GOVERNOR'S ADDRESS

Navigating Volatility, AI and Digitalization

Central Bank Perspective

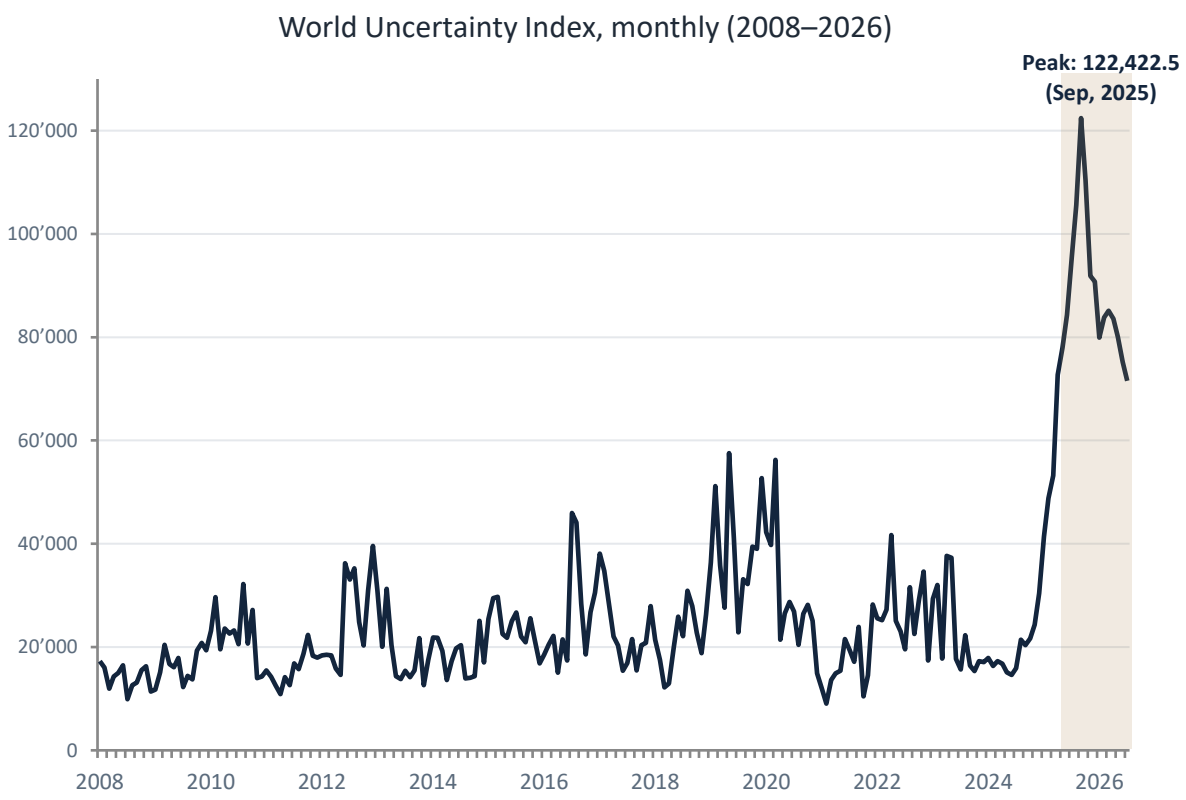
National Bank of the Republic of North Macedonia

Geneva, 2026

01

Extreme and Persistent Uncertainty and Volatility

Global economy caught in crosscurrents of war and technology — IMF WEO Update, July 2026



- **Persistent supply shocks**

  Geopolitical fragmentation, wars and trade tensions have caused persistent supply shocks and extreme volatility

- **Unpredictable rigidities**

  Ongoing trade tensions, sanctions, supply chain disruptions, and active regional conflicts have led to persistent, unpredictable supply-side rigidities

- **A greater inflation impact**

  This may now have a greater impact on inflation than in the past, and could alter inflation expectations for years to come

- **Elevated and volatile uncertainty**

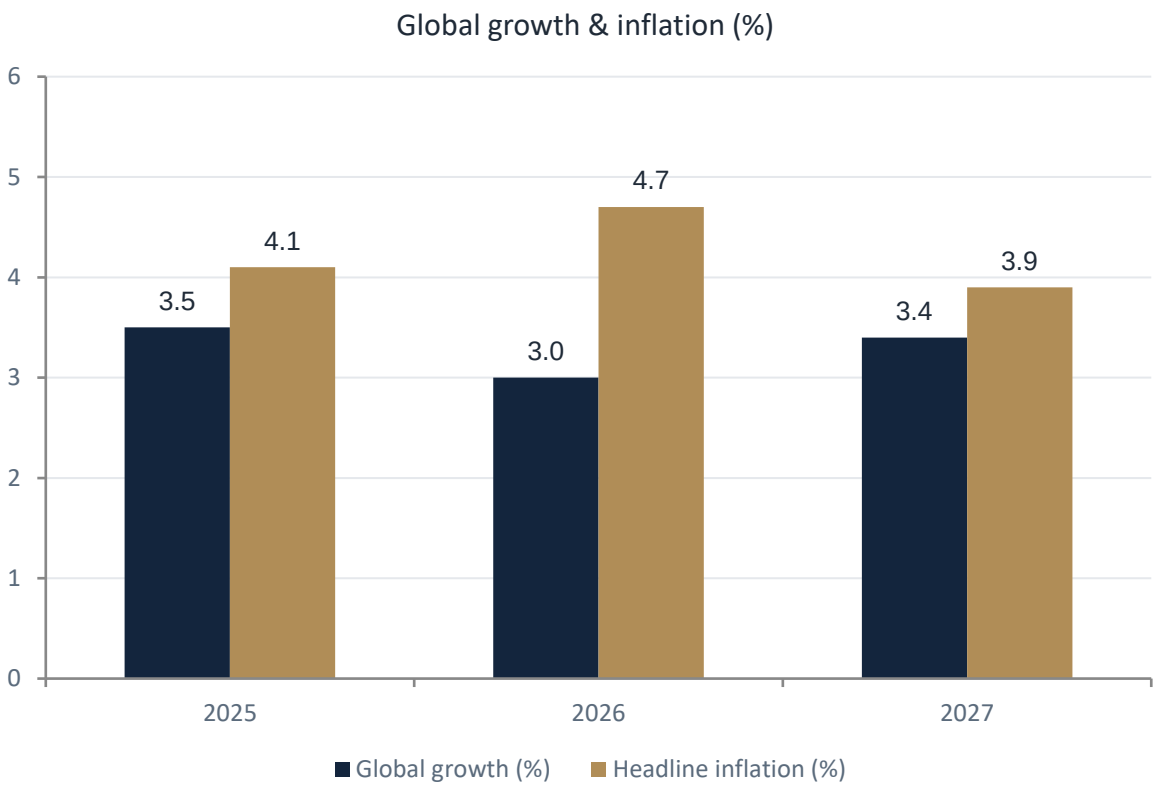
  Global uncertainty surged to a record high in September 2025 and, while easing since, has remained near historic levels through 2026

In this environment, the responsibility of central banks to serve as anchors of price stability is more critical than ever

Source: World Uncertainty Index (Ahir, Bloom and Furceri), GDP-weighted global index

02

Global Economy Caught Between War and Technology Disruptions



- **Disinflation has stalled**

  Headline inflation rose for a third straight month (y/y) in May 2026, breaking the trend in place since 2024

- **Energy prices ~25% above pre-war levels**

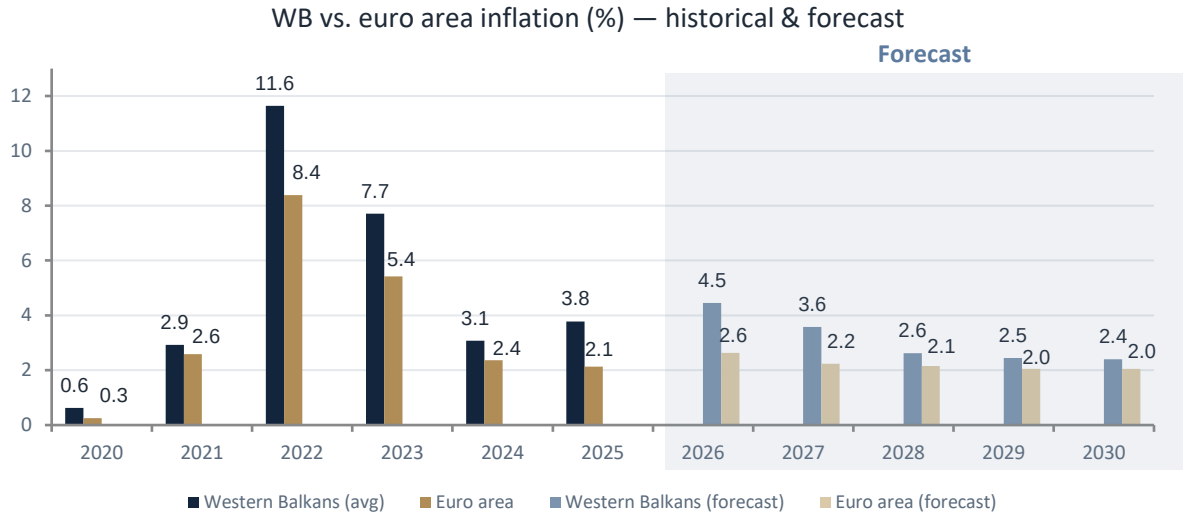
  Driven by the Middle East conflict; renewed volatility and uncertainty on international commodities markets

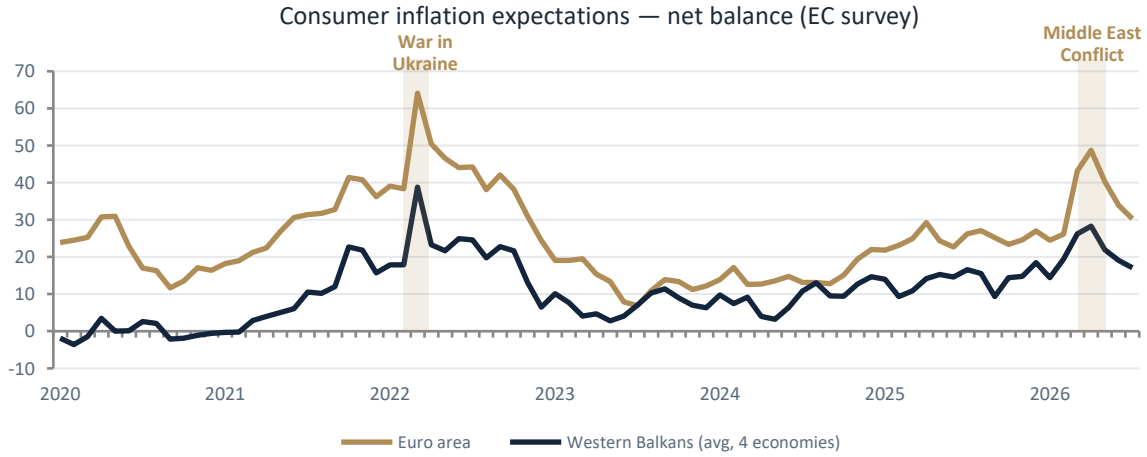
- **Policy buffers eroded**

  Elevated public debt leaves sovereign markets exposed to any reassessment of fiscal sustainability

Source: IMF, World Economic Outlook Update, July 2026

The Challenge Has Been Even More Pronounced for Smaller, Highly Open Economies





WB4 = Montenegro, N. Macedonia, Albania, Serbia (BiH & Kosovo not covered by this survey). Net balance, not a % rate.

Regional inflation divergence

Global shocks hit open Western Balkan economies hard, causing regional inflation to diverge significantly from the euro area (peaking nearly 9 percentage points higher in North Macedonia)

Credible policy success

Regional central banks successfully restored single-digit inflation, proving their policy effectiveness and credibility

Resilient expectations

Despite initial spikes following geopolitical conflicts, inflation expectations dropped rapidly due to strong central bank communication and proactive measures

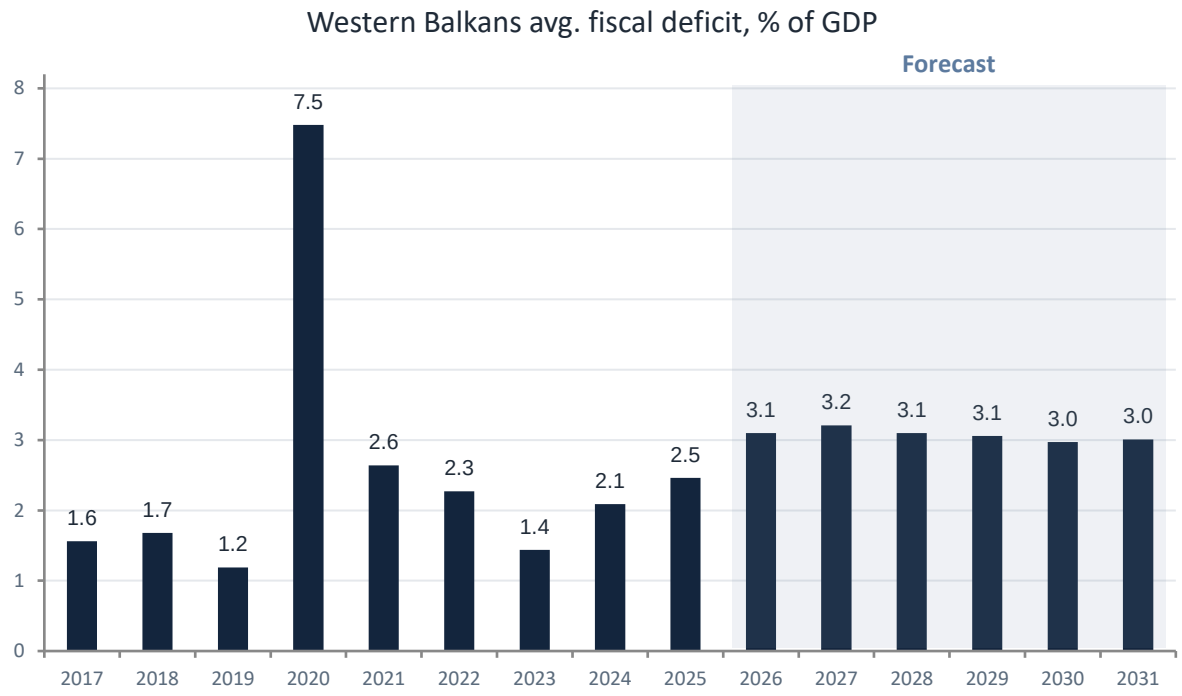
Ongoing risks

Anchored expectations remain crucial as the region navigates wage-price spiral risks, fiscal challenges, and persistently strong real wage growth following a 17% nominal wage peak in 2023

Sources: Eurostat/national HICP; IMF WEO, April 2026; European Commission Consumer Survey

04

Depleted Fiscal Buffers — Another Vulnerability



Constrained fiscal space

Budget deficits average around 3% (up from the average of 1.5% pre-pandemic), leaving little room for new discretionary support after years of crisis spending

Macroeconomic vulnerabilities

Depleted fiscal buffers limit the region's ability to handle future shocks or coordinate stabilization efforts

Central bank challenge

Combined with tight labor markets and wage growth, weak public finances heighten the medium-term risks of fiscal dominance and renewed inflation

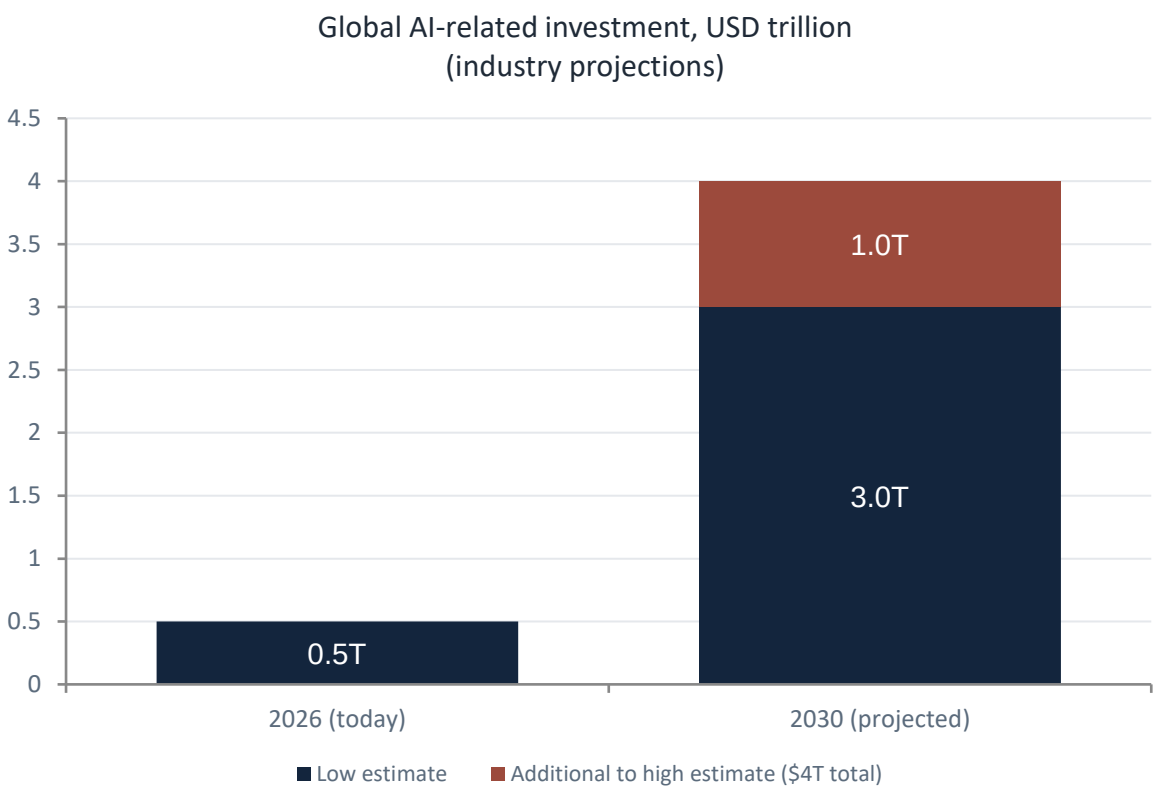
Priority: rebuild fiscal and monetary buffers while maintaining clear communication and central bank independence

Source: IMF World Economic Outlook (WEO) database, April 2026

05

AI: Another Challenge, Blurring the Cyclical Signal

By moving demand and supply at once, AI complicates monetary policy calibration



- **AI investment boom**

  AI-related investments already reached 1% of GDP in some economies and are projected to surge from $500 billion to $3–4 trillion by 2030, offsetting the economic impact of geopolitical tensions

- **Monetary policy challenge**

  AI blurs cyclical signals by boosting both demand (investment and wealth effects) and supply (productivity), making it hard to accurately gauge the natural interest rate or unemployment

- **Financial stability risks**

  Overly optimistic expectations threaten to trigger overinvestment and asset price bubbles

- **Policy response**

  Central banks must remain data-dependent and move gradually to avoid being overly accommodative or too restrictive

Source: Aldasoro, Gambacorta, Kharroubi and Rottner, BIS Bulletin No 130, July 2026

CLOSING

Resilience as a Continuous Effort

01

Rebuild buffers

Restore fiscal and monetary space against recurring, extreme shocks

02

Stay data-dependent

Calibrate policy gradually as AI blurs the demand–supply signal

03

Defend monetary autonomy

Effective monetary mandates and credibility require central bank independence, especially amid economic challenges

04

Cooperate internationally

Challenging context requires stronger international support and collaboration

Thank you.