

## MACEDONIA2025 – MONTHLY ECONOMIC MONITOR – JULY 2025

### Highlights:

- **Forthcoming municipal elections:** Municipal elections are scheduled for October 19th. Independent candidates are now eligible to run without the need to collect supporting signatures - a reform that significantly enhances democratic participation and accessibility.
- **Trade Policy:** Customs duties on imports from the United States have officially been reduced to zero. Meanwhile, Macedonian exports to the U.S. are taxed at a rate of 15%.
- **Inflation Trends:** Inflation is accelerating at a faster pace than in Eurozone countries, reaching 4.8% in July 2025. In response, a “school basket” has been introduced to monitor and stabilize essential education-related expenses.
- **Economic Growth:** Preliminary indicators suggest robust GDP growth in Q2 2025. Official data is expected to be released on September 6th.
- **Banking Sector:** Following an initiative by the National Bank, commercial banks have reduced fees for services and transactions, lowering financial costs for both citizens and businesses.
- **Energy:** The newly adopted Energy Law prioritizes renewable energy development and sets a long-term vision for sustainability.
- A new **Agency for Innovation, Scientific and Technological Development**, and Entrepreneurship is being established with mission to provide strategic and financial support for innovation activities aimed at fostering economic growth, technological advancement, and the development of the entrepreneurial ecosystem
- **Currency Stability:** The exchange rate with the Euro remains stable, while the Macedonian Denar has appreciated against the US Dollar.

## Political Developments

On October 18th, the Republic of Macedonia will hold its first round of local elections, as announced by the President of the Assembly. Under the new provisions, any citizen of the Republic of Macedonia may now submit their candidacy without prior signature collection, significantly lowering the barrier to entry.

This reform represents a meaningful step toward enhancing democratic participation, particularly for independent candidates and smaller political parties. By simplifying the nomination process, the electoral framework now better reflects the principles of inclusivity, accessibility, and political pluralism.

## Monetary policy developments

In the period April - July 2025, there were no changes in the monetary policy stance. However, the National Bank adopted a decision on a completely new pricing model for banks' payments and settlements in the Macedonian Interbank Payment System, based on the Eurosystem for fixed and predictable fees, thus creating room for simplified and reduced fees that banks charge to clients for executing e-payments through the payment systems in the country. Three banks have already announced reduced fees for the citizens.

The National Bank Council adopted the Decision amending the Decision on reserve requirement, which further strengthens the role of this instrument in encouraging the savings in domestic currency and in the long term.

## Inflation

The inflation rate accelerated over the past three months, reaching 4.8% in July 2025. Unlike the period from 2022 to 2024, when inflation was primarily food-driven, recent months have seen additional pressure from the services sector, fueled by increased private consumption. This shift coincides with a double-digit rise in average salaries, which climbed by 11% in May 2025.

Despite the growing influence of services, food prices remain the primary contributor to overall inflation.

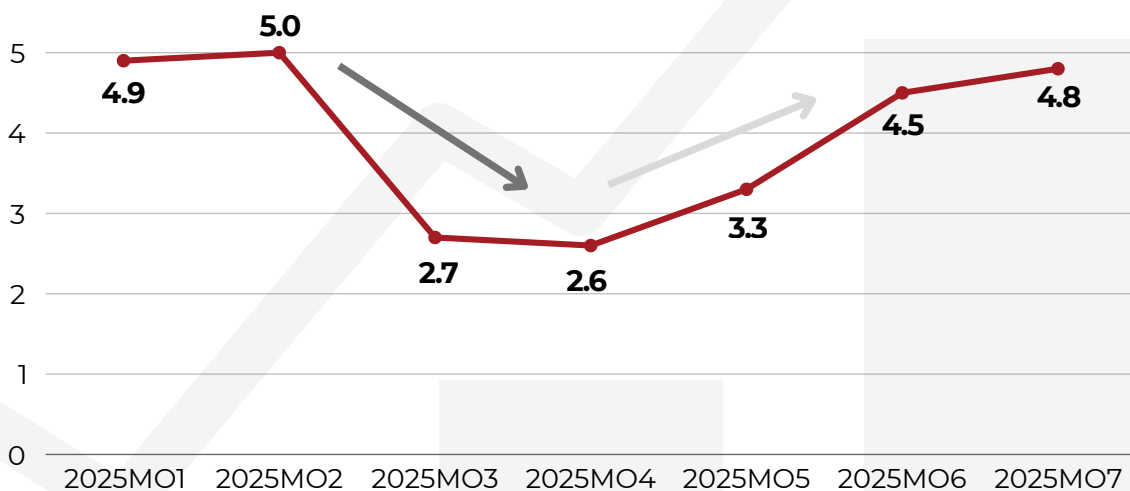


Chart 1: Inflation, annual rate of change



Chart 2: Contribution to inflation by major categories, July 2025

Chart 1 illustrates that government measures - primarily the freezing of margins on 200 essential products - were effective during their implementation. However, once these measures were lifted, inflation returned to its previous levels, indicating only temporary relief.

Looking ahead, any future government intervention in this area should be better tailored and more effective, based on a comprehensive diagnosis of inflation components.

To date, the government has introduced a “school basket” of living costs, aimed at supporting families with young children as they prepare for the new school year starting on September 1st.

### Economic developments

Economic data for the period April to July 2025 indicate positive developments across key sectors. According to our preliminary estimates, the Gross Domestic Product (GDP) growth rate, scheduled for publication on September 6th, is expected to range between 3% and 5%. The construction sector, particularly road infrastructure projects, is projected to be the primary driver of growth, followed by gains in the industrial sector.

In addition:

- Exports outpaced imports, contributing to a reduction in the trade deficit.
- Gross investments, both public and private, showed notable acceleration, reinforcing the momentum in economic activity.

### Reforms implemented in Macedonia

**Zero customs for imports from USA** – Customs duties on imports from the United States have been officially reduced to zero. Macedonia got 15% tariffs for exporting to USA.

**A new Agency for Entrepreneurship** was established. The entity will provide services and financial resources in accordance with strategies related to financial support for innovation, scientific and technological development, and entrepreneurship.

As outlined in the law, the focus will be on allocating financial resources for innovation projects aimed at the growth of newly established companies, start-ups, and spin-off enterprises. This includes the awarding of co-financed grants and conditional loans for the commercialization of innovations. Among its responsibilities will also be the provision of co-financed grants for technology transfer, with the goal of enhancing the competitiveness of micro, small, and medium-sized enterprises.

Many **government services** in Macedonia have undergone successful **digital transformation**. Key processes such as issuing citizenship, birth certificates, and other official documents are now fully available online. This advancement significantly improved the access, reduces indirect costs of obtaining the documents and reduces administrative burden. However, services provided by the Ministry of Foreign Affairs and External Trade remain largely non-digitalized. There is a substantial potential to modernize these offerings and improve accessibility, a process which is currently being implemented with a great involvement of Macedonia2025.

**New Energy Law.** This systemic, reform and European-harmonized law represents a new foundation for the energy policy in the country - a law that thoroughly regulates this sector and offers a vision for a clean, fair and sustainable energy future through a significant increase in the share of renewable sources in final consumption.