# QUARTERLY ECONOMIC MONITOR

*Projections Q2 2026*

## Q2 2026 at a Glance

**GDP GROWTH PROJECTION**
**3.5–4.5%** ▲
Acceleration from previous quarters

**INDUSTRIAL PRODUCTION**
**+4.1%** ▲
Highest growth in the last two years

**CONSTRUCTION ACTIVITY**
**+40.6%** ▲
Civil engineering and specialized construction works

**RETAIL TRADE (EX-FUELS)**
**+8.9%** ▲
Strong consumer spending supporting economic growth

**TOURISM GROWTH**
**-3.0%** ▼
Decline reflecting weaker domestic tourism demand

**LONG TERM CREDIT**
**+22.0%** ▲
Supporting investment activity

**Macedonia2025 projections: the Macedonian economy will grow between 3.5% and 4.5% in Q2 2026.**

According to the latest high-frequency indicators and available data, GDP growth in Q2 2026 is projected to range between 3.5% and 4.5%, representing an acceleration compared with previous quarters. Economic activity is expected to be driven primarily by the strong performance of the construction sector, supported by ongoing works on Corridors 8 and 10. Inflation is showing signs of a moderate acceleration; however, it is expected to gradually converge toward the monetary policy objective, with inflation projected to return to levels close to 2% in 2027.

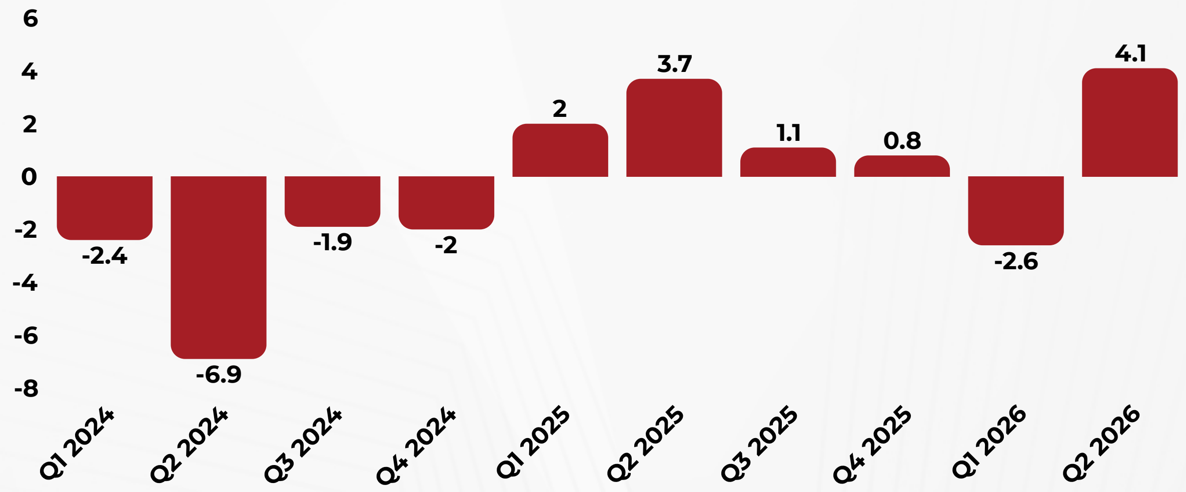
*The projection is based on the following economic developments in the second quarter of 2026:*

## GDP Production Side:

**Industrial production:** During the second quarter of 2026, industrial production increased by 4.1%, marking the strongest growth recorded in the past two years. The growth was primarily driven by higher output in manufacturing of motor vehicles (companies in the TIRZ zones), manufacturing of other non-metallic mineral products (industrial branch that produces materials for construction sector), but also Metal industry, as well as manufacturing of electrical equipment, computers, and optical products (mainly cables and connectors for data centers).

Overall, the data suggest that the industrial sector will make a strong positive contribution to GDP growth in Q2 2026.

Chart No. 1: Industrial Production, Annual Growth Rates

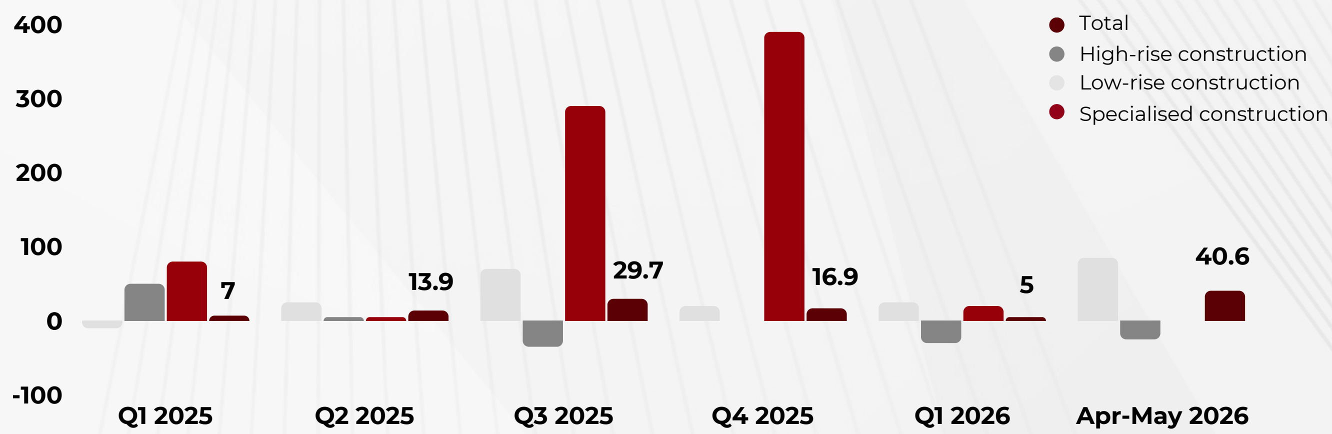



Source: State Statistical Office

**Construction Sector:** Real construction activity during April–May 2026 increased by 40.6% compared with the same period of the previous year. This growth was largely driven by strong performance in civil engineering projects and specialized construction works, while building construction activity declined.

Overall, the data indicate that the construction sector made a positive contribution to GDP growth, with the expansion primarily supported by ongoing infrastructure development across the country.

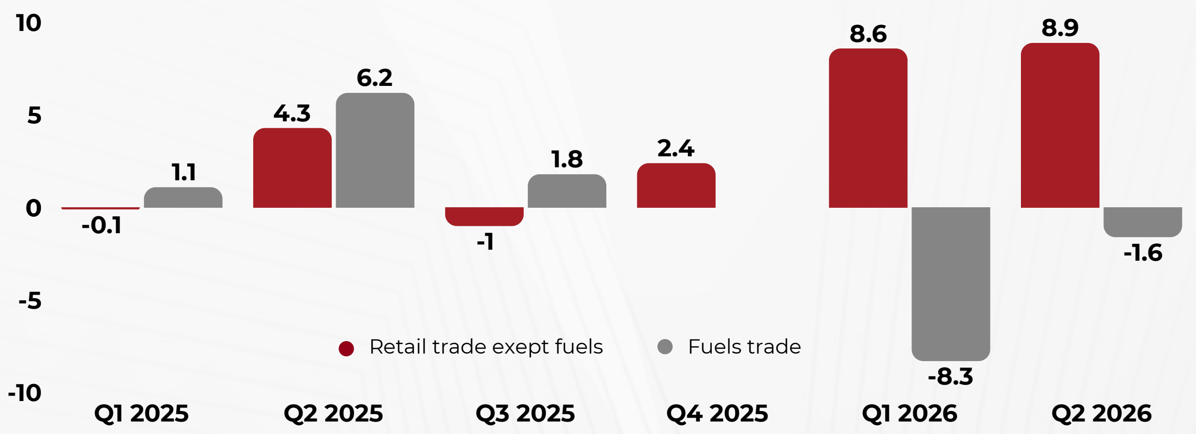
Chart No. 2: Realized Construction Works, Annual Growth Rates




Source: State Statistical Office

**Trade:** In the second quarter of 2026, retail trade except fuels recorded a real growth of 8.9%, while fuels trade growth rate was slightly negative (mainly due to increased prices, due to tensions in the Persian golf). Such trade data suggest that this sector will have small positive contribution to GDP growth.

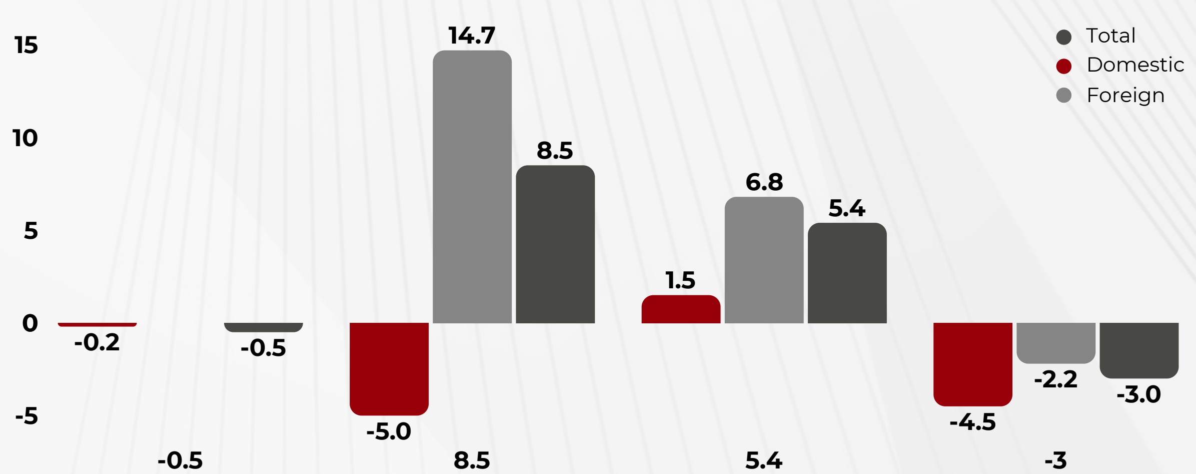
Chart No. 3: Domestic Trade, Annual Growth Rates




Source: State Statistical Office

**Tourism:** In the second quarter of 2026, the tourism sector recorded an overall decline of 3%, driven primarily by a decline in domestic visitors.
Considering these developments, tourism is expected to have a negative contribution to GDP growth in Q2 2026.

Chart No. 4: Tourism, Annual Growth Rates




Source: State Statistical Office

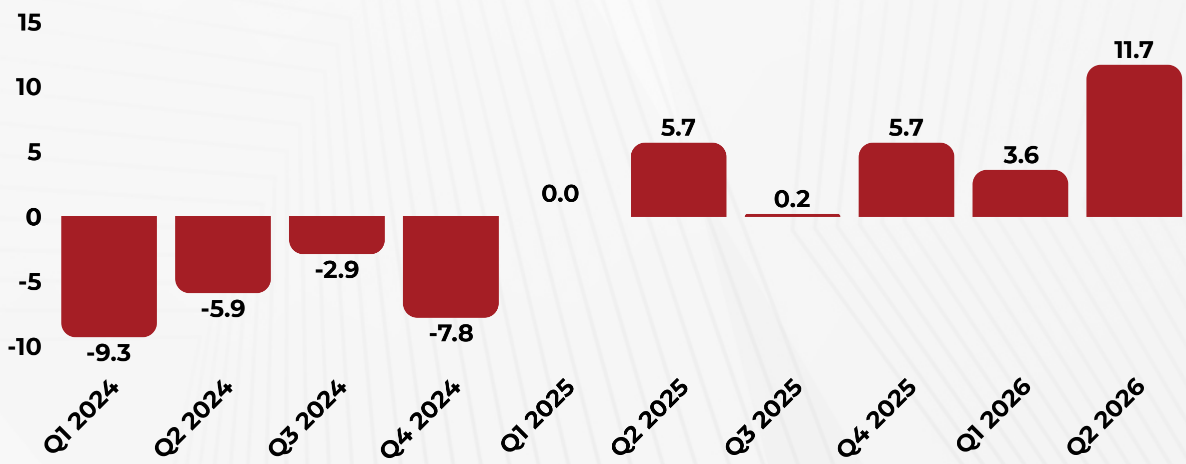
## GDP Expenditure Side:

**Foreign Trade:** Exports of goods in the second quarter of 2026 increased by 11.7%. At the same time, imports of goods increased by 14%, which led to an increase in the trade deficit.

Within the export component, a stronger positive contribution was observed from some of the production capacities located in the Technological Development Zones, particularly the export of the chemical products and electronic equipment. Furthermore, non-ferrous metals and energy exports increased as well.

Taking into account the stronger growth in imports, we expect the contribution of net exports to be slightly negative in Q2 2026.

Chart No. 5: Exports, Annual Growth Rate




Source: State Statistical Office

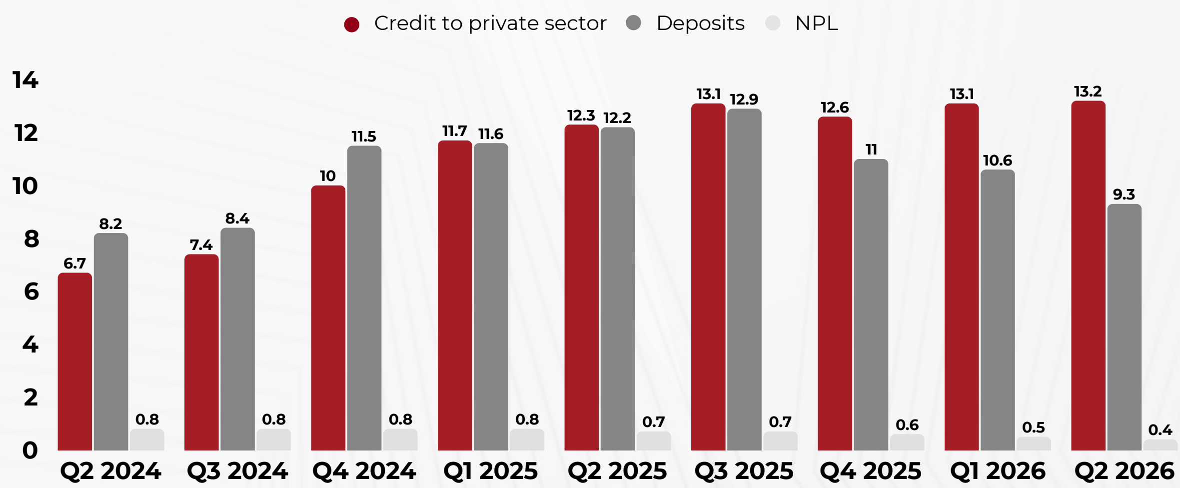
**Private Consumption:** Indicators of private consumption point to an increase in household spending. The upward trend in private sector lending continued in the second quarter of 2026, reaching the highest growth rate in the last five years. At the same time, the growth rate of Non-Performing Loans (NPLs) registered a slight decline (in June 2026 it reached 0.4%), indicating prudent financial policies.

An analysis of budget revenues indicates a strong increase in private consumption in Q2 2026 (gross VAT revenues increased by 11%). Other tax revenues also recorded strong growth.

**Gross Investments:** High-frequency indicators for Q2 2026 point to mixed trends in gross investment activity. Total long-term loans increased significantly by 22%, while state budget-funded capital expenditures decreased by 15%.

Overall, these trends suggest that gross investments likely made a moderately positive contribution to GDP growth in Q2 2026.

Chart No. 6: Loans, Deposits, and Non-Performing Loans, Annual Growth Rates




Source: National Bank of Macedonia