INTERNATIONAL MONETARY FUND

IMF Country Report No. 26/123

REPUBLIC OF NORTH MACEDONIA

2026 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR REPUBLIC OF NORTH MACEDONIA

June 2026

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2026 Article IV consultation with the Republic of North Macedonia, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its May 29, 2026 consideration of the staff report that concluded the Article IV consultation with Republic of North Macedonia.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 29, 2026, following discussions that ended March 31, 2026, with the officials of the Republic of North Macedonia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 12, 2026.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for the Republic of North Macedonia.

The documents listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR 26/187

IMF Executive Board Concludes 2026 Article IV Consultation with Republic of North Macedonia

FOR IMMEDIATE RELEASE

- North Macedonia's growth accelerated in recent years, but income convergence with the European Union has remained slow, while the renewed energy price shock poses new challenges for policymakers.
- The priority is to strengthen resilience to shocks, which requires coordinated monetary and fiscal policies to contain inflation and strengthen external and fiscal sustainability.
- Structural reforms are needed to boost productivity and offset the drag from emigration and population aging. Improving energy efficiency and accelerating the green transition are also critical to enhancing energy security, reducing vulnerabilities to energy price shocks, and supporting sustainable growth.

Washington, DC – June 8, 2026: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for North Macedonia on May 29, 2026.[1] The authorities have consented to the publication of the Staff Report prepared for this consultation.[2]

Economic growth strengthened to 3.5 percent in 2025, driven by robust investment and private consumption amid tight labor market conditions. Inflation declined steadily through early 2026 but rose again in March, reflecting renewed pressures from higher global energy prices. Despite revenue shortfalls, fiscal targets were met in 2025, and public debt declined slightly, supported by strong nominal GDP growth.

Looking ahead, growth is projected to moderate to 3.1 percent in 2026 as the global energy shock weighs on activity, while inflation is expected to rise to 4.5 percent. Public debt is expected to remain broadly stable at around 60 percent of GDP, and the current account deficit to widen in the near term due to higher energy imports before narrowing over the medium term. Risks to the outlook are tilted to the downside and stem mainly from external shocks, including energy price volatility, weaker growth in key trading partners, and global financial tightening. Domestically, fiscal slippages—particularly related to wages, pensions, and large infrastructure projects—could undermine fiscal consolidation and confidence. At the

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/[country] page.

same time, North Macedonia’s foreign exchange reserves remain adequate, and the banking sector is well capitalized and liquid.

Executive Board Assessment

Executive Directors agreed with the thrust of the staff appraisal. They welcomed North Macedonia’s strong growth and economic resilience despite a difficult external environment. Noting headwinds from the global energy shock, including from renewed inflationary pressures, and persistent productivity gaps and demographic pressures, Directors emphasized the need to rebuild policy buffers and advance reforms to safeguard macroeconomic stability and support income convergence with the European Union (EU).

Directors welcomed the authorities’ continued commitment to fiscal consolidation to strengthen resilience and safeguard debt sustainability, and noted that reducing the deficit to 3.5 percent of GDP in 2026 would require credible, concrete measures. Over the medium term, they saw merit in pursuing a more ambitious consolidation path anchored in the fiscal framework. In that context, they underscored the need to reduce tax expenditures, strengthen tax administration, and contain current spending on wages and pensions, and improve the efficiency of public investment. Directors noted that energy related support should be temporary and well targeted to vulnerable households, and recommended phasing out remaining tax reductions. They also stressed the importance of enhancing fiscal transparency and strengthening SOE governance.

Directors agreed that a sufficiently restrictive monetary stance is needed to contain inflation and safeguard the exchange rate peg, and underscored the importance of the authorities’ readiness to act decisively to return inflation durably to levels consistent with price stability. They welcomed the modernization of the monetary policy framework and encouraged further efforts to strengthen liquidity management and the central bank's autonomy.

Directors welcomed that the financial system remains sound. Noting risks from rapid credit growth and rising real estate exposures, they encouraged continued vigilance and readiness to deploy additional macroprudential measures, if needed. Directors also recommended continuing to align banking legislation with EU standards and further strengthening AML/CFT implementation.

Directors welcomed progress under the EU Reform and Growth Facility and encouraged further efforts to strengthen productivity, governance and anti-corruption frameworks. Advancing labor market, energy sector, and SOE reforms remains important.

It is expected that the next Article IV consultation with the Republic of North Macedonia will be held on the standard 12-month cycle.

Republic of North Macedonia: Selected Economic Indicators, 2021–31

(Year-on-year percentage change, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
								Projections			
Output											
Real GDP	4.5	2.8	2.6	3.0	3.5	3.1	3.0	3.0	3.0	3.0	3.0
Domestic demand	5.9	5.8	-3.5	3.8	4.1	5.2	2.9	3.2	3.3	3.3	3.3
Exports	14.3	10.6	-3.0	-4.0	6.1	3.9	3.5	3.4	3.4	3.5	3.5
Imports	14.8	13.6	-10.2	-1.4	6.7	5.4	3.2	3.5	3.7	3.8	3.7
Contributions to growth											
Domestic demand	8.1	8.2	-5.8	4.6	5.3	5.3	3.6	3.9	4.0	4.1	4.1
Net exports	-3.6	-5.4	8.4	-1.6	-1.8	-2.2	-0.6	-0.9	-1.0	-1.1	-1.1
Output gap (percent of potential GDP)	-0.5	0.1	0.1	0.3	0.7	0.7	0.6	0.5	0.4	0.3	0.2
Consumer prices											
Period average	3.2	14.2	9.4	3.5	4.1	4.5	4.1	3.2	2.5	2.2	2.0
End-period	4.9	18.7	3.6	4.4	4.1	5.4	4.0	3.0	2.3	2.1	2.0
Central government operations (percent of GDP)											
Revenues	30.0	29.8	30.7	31.7	32.2	32.0	32.2	32.4	32.6	32.8	33.0
Expenditures	35.3	34.1	35.3	36.0	36.2	36.2	36.0	35.9	35.8	35.7	36.0
Of which: capital expenditures	3.2	3.5	4.8	3.0	2.7	2.9	3.1	3.1	3.2	3.2	3.4
Balance	-5.3	-4.4	-4.6	-4.3	-4.0	-4.2	-3.9	-3.6	-3.3	-3.0	-3.0
Gross general government debt	52.7	50.4	50.5	52.9	52.5	53.1	53.4	53.6	54.0	53.8	53.8
Public and publicly guaranteed debt	61.3	58.4	58.4	61.0	59.9	60.5	60.7	61.0	61.5	61.3	61.3
Savings and investment (percent of GDP)											
National saving	29.4	30.0	30.0	28.4	27.4	29.0	30.1	31.8	33.0	34.3	35.5
Public	-2.1	-0.8	0.2	-1.4	-1.3	-1.3	-0.8	-0.4	0.0	0.3	0.5
Private	31.5	30.8	29.7	29.8	28.6	30.2	30.8	32.2	33.1	34.1	35.0
Foreign saving	2.8	6.1	-0.3	2.2	4.4	5.0	4.4	3.4	3.2	3.0	3.0
Gross investment	32.2	36.0	29.6	30.6	31.7	33.9	34.5	35.2	36.2	37.3	38.5
Credit											
Private sector credit growth	8.0	9.3	5.3	10.3	13.0	8.9	8.7	8.9	6.4	6.9	6.3
Balance of payments											
Current account balance (percent of GDP)	-2.8	-6.1	0.3	-2.2	-4.4	-5.0	-4.4	-3.4	-3.2	-3.0	-3.0
Foreign direct investment (percent of GDP)	3.3	4.9	3.3	6.6	1.5	3.8	4.0	4.0	4.0	4.0	4.0
External debt (percent of GDP)	80.9	81.5	77.4	78.0	72.0	72.9	72.1	72.0	72.0	71.7	71.2
Gross official reserves (millions of euros)	3,643	3,863	4,538	5,029	4,925	5,211	5,233	5,495	5,730	5,905	5,980
in percent of IMF ARA Metric	110	101	114	120	114	113	107	110	107	109	106
in percent of ST debt	109	82	100	99	91	95	89	106	100	112	110
in months of prospective imports	3.5	3.9	4.7	4.9	4.4	4.5	4.4	4.4	4.4	4.3	4.2
Memorandum items:											
Nominal GDP (billions of denars)	729	816	903	964	1044	1128	1210	1290	1363	1434	1506
Nominal GDP (millions of euros)	11,836	13,243	14,667	15,668	16,949	18,321	19,651	20,954	22,132	23,289	24,457

Sources: NBRNM; SSO; MOF; World Bank; and IMF staff estimates and projections. National accounts are revised by SSO using ESA 2010.

INTERNATIONAL MONETARY FUND

REPUBLIC OF NORTH MACEDONIA

May 12, 2026

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION

KEY ISSUES

Context. North Macedonia is facing headwinds from the global energy shock, which is weighing on growth while increasing inflation pressures. At the same time, weak productivity gains constrain medium-term growth prospects. Despite the challenges, the authorities are well-positioned to advance EU accession, safeguard macroeconomic stability, and advance structural reforms to accelerate income convergence with the EU.

Policy Recommendations

- Fiscal policy. Fiscal policy should focus on consolidation to reduce public debt, and provide buffers for severe shocks and demographic pressures. This would require reducing fiscal deficit to 3.5 percent of GDP in 2026 and 2 percent of GDP in the medium term. Additional fiscal space can be created by reducing tax expenditures, strengthening tax administration, containing wage and pension growth, and improving spending efficiency. Energy-related support should be well-targeted.

- Monetary policy. The combination of the energy price shock and strong domestic demand warrant further tightening to contain inflation. To absorb more liquidity and contain second-round inflation pressures, the National Bank should switch its CB-bill auctions to full-allotment and raise its policy rate. If needed, reserve requirements could also be increased.

- Financial sector. The banking system is well-capitalized and liquid. While systemic risks to the financial sector appear contained, growing exposure of banks to real estate warrant continued monitoring. If credit and housing market pressures persist, additional macroprudential measures will be needed to further strengthen capital buffers.

- Structural policies. Efforts should focus on strengthening governance and the business climate, advancing anti-corruption measures, addressing skills mismatches improving labor market outcomes, improving SOE and public investment management, and reforming the energy sector.

Approved By
Oya Celasun and
Niamh Sheridan (SPR)

Discussions took place in Skopje between March 18–31, 2026. The mission met with Finance Minister Dimitrieska-Kochoska, Governor Slaveski, Energy Minister Bozinovska, and other senior officials from the ministries of Finance, Public Administration, Economy, and Labor and Social Policy, the National Bank of the Republic of North Macedonia, the Public Revenue Office, the Parliamentary Finance and Budget Committee, the Fiscal Council, the State Audit Office, the State Commission for Prevention of Corruption, the Energy Regulatory Commission, the Public Enterprise for State Roads, the Employment Agency, as well as representatives from the banking sector, industry, trade unions, civil society, academia, the diplomatic community, and international financial institutions. The staff team comprised Mr. Gigineishvili (head), Ms. Popescu, Messrs. Kim, Xiao (all EUR), Mr. Bartkus (SPR) and Mr. Sosa (Resident Representative), Ms. Kovachevska Stefanova and Mr. Sulejmani (IMF Local Economists). Mr. Verhelst (OED) attended some of the meetings. Mses. Ma, Murillo (both EUR), and Davceva Mijoski (IMF Local Office) assisted the mission.

CONTENTS

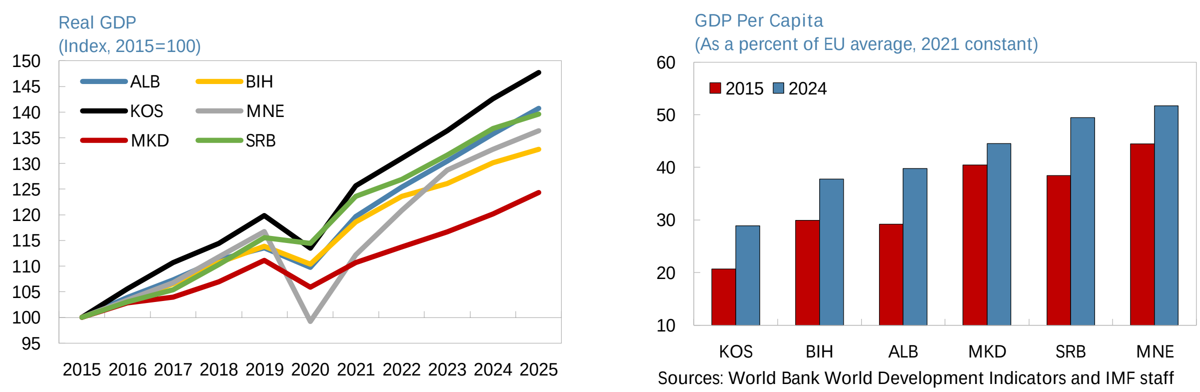
ANNEXES

CONTEXT

1. North Macedonia's growth accelerated in recent years, but income convergence with the European Union has remained slow. Activity was supported by infrastructure investment and robust private consumption, while unemployment fell to historically low levels amid declining labor force due to population aging and emigration. Over the past decade real per capita income has increased by about 25 percent, which is well below the close to 50 percent average growth for the rest of the Western Balkan economies and remains at around 43 percent of the EU average income level (Text Figure 1). Without higher growth, the income gap would persist for decades. Persistent inflation, rapid wage growth, and modest productivity gains pose a risk to external competitiveness and may further weaken country's growth potential, while population aging would strain the pension system over time.

2. North Macedonia is well positioned to accelerate income convergence by advancing reforms and EU accession. IMF research shows that EU accession could bring substantial economic benefits, the magnitude of which depends on productivity gains from reforms.[1] Achieving faster and more durable convergence will require policies that lift productivity and competitiveness and enable higher, sustainable growth without reigniting inflationary pressures. The ruling VRMO party's strong mandate following victories in national and local elections provides an opportunity to push ahead with the EU accession agenda.

Text Figure 1. North Macedonia: Growth Relative to Westerns Balkans Peers



Sources: IMF WEO database and IMF staff calculations.

Sources: World Bank World Development Indicators and IMF staff calculations.

RECENT DEVELOPMENTS

3. The strong domestic momentum from end-2025 is facing headwinds from the global energy shock. Growth reached 3.5 percent in 2025, slightly above potential, underpinned by domestic demand (Figure 1 and Annex V). Investment rose by 8 percent, with construction increasing by 14 percent year-on-year, supported by higher public infrastructure spending—including on Corridors 8/10d and other transport projects—and expansion in real estate activity.

[1] Forthcoming IMF Staff Discussion Note 'Bridging Borders: Making the Most of EU Accession.'

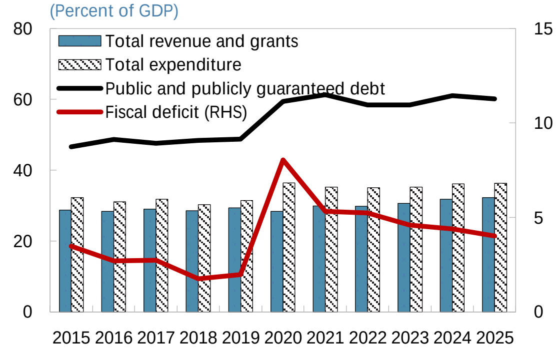
Private consumption grew by 2.1 percent, supported by strong wage growth (5.3 percent in real terms) amid tight labor market conditions and rapid credit expansion. While this momentum is expected to carry into 2026, heightened global uncertainty and the ongoing volatility in energy markets could weigh on growth if sustained.

4. Inflation pressures reemerged in March amid global energy shock. Headline inflation declined steadily from the peak of 4.8 percent in July 2025 to 2.9 percent in February 2026, largely reflecting slowing core and food price inflation (Figure 2). However, it rose again to 4.9 percent in March, partly due to base effects, with energy price inflation increasing to 3.2 percent, food price inflation to 7 percent, and core inflation to 3.9 percent.

5. Despite revenue shortfall, the government met its 2025 deficit target of 4 percent of GDP. Tax revenues and social contributions underperformed by 1.2 percent of GDP relative to the budget projections, but remained broadly in line with economic activity, while nontax revenues and grants fell short by 1.6 percent of GDP. The revenue shortfall was offset by spending cuts, including 1.5 percent of GDP in capital expenditure and 0.4 percent of GDP in goods and services. Total public investment amounted to 2.7 percent of GDP, of which 0.7 percent of GDP was Corridor 8/10d project. Public debt including state guarantees remained broadly stable around 60 percent of GDP. Excluding guarantees, public debt was 52.5 percent of GDP.

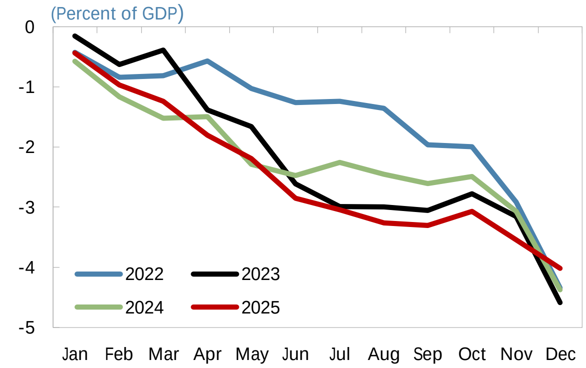
Text Figure 2. North Macedonia: Fiscal Developments

Fiscal Development
(Percent of GDP)



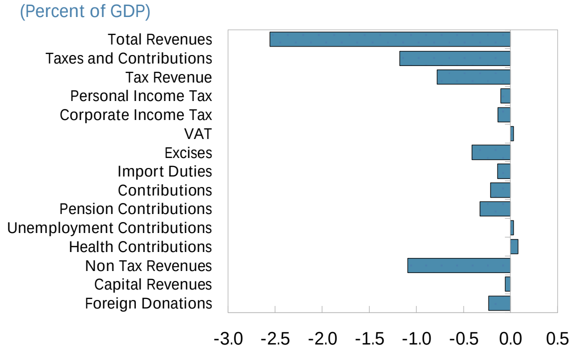
Sources: Ministry of Finance and IMF staff calculations.

Fiscal Balance
(Percent of GDP)



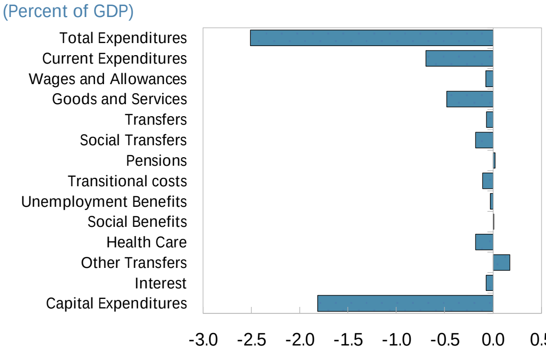
Sources: Ministry of Finance and IMF staff calculations.

Revenue Collection in 2025 Relative to Revised Budget
(Percent of GDP)



Sources: Ministry of Finance and IMF staff calculations.

Expenditure Execution in 2025 Relative to Revised Budget
(Percent of GDP)

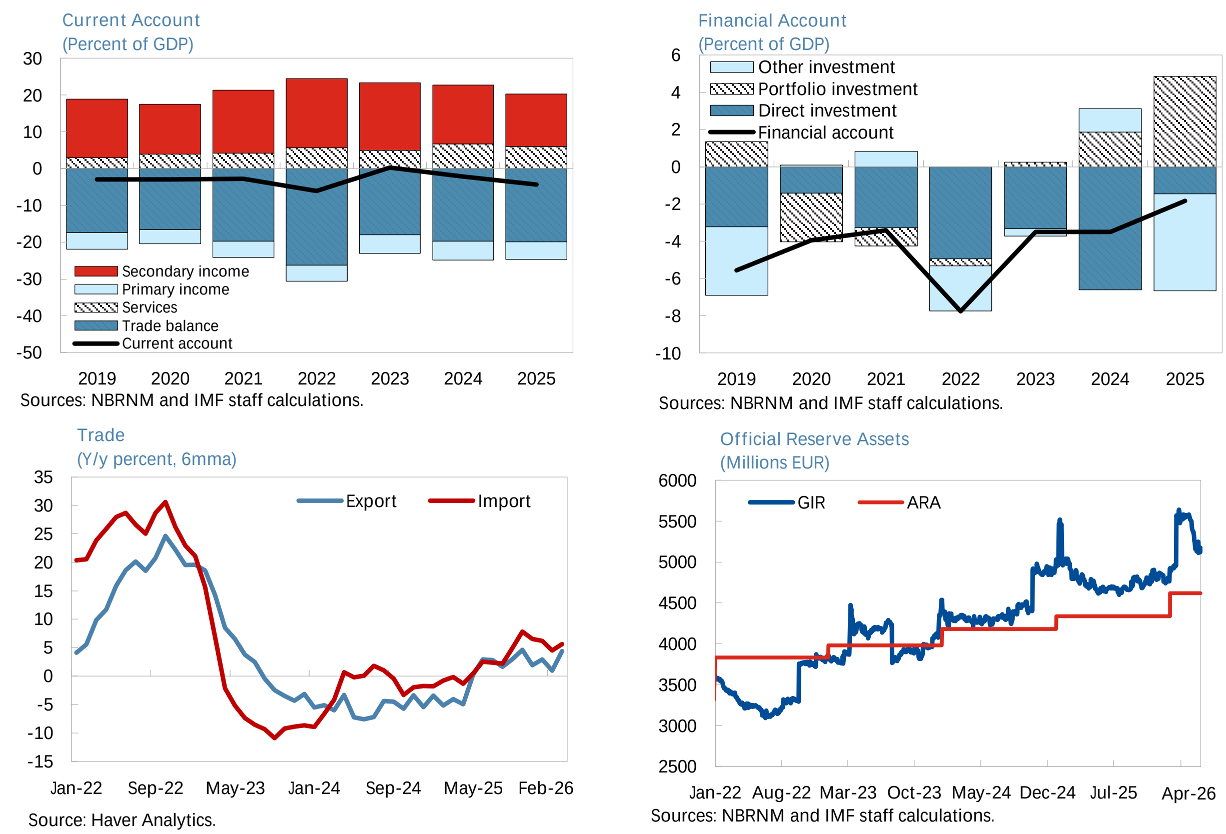


Sources: Ministry of Finance and IMF staff calculations.

6. Concerned with the inflationary impact of the energy price shock the authorities implemented temporary tax cuts. They reduced the VAT rates on gasoline and diesel from 18 to 10 percent in late March (with the rate cut on diesel reversed after four weeks) and lowered excises on diesel by 4 denars and gasoline by 2 denars—mirroring their response during the 2022 energy crisis, when fuel VAT and excises were reduced for about 2½ months as part of a broader anti-crisis package. Staff's baseline projections assume that these tax cuts are temporary, in which case the foregone revenue will be insignificant. If, however, the tax reductions are maintained for the rest of the year, revenue losses could reach 0.3 percent of GDP.

7. The current account deficit doubled in 2025. While the goods balance remained broadly unchanged, the secondary income and services balances deteriorated with the current account deficit reaching 4.4 percent of GDP. FDI and net portfolio inflows also declined, including due to the €500 million Eurobond redemption in January, whereas other investment, particularly trade credits, increased. The foreign exchange market remains stable with end-March reserves at €5.2 billion (113 percent of the ARA metric), partly reflecting €1 billion Eurobond issuance in January 2026. Based on EBA-lite, the 2025 external position is assessed to be broadly in line with the level implied by medium-term fundamentals and desirable policies (Annex III). However, continued real wage growth and limited productivity improvements risk further erosion in competitiveness, underscoring the need for structural reforms.

Text Figure 3. North Macedonia: External Sector



8. Implementation of past Fund advice has been mixed (Annex VI). The central bank has introduced a new monetary framework in line with the Fund TA recommendations, tightened borrower-based measures and reserve requirements, and strengthened the AML/CFT framework. The 2025 budget deficit target was also met, though largely through cuts to capital spending rather than measures recommended by staff to reduce tax expenditures and contain wage and pension growth. Key public expenditure management reforms—including spending reviews, a pension indexation reform, and improvements to the wage negotiation framework—were not pursued, and capital structure and profit-retention provisions in the NBRNM Law have not been reversed. On structural reforms, while notable progress was achieved in adopting education and digital transition legislation, reforms in governance and the rule of law have seen limited progress.

OUTLOOK AND RISKS

9. The global energy shock is expected to weigh on growth, reignite inflation, and weaken the current account. GDP growth is projected to slow to 3.1 percent in 2026, still primarily driven by private consumption and public investment, including the construction of Corridor 8/10d roads. Over the medium term, the output gap is projected to gradually close, reflecting moderate fiscal consolidation—with the deficit declining to 3 percent of GDP by 2029—and a tighter monetary stance. Meanwhile, average inflation is projected to reach 4.5 percent in 2026, reflecting higher energy prices and some pass-through to food price and core inflation. The current account deficit is projected to widen to around 5 percent of GDP in 2026, before narrowing to about 3 percent of GDP over the medium term, supported by normalization of global oil prices. Public debt (including guarantees) is projected to remain stable at about 61 percent of GDP, underpinned by strong nominal GDP growth and favorable borrowing costs.

10. The outlook is subject to downside risks (Annex I). Spillovers from intensified regional conflicts, commodity price volatility, and trade fragmentation could disrupt supply chains, weaken external balances and growth, and raise inflation. A slowdown in the EU may also drag down growth, while a rise in global interest rates would increase sovereign borrowing costs and refinancing risks. Cyberthreats, disorderly global equity and credit market corrections, and climate-related shocks add to the risks. Domestically, fiscal slippages, especially due to continued wage and pension increases, and cost overruns in large infrastructure projects pose risks to fiscal consolidation and market confidence. On the upside, a step-up in reform efforts and rapid AI adoption could considerably raise North Macedonia’s growth prospects.

11. A severe external shock would significantly worsen the macroeconomic situation. In an illustrative downside scenario, consistent with the severe scenario in the April 2026 WEO, a persistent energy price shock through 2027 together with weaker external demand would reduce growth by 0.6 and 1.2 percentage points in 2026 and 2027, respectively; raise inflation by 2.6 and 2.3 percentage points, respectively; and increase the fiscal deficit by nearly 1 percent of GDP cumulatively in 2026–27, which includes higher borrowing costs due to tighter global financial conditions. Policy responses would include: tightening monetary policy to prevent second-round effects and anchor expectations; strengthening financial sector surveillance and carefully calibrating

any temporary release of countercyclical capital buffers to avoid offsetting the monetary tightening; reprioritizing budget spending; and adjusting domestic energy prices, while also providing targeted support to the vulnerable. This scenario reinforces staff recommendations to strengthen policy frameworks and tighten macroeconomic policies to boost fiscal and external buffers, and contain inflation, all of which would bolster confidence and resilience.

Authorities' Views

12. The authorities broadly agreed with staff's assessment of the outlook and risks. They viewed the initial conditions as more favorable than during the 2022 energy crisis, reflecting higher reserves, stronger growth momentum, and lower inflation. At the same time, they shared the concern that, if prolonged, the shock could raise inflation, dampen growth, and widen the current account and fiscal deficits. Nevertheless, they viewed the continued stability of the FX market as an important sign of resilience. The authorities also noted that productivity may be higher than previously estimated due to possible underestimation of emigration. Still, they agreed that if wage growth continued to outpace productivity gains, competitiveness could erode over time.

POLICY DISCUSSIONS

In view of the global energy shock and still strong domestic demand, the priority is to maintain macroeconomic stability, and strengthen resilience to shocks while reigniting income convergence with the EU. Fiscal and monetary policies should be closely coordinated to build fiscal and external buffers, contain inflation, preserve external stability and public debt sustainability. Structural reforms are needed to boost productivity and offset the drag from emigration and aging.

A. Fiscal Policy

13. Staff support the authorities' commitment to reduce the fiscal deficit to 3.5 percent of GDP in 2026. This would help build fiscal buffers for shocks and, given the cyclical position of the economy, support disinflation under the peg. Total revenue in the budget is assumed to increase by 1 percent of GDP relative to the 2025 outturn, of which 0.3 percent is derived from improved tax compliance and the rest from higher non-tax revenue. Total expenditure is budgeted to rise by 0.5 percent of GDP with current spending decreasing by 0.4 percent of GDP and public investment rising by 0.9 percent of GDP. Staff cautioned that without specific tax policy or administration measures the expected revenue gain may not materialize, and the deficit would increase to 4.2 percent of GDP. To achieve the deficit target, staff advised containing current spending on pensions, wages, and goods and services, and reducing VAT tax expenditure. Each of these measures could individually yield about 0.2 percent of GDP in fiscal savings. The projected deficit is envisaged to be financed by 2.9 percent of GDP in net external borrowing, including €1 billion Eurobond issued in January, and 1.2 percent of GDP in net domestic borrowing.

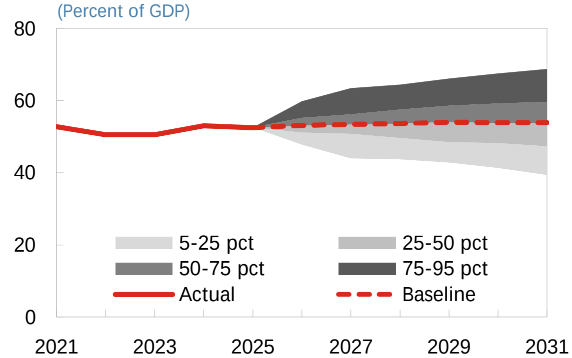
14. Support to households in response to the current energy price shock should be well targeted. Across-the-board subsidies, including generalized tax cuts, are inefficient and regressive.

Staff welcomed the rollback of the VAT cut on diesel and advised to phase out the remaining tax reductions promptly. Vulnerable households should be supported through the existing social assistance schemes, which are relatively well-targeted, though their coverage and adequacy may need to be strengthened. The VAT windfall from higher fuel prices could be used to cover part of the related costs, or to support fiscal consolidation.

15. **Fiscal consolidation should continue in the medium term to strengthen fiscal buffers.** Staff's baseline envisages a gradual convergence of the deficit to 3 percent of GDP by 2030, reflecting improvements in tax collections by 0.2 percent of GDP per year due to the ongoing reforms (e-invoicing, modernization of the tax authorities, and strengthening of large taxpayer compliance). It also assumes that pension increases will be formula-based (linked to inflation and wages) without ad-hoc adjustments. Under this scenario, public debt is sustainable with a moderate risk of debt distress but with sizable gross financing needs of about 10–14 percent of GDP over 2026–31 (Annex II). While financing does not appear to be a constraint in the near term given excess liquidity and the favorable placement of the Eurobond in January, borrowing costs could rise with the tightening of global financial conditions under the current heightened uncertainty. The moderate overall risk and significant financing requirements point to the need for larger deficit reduction. Covid-19 crisis serves as a stark reminder of how swiftly public debt can expand in response to severe shocks—in 2020 public debt surged by 10 percentage points of GDP in a single year. In addition, with the gradual increase in old age dependency, the pension fund financing need is projected to rise by 0.6 percent of GDP in 2036 and 1.1 percent of GDP in 2041 (from 4.3 percent of GDP in 2025). Without additional savings measures to meet deficit targets, public debt would increase by 5.3 percent of GDP compared to the DSA baseline by 2041.

16. **Staff recommend a more ambitious consolidation path.** It urged anchoring fiscal policy to reducing public debt (excluding guarantees) to below 45 percent of GDP by 2035, which would provide sufficient space under the fiscal rule to absorb a severe shock and accommodate demographics-related fiscal pressures.[2] The DSA fan chart also implies that with this target for public debt, there is a 95 percent probability that it will remain below the fiscal rule limit of 60 percent of GDP (Annex II). An illustrative scenario in Text Figure 4 shows that this can be achieved by reducing the deficit to 2 percent of GDP by 2029 and maintaining it at that level through 2035. Compared to the baseline, this consolidation path will require additional revenue and expenditure measures.

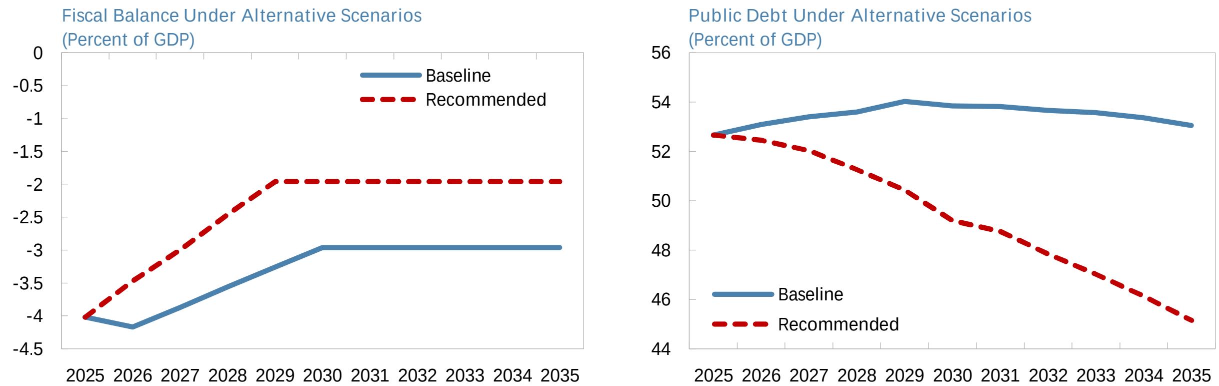
Debt Fanchart
(Percent of GDP)



Source: IMF staff estimates.

[2] The authorities' fiscal rule envisages a 60 percent of GDP limit on public debt excluding state guarantees. The DSA is also based on this measure.

Text Figure 4. North Macedonia: Alternative Fiscal Scenario

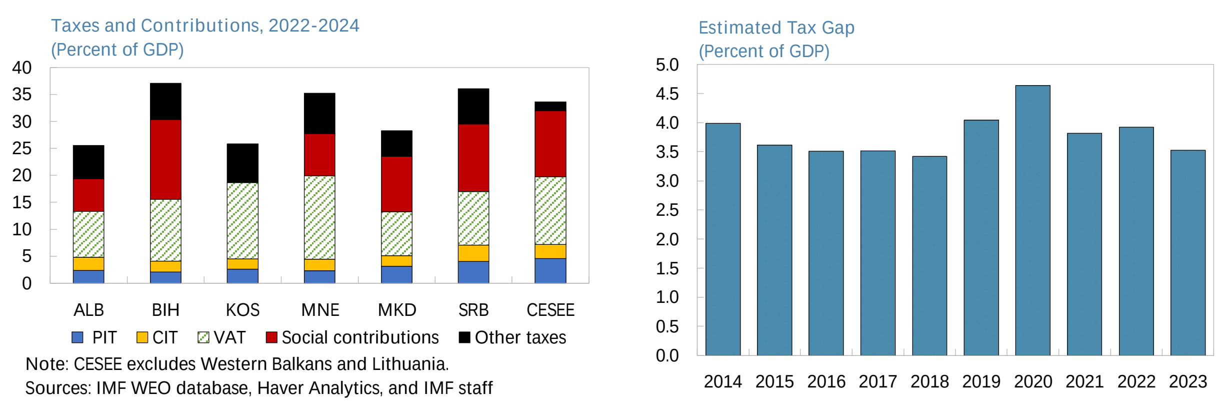


Source: IMF staff calculations.

Source: IMF staff calculations.

17. **North Macedonia has scope to raise more tax revenue to create room for priority spending while supporting fiscal consolidation.** At 18.4 percent of GDP in 2025 tax revenue remains below the estimated tax potential of 21–22 percent of GDP (see SIP). The largest revenue gains could be achieved by reducing tax expenditures arising from reliefs, reduced rates, and exemptions, especially in VAT, where foregone revenue is estimated at about 2.5 percent of GDP (Text Figure 5). The reduced VAT rates for accommodation, restaurant services, and toll roads and the corporate income tax deduction for reinvested profits should be reviewed. Excise tax on sugary drinks could also be introduced, while those on fuels and tobacco, which are below EU benchmarks, could be increased. In this regard, the recently completed Fund-supported quantification of tax expenditures is a significant first step and the report should be published. The efficiency of tax collection can be further improved through the rollouts of e-invoicing and an Integrated Tax Information System, continued strengthening compliance risk and arrears management, and containing tax evasion.

Text Figure 5. North Macedonia: Tax Performance

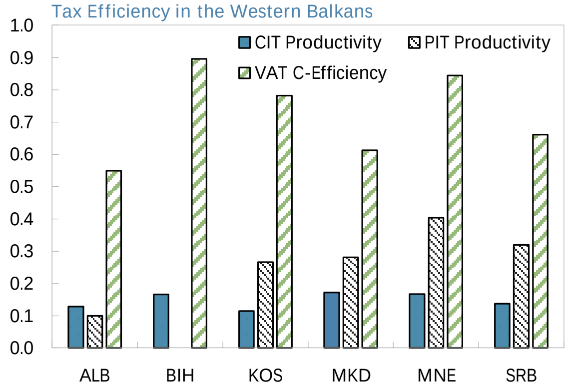


Note: CESEE excludes Western Balkans and Lithuania.
Sources: IMF WEO database, Haver Analytics, and IMF staff calculations.

Source: IMF staff estimates.

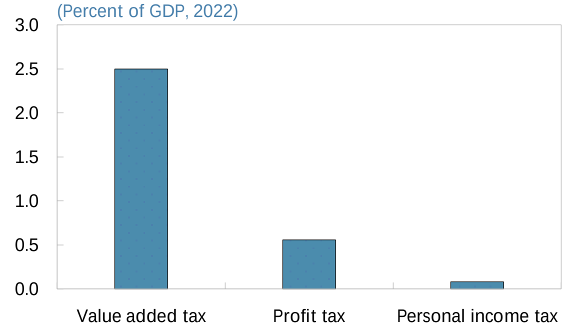
Text Figure 5. North Macedonia: Tax Performance (concluded)

Tax Efficiency in the Western Balkans



Source: IMF staff estimates.

Estimated Tax Expenditure
(Percent of GDP, 2022)



Source: IMF staff estimates.

18. Expenditure optimization would also help create fiscal space. Nearly 90 percent of budget is current spending, mainly on pensions, wages, and transfers, while investment is low and significantly below peers (Text Figure 6). Moreover, unlike other Western Balkan countries, North Macedonia's current spending exceeds its revenue. Low investment and weaknesses in public investment management have resulted in low public capital stock and low infrastructure quality. Key expenditure measures include:

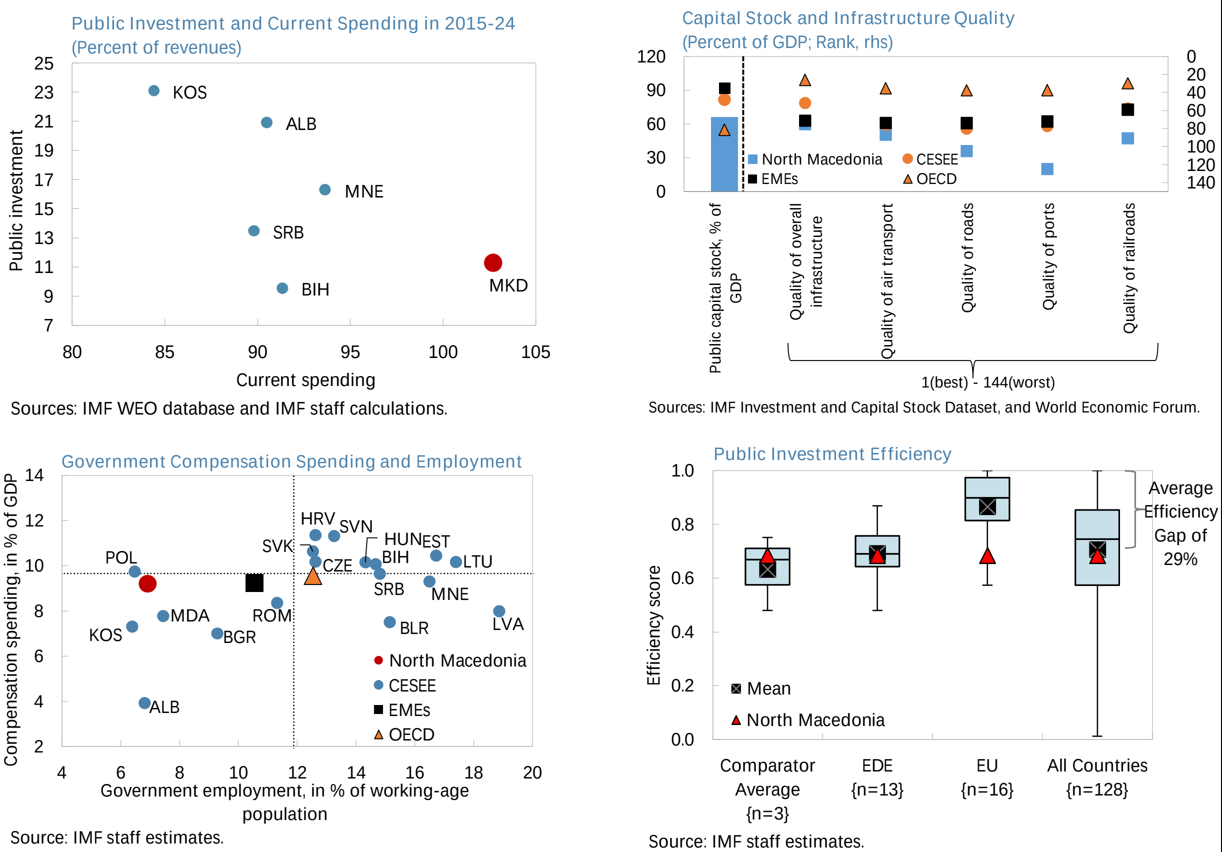
- *Containing public wage bill:* Public wage increases have been implemented in a fragmented manner across sectors, undermining the integrity of the public sector compensation system, causing disparities across groups, and raising fiscal costs. These increases have not been systematically linked to cost-of-living developments or efficiency improvements in public service delivery and contributed to economy-wide wage growth that has outpaced productivity gains. In the short term, limiting wage increases to inflation would preserve purchasing power while allowing the wage bill to decline gradually as a share of GDP. In the longer term, a unified public sector compensation framework should be developed, with a transparent wage adjustment mechanism based on productivity and budget affordability. The Fund stands ready to provide TA in this area.

- *Reforming pensions:* The pension deficit has been widening while frequent and ad-hoc pension adjustments pose risks to the budget and undermine the long-term viability of the pension system by weakening the link between contributions and benefits (2025 Article IV staff report, Annex X). Strengthening this link through well-designed parametric reforms, such as adjustments to indexation rules, retirement age, and contribution rates, is essential to improve the system's long-term viability and broader fiscal sustainability. As such reforms can take time, in the interim, pension adjustments should be limited to inflation given the budget constraint.

- *Strengthening public finance and investment management* is critical to improve spending efficiency. Priorities include improving medium-term fiscal planning and expenditure controls and fully operationalizing a robust public investment management framework with systematic project appraisal, selection, and monitoring to ensure value for money and alignment with budget allocation decisions and reduce implementation bottlenecks. Delays in the implementation of the Corridor 8/10d construction could lead to cost overruns, underscoring the need to build additional fiscal buffers to preserve the planned fiscal consolidation path. Staff welcomed the review of investments by the Public Investment Management Unit of the MOF and urged a stronger oversight role for the MoF, including for PPP projects, through the new PPP law, to better manage fiscal risks.

- *Improving SOE performance* is essential to ensure efficiency of public resource allocation and to contain fiscal risks. Priorities include establishing a clear state ownership policy that separates regulatory and commercial functions, improves corporate governance, oversight, reporting and disclosure frameworks, ensures professional board and management appointments, and establishes financial and operational performance targets. The MoF should build on its fiscal risk analysis, including through the use for the SOE Health Check Tool, to proactively advise on options to mitigate risks. The forthcoming SOE law should give the Ministry of Finance explicit authority to oversee major financial decisions by SOEs.

Text Figure 6. North Macedonia: Government Spending



19. Strengthening budget integrity and fiscal transparency remain critical. The institutional arrangement that delegates the management of road construction to PESR (Public Enterprise for State Roads) places significant public investment spending and PESR's borrowing with government

guarantees outside the government budget perimeter (with a new law permitting PESR to directly finance Corridor 8/10d). Similarly, the losses of ESM, which reflect a policy decision to maintain subsidized tariffs, amount to implicit subsidies but are not recorded in the budget. Bringing PESR and electricity subsidies within the general government budget framework—consistent with the recommendations of the STA technical assistance mission—would improve fiscal transparency and provide a more accurate assessment of fiscal risks.

Authorities' Views

20. The authorities remain committed to their fiscal consolidation path, anchored in the fiscal rules' framework. They confirmed their commitment to reaching a deficit target of 3.5 percent of GDP in 2026 and expressed confidence in revenue performance while acknowledging the heightened uncertainty. They emphasized that tax collection can be improved by reducing informality through stronger tax administration, governance, and anti-corruption efforts, and viewed a mid-year budget rebalance as a key tool to reassess revenue and spending outlook and recalibrate spending, as needed, to keep fiscal policy on track. They agreed on the importance of rebalancing spending toward productive capital investment and strengthening public finance and investment management and oversight. They broadly shared concerns about pressures from public wages and pensions, and established working groups to develop reform options in these areas. They are also closely monitoring ESM's reforms and financial performance.

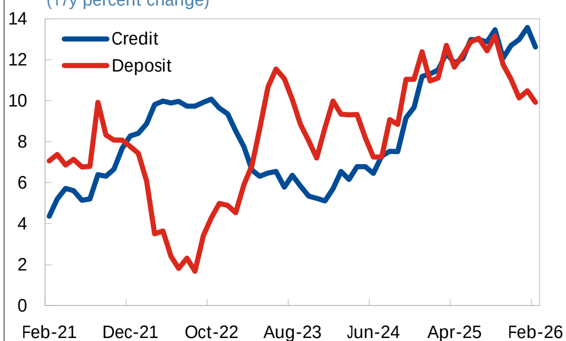
B. Monetary and Financial Sector Policies

21. The National Bank (NBRNM) has modernized its monetary policy framework, which enhanced its operational flexibility and effectiveness. In line with Fund technical assistance recommendations, it introduced 7-day central bank bills (CB bills) in December 2025 as the main policy instrument, conducted through weekly fixed-rate volume tenders and calibrated to prevailing and expected liquidity conditions. A symmetrical interest rate corridor was established, with overnight deposit and lending facilities set at ±50 basis points around the CB-bill rate, supplemented by fine-tuning operations. Transparency has been strengthened through the regular publication of weekly liquidity forecasts. Since its introduction, markets have shown strong demand for 7-day CB-bills with an average bid-to-cover ratio of 0.96. Interbank rates have aligned closely with the CB-bill rate, indicating improved pass-through and interest rate signaling. To further strengthen the framework, staff recommend shifting to full allotment of CB-bill auctions to allow full market clearance and absorb as much liquidity as markets may offer and foster development of the interbank money market. Additional reforms should include introducing longer-term operations for system-wide liquidity management, deepening the interbank market, and modernizing the foreign exchange market with the NBRNM acting as market maker of last resort. Restoring a dynamic capital structure of the central bank, linked to its monetary liabilities, with a robust profit-retention framework in the law, are essential to safeguard the central bank's financial autonomy and policy credibility.

22. The combination of the energy price shock and still-strong domestic demand warrants further monetary tightening. Despite raising reserve requirements effective November 2025, and phasing out preferential treatment of longer-term denar household deposits for reserve requirement purposes, structural excess liquidity has remained ample, exerting downward pressure on market interest rates and fueling credit growth. In staff's assessment, the current policy rate of 4 percent is insufficient to contain the renewed inflationary pressure, and further tightening is needed to prevent second-round effects and de-anchoring of inflation expectations. Along with the move to full allotment of CB bill auctions, staff recommend raising the policy rate above the neutral rate (of 2 percent in real, forward-looking terms) and keeping it sufficiently restrictive to bring inflation down to about 2 percent. As inflation converges to this level, the policy rate can then be lowered so that forward-looking real rates decline toward neutrality. If, nevertheless, excess liquidity and inflation prove more persistent in the coming months, additional tightening of reserve requirements could be warranted to strengthen the transmission of the tighter stance to broader financial conditions and secure durable disinflation.

23. The banking sector remains sound with strong capital and liquidity buffers. The systemwide capital adequacy ratio reached 19.4 percent in Q4 2025, comfortably above the 17.9 percent regulatory minimum, with all banks meeting requirements. Asset quality remains robust, with non-performing loans declining to a historical low of 1.9 percent. The liquidity coverage ratio (LCR) of 260.9 is well above the 100 percent regulatory minimum, while profitability has remains solid with ROA of 2.1. At the same time, credit growth has remained strong at 13 percent in 2025, supported by ample liquidity, strong deposit growth, and on-lending associated with the Hungarian loan.[3] This momentum continued into early 2026, with credit growing by 12.6 percent y/y in February, driven by rapid increases in corporate lending (14.3 percent y/y) and household lending—particularly mortgages (16.1 percent y/y). Rapid mortgage lending and construction credit growth, sharp increases in residential property prices (25 percent), and banks' high exposures to real estate (both commercial and residential, totaling around 70 percent of loans), point to rising cyclical and sectoral risks.

Credit and Deposit Growth
(Y/y percent change)



Source: NBRNM.

24. While systemic risks appear contained, heightened supervisory vigilance is warranted. Authorities' stress tests indicate that the banking sector is resilient due to ample buffers. Macroprudential policy is being progressively and adequately tightened to address rapid credit growth and rising housing-market risks. To strengthen banks' loss-absorbing capacity, the National Bank has raised the countercyclical capital buffer from 0.75 percent in early 2024 to 1.75 percent in

[3] The authorities on-lent €250 million from the Hungarian loan through commercial banks to the corporate sector at favorable terms.

August 2025 with a further increase to 2 percent scheduled from October 2026. With the exception of first-time home buyers, it also tightened borrower-based measures for housing loans effective December 1, 2025 by lowering the maximum LTV, from 85 percent to 75 percent, and reducing debt service-to-income caps from 55 to 50 percent for denar loans and from 50 to 45 percent for FX-linked loans. These measures combined with monetary tightening are expected to reduce credit growth and contain systemic risks. Nevertheless, banks' exposure to real estate and construction should be monitored through enhanced risk-based supervision, deeper integration of bottom-up stress test results into the SREP process, and improved data collection to strengthen early risk detection. If credit and housing market pressures persist in the coming months, additional macroprudential measures will be needed, including stricter borrower-based measures and further strengthening capital buffers.

25. Non-bank financial institutions (NBFI) and crypto-service providers are growing but remain small. NBFI's account for only around 1 percent of the financial system. No major crypto exchanges are operating locally and total crypto transactions through banks are estimated at about €55 million over the past three years. Financial stability risks are currently contained, as banks have no direct crypto exposure and are actively de-risking. Nevertheless, the sector should be closely supervised, potential linkages with banks monitored, and related risks proactively mitigated. The absence of the crypto regulatory framework is a vulnerability and needs to be addressed.

26. The regulatory framework should be aligned with European standards. Targeted amendments to the existing Banking Law and Deposit Insurance Law—aimed at ensuring consistency with the Bank Resolution Law and the Deposit Insurance Fund legislation—are expected to be enacted by end-June 2026 and will close immediate legal gaps. Looking ahead, however, a more complete alignment with the EU's regulatory framework would be best achieved through the adoption of a new comprehensive banking law, to provide a more coherent integration of supervision, recovery and resolution, and licensing frameworks, while allowing for a more complete financial stability toolkit—including systemic and sectoral buffers for real estate-related lending.

27. Strengthening the AML/CFT framework and implementing key actions under the 2026 AML/CFT strategy is a priority. North Macedonia's accession to SEPA in March 2025 has significantly improved the efficiency of cross border euro payments. This important milestone reflects broader regulatory and institutional reforms to meet SEPA requirements, which align with the MONEYVAL recommendations. In addition, legal reforms implemented in 2024 enhanced transparency of payments. Building on the updated national risk assessment, the Sixth National AML/CFT Strategy, published in March 2026, maps out key priorities to further strengthen the AML/CFT framework, including deepening the understanding of risks, strengthening law enforcement efforts against money laundering and underlying proceeds-generating crimes, enhancing the sanctioning framework, and improving accuracy of beneficial ownership register.

Authorities' Views

28. The authorities broadly agreed with staff's assessment of inflation risks and the resilience of the financial system. They emphasized that a combination of policy instruments, such

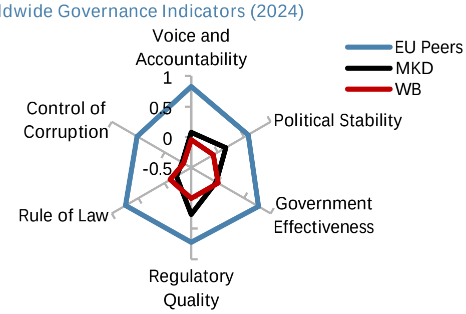
as policy rates, reserve requirements, foreign exchange interventions and macroprudential measures would be used to effectively manage liquidity, contain credit growth and keep inflation under control. They also stressed the need for carefully calibrated public communication in a highly uncertain environment. The NBRNM indicated a preference for a cautious, data dependent approach before adjusting the policy rate, while reaffirming their readiness to act decisively should second round effects emerge. They also favored a gradual transition to full allotment of CB bill auctions to allow banks to adapt to the new operational framework and limit money-market volatility. They also view the recent tightening of macroprudential measures including borrower-based measures as sufficient to curb rapid and riskier lending, and assess the current stance as appropriate. While acknowledging strong real-estate price dynamics, largely concentrated in the capital city, they emphasized that systemic risks to banks are limited since property purchases are mostly equity-financed.

C. Structural Reforms

29. Structural reforms are crucial for sustainable and inclusive growth. The authorities have made progress under the Reform and Growth Facility (RGF) for the Western Balkans in the areas of digital transition legislation, strengthening financial controls, SOE management, and labor and market inspections. This unlocked access to €76 million of the EU funds, including €52.5 million in prefinancing. While the track record in implementing the RGF agenda has recently improved, there is scope to deepen institutionally demanding reforms. Staff analysis suggests that well-targeted and credibly implemented reforms could raise North Macedonia's GDP by up to 14 percent over the medium term (see SIP). Priority areas, which partly overlap with the RGF include governance, labor market reforms, SOE management, and the energy sector.

30. Good governance is essential for public sector efficiency and investor confidence. While performing close to the Western Balkan average, North Macedonia maintains sizeable governance gaps relative to more advanced EU peers (text figure), particularly in the rule of law and control of corruption. Progress on anti-corruption has been uneven, with gaps in prevention, investigation, and prosecution of high-level corruption cases. This points to the need for stronger institutional coordination and greater operational independence of oversight bodies. Strengthening judicial efficiency, predictability, and enforcement of contracts would considerably improve the business environment and encourage investment. This can be achieved through transparent and merit-based judicial appointments; enhanced resources, capacity and autonomy of the State Commission for the Prevention of Corruption; improving the effectiveness of the asset and conflict of interests' declarations for public officials; and advanced implementation of the anti-corruption strategy. At the same time, simplifying business regulations, reducing administrative burdens, and improving regulatory consistency and quality would foster a

Worldwide Governance Indicators (2024)



Sources: WGI and IMF staff calculations.
Notes: Aspirational EU Peers include Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, and Slovenia.

more predictable and competitive business environment, support private sector development and productivity growth, and reinforce confidence in public institutions.

31. **Labor market inefficiencies are a significant obstacle to growth.** Despite still elevated unemployment at above 11 percent, widespread labor shortages point to persistent skills mismatches and weak labor productivity. Strong employment and wage gains have not been matched by commensurate productivity improvements, weighing on competitiveness (Figure 1). At the same time, labor force participation is among the lowest in the region, with gaps across gender groups, limiting labor supply. Formal employment and inclusiveness can be supported by strengthening activation policies, reducing barriers to work, and expanding participation incentives for women through affordable childcare, flexible work arrangements and a higher retirement age. Skills mismatches should be addressed through vocational training and reskilling, in line with the EU Reform Agenda, to better align workforce with labor market needs.

32. **Energy sector reforms are critical to ensure energy security and affordability.** Electricity tariffs remain below cost-recovery, while continued losses of ESM underscore the need for stronger governance, transparency, and operational efficiency. Staff welcomed the ESM management's efforts to enhance operational efficiency and lower the cost of electricity generation, which in combination with favorable hydrology and a surplus in renewables in the domestic market due to difficulties obtaining CBAM certificates would limit the need for state subsidies in 2026. Nevertheless, in view of the heightened volatility of global oil prices, for a lasting and sustainable solution to energy security, there is greater urgency to accelerate improvements in cost-efficiency of ESM and a transition to cost-recovery electricity pricing while compensating vulnerable populations. To strengthen energy security and support green transition, the energy sector needs deeper integration with the European energy networks, and investment in energy infrastructure and renewables.

Authorities' Views

33. **The authorities concurred with staff that structural reforms are central to accelerating sustainable growth and EU convergence.** They recognize that faster income convergence hinges on productivity-enhancing reforms to offset negative demographic trends and emigration, while ensuring that higher productivity translates into better living standards. They highlighted recent progress under the EU's RGF, which has enabled access to substantial EU funding. The authorities agreed on the importance of strengthening the rule of law, improving public sector efficiency, and enhancing the business environment to support private investment. To address corruption vulnerabilities they are planning to adopt an updated 2026–30 anti-corruption strategy, seeking to address past implementation shortcomings through enhanced accountability mechanisms, prioritization, and costing of measures. They also prioritize measures to reduce informality, including risk-based inspections, streamlined administrative procedures, and efforts to strengthen tax administration and compliance through further digitalization and more efficient regulation. In the energy sector, they stressed the priority of improving governance and operational efficiency of ESM to enhance energy security and affordability, while gradually advancing the green transition in a fiscally and socially sustainable manner.

STAFF APPRAISAL

34. **North Macedonia's economy has maintained strong momentum but is now facing headwinds from the ongoing war in the Middle East.** Growth strengthened above its potential pace in 2025, while inflation steadily declined to still-above-potential levels. The global energy price shock is expected to weigh on growth, add to inflationary pressures, and weaken external and fiscal balances in the near term. GDP growth is projected to slow to 3.1 percent in 2026 from 3.5 percent in 2025, inflation to edge higher to 4.5 percent, and the current account deficit increase to 5 percent of GDP. At the same time, while the external position in 2025 was broadly in line with the level implied by medium-term fundamentals and desirable policies, persistent real wage growth outpacing productivity gains together with adverse demographic trends continues to erode competitiveness and constrain medium term growth prospects. The downside risks to the outlook are primarily external. Against this backdrop, rebuilding policy buffers and advancing reforms are critical to safeguard macroeconomic stability and accelerate growth and income convergence with the EU.

35. **Fiscal policy should remain firmly anchored to consolidation to rebuild buffers and ensure debt sustainability.** Staff support the authorities' commitment to reducing the fiscal deficit to 3.5 percent of GDP in 2026, but without concrete measures the deficit could reach 4.2 percent of GDP. In the medium term, a more ambitious consolidation path is needed to create sufficient space to absorb shocks and address rising demographic pressures. Priority should be given to reducing tax expenditure and strengthening tax administration, reforming public compensation and pension systems, and reallocating resources toward productive investment. Energy affordability can be best addressed through well-targeted social support to the vulnerable, while generalized tax cuts which are regressive and inefficient should be phased out promptly. To strengthen fiscal risks management and the integrity of the budget, large investment projects, including Corridor 8/10d, and ESM losses should be transparently included in the budget.

36. **The combination of the energy price shock and strong domestic demand warrant further tightening of monetary policy to contain inflation.** Staff recommend raising the policy rate above the neutral level of 2 percent in real forward-looking terms and maintaining it sufficiently restrictive until inflation returns to target. If inflation proves more persistent, reserve requirements could also be increased. The recent introduction of the new policy framework is an important achievement that strengthens National Bank's operational efficiency and flexibility. To support effective policy transmission, absorb excess liquidity and foster the development of the interbank money market, staff recommend switching CB-bill auctions to full-allotment. Restoring a dynamic capital structure of the central bank, linked to its monetary liabilities, and reinstating a robust profit-retention framework in the law are essential to safeguard the central bank's financial autonomy and policy credibility.

37. **The financial system remains robust, but emerging vulnerabilities call for supervisory vigilance.** Macroprudential policy has been appropriately tightened, and stress tests suggest that systemic risks remain contained. However, elevated exposures to real estate warrant continued close

monitoring. If credit and housing market pressures persist in the coming months, additional macroprudential measures will be needed to further strengthen capital buffers and mitigate risks. The banking legislation needs to be aligned with European legislation, and the supervisory framework modernized with a complete financial stability toolkit including systemic sectoral buffers for real estate-related lending.

38. Structural reforms are essential to lift productivity, strengthen competitiveness, and support faster income convergence with the EU. Progress under the EU Reform and Growth Facility is encouraging, but deeper and more institutionally demanding reforms are needed. Strengthening governance, the rule of law, and anti-corruption frameworks would improve public sector efficiency and investor confidence. Addressing labor market inefficiencies by reducing skills mismatches, raising participation, and enhancing activation policies could offset labor shortages and demographic decline. Improving SOE governance and advancing energy sector reforms, including strengthening operational efficiency and gradually moving toward cost recovery pricing while protecting vulnerable households, are critical to enhancing energy security and fiscal sustainability.

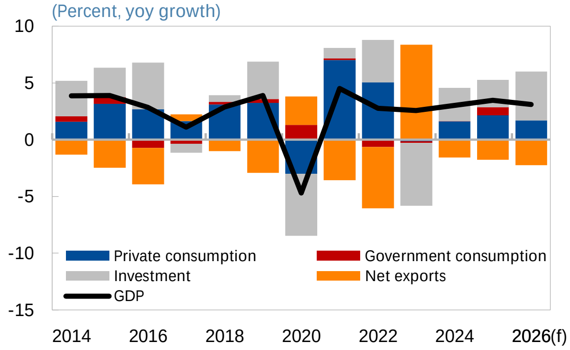
39. Staff encourage the authorities to seize the opportunity provided by political stability and EU accession momentum to decisively advance reforms, rebuild buffers, and strengthen resilience. A coherent and a well-sequenced policy mix—combining fiscal prudence, appropriately tight monetary policy, and ambitious structural reforms—will be key to sustaining macroeconomic stability, mitigating shocks, and accelerating income convergence with the European Union.

40. It is recommended that the next Article IV consultation takes place on the standard 12-month cycle.

Figure 1. North Macedonia: Selected Economic Developments

Growth has regained momentum in 2025, driven by investment and consumption.

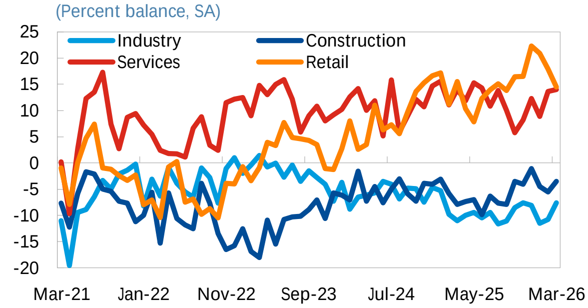
Contributions to GDP Growth
(Percent, yoy growth)



Sources: Haver Analytics, SSO, and IMF staff calculations.

Confidence has strengthened in retail, services and construction, while it is stagnant in industrial activity.

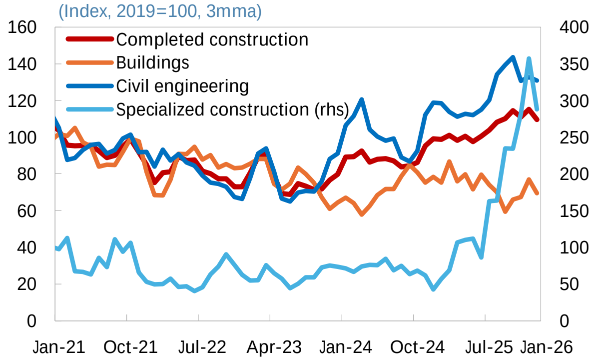
Business Confidence Indicators 1/
(Percent balance, SA)



1/ Percent balance equals percent of respondents reporting an increase minus the percent of respondents reporting a decrease.
Sources: Haver Analytics and IMF staff calculations.

Construction is booming, driven by a pick-up in infrastructure projects.

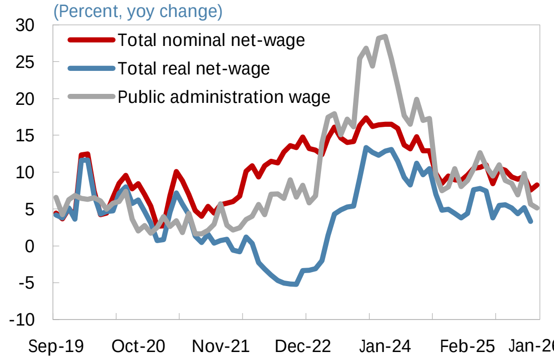
Completed Construction Index
(Index, 2019=100, 3mma)



Sources: SSO and IMF staff calculations.

Wage growth has moderated but remain high...

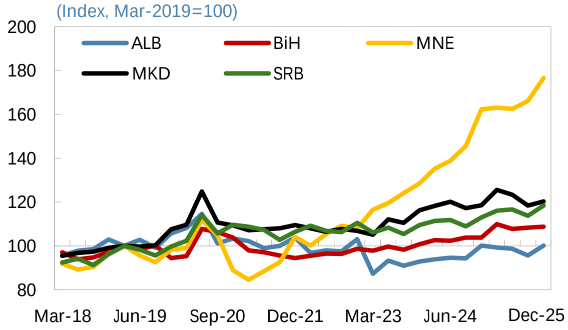
Monthly Wage Growth
(Percent, yoy change)



Sources: Haver Analytics and IMF staff calculations.

...weighing on unit labor costs which have risen...

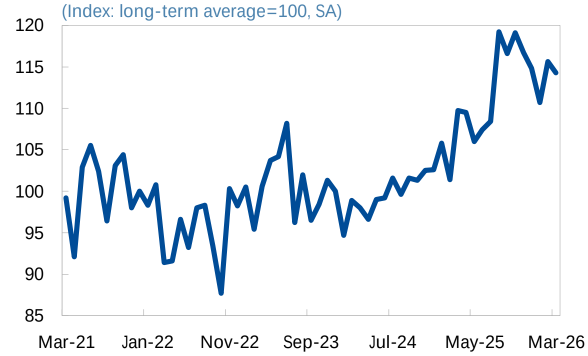
Real Wage-Productivity Ratio 1/
(Index, Mar-2019=100)



Sources: Haver and IMF Staff calculations.
1/ Real wage deflated using the GDP deflator.

...while labor markets remain tight.

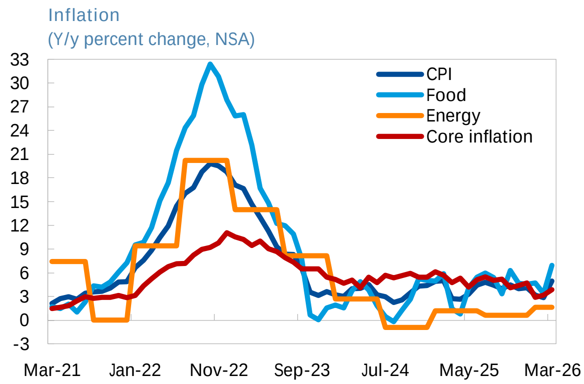
Employment Expectations
(Index: long-term average=100, SA)



Sources: Haver Analytics and IMF staff calculations.

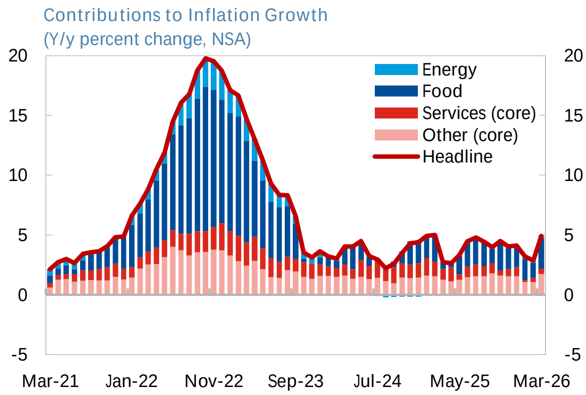
Figure 2. North Macedonia: Prices

Inflation remains sticky...



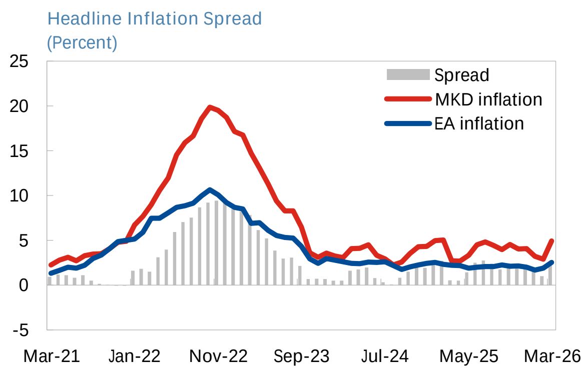
Sources: SSO; Haver Analytics; and IMF staff calculations.

...largely reflecting pressures in core and food components.



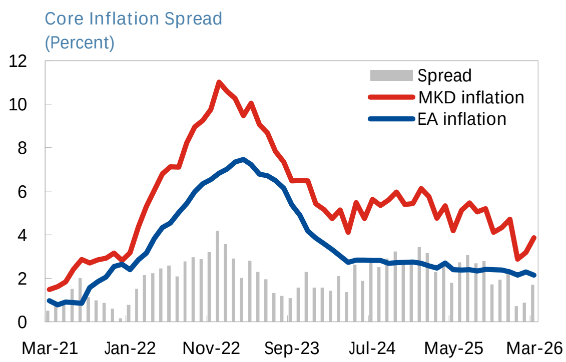
Sources: Haver Analytics and IMF staff calculations.

The inflation differential with the eurozone...



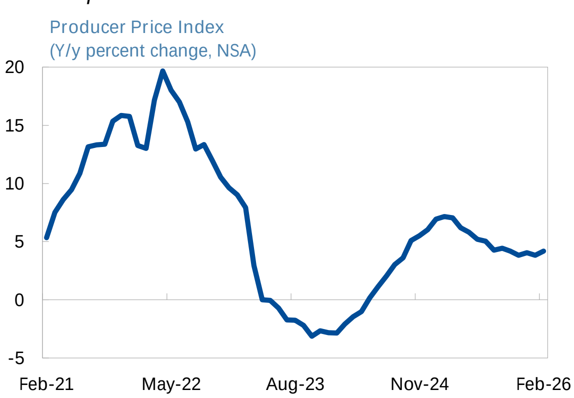
Sources: Statistical Office of the European Communities, SSO, and IMF staff calculations.

...continues to be driven primarily by core inflation.



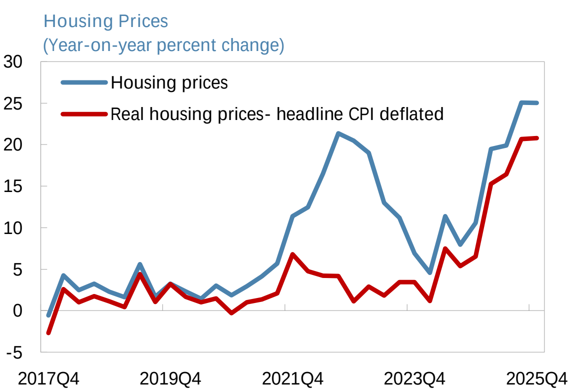
Sources: Statistical Office of the European Communities, SSO, and IMF staff calculations.

Producer price inflation has moderated.



Source: SSO.

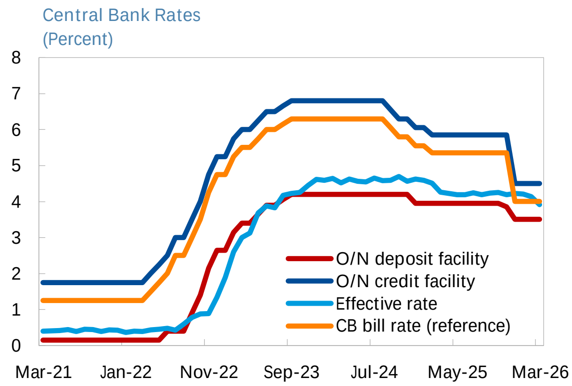
House price dynamics remain very strong.



Sources: Haver Analytics and IMF staff calculations.

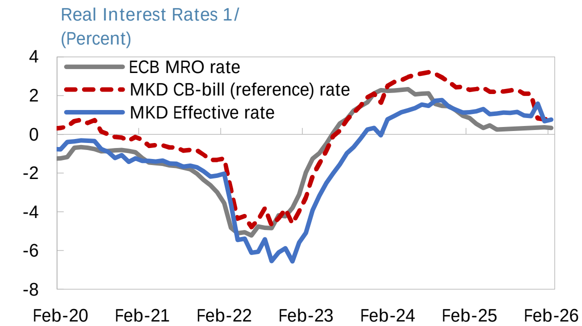
Figure 3. North Macedonia: Monetary Policy

Monetary policy has been on hold for most of 2025.



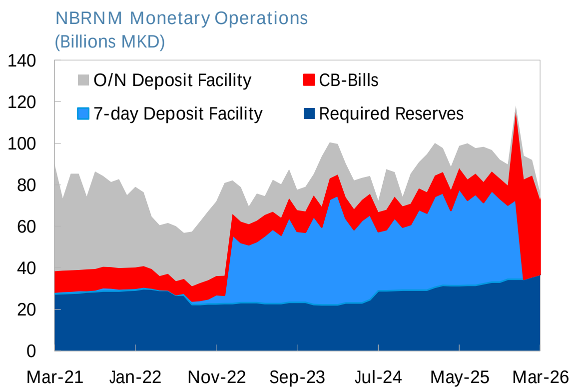
Sources: National Bank of the Republic of North Macedonia.

Real rates have remained tighter than in the euro area.



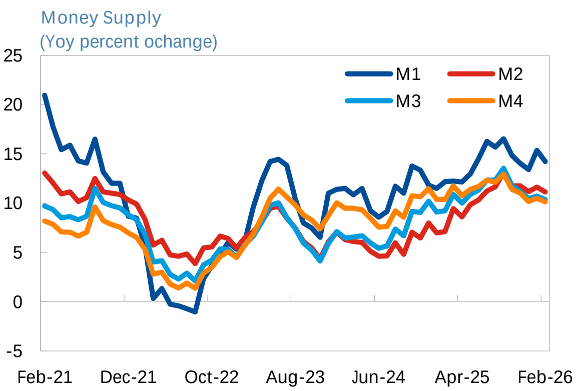
1/Deflated by expected inflation in the next 12 months from Consensus Forecasts.
Sources: Haver Analytics, Consensus Forecast, and IMF staff calculations.

A new operational framework was introduced at the end of December, absorbing most of the liquidity at the reference CB-bills rate.



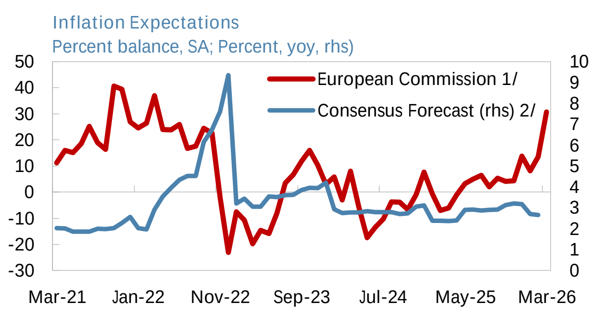
Sources: Haver Analytics and IMF staff calculations.

Although growth has moderated recently, monetary aggregates continue to expand.



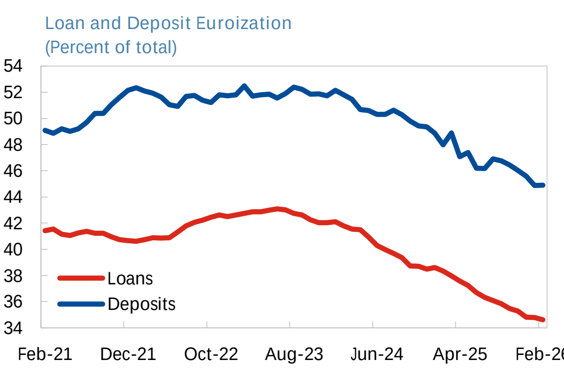
Source: NBRNM.

Survey inflation expectation have risen, forecasts remain stable.



1/ Percent balance equals percent of respondents reporting an increase minus the percent of respondents reporting a decrease.
2/ 12-month ahead inflation expectations.
Sources: Consensus Forecast and European Commission.

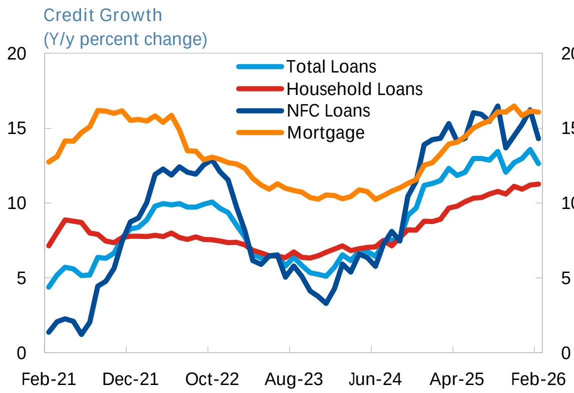
Euroization has been declining both for loans and deposits.



Sources: National Bank of the Republic of North Macedonia and IMF staff calculations.

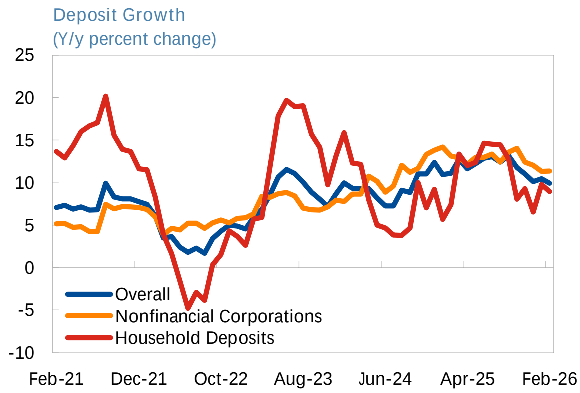
Figure 4. North Macedonia: Financial Developments

Credit continues to grow strongly...



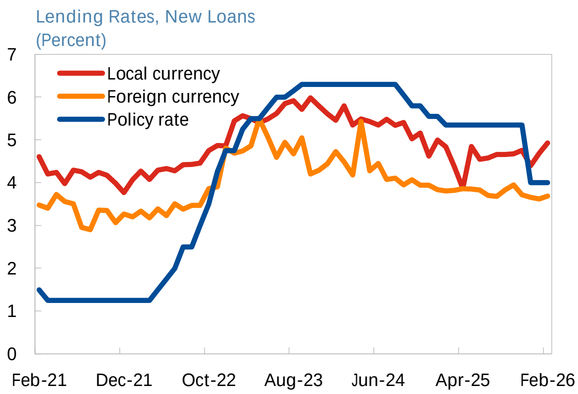
Source: NBRNM and IMF staff calculations.

...supported by deposit growth.



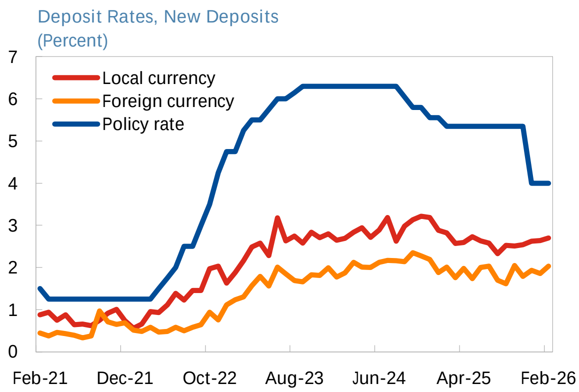
Source: NBRNM and IMF staff calculations.

Lending rates have gradually eased...



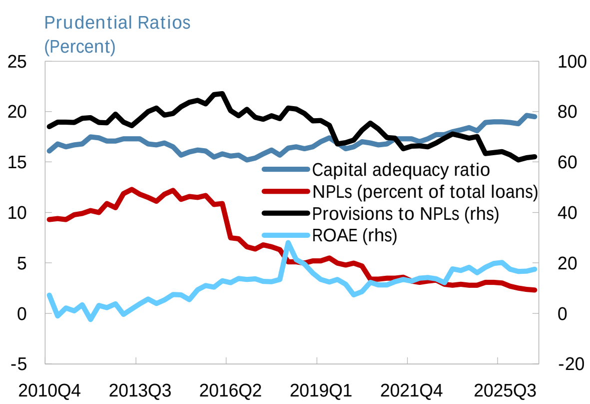
Source: Haver Analytics.

...while deposit rates have been more stable.



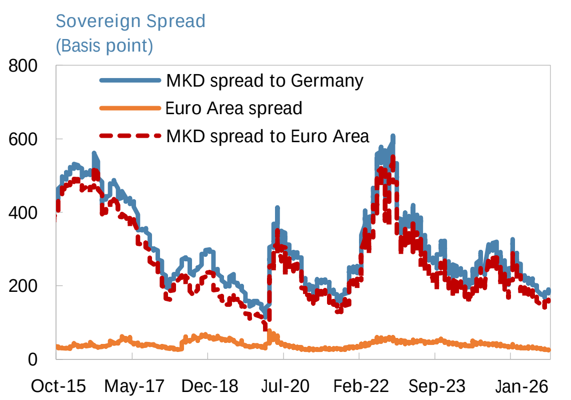
Source: Haver Analytics.

Prudential indicators for the banking system are strong.



Sources: Haver Analytics and IMF staff calculations.

The country risk premium has remained favorable.



Source: Bloomberg Financial Markets L.P.

Table 1. North Macedonia: Macroeconomic Framework, 2021–31
(Year-on-year percentage change, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
						Projections					
Output											
Real GDP	4.5	2.8	2.6	3.0	3.5	3.1	3.0	3.0	3.0	3.0	3.0
Domestic demand	5.9	5.8	-3.5	3.8	4.1	5.2	2.9	3.2	3.3	3.3	3.3
Exports	14.3	10.6	-3.0	-4.0	6.1	3.9	3.5	3.4	3.4	3.5	3.5
Imports	14.8	13.6	-10.2	-1.4	6.7	5.4	3.2	3.5	3.7	3.8	3.7
Contributions to growth											
Domestic demand	8.1	8.2	-5.8	4.6	5.3	5.3	3.6	3.9	4.0	4.1	4.1
Net exports	-3.6	-5.4	8.4	-1.6	-1.8	-2.2	-0.6	-0.9	-1.0	-1.1	-1.1
Output gap (percent of potential GDP)	-0.5	0.1	0.1	0.3	0.7	0.7	0.6	0.5	0.4	0.3	0.2
Potential output (growth rate)	1.8	2.1	2.6	2.8	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Consumer prices											
Period average	3.2	14.2	9.4	3.5	4.1	4.5	4.1	3.2	2.5	2.2	2.0
End-period	4.9	18.7	3.6	4.4	4.1	5.4	4.0	3.0	2.3	2.1	2.0
Central government operations (percent of GDP)											
Revenues	30.0	29.8	30.7	31.7	32.2	32.0	32.2	32.4	32.6	32.8	33.0
Expenditures	35.3	34.1	35.3	36.0	36.2	36.2	36.0	35.9	35.8	35.7	36.0
Of which: capital expenditures	3.2	3.5	4.8	3.0	2.7	2.9	3.1	3.1	3.2	3.2	3.4
Balance	-5.3	-4.4	-4.6	-4.3	-4.0	-4.2	-3.9	-3.6	-3.3	-3.0	-3.0
Gross general government debt 1/	52.7	50.4	50.5	52.9	52.5	53.1	53.4	53.6	54.0	53.8	53.8
Public and publicly guaranteed debt 1/ 2/	61.3	58.4	58.4	61.0	59.9	60.5	60.7	61.0	61.5	61.3	61.3
Savings and investment (percent of GDP)											
National saving	29.4	30.0	30.0	28.4	27.4	29.0	30.1	31.8	33.0	34.3	35.5
Public	-2.1	-0.8	0.2	-1.4	-1.3	-1.3	-0.8	-0.4	0.0	0.3	0.5
Private	31.5	30.8	29.7	29.8	28.6	30.2	30.8	32.2	33.1	34.1	35.0
Foreign saving	2.8	6.1	-0.3	2.2	4.4	5.0	4.4	3.4	3.2	3.0	3.0
Gross investment	32.2	36.0	29.6	30.6	31.7	33.9	34.5	35.2	36.2	37.3	38.5
Credit											
Private sector credit growth	8.0	9.3	5.3	10.3	13.0	8.9	8.7	8.9	6.4	6.9	6.3
Balance of payments											
Current account balance (percent of GDP)	-2.8	-6.1	0.3	-2.2	-4.4	-5.0	-4.4	-3.4	-3.2	-3.0	-3.0
Foreign direct investment (percent of GDP)	3.3	4.9	3.3	6.6	1.5	3.8	4.0	4.0	4.0	4.0	4.0
External debt (percent of GDP)	80.9	81.5	77.4	78.0	72.0	72.9	72.1	72.0	72.0	71.7	71.2
Gross official reserves (millions of euros)	3,643	3,863	4,538	5,029	4,925	5,211	5,233	5,495	5,730	5,905	5,980
in percent of IMF ARA Metric	110	101	114	120	114	113	107	110	107	109	106
in percent of ST debt	109	82	100	99	91	95	89	106	100	112	110
in months of prospective imports	3.5	3.9	4.7	4.9	4.4	4.5	4.4	4.4	4.4	4.3	4.2
Memorandum items:											
Nominal GDP (billions of denars)	729	816	903	964	1044	1128	1210	1290	1363	1434	1506
Nominal GDP (millions of euros)	11,836	13,243	14,667	15,668	16,949	18,321	19,651	20,954	22,132	23,289	24,457

Sources: NBRNM; SSO; MOF; World Bank; and IMF staff estimates and projections. National accounts are revised by SSO using ESA 2010.
1/ The historical debt ratios differ slightly from the numbers reported by MoF due to using end-year debt in local currency divided by local currency GDP.
2/ Includes general government and non-financial SOEs.

Table 2a. North Macedonia: Central Government Operations, 2021–31
(Billions of denars)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031
					Budget	Prel.	Budget	Proj.	Projections				
Total Revenues	218.5	243.1	277.1	305.6	364.9	335.8	374.9	361.0	389.3	417.7	443.9	470.0	497.6
Tax Revenues and Contributions	196.3	220.2	250.4	283.6	319.2	307.0	336.0	330.3	356.4	382.6	406.8	431.0	456.5
PIT	20.6	23.9	27.3	31.9	35.7	34.6	38.8	37.4	40.1	42.8	45.2	47.5	50.5
CIT	10.9	15.8	18.8	22.0	23.3	21.9	26.6	23.3	25.9	28.9	31.9	35.0	36.9
VAT (net)	58.2	64.8	70.0	81.5	86.7	87.0	92.5	93.0	100.9	108.9	116.4	123.9	131.9
Excises	25.5	25.5	26.8	28.7	35.4	31.1	35.8	33.6	36.1	38.5	40.6	42.7	45.0
Custom Duties	8.5	10.0	11.2	12.9	16.3	14.8	16.6	16.0	17.2	18.3	19.4	20.4	21.4
Other Taxes	2.0	2.7	3.6	1.0	4.8	2.6	3.8	2.8	3.0	3.2	3.4	3.6	3.8
Social Contributions	70.6	77.6	92.6	105.7	117.1	114.9	121.8	124.2	133.2	142.0	150.0	157.9	167.0
Non-Tax Revenues	14.4	17.2	16.9	16.9	31.1	19.2	29.1	20.8	22.3	23.8	25.1	26.4	27.8
Capital Revenues	1.9	2.3	2.1	1.9	2.8	2.3	2.5	2.5	2.7	2.9	3.0	3.2	3.4
Grants	5.9	3.4	7.8	3.2	11.7	7.3	7.4	7.4	7.9	8.5	8.9	9.4	9.9
Expenditures	257.3	278.6	318.6	347.5	406.2	377.6	414.2	408.1	436.1	463.6	488.3	512.4	542.2
Current Expenditures	233.9	250.0	275.0	318.8	362.2	349.1	374.1	375.2	398.4	423.4	444.5	466.3	490.6
Wages and salaries	31.0	32.2	36.9	43.9	49.2	48.4	52.6	52.6	56.4	60.2	63.6	66.9	70.4
Goods and services	20.1	21.0	21.1	22.9	27.6	23.0	28.2	28.2	27.8	28.4	28.6	30.1	31.7
Transfers	173.7	187.7	204.1	234.2	265.4	257.8	272.0	273.1	290.5	305.9	321.7	337.1	354.7
Pension fund expenditures	72.0	78.4	90.1	104.9	125.5	122.7	136.4	136.4	145.1	153.4	160.7	167.7	176.4
Health	35.1	38.2	42.4	47.7	54.0	50.7	53.8	53.8	57.7	61.5	65.0	68.4	72.0
Other	66.6	71.1	71.6	81.6	85.9	84.4	81.7	82.9	87.7	90.9	96.0	101.0	106.3
Interest	9.1	9.1	12.9	17.8	20.0	19.9	21.3	21.3	23.6	29.0	30.6	32.2	33.9
Capital Expenditures	23.4	28.6	43.5	28.7	44.1	28.5	40.1	32.9	37.7	40.2	43.8	46.1	51.6
Overall fiscal balance	-38.8	-35.5	-41.4	-41.9	-41.4	-41.8	-39.2	-47.0	-46.8	-45.9	-44.4	-42.4	-44.6
Primary fiscal balance	-29.7	-26.4	-28.5	-24.1	-21.4	-21.9	-18.0	-25.8	-23.2	-17.0	-13.8	-10.2	-10.8
Financing	38.8	22.5	49.2	42.2	...	41.8	...	47.0	46.8	45.9	44.4	42.4	44.6
Domestic, net	13.6	17.2	30.6	14.8	...	52.6	...	13.8	30.0	25.5	29.3	34.0	36.6
Central Bank deposits	-3.5	7.0	0.3	-24.4	...	25.5	...	0.0	0.0	0.0	0.0	0.0	0.0
Other net domestic financing	17.0	10.2	30.3	39.1	...	27.1	...	13.8	30.0	25.5	29.3	34.0	36.6
Privatization receipts	0.6	0.0	0.0	0.0	...	0.0	...	0.0	0.0	0.0	0.0	0.0	0.0
Foreign, net	24.7	5.3	18.6	27.4	...	-10.8	...	33.2	16.8	20.4	15.1	8.5	14.5
Memo items:													
Gross general government debt (percent of GDP) 1/	52.7	50.4	50.5	52.9	...	52.5	...	53.1	53.4	53.6	54.0	53.8	53.8
Nominal GDP (billions of denars)	729	816	903	964	1044	1044	1128	1128	1210	1290	1363	1434	1506
Stock of Central Bank deposits (billions of denars eop)	43	36	36	60	...	35	...	35	35	35	35	29	22
Public and publicly guaranteed debt (percent of GDP) 1/ 2/	61.3	58.4	58.4	61.0	...	59.9	...	60.5	60.7	61.0	61.5	61.3	61.3

Sources: MoF; and IMF staff estimates.

1/ The historical debt ratios differ slightly from the numbers reported by MoF due to using end-year debt in local currency divided by local currency GDP.

2/ Includes general government and non-financial SOEs.

Table 2b. North Macedonia: Central Government Operations, 2021–31
(Percent of GDP)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031
					Budget	Prel.	Budget	Proj.	Projections				
Total Revenues	30.0	29.8	30.7	31.7	35.0	32.2	33.2	32.0	32.2	32.4	32.6	32.8	33.0
Tax Revenues and Contributions	26.9	27.0	27.7	29.4	30.6	29.4	29.8	29.3	29.4	29.6	29.8	30.0	30.3
PIT	2.8	2.9	3.0	3.3	3.4	3.3	3.4	3.3	3.3	3.3	3.3	3.3	3.4
CIT	1.5	1.9	2.1	2.3	2.2	2.1	2.4	2.1	2.1	2.2	2.3	2.4	2.5
VAT (net)	8.0	7.9	7.8	8.4	8.3	8.3	8.2	8.2	8.3	8.4	8.5	8.6	8.8
Excises	3.5	3.1	3.0	3.0	3.4	3.0	3.2	3.0	3.0	3.0	3.0	3.0	3.0
Custom Duties	1.2	1.2	1.2	1.3	1.6	1.4	1.5	1.4	1.4	1.4	1.4	1.4	1.4
Other Taxes	0.3	0.3	0.4	0.1	0.5	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Social Contributions	9.7	9.5	10.3	11.0	11.2	11.0	10.8	11.0	11.0	11.0	11.0	11.0	11.1
Non-Tax Revenues	2.0	2.1	1.9	1.8	3.0	1.8	2.6	1.8	1.8	1.8	1.8	1.8	1.8
Capital Revenues	0.3	0.3	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Grants	0.8	0.4	0.9	0.3	1.1	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Expenditures	35.3	34.1	35.3	36.0	38.9	36.2	36.7	36.2	36.0	35.9	35.8	35.7	36.0
Current Expenditures	32.1	30.6	30.5	33.1	34.7	33.4	33.2	33.2	32.9	32.8	32.6	32.5	32.6
Wages and salaries	4.3	3.9	4.1	4.6	4.7	4.6	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Goods and services	2.8	2.6	2.3	2.4	2.6	2.2	2.5	2.5	2.3	2.2	2.1	2.1	2.1
Transfers	23.8	23.0	22.6	24.3	25.4	24.7	24.1	24.2	24.0	23.7	23.6	23.5	23.6
Pension fund expenditures	9.9	9.6	10.0	10.9	12.0	11.8	12.1	12.1	12.0	11.9	11.8	11.7	11.7
Health	4.8	4.7	4.7	5.0	5.2	4.9	4.8	4.8	4.8	4.8	4.8	4.8	4.8
Other	9.1	8.7	7.9	8.5	8.2	8.1	7.2	7.3	7.2	7.0	7.0	7.0	7.1
Interest	1.2	1.1	1.4	1.8	1.9	1.9	1.9	1.9	2.0	2.2	2.2	2.2	2.2
Capital Expenditures	3.2	3.5	4.8	3.0	4.2	2.7	3.6	2.9	3.1	3.1	3.2	3.2	3.4
Overall fiscal balance	-5.3	-4.4	-4.6	-4.3	-4.0	-4.0	-3.5	-4.2	-3.9	-3.6	-3.3	-3.0	-3.0
Primary fiscal balance	-4.1	-3.2	-3.2	-2.5	-2.0	-2.1	-1.6	-2.3	-1.9	-1.3	-1.0	-0.7	-0.7
Financing	5.3	2.8	5.4	4.4	...	4.0	...	4.2	3.9	3.6	3.3	3.0	3.0
Domestic, net	1.9	2.1	3.4	1.5	...	5.0	...	1.2	2.5	2.0	2.1	2.4	2.4
Central Bank deposits	-0.5	0.9	0.0	-2.5	...	2.4	...	0.0	0.0	0.0	0.0	0.0	0.0
Other domestic financing	2.3	1.3	3.4	4.1	...	2.6	...	1.2	2.5	2.0	2.1	2.4	2.4
Privatization receipts	0.1	0.0	0.0	0.0	...	0.0	...	0.0	0.0	0.0	0.0	0.0	0.0
Foreign, net	3.4	0.7	2.1	2.8	...	-1.0	...	2.9	1.4	1.6	1.1	0.6	1.0
Memo items:													
Gross general government debt (percent of GDP) 1/	52.7	50.4	50.5	52.9	...	52.5	...	53.1	53.4	53.6	54.0	53.8	53.8
Nominal GDP (billions of denars)	729	816	903	964	1044	1044	1128	1128	1210	1290	1363	1434	1506
Stock of Central Bank deposits (billions of denars eop)	43	36	36	60	...	35	...	35	35	35	35	29	22
Public and publicly guaranteed debt (percent of GDP) 1/ 2/	61.3	58.4	58.4	61.0	...	59.9	...	60.5	60.7	61.0	61.5	61.3	61.3

Sources: MoF; and IMF staff estimates.

1/ The historical debt ratios differ slightly from the numbers reported by MoF due to using end-year debt in local currency divided by local currency GDP.

2/ Includes general government and non-financial SOEs.

Table 3a. North Macedonia: Balance of Payments, 2021–31
(Millions of euros, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
					Est.			Projections			
Current account	-329	-801	50	-338	-738	-908	-857	-716	-703	-697	-744
Trade balance	-2,337	-3,482	-2,635	-3,088	-3,364	-3,737	-3,830	-3,821	-3,901	-4,087	-4,285
Exports	6,041	7,321	7,237	6,741	6,964	7,337	7,638	8,027	8,428	8,856	9,311
Imports	8,378	10,802	9,872	9,829	10,328	11,074	11,468	11,848	12,329	12,943	13,596
Services (net)	498	749	731	1,057	1,020	1,057	1,228	1,330	1,378	1,477	1,506
Primary Income (net)	-519	-568	-742	-803	-813	-849	-923	-986	-1,051	-1,106	-1,162
Secondary Income (transfers, net)	2,029	2,500	2,697	2,496	2,420	2,621	2,668	2,761	2,871	3,019	3,197
Of which											
Official	139	59	132	65	108	91	99	100	87	86	82
Private	1,891	2,441	2,565	2,431	2,312	2,529	2,569	2,661	2,784	2,933	3,116
Capital account (net)	7	0	-1	10	14	8	6	7	9	9	8
Net lending (+) / Net borrowing (-)	-322	-801	49	-329	-724	-901	-851	-709	-694	-689	-736
Financial account	-405	-1,027	-512	-549	-310	-1,187	-872	-970	-929	-864	-811
Direct investment (net)	-388	-654	-488	-1,037	-247	-696	-786	-838	-885	-932	-978
Portfolio investment (net)	-116	-52	34	291	821	-466	-152	-149	159	408	150
Other investment	98	-321	-58	197	-883	-24	66	17	-203	-341	18
Trade credits (net)	-88	-326	-72	182	-552	-92	-100	-109	-116	-119	-113
MLT loans (net)	-123	-159	-326	-599	-428	-44	-56	-104	-318	-460	-100
Public sector	-49	-89	-155	-566	-418	60	27	-32	-246	-388	-31
Disbursements	150	435	195	777	624	130	237	357	536	646	236
of which : IMF credit	0	110	0	146	0	0	0	0	0	0	0
Amortization	-98	-98	-143	-212	-206	-190	-264	-325	-290	-258	-204
of which : Repayment to the IMF	0	0	-43	-86	-42	-51	-105	-72	-18	0	-2
Banks	-66	26	-32	23	37	-15	8	10	12	9	11
Other sectors	-8	-96	-140	-57	-47	-89	-91	-82	-84	-81	-79
ST loans (net)	-126	-213	-77	230	75	-99	-3	-2	-1	3	-1
Currency and deposits (net)	433	383	413	383	22	210	225	231	232	235	232
Other (net)	2	-6	5	1	0	0	0	0	0	0	0
Errors and omissions	58	41	41	91	39	0	0	0	0	0	1
Overall Balance	141	267	602	311	-375	286	22	261	235	176	76
Memorandum items:											
ST debt at residual maturity (year-end)	3,330	4,683	4,527	5,059	5,424	5,509	5,876	5,183	5,731	5,296	5,414
Gross foreign exchange reserves	3,643	3,863	4,538	5,029	4,925	5,211	5,233	5,495	5,730	5,905	5,980
Percent of IMF ARA Metric	109.7	100.8	114.0	120.2	113.5	112.8	107.4	109.7	107.3	108.6	105.8
Months of prospective imports of G&S	3.5	3.9	4.7	4.9	4.4	4.5	4.4	4.4	4.4	4.3	4.2
Percent of short-term debt (residual maturity)	109.4	82.5	100.3	99.4	90.8	94.6	89.1	106.0	100.0	111.5	110.5
External debt (percent of GDP)	80.9	81.5	77.4	78.0	72.0	72.9	72.1	72.0	72.0	71.7	71.2
External debt service	2,689	2,552	3,940	4,039	4,159	4,460	4,556	4,934	4,252	4,810	4,384
Percent of exports of G&S	35	26	40	42	41	42	41	42	34	37	32
Percent of exports of G&S and transfers	28	21	32	33	34	34	33	34	28	30	26

Sources: NBRNM and IMF staff estimates.

Table 3b. North Macedonia: Balance of Payments, 2021–31
(Percent of GDP, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
					Est.			Projections			
Current account	-2.8	-6.1	0.3	-2.2	-4.4	-5.0	-4.4	-3.4	-3.2	-3.0	-3.0
Trade balance	-19.7	-26.3	-18.0	-19.7	-19.8	-20.4	-19.5	-18.2	-17.6	-17.5	-17.5
Exports	51.0	55.3	49.3	43.0	41.1	40.0	38.9	38.3	38.1	38.0	38.1
Imports	70.8	81.6	67.3	62.7	60.9	60.4	58.4	56.5	55.7	55.6	55.6
Services (net)	4.2	5.7	5.0	6.7	6.0	5.8	6.2	6.3	6.2	6.3	6.2
Primary Income (net)	-4.4	-4.3	-5.1	-5.1	-4.8	-4.6	-4.7	-4.7	-4.8	-4.8	-4.8
Secondary Income (transfers, net)	17.1	18.9	18.4	15.9	14.3	14.3	13.6	13.2	13.0	13.0	13.1
Of which											
Official	1.2	0.4	0.9	0.4	0.6	0.5	0.5	0.5	0.4	0.4	0.3
Private	16.0	18.4	17.5	15.5	13.6	13.8	13.1	12.7	12.6	12.6	12.7
Capital account (net)	0.1	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net lending (+) / Net borrowing (-)	-2.7	-6.1	0.3	-2.1	-4.3	-4.9	-4.3	-3.4	-3.1	-3.0	-3.0
Financial account	-3.4	-7.8	-3.5	-3.5	-1.8	-6.5	-4.4	-4.6	-4.2	-3.7	-3.3
Direct investment (net)	-3.3	-4.9	-3.3	-6.6	-1.5	-3.8	-4.0	-4.0	-4.0	-4.0	-4.0
Portfolio investment (net)	-1.0	-0.4	0.2	1.9	4.8	-2.5	-0.8	-0.7	0.7	1.8	0.6
Other investment	0.8	-2.4	-0.4	1.3	-5.2	-0.1	0.3	0.1	-0.9	-1.5	0.1
Trade credits (net)	-0.7	-2.5	-0.5	1.2	-3.3	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
MLT loans (net)	-1.0	-1.2	-2.2	-3.8	-2.5	-0.2	-0.3	-0.5	-1.4	-2.0	-0.4
Public sector	-0.4	-0.7	-1.1	-3.6	-2.5	0.3	0.1	-0.2	-1.1	-1.7	-0.1
Disbursements	1.3	3.3	1.3	5.0	3.7	0.7	1.2	1.7	2.4	2.8	1.0
of which : IMF credit	0.0	0.8	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-0.8	-0.7	-1.0	-1.4	-1.2	-1.0	-1.3	-1.6	-1.3	-1.1	-0.8
of which : Repayment to the IMF	0.0	0.0	-0.3	-0.5	-0.2	-0.3	-0.5	-0.3	-0.1	0.0	0.0
Banks	-0.6	0.2	-0.2	0.1	0.2	-0.1	0.0	0.0	0.1	0.0	0.0
Other sectors	-0.1	-0.7	-1.0	-0.4	-0.3	-0.5	-0.5	-0.4	-0.4	-0.3	-0.3
ST loans (net)	-1.1	-1.6	-0.5	1.5	0.4	-0.5	0.0	0.0	0.0	0.0	0.0
Currency and deposits (net)	3.7	2.9	2.8	2.4	0.1	1.1	1.1	1.1	1.0	1.0	0.9
Other (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	0.5	0.3	0.3	0.6	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	1.2	2.0	4.1	2.0	-2.2	1.6	0.1	1.2	1.1	0.8	0.3
					(Percentage change, year-on-year)						
Exports of G&S (Value)	24.3	23.8	2.5	-2.2	4.5	5.7	4.8	5.4	4.8	5.0	4.9
Volume	14.3	10.6	-3.0	-4.0	6.1	3.9	3.5	3.4	3.4	3.5	3.5
Price	8.8	11.9	5.7	1.8	-1.5	1.8	1.3	1.9	1.3	1.5	1.4
Imports of G&S (Value)	25.9	28.5	-4.7	-0.8	6.4	7.4	3.3	3.6	4.2	4.8	5.2
Volume	14.8	13.6	-10.2	-1.4	6.7	5.4	3.2	3.5	3.7	3.8	3.7
Price	9.7	13.1	6.1	0.6	-0.3	1.9	0.1	0.0	0.5	0.9	1.4

Sources: NBRNM; and IMF staff estimates.

Table 4. North Macedonia: Monetary Survey, 2021–31
(Billions of denars, unless specified otherwise)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
					Est.			Projections			
NFA	195.9	188.5	229.3	282.2	277.0	320.0	321.1	328.0	346.4	365.4	369.5
Central Bank	203.1	203.9	241.9	286.7	286.7	310.6	311.9	328.0	342.4	356.2	367.8
Commercial Banks	-7.2	-15.4	-12.7	-4.5	-9.8	9.5	9.1	0.0	4.0	9.2	1.7
NDA	278.8	311.3	298.8	295.3	356.6	363.8	408.0	444.8	471.8	503.3	552.3
Credit to Government (net)	47.1	53.6	57.8	54.3	85.0	90.2	101.0	110.3	120.9	137.2	193.1
From Banks (net)	74.9	74.3	78.7	99.2	105.5	110.5	121.3	130.6	141.3	151.4	201.1
of which: Credit	76.8	76.1	80.7	101.7	121.2	126.3	137.1	146.3	157.0	167.1	216.8
From Central Bank (net)	-27.8	-20.7	-20.9	-45.0	-20.5	-20.3	-20.3	-20.4	-20.4	-14.2	-8.0
of which: Deposits	-43.0	-36.1	-35.8	-60.3	-34.8	-34.7	-34.7	-34.7	-34.7	-28.5	-22.4
Credit to Private Sector (gross)	388.9	424.9	447.5	493.5	557.4	606.8	659.7	718.3	764.0	816.8	868.3
From Banks	388.1	424.0	446.7	492.6	556.3	602.3	655.3	713.9	759.6	812.4	863.8
Denars	230.7	245.2	259.9	303.0	361.9	391.8	426.3	464.4	494.1	528.5	561.9
FX	157.4	178.8	186.8	189.5	194.4	210.5	229.0	249.5	265.4	283.9	301.9
From Central Bank	0.8	0.9	0.8	0.9	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Other Items (net)	-157.2	-167.2	-206.5	-252.4	-285.8	-268.9	-288.5	-309.6	-334.0	-366.4	-424.8
Potential output (growth rate)											
Broad Money (M3)	474.8	499.8	528.1	577.6	633.6	683.9	729.1	772.7	818.2	868.8	921.8
Currency in Circulation	44.5	47.5	48.8	50.5	52.6	56.0	59.2	62.4	65.2	67.9	70.6
Total Deposits	430.3	452.3	479.3	527.0	581.0	627.9	669.9	710.4	753.0	800.9	851.2
Denars	245.5	255.5	283.9	326.4	372.2	369.1	393.8	417.6	442.7	470.8	500.4
FX	184.8	196.8	195.3	200.6	208.9	258.8	276.1	292.8	310.4	330.1	350.8
					(Percentage change, year-on-year)						
Private Sector Credit	8.0	9.3	5.3	10.3	13.0	8.9	8.7	8.9	6.4	6.9	6.3
Broad Money	8.8	5.3	5.7	9.4	9.7	7.9	6.6	6.0	5.9	6.2	6.1
Private Sector Deposits	9.6	5.1	6.0	10.0	10.2	8.1	6.7	6.0	6.0	6.4	6.3
					(Contribution to annual growth in broad money)						
NFA	0.2	-1.6	8.2	10.0	-0.9	6.8	0.2	0.9	2.4	2.3	0.5
NDA	8.7	6.8	-2.5	-0.7	10.6	1.1	6.5	5.0	3.5	3.9	5.6
					(Percent of GDP)						
Private Sector Credit	53.3	52.1	49.6	51.2	53.4	53.8	54.5	55.7	56.1	56.9	57.6
Broad Money	65.1	61.2	58.5	59.9	60.7	60.6	60.2	59.9	60.0	60.6	61.2
Private Sector Deposits	59.0	55.4	53.1	54.7	55.7	55.6	55.3	55.0	55.2	55.8	56.5
Memorandum items:											
Money Multiplier	3.3	3.2	2.9	3.0	3.1	3.3	3.3	3.5	3.5	3.5	3.5
Reserve Requirement Ratio (percent of deposits)											
Denars	8.0	5.0	5.0	8.0	9.0	9.0	9.0	9.0	9.0	9.0	10.0
FX Indexed	50.0	50.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
FX	15.0	18.0	21.0	21.0	21.0	22.0	22.0	22.0	22.0	22.0	23.0
Velocity	1.5	1.6	1.7	1.7	1.6	1.7	1.7	1.7	1.7	1.7	1.6

Sources: NBRNM and IMF staff estimates.

Table 5. North Macedonia: Central Bank Survey, 2021–31
(Billions of denars, unless specified otherwise)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
					Est.			Projections			
Net foreign assets	203.1	203.9	241.9	286.7	286.7	310.6	311.9	328.0	342.4	356.2	367.8
Assets	226.7	246.6	279.4	314.9	303.0	320.6	321.9	338.0	352.4	363.2	367.8
Liabilities	-23.6	-42.7	-37.5	-28.1	-16.2	-10.0	-10.0	-10.0	-10.0	-7.0	0.0
Net domestic assets	-58.8	-48.0	-59.6	-95.5	-121.9	-102.8	-94.2	-109.5	-110.1	-108.5	-102.2
Central Government (net)	-27.8	-20.7	-20.8	-44.8	-20.3	-20.3	-20.3	-20.4	-20.4	-14.2	-8.0
of which:											
Deposits at Central Bank	-43.0	-36.1	-35.8	-60.1	-34.7	-34.7	-34.7	-34.7	-34.7	-28.5	-22.4
Denar	-21.0	-19.7	-20.3	-24.6	-29.3	-29.3	-29.3	-29.3	-29.3	-26.5	-23.7
FX	-22.1	-16.4	-15.5	-35.6	-5.4	-5.4	-5.4	-5.4	-5.4	-2.0	1.4
Banks (net)	-17.3	-15.8	-22.1	-21.3	-55.4	-72.5	-73.9	-84.1	-89.8	-94.3	-94.1
Other items (net)	-13.7	-11.4	-16.7	-29.4	-46.2	-10.0	0.0	-5.0	0.0	0.0	0.0
Monetary base	144.4	155.9	182.3	191.1	164.7	207.7	217.7	218.5	232.3	247.7	265.7
Currency in circulation	51.4	53.9	57.2	66.4	73.6	81.7	86.5	91.1	95.2	99.2	103.1
Liabilities to banks	85.1	93.7	114.1	118.0	84.6	116.6	123.7	119.6	128.9	140.7	154.6
Potential output (growth rate)	49.0	44.9	52.6	70.0	74.7	80.7	86.1	91.4	96.8	103.0	109.5
Excess reserves	36.1	48.8	61.5	48.1	9.9	35.8	37.5	28.3	32.0	37.7	45.1
Liabilities to other sectors	7.9	8.3	10.9	6.7	6.4	9.4	7.5	7.8	8.3	7.9	8.0
					(Contribution to annual growth in monetary base)						
Net foreign assets	0.4	0.5	24.4	24.6	0.0	14.5	0.6	7.4	6.6	5.9	4.7
Net domestic assets	2.8	7.4	-7.5	-19.7	-13.8	11.6	4.1	-7.0	-0.3	0.7	2.6
					(Percentage change, year-on-year)						
Monetary base	3.2	8.0	16.9	4.8	-13.8	26.2	4.8	0.4	6.3	6.6	7.2
Memorandum items:					(Percent of GDP)						
Central Bank bills	1.4	1.2	1.1	1.0	4.2	5.7	5.3	5.8	5.8	5.9	5.6
Central government deposits at Central Bank	5.9	4.4	4.0	6.2	3.3	3.1	2.9	2.7	2.5	2.0	1.5

Sources: NBRNM and IMF staff estimates.

Table 6. North Macedonia: Financial Soundness Indicators of the Banking System, 2017–25

(Percent)

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Capital adequacy									
Regulatory capital/risk weighted assets	15.7	16.5	16.3	16.7	17.3	17.7	18.1	18.9	19.5
Tier I capital/risk weighted assets	14.2	15.0	14.8	15.3	15.8	16.6	17.2	18.3	18.8
Equity and reserves to Assets	10.8	10.8	11.0	11.6	11.6	12.3	12.4	12.8	13.1
Asset composition									
Structure of loans									
Enterprises (loans to enterprises/total loans)	50.2	49.3	47.6	46.2	46.3	46.9	46.1	47.4	46.1
Households (loans to households/total loans)	44.8	46.4	48.4	49.7	49.4	48.3	49.2	48.4	47.3
Lending with foreign currency component to private sector	42.5	41.4	42.3	42.3	41.2	43.2	42.2	38.6	36.7
Foreign currency lending/total credit to private sector	16.5	15.5	14.8	14.6	14.7	17.7	17.1	15.2	14.9
Foreign currency indexed lending/total credit to private sector	26.1	25.9	27.5	27.7	26.5	25.5	25.1	23.4	21.8
NPLs 1/									
NPLs/gross loans	6.1	5.0	4.6	3.3	3.1	2.8	2.7	2.6	2.2
NPLs net of provision/own funds	-3.7	-5.2	-2.4	-6.9	-5.4	-6.8	-6.5	-5.0	-5.4
Provisions to NPLs	77.2	76.3	67.7	73.2	66.3	69.4	70.1	62.9	62.1
Large exposures/own funds	176.3	218.2	256.2	281.5	256.3	243.6	245.4	226.5	228.8
Connected lending									
Banking system exposure to subsidiaries and shareholders/own	3.8	3.8	4.0	3.9	3.3	4.5	4.5	4.0	3.7
Banking system equity investments/own funds	1.9	1.2	1.3	0.8	1.0	0.8	0.7	0.8	0.7
Earning and profitability									
ROAA 2/	1.5	1.7	1.3	1.3	1.5	1.5	2.0	2.2	2.3
ROAE 2/	13.5	16.0	11.7	11.3	12.9	12.2	16.1	17.6	17.5
Interest margin/gross income 3/	60.6	57.9	58.3	56.8	52.9	55.2	63.0	62.9	61.0
Noninterest expenses/gross income 4/	52.5	50.5	55.0	53.0	53.1	54.0	49.5	48.0	49.7
Personnel expenses/noninterest expenses	34.8	37.4	36.6	36.7	34.3	33.3	34.0	34.2	33.8
Interest Rates									
Local currency spreads	4.1	3.9	3.7	3.7	3.6	3.5	3.5	3.0	2.6
Foreign currency spreads	4.3	3.9	3.7	3.6	3.6	3.6	3.7	3.0	2.5
Interbank market interest rate	1.1	1.1	1.1	1.1	1.1	2.5	4.3	1.6	4.1
Liquidity									
Highly liquid assets/total assets 5/	23.2	22.6	24.0	21.5	21.4	19.3	19.9	19.6	18.4
Highly liquid assets/total short-term liabilities 6/	40.1	39.2	41.3	35.7	34.4	30.6	32.7	33.6	32.1
Liquid assets/total assets	27.1	26.7	26.9	23.3	23.0	21.3	22.7	21.6	20.4
Liquid assets/total short-term liabilities	46.9	46.4	46.2	38.6	37.0	33.8	37.4	37.0	35.5
Customer deposits/total (noninterbank) loans	114.0	116.0	119.4	121.9	122.2	116.9	122.5	122.7	117.7
Foreign currency deposits/total deposits	42.7	42.3	40.7	41.8	44.8	46.3	44.4	42.0	40.7
Including foreign exchange-indexed 7/	43.1	42.5	40.8	41.9	45.0	46.4	44.5	42.1	40.7
Sensitivity to market risk									
Net open foreign exchange position/own funds	6.2	3.8	6.0	10.1	2.1	6.7	10.7	8.1	5.1

Source: NBRNM.

1/ Includes loans to financial and nonfinancial sector.

2/ Adjusted for unallocated provisions for potential loan losses.

3/ Interest margin represents interest income less interest expense. Gross income includes net interest income, fees and commissions

4/ Noninterest expenses include fees and commissions expenses, operating expenses and other expenses excluding extraordinary

5/ Highly liquid assets are defined as cash and balance with the NBRM, treasury bills, NBRM bills, and correspondent accounts with foreign banks. Assets in domestic banks are excluded from total assets.

6/ Short-term liabilities are defined as deposits and other liabilities with a maturity of one year or less (without deposits and borrowings

7/ FX indexed deposits include deposits and other FX indexed liabilities.

Annex I. Risk Assessment Matrix

A. Global Risks (February, 2026)[1]

Risks and Likelihood	Impact	Policy Response
High Protectionism and Trade Disruptions. Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism.	High Reduced demand from the EU could reduce automotive and manufacturing exports and weigh on the external sector and growth. Heightened uncertainty could curtail FDI.	• Accelerate structural reforms to strengthen productivity. • Allow automatic stabilizers to operate while preserving capital spending and containing current spending. • Tighten monetary policy to safeguard the peg.
High Commodity Price Volatility. Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro instability.	High Despite limited direct exposure to the ongoing geopolitical conflicts North Macedonia is vulnerable to spillovers through terms-of-trade and confidence channels. Higher energy and food prices could reignite inflation and weaken external and fiscal balances.	• Tighten monetary policy to keep inflation expectations anchored and contain second round effects of food and fuel price shocks. • Allow automatic stabilizers to work while prioritizing spending to contain deficits and provide temporary support to vulnerable groups. • Accelerate broad-based structural reforms to accelerate energy sector reforms, including cost-recovery electricity tariffs to support energy-efficiency.
High Disorderly AI Correction. An abrupt revision in expectations of strong AI-led productivity gains causes a sharp market correction, investment decline, and wealth loss, which suppress demand and tighten financial conditions globally.	Medium Tighter global financial conditions resulting from a market correction would increase external borrowing costs for the government and domestic banks. Concurrently, suppressed demand in key European trading partners would reduce Macedonian export orders and FDI, while a global pullback in tech investments could delay	• Maintain strong foreign exchange buffers to mitigate the effects of capital flow volatility and defend the de facto currency peg. • Pro-actively monitor the domestic banking sector's exposure to cross-border financial shocks and ensure

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Risks and Likelihood	Impact	Policy Response
	domestic digitalization and productivity-enhancing capital expenditures.	robust liquidity and capital buffers. • Continue to pursue export and FDI diversification strategies.
High Fiscal Vulnerabilities and Higher Long-Term Interest Rates. Higher public debt and deficit levels put further upward pressure on long-term interest rates, sharply tightening global financial conditions, amplifying currency volatility, and reducing consumption and investment that exacerbate adverse debt dynamics. Disruptions are amplified by increased role of price-sensitive investors and leveraged NBFIs in sovereign debt markets, limited market absorption capacity when NBFIs offload debt securities, higher roll-over needs on shorter sovereign debt maturities, and strong sovereign-financial nexus. Concurrently, capital outflows from emerging and developing economies elicit a sharp increase in short-term rates.	Medium A rise in global long-term interest rates could increase sovereign borrowing costs and refinancing risks, tightening financial conditions and fiscal space for investment. Elevated deficits and debt would weaken investor sentiment, with spillovers to banks through the sovereign-bank nexus.	• Commit to a credible medium-term fiscal consolidation path anchored in revenue mobilization and expenditure prioritization. • Lengthen maturities, diversify the investor base, and reduce rollover and FX risks. • Strengthen supervision to monitor bank-sovereign feedback loops and ensure adequate capital buffers.
High Cyberthreats. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability.	High Attacks on payment infrastructure could freeze transactions, trigger the loss of confidence, and put at risk digitized treasury systems that would negatively affect tax collection and budget execution. Targeting energy grids or telecom networks would cause blackouts and service outages.	• Strengthen and enforce strict cybersecurity standards and reporting requirements for financial institutions and critical infrastructure. • Strengthen the central bank's capacity to audit cyber risks and mandate regular stress testing for banks. • Develop and rigorously test national crisis management protocols to ensure rapid recovery of essential services.
Medium Climate Change. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability.	Medium Climate-related shocks could damage infrastructure, disrupt energy, reduce growth and increase inflation and food insecurity, strain public finances through destruction	• Invest in climate-resilient infrastructure and disaster risk management frameworks. • Incorporate climate-related risks into fiscal planning, public

Risks and Likelihood	Impact	Policy Response
	mitigation costs, and increase financial sector risks.	investment management, and financial sector supervision. • Leverage EU and IFI climate funds and strengthen project preparation to support adaptation and mitigation investments.
Medium AI Acceleration. Rapid AI adoption significantly improves productivity, boosts growth, and revives business dynamism. Realizing these gains requires complementary policies to manage energy constraints, scale critical inputs, and support labor market transitions.	Medium The domestic IT sector can leverage AI to move up the value chain (from basic coding to complex solutions), significantly boosting service exports. AI integration in public administration (e.g., tax administration, customs) could drastically reduce the informal economy and administrative bottlenecks.	• Revise educational curricula and fund vocational training to equip the workforce with AI-complementary skills and manage labor displacement. • Invest in robust broadband and green energy sources to support the high power demands of data processing centers. • Establish a clear legal framework for data privacy and intellectual property to encourage foreign investment in the local digital economy.
Domestic Risks		
High Cost overruns from large investment projects and untargeted policies. Large capital projects (e.g., Corridors 8/10d) may face execution risks from design changes, capacity constraints, and rising input costs.	High Cost overruns would widen the deficit and increase public debt, straining already limited fiscal space priority for social and investment spending. Operational delays postpone the critical connectivity and trade benefits of Corridors 8/10d, dampening future growth.	• Create fiscal space through tax policy and administration measures and expenditure prioritization. • Strengthen Public Investment Management (PIM) to rigorously monitor contractor performance and control costs.
Medium Acceleration of Structural Reform Political stability and generally favorable macroeconomic conditions are an opportunity to accelerate growth-enhancing reforms and push ahead with the EU accession agenda, supported by the EU Reform and Growth Plan for the Western Balkans, which provides both essential financing and a credible reform anchor.	High Swiftly unlocking EU Growth Plan funds and advancing critical governance and administrative reforms would provide substantial capital, lower the cost of doing business, and attract higher-value FDI. Coupled with renewed domestic optimism that helps stem the outward migration of skilled workers, this reform drive would lead to higher potential growth.	• Properly sequence reforms to maximize growth benefits, prioritizing governance and labor market reforms. Capitalize on the strong political capital to frontload the most difficult governance and judicial reforms required by the EU framework. • Rapidly upgrade the administrative and technical capacity of line ministries to ensure a high and efficient

Risks and Likelihood	Impact	Policy Response
		absorption rate of available EU funds.
Medium Fiscal slippages due to unbudgeted spending. Pressures to raise public sector wages and pensions beyond formal indexation could undermine the planned fiscal consolidation.	Medium Ad-hoc pension and wage increases would increase deficits and financing needs, or crowd out investment, eroding long-term growth prospects.	• Limit wage and pension increase to inflation and avoid ad-hoc spending measures. • Strengthen expenditure controls and commitment ceilings, including at the municipal level. • Implement comprehensive reforms of public sector compensation and pension systems.

Annex II. Sovereign Risk and Debt Sustainability Analysis

Annex II. Table 1. North Macedonia: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	The overall risk of sovereign stress is moderate, reflecting moderate levels of vulnerability in the medium- and long-term horizons.
Near term 1/			
Medium term	Moderate	Moderate	Medium-term risks are assessed as moderate against a mechanical moderate signal on the basis of a moderate debt level and moderate GFN needs.
Fanchart	Moderate	...	
GFN	Moderate	...	
Stress test		...	
Long term	...	Moderate	Long-term risks are moderate as aging-related expenditures on pension feed into debt dynamics and space needs to be created for spending on climate adaptation.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	Country teams must input comments on the module in this section.
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: North Macedonia is at a moderate medium-term overall risk of sovereign stress, but debt is sustainable with high probability. Most indicators have started to normalize as the recovery from the COVID-19 shock has proceeded and global commodity prices have receded, following the sharp-rise on the back of Russia's invasion of Ukraine. Reforms continue to be needed to slow down pension and wage growth, as well as lower energy subsidies. Given recent fiscal loosening, debt is projected to rise first and then gradually decline in the medium term. Medium-term liquidity risks as analyzed by the GFN Financeability Module are moderate. Over the longer run, reforms to tackle risks arising from population aging and pension spending are needed.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Annex II. Figure 1. North Macedonia: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	
2. Subsectors included in the chosen coverage in (1) above:						

					#	Subsectors captured in the baseline	Inclusion	Comments
CPS	NFPS	GG: expected	CG		1	Budgetary central government	Yes	
					2	Extra budgetary funds (EBFs)	No	Not applicable
					3	Social security funds (SSFs)	Yes	
					4	State governments	Yes	
					5	Local governments	Yes	
					6	Public nonfinancial corporations	No	PNFCs exists on a small scale.
					7	Central bank	No	
					8	Other public financial corporations	Yes	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/
4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/
5. Debt consolidation across sectors:		Consolidated		Non-consolidated	

Color code: chosen coverage; Missing from recommended coverage; Not applicable

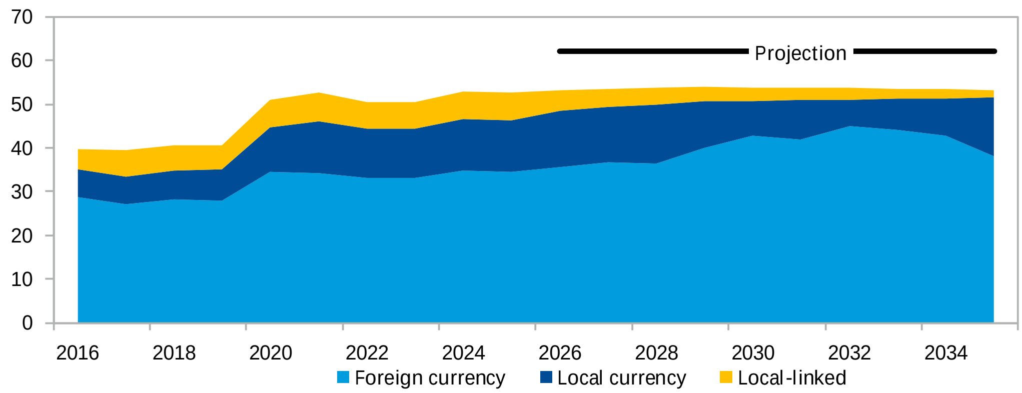
Reporting on Intra-Government Debt Holdings

Issuer \ Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1 Budget. central govt									0
2 Extra-budget. funds									0
3 Social security funds									0
4 State govt.									0
5 Local govt.									0
6 Nonfin pub. corp.									0
7 Central bank									0
8 Oth. pub. fin. corp									0
Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

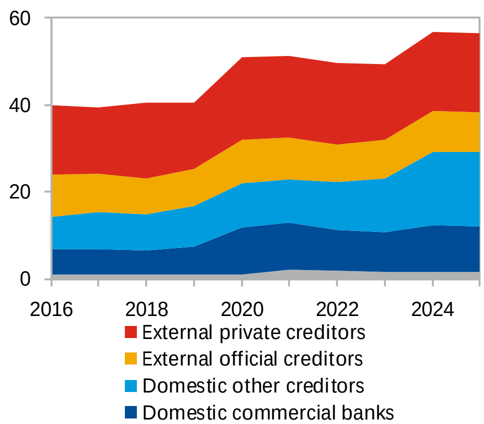
Annex II. Figure 2. North Macedonia: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



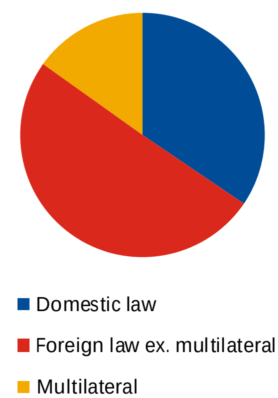
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



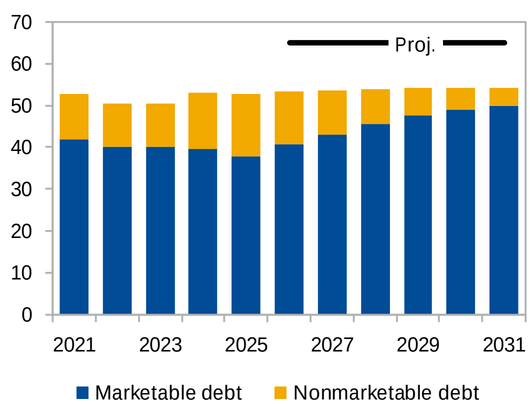
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2025 (percent)



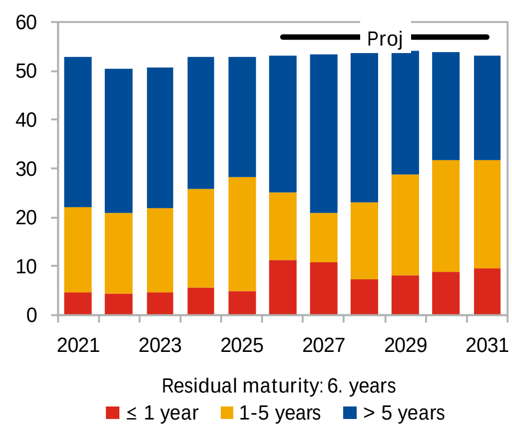
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



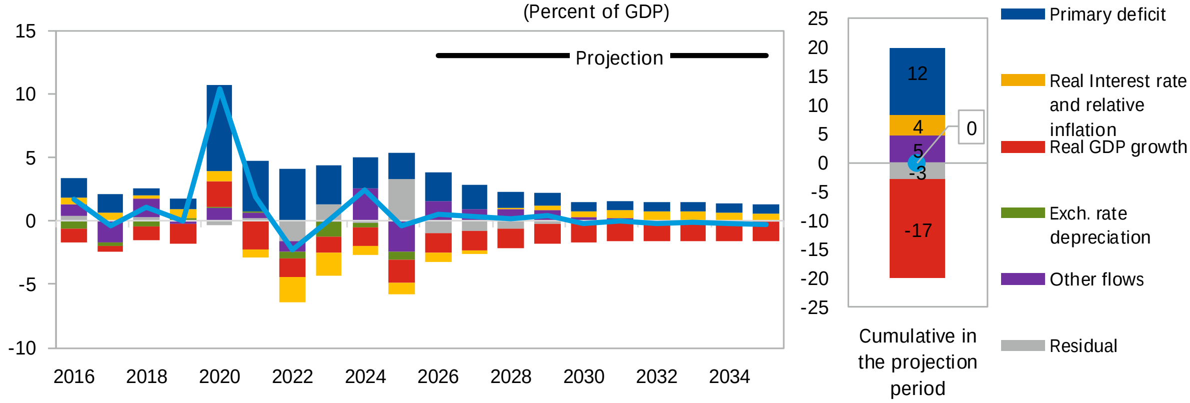
Note: The perimeter shown is general government.

Annex II. Table 2. North Macedonia: Baseline Scenario
(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	52.5	53.1	53.4	53.6	54.0	53.8	53.8	53.7	53.6	53.4	53.0
Change in public debt	-0.4	0.6	0.3	0.2	0.4	-0.2	0.0	-0.2	-0.1	-0.2	-0.3
Contribution of identified flows	-3.7	1.5	1.1	0.8	0.7	-0.1	0.0	-0.1	-0.1	-0.2	-0.3
Primary deficit	2.1	2.3	1.9	1.3	1.0	0.7	0.7	0.7	0.7	0.7	0.7
Noninterest revenues	32.2	32.0	32.2	32.4	32.6	32.8	33.1	33.3	33.6	33.9	34.1
Noninterest expenditures	34.3	34.3	34.1	33.7	33.6	33.5	33.8	34.0	34.3	34.6	34.9
Automatic debt dynamics	-3.3	-2.3	-1.8	-1.5	-1.2	-1.1	-0.9	-0.8	-0.8	-0.9	-1.0
Real interest rate and relative inflatio	-0.9	-0.7	-0.2	0.1	0.3	0.5	0.6	0.7	0.8	0.7	0.5
Real interest rate	-1.5	-1.7	-1.0	-0.5	0.1	0.4	0.6	0.7	0.8	0.6	0.5
Relative inflation	0.6	0.9	0.8	0.6	0.2	0.1	0.0	0.0	0.0	0.0	0.0
Real growth rate	-1.8	-1.6	-1.5	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6
Real exchange rate	-0.7	…	…	…	…	…	…	…	…	…	…
Other identified flows	-2.4	1.5	1.0	1.0	0.9	0.3	0.2	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	-2.4	1.5	1.0	1.0	0.9	0.3	0.2	0.0	0.0	0.0	0.0
Contribution of residual	3.3	-0.9	-0.8	-0.6	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0
Gross financing needs	14.0	13.6	13.4	12.9	9.9	10.9	11.4	11.6	16.0	15.1	15.1
of which: debt service	11.9	11.3	11.4	11.6	8.9	10.2	10.6	10.9	15.2	14.4	14.4
Local currency	6.8	4.8	6.6	5.7	6.2	6.7	7.7	7.8	8.2	7.5	7.7
Foreign currency	4.1	5.3	4.5	5.8	2.5	3.3	2.9	2.9	6.8	6.6	6.4
Memo:											
Real GDP growth (percent)	3.5	3.1	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Inflation (GDP deflator; percent)	4.6	4.8	4.1	3.5	2.6	2.2	2.0	2.0	2.0	2.0	2.0
Nominal GDP growth (percent)	8.3	8.1	7.3	6.6	5.6	5.2	5.0	5.0	5.0	5.0	5.0
Effective interest rate (percent)	1.6	1.4	2.1	2.5	2.8	2.9	3.2	3.3	3.4	3.2	2.9

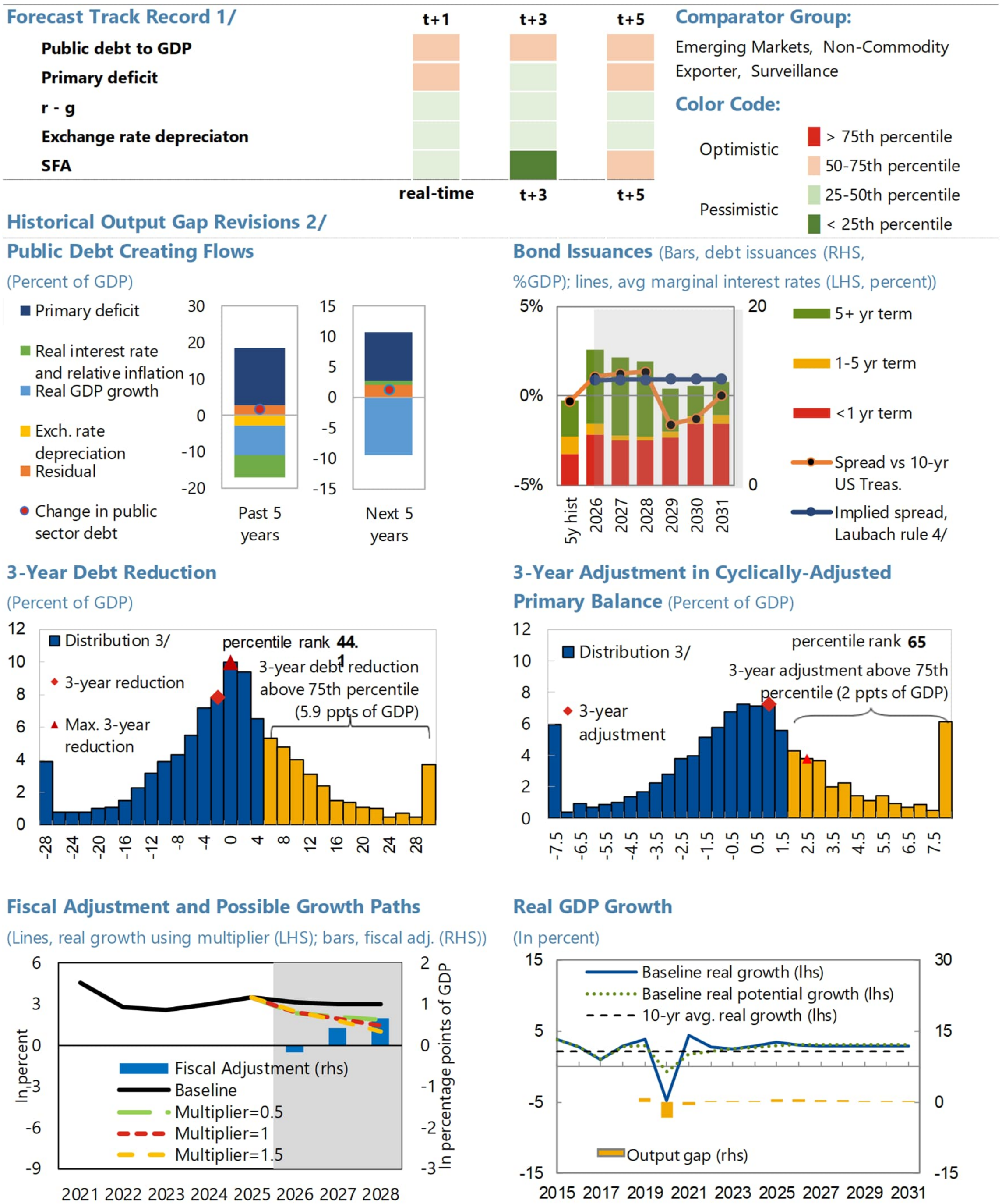
Contribution to Change in Public Debt

(Percent of GDP)



Commentary: Gradual improvements in the primary deficit and sustained economic growth enable a stable debt trajectory. Note the public debt considered in the DSA does not include guaranteed debt.

Annex II. Figure 3. North Macedonia: Realism of Baseline Assumptions

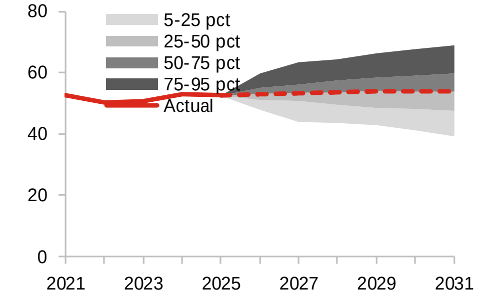


Commentary: Staff's growth projections over the projection period, includes a scale-up of public investments and convergence to the European Union, and is therefore higher than the historical average. Taken together with the planned consolidation efforts and given a typically low fiscal multiplier for North Macedonia, this underpins the stabilization of the debt/GDP trajectory going forward.

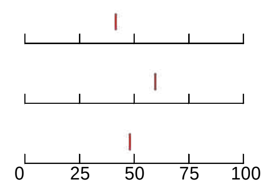
Source : IMF Staff calculations.
1/ Projections made in the October and April WEO vintage. Program status not used in creating comparator group due to lack of data.
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates.
3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Annex II. Figure 4. North Macedonia: Medium-Term Risk Assessment

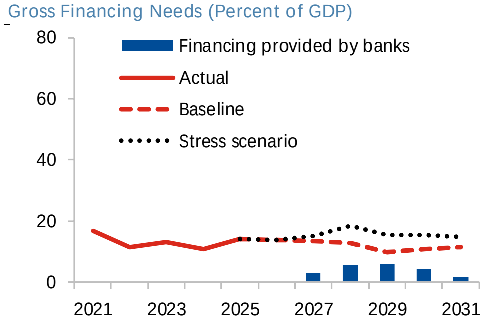
Final Fanchart (Percent of GDP)



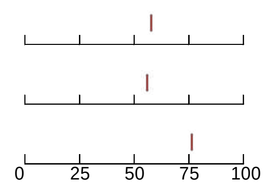
	Value	Contrib 1/	Percentile in peer group 2/
Debt fanchart module			
Fanchart width *(percent of GDP)*	29.4	0.4	
Probability of debt non-stabilizaiton *(percent)*	41.6	0.3	
Terminal debt-to-GDP x institutions index	29.3	0.6	
Debt fanchart index (DFI)		1.4	
Risk signal: 3/		Moderate	



Gross Financing Needs (Percent of GDP)



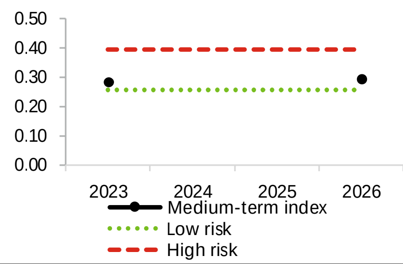
	Value	Contrib 1/	Percentile in peer group 2/
Gross financing needs (GFN) module			
Average baseline GFN *(percent of GDP)*	12.0	4.1	
Initial Banks' claims on the gen. govt *(pct bank assets)*	10.4	3.4	
Chg. In banks' claims in stress *(pct banks' assets)*	20.0	6.7	
GFN financeability index (GFI)		14.2	
Risk signal: 4/		Moderate	



Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	(normalized)	Weight	Contribution
Debt fanchart index	1.4	0.3	0.5	0.2
GFN finaceability index	14.2	0.3	0.5	0.1
Medium-term index		0.3		
Risk signal: 5/		Moderate		
Final assessment:		Moderate		

Prob. of missed crisis, 2026-2031, if stress not predicted: 18.2 pct.

Prob. of false alarms, 2026-2031, if stress predicted: 30.7 pct.

Commentary: Medium-term risks are assessed as moderate against a mechanical moderate signal on the basis of a moderate debt level and moderate GFN needs.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.

2/ The comparison group is emerging markets, non-commodity exporter, surveillance.

3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.

4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.

5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Annex II. Figure 5. North Macedonia: Triggered Modules

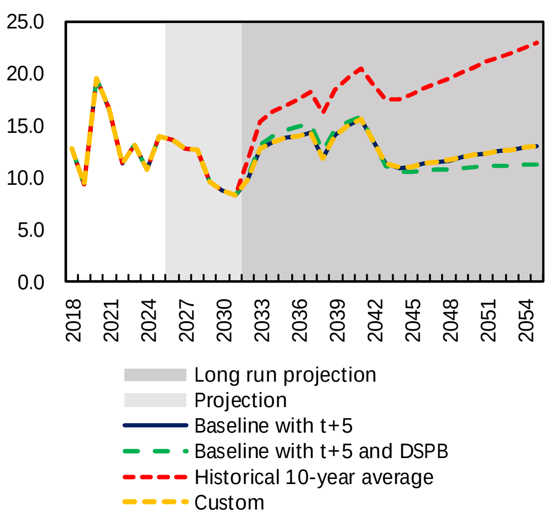
Large amortizations	Pensions	Climate change: Adaptation	Natural Resources
	Health	Climate change: Mitigation	

Long-Term Risk Assessment: Large Amortization Incl. Custom Scenario

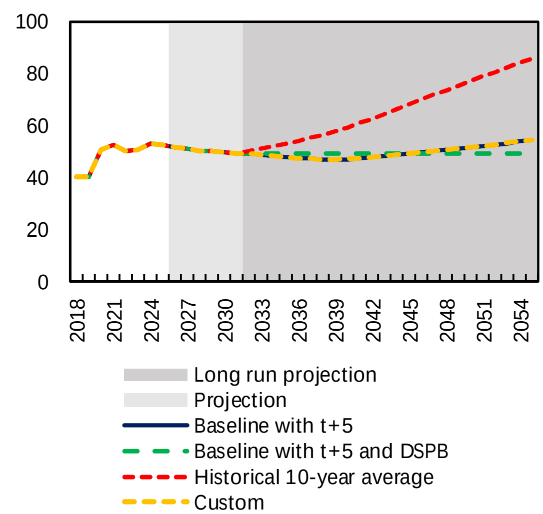
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Historical average assumptions	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Overall Risk Indication		

Variable	2031	2035 to 2039 average	Custom Scenario
Real GDP growth	3.0%	3.0%	3.0%
Primary Balance-to-GDP ratio	-0.7%	-0.7%	-0.7%
Real depreciation	-1.9%	-1.9%	-1.9%
Inflation (GDP deflator)	2.0%	2.0%	2.0%

GFN-to-GDP Ratio



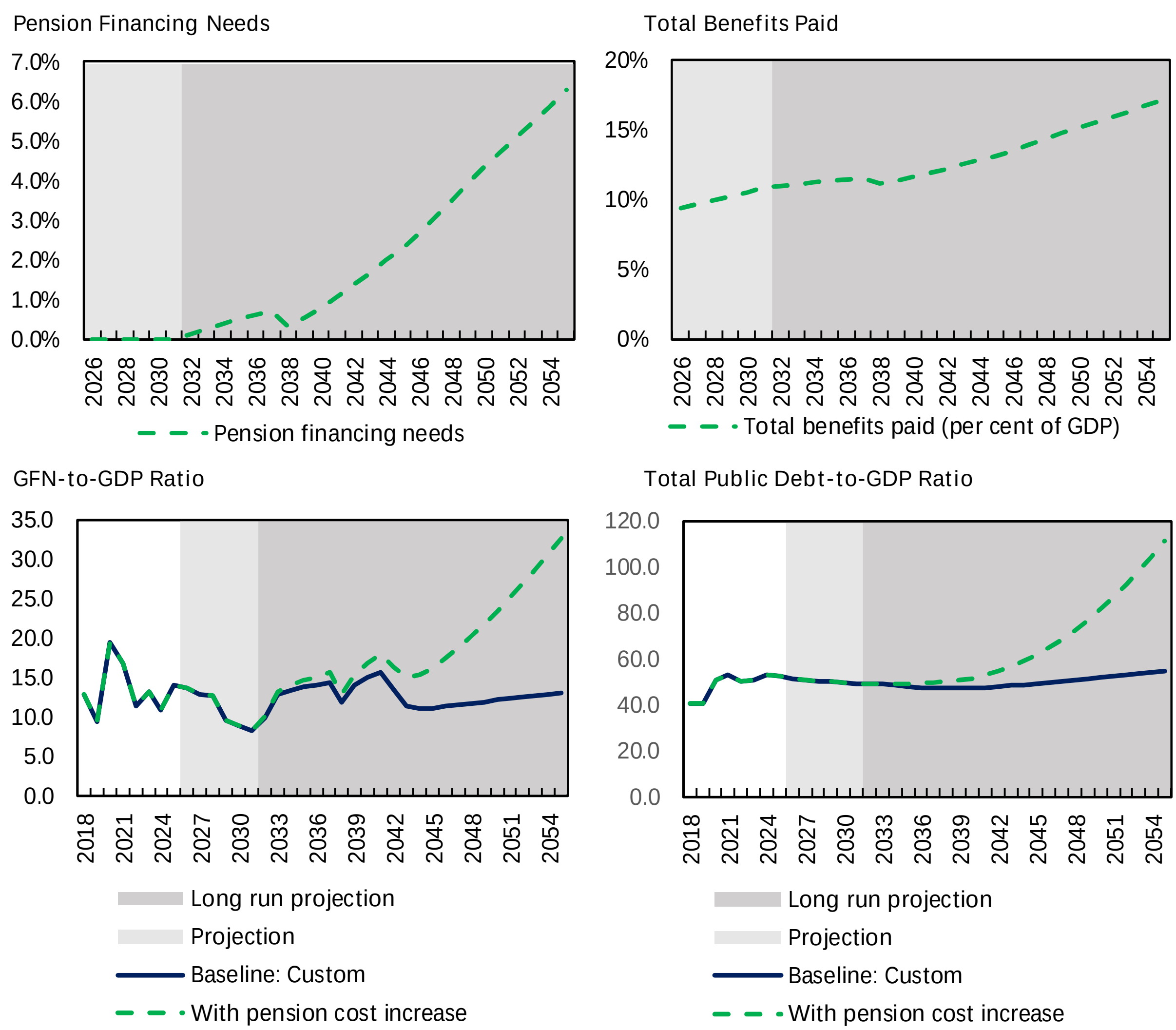
Total Public Debt-to-GDP Ratio



Commentary: The historical 10-year average projection is a mechanical projection using the 10-year average primary deficit to GDP. This should not be confused with staff's baseline projection.

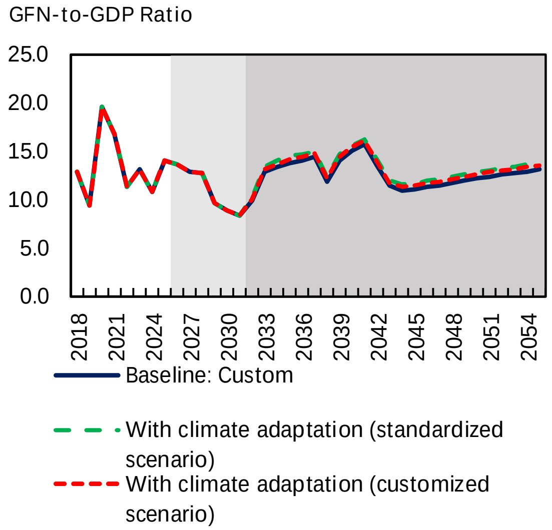
Annex II. Figure 6. North Macedonia: Demographics: Pensions

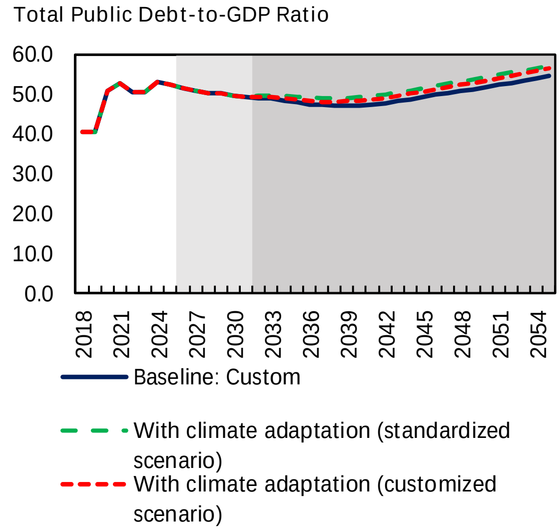
Permanent adjustment needed in the pension system to keep pension assets positive for:	30 years	50 years	Until 2100
(pp of GDP per year)	2.0%	4.6%	6.7%



Commentary: North Macedonia is transitioning to a multi-pillar pension system. The pension module illustrates the additional financing need during the transition period (beyond 2030) for both benefit spending and transfers to the 2nd pillar fund. After the transition is completed by the mid-2050s, the financing need from the budget is assumed to be stable as the objective of the multi-pillar system is to reduce financing needs and currently there are no long run projections from the authrorities.

Annex II. Figure 7. North Macedonia: Climate Change: Adaptation





Commentary: The standardized scenario uses standard costs for additional adaptation investment needs on new investments as well as strengthening existing assets, including coastal protection, all reflected in a higher permanent primary deficit. The customized scenario removes coastal protection as North Macedonia is land-locked.

Annex III. External Sector Assessment

Overall Assessment: Based on the EBA-lite current account model, the external position in 2025 is assessed to be broadly in line with the level implied by medium-term fundamentals and desirable policies. However, continued real wage growth and limited productivity gains could further weaken competitiveness.

Potential Policy Responses: The exchange rate peg provides an anchor of stability for the economy and should be supported by appropriately tight monetary and fiscal policies, and productivity-enhancing structural reforms that address labor market shortages, reduce informality, improve the business environment, and strengthen governance.

Foreign Assets and Liabilities: Position and Trajectory

Background. North Macedonia's net international investment position (NIIP) improved to -51.6 percent of GDP in 2025, a cumulative improvement of 12 percent of GDP since the 2020 pandemic peak. In 2025, a decline in foreign reserve assets and an accumulation of other investment-related liabilities were offset by weaker net FDI and portfolio investment. Gross foreign assets and gross foreign liabilities declined to 58.1 and 109.8 percent of GDP, respectively.

Assessment. External sustainability risks arising from a negative NIIP are mitigated by the large share of FDI, which accounts for 97 percent of the NIIP (53 percent of foreign liabilities). The NIIP is projected to stabilize at around -54 percent of GDP over the medium term, reflecting continued FDI inflows, lower other investment, and slower reserve accumulation amid a more gradual correction of the current account deficits.

2025 (% GDP)	NIIP: -51.6	Gross Assets: 58.1	Debt Assets: 2.3	Gross Liab.: 109.8	Debt Liab.: 9.2

Current Account

North Macedonia: EBA-lite Model Results, 2025

	CA model 1/	REER model 1/
	(in percent of GDP)	
CA-Actual	-4.4	
Cyclical contributions (from model) (-)	-0.2	
Additional temporary/statistical factors (-)		
Natural disasters and conflicts (-)	-0.3	
Adjusted CA	-3.9	
CA Norm (from model) 2/	-3.9	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	-3.9	
CA Gap	-0.1	-4.7
o/w Relative policy gap	1.0	
Elasticity	-0.5	
REER Gap (in percent)	0.1	10.0

1/ Based on the EBA-lite 3.0 methodology.
2/ Cyclically adjusted, including multilateral consistency adjustments.

Background. The current account (CA) deficit widened to 4.4 percent of GDP in 2025. While the goods balance remained broadly unchanged, the secondary income and services balances weakened, with the latter reflecting higher services imports associated with the accelerated construction of the Corridor 8/10d roads by a foreign contractor. Goods exports remained modest amid sluggish external demand, although services exports continued to perform strongly. In 2026, North Macedonia's foreign trade was temporarily disrupted by a coordinated border blockade in response to the EU's new Entry/Exit System (EES); the entry into force of the EU's CBAM requirements impacted electricity exports; and the Middle East conflict pushed global energy prices higher, with the current account deficit projected to increase amid higher energy imports.

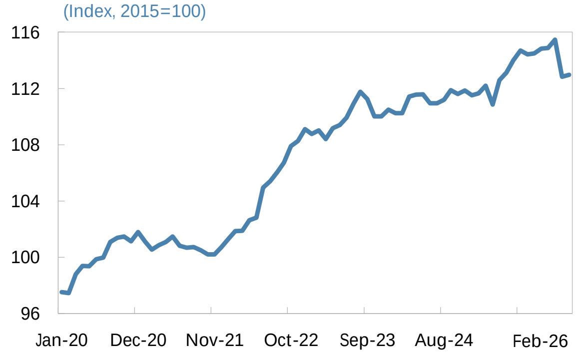
Assessment. Based on the EBA-lite CA model, North Macedonia's external position in 2025 is assessed to be broadly in line with the level implied by medium-term fundamentals and desirable policies. The EBA-lite model estimates the cyclically adjusted current account norm at -3.9 percent of GDP, similar to the cyclically adjusted actual CA balance, resulting in a CA gap of less than -0.1 percent of GDP. Model results include a -0.8 percent of GDP unexplained residual, with the largest contributions to the estimated CA norm coming from variables related to labor productivity and outward migration, the latter being used as a proxy for current transfers. However, while the UN data-based migrant share has increased steadily over the years, similar trends were not observed in secondary income, suggesting that model results may underestimate the CA norm. North Macedonia remains susceptible to abrupt shifts in external conditions given its dependency on energy imports, concentrated exports, and the need for capital inflows to support its economic development. The current account widened largely due to dissaving by the public sector; therefore, fiscal consolidation is expected to play an important role in supporting external adjustment.

Real Exchange Rate

Background. The CPI-based real effective exchange rate (REER) appreciated by 15.4 percent during 2015–25. Most of this appreciation occurred during the energy crisis (2022–23) when inflation differential vis-à-vis the euro area soared, though weak productivity and labor underutilization have also contributed. After moderating in 2024, the inflation differential widened again in 2025, reflecting strong domestic demand and persistent core inflation.

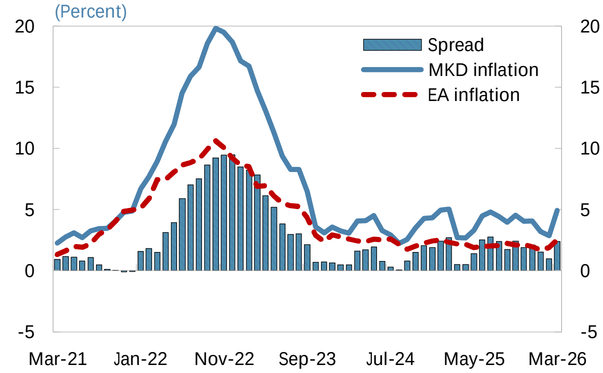
Assessment. The REER is estimated to be overvalued by 0.1 percent under the CA model. The REER model indicates a more substantial overvaluation of 10 percent, largely due to the contribution from an unexplained model residual. Persistent inflation differentials with major trading partners could erode competitiveness and require a coherent policy mix: fiscal consolidation and adequately tight monetary policy to rebuild policy buffers; macroprudential tools to contain systemic risks; and productivity-enhancing structural reforms to raise growth potential.

Real Effective Exchange Rate
(Index, 2015=100)



Source: IMF EER database.

Headline Inflation Spread
(Percent)



Sources: Haver Analytics and IMF staff calculations.

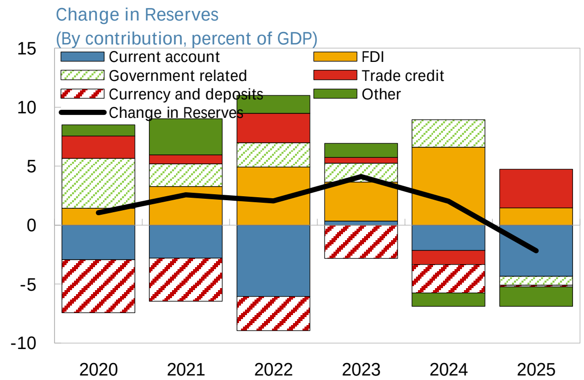
Capital and Financial Accounts: Flows and Policy Measures

Background. Net financial inflows weakened in 2025 due to lower FDI and government-related flows, even as outflows from currency and deposits moderated and trade credits increased. Government-related flows moderated following the €500 million Eurobond redemption in January, which was met with proceeds from a bilateral €1 billion loan from Hungary. The first tranche of this loan was received in October 2024, and the second in January 2025.

Assessment. In 2026, capital inflows are projected to strengthen, driven by Eurobond issuance and higher FDI. North Macedonia raised €1 billion through two Eurobond tranches in January 2026, part of which will be used to repay a maturing €700 million Eurobond. There were no changes in capital flow measures (CFMs) in North Macedonia in 2025.

FX Intervention and Reserves Level

Background. North Macedonia has a de facto stabilized exchange rate regime. The peg to the euro is implemented by the NBRNM through standing offers to main banks to buy and sell FX within a narrow range around the target rate. Over the last decade, annual interventions have been volatile—ranging between -4.3 and +3.5 percent of GDP—but overall positive (net purchase of FX). During 2025, net purchases amounted to 0.5 percent of GDP. Valuation gains of reserve assets, notably gold, have offset part of GIR decline. FX demand increased in the beginning of 2026, with the NBRNM selling FX in Q1 through net FXI.



Sources: NBRNM and IMF staff calculations.

Assessment. The FX market remains stable, with end-March reserves at €5.2 billion (113 percent of the ARA metric), benefiting from the earlier Eurobond issuance. However, reserve coverage of short-term debt and the current account deficit has weakened. Under the baseline scenario of moderating current account deficits—while elevated in the near term—and steady capital inflows, reserve coverage is expected to be maintained in the medium-term and to improve relative to short-term debt and the current account deficit. A protracted energy price shock may have a more sustained impact on reserves.

Annex IV. Data Issues

Annex IV. Table 1. North Macedonia: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
B							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	B	A	A	B	A	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	C	B	B	A	B		
Granularity 3/	B		A	A	A		
			B		A		
Consistency			A	B		A	
Frequency and Timeliness	A	A	A	A	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.

2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).

3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data collection and dissemination have some shortcomings but remain broadly adequate for surveillance. Key issues include: (i) large revisions to national accounts (e.g., a 1 percentage point upward revision to 2023 real GDP growth), delays in releasing quarterly data, and inconsistencies between the expenditrue and production approaches; (ii) large fluctuations in deflators, which complicate analysis and hamper surveillance; (iii) GFS data that do not fully capture the general government; (iv) incomplete information on financial institutions outside the banking sector; (v) incomplete coverage of real estate developments and risks—including banks' direct and indirect exposures—disaggregated by borrower type (for households, distinguishing primary residences from investment properties), and limited price indicators (e.g., beyond the capital city and commercial real estate); and (vi) long reporting lags for some datasets, particularly FSIs.

Changes since the last Article IV consultation. With Fund CD support, the authorities plan to incorporate the road fund into the general government starting in 2025. Following the Fund's TA (December 2023), the NBRNM prepared a pilot version of the BoP and positions in IIP, aiming to address inconsistencies between stocks and flows. The SSO is preparing to update the national accounts by September 2026 in line with IPA 2022, aligned with ESA 2010 standards, including by strengthening real estate coverage. In parallel, the SSO is developing a large-language-model-based tool trained on its metadata to enable natural-language queries of statistical datasets and enhance public access to data.

Corrective actions and capacity development priorities. Priorities include improving consistency and reducing the need for large future revisions to national accounts, improving deflator quality, expanding coverage of non-bank financial institutions, improving indicators pertaining to real estate developments and risks, and developing and publishing a commercial real estate (CRE) price index. These efforts need to be underpinned by strengthening staffing levels and securing adequate and sustained resources for the State Statistical Office, which is critical for building institutional capacity and has been repeatedly highlighted by the authorities as a key constraint.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use alternative data or estimates in place of official statistics.

Other data gaps. Disaggregation of Gross Capital Formation into GFCF and changes in inventories remains limited at the time of release. Improvements relating to the measurements of the size and nature of the informal economy, comprehensive taxpayer databases, and detailed transaction-level information (which e-invoicing aims to provide) would facilitate the modernization of tax administration.

Annex IV. Table 2. North Macedonia: Data Standards Initiative

North Macedonia adheres to the Special Data Dissemination Standard (SDDS) Plus since January 2019 and publishes the data on its National Summary Data Page. The latest SDDS Plus Annual Observance Report is available on the Dissemination Standards Bulletin Board (https://dsbb.imf.org/).

Annex IV. Table 3. North Macedonia: Summary of Data Quality Factsheets[1/2/]

1/ The heatmap compares different dimensions of the country's data quality to its regional and income group peers, based on the findings from sectoral data quality factsheets. The ratings are based on the following scoring system: good data quality (shown as green-colored cells in the map) refers to countries that meet or exceed the relevant benchmarks established in statistical manuals or the Fund's dissemination standards, whereas weak data quality (shown as red-colored cells) refers to countries that lag behind these benchmarks or do not report the data. In cases where a statistical standard or benchmark is not established (e.g., internal consistency between CPI and GDP deflator, size of unidentified debt-creating flows), good data quality refers to countries that are at or above the median of the Fund membership, and weak data quality refers to countries below this median or without the data.

2/ All colored-cells in this heatmap are also presented in sectoral data quality factsheets (worksheets starting with "DQF-"), in the form of bar charts and heatmaps, together with additional details and sources. In the case of granularity-related indicators, which are based on heatmaps in data quality factsheets, we take the median rating of individual data categories to determine the cell color (i.e., "green" if the country's median rating is above or equal to the Fund median and "red" if not).

3/ The consistency indicator captures the following in each sector: the 5-year average correlation between CPI and GDP deflator inflation in the real sector ("Prices"); the size of unidentified government debt creating flows in the fiscal sector; and the size of net errors and omissions in the balance of payments in the external sector.

4/ GO: Government Operations; ESS: External Sector Statistics; MFS: Monetary and Financial Statistics; and FSI: Financial Soundness Indicators.

Disclaimer: Information reported in the map—sourced from FAD, SPR, STA, and RES databases, as well as from the authorities' National Summary Data Page (for those countries participating in the Data Standard Initiatives), may be incomplete or outdated. This information is offered as input for the team's overall assessment of data adequacy, which should also reflect each country's surveillance priorities and specific circumstances.

Annex IV. Table 4. North Macedonia: Table of Common Indicators Required for Surveillance
As of Apr. 16, 2026

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[8]	Frequency of Reporting[8]	Expected Frequency[8,9]	North Macedonia[10]	Expected Timeliness[8,9]	North Macedonia[10]
Exchange Rates	4/16/2026	4/16/2026	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Feb-26	3/31/2026	M	M	M	M	1W	1M
Reserve/Base Money	Mar-26	4/7/2026	M	M	M	M	2W	2W
Broad Money	Feb-26	3/19/2026	M	M	M	M	1M	1M
Central Bank Balance Sheet	Mar-26	4/14/2026	M	M	M	M	2W	2W
Consolidated Balance Sheet of the Banking System	Feb-26	3/21/2026	M	M	M	M	1M	1M
Banks' Financial Soundness Indicators	Q4-2025	3/31/2025	Q	Q	Q	Q	1Q	1M
Residential Real Estate Prices[2]	Q1-2026	4/3/2026	Q	Q	Q	Q	1Q	1Q
Total Assets of Other Depository Corporations[3]	Feb-26	3/21/2026	M	M	M	M	1M	1M
Total Credit from Other Depository Corporations[3]	Feb-26	3/21/2026	M	M	M	M	1M	1M
Sectoral Breakdown of Credit from Other Depository Corporations[3]	Feb-26	3/21/2026	M	M	M	M	1M	1M
Currency Breakdown (domestic vs. foreign currency) of Other Depository Corporations' Total Assets and Credit Indicators (total and sectoral breakdowns)[3]	Feb-26	3/21/2026	M	M	M	M	1M	1M
Interest Rates[4]	4/16/2026	4/16/2026	D	D	D	...	...	...
Consumer Price Index	Mar-26	4/7/2026	M	M	M	M	1M	10D
Revenue, Expenditure, Balance and Composition of Financing[5]–General Government[6]	Q4-2025	1/20/2026	Q	Q	A/Q	A/Q	2Q/12M	2Q/12M
Revenue, Expenditure, Balance and Composition of Financing[5]–Central Government	Feb-26	3/26/2026	M	M	M	M	1M	1M
Stocks of Central Government and Central Government-Guaranteed Debt[7]	Q4-2025	1/30/2026	Q	Q	Q	Q	1Q	1Q
Total Stock of General Government Debt[6]	Q4-2025	1/30/2026	Q	Q	Q	Q	4M	1Q
External Current Account Balance	Q4-2025	2/27/2026	Q	Q	Q	Q	1Q	60D
Exports and Imports of Goods and Services	Mar-26	4/6/2026	M	M	M	M	8W	40D
GDP/GNP	Q4-2025	3/3/2026	Q	Q	Q	Q	1Q	80D
Gross External Debt	Q4-2025	3/26/2026	Q	Q	Q	Q	1Q	1Q
International Investment Position	Q4-2025	3/26/2026	Q	Q	Q	Q	1Q	1Q

[1] Includes net market value of derivative positions.
[2] Required only from Members with Systemically Important Financial Sectors.
[3] Other depository corporations include all deposit-taking corporations (except for the central bank) and money market funds.
[4] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[5] Foreign, domestic bank, and domestic nonbank financing.
[6] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[7] Including currency and maturity composition.
[8] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.
[9] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.
[10] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

Annex V. GDP Nowcasting Model for North Macedonia

1. **The GDP nowcasting suite of models is designed to provide timely, high-frequency signals of real economic activity ahead of the release of official quarterly national accounts.** Given the inherent publication lag of GDP statistics and the rapid evolution of domestic and external conditions, near-term assessments based solely on quarterly data risk being backward-looking. Nowcasting therefore supports real-time policy assessments, risk analysis, and communication. This framework uses both linear and nonlinear models to harness non-traditional ("big data") indicators, capture rapid shifts in economic conditions that are not yet reflected in traditional statistics, and potentially deliver more resilient nowcasts even in periods of structural breaks or unprecedented shocks.

2. **The model draws on a large panel of monthly and quarterly economic indicators as well as a set of "big data" indicators.** It employs 58 high-frequency indicators, including measures of industrial production, construction and retail activity, trade volumes, employment and wages, price indices, and survey-based confidence indicators.[1] In addition, the framework incorporates 9 indicators from alternative data sources, including satellite-based nighttime light intensity, vegetation indices (NDVI, EVI, VHI), aerosol optical depth, and precipitation measures. These indicators help mitigate data lags and gaps in standard macroeconomic statistics by providing timely signals of economic activity: nighttime lights capture electricity usage and urban activity, vegetation indices reflect agricultural conditions, and aerosol measures proxy for industrial production and energy use. Critically, satellite data is available with almost no publication lag, giving it a significant timeliness advantage over official statistics.

Annex V. Table 1. North Macedonia: Big Data Indicators Used

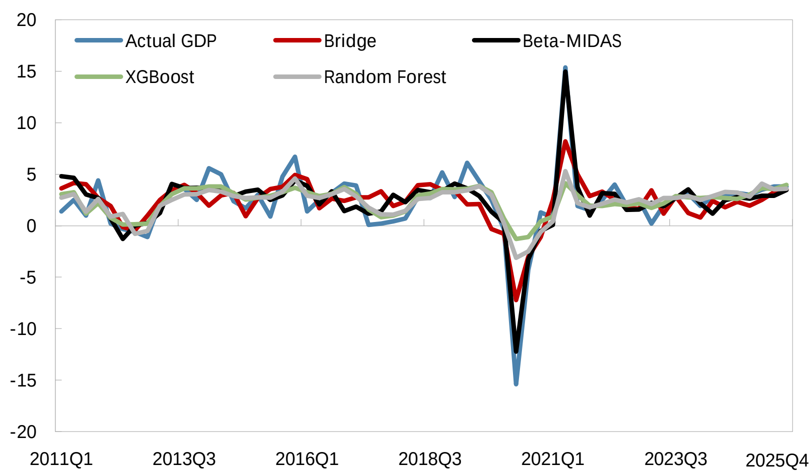
Nighttime Lights (NTL)
Nitrogen Dioxide (NO2)
Aerosol Optical Depth (AOD 47 and AOD 55)
Particulate Matter 2.5 (PM 2.5)
Normalized Difference Vegetation Index (NDVI)
Enhanced Vegetation Index (EVI)
Vegetation Health Index (VHI)
Precipitation (PCP)
Agricultural Stress Index (ASI)

3. **The results point to continued growth momentum in North Macedonia in 2025Q4.** Figure 1 compares realized GDP growth with model nowcasts and shows that the framework tracks

[1] The baseline specification draws from indicators in the following broad categories: Real activity: industrial production (total and non-consumer), construction activity proxies, retail and wholesale trade indicators; Demand and services: services turnover, employment and wage indicators, fiscal proxies where available; Labor market: registered employment, unemployment-related indicators; Confidence and surveys: business and consumer confidence indicators; External sector: exports, imports, and partner-country activity proxies.

historical developments closely. The top four models nowcast GDP growth in the range of 3.5–4.0 percent (y/y) for 2025Q4, and the baseline ensemble nowcast—a weighted average of these models based on historical accuracy—is 3.78 percent, closely matching the actual release of 3.8 percent. Table 2 summarizes nowcasts for 2025Q1–Q4 from the four top-performing models: Bridge, Beta-MIDAS, XGBoost, and Random Forest. Importantly, the individual model nowcasts are broadly aligned, providing a useful cross-check on the robustness of the near-term growth signal. The inclusion of satellite data contributes approximately one percentage point of upward signal relative to models trained without these indicators, suggesting that nontraditional data provides economically meaningful information beyond what conventional statistics capture.

Annex V. Figure 1. North Macedonia: GDP Growth: Actual Outcomes and Model Nowcasts



Source: IMF staff calculations.

Annex V. Table 2. North Macedonia: GDP Nowcasts from Top-Performing Models (percent, y/y)

Quarter	Model 1: Bridge	Model 2: Beta-MIDAS	Model 3: XGBoost	Model 4: Random Forest	Ensemble Model	Actual Growth
2025 Q1	1.93	2.64	3.02	2.81	2.82	3.0
2025 Q2	2.52	2.91	3.68	4.1	3.55	3.5
2025 Q3	3.23	2.93	3.55	3.53	3.44	3.8
2025 Q4	3.54	3.48	3.96	3.59	3.78	3.8

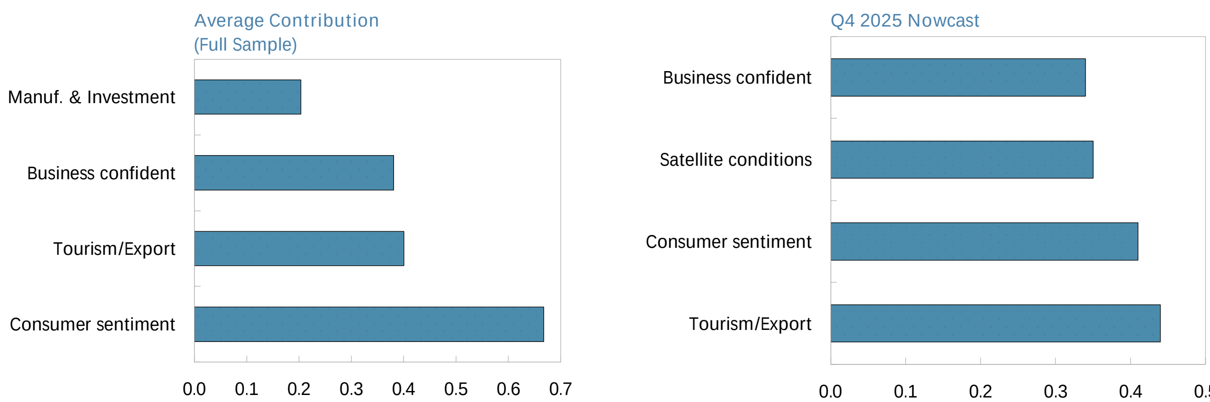
Source: IMF staff calculations.

4. The drivers of the nowcasts are consistent with economic intuition. To identify which signals matter most for the forecasts, we use SHAP (SHapley Additive exPlanations) decomposition, which quantifies each principal component's contribution to a given nowcast. Across the full sample (Table 3), consumer sentiment—a principal component driven by consumer confidence, major purchase intentions, and price expectations—emerges as the single most important factor, consistent with private consumption as the main driver of historical growth. Tourism and export

signals rank second, underscoring the importance of external demand and cross-border income flows (including remittances and foreign tourist arrivals) for a small open economy. Business confidence, reflecting industry sentiment, services confidence, and order books, ranks third. For 2025Q4 specifically, tourism and exports become the dominant driver, followed by consumer sentiment—consistent with the strong export performance and robust household consumption observed in the quarter. One important limitation is that construction-related proxies (building permits, completed construction, construction sentiment) show weak historical correlations with GDP, so the models do not capture the large construction contribution to Q4 growth. Improving the model's ability to capture construction activity remains a priority for future iterations.

5. The nowcasting framework is intentionally multi-model, benchmarking linear and nonlinear methods and selecting top performers based on recent out-of-sample accuracy. Given the large indicator set, principal component analysis (PCA) is used as a dimensionality-reduction step, extracting 13 common factors that summarize co-movements across the 58 indicators. Each factor can be given an economic interpretation—for example, the first factor (explaining 18.4 percent of total variation) captures business confidence, while the second (9.7 percent) captures consumer sentiment. The model suite includes ten specifications spanning traditional linear benchmarks and machine-learning approaches. Models are evaluated on their ability to predict the next quarter's GDP growth using information available up to the current quarter through repeated pseudo-nowcasting exercises. Among the full set, four models consistently perform best: two machine-learning tree models—XGBoost and Random Forest—and two conventional econometric models—Bridge and Beta-MIDAS—consistent with the value of combining different modeling paradigms to capture both linear relationships and nonlinear interactions in the data.

Annex V. Table 3. North Macedonia: Top Factor Contributions to GDP Nowcast



Source: IMF staff calculations.

Source: IMF staff calculations.

Annex VI. Implementation of Article IV and FSAP Recommendations

Annex VI. Table 1. North Macedonia: Implementation of Article IV Recommendations	
Key Recommendations	Implementation Status
Fiscal Policy	
Continue fiscal consolidation to comply with fiscal rules and to build buffers	
• Target a fiscal deficit of 4 percent of GDP in 2025 in compliance with fiscal rules. Reduce tax expenditures. Reduce transfers and avoid increasing spending by freezing further wage and pension increases. • Adopt concrete measures to achieve the MTFS targets for further fiscal consolidation, maintain credibility, and build fiscal buffers.	• Some progress. The government reached its deficit target of 4 percent of GDP in 2025 by cutting and delaying capital spending. However, key reforms in reducing tax expenditure and containing wage and pension growth were not considered. • Not implemented. The MTFS lacks concrete measures to deliver the deficit reduction path. The 2026 budget is projected to exceed the government's target.
Accelerate reforms on domestic revenue mobilization	
• Deepen tax administration reforms, including digitalization. • Rationalize tax expenditure.	• Implemented. The Public Revenue Office took a number of measures, including piloting e-Invoice. • Some progress. With IMF CD, the calculations on tax expenditure were updated.
Improve public expenditure management	
• Reform the public wage negotiation system.	• Some progress. A workgroup was established on public wage reforms. The wage negotiation system remains fragmented.
• Adhere to a rule-based system for pension adjustments (indexed only to inflation) and implement paramedic reforms to ensure sustainability.	• Not implemented. Reforms were not considered.
• Operationalize the PIM unit.	• Implemented.
• Start spending review pilots.	• Not implemented. A Spending Review unit has been established and guidance produced, however, no spending reviews have yet been started.
• Enhance SOE supervision. Enhance ESM efficiency, reduce electricity subsidy, and expand targeted transfers to vulnerable households.	• Some progress. Established SOE department and SOE check tool. ESM made progress in improving its efficiency, but electricity in the regulated market remained subsidized.

Annex VI. Table 1. North Macedonia: Implementation of Article IV Recommendations (continued)

Key Recommendations	Implementation Status
Monetary Policy	
• The NBRNM should keep interest rates on hold and liquidity measures should be tightened until there is clear evidence of sustained disinflation; stand ready to tighten if inflation risks materialize.	• Implemented. The main policy rate was kept unchanged at 5.35 percent until December and, following the introduction of the new monetary framework, set the rate on the new main policy instrument at 4 percent, broadly comparable to the policy rate under the previous framework. Reserve requirements were tightened in November 2025.
• NBRNM should strengthen the monetary transmission mechanism by upgrading the monetary operations framework, including by narrowing the interest corridor, reducing the maturity of CB-bills and improving the auction system for central bank bills.	• Implemented. The NBRNM successfully introduced the new monetary policy framework, adopting 7-day central bank bills as the main policy instrument and conducting operations through volume tenders, together with a standard 100 bps symmetric corridor of standing facility rates around the policy rate.
Financial sector	
Further align regulation with the EU standards	
• Progress on key legislative reforms to align North Macedonia's financial framework with EU standards, accelerate the implementation of the Bank Resolution Law and the Deposit Insurance Law.	• Some progress. Implementation has been postponed from October 2025 to end-June 2026. The government has opted for targeted amendments to aligning the existing Banking law with the new Bank Resolution Law and the Deposit Insurance Law by end-June 2026. A more comprehensive alignment of banking legislation with CRDVI/CRRIII has been delayed.
Strengthen the AML/CFT framework	
• Further strengthen the AML/CFT framework and its implementation, in particular by improving the track record in pursuing organized crime, financial crime and related ML cases and recovering criminal assets.	• Some progress. North Macedonia remedied shortcomings regarding transparency of payment through legal reforms in 2025. Informed by the updated national risk assessment, the Sixth National AML/CFT Strategy 2026–29 was adopted in February 2026, which identifies key priorities for AML/CFT reforms during the period, including those recommended in previous Article IV. Going forward, the implementation of the strategy would be critical.
Tighten macroprudential policies if strong real-estate-related credit growth persists	
• Further tightening of macro prudential settings if lending and real estate prices continue growing strongly.	• Some progress. Borrower-based measures were tightened in December 2025 to contain rising household credit risks (LTV capped at 75%, DSTI at 50% (45% for FX loans). While the countercyclical capital buffer (CCyB) is scheduled to increase to 2 percent in October 2026, the authorities decided not to undertake additional tightening at the March 2026 meeting.

Annex VI. Table 1. North Macedonia: Implementation of Article IV Recommendations (continued)	
Key Recommendations	Implementation Status
Maintaining central bank operational independence	
• Realign profit retention rule with Safeguards Assessment, to preserve central bank operational and financial autonomy.	• Not implemented. The January 2025 amendments to the NBRNM Law reversed profit-retention provisions aligned with Safeguards Assessment recommendations, with no corrective amendments adopted since.
• NBRNM staff should be excluded from the law on public sector employees and the law on administrative servants	• Some progress. The Law on Administrative Servants adopted July 2025 explicitly excludes NBRNM. The Law on Public Sector Employees does not explicitly mention the NBRNM, but does not exclude it either.
Structural	
Accelerate structural reforms to boost productivity and offset emigration	
• Accelerate productivity-enhancing structural reforms to lift growth potential and facilitate EU accession.	• Some progress. The authorities made progress under the RGF commitments, though there is scope to deepen institutionally demanding reforms, e.g., in governance.
• Strengthen the labor market: improve educational quality, vocational training, childcare, and flexible work arrangement; avoid ad hoc minimum wage adjustments.	• Some progress. The authorities advanced legislative reforms in the education sector aiming to address mismatches of skills and employer-relevance by improving qualifications governance, introducing modular curricula, and deepening work-based learning/dual education.
• Improve investment and business environment by reducing informality, streamlining business regulations, increasing digitalization, and reassessing state aid schemes.	• Some progress. The authorities made progress on aligning digital transition legislation with the EU requirements, increased number of labor and market inspections, though progress on streamlining business regulations, consolidating para-fiscal charges, and reassessing state aid schemes has been limited.
• Improve predictability of legal and regulatory environment, functioning of the rule of law, and anti-corruption.	• Limited progress. The authorities are working on updating the anti-corruption strategy, though the Criminal Code alignment with international standards is yet to be achieved and progress in addressing staffing constraints in the judiciary, strengthening independence and impartiality remains limited. The framework for income and asset declarations and prevention of conflicts of interests merits further enhancement, including in terms of more effective sanctions.

Annex VI. Table 1. North Macedonia: Implementation of Article IV Recommendations (concluded)	
Key Recommendations	Implementation Status
Enhance energy sector efficiency	
• Improve ESM's efficiency and governance while scaling up investment in renewable energy to expand generation, reduce costs, and replace inefficient, polluting plants.	• Some progress. The Government has initiated few new investments through ESM in RES based generation. Private investments in PV have significantly increased. In parallel, ESM's management has taken steps to improve domestic coal mining at lower cost, negotiate cheaper imported inputs, and enhance operational efficiency.
• Set incentives for energy efficiency and prepare for the EU's Carbon Border Adjustment Mechanism, including considering a carbon tax.	• Some progress. ESM's offered price to the regulated market has increased, however the company continues supplying the full needs of the regulated market below cost recovery.

Annex VI. Table 2. North Macedonia: Implementation of 2019 FSAP Recommendations

FSAP Recommendations	Time	Authorities' Actions
Financial Stability Assessment		
Create a centralized macrofinancial database; collect granular household data.	MT	The Decision on borrower based macroprudential instruments (Official Gazette Nos. 2/23, 96/23 and 193/23) entered into force on July 1st, 2023. In September 2025, a new set of borrower-based measures was adopted (Official Gazette No. 194/25). Based on this regulation, as well as the Credit Registry regulation, banks reporting to the NBRNM Credit Registry have, since July 2023, provided more granular household-level data on borrower-based indicators, such as DSTI, DTI, and LTV. This data is used in the analysis, particularly for monitoring the implementation of the regulation. In 2019 and early 2020, the NBRNM initiated amendments to the NBRNM Law to create conditions for obtaining data on individuals' salaries, but the proposal was not accepted and the Law was not amended.
Improve liquidity reporting to better estimate stable and less stable deposit outflows and prepare for implementation of the liquidity coverage ratio (LCR).	ST	The NBRNM Decision on risk management requires banks to implement an Internal Liquidity Adequacy Assessment Process. Upgraded regulation on liquidity risk management (Official Gazette Nos. 146/2020, 57/2023, and 27/2025), closely aligned with Basel III and EU requirements, was adopted in 2020 and entered into force in early 2021. The new regulation requires banks to maintain a minimum Liquidity Coverage Ratio (LCR) of 100 percent and to report to the NBRNM at least monthly, and more frequently during periods of liquidity stress.
Monitor and gradually strengthen banks' FX liquidity buffers.	MT	The more stringent liquidity risk reporting requirements described above will enable closer monitoring of foreign exchange liquidity buffers. However, consistent with EU regulations, banks are not required to maintain minimum levels of LCR (of 100 percent) by currency. The NBRNM does not plan to impose a separate minimum ratio for FX positions but is ready to use its regulatory power to limit excessive currency mismatches if observed.
Financial Stability Oversight		
Systemic Risk Oversight and Macroprudential Policies		
Assign the NBRNM a legal macroprudential mandate via primary legislation.	ST	The Financial Stability Law (Official Gazette of RNM, No. 173/22), which entered into force in August 2023, establishes the NBRNM's macroprudential mandate for the banking sector. In April 2024 amendments to the NBRNM Law were adopted (published in Official Gazette of RNM, No. 74/24), that among other, explicitly regulates macroprudential mandate of the National bank i.e. NBRNM task for implementation of the macroprudential policy and for undertaking macroprudential measures for banks and other institutions it licenses. The Executive Board of the NBRNM is engaged with undertaking macroprudential measures, while methodologies for the manner of determination of these measures are defined by the NBRNM Council decisions.

Annex VI. Table 2. North Macedonia: Implementation of 2019 FSAP Recommendations (continued)		
FSAP Recommendations	Time	Authorities' Actions
Reconstitute the Financial Stability Committee (FSC) as principal domestic coordination body for macroprudential policy and crisis management.	MT	The Financial Stability Law (Official Gazette of RNM, No. 173/22) formalizes the FSC as an inter-institutional body (It includes all financial regulators) responsible for monitoring the implementation of macroprudential policy in the RNM and for coordinating activities when identifying and monitoring systemic risks in certain segments of the financial system, when taking macroprudential measures and when preparing for and managing financial crises. The Committee aims to contribute to achieving and maintaining financial stability in the country. As determined by the Law the FSC meets regulary (semiannually), while two subcommittees (for Monitoring of systemic risks and suggesting macroprudential measures and for Crisis management) meet quarterly.
Further develop the systemic risk monitoring framework.	ST	In April 2023, the FSC adopted the Strategy on Macroprudential policy that outlines the key risks and monitoring framework. The NBRNM has been deploying CCyB and capital buffer for SIB as well as borrower-based measures such as DSTI, DTI, loan maturity and LTV. Ongoing capacity development (CD) from development partners is helping further strengthen the monitoring framework (e.g., developing monitoring indicators of systemic risks). The NBRNM received IMF capacity development support in 2021 to strengthen its capacity for bottom-up bank stress testing and, in 2023, engaged in discussions with IMF staff on the deployment of macroprudential tools. As a result, a new methodology for top-down macro stress testing was developed and has been implemented since 2024 (for the macro stress test pertaining to 2023). Moreover, some improvements have been made to sensitivity stress tests related to liquidity risk and to the assessment of household vulnerabilities to assumed macroeconomic shocks. To enhance the macroprudential framework, the NBRNM upgraded its organizational structure by splitting the former Department for Financial Stability, Banking Regulation, and Bank Resolution into two separate departments: the Department for Financial Stability and Macroprudential Policy, and the Department for Bank Regulation and Bank Resolution. This allows for a more focused approach to financial stability issues and for the adequate development of macroprudential tools and instruments. The new organizational structure was implemented on January 1, 2022. Internal methodologies on early warning indicators (EWI) and the Composite Indicator of Systemic Stress (CISS) have been developed and implemented as additional analytical tools in the decision-making process related to the CCyB. Moreover, activities have been undertaken to improve the analytical and monitoring framework for real estate markets. In this regard, a new memorandum of understanding was signed with the Agency for Real Estate Cadastre to enrich the databases on North Macedonia's real estate market, and additional analytical tools have been developed to assess the fundamental value of apartments and current conditions in the real estate market.

Annex VI. Table 2. North Macedonia: Implementation of 2019 FSAP Recommendations (continued)

FSAP Recommendations	Time	Authorities' Actions
		Numerous activities have also been undertaken in the area of climate risk assessment. As a result, a so-called "green dashboard" was developed and published on the NBRNM's website, where it is regularly updated in line with data availability. In addition, special topics in the NBRNM's Financial Stability Report are devoted to separate analyses of the physical and transition components of climate risks.
Banking Supervision		
Enhance the NBRNM's independence by excluding it from the scope of the Law on Administrative Officers; and strengthen governance arrangements.	ST	To strengthen governance arrangements, a separate body was established within the NBRNM in 2018 to deal with issues where there are disagreements between the Governor and supervisory staff as well as all licensing processes. The Amendments to the NBRNM Law, from April 2024 established the Executive Board (EB) as a collegiate decision-making body. The EB is composed of the governor and the three vice-governors, as one of NBRNM's governing bodies. The Governor's mandate for issuing/revoking licenses and consents for financial institutions, taking measures against banks and other financial institutions as well as against payment institutions, electronic money institutions and payment system operators that are subject to supervision, has been transferred to the EB. Also, the EB has the authority to conduct monetary and exchange rate policies and take macro-prudential measures. In addition, the April 2024 amendments to the Law on the National Bank repealed the provisions concerning the problematic status of NBRNM employees as administrative servants. Furthermore, in July 2025, new Laws on Administrative Servants and Public Sector Employees were adopted. The Law on Administrative Servants explicitly excludes the National Bank from its scope. At the same time, the Law on Public Sector Employees does not explicitly mention the National Bank, nor can the National Bank be identified under the definition of public sector institutions provided in the law. With the adoption of these provisions, the risk of undermining the independence of the National Bank, in terms of the status of its employees, has been significantly reduced. In January 2023, a draft Law on Public Sector Salaries was published for public consultation. The draft explicitly states that the wages of NBRNM employees would be subject to limitations by the Government, posing an additional risk to the NBRNM's independence. There have been no new developments or initiatives regarding this draft law since then.
Increase supervisory intensity for domestic systemically important banks (D-SIBs), supported by adequate rise in staffing.	MT	Full-scope inspection of one D-SIB was undertaken in the first half of 2019. Every year since then, at least one D-SIB is subject to a full scope examination and on average 3–4 D-SIBs are included in the annual On-site Examination Plan of the banks. Additionally, in 2024, a horizontal review of SIBs' stress-testing and ICAAP frameworks was carried out. Younger on-site supervisory staff, as well as

Annex VI. Table 2. North Macedonia: Implementation of 2019 FSAP Recommendations (continued)		
FSAP Recommendations	Time	Authorities' Actions
		several more experienced employees with banking experience have been recruited and there is ongoing training process in order to develop the necessary skills and expertise for supervisors.
Financial Markets Infrastructure (FMI) Oversight		
Amend the legal framework to enhance transparency and consistency in FMI identification, regulation, and oversight. Extend NBRNM oversight to all FMIs.	ST	The new Law on Financial Instruments which will be applicable since October 2026, regulates that the Securities Exchange Commission and the National Bank cooperate while performing their oversight tasks. In particular, this cooperation is related to the oversight activities of the National Bank to the cash lag of the securities transactions which are cleared and settled in systems operated by an authorized Depositary. The Law of the National Bank of the Republic of North Macedonia also needs to be amended in line with the latest provisions in the Law on Financial Instruments, which has been initiated by the National Bank with the Ministry of Finance.
Financial Integrity		
Ensure effective implementation of the new Law and National Strategy on AML/CFT and strengthen staffing at the Financial Intelligence Office (FIO).	MT	Amendment of the Law on Prevention of Money Laundering and Financing of Terrorism was published on October 9th, 2024. This Amendment addresses shortcomings in the provisions of the Law identified in the MONEYVAL Report of the fifth round of evaluation in May 2023. It also fully aligns with EU legislation relevant to the prevention of money laundering and terrorist financing (Directive 2018/843), which means improving the prescribed standards, among other things, necessary for the country's accession process to SEPA (Single European Payments Area). The Sixth National Strategy for Combating Money Laundering and Financing of Terrorism 2026–2029 was adopted in February 2026. In October 2023, the National Bank of the Republic of North Macedonia adopted a new Decision on the manner of implementation of measures for prevention of money laundering and terrorist financing. The Decision was published in the Official Gazette of the Republic of North Macedonia in October 2023. This was a comprehensive Decision that, inter alia, encompasses the all AML/CFT measures and activities that need to be taken by all obliged entities within the supervisory remit of the National Bank (banks, savings houses, payment and e-money institutions and exchange offices). A specific section of the Decision is dedicated to the measures for prevention of terrorist financing and proliferation that need to be undertaken by obliged entities. Staffing at the Financial Intelligence Office (FIO) has increased.
Crisis Management and Resolution		
Finalize draft legislation for a new resolution regime, aligned with	ST	The new Bank Resolution Law has been approved on Oct. 3, 2023, which transposes EU standards, and will be implemented starting from June 30, 2026. The NBRNM received CD for the preparation

Annex VI. Table 2. North Macedonia: Implementation of 2019 FSAP Recommendations (continued)

FSAP Recommendations	Time	Authorities' Actions
international best practices as appropriate to North Macedonia, and strengthen the Deposit Insurance Fund (DIF).		of the law and its implementation, as well as for the development of the necessary by-laws, as defined in the New Law. The whole package of by-laws was adopted by the National Bank's Council in March 2025, and will be operational with the implementation of the new Law. The NBRNM's new organizational structure provides for the establishment of a separate Department for Banking Regulation and Bank Resolution. This department will focus on further strengthening the existing banking regulatory framework, while also building adequate resources and capacities for resolution planning and for undertaking resolution actions, if needed. Appropriate amendments to the Law on Deposit Insurance, which will enable the smooth implementation of the Bank Resolution Law, are being drafted by a working group established by the Ministry of Finance, with representatives from the Ministry of Finance, the National Bank, and the Deposit Insurance Fund. In addition, amendments to the current Banking Law, aimed at aligning it with the new Bank Resolution Law, are being drafted by the same working group.
Establish the NBRNM's new resolution unit, develop resolution toolkit, and initiate resolvability assessments and resolution planning for at least all D-SIBs.	MT	As mentioned above, a new Banking Regulations and Bank Resolution Department was established in 2021, which will be responsible for performing the resolution function within the National Bank. Even before 2021, there was a separate organizational unit—Financial Stability, Banking Regulations and Bank Resolution that was responsible for capacity building for performing the new function. With the adoption of the Bank Resolution Law, the Banking Regulations and Bank Resolution Department continued to build its capacity, to develop appropriate by-laws (secondary legislation) and toolkits. After the transitional period prescribed in the Bank Resolution Law, the National Bank will develop resolution plans, initiate resolvability assessments, define MREL requirements, etc. These activities will encompass all banks, not just systemically important banks.
Financial Efficiency and Inclusion		
Enhance the out-of-court restructuring framework.	ST	The draft Insolvency Law and framework were expected to include early detection and early intervention. The law was expected to be submitted to parliament by the end of 2023, but the reform has since stalled.
Strengthen auditors' quality and corporate accounting standards and practices.	MT	A new Audit Law is being drafted to fully comply with the EU Audit Directive and Regulation on specific requirements regarding statutory audit of public-interest entities to ensure that audits are of adequate quality and carried out by auditors and firms that are subject to stringent requirements. Broadening the definition of public-interest entities is also being considered, for example to include state-owned or joint-stock companies that are legally required to have their financial statements audited, as well as other listed non-financial companies. The latest versions of the International

Annex VI. Table 2. North Macedonia: Implementation of 2019 FSAP Recommendations (concluded)		
FSAP Recommendations	Time	Authorities' Actions
		Financial Reporting Standards (IFRS9) and International Accounting Standards will be translated in the course of 2022 and will be implemented in 2023. In 2022, the National Bank adopted a new Decision on the scope of the audit of banks' annual financial statements and operations (Official Gazette No. 83/22), introducing more stringent requirements regarding the scope of the audit of banks' annual financial statements. In addition, in 2018, the National Bank adopted a new Decision on good corporate governance rules for banks, which was amended in 2019 and is aligned with the latest international standards on banks' corporate governance.
Financial Efficiency and Inclusion		
Enhance the out-of-court restructuring framework.	ST	The draft Insolvency Law and framework were expected to include early detection and early intervention. The law was expected to be submitted to parliament by the end of 2023, but the reform has since stalled.
Strengthen auditors' quality and corporate accounting standards and practices.	MT	A new Audit Law is being drafted to fully comply with the EU Audit Directive and Regulation on specific requirements regarding statutory audit of public-interest entities to ensure that audits are of adequate quality and carried out by auditors and firms that are subject to stringent requirements. Broadening the definition of public-interest entities is also being considered, for example to include state-owned or joint-stock companies that are legally required to have their financial statements audited, as well as other listed non-financial companies. The latest versions of the International Financial Reporting Standards (IFRS9) and International Accounting Standards will be translated in the course of 2022 and will be implemented in 2023. In 2022, the National Bank adopted a new Decision on the scope of the audit of banks' annual financial statements and operations (Official Gazette No. 83/22), introducing more stringent requirements regarding the scope of the audit of banks' annual financial statements. In addition, in 2018, the National Bank adopted a new Decision on good corporate governance rules for banks, which was amended in 2019 and is aligned with the latest international standards on banks' corporate governance.

INTERNATIONAL MONETARY FUND

REPUBLIC OF NORTH MACEDONIA

May 12, 2026

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

European Department
(In Consultation with Other Departments)

CONTENTS

FUND RELATIONS

(As of April 30, 2026)

Membership Status:	Joined 12/14/1992; Article VIII	
As of March 31, 2026		
General Resources Account:	SDR Million	Percent of Quota
Quota	140.30	100.00
Fund holdings of currency	333.22	237.51
Reserve position	0.00	0.00
SDR Department:	SDR Million	Percent of Allocation
Net cumulative allocation	200.09	100.00
Holdings	3.35	1.67
Outstanding Purchases and Loans:	SDR Million	Percent of Quota
Precautionary and Liquidity Line[1]	192.92	137.50

Latest Financial Commitments:

Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
PLL [1]	Nov 21, 2022	Nov 20, 2024	406.87	203.44
PLL [1]	Jan 19, 2011	Jan 18, 2013	413.40	197.00
Stand-By	Aug 31, 2005	Aug 30, 2008	51.68	10.50

Outright Loans: [2]

Type	Date of Commitment	Date Drawn/Expired	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RFI	Apr 10, 2020	Apr 14, 2020	140.30	140.30

[1] Formerly PCL.
[2] Undrawn outright disbursements (RFI and RCF) expire automatically 60 days following the date of commitment, i.e. Board approval date.

[1] Formerly PCL.

Overdue Obligations and Projected Payments to Fund[2]
(SDR million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2026	2027	2028	2029	2030
Principal	31.57	86.81	59.63	14.91	
Charges/Interest	8.62	9.89	7.07	5.48	5.37
Total	40.19	96.70	66.70	20.39	5.37

Exchange Rate Arrangements:
The de jure exchange rate arrangement is floating. Under the Law on Foreign Exchange Operations (Article 33), the denar exchange rate is freely determined on the basis of supply and demand in the foreign exchange market. However, the National Bank of the Republic of North Macedonia (NBRNM) participates in the foreign exchange market (Article 34), in order to achieve the goals of the monetary and foreign exchange policies. The NBRNM implements the monetary strategy of targeting the nominal exchange rate against the euro. The intermediary objective of the monetary policy is to maintain a stable denar exchange rate. Thus, the NBRNM maintains a stable exchange rate within a narrow band of bid-ask exchange rates determined by the Committee for Operational Monetary Policy. The de facto exchange rate arrangement is classified as a stabilized arrangement. North Macedonia has accepted the obligations of Article VIII, Sections 2, 3, and 4 of the IMF's Articles of Agreement, and currently maintains an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions.

Article IV Consultations:
The first consultation with the Republic of North Macedonia was concluded in August 1993. The last consultation was concluded on May 6, 2025 (IMF Country Report 25/101). North Macedonia is on the standard 12-month Article IV consultation cycle.

[2] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Table 1. Republic of North Macedonia: Technical Assistance Since 2016		
Purpose	Department	Date
Public Debt Management	MCM/WB	January, 2017
Public Expenditure and Financial Accountability (PEFA)	FAD/WB	December 2021
Public Financial Management	FAD	September 2019
Review of Public Investment Management (PIM) Decree and Manual	FAD	December-January 2024
Public Investment Management	FAD	February 2020 July 2021
PIMIS Implementation	FAD	September-October 2024
Public-Private Partnership Law	FAD	January 2021
Cash Management within broader PFM reforms)	FAD	October 2017
Organic Budget Law	FAD	December 2017
Fiscal Rule and Fiscal Council	FAD	February 2018
Fiscal Transparency Evaluation	FAD	April 2018
Identifying and Managing Fiscal Risks	FAD	February 2026
Strengthening the Analysis and Disclosure of Fiscal Risks	FAD	September-October 2024 June 2025
Analyzing and Disclosing Fiscal Risks	FAD	January-February 2024
SOE Fiscal Risks	FAD	October 2025
Credit Guarantee Scheme	FAD	July 2020
Tax Policy	FAD	January 2017 September 2017
Tax Administration	FAD	April 2016 May 2016 July 2016 May 2017 September 2017 March 2018 December 2018 March 2019 May 2019 January 2021 January-February 2025
Tax IT System Improvement	FAD	May 2017 September 2017 May 2021 June 2024
Taxpayer Registration	FAD	November 2018
Tax Treaty Policy	FAD	October 2019
Tax Audit Function	FAD	February 2016 November 2016 March 2017 February 2018 March 2020 May 2021

Table 1. Republic of North Macedonia: Technical Assistance Since 2016 (continued)		
Tax Arrears Management	FAD	September 2018 November 2019 April 2021
Tax Expenditures Assessment Report	FAD	March 2024 February 2026
Taxpayer Services	FAD	November 2021
Management Reporting System and KPIs	FAD	March 2021
Large Taxpayers Office	FAD	March 2016 October 2019 September 2024
Personal Income Taxation	FAD	December 2021
Property Tax System	FAD	September 2017 April 2018
Transfer Pricing and Related International Issues	FAD	September 2017 December 2018
Tax Compliance Management	FAD	October 2016 November 2016 October 2018 October 2019 February 2020 October 2021
Tax Policy Analysis Capacity	FAD	March 2023
Value Added Tax	FAD	August 2021
PFM Budget Preparations	FAD	June 2023
PFM Laws and Institutions	FAD	Jun 2023
Government Finance Statistics	STA	June 2016 November 2016 February 2017 July 2017 November 2017 March 2018 June 2018 November 2018 March 2019 July 2019 November 2019 September 2020 April 2021 November 2021 April 2022 January 2024 November 2025
External Sector Statistics	STA	April 2017 December 2023
Sectoral Financial Accounts and Balance Sheet Statistics	STA	October 2018 February 2022
Modernizing central bank communication	MCM	Apr 2026

Table 1. Republic of North Macedonia: Technical Assistance Since 2016 (concluded)		
FX Operations	MCM	Aug 2025
ICAAP and BU-ST Qualitative Review	MCM	July 2025
Pilot Program on ICAAP and the Use of Bottom-Up Stress Testing in Banking Supervision	MCM	Feb-May 2024
Annual Borrowing Plan	MCM	December 2024
Stress Testing the Banking Sector	MCM	June-July 2021
Emergency Liquidity Assistance	MCM	February 2021
Central Bank Governance	MCM	September 2020
Cash supervision	MCM	December 2021 May-July 2023
Central Bank Operations (Liquidity Forecasting and Organization of Monetary Policy Operations)	MCM	May 2022
Supervisory stress testing	MCM	June 2023
Central Bank Operations (FX Market Operations and Functioning)	MCM	July 2023
Calibrating OMOs and FX Operations	MCM	December 2023
Capacity Building for ICAAP and Bottom-up Stress Testing	MCM	July 2025
National Bank Law	LEG	October 2020 March 2021
Regional Advisors		
Revenue Administration	FAD	2015-
Public Financial Management	FAD	2015-
FSAP Participation and ROSCs (since 2003)		
FSAP	MCM/WB	May-June 2003
FSAP update	MCM/WB	March 2008 April 2018 July 2018 September 2018
Central Bank Transparency Review		
Central Bank Transparency Review (Pilot)	MCM/LEG	June 2021

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

IMF-World Bank Collaboration:

The Bank and the Fund country teams on the Republic of North Macedonia maintain close collaboration, seeking synergies and harmonizing policy recommendations. The teams broadly agree in their assessment of the economic situation in the country.

- Country page: https://www.worldbank.org/en/country/northmacedonia/overview

- Overview of World Bank Group lending: https://financesone.worldbank.org/countries/north%20macedonia

- IBRD-IDA project operations: https://projects.worldbank.org/en/projects-operations/projects-summary?countrycode_exact=MK&title=North%20Macedonia

The European Investment Bank:

- Country page: https://www.eib.org/projects/country/north-macedonia.htm

European Bank for Reconstruction and Development:

- Country page: https://www.ebrd.com/north-macedonia.html

- EBRD projects: https://www.ebrd.com/home/what-we-do/where-we-invest/north-macedonia.html#customtab-62c8b99761-item-cd8d607847-tab

Statement by Marnix van Rij, Alternate Executive Director for Republic of North Macedonia, Stijn Verhelst Advisor to Executive Director
Executive Board Meeting
May 29, 2026

On behalf of the authorities of the Republic of North Macedonia, we thank Mr. Gigineishvili and his team for the constructive dialogue. **The authorities broadly share staff's views on recent developments and risks, and value the Fund's continued engagement**. They remain firmly committed to prudent macroeconomic policies, resilience under the de facto exchange rate peg, and advancing reforms to support inclusive growth and EU convergence.

Macroeconomic developments

North Macedonia's economy has demonstrated resilience, despite headwinds from a volatile external environment, including the war in the Middle East and Russia's war against Ukraine. Real GDP growth in 2025 exceeded initial expectations, reaching 3.5 percent. Strong economic momentum continued into early 2026 but has come under pressure from the increasingly unfavorable external environment. Inflation declined substantially until February 2026, yet this disinflation trend has similarly been temporarily interrupted by higher energy prices. The external position remains broadly aligned with fundamentals, supported by the authorities' strong commitment to maintaining stability.

The authorities emphasize that current macroeconomic conditions in North Macedonia are stronger than at the time of the 2022 energy crisis. In addition to resilient growth, the foreign exchange market remains stable and international reserves are at comfortable levels, reflecting confidence in the longstanding de facto denar–euro exchange rate peg. Drawing on IMF advice, fiscal, monetary, and structural policy frameworks have been strengthened in recent years. The authorities welcome staff's recognition of these improvements.

Fiscal policy

Fiscal policy will continue to focus on reducing the deficit, protecting priority spending, and fully implementing fiscal rules. The authorities reaffirm their commitment to fully implement the medium-term fiscal framework that was introduced by the 2022 Organic Budget Law. They aim to meet the 3 percent of GDP deficit target by 2028, while safeguarding capital investment and targeted social support.

The authorities are conducting a mid-year budget review to ensure that concrete policies are in place to meet the 2026 deficit target. The 2025 fiscal deficit target of 4.0 percent of GDP was met through spending reprioritization and strict expenditure control. Similarly, the supplementary mid-year 2026 budget will adjust policies where needed with the aim of meeting the 2026 deficit target of 3.5 percent of GDP.

In response to the energy shock, the authorities implemented carefully designed, temporary measures to cushion the shock's immediate impact on households and

firms. These measures relied on existing policy instruments, including temporary VAT reductions on fuel. These reductions have clear sunset clauses and are being phased out as conditions allow. The support measures have been cautiously calibrated to limit fiscal costs.

Domestic revenue mobilization reforms are advancing through digitalization and modernization of the Public Revenue Office. The authorities have been focusing efforts on substantially improving the capacity of the Public Revenue Office. This includes the rollout of mandatory e-invoicing, a revamp of IT tax systems, and a strengthening of risk-based compliance management. The authorities will continue their efforts, with the aim of further improving the tax base.

The authorities have taken steps to contain current spending while strengthening public investment management. They have also resisted broad-based minimum wage increases. Moreover, legislation has been enacted to limit pension increases to an indexation formula, thereby moving away from previous discretionary increases. The new public investment management unit in the Ministry of Finance is now fully operational and is playing a key role in screening projects and monitoring their execution.

Monetary policy and financial sector

The National Bank of the Republic of North Macedonia (NBRNM) welcomes staff's assessment that the new monetary policy framework has enhanced operational flexibility and effectiveness. The framework, introduced in December 2025, has benefited from extensive collaboration with IMF staff. As staff recognizes, it has led to higher transparency and improved pass-through of monetary policy. The NBRNM appreciates staff's further recommendations and will carefully consider them as the framework continues to mature.

The NBRNM underscores its readiness to adjust the policy rate and deploy additional instruments if needed to keep inflation expectations anchored. Monetary policy was tightened over the past period, contributing to the decrease in inflation in 2025 and early 2026. As the energy shock is unfolding, the NBRNM is carefully assessing its impact on inflation. Monetary policy will remain cautious and data-dependent, and the NBRNM stands ready to act decisively should inflationary pressures persist.

Financial sector risks continue to be closely monitored by the NBRNM. As staff notes, capital and liquidity buffers remain strong in the banking sector, and non-performing loans have declined to historically low levels. The authorities are nonetheless closely monitoring emerging pockets of risk, such as the uptick in mortgage lending and property prices. In this context, the NBRNM has taken steps to tighten macroprudential policy, including borrower-based measures (BBMs) and repeatedly increasing the countercyclical capital buffer (CCyB) to 2 percent, with the latest increase becoming effective later this year.

Major improvements in the payment system are underway. North Macedonia joined the Single Euro Payments Area (SEPA) in March 2025, with most banks becoming operational by October 2025, marking a significant step in financial integration with the EU. In parallel, work with several other central banks is progressing on further enhancing payment services through a regional instant payment system, designed as a clone of the Eurosystem's TARGET Instant Payment Settlement (TIPS) platform.

Structural reforms

Like staff, the authorities place high priority on advancing structural reforms to foster medium-term growth and convergence with the EU. They welcome staff's quantification of the potential growth impact of reforms. The authorities underscore their commitment to reforms, as demonstrated by the progress under the EU Reform and Growth Facility.

Labor market and business-climate reforms are gaining momentum, in line with commitments under North Macedonia's 2024-2027 Reform Agenda. The authorities are enhancing vocational training, work-based learning, and labor market flexibility. They are also reducing labor market informality by implementing their strategy to formalize the informal economy. The authorities have taken measures to reduce the administrative and regulatory burden for enterprises, notably by streamlining regulatory procedures and expanding digital public services.

The authorities have intensified their efforts to strengthen good governance, including through the adoption of EU-aligned standards in the Criminal Code. These reforms have been welcomed in the Council of Europe's Group of States Against Corruption 2025 report. The authorities are also implementing the 2024–28 Judicial Reform Strategy, which is enhancing the capacity of key judicial institutions. The Anti-Corruption Commission has been further strengthened, and work is underway on an updated National Anti-Corruption Strategy (2026–30).

Energy sector reforms and the green transition are critical to the authorities. Following the 2022 energy crisis, the authorities have shifted toward more targeted support schemes. SOE reforms in the energy sector are ongoing to improve efficiency and reduce quasi-fiscal risks. The government recently signed a Memorandum of Cooperation with the UNDP on joint climate action in the energy sector, and major renewable energy investments are being implemented.

Conclusion

Recent developments underscore the authorities' strong ownership in navigating external shocks while advancing the reform momentum. North Macedonia will continue to pursue policies that enhance stability and resilience while advancing convergence with the EU. The authorities greatly value the Fund's advice and welcome the upcoming Southeast Europe Technical Assistance Center (SEETAC) as an opportunity to further deepen that engagement. In line with their commitment to transparency, they agree with the publication of the staff report and the accompanying documents.