



SHORT-TERM ECONOMIC TRENDS

January 2021



CONTENTS

Summary	2
I. Real Sector	
Industrial Production.....	3
Number of Employees in the Industry	4
Business Tendencies in Manufacturing	4
Number of Issued Building Permits and Expected Value of Works	5
Inflation	5
Stock Market Prices	7
2. Foreign Trade	
Export.....	8
Import	10
Trade Balance.....	10
Currency Structure	11
3. Fiscal Sector	
Budget revenues according to the economic classification.....	11
Budget expenditures according to the economic classification	13
Budget Balance	14
Expenditures by budget users	14
4. Social Sector	
Number of Newly Employed and Registered Unemployed Persons in EARNM.....	15
Wages	16
Pensions.....	17
5. Monetary Sector	
Primary Money	18
Deposit Potential	18
Bank Credits	19
Interest Rates of Deposit Banks	20
Capital Market.....	20
Reserve assets	21



SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

January 2021

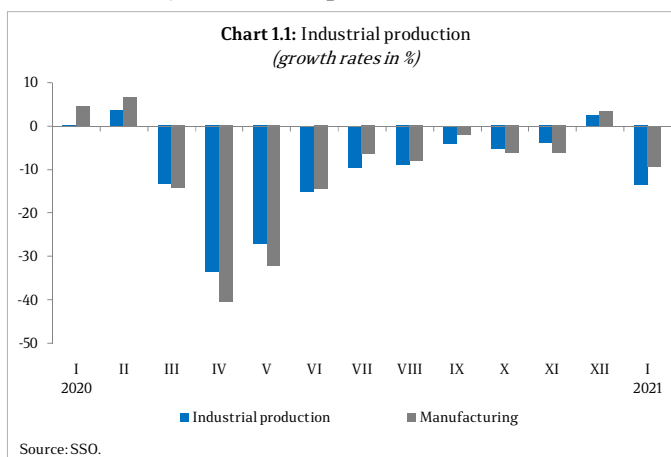
- Industrial production dropped by 13.5% in January 2021 compared to the same month last year;
- Consumer prices in January 2021 increased by 1.9% compared to January 2020;
- Export in January 2021 surged by 15.4%, while import grew by 5.3%, resulting in decrease of the trade deficit by 29.0% compared to the same month in 2020;
- In January 2021, total budget revenues reached an amount of Denar 14,808 million, i.e. 2.1% of GDP, which was by 5.1% lower in relation to the same month in 2020;
- Total budget expenditures amounted to Denar 17,503 million in January 2021, i.e. they accounted for 2.5% of GDP, being higher by 4.1% compared to the same period in 2020;
- Total credits of banks in January 2021 grew by 4.6% compared to January 2020, while total deposit potential of banks surged by 6.3%.



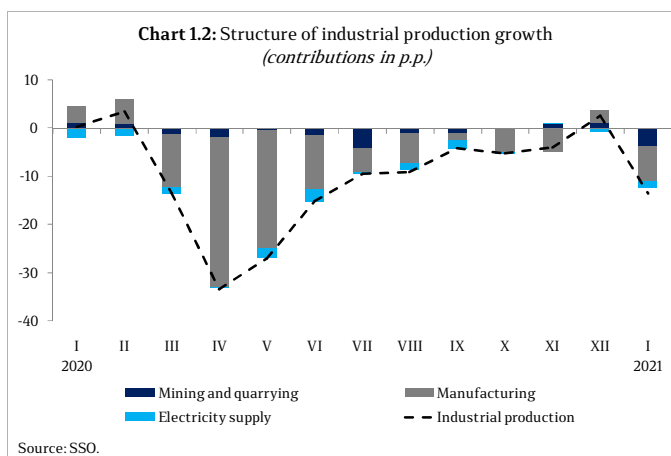
1. REAL SECTOR

Industrial Production

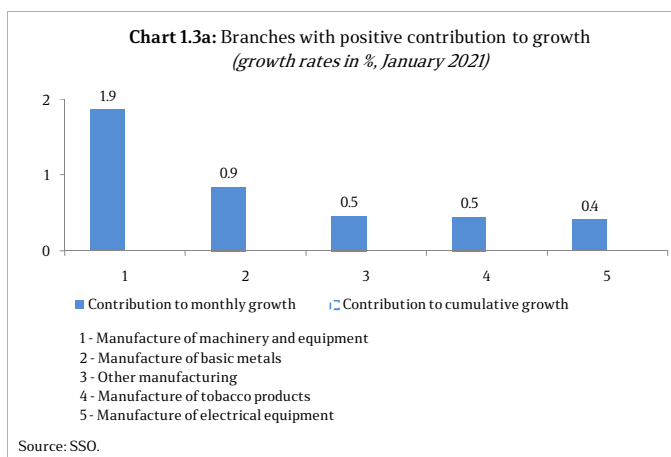
Industrial production dropped by 13.5% in January 2021 compared to the same month last year, thus negative trends reoccurred upon the growth recorded in the previous month. Drop in January 2021 was a result of the reduced production in all sectors. Manufacturing declined by 9.4% (contribution of -7.5 p.p.), Mining dropped by 34.3% (contribution of -3.7 p.p.), while Energy sector experienced 11.7% drop (contribution of -1.2 p.p.).



In January 2021, growth in production was registered at 11 out of total of 27 industrial branches, comprising 25.8% in the total industry. As for branches with higher value added, increase in January 2021 was observed at Manufacture of machinery and equipment by 30.3% and contribution of 1.9 p.p., as well as Manufacture of electrical equipment by 11.7% and contribution of 0.4 p.p. As for traditional branches, in January 2021, Manufacture of tobacco goods picked up by 27.2% (contribution of 0.5 p.p.), while Manufacture of clothing declined by 26.9% (contribution of -2.2 p.p.) and Food industry dropped by 9.2% (contribution of -1.0 p.p.).



Drop of production, according to the purpose of production units in January 2021 was mainly a result of the reduced production of Energy by 31.9% (contribution of -3.9 p.p.), Capital goods by 18.0% (contribution of -3.9 p.p.) and Non-durable consumer goods industry by 8.3% (contribution of -2.8 p.p.).





Number of Employees in the Industry

In January 2021, number of employees in the industry decreased by 3.7%. Such decline was due to the reduced number of employees in all sectors, as follows: Mining and quarrying by 7.2%, Manufacturing by 3.5%, and Electricity, gas, steam and air-conditioning supply by 2.9%.

However, there are branches recording significant employment increase, such as Manufacture of fabricated metal products, growing by 13.6%, Manufacture of other transport equipment by 10.6%, as well as Repair and installation of machinery and equipment by 8.7%.

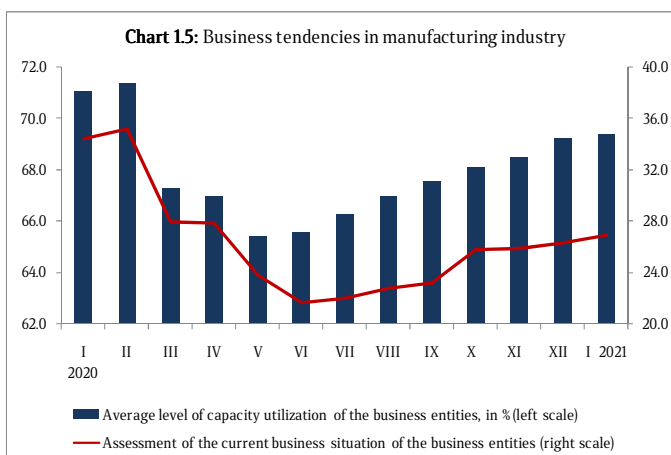
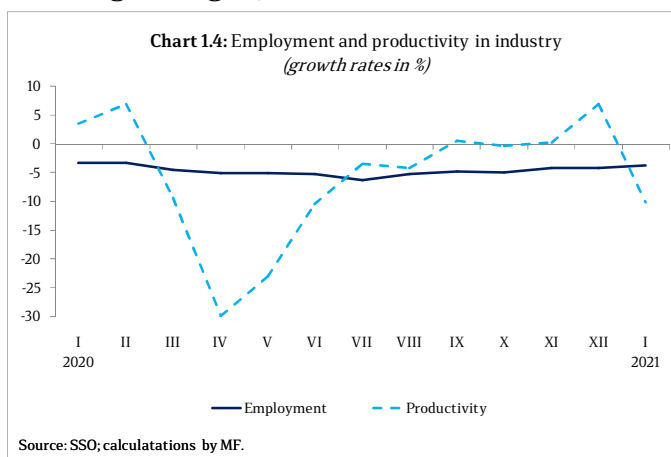
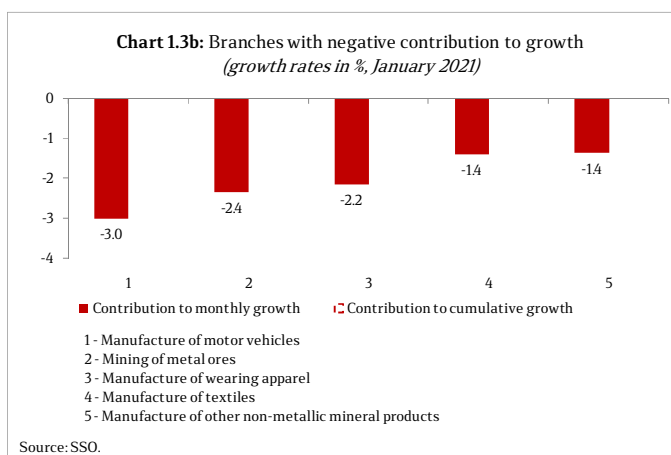
Data on the number of employees in the industry by target groups in January 2021 compared to the same period last year, showed that all groups recorded decrease in the number of employees, being most evident at Intermediary goods, except energy, declining by 4.9% and Non-durable consumer goods industry decreasing by 4.1%.

Business Tendencies in Manufacturing

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

Average utilization of capacities of business entities in January accounted for 69.4% of the regular utilization, being an increase compared to December 2020, when it accounted for 69.2%. On annual basis, utilization of the capacities was lower by 1.7 p.p..

Insufficient foreign demand with 21.7%, uncertain economic environment with 16.6%, shortage of skilled labour with 15.8%, insufficient domestic demand with 14.5% and financial problems with



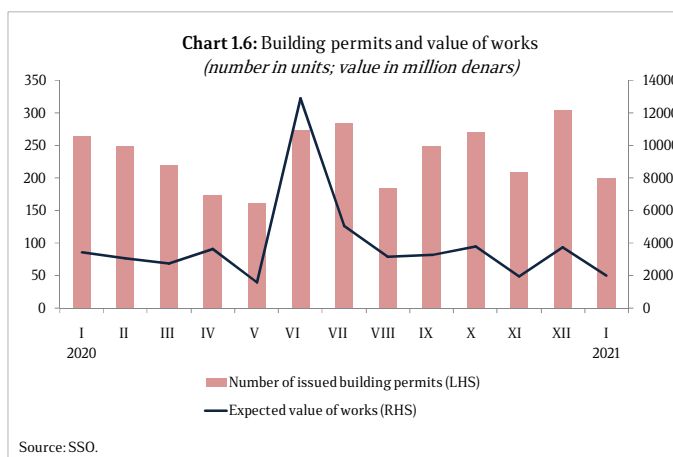


10.3% and other factors, limited the most the production volume in January.

As regards the volume of production orders in January 2021, compared to December 2020, it was more favourable, as well as the expectations for the production volume in the next three months, while stocks of finished products were increased on monthly basis.

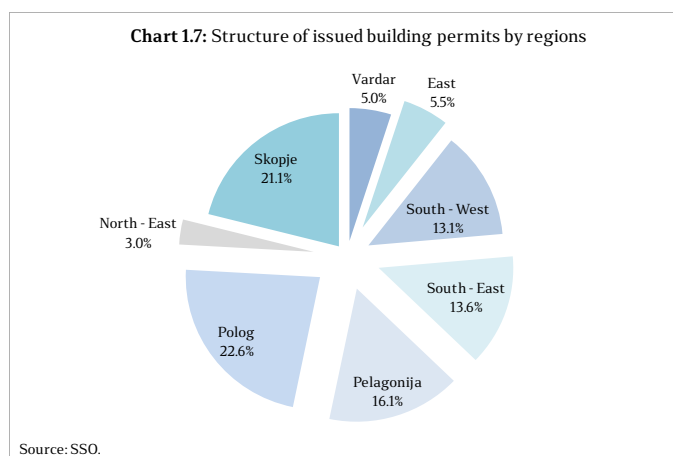
Number of Issued Building Permits and Expected Value of Works

In January 2021, 199 building permits were issued, declining by 24.6% compared to the same month in 2020. Compared to December 2020, number of issued building permits reduced by 34.8%. Expected value of works, according to the issued building permits in January 2021, was lower by 40.9% compared to January 2020, while declining by 45.9% on monthly basis.



Analyzed by types of constructions, out of the total number of issued building permits, 105 (or 52.8%) were intended for buildings, 38 (or 19.1%) for civil engineering structures and 56 (or 28.1%) for reconstruction.

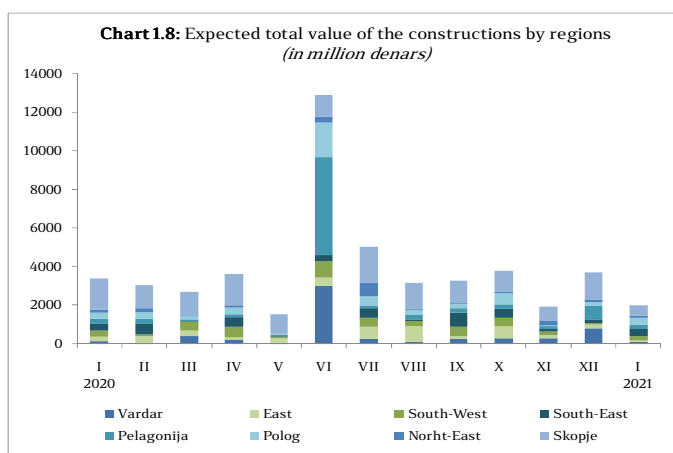
Analyzed by types of investors, out of total 199 issued building permits, individuals were investors in 90 facilities (or 45.2%), while business entities were investors in 109 facilities (or 54.8%).



In January 2021, construction of 182 flats was envisaged, with total usable area of 17,325 m². Number of flats envisaged for construction declined by 51.1% on monthly basis, while dropping by 68.1% on annual basis.

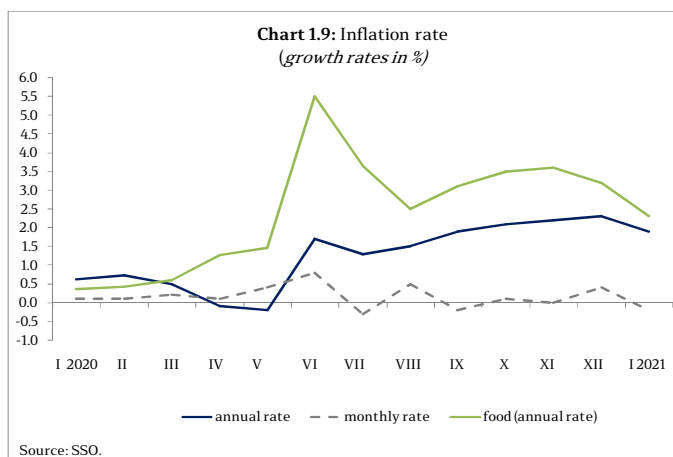
Inflation

Consumer prices in January 2021 increased by 1.9% compared to



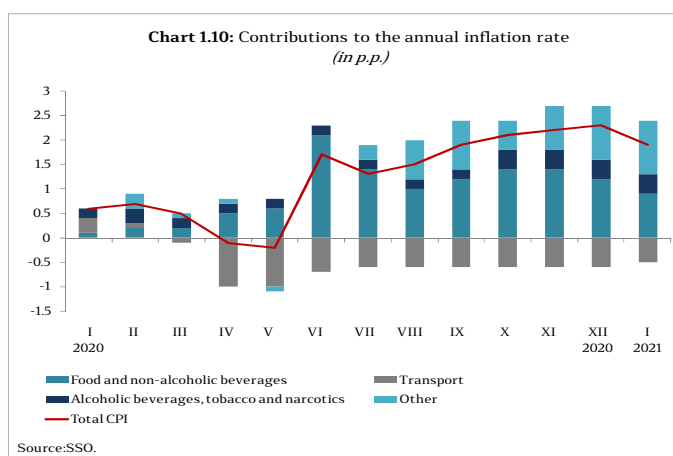


January 2020, accelerated inflation rate growth was mostly due to the increase in prices of food, alcohol and tobacco, as well as, to a certain extent, as a result of the electricity price increase (price of electricity increased by 7.4% in August under a decision by the Energy Regulatory Commission), while prices surged by 2.3% on annual basis in the previous month. Average inflation rate in 2020 period accounted for 1.2%, being stable with highest contribution from the changes in the food prices. Inflation rate in 2021 is expected 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.



On the other hand, inflation rate in January in the Eurozone was accelerated, increasing by 0.9% on annual basis, following its 0.3% drop in December 2020, the categories food, alcohol and tobacco had the highest positive contribution of 1.5%, followed by the increase of prices and industrial goods by 1.4% each and energy by 4.1%.

Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 2.3% increase in January 2021 on annual basis. Increase was a result of the increase of prices at many sub-categories, whereby prices of Oil (13.0%), Fruit (3.5%) and Vegetables (3.3%) experienced the highest growth. Highest annual increase of prices in January 2021 was recorded at the category Alcoholic beverages, tobacco and narcotics by 8.0%, followed by the increase in the prices of Restaurants and hotels by 6.0%, Housing, water, electricity, gas and other fuels by 4.4%, Health protection by 2.5%, Miscellaneous goods and services by 1.8%, Recreation and culture by 1.1%, Furnishings, household equipment and routine maintenance of the house by 0.7%, and Education by 0.5%.



Monthly price decline was also recorded at the following categories: Transport by 6.1%, Clothing and footwear by 0.5% and Communications by 0.3%

Consumer prices in January 2021 decreased by 0.2% on monthly basis (during the previous month, consumer prices picked up by 0.4% on monthly basis). Monthly price



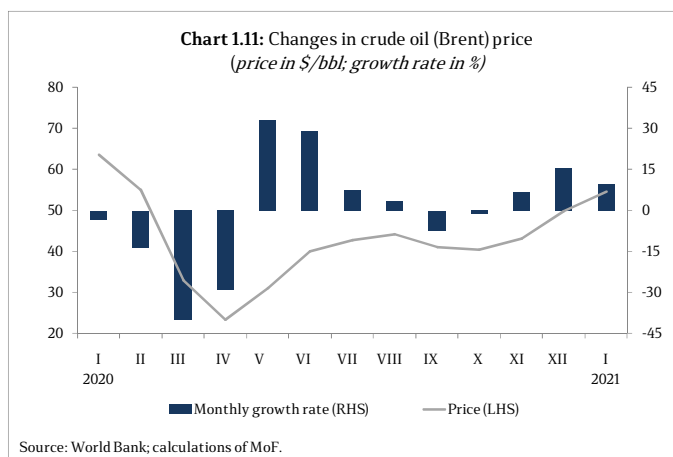
increase was also recorded at the following categories: Transport by 0.7%, Restaurants and hotels by 0.4%, Miscellaneous goods and services by 0.3%, and Health protection by 0.2%.

Monthly price decline was also recorded at the following categories: Food and non-alcoholic beverages by 0.7%, Clothing and footwear by 0.6%, Communications by 0.3% and Housing, water, electricity, gas and other fuels by 0.1%. Prices at the other categories remained unchanged.

Retail prices in January 2021 were higher by 1.6% compared to the same month last year, while on monthly basis, they remained unchanged.

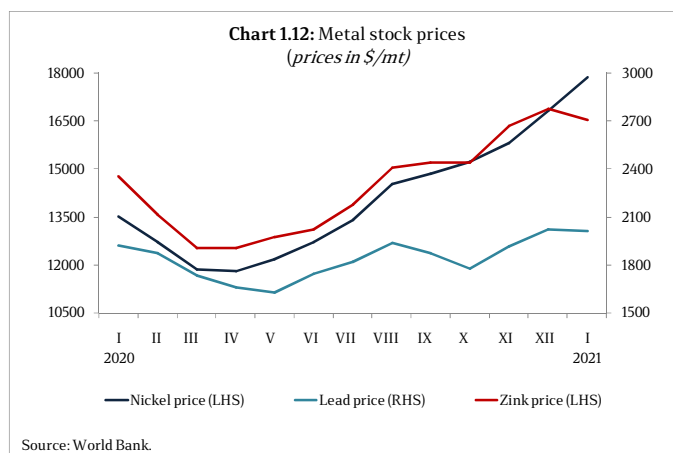
Stock Market Prices

In January 2021, crude oil price (Brent) on the global stock markets surged by 9.4%, compared to December 2020, reaching the price of US\$ 54.6 per barrel. 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. However, when compared to January 2020, oil price was lower by 14.2%.



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 January 2021, when natural gas experienced 12.7 monthly growth.

Similar to the oil price path, price of nickel has 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 January 2021, by experiencing 6.2% growth. Compared to January 2020, price of nickel grew by 32.3%. In addition to nickel, monthly price increase in January was also recorded at tin and copper, surging by 11.1% and 2.6%, respectively.





Other base metals in January experienced drop of the price on monthly basis. Thus, price of zinc reduced by 2.7%, aluminium price decreased by 0.5%, while lead price experienced 0.3% drop.

In January 2021, price of iron ore increased by 9.1% on monthly basis, reaching US\$ 170 per dry metric tone unit, being at historic low over the last 10 years.

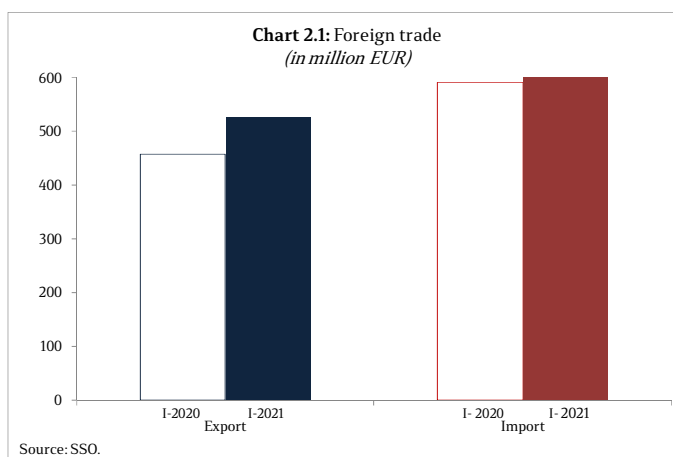
As for precious metals, gold in August 2020 reached the highest price on global stock markets in history, followed by downward price trend, until the end of the year. In January 2021, price of gold increased by 0.5% compared to the previous month. Price of platinum and silver also increased by 6.1% and 3.7%, respectively in January compared to December 2020.

In January 2021, price of maize on global stock markets grew by 18.0%, while price of wheat increased by 10.1%, on monthly basis.

2. FOREIGN TRADE

In January 2021, total foreign trade amounted to EUR 1,150.1 million, increasing by 9.7% compared to January 2020.

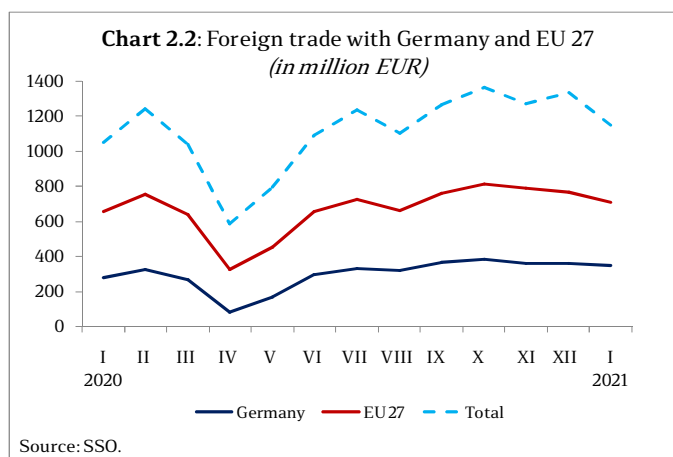
In January 2021, share of trade with the EU (EU 27¹), as the largest trading partner, decreased by 0.8 p.p. compared to January last year, accounting for 61.7%. Germany is the major trading partner to our country. As for total foreign trade structure of our country, share of the trade with Germany in January 2021, accounted for 30.5%, increasing by 4.0 p.p. compared to the same month in 2020.



Export

Value of exported goods amounted to EUR 527.3 million in January 2021, surging by 15.4% (EUR 70.3 million) compared to the same month in 2020, following the 8.2% growth in December 2020. Physical output of export decreased by 10.1% compared to January 2020.

Analyzed on monthly basis, in

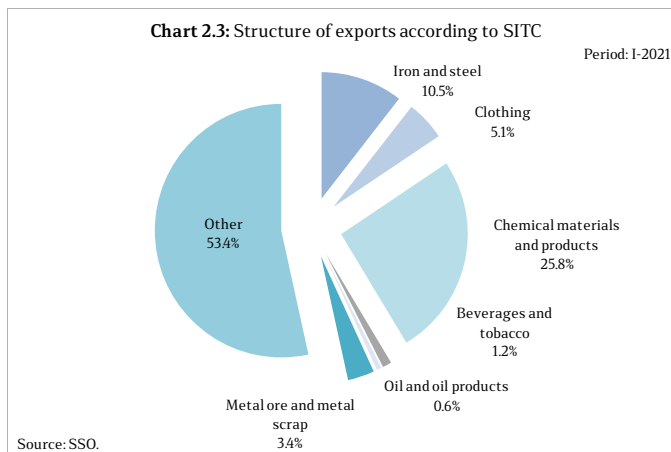


¹Starting February 2020, Great Britain is included in the economic group of countries - Miscellaneous countries.

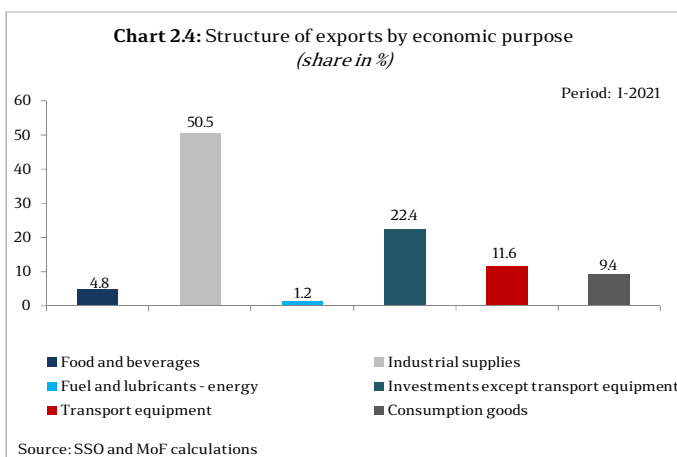


January 2021, export dropped by 3.3% (EUR 18.0 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 1.4%, showing negative effects of the seasonal factor (4.7 p.p.) on export this month.

Main groups of products (according to SITC²) being the most exported in January 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 46.6% of the total export of the country.



Analyzed according to the economic groups³ of countries, in January 2021, compared to January 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 21.9% annually, while export to Western Balkan countries increased by 3.3%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 83.7% and 7.9% respectively in the total export from the Republic of North Macedonia.



²Standard International Trade Classification

³Economic 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).



Import

Value of exported goods amounted to EUR 622.8 million in January 2021, surging by 5.3% (EUR 31.4 million) compared to the same month in 2020, following the 1.4% growth in December 2020. Imported quantities of goods declined by 20.0%.

Analyzed on monthly basis, in January 2021, import dropped by 21.4% (EUR 169.6 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly decrease of 1.7%, showing negative effects of the seasonal factor (19.7 p.p.) on import this month.

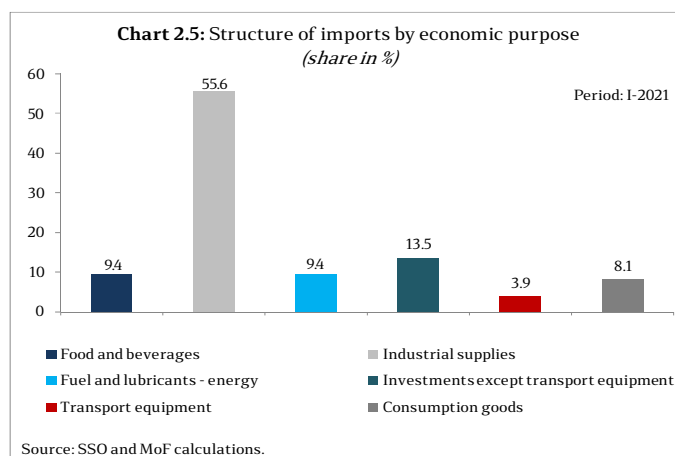


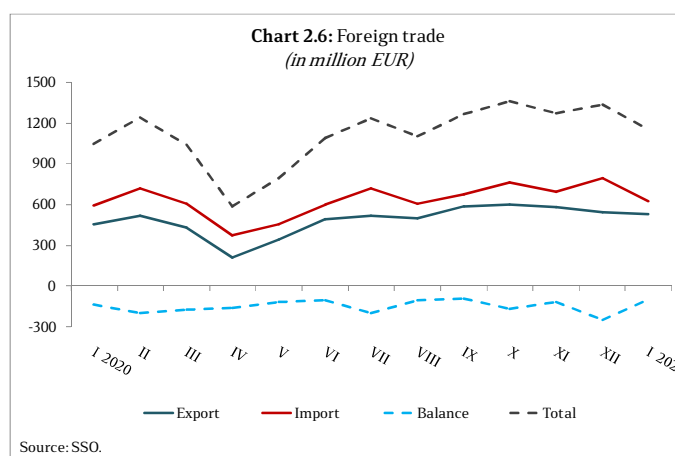
Table 2.1. Review of export and import of selected groups of products

Export of chemical products*)					Import of chemical products*)				
	I-2020	I-2021	Balance	% rate		I-2020	I-2021	Balance	% rate
000 T	3,9	2,2	-1,8	-45,2	.000 T	2,4	2,0	-0,4	-17,9
EUR mil.	85,9	136,1	50,2	58,5	EUR mil.	16,6	15,3	-1,3	-7,8
\$ mil.	95,3	165,7	70,4	73,9	\$ mil.	18,4	18,6	0,2	1,0
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I-2020	I-2021	Balance	% rate		I-2020	I-2021	Balance	% rate
000 T	65,2	66,4	1,2	1,8	.000 T	81,5	51,6	-29,9	-36,7
EUR mil.	50,0	55,4	5,5	11,0	EUR mil.	35,3	27,0	-8,3	-23,5
\$ mil.	55,5	67,4	12,0	21,6	\$ mil.	39,2	32,8	-6,3	-16,1
*)Previous data					*)Previous data				
Export of electrical machines and spare parts*)					Import of electrical machines and spare parts*)				
	I-2020	I-2021	Balance	% rate		I-2020	I-2021	Balance	% rate
000 T	5,8	6,5	0,7	12,0	.000 T	4,7	4,5	-0,1	-3,1
EUR mil.	76,7	74,5	-2,2	-2,9	EUR mil.	59,3	55,9	-3,4	-5,8
\$ mil.	85,1	90,5	5,5	6,4	\$ mil.	65,8	68,0	2,2	3,3
*)Previous data					*)Previous data				

Trade Balance

In January 2021, trade deficit decreased by 29.0%, i.e. EUR 38.9 million compared to the same month in 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





fuels and lubricants, goods for investments without transport equipment and food and beverages and consumer goods. On the other hand, increase of deficit in the trade of industrial supplies, as well as reduction of the positive balance in the trade with transport equipment contributed to increasing the negative balance.

In January 2021, highest trade deficit of the country was realized in the trade with Great Britain, China, Greece and Serbia, followed by: Poland, Turkey, Bulgaria, Romania, Russia and others. Surplus was realized in the trade with Germany, Kosovo, Slovakia, Hungary, Spain, the Netherlands and Italy.

Currency Structure

Observed by currency structure, 92.6% of the trade in January 2021 was realized in euros and, compared to January 2020, it surged by 6.6 p.p.. On export and import side, euro accounted for 94.4% and 91.0%, respectively, whereby share of the euro in export was higher by 3.2 p.p., while increase of the share of the euro in import accounted for 9.0 p.p. compared to January 2020.

import	I - 2020					I - 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	342,0	484.978.208	61,5375	29.844.346.501	82,0	288,4	566.863.144	61,5891	34.912.590.839	91,0	81.884.935	16,9
USD	200,4	111.055.071	55,4065	6.153.172.773	16,9	145,5	61.568.904	50,5704	3.113.564.083	8,1	-49.486.167	-44,6
GBP	0,4	1.530.449	72,4555	110.889.452	0,3	0,2	1.240.640	68,9436	85.534.220	0,2	-289.809	-18,9
EUR+USD+ GBP	542,8			36.108.408.725	98,9	434,1			38.111.689.142	99,4		
tot. import	543,7			36.395.368.140	100,0	435,0			38.360.882.797	100,0		5,4

Source: SSO and NBRNM

3. FISCAL SECTOR

Budget Revenues According to the Economic Classification

In January 2021, total budget revenues reached an amount of Denar 14,808 million, i.e. 2.1% of GDP, showing lower performance by 5.1% in relation to the same month in 2020, reflecting the reduced economic activity as a result of the health and the economic crisis.

Tax revenues were collected in the amount of Denar 8,798 million, being lower by 3.4% in relation to the same month in 2020.

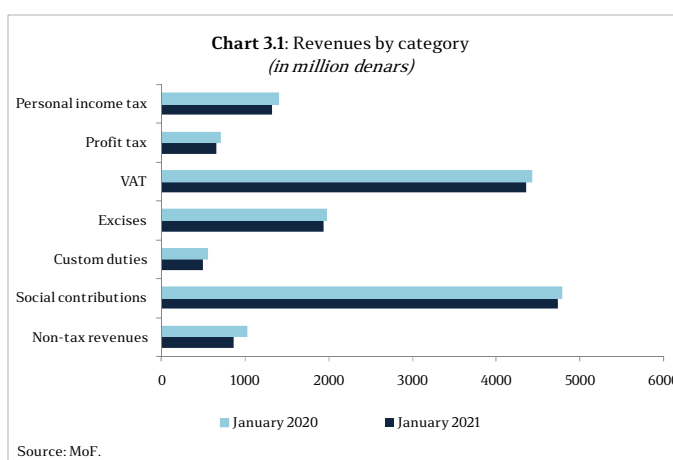
Revenues on the basis of value added tax were collected in the amount of Denar 4,352 million, decreasing by 1.6% compared to January 2020, whereby share of VAT in total tax revenues was dominant, accounting for 49.5%. Thereby, VAT collection amounted to Denar 6,254 million on gross basis, Denar 1,902 million out of which was refunded to taxpayers (gross collection was lower by 10.1%, while VAT refund was lower by 25.0% compared to January 2020). As for VAT structure, collection of VAT when importing accounted for the most, decreasing by 9.4%, while VAT revenues collected on the basis of sales in the country dropped by 10.7%.



Revenues on the basis of excises were collected in the amount of Denar 1,913 million (participating with 21.9% in the tax revenues), declining by 2.3% compared to the same month in 2020. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 6,283 million, i.e. 71.4% of total tax revenues in January 2021.

PIT revenues were collected in the amount of Denar 1,320 million, decreasing by 6.0% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 65.9% of the personal income tax, revenues on the basis of games of chance and award games accounted for 8.9%, revenues on the basis of contractual agreement accounted for 6.5%, capital revenues accounted for 6.3% while revenues on the basis of other types of income tax accounted for 12.4%.

Profit tax revenues in this period amounted to Denar 654 million, decreasing by 6.7% compared to the same period in the previous year, whereby decrease was also observed at monthly advance payments by 14.0%. Drastic changes were recorded at tax balances, being positive in January 2021 (being in the negative zone compared to the same month last year), as well as profit tax on the basis of dividends and other distribution, being almost insignificant in January this year.



Revenues on the basis of customs duties were collected in the amount of Denar 488 million, experiencing a decrease of 11.4%. Collection of revenues on the basis of other taxes, amounting to Denar 53 million, grew by 8.2% compared to January last year.

Social contributions were realized in the amount of Denar 4,730 million, which was by 1.2% less compared to the same month in 2020. Thereby, collection of pension and disability insurance contributions was lower by 0.9%, health insurance contributions surged by 1.8%, while employment contributions grew by 2.5%.

Non-tax revenues were collected in the amount of Denar 859 million and, in relation to January 2020, they were lower by 16.3% (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 realized on the basis of sale of construction land, flats and dividends reached Denar 79 million, decreasing by 71.7% compared to January last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 292 million, decreasing by 2.3% compared to the same period last year.



Budget Expenditures According to the Economic Classification

Total budget expenditures amounted to Denar 17,503 million in January 2021, i.e. they accounted for 2.5% of GDP, being higher by 4.1% compared to the same period in 2020.

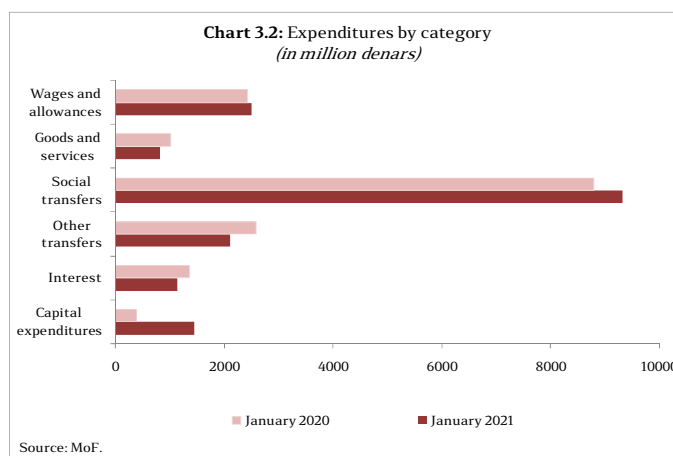
With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 16,065 million, accounted for 91.8% and they decreased by 2.1% in relation to the same period in 2020.

Expenditures related to wages and allowances were executed in the amount of Denar 2,495 million, increasing by 3.0% in relation to January in the previous year, accounting for 14.3% of the total budget expenditures.

Expenditures related to goods and services were executed in the amount of Denar 817 million, decreasing by 19.7% compared to the same month in 2020.

Funds allocated for transfers amounting to Denar 11,619 million accounted for the most in the current expenditure items. Such expenditures grew by 0.1% compared to the same month in 2020, participating with 66.4% in the total expenditures.

Funds allocated for social transfers amounted to Denar 9,325 million, increasing by 6.0% and accounting for 53.3% of the total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 5,878 million, increasing by 6.5% compared to the same month in 2020 and accounting for 33.6% of the total expenditures. Category “other transfers”, which includes transfers to local government units, accounted for 12.0% of the total expenditures, i.e. they decreased by 18.4%, amounting to Denar 2,105 million. Block grants to local government units, amounting to Denar 1,593 million, grew by 1.7% compared to January in the previous year. Expenditures related to subsidies and transfers amounted to Denar 326 million, being lower by 60.1% compared to the same month last year.



Interest payments expenditures amounted to Denar 1,134 million, being lower by 17.0% compared to the same period in 2020. Costs related to interest on the basis of domestic borrowing decreased by 13.1%, while the ones on the basis of foreign borrowing dropped by 18.1%.

During the analyzed period, funds for capital expenditures were executed in the amount of Denar 1,438 million, participating with 8.2% in the total expenditures, i.e. increasing by 3.5 times compared to January 2020. Highest capital expenditures were executed



through the organizational code Ministry of Finance – Functions of the State, in the amount of Denar 2,649 million, i.e. 54.0% of the projected ones for 2021.

Budget Balance

In January 2021, budget deficit of the Republic of North Macedonia reached the amount of Denar 2,695 million, accounting for 0.4% of GDP, while central budget deficit amounted to Denar 2,172 million, accounting for 0.3% of GDP.

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 January 2021, Denar 5,177 million, i.e. 8.3% of the funds envisaged for 2021 was spent through the organizational code Ministry of Finance – Functions of the State⁴. Capital expenditures (Denar 2,649 million) is the main category in the total expenditures of this budget user, accounting for 51.2% of its total expenditures. As for principal repayment, Denar 1,169 million has been allocated (2.7% of the projections), i.e. 22.6% of the total expenditures of this budget user. As regards expenditures related to interest payments, they accounted for 21.9% of the total expenditures, Denar 1,135 million being spent therefore or accounting for 12.0% of the total budget for this purpose.

In January 2021, Ministry of Labour and Social Policy executed funds in the amount of Denar 4,282 million or 8.1% of its total budget for the current year. Thereby, most of the expenditures (68.7%) in this period were allocated for current transfers to budgetary funds, for which Denar 2,941 million was spent or 8.1% of the funds allocated for 2021. The second highest expenditure category were the social benefits, participating with 23.2% in the total expenditures, whereby 8.3% (Denar 992 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 1,734 million, i.e. 6.4% of its total 2021 budget. Current transfers to LGUs accounted for the most of the expenditures (78.1%), Denar 1,355 million being spent therefore or 8.3% of total projected funds. Wages and allowances are the second highest expenditure category, participating with 18.7%, Denar 325 million being spent therefore, i.e. 7.6% of the total projected funds.

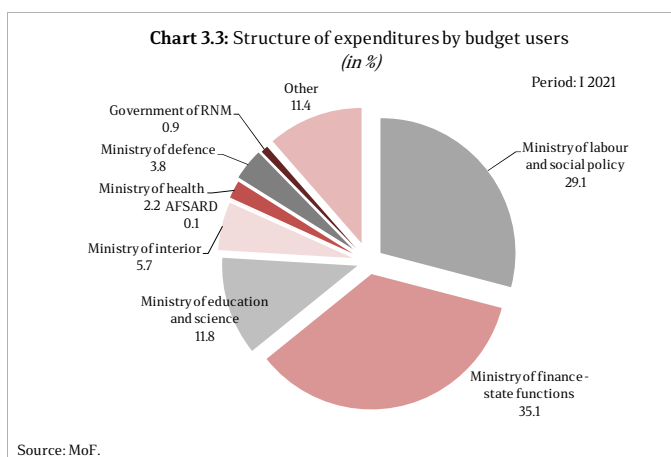
During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 846 million, accounting for 7.1% of its 2021 budget. Wages and allowances were the highest expenditure item, participating with 77.4%, Denar 655 million being spent therefore, or accounting for 8.1% of the projected ones. The second highest expenditure category was goods and services, participating with 13.4%, funds in

⁴As 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.



the amount of Denar 113 million being spent therefore, or accounting for 4.5% of the annual projections.

Ministry of Defence, in January 2021, spent budget funds in the amount of Denar 555 million, accounting for 5.0% of its total this year's budget. Expenditures related to wages and allowances accounted for the most with 61.0%, Denar 338 million being spent therefore in January 2021, (accounting for 8.0% of the total funds projected for the current year). Expenditures related to goods and services accounted for 22.5% of total expenditures, with Denar 125 million being spent therefore during the analyzed period, i.e. 4.7% execution of the total projected funds.



Government of the Republic of North Macedonia spent Denar 131 million, i.e. 1.9% of the funds projected for 2021. Thereby, subsidies and transfers accounted for 59.7% of total expenditures of this budget user, Denar 78 million (1.4% of the projected funds) being spent therefore.

In January 2021, Ministry of Health executed budget funds in the amount of Denar 317 million, i.e. 4.6% of its total 2021 budget. Expenditures related to goods and services accounted for the most in the expenditures with 77.3%, Denar 245 million being executed therefore or 7.9% of the funds projected for 2021.

During the analyzed period, Ministry of Transport and Communications executed funds in the amount of Denar 24 million, i.e. 0.5% of its total budget for the current year. Capital expenditure execution accounted for 0.03% of the projections (Denar 1.3 million).

In January 2021 period, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 8.5 million, accounting for 0.2% of the funds projected for the current year. As for wages and allowances accounting for 97.3% of the total expenditures, 8.1% of the projected funds were spent therefore.

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

4. SOCIAL SECTOR

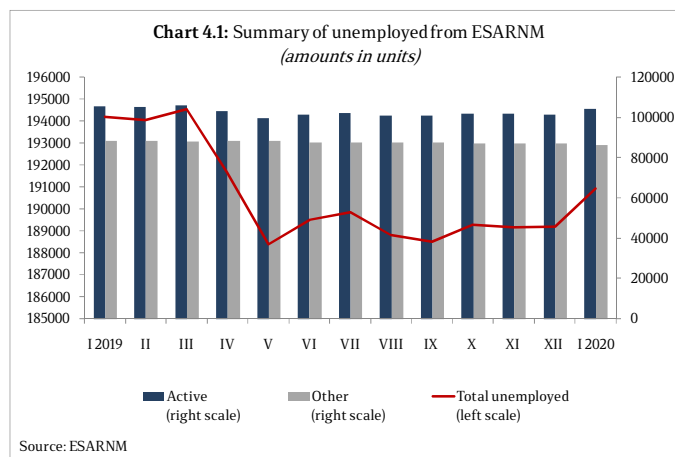
Number of Newly Employed and Registered Unemployed Persons in EARNM

In January 2021, Employment Service Agency registered total of 12,404 new employments. Total number of newly employed persons was lower by 29.1% compared to January 2020.

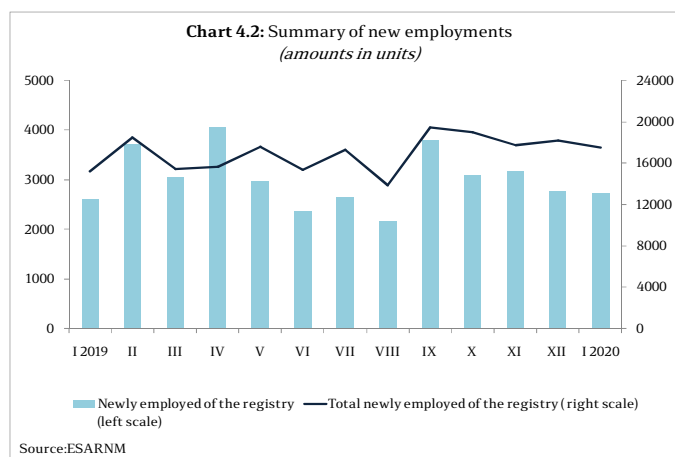


As regards the total number of newly employed, 38.0% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In January 2021, 22.7% out of the total number of newly employed persons was from the unemployed records.

Total number of unemployed persons in January 2021 was 248,974, 158,681 persons out of which were active job seekers, while 90,293 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, 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 January 2020, 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 unemployed (62.8%) came from urban areas (cities), whereby 49.8% were men. Analyzed by the level of education, majority, i.e. 63.3%, of the unemployed persons were with incomplete secondary education or less, 26.8% were with completed secondary education, while 9.9% of the unemployed persons were with completed community college or higher education level.



Observed by age, majority of the unemployed persons or 51.2% fall in the category of 25-49 years of age. According to the time they waited for a job, 49.2% of the unemployed persons wait for employment from 1 to 7 years, while 4.1% wait for employment for 8 years and more.

Wages

In December 2020, average net wage increased by 5.4% in nominal terms on annual basis, and it was higher by 2.6% in relation to the previous month. The highest increase of average net wage was observed at the following sectors: Information and



communications (15.5%), Mining and quarrying (10.5%), and Health and social protection (10.0%). In December, wages grew by 3.1% in real terms on annual basis.

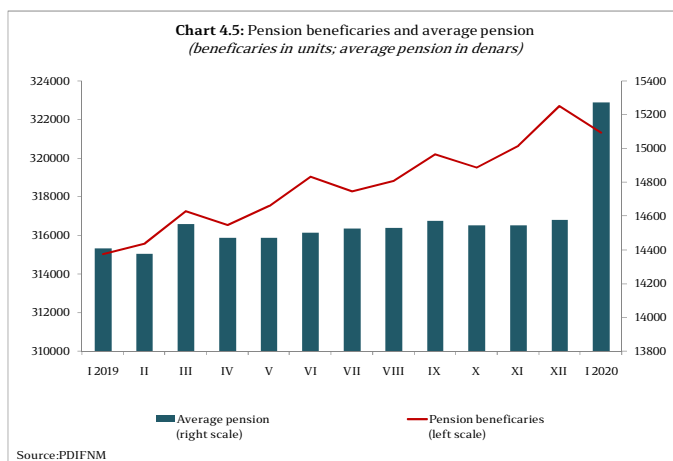
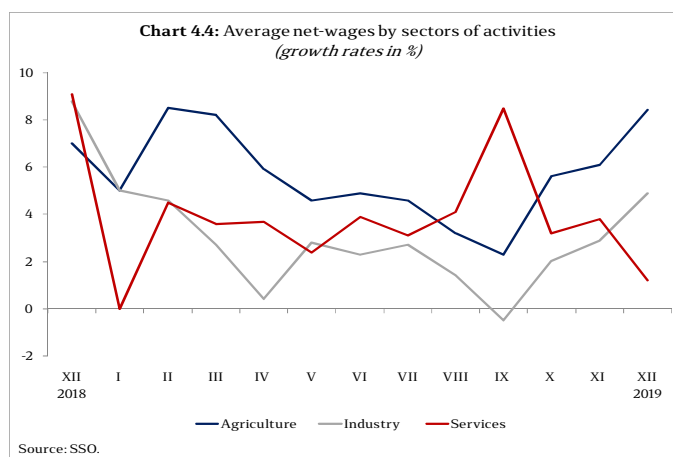
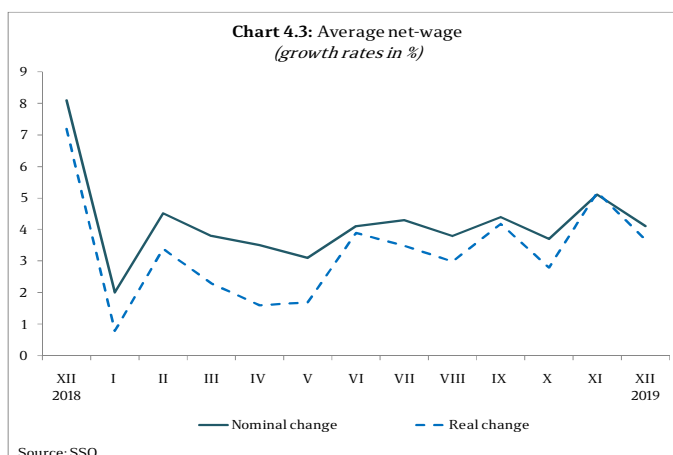
In December 2020, average gross wage increased by 5.7% in nominal terms on annual basis, and it was higher by 2.6% in relation to the previous month. The highest increase of average gross wage was observed at the following sectors: Information and communications (14.9%), Mining and quarrying (10.9%), and Health and social protection (10.4%). Real gross wage surged by 3.4% annually.

Pensions

In January 2021, Pension and Disability Insurance Fund registered 322,349 pensioners. As regards the total number of pensioners, 67.2% were beneficiaries of old-age pension, 23.0% of survival pension and 9.8% of disability pension.

Average pension in January 2021 amounted to Denar 15,627, being higher by 2.3% compared to the same month last year⁵. Ratio between the average pension and the average paid wage in December 2020 (the most recent available data) was 54.6%.

In January 2021, average old-age pension amounted to Denar 16,895, average disability pension amounted to Denar 14,126, while average survival pension amounted to Denar 12,567. In January 2021, Denar 4,939 million was spent for payment of pensions, accounting for 53.0% of the total social transfers.

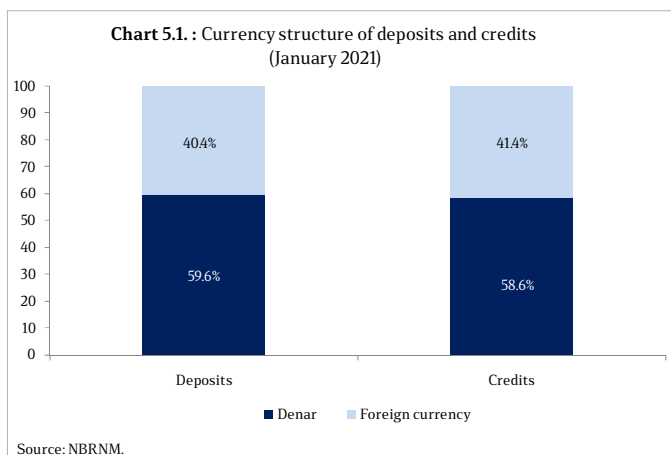


⁵Military and agricultural pensions are not included when calculating the average pension.



5. MONETARY AND FINANCIAL SECTOR

In January 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 beginning of the year due to the conditions arising from the COVID-19 pandemic and the measures aimed at preventing the spread of the virus, which adversely affect both the global and the national economy. 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 January 2021, primary money⁶ increased by 15.5% compared to January 2020. Increase of primary money was a result of increase of both currency in circulation by 18.4% and total liquid assets by 11.8%. On monthly basis, primary money declined by 0.1%, as a result of the decrease of currency in circulation by 1.1%, while total liquid assets of banks recorded 1.1% growth.

Deposit Potential⁷

In January 2021, total deposits of banks decreased by 0.5% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises declined by 3.3%, while deposits of households grew by 0.2%.

Analyzed by currency, in January 2021, compared to the previous month, Denar deposits decreased by 1.5%, while foreign currency deposits picked up by 0.9%.

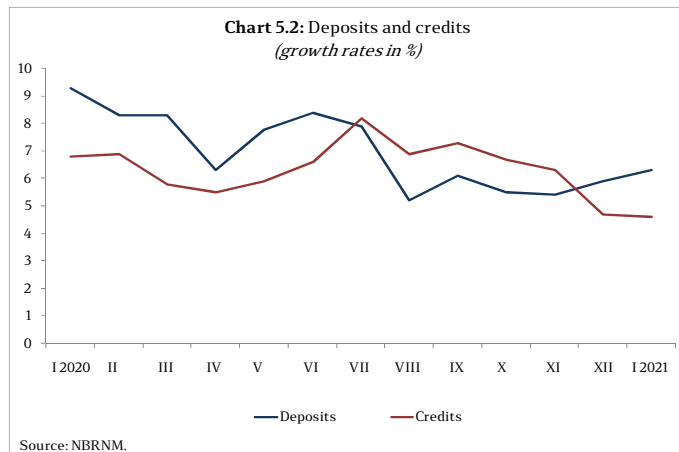
⁶Primary money is calculated as a sum of currency in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).

⁷NBRNM 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.



Total deposit potential in January 2021 surged by 6.3% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 4.9% and 8.5%, respectively.

From sector point of view, this month, deposits of enterprises and deposits of households grew by 16.8% and 4.7% respectively, on annual basis.



According to maturity, short-term deposits surged by 4.2%, while long-term deposits decreased by 6.4%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 59.6%.

Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (January 2021)	Denar million	Monthly change	Annual change
Deposit Potential	432,539	-0.5%	6.3%
By currency:			
<i>Denar</i>	<i>257,833</i>	<i>-1.5%</i>	<i>4.9%</i>
<i>Foreign currency</i>	<i>174,706</i>	<i>0.9%</i>	<i>8.5%</i>
By maturity:			
<i>Short-term</i>	<i>180,917</i>	<i>1.1%</i>	<i>4.2%</i>
<i>Long-term</i>	<i>103,306</i>	<i>-0.2%</i>	<i>-6.4%</i>
Credits to private sector	356,943	-0.1%	4.6%
By currency:			
<i>Denar</i>	<i>209,005</i>	<i>0.0%</i>	<i>4.8%</i>
<i>Foreign currency</i>	<i>147,938</i>	<i>-0.3%</i>	<i>4.3%</i>
By maturity:			
<i>Short-term</i>	<i>56,739</i>	<i>1.6%</i>	<i>-5.4%</i>
<i>Long-term</i>	<i>283,678</i>	<i>-0.6%</i>	<i>7.9%</i>
<i>Doubtful and contested claims</i>	<i>12,073</i>	<i>3.0%</i>	<i>-24.1%</i>

Source: NBRNM

Bank Credits

In January 2021, total credits of banks to the private sector declined by 0.1% compared to last month. Sector analysis shows that credits to enterprises declined by 0.3%, while



credits to households remained unchanged. Analyzed by currency, in January 2021, on monthly basis, Denar credits remained unchanged, while foreign currency credits dropped by 0.3% during this month.

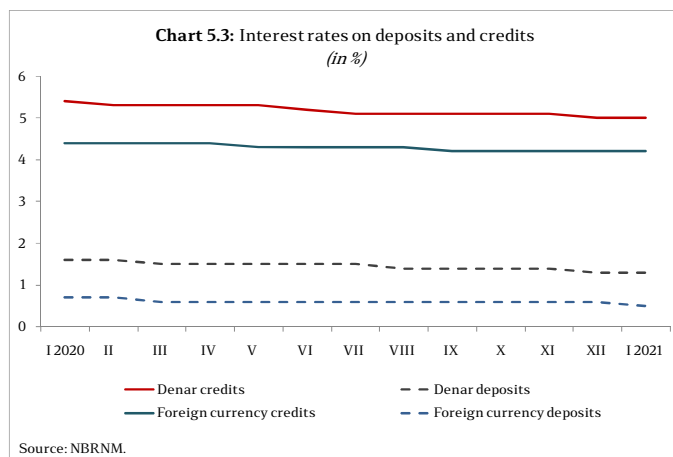
On annual basis, total credits surged by 4.6% in January 2021, amid increase of both credits to households by 7.4% and credits to enterprises by 1.7%. Denar credits surged by 4.8%, while foreign currency credits increased by 4.3%.

As regards maturity, long-term credits experienced annual growth of 7.9%, while short-term credits dropped by 5.4%.

Interest Rates of Deposit Banks

In January 2021, total interest rate on credits dropped by 0.01 p.p. compared to the previous month, accounting for 4.62%. Interest rate on Denar credits dropped by 0.02 p.p., accounting for 5.0%, while interest rate on foreign currency credits remained unchanged on monthly basis, accounting for 4.17%.

Total interest rate on deposits was 0.93% in January 2021, being lower by 0.02 p.p. compared to previous month. Interest rate on Denar deposits accounted for 1.31%, declining by 0.02 p.p. compared to last month, while interest rate on foreign currency deposits accounted for 0.54%, dropping by 0.01 p.p..

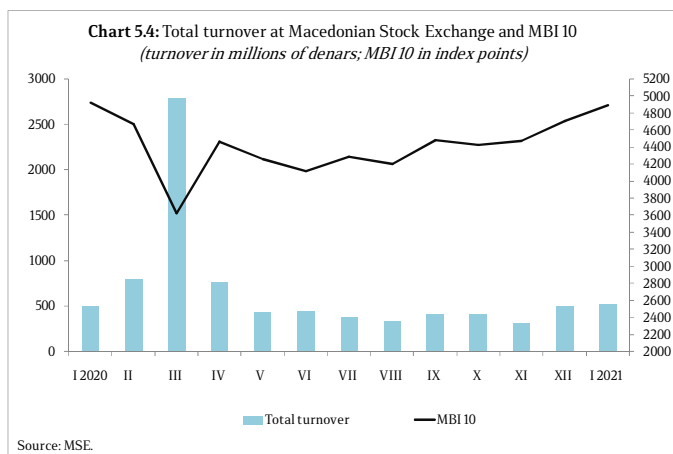


Capital Market

As for the capital market, in January 2021, total turnover on the stock exchange surged by 3.5% on monthly basis, as a result of the increase of turnover from block transactions by 25.4%, while turnover from trading in best decreased by 1.8%.

Total turnover on the stock exchange amounted to Denar 514.1 million in January 2021, being a decline of 11.7% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 4,896.29 index points at the end of January 2021, whereby the index grew by 4.1% on monthly basis, while, compared to the same month last year, the index was higher by 0.5%.





Reserve Assets

Gross reserve assets at the end of January 2021 amounted to EUR 3,335.74 million and, compared to the previous month, they were lower by 0.7%, while compared to January 2020, they were higher by 7.6%.