



# SHORT-TERM ECONOMIC TRENDS

February 2021



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## SUMMARY

### OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

February 2021

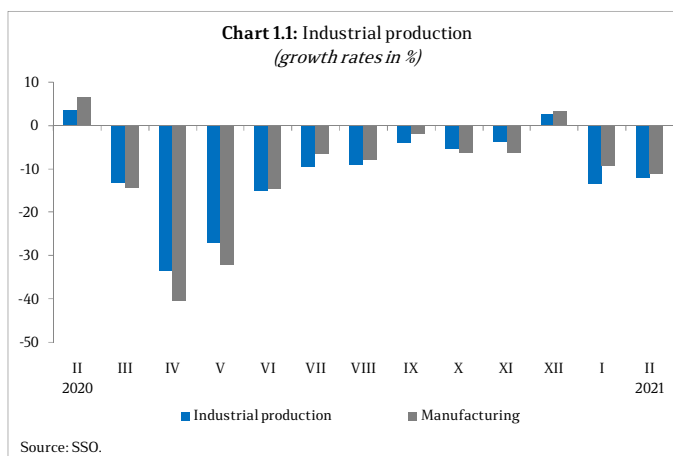
- Industrial production dropped by 12.2% in February 2021 compared to the same month last year;
- Consumer prices in February 2021 increased by 1.9% compared to February 2020;
- Export in the period January - February 2021 surged by 9.8%, while import grew by 4.4%, resulting in decrease of the trade deficit by 11.4% compared to the same period in 2020;
- In the period January - February 2021, total budget revenues reached an amount of Denar 31,242 million, i.e. 4.4% of GDP, showing lower performance by 0.3% in relation to the same period in 2020;
- Total budget expenditures amounted to Denar 36,719 million in the period January – February 2021, i.e. they accounted for 5.2% of GDP, being higher by 3.1% compared to the same period in 2020;
- Total credits of banks in February 2021 grew by 4.4% compared to February 2020, while total deposit potential of banks surged by 7.1%.



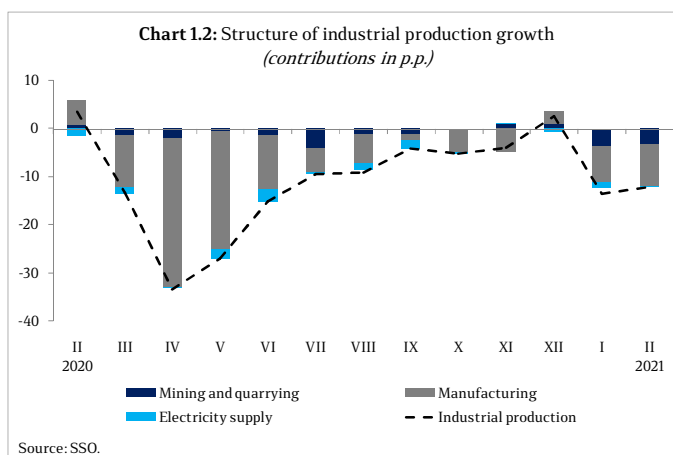
## 1. REAL SECTOR

### Industrial Production

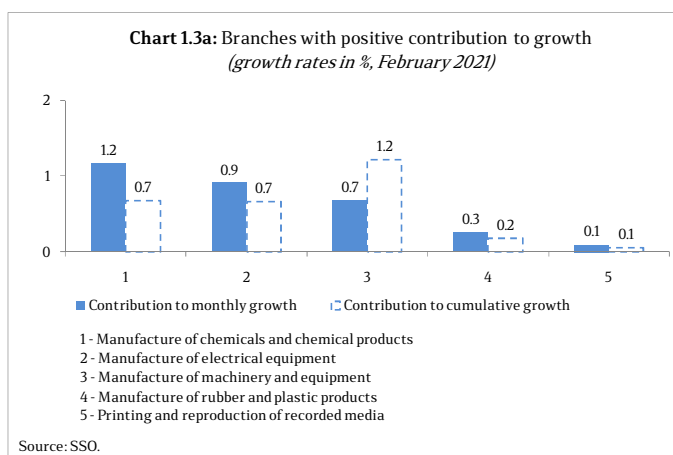
Industrial production dropped by 12.2% in February 2021 compared to the same month last year. Drop in February 2021 was a result of the reduced production in all three sectors, as follows: Manufacturing by 11.2% (contribution of -8.9 p.p.), Mining and quarrying by 28.9% (contribution of -3.1 p.p.) and Electricity, gas, steam and air conditioning supply by 2.2% (contribution of -0.2 p.p.).



In February 2021, growth in production was registered at 8 out of total of 27 industrial branches, comprising 17.5% in the total industry. As for branches with higher value added, increase in February 2021 was observed at Manufacture of electrical equipment by 25.2% and contribution of 0.9 p.p., as well as Manufacture of machinery and equipment by 11.0% and contribution of 0.7 p.p.. As for traditional branches, in February 2021, Manufacture of clothing declined by 29.8% (contribution of -2.4 p.p.), Manufacture of tobacco goods decreased by 52.5% (contribution of -0.9 p.p.), while Food industry experienced 3.9% drop (contribution of -0.4 p.p.).



Drop of production, according to the purpose of production units in February 2021 was mainly a result of the reduced production of Capital goods by 19.7% (contribution of -4.2 p.p.), Non-durable consumer goods industry by 10.5% (contribution of -3.5 p.p.) and Energy by 28.4% (contribution of -3.4 p.p.).



On cumulative basis, in the first two months of the year, industry dropped by 12.8% as a result of the decrease in all sectors, as follows:



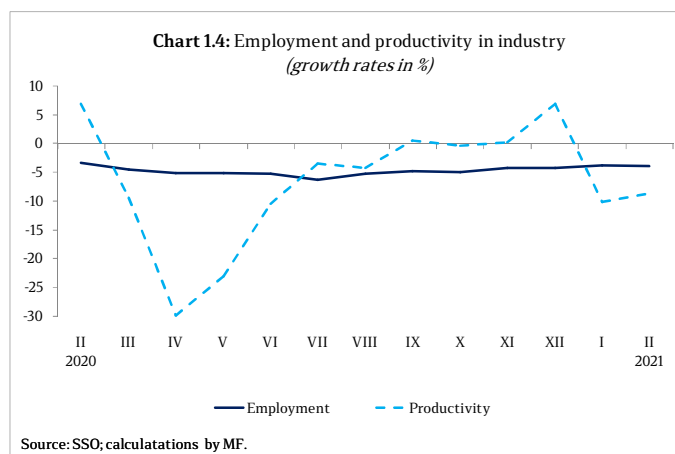
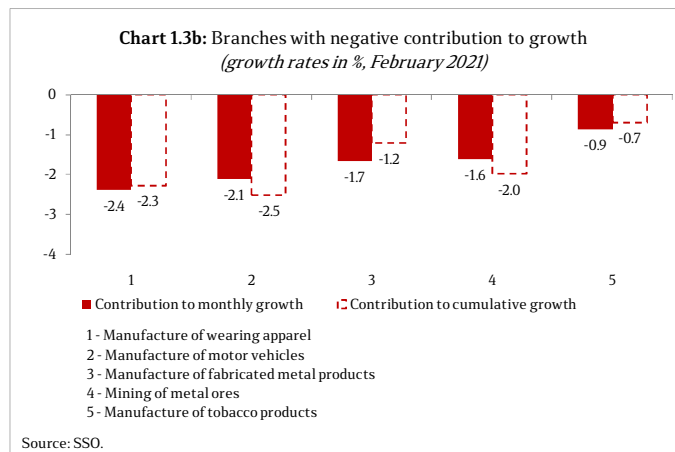
Manufacturing by 10.4% (contribution of -8.2 p.p.), Mining and quarrying by -31.6% (contribution of -3.4 p.p.) and Electricity, gas, steam and air conditioning supply by -7.5% (contribution of -0.8 p.p.). As regards industrial branches, Manufacture of machinery and equipment, experiencing 19.8% growth, Manufacture of chemicals and chemical products, recording 38.3% growth, as well as Manufacture of electrical equipment growing by 18.4% contributed the most to the growth with 1.2 p.p., 0.7 p.p. and 0.7 p.p., respectively.

According to the purpose of production units, drop in the period January - February 2021 was recorded at all branches, except for Intermediary goods except energy, while drop was most evident at the branches Capital goods by 18.9% and contribution of -4.1 p.p., as well as Energy by 30.3% and contribution of -3.7 p.p..

### Number of Employees in the Industry

In February 2021, number of employees in the industry decreased by 3.9%. Such decline was due to the reduced number of employees in all sectors, as follows: Mining and quarrying by 6.7%, Manufacturing by 3.7%, and Electricity, gas, steam and air-conditioning supply by 2.9%. However, certain branches recorded employment increase, such as Manufacture of fabricated metal products by 12.3% and Manufacture of other transport equipment by 9.7%.

Data on the number of employees in the industry by target groups in February 2021 compared to the same period last year, showed that all groups recorded decrease in the number of employees, being most evident at Intermediary goods, except energy, declining by 4.8% and Non-durable consumer goods industry decreasing by 4.3%.



Cumulative data show that number of employees in the industry in the period January - February 2021 dropped by 3.8% as a result of the decreased number of employees in all sectors, i.e. Mining and quarrying by 7.0%, Manufacturing by 3.6%, and Electricity, gas, steam and air-conditioning supply sector by 2.9%.



As for target groups, number of employees in the industry in 2021 was reduced at all groups, while the drop was most evident at the group Intermediary goods except energy of 4.9%.

### Business Tendencies in Manufacturing

Economic situation of business entities in February 2021 was more favourable compared to January 2021, and less favourable compared to February 2020.

Average utilization of capacities of business entities in February accounted for 70.7% of the regular utilization, being an increase compared to the previous month, when it accounted for 69.4%. On annual basis, utilization of the capacities was lower by 0.7 p.p..

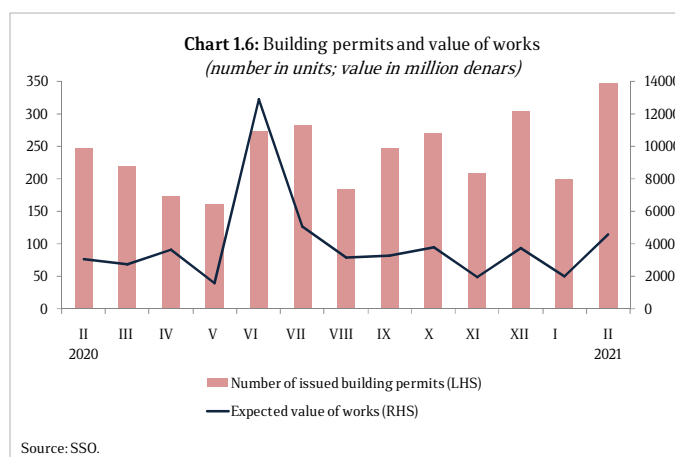
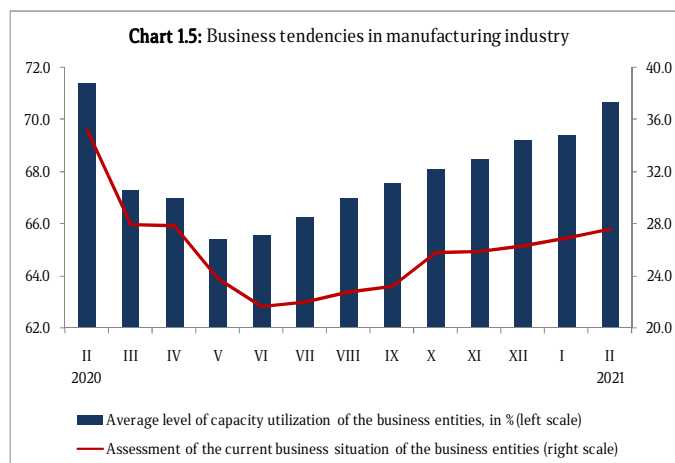
Insufficient foreign demand with 21.7%, uncertain economic environment with 16.5%, insufficient domestic demand with 14.9% shortage of skilled labour with 14.8%, and financial problems with 10.2% and other factors limited the most the production volume in February.

As regards the volume of production orders in February 2021, compared to the previous month it was more favourable, as well as the expectations for the production volume in the next three months, while the stocks of finished products were increased on monthly basis.

### Number of Issued Building Permits and Expected Value of Works

In February 2021, 346 building permits were issued, increasing by 39.5% compared to February 2020. Compared to the previous month, number of issued building permits increased by 73.9%. Envisaged value of the facilities, according to the issued building permits in February 2021 was higher by 50.4% compared to the same month in 2020 and by 2.3 times higher on monthly basis.

Analyzed by types of constructions, out of the total number of issued building permits, 205 (or 59.2%) were intended for buildings, 31 (or 9.0%) for civil engineering structures and 110 (or 31.8%) for reconstruction.



Source: SSO.



Analyzed by types of investors, out of total 346 issued building permits, individuals were investors in 214 facilities (or 61.9%), while business entities were investors in 132 facilities (or 38.1%).

In February 2021, construction of 907 flats was envisaged, with total usable area of 78,721 m<sup>2</sup>. Number of flats envisaged for construction experienced multi-fold increase on monthly basis, surging by 2.7 times on annual basis.

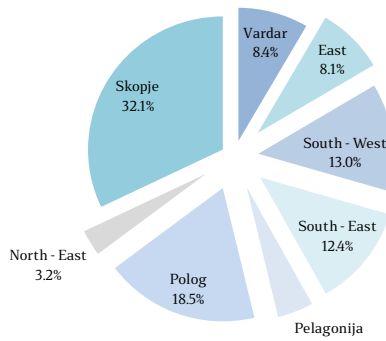
### Inflation

Consumer prices in February 2021 increased by 1.9% compared to February 2020, accelerated inflation rate growth was mostly due to the increase in prices of food, alcohol and tobacco, as well as, to a certain extent, as a result of the electricity price increase (price of electricity increased by 7.4% in August under a decision by the Energy Regulatory Commission). Inflation rate in the first two months of 2021 amounted to 1.9%. Inflation rate in 2021 is expected remain stable and to record upward trend, however, there is still evident uncertainty from the trends of global prices of primary commodities in the upcoming period, as result of the second wave of COVID-19 pandemic.

In February, inflation rate in the Eurozone recorded growth, accounting for 0.9% on annual basis (in January, annual inflation rate also accounted for 0.9%), the category of food, alcohol and tobacco had the highest positive contribution of 1.4%, followed by the increase of prices of services by 1.2% and the non-energy industrial goods by 1.0%.

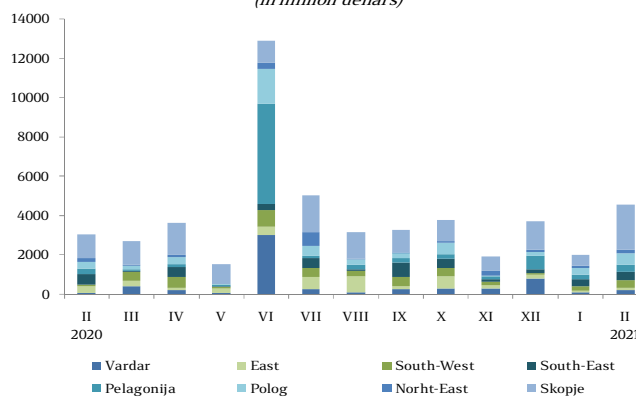
Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 2.0% increase in February 2021, on annual basis. Increase

Chart 1.7: Structure of issued building permits by regions



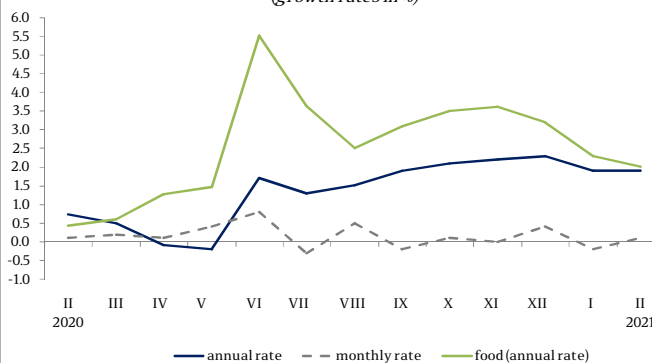
Source: SSO.

Chart 1.8: Expected total value of the constructions by regions (in million denars)



Source: SSO.

Chart 1.9: Inflation rate (growth rates in %)



Source: SSO.





was a result of the increase of prices at many sub-categories, whereby prices of Oil (14.0%), as well as prices of Fruit (3.2%), Food products (3.0%) and Vegetables (2.4%) experienced the highest growth. Highest annual increase of prices in February 2021 was recorded at the category Alcoholic beverages, tobacco and narcotics by 7.8%, followed by the increase in the prices of Restaurants and hotels by 5.2%, Housing, water, electricity, gas and other fuels by 4.4%, Health protection by 2.7%, Miscellaneous goods and services by 1.4%, Recreation and culture by 1.0%, Furnishings, household equipment and routine maintenance of the house by 0.6%, and Education by 0.1%.

Monthly price decline was also recorded at the following categories: Transport by 3.9%, Clothing and footwear by 1.0% and Communications by 0.1%

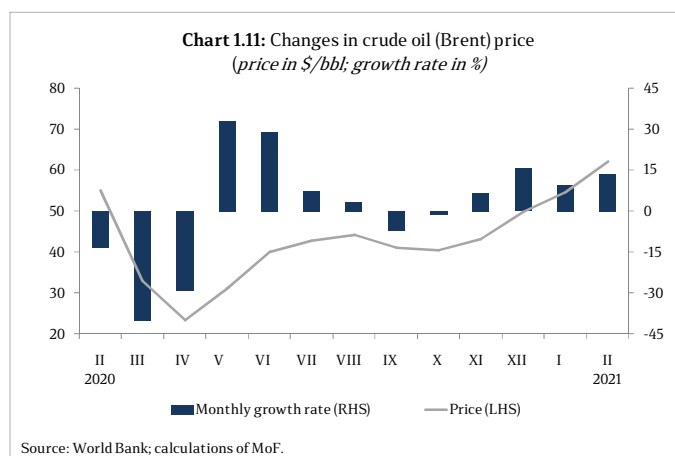
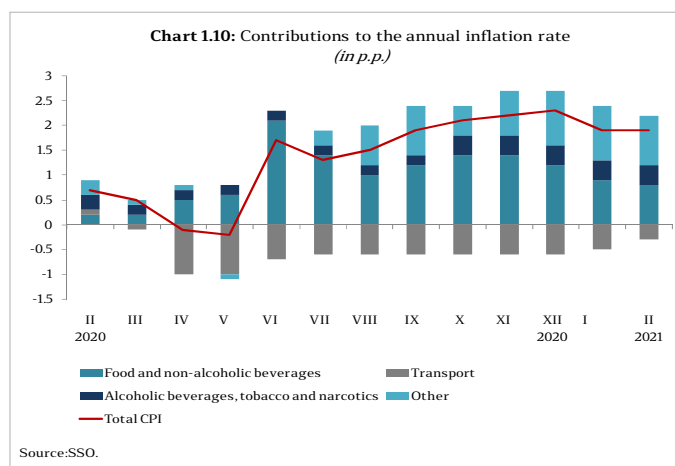
Consumer prices in February 2021 increased by 0.1% on monthly basis (during the previous month, consumer prices decreased by 0.2% on monthly basis). Monthly price increase was also recorded at the following categories: Food and alcoholic beverages by 0.4%, Health protection and Transport by 0.3% each, Recreation and culture by 0.2%, Housing, water, electricity, gas and other fuels and Communications by 0.1% each.

Monthly price decline was also recorded at the following categories: Clothing and footwear by 1.2%, Restaurants and hotels by 0.7% and Education by 0.5%. Prices at the other categories remained unchanged.

Retail prices in February 2021 were higher by 1.8% compared to the same month last year, while on monthly basis, they remained unchanged.

### Stock Market Prices

In February 2021, crude oil price (Brent) on the global stock markets grew by 13.6% compared to the previous month, reaching the price of US\$ 62.0 per barrel, thus reaching the level before the pandemic outbreak. In the course of 2020, the industry and the economic activity throughout the world were severely hit by the containment measures, aimed at



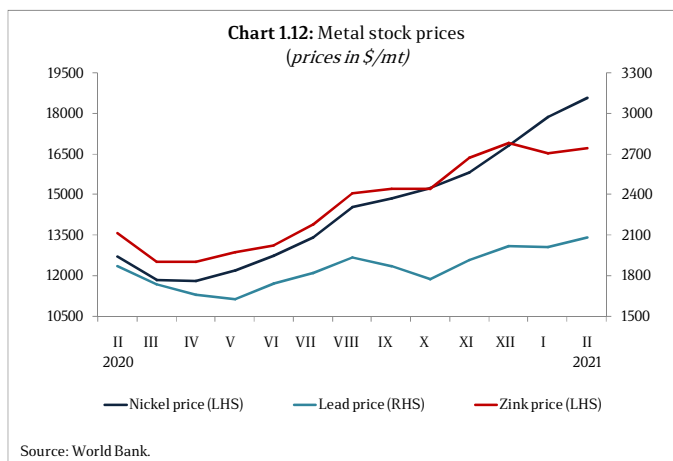




preventing the COVID-19 spread. Therefore, in April 2020, oil price reached the bottom (Chart 1.11), followed by generally upward trend by the end of the year, as well as the beginning of 2021. Oil price also surged by 12.7% on annual basis.

Price of natural gas at the end of 2019 started to record downward trend until the beginning of the third quarter of 2020, when its price started to gradually increase. Upward trend was kept by the end of 2020, also resuming in 2021, recording a monthly 32.8% growth in February.

Similar to the oil price path, price of nickel have shown an upward trend after reaching the bottom in April 2020, amid a gradual recovery of industrial activity, a trend that was kept by the end of the year, resuming in 2021, by experiencing 4.0% growth in February. Compared to February 2020, price of nickel grew by 46.2%. In addition to nickel, other base metals also experienced monthly price increase in February. Thus, price of tin picked up by 20.1%, while copper priced grew by 6.3%, thus reaching in February the historically highest price level in the last 10 years. Thus, price of aluminium increased by 3.7%, price of lead grew by 3.2%, while price of zinc experienced 1.4% growth. In February 2021, price of iron ore decreased by 2.9% compared to January 2021.



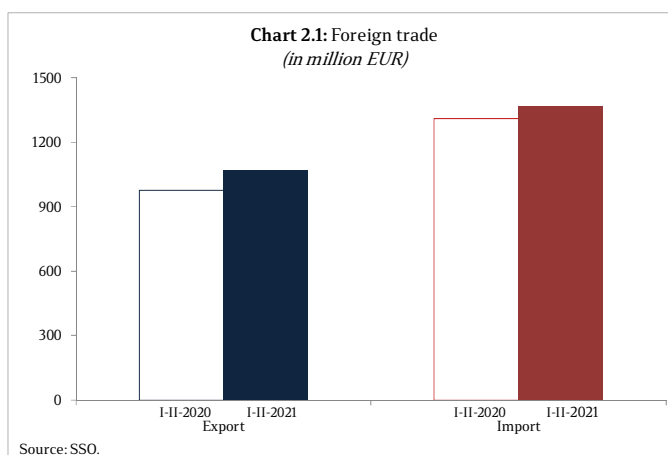
As for precious metals, gold in August 2020 reached the highest price on global stock markets in history, followed by downward price trend, until the end of the year. At the beginning of 2021, price of gold increased, while recording a monthly 3.2% drop in February. Price of platinum and silver also increased by 10.6% and 5.5%, respectively in February compared to January 2021.

In February 2021, price of maize on global stock markets grew by 4.6%, while price of wheat increased by 0.1%, on monthly basis.

## 2. FOREIGN TRADE

Total foreign trade in the first two months in 2021 amounted to EUR 2,441.2 million, increasing by 6.7% compared to the same period last year.

In the period January - February 2021, share of trade with the EU (EU





27<sup>1</sup>), as the largest trading partner, decreased by 0.6 p.p. compared to the same period last year, accounting for 61.1%. Germany is the major trading partner to our country. As for total foreign trade structure of our country, share of the trade with Germany in first two months 2021, accounted for 29.1%, increasing by 2.7 p.p. compared to the same period in 2020.

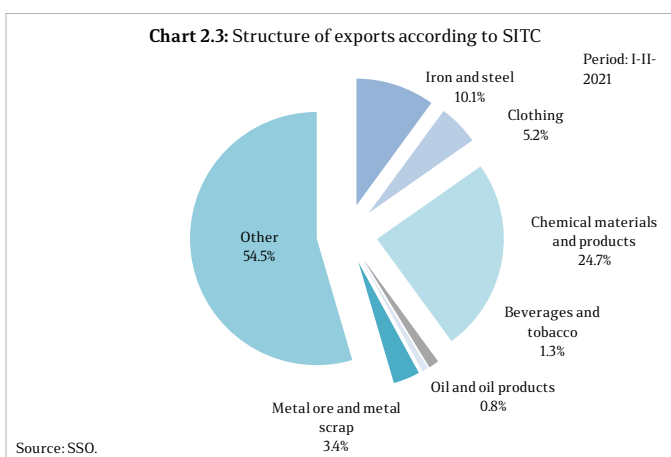
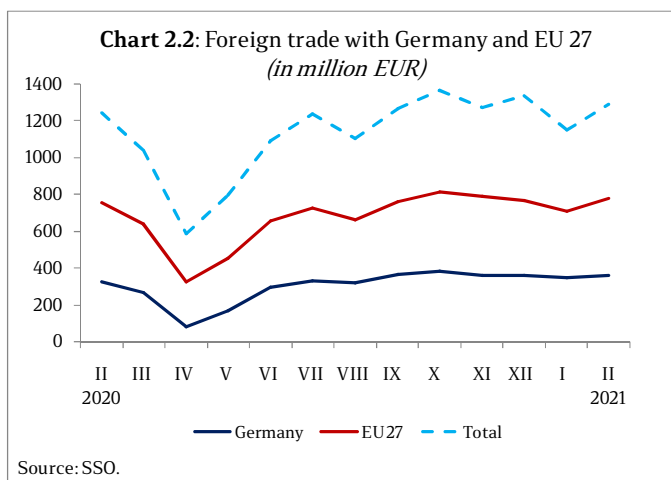
## Export

In the period January - February 2021, value of exported goods amounted to EUR 1,072.5 million, surging by 9.8% (EUR 95.6 million) compared to the same period in 2020, while physical output of export dropped by 4.9%.

In February 2021, value of exported goods amounted to EUR 545.2 million, surging by 4.9% (EUR 25.3 million) compared to the same month of the previous year, while physical output of export remained unchanged.

Analyzed on monthly basis, in February 2021, export grew by 3.4% (EUR 17.9 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly decrease of 2.2%.

Main groups of products (according to SITC<sup>2</sup>) being the most exported in the period January - February 2021 were the following: chemical materials and products, iron and steel, clothing, metal ore and metal scrap, beverages and tobacco and oil and oil products. These six groups of products comprised 45.5% of the total export of the country.

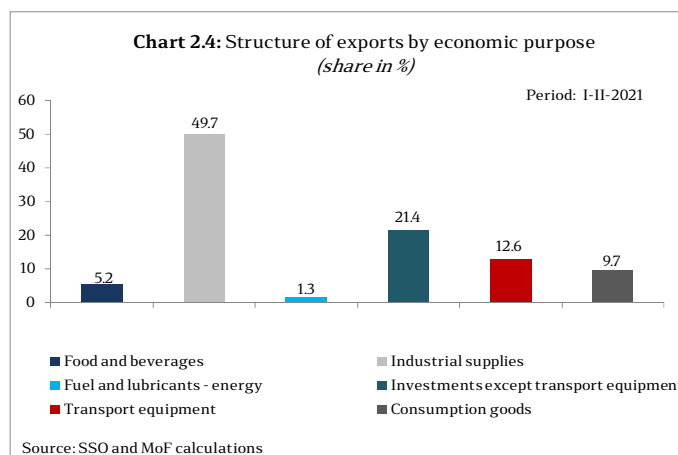


<sup>1</sup>Starting February 2020, Great Britain is included in the economic group of countries - Miscellaneous countries.

<sup>2</sup>Standard International Trade Classification



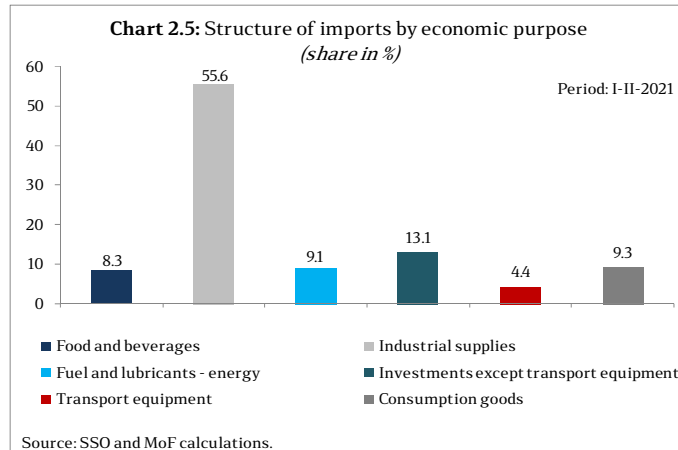
Analyzed according to economic groups<sup>3</sup> of countries, in the period January - February 2021, compared to the same period in 2020, export surged at the following groups: EU 27, Western Balkans and Community of Independent States, while drop was recorded at the following groups: EFTA, Organization of countries-exporters of oil and oil derivatives, North American Free Trade Zone and Asia-Pacific Economic Cooperation Organization. Export to EU 27 grew by 11.3% annually, while export to Western Balkan countries increased by 5.8%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 82.1% and 8.9%, respectively in the total export from the Republic of North Macedonia.



## Import

In the period January - February 2021, value of imported goods amounted to EUR 1,368.6 million, surging by 4.4% (EUR 57.5 million) compared to the same period in 2020, while physical output of import dropped by 10.6%.

In February 2021, import value amounted to EUR 745.0 million, surging by 3.5% (EUR 25.2 million) compared to the same month in 2020, while imported quantities of goods declined by 1.7%.



Analyzed on monthly basis, in February 2021, import increased by 19.5% (EUR 121.4 million) compared to the previous month and, should import be seasonally adjusted, it registered monthly increase of 6.4%.

<sup>3</sup>Economic groups cover the following countries: EU 27 (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Germany, Denmark, Estonia, Spain, Finland, France, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, Latvia, Malta, Netherlands, Poland, Portugal, Romania, Sweden, Slovenia and Slovakia); EFTA (Switzerland, Iceland, Liechtenstein and Norway); Organization of Petroleum Exporting Countries (United Arab Emirates, Angola, Algeria, Ecuador, Iraq, Iran, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia and Venezuela); Western Balkans (Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Kosovo and Serbia); North American Free Trade Agreement (Canada, Mexico and USA); Asia-Pacific Economic Cooperation (Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, Korea, Mexico, Malaysia, New Zealand, Peru, Papua New Guinea, Philippines, Russia, Singapore, Thailand, Taiwan, USA and Vietnam) and Commonwealth of Independent States (Armenia, Azerbaijan, Belarus, Kyrgyzstan, Kazakhstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan).



Table 2.1. Review of export and import of selected groups of products

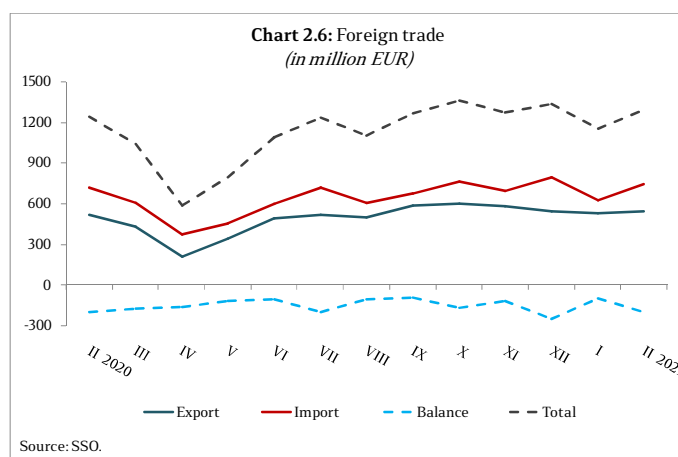
Export of chemical products*)					Import of chemical products*)				
	I-II-2020	I-II-2021	Balance	% rate		I-II-2020	I-II-2021	Balance	% rate
000 T	8,8	7,9	-0,9	-10,4	.000 T	5,4	5,1	-0,3	-5,0
EUR mil.	192,5	265,0	72,4	37,6	EUR mil.	32,7	36,5	3,9	11,8
\$ mil.	211,6	321,6	110,0	52,0	\$ mil.	35,9	44,3	8,4	23,2
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I-II-2020	I-II-2021	Balance	% rate		I-II-2020	I-II-2021	Balance	% rate
000 T	134,6	122,8	-11,8	-8,8	.000 T	141,7	108,1	-33,5	-23,7
EUR mil.	102,3	107,9	5,6	5,4	EUR mil.	63,7	59,3	-4,5	-7,0
\$ mil.	112,6	130,9	18,3	16,3	\$ mil.	70,2	71,8	1,7	2,4
*)Previous data					*)Previous data				
Export of electrical machines and spare parts*)					Import of electrical machines and spare parts*)				
	I-II-2020	I-II-2021	Balance	% rate		I-II-2020	I-II-2021	Balance	% rate
000 T	11,2	14,1	2,8	25,3	.000 T	10,8	10,2	-0,6	-5,3
EUR mil.	156,7	160,5	3,8	2,4	EUR mil.	125,2	120,2	-5,0	-4,0
\$ mil.	172,4	194,7	22,2	12,9	\$ mil.	137,7	145,8	8,1	5,9
*)Previous data					*)Previous data				

## Trade Balance

In the period January - February 2021, trade deficit decreased by 11.4%, i.e. by EUR 38.1 million, compared to the same period last year.

In February 2021, trade deficit declined by 0.1%, i.e. EUR 0.1 million compared to February 2020.

If we analyze the balance of export and import of goods by economic purpose, deficit decrease was a result of the reduction of the negative balance in the trade of goods for investments without transport equipment, fuels and lubricants and food and beverages. On the other hand, increase of deficit in the trade of industrial supplies and consumer goods, as well as reduction of the positive balance in the trade with transport equipment contributed to increasing the negative balance.



In the period January - February 2021, 87.8% of the trade deficit of the country was realized in the trade with Great Britain, followed by: Chine, Greece, Serbia, Turkey, Poland, the USA, Bulgaria and others. Surplus was realized in the trade with Germany, Kosovo, the Netherlands, Hungary and Spain.

## Currency Structure

Observed by currency structure, 91.1% of the trade in the period January - February 2021 was realized in euros and, compared to the same period in 2020, it surged by 6.6 p.p.. On export and import side, euro accounted for 94.0% and 88.8%, respectively, whereby share



of the euro in export was higher by 2.2 p.p., while increase of the share of the euro in import accounted for 9.8 p.p. compared to the period January - February 2020.

import		I - II - 2020				I - II - 2021					absolute change in currency value	relative change in currency value (in %)
currency	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %		
EUR	698,8	1.035.502.140	61,5705	63.756.384.518	79,0	666,3	1.215.678.236	61,6393	74.933.555.496	88,8	180.176.096	17,4
USD	414,9	288.807.095	55,9131	16.148.099.967	20,0	330,1	171.808.059	50,7779	8.724.052.436	10,3	-116.999.036	-40,5
GBP	0,8	3.262.542	72,8654	237.726.401	0,3	0,3	2.509.272	69,7646	175.058.339	0,2	-753.270	-23,1
EUR+USD+ GBP	1.114,6			80.142.210.886	99,0	996,6			83.832.666.271	99,4		
tot. import	1.116,8			80.728.864.992	100,0	998,9			84.377.118.850	100,0		4,5

Source: SSO and NBRNM

### 3. FISCAL SECTOR

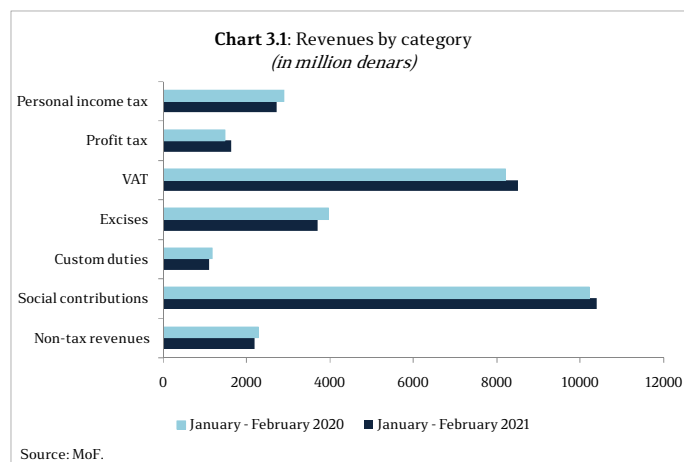
#### Budget Revenues According to the Economic Classification

In the period January - February 2021, total budget revenues reached an amount of Denar 31,242 million, i.e. 4.4% of GDP, showing lower performance by 0.3% in relation to the same period in 2020.

Tax revenues were collected in the amount of Denar 17,803 million, being identical as in the period January - February 2020.

Revenues on the basis of value added tax were collected in the amount of Denar 8,512 million, increasing by 3.6% in relation to the period January - February 2020, whereby share of VAT in total tax revenues was dominant, accounting for 47.8%. Thereby, VAT collection amounted to Denar 12,502 million on gross basis, Denar 3,989 million out of which was refunded to taxpayers (gross collection was lower by 4.2%, while VAT refund was lower by 17.6% compared to January - February 2020). As for VAT structure, collection of VAT when importing accounted for the most, decreasing by 5.1%, while VAT revenues collected on the basis of sales in the country dropped by 3.0%.

Revenues on the basis of excises were collected in the amount of Denar 3,713 million (participating with 20.9% in the tax revenues), declining by 6.1% compared to the same period in 2020. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 12,225 million, i.e. 68.7% of total tax revenues in the period January-February 2021.



PIT revenues were collected in the amount of Denar 2,737 million, decreasing by 5.3% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 69.4% of the personal income tax, revenues on the basis of games of chance and award games



accounted for 8.6%, revenues on the basis of contractual agreement accounted for 7.0%, capital revenues accounted for 5.5% while revenues on the basis of other types of income tax accounted for 9.5%.

Profit tax revenues in this period amounted to Denar 1,646 million, increasing by 11.4% compared to the same period in the previous year, mostly as a result of the positive performance of tax balances, whereby decrease was observed at monthly advance payments by 3.3%.

Revenues on the basis of customs duties were collected in the amount of Denar 1,099 million, experiencing a decrease of 5.7%. Collection of revenues on the basis of other taxes, amounting to Denar 96 million, declined by 5.9% compared to last year.

Revenues on the basis of social contributions were collected in the amount of Denar 10,397 million, which was higher by 1.7% compared to the same period in 2020. Thereby, collection of pension and disability insurance contributions was higher by 1.9%, health insurance contributions surged by 1.4%, while employment contributions grew by 0.7%.

Non-tax revenues were collected in the amount of Denar 2,205 million and, in relation to the analyzed period in 2020, they were lower by 3.5% (these revenues include revenues on the basis of profit realized by the public institutions, revenues collected on the basis of administrative fees and fines, concessions, etc.).

Capital revenues collected on the basis of sale of construction land, flats and dividends reached Denar 125 million, decreasing by 63.8% compared to the period January - February last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 533 million, increasing by 14.1% compared to the same period last year.

### **Budget Expenditures According to the Economic Classification**

Total budget expenditures amounted to Denar 36,719 million in the period January - February 2021, i.e. they accounted for 5.2% of GDP, being higher by 3.1% compared to the same period in 2020.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 34,263 million, accounted for 93.3% and they decreased by 0.7% in relation to the same period in 2020.

Expenditures related to wages and allowances were executed in the amount of Denar 4,993 million, increasing by 2.3% in relation to the period January - February last year, accounting for 13.6% of the total budget expenditures.

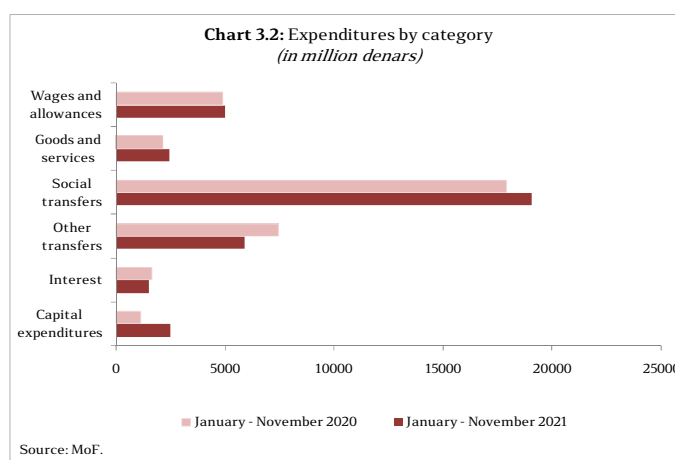
Expenditures related to goods and services amounted to Denar 2,428 million, increasing by 12.3% compared to the same period in 2020.





Funds allocated for transfers amounting to Denar 25,363 million accounted for the most in the current expenditure items. Such expenditures declined by 1.8% compared to the same period in 2020, participating with 69.1% in the total expenditures.

Funds allocated for social transfers amounted to Denar 19,057 million, increasing by 6.4% and accounting for 51.9% of the total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 11,798 million, increasing by 5.2% compared to the same period in 2020 and accounting for 32.1% of the total expenditures. Category “other transfers”, which includes transfers to local government units, accounted for 16.0% of the total expenditures, i.e. they decreased by 21.1%, amounting to Denar 5,875 million. Block grants to local government units, amounting to Denar 3,182 million, grew by 1.6% compared to the period January - February last year. Expenditures related to subsidies and transfers amounted to Denar 2,320 million, being lower by 40.8% compared to the same period last year.



Interest payments expenditures amounted to Denar 1,479 million, being lower by 9.2% compared to the same period in 2020. Costs related to interest on the basis of domestic borrowing increased by 6.2%, while the ones on the basis of foreign borrowing dropped by 15.4%.

During the analyzed period, funds for capital expenditures were executed in the amount of Denar 2,456 million, participating with 6.7% in the total expenditures, i.e. recording twice higher execution compared to the period January - February 2020. Highest capital expenditures were executed through the organizational code Ministry of Finance – Functions of the State, in the amount of Denar 2,696 million, i.e. 55.0% of the projected ones for 2021.

## Expenditures by Budget Users

Review of budget expenditures for the largest budget users is shown below, the total annual budget of which accounts for 85% of the total budget of all budget users.

In the period January - February 2021, Denar 7,578 million, i.e. 12.2% of the funds projected for 2021, was spent through the organizational code Ministry of Finance – Functions of the State<sup>4</sup>. Principal repayment (Denar 2,974 million) is the main category

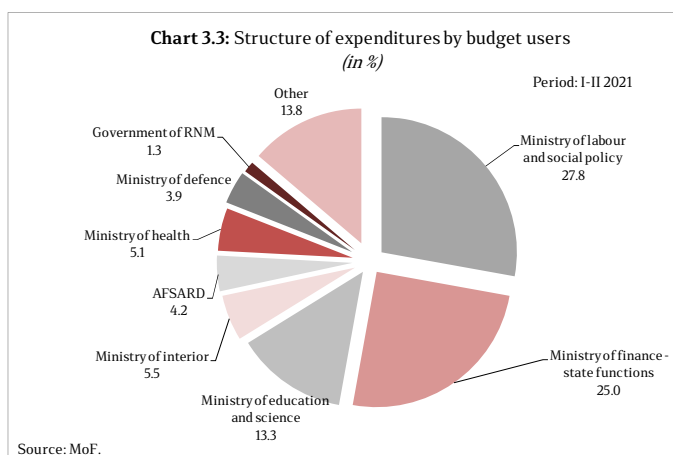
<sup>4</sup>As regards the Organizational Code "Functions of the State", the following activities are included: timely servicing of liabilities of the state on the basis of domestic and foreign borrowing; regular payment of operating costs of the state upon prior submitted payment documentation; share in the capital of international financial institutions; payment of VAT on the basis of capital investments funded by donations, financing projects by individual IPA components, etc.





in the total expenditures of this budget user, accounting for 39.2% of its total expenditures. As for capital expenditures, Denar 2,696 million has been allocated (55.0% of the projections), i.e. 35.6% of the total expenditures of this budget user. As regards expenditures related to interest payments, they accounted for 19.2% of the total expenditures, Denar 1,454 million being spent therefore or accounting for 15.4% of the total budget for this purpose.

In the first two months of 2021, Ministry of Labour and Social Policy executed funds in the amount of Denar 8,442 million or 15.8% of its total budget for the current year. Thereby, most of the expenditures (70.1%) in this period were allocated for current transfers to budgetary funds, for which Denar 5,914 million was spent or 16.2% of the funds allocated for 2021. The second highest expenditure category were the social benefits, participating with 21.8% in the total expenditures, whereby 15.5% (Denar 1,844 million) of the projected funds was spent for this purpose in 2021.



Ministry of Education and Science executed budget funds in the amount of Denar 4,047 million, i.e. 14.9% of its total 2021 budget. Current transfers to LGUs accounted for the most of the expenditures (66.9%), Denar 2,709 million being spent therefore or 16.7% of total projected funds. Wages and allowances are the second highest expenditure category, participating with 15.7%, Denar 637 million being spent therefore, i.e. 14.9% of the total projected funds.

During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 1,655 million, accounting for 13.8% of its 2021 budget. Wages and allowances were the highest expenditure item, participating with 79.8%, Denar 1,320 million being spent therefore, or accounting for 16.3% of the projected ones. The second highest expenditure category was goods and services, participating with 13.2%, funds in the amount of Denar 219 million being spent therefore, or accounting for 8.8% of the annual projections.

In the period January - February 2021, Ministry of Defence executed budget funds in the amount of Denar 1,188 million, accounting for 10.7% of its year's total budget. Expenditures related to wages and allowances accounted for the most with 57.5%, Denar 683 million being spent therefore in this period, (accounting for 16.1% of the total funds projected for the current year). Expenditures related to goods and services accounted for 26.7% of total expenditures, Denar 317 million being spent therefore in the analyzed period, i.e. 11.9% execution of the total projected funds.



In the first two months of 2021, Government of the Republic of North Macedonia spent total of Denar 406 million, i.e. 5.8% of the funds projected for 2021. Thereby, subsidies and transfers accounted for 54.9% of total expenditures of this budget user, Denar 223 million (4.0% of the projected funds) being spent therefore.

In the period January - February 2021, Ministry of Health executed budget funds in the amount of Denar 1,554 million, i.e. 23.2% of its total 2021 budget. Expenditures related to goods and services accounted for the most in the expenditures with 56.6%, Denar 880 million being executed therefore or 28.2% of the funds projected for 2021.

During the analyzed period, Ministry of Transport and Communications executed funds in the amount of Denar 338 million, i.e. 6.4% of its total budget for the current year. Capital expenditure execution accounted for 5.5% of the projections (Denar 245 million).

In the period January - February 2021, Agency for Financial Support in Agriculture and Rural Development (AFSARD) executed expenditures in the amount of Denar 1,277 million, accounting for 24.0% of the funds projected for the current year. As for subsidies and transfers, accounting for 70.5% of the total expenditures, 21.4% or Denar 900 million of the projected funds were spent therefore. Second important item were the capital expenditures, Denar 360 million being spent therefore (36.3% of the projections), accounting for 28.2% of the total expenditures of this budget user.

Detailed data on each budget user are presented in the statistical annex attached at the following link (<http://finance.gov.mk/mk/node/693>).

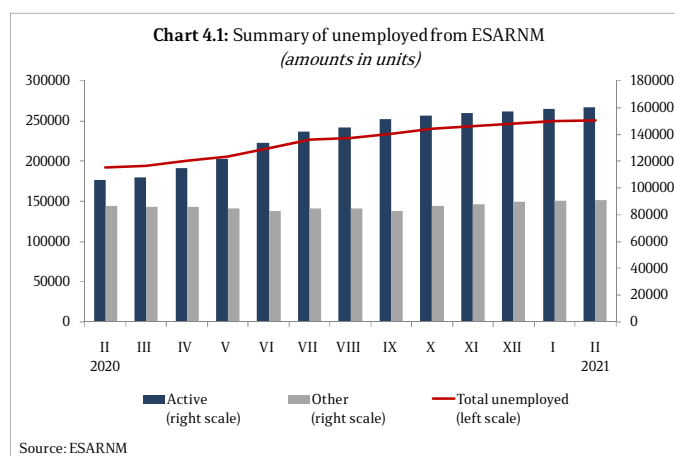
## Budget Balance

In the period January – February 2021, the budget deficit reached the amount of Denar 5,477 million, being 0.78% of GDP, while central budget deficit amounted to Denar 5,375 million or 0.76% of GDP.

## 4. SOCIAL SECTOR

### Number of Newly Employed and Registered Unemployed Persons in EARNM

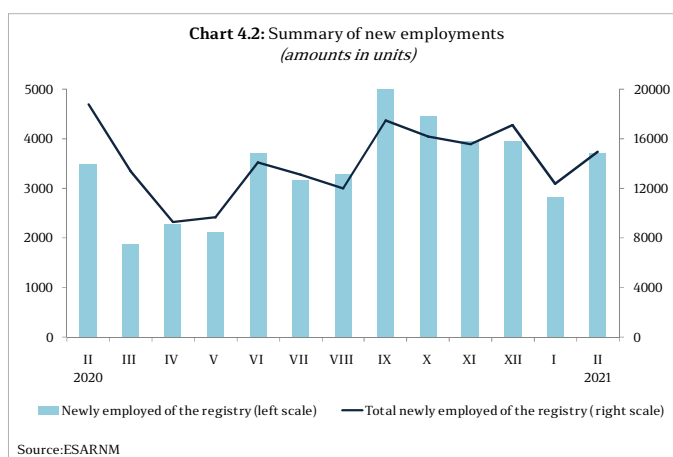
In the period January - February 2021, Employment Agency registered total of 27,353 new employments. Total number of newly employed persons was lower by 24.6% compared to the period January - February 2020.





As regards the total number of newly employed, 39.9% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In February 2021, as regards the total number of newly employed persons, 24.8% was from the unemployed records.

Total number of unemployed persons in February 2021 was 250,308, out of which 159,608 persons were active job seekers, while 90,700 persons were from the category “other unemployed”. Compared to the same month last year, total number of unemployed persons was higher by 30.4%. Strong increase of unemployment, which started in April 2020, was caused by the health and the economic crisis, which adversely affected the employment in the most affected sectors. Number of unemployed persons has been continuously increasing since the beginning of last year, mostly as a result of the active job seekers, while number of other unemployed people increased with lower intensity during the same period.

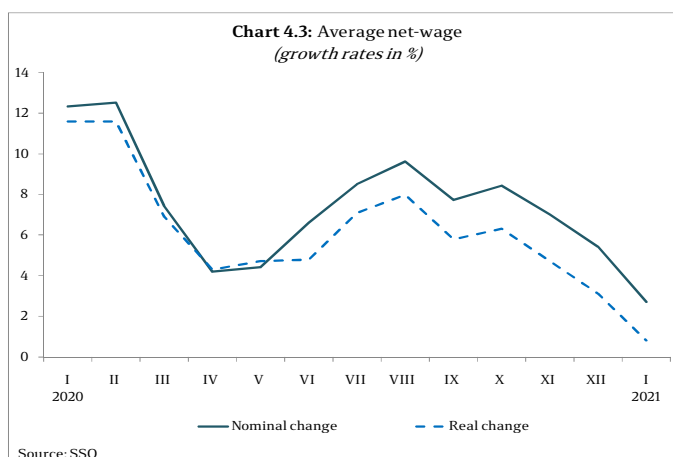


Major percentage of the active unemployed people (62.6%) came from urban areas (cities), while according to the gender structure, number of unemployed men and women was almost identical. Analyzed by the level of education, majority, i.e. 63.5%, of the unemployed persons were with incomplete secondary education or less, 26.8% were with completed secondary education, while 9.8% of the unemployed persons were with completed community college or higher education level.

Observed by age, majority of the unemployed persons or 51.3% fall in the category of 25-49 years of age. According to the time they waited for a job, 50.6% of the unemployed persons wait for employment from 1 to 7 years, while 4.2% wait for employment for 8 years and more.

## Wages

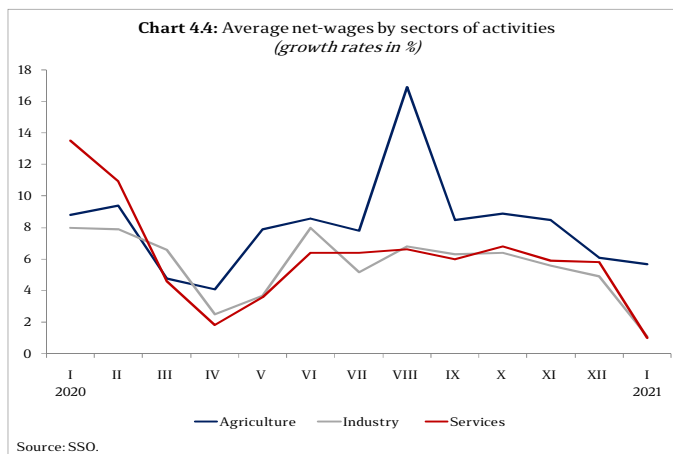
In January 2021, average net wage increased by 2.7% in nominal terms on annual basis and it was lower by 0.1% in relation to the previous month. The highest increase of average net wage was observed at the following sectors: Health and social protection (12.4%), Arts, entertainment and recreation (8.4%)





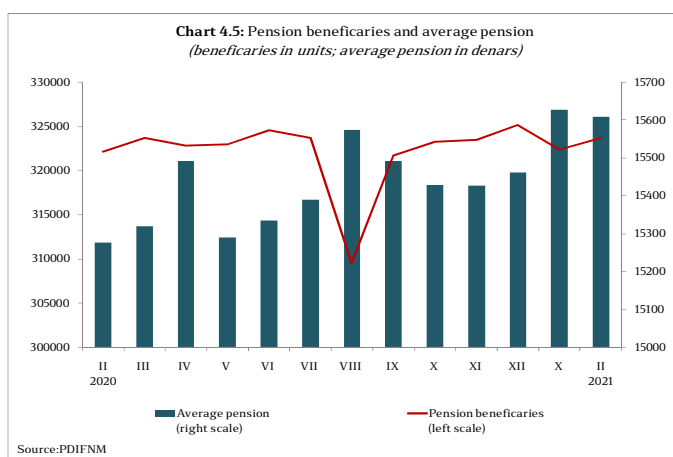
and Information and communications (8.3%). In January, wages grew by 0.8% in real terms on annual basis.

In January 2021, average gross wage increased by 2.7% in nominal terms on annual basis and it was lower by 0.1% in relation to the previous month. The highest increase of average gross wage was observed at the following sectors: Health and social protection (12.4%), Information and communications (8.5%), and Arts, entertainment and recreation (8.4%). Real gross wage surged by 0.8% annually.



## Pensions

In February 2021, Pension and Disability Insurance Fund registered 323,689 pensioners, increasing by 0.5% compared to the same month last year. On monthly basis, number of pensioners increased by 1,340 persons. As regards the total number of pensioners, 67.2% were beneficiaries of old-age pension, 23.1% of survival pension and 9.8% of disability pension.



Average pension in February 2021 amounted to Denar 15,607, being higher by 2.2% compared to the same month last year<sup>5</sup>. Ratio between the average pension and the average paid wage in January 2021 (the most recent available data) was 55.3%.

In February 2021, average old-age pension amounted to Denar 16,873, average disability pension amounted to Denar 14,108, while average survival pension amounted to Denar 12,549. In February 2021, Denar 4,934 million was spent for payment of pensions, accounting for 50.7% of the total social transfers.

## 5. MONETARY AND FINANCIAL SECTOR

In February 2021, the National Bank retained the policy rate at the current 1.5%, upon previously reducing the interest rate on CB bills at three occasions since the pandemic outbreak due to the conditions arising from the measures aimed at preventing the spread of the virus, which adversely affect both the global and the national economy.

<sup>5</sup>Military and agricultural pensions are not included when calculating the average pension.



Purpose of the policy rate reduction up to 1.5%, as well as the so-far significant reduction of the offered amount of CB bills, contributed to further increase of the liquidity of the banking system and support of the credit flows in the economy, i.e. maintaining the credit cycle and mitigating the effects of the negative shock on the domestic economy.

Interest rate on available 7-day deposits remained unchanged compared to the previous month, accounting for 0.3%.

### Primary Money

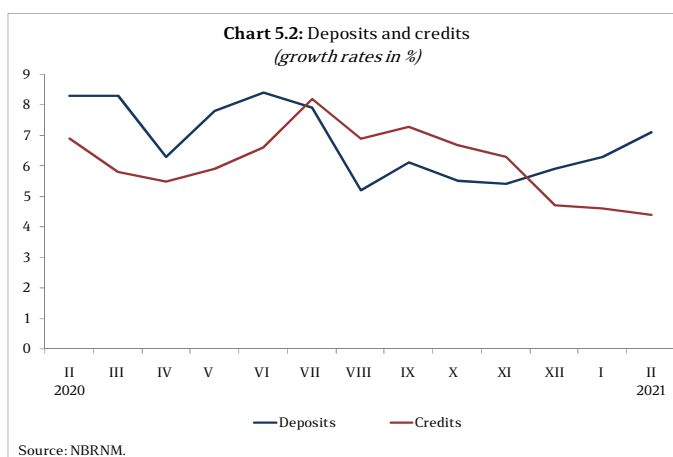
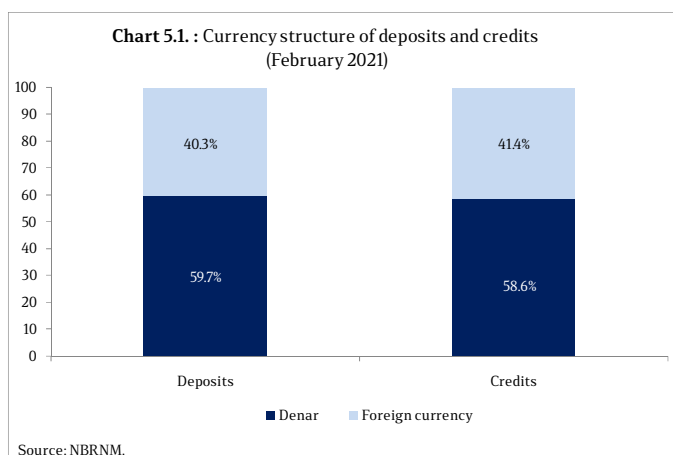
In February 2021, primary money<sup>6</sup> increased by 23.1% compared to February 2020. Increase of primary money was a result of increase of both total liquid assets by 31.3% and currency in circulation by 16.7%. On monthly basis, primary money grew by 6.6%, as a result of increased total liquid assets of banks by 16.5%, while currency in circulation decreased by 0.7%.

### Deposit Potential<sup>7</sup>

In February 2021, total deposits of banks grew by 0.9% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises remained unchanged, while deposits of households surged by 1.3%.

Analyzed by currency, in February 2021, compared to the previous month, Denar deposits increased by 1.0%, while foreign currency deposits picked up 0.7%.

Total deposit potential in February



<sup>6</sup>Primary money is calculated as a sum of currency in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).

<sup>7</sup>NBRNM published the data from the monetary statistics, statistics of other financial corporations and the statistics of interest rates according to the new methodology. Methodologic changes were made for the purpose of harmonization with the recommendations under the newly published IMF Monetary and Financial Statistics Manual and Compilation Guide as of 2016 (MFSMCG – IMF, 2016) and the IMF Technical Mission in the field of monetary and financial statistics in NBRNM as of 2015.



2021 grew by 7.1% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 5.4% and 9.7%, respectively.

From sector point of view, this month, deposits of enterprises and deposits of households grew by 18.0% and 5.2%, respectively, on annual basis.

According to maturity, short-term deposits surged by 5.3%, while long-term deposits decreased by 6.8%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 59.7%.

Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (February 2021)	Denar million	Monthly change	Annual change
<b>Deposit Potential</b>	<b>436,236</b>	<b>0.9%</b>	<b>7.1%</b>
By currency:			
<i>Denar</i>	<i>260,331</i>	<i>1.0%</i>	<i>5.4%</i>
<i>Foreign currency</i>	<i>175,905</i>	<i>0.7%</i>	<i>9.7%</i>
By maturity:			
<i>Short-term</i>	<i>181,366</i>	<i>0.2%</i>	<i>5.3%</i>
<i>Long-term</i>	<i>103,106</i>	<i>-0.2%</i>	<i>-6.8%</i>
<b>Credits to private sector</b>	<b>358,476</b>	<b>0.4%</b>	<b>4.4%</b>
By currency:			
<i>Denar</i>	<i>210,001</i>	<i>0.5%</i>	<i>4.5%</i>
<i>Foreign currency</i>	<i>148,475</i>	<i>0.4%</i>	<i>4.2%</i>
By maturity:			
<i>Short-term</i>	<i>58,228</i>	<i>2.6%</i>	<i>-3.1%</i>
<i>Long-term</i>	<i>284,114</i>	<i>0.2%</i>	<i>7.4%</i>
<i>Doubtful and contested claims</i>	<i>11,703</i>	<i>-3.1%</i>	<i>-29.2%</i>

Source: NBRNM

### Bank Credits

In February 2021, total credits of banks to the private sector surged by 0.4% compared to last month. Sector analysis shows that credits to enterprises experienced growth of 0.3%, while credits to households increased by 0.5%. Analyzed by currency, in February 2021, Denar and foreign currency credits surged by 0.5% and 0.4% respectively, on monthly basis.

On annual basis, total credits grew by 4.4% in February 2021, in conditions of growth of both credits to households of 7.1% and credits to enterprises of 1.4%. Denar credits surged by 4.5%, while foreign currency credits increased by 4.2%.



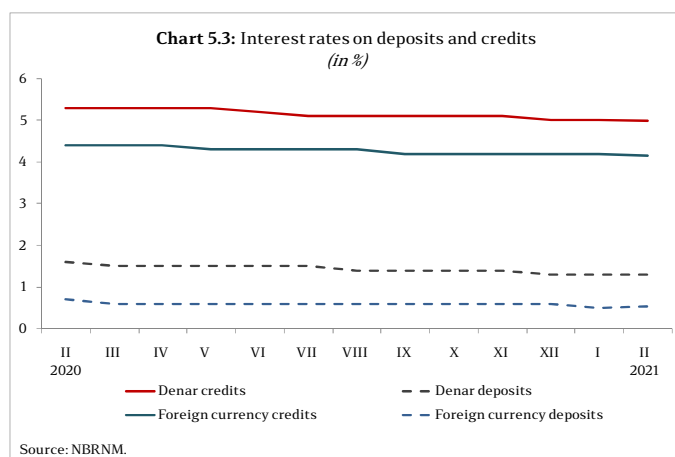


As regards maturity, long-term credits experienced annual growth of 7.4%, while short-term credits dropped by 3.1%.

### Interest Rates of Deposit Banks

In February 2021, total interest rate on credits dropped by 0.01 p.p. compared to the previous month, accounting for 4.61%. Interest rates on Denar and foreign currency credits also dropped by 0.01 p.p. each, accounting for 4.99% and 4.16%, respectively.

Total interest rate on deposits was 0.92% in February 2021, being lower by 0.01 p.p. compared to the previous month. Interest rates on Denar deposits and foreign currency deposits dropped by 0.01 p.p., accounting for 1.30% and 0.53%, respectively.

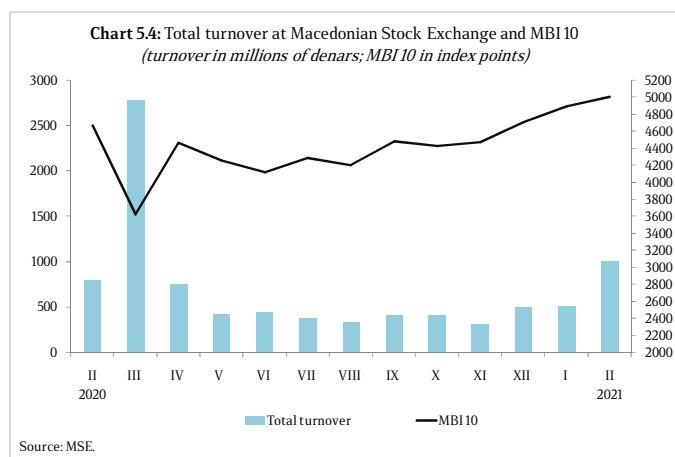


### Capital Market

As for the capital market, in February 2021, total turnover on the stock exchange surged by 2.7 times (170.5%) on monthly basis, as a result of the increase of turnover from block transactions by 3.2 times (219.7%) and increase of turnover from trading in best by 2.5 times (155.4%).

Total turnover on the stock exchange amounted to Denar 1,004.5 million in February 2021, increasing by 26.3% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 5,006.57 index points at the end of February 2021, whereby the index grew by 2.3% on monthly basis, while, compared to the same month last year, the index was higher by 7.1%.



### Reserve Assets

Gross reserve assets at the end of February 2021 amounted to EUR 3,298.00 million and, compared to the previous month, they were lower by 1.1%, while compared to February 2020, they were higher by 6.9%.