Q-1-2026

QUARTERLY ECONOMIC REPORT

- first quarter 2026 -

Summary

- **Economic activity** continued to expand in Q1 2026, with GDP in real terms increasing by 3.1% on annual basis. Growth was driven by domestic demand, supported by higher consumption and gross investments.
- **Number of employed persons** in Q1 2026 was higher by 0.7%, compared to the same quarter in 2025. **Number of unemployed persons** dropped by 2.3% in Q1 2026, which resulted in a reduction of the **unemployment rate** to 11.3%.
- In Q1 2026, **net wage** amounted to Denar 47,069, reflecting a 7.9% increase in nominal terms and a 4.1% increase in real terms compared to the net wage in Q1 2025.
- In Q1 2026, total **budget revenues** increased by 5.6%, while total budget expenditures grew by 18.5% compared to the same quarter in 2025.
- **Inflation rate** in Q1 2026 accounted for 3.7% on annual basis.
- Total **deposit potential** of banks in Q1 2026 grew by 0.8% on quarterly basis.
- In Q1 2026, **exports of goods** recorded an increase of 3.6%, while **imports of goods** an increase of 0.5% on annual basis, whereby total **foreign trade**, expressed in euro, increased by 1.8%.

Contents:

1. Economic Activity

In the first quarter of 2026, the economy expanded by 3.1% in real terms on an annual basis, confirming the sustained positive economic momentum and the resilience of the domestic economy in the face of an uncertain global economic outlook. Compared to previous quarter, the seasonally and calendar-adjusted GDP growth accounted for 0.3%.

On the production side, GDP growth was primarily driven by the services, construction, and agriculture sectors.

The services sector grew by 3.6%, with all constituent activities recording positive growth rates. Professional, scientific and technical activities recorded the highest growth (6.1%), while trade, transport and hospitality made the largest contribution to services sector growth, increasing by 3.7%.

Construction recorded strong growth of 7.2%, primarily driven by the increase in the value of completed construction works in the civil engineering segment, which grew by 24.5%, and specialised construction activities, which increased by 17.5%. In contrast, building construction recorded a significant decline of 30.6%. Growth in the construction sector continues to be primarily driven by the implementation of capital and infrastructure projects.

Agriculture recorded growth of 2.9%, following a 0.4% decline in the previous quarter.

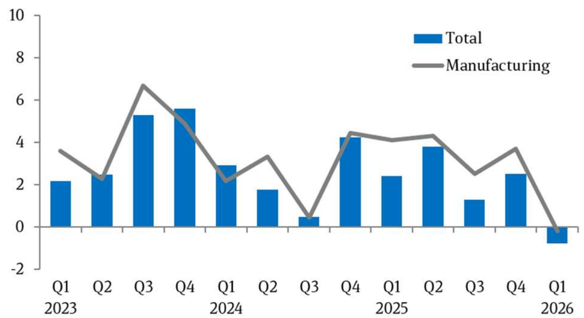
Table 1.1.: GDP and components by production method – annual growth rates (%) and contributions to GDP growth (percentage points)

Sectors	real growth (%)						contribution to growth (p.p.)					
	Q1 2025	Q2 2025	Q3 2025	Q4 2025	2025	Q1 2026	Q1 2025	Q2 2025	Q3 2025	Q4 2025	2025	Q1 2026
Gross domestic product	2.9	3.5	3.8	3.8	3.5	3.1						
Agriculture	1.0	1.8	4.0	-0.4	1.8	2.9	0.1	0.1	0.3	0.0	0.1	0.2
Industry	2.4	3.8	1.3	2.5	2.5	-0.8	0.4	0.6	0.2	0.5	0.4	-0.1
Manufacturing	4.1	4.3	2.5	3.7	3.6	-0.2	0.6	0.6	0.3	0.6	0.5	0.0
Construction	7.2	7.2	21.0	14.6	13.7	7.2	0.3	0.4	1.3	1.3	0.9	0.3
Services	2.6	2.9	2.9	3.5	3.0	3.6	1.6	1.7	1.6	1.8	1.7	2.2
Trade, transport and catering	3.2	6.0	2.6	4.4	4.1	3.7	0.6	1.1	0.5	0.7	0.7	0.7
Information and communication	4.5	3.6	7.4	2.4	4.5	3.3	0.2	0.2	0.4	0.1	0.2	0.2
Financial and insurance activities	-2.0	1.3	0.2	1.8	0.3	2.8	-0.1	0.0	0.0	0.0	0.0	0.1
Real estate activities	1.4	1.9	2.0	2.7	2.0	3.3	0.2	0.2	0.2	0.3	0.2	0.4
Professional, scientific and technical activities	7.2	3.6	6.1	8.1	6.2	6.1	0.4	0.2	0.3	0.3	0.3	0.3
Public administration and defence, education and health	0.7	0.3	1.3	2.0	1.1	2.5	0.1	0.0	0.2	0.2	0.1	0.4
Arts, entertainment and recreation	2.8	-4.2	-1.6	3.2	0.0	4.2	0.1	-0.1	0.0	0.1	0.0	0.1
Net taxes on products	2.9	4.1	4.5	3.3	3.6	3.2	0.3	0.6	0.6	0.5	0.5	0.4
Residual							0.1	0.1	-0.2	-0.2	-0.1	0.2

Source: State Statistical Office (notification of GDP in Q1 2026) and MoF calculations

Industrial sector dropped by 0.8%, as a result of the reduced production in Manufacturing by 0.2%. According to high-frequency data, the largest negative contributions to the decline in Manufacturing in Q1 2026 were recorded in the Manufacture of wearing apparel (down by 14.5%, contributing -0.8 percentage points) and the Manufacture of basic metals (down by 16.4%, contributing -0.5 percentage points) and Manufacture of basic pharmaceutical products and pharmaceutical preparations (down by 13%, with contribution of -0.5 p.p.). At the same time, Electricity, gas, steam and air conditioning supply and Mining and quarrying sectors decreased by 6.0% and 4.9%, respectively.

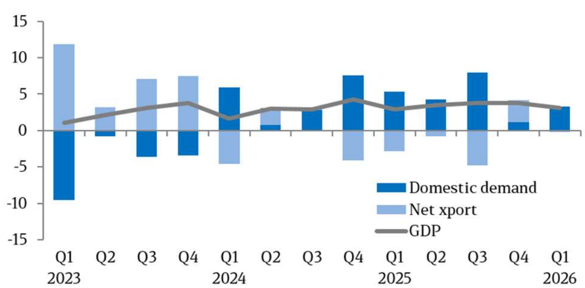
Chart 1.1. Industrial sector
(annual growth rate)



Source: State Statistical Office

From the expenditure side of GDP, economic growth in the first quarter of 2026 was primarily driven by domestic demand, supported by higher final consumption and gross investments.

Chart 1.2. Contribution to GDP growth of expenditure components *(percentage points)*

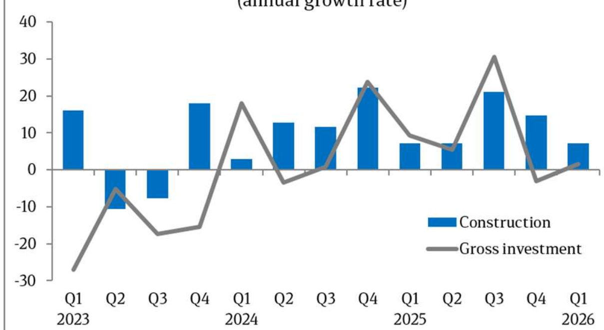


Source: State Statistical Office and MoF calculations

Final consumption recorded increase of 3.2%, whereby **private consumption** which in real terms increased by 2.6% contributed the most towards the growth of domestic demand. Private consumption growth was supported by higher household disposable income, reflecting increased employment, real wage growth of 4.1%, and pension growth of 11.8%. It was further underpinned by stronger household lending, which increased by 11.5%. **Public consumption** grew by 5.5%.

Gross investments grew by 1.5% in real terms, supported by increased capital expenditures and intensified construction activity. Additional support was provided by higher foreign direct investment and increased corporate lending, which grew by 46.8% and 15.0%, respectively.

Chart 1.3. Investment and Construction activity
(annual growth rate)



Source: State Statistical Office

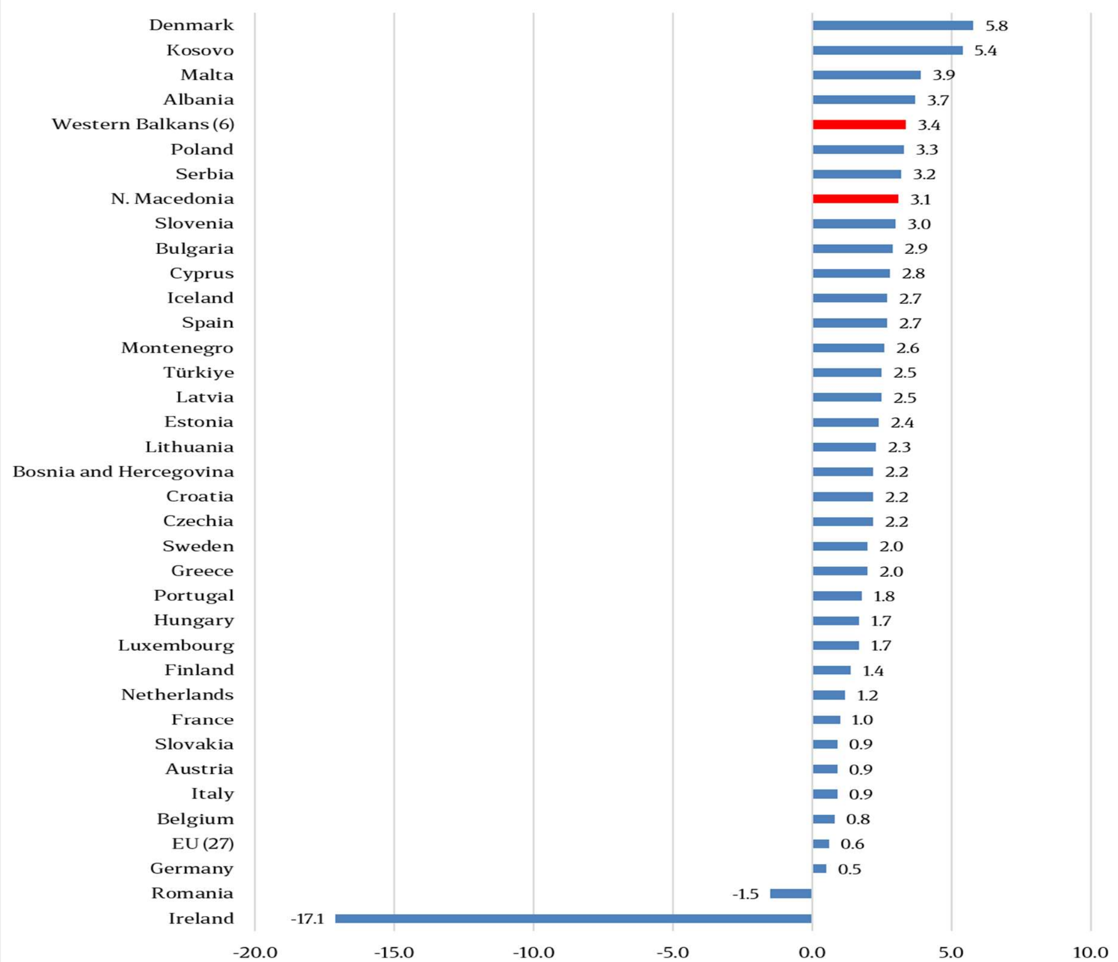
Exports of goods and services increased by 6.2% in real terms, with chemical products, industrial machinery and parts, and non-ferrous metals contributing the most to export growth. **Imports of goods and services** increased by 5.2%, supported by higher imports of consumer goods and other products. Within the category of other products, growth was recorded in imports of processed fuels and lubricants, particularly motor gasoline. Despite the higher growth rate of exports, the larger increase in imports in absolute terms resulted in a negative contribution of net exports to economic growth.

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

Components	real growth (%)						contribution to growth (p.p.)					
	Q1 2025	Q2 2025	Q3 2025	Q4 2025	2025	Q1 2026	Q1 2025	Q2 2025	Q3 2025	Q4 2025	2025	Q1 2026
Gross domestic product	2.9	3.5	3.8	3.8	3.5	3.1						
Final consumption	3.2	3.2	1.8	2.8	2.7	3.2	2.7	2.7	1.5	2.2	2.4	2.8
Private	2.6	3.1	0.9	2.1	2.1	2.6	1.8	2.1	0.6	1.3	1.5	1.8
Public	5.7	3.5	5.7	6.4	5.3	5.5	0.9	0.6	0.8	1.0	0.9	1.0
Gross capital formation	9.2	5.4	30.6	-3.0	8.0	1.5	2.8	1.6	7.6	-1.1	2.6	0.4
Export of goods and services	2.8	8.5	3.4	9.7	6.1	6.2	1.9	5.4	2.1	5.3	4.0	4.0
Import of goods and services	5.7	8.1	9.9	3.3	6.7	5.2	4.7	6.3	6.9	2.4	5.3	4.2
Net exports							-2.8	-0.8	-4.8	3.0	-1.3	-0.2
Residual							0.2	0.1	-0.5	-0.3	-0.2	0.1

Source: State Statistical Office (notification of GDP in Q1 2026) and MoF calculations

Chart 1.4. Real annual GDP growth rates for Q1 2026 in the EU and the region, in %



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 2026, as per the Labour Force Survey, employment increased by 0.7%, number of employed persons being higher by five thousand persons compared to the same quarter in 2025. Employment increased the most in Other service activities (11.6 thousand persons), followed by Professional, scientific and technical activities (2.9 thousand persons) and Human health and social work activities (2.8 thousand persons). On the other hand, significant drop of employment was recorded in Trade (down by 10.3 thousand persons).

Out of the total number of employees, 534,115 were employed in entities in private ownership (75.5% of the total employees), while 173,270 people were employed in entities in mixed, collective or state ownership (24.5% of total employees).

Employment rate in Q1 2026 accounted for 46.5%, being higher by 0.2 p.p. compared to the same quarter in 2025.

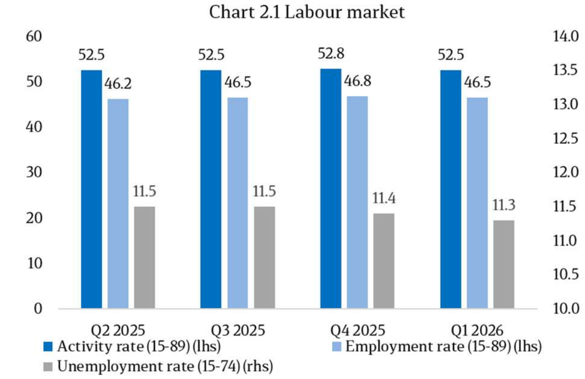
Unemployment

Number of unemployed persons was lower by 2.1 thousand persons, i.e. by 2.3% compared to the same quarter in 2025.

Unemployment rate stood at 11.3% in Q1 2026, representing a decrease of 0.4 percentage points compared with the same quarter of 2025 and 0.1 percentage points compared with the previous quarter (Chart 2.1).

Unemployment rate in the age category 15 - 64 accounted for 11.5%, while with the youth population (age category 15 to 29), it accounted for 24.6%. With respect to Q1 2025, the unemployment rate for individuals aged 15-64 dropped by 0.3 p.p., while the rate for the individuals aged 15-29 increased by 2.5 p.p.. With respect to gender structure, female unemployment rate dropped by 0.9 p.p., accounting for 10.2%, being 1.9 p.p. lower than male unemployment rate, which remained unchanged on annual level accounting for 12.1%.

Chart 2.1 Labour market



Source: State Statistical Office

Active population

In Q1 2026, number of **active population** was increased by 2.9 thousand persons, being higher by 0.4% on annual basis. In Q1 2026, active population accounted for 52.5% of the total working-able population, representing an increase of 0.1 p.p., compared to the same quarter in 2025.

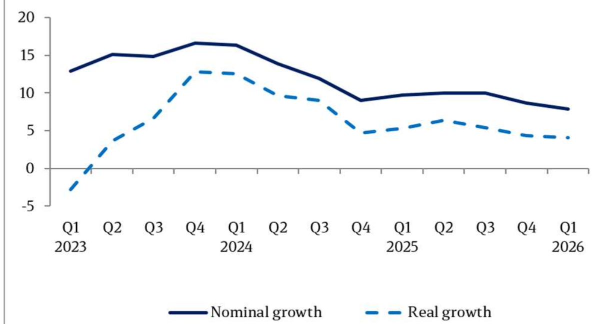
Wages

Average monthly **net wage** in Q1 2026 amounted to Denar 47,069, being higher by 7.9% in nominal terms compared to the same quarter in 2025, and 4.1% higher in real terms (Chart 2.2).

Highest net wage in Q1 2026 was paid in the sector Information and communication (Denar 88,498), followed by Financial and insurance activities with Denar 63,678, Mining and quarrying with average net wage paid in the amount of Denar 59,043 and Electricity, gas, steam and air-conditioning supply in the amount of Denar 58,284.

Average monthly **gross wage** in Q1 2026 amounted to Denar 70,751, being higher by 8.0% in nominal terms and 4.1% in real terms.

Chart 2.2. Average net wage
(annual growth rate)



Source: State Statistical Office

3. Public Finances

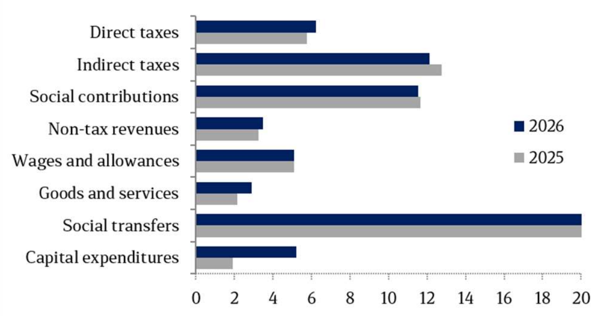
3.1. Budget Revenues according to the Economic Classification

In Q1 2026, **total budget revenues** accounted for 33.8% of the quarterly GDP, being higher by 5.6% compared to first quarter of 2025, amid higher collection of taxes by 4.7%, contributions by 7.2% and non-tax revenue collection by 16.1%. Tax revenues observed a higher collection rate in the segments of personal income tax, corporate income tax, VAT, import duties, while lower collections were recorded for excise taxes and other tax revenues.

Collection of indirect taxes in Q1 2026 compared to Q1 2025 increased by 2.7%, whereas the collection of the direct taxes picked up by 17.1%. In terms of GDP structure, the share of direct tax revenues rose to 6.2% in Q1 2026, up 0.5 percentage points from 5.7% in Q1 2025. In Q1 2026, indirect tax revenues accounted for 12.1% of GDP, down by 0.7 percentage points from 12.8% in Q1 2025.

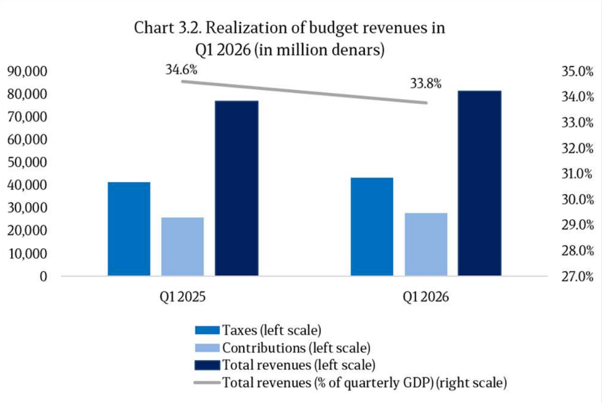
With respect to **indirect taxes**, VAT revenues were predominant, accounting for 43.3% of total tax revenues in Q1 2026, recording a 3.5% increase compared to the same quarter of the previous year. Pertaining to the VAT structure, VAT on import accounted for the most, followed by VAT on domestic supply. Compared to the same quarter of the previous year, excise revenues were lower by 2.8%, whereas duty revenues were higher by 9.1%.

Chart 3.1. Revenues and expenditures in Q1
(% of nominal quarterly GDP)



Source: Ministry of Finance

With respect to **direct taxes**, a PIT revenue collection recorded an increase of 12.3%, while the corporate income tax revenue collection an increase of 23.6%, compared to the same quarter of the previous year.



Source: Ministry of Finance

Collection of **social contributions** was higher by 7.2%, whereby increased collection was recorded with all contributions, i.e. with pension and disability insurance contributions by 7.0%, employment contributions by 7.4% and health insurance contributions by 7.5%.

In Q1 2026, collection of **non-tax revenues**, accounting for 3.5% of the quarterly GDP, was higher by 16.1% compared to the same quarter of 2025.

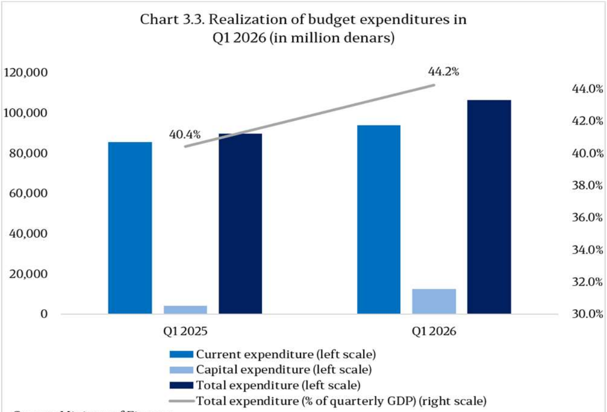
Capital revenues incorporating construction land lease, apartment sale and dividend revenues were higher by 36.7% on annual basis in Q1 2026. Revenues on the basis of **foreign donations** were lower by 64.8% compared to the same quarter of 2025.

3.2. Budget Expenditures according to the Economic Classification

Total budget expenditures in Q1 2026, with share of 44.2% in the quarterly GDP, were higher by 18.5% compared to the same quarter in 2025.

Current expenditures, accounting for 39.0% of quarterly GDP, represented 88.2% of total expenditures and increased by 9.7% on an annual basis. As for current expenditures, wage and allowance expenditures increased by 8.7%, whereas goods and services expenditures increased by 45.6% compared to the same quarter previous year.

Transfer funds, accounting for 62.8% of total expenditures, increased by 8.8% on an annual basis. Social transfers recorded growth of 13.7%, participating with 47.7% in the total expenditures. Pension expenditures, which account for the majority of social transfers, increased by 17.0%, representing 31.4% of total expenditures. Category Other Transfers, which includes transfers to local government units, accounted for 14.4% of the total expenditures, i.e. it dropped by 6.3% compared to the first quarter in 2025. Block and earmarked grants to local government units increased by 7.2%, while subsidies and transfers were higher by 38.0% compared to Q1 2025.



Source: Ministry of Finance

Interest expenditures decreased by 3.0% on an annual basis, reflecting a 12.8% increase in interest expenditures on domestic debt and an 11.8% decrease in interest expenditures on external debt.

Capital expenditure execution, accounting for 5.2% of the quarterly GDP was higher by 196.4% compared to the same quarter of 2025, and their share in the total expenditure accounted for 11.8%.

3.3. Expenditures by Budget Users

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

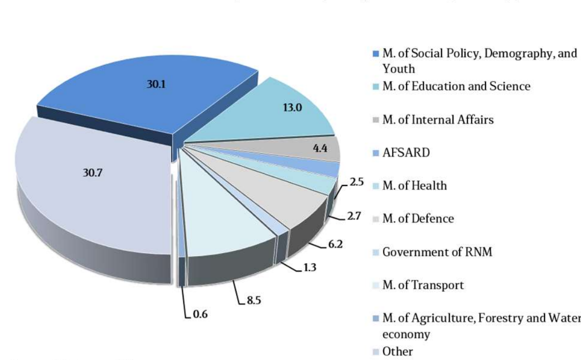
In Q1 2026, **Ministry of Social Policy, Demographics and Youth** executed funds in the amount of Denar 25,586 million or 31.4% of its total budget for the current year. Thereby, most of the expenditures (77.1%) were allocated for current transfers to Budget Funds, for which Denar 19,739 million was spent, i.e. 31.6% of the funds allocated for 2026. The second highest expenditure item was the social benefits, participating with 14.8% in the total expenditures, whereby 31.5% (Denar 3,774 million) of the projected 2026 funds was executed for this purpose.

During the analysed period, **Ministry of Education and Science** executed budget funds in the amount of Denar 11,005 million, representing 23.9% of its total 2026 Budget. Current transfers to LGUs accounted for most of the expenditures (54.2%), Denar 5,965 million being spent therefore or 23.3% of total projected funds. Wages and allowances category was the second highest expenditure item, accounting for 23.5%, for which an amount of Denar 2,584 million, accounting for 23.6% being executed out of total projected funds.

In Q1 2026, **Government of the Republic of North Macedonia** spent Denar 1,095 million, i.e. 24.9% of the 2026 projections. Thereby, capital expenditures accounted for 70.0% of total expenditures of this budget user, with Denar 767 million (64.4% of the projected funds) being spent, therefore.

During the analysed period, **Ministry of Internal Affairs** executed expenditures in the total amount of Denar 3,701 million, accounting for 22.3% of own budget for 2026. Wages and allowances were the highest expenditure item, participating with 75.1%, Denar 2,779 million being spent therefor, accounting for 24.6% of the projected ones. Second highest expenditure item was Goods and services, accounting for 16.8%, with Denar 620 million being spent therefore, accounting for 21.2% of the annual projections.

Chart 3.4. Structure of expenditures by budget user for Q1 2026 (%)



Source: Ministry of Finance

In Q1 2026, **Agency for Financial Support in Agriculture and Rural Development** executed expenditures in the amount of Denar 2,131 million, accounting for 28.1% of the funds projected for the current year. As for subsides and transfers, which accounted for 94.1% of the total expenditures, 29.3%, or Denar 2,005 million of the funds planned for the whole year, were spent, therefore.

During Q1 2026, **Ministry of Health** executed budget funds in the amount of Denar 2,265million, accounting for 29.7% of its 2026 total budget. Current transfers to Budget Funds accounted for most of the expenditures with 48.4%, for which Denar 1,097 million were spent, accounting for 31.3% of the funds projected for 2026. Second highest item was Goods and services, Denar 1,006 million (30.3% of the projections for the year) being spent therefore, accounting for 44.4% of total expenditures.

During this period, **Ministry of Defence** executed budget funds in the amount of Denar 5,292 million, accounting for 23.9% of this year's total budget. Capital expenditures accounted for the most with 41.9%, Denar 2,215 million being spent therefore, accounting for 24.3% of the total funds projected for the current year. Wages and allowances accounted for 29.0% of total expenditures, Denar 1,533 million being spent therefore during the analysed period, i.e. 23.0% execution of the total projected funds.

In Q1 2026, **Ministry of Transport** executed funds in the amount of Denar 7,253 million, i.e. 54.2% of its total budget for the current year. Execution of capital expenditures, as highest item, accounted for 95.7% of the total spent funds of this budget user (Denar 6,940 million or 56.9% of total projected funds).

During the analysed period, **Ministry of Agriculture, Forestry and Water Economy** executed funds in the amount of Denar 532 million, accounting for 28.5% of the funds projected for 2026. Wages and allowances (Denar 213 million) were, by far, the highest item in the total expenditures of this budget user, accounting for 40.2% of its total expenditures, with 22.3% of the projected expenditures being executed. As regards capital expenditures, they accounted for 31.2% of the total expenditures, Denar 166 million being spent therefore, accounting for 34.9% of the total budget for this purpose.

In this period, **Public Revenue Office** executed Denar 1,211 million, accounting for 31.4% of the total budget for the current year. As for subsides and transfers, as major item, 40.2% or Denar 925 million of the funds planned for the whole year, were spent, therefore.

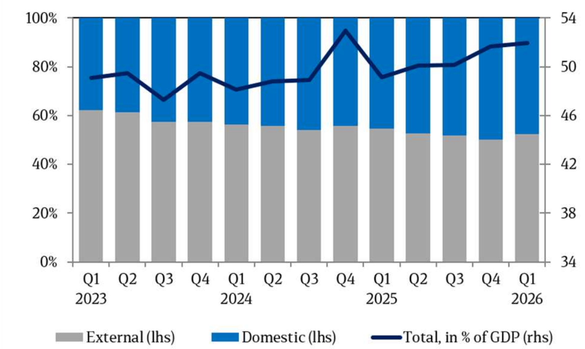
In-depth data on each budget user are presented in the statistical annex attached at the following link (*http://finance.gov.mk/квартален-економски-извештај/*).

3.4. Budget Deficit and General Government Debt

In the first quarter of 2026, **the consolidated budget deficit** amounted to Denar 25,187 million or 10.5% of GDP realized in this quarter, while central budget deficit amounted to Denar 28,121 million, i.e. 11.7% of quarterly GDP.

Total **general government debt** stood at 51.9% of GDP at the end of Q1 2026, with its share in GDP increasing by 0.3 percentage points compared to Q4 2025. Share of the external debt in the total general government debt increased by 2.3 percentage points compared to Q4 2025, accounting for 52.4%, with the share of domestic debt decreasing respectively, accounting for 47.6% of the total general government debt.

Chart 3.5. General government debt and its structure

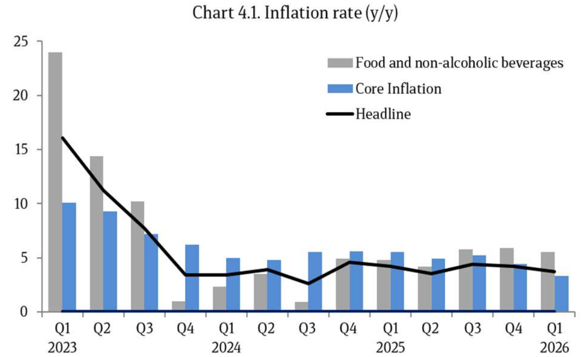


Source: Ministry of Finance

4. Inflation and Monetary Trends

Inflation rate stood at 3.7% in Q1 2026, measured according to CPI. Inflation slowed by 0.5 percentage points compared to the previous quarter (4.2% in Q4 2025).

Chart 4.1. Inflation rate (y/y)



Source: State Statistical Office

In Q1 2026, inflation decelerated compared to the previous quarter due to a slowdown in core inflation. Food price inflation slowed compared to the previous quarter but continued to make the largest contribution to overall inflation. Food prices accelerated at the end of the first quarter. However, this acceleration was largely attributable to a lower base effect, reflecting the measures to cap profit margins on basic food products introduced in March and April of the previous year.

Core inflation slowed by 1.1 percentage points compared to Q4 2025, reaching 3.3%, from 4.4% in the previous quarter. The slowdown in core inflation was the result of lower air transport prices, while remaining influenced by the prices of coffee, tobacco, and hospitality services. Energy prices recorded moderate growth, while petroleum product prices followed a downward trend during the first two months, before rising following the outbreak of the conflict in the Middle East.

Observed by categories, price growth in the Food and non-alcoholic beverages category in Q1 2026 slowed moderately to 5.5% (5.9% in the previous quarter). Consumer price growth in Q1 2026 was also recorded in the categories, as follows: Alcoholic beverages, tobacco and narcotics (6.3%) , Furnishings, household equipment and routine household maintenance (5.4%), Recreation, sports and culture (5.3%), Restaurants and accommodation services (4.2%), Housing, water, electricity, gas and other fuels (2.8%), Education services (2.7%), (4.3%), Health (2.3%), Clothing and footwear (2.1%), Personal care, social protection and miscellaneous goods and services (2.0%) Information and communication and Insurance and financial services (1.7%). Prices in Transport decreased (3.4%).

In Q1 2026, retail prices recorded a slowdown in growth, accounting for 5.0%.

At the end of 2025, the National Bank introduced a new operational monetary framework, under which 7-day central bank bills, with an interest rate of 4%, became the main monetary policy instrument, replacing the previous 7-week maturity instrument. Under the new framework, banks were given the opportunity to place their excess liquidity with the National Bank at a seven-day maturity at a predetermined interest rate, within a clearly defined interest rate corridor for short-term operations. The policy rate remained unchanged at 4% during the first quarter.

Primary money[1] recorded a growth of 5.4% on quarterly basis (an increase of 6.4% was recorded in the previous quarter) as a result of increase of the total liquid assets by 11.9%, while currency in circulation declined by 1.2%.

In the first quarter of this year compared to first quarter in 2025, the primary money increased by 22.1% (in Q4 2025 an increase of 8.8% was recorded), due to the total liquid assets and currency in circulation growth by 31.6% and 12.8%, respectively.

In Q1 2026, the narrowest money supply M1[2] recorded a 1.9% drop compared to the previous quarter. Monetary aggregate M2 decreased by 0.2%, while the widest monetary aggregate M4 increased by 0.5% on quarterly basis.

Total **deposit potential** of banks[3] in Q1 2026 increased by 0.8% on quarterly basis, following the growth of 5.2% in the previous quarter. Analysed by sectors, deposits of enterprises increased by 3.4%, while deposits of households decreased by 0.1%. From currency point of view, Denar deposits decreased by 1.1%, while foreign currency deposits grew by 3.8% compared to the previous quarter.

[1] 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).

[2] 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.

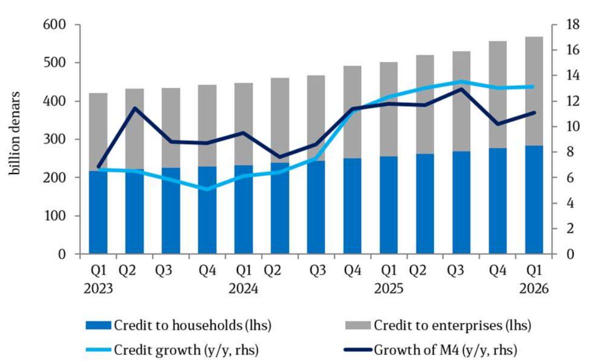
[3] Deposits also incorporate the calculated interest.

Level of euroization picked up by 1.2 p.p. compared to the previous quarter, accounting for 39.7%, 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 2026 picked up by 0.5 p.p. compared to the previous quarter, accounting for 24.4% (it accounted for 23.9% in Q4 2025). During the analysed period, short-term deposits increased by 2.1% on quarterly basis.

Credit activity of banks in Q1 2026 picked up by 2.1% on quarterly basis (credits increased by 4.9% in the previous quarter), driven by growth of credits to enterprises (1.7%) and credits to households (2.6%). From currency point of view, in Q1 2026, Denar credits picked up by 2.9%, and foreign currency credits by 0.6%.

Chart 4.2. Credits and credit growth and M4

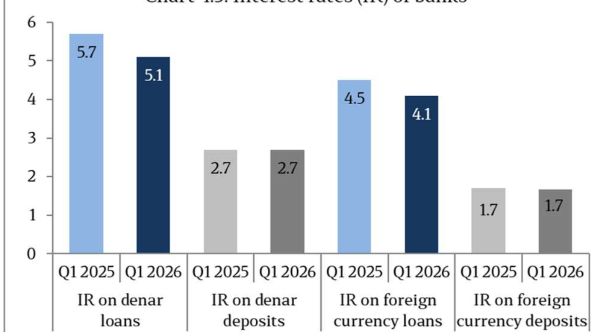


Source: National Bank of the Republic of North Macedonia

From maturity point of view, long-term credits experienced 2.3% growth, while short-term credits were higher by 1.8%, compared to the previous quarter.

In Q1 2026, **interest rate**[4] on Denar credits stood at 5.05%, decreasing by 0.12 p.p. compared to the previous quarter. Interest rate on foreign currency credits was 4.14% in Q1 2026, dropping by 0.03 p.p. compared to the previous quarter.

Chart 4.3. Interest rates (IR) of banks



Source: National bank of the Republic of North Macedonia

Interest rate on Denar deposits accounted for 2.70% in Q1 2026, dropping by 0.01 p.p. compared to the previous quarter, while interest rate on foreign currency deposits accounted for 1.65%, dropping by 0.01 p.p. compared to the previous quarter.

Interest rate on newly granted Denar credits in Q1 2026 accounted for 4.69%, while interest on newly granted foreign currency credits accounted for 3.68%. Interest rates of newly received Denar and foreign currency deposits accounted for 2.63% and 1.96%, respectively.

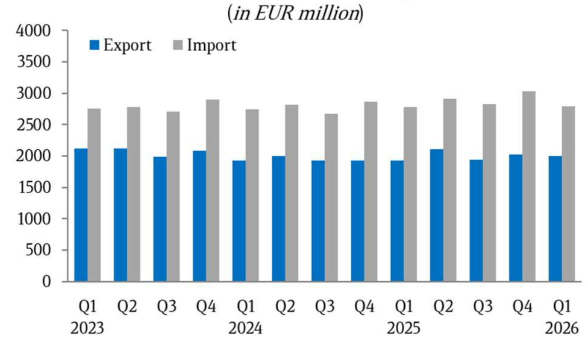
[4] Denar credits and deposits with a Forex clause are included in foreign currency credits and deposits.

5. External Sector

5.1. Foreign Trade

According to the data of the State Statistical Office, total foreign trade amounted to EUR 4,788.6 million in Q1 2026, increasing by 1.8% compared to the same quarter in 2025.

Chart 5.1. Export and import of goods
(*in EUR million*)



Source: State Statistical Office

In Q1 2026, **export of goods** amounted to EUR 1,998.3 million, whereby compared to Q1 2025, it increased by 3.6%, while compared to the previous quarter, it declined by 1.5%.

Analysed by **SITC sectors** (Standard International Trade Classification), positive trends in the export in Q1 2026, compared to the same quarter in 2025 were registered at the following sectors:

- chemical products by 16.6% (wherein highest growth was seen at the category: inorganic chemical products by EUR 53.6 million, increased multiple times; and chemical materials and products by EUR 26.5 million, or 6.4%);
- beverages and tobacco by 25.9% (tobacco and tobacco products by EUR 8.9 million or 48.2%);
- food products by 3.0% (meat and meat preparations by EUR 6.1 million or 82.1%; dairy products and eggs by EUR 4.4 million or 48.1%);
- crude materials, except fuel by 7.5% (metalliferous ores and metal scrap by EUR 4.0 million, or 5.9%); and
- animal and vegetable oils by 57.3% (fixed vegetable oils and fats, crude, refined or fractioned by EUR 2.4 million, accounting for 66.7%).

Decline of export was seen at the following sectors:

- machinery and transport equipment by 2.3% (wherein the highest drop was seen at the category road vehicles by EUR 35.3 million or 29.7%);
- mineral oils and lubricants by 25.4% (electricity by EUR 25.1 million or 48.6%);
- manufactured goods classified chiefly by material by 0.1% (iron and steel by EUR 18.9 million or 13.7%); and
- miscellaneous manufactured articles by 2.4% (clothing by EUR 15.6 million or 16.7%).

Observed by **economic purpose**, in Q1 2026, increase in exports was recorded at the following groups of products:

- industrial supplies by EUR 109.3 million, accounting for 12.2%,
- investment products without transport equipment by EUR 15.2 million or 6.0%, and

- food and beverages by EUR 7.8 million or 5.2%.

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

- transport equipment by EUR 33.3 million, or 9.7%,
- fuels and lubricants by EUR 16.9 million, or 26.0%, and
- consumer goods by EUR 11.9 million, or 5.6%.

Import of goods in Q1 2026 amounted to EUR 2,790.3 million, growing by 0.5% compared to Q1 2025, while in relation to the previous quarter, it dropped by 7.9%.

Analysed by **SITC sectors**, growth of import in Q1 2026, compared to Q1 2025 was seen at the following sectors:

- manufactured goods classified by material by 11.8% (wherein highest growth was seen at the category non-ferrous metals by EUR 174.3 million or 56.8%);
- miscellaneous manufactured articles by 4.6% (footwear by EUR 17.5 million or 125.5%);
- chemical products by 0.6% (inorganic chemical products by EUR 14.3 million, or 20.2%);
- beverages and tobacco by 11.7% (tobacco and tobacco products by EUR 2.9 million, or 25.7%); and
- animal and vegetable oils by 7.6% (fixed vegetable oils and fats, crude, refined or fractioned by EUR 1.6 million, or 10.2%).

Decline of import was seen at the following sectors:

- mineral oils and lubricants by 22.8% (within which highest drop was seen at the category electricity by EUR 67.4 million or 49.1%);
- machinery and transport equipment by 5.0% (electrical machinery, apparatus and spare parts by EUR 22.3 million or 7.5%);
- food products by 2.4% (Sugar, sugar preparations and honey by EUR 3.6 million or 24.6%; fruit and vegetables by EUR 1.0 million or 2.3%); and
- raw materials except fuel by 1.8% (textile fibres and waste by EUR 2.2 million or 43.8%).

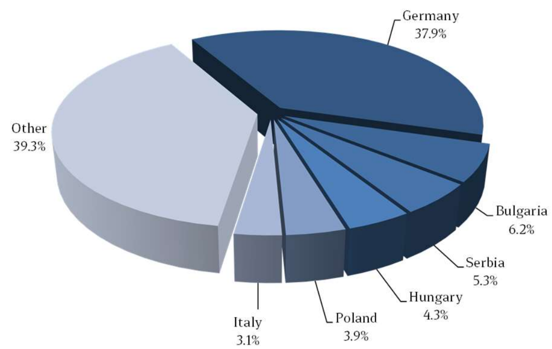
Observed by **economic purpose**, in Q1 2026, growth of import was recorded at the following groups of products:

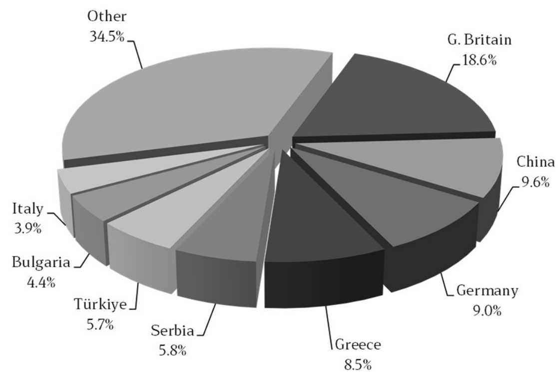
- goods for industrial supplies by EUR 113.4 million, accounting for 9.6%, and
- consumer goods by EUR 9.1 million or 3.0%.

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

- oils and lubricants by EUR 96.0 million, i.e. 23.7%,
- investment products without transport equipment by EUR 37.8 million, or 9.0%,
- Transport equipment by EUR 3.1 million, or 1.8%, and
- food and beverages by EUR 1.9 million, i.e. 0.7%.

Chart 5.2. Countries with highest share in export (on the left) and in import (on the right) in Q1 2026





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

In Q1 2026, foreign trade with the European Union (EU 27), in relation to Q1 2025, decreased by 0.8%, whereby share of trade with the EU in the total foreign trade decreased by 1.5 percentage points compared to the first quarter in 2025, accounting for 58.6%. Thereby, in Q1 2026 export of goods accounted for 79.2%, while import of goods accounted for 43.8%.

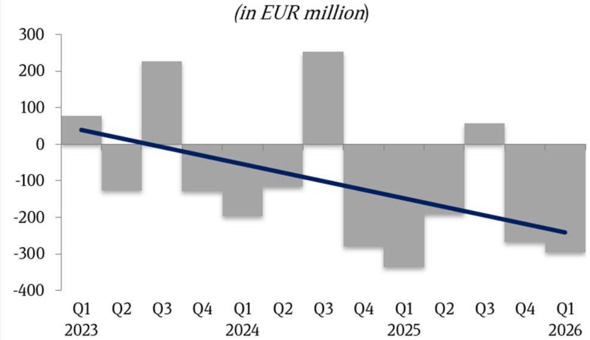
5.2. Balance of Payments

According to data from the National Bank of the Republic of North Macedonia, the **current account** of the balance of payments recorded a deficit of EUR 294.9 million in Q1 2026, accounting for 7.6% of quarterly GDP, compared with a deficit of 9.3% of GDP recorded in the same quarter of 2025.

Analysed on annual basis, the current account deficit in Q1 2026 decreased by EUR 41.6 million, accounting for 12.4% drop, being a result of the reduced deficit on the goods account by 5.6%, as well as the increased surplus on the secondary income account by 1%. Increase of the deficit on the primary income account by 2.7%, as well as the decrease of the surplus on the services account by 1.9%, had the opposite effect.

In Q1 2026, **trade deficit** dropped by EUR 46.7 million on annual basis, narrowing by 2.9 percentage points on annual basis, accounting for 20.2% of quarterly GDP.

Chart 5. 3. Current account balance
(in EUR million)



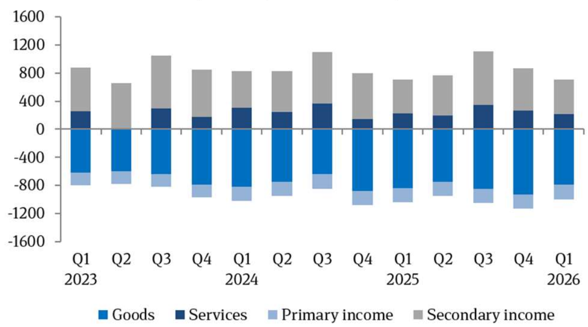
Source: National bank of the Republic of North Macedonia

Surplus on **services account** amounted to EUR 215.8 million in Q1 2026 and compared to the same quarter of 2025, it declined by

EUR 4.2 million. **Trade openness** of the Republic of North Macedonia in Q1 2026 accounted for 144.4% of quarterly GDP, being lower by 1.6 p.p. compared to Q1 2025.

Primary income account experienced deficit of EUR 213.1 million in Q1 2026, increasing by EUR 5.7 million on annual basis.

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



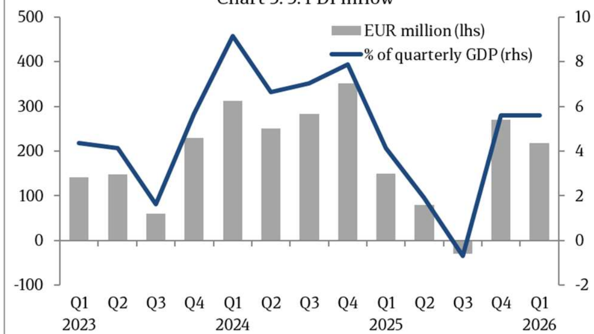
Source: National Bank of the Republic of North Macedonia

Surplus on the **secondary income** account in Q1 2026 amounted to EUR 489.8 million, being increased by EUR 4.8 million on annual basis. Growth was a result of the increase of official transfers by EUR 16.4 million, participating with 4.3% in the secondary income account, while current transfers declined by EUR 11.6 million, accounting for 95.7% of the secondary income account.

Deficit on the **capital account** in Q1 2026 amounted to EUR 0.6 million, being higher by EUR 0.2 million compared to the same quarter in 2025.

In Q1 2026, **Foreign Direct Investments (FDIs)** in the country amounted to EUR 218.6 million, increasing by EUR 69.7 million compared to Q1 2025. FDI inflow during this period came from reinvestment of earnings of foreign capital companies, debt instruments and equity.

Chart 5. 5. FDI inflow



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

Portfolio investments recorded a negative balance of EUR 609.7 million in Q1 2026, representing a deterioration compared with Q1 2025. This was mainly due to the government's borrowing on the international capital market through a new Eurobond issuance.

Other investments in Q1 2026 amounted to EUR 221.3 million, in contrast to Q1 2025, when they recorded a negative balance. As regards the category other investments, currency and deposits account amounted to EUR 185.3 million, account of loans amounted to EUR 40.8 million, while account of trade credit and advances recorded negative balance of EUR 3.6 million.

Reserve assets amounted to EUR 5.2 billion at the end of the first quarter of 2026, increasing by 9.6% compared to Q1 2025. At the end of Q1 2026, reserve assets provided for 5-month coverage of imports of goods and services in the previous 12-month period.