national waste prevention targets are identified in a way which accounts for the relationship between the quantity of waste generated and the economic development and impact on the environment. The Ministry of Environment and Physical Planning is responsible for the implementation of the plan, while the Environmental Administration is in charge of monitoring its implementation;
- The draft version of Law on Industrial Emissions was adopted in 2025;
- The new draft Law on Nature, which fully transposes the requirements of the EU measures 31992L0043 and 32009L0147, is in its final preparation phase and will be published on UNER (Unique National Electronic Register of regulation of the Republic of North Macedonia) for a public consultation;
- Through projects supported by the EU, new laws are being drafted which will reduce harmful industrial emissions, protect and conserve nature and biological, geological and landscape diversity. The projects are being implemented and the updated laws on the environment and air quality were adopted in July 2021 (“The Official Gazette of the Republic of North Macedonia” No. 151/2021), pursuant to the Government’s working programme for 2021;
- The new Law on Industrial Emissions Control was adopted on 18 September 2025 with a transitional period of two years;
- MoEPP actively monitors the implementation of the National plan to reduce emissions of major pollutants from large combustion plants in the energy sector. According to the plan, the country is in line with the national ceiling value for nitrogen oxides (“**NO<sub>x</sub>**”) of 7,674 tons for 2024, with actual emissions amounting to 4,059 tons. However, it is not within the national ceilings for dust (“**TSP**”) and sulfur oxides (“**SO<sub>x</sub>**”). In 2024, emissions from large combustion plants (“**LCPs**”) were 87,770 tons for SO<sub>x</sub> and 3,394 tons for TSP. These values exceed the national ceilings for 2024 by 12,634 tons for SO<sub>x</sub> and 1,361 tons for TSP respectively. Compared to LCP emissions in 2020, SO<sub>x</sub> emissions in 2024 increased by 1.2%, while NO<sub>x</sub> and TSP emissions decreased by 0.8% and 8%, respectively.
- The national total emissions for 2025 will be calculated and reported to the EEA in April 2026.

- Regarding the measures for reduction of pollutant emissions listed in this plan, the Energy Development Strategy until 2040 defined three scenarios: Reference Scenario, Moderate Transition Scenario and Green Scenario. Only in the Reference Scenario TEC Bitola continues to operate after 2025, while TEC Oslomej does not work in any of the scenarios.

### **Price liberalisation**

Only a small number of goods and services, typically confined to the energy sector, the telecommunications sector and postal services, are under governmental pricing regulation. The prices in all three of these sectors in North Macedonia are regulated by independent regulatory bodies.

### **Privatisation**

Most of the Republic's State-owned enterprises were privatised between 1995 and 2005. Following the termination of the Macedonian Privatisation Agency in 2005, its responsibilities were transferred to the Ministry of Economy, the Ministry of Finance, the Pension and Disability Insurance Fund and the Public Housing Enterprise, which was later transformed into two state owned companies, including Housing and Real Estate Company AD Skopje and Public Housing Company AD Skopje. The Commission for privatisation and Government were tasked with approving each privatisation and the Ministry of the Economy was placed in charge of completing the privatisation of the remaining State-owned enterprises.

The finalisation of the sale of the residual Government or PDIF owned shares in State-owned enterprises remains to be completed, with the revenues to be paid into the PDIF and put towards the State budget. As of February 2025, 52 enterprises were wholly or partially State owned. The 14 wholly State owned enterprises were Macedonian Post, Macedonian Bank for Development Promotion, ELEM, MEPSO, MIA, Agri lend Skopje, State Lottery of North Macedonia, M-NAV AD Skopje, Macedonian Airport AD Skopje, Macedonian Rail-Transport AD Skopje, Public housing company AD Skopje, Water supply of Macedonia AD Skopje, Housing and real-estate company AD Skopje and the company for transmission of natural gas NOMAGAS AD Skopje. Of the remaining 38 companies, the State held less than 10% of the issued share capital in 33 of them.

## BALANCE OF PAYMENTS AND FOREIGN TRADE

The following table sets forth the balance of payments of North Macedonia for the periods indicated.

Balance of payments <sup>(1, 2)</sup>	For the year ended 31 December					For the nine months ended 30 September	For the year ended 31 December					For the nine months ended 30 September
	2020	2021	2022	2023	2024	2025	2020	2021	2022	2023	2024	2025
	(€ million)						(% GDP)					
<b>I. Current account</b>	-318	-329	-801	50	-338	-459	-2.9	-2.8	-6.1	0.3	-2.2	-2.8
<b>Goods and services</b>	-1,380	-1,839	-2,733	-1,904	-2,031	-1,661	-12.7	-15.5	-20.6	-13.0	-13.0	-10.0
Credit	6,265	7,787	9,637	9,883	9,662	7,474	57.7	65.8	72.8	67.4	61.7	45.1
Debit	7,645	9,626	12,370	11,787	11,693	9,136	70.4	81.3	93.4	80.4	74.6	55.1
<b>Goods, net</b>	-1,804	-2,337	-3,482	-2,635	-3,088	-2,397	-16.6	-19.7	-26.3	-18.0	-19.7	-14.5
Credit	4,820	6,041	7,320	7,237	6,741	5,175	44.4	51.0	55.3	49.3	43.0	31.2
Debit <sup>(2)</sup>	6,623	8,378	10,802	9,872	9,829	7,572	61.0	70.8	81.6	67.3	62.7	45.7
<b>Services, net</b>	424	498	749	731	1,057	735	3.9	4.2	5.7	5.0	6.7	4.4
<b>Primary income, net</b>	-411	-519	-568	-742	-803	-613	-3.8	-4.4	-4.3	-5.1	-5.1	-3.7
<b>Secondary income, net</b>	1,473	2,029	2,500	2,697	2,496	1,815	13.6	17.1	18.9	18.4	15.9	11.0
General government	110	139	59	132	65	85	1.0	1.2	0.4	0.9	0.4	0.5
Financial corporations, non-financial corporations, households, and NPISHs	1,363	1,891	2,441	2,565	2,431	1,730	12.6	16.0	18.4	17.5	15.5	10.4
<b>II. Capital account</b>	11	7	0	-1	10	12	0.1	0.1	0.0	0.0	0.1	0.1
Credit	11	8	4	2	12	14	0.1	0.1	0.0	0.0	0.1	0.1
Debit	0	1	4	3	2	2	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net lending (+)/net borrowing (-) (balance from current and capital account)</b>	-307	-322	-801	49	-329	-447	-2.8	-2.7	-6.1	0.3	-2.1	-2.7
<b>III. Financial account</b>	-314	-264	-760	90	-238	-430	-2.9	-2.2	-5.7	0.6	-1.5	-2.6
<b>Direct investment, net</b>	-155	-388	-654	-488	-1,037	-48	-1.4	-3.3	-4.9	-3.3	-6.6	-0.3
<b>Portfolio investment, net</b>	-284	-116	-52	34	291	675	-2.6	-1.0	-0.4	0.2	1.9	4.1
<b>Other investment, net</b>	10	-65	-325	-59	190	-564	0.1	-0.6	-2.5	-0.4	1.2	-3.4
Currency and deposits, net	489	433	383	413	383	205	4.5	3.7	2.9	2.8	2.4	1.2
Loans, net	-269	-249	-373	-403	-369	-402	-2.5	-2.1	-2.8	-2.8	-2.4	-2.4
Trade credit and advances, net	-208	-88	-326	-72	182	-361	-1.9	-0.7	-2.5	-0.5	1.2	-2.2
Other accounts receivable/payable	-1	2	-6	5	1	-1	0.0	0.0	0.0	0.0	0.0	0.0
Special drawing rights (Net incurrence of liabilities)	0	163	1	1	0	0	0.0	1.4	0.0	0.0	0.0	0.0
<b>Reserve assets</b>	115	305	272	603	319	-493	1.1	2.6	2.1	4.1	2.0	-3.0
<b>IV. Net errors and omissions</b>	-7	58	41	41	91	17	-0.1	0.5	0.3	0.3	0.6	0.1

Notes:

- (1) Imports data on goods are on FOB basis in accordance with IMF VI Balance of Payments Manual.
- (2) Reserve assets for the period after 2006 exclude price changes and exchange rate differences.

Source: NBRNM

### Current Account

In 2024, approximately 59.7% of overall private transfers' inflows came from the EU, while only a negligible amount came from Russia and Ukraine, and therefore the direct effect from the Russia-Ukraine conflict remains limited. However, continued indirect effects might be expected as a result of the slowdown of the economic activity in the EU. This, as well as the expected level of adjustment after the historical highs, led to an annual drop in private transfers by 5.2% in the course of 2024. Yet, the relative share of private transfers to GDP remained elevated at 15.5% of GDP, which is very close to the average in the last couple of years.

North Macedonia has historically recorded a current account deficit, reflecting an excess of imports over exports. This has been partially offset by inflows of secondary income (current transfers classified as those involving financial corporations, non-financial corporations, households and Non-Profit Institutions Serving Households ("NPISHs"), or private transfers), including remittances from expatriate workers through formal channels (banks and money transfer operators), and "foreign currency cash flows, as part of other current transfers" which represents the net amount bought from the exchange offices. Given the difficulties in identifying the exact sources

of the foreign currency cash, net- foreign inflows are related to remittances brought in cash, or inflows related to informal cross border trade, as well as return of “money under the mattresses” into the system. See “*Economy of North Macedonia—Informal Economy*”. Between 2022 and 2024, private transfers averaged 17.1% of GDP, reaching €2,431.4 million (in nominal terms) in 2024.

During 2020, the current account deficit narrowed slightly to 2.9% of GDP. Private transfers declined by 3 percentage points of GDP on an annual basis in 2020 compared to 2019, due to the measures put in place in order to contain the spread of COVID-19 that significantly reduced the international movement of passengers. The decline in private transfers was compensated by the narrowing of the deficit in goods and services and by smaller deficit in the primary income account. The negative trade balance narrowed due to the drop in export of goods, amidst reduced foreign demand and temporary disruption in the supply chains. There was a corresponding reduction in import demand along with lower import pressures due to lower domestic demand and a decline in international crude oil prices.

In 2021, the current account deficit narrowed further by 0.2 percentage points of GDP, to 2.8% of GDP. This improvement mainly reflected a reversal in private transfer flows, which recorded an annual growth of 3.4 percentage points of GDP, driven by the easing of COVID-19 pandemic restrictions and the recovery in international travel. Additionally, the surplus in services also increased over the same period. On the other hand, the trade deficit increased by 3.1 percentage points of GDP amounting to 19.7% of GDP with an increase in both non-energy and energy trade deficit. The deficit in the primary income increased as well.

In 2022, with the emergence of the Russian invasion on Ukraine, followed by a significant increase of the global primary commodity prices, the deficit in the current account registered a sharp increase of 3.3 percentage points of GDP, reaching 6.1% of GDP. The deterioration was entirely driven by the widening of the trade deficit by 6.5 percentage points of GDP, largely due to a higher energy deficit resulting from both, the significant global increase in energy prices and higher import volumes. The current account deficit was somewhat mitigated by the higher surplus of services and the continued growth in private transfers by 2.5 percentage points of GDP recording peak level of 18.4% of GDP. The primary income deficit was marginally lower.

In 2023, as the turmoil in the global economy faded, and terms of trade improved, amidst a major drop in world energy prices, the current account went into a surplus of 0.3% of GDP, marking a sharp positive adjustment of 6.4 percentage points of GDP compared to 2022. As expected, this improvement stems from the large downward adjustment in the trade balance, with lower deficit in both energy and non-energy balance. The adjustment of the trade deficit resulted from the significantly stronger fall in import of goods compared to the decline of export of goods. The improvement in the terms of trade, jointly with the gradual dissipation of the pressures from the frontloading of inventories, contributed to a notable easing of import pressures in the goods market. Favourable developments were particularly evident in the energy market, where a more pronounced decline in prices was observed. These movements, combined with the reduced dependence of the domestic economy on energy imports and the increased domestic electricity production, contributed to a significant improvement in the energy balance and a narrowing of the trade deficit. The rest of the components in the current account worsened compared to 2022.

In 2024, a moderate current account deficit of 2.2% of GDP was observed, with the annual adjustment coming from the lower surplus in the secondary income, following its continuous post-pandemic increase and the historically high levels. The larger non-energy deficit also contributed to the trade deficit, which was driven mostly by part of the automotive industry. The surplus in services increased by 1.8 percentage points of GDP reaching 6.7% of GDP, which showed lower net-outflows compared to 2023, when large net-outflows pertaining to the advance payments for Corridors 8 and 10 were seen.

In the first nine months of 2025, the current account deficit widened by 2.4 percentage points of GDP compared to the same period in 2024, reaching 2.8% of GDP. This deterioration mainly reflected the lower surplus in the service sector with an additional decrease in the surplus of the secondary income, mostly reflecting the slowdown in the private transfers. The trade deficit also contributed to the widening of the current account deficit by 0.4

percentage points of GDP with the non-energy trade balance deteriorating slightly, while the energy deficit remained unchanged compared to the same period of 2024. In relative terms, the primary income deficit was marginally lower. For the first ten months of 2025, the trade deficit of goods amounted to 17.2% of GDP. The trade deficit of goods in 2025 is projected to be 19.8% of GDP.

The following table sets out the non-energy trade deficit in EUR billions and as a percentage of nominal GDP:

	For the year ended 31 December					For the ten months ended 31 October	
	2020	2021	2022	2023	2024	2024	2025
Non-energy trade deficit in EUR billions	1.3	1.8	2.1	1.7	2.3	1.8	2.0
Non-energy trade deficit as percent of nominal GDP	12.0	15.0	15.5	11.8	14.4	11.4	12.0

Note: Estimated.

Source: State Statistical Office

The follow table sets out the current account deficits of the following countries as a percentage of the GDP for 2024, of which North Macedonia is among one of the lowest in the region.

Country	%
North Macedonia .....	-2.3%
Bulgaria .....	-1.6%
Albania .....	-2.4%
Serbia .....	-4.7%
Greece .....	-7.0%
Romania .....	-8.4%
Montenegro .....	-17.1%

Source: IMF

## Financial Account

During 2020, the financial account surplus amounted to 3.9% of GDP. Net inflows were primarily comprised of government borrowing through the issuance of a Eurobond in June 2020. Net inflows amounted to 8.4% of GDP primarily from portfolio investments and loans (2.6% and 2.5% of GDP, respectively) followed by direct investment and trade credits. Net outflows in currency and deposits amounted to 4.5% of GDP, primarily from households.

In 2021, the financial account registered a surplus of 4.8% of GDP. Net inflows of 8.5% of GDP mainly consist of direct investments (3.3% of GDP) and foreign government borrowing abroad in the form of long-term loans and issuance of debt securities such as Eurobonds, as well as net incurrence of liabilities of Special drawing rights amounting to 1.4% of GDP. On the other hand, net outflows in the category of currency and deposits (3.7% of GDP) persisted in 2021 as well, although their level declined compared to the same period last year (by 0.8 percentage points of GDP). In 2022, the financial account recorded a substantial surplus of 7.7% of GDP, of which net-inflows amount to 10.6% of GDP, whereas net-outflows were 2.9% of GDP. The largest net-inflows came from direct investments amounting to 4.9% of GDP, government borrowing abroad through issuance of debt securities on the German market and trade credits. The largest net outflows were observed in currency and deposits that continued to slow down to 2.9% of GDP.

In the succeeding two years of 2023 and 2024, the financial account reported moderate surplus of 3.5% of GDP for both years. The structure of the financial flows was similar for both years.



In 2023, the net-inflows were primarily comprised of direct investments and long-term loans from both the Government and the private sector. The Government borrowed abroad from the KfW, the World Bank and the International Development Fund within the oil exporting countries of the Organisation of the Petroleum Exporting Countries (“OPEC”). Small net-inflows were also registered in the trade credits category.

In 2024, direct investment amounted to 6.6% of GDP, which was the highest recorded amount since 2007, and the Government borrowed abroad from international institutions including the IMF, the European Commission as well as the Hungarian Export-Import Bank.

The net-outflows in 2023 and 2024 were mainly in the currency and deposits and portfolio investment (larger payments of previously issued government bonds with various intensity) categories of the financial account.

In the first nine months of 2025, the financial account reported a small deficit of 0.4% of GDP. The net-inflows were comprised of direct investments (0.3% of GDP), loans and short term flows such as trade credits. The main source of net-outflows were portfolio investments and the category currency and deposits (4.1 and 1.2% of GDP, respectively). The disbursements of the Government from abroad through long-term loans were used to repay the outstanding and maturing Eurobond, thus impacting portfolio investments.

The following table sets forth the components of the capital and financial account for the periods indicated.

	For the year ended 31 December					For the nine months ended 30 September
	2020	2021	2022	2023	2024	2025
	(% GDP)					
<b>Financial account</b>	<b>-3.9</b>	<b>-4.8</b>	<b>-7.7</b>	<b>-3.5</b>	<b>-3.5</b>	<b>0.4</b>
Direct investment, net	-1.4	-3.3	-4.9	-3.3	-6.6	-0.3
Portfolio investment, net	-2.6	-1.0	-0.4	0.2	1.9	4.1
Currency and deposits, net	4.5	3.7	2.9	2.8	2.4	1.2
Loans, net	-2.5	-2.1	-2.8	-2.8	-2.4	-2.4
Trade credit and advances, net	-1.9	-0.7	-2.5	-0.5	1.2	-2.4
Other accounts receivable/payable	0.0	0.0	0.0	0.0	0.0	0.0
Special drawing rights (Net incurrence of liabilities)	0.0	1.4	0.0	0.0	0.0	0.0

Note: Estimated.

Source: NBRNM

The following table sets forth the official international reserves of North Macedonia for the periods indicated.

	For the year ended 31 December					
	2020	2021	2022	2023	2024	2025
	(\$millions)					
<b>Gross foreign reserves</b>	<b>3,359.9</b>	<b>3,643.3</b>	<b>3,862.9</b>	<b>4,538.5</b>	<b>5,029.0</b>	<b>4,925.3</b>
<b>Gross foreign reserves indicators</b>						
Gross foreign reserves, as % of GDP	31.0	30.8	29.2	30.9	32.1	29.7
In months of the current year's imports	5.3	4.5	3.7	4.6	5.2	4.8
Gross foreign reserves/ Short-term debt <sup>(1)</sup>	1.9	1.7	1.3	1.6	1.7	1.6
Gross foreign reserves/ Short-term debt, with residual <sup>(1)</sup>	1.1	1.3	1.0	1.2	1.1	1.0

Note:

- (1) Last available data for short-term debt is as of 30 September 2025 and short-term debt, with residual maturity is a forecast from October 2025 projections.

*Source: NBRNM*

In 2020, despite the negative economic effects of the COVID-19 pandemic, gross foreign reserves increased by €97.3 million. This increase was due to the Government's external borrowing in the form of bond issuances and loans from international organisations. The NBRNM intervened on the foreign exchange markets with sales of foreign currency that amounted to 4.4% of GDP and 80% of these sales were conducted during the period between March to July 2020.

In 2021, the gross foreign reserves increased further by €283.4 million, despite the continued negative effects of the COVID-19 pandemic. The dominant factor driving reserves further up was the Government's borrowing abroad, again predominantly in the form of government bonds issuance. The NBRNM intervened on the foreign exchange markets with net-sale of foreign currency in last quarter of 2021 on the backdrop of globally rising primary commodity prices and energy crisis.

In 2022, the gross foreign reserves continued to increase further by €219.6 million compared to December 2021. This increase was mainly due to inflows from repo and derivative transactions, the increase in banks' reserve requirement and foreign currency deposits of commercial banks with the NBRNM and the Government's external borrowing (issuance of German Eurobond in September), while the NBRNM intervened on the foreign exchange markets with net-sale of foreign currency during this period. Due to the energy crisis and strong price pressures stemming from the Russian/Ukraine conflict, in the first half of 2022 NBRNM intervened with foreign currency selling that amounted to 3.1% of GDP. However, since July 2022 there was a reversed trend on the foreign exchange market, where NBRNM's purchases of foreign currency offset more than half of the sales in the first six months of 2022.

In 2023, with favourable conjuncture in the foreign markets and general high liquidity of the banks, the gross foreign reserves increased significantly by €675.6 million compared to 2022. For the first time since COVID, NBRNM recorded annual net purchase of foreign currency on the foreign exchange market of 2.1% of GDP. Additionally, the higher allocated reserve requirement and the funds of domestic banks with NBRNM and larger inflows from concluded classic repo transactions within the active foreign reserve management also contributed to the spike in foreign reserves. On the other hand, the transactions on behalf of the Government reported net-outflows.

In 2024, the foreign reserves increased by €490.6 million and reached the peak level of €5,029 million (or 32.1% of GDP). The increase in reserves is due to the net purchase on the foreign exchange market amounting to 2.9% of GDP, and to a lesser extent, from net inflows from the Government transactions. The positive changes in foreign reserves were also due to investment income, which was mostly return on foreign exchange reserve investments and price and exchange rate differentials of gold. The outflows based on reduced volume of concluded repo and derivative transactions had an opposite impact on the foreign reserves.

As at 31 December 2025, the foreign reserves declined by €103.8 million compared to the end of December 2024, and stood at €4,925.3 million. The decline in the foreign reserves reflected the large net-outflows in the transactions of the Government with larger payments on various previous obligations than disbursements. On the other hand, net-inflows from the interventions of the central bank, as well as net-inflows from the investment income, mostly being return on foreign exchange reserve investments and price and exchange rate differentials of gold were observed in 2025.

### ***Foreign trade***

The first ten months of 2025 were marked by increased global uncertainty and enhanced volatility, primarily as a result of the ongoing global trade disruptions due to the United States trade tariffs, as well as the ongoing geopolitical tension from the Russian-Ukraine war and the Middle East conflict. Even against this unpredictable backdrop, the exports of goods in the first ten months of 2025 showed resilience, registering an annual growth of 2.2%. The growth was mostly driven by the export of machinery and equipment, which was partly due to the tariff-induced frontloading in this period. Imports of goods also increased in this period by 4.1% on an annual

basis, resulting in a widening of the trade deficit by 8.8% annually. The Macedonian economy does not have significant direct trade exposure to the United States, but potential adverse effect might arise indirectly through the trade linkages with the EU.

North Macedonia has been investing continuously in building a strong export base, diversified across a number of industries and allocated to higher value-added segments aimed at reducing the trade deficit as well as building resilience to significant external shocks. The positive effect of these efforts has long been evident in the composition of North Macedonian exports, which have been dominated by products that are traditionally considered as higher value-added products. The export share of these products, classified in two separate categories of “machinery and transport equipment” and “chemical materials and products”, accounted for 53.1% of total exports in 2024, while the same two categories amounted to 52.8% of the total exports in the first ten months of 2025. The share of textiles exports declined to 4.8% of total exports in 2024, compared to 11.8% at the end of 2015.

In 2020, exports declined by 10.1% compared to 2019. Decreased exports of machinery and transport equipment and chemical products were the predominant factors driving this decline. Imports decreased also by 10%, due to decreased imports of energy, non-ferrous metals and machinery and equipment. During this period, the trade deficit decreased by 1.1 percentage points of GDP compared to 2019 and was 16.8% of GDP.

In 2021, exports registered significant growth of 20.6% on an annual basis. This increase was predominantly driven by the export-oriented companies in the automotive sector, evident in the higher exports of chemical materials and products and machinery and transport equipment, as well as the higher exports of iron and steel and metalliferous ores. Imports increased by 27% partially because of the higher energy imports, due to the sharp increase of the energy prices in 2021. Also, higher imports were registered in the machinery and transport equipment, inorganic chemical products and non-ferrous metals, all export-related categories in the imports, as well as higher imports of iron and steel. As a result, the trade deficit in 2021 increased to 22.6% of GDP.

During 2022, exports continued to increase, registering an annual growth of 19.1%, mostly due to exports in the automotive sector, particularly of chemical materials and products, as well as higher energy exports and exports of road vehicles. In 2022, imports increased by 25.7%, driven by the higher energy imports as a result of the sharp increase of the energy prices. Additionally, higher imports of machinery and transport equipment, non-ferrous metals and iron and steel were recorded. Taking into consideration the significantly unfavourable terms of trade, the trade deficit widened by 6.3 percentage points of GDP.

In 2023, exports increased by 0.3%, which was driven predominantly by the larger export of machinery and transport equipment, as well as the higher exports of miscellaneous manufactured articles. The imports on the other hand declined by 8%, as a result of the decrease in the energy imports, resulting from the downward correction of the energy prices after the shock in the previous year. Additionally, declines in non-ferrous metals imports, the iron and steel imports as well as the import of non-organic chemical products were registered. As a result, the trade deficit in 2023 decreased by 9.6 percentage points of GDP and amounted to 19.3% of GDP.

In 2024, exports decreased by 6.5%. The decline was mostly concentrated in one part of the automotive industry, while the impact of the other components was much less. The imports of goods also declined by 0.8% annually, due to the lower import of non-ferrous metals and energy imports, which was supported by the further decline of the energy prices on the global markets. During 2024, the trade deficit increased to 20.9% of GDP.

In the first ten months of 2025, exports showed resilience to the increased global uncertainty, increasing by 2.2% compared to the same period of the previous year. Strong export growth was registered in the category of machinery and transport equipment, which was mostly driven by the front-loading prior the enforcement of the new United States tariffs. During the same period, imports increased by 4.1%, as a result of the increase in most of the import categories, especially the increase of imports of non-ferrous metals and food. In the first ten months of 2025, the trade deficit was estimated to have decreased by 0.5 percentage point of GDP.

In the last ten years, the Republic's economy has continued with structural changes as well as changes in the direction of trade. This process has been driven by FDI, through investments in already established sectors, as well as in new sectors in the economy. For example, a number of key “greenfield” investments from abroad contributed to the implementation through the TIDZs of the automotive industry in North Macedonia. See “*Economy of North Macedonia—Key components of the economy—Industry*”.

### Composition of trade

The following tables show the composition of imports and exports by sector for the period indicated:

	For the year ended 31 December						For the ten months ended 31 October	For the year ended 31 December						For the ten months ended 31 October
Imports <sup>(1)</sup>														
Groups of Products <sup>(2)</sup>	2020	2021	2022	2023	2024	2025		2020	2021	2022	2023	2024	2025 <sup>(3)</sup>	
	( <i>€ millions</i> )							( <i>% of GDP</i> )						
<b>Food and live animals</b>	<b>665.4</b>	<b>746.6</b>	<b>895.1</b>	<b>976.3</b>	<b>1,067.3</b>	<b>940.6</b>		<b>6.1</b>	<b>6.3</b>	<b>6.8</b>	<b>6.7</b>	<b>6.8</b>	<b>5.7</b>	
Meat and meat preparations	134.8	147.7	183.7	207.1	230.9	201.6		1.2	1.2	1.4	1.4	1.5	1.2	
Cereals and cereal preparations	96.8	107.4	142.0	141.3	142.2	126.8		0.9	0.9	1.1	1.0	0.9	0.8	
<b>Beverages and tobacco</b>	<b>69.2</b>	<b>90.0</b>	<b>110.9</b>	<b>122.4</b>	<b>142.2</b>	<b>131.8</b>		<b>0.6</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.9</b>	<b>0.8</b>	
<b>Crude materials, inedible, except fuels</b>	<b>220.5</b>	<b>245.4</b>	<b>224.7</b>	<b>205.2</b>	<b>182.5</b>	<b>145.6</b>		<b>2.0</b>	<b>2.1</b>	<b>1.7</b>	<b>1.4</b>	<b>1.2</b>	<b>0.9</b>	
Metalliferous ores and metal scrap	135.1	151.3	119.9	108.3	89.2	63.5		1.2	1.3	0.9	0.7	0.6	0.4	
<b>Minerals fuels, lubricants and related materials</b>	<b>601.0</b>	<b>1,026.9</b>	<b>2,141.0</b>	<b>1,449.6</b>	<b>1,300.1</b>	<b>1,046.5</b>		<b>5.5</b>	<b>8.7</b>	<b>16.2</b>	<b>9.9</b>	<b>8.3</b>	<b>6.3</b>	
Petroleum and petroleum products	341.9	581.9	1,133.8	876.1	805.8	593.1		3.2	4.9	8.6	6.0	5.1	3.6	
Electric energy	154.1	280.7	579.0	214.2	259.3	259.0		1.4	2.4	4.4	1.5	1.7	1.6	
<b>Animal and vegetable oils and fats</b>	<b>50.3</b>	<b>66.7</b>	<b>90.1</b>	<b>61.0</b>	<b>68.1</b>	<b>67.4</b>		<b>0.5</b>	<b>0.6</b>	<b>0.7</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	
<b>Chemical Products</b>	<b>1,083.2</b>	<b>1,525.3</b>	<b>1,637.7</b>	<b>1,423.3</b>	<b>1,364.1</b>	<b>1,196.0</b>		<b>10.0</b>	<b>12.9</b>	<b>12.4</b>	<b>9.7</b>	<b>8.7</b>	<b>7.2</b>	
Medical and pharmaceutical products	214.5	256.3	224.3	270.9	283.4	267.5		2.0	2.2	1.7	1.8	1.8	1.6	
Chemical materials and products	182.7	188.7	182.7	189.7	174.1	148.0		1.7	1.6	1.4	1.3	1.1	0.9	
<b>Manufactured goods classified by materials</b>	<b>2,716.6</b>	<b>3,294.8</b>	<b>3,949.2</b>	<b>3,515.5</b>	<b>3,266.7</b>	<b>2,915.4</b>		<b>25.0</b>	<b>27.8</b>	<b>29.8</b>	<b>24.0</b>	<b>20.8</b>	<b>17.6</b>	
Textile yarns, fabrics, etc	393.7	399.2	483.6	467.3	446.0	354.8		3.6	3.4	3.7	3.2	2.8	2.1	
Iron and steel	362.3	542.9	663.9	495.5	472.0	430.8		3.3	4.6	5.0	3.4	3.0	2.6	
Non ferrous metals	1,069.9	1,327.4	1,568.2	1,296.5	1,137.5	1,121.7		9.9	11.2	11.8	8.8	7.3	6.8	
<b>Machinery and transport equipment</b>	<b>1,670.1</b>	<b>2,037.5</b>	<b>2,365.7</b>	<b>2,618.0</b>	<b>2,838.2</b>	<b>2,405.9</b>		<b>15.4</b>	<b>17.2</b>	<b>17.9</b>	<b>17.9</b>	<b>18.1</b>	<b>14.5</b>	
Road vehicles	325.2	388.2	375.2	497.8	596.3	531.3		3.0	3.3	2.8	3.4	3.8	3.2	
<b>Miscellaneous manufactured articles</b>	<b>516.9</b>	<b>608.0</b>	<b>696.7</b>	<b>758.9</b>	<b>807.7</b>	<b>681.7</b>		<b>4.8</b>	<b>5.1</b>	<b>5.3</b>	<b>5.2</b>	<b>5.2</b>	<b>4.1</b>	
<b>Commodities and transactions not classified in SITC</b>	<b>6.2</b>	<b>6.9</b>	<b>19.7</b>	<b>25.9</b>	<b>25.6</b>	<b>32.4</b>		<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	
<b>Total Imports</b>	<b>7,599.4</b>	<b>9,648.1</b>	<b>12,130.8</b>	<b>11,156.6</b>	<b>11,062.4</b>	<b>9,563.4</b>		<b>70.0</b>	<b>81.5</b>	<b>91.6</b>	<b>76.1</b>	<b>70.6</b>	<b>57.7</b>	

Note:

- (1) Import data prepared by the State Statistical Office are on a CIF basis and may not be directly comparable to the import statistics in the Balance of Payments data, which are prepared by the NBRNM on a FOB basis.
- (2) Standard International Trade Classification (SITC).
- (3) Estimated.

Source: State Statistical Office.

Imports <sup>(1)</sup> Groups of Products <sup>(2)</sup>	For the year ended 31 December					For the ten months ended 31 October
	2020	2021	2022 (share of total import %)	2023	2024	2025
<b>Food and live animals</b>	<b>8.8</b>	<b>7.7</b>	<b>7.4</b>	<b>8.8</b>	<b>9.6</b>	<b>9.8</b>
Meat and meat preparations	1.8	1.5	1.5	1.9	2.1	2.1
Cereals and cereal preparations	1.3	1.1	1.2	1.3	1.3	1.3
<b>Beverages and tobacco</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>1.1</b>	<b>1.3</b>	<b>1.4</b>
<b>Crude materials, inedible, except fuels</b>	<b>2.9</b>	<b>2.5</b>	<b>1.9</b>	<b>1.8</b>	<b>1.6</b>	<b>1.5</b>
Metalliferous ores and metal scrap	1.8	1.6	1.0	1.0	0.8	0.7
<b>Minerals fuels, lubricants and related materials</b>	<b>7.9</b>	<b>10.6</b>	<b>17.6</b>	<b>13.0</b>	<b>11.8</b>	<b>10.9</b>
Petroleum and petroleum products	4.5	6.0	9.3	7.9	7.3	6.2
Electric energy	2.0	2.9	4.8	1.9	2.3	2.7
<b>Animal and vegetable oils and fats</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.5</b>	<b>0.6</b>	<b>0.7</b>
<b>Chemical Products</b>	<b>14.3</b>	<b>15.8</b>	<b>13.5</b>	<b>12.8</b>	<b>12.3</b>	<b>12.5</b>
Medical and pharmaceutical products	2.8	2.7	1.8	2.4	2.6	2.8
Chemical materials and products	2.4	2.0	1.5	1.7	1.6	1.5
<b>Manufactured goods classified by materials</b>	<b>35.7</b>	<b>34.1</b>	<b>32.6</b>	<b>31.5</b>	<b>29.5</b>	<b>30.5</b>
Textile yarns, fabrics, etc	5.2	4.1	4.0	4.2	4.0	3.7
Iron and steel	4.8	5.6	5.5	4.4	4.3	4.5
Non ferrous metals	14.1	13.8	12.9	11.6	10.3	11.7
<b>Machinery and transport equipment</b>	<b>22.0</b>	<b>21.1</b>	<b>19.5</b>	<b>23.5</b>	<b>25.7</b>	<b>25.2</b>
Road vehicles	4.3	4.0	3.1	4.5	5.4	5.6
<b>Miscellaneous manufactured articles</b>	<b>6.8</b>	<b>6.3</b>	<b>5.7</b>	<b>6.8</b>	<b>7.3</b>	<b>7.1</b>
<b>Commodities and transactions not classified in SITC</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>
<b>Total Imports</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Note:

- (1) Import data prepared by the State Statistical Office are on a CIF basis and may not be directly comparable to the import statistics in the Balance of Payments data, which are prepared by the NBRNM on a FOB basis.
- (2) Standard International Trade Classification (SITC).

Source: State Statistical Office

The decline of exports in 2024, while non-negligible in size, was not broad-based, and is predominantly driven by the lower exports of chemical materials and products. The worsened export performances in this category was in part a result of the increased uncertainty regarding the German automotive industry, resulting in the slowdown in the export of some companies in the domestic automotive sector. Additionally, the reduction in the exports of motor vehicles resulted from restructuring of one major FDI-related capacity due to the ownership change in the mother company, and export performance has since increased. On the other hand, in 2024, the exports of electrical machinery continued a double digit growth in the post-COVID period, showing export resilience in most of the new FDI-related capacities in the economy.

The following table shows the export structure by main categories according to the Standard International Trade Classification, as share of total exports. Export activity is expected to recover in 2025 with a projected nominal growth of 3.1%.

Exports <sup>(1)</sup> Groups of Products <sup>(2)</sup>	For the year ended 31 December					For the ten months ended 31 October	For the year ended 31 December					For the ten months ended 31 October
	2020	2021	2022 (€ millions)	2023	2024	2025	2020	2021	2022 (in % of GDP)	2023	2024	2025 <sup>(3)</sup>
<b>Food and live animals</b>	<b>363.4</b>	<b>389.6</b>	<b>450.4</b>	<b>493.5</b>	<b>545.4</b>	<b>476.2</b>	<b>3.3</b>	<b>3.3</b>	<b>3.4</b>	<b>3.4</b>	<b>3.5</b>	<b>2.9</b>
Fruits and vegetables	164.0	182.7	210.6	226.9	251.2	219.7	1.7	1.5	1.6	1.5	1.6	1.3
<b>Beverages and tobacco</b>	<b>193.7</b>	<b>195.3</b>	<b>204.5</b>	<b>226.9</b>	<b>246.4</b>	<b>285.8</b>	<b>1.8</b>	<b>1.6</b>	<b>1.5</b>	<b>1.5</b>	<b>1.6</b>	<b>1.7</b>
Beverages	68.6	67.2	87.8	100.5	105.8	94.0	0.6	0.6	0.7	0.7	0.7	0.6
Tobacco and tobacco preparations	125.1	128.1	116.7	126.4	140.5	191.9	1.2	1.1	0.9	0.9	0.9	1.2
<b>Crude materials, inedible, except fuels</b>	<b>283.9</b>	<b>374.9</b>	<b>416.6</b>	<b>361.6</b>	<b>373.0</b>	<b>327.0</b>	<b>2.6</b>	<b>3.2</b>	<b>3.1</b>	<b>2.5</b>	<b>2.4</b>	<b>2.0</b>

	For the year ended 31 December						For the ten months ended 31 October	For the year ended 31 December						For the ten months ended 31 October
Metalliferous ores and metal scrap	209.5	280.1	305.8	258.3	258.8	215.1		1.9	2.4	2.3	1.8	1.7		1.3
<b>Minerals fuels, lubricants and related materials</b>	<b>81.5</b>	<b>127.6</b>	<b>370.4</b>	<b>342.6</b>	<b>269.1</b>	<b>179.6</b>		<b>0.8</b>	<b>1.1</b>	<b>2.8</b>	<b>2.3</b>	<b>1.7</b>		<b>1.1</b>
Petroleum and petroleum products	35.2	83.6	153.2	101.2	81.3	46.4		0.3	0.7	1.2	0.7	0.5		0.3
<b>Animal and vegetable oils and fats</b>	<b>8.9</b>	<b>15.5</b>	<b>22.9</b>	<b>13.0</b>	<b>18.4</b>	<b>18.1</b>		<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>		<b>0.1</b>
<b>Chemical Products</b>	<b>1,378.0</b>	<b>1,876.9</b>	<b>2,842.3</b>	<b>2,748.8</b>	<b>2,193.0</b>	<b>1,740.7</b>		<b>12.7</b>	<b>15.9</b>	<b>21.5</b>	<b>18.7</b>	<b>14.0</b>		<b>10.5</b>
Medical and pharmaceutical products	108.9	110.3	125.5	161.1	182.4	150.3		1.0	0.9	0.9	1.1	1.2		0.9
Chemical materials and products	1,154.6	1,599.9	2,505.6	2,392.5	1,815.7	1,383.4		10.6	13.5	18.9	16.3	11.6		8.3
<b>Manufactured goods classified by materials</b>	<b>851.6</b>	<b>1,148.0</b>	<b>1,213.7</b>	<b>938.0</b>	<b>894.0</b>	<b>748.2</b>		<b>7.8</b>	<b>9.7</b>	<b>9.2</b>	<b>6.4</b>	<b>5.7</b>		<b>4.5</b>
Non metallic mineral manufactures, n.e.s	73.7	71.1	104.1	98.4	105.5	70.6		0.7	0.6	0.8	0.7	0.7		0.4
Iron and steel	557.1	816.3	769.4	572.6	501.4	427.4		5.1	6.9	5.8	3.9	3.2		2.6
<b>Machinery and transport equipment</b>	<b>1,906.6</b>	<b>2,107.4</b>	<b>1,906.8</b>	<b>2,211.8</b>	<b>2,318.0</b>	<b>2,159.9</b>		<b>17.6</b>	<b>17.8</b>	<b>14.4</b>	<b>15.1</b>	<b>14.8</b>		<b>13.0</b>
General industrial machinery and equipment	726.4	826.5	243.5	259.6	333.9	275.7		6.7	7.0	1.8	1.8	2.1		1.7
Electrical machinery, apparatus and appliances	854.9	1,003.0	1,152.1	1,277.2	1,488.1	1,370.5		7.9	8.5	8.7	8.7	9.5		8.3
<b>Miscellaneous manufactured articles</b>	<b>709.8</b>	<b>727.6</b>	<b>866.4</b>	<b>978.3</b>	<b>912.5</b>	<b>756.9</b>		<b>6.5</b>	<b>6.1</b>	<b>6.5</b>	<b>6.7</b>	<b>5.8</b>		<b>4.6</b>
Clothing	362.4	349.1	418.6	442.3	376.3	283.3		3.3	2.9	3.2	3.0	2.4		1.7
Footwear	25.2	26.0	31.9	25.0	17.1	14.2		0.2	0.2	0.2	0.2	0.1		0.1
<b>Commodities and transactions not classified in SITC</b>	<b>3.8</b>	<b>7.0</b>	<b>7.2</b>	<b>10.4</b>	<b>11.3</b>	<b>13.8</b>		<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>		<b>0.1</b>
<b>Total Exports</b>	<b>5,781.1</b>	<b>6,969.8</b>	<b>8,301.2</b>	<b>8,325.0</b>	<b>7,781.2</b>	<b>6,706.2</b>		<b>53.3</b>	<b>58.9</b>	<b>62.7</b>	<b>56.8</b>	<b>49.7</b>		<b>40.5</b>

	For the year ended 31 December					For the ten months ended 31 October
Exports <sup>(1)</sup>						
Groups of Products <sup>(2)</sup>	2020	2021	2022	2023	2024	2025
	<i>(share of total export %)</i>					
<b>Food and live animals</b>	<b>6.3</b>	<b>5.6</b>	<b>5.4</b>	<b>5.9</b>	<b>7.0</b>	<b>7.1</b>
Fruits and vegetables	3.2	2.6	2.5	2.7	3.2	3.3
<b>Beverages and tobacco</b>	<b>3.4</b>	<b>2.8</b>	<b>2.5</b>	<b>2.7</b>	<b>3.2</b>	<b>4.3</b>
Beverages	1.2	1.0	1.1	1.2	1.4	1.4
Tobacco and tobacco preparations	2.2	1.8	1.4	1.5	1.8	2.9
<b>Crude materials, inedible, except fuels</b>	<b>4.9</b>	<b>5.4</b>	<b>5.0</b>	<b>4.3</b>	<b>4.8</b>	<b>4.9</b>
Metalliferous ores and metal scrap	3.6	4.0	3.7	3.1	3.3	3.2
<b>Minerals fuels, lubricants and related materials</b>	<b>1.4</b>	<b>1.8</b>	<b>4.5</b>	<b>4.1</b>	<b>3.5</b>	<b>2.7</b>
Petroleum and petroleum products	0.6	1.2	1.8	1.2	1.0	0.7
<b>Animal and vegetable oils and fats</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>
<b>Chemical Products</b>	<b>23.8</b>	<b>26.9</b>	<b>34.2</b>	<b>33.0</b>	<b>28.2</b>	<b>26.0</b>
Medical and pharmaceutical products	1.9	1.6	1.5	1.9	2.3	2.2
Chemical materials and products	20.0	23.0	30.2	28.7	23.3	20.6
<b>Manufactured goods classified by materials</b>	<b>14.7</b>	<b>16.5</b>	<b>14.6</b>	<b>11.3</b>	<b>11.5</b>	<b>11.2</b>
Non metallic mineral manufactures, n.e.s	1.3	1.0	1.3	1.2	1.4	1.1
Iron and steel	9.6	11.7	9.3	6.9	6.4	6.4
<b>Machinery and transport equipment</b>	<b>33.0</b>	<b>30.2</b>	<b>23.0</b>	<b>26.6</b>	<b>29.8</b>	<b>32.2</b>
General industrial machinery and equipment	12.6	11.9	2.9	3.1	4.3	4.1
Electrical machinery, apparatus and appliances, n.e.s., and electrical parts thereof	14.8	14.4	13.9	15.3	19.1	20.4
<b>Miscellaneous manufactured articles</b>	<b>12.3</b>	<b>10.4</b>	<b>10.4</b>	<b>11.8</b>	<b>11.7</b>	<b>11.3</b>
Clothing	6.3	5.0	5.0	5.3	4.8	4.2
Footwear	0.4	0.4	0.4	0.3	0.2	0.2

	For the year ended 31 December					For the ten months ended 31 October
Exports <sup>(1)</sup>						
Groups of Products <sup>(2)</sup>	2020	2021	2022	2023	2024	2025
Commodities and transactions not classified in SITC	0.1	0.1	0.1	0.1	0.1	0.2
Total Imports	100.0	100.0	100.0	100.0	100.0	100.0

Notes:

- (1) Export data prepared by the State Statistical Office are on a CIF basis and may not be directly comparable to the export statistics in the Balance of Payments data, which are prepared by the NBRNM on a FOB basis.
- (2) Standard international Trade Classification (SITC).
- (3) Estimated.

Source: State Statistical Office

The following table shows the quarterly exports of North Macedonia.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(€ billions)			
2020	1.4	1.0	1.6	1.7
2021	1.7	1.8	1.7	1.8
2022	1.9	2.2	2.1	2.1
2023	2.1	2.1	2.0	2.1
2024	1.9	2.0	1.9	1.9
2025	1.9	2.1	1.9	—

Source: State Statistical Office

### Direction of trade

The following table sets out the direction of imports and exports with significant trade partners for the periods indicated:

	For the year ended 31 December								For the ten months ended 31 October			
	2020		2021		2022		2023		2024		2025 <sup>(3)</sup>	
	(€ millions)	(Share in per cent.)	(€ millions)	(Share in per cent.)	(€ millions)	(Share in per cent.)	(€ millions)	(Share in per cent.)	(€ millions)	(Share in per cent.)	(€ millions)	(Share in per cent.)
<b>Export</b>	<b>5,781.1</b>	<b>100</b>	<b>6,969.8</b>	<b>100</b>	<b>8,301.2</b>	<b>100</b>	<b>8,325.0</b>	<b>100</b>	<b>7,781.2</b>	<b>100</b>	<b>6,706.2</b>	<b>100</b>
Germany	2,717.5	47.0	3,239.4	46.5	3,741.7	45.1	3,666.1	44.0	3,096.5	39.8	2,449.9	36.5
Serbia	223.3	3.9	305.2	4.4	385.6	4.6	400.9	4.8	448.2	5.8	381.0	5.7
Italy	143.3	2.5	207.7	3.0	285.6	3.4	206.3	2.5	205.6	2.6	184.6	2.8
Greece	176.6	3.1	211.4	3.0	327.9	3.9	307.0	3.7	262.2	3.4	227.7	3.4
Bulgaria	272.4	4.7	343.6	4.9	414.2	5.0	365.6	4.4	438.0	5.6	379.4	5.7
Turkey	85.1	1.5	129.4	1.9	211.3	2.5	181.5	2.2	152.8	2.0	104.9	1.6
Belgium	157.5	2.7	61.1	0.9	133.4	1.6	300.0	3.6	138.0	1.8	127.4	1.9
Spain	89.0	1.5	115.3	1.7	167.2	2.0	164.3	2.0	162.7	2.1	144.8	2.2
Romania	105.6	1.8	98.9	1.4	118.5	1.4	134.4	1.6	163.9	2.1	139.0	2.1
Kosovo	233.8	4.0	311.5	4.5	378.8	4.6	403.0	4.8	366.5	4.7	294.8	4.4
Hungary	171.6	3.0	212.5	3.0	256.2	3.1	303.7	3.6	284.6	3.7	310.7	4.6
Czech Republic	62.1	1.1	111.1	1.6	136.8	1.6	209.1	2.5	283.8	3.6	243.8	3.6
United States	43.1	0.7	69.6	1.0	80.8	1.0	49.7	0.6	109.7	1.4	183.4	2.7
Others	1,300.4	22.5	1,553.0	22.3	1,663.2	20.0	1,633.4	19.6	1,668.7	21.4	1,534.7	22.9
<b>Import</b>	<b>7,599.4</b>	<b>100.0</b>	<b>9,648.1</b>	<b>100.0</b>	<b>12,130.8</b>	<b>100.0</b>	<b>11,156.6</b>	<b>100.0</b>	<b>11,062.4</b>	<b>100.0</b>	<b>9,563.4</b>	<b>100.0</b>
Germany	809.6	10.7	981.0	10.2	1,038.5	8.6	1,160.9	10.4	1,202.9	10.9	951.7	10.0
Serbia	558.6	7.4	662.5	6.9	754.9	6.2	680.8	6.1	680.7	6.2	628.6	6.6
Greece	452.6	6.0	738.4	7.7	1,363.0	11.2	1,044.0	9.4	986.3	8.9	770.6	8.1
Italy	339.4	4.5	417.9	4.3	462.8	3.8	495.7	4.4	480.2	4.3	423.0	4.4
Bulgaria	310.1	4.1	412.8	4.3	610.1	5.0	486.8	4.4	587.3	5.3	473.6	5.0
Turkey	388.5	5.1	530.5	5.5	770.2	6.3	649.0	5.8	754.8	6.8	636.6	6.7
Great Britain	1,170.5	15.4	1,701.3	17.6	1,925.0	15.9	1,398.6	12.5	1,221.6	11.0	1,185.4	12.4
Hungary	179.6	2.4	191.5	2.0	217.9	1.8	231.7	2.1	214.5	1.9	178.3	1.9
Poland	212.2	2.8	287.3	3.0	325.8	2.7	349.6	3.1	400.7	3.6	331.5	3.5
China	522.6	6.9	643.9	6.7	949.8	7.8	1,003.0	9.0	1,077.8	9.7	1,016.7	10.6

	For the year ended 31 December								For the ten months ended 31 October			
	2020		2021		2022		2023		2024		2025 <sup>(1)</sup>	
Czech Republic	126.3	1.7	127.7	1.3	140.5	1.2	163.4	1.5	160.5	1.5	134.9	1.4
United States	207.6	2.7	189.4	2.0	176.0	1.5	246.9	2.2	180.9	1.6	177.5	1.9
Others	2,321.9	30.6	2,763.8	28.6	3,396.2	28.0	3,246.1	29.1	3,114.3	28.2	2,655.0	27.8

Note: Export and import data prepared by the State Statistical Office are on a CIF basis, whereas the export and import statistics in the balance of payments data prepared by the NBRNM are on a FOB basis.

Source: State Statistical Office

Germany, the UK and Greece are the most important trading partners of North Macedonia, with Germany accounting for 39.8% of total exports in 2024 and 36.5% of total exports in the first ten months of 2025.

The share of trade with Russia in 2024 was 0.9% of the total foreign trade (0.8% in the first ten months of 2025), and trade with Ukraine was 0.5% of total foreign trade (0.5% in the first ten months of 2025). Historically, trade with both countries was predominantly driven by the imports, Russia being present mostly with energy imports (natural gas) and Ukraine being mostly present with iron and steel products imports, but in the last five years, the significance of both countries as trading partners has significantly diminished.

The high export share and surplus related to external trade with Germany was primarily driven by exports to this country in connection with greenfield investment projects, most of which are highly integrated in the value chains of the German automotive industry which export large share of their production on the German market. The following table sets out amount and composition of exports to Germany for the periods indicated:

	For the year ended 31 December 2023		For the year ended 31 December 2024		For the ten months ended 31 October 2025	
	(€ millions)	(Share in per cent.)	(€ millions)	(Share in per cent.)	(€ millions)	(Share in per cent.)
<b>Total exports to Germany<sup>(1)(2)</sup></b>	3,666.1	100.0%	3,096.5	100.0%	2,449.9	100.0%
Key exports by tariff						
Section II: Vegetable products	19.1	0.5%	28.3	0.9%	39.9	1.6%
Section IV: Prepared foodstuffs, beverages and tobacco	25.8	0.7%	24.6	0.8%	18.4	0.7%
Section VI: Chemical products	2,337.1	63.7%	1,758.1	56.8%	1,334.7	54.5%
Section XI: Textiles	243.8	6.7%	195.9	6.3%	143.9	5.9%
Section XV: Base metals	43.9	1.2%	43.0	1.4%	36.7	1.5%
Section XVI: Machinery and electrical equipment	754.8	20.6%	851.8	27.5%	701.6	28.6%
Section XX: Miscellaneous manufactured articles	97.6	2.7%	103.7	3.3%	86.6	3.5%

Notes:

- (1) Preliminary data for 2024.
- (2) Section references are provided for ease of reference only. (More details in: Customs Clearance Guide 2019, <http://www.customs.gov.mk>)

Source: State Statistical Office

*Preliminary data remain subject to numerous internal and external factors, may not materialise, and may be significantly revised. See also the section headed “Forward Looking Statements” in this Offering Circular.*

Trade with the UK is mostly driven by imports, a large share of which consists of production inputs for some of the foreign owned company in the automotive sector of North Macedonia. In 2024, imports from the UK amounted to €1.2 billion, equivalent to 11% of total imports. The primary imports from the UK in 2024 are metals from the platinum group and their alloys (42.8%), platinum and platinum alloys (35.5%), and precious metals and compounds (13.1%). In 2024, exports to the UK amounted to €101.5 million, equivalent 1.3% of total exports. Although initially the greenfield investment projects in the automotive industry were a main driver of the steady increase in exports to the UK, the last five years registered a steady decline in the share of UK export in the total exports of the economy. This is primarily due to redistribution of the export of these companies to selected EU



economies, especially evident after the Brexit. The primary exports to the UK are precious metal catalysts (15.3%), ash and residues containing metals (except iron and steel) (12%), bedding (11.1%), fans (7.1%), and electric heating resistors (except carbon) (4.2%). The UK's share of total exports decreased from 2.5% in 2020 to 1.3% in 2024. In 2024, the highest trade deficit was recorded with the UK, reflecting imports of raw materials used in manufacturing products for export. In the first ten months of 2025, imports from the UK were €1.2 billion, consisting of 12.4% of total imports, while the exports in the same period were €94.4 million, consisting of 1.4% share in the total exports, leading to an increase in the trade deficit of 12.9% on an annual basis.

In terms of trading regions, the EU remains the leading trade partner of North Macedonia, with an average share of 60.4% of total trade from 2020 to 2024. The share of exports directed to EU countries (mainly to the EU's largest economy, Germany) in this period decreased slightly by 0.7%, while imports from the EU increased by 4.2%. Meanwhile, the share of trade with Western Balkan countries amounted to an average of 10.5% of total trade from 2020 to 2024. In 2024, there were no major changes in the direction of trade. Trade with EU member states accounted for 61.4% of total trade with 76.9% share of EU directed exports and 50.5% accounting for imports. Germany remains North Macedonia's most important export partner with 39.8% of total exports in 2024 (36.5% in the first ten months of 2025), while the largest share of the imports comes from the UK, accounting for 11% during 2024 (12.4% in the first ten months of 2025). This also remains relevant in the first ten months of 2025, with the share of EU directed exports amounting to 76.4% of total exports and the share of imports from EU amounting to 47.5% of total imports.

### ***Foreign Direct Investment***

Increasing the level of FDI remains an important priority for the Government, reflecting the importance of such investments in improving the competitiveness and structure of the economy. Before the COVID pandemic, FDI was an important source of financial flows, averaging 3.4% of GDP for the 2015-2019 period. In 2020, inward FDI dropped and amounted to €201.4 million, reflecting global uncertainty surrounding COVID-19 and the risk aversion of foreign investors. Yet, the decline was of a temporary nature, as in the following three year period from 2021 to 2023, FDI in the Republic resumed, averaging around €600 million. The structure of these FDI flows was in favor of a slightly larger average share of equity and reinvested earnings of around 56%, whereas the rest were intercompany lending. During 2024, FDI registered the historically largest nominal amount of €1.197 billion (or 7.6% of GDP). One part of these investments is in the form of intercompany lending, or a 56% share of the overall FDI in the Republic, while the rest refers to equity and reinvested earnings.

In recent years, the TIDZs have been a key part of the Government's efforts to increase levels of FDI. See *“Economy of North Macedonia—Key components of the economy—Industry”*. North Macedonia has increasingly become a near-shore IT outsourcing destination for foreign companies, especially given the English-speaking competencies of some of its population.

### ***Foreign Direct Investment in GDP***

The share of FDI as a percentage of GDP, from 2020 to 2024 averaged approximately 4.6%, reaching a high of 7.6% of GDP in 2024. In the first nine months of 2025, FDI registered 1.3% of GDP, which was a relatively small amount compared to previous years, with most of the adjustment related to the intercompany lending after the immense increase in the previous year. The following table shows the breakdown of FDI flows and stock as a percentage of GDP for the periods indicated:

	For the year ended 31 December					For the nine months ended 30 September
	2020	2021	2022	2023	2024	2025
<b>Annual FDI flows (1,2,3)</b>						
in € millions .....	201.4	470.5	745.0	577.7	1,196.5	209.4
as % of GDP .....	1.9	4.0	5.6	3.9	7.6	1.3
<b>FDI stock (2,3)</b>						

in € millions .....	5,851.7	6,298.1	7,012.9	7,532.5	8,477.5	—
as % of GDP .....	53.9	53.2	53.0	51.4	54.1	—

Notes:

- (1) Provisional data for 2024 and estimated for 2025.
- (2) Revision of data has been done in September 2025 due to inclusion of data from the annual surveys for inward direct investments (VS 22) and outward direct investments (VS 11) and improved coverage of credit indebtedness data.
- (3) Including reinvestment of earnings.

Source: NBRNM

In 2024, FDI stock was concentrated in manufacturing (representing 33.2% of total FDI stock for the year), financial services (22.7%) and wholesale and retail trade (12.6%). Other sectors that the Government is targeting as new areas for FDI include information and communication technology, electronics, pharmaceuticals, agribusiness, food processing and tourism.

Greenfield investments constitute an important component of FDI, and the Government expects that increased levels of FDI, with greenfield investments in particular, will be crucial for the sustained growth of North Macedonia and to finance future current account deficits.

The following table shows greenfield investments as a percentage of total FDI for the periods indicated.

	For the year ended 31 December				
	2020	2021	2022	2023	2024
Greenfield investments	1,609.2	1,565.0	1,526.8	1,428.3	1,571.5
Total FDI	5,851.7	6,298.1	7,012.85	7,532.47	8,477.45
Share of greenfield investment in total FDI (in %)	27.5	24.8	21.8	19.0	18.5

Note:

- (1) Greenfield investments' data refer to equity.

Source: NBRNM

#### Foreign Direct Investment by Country

The seven largest investors in North Macedonia, as measured by stock of FDI, were Austria, Turkey, Germany, Greece, Netherlands, Slovenia and the UK as at 31 December 2024. The following tables show the breakdown of the share of stock of FDI by country of origin in the total FDI for the periods indicated.

#### Stock of Foreign Direct Investment in North Macedonia – by country

Country	2020		2021		2022		2023		2024	
	(€ millions)	(Share in per cent.)	(€ millions)	(Share in per cent.)	(€ millions)	(Share in per cent.)	(€ millions)	(Share in per cent.)	(€ millions)	(Share in per cent.)
Austria	815.8	13.9	912.7	14.5	1,052.6	15.0	1,198.7	15.9	1,365.2	16.1
Turkey	376.5	6.4	423.4	6.7	536.5	7.6	715.3	9.5	875.5	10.3
Germany	386.0	6.6	470.8	7.5	572.1	8.2	651.6	8.7	874.5	10.3
Greece	548.8	9.4	612.1	9.7	728.6	10.4	751.0	10.0	869.0	10.3
Netherlands	508.3	8.7	503.2	8.0	543.5	7.8	596.7	7.9	733.5	8.7
Slovenia	403.5	6.9	459.9	7.3	484.4	6.9	538.5	7.1	595.5	7.0
UK	759.3	13.0	652.2	10.4	633.6	9.0	475.5	6.3	555.2	6.5
Bulgaria	214.1	3.7	244.0	3.9	269.9	3.8	289.9	3.8	320.1	3.8
Switzerland	223.7	3.8	273.9	4.3	281.1	4.0	299.6	4.0	291.1	3.4
Hungary	191.8	3.3	178.7	2.8	176.4	2.5	224.9	3.0	268.0	3.2
USA	83.8	1.4	109.2	1.7	143.5	2.0	173.8	2.3	173.8	2.1
Virgin Islands	129.6	2.2	135.2	2.1	150.7	2.1	157.9	2.1	164.3	1.9
Italy	135.7	2.3	148.8	2.4	164.0	2.3	157.6	2.1	140.8	1.7
Estonia	40.3	0.7	51.8	0.8	63.2	0.9	116.2	1.5	137.9	1.6
Serbia	109.4	1.9	115.5	1.8	106.8	1.5	117.4	1.6	136.8	1.6

Croatia	64.3	1.1	73.2	1.2	75.8	1.1	92.4	1.2	113.8	1.3
Others	861.03	14.7	933.55	14.8	1,030.30	14.7	975.59	13.0	862.44	10.2
<b>Total</b>	<b>5,851.7</b>	<b>100.0</b>	<b>6,298.1</b>	<b>100.0</b>	<b>7,012.9</b>	<b>100.0</b>	<b>7,532.5</b>	<b>100.0</b>	<b>8,477.5</b>	<b>100.0</b>

Note:

- (1) Including reinvestment of earnings.

Source: NBRNM

### Foreign Direct Investment in North Macedonia (flow) – by country

Country	2020		2021		2022		2023		2024		For the nine months ended 30 September 2025	
	(€ millions)	(Share in per cent.)	(€ millions)	(Share in per cent.)	(€ millions)	(Share in per cent.)	(€ millions)	(Share in per cent.)	(€ millions)	(Share in per cent.)	(€ millions)	(Share in per cent.)
Turkey	32.3	16.0	54.2	11.5	122.4	16.4	184.9	32.0	143.8	12.0	63.45	30.3
Austria	34.2	17.0	101.5	21.6	146.7	19.7	140.0	24.2	137.8	11.5	-88.69	-42.4
Greece	28.9	14.3	66.5	14.1	116.3	15.6	29.2	5.0	121.0	10.1	-1.79	-0.9
Slovenia	6.8	3.4	60.5	12.9	30.4	4.1	54.3	9.4	55.4	4.6	20.27	9.7
Hungary	-13.5	-6.7	-12.2	-2.6	-1.4	-0.2	54.4	9.4	45.2	3.8	-45.5	-21.7
Bulgaria	21.5	10.6	31.3	6.7	35.9	4.8	33.4	5.8	40.2	3.4	20.34	9.7
Estonia	2.7	1.3	11.4	2.4	8.5	1.1	16.6	2.9	29.6	2.5	1.83	0.9
Netherlands	-46.2	-22.9	26.7	5.7	35.1	4.7	47.0	8.1	28.4	2.4	-6.83	-3.3
Switzerland	4.5	2.2	-2.9	-0.6	24.9	3.3	25.2	4.4	21.6	1.8	11.77	5.6
Belgium	-10.0	-5.0	18.8	4.0	12.7	1.7	-0.4	-0.1	20.9	1.7	-1.8	-0.9
Croatia	-6.4	-3.2	1.3	0.3	-1.0	-0.1	14.6	2.5	19.2	1.6	6.7	3.2
Kosovo	-0.4	-0.2	-2.7	-0.6	-0.1	0.0	26.0	4.5	15.1	1.3	0.18	0.1
Luxembourg	-5.6	-2.8	10.3	2.2	-4.2	-0.6	1.3	0.2	13.5	1.1	-7.65	-3.7
Albania	0.0	0.0	10.1	2.1	12.1	1.6	12.0	2.1	12.3	1.0	-4.26	-2.0
USA	8.7	4.3	23.8	5.1	38.6	5.2	31.6	5.5	10.7	0.9	8.91	4.3
Czechia	1.9	0.9	2.5	0.5	-3.6	-0.5	-11.0	-1.9	9.1	0.8	-1.2	-0.6
Others	142.1	70.5	69.4	14.7	171.9	23.1	-81.0	-14.0	472.9	39.5	233.68	111.6
<b>Total</b>	<b>201.4</b>	<b>100.0</b>	<b>470.5</b>	<b>100.0</b>	<b>745.0</b>	<b>100.0</b>	<b>577.7</b>	<b>100.0</b>	<b>1,196.5</b>	<b>100.0</b>	<b>209.4</b>	<b>100.0</b>

Notes:

- (1) In June 2014, in accordance with the Balance of Payments and International Investment Position Manual (BPM6), 6th edition, IMF, a revision of the data was done.
- (2) Revision of data was done in September 2025 due to inclusion of data from the annual surveys for inward direct investments (VS 22) and outward direct investments (VS 11) and improved coverage of credit indebtedness data.

Source: NBRNM

The following table shows the breakdown of the share of stock of FDI by activity for the periods indicated.

### Stock of Foreign Direct Investment in North Macedonia – by activity

Stock of Direct Investments in Republic of North Macedonia - by activity, 2020-2024	2020		2021		2022		2023		2024	
	(€ millions)	(Share in per cent.)	(€ millions)	(Share in per cent.)	(€ millions)	(Share in per cent.)	(€ millions)	(Share in per cent.)	(€ millions)	(Share in per cent.)
<b>Agriculture, forestry and fishing</b>	<b>84.2</b>	<b>1.4</b>	<b>120.5</b>	<b>1.9</b>	<b>165.6</b>	<b>2.4</b>	<b>176.1</b>	<b>2.3</b>	<b>205.9</b>	<b>2.4</b>
<b>Mining and quarrying</b>	<b>214.1</b>	<b>3.7</b>	<b>202.6</b>	<b>3.2</b>	<b>197.3</b>	<b>2.8</b>	<b>224.4</b>	<b>3.0</b>	<b>241.7</b>	<b>2.9</b>
<b>Manufacturing</b>	<b>2,125.7</b>	<b>36.3</b>	<b>2,191.1</b>	<b>34.8</b>	<b>2,452.8</b>	<b>35.0</b>	<b>2,469.6</b>	<b>32.8</b>	<b>2,813.9</b>	<b>33.2</b>
<b>Electricity, gas, steam and air conditioning supply</b>	<b>452.8</b>	<b>7.7</b>	<b>560.8</b>	<b>8.9</b>	<b>621.9</b>	<b>8.9</b>	<b>691.8</b>	<b>9.2</b>	<b>888.6</b>	<b>10.5</b>
<b>Water supply, sewerage, water management and remediation activities</b>	<b>5.5</b>	<b>0.1</b>	<b>2.5</b>	<b>0.0</b>	<b>4.3</b>	<b>0.1</b>	<b>4.1</b>	<b>0.1</b>	<b>8.2</b>	<b>0.1</b>
<b>Construction</b>	<b>396.7</b>	<b>6.8</b>	<b>405.8</b>	<b>6.4</b>	<b>461.9</b>	<b>6.6</b>	<b>517.8</b>	<b>6.9</b>	<b>469.3</b>	<b>5.5</b>
<b>Services</b>	<b>2,572.8</b>	<b>44.0</b>	<b>2,814.8</b>	<b>44.7</b>	<b>3,108.9</b>	<b>44.3</b>	<b>3,448.6</b>	<b>45.8</b>	<b>3,849.8</b>	<b>45.4</b>
Wholesale and retail trade, repair of motor vehicles and motorcycles	732.3	12.5	812.4	12.9	884.7	12.6	956.4	12.7	1,067.7	12.6
Transportation and storage	47.8	0.8	55.9	0.9	58.4	0.8	58.4	0.8	58.2	0.7
Accommodation and food services activities	38.9	0.7	45.2	0.7	47.9	0.7	52.2	0.7	56.0	0.7
Information and communication	179.9	3.1	198.4	3.1	219.4	3.1	226.4	3.0	271.8	3.2
Financial and insurance activities	1,222.8	20.9	1,362.5	21.6	1,520.4	21.7	1,723.7	22.9	1,924.9	22.7
Real estate activities	145.9	2.5	134.3	2.1	145.5	2.1	153.0	2.0	150.5	1.8
Other service activities	205.2	3.5	206.2	3.3	232.7	3.3	278.5	3.7	320.7	3.8

Private purchases and sales of real estate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>5,851.7</b>	<b>100.0</b>	<b>6,298.1</b>	<b>100.0</b>	<b>7,012.9</b>	<b>100.0</b>	<b>7,532.5</b>	<b>100.0</b>	<b>8,477.5</b>	<b>100.0</b>

Note:

(1) Including reinvestment of earnings.

Source: NBRNM

## Gross External Debt

The following table sets out the breakdown of gross external debt for the periods indicated:

Gross External Debt (1) (2)	As at 31 December					As at 30 September
	2020	2021	2022	2023	2024	2025
	(€ million)					
General Government	3,279.7	3,394.9	3,431.5	3,784.5	4,193.4	4,058.0
Monetary Authorities (NBRM)	77.4	383.1	695.2	609.8	458.8	375.1
Banks	717.0	820.8	957.7	976.2	918.4	930.1
Other Sectors	2,404.2	2,537.0	2,796.1	2,960.6	3,184.2	3,174.4
Direct investment:						
Intercompany lending	2,057.8	2,440.9	2,909.4	3,025.0	3,459.5	3,611.2
<b>Gross External Debt</b>	<b>8,536.1</b>	<b>9,576.6</b>	<b>10,790.0</b>	<b>11,356.1</b>	<b>12,214.4</b>	<b>12,148.8</b>
of which:						
Public debt	4,301.5	4,802.0	5,206.8	5,577.9	5,869.8	5,528.5
Private debt	4,234.6	4,774.6	5,583.2	5,778.1	6,344.6	6,620.3

Source: NBRNM

The following table shows the breakdown of gross external debt as a percentage of GDP for the periods indicated:

Gross External Debt (1) (2) (3)	As at 31 December					As at 30 September
	2020	2021	2022	2023	2024	2025
General Government	30.2	28.7	25.9	25.8	26.8	24.5
Monetary Authorities (NBRM)	0.7	3.2	5.2	4.2	2.9	2.3
Banks	6.6	6.9	7.2	6.7	5.9	5.6
Other Sectors	22.2	21.4	21.1	20.2	20.3	19.2
Direct investment:						
Intercompany lending	19.0	20.6	22.0	20.6	22.1	21.8
<b>Gross External Debt</b>	<b>78.7</b>	<b>80.9</b>	<b>81.5</b>	<b>77.4</b>	<b>78.0</b>	<b>73.3</b>
of which:						
Public debt	39.6	40.6	39.3	38.0	37.5	33.4
Private debt	39.0	40.3	42.2	39.4	40.5	39.9

Notes:

(1) Including liabilities of the NBRNM based on repo arrangements.

(2) Preliminary data.

(3) Estimated. Calculated based on 2025 projected GDP.

Source: NBRNM

*Preliminary data, projections and estimates remain subject to numerous internal and external factors, may not materialise, and may be significantly revised. See also the section headed “Forward Looking Statements” in this Offering Circular.*

As at 30 September 2025, the gross external debt of North Macedonia amounted to 73.3% of 2025 GDP, representing a decrease of 5.4 percentage points of GDP from 31 December 2020. External debt decreased because of the reduction in public debt by 6.3 percentage points of GDP, including an increase of repo-related debt by 0.8% of GDP during this period, and an increase of 0.9 percentage points of GDP in the private sector external debt.

***Private foreign debt***

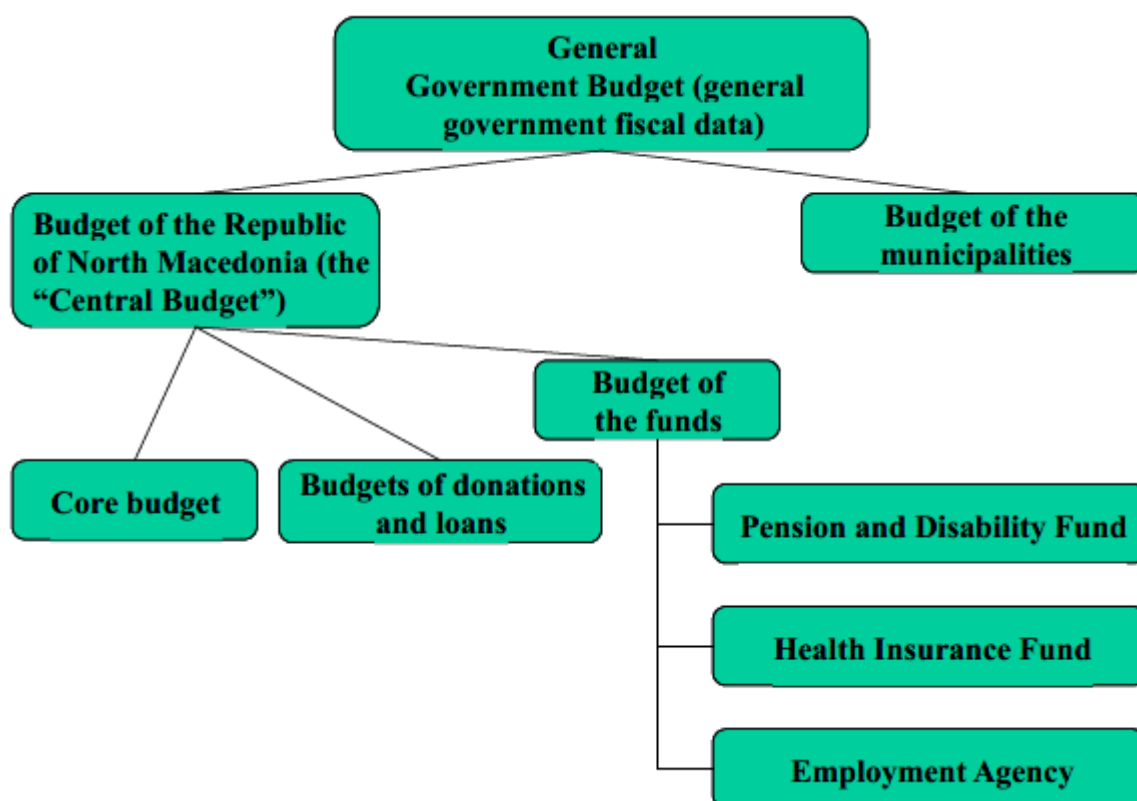
As at 30 September 2025, private foreign debt was €6.6 billion, or 39.9% of 2025 GDP and 54.5% of the gross external debt. By 30 September 2025, in nominal terms, private foreign debt expanded by 56.3% compared to its level at the end of 2020, and as a percentage points of GDP, it increased by 0.9 percentage points. During this period, the share of inter-company debt, which is generally considered less risky than financial loans, increased by 2.8 percentage points of GDP, reflecting the activity of foreign investors in the economy. Private foreign debt in the remainder of the corporate sector decreased by 1.9 percentage points of GDP, primarily reflecting lower long-term financial loans of the banking sector, which resulted in a reduced foreign indebtedness of the banking system in relative terms. The rest of the private sector, namely the non-FDI related company debt, also decreased. Overall, the level of foreign indebtedness of the private sector remains relatively low. Moreover, intercompany lending and trade credits comprised approximately 74% of private foreign debt at the end of September 2025.

## PUBLIC FINANCE

### General Information and Methodology

The General Government Budget compiles fiscal data from the Central Budget and the budgets of the various municipalities. The Central Budget is the primary fiscal record that details the revenues and expenditures of **Government** institutions and budgetary funds. It is adopted each year by the Assembly and has the force of law and includes revenues and miscellaneous inflows as well as expenditures and miscellaneous outflows for the fiscal year (beginning on 1 January and ending on 31 December of each year). The fiscal statistics of North Macedonia are compiled on a consolidated basis and in accordance with the GFS Manual, IMF 1986 methodology.

The components of the General Government Budget and Central Budget of North Macedonia are reflected below:



### The Central Budget

The Organic Budget Law sets out the steps for preparation of the Central Budget, taking into account the strategic priorities of the Government, the national fiscal strategy and strategic plans of the end users of the budget. The latest fiscal strategy is in line and consistent with the Fiscal Policy Statement 2024-2028. The Ministry of Finance similarly prepares a medium-term fiscal strategy (including base line scenarios and new initiatives) in accordance with the time frame and provisions from new Organic Budget Law and guidance for macro-fiscal projections by proposing the directions and objectives of fiscal policy and determining the main fiscal targets for the period. The Ministry of Finance then reviews draft budget requests in accordance with the principles of efficiency, economy, prioritisation and rationality; it then prepares and submits the draft Central Budget to the Government for adoption by 1 November. The Government then submits the draft Central Budget by 15 November to the Assembly for discussion, with adoption of the final budget occurring by 31 December of each year. See “–2022 Central Budget”.

Where more significant reallocations of approved funds are necessary or when the realisation of revenues and other inflows significantly deviates from projections, the Assembly, pursuant to the recommendation of the

Ministry of Finance, may adopt a supplementary budget. A supplementary budget was adopted in each of 2020, 2021, 2022, 2024 and 2025.

After the Central Budget is approved by the Assembly, budget users must prepare an annual financial plan, broken down on both a quarterly and monthly basis, for the use of appropriations. Expenditures must be made in accordance with the Organic Budget Law and the Manual for Treasury Working, the latter of which dictates mandatory procedures for making expenditures and collecting revenues. Budget users' accounts for this purpose are part of the single treasury account managed by the Ministry of Finance, and they must submit requests for payment to the Treasury before making any expenditure. Budget users (including municipalities) are not permitted to open accounts outside the treasury account.

The servicing of domestic and foreign loans, including Eurobonds, is exempt from the procedures described above. Under the law of North Macedonia, payments for domestic and foreign borrowing (including interest payments, principal repayments and guarantees) do not depend on budget allocations and procedures referring to the other budget expenditures. The payment of these expenditures has priority according to the amortisation plans and signed contracts.

### ***2020-2025 results***

In 2020, the health and economic crisis caused by COVID-19 had a strong impact on the plan and the implementation of the Central Budget. In order to deal with the epidemic, comprehensive measures were implemented to protect jobs, ensure budget liquidity, focus on highest priority liabilities, and minimise all less productive spending.

In 2020, the Government, through a redistribution of funds between the budget users of the central government and between the funds (which relocated MKD 6.5 billion) and through two supplementary budgets, implemented four sets of measures to amortise the impact on the economy and stimulating consumption.

Total revenues under the Second Supplementary Budget were planned at the level of MKD 196.3 billion, which is the same as under the Supplementary Budget and 11.5% lower compared to the initial budget projections. Total expenditures under the Second Supplementary Budget were planned at the level of MKD 252.8 billion, a 4.1% (about MKD 10 billion) increase compared to the Supplementary Budget and 5.5% higher compared to the initial budget projections. The deficit for 2020 amounted to MKD 56.5 billion or 8.5% of GDP.

In 2020, total budget revenues amounted to MKD 189.8 billion or 96.7% of the annual projection, which represented a decrease of 6.9% compared to 2019. Tax revenues accounted for the largest share of total revenues (56%), followed by social contributions (35%), non-tax revenues (6%), donations (2%) and capital revenues (1%). The Republic realised tax revenues and social contributions of MKD 173.5 billion or 99.5% of the annual plan and a decrease in 3% compared to 2019. Revenues on the basis of VAT accounted for the largest part of total tax revenue (44%), which represented a decrease of 10% compared to 2019. Social security contributions amounted to MKD 66.6 billion, an increase of 7.1% compared to 2019. Non-tax revenues and capital revenues amounted to MKD 11.4 billion and MKD 1.8 billion, respectively. Donation based revenues amounted to MKD 3.1 billion.

In 2020, total budget expenditures amounted to MKD 243.6 billion or 96.4% of the annual projection, which represented an increase of 12% compared to 2019, due to fiscal measures undertaken to support the economy and increased health expenditures in managing the COVID-19 pandemic. Salaries and allowances amounted to MKD 29.8 billion in 2020, representing an increase of 7.3% compared to 2019. Expenditures related to goods and services amounted to MKD 15.4 billion in 2020, representing an increase of 5.2% compared to 2019. Transfers amounted to MKD 174.3 billion, representing an increase of 18.2% compared to 2019. MKD 60.2 billion were allocated for regular payment of pensions, while transfers to private pension funds amounted to MKD 8.8 billion. The Government allocated MKD 2.7 billion to the Employment Agency for unemployment benefits and social benefits which amounted to MKD 11.6 billion. Funds to finance health services and benefits amounted to MKD 34.7 billion. As for other transfers, grants were regularly transferred to local government units via VAT grants and block and earmarked grants amounting to MKD 21.4 billion to finance education child care, culture and

firefighting protection for municipalities. To support companies and citizens affected by COVID-19, the Government paid subsidies amounting to MKD 17.1 billion. Capital expenditures amounted to MKD 16.1 billion, a decrease of 9.5% compared to 2019. MKD 8 billion were allocated to interest payments and MKD 41.8 billion to the repayment of principal.

In 2020, the Central Government Budget deficit amounted to MKD 53.9 billion, or 8.0% of GDP.

In 2021, total budget revenues amounted to MKD 218.0 billion, or 98.0% of those projected in the 2021 Budget. Budget revenues were 15.0% higher compared to 2020. Within budget total revenues, MKD 196.3 billion related to tax revenues and social contributions (revenues from social security contributions for pensions, health and unemployment). Tax revenues accounted for the largest share of total revenues (57.7%), followed by social contributions (32.3%), non-tax revenues (6.3%), donations (2.7%) and capital revenues (1%). The Republic realised tax revenues of MKD 125.7 billion, in line with the annual plan. Tax revenues on the basis of VAT accounted for the largest part of total tax revenue, amounting to 46.3%, which represented an increase of 24.1% compared to 2020. The most significant increase in tax revenues related revenues from import duties, which were 25.9% higher than in 2020, followed by revenues from other taxes, which increased by 25.7%, revenues from excises, which increased by 13.8%, revenues from personal income tax, which increased by 10.3%, and profit tax revenues, which increased by 3.6%. Revenues from social security contributions increased by 6.1% compared to 2020, amounting to 102.1% of the 2020 Government budget for social security contributions. Non-tax revenues and capital revenues amounted to MKD 13.9 billion and MKD 1.9 billion, respectively. Donation based revenues amounted to MKD 5.9 billion.

Total 2021 budget expenditures amounted to MKD 256.9 billion, or 95.6% of the annual projection, which represented an increase of 5.5% compared to 2020. Salaries and allowances accounted for MKD 31 billion in 2021, representing an increase of 4.1% compared to 2020. Expenditures related to goods and services were 30.4% higher than in 2020, amounting to MKD 20.1 billion, while transfers were 0.5% lower, accounting for MKD 173.3 billion. MKD 62.3 billion was allocated for regular payment of pensions, while transfers to private pension funds accounted for MKD 9.2 billion. The Government allocated MKD 2.8 billion to the Employment Agency for unemployment benefits; social benefits amounted to MKD 12.1 billion. Funds to finance health services and benefits amounted to MKD 35.0 billion. As for other transfers, grants were regularly transferred to local government units via VAT grants and block and earmarked grants in an amount of MKD 21.2 billion to finance the competences transferred to municipalities in the fields of education, childcare, culture and firefighting protection. In 2021, MKD 9.1 billion were allocated to interest payments and MKD 42.6 to the repayment of principal. Capital expenditures in 2021 amounted to MKD 23.4 billion, representing a 45.3% increase compared to 2020.

In 2021, the Central Government Budget deficit amounted to MKD 38.9 billion, or 5.3% of GDP.

In 2022, total budget revenues amounted to MKD 243.1 billion, or 98.9% of the annual projection. Total budget revenues were 11.5% higher compared to 2021. Within total budget revenues, MKD 220.2 billion related to tax revenues and social contributions (revenues from social security contributions for pensions, health and unemployment). Tax revenues accounted for the largest share of total revenues (58.6%), followed by social contributions (31.9%), non-tax revenues (7.1%), donations (1.4%) and capital revenues (0.9%). The Republic realised tax revenues of MKD 142.6 billion, in line with the annual projection. Tax revenues on the basis of VAT accounted for the largest part of total tax revenue, amounting to 46.8%, which represented an increase of 11.3% compared to 2021. The most significant increase in tax revenues were from profit tax, which were 45.1% higher than 2021, followed by revenues from import taxes, which increased by 17.6%, revenues from PIT, which increased by 16.1%, and from other tax revenues, which increased by 4.5%. Only revenues from excises were 0.3 lower compared with 2021. Revenues from social security contributions increased by 9.9% compared to 2021, amounting to 98.8% of the 2022 Government budget for social security contributions. Non-tax revenues and capital revenues amounted to MKD 17.2 billion and MKD 2.3 billion, respectively. Donation based revenues amounted to MKD 3.4 billion.



In 2022, budget expenditures amounted to MKD 278.6 billion, or 96.6% of the annual projection, which represented an increase of 8.4% compared to 2021. Salaries and allowances accounted for MKD 32.2 billion, representing an increase of 3.7% compared to 2021. Expenditures related to goods and services were 4.4% higher than in 2021, amounting to MKD 21 billion, while transfers were 8.3% higher, accounting for MKD 187.7 billion. MKD 67.6 billion was allocated for regular payment of pensions, while transfers to private pension funds accounted for MKD 10.8 billion. The Government allocated MKD 2.7 billion to the Employment Agency for unemployment benefits; social benefits amounted to MKD 12.5 billion. Funds to finance health services and benefits amounted to MKD 38.2 billion. As for other transfers, grants were regularly transferred to local government units via VAT grants and block and earmarked grants in an amount of MKD 23.4 billion to finance education, childcare, culture and firefighting protection in the municipalities. In 2022, MKD 9.1 billion was allocated to interest payments and MKD 11.4 billion was allocated to the repayment of principal. Capital expenditures in 2022 amounted to MKD 28.6 billion, representing a 22.3% increase compared to 2021.

In 2022, the Central Government Budget deficit amounted to MKD 35.5 billion, or 4.5% of GDP.

In 2023, total budget revenues amounted to MKD 277.1 billion, or 98.3% of those projected in the 2023 Budget. Budget revenues were 14.0% higher compared to 2022. Within budget total revenues, MKD 250.4 billion related to tax revenues and social contributions (revenues from social security contributions for pensions, health and unemployment). Tax revenues accounted for the largest share of total revenues (56.9%), followed by social contributions (33.4%), non-tax revenues (6.1%), donations (2.8%) and capital revenues (0.7%). The Republic realised tax revenues of MKD 157.7 billion, in line with the annual plan. Tax revenues on the basis of VAT accounted for the largest part of total tax revenue, amounting to 44.4%, which represented an increase of 8.1% compared to 2022. The most significant increase in tax revenues was in revenues from other tax revenues, which were 439.7% higher than in 2022, followed by PIT which increased by 14.3%, revenues from import duties which increased by 12.7%, revenues from VAT which increased by 8.1%, and profit tax revenues which increased by 7.3%. Revenues from social security contributions increased by 19.3% compared to 2022, amounting to 101.8% of the 2023 Budget for social security contributions. Non-tax revenues and capital revenues amounted to MKD 16.9 billion and MKD 2.1 billion, respectively. Donation based revenues amounted to MKD 7.8 billion.

In 2023, total budget expenditures amounted to MKD 318.6 billion, or 98.1% of the annual projection, which represented an increase of 14.4% compared to 2022. Salaries and allowances accounted for MKD 36.9 billion in 2022, representing an increase of 14.7% compared to 2022. Expenditures related to goods and services were 1% higher than in 2022, amounting to MKD 21.1 billion, while transfers were 8.8% higher, accounting for MKD 204.1 billion. MKD 78 billion was allocated for regular payment of pensions, while transfers to private pension funds accounted for MKD 12.2 billion. The Government allocated MKD 2.4 billion to the Employment Agency for unemployment benefits, and social benefits amounted to MKD 13.9 billion. Funds to finance health services and benefits amounted to MKD 42.4 billion. As for other transfers, grants were regularly transferred to local government units via VAT block grants and earmarked grants in an amount of MKD 27.5 billion to finance the competences transferred to municipalities in the fields of education, childcare, culture and firefighting protection. In 2023, MKD 12.9 billion was allocated to interest payments and MKD 43.6 billion was allocated to the repayment of principal. Capital expenditures in 2023 amounted to MKD 43.5 billion, representing a 52% increase compared to 2022.

In 2023, the Central Government Budget deficit amounted to MKD 41.4 billion, or 4.6% of GDP.

In 2024, total budget revenues amounted to MKD 305.6 billion, or 96% of those projected in the 2024 Budget. Budget revenues were 10.0% higher compared to 2023. Within budget total revenues, MKD 283.6 billion related to tax revenues and social contributions (revenues from social security contributions for pensions, health and unemployment). Tax revenues accounted for the largest share of total revenues (58.2%), followed by social contributions (34.6%), non-tax revenues (5.5%), donations (1.1%) and capital revenues (0.6%). The Republic realised tax revenues of MKD 177.9 billion, in line with the annual plan. Tax revenues on the basis of VAT accounted for the largest part of total tax revenue, amounting to 45.8%, which represented an increase of 16.3% compared to 2023. The most significant increase in tax revenues was in revenues from profit tax which were

19.2% higher than in 2023, followed by revenues from PIT which increased by 16.9%, revenues from VAT which increased by 16.3%, revenues from import duties which increased by 14.9%, and excises which increased by 7%. Revenues from social security contributions increased by 14.1% compared to 2023, amounting to 100.4% of the 2024 Budget for social security contributions. Non-tax revenues and capital revenues amounted to MKD 16.9 billion and MKD 1.9 billion, respectively. Donation based revenues amounted to MKD 3.2 billion.

In 2024, total budget expenditures amounted to MKD 347.5 billion, or 95.8% of the annual projection, which represented an increase of 9.1% compared to 2023. Salaries and allowances accounted for MKD 43.9 billion in 2024, representing an increase of 19% compared to 2023. Expenditures related to goods and services were 8.6% higher than in 2023, amounting to MKD 22.9 billion, while transfers were 14.7% higher, accounting for MKD 234.2 billion. MKD 90.6 billion was allocated for regular payment of pensions, while transfers to private pension funds accounted for MKD 14.2 billion. The Government allocated MKD 2.7 billion to the Employment Agency for unemployment benefits, and social benefits amounted to MKD 14.8 billion. Funds to finance health services and benefits amounted to MKD 47.7 billion. As for other transfers, grants were regularly transferred to local government units via VAT block grants and earmarked grants in an amount of MKD 30.8 billion to finance the competences transferred to municipalities in the fields of education, childcare, culture and firefighting protection. In 2024, MKD 17.8 billion was allocated to interest payments and MKD 38.9 billion was allocated to the repayment of principal. Capital expenditures in 2024 amounted to MKD 28.7 billion, representing a 34.1% decrease compared to 2023.

In 2024, the Central Government Budget deficit amounted to MKD 41.9 billion, or 4.4% of GDP.

In the period from January to November 2025, total budget revenues amounted to MKD 301.1 billion, or 83.1% of those projected in the 2025 Budget. Budget revenues were 8.9% higher compared to the same period in 2024. Within budget total revenues, MKD 276 billion was related to tax revenues and social contributions (revenues from social security contributions for pensions, health and unemployment). Tax revenues accounted for the largest share of total revenues (57.5%), followed by social contributions (34.2%), non-tax revenues (5.9%), donations (1.7%) and capital revenues (0.7%). The Republic realised tax revenues of MKD 173 billion, in line with the annual plan. Tax revenues on the basis of VAT accounted for the largest part of total tax revenue, amounting to 45.6%, which represented an increase of 5.4% compared to the same period in 2024. The most significant increase in tax revenues was in revenues from import duties, which were 14.2% higher than in the analysed period in 2024, followed by revenues from profit tax which increased by 8.7%, revenues from PIT which increased by 8%, revenues from excises which increased by 6.4%, and VAT which increased by 5.4%. Revenues from social security contributions increased by 8.6% compared to the same period in 2024, amounting to 87.9% of the 2025 Budget for social security contributions. Non-tax revenues and capital revenues amounted to MKD 17.8 billion and MKD 2.2 billion, respectively. Donation based revenues amounted to MKD 5.1 billion.

For the period from January to November 2025, the total budget expenditures amounted to MKD 332.6 billion, or 82.4% of the annual projection, which represented an increase of 8.7% compared to the same period in 2024. Salaries and allowances accounted for MKD 43.5 billion, representing an increase of 10.2% compared to the analysed period in 2024. Expenditures related to goods and services were 1.6% higher than in the same period in 2024, amounting to MKD 20.1 billion, while transfers were 8.4% higher, accounting for MKD 225.8 billion. MKD 98.4 billion was allocated for regular payment of pensions, while transfers to private pension funds accounted for MKD 13.5 billion. The Government allocated MKD 1.9 billion to the Employment Agency for unemployment benefits, and social benefits amounted to MKD 13.6 billion. Funds to finance health services and benefits amounted to MKD 45.4 billion. As for other transfers, grants were regularly transferred to local government units via VAT block grants and earmarked grants in an amount of MKD 30.5 billion to finance the competences transferred to municipalities in the fields of education, childcare, culture and firefighting protection. In this period in 2025, MKD 19.2 billion was allocated to interest payments and MKD 65.6 billion was allocated to the repayment of principal. Capital expenditures amounted to MKD 24 billion, representing a 12.2% increase compared to 2024.

In the period from 1 January to 30 November 2025, the Central Government Budget deficit amounted to MKD 31.4 billion, or 3% of GDP.

## 2025 Budget, Revised 2025 Budget of the Republic of North Macedonia and Decision for reallocation between budget users and funds for 2025

For details of the Budget for 2025 and the revised Budget for 2025, see “*Economy of North Macedonia – Recent Developments – Budget of the Republic of North Macedonia for 2025*” and “*Economy of North Macedonia – Recent Developments – Revisions to the Budget of the Republic of North Macedonia for 2025*”.

## 2026 Budget of the Republic of North Macedonia

For details of the Budget for 2026, see “*Economy of North Macedonia – Recent Developments – Budget of the Republic of North Macedonia for 2026*”.

### Central Budget components

The following table sets out principal revenue and expenditure components of the Central Government Budget for the periods indicated:

Budget 2020-2030 (in € million)													
	2020	2021	2022	2023	2024	2025	Revised 2025	Decision 2025	Budget 2026	2027*	2028*	2029*	2030*
<b>TOTAL REVENUES</b>	<b>3,082</b>	<b>3,545</b>	<b>3,953</b>	<b>4,506</b>	<b>4,968</b>	<b>5,835</b>	<b>5,892</b>	<b>5,933</b>	<b>6,097</b>	<b>6,552</b>	<b>6,967</b>	<b>7,418</b>	<b>7,898</b>
<b>Tax Revenues and contributions</b>	<b>2,821</b>	<b>3,192</b>	<b>3,580</b>	<b>4,071</b>	<b>4,611</b>	<b>5,191</b>	<b>5,190</b>	<b>5,190</b>	<b>5,463</b>	<b>5,857</b>	<b>6,275</b>	<b>6,719</b>	<b>7,199</b>
Tax revenues	1,738	2,044	2,318	2,565	2,893	3,287	3,286	3,286	3,482	3,738	4,007	4,293	4,603
PIT	303	334	388	443	518	580	580	580	631	675	724	777	834
CIT	171	177	257	275	328	379	379	379	432	462	496	532	571
VAT (net)	762	946	1,053	1,139	1,325	1,410	1,410	1,410	1,504	1,609	1,727	1,852	1,988
Excises	365	415	414	436	467	575	575	575	583	624	669	717	770
Customs Duties	110	138	162	183	210	264	264	264	270	289	310	332	357
Other taxes	8	10	11	59	16	21	21	21	17	21	23	25	27
Tax Revenues (SRA)	19	23	33	30	29	57	57	57	46	57	57	57	57
Social Contributions	1,082	1,148	1,262	1,506	1,718	1,904	1,904	1,904	1,981	2,119	2,267	2,426	2,596
Pensions	732	778	854	1,018	1,162	1,318	1,318	1,318	1,395	1,493	1,597	1,709	1,828
Unemployment	45	47	52	62	71	72	72	72	51	55	58	63	67
Health	305	323	356	426	485	514	514	514	535	572	612	655	701
<b>Non-Tax Revenues</b>	<b>182</b>	<b>226</b>	<b>279</b>	<b>274</b>	<b>275</b>	<b>428</b>	<b>498</b>	<b>506</b>	<b>473</b>	<b>477</b>	<b>473</b>	<b>479</b>	<b>479</b>
<b>Capital Revenues</b>	<b>30</b>	<b>31</b>	<b>37</b>	<b>34</b>	<b>30</b>	<b>57</b>	<b>46</b>	<b>46</b>	<b>41</b>	<b>44</b>	<b>44</b>	<b>44</b>	<b>44</b>
<b>Grants</b>	<b>50</b>	<b>96</b>	<b>56</b>	<b>127</b>	<b>52</b>	<b>159</b>	<b>158</b>	<b>191</b>	<b>120</b>	<b>174</b>	<b>175</b>	<b>175</b>	<b>175</b>
<b>TOTAL EXPENDITURES</b>	<b>3,958</b>	<b>4,177</b>	<b>4,530</b>	<b>5,179</b>	<b>5,650</b>	<b>6,507</b>	<b>6,565</b>	<b>6,605</b>	<b>6,735</b>	<b>7,134</b>	<b>7,586</b>	<b>8,033</b>	<b>8,543</b>
<b>Current Expenditures</b>	<b>3,696</b>	<b>3,797</b>	<b>4,064</b>	<b>4,472</b>	<b>5,183</b>	<b>5,740</b>	<b>5,795</b>	<b>5,904</b>	<b>6,082</b>	<b>6,340</b>	<b>6,549</b>	<b>6,801</b>	<b>7,071</b>
Wages and allowances	484	504	523	600	714	783	800	800	856	881	906	950	996
Goods and services	251	327	341	343	373	428	456	449	458	442	452	460	489
Transfers to Local SG	348	345	380	446	501	540	545	554	585	607	638	670	701
Transfers to Local SG Units/VAT	38	36	47	58	68	77	79	79	85	90	97	104	111
Transfers to Local SG Units	309	309	333	389	432	464	465	474	501	517	542	566	590
Subsidiaries and transfers	568	498	529	451	542	544	516	537	483	550	568	584	612
Social Transfers	1,915	1,975	2,142	2,421	2,765	3,106	3,143	3,225	3,354	3,473	3,575	3,679	3,788
Pensions	979	1,013	1,099	1,268	1,474	1,715	1,732	1,781	1,900	1,937	1,976	2,016	2,056
Transitional costs	140	150	176	198	231	236	260	260	319	325	332	338	345
Unemployment benefits	26	23	21	19	20	25	23	23	24	26	27	27	27
Active measures for employment	18	22	23	20	28	31	33	33	34	34	35	37	40
Social benefits	185	193	200	222	236	236	232	241	195	197	197	197	197
Health care	564	570	620	690	776	854	854	878	875	946	1,000	1,056	1,115

Interest Payments	131	148	149	210	290	339	335	325	346	387	410	458	484
<b>Capital expenditures</b>	<b>262</b>	<b>381</b>	<b>466</b>	<b>708</b>	<b>467</b>	<b>767</b>	<b>770</b>	<b>720</b>	<b>652</b>	<b>794</b>	<b>1,037</b>	<b>1,233</b>	<b>1,472</b>
<b>Budget balance</b>	<b>-876</b>	<b>-632</b>	<b>-577</b>	<b>-673</b>	<b>-681</b>	<b>-672</b>	<b>-672</b>	<b>-672</b>	<b>-638</b>	<b>-581</b>	<b>-619</b>	<b>-616</b>	<b>-645</b>
<b>Budget balance, %/GDP</b>	<b>-8.0</b>	<b>-5.3</b>	<b>-4.4</b>	<b>-4.6</b>	<b>-4.4</b>	<b>-4.0</b>	<b>-4.0</b>	<b>-4.0</b>	<b>-3.5</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-2.8</b>	<b>-2.8</b>

Budget 2020-2030 (in million denars)													
	2020	2021	2022	2023	2024	2025	Revised 2025	Decision 2025	Budget 2026	2027*	2028*	2029*	2030*
<b>TOTAL REVENUES</b>	<b>189,554</b>	<b>218,021</b>	<b>243,085</b>	<b>277,129</b>	<b>305,553</b>	<b>358,838</b>	<b>362,377</b>	<b>364,877</b>	<b>374,935</b>	<b>402,962</b>	<b>428,457</b>	<b>456,181</b>	<b>485,710</b>
<b>Tax Revenues and contributions</b>	<b>173,464</b>	<b>196,317</b>	<b>220,186</b>	<b>250,355</b>	<b>283,557</b>	<b>319,234</b>	<b>319,196</b>	<b>319,196</b>	<b>335,971</b>	<b>360,198</b>	<b>385,883</b>	<b>413,206</b>	<b>442,725</b>
Tax revenues	106,900	125,690	142,567	157,733	177,889	202,139	202,100	202,100	214,149	229,862	246,437	264,012	283,101
PIT	18,625	20,552	23,852	27,257	31,852	35,676	35,676	35,676	38,797	41,513	44,549	47,768	51,265
CIT	10,497	10,871	15,776	16,927	20,185	23,287	23,287	23,287	26,572	28,432	30,511	32,716	35,111
VAT (net)	46,893	58,194	64,764	70,036	81,465	86,692	86,692	86,692	92,506	98,981	106,221	113,895	122,234
Excises	22,450	25,548	25,483	26,818	28,705	35,388	35,388	35,388	35,838	38,347	41,151	44,125	47,355
Customs Duties	6,738	8,480	9,973	11,244	12,917	16,255	16,255	16,255	16,597	17,759	19,058	20,435	21,931
Other taxes	510	641	670	3,616	957	1,309	1,309	1,309	1,019	1,298	1,415	1,541	1,673
Tax Revenues (SRA)	1,187	1,404	2,049	1,835	1,808	3,532	3,493	3,493	2,820	3,532	3,532	3,532	3,532
Social Contributions	66,564	70,627	77,619	92,622	105,668	117,095	117,096	117,096	121,822	130,336	139,446	149,194	159,624
Pensions	45,044	47,819	52,509	62,610	71,436	81,071	81,072	81,072	85,807	91,800	98,213	105,074	112,416
Unemployment	2,757	2,918	3,214	3,842	4,383	4,414	4,414	4,414	3,141	3,360	3,596	3,847	4,117
Health	18,763	19,890	21,896	26,170	29,849	31,610	31,610	31,610	32,874	35,176	37,638	40,273	43,092
<b>Non-Tax Revenues</b>	<b>11,173</b>	<b>13,882</b>	<b>17,189</b>	<b>16,866</b>	<b>16,920</b>	<b>26,302</b>	<b>30,608</b>	<b>31,108</b>	<b>29,060</b>	<b>29,362</b>	<b>29,072</b>	<b>29,473</b>	<b>29,483</b>
<b>Capital Revenues</b>	<b>1,846</b>	<b>1,928</b>	<b>2,273</b>	<b>2,071</b>	<b>1,851</b>	<b>3,510</b>	<b>2,830</b>	<b>2,830</b>	<b>2,510</b>	<b>2,710</b>	<b>2,710</b>	<b>2,710</b>	<b>2,710</b>
<b>Grants</b>	<b>3,071</b>	<b>5,894</b>	<b>3,437</b>	<b>7,836</b>	<b>3,225</b>	<b>9,792</b>	<b>9,743</b>	<b>11,743</b>	<b>7,394</b>	<b>10,692</b>	<b>10,792</b>	<b>10,792</b>	<b>10,792</b>
<b>TOTAL EXPENDITURES</b>	<b>243,421</b>	<b>256,906</b>	<b>278,596</b>	<b>318,539</b>	<b>347,454</b>	<b>400,188</b>	<b>403,728</b>	<b>406,228</b>	<b>414,174</b>	<b>438,723</b>	<b>466,524</b>	<b>494,042</b>	<b>525,370</b>
<b>Current Expenditures</b>	<b>227,306</b>	<b>233,498</b>	<b>249,959</b>	<b>275,015</b>	<b>318,756</b>	<b>353,032</b>	<b>356,377</b>	<b>362,172</b>	<b>374,052</b>	<b>389,922</b>	<b>402,743</b>	<b>418,241</b>	<b>434,850</b>
Wages and allowances	29,775	31,010	32,159	36,877	43,889	48,141	49,189	49,175	52,628	54,153	55,746	58,437	61,257
Goods and services	15,423	20,110	21,001	21,117	22,923	26,325	28,025	27,599	28,177	27,177	27,782	28,292	30,092
Transfers to Local SG	21,373	21,218	23,365	27,459	30,781	33,239	33,516	34,048	36,007	37,355	39,244	41,178	43,139
Transfers to Local SG Units/VAT	2,342	2,238	2,910	3,562	4,202	4,707	4,888	4,888	5,202	5,550	5,939	6,373	6,834
Transfers to Local SG Units	19,031	18,980	20,455	23,897	26,579	28,532	28,628	29,160	30,805	31,805	33,305	34,805	36,305
Subsidiaries and transfers	34,905	30,635	32,536	27,754	33,324	33,436	31,734	33,047	29,696	33,830	34,930	35,930	37,630
Social Transfers	117,799	121,439	131,758	148,867	170,027	191,046	193,296	198,346	206,268	213,579	219,848	226,245	232,981
Pensions	60,216	62,289	67,567	77,967	90,646	105,495	106,515	109,515	116,820	119,156	121,540	123,970	126,450
Transitional costs	8,608	9,233	10,827	12,172	14,218	14,500	16,000	16,000	19,600	20,000	20,400	20,800	21,200
Unemployment benefits	1,576	1,388	1,282	1,191	1,207	1,550	1,384	1,384	1,500	1,600	1,650	1,650	1,650
Active measures for employment	1,115	1,365	1,420	1,241	1,704	1,889	2,050	2,050	2,076	2,100	2,150	2,250	2,450
Social benefits	11,347	11,876	12,282	13,653	14,503	14,510	14,259	14,809	12,015	12,106	12,106	12,106	12,106
Health care	34,693	35,044	38,157	42,422	47,749	52,531	52,516	54,016	53,813	58,151	61,513	64,954	68,584
Interest Payments	8,031	9,086	9,140	12,941	17,812	20,845	20,617	19,957	21,277	23,827	25,194	28,159	29,751
<b>Capital expenditures</b>	<b>16,115</b>	<b>23,408</b>	<b>28,637</b>	<b>43,524</b>	<b>28,698</b>	<b>47,156</b>	<b>47,351</b>	<b>44,056</b>	<b>40,122</b>	<b>48,801</b>	<b>63,781</b>	<b>75,801</b>	<b>90,520</b>
<b>Budget balance</b>	<b>-53,867</b>	<b>-38,885</b>	<b>-35,511</b>	<b>-41,410</b>	<b>-41,901</b>	<b>-41,350</b>	<b>-41,350</b>	<b>-41,350</b>	<b>-39,239</b>	<b>-35,761</b>	<b>-38,067</b>	<b>-37,861</b>	<b>-39,660</b>
<b>Budget balance, %/GDP</b>	<b>-8.0</b>	<b>-5.3</b>	<b>-4.4</b>	<b>-4.6</b>	<b>-4.4</b>	<b>-4.0</b>	<b>-4.0</b>	<b>-4.0</b>	<b>-3.5</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-2.8</b>	<b>-2.8</b>

Source: Ministry of Finance

The following table shows the functional classification of budget expenditure and outflow for 2025 and 2026:

Code	Description	Budget 2025 (€ million)	% of total	Revised Budget 2025 (€ million)	% of total	Budget 2026 (€ million)	% of total
701	General Public Services	467	5.9%	476	6.0%	436	5.5%
702	Defence	305	3.9%	306	3.9%	326	4.1%
703	Public Order and Safety	384	4.9%	395	5.0%	399	5.0%
704	Economic Affairs	2,390	30.5%	2,370	29.9%	2,231	27.9%
	General economic, commercial and labour related affairs	129	1.6%	86	1.1%	95	1.2%
	Agriculture, forestry, fishing and hunting	158	2.0%	159	2.0%	153	1.9%
	Fuel and Energy	4	0.1%	7	0.1%	36	0.4%
	Mining, craftsmanship and construction	10	0.1%	10	0.1%	9	0.1%
	Transportation	283	3.6%	284	3.6%	211	2.6%
	Communication	32	0.4%	30	0.4%	34	0.4%
	Other industries	16	0.2%	12	0.2%	12	0.2%
	Other economic affairs	1,759	22.4%	1,781	22.4%	1,680	21.0%
705	Environment protection	105	1.3%	91	1.2%	91	1.1%
706	Housing and community amenities	54	0.7%	55	0.7%	39	0.5%
707	Health	938	11.9%	941	11.9%	955	12.0%
708	Recreation, Culture and Religion	104	1.3%	120	1.5%	122	1.5%
709	Education	734	9.4%	756	9.5%	782	9.8%
710	Social Protection	2,369	30.2%	2,423	30.5%	2,611	32.7%
	<b>Total</b>	<b>7,850</b>	<b>100.0%</b>	<b>7,934</b>	<b>100.0%</b>	<b>7,993</b>	<b>100.0%</b>

Source: *Ministry of Finance*

### Fiscal Policy Statement for the Period 2024-2028

On 24 September 2024, the Government issued the first Fiscal Policy Statement for the 2024-2028 period, in accordance with Article 12 of the Budget Law (“Official Gazette of the Republic of North Macedonia” no. 203/2022, 76/2024, and 272/2024), within the legal deadline of 100 days from its election. The statement includes the goals, guidelines, and principles for fiscal strategy during the mandate of the Government, as well as the policies through which public finances (taxation, budgeting, and public debt management) will be implemented.

The Fiscal Policy Statement for the 2024-2028 period has been published on the Ministry of Finance’s website.

### Medium-term budgetary outlook 2026-2030

The Republic’s medium-term fiscal strategy comprises medium-term guidelines, goals for the fiscal policy, main macroeconomic projections, amounts of the main categories of projected revenues and expenditures, as well as budget deficit and debt projections. The fiscal strategy reflects the medium-term fiscal goals and strategic priorities of the Government.

### The Revised Fiscal Strategy 2026-2030

The Revised Fiscal Strategy 2026-2030 was prepared based on the 2024-2028 Fiscal Policy Statement, which the Government adopted in September 2024 pursuant to Article 12 of the Organic Budget Law and initial Fiscal strategy 2026-2030. The Ministry of Finance prepared the Fiscal Strategy and submitted it to the Government, considering the goals and the priorities set in the 2024-2028 Fiscal Policy Statement, the strategic priorities of the Government and the proposals of the parent budget users.

The fiscal policy for the 2026–2030 period will aim at improving macroeconomic stability and supporting economic activity through gradual fiscal consolidation, while ensuring the sustainability of public finances. A key goal will be to enhance public financial management and maintain a high level of capital expenditures that support long-term economic priorities.

Key elements of fiscal policy in the upcoming medium-term period will include:

- *Fiscal consolidation*: Implementing measures to ensure medium-term fiscal sustainability;
- *Discipline in public funds management*: Strengthening fiscal discipline, reducing the informal economy, and increasing revenue collection for the state and municipal budgets;
- *Support for the economy*: Continued support for economic growth through investments in infrastructure projects, thereby creating conditions for business growth and job creation;
- *Redesigning the structure of public finances*: Maintaining a high level of capital expenditures to achieve the planned economic growth; and
- *Enhanced transparency and accountability*: Improving transparency and accountability in public finances, thereby increasing the efficiency of budgetary expenditures.

During this period, fiscal policy will aim to create conditions for a new cycle of economic growth through substantial public capital investments, gradual fiscal consolidation, and improved public financial management.

In addition to the commitment to fiscal consolidation and budgetary savings, the Government will continue supporting the economy through investments in infrastructure projects, redesigning the structure of public finances by maintaining high capital expenditures, and reinforcing transparency and accountability.

A disciplined fiscal policy is planned, which will entail reducing non-essential expenditures to ensure that public funds are used more efficiently and effectively.

The Fiscal Strategy includes the medium-term directions and goals of fiscal policy, basic macroeconomic projections, estimated revenue and expenditure amounts for key categories, as well as projections for the budget deficit and public debt.

To ensure medium-term fiscal sustainability, the fiscal projections include a framework for meeting numerical fiscal rules. These rules are designed to be aligned and consistent with the EU's fiscal rules, thereby enhancing trust and the stability of public finances.

The application of such a framework aims to ensure a disciplined and predictable fiscal policy, supported by medium-term projections and realistic objectives.

The Revised Fiscal Strategy 2026-2030 targets a reduction in the fiscal deficit to 2.8% of GDP and a reduction in the primary balance to 0.7% of GDP by 2029. Total general government debt may not exceed 60% of the nominal GDP, while public debt is projected to reach 57.3% of GDP by 2030. Total budget revenues for the period of 2026 – 2030 are projected to be approximately 34% of GDP, while total expenditures are projected at around 37% of GDP. Capital expenditures are expected to be maintained at approximately 5% of GDP throughout the period.

Tax policy under this framework is focused on maintaining low tax rates, with personal income tax and corporate income tax both set at 10%, with VAT being 19% for standard tax rate and 10% and 5% for preferential tax rates. The Government intends to implement a global minimum corporate income tax of 15% for large multinational enterprises and broaden the tax base by abolishing non-productive exemptions. Green taxes will be introduced to discourage pollution. Additionally, digitalisation measures such as e-invoicing and e-fiscalisation are planned to reduce the informal economy to 26% of GDP by the end of 2027.

Management of public finances will be strengthened through medium-term budgeting overseen by the Fiscal Council and performance-based allocations which link spending to measurable outcomes and key performance

indicators. The Government will mandate the publication of financial data related to tax expenditures, fiscal risks, municipalities, and state-owned enterprises. Transfers to municipalities will be increased, with VAT and personal income tax shares set at 6% each. The expansion of digital public services is also intended to reduce corruption.

Debt management will involve a mix of domestic and foreign borrowing under favourable terms, the issuance of longer-maturity securities to reduce refinancing risk, and the maintenance of at least 60% fixed-rate debt to limit interest risk. Sovereign guarantees will be capped at 15% of GDP.

Sectoral reforms are planned across several areas. In energy, the Government aims to increase the share of renewables, improve efficiency, and promote gasification. Agricultural reforms will focus on boosting competitiveness and supporting rural development. Defence spending will be aligned with NATO commitments by allocating funds accounting for 2% of GDP and a minimum of 20% investment in equipping and modernisation. Environmental initiatives will include projects for wastewater treatment, solid waste management, and air quality improvement. Finally, digital transformation efforts will focus on broadband expansion and the development of e-services.

The Budget and Fiscal Strategy must comply with the following numerical fiscal rules regarding the deficit and general government debt:

1. The general government deficit in a given year must not exceed 3% of the nominal Gross Domestic Product (GDP);
2. The total general government debt must not exceed 60% of nominal GDP, and the guaranteed public debt must not exceed 15% of nominal GDP;
3. The Government may deviate from the established fiscal rules in the case of any of the following exceptional circumstances:
  - Natural disasters or external shocks that threaten national security or the health and lives of the population;
  - A state of emergency and/or crisis; or
  - Severe financial or economic shocks resulting in negative or very low annual real GDP growth, close to zero, requiring substantial fiscal policy support;
4. Deviations from the fiscal rules are permitted for the implementation of investment projects with a positive impact on GDP. These deviations must not exceed 0.5% of GDP annually and cumulatively over a five-year period; and
5. For any deviation, the Government is required to provide a clear explanation to the Assembly in the next Budget or Budget amendment or in the next Fiscal Strategy, detailing:
  - The reasons for the deviation from fiscal rules;
  - The corrective measures undertaken and planned to re-establish compliance with fiscal rules within a period of no more than five years from the deviation.

In the medium term, the fiscal policy envisages phased fiscal consolidation. Accordingly, the budget deficit as a percentage of GDP is projected to decline from 4.0% in 2025 to:

- 3.5% in the adopted Budget for 2026;
- 3.0% in 2027 and 2028; and
- 2.8% in 2029 and 2030.

From 2027 onwards, according to fiscal projections, compliance with the fiscal rule regarding the budget deficit is expected to be achieved.

The projected deviation of 0.5% of GDP is primarily attributed to planned infrastructure projects, including road infrastructure, local infrastructure initiatives, and defence investments.

A significant factor contributing to this deviation is the implementation of previously agreed large-scale infrastructure projects, such as the Corridors 8 and 10d Construction Project, for which a special law was adopted by the Assembly.

The Government plans to gradually align with fiscal rules through the implementation of measures on both the revenue and expenditure sides, including:

- Increased collection of budget revenues by reducing the informal economy;
- Improved tax collection through the introduction of electronic invoicing (e-invoice) and other reform initiatives within the Public Revenue Office;
- Uncompromising fight against corruption through strict enforcement of the Law on Public Procurement, enabling significant savings across all budget institutions;
- Improvement of planning and execution processes for capital investments; and
- Prioritisation of capital projects based on their level of preparedness and the economic and social benefits of their implementation.

The revenue projections for the upcoming medium-term period are based on revenues realised in previous years, revenues collected in the current year, projections of macroeconomic indicators, and the effects of planned reforms in the tax sector.

The expenditures in the Budget for the upcoming medium-term period are based on realistic assumptions regarding:

- Normal and responsible functioning of institutions, through the regular servicing of obligations;
- A disciplined approach in the use of limited budgetary resources, through increased oversight and clearly defined criteria for budget support;
- Performance- and results-based budgeting, aimed at improving the efficiency and effectiveness of public spending through the development and continuous monitoring of performance indicators for policy implementation within the Budget;
- Focus of capital investments on the realisation of infrastructure projects, particularly in the areas of transport and utility infrastructure, energy capacity development, investments in educational, healthcare, and other public infrastructure; and
- Strategic planning of large infrastructure projects.

The expenditure side of the Budget for the upcoming period is fully aligned with the Republic's strategic priorities, which include promoting economic growth, maintaining stable public finances, improving public infrastructure, and enhancing citizens' standard of living.

The expenditure projections are prepared based on three key principles:

- Alignment of revenue projections with planned economic activity;
- Projection of total expenditures in line with ongoing fiscal consolidation efforts; and
- Ensuring the regular and uninterrupted fulfilment of all legal obligations.

The table shows the commitment to fiscal consolidation and better budget structure, primarily on the revenue and expenditure side in the total expenditures and Budget 2020-2030 as a percentage of GDP.



## Structure of the Budget 2020 – 2030

Structure of Budget 2020-2030 (%)	2020	2021	2022	2023	2024	2025	Revised 2025	Decision 2025	Budget 2026	2027*	2028*	2029*	2030*
<b>Total revenues</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Tax revenues and contributions	91.5	90.0	90.6	90.3	92.8	89.0	88.1	87.5	89.6	89.4	90.1	90.6	91.2
Tax revenues	56.4	57.7	58.6	56.9	58.2	56.3	55.8	55.4	57.1	57.0	57.5	57.9	58.3
Contributions	35.1	32.4	31.9	33.4	34.6	32.6	32.3	32.1	32.5	32.3	32.5	32.7	32.9
Non-tax revenue	5.9	6.4	7.1	6.1	5.5	7.3	8.4	8.5	7.8	7.3	6.8	6.5	6.1
Capital income	1.0	0.9	0.9	0.7	0.6	1.0	0.8	0.8	0.7	0.7	0.6	0.6	0.6
Donations	1.6	2.7	1.4	2.8	1.1	2.7	2.7	3.2	2.0	2.7	2.5	2.4	2.2
<b>Total expenditures</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.2</b>	<b>100.0</b>	<b>100.0</b>	<b>99.9</b>	<b>100.0</b>	<b>100.1</b>
Current expenditures	93.4	90.9	89.7	86.3	91.7	88.2	88.3	89.3	90.3	88.8	86.3	84.6	82.9
Salaries and allowances	12.2	12.1	11.5	11.6	12.6	12.0	12.2	12.1	12.7	12.3	11.9	11.8	11.7
Goods and services	6.3	7.8	7.5	6.6	6.6	6.6	6.9	6.8	6.8	6.2	6.0	5.7	5.7
Transfers to LSGUs	8.8	8.3	8.4	8.6	8.9	8.3	8.3	8.4	8.7	8.5	8.4	8.3	8.2
Subsidies and transfers	14.3	11.9	11.7	8.7	9.6	8.4	7.9	8.1	7.2	7.7	7.5	7.3	7.2
Social transfers	48.4	47.3	47.3	46.7	48.9	47.7	47.9	48.8	49.8	48.7	47.1	45.8	44.3
Interest payments	3.3	3.5	3.3	4.1	5.1	5.2	5.1	5.1	5.1	5.4	5.3	5.7	5.8
Capital expenditure	6.6	9.1	10.3	13.7	8.3	11.8	11.7	10.8	9.7	11.1	13.7	15.3	17.2
<b>Budget 2020-2030, % of GDP</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Revised 2025</b>	<b>Decision 2025</b>	<b>Budget 2026</b>	<b>2027*</b>	<b>2028*</b>	<b>2029*</b>	<b>2030*</b>
<b>Total revenues</b>	<b>28.3</b>	<b>29.9</b>	<b>29.8</b>	<b>30.9</b>	<b>32.2</b>	<b>35.1</b>	<b>35.4</b>	<b>35.7</b>	<b>33.8</b>	<b>34.2</b>	<b>34.1</b>	<b>34.0</b>	<b>33.9</b>
Tax revenues and contributions	25.9	26.9	27.0	27.9	29.9	31.2	31.2	31.2	30.3	30.5	30.7	30.8	30.9
Tax revenues	16.0	17.2	17.5	17.6	18.7	19.8	19.8	19.8	19.3	19.5	19.6	19.7	19.8
Contributions	9.9	9.7	9.5	10.3	11.1	11.5	11.5	11.5	11.0	11.1	11.1	11.1	11.1
Non-tax revenue	1.7	1.9	2.1	1.9	1.8	2.6	3.0	3.0	2.6	2.5	2.3	2.2	2.1
Capital income	0.3	0.3	0.3	0.2	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Donations	0.5	0.8	0.4	0.9	0.3	1.0	1.0	1.1	0.7	0.9	0.9	0.8	0.8
<b>Total expenditures</b>	<b>36.4</b>	<b>35.2</b>	<b>34.1</b>	<b>35.5</b>	<b>36.6</b>	<b>39.1</b>	<b>39.5</b>	<b>39.7</b>	<b>37.4</b>	<b>37.2</b>	<b>37.1</b>	<b>36.8</b>	<b>36.7</b>
Current expenditures	34.0	32.0	30.6	30.6	33.6	34.5	34.9	35.4	33.7	33.1	32.0	31.1	30.3
Salaries and allowances	4.4	4.3	3.9	4.1	4.6	4.7	4.8	4.8	4.7	4.6	4.4	4.3	4.3
Goods and services	2.3	2.8	2.6	2.4	2.4	2.6	2.7	2.7	2.5	2.3	2.2	2.1	2.1
Transfers to LSGUs	3.2	2.9	2.9	3.1	3.2	3.3	3.3	3.3	3.2	3.2	3.1	3.1	3.0
Subsidies and transfers	5.2	4.2	4.0	3.1	3.5	3.3	3.1	3.2	2.7	2.9	2.8	2.7	2.6
Social transfers	17.6	16.6	16.1	16.6	17.9	18.7	18.9	19.4	18.6	18.1	17.5	16.8	16.3
Interest payments	1.2	1.2	1.1	1.4	1.9	2.0	2.0	2.0	1.9	2.0	2.0	2.1	2.1
Capital expenditure	2.4	3.2	3.5	4.8	3.0	4.6	4.6	4.3	3.6	4.1	5.1	5.6	6.3
<b>Budget balance</b>	<b>-8.0</b>	<b>-5.3</b>	<b>-4.4</b>	<b>-4.6</b>	<b>-4.4</b>	<b>-4.0</b>	<b>-4.0</b>	<b>-4.0</b>	<b>-3.5</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-2.8</b>	<b>-2.8</b>

Note:

\* Projected

Source: Ministry of Finance and projections of the Ministry of Finance

Projections remain subject to numerous internal and external factors, may not materialise, and may be significantly revised. See also the section headed “Forward Looking Statements” in this Offering Circular.

The following table sets out the interest expenditures of North Macedonia and the EU as a percentage of their respective GDP:

Year	North Macedonia	EU
	(%)	
2020.....	1.2	1.3
2021.....	1.2	1.2
2022.....	1.1	1.5
2023.....	1.4	1.5
2024.....	1.9	1.6

Source: Eurostat

In projecting the amount and structure of current expenditures for the upcoming period, which include regular payment of salaries to public sector employees, timely and regular payment of pensions and other social rights, interest payments to domestic and foreign creditors, payment of agricultural subsidies, support for small and medium-sized enterprises, and subsidising innovative activities, the following assumptions were taken into account:

- *Efficiency and productivity*: Improving the efficiency, productivity, and accountability of the public sector, optimising the public administration through structural reforms, and aligning wages with economic growth;
- *Resource optimisation*: More efficient use of resources through improved planning and execution of operational expenditures;
- *Improved decentralisation*: Delivering quality services at the municipal level through redefined criteria for resource allocation and more efficient use of grants;
- *Comprehensive economic support*: Allocating more resources to targeted subsidies and transfers that will have a stronger positive impact on economic activity;
- *Social assistance and employment*: Reducing poverty through properly targeted social assistance and increasing labour market participation.

In the 2025-2030 period, fiscal policy will be aimed at creating preconditions for a new economic growth cycle, ensuring a substantial level of public investments that serve as foundation for improving economic perspectives and enhancing the quality of life for citizens.

Therefore, substantial capital investments are projected by allocating budget funds, including funds obtained under loans from international financial institutions and bilateral creditors. The projected amounts demonstrate that infrastructure projects are picking up pace, such as investments in road and railway infrastructure, energy and utilities infrastructure, as well as capital investments aimed at improving the conditions in the health, education and social systems, agriculture, culture, sports, environmental protection and judiciary. As per the priorities under the Government's work programme, the Government will put focus on the implementation of the initiated capital investments, including infrastructure and energy project in support of the business sector, capital projects in the field of utilities and other local infrastructure aimed at improving the living conditions of the citizens such as improvement on the conditions in the health, education and social system, agriculture and environmental protection, strategic planning of major infrastructural projects, as well as scaled-up capital investments with a significantly improved structure and substantial amount of funds as capital transfer towards municipalities.

In addition, the Government has put in place a policy aimed at improving the capital expenditure structure and execution. The main objectives of the policy consist of increasing growth potential of the national economy, boosting competitiveness, attracting and encouraging investments by increasing the amount, the quality and the pace of execution of capital expenditures.

### **Budget of the Municipalities**

Municipalities are independent authorities responsible for preparation and execution of their own budget. The budget process and financing of municipalities is regulated by the Organic Budget Law, which prescribes all principles and procedures of budget preparation and the execution of the municipalities budget, and the Law on Financing of the Units of Local Self-Government (the "Law on Local Financing"), which prescribes the system and sources of financing, as well as competences and responsibilities of municipality authorities.

The current sources of income for municipalities are own revenues (including property tax, tax on inheritance and gifts, sales tax on real estate, taxes on specific services, utility fees, fees for the regulation of land and benefits from communal activity), revenues determined in special laws, transfers from the Budget of the Republic of North Macedonia, tax revenues, transfers for capital projects, as well as donations and loans. These funds provide financial support for local governments and their development activities.

Amendments to the Law on Financing Local Self-Government Units have ensured an improvement in the fiscal capacity and an increase in the revenues of municipalities. Consequently, revenues from personal income tax in the period from 2022 to 2024 gradually increased from 3% to 6% of the personal income tax of most of the municipalities' citizen<sup>1</sup>, and municipalities are entitled to 100% of the personal income tax of their citizens who earn a living by performing specified crafts.

In addition to revenue generated internally, municipalities receive resources from the Central Budget in the form of block grants specifically delegated to the fields of education, social care, culture and firefighting protection, VAT grants (general grants) and capital grants for infrastructure projects.

Starting in 2024, revenues from VAT will be provided in the amount of 6% of the collected VAT realised in the previous fiscal year, distributed into three parts: a general part of 4.5% is distributed to all municipalities, 0.75% is intended for equalisation of municipalities, and 0.75% is for those that show positive results. The calculation of revenues from the general part of VAT to be transferred to municipalities is set by law and the criteria for distribution are split between a fixed amount and a variable amount calculated on the basis of population as well as other criteria established in the relevant decree adopted by the Government on an annual basis for the following year.

The Performance Fund will reward the municipalities that have better collection of local revenues, while the Inclusion Fund will act to reduce the differences according to the fiscal capacity of the municipalities. Therefore, the municipalities that show positive results and have higher realisation of their own revenues will receive more funds from the Performance Fund, while the municipalities with lower revenues due to limited capacity of resources, but showing fiscal effort and good results in collecting of own income, will receive funds from the Equalisation Fund.

The total amount of VAT revenues to be distributed to municipalities in 2025 is projected at MKD 4.9 billion, which represents an increase of MKD 686 million compared to 2024. During 2024, the total VAT revenues transferred to municipalities amounted to approximately MKD 4.2 billion, compared to MKD 3.6 billion in 2023 and MKD 2.9 billion in 2022. For 2026, VAT revenues allocated to municipalities are budgeted at MKD 5.2 billion, reflecting the continued implementation of fiscal decentralisation measures and increased transfers from central government.

During 2024, MKD 26.6 billion was transferred for block grants. MKD 28.6 billion was budgeted for block grants for 2025 and MKD 30.8 billion is budgeted for block grants for 2026.

The Government remains, through its competent ministries and institutions, actively support the local development by providing for implementation of a wide range of infrastructure projects across municipalities throughout the country. In 2024 and 2025, over MKD 18.5 billion was allocated from the State Budget as capital grants, aimed at implementing around 1 100 infrastructure projects. These projects should be implemented in 2025, 2026, and 2027.

Any borrowing by local municipalities, including for financing government deficit or capital expenditure requirements must obtain prior consent by the Government, on the basis of an opinion by the Ministry of Finance. Any negotiations of loan agreements by municipalities pursuant to the Public Debt Law ("Official Gazette of the Republic of Macedonia" No. 62/05, 88/08, 35/11, 139/14 and "Official Gazette of the Republic of North Macedonia" No. 98/19, 151/21 и 12/25) can only be started with the Government's prior consent.

Increased transparency is aimed at strengthening fiscal responsibility, timely involvement of the public in the creation of municipal policies and informing about the work done by municipal authorities. To increase transparency and accountability, municipalities need to publish financial reports in a clear and understandable manner, which will increase accountability for the use of budget funds. This will help ensure the legal, intended and purposeful use of public funds, which is key to achieving the goals for growth and development of

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<sup>1</sup> 3% of the personal income tax from the salary of employees according to settlement of residence and 100% of the personal income tax of persons from salaries who perform craft activity.

municipalities. This will result in more efficient provision of services to citizens and improvement of the quality of life in municipalities.

The Government's program for the period 2024–2028 in the domain of local self-government focuses on improving infrastructure, increasing transparency and accountability, as well as stimulating economic development at the local level. These initiatives aim to ensure the legal, intended and purposeful use of public funds, as well as to create conditions for improving the quality of life of citizens.

### ***Organic Budget Law***

The Organic Budget law was adopted by the Assembly on 15 September 2022. The Organic Budget Law is in line with the commitment to improve the public financial management system, and provides a framework for conducting sound, predictable and sustainable fiscal policy and increasing budgetary discipline and accountability.

The new Budget Law, during its adoption process, was aligned with the latest trends, recommendations from international institutions, and directives of the EU.

In addition to the provisions that came into force on 1 January 2023, concerning strategic planning, macroeconomic projections, the Fiscal Strategy, fiscal rules, and the Fiscal Council, starting from 1 January 2025, the amendments to the Budget Law are implemented as by-laws for the register of public entities, medium-term fiscal implications assessment, gender-responsive budgeting, and guidelines for the preparation of macro-fiscal projections, with full implementation of this law planned for 2028.

The application of the new Budget Law is linked to the preparation of the by-laws, most of which were adopted and published by the end of 2024, while some were adopted during 2025, with and two revised until the end of 2025 on organisational classification and program classification. The by-laws are prepared in collaboration with experts from the EU-Twinning Project, the United States Treasury, and the World Bank. In line with the Budget Law, by-laws resulting from the Reform Agenda 2024–2027 were adopted and published in the Official Gazette.

The by-laws include:

1. Rulebook on the form, content, establishment, and maintenance of the Register of Public Entities – *based on Article 4, paragraph 5 of the Organic Budget Law*;
2. Rulebook on organisational classification – *based on Article 5, paragraph 3 of the Organic Budget Law*;
3. Rulebook on economic classification – *based on Article 5, paragraph 3 of the Organic Budget Law*;
4. Rulebook on program classification – *based on Article 5, paragraph 3 of the Organic Budget Law*;
5. Rulebook on functional classification – *based on Article 5, paragraph 3 of the Organic Budget Law*;
6. Rulebook on budget classification by sources of financing – *based on Article 5, paragraph 3 of the Organic Budget Law*;
7. Rulebook on the form and content of the template for assessment of the medium-term fiscal implications – *based on Article 8, paragraph 7 of the Organic Budget Law*;
8. Guidelines for the preparation of macroeconomic and fiscal projections and the coordination process between organisational units and institutions involved in macroeconomic and fiscal planning – *based on Article 15, paragraph 4 of the Organic Budget Law*;
9. Guidelines for planning budget liquidity – *based on Article 46, paragraph 5 of the Organic Budget Law*;
10. Rulebook on the method for entering commitments in the budget for the current year – *based on Article 50, paragraph 9 of the Organic Budget Law*;
11. Rulebook on the method for entering commitments in the budgets for the following years – *based on Article 51, paragraph 6 of the Organic Budget Law*;

12. Rulebook on the manner of the availability of spending rights in the budget prior to the commencement of the public procurement procedure – *based on Article 52, paragraph 2 of the Organic Budget Law*;
13. Rulebook on the method of opening and maintaining foreign currency accounts – *based on Article 69, paragraph 6 of the Organic Budget Law*;
14. Guidelines for managing liquidity in the system of a single treasury account – *based on Article 71, paragraph 6 of the Organic Budget Law*;
15. Rulebook on the method and deadlines for submitting information provided by municipalities, other budget users, and other public entities managed by state or municipal financial resources, legal entities in which the state or municipalities have direct or indirect capital investments, and other legal entities, for the needs of the registry of shares, stakes, and participation in the capital of state and municipal legal entities – *based on Article 78, paragraph 2 of the Organic Budget Law*;
16. Rulebook on the method of issuing approval for proposals to conclude financial leasing contracts by budget users of the state or budget of the municipality – *based on Article 90, paragraph 3 of the Organic Budget Law*;
17. Form and content of the misdemeanor payment order – *based on Article 114, paragraph 5 of the Organic Budget Law*;
18. Form and content of the Gender Budget Statement – *based on Article 8, paragraph 7 of the Organic Budget Law*; and
19. Methodology for defining, preparing, reviewing, evaluating, and prioritising new initiatives and project and initiatives respectively shall be adopted by the Government on the proposal of the Ministry of Finance – *based on Article 20, paragraph 5 of the Organic Budget Law*.

The law contains provisions regarding:

- fiscal rules;
- establishment of the Fiscal Council, which should provide independent and professional analysis and opinions on macroeconomic and fiscal assumptions, fiscal strategy, budget, budget implementation reports, fiscal risks and other;
- publishing a register of public entities, which will group the public entities of the country into: budget users, public enterprises and other public entities;
- fiscal policy statement should contain the guidelines for the fiscal strategy during the mandate of the Government;
- improving the process of medium-term fiscal strategy;
- improved public investment management;
- regular monitoring of the budget execution;
- increasing transparency (providing data on public enterprises, local self-government units);
- management and disposal of financial and non-financial assets of the state and the municipalities; and
- establishment of an Integrated Information System for Public Financial Management and more.

The new Budget Law encompasses all reform activities and processes that will significantly improve budget planning and the Fiscal Strategy through comprehensive data, enhanced quality in scope and content, alignment of definitions with international methodologies, and new classifications, with the aim of developing and monitoring measurable indicators.

## MONETARY AND FINANCIAL SYSTEM

### The National Bank of the Republic of North Macedonia

The NBRNM or the National Bank is the central bank of the Republic. The legal status of the NBRNM and its role as an independent central bank is guaranteed by the Constitution and reinforced by the Law of the National Bank of the Republic of North Macedonia (the “**NBRNM Law**”). The NBRNM Law formally sets out the role of NBRNM and confers upon it the authority to operate independently. NBRNM and the Ministry of Finance have regular meetings to coordinate monetary and fiscal policy issues, financial stability issues, along with other matters within the scope of activity of both institutions in order to coordinate policies for a stable and sustainable macroeconomic and financial regulatory environment.

#### *Monetary policy*

Pursuant to the NBRNM Law, the primary objective of NBRNM is to maintain price stability. As a result, the national monetary policy is geared towards maintaining low and stable inflation and creating conducive conditions for businesses to continue to grow and operate. Since October 1995, NBRNM has pegged the nominal exchange rate of the MKD against the Euro (previously against the Deutsche Mark). This *de facto* fixed exchange rate has played a major role in stabilising inflationary expectations, permitting NBRNM to maintain low and stable inflation for almost three decades. The average inflation in the pre-pandemic period equaled 1.1%, which was close to the EU average. As the pandemic led to a global inflationary episode, inflation surged in the Macedonian economy as well, and stabilised thereafter, with the average annual inflation from 2020 to 2024 equalling 6.4% based on the Harmonised Index of Consumer Prices measure, which was slightly higher compared to the average level of inflation in EU countries which was 4.3%. NBRNM also seeks to maintain a stable, competitive and market-based financial system in conformity with the principles of free competition and an open market economy.

Since 2020, international reserves of North Macedonia have increased by 44.7% through December 2025, ranging from a low of €3.4 billion at end of 2020 to a high point of €4.9 billion. The foreign exchange reserves were kept at a comfortable level throughout the cycle of several crises, allowing NBRNM to run a prudent monetary policy and keep the exchange rate intact, thus maintaining stable expectations and strong confidence among economic entities. Nevertheless, the accumulation path was not linear, reflecting the impact of pronounced external shocks and macroeconomic volatility over the observed period. During the period from 2020 to 2022, international reserves were subject to downward pressures due to the combined effects of the COVID-19 pandemic, and the subsequent energy crisis, arising from the Russia–Ukraine conflict. In response to these developments, NBRNM conducted net foreign exchange sales amounting to €744.7 million to offset, initially, the reduced foreign exchange supply and, subsequently, to accommodate the increased demand for foreign currency. These interventions aimed to smooth market conditions and preserve the stability of the exchange rate. Despite these pressures, the reserve position was sustained, through substantial external financing obtained by the Government from international and European institutions, as well as through access to international capital markets. Key inflows included the IMF Rapid Financing Instrument disbursement in April 2020, along with the Government’s Eurobond issuances in June 2020 and March 2021, the European Commission’s loan in October 2020 and EU macro-financial assistance in June 2021. Additional reserve support came from the IMF’s general allocation of the SDRs in August 2021, the Government’s bond issuance on the German financial market (“**NSV**”) at the end of September 2022 and the withdrawal of the first tranche of the PLL from the IMF in November 2022. From 2023 onward, as global economic conditions gradually stabilised and NBRNM’s policy measures helped restore stability in the foreign exchange market and expectations, the trend reversed. The net purchases of foreign currency on the foreign exchange market resumed, totalling €845.6 million, thereby rebuilding the international reserves. In this period, the Government continued to secure external financing through several key transactions that further strengthened the reserve position. These included a Eurobond issuance in March 2023, loans from the World Bank, OPEC, and the KfW in December 2023, the second PLL tranche from the IMF in January 2024, and a loan from the European Commission in May 2024. Moreover, substantial inflows were recorded from agreements with the Hungarian Export-Import Bank PLC Budapest in October 2024 and January 2025. Additional

support arrived in March 2025 through the European Commission's Reform and Growth Facility for the Western Balkans.

During this period, the Government also met several major external debt obligations, including the Eurobond issued in July 2016 which was repaid in July 2023, the instalments of the NSV bond, and the Eurobond issued in 2018 which was repaid in January 2025. These repayments contributed to maintaining a sustainable external debt position.

According to the latest 2025 developments, the foreign exchange market is stable. However, due to the higher repayments of the Government's loans during 2025, the international reserves recorded declined by €104 million as of 31 December 2025 compared to the end of December 2024. International reserves amounted to total of €4.9 billion and were maintained in the safe zone, meeting the adequacy requirements according to the international standards for maintenance of the stability of the exchange rate. For further information, see "*Risk Factors—The economy of North Macedonia is vulnerable to external shocks and fluctuations in global and regional economic conditions, which could have an adverse effect on economic growth and the ability of the Republic to service its public debt*" and "*Indebtedness—External General Government Debt—Eurobond issuances and external loans*".

The current operational framework of monetary policy is based on the following pillars:

- Managing structural excess liquidity with the issuance of CB bills through auctions at the beginning of each reserve requirement maintenance period;
- Managing short-term excess liquidity, via overnight and seven-day standing deposit facilities; and
- Utilising an interest rate corridor, set by the interest rate of the overnight credit (upper limit) and the interest rate of overnight deposit facility (lower limit).

NBRNM eased the monetary policy during 2020 in order to mitigate the negative consequences of the COVID-19 pandemic. During 2020, NBRNM cut its policy rate on three occasions, reducing it to the historically lowest level of 1.5%, amid simultaneous reduction of the offered amount of CB bills by MKD 15 billion. Also, NBRNM reintroduced the non-standard reserve requirement measure which allowed reducing the base for banks' denar reserve requirement for the amount of newly approved and restructured loans to companies which are most affected by COVID-19, and reactivated auctions of foreign exchange deposits to give domestic banks an opportunity to place their foreign exchange assets in short-term and secure instruments of NBRNM. The accommodative stance of the monetary policy was reflected in the cost of borrowing for the private sector, visible in the decline of the MKD lending interest rates to households and enterprises, from 6.6% and 4.3% in December 2019 to 6.2% and 3.8% in December 2020, respectively.

In March 2021, the NBRNM reduced the key interest rate by additional 25 basis points, to a historically low level of 1.25%. The decision on further monetary accommodation was made in conditions of stable developments on the foreign exchange market, comfortable level of foreign reserves and moderate dynamics of the inflation. During 2021, the NBRNM assessed that the liquidity injected through the main monetary policy instrument of MKD 15 billion in 2020 was appropriate and therefore offered MKD 10 billion in 2021. Thus, the NBRNM maintained the accommodative monetary policy in 2021 and accordingly the banks further reduced the MKD lending interest rates applied to households and enterprises, from 6.2% and 3.8%, in December 2020 to 5.8% and 3.5% in December 2021, respectively.

Like other central banks, NBRNM appropriately responded with measures to ease the financial burden on households. As a result of the COVID-19 pandemic, the NBRNM changed the existing by-law on credit risk management to temporarily reduce the debt burden of banks' borrowers between March and September 2020. Also, banks responded with public offers to individual clients and an individual approach for companies in order to relax the credit terms such as through interest rates and offering grace-period. As the credit risk did not materialise and the quality of loan portfolios of domestic banks did not deteriorate, the NBRNM withdrew the measures in 2021. The NBRNM with its timely response, by taking appropriate measures and strengthening the

communication with the public, contributed to the successful achievement of its goals and stabilisation of market expectations, which was noted in the assessments from the reports of all relevant international financial institutions. All of this points to proper management of the crisis, provided conditions for solid credit support to citizens and companies, while preserving the stability of the banking system.

Starting from 1 January 2021, a new decision on liquidity risk management was enacted, which, among other things, stipulates an obligation for banks to calculate and maintain the so-called Liquidity Coverage Ratio, in accordance with the requirements of Basel III. Banks are obliged to maintain this ratio at a minimum of 100%, at an aggregated level for all currencies in which banks perform activities. Moreover, banks are obliged to report to the NBRNM, the liquidity coverage ratio (“LCR”) levels for individual significant currencies as well. As at 30 September 2025, the LCR aggregated for the banking sector amounted to 267.0%.

The bilateral repo line arrangement with the ECB that was approved during the COVID-19 crisis in August 2020 was extended on several occasions, which will remain in place until January 2027. To date, the NBRNM has not used any funds from the approved repo line, given the maintenance of adequate levels of both MKD and foreign currency liquidity of the banking system, with an upward trend of the banks’ liquid assets.

In 2022, against the backdrop of a severe global shock on the primary commodities markets, the inflation in the domestic economy also accelerated, similar to many other countries. Average inflation in 2022 reached 14.2%, which was driven primarily by supply-side factors and historically high import prices, which translated into a significant increase in domestic energy and food prices, and to a lesser extent, higher core inflation. In response to the surge in inflation and elevated inflationary expectations, NBRNM began tightening its monetary policy stance in April 2022. The main policy rate, being the Central Bank Bills’ interest rate, was raised on several occasions, reaching 4.75% by the end of 2022, while the volume of CB bills offered was maintained at MKD 10 billion. At the same time, the interest rates on the overnight and seven-day deposit facilities increased to 2.65% and 2.70%, respectively. The monetary policy setup was complemented by additional monetary and macroprudential measures, including adjustments to the reserve requirement aimed at reducing euroisation and promoting lending to renewable energy projects. These measures, alongside active liquidity management, helped alleviate pressures on the foreign exchange market and maintain the stability of the exchange rate. During 2022, the NBRNM also introduced new macroprudential instruments, notably countercyclical capital buffer for bank exposures in North Macedonia and for exposures to other countries, further enhancing the resilience of the banking system. Banks remained prudent in their operations, with the average MKD lending rate to households remaining broadly stable at 5.7% in December 2022 as compared to 5.8% in December 2021, while the MKD lending rates for companies rose moderately from 3.5% in December 2021 to 3.8% in December 2022.

In 2023, NBRNM continued its monetary policy tightening in order to contain price pressures and anchor inflation expectations. The basic policy rate was gradually increased to 6.30%, while keeping the offered amount of CB bills at the level of MKD 10 billion. At the same time, the overnight and seven-day deposit facility rates were increased to 4.20% and 4.25%, respectively. Moreover, changes in the reserve requirement were also implemented, which aimed at further reducing euroisation and supporting lending to renewable energy projects. In order to further strengthen the systemic resilience of the banking sector, as well as the transmission of monetary signals, NBRNM adopted macro-prudential measures to increase the countercyclical capital buffer rate for the exposure of domestic banks, as well as measures related to setting thresholds for credit demand quality monitoring. Accordingly, banks increased the MKD lending interest rates applied to households and enterprises from 5.7% and 3.8% in December 2022 to 6.5% and 5.0% in December 2023, respectively.

During 2024, the NBRNM gradually and cautiously started to normalise the monetary policy. With the average inflation rate decelerating and foreign exchange market being favourable, NBRNM gradually decreased the basic policy rate to the level of 5.55% up to the end of 2024, simultaneously keeping the offered amount of CB bills at the level of MKD 10 billion. At the same time, in December 2024, interest rates on overnight and seven-day deposit facilities decreased to 3.95% and 4.00%, respectively. Monetary policy was also supported through additional measures concerning the reserve requirement. Additionally, NBRNM adopted macro-prudential measures, including an increase in the rate of the countercyclical capital buffer which was made in order to further



strengthen the systemic resilience of the banking sector and to support the transmission of the monetary signals. Following the gradual and cautious approach of NBRNM, banks slightly increased the MKD lending interest rates applied to households from 6.5% in December 2023 to 6.7% in December 2024, while the MKD lending interest rates to enterprises were reduced from 5.0% in December 2023 to 4.9% in December 2024.

During 2025, NBRNM maintained a prudent monetary policy. The inflation rate averaged at a level of 4.1% during the period from January to November 2025, which was mainly driven by core and food inflation. Therefore, NBRNM made a slight decrease of the basic policy rate at the level of 5.35% in February 2025, with no changes further on, while keeping the offered amount of CB bills at the level of MKD 10 billion. NBRNM in November set the interest rates on overnight and seven-day deposit facilities to 3.85% and 3.90% respectively, as initial step towards smoother transition to the new monetary operational framework. Furthermore, NBRNM implemented additional changes to the reserve requirements in order to support favourable movements in the denarisation process and adopted macro-prudential measures to increase the countercyclical capital buffer rate and measures to strengthen the quality of credit demand for mortgage lending for households. At the same time, banks' MKD lending interest rates to households and enterprises declined to 6.1% and 4.5% in October 2025, respectively, as compared to 6.7% and 4.9%, in December 2024, respectively.

On 5 December 2025, the National Bank Council adopted regulatory amendments enabling the NBRNM's transition to a new operational framework for monetary policy instruments. The implementation of the new operational monetary framework commenced on 24 December 2025 which will further enhance the effectiveness of monetary policy. These amendments modernise the monetary policy operational setup in line with best practices of leading central banks. The stance of monetary policy remained unchanged, as decided on 23 December 2025. The cautious approach to monetary policy reflects the need for further sustainable stabilisation of inflation, the dynamic credit activity, and the risks stemming from the external environment. In the context of the transition to the new operational monetary framework, maintaining an unchanged monetary policy is effectively ensured by setting the interest rate on 7-day central bank bills at 4% and by increasing the offered amount of the main instrument to MKD 43 billion on 24 December 2025 and then to MKD 48 billion on 31 December 2025. The symmetric interest rate corridor, being the interest rates of the overnight deposit and overnight credit facilities, were accordingly adjusted to 3.5% and 4.5%, respectively.

### **Key monetary policy tools**

The following table sets out the EUR/MKD period-end and average exchange rates for the periods indicated:

	As at and for the year ended 31 December					As at and for the eleven months ended 30 November
	2020	2021	2022	2023	2024	2025
Average .....	61.67	61.63	61.62	61.56	61.53	61.59
End of period.....	61.69	61.27	61.49	61.49	61.50	61.69

Source: NBRNM

The following table sets out the breakdown of loans and deposits of non-financial entities by currency for the periods indicated:

	As at 31 December					As at 30 November
	2020	2021	2022	2023	2024	2025
(MKD billion, unless indicated otherwise)						

**Loans of non-financial entities by currency**

	As at 31 December										As at 30 November	
	2020		2021		2022		2023		2024		2025	
	(MKD billion, unless indicated otherwise)											
MKD	209	58%	230	59%	243	57%	258	58%	304	62%	351	65%
MKD with FX clause	95	27%	99	26%	106	25%	109	25%	112	23%	116	21%
Foreign currency	53	15%	59	15%	74	18%	77	17%	78	16%	76	14%
<b>Total</b>	357	100%	387	100%	423	100%	445	100%	494	100%	542	100%
<b>Deposits of non-financial entities by currency</b>												
MKD	270	61%	275	58%	281	56%	315	58%	363	60%	391	61%
MKD with FX clause	1	0.2%	1	0.2%	0.6	0.1%	0.4	0.1%	0.3	0.1%	0.2	0%
Foreign currency	172	39%	200	42%	218	44%	230	42%	244	40%	250	39%
<b>Total</b>	443	100%	477	100%	500	100%	545	100%	607	100%	641	100

Source: NBRNM

The following table sets out the breakdown of loans and deposits of non-financial entities by sector for the periods indicated:

	As at 31 December										As at 30 November	
	2020		2021		2022		2023		2024		2025	
	(MKD billion, unless indicated otherwise)											
Loans of non-financial entities by sector												
Enterprises .....	170	48%	185	48%	206	49%	213	48%	242	49%	266	49%
Households .....	186	52%	200	52%	215	51%	229	52%	250	50%	274	51%
Other clients.....	2	0.5%	2	0.5%	2	0.5%	3	0.6%	3	0.5%	2	0.4%
Total.....	357	100%	387	100%	423	100%	445	100%	494	100%	542	100%
Deposits of non-financial entities by sector												
Enterprises .....	123	28%	138	29%	143	29%	161	30%	176	29%	177	28%
Households .....	285	64%	305	64%	323	65%	349	64%	397	65%	429	67%
Other clients.....	35	8%	34	7%	34	6%	35	6%	34	6%	35	5%
Total.....	443	100%	477	100%	500	100%	545	100%	607	100%	641	100%

Source: NBRNM

### Reserve requirements

The reserve requirement is a standard monetary policy instrument used by the NBRNM to influence the demand for liquidity in the banking system. Since 2009, the NBRNM has undertaken certain changes in the reserve requirements to address structural issues in the economy and banking system of North Macedonia, including policies that support the use of Macedonian Denars and broaden the scope of bank funding sources. Following the resolution of challenges stemming from the COVID-19 pandemic and the energy crisis, the NBRNM introduced a comprehensive set of measures in February 2024 aimed at further promoting long-term savings in domestic currency. Reserve requirement ratios were standardised across institutional sectors and further refined based on currency and maturity profiles. The ratio for short-term liabilities in domestic currency was gradually restored to its pre-crisis level, which increased from 5% to 6.5% in June 2024, and to 8% in July 2024, while the ratio for short-term foreign currency liabilities remained unchanged at 21%. Long-term foreign currency liabilities became subject to a 5% reserve requirement ratio, replacing the previously applied 0% for households and non-

residents, and 21% for other sectors. Additionally, all liabilities with a foreign exchange clause are now uniformly treated, with a 100% reserve requirement applied regardless of maturity or client classification.

NBRNM continued with further calibration of the framework with the newest measures which became effective as of the beginning of the reserve maintenance period starting on 5 November 2025. Most reserve requirement ratios were increased in order to achieve further differentiation of liabilities in terms of currency and maturity from 8% to 9% for short-term liabilities in domestic currency, from 21% to 22% for short-term liabilities in foreign currency and from 5% to 10% for long-term liabilities in foreign currency. During all sets of measures, the ratio on long-term liabilities in domestic currency remained unchanged at 0%, promoting long term financing. Additionally, NBRNM gradually increased the percentage of the amount of reserve requirement in foreign currency maintained in Euro to 90%.

From 2013 onwards, NBRNM relied on the utilisation of the reserve requirement as a macro-prudential tool. Currently, this measure is targeted at supporting banking lending for domestic electricity production projects from renewable sources.

#### *Open market operations and other instruments*

CB bills are the main monetary policy instrument of the NBRNM. CB bills are used to assist the NBRNM in managing and absorbing excess liquidity in the banking system as part of monetary sterilisation operations. CB bills are short-term discounted securities sold on the local market via auction. Auctions can be carried out on a “volume tender” or “interest rate tender” basis. The NBRNM conducts auctions of 35/42/49-day CB bills through volume tenders with a predefined interest rate of 5.35% as of February 2025.

Repo operations for short-term liquidity management were deactivated in February 2025, given the structural liquidity surplus, and in order to encourage interbank trading. CB bills, Treasury bills, Government bonds and Government Eurobonds may be used as collateral for such operations. This instrument continues to serve as a key component of the monetary framework, available for activation and use in response to liquidity conditions within the banking system.

In April 2012, the NBRNM introduced a standing deposit facility, to facilitate allocation of excess liquidity by banks. These facilities are available at a bank’s initiative, with the overnight facility available each working day, and the seven-day deposit facility available weekly on Wednesday. The interest rate on an overnight deposit facility is 3.85% and 3.90% on a seven-day deposit facility, as of November 2025.

Other less frequently used instruments include overnight credit facility and outright operations. The interest rate on overnight credit facility is calculated by adding 50 bp to the interest rate on the CB bills, which equalled 5.85% as of February 2025. Outright operations are open market operations which entail the outright purchase or sale of securities on the secondary market. The main function of this instrument is structural management of the liquidity in the banking system.

On 5 December 2025, the National Bank Council adopted regulatory amendments enabling the NBRNM’s transition to a new operational framework for monetary policy instruments. The implementation of the new operational monetary framework commenced on 24 December 2025 and will further enhance the effectiveness of monetary policy. These amendments modernise the monetary policy operational setup in line with best practices of leading central banks.

The changes of the regulatory amendments consist of shortening the maturity of the main monetary policy instrument, being central bank bills, to seven days and a shift toward market-based auction principles. Furthermore, the seven-day overnight deposit facility at the NBRNM is abolished, while banks and savings houses will continue to be able to use the overnight deposit facility for effective day-to-day liquidity management. Within the new operational framework, the interest rate on the overnight deposit facility will be linked to the interest rate on central bank bills, set 50 basis points below it, and will change in line with movements in the key policy instrument, following the adjustment mechanism applied to the overnight credit facility. This establishes a

symmetric interest rate corridor formed by the overnight deposit and overnight credit facilities around the NBRNM's key policy rate.

Given the implementation of the new operational monetary framework in December 2025, the NBRNM set the basic policy rate, being the 7-days central bank bills policy rate, at 4% while simultaneously increasing the offered amount of CB bills at the level of MKD 43 billion on 24 December 2025 and then to MKD 48 billion on 31 December 2025. Thus, the symmetric interest rate corridor, being the interest rates of the overnight deposit and overnight credit facilities, were accordingly adjusted to 3.5% and 4.5%, respectively.

### ***Money supply***

Over the period from 2020 to the eleven months ended 2025, the average annual growth rate of money supply amounted to 8.4%. In response to changing economic trends and varying levels of capital inflows, there was volatility in the money supply, as reflected in the pace and structure of monetary growth.

During 2020, M4 continued to increase and, as of 31 December 2020, M4 had increased by 6.9% compared to the end of 2019. MKD deposits continued to drive the increase of broad money supply (annual growth of 3.4%), while foreign currency deposits had grown by 9.5% as of the same date. The share of MKD deposits in M4 decreased slightly from 57.4% as at 31 December 2019 to 55.5% as at 31 December 2020.

M4 continued to increase during 2021 with growth of 7.0% as of the end of 2021. This was predominantly due to the uncertainty caused by the COVID-19 pandemic and inflationary pressures entailed by the global supply factors which affected the currency structure of the broad money supply (M4). Namely, the MKD deposits' annual growth decelerated to 1.7%, while foreign currency deposits increased by 16.5%. Therefore, the share of the MKD deposits in M4 decreased from 55.5% as of 31 December 2020 to 52.8% as of 31 December 2021.

The annual growth of M4 slowed to 5.1% as of 31 December 2022, which reflects, in particular, pressures on domestic liquidity for servicing the rising imports, pressed by the increase in the world food and energy prices. The MKD deposits' increased by 2.2%, while foreign currency deposits increased by 8.5% on annual level for 2022. Overall, the share of the MKD deposits in M4 decreased from 52.8% as of 31 December 2021 to 51.3% as of 31 December 2022.

In 2023, M4 recorded a solid annual growth of 8.7%, which corresponded with the gradual stabilisation of economic flows, the extremely favourable external position of the economy, as well as the more favourable saving opportunities. Within the currency structure, MKD deposits increased by 12.1%, while the growth of foreign currency deposits decelerated at 5.1%. The share of MKD deposits in M4 increased from 51.3% at the end of 2022 to 52.9% as at 31 December 2023.

During 2024, the growth of M4 accelerated and reached 11.4%, which was supported by stronger economic activity, favourable external position and continued stimulating conditions for saving. MKD deposits' growth accelerated and reached 15.2% and the foreign currency deposits increased by 6.1%. The share of MKD deposits in M4 further increased from 52.9% at the end of 2023 to 54.7% as of December 2024.

During 2025, M4 continued to increase, recording a growth rate of 11.0% as of November 2025 compared to November 2024. MKD deposits rose by 14.8% in November 2025 as compared to November 2024, while foreign currency deposits increased by 5.0% for the same period. The share of MKD deposits in M4 registered an additional growth to 55.8% as of November 2025, as compared to 54.0% as of November 2024 and 54.7% as at the end of December 2024.

The following tables reflect the components of money supply for the periods indicated:

	<b>As at 31 December 2022</b>	<b>Annual Change (December 2022/ December 2021)</b>
	<i>(MKD million)</i>	<i>(%)</i>
Currency in circulation	47,494	6.8
Demand deposits	188,036	5.8
M1	235,530	6.0
Short-term Denar deposits, up to 1 year	39,429	-1.5
Short-term Foreign currency deposits, up to 1 year	175,061	8.9
M2	450,020	6.4
Long-term Denar deposits, over 1 to 2 years	28,003	1.0
Long-term Foreign currency deposits, over 1 to 2 years	21,779	-9.3
M3	499,803	5.3
Long-term Denar deposits, over 2 years	25,521	-13.1
Long-term Foreign currency deposits, over 2 years	22,031	30.5
M4	547,355	5.1

Source: NBRNM

	<b>As at 31 December 2023</b>	<b>Annual Change (December 2023/ December 2022)</b>
	<i>(MKD million)</i>	<i>(%)</i>
Currency in circulation	50,002	5.3
Demand deposits	211,402	12.4
M1	261,405	11.0
Short-term Denar deposits, up to 1 year	40,454	2.6
Short-term Foreign currency deposits, up to 1 year	175,406	0.2
M2	477,265	6.1
Long-term Denar deposits, over 1 to 2 years	32,088	14.6
Long-term Foreign currency deposits, over 1 to 2 years	19,911	-8.6
M3	529,264	5.9
Long-term Denar deposits, over 2 years	31,162	22.1
Long-term Foreign currency deposits, over 2 years	34,725	57.6
M4	595,151	8.7

Source: NBRNM

	<b>As at 31 December 2024</b>	<b>Annual Change (December 2024/ December 2023)</b>
	<i>(MKD million)</i>	<i>(%)</i>
Currency in circulation	56,226	12.4
Demand deposits	236,065	11.7
M1	292,291	11.8

	<b>As at 31 December 2024</b>	<b>Annual Change (December 2024/ December 2023)</b>
	<i>(MKD million)</i>	<i>(%)</i>
Short-term Denar deposits, up to 1 year	47,174	16.6
Short-term Foreign currency deposits, up to 1 year	175,999	0.3
M2	515,464	8.0
Long-term Denar deposits, over 1 to 2 years	43,162	34.5
Long-term Foreign currency deposits, over 1 to 2 years	24,643	23.8
M3	583,268	10.2
Long-term Denar deposits, over 2 years	36,697	17.8
Long-term Foreign currency deposits, over 2 years	43,330	24.8
M4	663,295	11.4

Source: NBRNM

	<b>As at 30 November 2025</b>	<b>Change (November 2025/ November 2024)</b>
	<i>(MKD million)</i>	<i>(%)</i>
Currency in circulation	59,709	13.8
Demand deposits	248,787	14.1
M1	308,496	14.0
Short-term Denar deposits, up to 1 year	52,326	17.7
Short-term Foreign currency deposits, up to 1 year	181,261	6.5
M2	542,083	11.7
Long-term Denar deposits, over 1 to 2 years	49,520	17.7
Long-term Foreign currency deposits, over 1 to 2 years	22,384	-11.3
M3	613,986	11.2
Long-term Denar deposits, over 2 years	40,241	11.8
Long-term Foreign currency deposits, over 2 years	46,153	8.3
M4	700,380	11.0

Source: NBRNM

### **Interest rates**

The NBRNM influences market interest rate movements through its policy rate, which is the central bank (CB) bills rate. In 2020 and 2021, the NBRNM reduced the policy rate to 1.5% and 1.25%, respectively. The basic policy rate gradually increased during 2022, reaching 4.75% in December 2022 to anchor the inflation expectations in the domestic economy. During the period from 2023 to August 2024, the NBRNM increased the policy rate up to 6.30% to curb inflation. As the inflation pressures started to ease, amid a stable foreign exchange market, the NBRNM decreased the policy rate to 5.55% at the end of 2024 and to 5.35% in February 2025. However, due to rising inflation and pronounced risks from the external and domestic environment, the NBRNM kept the policy rate unchanged by the end of November 2025. As the new operational monetary framework commenced in December 2025, the NBRNM set the basic policy rate, being the 7-days central bank bills policy rate, at 4%.

The period from 2020 to 2025 was characterised by a volatile movement in interest rates on the bank credit and deposit interest rates, following the signals and the stance of the NBRNM. The MKD lending interest rate slightly

increased from 5.0% in December 2020 to 5.2% in November 2025, and the MKD deposit rate increased to 2.7% in November 2025 from 1.3% at the end of 2020. MKD lending interest rates applied to households was 6.1% at the end of November 2025 and slightly decreased compared to the end of 2020 when it was 6.2%, while the MKD lending interest rate of the enterprises increased during this period from 3.8% in December 2020 to 4.5% in November 2025.

Following the cautious normalisation and prudent monetary policy during 2024 and 2025, the interest rates on newly granted MKD loans adjusted from 4.6% as of December 2024 to 4.8% as of November 2025. At the same time, the interest rates on newly received MKD deposits decreased from 3.2% as of December 2024 to 2.5% as of November 2025. Based on sectors, MKD interest rates on newly granted loans to enterprises increased to the level of 4.6% in November 2025, as compared to the level of 4.4% as of December 2024, while households MKD interest rates on newly granted loans decreased negligibly from 5.2% as of December 2024 to 5.1% as of November 2025. The interest rates on newly received households and enterprises deposits in MKD decreased from 3.4% and 2.7% as of December 2024 to 2.9% and 2.1% as of November 2025 for both sectors, respectively.

The following table sets out the relevant policy rate, interest rate (loans), and interest rate (deposits) in the following months:

	<b>Policy rate</b>	<b>Interest rate (loans)</b>	<b>Interest rate (deposits)</b>
November 2020 .....	1.50%	4.68%	0.96%
November 2021 .....	1.25%	4.42%	0.76%
November 2022 .....	4.25%	4.41%	0.77%
November 2023 .....	6.30%	5.48%	1.74%
November 2024 .....	5.80%	5.36%	2.12%
November 2025 .....	5.35%	4.80%	2.18%

Source: NBRNM

### **Banking supervision**

The NBRNM is the regulatory and supervisory body for banks and savings institutions in North Macedonia. Through its supervision, the NBRNM assesses the soundness, stability, risk profile and compliance of banks' operations with the regulations. The NBRNM banking supervisory function plays a crucial and anticipatory role in identifying weaknesses that may emerge within a licenced institution. Its primary purpose is to prevent the institution from becoming a potential threat to the stability of the banking system and the overall financial stability in the Republic.

The June 2007 Banking Law (and subsequent amendments in October 2016 and February 2025), which follows the European Capital Requirement Directive and international best practices in the field of banking and banking supervision, forms the basis for the NBRNM's supervision, and sets the regulatory requirements for the banks. The Banking Law, as amended, provides for:

- *Licensing criteria.* This includes strengthening the “fit and proper” criteria for licensing shareholders with qualified holdings in a bank, members of the Board of Directors and members of the Supervisory Board.
- *Corporate governance standards.* The Banking Law and the appropriate bylaw regulate the governing bodies of a bank, as well as the role and the scope of activities of the internal audit, risk management and the compliance functions. The provisions incorporate international standards and best practices (European Directive requirements, EBA guidelines on internal governance and Basel standards on corporate governance), especially requirements for the members of banks' supervisory and management body.
- *Risk management systems.* According to the Banking Law, the banks are obliged to establish and maintain an appropriate risk management system that should include credit risk, liquidity risk, interest rate risk, currency risk, market risk, concentration risk, operational risk, as well as all other material risks that banks are exposed to in their operations.

- *Liquidity ratios.* In line with the Basel standards and relevant EU requirements, the liquidity coverage ratio was introduced in 2020, with banks being required to maintain 100% LCR starting from January 2021. The new regulation provides for further alignment with international standards and best practices.
- *Capital requirements.* Capital adequacy rules closely align with international standards, both in terms of the quality and quantity of the positions included in banks' own funds, providing for a strong capital base. This has given banks a high level of resilience during stress periods. These rules have also provided for a more flexible approach to determining the necessary capital adequacy level for each bank, taking into account its size, complexity and risk profile.
- *Introduction of capital buffers and leverage ratios.* According to the October 2016 amendments to the Banking Law, starting in March 2017, four capital buffers requirements were introduced: the capital conservation buffer, the capital buffer for systemically important banks, the counter-cyclical capital buffer and the systemic risk capital buffer. See "*—Basel III standards*". Additionally, in line with the EU requirements applicable at the moment of introduction of the leverage ratio in the domestic banking system, banks are required to determine and monitor their leverage risk level without a minimum level of leverage ratio being prescribed by the NBRNM. However, leverage ratio of banks in the Republic is well above the internationally accepted minimum threshold of 3%, which amounted to 12% as of June 2025.
- *Corrective measures.* The Banking Law provides for a broad range of corrective measures that the NBRNM may take.

In order to prevent money laundering and the financing of terrorism, the NBRNM reviews banks' anti-money laundering programmes, which are mandatory for banks and savings institutions. During on-site examinations, the NBRNM performs detailed assessments of the money-laundering and terrorist financing risk and broader compliance with this regulation. A new anti-money laundering ("**AML**") and counter financing of terrorism Law aligned with the AML 5th Directive was adopted by the Assembly in mid-2022 and published in the Official Gazette of the Republic of North Macedonia No. 151/2022. Amendments to the Law were made in 2024 in order to address deficiencies identified in the fifth MONEYVAL evaluation report from the Council of Europe in May 2023. They also ensure full alignment with EU legislation, particularly Directive (EU) 2018/843, thereby strengthening regulatory standards and supporting the country's EU integration process, including accession to the SEPA.

Banks of North Macedonia prepare their financial statements in accordance with International Financial Reporting Standards (IFRS), which accounting methodology stipulates criteria for classification, measurement, recognition and disclosure of the balance sheet items of banks. This contributes to increased accuracy and objectivity in banks' financial statements, thereby increasing the transparency of banks of North Macedonia.

The 2018 IMF-World Bank Financial Sector Assessment Programme ("**FSAP**") mission concluded that the NBRNM has continued to strengthen its supervisory and regulatory framework, while enhancements have largely been driven by international developments and new regulatory standards (e.g., Basel, EU), which the NBRNM has implemented in a timely and effective manner. According to the detailed assessment of the Basel Core Principles, the Republic, was found to have a sound basis for effective banking supervision, a legislative base that is strong and comprehensive, supervisory approach that is risk-based, a well-developed onsite and offsite supervisory regime, and a well-structured supervisory function of the NBRNM, performed by knowledgeable and dedicated persons. Several actions have been undertaken by the Republic to comply with the recommendations stated in the FSAP report, such as enabling grounds for strengthening the financial safety-net through the adoption of the new Law on Bank Resolution further enhancements of the prudential banking regulation (See "*—Regulatory developments*"), introducing the macroprudential mandate of NBRNM in accordance with the Financial Stability Law and the amendments to the NBRNM Law, and modernisation of the ELA framework.

Based on the assessment conducted by the European Banking Authority (the "**EBA**"), on 1 October 2021, the European Commission adopted a Decision (EU) 2021/1753, which confirms that North Macedonia has in place



prudential, supervisory and regulatory arrangements which comply with a series of operational, organisational and supervisory standards reflecting the essential elements of the Union's prudential, supervisory and regulatory arrangements applicable to credit institution. With this Decision, the Republic is included in the list of countries for which it has been determined that their regulation and supervision is equivalent to capital requirement standards prescribed with the EU Regulation no. 575/2013 on prudential requirements for credit institutions.

In its supervisory function, the NBRNM uses a risk-based approach. This is a continuous process, which feeds into the development and maintenance of a bank's risk profile. The NBRNM assesses banks' exposure to different risks and determines the sufficiency of banks' procedures and systems to identify, assess, monitor and control risks. The NBRNM generally focuses on material risks to which banks are exposed. When determining a bank's risk profile, the NBRNM estimates its risk exposure level and the manner in which it manages risks, producing an aggregate risk profile using defined risk matrices.

The NBRNM supervisory framework is based on: (a) the supervisory review and evaluation process ("**SREP**") and (b) the capital review process ("**CRP**"), which includes the internal capital adequacy assessment process ("**ICAAP**"). The main outputs of the SREP are risk profiles of the banks in North Macedonia, but the SREP also provides input in establishing the supervisory strategy and the CRP. The supervisory strategy is the plan for future supervisory activities, including on-site examinations. The higher the overall risk profile of a bank, the more intensive the supervisory activity that is undertaken by the NBRNM. The primary goal of the CRP is to ensure that banks have adequate levels of capital vis-à-vis their risk profile. Starting in 2020, banks of North Macedonia are required to develop and implement the Internal Liquidity Adequacy Assessment Process ("**ILAAP**"). The ILAAP reflects banks' internal liquidity needs and should be updated on an annual basis. Banks are required to submit the results of this process to the NBRNM, no later than May each year and its comprehensiveness is regularly assessed by the supervisors.

Credit risk is the primary focus of on-site supervisory examinations, with particular focus on the measurement of credit risk, suitability of the impairment and provisioning for credit losses. Enhanced digitalisation, alongside with the continuous growth and emergence of new advanced threats from the digital space employing various techniques, tactics, and attack scenarios, enhance the importance of supervision over the IT risk which is also in the primary focus of the supervisory function. A third priority is the systems for anti-money laundering and the prevention of the financing of terrorism. In addition, examinations assess the adequacy of the systems relating to liquidity risk, interest rate risk and operational risk management, business model and corporate governance.

### ***Cross-border co-operation***

The NBRNM cooperates with foreign supervisory authorities under bilateral Memoranda of Understanding ("**MoUs**") and/or through supervisory colleges.

In April 2015, the EBA, following its equivalence assessment of the NBRNM's confidentiality or professional secrecy regime at the end of 2014, confirmed the NBRNM's compliance with the EU's Capital Requirements Directive and included the NBRNM in its recommendations on equivalence of non-EU authorities' confidentiality regimes<sup>2</sup>. On the basis of this assessment, in October 2015, the EBA signed a Memorandum of Cooperation with six banking supervisory authorities in the region, i.e., the NBRNM, the National Bank of Serbia, the Bank of Albania, the Central Bank of Montenegro, the Banking Agency of the Federation of Bosnia and Herzegovina and the Banking Agency of the Republika Srpska, in order to establish a framework for cooperation and information exchange between the EBA and the signatory supervisory authorities. Based on the provisions of the Memorandum of Cooperation, the NBRNM has established close relation with the EBA, through the submission of its opinions on the draft documents prepared by the EBA, as well as participation in meetings and training seminars organised by EBA.

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<sup>2</sup> Based on the assessment performed as part of the more comprehensive equivalence assessment of the prudential, supervisory and regulatory arrangements for banks in North Macedonia, in October 2021, EBA and the European Commission confirmed the previous equivalence assessment of the NBRNM's confidentiality or professional secrecy regime.

In July 2017, the ECB, in connection with its prudential supervision of credit institutions in the Euro-zone, initiated a process to enter into an memorandum of understanding with the NBRNM to ensure an effective exchange of supervisory information in order to promote the integrity, stability and efficiency of the supervised entities that fall within the remit of both authorities (EU parent banks and their subsidiaries in the Republic). In November 2018, the ECB and the NBRNM signed the Memorandum of Understanding for the purpose of performing their respective supervisory powers over supervised entities, to the extent permitted by law, and in accordance with the Core Principles for Effective Banking Supervision.

### ***Regulatory developments***

The most significant amendments and improvements in banking regulations over recent years pertain to the adoption of the Basel III approaches to capital adequacy and liquidity, coupled with new approaches to risk and credit risk management. This was especially the case with the relevant by-laws enacted in the last five years (2021-2025), which enabled a high level of compliance with the EU Capital Requirements Regulation and Directive (“**CRR/CRD**”) The following by-laws were adopted by the Council of the NBRNM between February 2017 and December 2021:

- A methodology for identifying systemically important banks, using several quantitative indicators grouped into four criteria of systemic importance: size, substitutability, interconnectedness and complexity. This methodology is in line with the requirements of the Basel Committee on Banking Supervision and the EBA. Based on this methodology, starting from April 2017, the NBRNM identifies systemically important banks on an annual basis and determines the level of capital buffer that each bank will have to achieve in the course of a one-year period. In December 2024, a new decision on the methodology for determining systemically important banks was adopted (applicable from 1 April 2025) that is largely aligned with the EBA/ECB guidelines. It introduces several new indicators, alters some of the previous indicators and creates some changes in the arrangement of the indicators across the criteria for systemic importance of the banks. Beside the regular quantitative approach for identification of the SIBs, the new decision also introduces an additional assessment based on an additional list of concrete quantitative and qualitative indicators;
- A regulation on liquidity risk management, which introduced the Liquidity Coverage Ratio as a short-term liquidity standard that banks follow and comply, began to be implemented from 1 January 2021. This regulation is aligned with the requirements of the EU Regulation 575/2013 (“**CRR**”) and subsequent amendments as well as the relevant acts of the European Commission. The regulation further enables improvement in liquidity risk management, including monitoring the liquidity coverage ratio on an aggregate level and by each significant currency, maintaining an appropriate maturity structure, monitoring of sources of funds and their concentration, monitoring of available unencumbered assets and determination, monitoring and maintenance of internal liquidity ratios;
- A regulation on large exposures and related parties came into force on 1 January 2021. It implements the relevant provisions of CRR, as well as the guidelines of the Basel Committee and of the European Banking Authority for determining large exposures and identifying related persons;
- A new methodology on credit risk management by the banks was adopted in February 2023, following the manner of determining non-performing credit exposures defined in EU, in accordance with Regulation 575/2013 (CRR). In addition, the new methodology strengthens the credit risk management requirements for banks, including more stringent requirements for the banks with an increased non-performing credit exposures (See – “*Credit and Risk standards*”);
- A new regulation on disclosure of data and reports by banks was adopted in February 2023. The new regulation expands the scope of the data and information that the banks are required to disclose, as well as it introduces new requirements related to disclosure of information on new financial innovations and environmental, social and governance (“**ESG**”) risks.

- The above two regulations are also relevant in terms of the NBRNM's activities related to the management of climate-related risks. With the methodology for credit risk management, banks are required to incorporate climate-related risks in their credit risk management, while the new requirements on disclosure of data requires disclosure of data and information on climate-related risks and ESG risks. This is in line with international practices, especially in the EU, where the scope of banks' disclosures regarding these risks has been substantially improved, both to the supervisory authorities and to the public. In this context, in 2023, the NBRNM issued Guidelines for the management of climate-related risks as best practices that banks are expected to follow in their risk management. All these activities are part of the efforts of the NBRNM to introduce the new supervisory and regulatory requirements related to this type of risks and are part of the Mid-term Plan of the NBRNM for the period of 2023-2025 for managing climate-related risks, as developed by the NBRNM.

From 2019 to 2022, the Ministry of Finance and the NBRNM undertook several actions to establish a regulatory and institutional framework for the banking sector that will enable harmonisation with the EU Directive 2014/59 on the recovery and resolution of credit institutions ("BRRD"). In October 2023, the Assembly adopted the Law on Bank Resolution, which will come into effect on 30 June 2026. The Law complies with BRRD and prescribes the rules, procedure and instruments for bank resolution, the powers of the NBRNM as a bank resolution authority, including the preparatory activities (resolution planning), as well as the activities after the initiation of the bank resolution procedure. In March 2025, the Council of the NBRNM adopted a package of 12 by-laws arising from the Bank Resolution Law, thus completing the regulatory framework for bank resolution in North Macedonia and enabling operationalisation of the overall bank resolution framework in the Republic. The NBRNM has undertaken several actions for establishing adequate organisational structure for performing this new activity. A separate organisational unit responsible for bank resolution was established in 2022, with clear responsibilities and reporting lines, separate from the organisational units responsible for the supervisory function performed by the NBRNM. The NBRNM has also focused its activities on attaining adequate human resources and their capacity building through training and organised technical assistance on various bank resolution topics.

### **Basel III standards**

Current capital adequacy regulation allows for full implementation of Basel III and the CRR, especially regarding the requirements on the structure and quality of own funds, i.e. the criteria to be met by capital instruments in order to be included in the calculation of a bank's own funds. In addition, minimum ratios for CET1 (4.5%) and Tier 1 capital (6%) are also implemented, contributing to further improvement of the structure of banks' own funds.

These requirements, together with requirements on capital buffers, have enabled further strengthening of the solvency position of banks in the country. Both requirements were applicable as of March 2017. From that date, banks have been required to maintain a capital conservation buffer (2.5% of RWA); systemically important banks are also required to maintain an additional capital buffer. Systemically important banks are identified on annual basis and given a one-year period to achieve an adequate level of the respective capital buffer. Based on the prescribed methodology and the NBRNM's analysis, starting from August 2023, banks have been obliged to fulfil a countercyclical capital buffer. At that time, the CCyB rate was set at a level of 0.5%. Since then, the CCyB rate has been gradually lifted up in equal fractions (0.25) on several occasions and currently banks apply a capital buffer rate of 1.75%. Starting from the last quarter of 2026, banks are required to apply a CCyB rate in the amount of 2%. The systemic risk capital buffer which is also regulated with the Banking Law is currently set at 0%.

### ***Credit and Risk standards***

The Decision on the methodology for credit risk management and the Decision on the methodology for risk management (the "**Credit Risk and Risk Management Regulation**") closely follow international standards, especially requirements incorporated in the CRD/CRR and the guidelines of the Basel Committee for Banking Supervision and the European Banking Authority. Beginning in 2020, banks' risk management processes include measurement and monitoring of their internal liquidity through establishment of an internal liquidity adequacy

assessment process (ILAAP). Banks are required to have detailed, and documented procedures and practices for the valuation of their internal capital and liquidity in line with their risk profile. In addition, the Credit Risk and Risk Management Regulation provides for the enhancement of banks' risk management systems by setting clear standards on development and implementation of adequate risk appetite frameworks, a more enhanced risk management function, improved stress-testing and outsourcing rules, as well as more detailed reporting to the NBRNM on important risk management data and events.

Current credit risk management regulation enables implementation of IFRS 9. As the previous regulation on credit risk management already required banks to implement an approach aimed at identifying expected losses arising from credit exposures, the current regulation is focused on enabling adequate use of internal models for determining expected losses on a portfolio basis, which promotes further alignment with the IFRS 9 requirements.

### ***Macro-prudential measures***

The NBRNM has a long history of successfully implementing macro-prudential measures focusing primarily on the banking sector. The banking sector dominates financial sector assets (76.2% in 2024) and is important for ensuring financial stability in the country. In parallel, the NBRNM monitors developments in other segments of the financial system, such as insurance, the securities market and pension funds, and assesses their contribution to systemic risk. The NBRNM's assessments of the financial system as a whole are published in the Financial Stability Report, which provides an annual update on risks and vulnerabilities in the financial sector of North Macedonia. Risk assessments are also effected through in-depth analysis of banking sector data as well as indicators in the wider financial system, employing financial stability indicators ("FSIs"); other forward-looking and early-warning indicators and market information; macro stress tests and sensitivity tests to assess the resilience of banks to adverse conditions, indicators for identification of systemically important banks; and exploring contagion risks and linkages within the system. The NBRNM strives to continuously strengthen its risk assessment capacities and further upgrade the framework for early identification of systemic risks.

The October 2016 amendments to the Banking Law implemented the four capital buffers prescribed under CRD IV: the capital conservation buffer, the capital buffer for systemically important banks, the countercyclical capital buffer and the systemic risk buffer. Starting from March 2017, all banks in North Macedonia are required to maintain the capital conservation buffer of 2.5%. As of October 2025, six banks (out of 12 commercial banks) are identified as systemically important banks and they are required to maintain a corresponding capital buffer amounting from 1% to 2.5% of individual banks' RWAs. In July 2022, the NBRNM introduced a countercyclical capital buffer (CCyB) of 0.5% that banks had obligation to fulfil not later than August 2023. Since then, the CCyB rate has been gradually lifted up in equal fractions (0.25) on several occasions and currently banks apply a capital buffer rate of 1.75%. Starting from the last quarter of 2026, banks are required to apply a CCyB rate of 2%. These countercyclical capital buffer rates are referring to the banks' exposures to North Macedonia. For the banks' exposure to clients from countries other than North Macedonia, CCyB rates determined by the competent authority of the relevant country should apply. The systemic risk buffer has so far remained at 0%. On 1 January 2021, a new decision on liquidity risk management was enacted, which, among other things, stipulates an obligation for banks to calculate and maintain the so-called Liquidity Coverage Ratio, in accordance with the requirements of Basel III. Banks are obliged to maintain this ratio at a minimum of at least 100%, at an aggregated level for all currencies in which banks perform activities. Moreover, banks are obliged to report to the NBRNM, the LCR levels for individual currencies as well. Borrower-based measures were adopted at the end of 2022, including macroprudential instruments for the quality of the credit demand by household borrowers, their definitions and unified methodology for their calculation: DSTI (debt service to income), DTI (debt to income) and LTV (loan to value). In April 2023, borrower based macroprudential measures were introduced, including that DSTI was limited to a level of 55% (for new loans in Denars) and 50% (for new loans with currency component) and LTV was limited to a level of 85% (when approving new or increasing existing exposure secured by real estate). Moreover, the maturity of new residential real estate loans was limited to 30 years, whereas the maturity of other mortgage loans was limited to 20 years. In September 2025, a new decision on borrower-based macroprudential measures was adopted (applicable from 1 December 2025). It introduced a specific category of borrowers, being

first-time home buyers for which separate limits on DSTI and LTV ratios are set. The decision stipulated a list of criteria that borrowers should fulfil in order to qualify as first time home buyers. The DSTI maximum limit was tightened from 55% to 50% for Denar loans (except for first-time home buyers, where the DSTI limit remains unchanged at 55%) and from 50% to 45% for loans with foreign exchange component (except for first-time home buyers, where the DSTI limit remains unchanged at 50%). The LTV maximum limit is also tightened from 85% to 75% (except for first-time home buyers, where the LTV limit was relaxed to a level of 90%). The goal of these macroprudential measures was two-fold. The first goal was to act pre-emptively and prevent over-indebtedness of individuals, as well as the accumulation of systemic risks in the household sector, which could potentially spill over into the banking system. The second goal was to facilitate access to housing loans for borrowers that do not have their own home, in an environment of high and rapid growth of house prices.

The NBRNM has actively used reserve requirements for macro-prudential purposes by differentiating the rates on MKD and FX deposits to reduce deposit-driven euroisation and contain currency risk as well as by differentiating shorter-term and longer-term liabilities to stimulate higher growth of longer-term savings.

In February 2024, a new decision on reserve requirement was adopted, which was applicable starting from June 2024 for most of the provisions:

- The reserve requirements for foreign currency liabilities with maturity over two years was increased from 0% to 5%;
- A gradual normalisation of the reserve requirements ratio for short-term Denar liabilities to the pre-crisis level of 2022 was prescribed. Thus, in June 2024, this ratio was increased from 5% to 6.5% and further to 8%, starting from July 2024;
- The part of the reserve requirements in foreign currency that banks fulfil in euros was increased, from 81% to 85% of foreign currency liabilities;
- The part of the reserve requirements in euros, that banks meet on an average basis, was increased from 10% to 15%;
- For all banks' liabilities in Denars with maturity over two years, as well as Denar household deposits with maturity over one year 0% reserve requirement ratio was applied further; and
- A reserve requirements ratio of 100% was set for all types of liabilities in Denars with FX clause regardless of the maturity of the liabilities and the sector of the client as creditor.

In February 2025, the decision on reserve requirement was amended, which was applicable starting from April 2025. With this amendment, provisions that enable the reduction of reserve requirement base in Denars for the amount of newly approved loans to legal entities aimed at financing projects for construction of new facilities or for increasing the installed power of the existing facilities for domestic production of electricity from renewable sources continued to be valid for loans approved after 31 December 2024.

In August 2025, the Decision on reserve requirement was amended, which was applicable starting from November 2025:

- The reserve requirement in Denars for liabilities with maturities of up to two years was increased from 8% to 9%;
- The reserve requirement in foreign currency for liabilities with maturities of up to two years was increased from 21% to 22%;
- The reserve requirement in foreign currency for liabilities with maturities of over two years was increased from 5% to 10%;

- The exemption for the Denar household deposits with maturities between one and two years referring to the reserve requirement ratios (which was 0%, instead of the regular 9%) will be valid only until the sixth reserve requirement fulfilment period in 2026;
- The part of the reserve requirement in foreign currency that banks fulfil in euros was increased from 85% to 90% of foreign currency liabilities.

Cooperation between financial regulators is effected through direct communication among themselves and more formal communication through the Financial Stability Committee (“FSC”), established in 2009 by a Memorandum of Understanding signed between the NBRNM and the Ministry of Finance. In line with the recommendations of the 2018 FSAP mission, in April 2020 the FSC was reconstituted by the new Memorandum of Understanding signed between all financial regulators and deposit insurance funds in order to serve as principal domestic coordination body for macro-prudential policy and crisis management. The FSC now comprises all the financial regulatory and supervisory authorities in North Macedonia (the NBRNM, the Ministry of Finance, the Agency for Insurance Supervision, the Securities and Exchange Commission and the Agency for Supervision of Fully Funded Pension Insurance) and the Deposit Insurance Fund, providing a platform for joint risk assessment and policy coordination among different authorities. In support of the FSC, two sub-committees were created—the Sub-Committee for monitoring systemic risk and proposing macro-prudential measures and the Sub-Committee for preparing financial crisis management, both working under the guidelines of FSC. After its reconstitution in April 2020, the new FSC and two Subcommittees hold regular meetings. The Law on Financial Stability, that entered into force in August 2022, dedicates macroprudential mandate to all supervisory bodies and legally formalises the FSC as an inter-institutional body responsible for implementation of the macroprudential strategy. Subsequently, the FSC adopted the strategy on macroprudential policy, which elaborated in detail the intermediate objectives of the macroprudential policy, the macroprudential instruments, the indicators for monitoring and assessing systemic risks and the role of other competent authorities with reference to coordination with other relevant policies. Moreover, with the amendments to the Law on the NBRNM from April 2024, the NBRNM was explicitly granted tasks to conduct and implement the macroprudential policy, including authorisations to undertake macroprudential measures towards banks and other financial institutions to which it has issued an operating license.

### ***The banking system of the Republic of North Macedonia***

The banking sector is the dominant segment of the financial system, as well as the most important segment for the overall financial stability of the country. This sector consisted of 13 banks and two savings institutions as at 30 September 2025. One of the banks, the State-owned Development Bank of North Macedonia, is a special purpose development and export bank, which provides support for the development of the economy of North Macedonia through financing to small and medium-sized enterprises and export oriented companies, directly or through credit lines to other banks in the country. As at 30 September 2025, nine banks are owned by foreign shareholders, seven of them from EU countries, and five of the foreign-owned banks are subsidiaries of foreign banks. Banks with predominantly foreign capital comprise the largest share of total assets, loans, deposits, revenues and profits of the banking system. The five largest banks in North Macedonia, measured by asset size, are as follows:

<b>Bank</b>	<b>Key shareholders<sup>(1)</sup></b>	<b>Share in assets as at 30 September 2025</b>
Komercijalna Banka AD Skopje	Adora Engineering DOOEL Export Import Skopje (14.99%)	21.2%
Stopanska Banka AD Skopje	NBG Greece S.A. (94.64%)	17.2%
NLB Banka AD Skopje	NLB Slovenia (86.97%)	16.0%
Halk Banka AD Skopje	Türkiye Halk Bankası AS Istanbul (99.66%)	13.9%
Sparkase Banka AD Skopje <sup>(2)</sup>	Steirmärkische Bank und Sparkassen Aktiengesellschaft (96.55%)	12.8%

Notes:

- (1) Data on key shareholders and their respective percentage shares in total number of issued shares refer to as at 20 October 2025.
- (2) In July 2021, Ohridska Banka AD Skopje merged with Sparkase Banka AD Skopje.

Source: Central Securities Depository, NBRNM and websites of respective banks.

Each of the five banks listed in the table above has been identified as a systemically important bank in the Republic (out of six systemically important banks in total) based on data as at 30 September 2025.

Savings institutions are small credit institutions that deal primarily with natural persons. They play a minor role in the banking system; each of their shares in total loans, total deposits and total assets of the banking system is less than 0.5%. Since the end of 2022, savings institutions have been enabled to participate in CB-bill auctions and to place funds under the NBRNM's deposit facility, which creates better opportunities for improving their liquidity management efficiency. Moreover, the amendments of the Banking Law from the beginning of 2025 widened the list of activities that these institutions could perform, including lending and deposit-taking to or from a wider base of clients, providing payment services for their clients and foreign exchange activities. These changes were coupled with more stringent regulatory requirements on the minimum level of the initial capital and corporate governance.

As at 30 September 2025, the asset-to-GDP ratio of banks of North Macedonia amounted to 86.4%, Gross credits and deposits amounted to 52.3% and 61.6% of the gross domestic product, respectively. The following table sets out developments in banking system assets:

	As at 31 December					As at 30 September
	2020	2021	2022	2023	2024	2025
Banking System Assets (MKD million) <sup>(1)</sup>	585,501	638,666	684,255	746,739	824,812	881,290
Banking System Assets (%GDP) <sup>(2)</sup>	87.5%	87.6%	83.8%	82.7%	85.6%	86.4%

Notes:

- (1) The exchange rates applicable at individual dates are as follows: €1 = MKD 61.6940 (31 December 2020); €1 = MKD 61.6270 (31 December 2021); €1 = MKD 61.4932 (31 December 2022); €1 = MKD 61.4950 (31 December 2023); €1 = MKD 61.4950 (31 December 2024); €1 = MKD 61.6946 (30 September 2025).
- (2) Last revision to GDP figures (at current prices): December 2025.

Source: State Statistical Office and NBRNM

### **General developments and performance**

In 2020, the assets of the banking system had a year-on-year growth of 6.5% compared to 9.1% as at 31 December 2019, while in 2021, total assets increased by 9.2% annually. The assets growth noted some deceleration again in 2022 when it grew by 7.1% annually, reflecting the impact of the war in Ukraine and the energy crisis on the economy and overall confidence. In 2023 and 2024, the assets growth accelerated to 9.1% and 10.5%, accordingly. As at 30 September 2025, assets of the banking system amounted to MKD 881 billion, representing an annual increase of 15.2%, as compared to 8.7% as at 30 September 2024.

Traditional banking is the dominant business model in the banking system of North Macedonia. Banks of North Macedonia collect deposits as their main source of funding and make placements in the form of loans to non-financial entities. Deposits from the non-financial sector account for 71.3% of total funding and gross loans represent 60.6% of total banking system assets.

With the exception of deposit withdrawals in 2015 (due to the Greek crisis) and 2016 (domestic political situation), the deposit base of the banking system of North Macedonia has been stable since 2009. After a deceleration in

deposit growth rates between 2014 and 2017, from 10.7% in 2014 to 5.1% in 2017, the annual deposit growth rate increased to 9.4% in 2018 and registered similar growth of 9.2% in 2019. With a share of approximately 68%, household deposits represent the bulk of total non-financial sector deposits. The annual growth rate of household deposits amounted to 6.2% in 2017, 9.5% in 2018 and 7.6% in 2019. The COVID-19 pandemic and resulting global economic crisis negatively affected (to a limited extent) the growth of deposits as the main source of financing for domestic banks' activities. Yet, the effects from the health and economic crisis on the banking system were limited, with sporadic withdrawals of deposits noted only in April 2020. Hence, the annual growth of total deposits of non-financial sector in 2020 was positive and amounted to 6.2% (compared to 9.2% noted in 2019). At the same time, the household deposits rose by 4.5% (7.6% in 2019). In 2021, deposits from the non-financial sector noted an increase of 8.8%, while household deposits rose by 6.9% compared to 2020. The war in Ukraine also has had some negative effects on banks' deposit activities. In March 2022, deposits of non-financial sector slightly declined (by 1.8%), followed by a relatively weak deposit growth witnessed in the next few months. However, from June 2022, banks' deposits have started to increase and in the third quarter of 2022 have increased by 3.1%. The annual deposit growth in 2022, 2023 and 2024 equalled 5.4%, 9.2% and 11.4%, respectively. As at 30 September 2025, total deposits of non-financial sector amounted to MKD 628 billion, noting an annual increase of 12.8%, as compared to 7.9% as at 30 September 2024. Household deposits in this period equalled MKD 427 billion, representing an annual growth of 13.4%, as compared to 10.8% as at 30 September 2024.

As at 31 December 2020, credit to the non-financial sector amounted to MKD 353.5 billion, representing annual growth of 4.1% (compared to the annual growth of 6.1% in 2019 and 7.6% in 2018). Credit to corporates grew more slowly than loans to households. As at 31 December 2020, the annual growth in loans to corporates was 1.1%, compared to growth of 1.9% as at December 2019. If the effects of compulsory write-offs are not taken into account, the annual growth rates would have presented increases of 1.5% and 3.9% as at December 2020 and December 2019, respectively. The annual growth rates of loans to households are relatively strong, even when the effects of compulsory write-offs are taken into account (amounting to 8.0%, 10.5% and 10.3% in December 2020, December 2019 and December 2018, respectively).

As at 31 December 2021, credit to the non-financial sector amounted to MKD 383.6 billion, representing an annual growth of 8.5%. Credit to corporates grew faster than loans to households. As at 31 December 2021, the annual growth in loans to corporates was 8.7%. The annual growth rate of loans to households was solid as of 31 December 2021 amounting to 7.8%.

As at 31 December 2022, credit to the non-financial sector amounted to MKD 422.5 billion, representing an annual growth of 10.1%, out of which corporate loans grew by 11.8% and household loans noted an increase of 7.7%.

As at 31 December 2023, loans to non-financial sector equalled MKD 440.6 billion, which was 4.3% higher compared to previous year. In the same year, corporate loans registered an annual growth of 3.2%, whereas household loans increased by 6.9%.

As at 31 December 2024, loans to non-financial sector reached a level of MKD 490 billion, noting an annual growth of 11.2%. Corporate loans grew faster at 13.9%, compared to household loans which grew at 9.0%.

As at 30 September 2025, credit to the non-financial sector amounted to MKD 534 billion, representing an annual growth of 14.9%. Corporate loans grew faster at 16.5%, compared to household loans which grew at 11.0%.

As at 31 December 2020, loans to non-financial companies increased by 1% year-on-year, as compared to 2.4% as at 31 December 2019, and loans to households grew by 8.0% year-on-year, as compared to 10.5% as at 31 December 2019. The credit growth continued in 2021 and noted even higher dynamics. Corporate loans surged by 8.7%, whereas household loans increased by 7.8%. As at 31 December 2022 corporate and household loans rose by 11.5% and 7.3%, respectively. In 2023 and 2024, loans to non-financial companies surged by 3.2% and 13.9%, respectively. In the same period, household loans rose by 6.9% and 9.0%, respectively. As at 30 September 2025, the annual growth of loans to non-financial companies amounted to 16.5%, as compared to 7.5% as at 30 September 2024, whereas household loans grew by 11.0%, as compared to 7.9% as at 30 September 2024.



Given the dominance of traditional banking as a bank business model in North Macedonia, credit risk remains the most important risk in banking operations. As of December 2020, the NPL ratio for corporate credit and household portfolios amounted to 5.2% and 1.6%, respectively, while the NPL ratio for the overall non-financial sector equals to 3.4%. At the same time, the coverage ratio for NPLs amounted to 73.2%. Hence, despite the health and economic crisis, NPL ratios have further dropped in 2020, mainly due to write-offs of NPLs imposed by regulation, the exit of one bank from the system (this bank had some larger amount of NPLs in its portfolio, especially in the corporate portfolio), and the moratorium on payments due to COVID-19, that contributed to low inflow of new NPLs. The NPL ratio increase in 2021 due to the uncertainty related to the COVID-19 pandemic and such NPL ratios were more pronounced in the first quarter of the year and particularly in the household credit portfolio. In 2021, NPLs to households increased by 33.8%, whereas total NPLs rose by 4.5% (corporate NPLs decreased by 5%). However, due to the low starting level of NPLs, NPL ratios are still stable and at relatively low levels. As at the end of 2021, the NPL ratio for the household credit portfolio equalled 2% (1.6% at the end of 2020). On the other hand, in 2021, the corporate credit portfolio, the NPL ratio amounted to 4.5% (in comparison to 5.2% at the end of 2020). As at the end of 2021, the NPL coverage ratio remained at a consistent level of 66.3%, although it noted a decrease of 7% (from a level of 73.2% as of the end of December 2020), as a result of the mandatory write-offs of fully provisioned NPLs. In 2022, 2023 and 2024, the NPL ratio for the non-financial sector credit portfolio equalled 2.9%, 2.8% and 2.7%, respectively. The NPL coverage ratio amounted to 69.4%, 70.1% and 62.9%, respectively. In the same period, the NPL ratio for the household credit portfolio was 1.9%, 1.9% and 2.5%, accordingly. The increase of the NPL ratio in the household credit portfolio in 2024 was a result of the amendments to the regulation on the definition of non-performing loans, as the methodology for counting the number of days past-due was harmonised with the best EU rules and standards in this respect. The NPL ratio in the corporate credit portfolio amounted to 3.9% in 2022, 3.7% in 2023 and 2.8% in 2024. As at 30 September 2025, the NPL ratio in the non-financial sector credit portfolio equalled 2.3%, whereas the NPL ratio in the corporate credit portfolio amounted to 2.4% and in the household credit portfolio amounted to 2.3%. As at 30 September 2025, the NPL coverage ratio with NPL provisions was 62.1% (being 152% coverage with total provisions).

Developments related to the COVID-19 pandemic and its prolonged effects remained a key risk factor in the period from 2021 to 2022 period, which was further complicated by the energy crisis, disrupted global supply chains, rising inflation rates, and expectations for tightening the monetary policy of major central banks. Moreover, with the outbreak of the war in Ukraine in February 2022 and the tensions in the Middle East latter on in 2023, as well as the reviving of protectionist policies at the beginning of 2025, the uncertainties for the global economy have intensified and become more complex with almost inevitable spillovers of negative effects on the economy of North Macedonia. However, as described in more details below, Macedonian banking system remained stable, liquid and solvent with no major negative effects on the soundness of banks.

Possession of high liquidity buffers has always been a strength for banks of North Macedonia. With the exception of 2022, when liquid assets noted an annual decline of 0.9%, the annual growth of liquid assets is positive and at a satisfactory level that enables relatively high coverage of short-term liabilities and household deposits. Thus, in the period from 2020 to 2024, the annual growth of liquid assets amounted to 8.2% in 2020, 8.7% in 2021, -0.9% in 2022, 15.3% in 2023 and 13.2% in 2024. The decrease of liquid assets in 2022 was a consequence of the deceleration in deposit growth, as deposits noted declines in a few subsequent months immediately following the outbreak of the Russia-Ukraine war, while in the same time credit support to the economy intensified. However, the fall in liquid assets was rather mild and did not have any major effects on banking sector's overall liquidity position. The share of liquid assets in total assets was relatively high and stable in the period from 2020 to 2024, amounting to 32.5% in 2020, 32.4% in 2021, 30% in 2022, 31.8% in 2023 and 32.6% in 2024. In the same periods, the coverage of short-term liabilities with liquid assets equalled 53.8% in 2020, 52.3% in 2021, 47.7% in 2022, 52.3% in 2023 and 55.7% in 2024, whereas the coverage of household deposits with liquid assets was 64.4% in 2020, 65.5% in 2021, 61.1% in 2022, 65.3% in 2023 and 65.1% in 2024. As at 30 September 2025, the annual growth of liquid assets amounted to 12.8%, as compared to 9.7% as at 30 September 2024. Similarly, the share of liquid in total assets equalled 30.6% and the coverage of short-term liabilities and household deposits with liquid

assets amounted to 53.3% and 61%, respectively. With regard to the loan-to-deposit ratio, it has regularly been maintained at a stable level of between 80% and 90%. The table below shows loans, deposits and loan-to-deposit ratio for the periods indicated.

Financial Soundness Indicators	As at 31 December					As at 30 September
	2020	2021	2022	2023	2024	2025
Loans (MKD million)	353,502	383,627	422,522	440,560	489,924	533,919
Loans (€ million)	5,730	6,225	6,871	7,164	7,967	8,654
Deposits (MKD million)	430,870	468,844	493,955	539,602	600,967	628,344
Deposits (€ million)	6,984	7,608	8,033	8,775	9,773	10,185
Loan-to deposit ratio	82.0%	81.8%	85.5%	81.6%	81.5%	85.0%

Source: Financial Stability Department of the Republic of North Macedonia

Starting from 1 January 2021, a new Decision on liquidity risk management was enacted, which, among other things, stipulates an obligation for banks to calculate and maintain the so-called Liquidity Coverage Ratio, in accordance with the requirements of Basel III. As at 31 December 2024, the Liquidity Coverage Ratio aggregated for the banking sector amounted to 289.4%, while as at 30 September 2025 this ratio amounted to 267.0%. The changes to the Banking Law (from October 2016) and amendments to the Decision on the methodology for determining the capital adequacy ratio (applied from March 2017), which implemented the new rules of the Basel Committee (Basel III) and the CRR/CRD IV serve as additional support for bank solvency in North Macedonia. The banking system of North Macedonia is compliant with the capital component of the Basel III framework. From March 2017, four capital buffers requirements were introduced: the capital conservation buffer, the capital buffer for systemically important banks, the counter-cyclical capital buffer and the systemic risk capital buffer. All banks are required to maintain a capital conservation buffer at a level of 2.5% of risk weighed assets. In addition to requirements on the maintenance of bank capital adequacy ratios at a level of at least 8%, two additional solvency ratios are prescribed in the Banking Law – the common equity tier 1 ratio and the tier 1 ratio, which may not decline below 4.5% and 6%, respectively. The conservation capital buffer of 2.5% and the capital buffer (which may range from 1% to 3.5%) for systemically important banks are both being actively applied. As of October 2025, six banks were identified as systemically important and should achieve and maintain the determined capital buffer of 1% to 2.5% of RWAs by the end of September 2026. The counter-cyclical and the systemic risk capital buffer are two additional macro-prudential tools at the disposal of banks according to regulation. In July 2022, the NBRNM introduced a CCyB for exposures in North Macedonia of 0.5% that banks were obliged to fulfil not later than August 2023. Since then, the CCyB rate has been gradually lifted up in equal fractions (0.25) on several occasions and currently banks apply a capital buffer rate of 1.75%. Starting from the last quarter of 2026, banks are required to apply a CCyB rate of 2%. For the banks' exposures to clients from other countries, rates of the CCyB determined by the competent authority of the relevant other country should apply. The activation of the CCyB and the gradual increase in the CCyB rate have been made in order to further strengthen financial stability in conditions of gradual increase in systemic risks. Thus, the introduction of this capital buffer is aimed at acting preventively and to enable the further strengthening of the capital capacity of domestic banks, which is the basis of the banking sector's resilience to risks. The systemic risk capital buffer would be actively applied if conditions that might potentially disturb or jeopardise the stability of the financial system of North Macedonia and economy are detected or identified, that require additional resilience in the banking system in the form of higher capital. The systemic risk buffer rate is currently 0%. So far, in the NBRNM's regular analyses, such systemic risk exposures have not been identified. The obligation to meet the systemic risk buffer rate may be applied to individual banks or to all banks in North Macedonia, may range from 1% to 3% of the risk weighed assets and may be different for different banks or groups of banks.

In addition, through the supervisory review and evaluation process, particular capital add-ons for individual banks are determined, according to each bank's risk profile. As at 30 September 2025, the aggregate capital adequacy ratio of the banking system was 19.5%, with the Tier 1 ratio equalling 18.8% and Common Equity Tier 1 ratio (CET1 ratio) amounting to 18.5%. In the first six months of 2025, the leverage ratio equalled 12.3% (12.0%, in the first six months of 2024). Exactly 40.9% of the banks' own funds are used for Pillar I risk coverage (regulatory determined risks according to a standardised approach: credit risks, operational risks, currency and other market risks), 30.2% of own funds are deployed to fulfil the activated capital buffers (conservation capital buffer, counter-cyclical capital buffer and capital buffers for D-SIBs) and 20.5% of own funds are used for Pillar 2 risk coverage. The remaining own funds (amounting to 8.4% of total own funds) are "free" capital for coverage of any unexpected losses that banks may incur.

	As at 31 December					As at 30 September
<b>Capital adequacy ratio</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Large banks	16.4%	17.0%	17.5%	17.9%	18.7%	19.4%
Medium-sized banks	17.6%	18.5%	18.6%	18.7%	19.4%	19.0%
Small-sized banks	17.6%	18.7%	19.6%	20.1%	20.5%	22.5%
<b>Banking system</b>	<b>16.7%</b>	<b>17.3%</b>	<b>17.7%</b>	<b>18.1%</b>	<b>18.9%</b>	<b>19.5%</b>

Source: NBRNM

The net profit of the banking system of North Macedonia in 2020 increased 8.5% to MKD 7.3 billion due to higher capital gains on sales of foreclosed assets and larger gains from collection of previously written-off claims. There was also a positive effect from the operating cost reduction as well as from the modest increase in net interest income. The positive developments were partly offset by the expected increase in credit losses (impairment losses) and the reduction in net fee and commission income. In 2021, banking system profit rose by approximately 26% and reached a level of MKD 9.2 billion. The larger gains from collection of NPLs, previously written-off claims and release of provisions due to collection contributed the most in banking system profit growth. There was also a positive effect from the increase in net interest income as well as in net fees and commission income. In 2022, the banking system continued to increase its profit by 5.7% to a level of MKD 9.7 billion, which was mostly a result of the growth of net interest income and net commission income. In 2023, the profitability of the banking system further improved. Amidst growth in interest rates and interest bearing assets, the profit increased by 47.8% to a level of MKD 14.3 billion, which was mainly a result of the increased net interest income from almost all sectors. Moreover, a slight contribution to the profit growth was made by higher net commission income. In 2024, the profitability of the banking system further improved, but at a slower pace as compared with the previous year. Thus, the profit increased by 21.6% to a level of MKD 17.4 billion, with the largest contribution coming from the growth in net interest income from almost all sectors. A solid contribution to the profit growth was made by the increased income from the collection of previously written-off claims and sales of foreclosed property, as well as by the reduced impairment for non-performing loans. The higher net commission income also had some contribution in the profit growth in 2024. In the first nine months of 2025, the banking system's profit declined by 2.9% compared to the same period of 2024, reaching a level of MKD 14.5 billion, as compared to MKD 14.9 billion in the first nine months of 2024. The decrease of net interest income by 0.6%, and the rise in operating expenses by 9.4% and net impairment losses by 9.8% contributed the most in the decline of banking system's profit.

As at 31 December 2023, the ROAA (return on average assets) and the ROAE (return on average equity) were 2.0% and 16.1%, respectively, compared to 1.5% and 12.2% in 2022, 1.5% and 12.9% in 2021, and 1.3% and 11.3% in 2020, respectively. As at 31 December 2024, the banking system ROAA amounted to 2.2%, whereas ROAE amounted to 17.6%. In the first nine months of 2025, banking system ROAA and ROAE equalled 2.3% and 17.5%, respectively, compared to 2.6% and 20.2%, respectively, for the first nine months of 2024.

The NBRNM conducts quarterly stress tests to analyse bank sensitivity to individual and combined hypothetical shocks relating to, among others, a deterioration in the quality of the credit portfolio, the withdrawal of deposits,

changes in the interest rates and foreign exchange rates. Results have generally been satisfactory, indicating that the banking sector in North Macedonia is stable and resilient to most of such shocks. The NBRNM's quarterly stress test simulations indicate that only with an extremely large increase in non-performing credit exposure to non-financial entities (of 887.8% as at 30 September 2025) i.e., with a shift of 20.5% from performing to non-performing credit exposure, the capital adequacy of the banking system would decrease to 8.0% (for illustrative purposes, only 0.3% of performing credit exposure to the nonfinancial sector became non-performing in the second quarter of 2025, whereas the non-performing credit exposure decreased by 3.7%). With the assistance of IMF experts, the NBRNM has developed a model for macro stress-testing. The results of the latest macro stress test, conducted with 2024 data, are published in the Report on the Financial Stability in the Republic of North Macedonia. The stress tests are typically performed as top-down exercises and bottom-up stress test conducted in cooperation with the banks.

## **Capital Market**

In order to promote the transition to a market-based economy and facilitate the economic development of businesses in North Macedonia, the Government has focused on establishing and maintaining stable and efficient capital markets. North Macedonia implemented securities market legislation in 1993, providing the foundation for the development of the capital markets.

### ***Legislation Governing Capital Markets***

The legal framework governing capital markets in the Republic includes the Law on Securities ("Official Gazette of the Republic of Macedonia" No. 95/2005; 25/2007; 7/2008; 57/2010; 135/2011; 13/2013; 188/2013; 43/2014; 15/2015; 154/2015; 192/2015; 23/2016 and 83/2018 and "Official Gazette of the Republic of North Macedonia" No. 31/2020 and 288/2021). This Law will be in force until 1 October 2026, after which it will be replaced with two new Laws, including the Law on Financial Instruments ("Official Gazette of Republic of North Macedonia" No 66/24 I 188/25) and the Law on Prospect and obligation for transparency for issuers of securities ("Official Gazette of Republic of North Macedonia" No 64/24 I 188/25). These two Laws will incorporate all relevant regulations in the field of capital market. The legal framework of capital markets also consists of the Law on Investment Funds ("Official Gazette of the Republic of Macedonia" No. 12/2009, 67/2010, 24/2011, 188/2013, 145/2015 and 23/2016 and "Official Gazette of the Republic of North Macedonia" No. 31/2020, 150/2021 and 288/2021) and the Law on Taking Over Joint Stock Companies ("Official Gazette of the Republic of Macedonia" No. 69/2013, 188/2013, 166/2014, 154/2015, 23/2016 and 248/2018 and "Official Gazette of the Republic of North Macedonia" No. 31/2020 and 288/2021).

In December 2021, the Capital Market Development Council adopted the Strategy for Development of Financial Markets with a special focus on the capital market. The Capital Market Development Strategy aims to present the key areas for development, with a main focus on identifying opportunities to expand the supply of long-term securities and increase demand, primarily through greater participation of households and domestic and foreign institutional investors. The strategy was developed in three parts: (1) "The role of the capital market in the national economy", which analyses in detail the Stock Market, the Bond Market, the Credit Market and the Market of alternative sources of financing in the country; (2) "Capital market development domains", which analyses the potential for capital market development through individual elaboration of the segments: population, companies, institutional investors, foreign investors and regulations related to the capital market; (3) "Measures to improve the capital market", which contains the specific measures for the development of the capital market. After the adoption of the Strategy by the Council, in January 2022 it was submitted and adopted by the Government as an operational strategic document.

The Ministry of Finance signed a Memorandum of Understanding on 25 August 2025, regarding the cooperation for the development of a regional capital market. By signing the Memorandum, the Republic will join the EBRD-supported project for the integration of capital markets of the Central and South-Eastern European ("CSEE") countries, including Croatia, Slovenia, Bulgaria, Romania, Slovakia, Poland, Greece and Hungary.

The integration of the capital markets of the interested countries from CSEE would contribute to the economic development of these countries and create a strong link within the regional capital market infrastructure. The focus would be placed on integration at the operational level, which includes the creation of a single trading platform that consists of a technical solution for consolidating the separate national trading channels into one channel in the first phase, harmonised regulations, a regional stock index, a regional Central Counterparty, connection with a Central Securities Depository, as well as joint product and business development.

### ***The SECRNM***

The Securities and Exchange Commission of the Republic of North Macedonia (the “SECRNM”) was established following the country’s independence, on 19 June 1992, on the basis of a Government Decision made in accordance with the Law on Securities of the former Yugoslavia. Since 1994, the SECRNM has been a regular member of the International Organisation of Securities Commissions (“IOSCO”) and is an autonomous and independent legal entity that regulates and supervises all authorised participants within the national securities market (securities depositories, stock exchanges, brokerage houses, banks dealing with securities, brokers and investment advisors). Since 2010, the SECRNM has been a signatory of the IOSCO’s Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information.

The main priority of the SECRNM is to oversee and facilitate a well-regulated, transparent and highly developed securities market, as well as maintaining efficient, fair and legal capital markets with high integrity, in order to maintain the confidence of all capital market participants and protecting the rights and interests of the investors and shareholders as part of improving the investment climate.

As at 30 September 2025, the SECRNM had 29 employees, including the President of the SECRNM and one Commissioner.

In 2021, the SECRNM and the Macedonian Stock Exchange (“MSE”) realised a mutual project with support from experts of the EBRD for the development of the new Corporate Governance Code.

With the introduction of a Corporate Governance Code, the MSE is taking another important step forward with the introduction of European standards in local capital markets. The code is addressed to companies with shares listed on the official market of the MSE, that meet the criteria specified in the listing rules. These companies are required to report annually whether they have followed the practices in the code. As is the case in other European countries with capital markets of a similar size and structure, the code in North Macedonia applies an approach known as “comply or explain”. All other listed companies that do not meet the criteria of the listing rule are encouraged voluntarily to report on how they implement the code.

In 2024, the SECRNM carried out six full and two partial assessments of controls on the operations of authorised securities market participants and on the operations of investment funds. Where legal violations were detected, the SECRNM took appropriate action to eliminate any identified irregularities and prevent further dishonest and/or illegal activities on the capital markets.

### ***The Macedonian Stock Exchange***

All secondary trading in securities in North Macedonia, except for continuously issued Government securities, which can be traded through the OTC market, is conducted on the MSE. The MSE was founded on 13 September 1995 as the MSE and commenced trading on 28 March 1996 as a central marketplace for trading in securities. It was the first organised stock exchange in the Republic. The table below reflects key indicators of the MSE as at and for the years presented.

	Year ended 31 December					Nine months ended 30 September
	2020	2021	2022	2023	2024	2025
	<i>(MKD million unless indicated otherwise)</i>					
<b>Turnover .....</b>	8,195	12,853	7,444	4,618	13,402	6,345
Block trades .....	2,042	6,070	2,364	1,727	5,706	1,098
Public offerings .....	166	9	73	—	—	527
Public auctions .....	—	38	374	—	473	668
Shares.....	5,681	5,395	4,151	2,688	6,934	3,995
Government bonds .....	284	1,342	460	184	290	57
<b>Market Capitalisation (shares).....</b>	183,151	223,887	214,276	231,355	351,088	356,609
<b>Total Market Capitalisation .....</b>	196,828	242,519	233,749	250,545	373,873	377,266
<b>Turnover/Market Capitalisation (%)</b>	4.2%	5.3%	3.5%	1.84%	3.58%	1.68%
<b>Index value (index points).....</b>	4,704.84	6,153.48	5,652.33	6,116.23	10,200.91	10,346.94

Source: Macedonian Stock Exchange

### **Central Securities Depository**

The Central Securities Depository (the “CSD”) is responsible for the registration of securities, the execution of non-trade transfers and the settlement of trade transactions in North Macedonia. All trades conducted on the MSE are automatically transmitted to the CSD immediately after the end of each trading session. Initial clearing (identification of buyers/sellers, quantity of securities and prices) is effected by the MSE BEST (Bourse Electronic System of Trading) system. The remainder of the clearing and settlement process is completed by the CSD. The securities register of the CSD is the only legally valid evidence of issuance and ownership of securities. All securities issued in North Macedonia are registered in a depository as electronic records. Rolling settlement of trade transactions is implemented on the basis of DVP (delivery versus payment) principles. The settlement period for the securities traded on the stock exchange is maximum T+2; while the settlement period for the securities traded OTC is T+0.

### **Investment Funds**

As at 30 September 2025, there were six investment fund management companies in North Macedonia, managing 24 open-ended investment funds. The total net asset value of the funds on 30 September 2025 was MKD 26.98 billion or approximately €438.66 million, representing a 24.22% increase as compared to 31 December 2024.

### **Insurance Sector**

#### **Legislation and Institutional Framework**

Insurance companies conduct their activities in accordance with the Law on Insurance Supervision (“Official Gazette of the Republic of Macedonia” No. 27/2002, 98/2002, 79/2007, 88/2008, 67/2010, 44/2011, 112/2011, 188/2013, 30/2014, 43/2014, 112/2014, 153/2015, 192/2015, 23/2016, 83/2018 and 198/2018 and “Official Gazette of the Republic of North Macedonia” No. 101/2019, 31/2020, 173/2022 and 3/2025), the Law on Compulsory Insurance in Traffic (“Official Gazette of the Republic of Macedonia” No. 88/2005, 70/2006, 81/2008, 47/2011, 135/2011, 112/2014 and 145/2015 and “Official Gazette of the Republic of North Macedonia” No. 220/2019), and the Law on Voluntary Health Insurance (“Official Gazette of the Republic of Macedonia” No. 25/2000, 34/2000, 96/2000, 50/2001, 11/2002, 31/2003, 84/2005, 37/2006, 18/2007, 36/2007, 82/2008, 98/2008, 6/2009, 67/2009, 50/2010, 156/2010, 53/2011, 26/2012, 16/2013, 91/2013, 187/13, 43/2014, 44/2014, 97/2014, 112/2014, 113/2014, 188/2014, 20/2015, 61/2015, 98/2015, 129/2015, 150/2015, 154/2015, 192/2015, 217/2015, 27/2016, 37/2016, 120/2016, 142/2016 and 171/2017 and “Official Gazette of the Republic of North Macedonia” No. 275/2019, 77/2021 and 285/2021). These laws provide the basic legal framework for regulating insurance and

reinsurance activities and supervision of the operations of insurance companies, insurance brokerage companies and insurance agencies.

The broader legal framework is provided under the Contractual Law.

The Law on Insurance Supervision incorporates the principles and standards of the International Association of Insurance Supervisors (“IAIS”) as well as EU Insurance Directives. This law regulates (i) the establishment and operations of insurance companies, (ii) risk management, (iii) the role of authorised actuaries, (iv) financial reporting, (v) internal and external auditing, (vi) the activities of insurance brokerage companies and agencies, (vii) supervision over insurance companies, (viii) procedures for decision-making by the Insurance Supervision Agency (“ISA”), (ix) the operations of insurance and reinsurance pools, (x) cooperation with supervisory agencies and EU authorities and (xi) penalty provisions.

A new Insurance Law will be prepared and adopted in order to harmonise national insurance regulation with EU Solvency II requirements. In April 2024, Ministry of Finance adopted a new Rulebook on Accounting that requires insurance companies to comply with IFRS 17/9 requirements starting from 1 January 2028.

The Law on Compulsory Insurance in Traffic provides for mandatory insurance to protect potential victims of traffic accidents. This law increased required levels of insurance coverage and will gradually align such amounts to those adopted under EU Directives. It further provides for the regulation of deadlines for filing claims and indemnification of claims by the insurance companies, conditions for mediation, strict regulation of the competencies of the Guarantee Fund, and the determination of premium tariffs (in connection with which the Motor Insurance Commission was established). The law also facilitates the provision of cross-border insurance services through an authorised claims representative, and introduces a “Damage Compensation Service” — both of which will be effective once North Macedonia joins the EU.

The Law on Voluntary Health Insurance prescribes a wider scope of activities for insurance companies to offer packages of health services not covered under the compulsory health insurance system.

The Law on Prevention of Money Laundering and Financing of Terrorism (“*Official Gazette of the Republic of North Macedonia*” No. 151/2022 and 208/2024) establishes the competence of the ISA to conduct supervision over the insurance market, which is subject to regulation by this law, and to implement measures and actions to prevent money laundering and financing of terrorism.

Both domestic and foreign legal entities and/or natural persons may form an insurance company in the legal form of a joint stock company. An insurance company cannot perform composite insurance operations. The share capital of an insurance company must be at a level not lower than the Guarantee Fund, which is the minimum required capital. The Guarantee Fund must constitute one third of the required level of solvency margin, and should not be lower than €2 million if the insurance company undertakes operations in non-life insurance classes other than compulsory insurance in traffic, and €3 million if the insurance company undertakes operations in compulsory insurance in traffic, or life assurance. A reinsurance company must possess at least €4.5 million of shareholders’ capital to perform reinsurance operations.

In compliance with the Insurance Supervision Law, the ISA is an autonomous and independent regulatory body which commenced operations on 1 November 2009. The ISA supervises insurance companies through established processes of licensing, on-site and off-site supervision and issuing measures of supervision, such as licence revocation, liquidation of insurance companies and submitting proposals to open bankruptcy procedures against insurance companies, with the purpose of safeguarding the interests of insurance policyholders and promoting a sound and competitive insurance market. The ISA also has the authority to adopt and implement secondary regulation on the insurance market and control whether measures against money laundering are implemented and enforced.

### ***Insurance Market and Supervision***

As at 30 September 2025, there were 17 licenced insurance companies operating in North Macedonia. Six of these provide life insurance, while the remaining 11 provide non-life insurance. One of the non-life insurance companies is also licenced as a reinsurer. 14 of the insurance companies are controlled by foreign legal entities. At 30 September 2025, the aggregate share of foreign ownership in the insurance market was 71.41%.

Gross written premiums for the first nine months ended 30 September 2025 totalled MKD 13.8 billion, representing an 13.29% increase compared to the same period in 2024. Aggregate gross written premiums in the non-life insurance sector totalled MKD 11.53 billion, representing a growth of 13.84% over the same period in the previous year. The life-insurance sector's gross written premiums totalled MKD 2.27 billion, representing an increase of 10.58% over the same period in 2024.

Insurance penetration (measured as the ratio of gross written premiums to GDP) at the end of 2024 was 1.67%, and insurance density (measured as the total amount of gross written premiums divided by total population) was 8,694 MKD. The insurance sector is characterised by its moderate market concentration. As of 30 September 2025, four insurance companies had a market share of greater than 10% but less than 20%, with the remainder having less than 10%.

As at 30 September 2025, insurance companies held MKD 41.89 billion in assets, representing an increase of 13.81% compared to 31 December 2024. The total capital of insurance companies amounted to MKD 9.39 billion, representing growth of 5.44% over the period of nine months in 2025. Total capital was 3.37 times higher than the required solvency margin level of MKD 2.79 billion. As at 30 September 2025, the insurance sector reported a profit of MKD 1,031 million, with the non-life sector reporting a profit of MKD 798 million, and the life insurance sector reporting a profit of MKD 233 million.

The role of intermediaries in insurance sales has become increasingly important for the insurance sector. As at 30 September 2025, direct sales by insurance companies generated 39.53% of gross written premiums, whereas 60.47% were generated through intermediaries. In the same period, there were 44 insurance brokerage companies operating as insurance intermediaries on the insurance market. The minimum required capital for establishing an insurance brokerage company is €50,000. In addition, there were 20 insurance agencies (including banks that sell insurance products) licenced to perform insurance activities. The minimum required capital for establishing an insurance agency is €15,000.



## INDEBTEDNESS

NBRNM debt that is created for monetary purposes, consisting primarily of CB Bills (“**NBRNM debt**”), is not regarded as public debt (as set forth in the Public Debt Law of Article 5, as modified and amended. Accordingly, NBRNM debt is not included in the data in this section.

General government debt is the sum of all financial liabilities created through borrowing by the Republic, the public institutions established by the Republic and its municipalities. General government debt is comprised of external general government debt and domestic general government debt. External general government debt includes external central government debt and external municipalities’ debt to multilateral, bilateral and private creditors. Domestic general government debt includes domestically issued structural bonds (issued to address specific structural problems in the economy), regular issuances on the domestic market of Treasury bills and bonds and domestic municipal debt. Public debt is comprised of general government debt and both guaranteed and non-guaranteed external and domestic debt of public enterprises. Under the amendments to the Public Debt Law in May 2019, non-guaranteed debt of public enterprises is included in the definition of public debt. Since 2019, there have been two additional amendments of the Public Debt Law. The amendments were made in 2021 regarding the misdemeanour provisions, and in 2025 regarding the approval of a loan from the Budget of the Republic of North Macedonia for the Development Bank of North Macedonia for the implementation of projects and/or programs of the Government.

The following table sets out outstanding general government debt and public debt of North Macedonia as at the dates indicated.

	Year ended 31 December					Nine months ended 30 September
	2020	2021	2022	2023	2024	2025
Total general government debt (€ million)	5,516.0	6,080.2	6,581.1	7,256.2	8,298.0	8,498.1
External (€ million)	3,382.5	3,648.9	3,983.7	4,171.1	4,617.7	4,399.7
Domestic (€ million)	2,133.5	2,431.3	2,597.4	3,085.1	3,680.3	4,098.4
Total general government debt (% GDP)	50.8	51.4	49.7	49.5	53.0 <sup>(2)</sup>	50.3 <sup>(2)</sup>
External (% GDP)	31.2	30.8	30.1	28.4	29.5 <sup>(2)</sup>	26.0 <sup>(2)</sup>
Domestic (% GDP)	19.7	20.5	19.6	21.0	23.5 <sup>(2)</sup>	24.3 <sup>(2)</sup>
Total public debt (€ million)	6,483.3	7,135.3	7,702.9	8,476.8	9,619.4	9,730.1
Total public debt (% GDP)	59.7 <sup>(1)</sup>	60.3 <sup>(1)</sup>	58.2 <sup>(1)</sup>	57.8 <sup>(1)</sup>	61.4 <sup>(1,2)</sup>	57.6 <sup>(1,2)</sup>

Notes:

(1) Includes guaranteed and non-guaranteed debt

(2) Estimated.

Source: Ministry of Finance, NBRNM, State Statistical Office

Total general government debt of North Macedonia as a percentage of GDP amounted to 50.3% as at 30 September 2025, comparing favourably to other countries in the region as well as the EU average. The table below sets forth comparative data for the regional and EU averages for the periods indicated.

**General Government Debt (% GDP)<sup>(1)</sup>**

	<b>As at 30 June 2025<sup>(2)</sup></b>
Eurozone area .....	88.2%
Bulgaria .....	26.3%
North Macedonia .....	51.4%
Serbia.....	47.4%
Albania .....	54.2%
Greece.....	151.2%
Montenegro.....	60.4%
Romania.....	57.3%

Notes:

- (1) The scope of general government debt may differ between countries due to methodological differences.
- (2) These are provisional figures.

*Source: Provisional figures provided by Eurostat, Ministry of Finance and the respective ministries of finance of Albania, Serbia and Montenegro*

**General government net borrowing (as % of GDP)**

	<b>2026</b>	<b>2027</b>	<b>2028</b>
North Macedonia .....	(4.5%)	(4.0%)	(3.5%)
Bulgaria .....	(3.5%)	(3.6%)	(3.3%)
Serbia.....	(2.8%)	(2.8%)	(2.3%)
Albania .....	(1.9%)	(1.9%)	(1.9%)
Romania.....	(5.8%)	(5.7%)	(5.6%)
Montenegro.....	(3.5%)	(3.8%)	(4.1%)
Greece.....	(0.8%)	(1.4%)	(1.4%)

*Source: World Economic Outlook*

*Projections and estimates remain subject to numerous internal and external factors, may not materialise, and may be significantly revised. See also the section headed “Forward Looking Statements” in this Offering Circular.*

**External General Government Debt**

As at 30 September 2025, the external general government debt of North Macedonia amounted to €4.40 billion, or 26.0% of GDP, and 51.8% of total general government debt. Total external general government debt has risen gradually in recent years, primarily due to the Government’s Eurobond issuances in 2020, 2021 and 2023 which amounted to €700 million, €700 million and €500 million, respectively; the Government’s NSV bond issuance in 2022 which amounted to €250 million; the two loans which the Government secured from the Hungarian Export-Import Bank in 2024 and 2025, each amounting to €500 million; as well as public investment projects financed by multilateral creditors such as IBRD, CEDB, EBRD, EIB, along with support from bilateral creditors, which more than offset repayments of maturing debt.

The following table shows total external general government debt at the end of the periods indicated.

	<b>Year ended 31 December</b>					<b>Nine months ended 30 September</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<b>(€ million)</b>					
External General Government debt.....	3,382.5	3,648.9	3,983.7	4,171.0	4,617.7	4,399.7
Multilateral Creditors ...	1,129.7	1,215.5	1,325.9	1,381.1	1,456.5	1,367.7

IDA.....	168.3	159.9	145.8	127.0	115.3	98.2
IBRD .....	400.6	424.6	448.8	535.5	508.0	479.5
EIB .....	126.1	119.6	111.2	98.6	96.3	92.4
EBRD .....	79.2	66.2	75.8	85.8	95.3	97.3
CEDB .....	101.7	103.7	96.7	87.6	78.1	68.3
EU .....	80.0	160.0	160.0	160.0	210.0	238.1
IFAD .....	8.2	8.1	7.7	7.0	6.7	6.0
IMF.....	165.5	173.4	279.9	229.6	296.9	237.9
OPEC.....	0.0	0.0	0.0	50.0	50.0	50.0
Bilateral Creditors <sup>(1)</sup> .....	64.2	62.8	55.2	137.3	633.6	1,129.4
Private creditors.....	2,188.6	2,370.6	2,602.6	2,652.6	2,527.6	1,902.6
Eurobonds.....	2,150.0	2,350.0	2,600.0	2,650.0	2,525.0	1,900.0
Other private creditors ..	38.6	20.6	2.6	2.6	2.6	2.6

Note:

(1) The KfW, JICA, ICO Spain, U.S. Department of Agriculture, non-rescheduled Paris club debt.

Source: Ministry of Finance and NBRNM

Debt owed to private and multilateral creditors amounted to 43.2% and 31.1%, respectively, of total external general government debt as at 30 September 2025. The IBRD, the IMF and the EU are the principal multilateral creditors to which North Macedonia owed €479.5 million, €237.9 million, and €238.1 million, respectively, as at 30 September 2025.

### ***Eurobond issuances and external loans***

In June 2020, the Government issued its seventh Eurobond in an aggregate principal amount of €700 million and bearing interest at 3.675%, maturing in June 2026. The proceeds of the issuance were used for budget support in 2020 and 2021 and to repay maturing debt liabilities.

In March 2021, the Government issued its eighth Eurobond in an aggregate principal amount of €700 million and bearing interest at 1.625%, maturing in March 2028. The eighth Eurobond was issued at the lowest rate historically, and the proceeds of the issuance were used for budget support in 2021 and 2022 and to repay maturing debt liabilities.

Historically, the Ministry of Finance has used a range of sources to finance its budgetary needs. Funds have been provided through regular loan disbursements from international financial institutions as well as from the international capital markets.

In September 2022, the Ministry of Finance issued German registered Notes (NSV) on the international capital markets in the amount of €250 million with a favourable interest rate (3.75% + 6-month Euribor) to ensure financial resources for budget deficit financing and refinancing public debt liabilities for 2022.

In March 2023, the Government issued its ninth Eurobond in an aggregate principal amount of €500 million and bearing interest at 6.960%, maturing in March 2027. The proceeds of the issuance were used for budget support in 2023 and to refinance its maturing public debt liabilities.

To finance the budget deficit and service debt, the Government borrowed from the following foreign creditors:

- In 2023, the Government borrowed from the IBRD a loan of €93.8 million, with interest being six-month EURIBOR and repayment over six years with a five-year grace period;
- In 2023, the Government borrowed from the OPEC Fund a loan of €50 million, with interest being 1.7% + six-month EURIBOR and repayment over eight years with a two-year grace period;

- In 2023, the Government borrowed from the KfW a loan of €90 million, with fixed interest of 1% and repayment over ten years with a two-year grace period;
- In 2024, the Government borrowed from the IMF a loan of SDR 119.3 million, with interest being 1% + SDR rate and repayment in two years with a three-year grace period;
- In 2024, the Government borrowed from the EU a loan of €50 million, with fixed interest of 3.375% and a lump-sum repayment in 2038; and
- In 2024 and 2025, the Government borrowed from the Hungarian Exim Bank two loans of €500 million each, with fixed interest of 3.25% and repayment over 15 years with a three-year grace period.

### **General Government Debt by Currency**

The following table shows general government debt by currency (as a percentage of total general government debt) as at 30 September 2025.

<b>Currency</b>	<b>As at 30 September 2025</b>
EUR .....	59.0%
USD .....	0.02%
SDR <sup>(1)</sup> .....	4.0%
MKD .....	36.8%
JPY .....	0.1%

Note:

(1) Special drawing rights. The majority of payments on these are made in USD.

Source: Ministry of Finance and NBRNM

As at 30 September 2025, 59.0% of the general government debt of North Macedonia was denominated in Euro. While the debt is not hedged, the risk of devaluation is low as the MKD is informally pegged to the Euro and most of the country's revenue from exports is also denominated in Euro. In the medium-term, the Government intends to increase the share of Euro-denominated debt in its portfolio.

### **Interest rate structure of General Government Debt**

As at 30 September 2025, 21.4% of the external general government debt was floating rate, and the remainder was fixed rate. As at 30 September 2025, 22.4% of the domestic general government debt was floating rate while the remainder was fixed rate. For the same period, 21.9% of total general government debt was floating rate, while the remainder was fixed rate.

### **Guaranteed debt**

For certain public enterprises such as the national power plant, JSC ESM, the Development Bank of North Macedonia, PESR, Railways of RNM Transport, PE for National Forests and Public Transport Company Skopje, North Macedonia provides guarantees to creditors on both domestic and foreign borrowing; as at 30 September 2025, this guaranteed public debt amounted to €1.18 billion, or 6.96% of GDP.

The following table shows government guaranteed debt at the end of the periods indicated.

<b>Year ended 31 December</b>					<b>Nine months ended 30 September</b>
<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<i>(€ million)</i>					

Government guaranteed debt <sup>(1)</sup> .....	920.0	999.9	1,048.9	1,149.7	1,182.5	1,063.3
Government guaranteed debt as percentage of nominal GDP .....	8.6%	8.5%	8.0%	7.8%	8.1%	7.0%

Note:

(1) Data includes the stock of external guaranteed debt. External guaranteed debt is not included in External Government Debt.

Source: Ministry of Finance and NBRNM

The following table shows guaranteed public debt by borrower as at 30 September 2025.

Borrower	As at 30 September 2025	
	(€ million)	% of GDP <sup>(1)</sup>
JSC ESM .....	195.35	1.16%
JSC MEPSO .....	6.24	0.04%
PESR .....	735.13	4.35%
MBDP .....	222.66	1.32%
JSC Railways of RNM Transport .....	9.88	0.06%
PE for National Forests .....	1.92	0.01%
Public Transport Company Skopje .....	4.26	0.03%
Total .....	1,175.44	6.96%

Note:

(1) Estimated.

Source: Ministry of Finance and NBRNM

Most of the Government guaranteed debt issued recently has been used to fund infrastructure projects in order to support the economic growth of North Macedonia and greater competitiveness of the domestic economy in the medium-term.

### General Government Debt Service

The following table sets out general government debt service for the periods indicated.

	Year ended 31 December					Nine months ended 30 September
	2020 <sup>(1)</sup>	2021 <sup>(2)</sup>	2022 <sup>(3)</sup>	2023 <sup>(4)</sup>	2024 <sup>(5)</sup>	2025 <sup>(6)</sup>
<b>Domestic General Government</b>						
Debt service	298.2	155.1	151.1	197.3	425.5	343.7
Principal	253.3	105.4	95.0	128.2	311.7	232.8
Interest	44.9	49.7	56.1	69.1	113.8	110.9
<b>External General Government</b>						
Debt service	518.8	692.8	189.5	731.5	507.6	905.5
Principal	433.0	594.4	96.3	589.0	330.2	759.6
Interest	85.8	98.4	93.2	142.5	177.4	145.9

	Year ended 31 December					Nine months ended 30 September
	2020 <sup>(1)</sup>	2021 <sup>(2)</sup>	2022 <sup>(3)</sup>	2023 <sup>(4)</sup>	2024 <sup>(5)</sup>	2025 <sup>(6)</sup>
<b>Total General Government</b>						
Debt service	817.0	847.9	340.6	928.8	933.1	1,249.2

Notes:

- (1) Based on an exchange rate as at 31 December 2020 of €1 = MKD 61.6940.
- (2) Based on an exchange rate as at 31 December 2021 of €1 = MKD 61.6270.
- (3) Based on an exchange rate as at 31 December 2022 of €1 = MKD 61.4932
- (4) Based on an exchange rate as at 31 December 2023 of €1 = MKD 61.4950.
- (5) Based on an exchange rate as at 31 December 2024 of €1 = MKD 61.4950.
- (6) Based on an exchange rate as at 30 September 2025 of €1 = MKD 61.6946

Source: Ministry of Finance

### **Debt Service on External General Government Debt**

North Macedonia has serviced its external general government debt on a regular and timely basis, and has historically arranged for prepayment of external debt initially issued on unfavourable terms.

In 2024, annual payments on external general government debt amounted to €507.6 million included the payment of principal and interest. In 2025, annual payments on external general government debt were expected to be €984.9 million, included the repayment of the sixth Eurobond in the amount of €500.0 million, of which €905.5 million had been realised as at 30 September 2025. The Government expects that payments of principal and interest on external government debt in 2026 and 2027 will total €1,054.9 million and €941.4 million, respectively.

Payments in 2026 are expected to include regular payments on outstanding loans, and repayment of the seventh Eurobond in the amount of €700.0 million respectively. Payments in 2027 are expected to include regular payments on outstanding loans, and repayment of the ninth Eurobond in the amount of €500.0 million respectively.

### **External General Government Debt Payments for 2026-2028**

	Principal payments	Interest payments	Total
	(€ million)		
<b>Period</b>			
2026 <sup>(1)</sup> .....	893.1	161.8	1,054.9
2027 <sup>(2)</sup> .....	768.2	173.2	941.4
2028 <sup>(2)</sup> .....	1,031.9	169.9	1,201.8

Note:

- (1) Estimates based on the Budget for 2026.
- (2) Estimates based on the 2026-2030 Revised Fiscal Strategy

Source: Ministry of Finance

*Projections and estimates remain subject to numerous internal and external factors, may not materialise, and may be significantly revised. See also the section headed “Forward Looking Statements” in this Offering Circular.*

### **Domestic General Government Debt**

Domestic general government debt was issued for the first time in 1996. Since then, domestic bonds have been issued: (i) to compensate citizens of North Macedonia who lost foreign currency deposits held in the banking system of the former Yugoslav federation; (ii) as compensation for property nationalised on behalf of the State in the period from 1944 to 1991; and (iii) for the rehabilitation and privatisation of the banking system.

The general domestic government debt of North Macedonia consists of structural bonds, treasury bills, bonds, loans from domestic commercial banks and municipal debt.

As at 30 September 2025, domestic general government debt amounted to €4,098.4 million (equivalent to 24.3% of GDP) and constituted 48.2% of total general government debt. As at 30 September 2025, commercial banks held 34.72% of outstanding government issued securities, pension funds held 47.93% of outstanding government issued securities while other entities held 17.35%. The average time to maturity of the domestic central government debt as at 30 December 2024 was 5.3 years. The following tables set out projected general government domestic debt payments for the periods indicated. The table does not include provisions for refinancing existing domestic general government debt as it matures.

	<b>Principal payments</b>	<b>Interest payments</b>	<b>Total</b>
	<i>(€ million)</i>		
<b>Period</b>			
2026 <sup>(1)</sup> .....	324.2	184.2	508.4
2027 <sup>(2)</sup> .....	426.6	211.2	637.8
2028 <sup>(2)</sup> .....	535.3	234.4	769.7

Note:

- (1) Estimates based on the Budget for 2026.
- (2) Estimates based on the 2026-2030 Revised Fiscal Strategy

*Source: Ministry of Finance*

*Projections remain subject to numerous internal and external factors, may not materialise, and may be significantly revised. See also the section headed “Forward Looking Statements” in this Offering Circular.*

### **Maturity Structure of Government securities**

	<b>Proportion of Outstanding Government Securities</b>	
	<b>As at 31 December 2024</b>	<b>As at 30 September 2025</b>
<b>Treasury bills and bonds maturity</b>		
3 months .....	0%	0%
6 months .....	0%	0%
12 months .....	20.29%	21.20%
2 years .....	8.31%	4.57%
3 years .....	6.43%	7.98%
5 years .....	3.68%	4.20%
7 years .....	2.77%	2.52%
10 years .....	4.01%	2.44%

15 years .....	50.07%	53.07%
30 years .....	4.44%	4.03%

Source: Ministry of Finance

### Maturity Structure of Government securities, as at 30 September 2025

	Proportion of Outstanding Government Securities
<b>Treasury bills and bonds maturity</b>	
Short term Government securities.....	21.20%
Long term Government securities.....	78.80%

Source: Ministry of Finance

The following table sets out the breakdown of total domestic general government debt stock of North Macedonia as at the dates indicated.

	As at 31 December				As at 30 September	
	2020	2021	2022	2023 (€ million)	2024	2025
Structural Bonds...	46.5	39.8	36.8	37.3	28.0	21.9
Bond for selective credits.....	16.8	-	-	-	-	-
Denationalisation Bonds <sup>(1)</sup> .....	29.7	39.8	36.8	33.1	27.6	21.8
Structural bonds for municipalities.....	-	-	-	4.2	0.4	0.1
Treasury Bills and Bonds.....	2,072.6	2,374.1	2,493.3	3,034.2	3,642.3	3,999.0
Loans.....	0.0	0.0	50.0	0.0	0.0	70.0
Municipal Debt...	14.4	17.5	17.3	13.6	10.0	7.5
Total Domestic General Government Debt.....	2,133.4	2,431.4	2,597.4	3,085.1	3,680.3	4,098.4
Government Guaranteed Domestic Debt.....	9.5	7.5	4.8	1.4	81.9	112.1

Note:

(1) Represents bonds issued as compensation for the property nationalised on behalf of the state in the period from 1944 to 1991. 23 issues of denationalisation bonds have taken place since 2002, each with a 2% interest rate.

(2) Please refer to the section titled “*Indebtedness – Maturity Structure of Government securities*” above.

Source: Ministry of Finance

### Domestic General Government Debt by Currency

Domestic general government debt is debt issued inside North Macedonia and, as of 30 September 2025, was denominated in Euro and MKD, with a breakdown of 23.7% and 76.3%, respectively. The share of Euro-denominated debt has decreased, primarily as a result of an increasing volume of government issued securities denominated in MKD. The share of Euro-denominated debt is primarily as a result of the issuance of government securities denominated in MKD, but whose principal amount and coupon payments are linked to the Euro



exchange rate. The debt raised through such foreign exchange-linked securities is recorded as Euro-denominated debt.

#### *Government Guaranteed Domestic Debt*

As at 30 September 2025, government guaranteed domestic debt amounted to €112.1 million, representing a increase of €30.28 million compared to 31 December 2024.

#### **Central Government Debt Repayments**

For the year ended 31 December 2025, in respect of central government debt repayments, total domestic and external principal repayment is projected to be €1.08 billion, which is comprised of €276.6 million of domestic principal repayment and €799.2 million of external principal repayment.

#### **Debt Management Strategy**

As at 30 September 2025, total public debt was equal to 57.6% of GDP. However, the Government has reiterated its commitment to preserve the long-term sustainability of the country's debt levels. The Ministry of Finance manages the general government and public debt of the country. The Public Debt Management Strategy integrates the country's debt framework with the levels of general government and public debt and ensures full data consistency. The Public Debt Law sets out the preparation and the implementation of a medium-term Public Debt Management Strategy, which covers a period of three years and is adopted by the Government. Although there is a legal obligation for three-year projections for the debt level and the debt structure, the Ministry of Finance increases the transparency when managing public finances by including two additional years, i.e. projections for public debt trend in the period 2026-2030. Projections on debt stock and structure in the Revised Debt Management Strategy 2026-2028 (with 2030 prospects) are in line with the projections in the 2026-2030 Revised Fiscal Strategy.

In the aftermath of the COVID-19 pandemic, global fiscal trends have been further shaped by inflationary pressures and geopolitical conflicts. These overlapping shocks have led to increased public spending, elevated debt levels, and delayed fiscal consolidation across many economies. Even though, in the course of 2025, the Republic experienced increased level of public debt in absolute terms, as at 30 September 2025 it had not exceeded the 60% maximum limit of debt to GDP ratio set under this Public Debt Management Strategy. Medium-term projections presented in the Republic's revised Public Debt Management Strategy show that public debt will exceed the maximum threshold of 60% in the period 2026-2030. However, as a result of the Republic's fiscal consolidation measures, it is expected to return to the stipulated limit below 60% of GDP in 2029 and 2030.

#### **Ratings**

North Macedonia is assigned credit ratings by both Fitch and S&P.

The main factors on which the credit ratings of North Macedonia are based are its track record of coherent macroeconomic and financial policy, relatively moderate indebtedness and its well-capitalised and stable banking sector. On 19 September 2025, Fitch affirmed 'BB+/B' long- and short-term foreign and local currency sovereign credit ratings of North Macedonia (with a stable outlook). On 24 January 2025, S&P affirmed the 'BB-/B' long- and short-term foreign and local currency sovereign credit ratings of North Macedonia (with a stable outlook), which was last reviewed and confirmed by S&P on 25 July 2025.

## TAXATION

### **Taxation of North Macedonia**

*The following is a summary of certain tax consequences of North Macedonia resulting from the purchase, ownership and disposition of the notes and is not intended to reflect the individual tax position of any beneficial owner. This summary is based upon the laws, regulations, rulings and decisions now in effect, all of which are subject to change.*

*Persons considering the purchase of the notes should consult their own tax advisers concerning the application of the tax laws of North Macedonia to their particular situations as well as any consequences of the purchase, ownership and disposition of the notes arising under the laws of any other taxing jurisdiction.*

#### **Non-resident Holders**

A non-resident Holder of a Note will not be subject to the taxes of North Macedonia on receipt from the Republic of amounts payable in respect of principal or interest on the Notes.

A non-resident Holder generally should not be subject to any taxes of North Macedonia in respect of gains or other income realised on the sale or other disposition of the Notes outside the Republic.

A non-resident Holder which is a legal person or organisation should not be subject to withholding tax on any gain on sale or other disposal of the Notes even if payment is received from a source in the Republic.

#### **Resident Holders**

A Holder of a Note who is a physical or legal person resident in the Republic is subject to all applicable taxes of North Macedonia.

### **U.S. Federal Income Tax Considerations**

The following is a summary of certain U.S. federal income tax considerations of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Notes at the “issue price” (as defined below under “—Original Issue Discount”) in the initial offering and that will hold the Notes as capital assets. This discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-U.S. or other tax laws (such as estate or gift tax laws). This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax rules (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Notes in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad, U.S. Holders that are required to take certain amounts into income no later than the time such amounts are reflected on an applicable financial statement or investors whose functional currency is not the U.S. dollar). This summary assumes that a substantial amount of the Notes that are sold pursuant to this offering are purchased by investors who are not holders of 2026 Notes participating in the Tender Offer. Prospective purchasers who are holders of 2026 Notes who participate in the Tender Offer should consult their own tax advisors concerning the U.S. federal income tax consequences to them of the acquisition of the Notes offered hereby and the sale of their 2026 Notes pursuant to the Tender Offer.

As used herein, the term “**U.S. Holder**” means a beneficial owner of Notes that is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created in, or organised under the laws of, the United States or any state thereof, including the District of Columbia, (iii) an estate the

income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

**THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE NOTES, INCLUDING, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

#### ***Payments of Interest***

*General.* Interest on a Note will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such holder's method of accounting for U.S. federal income tax purposes. Interest paid by the Issuer on the Notes and original issue discount ("OID"), if any, accrued with respect to the Notes (as described below under "*Original Issue Discount*") constitutes income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit rules to income attributable to the Notes.

*Foreign Currency Denominated Interest.* The amount of income recognised with respect to an interest payment denominated in Euros by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in Euros in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of an accrual basis U.S. Holder, the part of the period within each taxable year).

Under the second method, the accrual basis U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within each taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the Internal Revenue Service (the "IRS").

Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in Euros, the accrual basis U.S. Holder will recognise U.S. source exchange gain or loss (taxable as U.S.-source ordinary income or loss) equal to any difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

### ***Original Issue Discount***

Unless the Notes are treated as issued with less than a statutorily defined de minimis amount of OID, a U.S. Holder will be required to include a portion of the OID in gross income as interest in each taxable year or portion thereof in which the U.S. Holder holds the Notes even if the U.S. Holder has not received a cash payment in respect of the OID.

The Notes will not be treated as issued with less than a statutorily defined de minimis amount of OID if the amount of OID is equal to or more than 0.25 per cent. multiplied by the product of the stated redemption price at maturity and the number of complete years to maturity from the issue date. The amount of a Note's OID is the excess of the Note's stated redemption price at maturity over its issue price. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. In general, the stated redemption price at maturity of a Note is the total of all payments provided by the Notes that are not payments of qualified stated interest. In general, an interest payment on a debt security is qualified stated interest if it is one of a series of stated interest payments on a debt security that are unconditionally payable at least annually at a single fixed rate.

U.S. Holders of Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Notes. The amount of OID includible in income by a U.S. Holder of a Note is the sum of the daily portions of OID with respect to the Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year; and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Note's adjusted issue price at the beginning of the accrual period and the Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the amount of qualified stated interest on the Note allocable to the accrual period. The "adjusted issue price" of a Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period, and decreased by (y) the amount of payments previously made on the Note that were not qualified stated interest.

OID for each accrual period will be determined in Euros and then translated into U.S. dollars by both a cash basis and accrual basis U.S. Holder in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above under "—Payments of Interest". Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or retirement of a Note), a U.S. Holder will recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to any difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

### ***Sale, exchange, retirement or other taxable disposition***

A U.S. Holder generally will recognise gain or loss on the sale, exchange, retirement or other taxable disposition of a Note equal to the difference between the amount realised on the sale, exchange, retirement or other taxable disposition and the U.S. Holder's adjusted tax basis in the Note, in each case as determined in U.S. dollars. U.S. Holders should consult their own tax advisers about how to determine the U.S. dollar value for proceeds received on the sale, exchange, retirement or other taxable disposition of Notes that are not paid in U.S. dollars. A U.S. Holder's adjusted tax basis in a Note generally will be its U.S. dollar cost increased by the amount of OID included in the U.S. Holder's income with respect to the Note and reduced by the amount of any payments on the Note that are not qualified stated interest. The amount realised does not include the amount attributable to accrued but

unpaid qualified stated interest, which will be taxable as interest income to the extent not previously included in income.

A U.S. Holder will recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) on the sale, exchange, retirement or other taxable disposition of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (i) on the date of sale, exchange, retirement or other taxable disposition and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest (including OID)) will be realised only to the extent of total gain or loss realised on the sale, exchange, retirement or other taxable disposition. Any remaining gain or loss recognised by a U.S. Holder on the sale, exchange, retirement or other taxable disposition of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year. The deductibility of capital losses is subject to limitations.

Gain or loss realised by a U.S. Holder on the sale, exchange, retirement or other taxable disposition of a Note generally will be U.S. source. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale, exchange, retirement or other taxable disposition of Notes.

### ***Reportable Transactions***

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. Under the relevant rules, a U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the U.S. Treasury regulations (US\$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other U.S. Holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of US\$10,000 in the case of a natural person and US\$50,000 in all other cases generally is imposed on any U.S. taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules.

### ***Backup Withholding and Information Reporting***

Payments of principal, interest and accruals of OID on, and the proceeds of sale, exchange, retirement or other taxable disposition of, the Notes, by a U.S. or U.S.-connected paying agent or other U.S. or U.S.-connected intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments, including payments of accrued OID, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with the applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult with their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of Notes, including requirements related to the holding of certain "specified foreign financial assets".

## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

Erste Group Bank AG, J.P. Morgan SE, Merrill Lynch International and Standard Chartered Bank (together, the “**Joint Lead Managers**”) have, in a subscription agreement dated 16 January 2026 (the “**Subscription Agreement**”) and entered into between the Republic and the Joint Lead Managers upon the terms and subject to the conditions contained therein, agreed severally to subscribe and pay for (i) the Series 1 Notes at their issue price of 99.095% of their principal amount and (ii) the Series 2 Notes at their issue price of 98.065% of their principal amount, in the amounts as follows:

	Principal amount of the Series 1 Notes (€)	Principal amount of the Series 2 Notes (€)
<b>Joint Lead Managers</b>		
Erste Group Bank AG .....	125,000,000	125,000,000
J.P. Morgan SE.....	125,000,000	125,000,000
Merrill Lynch International .....	125,000,000	125,000,000
Standard Chartered Bank.....	125,000,000	125,000,000
<b>Total</b> .....	<b>500,000,000</b>	<b>500,000,000</b>

The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes, including in the event that certain conditions precedent are not delivered or met to their satisfaction on the Issue Date. In this situation, the issuance of the Notes may not be completed. Investors will have no rights against the Issuer or Joint Lead Managers in respect of any expense incurred or loss suffered in these circumstances. The Republic will also reimburse the Joint Lead Managers for certain of their expenses, and has agreed to indemnify the Joint Lead Managers against certain losses (including liabilities under the Securities Act), incurred in connection with the offering and issue of the Notes.

The Joint Lead Managers and their respective affiliates may have engaged in transactions with the Republic in the ordinary course of their banking business, including provision of loan financing, and the Joint Lead Managers have performed various investment banking, financial advisory and other services for the Republic, for which they receive customary fees, and the Joint Lead Managers and their respective affiliates may provide such services and receive such fees in the future. In connection with the Tender Offer, the Joint Lead Managers are acting as dealer managers.

When considering allocation of the Notes, the Republic intends to give preference to those investors that, prior to such allocation, have validly tendered or have given a firm intention to any dealer manager that they intend to tender their 2026 Notes for purchase pursuant to the Tender Offer. Therefore, an investor that wishes to subscribe for Notes in addition to tendering its existing 2026 Notes for purchase pursuant to the Tender Offer may be eligible to receive, at the sole and absolute discretion of the Republic, priority in the allocation of the Notes, subject to the issue of the Notes, the selling restrictions contained herein and such investor making a separate application for the purchase of such Notes to any of the Joint Lead Managers in accordance with the standard new issue procedures of such Joint Lead Manager. However, the Issuer is not obliged to allocate any Notes to a holder that has validly tendered or indicated a firm intention to tender its 2026 Notes for purchase pursuant to the Tender Offer and, if any such Notes are allocated, the principal amount thereof may be less or more than the principal amount of 2026 Notes tendered by such holder and accepted for purchase by the Issuer pursuant to the Tender Offer. Any such allocation will also, among other factors, take into account the minimum denomination of the Notes (being €100,000).

All allocations of the Notes, while being considered by the Republic as set out above, will be made in accordance with customary new issue allocation processes and procedures in the sole and absolute discretion of the Republic.

In the event that a holder validly tenders 2026 Notes pursuant to the Tender Offer, such 2026 Notes will remain subject to such tender and the conditions of the Tender Offer as set out in the Tender Offer Memorandum irrespective of whether that holder receives all, part or none of any allocation of Notes for which it has applied.

### **United States**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has represented, warranted and undertaken to the Republic that it proposes to offer the Notes for resale (a) to persons they reasonably believe to be QIBs, within the meaning of Rule 144A, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) in “offshore transactions” (as defined in Rule 902(k) under the Securities Act) in accordance with Rule 903 of Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of any of the Notes within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A.

To the extent that any Joint Lead Manager that is not a U.S. registered broker dealer intends to effect any sales of the Notes in the United States, it will do so only through its or their selling agents or one or more U.S. registered broker-dealers, which may be its affiliates, or otherwise as permitted by applicable U.S. law.

### **United Kingdom**

Each Joint Lead Manager has represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (as amended) (the “FSMA”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Republic; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### **Italy**

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa (“CONSOB”) pursuant to Italian securities legislation. Each Joint Lead Manager has represented and agreed that any offer, sale or delivery, of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in the Republic of Italy will be effected in accordance with any Italian securities, tax and exchange control and other applicable laws and regulations.

Any such offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time) and any other applicable laws and regulations;
- (b) in compliance with Article 129 of Legislative Decree No. 385 of 1 September 1993, as amended, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy and the relevant implementing guidelines of the Bank of Italy issued on 25 August 2015 (as amended on 10 August 2016 and 2 November 2020); and

- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

### **The Republic of North Macedonia**

Each Joint Lead Manager has represented, warranted or undertaken that it has not offered or sold and will not offer or sell the Notes to any resident of the Republic of North Macedonia other than through an authorised participant in accordance with the Foreign Exchange Law.

### **Canada**

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Offering Circular Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Joint Lead Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offering of the Notes.

### **Switzerland**

The offering of the Notes in Switzerland is exempt from the requirement to prepare and publish a prospectus under the Swiss Financial Services Act ("FinSA") because the Notes have a minimum denomination of CHF 100,000 (or equivalent in another currency) or more and the Notes will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This Offering Circular does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the Notes.

### **Singapore**

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.



## **Hong Kong**

Each Joint Lead Manager has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (“SFO”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## **General**

Each Joint Lead Manager has agreed to comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Republic nor such Joint Lead Manager shall have any responsibility therefore.

Neither the Republic nor any Joint Lead Manager represents that the Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

No action has been or will be taken in any jurisdiction by the Republic or any Joint Lead Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Republic and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

## GENERAL INFORMATION

### Authorisation

The creation and issue of the Notes has been authorised by the Republic of North Macedonia, acting through the Ministry of Finance, on the basis of a decision by the Government of the Republic of North Macedonia.

### Listing of Notes

An application has been made to admit each Series of the Notes to listing on the Official List and to trading on the Market; however, no assurance can be given that such application will be accepted. It is expected that admission of the Notes to the Official List and to trading on the Market of the London Stock Exchange will be granted on or around the Issue Date, subject only to the issue of the Notes.

### Litigation

Except as disclosed in the section headed “*Legal Proceedings*” of this Offering Circular, the Republic is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Republic is aware) during the previous 12 months which may have, or have had in the recent past, a significant effect on the Republic’s financial position.

### No Significant Change

There has been no significant change in the tax and budgetary systems, gross public debt, foreign trade and balance of payments, foreign exchange reserves, financial position and resources and income and expenditure figures of the Issuer since 31 December 2025.

### Documents available for inspection

For so long as any of the Notes are outstanding, copies of the following documents will be available for inspection on the Issuer’s website:

- (i) this Offering Circular;
- (ii) the Fiscal and Paying Agency Agreement; and
- (iii) the Budget for 2026.

### Interested Persons

No person involved in the Offering has any interest in the Offering which is material to the Offering.

### Yield

The yield to maturity of the Series 1 Notes is 4.125% per annum. The yield to maturity of the Series 2 Notes is 5.050% per annum. The yield to maturity of each Series is calculated as at the pricing date on the basis of the Issue Price of the relevant Series, the interest rate of the relevant Series, the redemption amount of the relevant Series and the tenor of the relevant Series. It is not an indication of future yield.

### Delivery of Global Notes

The Global Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

In respect of the Series 1 Regulation S Notes, the ISIN is XS3273795859 and the common code is 327379585. In respect of the Series 1 Rule 144A Notes, the ISIN is XS3273796071 and the common code is 327379607.

In respect of the Series 2 Regulation S Notes, the ISIN is XS3273796238 and the common code is 327379623. In respect of the Series 2 Rule 144A Notes, the ISIN is XS3273796741 and the common code is 327379674.

The CFI and FISN will be set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the CFI or FISN.

**The Legal Entity Identifier**

The Legal Entity Identifier (LEI) code of the Issuer is 635400RD1N6RVNCE4958.

## THE ISSUER

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