



# K-1-2025

## Quarterly Economic Report - Q1 2025

### Summary

- **Economic activity** in Q1 2025 grew by 3.0% in real terms, affirming the continued positive economic trend. Growth was primarily driven by the increased domestic demand, in particular by a substantial rise in gross investments and stable consumption growth.
- **Number of employed persons** in Q1 2025 was higher by 2.2%, compared to the same quarter in 2024. **Number of unemployed persons** dropped by 8.7% in Q1 2025, which resulted in reduction of **unemployment rate** to 11.7%.
- Average net wage **net wage** amounted to Denar 43,623 in Q1 2025, increasing by 9.7% in nominal terms, i.e. 5.3% in real terms, compared to the net wage in Q1 2024.
- In Q1 2025, total **budget revenues** were higher by 10.8%, while total budget expenditures surged by 2.0% compared to the same quarter in 2024.
- **Inflation rate in Q1 2025 accounted for 4.2% on annual basis.**
- Total **deposit potential** of banks dropped by 0.3% in Q1 2025 on quarterly basis.
- In Q1 2025, **export of goods** recorded a minimal drop of 0.04%, while **import of goods** an increase of 1.3% on annual basis, whereby total **foreign trade**, expressed in euro, increased by 0.7%.



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## 1. Economic Activity

**Economic activity** in Q1 2025 recorded real growth of 3.0% compared to the same period in 2024, continuing the positive economic trend observed in the previous year. Compared to previous quarter, the seasonally and calendar-adjusted GDP growth accounted for 0.6%.

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

Increase in the activity in the **services sector** was broad based, accounting for 2.2%. Highest growth within services activities was recorded at Professional, scientific and technical activities by 7.1%, followed by: Information and communication by 4.8%, Arts, entertainment and recreation by 3.6%, Trade, transport and

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

Sectors	real growth (%)						contribution to growth (p.p.)					
	Q1 2024	Q2 2024	Q3 2024	Q4 2024	2024	Q1 2025	Q1 2024	Q2 2024	Q3 2024	Q4 2024	2024	Q1 2025
Gross domestic product	1.9	2.8	3.0	3.2	2.8	3.0						
Agriculture	-12.3	-0.7	1.1	0.6	-2.0	0.7	-0.9	0.0	0.1	0.0	-0.1	0.0
Industry	0.6	-1.3	-4.6	-0.7	-1.6	2.1	0.1	-0.2	-0.8	-0.1	-0.3	0.3
Manufacturing	1.1	1.5	-2.9	0.2	-0.1	3.7	0.1	0.2	-0.4	0.0	0.0	0.5
Construction	-2.4	6.9	2.4	13.2	6.4	7.1	-0.1	0.3	0.1	1.1	0.4	0.3
Services	4.1	3.8	5.0	3.1	4.0	2.2	2.5	2.2	2.8	1.6	2.3	1.4
Trade, transport and catering	4.2	5.5	10.6	3.5	6.0	2.5	0.8	1.1	2.0	0.6	1.1	0.5
Information and communication	4.2	3.7	2.4	1.7	3.0	4.8	0.2	0.2	0.1	0.1	0.1	0.3
Financial and insurance activities	1.8	1.9	2.1	0.7	1.6	-2.2	0.1	0.1	0.1	0.0	0.0	-0.1
Real estate activities	2.5	1.7	0.5	2.1	1.7	0.3	0.3	0.2	0.1	0.2	0.2	0.0
Professional, scientific and technical activities	8.5	9.9	9.0	10.6	9.5	7.1	0.4	0.5	0.4	0.4	0.4	0.4
Public administration and defence, education and health	2.0	0.6	0.9	0.5	1.0	0.6	0.2	0.1	0.1	0.1	0.1	0.1
Arts, entertainment and recreation	12.5	4.1	6.6	7.9	7.7	3.6	0.4	0.1	0.2	0.2	0.2	0.1
Net taxes on products	1.5	4.5	5.7	3.7	3.7	6.0	0.2	0.6	0.7	0.5	0.5	0.7
Residual							0.1	-0.1	0.0	0.1	0.1	0.2

Source: State Statistical Office (notification of GDP in Q1 2025) and MoF calculations

**Industrial sector** recorded growth of 2.1%, driven by increased production output in Manufacturing, where 3.7% growth was recorded. According to high-frequency data in Q1 2025, the following branches made a significant contribution to the growth of the manufacturing industry: Manufacture of rubber and plastic mass products (increase of 65.4%, contribution of 2.0 percentage points), Manufacture of other non-metallic mineral products (growth of 59.7%, contribution of 2.0 percentage points) and Manufacture of wood and wood products (growth of 109.1%, contribution of 1.0 percentage points). Mining and

hospitality industry by 2.5%, Public administration and defence, Education by 0.6% and Real estate activities by 0.3%. Drop of 2.2% was recorded at Financial and insurance activities.

**Construction activity** in the first quarter of 2025 recorded substantial growth of 7.1%, primarily driven by the increase of completed construction works on buildings (37.2%) and specialised construction works (72.3%). Conversely, civil engineering structures recorded a 7.4% decline.

**Agriculture sector** recorded a moderate growth of 0.7%, continuing the positive trend observed over the previous two quarters.





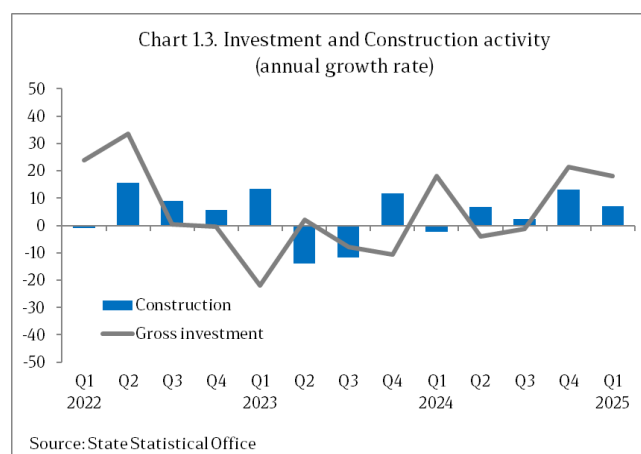
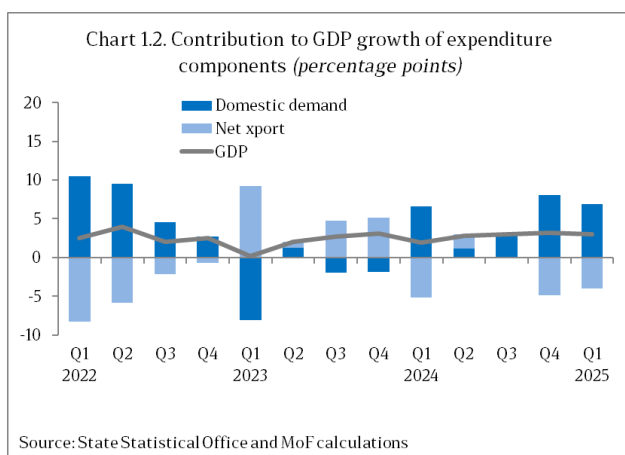
quarrying and Supply of electricity, gas, steam and air-conditioning sectors decreased by 3.5% and 1.1%, respectively.

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

**Final consumption** grew by 1.9%, driven by **private consumption** growth of 2.1% amid higher disposable household income, as a result of growth in employment, wage and pension growth in real terms, as well as increased crediting to households. **Public consumption** slowed down compared to the previous period, registering growth of 1.1%.

**Gross-investments** recorded a double-digit growth of 18.0%, driven by growth in construction and crediting to corporate sector.

**Export of goods and services** moderately recovered, moving back to the positive zone for the first time after seven consecutive quarters of decline. Export growth accounted for 1.2% in real terms, primarily driven by increased export of machinery and transport equipment. **Import of goods and services** grew at an accelerated pace, increasing by 5.8% in real terms, primarily driven by higher imports of intermediate and consumer goods alongside a significant 23.6% nominal increase in service import. Hence, net-export made a negative contribution to growth in the first

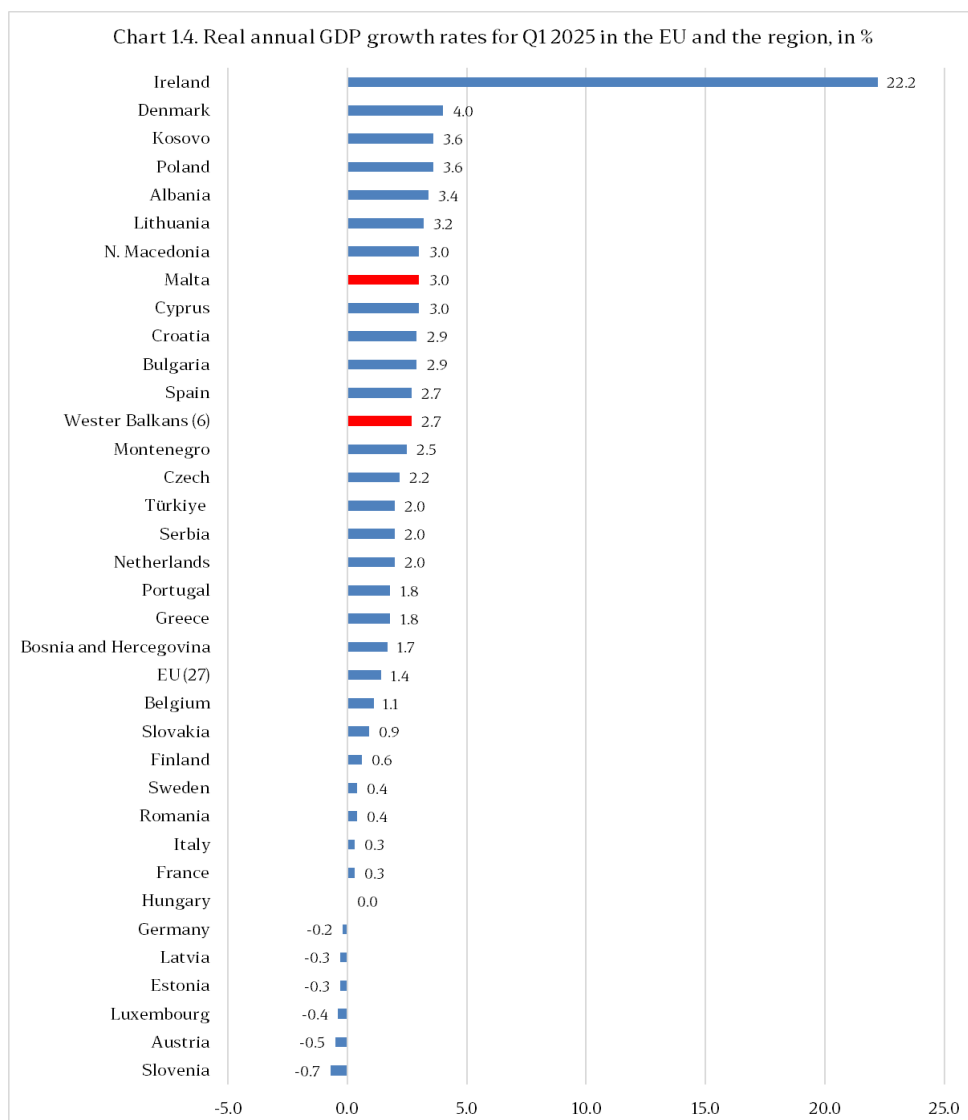


quarter of the year.

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

Components	real growth (%)						contribution to growth (p.p.)					
	Q1 2024	Q2 2024	Q3 2024	Q4 2024	2024	Q1 2025	Q1 2024	Q2 2024	Q3 2024	Q4 2024	2024	Q1 2025
Gross domestic product	1.9	2.8	3.0	3.2	2.8	3.0						
Final consumption	2.4	2.9	3.8	1.5	2.6	1.9	2.0	2.4	3.2	1.2	2.2	1.6
Private	1.1	1.6	1.9	0.2	1.2	2.1	0.8	1.1	1.3	0.1	0.8	1.4
Public	7.8	9.0	13.3	6.8	9.1	1.1	1.2	1.3	1.9	1.1	1.4	0.2
Gross capital formation	18.1	-4.1	-1.2	21.5	8.9	18.0	4.9	-1.3	-0.3	7.1	2.6	5.2
Export of goods and services	-6.7	-2.5	0.0	-6.0	-3.8	1.2	-5.0	-1.7	0.0	-3.7	-2.6	0.8
Import of goods and services	0.2	-4.1	0.0	1.5	-0.6	5.8	0.2	-3.5	0.0	1.2	-0.5	4.8
Net exports							-5.2	1.8	0.0	-4.9	-2.1	-4.0
Residual							0.2	-0.1	0.2	-0.3	0.0	0.1

Source: State Statistical Office (notification of GDP in Q1 2025) and MoF calculations



Source: Eurostat and national statistical institutions:

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

## 2. Labour Market

### Employment

In Q1 2025, as per the Labour Force Survey, **employment** increased by 2.2%, number of employed persons being higher by 15.1 thousand persons compared to the same quarter in 2024. Highest employment growth was recorded in the Agriculture sector with 10.1 thousand persons or 17.0%, while growth was also observed in Trade (5.1 thousand persons or 5.0%) and Education (4.9 thousand persons or 11.0%). On the other hand, a

more significant decline in employment was observed in the Manufacturing sector (4.3% or 5.7 thousand people) and the Health sector (8.8% or 4.1 thousand persons).

Out of the total number of employees, 534,680 were employed in entities in private ownership (76.1% of the total employees), whereas 167,730 people were employed in entities in mixed, collective or state ownership (23.9% of total employees).



Employment rate in Q1 2025 accounted for 46.3%, being higher by 0.9 p.p. compared to the same quarter in 2024.

### Unemployment

**Number of unemployed persons** decreased by 8.8 thousand persons, being lower by 8.7% compared to the same quarter in 2024.

**Unemployment rate** reduced to 11.7% in Q1 2025, i.e. it dropped by 1.2 p.p. compared to the same quarter in 2024, whereas being lower by 0.2 p.p. compared to the previous quarter. (Chart 2.1).

Unemployment rate in the age category 15 - 64 accounted for 11.8%, while with the youth population (age category 15 to 29), it accounted for 22.1%. Compared to Q1 2024, these rates decreased by 1.1 and 1.3 percentage points, respectively. With respect to gender structure, female unemployment rate dropped by 0.4 p.p., accounting for 11.1%, being 1.0 p.p. lower than male unemployment rate, which decreased by 1.8 p.p., accounting for 12.1%.

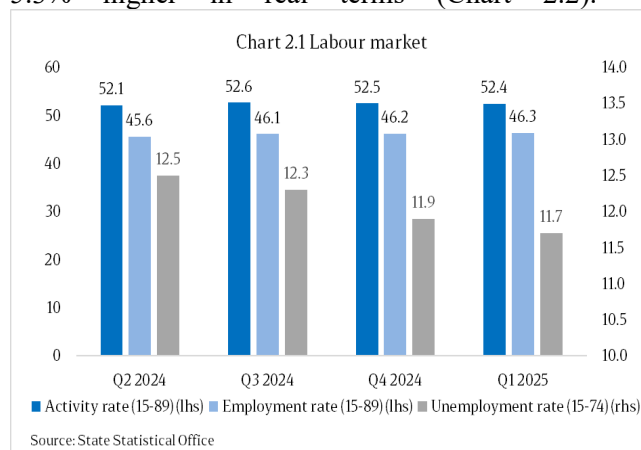
### Active population

Number of **active population** increased by 6.1 thousand persons, i.e. by 0.8% on annual basis. In Q1 2025, active population accounted for 52.4% of the total working-age population, representing an increase of 0.3 p.p., compared to the same quarter in 2024.

### Wages

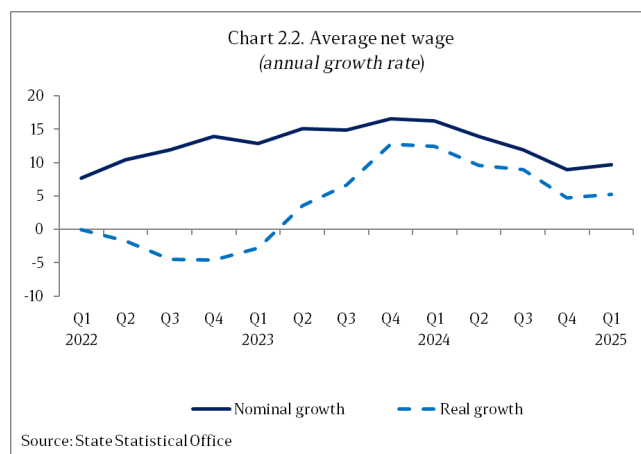
Average monthly **net wage** in Q1 2025 amounted to Denar 43,623, being higher by 9.7% in nominal terms compared to the same quarter in 2024, and

5.3% higher in real terms (Chart 2.2).



Highest net wage in Q1 2025 was paid in the sector Information and communication (Denar 82,413), followed by Financial and insurance activities with Denar 58,679, Electricity, gas, steam and air-conditioning supply with average net wage paid in the amount of Denar 56,410 and Mining and quarrying in the amount of Denar 55,405.

Average monthly **gross wage** in Q1 2025 amounted to Denar 65,524, being higher by 9.7% in nominal terms and 5.3% in real terms.



## 3. Public Finances

### 3.1. Budget Revenues according to the Economic Classification

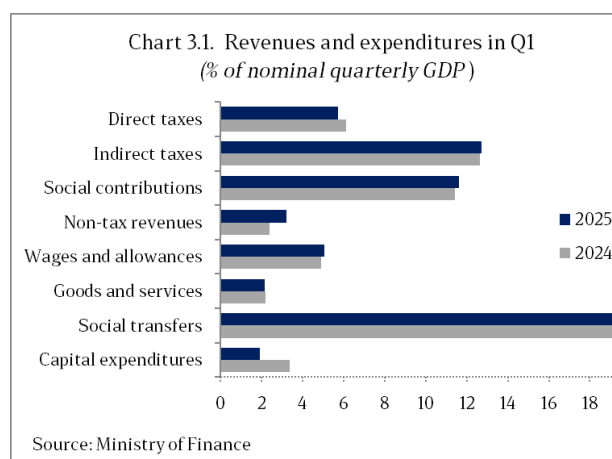
In Q1 2025, **total budget revenues** accounted for 34.4% of the quarterly GDP, being higher by 10.8% compared to first quarter of 2024, amid higher collection of taxes by 4.8%, contributions

by 8.5% and non-tax revenue collection by 44.9%. Tax revenues observed a higher collection rate in the segments of personal income tax, VAT, excise and import duties, while lower collection rate in



corporate income tax and in other tax revenues.

Collection of indirect taxes in Q1 2025 compared to Q1 2024 surged by 7.4%, whereas direct tax collection remained relatively unchanged. Seen from the GDP share structure perspective, the share of direct tax revenues decreased by 0.4 p.p. on annual level, i.e. from 6.1% of the quarterly GDP in Q1 2024 to 5.7% in Q1 2025. In Q1 2025, share of indirect tax revenues in GDP accounted for 12.7%, marking a 0.1 percentage point increase compared to 12.6% in Q1 2024.

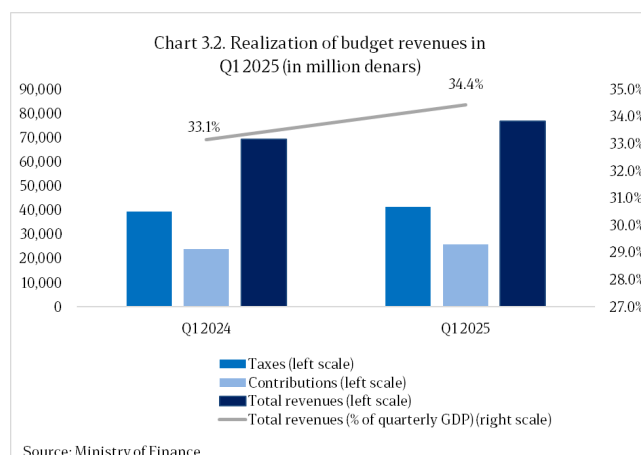


With respect to **indirect taxes**, VAT revenues were predominant, accounting for 43.8% of total tax revenues in Q1 2025, being higher by 6.0% compared to the same quarter of the previous year. Pertaining to the VAT structure, VAT on import accounted for the most, followed by VAT on domestic supply. Compared to the same quarter in the previous year, excise revenues were higher by 7.2%, while collection of customs duties grew by 15.8%.

With respect to **direct taxes**, a PIT revenue collection recorded an increase of 2.2%, while the corporate income tax revenue collection a decrease of 3.0%, compared to the same quarter of the previous year.

Collection of **social contributions** was higher by 8.5%, whereby increased collection was recorded with all contributions, i.e. with pension and disability insurance contributions by 8.6%, employment contributions by 8.3% and health insurance contributions by 8.2%.

In Q1 2025, collection of **non-tax revenues**, accounting for 3.2% of the quarterly GDP was higher by 44.9% compared to the same quarter of 2024.



**Capital revenues** including revenues on the basis of construction land lease, sale of flats, as well as revenues on the basis of dividends, were lower by 1.5% on annual basis in Q1 2025. Revenues on the basis of **foreign donations** were higher by 217.1% compared to the same quarter in 2024.

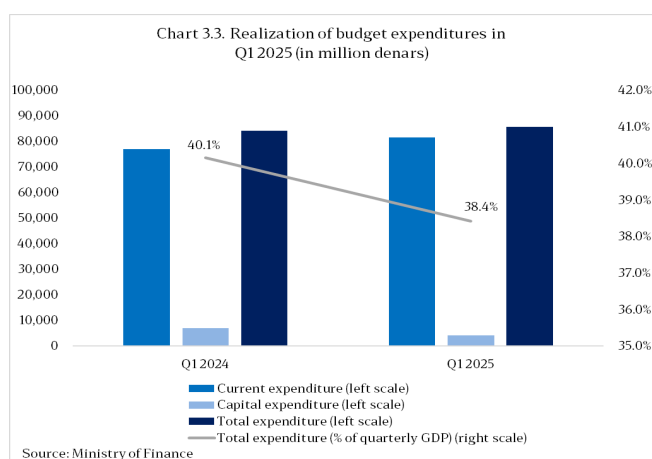


### 3.2. Budget Expenditures according to the Economic Classification

**Total budget expenditures** in Q1 2025, with share of 38.4% in the quarterly GDP were higher by 2.0% compared to the same quarter of 2024.

**Current expenditures**, accounting for 36.5% of

Category Other Transfers, which also includes transfers to local government units, accounted for 14.7% of the total expenditures, i.e. it dropped by 8.7% compared to the first quarter in 2024. Block and earmarked grants to local government units increased by 6.9%, while subsidies and transfers were lower by 25.5% compared to Q1 2024.



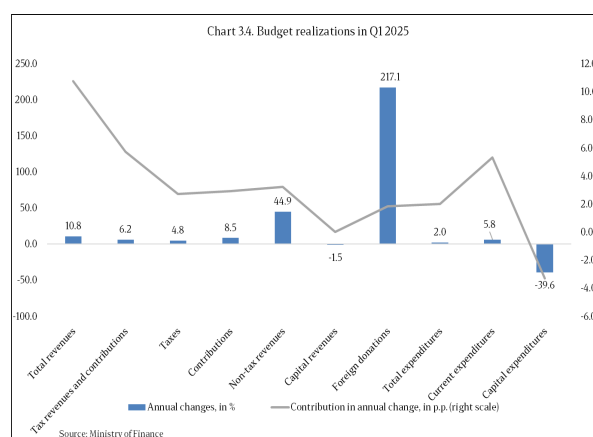
quarterly GDP, represented 95.1% of total expenditures and increased by 5.8% on an annual basis. As for current expenditures, goods and services expenditures increased by 4.0%, whereas wage and allowance expenditures rose by 10.2% compared to the same quarter previous year.

Transfer funds, accounting for 67.3% of total expenditures, increased by 4.7% on an annual basis. Social transfers recorded growth of 9.3%, participating with 52.1% in the total expenditures. Pension expenditures, which account for the majority of social transfers, increased by 10.2%, representing 33.3% of total expenditures.

#### Expenditures by Budget Users

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

In Q1 2025, **Ministry of Social Policy, Demographics and Youth** executed funds in the amount of Denar 21,729 million or 31.7% of its total budget for the current year. Thereby, most of the expenditures (76.4%) were allocated for current transfers to Budget Funds, for which Denar 16,603 million was spent, i.e. 34.6% of the funds allocated for 2025. The second highest



Interest-related expenditures increased by 9.3% on annual basis, where domestic debt interest-related expenditures recorded an increase of 59.2%, while foreign debt interest-related expenditures a decrease of 8.1%.

In Q1 2025, **capital expenditure execution**, accounted for 1.9% of the quarterly GDP, and their share in the total expenditure accounted for 4.9%.

expenditure category was the social benefits, participating with 16.9% in the total expenditures, whereby 25.9% (Denar 3,680 million) of the projected 2025 funds was executed for this purpose.

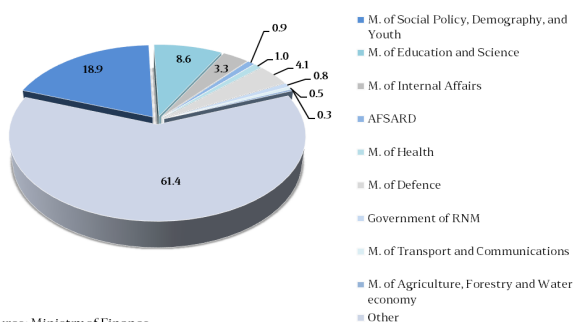
During the analysed period, **Ministry of Education and Science** executed budget funds in the amount of Denar 9,931 million, representing 22.8% of its total 2025 Budget. Current transfers to LSGUs accounted for the most of the



expenditures (57.4%), Denar 5,705 million being spent therefore or 23.8% of total projected funds. Wages and allowances was the second most significant category, accounting for 22.3%, with Denar 2,211 million being spent therefore, i.e. 23.7% of the total projections.

In Q1 2025, **Government of the Republic of North Macedonia** spent Denar 903 million, i.e. 13.1% of the 2025 projections. Thereby, subsidies and transfers accounted for 55.3% of total expenditures of this budget user, Denar 499 million (10.2% of the projected funds) being spent therefore.

Chart 3.5. Structure of expenditures by budget user for Q1 2025 (%)



Source: Ministry of Finance

During the analysed period, **Ministry of Internal Affairs** executed expenditures in the total amount of Denar 3,846 million, accounting for 24.0% of the allocated budget for 2025.

Wages and allowances was the highest expenditure category, participating with 63.3%, Denar 2,434 million being spent therefore, accounting for 24.7% of the projected ones. The second highest expenditure category was Goods and services, participating with 19.5%, with funds in the amount of Denar 749 million being spent therefore, accounting for 32.3% of the annual projections.

In Q1 2025, **Agency for Financial Support in Agriculture and Rural Development** executed expenditures in the amount of Denar 1,079 million, accounting for 13.2% of the funds projected for the current year. As for subsidies and transfers, with significant share of 89.5% of the total expenditures, 13.7% or Denar 966 million of

the funds planned for the whole year, were spent therefore.

During Q1 2025, **Ministry of Health** executed budget funds in the amount of Denar 1,195 million, accounting for 15.3% of its total 2025 budget. Current transfers to Budget Funds accounted for the most of the expenditures with 48.1%, for which Denar 575 million were spent or 16.4% of the funds projected for 2025. Second highest item was Goods and services, Denar 519 million (14.8% of the projections for the year) being spent therefore, accounting for 43.4% of total expenditures.

During this period, **Ministry of Defence** executed budget funds in the amount of Denar 4,740 million, accounting for 23.2% of the total budget this year. Capital expenditures accounted for the most with 37.8%, Denar 1,791 million being spent therefore, accounting for 21.0% of the total funds projected for the current year. Wages and allowances accounted for 33.0% of total expenditures, Denar 1,566 million being spent therefore during the analysed period, accounting for 23.6% of the total projected funds.

In Q1 2025, **Ministry of Transport** executed funds in the amount of Denar 612 million, i.e. 3.4% of its total budget for the current year. Execution of capital expenditures, as main item, accounted for 70.5% of the total spent funds of this budget user (Denar 431 million or 2.6% of total projected funds).

During the analysed period, **Ministry of Agriculture, Forestry and Water Economy** executed funds in the amount of Denar 402 million, accounting for 21.8% of the funds projected for 2025. Wages and allowances (Denar 193 million) was convincingly the main category in the total expenditures of this budget user, accounting for 47.9% of its total expenditures, with 22.6% of the projected expenditures, being executed. As regards capital expenditures, they accounted for 33.4% of the total expenditures, Denar 134 million being spent therefore, accounting for 22.3% of the total budget for this purpose.

In this period, **Public Revenue Office** executed Denar 1,152 million, accounting for 22.6% of its



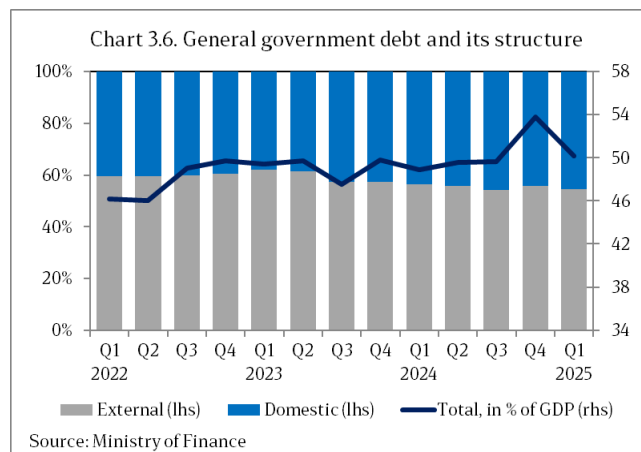
total budget for the current year. As for subsidies and transfers, as major item, 76.6% or Denar 882 million of the funds planned for the whole year, were spent therefore.

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

### 3.4. Budget Deficit and General Government Debt

In the first quarter of 2025, **the consolidated budget deficit** amounted to Denar 8,876 million or 4.0% of GDP realized in this quarter, while central budget deficit amounted to Denar 12,391 million, i.e. 5.5% of quarterly GDP.

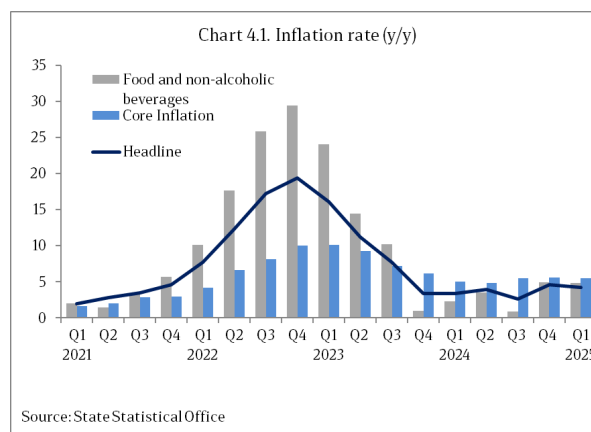
Total **general government debt** at the end of Q1 2025 accounted for 50.1% of GDP, reducing its share in GDP by 3.7 p.p. compared to Q4 2024. Share of external debt in the total general government reduced by 1.1 p.p. compared to Q4 2024, accounting for 54.6%, while share of domestic debt increased respectively, accounting for 45.4% of the total government debt.



## 4. Inflation and Monetary Trends

**Inflation rate** was 4.2% in Q1 2025 on annual basis, measured according to CPI. Inflation recorded moderate acceleration of 0.1 percentage points compared to the previous quarter (4.1% in Q4 2024).

In the first quarter of 2025, the consumer prices increased as a result of increase in food and core inflation. Food price growth during this period was of lower intensity compared to the previous quarter, reflecting the impact of the measure capping margins on basic food products<sup>1</sup>.



The core inflation moderated slightly, decreasing by 0.1%, compared to Q4 2024, accounting for 5.5% (down from 5.6 in Q4 2024). The core inflation demonstrated signs of easing, influenced by rising prices of tobacco and hospitality services. Energy and oil derivatives prices were following a downward trend.

Observed by categories, price growth in the Food and non-alcoholic beverages category in Q1 2025

<sup>1</sup> Since 20<sup>th</sup> February 2025, the Decision on the margin cap of 102 groups of basic food and hygiene products and price cap to 8 groups of most essential food products has been effective. Measures

remained effective thorough 30<sup>th</sup> April 2025, inclusive. The decision to cap the gross profit margin in Wholesale and Retail Trade applies to 102 categories of products, in particular:



slowed to 4.8% (4.9% in the previous quarter). At the end of February, a short-term measure was introduced to cap margins on basic food products, contributing to slowdown the increase in food price growth, primarily driven by rising prices in Milk, cheese and eggs, along with Vegetables and Meat.

Consumer price growth in Q1 2025 was also recorded in the categories, as follows: Restaurants and hotels by 11.9%, Recreation and culture by 6.3%, Alcoholic beverages, tobacco and narcotics<sup>2</sup> by 5.4%, Miscellaneous goods and services by 4.8%, Health protection by 3.8%, Furnishings, household equipment and routine maintenance of the house by 3.6%, Wearing apparel and footwear by 3.3%, Housing, water, electricity, gas and other fuels by 1.7%, Communication by 1.6%, Transport by 1.0%, and Education by 0.3%.

In Q1 2025, retail prices recorded a 3.9% growth.

In the first quarter of this year, the National Bank reduced the policy rate by 0.2 percentage points, bringing it to 5.35%, maintaining a prudent monetary policy stance. It is expected that the combined impact of the policy rate, changes in reserve requirements and macroprudential measures will contribute to the price stability.

In Q1 2025, interest rates of available overnight and seven-day deposits remained stable, holding at 3.95% and 4.0%, respectively.

**Primary money**<sup>3</sup> dropped by 6.1% on quarterly basis (4.9% growth was registered in the previous quarter), as a result of decreased total liquidity and currency in circulation by 9.2% and 2.9%, respectively.

In the first quarter of this year compared to first quarter in 2024, the primary money increased by 20.9% (in Q4 2024 an increase of 24.2% was recorded), due to the total liquid assets and currency in circulation growth by 30.7% and

12.6%, respectively. In Q1 2025, the narrowest money supply M1<sup>4</sup> recorded a drop of 3.5% compared to the previous quarter. Monetary aggregate M2 declined by 0.9%, while the widest monetary aggregate M4 decreased by 0.4% on quarterly basis.

Total **deposit potential**<sup>5</sup> of banks in Q1 2025 declined by 0.3% on quarterly basis, following the growth of 8.1% in the previous quarter. Analysed by sectors, deposits of enterprises decreased by 3.1%, while deposits of households grew by 0.9%. From currency point of view, Denar deposits decreased by 1.2%, while foreign currency deposits grew by 1.1% compared to the previous quarter.

Level of euroization picked up by 0.6 p.p. compared to the previous quarter, accounting for 41.2%, measured via the share of foreign currency deposits in the total deposit potential.

With respect to maturity, share of long-term deposits in the total deposit potential in Q1 2025 picked up by 0.6 p.p. compared to the previous quarter, accounting for 25.0% (it accounted for 24.6% in Q4 2024). During the analysed period, short-term deposits increased by 2.5% on quarterly basis.

**Credit activity of banks** in Q1 2025 picked up by 2.0% on quarterly basis (credits increased by 5.4% in the previous quarter), amid growth of credits to enterprises by 2.0% and credits to households by 2.1%. From currency point of view, in Q1 2025, Denar credits picked up by 2.9%, and foreign currency credits by 0.7%.

From maturity point of view, long-term credits experienced 1.8% growth, while short-term credits were higher by 4.5%, compared to the previous quarter.

In Q1 2025, **interest rate**<sup>6</sup> on Denar credits accounted for 5.68%, decreasing by 0.09 p.p. compared to the previous quarter. Interest rate on

<sup>2</sup> Tobacco product price was increased in accordance with the adopted amendments of the Law on Excise, cigarette excise duty is to increase by Denar 0.23 per piece each year until 2030.

<sup>3</sup> It incorporates currency in circulation (including cash in hand of banks), Denar and foreign currency reserve requirements and surplus of liquid assets over the reserve requirement (in Denars).

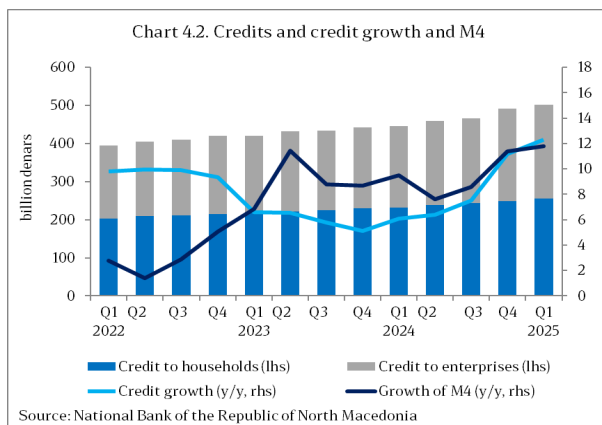
<sup>4</sup> Money supply M1 comprises currency in circulation and deposit money. Monetary supply M2 comprises the money supply M1 and short-term deposits, whereas money supply M4 is comprised of money supply M2 and long-term deposits.

<sup>5</sup> Deposits also incorporate the calculated interest.

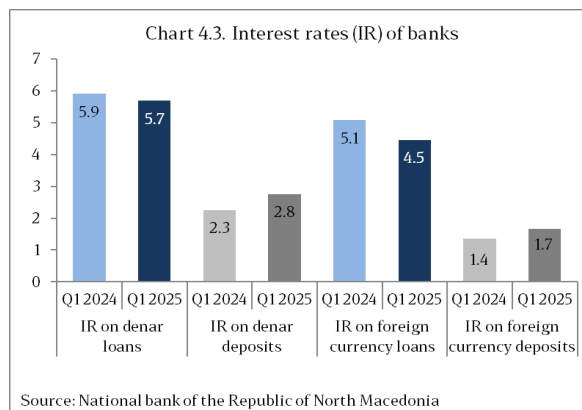
<sup>6</sup> Denar credits and deposits with a Forex clause are included in



foreign currency credits was 4.45% in Q1 2025, dropping by 0.29 p.p. compared to the previous quarter.



In Q1 2025, interest rate of Denar deposits accounted for 2.73%, recording a growth of 0.10 p.p. compared to the previous quarter, whereas the interest rate of foreign currency deposits accounted for 1.66%, increasing by 0.01 p.p. compared to the previous quarter.



Interest rate on newly granted Denar credits in Q1 2025 accounted for 4.68%, while interest on newly granted foreign currency credits accounted for 3.82%. Interest rates of newly received Denar and foreign currency deposits accounted for 2.76% and 1.89%, respectively.

## 5. External Sector

### 5.1. Foreign Trade

According to the data of the State Statistical Office, total foreign trade amounted to EUR 4,701.1 million in Q1 2025, surging by 0.7% compared to the same quarter in 2024.

In Q1 2025, **export of goods** amounted to EUR 1,928.6 million, whereby compared to Q1 2024, it slightly decreased by 0.04%, while compared to the previous quarter, it increased by 0.4%.

Analysed by SITC sectors (Standard International Trade Classification), negative trends in the export in Q1 2025, compared to the same quarter in 2024 were registered at the following sectors:

- chemical products by 13.5% (wherein highest drop was recorded in the category: chemical materials and related products by EUR 71.1 million, i.e. 14.7%),

- miscellaneous manufactured articles by 5.7%



(Wearing apparel by EUR 12.4 million or 11.7%; Furniture and parts thereof by EUR 3.6 million or 3.4%), and

foreign currency credits and deposits.



- manufactured goods classified chiefly by material by 2.4% (iron and steel by EUR 5.9 million or 4.1%, items from non-metal minerals by EUR 5.6 million or 23.1%).

Growth of export was seen at the following sectors:

- machinery and transport equipment by 10.9% (wherein the highest growth was seen at the categories: electrical machinery, devices and spare parts by EUR 47.5 million or 13.2%; and road vehicles by EUR 22.1 million or 22.8%),
- mineral oils and lubricants by 13.8% (Electricity by EUR 20.0 million or 63.2%),
- crude materials, except fuel by 16.9% (Metal ore and metal scrap by EUR 11.7 million, accounting for 21.1%),
- food products by 4.3% (fruit and vegetables by EUR 6.2 million or 14.1%),
- beverages and tobacco by 15.0% (manufacture of tobacco and tobacco products by EUR 4.9 million, accounting for 35.9%), and
- animal and vegetable oils by 28.5% (Fixed vegetable oils and fats, crude, refined or fractioned by EUR 0.8 million, accounting for 27.8%).

Observed **by economic purpose**, in Q1 2025, drop of export was recorded at the following groups of products:

- industrial supplies by EUR 63.7 million, accounting for 6.6%, and
- consumer goods by EUR 10.2 million or 4.6%.

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

- transport equipment by EUR 29.2 million, i.e. 9.3%, and
- investment products without transport equipment by EUR 27.4 million, accounting for 12.0%,
- fuels and lubricants by EUR 8.9 million, or 16.0%, and
- food and beverages by EUR 6.8 million or 4.8%.

**Import of goods** in Q1 2025 amounted to EUR 2,772.6 million, growing by 1.3% compared to Q1 2024, while in relation to the previous quarter, it dropped by 2.9%.

Analysed **by SITC sectors**, growth of import in Q1 2025, compared to Q1 2024 was seen at the following sectors:

- mineral oils and lubricants by 15.5% (within which highest growth was seen at the category: electricity by EUR 64.6 million or 90.8%),
- chemical products increasing by 3.6% (medical and pharmaceutical products surging by EUR 9.5 million or 14.6% and non-organic chemical products picking up by EUR 3.8 million or 5.6%),
- products classified by material by 1.4% (iron and steel by EUR 19.9 million or 17.5%; non-ferrous metals by EUR 15.2 million or 5.2%),
- food products by 3.4% (coffee, tea, cocoa, herbs by EUR 4.4 million or 16.9%; milk products and eggs thereof by EUR 2.2 million or 8.9%),
- animal and vegetable oils by 38.2% (fixed vegetable fats and oils, crude, refined or fractionated by EUR 4.6 million or 41.6%) and
- beverages and tobacco by 8.4% (tobacco and tobacco products by EUR 2.1 million or 23.0%).

Decline of import was seen at the following sectors:

- machinery and transport equipment by 5.5% (wherein the highest drop was seen at the categories: machinery specialised for particular industries by EUR 33.6 million or 41.3%),
- crude materials, except fuel by 14.1% (metal ore and metal scrap by EUR 10.7 million, accounting for 38.6%), and
- miscellaneous manufactured articles by 6.0% (furniture and parts thereof by EUR 4.2 million or 14.8%).

Observed **by economic purpose**, in Q1 2025, growth of import was recorded at the following groups of products:

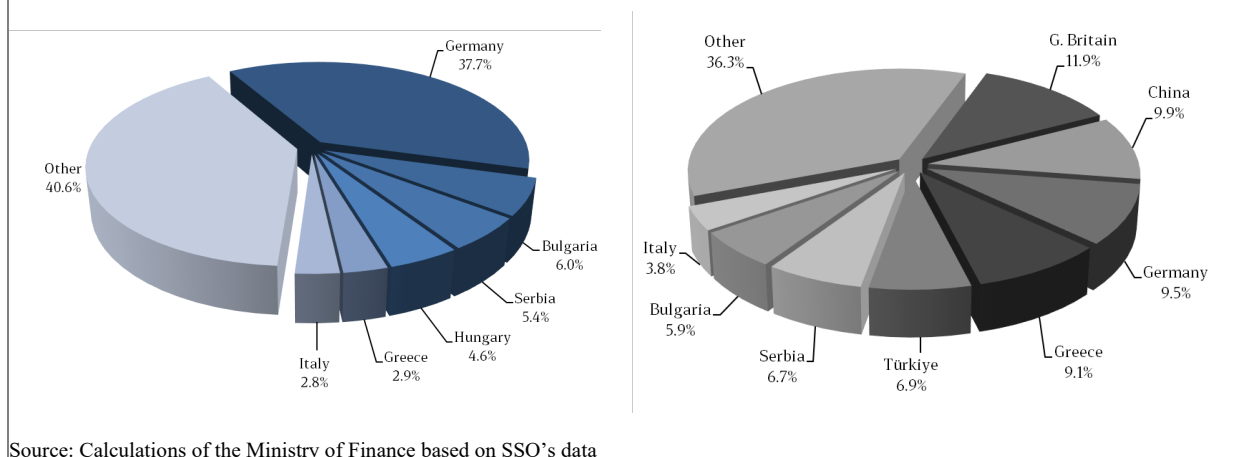
- fuels and lubricants by EUR 57.2 million or 16.5%,
- consumer goods by EUR 12.6 million or 4.4%,
- food and beverages by EUR 11.5 million, accounting for 4.2%, and
- industrial supplies by EUR 0.9 million, accounting for 0.1%.



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

- investment products without transport equipment by EUR 32.9 million, i.e. 7.2%,
- transport equipment by EUR 11.4 million or 6.1%.

Chart 5.2. Countries with highest share in export (on the left) and in import (on the right) in Q1 2025



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

In Q1 2025, foreign trade with the European Union (EU 27), in relation to Q1 2024, decreased by 4.5%, whereby share of trade with the EU in the total foreign trade decreased by 3.3 percentage points compared to the first quarter in 2024,

accounting for 60.1%. Thereby, in Q1 2025 export of goods accounted for 77.3%, while import of goods accounted for 48.2%.

## 5.2. Balance of Payments

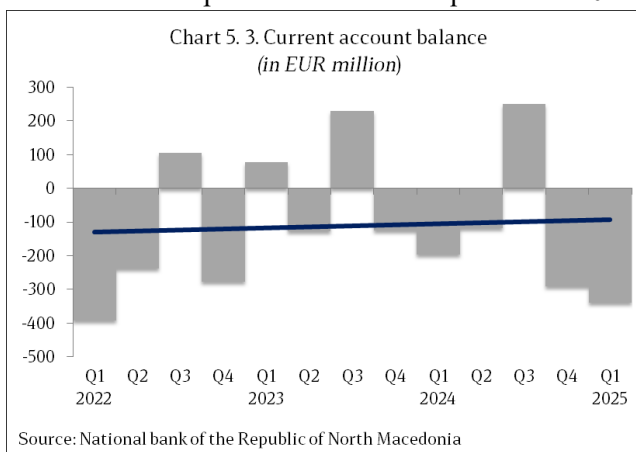
As per the data from the National Bank of the Republic of North Macedonia, deficit in the amount of EUR 339.3 million was recorded **current account's** balance of payments in Q1 2025, accounting for 9.4% of quarterly GDP, as opposed to the deficit of 5.8% of GDP, recorded in the same quarter of 2024.

Analysed on annual basis, the current account deficit in Q1 2025 increased by EUR 142.5 million, i.e. by 72.4% being a result of the reduced surplus on the services account by 28.6% and on the secondary income account by 6.8%, as well as increased deficit on the goods account by 1.9%, and the primary income account by 2.4%.

In Q1 2025, **trade deficit** grew by EUR 15.8 million on annual basis, narrowing by 1.1 p.p.

on annual basis, i.e. accounting for 23.0% of quarterly GDP.

Surplus on **services account** in Q1 2025 amounted to EUR 216.5 million, being lower by EUR 86.5 million compared to the same quarter in 2024.



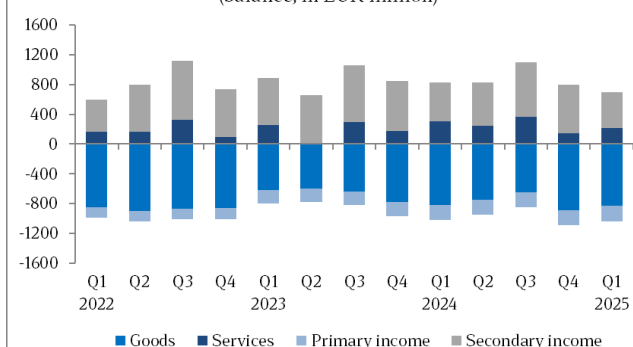


**Trade openness** of the Republic of North Macedonia in Q1 2025 accounted for 145.1% of quarterly GDP, being lower by 4.8 p.p. compared to Q1 2024.

**Primary income** account experienced EUR 207.1 million deficit in Q1 2025, increasing by EUR 4.9 million on annual basis.

Surplus on **secondary income** account in Q1 2025

Chart 5. 4. Current account of balance of payments  
(balance, in EUR million)



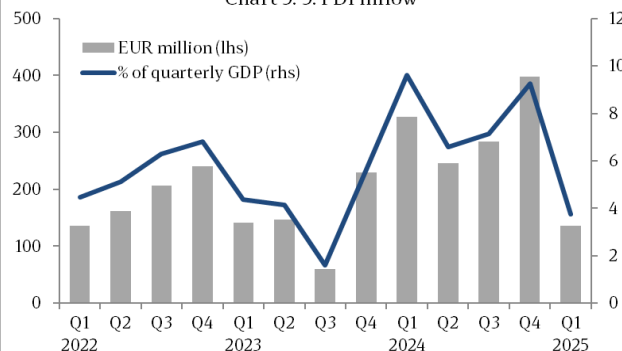
Source: National Bank of the Republic of North Macedonia

amounted to EUR 484.2 million, being lower by EUR 35.3 million on annual basis. The drop was due to the reduction of current transfers by EUR 21.9 million, accounting for 99.1% of the secondary income account, as well as due to the reduction of official transfers by EUR 13.4 million, accounting for 0.9% of the secondary income account.

Deficit on **the capital account** in Q1 2025 amounted to EUR 0.3 million, being lower by EUR 0.7 million compared to the same quarter in 2024.

In Q1 2025, **foreign direct investments (FDI)** in the country amounted to EUR 135.8 million, being lower by EUR 191.3 million compared to Q1 2024. FDI inflow during this period came from equity capital and reinvestment of the profit of companies with foreign capital, while outflow was recorded due to transactions involving debt instruments.

Chart 5. 5. FDI inflow



Source: National Bank of the Republic of North Macedonia and MoF calculations

**Portfolio investments** in Q1 2025 amounted to EUR 495.3 million and, compared to the same quarter in the previous year, they grew by EUR 428.3 million. Such trends in most part were result of liabilities falling due on the basis of government issued securities, with lesser extent of repurchase of domestic Eurobonds by residents.

**Other investments** in Q1 2025 were negative, amounting to EUR 390.0 million. As regards the category other investments, currencies and deposits amounted to EUR 148.9 million, while accounts of the loans and trade credits and advance payments experienced a negative balance in the amount of EUR 347.6 million and EUR 190.9 million, respectively.

**Reserve assets** amounted to EUR 4.8 billion at the end of the first quarter of 2025, increasing by 11.7% compared to Q1 2024. At the end of Q1 2025, reserve assets provided for 4.9-month coverage of import of goods and services in the previous 12-month period.